



# Agenda

## DEBT AFFORDABILITY ADVISORY COMMITTEE

Thursday, November 29, 2018  
10:00 A.M.

651 Pine Street, 11<sup>th</sup> Floor - Martinez CA 94553

Robert Campbell, Auditor-Controller  
Russell Watts, Treasurer-Tax Collector  
Lisa Driscoll, County Finance Director  
John Kopchik, Department of Conservation and Development

### Agenda Items:

Items may be taken out of order based on the business of the day  
and preference of the Committee

1. Introductions/Call to Order
2. Public comment on any item under the jurisdiction of the Committee and not on this agenda (speakers may be limited to three minutes).
3. CONSIDER reviewing and approving proposal from the Department of Information Technology for fiscal year 2018/19 lease purchase program. **(Page 3)**  
Attachments:  
Memorandum from Department of Information Technology
4. RECEIVE information regarding amendments to Securities and Exchange Commission Rule No. 15c2-12 regarding continuing disclosure obligations related to certain municipal securities. **(Page 7)**  
Attachment:  
Nixon Peabody Update on Amendments to Rule No. 15c2-12, August 28, 2018
5. Adjourn

*The Debt Affordability Advisory Committee will provide reasonable accommodations for persons with disabilities planning to attend Debt Affordability Advisory Committee meetings. Contact the staff person listed below at least 72 hours before the meeting.*

 *Any disclosable public records related to an open session item on a regular meeting agenda and distributed by the County to a majority of members of the Debt Affordability Advisory Committee less than 96 hours prior to that meeting are available for public inspection at 651 Pine Street, 10th floor, during normal business hours.*

 *Public comment may be submitted via electronic mail on agenda items at least one full work day prior to the published meeting time.*

For Additional Information Contact:

Timothy Ewell, Chief Assistant County Administrator  
Phone (925) 335-1036, Fax (925) 646-1353  
Timothy.Ewell@cao.cccounty.us

## Acronyms, Abbreviations, and other Terms (in alphabetical order):

Contra Costa County has a policy of making limited use of acronyms, abbreviations, and industry-specific language in its Board of Supervisors meetings and written materials. Following is a list of commonly used language that may appear in oral presentations and written materials associated with Board meetings:

