ASSOCIATION OF BAY AREA GOVERNMENTS

Meeting Transcript

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ABAG FINANCE COMMITTEE

THURSDAY, OCTOBER 21, 2021, 4:00 P.M.

KAREN MITCHOFF, CHAIR: GOOD AFTERNOON, EARLY EVENING EVERYONE. WELCOME TO THE ABAG FINANCE COMMITTEE MEETING FOR THURSDAY OCTOBER 21ST, 2021. MR. CASTRO E WILL YOU TAKE THE ROLL?

CLERK, FRED CASTRO: YES, MAY WE PLEASE PLAY THE COVID ANNOUNCEMENT?

JESSE ARREGUIN: SUPERVISOR RAMOS IS ON THE ATTENDEE'S SIDE. [RECORDED MEETING PROCEDURES ANNOUNCEMENT] THE CHAIR WILL CALL UPON COMMISSIONERS, PRESENTERS, STAFF, AND OTHER SPEAKERS, BY NAME, AND ASK THAT THEY SPEAK CLEARLY AND STATE THEIR NAMES BEFORE GIVING COMMENTS OR REMARKS. PERSONS PARTICIPATING VIA WEBCAST AND ZOOM, WITH THEIR CAMERAS ENABLED, ARE REMINDED THAT THEIR ACTIVITIES ARE VISIBLE TO VIEWERS. COMMISSIONERS AND MEMBERS OF THE PUBLIC PARTICIPATION BY ZOOM, WISHING TO SPEAK, SHOULD USE THE RAISE HAND FEATURE OR DIAL STAR 9, AND THE CHAIR WILL CALL UPON THEM AT THE APPROPRIATE TIME. TELECONFERENCE ATTENDEES WILL BE CALLED UPON BY THE LAST FOUR DIGITS OF THEIR PHONE NUMBER. IT IS REQUESTED THAT PUBLIC SPEAKERS STATE THEIR NAMES AND ORGANIZATION, BUT, PROVIDING SUCH INFORMATION IS VOLUNTARY. WRITTEN PUBLIC COMMENTS

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RECEIVED AT INFOATBAYAREAMETRO.GOV BY 5 P.M., YESTERDAY, WILL BE POSTED TO THE ONLINE AGENDA AND ENTERED INTO THE RECORD, BUT WILL NOT BE READ OUT LOUD. IF AUTHORS OF THE WRITTEN CORRESPONDENCE WOULD LIKE TO SPEAK, THEY ARE FREE TO DO SO. THEY SHOULD RAISE THEIR HAND AND THE CHAIR WILL CALL UPON THEM AT THE APPROPRIATE TIME. A ROLL CALL VOTE WILL BE TAKEN FOR ALL ACTION ITEMS. PANELISTS AND ATTENDEES SHOULD NOTE THAT THE CHAT FEATURE IS NOT ACTIVE. IN ORDER TO GET THE FULL ZOOM EXPERIENCE, PLEASE MAKE SURE YOUR APPLICATION IS UP TO DATE.

KAREN MITCHOFF, CHAIR: ALL RIGHT. THANK YOU VERY MUCH. NOW WE WILL HAVE ROLL CALL.

CLERK, FRED CASTRO: YES. MAYOR ARREGUIN?

JESSE ARREGUIN: PRESENT.

CLERK, FRED CASTRO: SUPERVISOR CHAVEZ?

CINDY CHAVEZ: HERE.

CLERK, FRED CASTRO: SUPERVISOR MITCHOFF?

KAREN MITCHOFF, CHAIR: HERE.

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CLERK, FRED CASTRO: SUPERVISOR RABBIT?

DAVID RABBIT: HERE.

CLERK, FRED CASTRO: SUPERVISOR RAMOS?

BELIA RAMOS: HERE.

CLERK, FRED CASTRO: SUPERVISOR SPERING?

JAMES P. SPERING: PRESENT.

CLERK, FRED CASTRO: QUORUM IS PRESENT.

KAREN MITCHOFF, CHAIR: THANK YOU EVERYBODY. I DON'T HAVE THE CHAIR'S REPORT -- SORRY -- PUBLIC COMMENT. ARE THERE ANY MEMBERS OF THE PUBLIC WHO WISH TO ADDRESS US ON ITEMS NOT ON THIS EVENING'S AGENDA. ANYTHING IN THE ZOOM OR LETTERS, FRED?

