



Town of Discovery Bay

"A Community Services District"

AGENDA REPORT

Meeting Date

October 5, 2015

Prepared By: Dina Breitstein, Finance Manager
Submitted By: Catherine Kutsuris, Interim General Manager

Agenda Title

Consider Approving Agreement with Bond Underwriter Brandis Tallman LLC for 2016/2017 Bond Issue for Needed Wastewater Capital Improvements

Recommended Action

It is recommended that the Board authorize the General Manager to enter into agreements with Brandis Tallman LLC for Bond Underwriting Services; authorizing the commencement of proceedings in connection with the execution and delivery of wastewater bond obligations, appointing an Underwriter.

Executive Summary

The Town of Discovery Bay Wastewater enterprise require capital projects whose funding source is currently not identified. The Wastewater projects will include the Title 22 Filtration at \$7.4M

In 2014, the Regional Water Quality Control Board (RWQCB) included into the Town's renewal of its NPDES Permit the requirement to construct Title 22 filtration facilities as well as denitrification facilities. The Filtration Project, per the terms of the permit, must be completed no later than December 31, 2017.

Staff has been meeting with the Water and Wastewater Sub-Committee as well as the Finance Committee to discuss the projects, financing needs as well as project timing.

Today's financial markets continue to show strength for borrowers, with interest rates continuing to remain at historically low levels. In an effort to capture these low rates, Staff believes that it is prudent to initiate the financing process at this time therefore, the Finance Committee met on Thursday September 29th at 6pm to interview two potential bond underwriters. Each interview took 45-60 minutes where each firm presented themselves to the committee. Both firms Stifel, Nicolaus & Company, Inc. & Brandis Tallman LLC had extensive backgrounds and experience with bond underwriting both with more than 30 years' experience. The firms presented bond market information, sales comparatives, cost and an estimated financing schedule that were complementary to the District's needs.

The Finance Committee made the decision to move forward with Brandis Tallman LLC. What set Brandis Tallman LLC apart was their smaller boutique feel, their team work relationship between the partners and their commitment and ability to assist as well educate District staff, not only through the bond process but, thereafter the deal is complete. Brandis Tallman committed to work with staff to ensure that all provisions of annual reports understood and are submitted to the MCDC The Municipalities Continuing Disclosure Cooperation Initiative.

Fiscal Impact:

Amount Requested \$ None at this time. All fees to be paid pursuant to agreements at time of closing.

Sufficient Budgeted Funds Available?: (If no, see attached fiscal analysis)

Prog/Fund # Category: Pers. Optg. Cap. -or- CIP# Fund#

Previous Relevant Board Actions for This Item

Finance committee Meeting September 29, 2016

Attachments

RFP and the Presentations - Stifel, Nicolaus & Company, Inc. and Brandis Tallman LLC

AGENDA ITEM: G-5



Town of Discovery Bay

Request for Proposals Tax-Exempt Private Placement / Public Offering

Background:

The Town of Discovery Bay Community Services District ("AA") is a multipurpose independent special district located in the Central Valley region of California in eastern Contra Costa County, approximately 55 miles east of San Francisco and 65 miles south of Sacramento. The District encompasses an area of approximately 7 square miles and has a population of approximately 14,000. The District is governed by an elected five-member Board of Directors. A General Manager oversees the day-to-day operational needs of the District. There are three public schools and one private school in the District.

The District provides municipal water treatment and distribution as well as wastewater collection and treatment to approximately 5,500 customers. The District's operating budget for fiscal year 2016 is approximately \$6.7 million.

Additional information about the District, including its Fiscal Year 2016-18 Operating and Capital Improvement Program Budget, and Financial Statements and Independent Auditors Report for the FYE June 30, 2015, may be found at <http://www.todb.ca.gov/finance-budget-and-audit>. The District's Wastewater Rate Study and adopted wastewater rate increases may be found at <http://www.todb.ca.gov/post/town-discovery-bay-water-and-wastewater-rate-studies-and-rates>. Financial Statements for prior years and the Official Statement relating to the Series 2012 Enterprise Revenue Bonds may be found at emma.msrb.org. The District's Wastewater Master Plan is available at: <http://todb.ca.gov/wastewater-master-plan>.

Objectives & Plan-of-Finance:

WASTEWATER In order to comply with Title 22 of the California Department of Public Health, the District plans to make certain improvements to its wastewater treatment facilities. The District's National Pollutant Discharge Elimination System (NPEDS) permit requires the District to adhere to specific dates and milestones for the project and to complete the project by Dec. 31, 2017. Design of the project is complete, bids have been received, and construction started June 1, 2016. The project is scheduled to be complete by September 2017. The construction bid cost is \$6,401,300. Pre-construction expenses for Geotechnical and Engineering design were completed for \$430,000 and additional pilot work was completed for \$70,000, for a total of \$500,000 in pre-construction expenses. Construction engineering and management services and inspection is budgeted at \$500,000. The total project cost is \$7.4 million and the District plans to amortize the project's loan over 30 years.

The District commissioned a study of its wastewater rates and its Board subsequently adopted rate increases during its meeting on July 20, 2016. The District plans to incur tax-exempt debt in order to fund the wastewater improvements (~\$7.4 million), debt service reserve fund (if necessary), and issuance costs. It is envisioned that the proposed debt will be on parity w/ the District's existing debt.

POTENTIAL REFINANCING/RESTRUCTURING The District encourages interested firms to include proposals to refinance/restructure some or all of the District's existing debt.

Outstanding Debt:

The following bonds are outstanding:

In December 2012, the Discovery Bay Public Financing Authority issued Series 2012 Enterprise Revenue Bonds in the amount of \$14,150,000 on behalf of the District. \$13,260,000 is outstanding.

Additional information about the outstanding debt is found in Note F, "Long Term Debt" of the District's financial statements for the year ended June 30, 2015.

Ratings:

The District's Series 2012 Bonds are rated "AA" by S&P.

Financing Schedule:

The District expects to conclude this financing by November 30, 2016.

Receipt of Proposals:

Proposals should be delivered by e-mail in Microsoft Word or Adobe PDF file format as follows:

Proposal Due Date: September 9, 2016
Proposal Due Time: 11:59 PM, Pacific Time
Send Proposal to: Ms. Catherine Kutsuris
Interim General Manager,
Town of Discovery Bay
ckutsuris@todb.ca.gov

Send Copy of Proposal to: dbreitstein@todb.ca.gov
saul.rosenbaum@prager.com
sachin.karamchandani@prager.com

Questions on the Request for Proposal and contact with the District should be directed to:

Saul Rosenbaum (415.403.1913)
Prager & Co., LLC,
Financial Advisor to the District
saul.rosenbaum@prager.com

Prior to the submission of proposals, contact with District Staff about this matter—either directly or indirectly—is discouraged. Failure to comply with this requirement may result in your proposal being rejected.

Proposal and Content:

Private Placement:

Should your firm decide to submit a proposal for private placement, please provide a term sheet and complete the table attached hereto as Exhibit A. Preference will be given to proposals that minimize the District’s exposure to: renewal risk; provisions related to the debt becoming taxable or a tax-preference item; downgrade pricing; increased bank costs; adjustments due to changes in tax law and banking regulation; yield protection and capital adequacy provisions; and anything else that could cause the interest rate on the loan to increase during the term of the loan.

Please indicate the anticipated timeframe that the lender will require in order to internally process a formal lending commitment.

Firms interested in refinancing/restructuring any part of the District's existing debt should include the proposed terms of any such refunding loan in their term sheet and Exhibit A.

Underwriting Services:

Should your firm decide to submit a proposal for underwriting services, please include information requested in this section. Please limit your response to no more than 15 pages (excluding cover page and relevant appendices).

1. State the name of your firm, the key contact person for your proposal, physical and email addresses, and telephone number.
2. Identify the key members of your firm that would be assigned to work with the District and the anticipated role of each team member. Brief biographies of each individual and a description of his or her relevant experience (not subject to page limit) should be included. Include representatives of the sales and trading group that would be involved in the offering and state their role(s).
3. In the context of the District's proposed offering, summarize your firm's relevant water and wastewater experience since January 1, 2013. Please identify the names of the borrower and the specific offerings, plus the ratings of the associated debt offerings. Include up to three (3) case studies and three (3) references.
4. Provide your recommendations for financing solutions that will provide the District with the lowest risk-adjusted cost of capital.
5. Discuss any refinancing/restructuring opportunities for the District that you believe should be considered at this time. Please provide suggestions for debt structures that will optimize the District's capital structure.
6. Describe your firm's plan for marketing the proposed offering. Describe the investor groups whose participation you believe will be key to the success of the offering. Given what you understand about the District, its proposed offering, and prevailing investor demand for debt similar to that which the District proposes to offer, describe what you believe will be investors' chief concerns that will inform their decision to participate during the order period, and suggestions for mitigating those concerns.
7. Clearly explain your underwriter's approach to the order period, including analysis of order flow and repricing recommendations, and the firm's process for determining if it will underwrite balances which may remain unsold at the conclusion of the order period.
8. Discuss any reputational, regulatory, or legal issues which may adversely affect your firm's ability to underwrite the University's bonds.
9. Please identify your firm's proposed underwriting discount for the proposed offering.

10. Provide recent examples that illustrate how your firm distinguishes itself from other underwriters possessing significant expertise similar to that required for the proposed offering.

Please do not include general corporate brochures and related promotional material in your proposal. In addition, please indicate any current or historical engagement or relationship with any public or private party that could potentially create a conflict of interest with the District.

The District reserves the right to select or reject any or all proposals submitted, to waive any formal proposal requirements, to investigate the qualifications and experience of any proposer, to reject any provisions in any proposal, to obtain new proposals, to negotiate the requested services and contract terms with any proposer, or to proceed to do the work otherwise. The District is not responsible for any costs incurred by proposers in preparing responses or attending meetings during the selection process.

The District reserves the right to retain all proposals and information submitted and to use any idea or concept contained in any submitted information, regardless of whether that firm is selected. Submittal of a proposal indicates acceptance by the proposer of all these terms and conditions.

Attachments:

Exhibit A: Private Placement/Underwriting Services Questionnaire

S&P's Rating Report dated April 26, 2016

LENDER:

RATINGS:

Long Term:
Short Term:

INSTRUMENT: Direct Placement

MODE (fixed, variable):

Interest Rate:

Term/ Tenor:

SECURITY PROVISIONS:

Collateral:

Financial Covenants:

Covenant #1:

Covenant #2:

Additional Debt Provision:

Rating Trigger:

Other:

PREPAYMENT:

FEES:

Origination Fee:

Unused Fee:

Amendment Fee:

Third Party Expenses:

DRAW PROVISIONS:

REPORTING REQ'MTS:

EVENT OF TAXABILITY:

YIELD PROTECTION:

APPRAISAL:

LOAN TO VALUE REQ'MT:

CLAWBACK:

MARGIN RATE FACTOR:

OTHER CONDITIONS:

RatingsDirect®

Summary:

Discovery Bay Public Financing Authority, California Town of Discovery Bay Community Services District; Water/Sewer

Primary Credit Analyst:

Chloe S Weil, San Francisco (1) 415-371-5026; chloe.weil@standardandpoors.com

Secondary Contact:

Aaron Lee, San Francisco (1) 415-371-5066; aaron.lee@standardandpoors.com

Table Of Contents

Rationale

Outlook

Related Criteria And Research

Summary:

Discovery Bay Public Financing Authority, California Town of Discovery Bay Community Services District; Water/Sewer

Credit Profile

Discovery Bay Pub Fincg Auth, California

Twn of Discovery Bay Comnty Svcs Dist, California

Discovery Bay Pub Fincg Auth (Twn of Discovery Bay Comnty Svcs Dist) enterprise rev (AGM)

Unenhanced Rating

AA(SPUR)/Stable

Upgraded

Many issues are enhanced by bond insurance.

Rationale

Standard & Poor's Ratings Services raised its rating to 'AA' from 'AA-' on the Discovery Bay Public Financing Authority, Calif.'s series 2012 enterprise revenue bonds (water and wastewater financing projects) issued for the Town of Discovery Bay Community Services District. The outlook is stable.

The upgrade is primarily due to the district's continued improved financial performance, as shown in its fiscal 2015 audit, and our expectation that the town will continue to maintain improved coverage metrics through the outlook horizon. The upgrade is also partly due to the implementation of our updated criteria, published Jan. 19, 2016, on RatingsDirect.