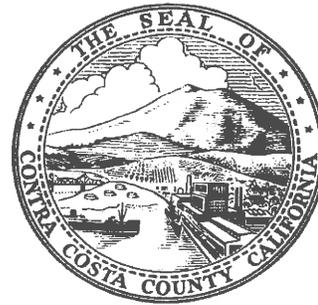
---

<b>AB</b>	Assembly Bill	HCD	(State Dept of) Housing & Community Development
ABAG	Association of Bay Area Governments	HHS	Department of Health and Human Services
ACA	Assembly Constitutional Amendment	HIPAA	Health Insurance Portability and Accountability Act
ADA	Americans with Disabilities Act of 1990	HIV	Human Immunodeficiency Syndrome
AFSCME	American Federation of State County and Municipal Employees	HOV	High Occupancy Vehicle
AICP	American Institute of Certified Planners	HR	Human Resources
AIDS	Acquired Immunodeficiency Syndrome	HUD	United States Department of Housing and Urban Development
ALUC	Airport Land Use Commission	Inc.	Incorporated
AOD	Alcohol and Other Drugs	IOC	Internal Operations Committee
BAAQMD	Bay Area Air Quality Management District	ISO	Industrial Safety Ordinance
BART	Bay Area Rapid Transit District	JPA	Joint (exercise of) Powers Authority or Agreement
BCDC	Bay Conservation & Development Commission	Lamorinda	Lafayette-Moraga-Orinda Area
BGO	Better Government Ordinance	LAFCo	Local Agency Formation Commission
BOS	Board of Supervisors	LLC	Limited Liability Company
CALTRANS	California Department of Transportation	LLP	Limited Liability Partnership
CalWIN	California Works Information Network	Local 1	Public Employees Union Local 1
CalWORKS	California Work Opportunity and Responsibility to Kids	LVN	Licensed Vocational Nurse
CAER	Community Awareness Emergency Response	MAC	Municipal Advisory Council
CAO	County Administrative Officer or Office	MBE	Minority Business Enterprise
CCHP	Contra Costa Health Plan	M.D.	Medical Doctor
CCTA	Contra Costa Transportation Authority	M.F.T.	Marriage and Family Therapist
CDBG	Community Development Block Grant	MIS	Management Information System
CEQA	California Environmental Quality Act	MOE	Maintenance of Effort
CIO	Chief Information Officer	MOU	Memorandum of Understanding
COLA	Cost of living adjustment	MTC	Metropolitan Transportation Commission
ConFire	Contra Costa Consolidated Fire District	NACo	National Association of Counties
CPA	Certified Public Accountant	OB-GYN	Obstetrics and Gynecology
CPI	Consumer Price Index	O.D.	Doctor of Optometry
CSA	County Service Area	OES-EOC	Office of Emergency Services-Emergency Operations Center
CSAC	California State Association of Counties	OSHA	Occupational Safety and Health Administration
CTC	California Transportation Commission	Psy.D.	Doctor of Psychology
dba	doing business as	RDA	Redevelopment Agency
EBMUD	East Bay Municipal Utility District	RFI	Request For Information
EIR	Environmental Impact Report	RFP	Request For Proposal
EIS	Environmental Impact Statement	RFQ	Request For Qualifications
EMCC	Emergency Medical Care Committee	RN	Registered Nurse
EMS	Emergency Medical Services	SB	Senate Bill
EPSDT	State Early Periodic Screening, Diagnosis and treatment Program (Mental Health)	SBE	Small Business Enterprise
et al.	et ali (and others)	SWAT	Southwest Area Transportation Committee
FAA	Federal Aviation Administration	TRANSPAC	Transportation Partnership & Cooperation (Central)
FEMA	Federal Emergency Management Agency	TRANSPLAN	Transportation Planning Committee (East County)
F&HS	Family and Human Services Committee	TRE or TTE	Trustee
First 5	First Five Children and Families Commission (Proposition 10)	TWIC	Transportation, Water and Infrastructure Committee
FTE	Full Time Equivalent	VA	Department of Veterans Affairs
FY	Fiscal Year	vs.	versus (against)
GHAD	Geologic Hazard Abatement District	WAN	Wide Area Network
GIS	Geographic Information System	WBE	Women Business Enterprise
		WCCTAC	West Contra Costa Transportation Advisory Committee

---

**Contra Costa County**  
**Department of Information Technology**

30 Douglas Drive  
Martinez, California 94553-4068  
V: 925-313-1202  
F: 925-313-1332



**DATE:** March 19, 2018

**TO:** Julie Enea

**FROM:** Joanne Buenger, Deputy - CIO 

**SUBJECT:** DAAC - DoIT Lease/Purchases FY 18/19

---

**3 Year Lease/Purchase Items:**

- 1) Org #1060 – Power Distribution Unit (PDU) add-on - \$15,000
- 2) Org #1075 - Dell Standalone Servers - \$100,000
- 3) Org #1075 – Cisco Routers and Switches - \$200,000

DoIT has prepared a list of lease purchase items for the 18/19 FY. We have based the lease term, 3 & 5 years, on the minimum product life cycle determined by the manufacturer. Computer systems less than \$30,000 have a 3-year life cycle which is the current industry standard. Computer systems over \$30,000 have a typical life cycle of 5 years. The life cycle (end of manufacturer supported date) is determined on the manufacturer's ability to support the existing technology and spare parts availability. When a system reaches the end of its life cycle, the system continues to operate but will not receive manufacturer support of the hardware, software, and firmware.

If these computer systems are not replaced with supported units, there is a good possibility that the system cannot be repaired. If the system has technical or parts issues, the work load would need to be restored from a tape backup which would require a minimum of 48 hours to complete. A few examples of the type of work loads are: Domain Controller, DNS server, Management server, Web Server, Remote access server, and replication server.

