



**County Administrative
Office
COUNTY OF TULARE
AGENDA ITEM**

BOARD OF SUPERVISORS

KUYLER CROCKER
District One

PETE VANDER POEL
District Two

AMY SHUKLIAN
District Three

J. STEVEN WORTHLEY
District Four

MIKE ENNIS
District Five

AGENDA DATE: January 24, 2017 REVISED

Public Hearing Required	Yes <input type="checkbox"/>	N/A <input checked="" type="checkbox"/>
Scheduled Public Hearing w/Clerk	Yes <input type="checkbox"/>	N/A <input checked="" type="checkbox"/>
Published Notice Required	Yes <input type="checkbox"/>	N/A <input checked="" type="checkbox"/>
Advertised Published Notice	Yes <input type="checkbox"/>	N/A <input checked="" type="checkbox"/>
Meet & Confer Required	Yes <input type="checkbox"/>	N/A <input checked="" type="checkbox"/>
Electronic file(s) has been sent	Yes <input checked="" type="checkbox"/>	N/A <input type="checkbox"/>
Budget Transfer (Aud 308) attached	Yes <input type="checkbox"/>	N/A <input checked="" type="checkbox"/>
Personnel Resolution attached	Yes <input type="checkbox"/>	N/A <input checked="" type="checkbox"/>
Agreements are attached and signature line for Chairman is marked with tab(s)/flag(s)	Yes <input type="checkbox"/>	N/A <input checked="" type="checkbox"/>
CONTACT PERSON: Michael Spata		PHONE: (559) 636-5005

SUBJECT: Letter of Intent for Underwriting Services

**REQUEST(S):
That the Board of Supervisors:**

1. Direct the County Administrative Officer to sign the Letter of Intent for Underwriting Services with Raymond James and Associates, Inc.

SUMMARY:

During 2016 the Tulare County Board of Supervisors and the Tulare County Board of Retirement explored the matter of whether to address the unfunded liability of the Tulare County Retirement Plan. Attachment "A" is a Retirement Funding Framework for Analysis representing a list of issues to be explored in connection with this matter.

As a follow-up, the County Administrative Officer discussed this matter, in general, with Raymond James & Associates, Inc., with the possibility of having this company provide relevant financial analysis of this matter at no cost to the County.

In connection with this proposed letter agreement, Tulare County intends to be represented by an independent financial advisor as part of its separate due diligence for this matter.

Accordingly, after further review of this matter, it is respectfully requested that the Board of Supervisors authorize the County Administrative Officer to sign the proposed Letter of Intent for Underwriting Services reflected in Attachment "B."

SUBJECT: Letter of Intent for Underwriting Services

DATE: January 24, 2017

FISCAL IMPACT/FINANCING:

There will be no Net County Cost associated with the approval or implementation of this letter of intent.

LINKAGE TO THE COUNTY OF TULARE STRATEGIC BUSINESS PLAN:

Tulare's County Strategic Business Plan includes the Organizational Performance Goal, and as such, the proposed matter is intended to strengthen the organizational performance of the County in an important fiscal matter involving retirement.

ADMINISTRATIVE SIGN-OFF:



Sophia Almanza, MBA
Deputy County Administrative Officer-
Budget and Finance



Michael C. Spata
County Administrative Officer

cc: Auditor-Controller
County Counsel
County Administrative Office (2)

Attachment(s): Attachment "A" – Retirement Funding Framework for Analysis
Attachment "B" – Letter of Intent for Underwriting Services

**BEFORE THE BOARD OF SUPERVISORS
COUNTY OF TULARE, STATE OF CALIFORNIA**

IN THE MATTER OF AUTHORIZING THE)
COUNTY ADMINISTRATIVE OFFICER TO) Resolution No. _____
SIGN A LETTER OF INTENT FOR)
UNDERWRITING SERVICES)

UPON MOTION OF SUPERVISOR _____, SECONDED BY
SUPERVISOR _____, THE FOLLOWING WAS ADOPTED BY THE
BOARD OF SUPERVISORS, AT AN OFFICIAL MEETING HELD JANUARY 24, 2017,
BY THE FOLLOWING VOTE:

AYES:
NOES:
ABSTAIN:
ABSENT:

ATTEST: MICHAEL C. SPATA
COUNTY ADMINISTRATIVE OFFICER/
CLERK, BOARD OF SUPERVISORS

BY: _____
Deputy Clerk

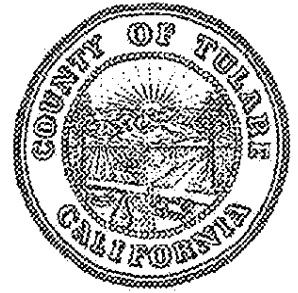
* * * * *

1. Directed the County Administrative Officer to sign the letter of intent for underwriting services.

Attachment "A"

(Retirement Funding Framework for Analysis)

COUNTY OF TULARE
COUNTY ADMINISTRATIVE OFFICE



MICHAEL C. SPATA
County Administrative Officer

Retirement Funding
Framework for Analysis

A. Analytical Roadmap

- Step 1: Construct Scenarios: Base Case, Worst Case, Best Case**
- Step 2: Conduct Sensitivity Analysis: Stress Test Variables within Scenarios**
- Step 3: Conduct Risk Analysis – Risk Assessment and Risk Management**

B. Issues to Consider

- 1. Impacts of Following Status Quo: 19-Year Layered Plan (Closed Amortization)**
 - a. Higher Payment of Interest**
 - b. Annual Contribution Increases**
 - c. Unfunded Liability Increases**
 - d. Other Impacts**

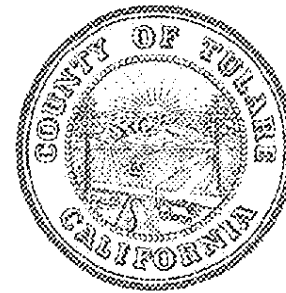
- 2. Debt Financing Analysis**
 - a. Size of Bond Issue**
 - b. Vehicle of Potential Funding: POB and Pension Trust (IRC §115 Trust)**
 - c. Timing of Funding**
 - d. Arbitrage and Interest Rates**
 - e. Transaction Costs**
 - f. Experience of Other Counties**

- 3. Risks: Assessment and Management**
 - a. Stock Market Fluctuations and Uncertain Investment Returns**
 - b. Volatility of Contribution Rates**
 - c. Excess Earnings Probability**
 - d. Higher Allocations to SRBR**
 - e. Continued Payment of Normal Cost and Debt Service Repayment**
 - f. Decline of Budget Revenues**
 - g. Increase of Budget Expenses**
 - h. Unfunded Liability Increases**
 - i. Government Finance Officers Ass'n (GFOA) Recommendation**
 - j. Probability of Risk and Estimate of Costs if Risk Materializes**
 - k. Other Risks**

Attachment "B"

(Letter of Intent for Underwriting Services)

COUNTY OF TULARE
COUNTY ADMINISTRATIVE OFFICE



MICHAEL C. SPATA
County Administrative Officer

Re: Letter of Intent for Underwriting Services

In order for Raymond James & Associates, Inc. ("RJA") to provide advice to Tulare County regarding one or more related transactions, and to document RJA's compliance with an exception to the Municipal Advisor Rule, the following is agreed to and acknowledged by signing below:

The County of Tulare ("County") is aware of the "Municipal Advisor Rule" of the Securities and Exchange Commission (effective July 1, 2014) and the underwriter for the potential issuance of Pension Obligation Bonds ("Bonds") that the County is considering at this time. As an underwriter, RJA may provide advice to the County on the structure, timing, terms, and other similar matters concerning possible Bonds.

This engagement letter is preliminary and nonbinding, and as such, may be terminated at any time by seven (7) days written notice by the County or RJA without liability or obligation on the part of either party. Furthermore, this engagement letter does not restrict the County from entering into a bond transaction or any other municipal securities transaction with any other underwriters or selecting an underwriting syndicate that does not include RJA.

In connection with this letter agreement, Tulare County intends to be represented by an independent financial advisor as a part of its separate due diligence for this matter.

Finally, RJA will not charge any fee for any services associated with this engagement.

Agreed to and Acknowledged by:

Raymond James & Associates, Inc.

County of Tulare

By: _____
Robert Larkins
Managing Director

By: _____
Michael C. Spata
County Administrative Officer

Dated: _____

Dated: _____