

## **STAFF REPORT**

**To:** Board of Directors

**From:** Jeff Schneider, Assistant General Manager - Finance & Administration

**Agenda:** July 9, 2024

**Report Date:** July 5, 2024

**Agenda Title:** Authorize Entering into a Professional Services Agreement with Jones Hall, A Professional Law Corporation to Provide Bond and Disclosure Counsel Services in Support of a 2024 Financing Transaction

---

### **Recommendation / Motion:**

**Authorize the General Manager to enter into a professional services agreement with Jones Hall, A Professional Law Corporation ("Jones Hall") to provide Bond Counsel services for a flat fee of \$50,000 and Disclosure Counsel services for a flat fee of \$45,000 in support of anticipated Debt Financing in 2024, with payment contingent upon the successful completion of the financing.**

### **Background:**

The District plans to build a 2.1 million gallon prestressed concrete DN Tank at Carter Hill in the upcoming year and is seeking \$8 million in financing for the project. On June 7, 2024, the Board authorized the General Manager to enter into a professional services agreement with Backstrom McCarley Berry & Co., LLC ("Backstrom") to act as Municipal Advisor, soliciting and evaluating finance options and advising and assisting the District throughout the financing process.

Along with Backstrom, the District will require the services of a Bond Counsel and Disclosure Counsel. The role of Bond Counsel includes:

- Preparing and/or reviewing terms and conditions under which the bonds will be issued;
- Execution of financing documents, including resolutions, agreement between the District and the Trustee (representative of bond holders), and other documents required for closing.

The role of Disclosure Counsel includes:

- Drafting of the Official Statement, a detailed document to be provided to potential bondholders that includes financial and operational information about the District, including how the proceeds from the financing will be used.

- Preparing a 10b-5 letter which indicates that Jones Hall have found nothing in the Official Statement that reflects any untrue statement of a material fact, or that a material fact has been omitted from the Official Statement.

Jones Hall has previously worked with the District as Bond Counsel in respect to its 2018 loan agreement refunding its 2006B Water Revenue Bond of \$5.2 Million at a 2.85% interest rate and its 2022 loan agreement for \$7 Million at a 2.23% interest rate.

Jones Hall has provided a “Statement of Qualifications, Scope of Work, and Fee Quote” that is included in this report as Exhibit A. Staff reviewed the attached proposal with the Finance Committee on June 25, 2024.

- The proposal from Jones Hall assumes a publicly offered water revenue financing, meaning that they would function as Bond Counsel and Disclosure Counsel, although they have included a statement that they will revisit their scope of services and fee should the District choose to pursue a private placement transaction.
- The proposal includes a Statement of Qualifications that outlines the firm’s experience with Revenue Bonds, most of which have been water or wastewater related (more than 350 issues since 2013).

**Fiscal Impact:**

A flat fee of \$50,000 to serve as Bond Counsel and a flat fee of \$45,000 to serve as Disclosure Counsel, with payment contingent upon successful completion of the financing. Should the District’s financing plans change (for example, a private placement instead of a public offering), Jones Hall will revisit the scope of work and fee estimate.



EXHIBIT A

VIA EMAIL  
(mrogren@coastsidewater.org)

June 24, 2024

475 Sansome Street  
Suite 1700  
San Francisco, CA 94111  
t. 415.391.5780  
f. 415.276.2088

Mary Rogren  
General Manager  
Coastside County Water District

Re: Proposed 2024 Long-Term Financing  
Statement of Qualifications, Scope of Work and Fee Quote

Dear Mary and team,

We are pleased to provide the District with a statement of qualifications, scope of work and fee quote to serve as Bond Counsel and Disclosure Counsel for its planned upcoming long-term debt financing, which will likely take the form of “Certificates of Participation” to be publicly offered and sold. As you know, we have served as Bond Counsel to the District with respect to its two most recent prior financings:

- **2022 Loan Agreement** – generate approximately \$7.0 million of “new money” proceeds via a loan from First Foundation Public Finance
- **2018 Loan Agreement** – refunding approximately \$5.2 million of outstanding debt to achieve savings via a loan from JPMorgan Chase Bank

We understand a public offering is contemplated, necessitating both Bond Counsel (authorizing legal documents) and Disclosure Counsel (describing the long-term debt to potential investors) services. Should the plan of finance change, we are happy to revise our scope of services and fee quote accordingly. As detailed herein, we are well-qualified to work with the District and other financing team members in these two roles.

