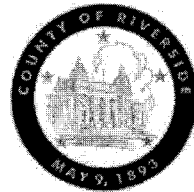


**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**



ITEM
3.25
(ID # 7007)

MEETING DATE:
Tuesday, May 8, 2018

FROM : EXECUTIVE OFFICE:

SUBJECT: EXECUTIVE OFFICE: Authorize the Purchasing Agent to issue a Purchase Order to Moody's Investors Service, Inc. for \$97,500 and S&P Global Ratings for \$104,375 for credit rating services without seeking competitive bids, All Districts. [\$201,875 - 100% Pension Liability Management Fund]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Authorize the Purchasing Agent to issue a Purchase Order to Moody's Investors Service, Inc. for \$97,500 and S&P Global Ratings for \$104,375 for credit rating services without seeking competitive bids.

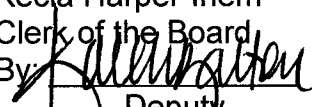
ACTION: Policy


Stephanie Perez, Principal Management Analyst 5/2/2018

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Jeffries, seconded by Supervisor Perez and duly carried by unanimous vote, IT WAS ORDERED that the above matter is approved as recommended.

Ayes: Jeffries, Tavaglione, Washington, Perez and Ashley
Nays: None
Absent: None
Date: May 8, 2018
xc: EO, Purchasing

Kecia Harper-Ihem
Clerk of the Board
By: 
Deputy

**SUBMITTAL TO THE BOARD OF SUPERVISORS COUNTY OF RIVERSIDE,
STATE OF CALIFORNIA**

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost
COST	\$201,875	\$0	\$0	\$0
NET COUNTY COST	\$0	\$0	\$0	\$0
SOURCE OF FUNDS: Pension Liability Management Fund 100%			Budget Adjustment:	No
			For Fiscal Year:	17/18

C.E.O. RECOMMENDATION: Approve

BACKGROUND:

Summary

In an effort to look at all options available to the County regarding its rising pension obligations, refinancing a portion of its debt (or bases), already owed to CalPERS, is worthy of exploring to assist with some budgetary relief. As of June 30, 2016, the latest CalPERS valuation date available, the County has approximately \$10 billion in pension liability of which \$3 billion is unfunded. On April 25, 2018, the Pension Advisory Review Committee (PARC) reviewed a proposal for the issuance of Series 2018 Pension Obligation Bonds to refinance a portion of the \$3 billion unfunded liability at a lower rate of interest than what will currently be paid to CalPERS. The PARC meeting resulted in an approval to move the item forward to the Debt Advisory Committee (DAC) for review of multiple refinancing options. The DAC will review the refinancing options on May 10, 2018. Across all options, the current projected savings is expected to be greater than \$100 million over the life of the bonds which takes into account a variety of assumptions including the actual borrowing rate and CalPERS investment returns. A full analysis and presentation from the finance team will be forthcoming to the DAC and Board of Supervisors meetings.

The proposed refinancing would not extend the maturity of our current debt. In the normal course of business, all costs associated with the refinancing are included in the bond issuance. However, due to timing, the rating process needs to start now in order to be able to be in the market, close and transfer funds to CalPERS by June 25, 2018, the payment date. If this date were missed, the County would have to wait until June 25, 2019 the next payment date, for another savings opportunity. In an environment of increasing interest rates, the current projected savings would unlikely be achieved past June 2018.

At this time, the County Executive Office is requesting that the Board of Supervisors approve the creation of the purchase order for Moody's and S&P Global rating services without seeking competitive bids. This will allow the process to move forward and make the June 25, 2018 deadline. The rating meetings are scheduled for May 11, 2018. The request for approval of the financing will follow on May 22, 2018 at which time the Board of Supervisors will determine if the financing will move forward or not. If the Board of Supervisors determines that the item will move forward then the costs associated with the ratings of \$242,500 will be absorbed in the cost of the financing. If the financing does not move forward, a reduced cost will be paid by the

**SUBMITTAL TO THE BOARD OF SUPERVISORS COUNTY OF RIVERSIDE,
STATE OF CALIFORNIA**

County of Riverside Pension Liability Management Fund in the amount of \$117,500. An alternate scenario would be if the Board of Supervisors approves the financing and the bonds cannot be sold due to adverse conditions in the bond market, the cost of the rating agencies service would be \$201,875 paid by the County of Riverside Pension Liability Management Fund.

