



TAMALPAIS COMMUNITY SERVICES DISTRICT

305 Bell Lane, Mill Valley, CA 94941 ♦ 415.388.6393 ♦ Fax: 415.388.4168

info@tamcsd.org ♦ www.tamcsd.org

TCSO BOARD OF DIRECTORS WORK SESSION AGENDA WEDNESDAY, AUGUST 26, 2020, 10:00 AM

Coronavirus (COVID-19) Advisory Notice: The health and safety of community members, public officials, and employees is a top priority for the Tamalpais Community Services District (TCSO) as we deliver our critical services of solid waste, sewer, and parks and recreation. In compliance with local and state shelter-in-place orders, and as allowed by Executive Order N-29-20 (March 17, 2020), TCSO will no longer offer an in-person meeting location for the public to attend this meeting. The meeting will be streamed live (see below), and members of the public are encouraged to participate remotely from a safe location as described below. Members of the Board of Directors or staff may participate in this meeting electronically or via teleconference.

HOW TO PARTICIPATE REMOTELY –

Enter the following website address: <https://us02web.zoom.us/j/81107168576>

Or call the following telephone number: (253) 215-8782, and enter the following meeting ID: 811 0716 8576 and passcode: 289790

1. CALL TO ORDER

2. ROLL CALL President Matt McMahon

Directors: Vice President Jeff Brown, Steffen Bartschat, Steven Levine, and Jim Jacobs.

3. APPROVE AGENDA

4. PUBLIC EXPRESSION

Members of the public are invited to address the Board concerning topics, which are not listed on the Agenda (If an item is agendaized, interested persons may address the Board during the Board's consideration of that item). Speakers should understand that except in very limited situations, State law precludes the Board from taking action on or engaging in extended deliberations concerning items of business which are not on the Agenda. Consequently, if further consideration is required, the Board may refer the matter to its staff or direct that the subject be added to an agenda for a future meeting. The Board reserves the right to limit the time devoted to this portion of the Agenda and to limit the duration of speakers' presentations.

5. REGULAR BUSINESS: Requested for Board Action

A. Review and approve inclusion of SMCSO CIP deferrals in certificates of participation funding

6. CLOSED SESSION

A. CONFERENCE WITH LEGAL COUNSEL—ANTICIPATED LITIGATION

Initiation of litigation pursuant to paragraph (4) of subdivision (d) of Section 54956.9: 1 case

7. ADJOURNMENT

NEXT TCSO BOARD MEETING

September 9, 2020 – 7:00 PM

TAMALPAIS COMMUNITY CENTER, 203 MARIN AVE, MILL VALLEY

Special Needs: In compliance with the Americans with Disabilities Act (28 C.F.R. 35.102-35.104, ADA Title II) if you need special assistance to participate in this meeting, please contact the TCSO at (415)-388-6393, x10. Notification 48 hours prior to meeting enables TCSO to make reasonable arrangements to ensure accessibility. In compliance with Senate Bill 343 the law requires writings subject to the Public Records Act to be available for public inspection at the time the writing is distributed to the member of the legislative body
In compliance with Senate Bill 343 materials or writings subject to the Public Records Act is available for public inspection at 305 Bell Lane, Mill Valley, California between the hours of 8:00 a.m. through 4:30 p.m. Monday through Friday.

AUGUST 26, 2020
ITEM 5A

**REVIEW AND APPROVE INCLUSION OF SMCS D CIP DEFERRALS IN CERTIFICATES
OF PARTICIPATION FUNDING**

TO: BOARD OF DIRECTORS

FROM: HEATHER ABRAMS, GENERAL MANAGER

**SUBJECT: REVIEW AND APPROVE INCLUSION OF SMCS D CIP DEFERRALS IN CERTIFICATES OF
PARTICIPATION FUNDING**

Recommendation

Staff recommends that the Board approve inclusion of the SMCS D CIP Deferrals in TCSD's certificates of participation funding.