We sincerely appreciate the opportunity to once again serve the District!

Very truly yours,

James A. Wawrzyniak, Jr.

David T. Fama

CC: Jeffrey Schneider, Assistant General Manager  
Brant Smith, Backstrom McCarley Berry & Co., LLC



JONES HALL

## STATEMENT OF QUALIFICATIONS, SCOPE OF WORK AND FEE QUOTE

### JONES HALL, A PROFESSIONAL LAW CORPORATION

#### STATEMENT OF QUALIFICATIONS

Jones Hall is the largest California-based law firm that focuses its practice exclusively in the area of municipal finance as bond counsel, disclosure counsel, underwriter’s counsel, issuer’s counsel and special tax counsel. This specialization allows us to orient our practice to the peculiar requirements of public finance, without the need to suit other, unrelated areas of the legal business. The firm has consistently ranked as one of the top three bond counsel and disclosure counsel firms in California (based on the number of transactions) over the last 15+ years. Given our relatively small size compared to the firms that rank above us, we are extremely proud of this achievement.

We are particularly proud of our Closing Department, as it fully demonstrates the firm’s commitment to tailor our practice to the requirements of the municipal bond business. Our closing coordinators assist the attorneys in all pre-closing, closing and post-closing logistics, and greatly alleviate the stress and strain that is typical of many bond closings. As each bond issuance approaches a closing, we would assign one of the paralegals from our Closing Department to assist in handling the logistics of closing the financing, in a seamless manner.

**Rankings.** In calendar year 2022 (the most recent year for which data is available), Jones Hall was the 2nd-ranked bond counsel and 2nd-ranked disclosure counsel firm (based on number of issues) in California, according to Refinitive, an LSEG Business, formerly Thomson Financial, as shown in the following table.

#### Refinitive Statistics (Calendar Year 2022)

Jones Hall Role	Rank	Number of issues	Approx. Par Amount
Bond Counsel	2	141	3.34 billion
Disclosure Counsel	2	80	1.78 billion

**Familiarity and Experience with Particular Types of Financings.** Jones Hall closes hundreds of deals each year for its California local agency clients. A high-level description of these financings follows.

- Water and Sewer Revenue Bonds/Enterprise Financings. Since January 2013, Jones Hall has served as bond/co-bond counsel and/or disclosure counsel on more than **350 revenue bond issues and enterprise financings**. The vast majority of these transactions were for water or wastewater systems.



- Certificates of Participation/Lease Revenue Bonds. Since January 2013, Jones Hall has served as bond/co-bond counsel on over **400 certificate of participation or lease revenue bond financings.**
- Other Long-Term Financings. Since January 2013, Jones Hall has served as bond/co-bond counsel and/or disclosure counsel on more than 1,400 general obligation bond issues, 500 Mello-Roos bond issues, more than 600 multifamily housing revenue bond issues, approximately 45 tax and revenue anticipation note issues and various other types of financings including commercial paper.

***Names and Experience of Assigned Attorneys.*** Working on the District's transactions would be James A. Wawrzyniak Jr. and David T. Fama. James and Dave have worked on literally dozens of water financings for special districts, cities and other local agencies in California in recent years, including the two most recent financings for the District described in the cover letter attached hereto. They do not delegate work to more junior attorneys and will be "on-the-job" from the start through the finish of the transaction.

This team prides itself on providing the highest level of service at competitive prices. Because there are two attorneys available, the District has both resources to understand their goals and have questions answered, usually with same-day turn-around time. Additional biographical details follow.

***James A. Wawrzyniak Jr.*** James Wawrzyniak represents cities, counties, school districts and other governmental entities throughout California in municipal financing transactions. Since 2015, he has served California public agency clients as bond counsel, disclosure counsel, and underwriter's counsel. His particular expertise is with utility revenue financings, including Water Revenue Bonds, Sewer Revenue Bonds, and Electric Revenue Bonds. Mr. Wawrzyniak also has extensive experience with conduit-issuer and Mello-Roos CFD special tax bond financings. Prior to joining Jones Hall, Mr. Wawrzyniak represented corporate and non-profit clients in a variety of financing and other corporate transactions at law firms in San Francisco, Washington, D.C. and New York City. He received his J.D. from Harvard Law School, *cum laude*, and his undergraduate degree in Economics from Georgetown University, *summa cum laude*.