The rating reflects our view of the town's very strong enterprise risk profile and very strong financial risk profile.

The enterprise risk profile reflects our view of the district's:

- Service area with above average wealth and income indicators and low unemployment;
- Affordable water and sewer rates;
- Low-risk operations characterized by ample water and wastewater capacity;
- Good operational management.

The financial risk profile reflects our view of the district's:

- Extremely strong debt service coverage (DSC) and liquidity levels;
- History of timely rate increases;
- No additional debt plans in the near future; and
- Good financial management.

The bonds are secured by separate installment payments from the net revenues of the water system and from the net revenues of the wastewater system. Each system is only obligated to pay the amounts due under its own installment

agreement, and the district is not obligated to use net revenues from one system to make up for a deficiency in the other system. We view the wastewater system to be the weaker of the two systems, based on its lower historical financial metrics and greater additional capital needs.

The district owns retail water and wastewater systems in an affluent area of Contra Costa County about 55 miles east of San Francisco and 65 miles south of Sacramento. The district is a bedroom community of about 14,500 people and encompasses about nine square miles within a network of manmade lakes and channels that are connected to the Sacramento-San Joaquin Delta. The service area has very strong income indicators, in our view, as demonstrated by the median household effective buying income at 170% of the national level for 2014. The county's unemployment rate is low, and most recently stood at 4.5% for January 2016. This level compares favorably to the state and national levels of 5.8% and 5.3%, respectively.

As a bedroom community, the district's customer base is virtually all residential and very diverse. According to the district's recently completed master plan documents, water service connections total 5,523, of which 97.2% are residential, and wastewater accounts total 5,419, of which 99.5% are residential. Management reports that approximately 80% of the homes are primary residences, with the remaining 20% representing vacation homes. We consider the customer base to be very diverse given that the leading 10 water customers pay only 8.7% of water user fees and the leading 10 wastewater customers pay only 3.7% of wastewater user fees.

The district maintains a staff of 17 employees and contracts with Veolia Water West Operating Services Inc. for day-to-day operation of the systems. The current agreement expires on April 30, 2016 and management indicates that the city has agreed to the first of two five-year contract extensions, as provided in the initial contract. Compensation under the agreement is a fixed amount that is adjusted annually based on a formula, but the annual adjustment may not exceed 3%. Under the terms of the agreement, Veolia is responsible for any fines that are imposed that result from its mismanagement of the systems. In order to extend the agreement, both parties must agree to the terms of the extension.

The water system has an ample water supply and adequate water treatment capacity to meet current and projected needs, according to management. The district's sole source of water is groundwater supplied from the district's five wells. One of the wells is 20 years old and has a history of maintenance issues, including corrosion that the district plans to address through its current maintenance program. Raw water is chlorinated and filtered at two treatment plants, which are interconnected and can both serve the overall system. Treatment capacity is 9.4 million gallons per day (mgd), which compares favorably with current average daily demand of 3.7 mgd, projected average daily demand of 4.6 mgd, and peak day demand of 8.2 mgd.

The wastewater system has adequate treatment capacity to meet current needs. Wastewater is treated to a secondary level at the district's treatment plant, which is located in two distinct geographic areas. The two plants are interconnected and dependent on each other for certain functions, such as influent pumping at Plant No. 1 and sludge handling at Plant No. 2. System treatment capacity is 2.0 mgd, which is adequate to treat average daily flows of 1.3 and peak flows of 1.5 mgd. In prior years, the system experienced sanitary sewer overflows, but the contracted operator at the time was subsequently replaced with Veolia and there have not been any further issues since the replacement. The district paid a fine to the State Water Resources Control Board to settle the previous infractions and management

indicates that there are no longer any remaining regulatory issues.

As a condition of the town's 2014 permit renewal, the state has included the additional requirements for adding a Title 22 tertiary filtration system to be operational by fiscal 2017 and denitrification facilities by fiscal 2022. Other upgrades and improvements are ongoing and customary facility requirements. The district's short-term financial needs (five- to 10-year horizon) includes \$7.5 million for Title 22 filtration (requirement), \$1.5 million for Well 8, (replacement of well 5A), and \$7.5 million for denitrification facilities (RWQCB requirement). We understand that the capital improvement plan (CIP) does not require additional borrowing. Management also has indicated that the town is currently completing another five-year rate study, which we expect will identify the funding plan for the CIP.

Based on our operational management assessment, we view the town to be a '2' on a six-point scale, with '1' being the strongest. The water and sewer systems have ample capacity for average and peak demand; however, given the size of the RWQCB improvements, we believe there could be some upward pressure on sewer rates.

Financial metrics have been extremely strong and consistent, in our view. Over the last three years, the sewer system posted DSC of over 2.0x while the water system posted DSC of over 9.9x. At the same time, the sewer system held unrestricted cash of \$4.3 million as of June 30, 2015, equivalent to 734 day's operating expenses, while the water system held unrestricted cash of \$6.4 million, equivalent to 764 day's operating expenses. While financial projections are not currently available, we expect metrics to remain in line with recent performance.

Based on our financial management assessment, we view the town to be a '2' on a six-point scale with '1' being the strongest. We view financial management of the system as good, meaning policies are embedded and likely sustainable. Interim financial results are produced and shared throughout the year, although management reviews the financial projections laid out in its recent feasibility report. The town maintains a formal reserve policy as well as an investment policy, and independently audited financial statements are produced annually.

Outlook

The stable outlook reflects our view of the district's affluent and primarily residential customer base, adequate water supply and treatment capacity, and manageable CIP. We anticipate that during the two-year outlook period, the district will engage a consultant to prepare a rate study and will raise rates as necessary to maintain strong DSC and liquidity for each system.

Upside scenario

It is unlikely that we would raise the rating over the two-year outlook period, but should the financial metrics of the sewer system improve materially we could raise the rating.

Downside scenario

Although not anticipated, if the town's financial metrics were to be stressed as it progresses through its outlined capital plan, we could lower the rating.

Related Criteria And Research

Related Criteria

- USPF Criteria: Rating Methodology And Assumptions For U.S. Municipal Waterworks And Sanitary Sewer Utility Revenue Bonds, Jan. 19, 2016
- USPF Criteria: Methodology: Definitions And Related Analytic Practices For Covenant And Payment Provisions In U.S. Public Finance Revenue Obligations, Nov. 29, 2011
- USPF Criteria: Assigning Issue Credit Ratings Of Operating Entities, May 20, 2015
- Criteria: Use of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

- U.S. State And Local Government Credit Conditions Forecast, Jan. 11, 2016
- U.S. Municipal Water And Sewer Utilities 2014 Sector Outlook: Learning To Do More With Less, Jan. 9, 2014

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

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The District is looking forward to meeting with you from 7:00PM—7:45PM on September 29. The meeting will take place at the District's offices located in Discovery Bay at 1800 Willow Lake Rd. From Willow Lake Road, turn in to the driveway of the Delta Community Presbyterian Church and continue straight for about 100 yards. The District's offices are located in a prefabricated building behind the Church and next to a treatment facility.

In anticipation of the meeting, will you please consider the following questions and arrive prepared to address them during your visit?

Security Features

The District's proposed bonds are intended to be on parity with its existing Series 2012 Bonds. The Series 2012 Bonds possess a Reserve Requirement (debt service reserve fund or DSRF) but a DSRF is not contemplated for the proposed bonds. The Series 2012 Bonds contain certain financial covenants and an additional bonds test. Given these considerations, please discuss your firm's ability to successfully execute the proposed underwriting.

Timing

The District wishes to complete the financing as soon as possible. Given this objective, please discuss the path and sequencing of critical events leading to a successful completion of the proposed offering; and, a time and responsibility schedule for completing those events as efficiently and effectively as possible.

Financial Statements

The District's fiscal year ends June 30. Accordingly, any audited financial statements included in the preliminary official statement will be more than a year old. Given these considerations, please discuss your firm's ability to successfully execute the proposed underwriting.

Amortization Structure

The District's plan-of-finance assumes that either (i) the proposed bonds' debt service will "wrap" around the District's existing wastewater obligations in a manner resulting in aggregate level service on a portfolio basis; or, (ii) be amortized in a manner producing level debt service on a 2016-bond standalone basis. Given these considerations, please discuss your firm's ability to successfully execute one or both of these alternative amortization structures.

Continuing Disclosure

Please discuss recommendations as to how the District can effectively and efficiently become compliant with its obligation, pursuant to the Continuing Disclosure Certificate related to the District's Series 2012 Bonds, to file Annual Reports for the fiscal years 2012-2015. Once remedied, describe what impact--if any--such failure to file Annual Reports in a timely manner will have on the proposed offering.

Other

Please discuss anything else that you believe will be critical to the District's ability to fund the proposed project at the lowest cost of funds on a risk-adjusted basis.

On behalf of the Town of Discovery Bay Community Services District, I look forward to meeting with you next week.

Sincerely,
-Saul

Brandis Tallman LLC

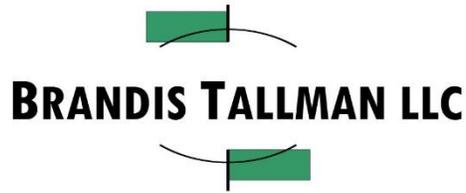
Town of Discovery Bay Community Services District

Proposal for Underwriting and Placement Agent Services



2016 Wastewater Improvements
Financing

September 9, 2016



22 Battery Street
Suite 500
San Francisco, CA 94111

Phone: 415-912-5630
Fax: 415-912-5636
www.brandistallman.com

September 9, 2016

Catherine Kutsuris, Interim General Manager
Town of Discovery Bay
1800 Willow Lake Road
Discovery Bay, CA 94505-9376

This document presents our proposal for underwriting and placement agent services for the Town of Discovery Bay Community Services District (the "District") proposed Wastewater Improvements Financing (the "Financing").

Brandis Tallman LLC ("BTLLC") is an expert in underwriting and privately placing transactions of this size and scope. Rick Brandis and Nicki Tallman, the founding members of the firm, will be actively involved on a daily basis for this transaction. Both Rick and Nicki were hands-on with all of the transactions listed in Section 3. Rick Brandis is the "Key Contact" for this proposal.

We appreciate the opportunity to submit our proposal. We look forward to hearing from you and hope to be of service to the District.

Very truly yours,

BRANDIS TALLMAN LLC

Rick Brandis

Nicki Tallman

1. Firm Information

Firm Name:	Brandis Tallman LLC (“BTLLC”)
Key Contact Person:	Rick Brandis
Address:	22 Battery Street, Suite 500 San Francisco Ca, 94111
Email Addresses:	rbrandis@brandistallman.com ntallman@brandistallman.com lemerson@brandistallman.com dshaw@brandistallman.com lstewart@brandistallman.com
Telephone Number:	1-415-912-5633

2. Key Members

Members of Brandis Tallman who will be assigned to this project are identified below. Each member will be scheduled for sufficient time on this project to ensure complete accessibility during the engagement.

Nicki Tallman, C.P.A, CEO, Lead Banker

Nicole Tallman began her career in municipal finance in 1993. She brings her experience as a senior banker, providing account coverage to small- and medium-sized municipal issuers in California. Nicki has a broad range of financial expertise with an in-depth knowledge of general city, county, and special district financing techniques. Nicki works with a number of advanced cash flow models in DBC and Excel to optimize the use of debt and cash to fund capital improvements and perform fiscally prudent financings. Many issuers find these models invaluable in accurately and factually projecting capital financing plans that meet their short- and long-term needs.

Nicki has been responsible for structuring transactions, including preparing sources and uses of funds, debt service schedules, escrow calculations and cash flow projections; performing due diligence work and reviewing Official Statements; performing follow-up consulting services including accounting and administration assistance; and overall management and timing of the projects. Additionally, Nicki has served her clients by providing comprehensive review and analysis of financial condition and debt structure; participating in review board interviews; preparing complete accounting transcripts and summary documents for transactions; and providing

comprehensive follow-up support including assisting public agencies with continuing disclosure and GASB, SEC and CDIAC annual reporting requirements.

Nicki co-founded Brandis Tallman LLC in March of 2002. Before that she worked for various investment banking firms where she specialized in public finance. Prior to entering the field of municipal finance, Nicki worked as a C.P.A. with Arthur Andersen LLP, where she performed audits and provided consulting services to municipalities. Nicki has a bachelor's degree in Accounting from the University of San Diego where she graduated Magna Cum Laude in 1990. She holds FINRA Series 7, 24, 53 and 63 licenses, and is licensed as a Certified Public Accountant in the State of California.

