SPECIAL Meeting
BELVEDERE-TIBURON LIBRARY AGENCY
Belvedere-Tiburon Library, Tiburon, California
August 16, 2021
As approved on September 20, 2021

Roll Call, Present: Chair Jeff Slavitz, Vice Chair Ken Weil, Niran Amir, Thomas Cromwell, Lawrence Drew, Maureen Johnson, Roxanne Richards

Members Absent:

Also Present: Deborah Mazzolini, Nancy Kemnitzer, Glenn Isaacson, Kristin Johnson, Deirdre McCrohan, Mark Pressman, Ben Levine, and Robert Pankratz of Wulff Hansen & Co.

CALL TO ORDER: Chair Slavitz called the meeting to order at 6:15 pm

OPEN Forum:

Chair Slavitz opened the floor to comments or questions from the public. There were none.

1. Chair's Report

Chair Slavitz welcomed Trustee Roxanne Richards.

2. Library Director's Report

Director Mazzolini reported that the Library will be closed August 24-29. Staff will be working from home. Project Manager Glenn Isaacson added that the closure will allow much electrical infrastructure work to be done, a key step in moving forward on a number of other fronts. Director Mazzolini said that the ceilings in the Children's Room are complete and the Children's Room mural will be installed on September 13.

Director Mazzolini added that the Library/Foundation Newsletter has been distributed.

3. Expansion Update

Project Manager Glenn Isaacson reported that momentum has picked up on the project for both interior and exterior work. The parking lot and Zelinsky Park areas are moving along nicely, with mass grading completed, the berm between the parking lot and the marsh formed, and curbs, walkways and gutters installed. There are two additional retention basins which need to be completed. This is a major milestone for the earthwork behind the building. All of the Tiburon Boulevard work has been completed, except for the asphalt work. As soon as the accessible street drop-off is complete, the asphalt work will be done all at once. In the interior, all ceiling drywall has been finished, with the exception of the Corner Books area. Lights are going in as the drywall continues. During the Library building closure next week, the electricians will also start to wire the new electrical equipment room. This will facilitate the movement of the server equipment in that room to its new location. The old restrooms are currently being demolished, and the new restrooms will incorporate the old electric room. Staff is currently functioning with one restroom. The Project team is also working on simplification of the Heating, Ventilation and Air Conditioning (HVAC) plan for Phase 2. The current goal in that area is to save/make up some lost time.

Trustee Johnson asked about the parking lot charging stations. Project Manager Isaacson said that the place for four stations (2 for the Town of Tiburon, 2 for the public) has been prepared.

Trustee Cromwell asked whether preparation has been made for carport solar to remain an option in the rear parking lot. Project Manager Isaacson deferred this to the solar discussion in item 8 of tonight's agenda.

Chair Slavitz asked, in light of the fact that other libraries, including Civic Center, are open, what the plans are for opening the Library to the public. Director Mazzolini said that a partial opening would be possible after the staff migrate to the new space. This could happen within the next 6 weeks.

4. Foundation Report

Chair Slavitz reported on behalf of Foundation President Rachael Ong that some fall library giving small circle events have been scheduled. In addition, two larger donations have been received: $250,000 from the Friedman Foundation, and $25,000 from the Rotary Club. Foundation committees are working on strategic planning and planned giving.

5. Committee Reports

Vice Chair Weil reported on behalf of the Search Committee that there are some minor changes to the director's job announcement in tonight's packet including the addition of photos before the announcement goes live. The announcement was prepared by Bradbury Miller after conducting Foundation Board and Staff focus groups as well as incorporating survey responses from the staff, Foundation Board, and the public. Trustee Amir, Chair Slavitz, and Vice Chair Weil worked with Bradbury Miller in approving the announcement.

Trustee Richards asked where the announcement will be posted. Specifically, would there be a focus on local outreach? Vice Chair Weil said that Bradbury Miller is an experienced library recruitment firm will seek qualified candidates from western U.S. and other sections of the country. Director Mazzolini asked if American Libraries would be one of the postings, as that was the journal where she saw the job announcement when she was first appointed. Vice Chair Weil stated that BMA utilizes multiple websites to post the position. Trustee Amir added that the firm also has its own database of potential candidates.

Trustee Richards asked if there had been a good response to the community surveys. Trustee Weil said he would follow up with a query to the firm. He added that the dates in the Search Schedule Timeline, including interview dates, remain on target. Chair Slavitz reminded the Board that, as previously agreed, the Board will meet on the dates in Search Schedule Timeline provided a quorum of the Board is available. Vice Chair Weil noted that the search schedule now includes the concept of having a panel of Foundation, Staff, and

Public representatives interact with the finalist candidates. Bradbury Miller will be providing further details.