**5 Year Lease/Purchase Items:**

- 1) Org #1060– Uninterrupted Power Supply (UPS) replace capacitors - \$30,000
- 2) Org #1060 – New Transfer Switch - \$150,000
- 3) Org #1075 – Cisco Hyper Flex - \$400,000

4) Org #4280 – Cisco Routers for new AT&T phone system (replacing existing switches)  
- \$900,000

5) Org #4295 – Shelter at Walton Lane Antioch for Hilltop/Microwave equipment -  
\$65,000

6) Org #4295 – Radio/Microwave Hilltop Test Equipment - \$75,000

The capacitors in our UPS have an end of life every five years and need to be replaced at a cost of approximately \$30,000. The UPS is a major component to supply uninterrupted power to the County mainframe and all servers in our data center.

The Transfer switch transfers power from PG&E to UPS to generator at 30 Douglas. This past year we had an incident in which the transfer switch did switch back from generator to PG&E. If this had happened at a time where the office was unmanned this could have caused a serious power outage to our entire Operations unit, possibly causing major equipment damage to servers and mainframe. We are looking at replacing this 30-year-old switch. This will not be an easy process as we will need to shut down all equipment in our operation unit. To avoid an incident like this occurring again we are looking at replacing the transfer switch at a cost of approximately \$150,000.

The 5-year life cycle of the requested Cisco Hyper Flex is based on the manufacturer support documentation which is summarized below. The purchase of the Cisco Hyper Flex will add server capacity to our existing server systems and will serve as a platform to expand our virtualized server environment to allow workloads to be migrated from older traditional server hardware. Our virtualized environment allows us improve our critical system's redundancy and more importantly allows us to recover from a server outage much faster than using traditional server hardware. Our server resources provide systems for countywide use.

The Department of Information Technology Telecommunication is in the process of moving to a Cloud Hosted Internet Protocol (IP) Communication system. This will allow for greater service flexibility, disaster recovery options, enhanced use of unified communications and deployment of a911 location service. This will provide greater flexibility and reliable to office telephone service.

The current county telephone system is 100% installed locally within the County buildings, limiting recovery in case of a local building or natural disaster incident. Callers will receive an error tone as the telephone system will be offline during such incident. With a cloud hosted telephone service, we will be able to maintain in and out bound calling during local and region disasters. Critical numbers can be rerouted via web portal use and a work anywhere option is now a standard feature.

As DoIT moves toward this new platform there will be an increased need for the deployment of routers and switches Countywide. Routers will service as primary and secondary service delivery devises assuring always up and online phone system. Requested switching unit's will power the

VoIP phones, key card devices and Wi-Fi access points assuring an uninterrupted connection on network service.

**DoIT is requesting total FY 18/19 Lease Purchase dollars in the amount of \$1,935,000  
SALES TAX IS INCLUDED.**

**Manufacturer End of Life Policy; Summary**

1) Barracuda Networks

Barracuda does not publish EOL documentation. Current policy is within 4-5 years, if customer is experiencing problems; upgrade outdated hardware via the IR/Energizer Updates program.

2) Cisco Networks

Access to Cisco's Technical Assistance Center (TAC) -5 years from the end-of-sale date for hardware and operating system software issues and for a period of 3 years from the end-of-sale date for application software issues.

Spares or replacement parts for hardware will be available for a period of 5 years from the end-of-sale date. We will provide spares and replacement parts in accordance with our Return Materials Authorization (RMA) process.

After the first year and for Operating System SW -where available- we will provide bug fixes, maintenance releases, workarounds or patches for a period of 4 years for operating system software.

3) Palo ALTO Networks\*

Palo Alto Networks will provide technical assistance for a period of 5 years following the End-of-Sale date, provided a valid service contract is maintained on the product.

Hardware replacement or replacement parts will be available for 5 years following the End-of-Sale date, provided a valid service contract is maintained on the product. At Palo Alto Networks discretion, hardware may be replaced with similar or equivalent product.