The sole source authorization with approval from County Purchasing is attached.

Impact on Residents and Businesses

The cost of pensions are rising. With rising costs, the County has to assign more resources to pay these costs. Pension Obligation Bonds can reduce the County's payment on a portion of what is due to CalPERS thus providing budgetary relief.

Additional Fiscal Information

The cost will be paid through the County of Riverside Pension Liability Management Fund. If the refinancing is approved by the Board of Supervisors and is sold, this one-time cost will be absorbed in the cost of issuance.

County of Riverside Pension Liability Management Fund

Cost if not BOS approved - \$117,500

Cost if BOS approved, but bonds not sold due to adverse market conditions - \$201,875

Bond Proceeds

Cost if BOS approved and bonds are sold - \$242,500



Don R. Kent, Assistant CEO-County Finance Officer

5/3/2018



Teresa Summers, Director of Purchasing

5/2/2018



Gregory V. Priarios, Director County Counsel

5/2/2018

COUNTY OF RIVERSIDE
EXECUTIVE OFFICE

GEORGE A. JOHNSON
COUNTY EXECUTIVE OFFICER



LISA BRANDL
CHIEF OPERATING OFFICER
DON KENT
ASSISTANT COUNTY EXECUTIVE OFFICER
COUNTY FINANCE OFFICER

Date: May 2, 2018
From: Don Kent, Chief Financial Officer
To: Board of Supervisors/Purchasing Agent
Via: Ivan M. Chand 951.955.1127
Subject: Sole or Single Source Procurement; Request for Bond Ratings

The below information is provided in support of my Department requesting approval for a sole or single source

1. **Supplier being requested: Moody's**
2. **Vendor ID:** 0000008437
3. **Single Source** **Sole Source**

4. **Supply/Service being requested:**

Rating of the Bonds

5. **Unique features of the supply/service being requested from this supplier.**

The County is considering the issuance of Pension Obligation Bonds. Normally, the Debt Advisory Committee opines on the issuance and the Board of Supervisors approves the transaction prior to incurrence of this cost. Due to the timing of this deal, the ratings need to be completed prior to approval to the Board. A separate action is being presented to the Board to approve the payment of the rating agency, as this is a fixed cost and will be required regardless of the completion of the deal.

6. This deal requires two ratings. Moody's and Standard and Poors are the agencies that are the leaders in this field. The ratings assigned assist the County in selling the bonds and provides the buyers a rating to base their decision on.
7. **Reasons why my department requires these unique features from the vendor and what benefit will accrue to the county:**

The ratings assigned assist the County in selling the bonds and provides the buyers a rating to base their decision on.

8. **Period of Performance:** From: 05/2018 to 05/2018
 (total number of years)

Is this an annually renewable contract? No Yes
 Is this a fixed-term agreement: No Yes

(A fixed-term agreement is set for a specific amount of time; it is not renewed annually. Ensure multi-year fixed-term agreements include a cancellation, non-appropriation of funds, or refund clause. If there is no clause(s) to that effect, then the agreement must be submitted to the Board for approval. No exemptions shall apply.)

9. **Identify all costs for this requested purchase. If approval is for multiple years, ongoing costs must be identified below. If annual increases apply to ongoing costs such as CPI or other contract increases, provide the estimated annual cost for each consecutive year. If the annual increase may exceed the Purchasing Agent's authority, Board approval must be obtained. (Note: ongoing costs may include but are not limited to subscriptions, licenses, maintenance, support, etc.)**

Description:	FY17/18	FY__	FY__	FY__	FY__	Total
One-time Costs:	\$97,500					
<i>(Insert description)</i>						
Ongoing Costs:						
<i>(Insert description)</i>						
Total Costs	\$97,500					

Note: Insert additional rows as needed

10. **Price Reasonableness:**

Rates are set by the vendor based on the size of the bond issuance and the type of bond being issued.