CONSENT CALENDAR

6/7. Motion to approve the Minutes of July 21, 2021, and the Warrants dated July, 2021, made by Trustee Cromwell seconded by Trustee Johnson.

Roll Call Vote:

Ayes: Vice Chair Weil, Trustee Amir, Trustee Cromwell, Trustee Drew, Trustee Johnson, Trustee Richards, and Chair Slavitz.

Absent: None.

Noes: None.

Motion Passed.

TRUSTEE CONSIDERATIONS:

8. Consideration of selection of rooftop solar solution and solicitation of proposals

Project Manager Isaacson said that the recent work on the rear parking lot work has followed the approved plans, which did not include the carport solar installation. If the Agency decides on carport solar, then work would have to be stopped, and a new design would have to be created submitted to The Town of Tiburon for design review. This process would cause months-long delays, and Project Manager Isaacson recommends against that. Currently, the project has returned to a flow of efficient progress. Also, given that it is hard to get contractors on site at this time, it is best not to disturb the flow of work.

Mr. Isaacson recommends going with a rooftop only solar approach, the installation of which could occur either during or after construction. He specifically recommends the 30Kw rooftop, with storage for 4-7 hours and a public bid process on a power purchase basis or a library-owned basis. With respect to a generator/diesel emergency power, the pad and enclosure will be built now, with acquisition of a generator at a later date. The conduit from the main switch to the pad is already in place.

Trustee Johnson said that the 30Kw plan involved only 70 panels, less than the 130 proposed in the February Agency discussion and asked whether that would be sufficient for the library's needs. Mr. Isaacson said that the MCE analysis presented in the July Agency meeting recommended the 30KW on the roof, (although 40Kw would be possible), optimally matching the panels with the storage capacity. The storage capacity on site allows for 4-7 hours, so it is better to match the solar panels to the storage capacity.

Trustee Richards asked what the process for a decision should be, and whether more time might be needed to develop the solar plan. Chair Slavitz said that that only goal of this meeting would be to decide on whether to eliminate the option for carport solar given the effect on the construction process. Options for the rooftop solar could be considered later. Mr. Isaacson recommended that, if rooftop was being considered, authorization to solicit proposals should be part of that consideration.

Trustee Richards recommended involving Foundation members in the process in terms of their interests and concerns regarding solar installation. Trustee Cromwell asked what specific interests and concerns the Foundation might have. Trustee Richards clarified that the Foundation's interests would be in the cost of solar as it might relate to fundraising and to community feedback and commitment. Mr. Isaacson said that he would be happy to share design team and Marin Clean Energy proposal information with the Foundation. Trustee Cromwell asked whether the Agency would still want to commit to solar if the Foundation could not raise community contributions to cover the cost.

Chair Slavitz opened the discussion to questions and comments from members of the public. There were none.

A general survey of the Trustees drew a consensus for letting go of the carport approach.

Chair Slavitz asked for a motion.

Motion to pursue rooftop solar without carport panels and to solicit bids for rooftop solar made by Vice Chair Weil, seconded by Trustee Amir.

Roll Call Vote:

Ayes: Vice Chair Weil, Trustee Amir, Trustee Cromwell, Trustee Johnson, Trustee Richards, and Chair Slavitz.

Absent: Trustee Drew (due to technical difficulties).

Noes: None.

Motion Passed.

9. Consideration of refinancing the BTLA CalPERS Unfunded Pension Liability using Pension Obligation Bonds

Chair Slavitz said that Pension Obligation Bonds (POBs) would be an opportunity for the Agency to save money, in a similar way to refinancing a mortgage. He introduced Mark Pressman, Ben Levine, and Robert Pankratz, of Wulff Hansen and Co., and added that this would be an informational presentation, and that the Agency could make a decision now, or ask for more information and delay a decision until a later date.

Mr. Pressman said that he had previously met with Library Staff and the Finance Committee. Wulff Hansen has facilitated the sale of POBs for a number of communities in Marin County, including the town of San Anselmo, which was just approved.

Mr. Pankratz said that he would be providing an overview of the CalPERS system, Unfunded Accrued Liabilities (UALs), and what the Agency could do to manage increasing pension liabilities. He will follow up with prospective scenarios of what a POB could look like for the Library. Wulff Hansen's Mission is twofold: (1) to educate government officials and (2) consider issuance of POB's using one of the available structures.

A very important factor in the decision process is the unavoidable investment risk of increasing the Library's investment ratio with CalPERS. Even if the Agency were to additionally fund its pension liability with CalPERS, if CalPERS underperforms at any time with respect to its set discount rate, CalPERS will again increase the Library's UAL.

