

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**



FROM: Executive Office and Purchasing and Fleet Services Dept.

SUBMITTAL DATE:
September 7, 2010

SUBJECT: APPROVAL OF THE MULTIPLE SERVICE AGREEMENTS TO PROVIDE ADVISORY SERVICES FOR THE EXECUTIVE OFFICE

RECOMMENDED MOTION: That the Board of Supervisors:

1. Approve and execute the one-year (1) professional service agreements with KNN Public Finance, C.M. de Crinis & Company, Inc., and Fieldman/Rolapp & Associates for an annual aggregate amount of \$255,000, which contains an option to renew the agreement for four additional one-year (1) periods, and;
2. Authorize the Purchasing Agent, in accordance with Ordinance No. 459.4, to execute the renewal option, based on the availability of fiscal funding, to move funds amongst the vendors, and to sign amendments that do not change the substantive terms of the agreement, including amendments to the compensation provision that do not exceed the annual CPI rates, and;
3. Direct the Clerk of the Board to retain one original copy, and to return two originals to the Purchasing Office.

(Continued on Page 2)

Christopher M. Hans
CHRISTOPHER M. HANS
Deputy CEO

Robert J. Howdysshell
ROBERT J. HOWDYSHELL, Director
Purchasing and Fleet Services Dept.

FINANCIAL DATA	Current F.Y. Total Cost:	\$ 255,000	In Current Year Budget:	Yes
	Current F.Y. Net County Cost:	\$ 50,000	Budget Adjustment:	No
	Annual Net County Cost:	\$	For Fiscal Year:	10/11

SOURCE OF FUNDS: Bond revenue (80%) and Dept. Budget (20%)	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION: APPROVE
BY: *Ed Corser*
Ed Corser

County Executive Office Signature

FORM APPROVED COUNTY COUNSEL
 BY: *Neal R. Kipnis* DATE: 9/7/10
 NEAL R. KIPNIS

Departmental Concurrence

Consent Policy
 Consent Policy

Dep't Recomm.:
 Per Exec. Ofc.:

Prev. Agn. Ref.: District: ALL Agenda Number:

3.32

BOARD OF SUPERVISORS

FORM 11: APPROVAL OF THE MULTIPLE SERVICE AGREEMENTS TO PROVIDE ADVISORY SERVICES FOR THE EXECUTIVE OFFICE

PAGE 2

BACKGROUND

The government bond-issuance process is accomplished by a team of professionals; the team typically includes government (issuer) staff and counsel, bond counsel, a banker (underwriter), underwriter counsel, and a financial advisor. Each team member is important for the successful sale of bonds that conform to strict SEC guidelines.

The costs associated with contracting for these professional services are typically included in the cost of bonds issued, in which case there is no general-fund cost. Also, costs tend to be quite modest, often less than one quarter of a percent of the bond's sold. The data and tools required to perform at the level of a Financial Advisor are not cost effective to develop and maintain for any single bond issuer, like Riverside County. By having an independent financial advisor, the client obtains an "economy of scale" without incurring the training, cost, and effort. A bond issuer hires an outside financial advisor (FA) to add value, improve transparency, and decrease the risks associated with what can be the county's single largest transaction in a year.

While County staff has some experience with financial issues, that experience is limited to one county's perspective. A professional financial advisor brings a broader and deeper set of experience. That experience comes from representing a variety of clients that face similar or comparable issues. The financial advisor provides additional assistance and oversight, thus assisting in compliance with SEC Rule 10(b)(5). Avoiding material omissions or misstatements in public offerings reduces county liability.

A professional advisor brings an objective perspective that is vital for a complex government. The advisor is focused on the county's long term needs as well as those that can instantly arise in a staff environment.

A central function of a financial advisor is to help the County obtain the best results it can in the market and document its efforts and results for future review.