CLERK, FRED CASTRO: THERE WERE NO WRITTEN COMMENTS SUBMITTED FOR THIS ITEM AND NO MEMBERS OF THE ATTENDEES WITH THEIR HANDS RAISED.

KAREN MITCHOFF, CHAIR: THANK YOU. DO ANY OF MY COMMITTEE MEMBERS HAVE COMMENT? NONE. CHAIR'S REPORT, NONE. WE HAVE THE

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MINUTES OF OUR LAST MEETING SEPTEMBER 16TH. WOULD ANYBODY LIKE TO MOVE? SO MANY NOT HERE SO I'M NOT GOING TO CALL ON ANYBODY.

BELIA RAMOS: I'LL MAKE THE MOTION.

CINDY CHAVEZ: SECOND.

KAREN MITCHOFF, CHAIR: RAMOS MAKES THE MOTION, CHAVEZ SECONDS. ANY DISCUSSION? ANY WRITTEN COMMENTS ON CONSENT, FRED, ON THE MINUTES?

CLERK, FRED CASTRO: THERE ARE NO MEMBERS OF THE PUBLIC WITH THEIR HAND RAISED, AND THERE WAS NO PUBLIC COMMENT SUBMITTED ON THIS ITEM.

KAREN MITCHOFF, CHAIR: WONDERFUL. ROLL CALL, PLEASE.

CLERK, FRED CASTRO: MOTION BY RAMOS?

KAREN MITCHOFF, CHAIR: SECOND BY CHAVEZ.

CLERK, FRED CASTRO: THANK YOU. [ROLL CALL VOTE]

KAREN MITCHOFF, CHAIR: THANK YOU. OUR NEXT ITEM IS THE ABAG PENSION FINANCING.

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BRIAN MAYHEW: FROM THE FINANCIAL CAPITAL OF THE WORLD I'M LOCATED ONE TRADING DESK AT CITIBANK, WAS HERE AS AN INTERN. IT DOESN'T LOOK ANY DIFFERENT. WE BROUGHT TO YOU THE FINANCIALS, RELATIVE TO DEFICIT, THE WAY TO CONTROL DEFICIT IS TO CONTROL AS MANY EXPENSES AS YOU CAN THEN ADJUST REVENUES. WE BROUGHT ONE OPTION FOR MTC TO REDUCE AND ELIMINATE THE CHARGE ALL GRANTS PROCESS THE THROUGH MTC ARE FULLY BURDENED THROUGH OVERHEAD SO THAT TAKES PART OF IT. THE SECOND PART IS, SORT OF, A RELOOK AT THE 375 BEALE OWNERSHIP, AND THAT'S BECAUSE THE PEOPLE WORK FROM MTC -- I MEAN, THEY WORK DIRECTLY FOR MTC, COVERED UNDER MTC YOU DON'T NEED TO PAY FOR SEATS ANYMORE SO WE'RE LOOKING AT 1/3 OWNERSHIP OF THE COMMON AREA AND, SORT OF, GIVE UP THE SEATS CHANGING OPEN FROM NINE% TO ABOUT FIVE. THEN WE WOULD LIKE AT PURCHASING THAT SPACE FROM YOU. THE THIRD ONE IS THIS PENSION OBLIGATION BOND. THE IDEA IS TO REFINANCE YOUR PENSION LIABILITY. NOW, YOU'RE -- THE PENSION LIABILITY, RIGHT NOW, YOU ARE BEING CHARGED ROUGHLY 7% BY PERS THAT'S THE INTEREST RATE THEY'RE ACCESSING YOU, THEN YOU ARE DROPPING THE INTEREST RATE A BIT I DON'T THINK THEY'RE GOING TO UNBUNDLE THE INTEREST RATE RIGHT NOW YOU CAN'T CATCH UP WITH WHAT THEY ARE CHARGING YOU ON THE INTEREST RATE. SO ONE OF THE OPTION WE'RE BRINGING BACK IS THE PERS REFINANCING. AND I'M BRINGING THIS BACK BECAUSE YOU KIND OF HAVE TO MAKE A DECISION YOU WANT TO DO THIS. BECAUSE A LOT OF PROFESSIONALS

