

Ladera Recreation District
Board Meeting Minutes
April 5th, 2021

Meeting called to order at 7:01 pm via Google Meet

Board Roll Call: Bob Felderman, Brian Wall, Jen Coleman, Calin Thomas, Leslie Anglada

Also attending: Di Gow, Portor Goltz, Rick Brandis, Michael Garcia, Albert Reyes

Public: Bruce Beron, Katie and Matt Garlinghouse, Jan Klein

Update to Agenda

- Item 3.3 from the distributed agenda has been removed (“Action item - Review and approve all supporting Bank Financing documents”)

Public Discussion

Recap of Pool Efforts (Bob)

- The LRD has been discussing in some degree pool rebuild efforts for over 5 years.
- The board several years back did not take a definitive stance on whether or not to pursue a pool remodel.
- However, the board did initiate efforts to pull together a basic pool outline - this is the rough outline that we have stuck with.
- In late 2015/early 2016, we gathered input from the community on whether or not the plan to rebuild the pool as specified at that time should continue; results from the community were mixed. The board decided to not go forward with the plan at that time.
- Today, the board is 100% behind the pool efforts and revised approach, and are moving forward to break ground on a rebuild in September of 2021.
- The financing approach we will be talking about today is a standard mechanism that similar organizations do; this mechanism is much more affordable for the amount of money we are looking to finance.

Comments from the public

- Matt G - understood that we have been talking about pool efforts for some time
- Jan K - question regarding the flow of income to Ladera Rec to cover the monthly costs of the loan?
 - Historically the board has budgeted an annual net income of zero. We have traditionally earned (aka came out ahead) anywhere from \$50k to \$100k in a given year.
 - In our upcoming annual budget plans, we will now explicitly budget in loan payments.
 - We expect it to not be an issue given our historical budgeting track record.
 - Even with Covid we have been able to do well financially.

Financing Plan Overview - Rick Brandis, joined by Michael Garcia and Albert Reyes

- Reflecting that we met on March 9th 2020 - we were at an all time low for many rates
- Brandis Tallman (BT) firm overview
 - A national finance company, roughly 3k employees
 - In top 10 in terms of bond underwriters in the country
 - We are consultants to the California Special Districts (CSDA) organization
 - We started talking with the LRD back in May of 2019
- Recap of recent trends in the financial markets

<p>Treasury Bond yields have come down.</p> <p>This has been good for districts like the LRD - it's less expensive to loan money.</p>	<p style="text-align: center;">30-Year Treasury Yields 1991-2021</p>
<p>Bond issuance went down at the start of COVID lockdowns (March 2020) but then has ramped back up.</p> <p>There has been significant amounts of bond financing in 2020.</p>	<p style="text-align: center;">Municipal Bond Issuance (\$ billions)</p>
<p>With ramp of Covid - March and April of 2020 - we saw a drop of money going into bond funds - but since then, money has been steadily going into bond funds.</p>	<p style="text-align: center;">Weekly Flows (\$mils)</p>

- Overview of financing arrangement

Lease/Leaseback Structure

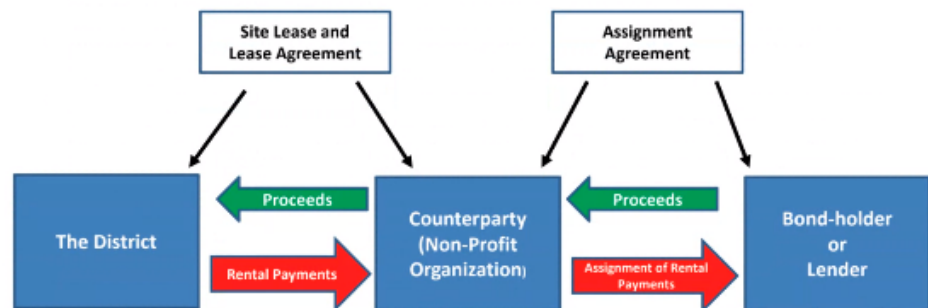
Lease/Leaseback

- Pursuant to the Site Lease, the District leases real property to the CSDAFC (the Counterparty) for a one-time site lease payment.
- Pursuant to the Lease Agreement, the District agrees to lease the property back from the Counterparty and makes rental payments to the Counterparty.
- Pursuant to the Assignment Agreement, the Counterparty assigns its right to receive the rental payments to Sterling National Bank (the Lender).
- As consideration for the assignment of rental payments, the Lender provides the funding for the project (i.e., the one-time site lease payment to the Counterparty).
- The lease requires an asset of equal or greater value.

