



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: September 27, 2016

TO: Mayor and Councilmembers

FROM: Administration Division, Finance Department

SUBJECT: Professional Services Agreement For Bond Financial Advisory Services

RECOMMENDATION:

That Council authorize the Finance Director to execute an agreement with KNN Public Finance for bond financial advisory services in an amount not to exceed \$78,000, payable from bond proceeds if, and at such time as, the bonds are issued.

DISCUSSION:

City staff has evaluated the potential savings that could be achieved by refinancing the outstanding 2004 Sewer Refunding Bonds due to a reduction in interest rates since the 2004 bonds were sold. It appears that refinancing the outstanding bonds could save a total of approximately \$1.4 million over the remaining term of ten years, which translates to \$140,000 in savings annually.

Based on the work done to date, staff is at a point where bond/disclosure counsel and a financial advisor should be retained to assist City staff with the analysis, gathering of appropriate documentation and preparation of the necessary documents for a potential sale. A description of the firms, their respective scope of services and related fees are provided below.

Financial Advisory Services

The City historically has used financial advisors with the issuance of long-term debt. For a number of years, the City has retained the services of KNN Public Finance for financial advisory services. KNN is a highly qualified firm with extensive knowledge of the City's operations and past bond sales. Staff believes this expertise and knowledge of the City is important to ensure any bond sale is based on a thorough understanding of the City's needs and the bond market.

In general, the role of a financial advisor is to serve as an independent advocate for the seller of bonds or other indebtedness and provide the seller with the information necessary to make intelligent, informed decisions. The sale of bonds is a highly specialized, complicated and nuanced transaction, requiring a level of expertise not generally held by

municipal finance professionals within the City. Specifically, the financial advisor helps structure the financing to get the best rate for the City, reviews and give advice on the bond underwriter's proposals in a negotiated bond sale and reviews documents from bond counsel and disclosure counsel, and coordinates the bond issuance closing process. For a competitive sale of the bonds, the financial advisor structures the bond issue, conducts a public sale, identifies the winning bidder and coordinates the bond issuance closing process.

The scope of KNN's service will include, but not be limited to, the following:

1. Assist in the selection of other financing team members, such as bond counsel, verification agent, and trustee, as necessary.
2. Coordinate the efforts of city staff, bond and disclosure counsel, City Attorney, and City elected officials, with respect to the preparation and approval of the financing documents by the City Council.
3. In conjunction with bond counsel, recommend specific financial covenants, terms and provisions, including maturity schedules, timing of sale, call provisions and related matters.
4. Review and provide appropriate revisions and recommendations to legal documents, the official statement and other documents.
5. Prepare and coordinate the appropriate presentation to the rating services and bond insurer.
6. Coordinate the sale and closing of the transactions.

KNN's proposed fee is \$75,000 with reimbursable expenses not to exceed \$3,000.

PREPARED BY: Robert Samario, Finance Director

SUBMITTED BY: Robert Samario, Finance Director

APPROVED BY: City Administrator's Office