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NEED TO START WORKING. THEY KNOW THE RISKS, IF THEY DON'T DO THE TRANSACTION, THEY DON'T GET PAID, BUT IT IS SOMETHING THAT THEY WANT TO HEAR THAT YOU WANT THEM TO START WORKING, AND THAT'S NOT HYPOTHETICAL. SO, ANYWAY, YOU SEE BY THE PRESENTATION, PERS REFINANCING IS REALLY NOTHING MORE THAN A REFINANCING. SO, BASICALLY THE MARKET GIVES YOU AN OPPORTUNITY, YOUR CURRENT -- CURRENT AUDIT ABOUT $15 MILLION WE DID OUR CALCULATIONS ON 17. SO THERE IS AN OPPORTUNITY TO REFINANCE IT. AT CURRENT RATES, YOU COULD ACTUALLY EXTEND THE MATURITY LOWER INTEREST RATE AND WOULD SAVE YOU MONEY WE'LL SHOW YOU THAT IN A BIT AND LAST PART IS NEXT PAGE BASICS THE GRAPH ON THE RIGHT, YOU SEE THE BARS THAT GO ACROSS IS THE FIXED CHARGE YOU WILL PAY PERS OVER THE NEXT 12 YEARS. WHEN YOU ADD ALL THOSE UP IT'S ABOUT $22 MILLION, AGAIN, ABOUT 6.9% ON YOUR MONEY. IF WE RESTRUCTURE IT AT CURRENT RATES, WHICH IS ROUGHLY, I USE 350 AS THE RATE. IT'S, YOU KNOW, IN A CERTAIN MARKET, IT WOULD BE A LITTLE LOWER. IF MARKETS MOVE IT WOULD BE A LITTLE HIGHER. WE'RE TALKING ABOUT A 15 YEAR DEAL MOST PRIVATELY PLACED BUT ANYWAY LOOKING AT HALF THE INTEREST RATE YOU'RE PAYING NOW. EVEN BY EXTENDING IT, THE PAYMENTS ACTUALLY CONTINUE TO GO DOWN. NOW, THERE ARE A LOT OF THINGS -- WE'LL GET TO THAT ONE IN JUST A MOMENT. AS PAYMENTS GO DOWN YOUR SAVINGS GROW. ONE OF THE THINGS THAT WHEN YOU STRUCTURE A LEVEL PRINCIPLE PAYMENT AND YOU HAVE DECLINING PAYMENTS ESPECIALLY IN A STRUCTURE LIKE THIS YOU WANT TO TAKE THE

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SAVINGS AND DEDICATE INTO A RESERVE, PROBABLY OR POTENTIALLY FOR A CHANGE IN THE PERS ACTUARIAL CALCULATIONS IN THE FUTURE. SO, ANYWAY, THE ACCOUNTS ARE VERY SIMPLE. IT WOULD CHANGE FROM LEVEL PAYMENTS TO DESCENDING, AND AS I LOOK AT IT, THE SAVINGS ARE ROUGHLY ABOUT $2 MILLION DEPENDING ON THE INTEREST RATE AND THE TERM. I WOULD GET INTO A LOT OF CLEVER DETAILS ABOUT HOW TO DO A TURBO STRUCTURE AND MATURITY BUT THAT WOULD JUST MAKE IT BETTER, AND THE TRANSACTION LOOK BETTER. THIS ONE IS A PLAIN VANILLA TRANSACTION. SO GO TO THE NEXT PAGE. NOW, THERE ARE RISKS, SOME HISTORICALLY, SOME ARE HISTORICAL BASED, BECAUSE THERE WAS A TIME WHEN PENSION OBLIGATION BONDS WEREN'T PARTICULARLY WELL STRUCTURED, I GUESS WE WOULD SAY. THE FIRST ONE IS THAT THE OBLIGATION, ITSELF, IS NOT RETIRED. SORT OF, AKIN TO USING YOUR CREDIT CARD TO PAY THE OTHER CREDIT CARD, THE DEBT REALLY DOESN'T GO AWAY. THE OTHER STRUCTURE IS WHAT WE CALL A BULLET MATURITY. THIS WAS A FAIRLY COMMON TRICK DONE I'M SORRY -- STRUCTURE, USED IN THE EARLY '90S, TWO THOUSANDS, WHERE A PERSON WOULD ISSUE A $100 MILLION PENSION OBLIGATION BOND FULLY TAXABLE AND THE END WOULD BE DUE IN 25 YEARS AND IF YOU DIDN'T SET THE MONEY ASIDE TO PAY IT YOU WOULD HAVE TO DEAL WITH IT COMING TO MATURITY AT THE END OF 25 YEARS. THEIR IS ALSO, WHAT'S CONSIDERED NO PREPAYMENT OPTION. WE'RE NOT GOING TO DESIGN ANYTHING LIKE THAT. THESE ARE WHAT ARE CALLED MAKE WHOLE CALL YOU HAVE 15 YEAR BOND, AND PAY INVESTORS, WITH INTEREST, WE'RE NOT GOING TO DO THAT ANYWAY AND PERS CAN