4) Net APP

The EOS date for hardware typically occurs 5 years after the End of Availability ("EOA") date and 2 years after the EOS date for software.

5) Rectifiers, Eltek

Mean Time Between Failure (MTBF) of greater than 300,000 hours at ambient temperature of 77-degree F. Operating is -40 to +185-degree F.



AUGUST 28, 2018



## SEC adopts Amendments to Rule 15c2-12 to add events for which notice must be provided

By Graham Beck, Elizabeth Columbo, Daniel Deaton, Neal Pandozzi, Julie K. Seymour and Noah Lebowitz

On August 15, 2018, the Securities and Exchange Commission (“SEC”) adopted amendments (the “Amendments”) to Securities Exchange Act Rule 15c2-12 to include two additional events that require notice in continuing disclosure undertakings. The Amendments require municipal issuers and borrowers to file a notice on the Municipal Securities Rulemaking Board’s (“MSRB”) Electronic Municipal Market Access website (“EMMA”) when they incur or amend key terms of debt obligations, such as direct placements, or upon the occurrence of any default or similar event that reflects financial difficulties.

### Background

Rule 15c2-12 provides that an underwriter cannot buy or sell a primary offering of municipal securities with an aggregate principal amount of \$1,000,000, or more, unless it has “reasonably determined that an issuer of municipal securities, or an obligated person for whom financial or operating data is presented in the final official statement has undertaken ... in a written agreement or contract for the benefit of holders of such securities, to provide” specified information annually and notice within ten business days of the occurrence of specifically identified events. The term “obligated person” generally refers to any person or entity, including a state or local governmental issuer, that is obligated to support payment of all or part of the obligations on such municipal securities.

In recent years, municipal issuers and conduit borrowers have increasingly turned to “direct placements” in the form of bank loans, direct purchase of securities by banks and other non-publicly offered debt. There presently are no federal securities laws or regulations that require municipal issuers or borrowers to immediately disclose information about this debt. While some information about non-publicly offered debt and other obligations is typically provided in annual continuing disclosure filings (e.g., financial statements), there can be a significant time lag between the time an obligation is incurred and the time it is disclosed to the public (if at all), particularly for infrequent municipal issuers. Furthermore, such annual continuing disclosure filings may not include all of the information regarding obligations that is material to holders of outstanding debt of a municipal issuer or borrower.

Currently, there are fourteen listed events in Rule 15c2-12 that require disclosure; the Amendments add required events fifteen and sixteen.

### **The Amendments**

The Amendments add the following to the list of events for which notice must be given within 10 business days of occurrence:

- “(15) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.”

“Financial obligation” is defined as “(i) a debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii).” Municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12 are excluded from the definition of “financial obligation.”

For securities issued on or after the effective date of the Amendments: (i) listed event (15) will apply only to financial obligations incurred following the issuance of such securities, and (ii) listed event (16) will apply to any financial obligations of the obligated person, whether incurred before or after the issuance of such securities. A financial obligation is generally considered to be “incurred” when it is enforceable against an issuer or obligated person.

The Amendments reflect a narrower approach than the SEC originally proposed. When the SEC proposed the Amendments, it had originally included a much broader definition of “financial obligation,” which included leases and other ordinary financial and operating liabilities. In response to criticism from many commentators, the SEC narrowed the definition to only include debt obligations and related instruments.

### **Market participant considerations for implementing the Amendments**

#### ***Affected issuers and borrowers will need to adopt new policies and procedures.***

Municipal issuers and borrowers who issue municipal securities subject to Rule 15c2-12 after the effective date of the Amendments should consider whether their continuing disclosure policies and procedures are sufficient to ensure their compliance with the new requirements. Currently, continuing disclosure policies and procedures are predominately focused on the content and timeliness of the annual continuing disclosure report, which is due at the same time each year. While the other listed events may occur during the course of a year, especially rating changes, the listed events previously have not touched on any general aspect of the financial or operating condition of an issuer or borrower. The Amendments change this. As discussed further below, municipal issuers and borrowers will need to develop continuing disclosure policies and procedures to track the incurrence of, and amendments to, their debt obligations, as well as defaults, in a manner that permits the filing of an event notice within 10 days of the event. In addition, the policies and procedures will need to include a mechanism for assessing the materiality of the financial obligation or related amendment.

