

STAFF REPORT

To: Coastside County Water District Board of Directors

From: Mary Rogren, Assistant General Manager

Agenda: May 8, 2018

Report

Date: May 4, 2018

Subject: Authorize Entering into a Placement Agent Services Agreement with Backstrom McCarley Berry & Co., LLC to Refinance the District's 2006 Series B Bonds. Also Authorize Entering into an Agreement with Bond Counsel.

Recommendation:

Authorize General Manager to enter into a Placement Agent Services Agreement with Backstrom McCarley Berry & Co., LLC (BMcB) to refinance the District's 2006 Series B Bonds. Authorize General Manager to enter into an agreement with Bond Counsel (to be named) to assist with the refinancing.

Background:

The District's 2006 Series B Bonds carry interest rates ranging from 4.375% to 5% annually over the remaining 14 years of the term of the bonds. Per an analysis performed by Backstrom McCarley Berry & Co, LLC (BMcB), the District could potentially save \$450,000 (net present value) by refinancing the bonds (or approximately \$36,000 per year.) This savings is net of the cost of issuance fees (which include BMcB's fees and Bond Counsel's fees.)

District Staff recommends entering into an agreement with BMcB and Bond Counsel in order to explore the opportunities for refinancing. As noted in the terms outlined below, fees are paid to BMcB and Bond Counsel out of the loan proceeds when new financing is executed. In order to complete the new financing, Staff will ask the Board to approve the transaction with a resolution.

Key Terms:

- BMcB will prepare a formal bid request form and distribute to multiple potential lenders. BMcB will include an analysis of bid results; will assist in drafting and reviewing all of the financing documents, and will provide pre-closing and closing assistance.

- BMcB's fees are estimated at \$30,000, however such fees will be paid out of the loan proceeds, and only after the refinancing has been completed. If the refinancing is not completed, the District is not responsible for payment of any fees.
- The Placement Agent's authorization may be terminated by the District or the Placement Agent at any time with or without cause.
- In order to execute the refinancing, the District must also enter into an agreement with Bond Counsel. Terms of the agreement are anticipated to be similar to those outlined with BMcB (including payment of fees to be made from the loan proceeds upon completion of the refinancing.)

BMcB will present at the May 8 Board Meeting.

BMcB is dedicated exclusively to public finance. Recent public finance activities include the SFPUC, Department of Water Resources, City of Oakland; City and County of San Francisco; among many other cities and agencies.



Backstrom McCarley Berry & Co., LLC

115 Sansome St, Mezzanine A, San Francisco, CA 94104 (415) 392-5505

May 3rd, 2018

David Dickson, General Manager
Mary Rogren, Assistant General Manager
Coastside County Water District
766 Main Street
Half Moon Bay, California 94019

Re: Placement Agent Services Agreement
Coastside County Water District 2018 Water Revenue Bond Refinancing (Direct Purchase)

Dear David & Mary:

On behalf of Backstrom McCarley Berry & Co., LLC (“BMcB”), we wish to thank you for the opportunity to serve as placement agent on the above referenced transaction. We look forward and very much appreciate the opportunity to serve the District on this financing.

This Agreement, made and entered into, by and between Coastside County Water District (“the District”) and BMcB is for the purpose of establishing BMcB as placement agent for the 2018 Water Revenue Bond Refinancing (the "Financing"). BMcB will be compensated by a fee to be paid from the transaction’s costs of issuance in the not-to-exceed amount of \$30,000 (including our expenses). Payment of the fee will be contingent upon the closing of the transaction. If the transaction does not close, the fee is not payable.

The District agrees that it is engaging BMcB to serve as Placement Agent and acknowledges BMcB is not acting as a financial advisor or municipal advisor with respect to the Financing. Unlike a financial or municipal advisor, BMcB does not have a fiduciary duty to the District. Our role as Placement Agent is to obtain funding for the Financing in an arm’s-length commercial transaction with the District. Our financial interests may differ from the District’s and BMcB is not subject to the fiduciary responsibility established in Section 15B(c)(1) of the Securities Exchange Act of 1934.

Specifically, our placement agent duties and services will include, but are not limited to:

- **Provide Market Updates and Commentary** - BMcB will work with the financing team to provide current market conditions, provide banking and tax legislation updates, and ongoing market trends that may favorably or unfavorably affect the proposed Financing.
- **Monitor and Adhere with Transaction Process** – BMcB will work with the financing team to implement and support the financing strategy and timetable that is adopted. BMcB will provide resources and participate in all activities leading to the successful placement and close of the Financing.



- **Prepare and Distribute Direct Placement Bid Form(s)** - BMcB will prepare a formal bid request form and distribute to multiple potential lenders. This document will also include initial credit information necessary for evaluation purposes for lenders looking to respond to the bid request.
- **Summarize and Provide Bid Response Evaluation** – BMcB will prepare a summary of lender’s responses for the financing team. Summary will include an analysis of bid results and parameters to assist financing team in the decision-making process to obtain the most optimal lending terms for the District. BMcB will be readily available to discuss results in a timely manner and participate in any discussions as needed.
- **Review of Financing Documents** – BMcB will assist financing team in drafting and review of all Financing documents. BMcB will work diligently to provide clear communication and manage expectations between the District and lender to achieve a smooth and timely transaction.
- **Resources and Presentations for Staff and Board** - As deemed appropriate by the financing team, BMcB will prepare market and transaction analysis/results for the District as requested. BMcB will be available to assist in local meetings and/or academic sessions if needed.
- **Provide Pre-Closing and Closing Assistance** – BMcB will assist the financing team to arrange final funding and closing for targeted settlement date and be available as team resource.

Reliance on Documents. The District recognizes that, in providing services under this Agreement, the Placement Agent will rely upon and assume the accuracy and completeness of the financial, accounting, tax and other information provided by the District, and the Placement Agent does not assume responsibility for the accuracy and completeness thereof. The Placement Agent will have no obligation to conduct any independent evaluation or appraisal of the assets or the liabilities of the District or any other party or to advise or opine on related solvency issues.

Termination. The Placement Agent’s authorization to carry out its duties hereunder may be terminated by the District or the Placement Agent at any time with or without cause, effective upon receipt of written notice to that effect by the other party.

Effectiveness. This Agreement shall become effective upon the execution of the acceptance hereof by a duly authorized signatory of the District, which acceptance hereof shall be indicated on the signature page hereof and shall be valid and enforceable as of the time of such acceptance. This Agreement may be executed by facsimile transmission and in several counterparts, each of which shall be regarded as an original and all of which shall constitute one and the same document.



Backstrom McCarley Berry & Co., LLC

115 Sansome St, Mezzanine A, San Francisco, CA 94104 (415) 392-5505


Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

BMcB has no conflict of interest with the District such as third-party payment or profit-sharing with investors or lenders in connection with this financing lease. We've also taken efforts to make a reasonable basis for all information provided and to present it in an accurate and non-misleading manner. BMcB encourages the District to discuss any information or material contained in this communication with any of its internal or external advisors before acting upon this information.

We look forward to working with you and the District on this transaction and truly appreciate the opportunity to serve the District's needs. Thank you.

The District and BMcB have each caused this Agreement to be executed by their duly authorized officers as of the dates written below.

BACKSTROM MCCARLEY BERRY & CO., LLC

By:  _____ Date: 5/3/2018 _____

Vincent McCarley
Chief Executive Officer

CC: Brant Smith

COASTSIDE COUNTY WATER DISTRICT

By: _____ Date: _____



May 3rd, 2018

David Dickson, General Manager
Mary Rogren, Assistant General Manager
Coastside County Water District
766 Main Street
Half Moon Bay, California 94019

Re: Disclosures by Placement Agent, Backstrom McCarley Berry & Co., LLC (“BMcB”)
Pursuant to MSRB Rule G-17
Coastside County Water District 2018 Water Revenue Bond Refinancing (Direct Purchase)

Dear David & Mary:

We are writing to provide you, as an authorized officer of Coastside County Water District (the “Issuer”), with certain disclosures relating to the above captioned financing (the “Financing”), as required by the Municipal Securities Rulemaking Board (MSRB) Rule G-17 as set forth in MSRB Notice 2012-25 (May 7, 2012) (the “Notice”).

Backstrom McCarley Berry & Co., LLC (BMcB) has been engaged to serve as placement agent, and not as a financial advisor or municipal advisor, in connection with the Financing.

As part of our services as placement agent, BMcB may provide advice concerning the structure, timing, terms, and other similar matters concerning the Financing. Any such advice has been, and would be, provided by BMcB as a placement agent and not as your financial advisor in this transaction. Pursuant to the Notice, we are required by the MSRB to advise you of the following:

I. Disclosures Concerning the Placement Agents’ Role:

- (i) MSRB Rule G-17 requires a placement agent to deal fairly at all times with both municipal issuers and investors/lenders.
- (ii) The placement agent’s primary role is to place the Financing in an arm’s length commercial transaction with the Issuer. As such, we have financial and other interests that differ from those of the Issuer.
- (iii) The placement agent does not have a fiduciary duty to the Issuer under the federal securities laws and, therefore, not required by federal law to act in the best interests of the Issuer without regard to our own financial or other interests.
- (iv) The placement agent has a duty to place the Financing at a fair and reasonable price, but must balance that duty with its duty to place the Financing with investors or lenders at prices that are fair and reasonable.



II. Disclosures Concerning the Placement Agent’s Compensation:

As placement agent, BMcB will be compensated by a not-to-exceed fee of \$30,000 (including all expenses) in connection with the Financing. Payment or receipt of the fee will be contingent on the closing of the transaction.

If you have any questions or concerns about these disclosures, please make those questions or concerns known immediately to the undersigned. In addition, you should consult with your own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent it deems appropriate.

It is our understanding that you have the authority to bind the Issuer by contract with us, and that you are not a party to any conflict of interest relating to the subject transaction. If our understanding is incorrect, please notify the undersigned.

Depending on the structure of the transaction which the Issuer decides to pursue, or if potential or actual material conflicts are identified, we may be required to send you additional disclosures regarding the material financial characteristics and risks of such transaction and/or describing those conflicts. At that time, we also will seek your acknowledgement of receipt of any such additional disclosures.

We are required to seek your acknowledgement that you have received this letter. Accordingly, please send us an email to that effect or sign and return the enclosed copy of this letter to me at the address set forth below.

We look forward to working with you and the District in connection with this transaction. We appreciate the opportunity to serve the District in its financing needs. Thank you.

Kind regards,

Backstrom McCarley Berry & Co., LLC
 115 Sansome Street, Mezzanine A
 San Francisco, CA 94104

CC: Brant Smith

Acknowledgement of Receipt:

By: _____

Date: _____