The benefit received from adding a financial advisor to the county's team is so widely accepted that all California counties actively issuing debt do so. Counties with financial advisors include: Los Angeles, Orange, San Bernardino, San Diego, Ventura, Imperial (when they issue debt), San Luis Obispo, Santa Barbara (infrequent issuer), San Benito, Santa Cruz, Monterey (on an issue by issue basis), Fresno, Kern, Merced, Kings, Stanislaus, Mariposa, Sacramento, El Dorado, Amador, San Joaquin, Madera, Inyo, Tulare, Calaveras, San Francisco, Alameda, Contra Costa, Sonoma, Napa, Solano, San Mateo, Santa Clara, Placer, Yuba, Siskiyou, Trinity, Yolo, and Marin.

The County requires financial advisor services for short-term, long-term lease financings, general financial advisement on complex financial matters, provide assistance with annual cash flow financings (TRANS and Teeter), assistance with the Pension Advisory Review Committee, and other specialized financial services that may occur.

BOARD OF SUPERVISORS

**FORM 11: APPROVAL OF THE MULTIPLE SERVICE AGREEMENTS TO PROVIDE
ADVISORY SERVICES FOR THE EXECUTIVE OFFICE**

PAGE 3

The financial advisors will assist the County in assembling financing teams, to include preparing and evaluating Requests for Proposal for bond counsel, bring bond issues to market, provide underwriter services, trustee, disclosure counsel, credit enhancement firm, verification agent, and other professionals as required, making recommendations based on the proposals, and negotiate fees on behalf of the County.

The financial advisor services will include advising on the size and timing of bond sales; structuring of sales on a competitive versus negotiated basis; bond maturity schedules; call premiums; provisions for the handling and investment of bond funds; use of credit enhancements; cash funded reserve versus surety; closing instructions; and other matters which may assist in obtaining the lowest practical interest cost and the widest competition for purchase of bonds. Where practical, the financial advisors will assist county staff to increase their involvement in the bond issuance process, ultimately decreasing the role and cost of the financial advisors.

PRICE REASONABLENESS

Purchasing released a Request for Proposal #EOARC018A, mailing solicitations to 77 companies and advertising on the County's Internet. Seven responses were received.

The proposals were reviewed by an evaluation team consisting of personnel from Purchasing, Executive Office, Flood Control, and a member from the CORAL Board. The evaluation team reviewed and scored each proposal based on the bidder's overall responsiveness to the requirements of the scope of service, the bidder's unique abilities, staff capacity, technical capability and project methodology, financial status, credentials, resumes, licenses, certifications, and references.

Purchasing required the sealed bid prices be submitted to the Clerk of the Board's (COB), and had the COB hold the sealed bid prices until the technical evaluations were completed. Once the technical evaluations process was accomplished, the evaluation team assembled at the COB for the bid prices to be revealed. The fees of the main principal's that would have direct involvement, their hourly rates were similar in fees, \$200 up to \$300, and based on the technical scores, the team selected the top four finalists for oral interviews.

Based on the evaluations, four finalists were chosen; KNN Public Finance, C.M.de Crinis & Company, Fieldman/Rolapp & Associates, and PRAG for oral interviews, which were held on July 29, 2010 at the Executive Office.

Because the County seeks the option to have vendors specialize in various general tasks, for example Teeter and TRANS financing, the evaluation team is making the recommendation to split the award to three of the finalists, KNN Public Finance, C.M.de Crinis & Company, Inc., and Fieldman/Rolapp & Associates as the most responsive/responsible bidders. Overall, each vendor submitted a range of hourly rates of \$200 to \$300, and a range of fees that are based on debt amount. For instance, debt transaction amounts of \$25,000,000, the proposed fees could range anywhere between \$25,000 up to \$125,000, depending on the bond's complexity. The

BOARD OF SUPERVISORS

**FORM 11: APPROVAL OF THE MULTIPLE SERVICE AGREEMENTS TO PROVIDE
ADVISORY SERVICES FOR THE EXECUTIVE OFFICE**

PAGE 4

fees for the advisors are contingent upon successful bond issuance and payable from the bond proceeds.

REVIEW/APPROVAL: County Counsel concurs with this request.