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CHANGE ACTUARIAL ASSUMPTIONS. PERS CAN ACTUALLY GO IN AND MAKE YOUR LIFE BAD AGAIN BY DECIDING THAT, INSTEAD OF A DISCOUNT RATE OF 7%, THEY'RE GOING TO DROP THE SIX. OR WHAT'S CONSIDERED THE TAX EXEMPT RATE OF FIVE THAT WOULD RAISE YOUR LIABILITY OF TWO AND A HALF MILLION DOLLARS. WE HAVE ALREADY LOOKED AT WHAT PERS IS PLANNING TO DO AND MODELED THAT IN AS FAR AS THE TRANSACTION IS CONCERNED. AND THEN AGAIN, THERE IS A PERCEPTION, I ALREADY HAD A CALL FROM SOMEBODY, THE MEDIA PAYS ATTENTION TO THIS. THERE IS A -- WHEN I FIRST PROPOSED ONE OF THESE YEARS AGO AT MTC, ONE OF THE EDITORIAL WRITERS JUST LAID ME TO WASTE ABOUT USING, AGAIN, USING A CREDIT CARD TO PAY OFF THE MORTGAGE. AND THAT IS A PERCEPTION. THAT IS A PERCEPTION PEOPLE HAVE. ANY TIME YOU REFINANCE SOMETHING, THERE ARE THINGS YOU HAVE TO LOOK FOR. AND WHEN I SAY THE THINGS TO MITIGATION, ONE IS, WHEN YOU USE DEBT TO PAY OFF DEBT, YOU WANT TO MAKE SURE ONE OF THE DEBTS GOES AWAY. RIGHT? YOU WANT TO MAKE SURE -- AND BECAUSE ABAG IS IN RUN-OUT, THERE IS NOT GOING TO BE ANY NEW EMPLOYEES ADDED TO IT, THEREFORE THE ACTUAL LIABILITY, OTHER THAN A CHANGE IN THE ACTUARIAL CALCULATIONS REALLY CAN'T INCREASE. SO THE DEBT IS GOING TO GO AWAY. THE SECOND PART OF WHAT YOU'RE GOING TO LOOK FOR IS THAT YOU'RE ACTUALLY RETIRING THE PRINCIPLE. YOU WANT TO BE -- YOU DO NOT WANT A BULLET MATURITY, UNLESS, FOR WHATEVER REASON, AT THE END OF 15 YEARS, HAPPEN TO HAVE $15 MILLION LYING AROUND AND YOU WOULD RATHER MAKE MONEY ON THE 15 MILLION

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AND ARBITRAGE T YOU WANT TO LOOK AT -- MAKE SURE YOU'RE AMORTIZING THE PRINCIPLE THAT'S WHAT WE WANT IT'S A LEVEL PRINCIPLE SO YOU ACTUALLY REDUCE THE PAYMENTS. THE IDEA THAT YOU CAN'T PREPAY IT, THIS STRUCTURE WOULD BE PREPAYABLE AT ANY TIME. AND, AGAIN, THE WHOLE PERCEPTION PART OF IT, THE PERCEPTION PROBLEM, IF THE SAVINGS ARE RESERVED AGAINST FUTURE PERS ACTIVITIES OR PERS TRANSACTIONS YOU'RE ACTUALLY PROTECTING YOURSELF IN THE FUTURE. IN OUR ANALYSIS YOU'RE SAVINGS ARE ROUGHLY $2 MILLION. WE WOULD STRUCTURE IT SO YOU ARE PROBABLY GAINING ABOUT 200,000, 250,000 A YEAR. THAT'S THE -- THAT'S THE NUTS AND BOLTS OF IT. WHEN I DO A REFINANCING, UNLESS IT IS SOMETHING DONE FOR BUSINESSES PURPOSES, SO THERE IS SOMETHING REQUIRING COVERAGES AND THINGS WE HAVE TO DO, WE LOOK FOR THOSE THREE BASIC THINGS, ONE, YOU'RE GOING TO TAKE THE DATA, TWO, THERE IS GOING TO BE SAVINGS BETWEEN ONE AND THE OTHER, AND, THREE, YOU'RE NOT DESIGNING A STRUCTURE THAT YOU CAN'T MEET AT THE END DATE. AND JUST VERY BRIEFLY, AT THE END -- MY COMPUTER IS GIVING ME -- MY COMPUTER IS TIRED OF WORKING TODAY -- LAST PAGE? IT TAKES A TEAM TO DO THIS. WE HAVE A TEAM, AND IF YOU SAY GO, THEY WILL START WORKING. NOW, THEIR FEES NORMALLY COME OUT OF A TRANSACTION, BUT THERE WILL BE WORK THAT HAS TO BE DONE TO CHECK THE AUTHORITY TO DO IT, TO TIE IT UP, YOU KNOW, YOUR OPTIONS, YOUR GENERAL FUND AND THINGS LIKE THAT. SO THERE IS A BOND COUNCIL WHO PREPARES THE DOCUMENTATION. GENERALLY FOR THE INVESTORS, A FINANCIAL

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ADVISER, WE HAVE TO HAVE ONE OF THOSE. WE ALREADY HAVE PFM, THEY HAVE BEEN HELPFUL STRUCTURING THE ENTIRE FAN PORTFOLIO. THAT FAN PORTFOLIO HAD TO BE COMPLETELY REBUILT. WHAT IS IT? HOW MANY TRANSACTIONS DO YOU HAVE? LIKE 150? ALL 100-PLUS TRANSACTION HIS TO BE HAND-IN-HANDLED ALL OF THAT FINISHED, PFM RESPONSIBLE FOR THAT, AND THEN THERE THE UNDERWRITER WHO PREPARES, AND AGAIN PAID OUT. YOU HAVE TO SAY YOU WANT TO GET STARTED. THAT'S THE END OF MY PRESENTATION. I WILL, AGAIN, TELL YOU, AS A MATTER OF DUE DILIGENCE AND DISCLOSURE, I HAVE MEMBERS ON MY BOARD NOT KEEN ABOUT IT. I HAVE HAD CALLS FROM A REPORTER NOT KEEN ABOUT ANYTHING IN THIS APPROACH, AND I HAVE TO TELL YOU, I AM RETIRING IN DECEMBER, SO I DON'T WANT YOU THINKING I'M TRYING TO FORCE SOMETHING THROUGH, AND I'M NOT GOING TO BE THERE TO ADMINISTER. WE SET IT UP, IT WILL BE ADMINISTERED BY THE SAME TEAM OF PEOPLE WHO HANDLED THE DEBT YOU HAVE NOW, WELL, FAN HAS, AND, SO, YOU KNOW, I DON'T GET PAID A BUCK MORE DOING THIS. I STILL SAY, I WOULD STILL SAY THIS IS MY RECOMMENDATION. IT IS A GOOD WAY TO SAVE MONEY. IT DOES NOT DEPEND ON THE SPREAD, BECAUSE WE'LL LOCK THE INTEREST RATE IN AND CAP IT. WHETHER PERS COMES DOWN WITH THEIR INTEREST RATE AND CUTS THE SPREAD, THAT WOULD ACTUALLY BE A GOOD THING FOR EVERYBODY IN ALL YOUR JURISDICTIONS THAT'S A RISK WE CAN LIVE WITH. NOW, I KNOW THAT WAS A QUICK JOURNEY INTO PENSION OBLIGATION BOND LAND, AND I WILL TAKE ANY QUESTIONS. AND I HAVE TO BE QUICK, BECAUSE THERE IS JUST NOT

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MUCH VOICE LEFT. AND I HAVE BEEN AT IT FOR ROUGHLY 20 HOURS THIS WE COULD. MY VOICE IS NOT IN PRESENTATION SHAPE FOR FIVE DAYS IN NEW YORK. I HAVEN'T DONE IT IN A WHILE.