Rick Brandis, President, Lead Underwriter

Richard Brandis began his career in the securities industry in 1985, with a small regional broker/dealer, concentrating on municipal bond sales and trading. With the focus of his sales efforts on the placement of new issues and secondary market offerings to high-net-worth individuals and institutions, Rick has been responsible for the distribution of over \$1.4 billion dollars of municipal bonds. From his sales experience, Rick has developed a thorough understanding of the municipal marketplace.

For several years, Rick brought his expertise and knowledge of the municipal bond market to directly serve public agencies as an investment banker. Rick has been responsible for identifying refunding candidates and structuring transactions. Also, Rick performs due diligence to meet disclosure requirements necessary for the sale and distribution of bonds. Rick has over 30 years of well-rounded experience in the municipal securities industry. Through his relationships with both municipal agencies and the investor community, Rick understands the balance between issuer needs and what the investing public will buy.

In March of 2002, Rick co-founded Brandis Tallman LLC. Prior to that time, he worked for various investment banking firms, where he specialized in public finance and municipal bond underwriting, trading and sales. Rick received a B.A. in Political Science from the University of California at Davis in 1983. His professional qualifications include FINRA Series 7, 24, 53 and 63 licenses.

Lizzie Emerson, Project Manager

Lizzie Emerson joined Brandis Tallman in January of 2011. As project manager, Lizzie is responsible for facilitating and managing the progression of each transaction through closing. Lizzie is proficient in running financing models on DBC Finance software. She also is responsible for reviewing legal documents in connection with each financing. Lizzie provides support to the lead underwriter and lead banker in every step of the transaction process. Also, she is involved in researching municipal debt to assist public agencies with refinancing opportunities, analyzing budgets and audited financial reports, project due diligence, and utilizing the EMMA database. Lizzie received her Bachelor of Science in Business Administration, with an emphasis in Finance, from California State University, Chico, and has both FINRA Series 7 and Series 63 licenses

Dan Shaw – Senior Sales Associate/Assistant Project Manager

In addition to assisting the Project Manager with facilitating the transaction, Dan serves a large role in the underwriting of the bonds by assisting with credit due diligence and acting as a liaison between institutional investors and the firm's managed accounts and the Lead Underwriter. He is constantly gauging market demand, and continuously getting pricing feedback from investors. Dan has a Bachelor of Science in Managerial Economics from the University of California at Davis, and has both FINRA Series 7 and Series 63 licenses.

Linda Stewart – Trading and Customer Account Administrator

Linda has more than 25 years of experience in trading and institutional and retail account administration. She has worked on the trading floor of major securities firms, as well as assisting with international brokerage account customers.

3. Relevant Experience

Water and Wastewater Transactions, January 1, 2013 - Present

<u>Issue Date</u>	<u>Agency/Description</u>	<u>UL/Insured Rating</u>	<u>Amount</u>	<u>Type of Sale</u>
Dec 2016 In Process	Scotts Valley Water District Refunding Water Revenue Bonds, Series 2016	NA	\$2,400,000	Private Placement
11/15/2016 In Process	Corning 2016 Water Revenue Refunding Bonds and 2016 Sewer Revenue Refunding Bonds	TBD	\$5,290,000	Public Offering
Nov 2016 In Process	City of Reedley 2016 Water Revenue Refunding Bonds	TBD	\$13,210,000	Public Offering
10/4/2016 In Process	Truckee Donner Public Utility District 2016 Installment Sale Agreement (Refunding of 2006 Water COPs)	NA	\$3,266,000	Private Placement
8/31/2016	Paradise Irrigation District 2016 Loan Agreement - Water	NA	\$2,640,000	Private Placement
5/26/2016	Ojai Valley Sanitary District 2016 Wastewater Revenue Refunding Bonds	AA/NA	\$8,575,000	Public Offering
5/11/2016	City of Reedley 2016 Wastewater Revenue Refunding Bonds	A/AA	\$3,030,000	Public Offering
3/8/2016	City of Santa Clara Trimble Road Sewer Project 2015 Financing Program	NA	\$12,000,000	Private Placement
8/5/2015	Truckee Donner Public Utility District Water System Refunding Revenue Bonds, Series 2015	AA-/NA	\$14,580,000	Public Offering

7/7/2015	City of Healdsburg Wastewater Revenue Refunding Bonds, Series 2015 A	AA/NA	\$26,625,000	Public Offering
4/15/2015	Bodega Bay Public Utility District 2015 Installment Sale and Loan Agreement - Water and Wastewater	NA	\$3,955,062	Private Placement
6/30/2014	City of Pittsburg Public Financing Authority 2014 Wastewater Revenue Refunding Bonds	NA	\$5,342,000	Private Placement
6/5/2014	City of Fort Bragg Water Revenue Refunding Bond	NA	\$2,962,000	Private Placement
2/12/2014	City of Healdsburg 2014 Refunding Water Revenue Bonds	NA	\$7,965,000	Private Placement
12/17/2013	Bard Water District 2013 Loan Agreement	NA	\$1,051,000	Private Placement
8/21/2013	Sweetwater Springs Water District Improvement District No. 1 2013 Water Refunding Bond	AA-/NA	\$7,993,000	Private Placement
6/20/2013	Malaga County Water District 2013 Wastewater Capital Improvement Loan	NA	\$502,500	Private Placement
2/5/2013	North of River Sanitary District Refunding of 2003 Refunding Revenue Bonds	A+/AA-	\$8,110,000	Public Offering

Case Study 1- Truckee Donner Public Utility District

Our work with the Truckee Donner Public Utility District (“TDPUD”) demonstrates our comprehensive approach to the client’s outstanding debt and persistence in finding financing solutions to meet the needs of the client. The following are examples of our work with TDPUD over the last four years, both underwriting and privately placing a variety of bonds.

2015 Water System Refunding Revenue Bonds

In March of 2015, BTLIC began to work with the TDPUD to advance refinance their 2006 Water Refunding Revenue Certificates of Participation (the “2006 COPs”) as a public offering to capture the then historically low interest rates. The 2006 COPs were issued to advance refund existing COPs and issue new money. Because the 2006 COPs had an advance refunding in their history, a portion of the 2006 COPs could not be advance refunded again. However, the new money portion of the 2006 COPs, used to finance capital improvements, was eligible to be advance refunded.

Knowing that a portion of the 2006 COPs could be advance refunded, BTLIC worked with bond and tax counsel to find the best way to extract the new money piece from the 2006 COPs. Rather than simply go with a “pro-rata” advance refunding, BTLIC and tax counsel explored using both the pro-

rata and savings methodology. By taking the time to fully analyze the 2006 COPs, TDPUD was able to quantify the most accurate and economically beneficial methodology for the refunding, the savings methodology.

Once the refundable portion was established, we began the due diligence process, compiling information we anticipated the rating agencies would seek. Being prepared with the essential information ahead of time, gave TDPUD confidence going into their rating call with Standard & Poor's, and ultimately led the 2015 Revenue Bonds to receive a healthy credit rating of AA-/stable outlook. TDPUD's credit strength allowed BTLLC to sell the 2015 Water System Refunding Revenue Bonds (the "2015 Revenue Bonds") without a credit enhancement or reserve fund, saving TDPUD from incurring extra expenses. As BTLLC expected, the 2015 Revenue Bonds were well received in the public market and the transaction closed successfully in August of 2015, generating 10.48% net present value (NPV) savings.

Although the 2015 Revenue Bonds were sold without a reserve fund or surety bond, BTLLC worked with the bond insurer to obtain a surety bond to fulfill the reserve requirement for the unrefunded portion of the 2006 COPs. The surety bond purchased for the unrefunded portion of the 2006 COPs provided an additional benefit that the District did not anticipate.

Currently, BTLLC is working with the TDPUD to refinance the remaining unrefunded portion of the 2006 COPs. Because the unrefunded portion is relatively small, BTLLC is using the private placement method of sale, along with a six-month advance rate lock for this refunding. The rate was locked in April of this year and financing documents were put into escrow for an October 4, 2016 closing.

Pension Obligation Bonds, Series 2011

In addition to working with TDPUD's water enterprise, BTLLC assisted TDPUD in issuing a new private placement loan (secured by the District's electric revenues) to pay off their CalPERS Side Fund obligation in 2011. This saved TDPUD approximately \$1.1 million over an 11-year period. Currently BTLLC is refinancing the original 2011 Loan.

Community Facilities District No. 03-1 (Old Greenwood) 2014 Special Tax Refunding Bond

In April of 2013, BTLLC began the refinancing process for TDPUD's Community Facilities District No. 03-1 (Old Greenwood) Special Tax Bonds. At that time, net present value savings were about 14%. It was anticipated that the bonds would be publicly sold on or about June 26, 2013, the refunding would close in early July, and the Old Greenwood property owners would realize the savings benefit beginning with the December 2013 tax bill.

In late May, when Bernanke mentioned to Congress that the Fed may be considering tapering the asset purchase program, a significant rise in Treasury and municipal bond rates began. In June, muni investors continued to pull money from the market in record-breaking droves, driving prices down and interest rates up. On June 25th, the market ended its worst three day loss in a quarter century. At that time in June, the refunding was postponed.

After July, municipal bond interest rates steadied, but were still above levels necessary to provide adequate savings. BTLLC, while continuing to monitor the public market, decided to pursue the private placement route. In November 2013, a qualified buyer, or sophisticated investor as defined by the SEC under Regulation D, showed interest in the CFD. Throughout December, the investor conducted their due diligence, and we worked with TDPUD to tell TDPUD's and the CFD's complete story, by conducting due diligence meetings and property tours with the investor.

On January 6, 2014, the investor submitted a term sheet to purchase the 2014 Special Tax Refunding Bond. The interest rate quoted and terms provided resulted in favorable economics for the property owners in Old Greenwood. The investor did not require a reserve fund for the bonds, which allowed us to shorten the bond term by one year. At the end of January, the interest rate was locked and the transaction successfully closed with a net present value savings in excess of 14%.

Despite the obstacle of rates unexpectedly spiking from the Fed announcement, BTLLC was able to successfully close the transaction. Our patience and unparalleled understanding of the private placement market provided TDPUD with the most favorable economic result.

Case Study 2 – Sweetwater Springs Water District

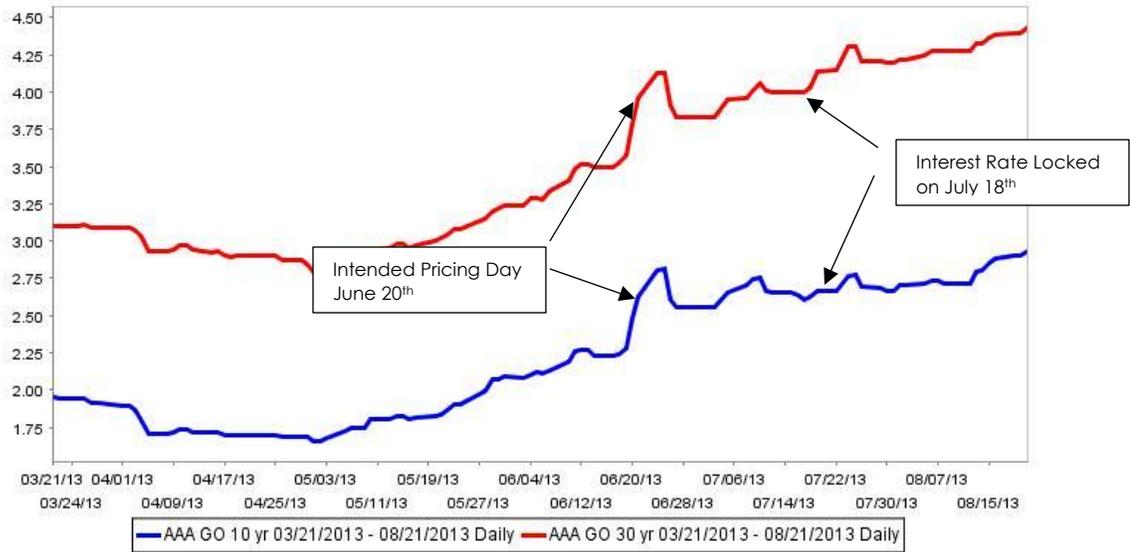
Our work with the Sweetwater Springs Water District (“SSWD”) shows our ability to be flexible in a changing market to meet the needs of the client.

2013 Refunding Bonds

In early March, 2013, SSWD began the refinancing process for two series of prior bonds, one with a final maturity of 2031 and one with a final maturity of 2042. Three proposals for underwriting services were received by SSWD, and in April, BTLLC was selected based on our ability to either underwrite the bonds, or to privately place the bonds. At that time, a public offering was deemed to provide the most savings to SSWD and legal documents and a Preliminary Official Statement were drafted. BTLLC and District staff worked with Standard & Poor's Rating Agency to obtain a rating on the 2013 Refunding Bonds. SSWD was a first time issuer of publicly offered bonds and did not have a rating. We solicited two bond insurers to obtain bond insurance for the refunding bonds, selecting Build America Mutual Assurance Company (“BAM”) based on cost and insurer rating. Bond insurance allowed for the purchase of a surety bond to meet the reserve requirement rather than funding the reserve requirement from bond proceeds, which would be more expensive.

In early June, the Board adopted a resolution authorizing issuance of the bonds. The Preliminary Official Statement was distributed on June 10th. It was originally anticipated that the Refunding Bonds would be priced on or about June 26th. However, the financing team attempted to accelerate the pricing/sale to June 20th because interest rates were quickly moving upward as a response to Fed discussion regarding tapering the asset purchase program.

National AAA GO Municipal Market Data Yields
10-Year & 30-Year Yields



Data Copyright @ 2013 Thomson Reuters, Municipal Market Data - 800-387-8215

Due to the steep run up of interest rates (as seen in the graph above), anticipated savings produced by a publicly offered refunding decreased significantly, and the public sale was postponed. Therefore, in early July, BTLLC explored a private placement of the bonds. BTLLC canvassed private placement buyers and based on indications of interest received, the private placement provided a better economic result for the refunding than going back to the public market. On July 18th, an interest rate lock was secured from the private placement investor. The refunding transaction was successfully closed on August 21st, and netted 8.29% NPV savings to the District.

Although this private placement transaction did not enjoy the full benefit of reduced costs of most private placements (the rating and disclosure counsel costs were already incurred), the private placement method of sale did allow for the transaction to be completed during the steepest rise in interest rates in the last 25 years. Securing an interest rate lock, in this case for over 30 days, allowed the District to proceed with confidence.

Reference 1- Truckee Donner Public Utility District

Jeremy Popov, Administrative Services Director
jeremypopov@tdpud.org
 (530) 582-3946

Reference 2- City of Healdsburg

Heather Ippoliti, Assistant City Manager
hippoliti@ci.healdsburg.ca.us
 (707) 431-3319

Reference 3- City of Reedley

Lori Oken, Accounting Manager

lori.oken@reedley.ca.gov

(559) 637-4200 ext. 220

4. Financing Solution

Since we are in a historically low interest rate environment and the long-term cost of funds is extremely inexpensive, we would recommend a 30-year, fully amortized public bond offering to maximize the District's cost of capital. BTLLC would structure the Financing with serialized fixed interest rates through 2036, and term bonds in 2041 and the final maturity of 2046. Due to the current high underlying rating (AA S&P), purchasing bond insurance would not add any value to the refunding. To minimize financing costs to the District, the bonds would be issued without a debt service reserve fund or surety bond.

We are also providing a private placement proposal as an alternative to the time and additional expense of a public offering. However, the private placement proposal we received was only for a 15-year term, and the average annual debt service is lower for the 30-year public offering due to the longer amortization and serial maturity structure.

5. Refinancing Opportunities

Advance refunding the District's Series 2012 Enterprise Revenue Bonds (the "2012 Bonds") today is not economical to the District because the first available call date isn't until December 1, 2022. The long escrow creates a lot of negative arbitrage, hurting the potential savings that could be achieved. Refunding the 2012 Bonds today, at current market rates, produces approximately \$129,000 in savings, a result of only 0.73% net present value ("NPV") savings. This level is well below the industry standard of 3.00% NPV savings. As the call date approaches and the amount of negative arbitrage decreases, refunding results can improve if interest rates remain low. Refunding the 2012 Bonds should continue to be monitored for a more opportune time in the future.

6. Marketing Plan

A sound marketing strategy is critical to the success of any public offering or bond sale. Such a plan will take into account the ready market for the District's particular credit and will integrate the market components that will help to lower the overall borrowing cost. For this financing, the most effective way to accomplish this is to target in-state retail, i.e. individual investors first, and thereby have the interest rate levels set by the less price-and yield-sensitive retail demand, which minimizes costs to issuers.

Our marketing strategy will (A) establish strong demand from local and in-state retail investors through an aggressive pre-marketing effort and a retail order period; (B) target institutional buyers, in-state and nationally, that are dedicated to California municipal bonds; (C) educate the largest institutions with the most buying power (national bond funds and insurance companies) on the quality and security of the bonds; (D) on the sale date, establish retail demand as a foundation for the financing by allocating bonds to retail orders on a priority basis; (E) use the retail yield levels to obtain more aggressive orders from institutional buyers; and (F) provide regular summaries of current municipal bond market conditions, trends in the market, and how these may favorably or unfavorably affect the proposed financing. These steps are more fully discussed below.

A. Establish Strong Local and In-State Retail Demand – The retail/individual investor is the key to a successful tax-exempt bond financing. Because of the double tax exemption (State and Federal) carried by the bonds and the less aggressive pricing demands of retail investors, California retail buyers as a group will generally accept lower interest rates than any other major buying segment. BTLLC provides a large retail customer base experienced in purchasing municipal bonds. BTLLC’s staff has worked with several thousand retail accounts over the past 19 years. Due to the high state income tax, the ability to maximize penetration of the California retail market is crucial to achieving the lowest possible interest rates for our municipal clients.

B. Establish Strong Orders Among California Institutions – Although retail buyers will offer more attractive interest rates, institutional investors have more buying power and may be necessary to fill in the maturities of the issue where retail is less interested. Because of the bonds’ state tax exemption, the most aggressive buyers among institutions will be California bank trust departments, investment advisors who purchase tax-exempt securities on behalf of California residents, and dedicated California bond funds. These investors include Franklin Templeton Funds (both Cal Tax-Free and High Yield funds), Wells Capital Management, Harvey Capital, Bel Air Investment Advisors, Nuveen, Putnam, and Oppenheimer funds.

C. Educate Institutions with the Most Buying Power – To access and educate these buyers, BTLLC distributes research and data to institutional credit analysts. Institutions value the information supplied to them by investment banking firms in conjunction with an offering, since analysts tend to ask more questions and request more information than retail investors. BTLLC will speak with major buyers in the California marketplace and educate them about areas in California that may not be well-known, but that may provide excellent living and economic conditions to their residents. As part of our institutional marketing strategy, BTLLC coordinates site visits as needed, because a first-hand tour of the project site best conveys the security and credit quality to the institutional investor. An internet roadshow is sent to those who can’t tour the area. The more informed the investor is, the more aggressive we can be when pricing the transaction for the municipal client.

D. Establish Demand Among Large National Bond Funds and Insurance Companies – Large national institutions such as bond funds and insurance companies represent the most demanding investors in the market, but also those with the most buying power. BTLLC has a strong relationship with these investors. We will obtain continuous feedback in order to determine who will be a buyer of bonds at the lowest yields on the sale date. These investors include Allstate Insurance, Guggenheim Investments, Pimco, Black Rock, Lord Abbott, and Vanguard funds.

E. Use Retail Demand to Obtain More Attractive Institutional Yield Levels – Our marketing begins with retail distribution because retail buyers accept lower interest rates than institutional investors. By establishing the foundation for the financing on solid demand from retail investors in a retail pre-order period, we can set aggressive interest rate standards for institutional investors on the sale date. It is essential for institutions to feel the competition from the retail sector in order for a market pricing to be more aggressive. Inevitably, institutions need tax-exempt securities to meet the objectives of their portfolios, and they will compete with retail investors for tax-exempt paper. BTLLC's strong retail and institutional distribution capabilities will thus work together to provide the lowest borrowing cost available.

F. Provide Regular Updates on Municipal Bond Market Conditions - We have assembled a sales staff who are specialists in selling California municipal securities, and who provide experienced, high quality service to municipal bond investors. We pride ourselves on our commitment to both the municipal agency and the investor by continuing to educate investors about the issuer's debt. We explain the key credit factors that highlight an investor's security. Investor communication also generates market feedback for us on a particular issue, as well as providing color on market conditions. As a matter of practice, BTLLC will supply periodic sales comparables to the issuer, leading up to the sale of the bonds.

In addition, BTLLC is committed to maintaining an inventory to meet the needs of our high-net-worth investors. BTLLC provides a secondary market for all issues for which we have served as underwriter.

We put the full force of our company behind each municipal client. Our experienced brokers represent both institutional and retail portfolios and average over 20 years of experience selling California municipal bonds. BTLLC provides powerful and balanced distribution capabilities that are uniquely qualified to implement our recommended marketing strategy.

Looking ahead towards the marketing of the Financing, BTLLC believes an investor's chief concern will be the District's small customer base of 5,500 carrying the burden of future rate increases to fund capital improvements. To mitigate this concern, we will focus on the strong financial metrics of the sewer system and the District's good management that allowed for a rating upgrade in April of 2016. We will make sure investors are aware of the District's ability to continue to provide wastewater supply and treatment to its residents as the District reaches build-out, as outlined in the Water and Wastewater Capacity Fee Study. We will educate the investor about the economics and demographics of Discovery Bay and how the population has grown 48% since 2000, as well as

the proposed new development projects of Newport Point and Pantages at Discovery Bay. Though the market will be hungry for the District's very favorable credit rating, another concern for the market is that the District has only posted Audited financials on EMMA, no annual reports with updated tables, per the Continuing Disclosure Certificate.

7. Order Period Approach

BTLLC's order period focuses on giving retail priority to obtain the most aggressive interest rate pricing. Our repricing is based on a maturity by maturity order flow analysis. We look to reprice when a maturity is approximately 2x oversubscribed. Our firm policy is to underwrite unsold balances of 50% of an original issue; we have honored this commitment on every bond issue, closing every transaction successfully since the firm's inception in 2002.

8. No Legal Issues

There are no reputational, regulatory, or legal issues which may adversely affect our firm's ability to underwrite the District's bonds.

9. Cost Proposal

Our total not-to-exceed underwriter's discount will be \$4.00.

10. Distinguishing Brandis Tallman

Our boutique size allows us to provide our municipal clients with exclusive, detailed, and personal attention. We provide exceptional service on all transactions including smaller issues (\$1 - \$25 million) that larger firms accommodate but don't prioritize, especially for small, lesser-known public agencies. The vast experience of the partners at BTLLC, our history of working with Wastewater and Water credits, and our complete devotion to California municipal bonds over the last 14 years, provide continuity of service and allow us to be educators and innovators, making us better underwriters in a constantly changing industry. The principals of BTLLC, who together have over 53 years of experience, are assigned to every transaction. Working as a tight knit team, we provide hands-on, creative solutions to public agencies to structure and market bonds with the goal of providing the most favorable financing terms possible.

How our firm specifically differs from other underwriters:

- **Flexibility** – We have the ability to either underwrite or privately place debt. Our retail distribution and managed accounts support our underwritings. We have the most experience and largest portfolio of lenders for private placements among our competitors. This provides flexibility to change the method of sale when adverse market conditions arise.

- **Assigned Personnel & Responsiveness** – We have the most experienced people in the business. The principals at BTLLC have a combined 53 years of experience between them, more than our competitors, and are assigned to every project so decisions are made immediately.
- **Ability to Brand** – We have the ability to price, market, and distribute paper for small-to medium-sized issuers who may not have name recognition or who infrequently access the capital markets. We educate the market, create a brand for the issuer, and a desirable product for investors. We are a perfect fit for an issuer such as the Town of Discovery Bay Community Services District.
- **Innovative Services** – In addition to traditional underwritings, we find a way to do transactions that other firms won't do. Our ability to structure and sell cost-effective, creative financings has made us a leader in the private placement market as well as in products such as Clean Renewable Energy Bonds, CalPERS Side Fund obligations, and non-rated tax and revenue bond anticipation notes (BANs).