Policy Issues

SMCS D CIP deferrals are a liability for TCSD, which it must pay with interest at a variable rate and are pre-payable at any time without penalty.

Background

TCSD has a contractual agreement with the Sausalito-Marin City Sanitary District (SMCS D) to provide wastewater treatment for the majority of Tamalpais Community Services District's (TCSD's) flow. In previous versions of the agreement with SMCS D, TCSD was responsible for a portion of SMCS D's capital expenditures. For many years SMCS D has exceeded its reserve targets and used significant cash on hand to pay for some capital improvement program (CIP) projects. Under the previous agreement, SMCS D would then send a significant unanticipated bill for these cash funded CIP projects to TCSD. Under the 2013 Agreement with SMCS D, TCSD deferred these payments and agreed to an interest rate of the Local Agency Investment Fund (LAIF) interest rate plus one percent. When a new agreement was signed between TCSD and SMCS D, the outstanding deferred balances from FY 13-14 through FY 17-18 and the interest repayment arrangement was carried forward in the new agreement. Since the stipulation for settlement, and under the new agreement, TCSD is no longer accumulating new deferral liabilities.

Previously, the TCSD Board directed staff to include pre-payment to SMCS D of the 2014 Inter-District Loan in the upcoming debt financing, in order to take advantage of the low interest rate environment. The Inter-District Loan is a separate item from the CIP Deferrals.

TCSD staff has reached out to SMCS D staff to confirm agreement on the paid in full amounts TCSD plans to pre-pay for the 2014 Inter-District Loan and for the CIP Deferral amounts.

The estimated amounts shown below include the principal deferral balance as of June 30, 2020, plus 98 days of interest (to the planned repayment date of October 6, 2020).

- 2014 Inter-District Loan: $\$658,123 + \$5,301 = \$663,424$
- FY 13-14 Deferrals: $\$672,300 + \$5,524 = \$677,824$
- FY 14-15 Deferrals: $\$511,168 + \$4,200 = \$515,368$
- FY 15-16 Deferrals: $\$265,548 + \$2,182 = \$267,730$
- FY 16-17 Deferrals: $\$300,464 + \$2,469 = \$302,933$
- FY 17-18 Deferrals: $\$508,352 + \$4,177 = \$512,528$

The grand total is $\$2,915,953 + \$23,851 = \$2,939,807$. SMCSO has been asked to confirm these amounts.

The CIP deferrals were calculated with the interest rate as 3.060% based on the average of the last four quarters of the LAIF apportionment rate, plus 1.0%, as is consistent with past practice. The LAIF rates are available at <https://www.treasurer.ca.gov/pmia-laif/historical/quarterly.asp>

Analysis

Pre-paying the SMCSO CIP deferrals may allow TCSD to benefit from a small savings in interest rates (when comparing current fixed rates against a 15-year historical average of LAIF rates plus 1% on the current liability), and would remove a component of administrative burden with the annual calculation and accounting of SMCSO's invoice to TCSD.

Because TCSD is already working towards the execution and delivery of the certificates of participation, there is no separate effort needed, and interest rates will be locked in at near historical lows, allowing for additional certainty when budgeting, and eliminating interest rate risk as compared to a variable rate liability.

The District would be converting the amounts currently considered an operating expense to a hard debt that requires 1.20x coverage, which TCSD's sewer financial plan shows is not an issue moving forward.

Impact on TCSD Resources

No additional resources are requested. Incorporating the SMCSO CIP Deferrals into TCSD's debt financing is not expected to impact TCSD rates. A minor revision to the recently completed financial plan will reflect moving the amounts from deferrals to debt service. The refinancing of the SMCSO CIP deferrals on a tax-exempt basis is subject to the completion by TCSD's special counsel of its federal tax due diligence. Staff anticipates returning to the Board for approval of the financing in September 2020.