KAREN MITCHOFF, CHAIR: ALL RIGHT. DO MY COMMITTEE MEMBERS HAVE ANY QUESTIONS OF BRIAN? OKAY. BRIAN, I TOO, GOT THE PHONE CALL. SO, I HAVE A FEW QUESTIONS. HOPEFULLY THEY'RE YES OR NO. THIS RE-- SHOULD WE GO AHEAD WITH THE PENSION OBLIGATION BONDS, I UNDERSTAND BY ONE OF YOUR SLIDES THAT WE WOULD SAVE THE MONEY -- AGAINST ANY FUTURE PROBLEM WITH PERS OR WHATEVER -- BUT THIS WON'T RETIRE THE DEFICIT WE HAVE? OR THIS IS GOING ALONG TO REDUCE THE DEFICIT?

BRIAN MAYHEW: THIS IN AND OF ITSELF DOES NOT FIX IT, BUT THE COMBINATION OF THE ACTIONS WILL GET VERY CLOSE. THE COMBINATION OF THE THREE ACTIONS WILL GET YOU VERY CLOSE TO FIXING THE DEFICIT.

KAREN MITCHOFF, CHAIR: DID I HEAR YOU SAY THE INTEREST RATE IS LOCKED IN AND THEREFORE IS NOT DEPENDENT ON THE STOCK MARKET GOING UP OR DOWN, THAT WE WILL BE PAYING A STEADY, WHAT YOU THINK OF AS 3.5%?

BRIAN MAYHEW: WHAT WE ENVISION IS A STEP COUPON STRUCTURE IT WOULD COME IN AT A CERTAIN RATE 50 BASIS OVER THE TREASURY

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POINT OR HALF A PERCENTAGE POINT OVER 1.5% RIGHT NOW, SO TWO%, IT WOULD GO UP A MAXIMUM OF ONE HALF A% PERCENT A YEAR UNTIL IT REACHES A CAP OF THREE AND A HALF% IF IT GOES UP YOU HAVE REACHED YOUR CAP. IF IT DOESN'T GO UP YOUR PAYMENTS ARE GOING TO BE FIXED SO WHATEVER THE DELTA IS WE SET-ASIDE AS SAVINGS AND YOU CAN EITHER RETIRE [INDISCERNIBLE] OR RETIRE THE BOND EARLY.

KAREN MITCHOFF, CHAIR: THERE IS NO WAY THE INTEREST RATE WOULD GO OVER 3.5%?

BRIAN MAYHEW: NO. WE WOULD CAP IT.

KAREN MITCHOFF, CHAIR: THIS IS A CONTINUAL EXPENSE WE CAN -- WE'RE NOT CONTINUING WITH ANY NEW EMPLOYEES GOING INTO PERS. THIS IS FOR THAT GROUP THAT, IT'S A VERY FINITE GROUP, CORRECT?

BRIAN MAYHEW: CORRECT.

KAREN MITCHOFF, CHAIR: AND I SEE THERESE IS SHAKING HER HEAD. JESSE, YOU HAVE YOUR HAND UP?