**PROPOSAL TO PROVIDE
PRIVATE PLACEMENT/UNDERWRITING SERVICES**

FRIDAY, SEPTEMBER 9, 2016

STIFEL

September 9, 2016

Ms. Catherine Kutsuris
Interim General Manager
Town of Discovery Bay

Dear Ms. Kutsuris,

On behalf of Stifel, Nicolaus & Company, Incorporated ("Stifel"), thank you for the opportunity to present our credentials to serve the Town of Discovery Bay as underwriter or placement agent for the 2016 Enterprise Revenue Bonds ("2016 Bonds"). We believe Stifel is well qualified to serve the Town for the following reasons:

#1 Ranked California Bond Underwriter. In 2015, Stifel was the number one ranked senior manager of California financings as measured by both dollar volume (\$8.1 billion) and number of bond issues (272). Overall, this accounted for 32% of the total market share and more than three times our closest competitor. On average, we sell five California bond issues every week from our underwriting desks in San Francisco and Los Angeles. We are the only firm in the country that underwrites municipal bonds from two offices in California. Most of our competitors sell a fraction of that volume and from underwriting desks based in outside the State.

Most Relevant Financing Experience for Utilities Similar to the Town. Stifel has considerably more experience serving issuers similar to the Town than any other firm in the market. We are a major player in the utility finance field and, significantly for the Town, the **No. 1 senior-managing underwriter of California utility financings under \$30 million since January 1, 2013**. Some of our utility clients of similar size and/or credit profile to the Town include the Trinity Public Utilities District, Sutter Butte Flood Control Agency, City of Glendora Water Enterprise, Woodland-Davis Clean Water Agency, the City of Santa Ana and the City of Fairfield. While most firms focus their attention on the State's largest utilities, our experience includes the entire breadth of issuers from local essential service providers to the largest utilities in the nation. This experience ensures the Town that we have the skillset to lead the structuring, rating and marketing process to complete the offering.

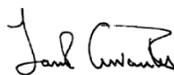
Familiarity with the Region. We have served as senior-managing underwriter for many agencies within Contra Costa County, including the County and a number of the cities and school districts in the County. Our lead banker lives in Contra Costa County along with many of our sales staff who work out of our Walnut Creek and San Francisco offices. From our work with local agencies and familiarity with the area, we have a strong understanding of the local economy and are well prepared to convey the unique attributes of the Discovery Bay community to rating analysts, potential bond insurers and investors.

Large and Balanced Distribution Platform. Stifel has one of the largest and most balanced distribution platforms in the municipal securities industry. We are one of the few remaining firms in the municipal market with the ability to directly market securities to all classes of bond buyers without reliance on distribution agreements, third party marketing programs or other arrangements. Our sales platform includes:

- 24 member municipal institutional salesforce - one of the largest in the industry;
- 200+ member fixed income sales department;
- In-house retail sales staff with nearly 3,000 advisors located in 300+ offices across the nation and local offices in Walnut Creek and San Francisco; and
- Total capital of over \$1.2 billion with ability to underwrite over \$3.1 billion of unsold balances

Thank you for the opportunity to respond to the Town's RFP and present our credentials. Should you have any questions or need additional information, please feel free contact us.

Sincerely,



Jim Cervantes
Managing Director
San Francisco, CA



Jake Campos
Director
Los Angeles, CA



TABLE OF CONTENTS

1. FIRM & KEY CONTACT.....	1
2. FINANCING TEAM.....	1
3. EXPERIENCE.....	3
4. RECOMMENDATIONS.....	4
5. REFINANCING/RESTRUCTURING OPPORTUNITIES.....	6
6. MARKETING PLAN.....	6
7. ORDER APPROACH.....	7
8. REGULATORY MATTERS.....	8
9. UNDERWRITING DISCOUNT.....	9
10. DISTINGUISHING FACTORS.....	9

Disclosure:

As outlined in the SEC’s Municipal Advisor Rule, Stifel, Nicolaus & Company, Incorporated (“Stifel”) is providing the attached material and all information and advice contained therein in response to a request for proposals or request for qualifications (the “RFP”) by a municipal issuer or obligated person with respect to a specific issue of municipal securities. With respect to the refunding results presented, Stifel has prepared the material consisting of factual or general information (as defined in the SEC’s Municipal Advisor Rule). Stifel has not acted, and will not act, as your municipal advisor with respect to the issuance of the municipal securities that is the subject to the RFP.

Stifel is providing information and is declaring to the proposed municipal issuer and any obligated person that it has done so within the regulatory framework of MSRB Rule G-23 as an underwriter (by definition also including the role of placement agent) and not as a financial advisor, as defined therein, with respect to the referenced proposed issuance of municipal securities. The primary role of Stifel, as an underwriter, is to purchase securities for resale to investors in an arm’s- length commercial transaction. Serving in the role of underwriter, Stifel has financial and other interests that differ from those of the issuer. The issuer should consult with its’ own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent it deems appropriate.

These materials have been prepared by Stifel for the client or potential client to whom such materials are directly addressed and delivered for discussion purposes only. All terms and conditions are subject to further discussion and negotiation. Stifel does not express any view as to whether financing options presented in these materials are achievable or will be available at the time of any contemplated transaction. These materials do not constitute an offer or solicitation to sell or purchase any securities and are not a commitment by Stifel to provide or arrange any financing for any transaction or to purchase any security in connection therewith and may not be relied upon as an indication that such an offer will be provided in the future. Where indicated, this presentation may contain information derived from sources other than Stifel. While we believe such information to be accurate and complete, Stifel does not guarantee the accuracy of this information. This material is based on information currently available to Stifel or its sources and is subject to change without notice. Stifel does not provide accounting, tax or legal advice; however, you should be aware that any proposed indicative transaction could have accounting, tax, legal or other implications that should be discussed with your advisors and /or counsel as you deem appropriate.

I. PROPOSAL CONTENT / QUESTIONS

1. State the name of your firm, the key contact person for your proposal, physical and email addresses, and telephone number.

Firm Overview. Stifel is a publicly traded financial services firm that has served institutions, individuals and government agencies for over 125 years. With over 7,000 employees and locations throughout the globe our firm has expanded considerably over recent years. Stifel features one of the largest public finance departments in the municipal securities industry and is one of only a handful of remaining firms with a comprehensive distribution platform that can directly access both institutional investors and individuals for our issuer clients. Stifel's national Municipal Securities Group is managed from California, where the head of the division resides.

In California, we have assembled the dominant public finance franchise in the industry following the acquisition of Stone & Youngberg in 2012 and De La Rosa & Co. in 2014. More recently, Stifel has added to our capital markets and distribution platform with the acquisition of Sterne Agee and Barclays U.S. Wealth Management in 2015.

In California alone, Stifel Public Finance has a total of 34 public finance bankers – the largest public finance banking team in the State. Jim Cervantes will serve as the main point of contact for the Town and will lead the engagement from the Stifel office in San Francisco, and Jake Campos will serve as co-lead banker. Their contact information is provided in the following table.

Contact Information		
Contact Name	Jim Cervantes, <i>Managing Director</i> (Main Contact)	Jake Campos, <i>Director</i> (Co-Lead Banker)
Address	One Montgomery Street, 35 th Floor San Francisco, CA 94104	515 S. Figueroa St., Suite 1800 Los Angeles, CA 90071
Phone Number	(415) 364-6837	(213) 443-5017
Email Address	jcervantes@stifel.com	jcampos@stifel.com

2. Identify the key members of your firm that would be assigned to work with the Town and the anticipated role of each team member. Brief biographies of each individual and a description of his or her relevant experience (not subject to page limit) should be included. Include representatives of the sales and trading group that would be involved in the offering and state their role(s).

Jim Cervantes a Managing Director based in San Francisco, will serve as lead banker for the Town. Jim's recent lead managed experience with water and wastewater financings includes transactions for the cities of Madera, Fairfield, Santa Ana and Redondo Beach. Leading the financing execution for the Town will be **Jake Campos**, a Director based in Los Angeles. Jake's recent lead managed experience with water and wastewater providers in California includes several billion dollars of financings and includes bond issues for various entities from local water providers to the largest wholesale water utility in the nation. Execution support will be provided by **Kory Griffin**, an Associate in Los Angeles, and **Josh Donnelly**, an Analyst in Los Angeles.

Stifel is the only major municipal market participant that provides California issuers with capital markets coverage from two California-based municipal syndicate desks. The Town receives the undivided support of **Ben Stern**, a Managing Director in Los Angeles, and **Betsy Kiehn**, a Managing Director in San Francisco. Ben and Betsy lead more new issue financings each year in California for greater dollar volume than anyone in the municipal business. Key members of the finance team are included below.

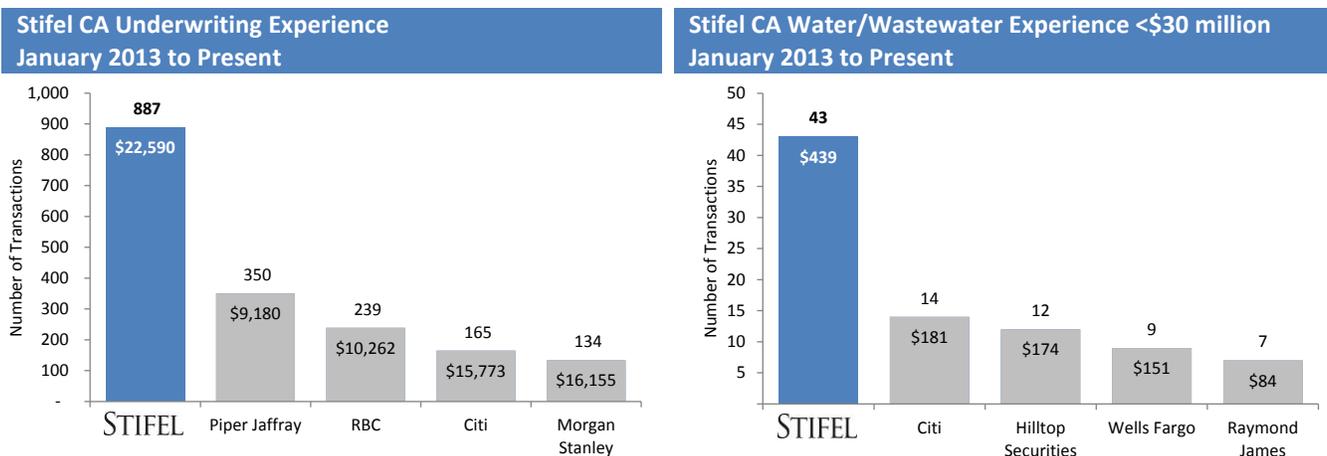
As requested, provided in the following pages is each team member's recent and relevant experience.