***David T. Fama.*** David Fama has more than 30 years' experience as bond counsel, disclosure counsel and underwriter's counsel in financings that include enterprise fund financings, Mello-Roos special tax bonds, assessment bonds, tax allocation bonds, general obligation bonds, lease revenue bonds, certificates of participation, and 501(c)(3) financings. Mr. Fama represents cities, counties, school districts and special districts throughout California. David's expertise is spread among bond counsel and disclosure counsel work in many diverse areas, with especially extensive experience in community facilities district and assessment district matters, pooled financings, conduit financings redevelopment and joint powers authorities. He received his J.D. from Pepperdine University School of Law and his undergraduate degree from the University of Santa Clara.



In addition to the shareholders described above, members of the Tax Department would be available to assist on tax-related questions and a closing coordinator would be assigned for the closing of the financing. The closing coordinator has responsibility for collecting signatures, filling CDIAC forms, and preparing the closing transcript for each matter. All of the closing coordinators at Jones Hall are very experienced, with hundreds of deals closed by each of them, and with an average experience at Jones Hall of 15+ years.

## SCOPE OF WORK

***Duties of Jones Hall as Bond Counsel.*** Jones Hall would undertake, carry out and perform all of the following Bond Counsel services as are necessary for the execution and delivery of Certificates of Participation (the “Certificates”) and the related financing documents (the “Financing Documents”), including:

- Preparing and/or reviewing all legal proceedings for the issuance of the Certificates and the authorization, execution and delivery of the Financing Documents by the District, including one or more resolutions, an installment sale agreement, and an indenture of trust; preparation and/or review of all closing certificates, filings and other documents required for the closing and supervising such closing; preparation of all other proceedings incidental to or in connection with the issuance of the Certificates.
- Reviewing existing long-term obligations of the District to ensure compliance with the provisions therein, including the 2022 loan agreement and 2018 loan agreement.
- Upon completion of proceedings to the satisfaction of Jones Hall, providing a legal opinion, as traditionally issued by Bond Counsel and satisfactory in form and content to the underwriter or other purchaser of the Certificates, approving in all regards the legality of all proceedings for the issuance of the Certificates and the authorization, execution and delivery of the Financing Documents, which opinion shall be addressed to the District and may be relied upon by other parties in the financing, as customary. Jones Hall would also opine concerning the taxation of interest for the Certificates for federal income tax purposes and for state of California income tax purposes.
- Such other and further services as are normally performed by Bond Counsel in connection with similar financings.

***Duties of Jones Hall as Disclosure Counsel.*** In addition to their duties as Bond Counsel, Jones Hall shall do, carry out and perform all of the following services as Disclosure Counsel to the District in connection with the issuance of the Certificates and the execution and delivery of the Financing Documents:

- Participating in the preparation of the Official Statement by consulting with representatives of the District, the underwriter and others, gathering



information for disclosure in the Official Statement, and having primary responsibility for drafting the Official Statement.

- Performing due diligence sufficient to render the 10b-5 letter set forth below.
- Rendering a 10b-5 letter to the District and the underwriter of the Certificates stating that based upon Jones Hall's participation in the preparation of the Official Statement, nothing has come to their attention to lead them to believe that the Official Statement (except for any financial statements and the financial and statistical data or forecasts, numbers, charts, estimates, projections, assumptions or expressions of opinion included therein, and The Depository Trust Company and its book-entry system and information in the appendices, as to which Jones Hall is not required to express a view) as of the date of the Official Statement or the date of closing of the Certificates contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.
- Such additional legal services as are customarily rendered by Disclosure Counsel in connection with similar financings.

#### FEE QUOTE

As is typical in the industry, Jones Hall attorneys don't bill by the hour. Instead, we bill on a flat-fee, contingent-on-closing basis, with Jones Hall's fees for Bond Counsel and Disclosure Counsel services being based upon the par amount of the Certificates proposed to be issued (which quantifies in part our risk exposure), and qualitative factors such as the amount of the work, timing and complexity of the financing.

For the proposed publicly offered water revenue financing, we would propose a flat-fee amount of \$50,000 to serve as Bond Counsel and an additional \$45,000 to serve as Disclosure Counsel. These fees would be payable 100% contingent on closing.

Should the plan of finance change, and a bank private placement transaction be pursued instead, for example, Jones Hall and the District would revisit the scope of work and fee estimate.