JESSE ARREGUIN: YES. I WOULDN'T RECOMMEND THAT THE CITY OF BERKELEY OR CITY OF CALIFORNIA WOULD USE PENSION BONDS FOR

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SIMILAR REASONS THAT MR. MAYHEW SAID. OUR PERS OBLIGATIONS ARE IN RUNDOWN MODE. IT'S HOW WE REFINANCE THAT TO ACHIEVE SAVINGS WE CAN RAISE DUES AND SET-ASIDE THE MONEY AND MAKE THE ANNUAL PAYMENTS TO REDUCE OUR PENSION OBLIGATIONS BUT WHAT THIS DOES IS NOT ONLY ENABLE US TO MAKE THOSE PAYMENTS BUT ACHIEVE SAVINGS THAT COULD GO BACK INTO HELPING ABAG'S STRUCTURAL DEFICIT I WOULD RECOMMEND IN OPPOSITION OF WHAT MAY BE PERCEIVED AND MORE OVER WE PERCEIVE WHAT WE WOULD USE THAT SAVINGS FOR I RECOMMEND WE USE IT FOR RESERVE, OR TO SET-ASIDE SOME, SORT OF, 115 TRUST OR SOME, SORT OF, RESERVE TO HELP ADDRESS ANY RATE FLUCTUATION BECAUSE WE DON'T KNOW WHAT'S GOING TO HAPPEN WITH CALPERS AND WE DON'T WANT TO BE IN A POSITION WHERE WE'RE GOING TO PAY A LOT MORE AND NOT BE ABLE TO MAKE THOSE PAYMENTS. SO I THINK THE SAVINGS GENERATED COULD PROVIDE THAT CUSHION FOR US TO ADDRESS RATE FLUCTUATIONS SO WE'RE NOT IN A PRECARIOUS FINANCIAL SITUATION AND UNABLE TO MAKE THOSE PAYMENTS. I APPRECIATE MR. MAYHEW BRINGING FORWARD THESE THOUGHTFUL SUGGESTIONS ALL OF WHICH I THINK WILL HELP US ADDRESS OUR STRUCTURAL DEFICIT ULTIMATELY WE HAVE TO HAVE A MORE ADEQUATE RESERVE. WHETHER IT'S DEALING WITH LITIGATION COSTS OR UNANTICIPATED COST. SO I HOPE THE ACCUMULATIVE ASPECT OF THESE VARIOUS PROPOSALS WILL PUT US IN THAT POSITION. I DID LISTEN TO THE MTC ADMIN COMMITTEE DISCUSSION AND I HEARD HESITANCY AROUND THE BONDS I WOULDN'T WANT IT FOR MY CITY BUT I THINK THIS IS DIFFERENT FOR THE REASONS STATED AND I THINK

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WE SHOULD MOVE AHEAD WITH THE RECOMMENDATION BUT IF THERE IS HESITANCY BY THE BOARD WE COULD JUST GIVE AUTHORIZATION TO START THE WORK AND BRING THE DECISION BACK AT A FUTURE MEETING.

KAREN MITCHOFF, CHAIR: THANK YOU. KATHLEEN IS THIS TIME YOU WANT TO MAKE A COMMENT.

KATHLEEN KANE: SURE. TO EASE BRYAN'S MIND THIS IS NOT SUBSTANTIVE I WANT TO FLAG THAT NIXON PEABODY BOND COLONEL STARTED DIGGING SOME WELLS ON THE LEGAL SIDE OF DOING THIS ISSUANCE. AND WE HAVE NO REASON TO BELIEVE THAT WE CAN'T DO IT, BUT I WANTED TO FLAG FOR YOU ALL THAT THERE ARE SOME COMPLEXITIES THAT HAVE TO DO WITH THE IDIOSYNCRATIC BYLAWS THAT MAY ADD A LAYER OF COMPLEXITY. NO REASON WE CAN'T DO IT BUT IT MAY NOT BE AS SIMPLE AS SAYING NO AND THREE DAYS LATER WE HAVE THE DOCUMENTS TO DO IT THAT'S THE ONLY CAVEAT I WANT TO PROVIDE THERE IS ANOTHER LAYER THAT'S ABAG SPECIFIC THERE THAT SOMETIMES MAKES IT MORE COMPLICATE THAN IT SOMETIMES WOULD BE.

KAREN MITCHOFF, CHAIR: KATHLEEN BROUGHT THIS TO MY ATTENTION WE HAVE TO TIE SOMETHING TO SAN FRANCISCO AND SEPARATE AND APART FROM THIS, SHE IS WORKING ON OTHER BY LAW REVISIONS THAT THIS BE ADDED TO THE PILE OF THINGS THAT NEED TO BE CLEANED

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UP. JUST TIGHTENED UP, I GUESS, WOULD BE ANOTHER WORD. MR. CASTRO DO WE HAVE ANY PUBLIC COMMENT?

CLERK, FRED CASTRO: NO WRITTEN COMMENTS WERE RECEIVED AND NO PUBLIC -- MEMBERS OF THE PUBLIC HAVE THEIR HAND RAISED. THERE IS A PANELIST WITH THEIR HAND RAISED.

KAREN MITCHOFF, CHAIR: LIZ, GO AHEAD PLEASE. LIZ I WOULD OFFER, CALPERS HAD A WEBINAR AND UPDATE THEY TALKED ABOUT INTEREST RATES AND FORECAST AND THERE WAS A DISCUSSION ABOUT DOING BONDS OR PAYING OFF IN OTHER WAYS. SO I JUST OFFER THAT AS A RESOURCE IF ANYONE WOULD LIKE TO KNOW MORE. I FOUND IT VERY INFORMATIVE.

KAREN MITCHOFF, CHAIR: THANK YOU, LIZ. JESSE, WAS YOUR FINAL COMMENT IN THE FORM OF A MOTION?

JESSE ARREGUIN: YES. I WOULD LIKE TO MAKE A MOTION TO RECOMMEND THIS TO THE EXECUTIVE BOARD.

KAREN MITCHOFF, CHAIR: I SPERING, I WAS HOPING YOU WOULD SECOND THIS.

CLERK, FRED CASTRO: YES. MOTION BY ARREGUIN, SECOND BY SPERING. [ROLL CALL VOTE] FIVE AYES, ONE NO. MOTION PASSES.

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JESSE ARREGUIN: MADAM CHAIR, I HAVE ONE QUESTION BEFORE YOU CLOSE ON THIS ITEM. ULTIMATELY THIS IS GOING HAVE TO COME BACK TO US FOR SOME FOLLOW UP ACTION, RIGHT, MR. MAYHEW?

BRIAN MAYHEW: THERE WILL BE FOLLOW UP ON YOUR SIDE ASSUMING WE USE ACFA AS THE FINANCING ARM THERE WILL BE A LOT OF DOCUMENTS THAT GO TO THEM BUT WE'LL BRING YOU THE FINAL TERM SHEETS SO YOU CAN BLESS THEM BEFORE WE EACH THINK ABOUT GOING OUT INTO THE PUBLIC MARKET.

JESSE ARREGUIN: THANK YOU.

KAREN MITCHOFF, CHAIR: THIS, AGAIN, I SEE YOUR HAND DAVID, IS PERMISSION FOR STAFF TO BEGIN THE PRELIMINARY WORK AND IT'S NOT A VOTE AT THIS POINT TO OBLIGATE US TO THE ISSUANCE. OKAY. DAVID?

DAVID RABBIT: I'M GLAD YOU SAID THAT, I WANTED TO REAFFIRM. I WAS HESITANT ON MY VOTE LIKE PRESIDENT ARREGUIN, I WOULD NOT DO THIS FOR OUR OWN COUNTY AND NOTWITHSTANDING WE HAVE DONE IT PRIOR TO MY ARRIVAL AND ONE AND NEARLY TWO WILL ACTUALLY COME OUT IN THE BLACK, BUT, IT'S JUST NOT POLITICALLY RECEIVED WELL, AND I KNOW YOU KNOW THAT BRIAN. BUT I TRUST YOU, AND I LIKE THE RATE, AND I LIKE THE FACT THAT IT'S IN THE -- THAT

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WE'RE IN THAT DIFFERENT MODE OF PAYING DOWN. SO I LOOK FORWARD TO THE NEXT DISCUSSION.

KAREN MITCHOFF, CHAIR: THANK YOU. I DO WANT TO PUT IT ON THE RECORD ALSO, I WOULD NOT RECOMMEND THIS FOR CONTRA COSTA COUNTY. WE HAD THOSE BEFORE, WE ACTUALLY HAVE ONE COMING DUE, AND SO THAT WE -- WE'RE LOOKING FORWARD TO MONEY THAT WE DON'T HAVE TO PAY, BUT IT'S ALREADY BEEN SPENT TEN TIMES OVER. SO, BECAUSE OF THE SPECIFIC SITUATION FACING ABAG, IS WHY I ALSO VOTED FOR IT. SO, WITH THAT, WE ARE ADJOURNED TO OUR NEXT MEETING, WHICH IS ON NOVEMBER 18TH, 2021. [ADJOURNED]

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