Core Financing Team	
Name	Experience
<p>Jim Cervantes <i>Managing Director</i> San Francisco, CA Role: Lead Banker/Primary Contact</p> <p>(415) 364-6837 One Montgomery Street, Suite 3700 San Francisco, CA 94104 jcervantes@stifel.com</p>	<p>Jim joined Stifel (Stone & Youngberg) in 1986 and has lead over \$6 billion of financings for California agencies. Jim offers over 30 years' experience working exclusively with California public agency credits. He has extensive experience with water and wastewater revenue bonds, general fund lease and land secured transactions. His past water/wastewater clients include the cities of Sacramento, Visalia, Tulare, Brea, Salinas and Riverside and the Castaic Lake Water Agency, Amador Water Agency, Las Virgines Water District, Crescenta Valley Water District, the Jurupa Community Services District and the Sacramento County Water Agency.</p> <p>AB – Harvard University, MBA – Stanford University</p> <p><i>Recent and Relevant Senior Managed Experience</i></p> <ul style="list-style-type: none"> ✓ City of Fairfield, 2015 Water Revenue Loan, \$5.4m ✓ Madera PFA, 2015 Water/Wastewater Refunding Bonds, \$31m (Placement Agent) ✓ Successor Agency to Rancho Mirage RDA, Tax Alloc. Ref. Bonds, Series 2016A (Northside), \$25.8m ✓ Successor Agency to Rancho Mirage RDA, Tax Alloc. Ref. Bonds, Series 2016A (Whitewater), \$14.1m ✓ City of Visalia, 2015 Certificates Of Participation, \$18m ✓ Brea Comm. Benefit Fin. Auth., 2014 Water Rev. Bonds, \$18.6m ✓ Santa Ana Fin. Auth., Water Rev. Bonds, Series 2014, \$15.7m
<p>Jake Campos <i>Director</i> Los Angeles, CA Role: Co-Lead Banker</p> <p>(213) 443-5017 515 S. Figueroa St., Suite 1800 Los Angeles, CA 90071 jcampos@stifel.com</p>	<p>Jake joined Stifel (Stone & Youngberg) in 2008 and has completed several billion dollars of financings for utilities in California. Jake has completed senior managed financings for the Metropolitan Water District of Southern California, Cucamonga Valley Water District, Las Virgenes Municipal Water District, Santa Margarita Water District and the utility systems of the cities of Los Angeles, San Diego, and San Juan Capistrano.</p> <p>BS – California Polytechnic State University</p> <p><i>Recent and Relevant Senior Managed Experience</i></p> <ul style="list-style-type: none"> ✓ Eastern Municipal Water District, Rev Refunding Bonds, 2015 Remarketing, \$50m ✓ Metropolitan WD of Southern California, Water Rev. Ref. Bonds, 2015 Remarketing, \$104m ✓ Santa Margarita WD, Rev. Refunding Bonds, Series 2014A, \$65m ✓ City of San Juan Capistrano Water Enterprise, Series 2014, \$19m (Placement Agent) ✓ San Juan Basin Auth, Series 2014, \$20m (Placement Agent) ✓ Metropolitan WD of Southern California, Water Rev. Ref. Bonds, Series 2011C, \$157m ✓ Cucamonga Valley Water District, Water Rev. Ref. Bonds, Series 2011A, \$110m ✓ Sacramento Regional Sanitation District, Rev. Ref. Bonds, Series 2011A, \$77m ✓ Elsinore Valley Municipal Water District, 2011 Series A, \$25m ✓ California Department of Water Resources, Ser 2010M, \$1.76 billion ✓ Contra Costa Water District, 2010 Ser A, \$127m ✓ Central Basin Municipal Water District, Ser 2010 A-1, \$37m
<p>Kory Griffin <i>Associate</i> Los Angeles, CA Role: Financing Execution</p> <p>(213) 443-5027 kgriffin@stifel.com</p>	<p>Kory joined Stifel's public finance department in 2013 and has provided financing and execution support on a wide variety of CA municipal credits including special tax, revenue and GO bonds.</p> <p>BBA – Loyola Marymount University</p> <ul style="list-style-type: none"> ✓ Banning Fin. Auth., Ref. Rev. Bonds Series 2015, \$31.8m ✓ Santa Margarita WD, Series 2014 Refunding Bonds, \$32.8m ✓ City of San Juan Capistrano, Water Rev. Ref. Bonds, Series 2014A, \$19.9m (Placement Agent) ✓ San Juan Basin Auth., LRBs Issue of 2014, \$20.3m (Placement Agent) ✓ Elsinore Valley MWD, Series 2014A, \$6.79m (Placement Agent) ✓ Santa Margarita WD, Rev. Refunding Bonds, Series 2014A, \$65.34m ✓ Metropolitan Water District of So. Cal., Water Rev. Ref. 2009A-2, 2014 Rmkt, \$104.2m
<p>Josh Donnelly <i>Analyst</i> Los Angeles, CA Role: Financing Execution</p> <p>(213) 443-5075 donnellyj@stifel.com</p>	<p>Mr. Donnelly joined Stifel's public finance department in 2015 and has provided financing and execution support on a wide variety of municipal credits including special tax, revenue and GO bonds.</p> <p>BS – University of California, Davis</p> <p><i>Recent and Relevant Experience:</i></p> <ul style="list-style-type: none"> ✓ Metropolitan WD of Southern California, Water Rev. Ref. Bonds, 2015 Remarketing, \$104m ✓ City of Las Vegas, Local Imp. Dist. Bonds, Series 2015, \$29.5m ✓ Clark County, NV, Local Imp. Bonds, Series 2015 \$24.5m ✓ Henderson RDA, Tax Increment Ref. Bonds, Series 2015, \$9m

Underwriting Team	
Name	Experience
Ben Stern <i>Managing Director</i> <i>Los Angeles, CA</i> Role: Underwriter (213) 443-5225 bstern@stifel.com	Ben Stern has 24 years of municipal experience and directs the pricing and marketing of tax-exempt and taxable municipal issues underwritten by Stifel. Ben joined Stifel through the acquisition of De La Rosa in 2014 and since 1990 has participated as an underwriter on more than \$235 billion of municipal financings. BS/MBA – University of California, Los Angeles
Betsy Kiehn <i>Managing Director</i> <i>San Francisco, CA</i> Role: Underwriter (415) 364-2791 bkiehn@stifel.com	Betsy joined Stifel in 2004 and is a member of the firm’s Municipal Credit Committee. Betsy is in the market more frequently than any underwriter in the California municipal business and serves on many of Stifel’s most high profile engagements. BA – University of Vermont

3. In the context of the Town’s proposed offering, summarize your firm’s relevant water and wastewater experience since January 1, 2013. Please identify the names of the borrower and the specific offerings, plus the ratings of the associated debt offerings. Include up to three (3) case studies and three (3) references.

California Underwriting Expertise. Stifel brings together bankers, salespeople and underwriters with more collective experience with California municipal credits than any other firm. In 2015 alone, our team successfully brought to market 272 California bond issues, meaning that we were in the market as lead manager with an average of five California credits each week, totaling over \$8.1 billion. In particular, for publicly offered California water/wastewater revenue bonds under \$30 million in size, since January 1, 2013 we have senior managed 43 negotiated water and wastewater issuers for an aggregate par value of over \$400 million. Overall, our water/wastewater experience includes the complete spectrum of water utilities from small cities to the largest water wholesaler in the nation.



Source: SDC; Full credit to bookrunner (equal if joint); Par in columns in millions
 Data from January 1, 2013 to September 9, 2016

Private Placement Expertise. Stifel is the top provider of capital markets solutions to municipal issuers throughout the country and, particularly, in California. In addition to the 887 of transactions we have underwritten in the public market, Stifel has completed 95 private placements totaling \$955 million in California since January 2013.

Our placement experience includes a wide range of municipal credits with a variety of credit types and par amounts. Our banking team has access to a national database that tracks purchaser preferences, allowing bankers to solicit bids from the broadest possible audience of buyers and negotiate the best terms for our issuer clients.

As requested, the following provides a case study of a recent utility financing underwritten by Stifel.



City of Glendora, California
 \$8,395,000
 Water Revenue Refunding Bonds, Series 2016A

On January 26, 2016, Stifel sole managed the \$8.3 million Water Revenue Refunding Bonds for the City of Glendora. The issue was an advance refunding of the 2006 Bonds and secured an underlying rating of “AA” by S&P. Based on positive feedback from investors the day before pricing, Stifel entered the market with a very aggressive interest rate scale. Stifel’s pre-marketing efforts resulted in a comprehensive order book including 36 institutional orders from firms such as: Oppenheimer, Franklin Templeton, Credit Suisse, and Wells Fargo Asset Management. Ultimately, Stifel’s final scale resulted in a true interest cost that was approximately 7 bps lower than originally proposed and generated more than \$1.7 million in net present value savings –nearly 16% of refunded par.

Provided below are three municipal references whom the Town may contact as personal references for our firm.

City of Glendora	City of Salinas	City of Orinda
June Overholt Finance Director Phone: (626) 914-8241 E-mail: joverholt@ci.glendora.ca.us	Matt Pressey Finance Director Phone: (831) 758-7420 E-mail: mattp@ci.salinas.ca.us	Janet Keeter, City Manager Susan Mahoney, Finance Director Phone: (925) 253-4200 E-mail: jkeeter@cityoforinda.org smahoney@cityoforinda.org

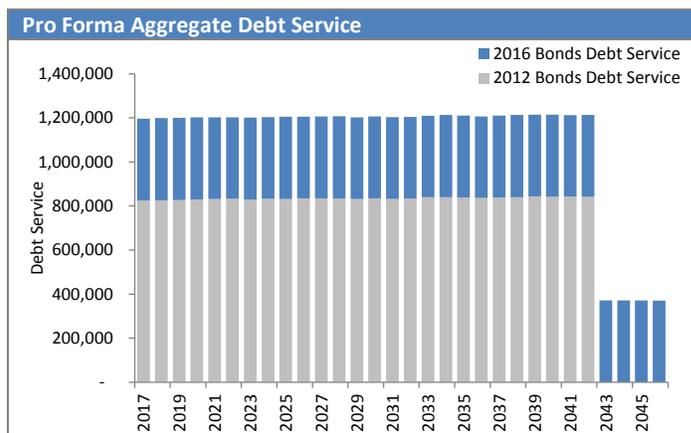
4. Provide your recommendations for financing solutions that will provide the Town with the lowest risk-adjusted cost of capital.

Structuring Overview. For the Town’s consideration, we have provided two structuring scenarios based on a project fund deposit of \$7.4 million and amortization schedule of 30-years. The base case assumes level debt service on a standalone basis over the 30-years and produces a lower true interest cost. The alternative case assumes a 30-year financing that takes into account the outstanding 2012 bonds. Inasmuch as the second approach is “back-loaded”, the true interest cost is nearly 20 basis point higher than the level debt service approach. However, aggregate debt service is lower, thereby reducing the Town’s near term debt service obligation.

Base Case - Proposed Structuring Assumptions:

- Fixed Rate Enterprise Revenue Bonds
- Rating: AA (current S&P rating)
- Maturities: 2017-46
- Structure bonds for level debt service on standalone basis
- Debt Service Reserve Fund: None

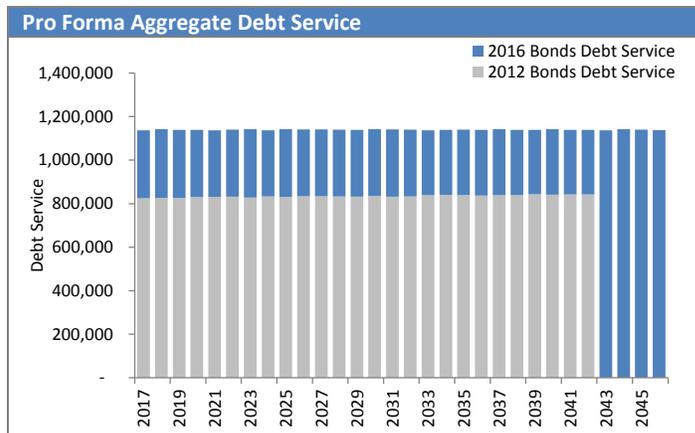
Base Case – 30-Year Level Debt Service (Standalone)	
Par Amount	\$7,315,000
Project Fund Deposit	\$7,400,000
True Interest Cost	2.74%
Average Annual Debt Service (2017-'42)	\$372,275
Average Annual Debt Service (2042-'46)	\$371,250
Total 2016 Bonds Debt Service	\$11,164,138
2012 & 2016 Bond Characteristics	
Average Annual Aggregate Debt Service (2017-'42)	\$1,207,037
Average Annual Aggregate Debt Service (2042-'46)	\$371,250
Maximum Annual Debt Service	\$1,217,163
Total Aggregate Debt Service	\$32,867,963



Alternative Case - Proposed Structuring Assumptions:

- Fixed Rate Enterprise Revenue Bonds
- Rating: AA (current S&P rating)
- Maturities: 2017-46
- Structure bonds for aggregate level debt service (wrapping around 2012 bonds debt service)
- Debt Service Reserve Fund: None

Alternative Case – Aggregate Level Debt Service (Wrapping)	
Par Amount	\$7,455,000
Project Fund Deposit	\$7,400,000
True Interest Cost	2.91%
Average Annual Debt Service (2017-'42)	\$305,485
Average Annual Debt Service (2042-'46)	\$1,140,625
Total 2016 Bonds Debt Service	\$12,505,100
2012 & 2016 Bond Characteristics	
Average Annual Aggregate Debt Service (2017-'42)	\$1,140,247
Average Annual Aggregate Debt Service (2042-'46)	\$1,140,625
Maximum Annual Debt Service	\$1,142,556
Total Aggregate Debt Service	\$34,208,925



Bank Qualified (BQ) Financing Option. If the proposed bond issuance remains approximately \$7.4 million, a bank qualified issuance may be a viable and cost effective option. If the Town has no plans to issue over \$10 million in the calendar year, the Town will have the ability to issue bank qualified bonds and capture the interest rate benefit. Having the bank qualified designation broadens the pool investors to include commercial banks, which enhances competition for the bonds and drives down borrowing cost.

Continuing Disclosure Issues. Our review of the Town’s continuing disclosure filings for the 2012 Bonds indicate that the 2012, 2013 and 2014 disclosure filings were filed some months late, although the 2015 filing was on time. The SEC has forced market participants to focus on timely continuing disclosure and, if engaged as underwriter, we will want to spend time on this topic with appropriate Town staff and the financial advisor. If the Town has not yet adopted policies regarding continuing disclosure, we will strongly encourage this action and work with staff and the financial advisor to that end.

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5. *Discuss any refinancing/restructuring opportunities for the Town that you believe should be considered at this time. Please provide suggestions for debt structures that will optimize the Town's capital structure.*

In 2012, the Town issued \$14.1 million of new money bonds for the acquisition and construction of improvements to the Water and Wastewater Systems. Approximately \$13.2 million of the outstanding bonds is eligible to be advance refunded on December 1, 2022 at par. The tables below reflect a level savings advance and current refunding of the callable bonds. An advance refunding of the 2012 bonds generates approximately \$665,000 of net present value savings, or about 4% of the bonds refunded. While this threshold is within the 3%-5% threshold generally used to determine the viability of a refunding, the negative arbitrage due to the long refunding escrow is considerable. As the Town's underwriter, we would monitor the refunding through the course of the financing program, acknowledging that the decision to refund is a policy call to be made by the Town in conjunction with the financial advisor.

Advance Refunding		Current Refunding	
Sale Date	September 2016	Sale Date	December 2022
Refunded Par Amount	\$11,645,000	Refunded Par Amount	\$11,645,000
Refunding Par Amount	\$13,085,000	Refunding Par Amount	\$10,750,000
True Interest Cost	2.65%	True Interest Cost	2.71%
Negative Arbitrage	\$962,860	Negative Arbitrage	\$-
NPV Savings (\$)	\$477,239	NPV Savings (\$)	\$1,715,420
NPV Savings (%)	4.10%	NPV Savings (%)	15.73%
Avg. Annual Cashflow Savings (2017-'42)	\$25,602	Avg. Annual Cashflow Savings (2023-'42)	\$106,566
Total Cashflow Savings	\$665,675	Total Cashflow Savings	\$2,131,325
Escrow Efficiency	33%	Escrow Efficiency	100%

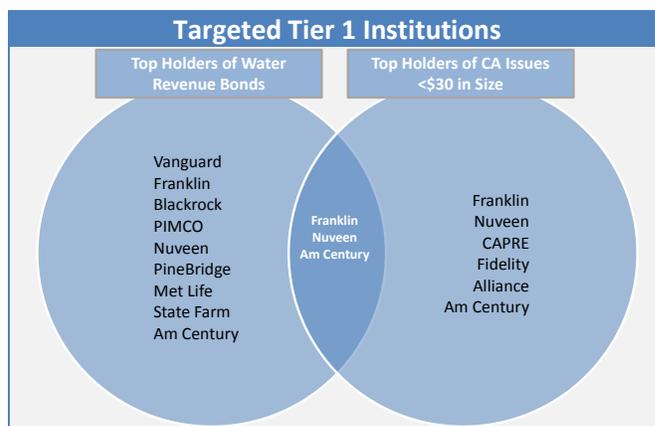
Market Conditions as of September 7, 2016. All numbers and interest rates are preliminary, subject to change and do not constitute an offer to purchase securities. Financing evaluated at interest rate spreads (starting at 0 bps and finishing at 90bps) to 'AAA' municipal yield curve based on level savings structure and current AA rating. Forward looking analysis assumes current market conditions

6. *Describe your firm's plan for marketing the proposed offering. Describe the investor groups whose participation you believe will be key to the success of the offering. Given what you understand about the Town, its proposed offering, and prevailing investor demand for debt similar to that which the Town proposes to offer, describe what you believe will be investors' chief concerns that will inform their decision to participate during the order period, and suggestions for mitigating those concerns.*

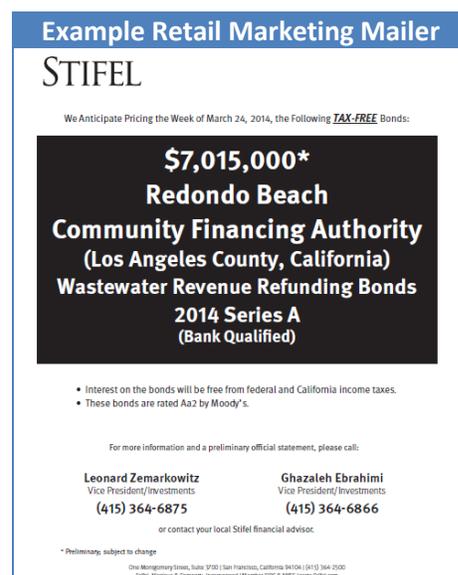
As the proposed transaction represents the Town's first market issuance since 2012, Stifel proposes to utilize the pre-marketing period as a reintroduction of the credit to the marketplace. The Town's outstanding 2012 bonds are currently held almost entirely by individual investors and therefore institutional buyers will require some special attention in order to get up to speed on the credit. Stifel's plan for the Town is outlined below.

- **Investor Outreach** – Stifel will coordinate a comprehensive investor outreach campaign in order to reach the complete spectrum of potential buyers. Our institutional salesforce, one of the largest in the industry, will utilize the collateral marketing materials to ensure that the transaction is front of mind with investors. We will leverage these existing relationships with high net worth individuals in addition to our efforts to engage the institutional investor audience – particularly the institutional accounts that regularly purchase California water revenue bonds through Stifel.
 - Transaction Announcement on Municipal Calendars at Bloomberg, TM3 and the Bond Buyer
 - Deal Summary prepared by Stifel for the use of sales department
 - Credit Reports
 - Preliminary Official Statement posted at least one full week prior to pricing

■ **Targeting Specific Tier 1 Investors** – In addition to the comprehensive marketing plan outlined above, we believe that the Town will benefit from an increased level of focus on certain accounts. To the right we have provided the top holders of all California revenue bonds on the left and the top buyers of California financings under \$30 million on the right. The “crossovers” between the two have a core focus on California essential service utilities and a demonstrated history participating in financings of similar size to the Town. We believe the three firms noted in the crossover category represent the likely anchor tenants for the financing program’s longer-term maturities.



■ **High Net Worth Retail Investors** – Stifel proposes to spend considerable effort cultivating interest from individual investor clients within Contra Costa County and throughout the state. For similar issues, we have found that this is best accomplished by holding “teach-in” calls with the retail sales professionals located in our northern California offices. We try to engage with our sales force early in the process as brokers will often prepare direct marketing pieces to targeted households in a community as a way of bringing out local buyers. In the Town’s case, we think this kind of pre-marketing is likely as opportunities to market to bonds from a recognized community in Contra Costa are relatively infrequent.



7. *Clearly explain your underwriter’s approach to the order period, including analysis of order flow and repricing recommendations, and the firm’s process for determining if it will underwrite balances which may remain unsold at the conclusion of the order period.*

Public Sale

During the Sale. Stifel continually strives to make the underwriting process as transparent as possible in order for our clients to understand why we suggest changes in interest rates as well as how many bonds are left unsold at the end of an order period. Consistent with this effort, the firm utilizes an on-line “Order Flow Monitor” to offer our clients and their financial advisors the ability to observe underwritings as they are being priced. Issuers can access the Order Flow Monitor on the day of sale from any computer with an Internet connection to see the orders being submitted for their bonds. The use of the monitor system provided by IPREO is commonly used by our clients, which we find extremely beneficial to promote full transparency.

Underwriting Unsold Balances. As of March 31, 2016 Stifel had an excess net capital position of approximately \$258 million, which allows the firm to underwrite over \$3 billion of unsold municipal securities at any point. Our capital is put to use benefiting our issuer clients. With this strong capital position, Stifel is one of the most financially sound stand-alone institutions in the financial services industry.

More important than our robust capital position is our willingness and ability of our underwriters to put this capital to work in support of our issuer clients. Our underwriters are free to allocate our net capital and excess net capital as they see fit. Recent examples of our willingness and ability to underwrite unsold balances for our sole or senior-managed financings for California issuers are shown in the table on the following page. It is

evident that we are not only able, but willing to put our capital to work to secure the best interest rates for our clients.

Sale Date	Issuer	Par Amount	Amount Underwritten (\$)	Amount Underwritten (%)
05/10/16	Delano Union Elementary School District	5,665,000	2,870,000	50.66%
04/06/16	Sonoma County Community RDA	10,140,000	2,355,000	23.22%
03/23/16	San Bernardino RDA	16,030,000	4,275,000	26.67%
05/25/16	Rosemead SD	12,800,000	10,510,000	82.11%
05/10/16	Delano Union ESD	5,665,000	2,870,000	50.66%
05/24/16	Sacramento City USD	14,000,000	2,600,000	18.57%
05/11/16	Upland USD	21,266,972	2,815,000	13.24%
05/04/16	Wiseburn USD	37,280,000	5,720,000	15.34%
04/21/16	Lodi USD	34,900,000	7,245,000	20.76%

Closing. Following up the sale Stifel will provide a detailed transaction summary highlighting key transaction points, pricing comparables, and other key financing documentation to memorialize the financing in a closing book. Additionally, in today's tech-focused environment, Stifel's Public Finance and IT teams have developed a Stifel Public Finance Mobile App to give our clients greater and more immediate access to municipal market information and tools on their phones. The App includes many features helpful to both market participants and public agencies, including current market yield curve, recent municipal trades, a forward transaction calendar and several technical factors. Municipalities can see where their bonds traded after the sale, and view their outstanding debt. It is available in the app store for iPhone and Android devices and the app's icon is shown to the right.



Private Placement

We understand that the Town's Financial Advisor is soliciting bids for a direct placement of the Bonds. We note that Stifel has extensive experience in this area and would be willing to supplement the ongoing effort through our relationships with banks active in the municipal arena. While we did not think it appropriate to launch our own bank solicitation, we spoke with several banks that serve as direct lenders in the municipal arena. In our experience, banks generally prefer financing terms of ten years or less with a few willing to extend to 20 to 25 years. We have worked with a bank that has on occasion taken on a 30-year obligation if the issue is of sufficient size and yield.

8. *Discuss any reputational, regulatory, or legal issues which may adversely affect your firm's ability to underwrite the Town's bonds.*

Stifel is not aware of any potential conflicts of interest that our firm would have in acting as Placement Agent or Underwriter for the Town.

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9. Please identify your firm's proposed underwriting discount for the proposed offering

Stifel's fee proposal is based on the recommendations provided in our Proposal. Our team will pledge to work with the Town in order to execute the transaction that best meets your needs. Our proposed compensation is entirely contingent upon successful close of the bond sale and we do not propose to increase our takedown if the size of the issue declines (our fixed costs will likely remain relatively constant). Our fees are based on securing the lowest cost of capital in the current market.

Par Amount: \$7,400,000			Expense		
Spread Details	\$/bond	Amount (\$)	\$/bond	Amount (\$)	
Management Fee	\$0.00	\$0.00	Continuing Disclosure Report	0.08	600.00
Underwriter's Counsel	1.01	7,500.00	Ipreo Bookrunning System	0.05	399.66
Expenses	0.55	4,053.66	Blue Sky	0.07	500.00
Average Takedown	<u>4.00</u>	<u>29,600.00</u>	DTC Set-Up	0.11	800.00
Total Gross Spread	\$5.56	\$41,153.66	CDIAC	0.15	1,110.00
			CUSIP Numbers	<u>0.09</u>	<u>644.00</u>
			Total Expenses	\$0.55	\$4,053.66

Note: assumes underwriter's counsel prepares the bond purchase agreement and reviews documentation but does not prepare the official statement.

10. Provide recent examples that illustrate how your firm distinguishes itself from other underwriters possessing significant expertise similar to that required for the propose offering.

As mentioned in response to Question 3, Stifel is the leading underwriter of municipal bonds in California. From 2013 to present, we underwrote 887 negotiated bond issues for California public agencies, more than 2.5 times as many transactions as our closest competitor in the state. We have developed our leading position in California as a result of decades of banking and sales experience in the State, our ability to market bonds to investors that achieve low borrowing costs, and our conscientious, thorough, and ethical banking service on behalf of our public agency clients.

Beyond the number of our underwritings, we believe the Town should consider Stifel's extensive experience working with issuers in Contra Costa County. We have underwritten 22 bond financings in Contra County since 2013 for a wide variety of local agencies. Stifel has been the underwriter of choice for issuers of local general obligation bonds, utility bonds as well as challenging land-secured and tax increment credits.

As the leading underwriter of municipal bonds in California, Contra Costa County and water/wastewater revenue bonds, we are in the market more than any of our competitors--on average, nearly five times a week in California! This level of experience gives us a unique and unparalleled insight into creative and innovative bond marketing approaches designed to achieve the lowest possible cost of capital for our issuer clients. Furthermore, we dedicate a team of seasoned professionals to work with the Town the Town's financial advisor towards a seamless and successful pricing execution. We stand by each one of our financings and our success is reflected by our continued standing in the rankings as the leading municipal underwriter.

Town of Discovery Bay
2016 Revenue Financing
Term Sheet Dated 09/09/16

Umpqua Bank (“Umpqua”) would like to express its interest in underwriting and obtaining credit approval for the following loan (the “Credit Facility”) for the Town of Discovery Bay (the “Town”) on the terms and conditions outlined below.

Preface: Umpqua’s expression of interest in underwriting and obtaining credit approval for the Credit Facility is for discussion purposes only and does not constitute a commitment from Umpqua. Any commitment to lend that we might make is subject to the fulfillment of a number of conditions that include, but are not limited to, our normal credit approval process, an in-depth investigation of the purpose of the loan, the Town, and collateral the results of which are deemed satisfactory to Umpqua in our sole discretion.

Confidentiality: Except as required by law, neither this expression of interest nor its contents will be disclosed publicly or privately except to those individuals who are your officers, employees or advisors who have a need to know as a result of being involved in the proposed financing. The foregoing confidentiality provisions shall not apply to the disclosure of the federal income tax structure or treatment of the proposed financing.

Loan Amount:	Up to \$ 7,400,000
Structure/Security:	Wastewater Revenue Pledge
Term:	15 years (9.00 year average life)
Interest Rate:	Indicative fixed rate, Tax-exempt bank-qualified: 2.57% (2.22% w/ relationship discount)
Relationship Discount:	35 bps rate reduction with establishment of a minimum \$3,000,000 depository relationship.
Rate Lock:	2-weeks prior to closing.
Issuance Fees:	Documents to be prepared by Umpqua’s counsel Nixon Peabody, LLP, with review to be completed by the Town’s counsel. Legal fees and expenses of Nixon Peabody, shall not exceed \$13,000 . CDIAAC fees, in addition to all other filing fees and related fees shall be paid by the Town in connection with the issuance.
Prepayment Provision:	103% of par in years 1- 3, decreasing to 102% in years 4 – 5, and 101% in years 6 – 7. Prepayable at par beginning in year 8 and thereafter.
Default Rate:	Interest + 3.0%

Additional Conditions

Periodic financial and collateral reporting by the Town, as well as representations and warranties of the Town regarding its status and ability to repay and related matters, taxability gross-up and covenants and conditions that are appropriate for a Credit Facility of the scope and nature proposed herein will be determined as part of Umpqua Bank’s normal underwriting and approval process.

LENDER: *Impava Bank*

RATINGS:
Long Term:
Short Term:

INSTRUMENT: *Direct Placement*

MODE (fixed, variable): *FIXED*

Interest Rate: *ATTACHED*

Term/ Tenor: *15 YRS (9 YR AVERAGE LIFE)*

SECURITY PROVISIONS:
Collateral: *WASTEWATER REVENUE RECD*

Financial Covenants:
Covenant #1: *1.25x DEBT SERVICE COVERAGE*

Covenant #2: *2.00x FUNDED DEBT TO NET ASSETS*

Additional Debt Provision: *TBD*

Rating Trigger:
Other:

PREPAYMENT: *ATTACHED*

FEES:
Origination Fee: *NONE*
Unused Fee: *NONE*
Amendment Fee: *NONE*
Third Party Expenses: *CDIAC/BANK COUNSEL/ALL COI*

DRAW PROVISIONS:
DRAW DOWN AVAILABILITY TBD

REPORTING REQ'MTS:
CUSTOMARY TO TRANSACTION

EVENT OF TAXABILITY: *+ 1.18%*

YIELD PROTECTION: *N/A*

APPRAISAL: *N/A*

LOAN TO VALUE REQ'MT: *N/A*

CLAWBACK: *N/A*

MARGIN RATE FACTOR:
OTHER CONDITIONS:

September 8, 2016

Ms. Catherine Kutsuris
Interim General Manager
Town of Discovery Bay
1800 Willow Lake Road
Discovery Bay, CA 94505-9376

Re: Tax-Exempt Private Placement Wastewater Installment Sale Agreement (“2016 Loan”)

Western Alliance Bank and its affiliate TPB Investments, Inc. (“Purchaser”) are pleased to submit the following preliminary terms, subject to formal credit approval and review of all relevant documentation, for the direct purchase of the 2016 Loan of the Town of Discovery Bay (the “Borrower”). This term sheet does not constitute a firm commitment by the Purchaser to purchase the 2016 Loan. The following terms are preliminary and subject to change based on negotiations between the Purchaser and Borrower.

Principal Amount: \$8,000,000 (Estimate).

Final Maturity: July 1, 2047 with Purchaser’s initial holding period to expire on July 1, 2037. Borrower must request renewal six months prior to end of initial period.

Tax Status: Tax-Exempt (Non-Bank Qualified).

Interest: Semi-annual interest payments beginning June 1, 2017 and thereafter on December 1 and June 1 through end of initial period.

Amortization: Underlying amortization of 30 years with annual principal payments beginning December 1, 2017; remaining principal outstanding is payable in full at end of initial period.

Interest Rate Pricing: 68% of the sum of the 15-Year LIBOR Interest Rate Swap Rate plus 3.25% (tax-exempt fixed rate). Based on market rates as of September 8, 2016, the rate would be **3.31%***. The rate may be locked three weeks prior to funding following all necessary approvals. The Purchaser’s interest rate formula is not subject to change due to future changes in tax law and banking regulation.

Optional Prepayment: The 2016 Loan will be subject to prepayment, in whole or part, on any date on or after December 1, 2026, plus accrued interest through the prepayment date, without premium.

Origination fee: None

Reserve Fund: None required

Security: Pledge of Wastewater Net Revenues on parity with the outstanding Wastewater Installment Sale Agreement, dated as of August 1, 2012, by and between the Discovery Bay Public Financing Authority and the Borrower.

* Preliminary, subject to change and market conditions. The rate is based on a MID 15-Year LIBOR Interest Rate Swap Rate at 1.62% as of September 8, 2016.

Covenants:	Rate Covenant/DSCR: 1.25x; ABT: 1.25x.
Other Fees Due at Closing:	The Borrower shall be obligated to pay legal fees of Purchaser's counsel and the California Debt and Investment Advisory Commission reporting fee. The Purchaser's counsel fee shall be capped at \$8,500.
Purchaser's Counsel:	Harriet Welch, Esq of Squire Patton Boggs (US) LLP / Los Angeles, California
Bond Counsel:	To be determined
Municipal Advisor:	Prager & Co., LLC / San Francisco, California
Funding:	On or about November 30, 2016
Representations / Warranties:	Legal documentation will contain customary affirmative and negative covenants as well as usual representations and warranties for like situated borrowers and the 2016 Loan, acceptable to the Purchaser and its counsel. The Purchaser will not require in the legal documentation such provisions related to "gross-up" requirements upon the occurrence of an event of taxability, downgrade pricing, increased bank costs, adjustments due to changes in tax law and bank regulation, yield protection and capital adequacy.
Legal Opinion:	Opinion of Bond Counsel required as to: (1) treatment of payments under the 2016 Loan as tax-exempt obligations under IRS Code and (2) opinion as to the validity and enforceability of the 2016 Loan. A supplemental opinion of Bond Counsel and an opinion of general counsel to the Borrower in form satisfactory to the Purchaser and its counsel shall also be provided.
Documentation:	Purchaser will book the 2016 Loan as a loan, and, therefore, the additional provisions and conditions set forth in this term sheet shall be included in the documentation, which shall include execution and delivery of legal documentation acceptable to Purchaser and its counsel; provided however, Purchaser will either take assignment of the 2016 Loan or take physical possession of bonds evidencing the direct, undivided fractional interests of the Purchaser in the payments to be made by the Borrower under the 2016 Loan, and, as a result, the 2016 Loan will be registered to Purchaser, DTC will not be holding the 2016 Loan and the 2016 Loan will not have a CUSIP; the 2016 Loan will not be rated; there will not be a disclosure document or a purchase contract; trustee to be acceptable to Purchaser; authorized denominations shall be the amount of \$250,000 and integral multiples of \$1 thereof; and no amendments to the issuing documents without Purchaser's prior consent. The Purchaser shall not be required to surrender the 2016 Loan or assignment thereof for payment of principal. In addition, at least 72 hours prior to funding, an executed IRS Form W-9 will be required and delivered to the Purchaser.

- No Fiduciary Relationship:** Inasmuch as the 2016 Loan represents a negotiated transaction, the Borrower understands, and hereby confirms, that the Purchaser is not acting as a fiduciary of the Borrower, but rather is acting solely in its capacity as a lender, for its own account. The Borrower acknowledges and agrees that (i) the transaction contemplated herein is an arm's length commercial transaction between the Borrower and the Purchaser and its affiliates, (ii) in connection with such transaction, the Purchaser and its affiliates are acting solely as a principal and not as an advisor including, without limitation, a "Municipal Advisor" as such term is defined in Section 15B of the Securities and Exchange Act of 1934, as amended, and the related final rules (the "Municipal Advisor Rules"), (iii) the Purchaser and its affiliates are relying on the purchaser exemption in the Municipal Advisor Rules, (iv) the Purchaser and its affiliates have not provided any advice or assumed any advisory or fiduciary responsibility in favor of the Borrower with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto, (v) the Purchaser and its affiliates have financial and other interests that differ from those of the Borrower, and the Borrower has consulted with its own financial, legal, accounting, tax and other advisors, as applicable, to the extent it deemed appropriate.
- Purchaser's Vesting Name:** In the legal documentation, the Purchaser's vesting name shall be referenced as follows: TPB Investments, Inc., a wholly owned subsidiary of Western Alliance Bank, an Arizona corporation.
- Reporting Requirements:** The Borrower shall provide the Purchaser with the following documentation and information within 9 months of the Borrower's fiscal year end:
- i. Audited financial statements of the Borrower for the preceding fiscal year;
 - ii. A table that sets forth the total number of the Borrower's Wastewater System Top Ten Customers for the preceding fiscal year;
 - iii. A table that sets forth a summary of audited historical operating results for the Borrower's Wastewater System for the preceding five fiscal years.
- The Borrower shall provide the Purchaser with its annual approved operating budget within one month after its adoption by the Borrower's Board.
- The Purchaser shall receive notice of any material impact to the Borrower's financial position. The Borrower shall furnish at Purchaser's request such additional information that Purchaser may from time to time reasonably request.
- Assignment:** Purchaser retains right to assign its interest in the 2016 Loan and will give the Borrower appropriate written notice of such assignment. Purchaser acknowledges and agrees that the 2016 Loan may only be transferred in

authorized denominations to a "Qualified Institutional Buyer" or an "Accredited Investor" within the meaning of the Securities Act of 1933, as amended.

Timing of Credit Approval: The Purchaser will require approximately two to three weeks for internal credit approval.

Please sign the enclosed copy of this term sheet to myself via e-mail or regular mail to my attention (see contact information on first page).

Submitted on behalf of Western Alliance Bank and its affiliate TPB Investments, Inc., a wholly owned subsidiary of Western Alliance Bank, an Arizona corporation.



Joshua J. Lentz
Vice President – Municipal Finance Officer

TOWN OF DISCOVERY BAY

By: _____
Name: _____
Title: _____
Date: _____

cc: Dina Breitstein, Finance Manager – Town of Discovery Bay
Saul Rosenbaum, Managing Director – Prager & Co., LLC
Sachin Karamchandani, Vice President – Prager & Co., LLC
Monika Suarez, Senior Vice President – Western Alliance Bank
Harriet M. Welch, Esq., Partner – Squire Patton Boggs (US) LLP