



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: Public Works/Lag San
Department No.: 054
For Agenda Of: 11/13/2018
Placement: Administrative
Estimated Tme:
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Directors, Laguna County Sanitation District

FROM: Department Scott D. McGolpin, P.E., Director, (805) 568-3010
Director(s) Harry E. Hagen, CPA, CPFO, CFIP, CGIP, ACPFIM, Treasurer-
Tax Collector, (805) 568-2490
Contact Info: Mark A. Schleich, P.E., Deputy Director, (805) 882-3605
Jennifer C. Christensen, JD MBA CPFO CFIP Chief Investment
Officer, Treasurer-Tax Collector, (805) 568-2925

SUBJECT: Professional Services Agreement with KNN Public Finance, LLC for Municipal
Advisor Services for the Proposed Laguna County Sanitation District Plant
Upgrades - Third and Fourth Supervisorial Districts

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Other Concurrence: Debt Advisory Committee, Risk
Management
As to form: Yes

Recommended Actions:

That the Board of Directors:

- a) Approve and authorize the Chair to execute an Agreement for Services of Independent Contractor with KNN Public Finance, LLC in an amount not-to-exceed \$108,500 to provide financial advisory services associated with financing for proposed Laguna County Sanitation District wastewater reclamation plant upgrades; and
- b) Adopt a resolution declaring the District's official intent to reimburse certain expenditures from proceeds of indebtedness; and
- c) Find that the proposed actions do not constitute a "Project" within the meaning of the California Environmental Quality Act, pursuant to 14 CCR 15378 (b)(5), in that they are government administrative activities that will not result in direct or indirect changes in the environment.

Summary Text:

This item is on the agenda in order to consider retaining KNN Public Finance, LLC in an amount not-to-exceed \$108,500 for Municipal Advisor services for financing the proposed Laguna County Sanitation District wastewater reclamation plant upgrades and to adopt a resolution declaring the District's official intent to reimburse certain expenditures from proceeds of indebtedness.

Background:

The Laguna County Sanitation District is planning a plant upgrade to replace aged, obsolete and structurally deficient treatment facilities as described in the *Wastewater Reclamation Plant Facilities and Financial Master Plan* presented to the Board in October of 2011. The Master Plan assessed the function and usefulness of existing treatment facility infrastructure by evaluating equipment useful lives, function, and improvements needed to address regulatory criteria, capacity needs, customer growth, waste flow volumes and loading, and treatment and discharge alternatives. The Master Plan also recommended a fee and rate structure to accommodate debt service for these improvements. The fee and rate structure was also intended to comply with the County Enterprise Fund Reserve Policy adopted by the Board in June of 2007 by addressing debt service, anticipated capital replacement and expansion requirements as well as maintaining reserves for working capital and contingencies.

The proposed financing mechanism is an installment payment financing payable from certain District revenue. A request for qualifications for providing municipal advisory services was solicited by the Treasurer-Tax Collector's office with three firms submitting. KNN Public Finance, LLC (not a local vendor) was selected based on demonstrated competence and professional qualifications. The municipal advisory services are described in the attached fee proposal that evaluates debt service and bond capacity, develops bond offering, disclosure statements, and bond rating.

The project and the retention of KNN Public Finance, LLC to provide financial advisory services was recommended to the Debt Advisory Committee (DAC) on October 1, 2018. The recommendation was approved and therefore staff recommends executing the agreement negotiated in an amount not to exceed \$108,500 as well as adopting a resolution declaring the District's official intent to reimburse certain expenditures from proceeds of indebtedness.

Key Contract Risks:

Public Works views this Agreement as low risk because KNN Public Finance, LLC is highly experienced in financial matters and has worked with the County successfully for multiple years.

Performance Measure:

Implementation of the improvements is consistent with the District's Facilities Master Plan and the County Capital Improvement Program.

Fiscal and Facilities Impacts:

This agreement does not require additional budgeted amounts as the pre-transaction costs are budgeted in the Laguna County Sanitation District Enterprise Fund. Fees will be paid from financing proceeds. In the event the District does not bring the financing to market, the pre-transaction costs will not exceed \$20,000 based on the hourly rate schedule of the proposal and contract. A fixed fee of \$85,000 is

contingent on the successful sale and closing of the financing. The contract also includes \$3,500 for expenses.

Fiscal Analysis:

<u>Funding Sources</u>	<u>Current FY Cost:</u>	<u>Annualized On-going Cost:</u>	<u>Total One-Time Project Cost</u>
General Fund			
State			
Federal			
Fees			
LCSD Enterprise Fund			\$ 108,500
Total	\$ -	\$ -	\$ 108,500

The costs for services in the agreement will be paid from financing proceeds.

Special Instructions:

- A. Direct the Clerk to retain one (1) original agreement for Clerk of the Board records and return the other two (2) original agreements to the Laguna County Sanitation District office, attention Martin Wilder; and
- B. Direct the Clerk to forward a certified copy of the executed resolution to the Laguna County Sanitation District office, attention Martin Wilder.

Attachments:

Attachment A: Three (3) original agreements
Attachment B: Resolution

Authored by:

Martin Wilder, P.E., Manager (805) 739-8755

Copy:

Julie Hagen, Deputy Public Works Director of Finance and Administration, (805) 568-3999