



October 8, 2019

Board of Supervisors
County Administration Building
Stockton, CA

Dear Board Members,

**Approval of Financial Advisory Services Agreement With
KNN Public Finance, LLC from October 22, 2019 Through October 22, 2024 in an
Amount Not to Exceed \$25,000 Annually**

RECOMMENDATION

It is recommended that the Board of Supervisors, by Board Order:

1. Approve an Agreement with KNN Public Finance, LLC (KNN) for municipal advisory services at a maximum cost of \$25,000 per year for five years, with the authority to extend for two additional one-year terms; and,
2. Authorize and direct the Chair of the Board to execute the Agreement on behalf of the County.

REASON FOR RECOMMENDATION

On June 23, 2009, the Board of Supervisors approved a three-year Financial Advisory Services Agreement with KNN. The Agreement provided for one three-year extension which was approved by the County Administrator, which expired on June 23, 2015. On October 20, 2015, the Board of Supervisors approved a new four-year agreement with KNN.

In August 2019, the County Administrator's Office issued a Request For Quote for municipal advisory services. Four firms submitted proposals and after review of the proposals, KNN was awarded the contract for municipal advisory services. The firm was designated as best value in experience, cost, and expertise in municipal services.

Over the past ten years, the County has utilized KNN's services for the following financial transactions:

1. The refinancing of the Hospital Replacement Project Certifications of Participation (COPs) in November 2012 which resulted in an overall savings of \$1.9 million in debt payments for San Joaquin General Hospital and shortened the maturity date by one year from September 2020 to September 2019.

2. The refinancing of the Solid Waste Facilities System COPs in July 2014 which resulted in an overall savings of \$1.2 million in debt payments for the Solid Waste Enterprise operation. In addition, KNN assisted the County's financing team in the preparation and presentation to Standard and Poor's (S&P), a bond rating agency, which resulted in the upgrading/restoring of the Solid Waste's bond rating from "BBB+" to "A-".
3. The refinancing of the Administration Building COPs in June 2017 which reduced the County's total present value debt obligations by \$26.8 million and reduced the final maturity date by four years from November 2035 to November 2031. In addition, KNN assisted the County's financing team in the preparation and presentation with S&P and Moody's Investor Services which resulted in S&P raising the County's COP rating from "A" to "A+" and Moody's Investors Service affirming the County's existing COP rating of "Aa3". The first optional call date of the 2017 Administration Building is November 15, 2027, at which point the outstanding principal may be redeemed.
4. The refinancing of the County Service Area (CSA) 31 Wastewater Treatment Facility at Flag City in January 2018, which reduced the CSA 31 Wastewater project total present value debt obligations by \$961,260 and extended the final maturity date from August 2037 to August 2042.

Based on the performance of KNN over the past ten years and due to the limited transactions being conducted by the County, it is recommended that the Board approve a Financial Advisory Services Agreement with KNN for five years beginning October 22, 2019 and ending on October 19, 2024, with the option to extend the agreement for two additional one-year terms.

FISCAL IMPACT

Payment for financial advisory services is directly related to the transaction type, level of transaction activity, and issuance of securities. Funding for these services are provided by bond or note proceeds contingent upon the successful issuance of the bonds/notes. No specific projects are being considered at this time. Payment are expected to be on a time and material basis.

The County shall pay KNN the following hourly rates for actual work performed associated with pre and non-transaction services including but not limited to special studies, debt capacity analyses, and credit rating activities:

Professional Services	Hourly Rate
Managing Director	\$345
Director	\$325
Vice President	\$295

Professional Services	Hourly Rate
Assistant Vice President	\$275
Associate	\$245
Analyst	\$205
<i>*Subject to annual increases not-to-exceed 3% a year with written approval from the County.</i>	

In addition to the hourly rates, if a transaction is proposed, the proposed transaction fees are summarized in the following schedule:

Transaction Fees	
Financing Structure	Fixed Fee Range*
Tax and Revenue Anticipation Notes (TRANs)	\$20,000 - \$40,000
Certificates of Participation (COPs) and Lease Revenue Bonds (LRBs)	\$40,000 - \$95,000
Land Secured**	\$35,000 - \$65,000
Continuing Disclosure Annual Report	\$2,000 per report for each credit
Other	To be determined based upon plan of finance.
<i>*An additional \$5,000 - 15,000 will be applied to the fixed fee range for refunding transactions and variable rate transactions, depending upon the complexity of the transaction.</i>	
<i>**KNN typically charges non-contingent hourly rates for services in connection with district formation and transaction fees contingent upon the successful completion of a transaction.</i>	

The maximum annual contract amount is \$25,000 for municipal advisory services. Should a long term debt transaction occur in the future that will exceed this annual contract amount, the project will be scheduled for consideration by the Board of Supervisors.

Action to Be Taken Following Approval

The executed Agreement will be sent to KNN. The County Administrator’s Office will administer the Agreement. As projects are developed, the details related to each will be presented to the Board for its consideration.

Sincerely,



Monica Nino
County Administrator

MN:MH

c: County Counsel
Auditor-Controller
Treasurer-Tax Collector
Purchasing & Support Services
KNN Public Finance
Clerk of the Board for Agenda 10/22/19

BL10-04

Reviewed by County Counsel's Office:



J. Mark Myles, County Counsel

10/8/2019