Counterparty

- A counterparty is needed to facilitate the lease and act as lessor under the lease agreement since the District cannot lease the property to itself.

- This type of leaseback arrangement is used often in California - in cities, counties, special districts; many fire stations and libraries that you see were financed by this type of financing structure.
- Other recreation districts have used this as well; it's a very common way to obtain financing. It is well accepted; not out of the ordinary. Has proved quite useful especially because special districts like the LRD have limited ways to raise money.



- A recent example - last month, Brandis Tallman priced a \$13M deal for a brand new station for the Woodside fire district. What we are doing is a similar form of that bond issue.
- Question: the counterparty - do they take landlord rights in effect?
 - The operation of the district remains effectively the same. They are not a landlord in the traditional sense. e.g. they can't evict; the LRD continues to have the right to use the district.
- Question: any instance of an organization like the LRD being "thrown out"?
 - Financing companies don't want to take over property that is publicly owned; if issues present, they work to restructure the arrangement; e.g. term, etc. Have never seen anything where the private entity is owning land similar to the LRD.
- The LRD does not give up the title of the property through this arrangement.

- The LRD has 3 different land parcels. The collateral for the loan is on two of the parcels (APNs); the two that contain the building and our playground structure.



- The bank will require audited financials and copies of the budget.
 - But no right to direct the LRD on how to spend its money.
 - This arrangement is typical and followed by every bond issuer in the country.
- The leaseback financing structure has been approved by the California Supreme Court.
- There are two methods for sale, each with their own set of pros/cons
 - Direct / Private placement
 - What the LRD is pursuing
 - For money in the range we are loaning (relatively low amount, \$1.2 M) - strong argument to do private because of low costs but still good (low) interest rates
 - A public offering - this is what Brandis Tallman did recently with the Woodside fire district
 - Requires more consultants/advisement, more due diligence, obtaining a credit rating; ends up having significantly more costs (e.g. ~4x). Benefit is you often can get lower interest rates.
- LRD Process
 - Brandis Tallman led RFP efforts. LRD transaction information was distributed to 17 banks, with a request to hear back what the responding bank could offer in terms of 1) Interest Rate; 2) Rate lock ability and terms; 3) Prepayment terms; and 4) Any proposer costs.
 - 4 banks responded with offers (Capital One, First Foundation, Sterling National, and Western Alliance)
 - We received offers for 15 and 20 year terms
 - Sterling came back with the best proposal; the interest rate is slightly higher than other banks but did not have any legal fees included as part of the transaction.
 - To put \$1.2 M into the project (\$1.25 M w/costs included), we are tracking towards a 2.63% interest rate and an average fiscal year debt service of \$80,822; for a total debt servicing of \$1.616 M.
 - Fees for pre-payment vary by year of pre-payment; years 1-5 at 102%; years 6-10 at 101%, and thereafter at par value
 - Will go with the 20 year term
 - Next steps
 - Board approval
 - Week of April 12 - finalize and execute financing documents
 - Tuesday April 20 - close transaction
- Discussion

- In the draft documents - the Default and Gross Up rates - these were blank in drafts we reviewed - these will be filled in once we have approval to go forward.
- The proceeds of the loan (e.g. \$1.2 M) - will be put into an escrow account at the bank. Interest will be paid on the money held there. This is a typical requirement of these kinds of transactions.
- This transaction is tax exempt - it meets all the IRS code to be tax exempt from Federal and State tax.
- Discussion on Section 7:

Section 7. Ratification of Prior Actions. All actions heretofore taken (not inconsistent with the provisions of this Resolution) by the Board of Directors or by the officers, employees and agents of the District directed toward the financing of the 2021 Project for the purposes herein set forth are hereby ratified, approved and confirmed.