11. **Projected Board of Supervisor Date (if applicable):** May 8, 2018
(Draft Form 11s, service agreement and or quotes must accompany the sole source request for Purchasing Agent approval.)


 Department Head Signature (or designee) John Kent 5-3-18
 Print Name Date

Purchasing Department Comments:

Approve

Approve with Condition/s

Disapprove

Not to exceed: \$ 97,500

One time

Annual Amount through

6/30/18
(Date)


Purchasing Agent

Date

5/3/18

Approval Number

(Reference on Purchasing Documents)

18-203

List Attachments:

COUNTY OF RIVERSIDE
EXECUTIVE OFFICE

GEORGE A. JOHNSON
COUNTY EXECUTIVE OFFICER



LISA BRANDL
CHIEF OPERATING OFFICER

DON KENT
ASSISTANT COUNTY EXECUTIVE OFFICER
COUNTY FINANCE OFFICER

Date: May 2, 2018
From: Don Kent, Chief Financial Officer
To: Board of Supervisors/Purchasing Agent
Via: Ivan M. Chand 951.955.1127
Subject: Sole or Single Source Procurement; Request for Bond Ratings

The below information is provided in support of my Department requesting approval for a sole or single source

1. **Supplier being requested: Standard and Poors**

2. **Vendor ID:** 0000034346

3. **Single Source** **Sole Source**

4. **Supply/Service being requested:**

Rating of the Bonds

5. **Unique features of the supply/service being requested from this supplier.**

The County is considering the issuance of Pension Obligation Bonds. Normally, the Debt Advisory Committee opines on the issuance and the Board of Supervisors approves the transaction prior to incurrence of this cost. Due to the timing of this deal, the ratings need to be completed prior to approval to the Board. A separate action is being presented to the Board to approve the payment of the rating agency, as this is a fixed cost and will be required regardless of the completion of the deal.

6. This deal requires two ratings. Moodys and Standard and Poors are the agencies that are the leaders in this field. The ratings assigned assist the County in selling the bonds and provides the buyers a rating to base their decision on.

7. **Reasons why my department requires these unique features from the vendor and what benefit will accrue to the county:**

The ratings assigned assist the County in selling the bonds and provides the buyers a rating to base their decision on.

8. **Period of Performance:** From: 05/2018 to 05/2018
(total number of years)

Is this an annually renewable contract? No Yes
 Is this a fixed-term agreement: No Yes

(A fixed-term agreement is set for a specific amount of time; it is not renewed annually. Ensure multi-year fixed-term agreements include a cancellation, non-appropriation of funds, or refund clause. If there is no clause(s) to that effect, then the agreement must be submitted to the Board for approval. No exemptions shall apply.)

9. Identify all costs for this requested purchase. If approval is for multiple years, ongoing costs must be identified below. If annual increases apply to ongoing costs such as CPI or other contract increases, provide the estimated annual cost for each consecutive year. If the annual increase may exceed the Purchasing Agent's authority, Board approval must be obtained. (Note: ongoing costs may include but are not limited to subscriptions, licenses, maintenance, support, etc.)

Description:	FY17/18	FY__	FY__	FY__	FY__	Total
One-time Costs:	\$104,375					
<i>(Insert description)</i>						
Ongoing Costs:						
<i>(Insert description)</i>						
Total Costs	\$104,375					

Note: Insert additional rows as needed

10. Price Reasonableness:

Rates are set by the vendor based on the size of the bond issuance and the type of bond being issued.

11. Projected Board of Supervisor Date (if applicable): May 8, 2018

(Draft Form 11s, service agreement and or quotes must accompany the sole source request for Purchasing Agent approval.)

 _____  _____ 5-3-18
 Department Head Signature (or designee) Print Name Date

Purchasing Department Comments:

Approve

Approve with Condition/s

Disapprove

Not to exceed: \$ 104,375 One time ~~Annual~~ Amount through 6/30/18
(Date)

Rene D. Summers
Purchasing Agent Date 5/3/18 Approval Number 18-202
(Reference on Purchasing Documents)

List Attachments: