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## **SPECIAL DEBT ADVISORY COMMITTEE MEETING**

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### **MINUTES OF VIRTUAL TEAMS MEETING**

**May 20, 2021 9:00 a.m.**

#### **Teams Meeting**

**Members Present:**

Don Kent  
Stephanie Persi  
Matthew Jennings  
Tanya Harris  
Synthia Gunzel  
Jeanine Rey  
Amber Jacobson

County Executive Office (Chair)  
Community Facilities District/Assessment District  
Treasurer-Tax Collector  
Auditor-Controller Office  
County Counsel  
Flood Control and Water Conservation District  
Office of Economic Development

**Members Absent:**

None.

**Staff and Guests Present:**

Giovane Pizano  
Isela Licea  
Mike Williams  
Anna Sarabian  
Juan Fernandez  
Katie Ponce

Treasurer-Tax Collector  
Treasurer-Tax Collector  
Columbia Capital  
Fieldman, Rolapp & Associates  
J.P. Morgan  
Executive Office

**1. Call to Order and Self-Introductions**

The Debt Advisory Committee meeting was called to order at 9:00 a.m. Those present made self-introductions.

**2. Approval of the DAC Meeting Minutes for October 8, 2020.**

**MOTION:** Matt Jennings moved to approve the DAC meeting minutes from October 8, 2020.

Stephanie Persi seconded this.

The motion passed unanimously.

**3. FY 21/22 Tax and Revenue Anticipation Notes**

Chairman Don Kent, with the Executive Office, briefly explained the reason the County issues the Tax and Revenue Anticipation Notes. The purpose of the issuance is to cover the projected cash flow deficits of the County General Fund. This is due to the timing of the tax collections which do not match the County's on-going expenditure requirements. The issuance will be in the amount of \$340 million. The resolution provides for a not-to-exceed amount of \$400 million. The authorization provides the flexibility to issue an additional series of notes, if necessary. One addition in this year's resolution is the allowance for an issuance on either a tax-exempt or a taxable basis. This is a precautionary measure as numbers are being reviewed and also taking into consideration the federal stimulus monies.

Mr. Kent introduced the County's financial advisor, Anna Sarabian, with Fieldman, Rolapp & Associates. Ms. Sarabian agreed with Mr. Kent and pointed out the benefit of the resolution which provides additional flexibility in terms of size, based on the analysis, taking into account the cash flows and following the tax guidelines. The County will be seeking short term ratings from Standard & Poor's and Fitch and the projected timeline of the issuance is to go to the Board on June 8, price around June 17 and then close by July 1.

Ms. Sarabian introduced the County's lead underwriter, Juan Fernandez with J.P. Morgan to provide a market update or answer any related questions. Mr. Fernandez explained that the market is favorable for borrowers, especially in the short-term market for securities that mature within one year. This is due to policy and technical factors specific to our market. At the beginning of the pandemic, the Federal Reserve lowered the fed funds rate to zero and have created a policy called large scale purchases of assets. The Fed is purchasing (around \$140 billion a month) treasuries and mortgage backed securities which keeps rates very low. Both the program and the policy are expected to remain in place most likely through the end of 2021 and possibly into 2022.

One technical contributing factor is essentially supply and demand. There is very strong demand today because investors continue to put their money into the market. One way to measure this market liquidity is by the flow of investor monies into tax exempt municipal bond funds. For example, last week we saw in-flows of \$2.3 billion which brings the year to date total to nearly \$46 billion. In the last 52 weeks we saw positive flow, in 51 of those weeks, totaling \$107 billion. So as June is approaching, when the TRANs is priced, good conditions should continue.

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There is no expected change in Fed policy, and in addition, we are expecting to see a net \$32 billion this summer of reinvestment capital. This net amount would be the excess demand for supply that is expected to come during the summer including the investors that purchased the notes last year. A year ago, when the County priced the TRANs, the one-year triple A tax exempt rate was at 0.25% and today it is at 0.10%. The one-year treasury bill was at 0.19%, and today is at 0.05% which are very favorable conditions.

**MOTION:** **Tanya Harris moved to approve.**

**Don Kent seconded.**

**All were in favor. The motion approved unanimously.**

**4. Public Comment**

None.

**5. Next Meeting**

The next regularly scheduled Debt Advisory Committee Meeting is scheduled for Thursday, June 10, 2021 or as needed.

**6. Adjourn**

With no further business, Chairman Don Kent, adjourned the Debt Advisory Committee Meeting at 9:11 a.m.