- Means, the decision to approve this transaction will supercede related previous board decisions
- Bob made motion for approval for Resolution No. 1-2021:

2. Action item- Approve RESOLUTION NO. 1-2021

RESOLUTION OF THE LADERA RECREATION DISTRICT APPROVING A SITE LEASE AND A LEASE AGREEMENT; MAKING CERTAIN DETERMINATIONS RELATING THERETO; AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH (see attached resolution)

- Refer to the following document:
 - District Resolution - Ladera Rec District 2021 Lease
- Brian seconded.
- All board members (Bob, Brian, Leslie, Jen, Calin) voted “AYE” in favor of the motion.

PASSED, APPROVED, and ADOPTED at a meeting of the Board of Directors of the Ladera Recreation District, this 5th day of April 2021.

- Resolution 1-2021 is passed, 5-0.
- Tactical next steps on financing:
 - Nothing needs to be signed tonight
 - Brandis Tallman will need a copy of the approved resolution
 - Additional information will be dropped into our legal documents; will send around for the bank to review / sign off on.
 - Signature packets will be distributed for the bank.
 - Notary will be required for certain documents; BT will provide instructions for that as well.
- Much appreciation noted to the extended team who has been involved in the details of this transaction (Brandis Tallman, Portor, Jen, Bob, and Di)

Minutes From Prior Meeting Approval

- Motion made to approve meeting minutes with slight modifications from March 8th 2021; seconded; 5-0 approved.

Financial Report - Discussion of Hilda's report

- Hilda and Anna - in progress of transitioning financial work to Anna Plume
- Cash balances - have 2 CDs that matured in March
- For income
 - \$226k in March; \$413k for the year.
 - Resident memberships are at 92% of budget; non-resident are at ~116% of budget.
 - Signs of people being excited to be back and open!
- Grant monies; will receive it once we spend it (e.g. shovel in the ground).
 - Have to contribute 20% of the project before we submit for payment.
- Camp - about halfway to budget; uncertain if we will make the plan.
 - Last year, not many camps were open at all due to the pandemic; this year other camps are going on.
- Nothing else to note out of the ordinary from a budget perspective.
- General discussion/brainstorming about how best to reflect the entire pool budget from a documentation perspective (e.g. \$3.2 M); how much is in the bank, what has been spent, etc.

Managers Report

- Membership stats - cumulative through March 31; promising stats:

Membership Type	Resident	Non-Resident
Family	99	46
Couple	8	3
Indiv	3	8
Senior couple	25	N/A
Senior Indiv	30	N/A
Individual Tennis Only	N/A	28
Total	165	115

- Seniors continue to support the LRD - they are very appreciative of the senior events
- Winter swim - has been very successful
 - Had a couple people sign up in March, with continued occasional inquiries
- Food trucks - they keep rolling in!
 - Electricians took a look at power; in progress on resolution there
- Swim lessons - has been busy
- Summer camp - about half full in each summer session
 - Considering possible spring after school sessions
- Swim team - working through details but looking positive
 - Planning to do 5-18 year olds
 - Working through details on how to split up swimmers due to pandemic; e.g. sign up for the date/time they want to come; assigned to a section. Likely 4 kids/lane. Will need some flexibility due to the changing nature of pandemic, but will adhere to all applicable guidelines.