There are two legal structures available for POBs: (1) Lease–secured, and (2) Validation by the courts, which is a 60-to-90 day process. The second process allows for exemption from the California public agency debt limit.

In addition, a private or public sale would be available, and various financial structures can be followed. The financial scenarios presented include an assumed fixed amortization rate of 3.5%, a CalPERS interest rate of 7%, and market conditions equivalent to those of May, 2021, and illustrate a range of approximately $350,000 to $600,000 savings for the Agency.

Mr. Pankratz continued to give an overview of CalPERS System: Employers such as the Agency are required to make 2 types of payments to CalPERS during each fiscal year: A Normal Cost contribution and a payment towards the UAL. The normal cost is based on a formula supported by actuarial projections, and the UAL is determined by CalPERS performance related to the Discount Rate set by CalPERS. CalPERS provides the Agency with a schedule of future UAL payments, which is revised each year based on CalPERS performance and the CalPERS Discount Rate.

The UAL with CalPERS is a "soft" obligation versus a POB, which would be a "hard" obligation.

Mr. Levine added that there would not be a "default" if the CalPERS obligation is not paid exactly on schedule. With a POB there will be covenants with more severe default provisions. In addition to the investment risk by funding the UAL, this is another caveat.

Trustee Richards asked Mr. Levine to elaborate on the difference in the scale of penalties. Mr. Pressman responded. If the Agency were not to pay any part of the CalPERS obligation, CalPERS would contact the Agency and try to work something out. If CalPERS was not paid for a longer term or at all (1) all past employees could potentially have reduced or cut benefits, (2) it might be difficult to find new employees because the Agency would fall out of competition with paying Agencies. There would also be penalties including interest cost. In addition, there are prohibitive penalties for leaving the CalPERS system.

Mr. Levine added that, on the side of the POB's, there will be default provisions that include increasing the interest rate. With delayed or missed payments on the POB, at some point there would be legal action in court to require payment.

Trustee Cromwell noted that CalPERS is known for overestimating the rate of return. Mr. Pressman concurred, but with the exception of this last year, in which CalPERS did not underperform due to good overall market circumstances. Typically CalPERS performance has run below its projections, and this is the reason behind increasing UALs.

Mr. Pankratz presented an overview of recent CalPERS investment performance. This is always included in Wulff Hansen's evaluation of whether a POB will be benefit or detriment to an Agency. A general rule of thumb is that the interest rate on a proposed POB should be lower than the rate that CalPERS is charging on a UAL balance over a proposed time period. The Agency would be paying between 3 and 3.5% on the proposed POB. So the question is: where would CalPERS fall short on its returns? In the analysis presented, there is no time in the most recent several 15-20 year periods where CalPERS annual returns are below 5.5%. The timing of the proposed POB would match this historical period. However, this is no indication of CalPERS' future performance.

Mr. Levine added that 2021 returns on CalPERS' private investments have been positive, at 21%, post pandemic. History indicates that interest rates might go higher, i.e., a correction, so the annualized returns for various periods are more indicative of what the future might hold. (Page 9-5 of the August 16 Packet).

The Library's UAL balance is approximately $1.4 million in total, including both CLASSIC and PEPRA employees. The PEPRA UAL balance is small, and the contribution factors for these employees (starting employment after January 1, 2013) has been structured more sustainably by CalPERS. Therefore, Wulff Hansen has analyzed POB scenarios for only the CLASSIC UAL.

The Library's CLASSIC UAL balance is about $1.35 million, and that is the projected balance for 6/30/22. However, the gain for the larger than discount rate earnings of Fiscal Year 2021 has not yet been applied to that projection. The CalPERS reports now pending for Fiscal Year 2021 will show a change of 4.5% to 7% in the UAL balance due to this gain. CalPERS charges 7% on the outstanding UAL balance.

Trustee Amir asked if projections had been done related to the Library's future costs as more PEPRA employees begin to replace CLASSIC employees. Mr. Levine said that this is done by the CalPERS actuaries for each annual report. He added that most financial advisors don't advocate shortening the CalPERS payment plan as an alternative to POBs or 115 Trusts. 115 Trusts are good for those Agencies which have large reserves.

Mr. Pankratz added that the POB assumptions by Wulff Hansen have not considered the structure of a lease, in which case the Library building would be encumbered. Chair Slavitz added that this was not desirable. The Library building should be left unencumbered for possible future debt needs. In addition, the building is an asset of the public Agency, so encumbering it would require a public vote.

Mr. Levine added that a lease POB structure would not be considered Long Term Debt, but rather an annual appropriation by the Agency. The lease POB has been a well-received financing vehicle in California. It avoids the jurisdiction of Proposition 13 because of its classification as an annual appropriation. However, the risks remain if the Agency's UAL is further funded, that CalPERS will underperform its discount rate and still accrue additional future UALs to the Agency.

Mr. Pankratz added that interest rates have decreased since May, but in 4-6 months they could increase again, and it remains to be seen what the Agency's change in liability will be in the pending CalPERS June 30, 2021 valuations.

Mr. Pankratz presented 6 scenarios (August 16 Packet Pages 9-12 through 9-16) with different payment structures and payoff periods ranging from 14-23 years, one with a public (as opposed to private) offering. All scenarios assumed a 3.5% interest rate on the Bonds. Savings to the Agency in the proposed scenarios ranged from approximately $380,000 to $560,000 over the 14-23 years.

Chair Slavitz said that, once the Agency reached a decision, the Finance Committee could fine tune the desired scenario of the POB. Mr. Levine said that once the desired scenario was communicated, Wulff Hansen would return to the Agency with a resolution and other documents allowing the validation suit to be filed, and after the filing, would again return to the Agency for approval of the selling documents. Mr. Pressman added that this is a relatively small transaction, which lends itself to a private placement with lower costs, and tends to go easily. However, the Agency could save that placement decision until later on in the process, since the markets could change and an additional comparative analysis could be prepared at a later date.

Trustee Johnson asked which of Wulff Hansen's recent POB issuances were private placements. Mr. Levine said that most of the POBs $5,000,000 were most likely privately placed.

Trustee Cromwell asked for a summary of the downsides in issuing a POB. Mr. Pressman reiterated the factors: (1) A POB is hard debt obligation, while the CalPERS UAL is a soft obligation. (2) CalPERS may earn less than the interest rate the Agency ends up paying on the bonds. (3) The Agency risks varied rates of return by CalPERS on the money that it uses to fund the UAL.

Chair Slavitz added that, if the Agency just continued to pay on the CalPERS UAL schedule, the cost to the Agency is a guaranteed 7% interest cost per year on the UAL. If the Agency refinances the UAL with a POB, it will be at a new interest rate (3.5% in Wulff Hansen's estimate at this time). The POB would be a bad decision if the Agency knew it was going to default. Otherwise, the decision is an interest rate comparison. The Agency could borrow at 3.5% to pay off a 7% debt and use the savings to pay down the bond. He added that the Sanitary District on which he is also a board member decided to (1) pay off its UAL with a POB, (2) pay off any new UAL within its annual budget and (3) set up a reserve to pay future UALs. He recommended that the Agency authorize Wulff Hansen to proceed with the process.

Mr. Pressman said that he and his staff would need the Agency's updated CalPERS valuation to continue the process. The UAL should decrease based on fiscal year 2021's good investment performance by CalPERS. However, those good returns will also trigger CalPERS to reduce its discount rate, which will increase required Agency annual Normal contributions, and possibly create future UALs.

Chair Slavitz opened the floor for public comments and questions. There were none.

Trustee Cromwell favored proceeding with the investigation into the POB possibility. Trustee Amir added that the Agency should reserve a later opportunity to reconsider the issue. Mr. Pressman said that his group would need to return to the Agency for document approval and a final decision, and that market conditions and the resulting interest rate on the bonds could change in the meantime. However, they would like to know that there is currently a general consensus in the Agency regarding the plan before they proceed further. Wulff Hansen works on a contingency fee basis. Chair Slavitz reminded the Agency that a decision not to continue could be made in the future. Mr. Pressman said that, however, once the bonds have been priced (after the approval of documents and the validation process and the approval to sell), the decision would be locked in.

Trustee Johnson asked what the timing would be for Wulff Hansen to come back to the Agency. Mr. Pressman said that his firm would create a schedule, and that early October would be an estimate, but timing would be based on the reaction time of the superior court.

Chair Slavitz asked for a motion to proceed with the process.

Motion to proceed with the Consideration of refinancing the BTLA CalPERS Unfunded Pension Liability using Pension Obligation Bonds made by Trustee Richards, seconded by Trustee Johnson

Roll Call Vote:

Ayes: Vice Chair Weil, Trustee Amir, Trustee Cromwell, Trustee Drew, Trustee Johnson, Trustee Richards, and Chair Slavitz.

Absent: None.

Noes: None.

Motion Passed.

10. Meeting Dates

The next BTLA meeting is scheduled for Monday, September 20th, at 6:15pm via Zoom.

Special Meetings during the fall related to Director Search interviews have been added to the schedule of meeting dates.

Chair Slavitz adjourned the meeting at 8:27 pm.

Respectfully Submitted,

Kristin M. Johnson, Clerk of the Belvedere-Tiburon Library Agency Board