



San Benito County

Presentation to County Board of Supervisors

June 26, 2018



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Role of the Municipal Advisor

- KNN Public Finance, LLC (“KNN”) has served as San Benito County’s Municipal Advisor since 2007.
- Our role is to provide the County with independent financial analysis and advice.
- We have a fiduciary responsibility to protect the County’s interests through the planning and financing process.
- KNN assisted the County in evaluating the economics and financing options for the County’s upcoming energy projects.

Energy Project Overview

- The County is pursuing various energy conservation measures, including solar, HVAC, and other energy efficiency projects at various sites across the County.
- KNN assisted the County staff in the initial evaluation of the economics and financing options for the Engie projects, including:
 - Generated preliminary financing figures to help evaluate if the projects would generate savings for the County, including sensitivity analysis.
 - Compared economics of direct purchase lease financing versus public bond financing.
 - Bond Counsel outreach regarding financing repayment structure.
- Based upon market research, KNN determined that a direct purchase method of sale would produce the lowest overall cost of funds for the County and have the flexibility to achieve the County's financing priorities.

Summary Plan of Finance

- Recommend pursuing direct purchase lease financing with the following key features:
 - Utilize lease financing structure with energy efficiency equipment as the leased asset for the financing. Do not encumber any other County assets.
 - Financing term of 20 years.
 - Structure slightly ascending payment structure (2-3% increase per year) to mirror estimated savings generated from energy projects.
 - Lease payments will be subject to annual appropriation by the County Board of Supervisors.

Summary of Bank RFP Process

- The County, via a Placement Agent, solicited interest rate bids from direct purchase commercial banks.
- The RFP was sent to 27 direct purchase financing providers, and the County received responses from the following 7 firms: Banc of America, Capital One, City National Bank, Opus Bank, Pinnacle Public Finance, Sterling National Bank, and Umpqua Bank.
- The response from Banc of America satisfied all of the County's requirements and the lowest overall borrowing cost (3.76% for 20-year term, locked until August 28th).
- The County's financing team is currently working through the review and negotiation of key terms and conditions with Banc of America.

Estimated Savings Based upon BofA's Interest Rate

Provided by Engie Services											L	M	N
A	B	C	D	E	F	G	H	I	J	K			
Year	Projected Energy Savings ¹	Projected O&M Savings	On-Bill Financing Payment to County	Estimated AMBAG Rebate	Total Program Savings	On-Bill Financing Payment by County	Inverter Replacement	Measurement & Verification Cost	Solar Maintenance Cost	Savings Before Debt ²			
1	\$500,862	\$55,049	\$401,698	\$85,075	\$1,042,684	\$40,170		\$13,153	\$21,350	\$968,011	\$479,848	\$488,163	\$469,388
2	520,639	56,700			577,339	\$40,170		13,548	21,990	501,631	487,586	14,045	12,986
3	541,200	58,401			599,601	\$40,170		13,954	22,650	522,828	500,254	22,574	20,068
4	562,577	60,153			622,730	\$40,170		14,373	23,330	544,857	512,170	32,687	27,941
5	584,801	61,958			646,759	\$40,170		14,804	24,030	567,755	528,240	39,515	32,478
6	607,906	63,816			671,722	\$40,170			24,750	606,802	538,464	68,338	54,009
7	631,927	65,731			697,658	\$40,170			25,493	631,996	552,842	79,154	60,150
8	656,902	67,703			724,605	\$40,170			26,258	658,177	566,280	91,897	67,148
9	682,867	69,734			752,601	\$40,170			27,045	685,386	583,684	101,702	71,455
10	690,892	71,826			762,718	\$40,170			27,857	694,692	595,054	99,638	67,312
11	717,994	73,981			791,975				28,693	763,282	610,390	152,892	99,315
12	746,162	76,200			822,362				29,553	792,809	624,598	168,211	105,064
13	775,439	78,486			853,925				30,440	823,485	642,584	180,901	108,644
14	805,868	80,841			886,709				31,353	855,356	659,254	196,102	113,244
15	837,497	83,266			920,763				32,294	888,469	674,608	213,861	118,749
16	870,370	85,764			956,134				33,262	922,872	693,552	229,320	122,436
17	904,539	88,337			992,876				34,260	958,616	706,086	252,530	129,642
18	940,054	90,987			1,031,041				35,288	995,753	727,116	268,637	132,607
19	976,969	93,717			1,070,686				36,347	1,034,339	746,454	287,885	136,642
20	1,015,338	96,528			1,111,866				37,437	1,074,429	764,100	310,329	141,630
21	751,803				751,803		227,407		38,560	485,836		485,836	213,201
22	780,210				780,210				39,717	740,493		740,493	312,455
23	809,690				809,690				40,909	768,781		768,781	311,915
24	840,285				840,285				42,136	798,149		798,149	311,375
25	872,035				872,035				43,400	828,635		828,635	310,835
26	904,985				904,985				44,702	860,283		860,283	310,295
27	939,179				939,179				46,043	893,136		893,136	309,754
28	974,666				974,666				47,424	927,242		927,242	309,214
29	1,011,494				1,011,494				48,847	962,647		962,647	308,674
30	1,049,713				1,049,713				50,312	999,401		999,401	308,134
Total:	\$23,504,864	\$1,479,178	\$401,698	\$85,075	\$25,470,815	\$401,698	\$227,407	\$69,832	\$1,015,730	\$23,756,148	\$12,193,164	\$11,562,984	\$5,096,762