The situation is more complicated for large issuers or borrowers with multiple departments responsible for the incurrence of debt obligations. The Amendments require the filing of a notice when any such department incurs, amends or defaults on the debt obligation (subject to the materiality determination). As a result, these issuers and borrowers will need to develop a system to track: (1) the incurrence of, and amendments to, the obligations across departments; (2) any defaults or similar occurrences relative to the obligations; and (3) whether the obligation (or related amendment) is material. In particular, the issuer or borrower will need to develop a policy that standardizes the determination of materiality for each department, to ensure consistent reporting under the Amendments.

The SEC excluded from coverage of the Amendments any municipal securities as to which a final official statement has actually been provided to the MSRB consistent with Rule 15c2-12 (as opposed to municipal securities as to which the underwriter is required to provide the final official statement to the MSRB). This means that municipal issuers and borrowers will now also need to confirm the filing of final official statements on EMMA to ensure that the underwriter complies with its obligation to make that filing; a task that municipal issuers and borrowers also should consider incorporating into policies and procedures.

***Affected issuers and borrowers will need to develop an approach as to how to file event notices.***

Municipal issuers and borrowers subject to the Amendments will also need to consider how to administratively comply with the new requirements. The SEC's commentary on this topic suggests that municipal issuers and borrowers have considerable flexibility in determining how they will comply. The SEC states that, "[t]he Commission believes that, depending on the facts and circumstances, it could be consistent with the requirements of [Rule 15c2-12] for issuers and obligated persons to either submit a description of the material terms of the financial obligation, or alternatively, or in addition, submit related materials, such as transaction documents, term sheets prepared in connection with the financial obligation or continuing covenant agreements or financial covenant reports to EMMA. Any such related materials, if submitted as an alternative to a description of the material terms of the financial obligation, should include the material terms of the financial obligation." Municipal issuers and borrowers will need to proactively consider how they will comply with the new requirements to ensure they provide consistent, effective disclosures of this information. In addition, financial obligations disclosed in event notices pursuant to the Amendments must then be incorporated into primary and secondary offering materials.

***Underwriters will need to revise continuing disclosure due diligence policies.***

Underwriters will need to revise their continuing disclosure due diligence policies and procedures to address these new event notice requirements. In particular, underwriters should consider what scope of due diligence they should perform with respect to municipal issuers and borrowers to determine whether they have complied with the new requirements. Information regarding the incurrence of, and amendments to, financial obligations, as well as defaults and similar events, could be located in a variety of sources (e.g., financial statements, financing documents and board minutes). In addition, unlike determinations as to whether an issuer has complied with its continuing disclosure obligations and the fourteen events currently required by Rule 15c2-12, due diligence of an issuer's compliance with the two new required events will not be as objective and easily determinable.

## **Effective date of the Amendments**

The compliance date for the Amendments is 180 days following publication in the *Federal Register*.

For more information on the content of this alert, please contact your Nixon Peabody attorney or:

- Graham Beck at [gbeck@nixonpeabody.com](mailto:gbeck@nixonpeabody.com) or 415-984-8358
- Elizabeth Columbo at [ecolumbo@nixonpeabody.com](mailto:ecolumbo@nixonpeabody.com) or 212-940-3183
- Daniel Deaton at [ddeaton@nixonpeabody.com](mailto:ddeaton@nixonpeabody.com) or 213-629-6050
- Neal Pandozzi at [npandozzi@nixonpeabody.com](mailto:npandozzi@nixonpeabody.com) or 617-345-1052
- Julie K. Seymour at [jkseymour@nixonpeabody.com](mailto:jkseymour@nixonpeabody.com) or 312-977-4353
- Noah Lebowitz at [nlebowitz@nixonpeabody.com](mailto:nlebowitz@nixonpeabody.com) or 202-585-8823