- All meets will be virtual. We run our kids through the events - we submit our data to the other team and let the computers figure out who wins. Only home swim meets.
- Coaches for team pretty set
- Will need some parent help
- Rates to join have not increased in at least 4 years; no plan to change that this year at this point.
- Planning to start in mid/late June (~June 21)
- All lifeguards have had at least 1 shot.
- Understanding from CAPRI (LRD's insurance provider); we can require that our employees need to be vaccinated, with exceptions granted for medical or religious belief. All eligible because of professions - first responder (lifeguard) and daycare (camp counselor)
- Currently are in the State of California Orange Tier; likely to be in the Yellow tier in the next couple weeks.
- Pickleball
 - Had 2 very successful clinics, next steps in progress
- Easter Egg bunny - went well
- Opening day preparations; all coming together well
 - Staying in tune with Covid guidelines. Last year we had 6 swim sections; may not need to do that this year. Likely it will be set to some max number of people on premises, with registration required.
- Guest Policy Discussion
 - Our mission is to encourage people to join the LRD. Our current policies do not reflect that.
 - Some details of draft policy include:
 - Non-residents will be able to drop in as guests as long as they are accompanied with current members.
 - Ladera residents can drop in for a \$20 fee.
 - Discount booklets will not be offered.
 - No complimentary guests allowed.
 - Policies to be confirmed and then communicated prior to May 1.
- Usage monitoring
 - Desire noted to track usage on courts, lap swimming lanes, recreation swim area, baby pool, etc.
 - Maybe something for guards to track via a spreadsheet at set points during the day
- Woodland path updates - in progress
 - Garlinghouse family has done significant work clearing the path
 - Current path will remain until the other one is built
 - Trying to move as quickly as possible as remodel work has commenced
 - Now just need to build out the path.
 - Working with Israel (LRD's landscape partner) on costs, details, and next steps.

Pool Committee Update

Fundraising - Leslie

Leadership Campaign - success!!

Nov 2020 – March 2021

- \$1,020,000 in total leadership gifts from 71 donors
- \$878,569 raised in 2nd campaign (\$361,316 paid by 3/31)
- 92 total donors in 2nd campaign (55 new, 37 repeat)

Fundraising to Date

- \$1,218,064 total raised across both campaigns (\$700K paid)
- 139 total donors (71 leadership, 68 community)
- \$1,000,227 remaining to fund

- No plan to take additional pledges going forward
- Some contributors are spreading payments out to 2022
- Did about 200 asks at the leadership level; 94 donated

Community Campaign – launched 4/1

- Target = \$500K from ~360 remaining households
 - Suggested donation of \$3K/home (\$120/yr x 20 yrs)
 - Crier article & website updates
 - Community Giving Day 4/17
 - door-to-door volunteers
 - Opening Day 4/24
 - Board members on hand
 - Yard signs & Crier donor roll recognition
- If half of the remaining households donate \$3k, that will bring in an additional ~\$500k.
 - Door to door campaign - working through details for the day (e.g. training, areas covered, etc)

Architecture / Planning / Other - Jen

- In progress with architect on contract with Subtronic to examine our lateral connection to the main sewer line
- Heat pump - significant discussions with Terracon and Matt Garlinghouse. Prepared financial analysis of two heat pumps. Current plan is to stick to original approach of one heat pump but will add in two extra ports for addition of any future heating systems (e.g. solar, additional heat pumps, or other alternatives that may come in the future)
- Health department - in progress on review, partnering with Terracon on initial set of straight-forward questions from San Mateo county.
- County Building department - tracking to submit drawings by April 23 if not sooner.
- Updated Opinion on Probable Construction Costs (OPC) - working to get an updated version at the end of April, once plans are submitted to the building department
- In general things coming along ok from a timing perspective
 - Significant time was spent on additional analyses of heat pump and alternative energy sources

- Some discussions on updates to contracts took a fair amount of time
- Also getting into the busy season for the team
- Plan to review July to September timing. Assumption here is the construction team will be available.

C. Project Timeline (as of Apr. 5, 2021)

Following is a tentative schedule to start construction of the new pool in September 2021:

~~December 15, 2020: complete schematic design and renderings~~
~~January 7, 2021: submit documents for Health Department plan check~~
~~February 5, 2021: receive Health Department comments~~
~~March 9, 2021: receive Health Department comments*~~
~~March 31, 2021: submit amended documents for Health Department approval~~
April 1, 2021: submit documents for Building Department plan check
April 23, 2021: submit documents for Building Department plan check**
June 1, 2021: receive Building Department comments
July 1, 2021: submit final documents to governing jurisdictions for permit
July 1, 2021: publish for bid
August 1, 2021: analyze bids, negotiate construction contract, mobilize
September 1, 2021: commence construction
April 30, 2022: pool fill, chemical balancing
May 15, 2022: pool operational

Public Meeting adjourned at 10:01 PM

Next meeting:

Planned for 7:00 pm on Monday, May 10th, 2021

Respectfully submitted: Brian Wall