¹ Reflects annual escalation of PG&E electricity cost of 4.30%, provided by Engie Services.

² Total program costs provided by Engie Services, based upon proposal dated January 23, 2018. Based upon project cost of \$8,031,922.

³ Direct Purchase Lease Financing Payments based upon Bank of America Public Capital Corp. of 3.76%.

⁴ Assumes present value rate of 4.00%.

Next Steps

- Thursday, June 21st: Conference call to review first draft of legal documents.
- Tuesday, June 26th: County Board of Supervisors meeting to review project and financing.
- Weeks of July 2nd and July 9th: Finalize legal documentation and financing structure.
- Tuesday, July 24th: County Board of Supervisors approves financing Resolution and near final legal documents.
- Week of July 30th: Closing of lease financing.
- August 22nd: Expiration of BofA interest rate lock.

MSRB Rule G-42 Disclosures



MSRB Rule G-42: Disclosure of Conflicts of Interest and Legal or Disciplinary Events

Pursuant to Municipal Securities Rulemaking Board (“MSRB”) Rule G-42, on Duties of Non-Solicitor Municipal Advisors, Municipal Advisors are required to make certain written disclosures to clients which include, amongst other things, Conflicts of Interest and any Legal or Disciplinary events of KNN Public Finance, LLC (“KNN Public Finance”) and its associated persons.

Conflicts of Interest

KNN Public Finance represents that in connection with the issuance of municipal securities, KNN Public Finance may receive compensation from an Issuer or Obligated Person for services rendered, which compensation is contingent upon the successful closing of a transaction and/or is based on the size of a transaction. Consistent with the requirements of MSRB Rule G-42, KNN Public Finance hereby discloses that such contingent and/or transactional compensation may present a potential conflict of interest regarding KNN Public Finance’s ability to provide unbiased advice to enter into such transaction. This conflict of interest will not impair KNN Public Finance’s ability to render unbiased and competent advice or to fulfill its fiduciary duty to the Issuer.

If KNN Public Finance becomes aware of any additional potential or actual conflict of interest after this disclosure, KNN Public Finance will disclose the detailed information in writing to the Issuer in a timely manner.

Legal or Disciplinary Events

KNN Public Finance, LLC, has never been subject to any legal, disciplinary or regulatory actions nor was it ever subject to any legal, disciplinary or regulatory actions previously, when it was a division of Zions First National Bank or Zions Public Finance, Inc.

A regulatory action disclosure has been made on Form MA-I for one of KNN Public Finance municipal advisory personnel relating to a 1998 U.S. Securities and Exchange Commission (“SEC”) order that was filed while the municipal advisor was employed with a prior firm, (not KNN Public Finance). The details of which are available in Item 9; C(1), C(2), C(4), C(5) and the corresponding regulatory action DRP section on Form MA and Item 6C; (1), (2), (4), (5) and the corresponding regulatory action DRP section on Form MA-I. Issuers may electronically access KNN Public Finance’s most recent Form MA and each most recent Form MA-I filed with the Commission at the following website:

www.sec.gov/edgar/searchedgar/companysearch.html.

The SEC permits certain items of information required on Form MA and Form MA-I to be provided by reference to such required information already filed on a regulatory system (e.g., FINRA CRD). The above noted regulatory action has been referenced on both Form MA and MA-I due to the information already filed on FINRA’s CRD system and is publicly accessible through BrokerCheck at <http://brokercheck.finra.org>. For purposes of accessing such BrokerCheck information, the Municipal Advisor’s CRD number is 4457537.