



Consent Item 9

TO: East Bay Community Energy Board of Directors
FROM: Howard Chang, Chief Operating Officer
SUBJECT: Municipal Advisor for Prepay Transaction
DATE: October 21, 2020

Recommendation

Adopt a Resolution authorizing the CEO to negotiate and execute a Consulting Services Agreement with PFM Financial Advisors, LLC to serve as the municipal financial advisor on EBCE's energy prepayment transaction.

Background and Discussion

Prepay Overview:

As discussed at the September 11, 2020 Finance, Administrative, and Procurement Subcommittee meeting and September 16, 2020 Board meeting, an energy prepayment - or 'prepay' - is a long-term financial transaction available to municipal utilities and tax-exempt entities such as CCAs that enables a meaningful power procurement cost savings opportunity. Further overview information can be found in those board documents.

Advisor Role:

Required by the Municipal Securities Rulemaking Board (MSRB), a municipal financial advisor represents and supports the Prepay Buyer (i.e. municipal Load Serving Entity) in the deal modeling and analysis, structuring negotiations, and document preparation. They effectively project manage and advocate for the CCA Group in the preparation and execution of the prepayment transaction.

Solicitation Process:

EBCE and Silicon Valley Clean Energy (SVCE) jointly issued a solicitation in September 2020 to identify potential municipal financial advisors. Given the niche market for prepayments, there are very few firms who provide this type of advisory service and experience. While the advisor solicitation received only three responses, the respondents' combined experience covers more than 80% of the deals executed to date across the country, and ten of the eleven deals executed to date in California. EBCE and SVCE reviewed and scored the respondents, ultimately selecting PFM Financial Advisors, LLC (PFM).

Timeline:

With the execution of a Consulting Services Agreement, staff will progress prepay structuring and document negotiations with Morgan Stanley, the Prepay Supplier. The targeted timeline is to have draft documents prepared for a deal execution by the end of the 2020 calendar year.

Deal execution will be subject to market conditions which are currently still not presenting the necessary taxable vs. tax-exempt interest rate spread. As stated in the September board materials, the details of the prepay agreement will be brought to the Board for review and approval once the documents are negotiated and prepared over the coming months.

Financial Impacts

The financial impacts of this item pertain to the municipal financial advisor fees. These fees may be structured as contingent fees paid out of the proceeds of the prepay transaction upon the successful execution of the program. Alternatively, EBCE may pursue non-contingent fees based on an hourly or quarterly fee structure, which is subject to further negotiation. In all cases, the advisor fees total an amount not to exceed \$250,000. These fees would be shared with SVCE as a joint prepay transaction.

Attachments

- A. Resolution authorizing the CEO to negotiate and execute a Consulting Services Agreement with PFM Financial Advisors, LLC to serve as municipal financial advisor on EBCE's energy prepayment transaction

RESOLUTION NO. __

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE EAST BAY COMMUNITY ENERGY AUTHORITY TO AUTHORIZE THE EXECUTION OF A CONSULTING SERVICES AGREEMENT WITH PFM FINANCIAL ADVISORS, LLC TO SERVE AS MUNICIPAL FINANCIAL ADVISOR ON THE ENERGY PREPAYMENT TRANSACTION

WHEREAS The East Bay Community Energy Authority (“EBCE”) was formed as a community choice aggregation agency (“CCA”) on December 1, 2016, Under the Joint Exercise of Power Act, California Government Code sections 6500 *et seq.*, among the County of Alameda, and the Cities of Albany, Berkeley, Dublin, Emeryville, Fremont, Hayward, Livermore, Piedmont, Oakland, San Leandro, and Union City to study, promote, develop, conduct, operate, and manage energy-related climate change programs in all of the member jurisdictions. The cities of Newark and Pleasanton, located in Alameda County, along with the City of Tracy, located in San Joaquin County, were added as members of EBCE and parties to the JPA in March of 2020.

WHEREAS The pursuit of an energy prepayment enables a meaningful power procurement cost savings opportunity in which EBCE utilizes its tax-exempt status to access the municipal bond market to prepay existing energy supply contracts at a discounted rate.

WHEREAS PFM Financial Advisors, LLC (PFM) was selected for the role of municipal financial advisor through a solicitation issued jointly with Silicon Valley Clean Energy in September 2020.

WHEREAS The fees for the municipal financial advisor total an amount not to exceed \$250,000.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE EAST BAY COMMUNITY ENERGY AUTHORITY DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. Authorize CEO to negotiate and execute a Consulting Services Agreement with PFM Financial Advisors, LLC to serve as the municipal financial advisor on EBCE’s energy prepayment transaction.

ADOPTED AND APPROVED this 21st day of October, 2020.

Dan Kalb, Chair

ATTEST:

Stephanie Cabrera, Clerk of the Board