

NOVATO SANITARY DISTRICT

Finance Committee Meeting Minutes

Meeting Date: September 6, 2017

A regular meeting of the Finance Committee of Novato Sanitary District was held at 3:32 p.m., Wednesday, September 6, 2017, at the District office, 500 Davidson Street, Novato.

COMMITTEE MEMBERS PRESENT: Members William C. Long and Jean Mariani.

STAFF PRESENT: General Manager-Chief Engineer Sandeep Karkal, District Counsel Kent Alm, Finance Officer Laura Creamer, and Administrative Secretary Julie Hoover.

ALSO PRESENT: Erik Brown, Technical Services Manager
Stephen Gortler, Municipal Financial Advisor

AGENDA APPROVAL: The agenda was approved as presented.

PUBLIC COMMENT: None.

APPROVAL OF MINUTES: The December 5, 2016 meeting minutes were approved as presented. (Director Mariani noted that she was not present at the December 5th meeting; not a Committee member at that time.)

2011 CERTIFICATES OF PARTICIPATION (COPs):

- Receive staff report – Refinancing of the District’s 2011 Certificates of Participation (COPs). The General Manager stated that the intent of this item was to consider a refinance of the District’s current Certificates of Participation (COPs). He stated that the District issued \$21,750,000 of Wastewater Revenue COPs in October 2011 to finance wastewater system and recycled water system capital projects. He referenced the 2011 COPs Payment Schedule (Attachment A of the packet) and stated that currently \$17,475,000 remains as outstanding debt. He stated that currently, the interest rates on municipal debt is significantly lower than in 2011 and that there is an opportunity for potential savings by refinancing the COPs. The General Manager continued with a discussion of the potential benefits and potential considerations to refinancing. He discussed the method of sale and stated that staff is of the opinion that a competitive process would likely obtain a lower interest rate than utilizing a negotiated sale. He discussed the selection of a Municipal Advisor/Financial Advisor as part of the financing team during the refinancing process. He stated that Mr. Steven Gortler, a registered Municipal Advisor, was present at the meeting and would provide a brief overview of himself and his services following discussion by District Counsel.

District Counsel Kent Alm reviewed the proposed financing schedule (which was part of the presentation materials), and discussed the benefits of COPs vs. revenue bonds, the retention of Bond Counsel, and the hiring of a financial advisor.

- Receive presentation from Mr. Steven Gortler, Municipal Financial Advisor, on refinancing the District’s 2011 COPs. The General Manager introduced Steven Gortler, Municipal Financial Advisor. Mr. Gortler addressed the Committee and reviewed his presentation: ‘Novato Sanitary District 2011 Wastewater Revenue Certificates of Participation, Proposed

Refinancing, September 6, 2017'. He discussed details of the District's outstanding debt, estimated annual debt service savings, and the estimated net present value savings. He discussed the estimated cost of issuance and the proposed financing schedule for the COPs.

Following the presentation, a general discussion followed between Mr. Gortler, Committee members, District Counsel, and the General Manager. They discussed the process for beginning the refinancing, the central key provisions that will require Board involvement, and the refinancing process period.

Mr. Gortler was asked to leave the meeting so Committee members could hold a brief discussion with District Counsel and the General Manager. Members Long and Mariani agreed that Mr. Gortler should be retained as the District's Municipal Financial Advisor for this transaction. Member Mariani stated that she feels the District should proceed with the transaction soon and expressed her concern with the potential volatility of the market going forward. District Counsel and the General Manager agreed that proceeding with the refinancing would be desirable at this time as potential future volatility of interest rates may make delaying the refinancing of the COPs less favorable to the District.

Member Long questioned what fees the District would be responsible for if the District did not go through with the sale of the bonds. The General Manager replied that payment depends on how the agreement/contract with Mr. Gortler is structured. He noted that fees for the outside agencies are contingent on the bond sale. Members Long and Mariani stated they were ready to support agenda item 4.c. and Mr. Gortler was asked to return to the meeting.

- Recommend the following action items for consideration by the District Board at its September 11, 2017 meeting: Member Mariani stated that the Committee recommended the following action items for consideration by the District Board at its September 11, 2017 meeting:

- Direct staff to proceed with refinancing the 2011 COPs;
- Provide direction to staff on retaining Mr. Steven Gortler as the District's Financial Advisor (FA) for the refinancing process;
- Direct staff to return to the Board for formal approval of the refinancing, when the required financing documents have been drafted; and
- Direct staff and the financing team to provide periodic updates to the Board.

The Committee thanked Mr. Gortler for his presentation.

ADJOURNMENT: There being no new business to come before the Committee, the meeting was adjourned at 5:03 p.m.

Respectfully submitted,

Sandeep Karkal
Secretary

Julie Hoover, Recording