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Marina Coast Water District



Request for Proposals

Financial Advisory Services

Proposal / May 8, 2015



May 8, 2015

Kelly Cadiente
Director of Administrative Services
Marina Coast Water District
11 Reservation Road
Marina, CA 93933

Re: Financial Advisory Services

Dear Ms. Cadiente,

Urban Futures Inc. (UFI) is pleased to submit this proposal to provide financial advisory services to the Marina Coast Water District (District). We believe that our unique combination of qualifications, resources, and experience will ensure value-added service resulting from efficient and successful implementation of forward-looking programs that will benefit the District.

Based on our project understanding, the District's need for financial advisory services is best met by an advisor that understands and has the experience to address the District's unique set of needs. Our proposed advisory team's understanding of public finance addresses the District's varied needs by having 100+ years of combined experience. The team's experience includes professionals that have been involved in municipal management, public finance, financial advisory and municipal underwriting. This type of insight allows Urban Futures to secure the highest possible credit rating and to establish the most cost-effective financing structures and pricings based on our direct access to real-time market data and our in-house capability for structuring cash flows.

We have depth of both quantitative and qualitative experience to deliver the best long-range results for the types of financings and analytical assistance requested by the District, beginning with the refunding of the 2006 Enterprise Revenue Certificates of Participation and an evaluation of financing alternatives, structures, and timing considerations for the District's capital improvement plan.

Below are several highlights of our experience and approach:

- **RIGOROUS DOCUMENT REVIEW & INDEPENDENT VERIFICATION OF FINANCING STRUCTURES** The financing team, with collective depth of experience on both the underwriting and advisory sides, is regularly entrusted by issuers to review and prepare bond documents traditionally entrusted to borrower's counsel. The team will ensure that the District's bond documents are prepared to the highest standards and that the District receives the best possible credit rating. Members of our team also provide cost-of-service water rate studies, providing additional insight into the District's financings, particularly during the credit rating process.

We are continuously in the market for utility credits, having completed \$375 million over 28 financings during the last five years, and having worked recently with Monterey Peninsula Water



Management District, Rowland Water District, Azusa Light & Water, Santa Ana Financing Authority, Imperial Public Financing Authority, Colton Public Financing Authority, and the Cities of Dinuba, Coachella, South Pasadena, Manteca, and Calexico.

In the following sections, please take note of our sample refinancing summary for the District and pricing agent deliverables that allows UFI to deliver the lowest cost financings that also most appropriately meet the District’s goals and policy objectives.

- **LONG-RANGE FINANCIAL PLAN** Mr. Lee is also available to develop a long-range financial plan that will provide not only a bird’s-eye view of the balance between the District’s financing priorities and capital projects, but will provide a graphical interface that consistently proves useful for effective, expedited decision-making by staff, elected officials, and other stakeholders.
- **COMPREHENSIVE SERVICES** Based on our project understanding, there are several complementary services we would offer for the District’s consideration. In order for a clean opinion from the SEC in association with issuance of the refunding bonds, the District’s continuing disclosure compliance requirements must be brought up to speed. UFI is a leader in continuing disclosure, and our five-year audits are unparalleled, and we can assist the District with this and other efforts.

It would be our honor to assist the District with comprehensive financial advisory services. If you have any questions, please do not hesitate to contact me at (714) 283-9334 or MichaelB@UrbanFuturesInc.com.¹

Sincerely,

URBAN FUTURES, INC.



Michael P. Busch
President & CEO

¹ The response as enclosed is valid for a period of 90 days, and I, Michael Busch, am legally authorized to contractually bind the firm.

1. FIRM SPECIFICS

Since 1972, Urban Futures, Inc. (UFI) has provided municipal advisory services to special districts, cities, and public works departments in the State of California. The firm of 25 consultants is privately owned, and is registered as a California “C” Corporation. We are registered with the SEC and MSRB.

Marina Coast Water District seeks a qualified full-service financial advisor for a multi-year engagement that includes, but is not limited to, the refinancing of the 2006 COPs and new money financing for the District’s capital improvement plan.

Urban Futures Inc. is recognized as one of the Top 5 financial advisory firms in the State both in terms of par and number of bond sales.² Our clients have put their trust in UFI over its 43-year history. In many cases, our financial advisory staff have worked closely with each other for decades on many financings and types of financings.

Utility revenue and many other types of bonds have been a core part of the firm’s advisory work for decades. Michael Busch, John Phan, and James Lee represent numerous financings both on the financial advisory and underwriting sides of municipal finance. **Our recent utility revenue financing experience includes those for Monterey Peninsula Water Management District, Rowland Water District, Azusa Light & Water, Santa Ana Financing Authority, Imperial Public Financing Authority, Colton Public Financing Authority, and the Cities of Dinuba, Manteca, and Calexico.**

Over the last five years, UFI has led \$375.0 million in water and electric system utility-revenue financings over 28 bond issuances. Most recently, UFI worked with City of Santa Ana’s \$15.7 million water revenue refunding bonds. UFI is currently engaged to refinance three utility bond issuances – water, wastewater, and electric system – for the City of Banning.

UFI consistently goes above and beyond the requisite scope of advisory services with respect to document preparation and review and independent verification of financing structures, demonstrating our clients’ trust in the rigor of our process. The advisory team has reviewed documents prepared by numerous clients’ bond, underwriting, and special counsels and related consultants, from preliminary official statements and official statements to tax certificates, loan agreements, transcripts, indentures, and other closing documents for both negotiated and competitively-sold bond issues. For example, Woodbury University recently requested UFI to prepare its tax due diligence questionnaire for its recent bond sale, an activity traditionally entrusted to borrower’s counsel. In addition, UFI often leads the credit rating presentation development and delivery process, a task typically undertaken by underwriters.

The team lead and primary contact for the District’s financing and related needs is Mr. Michael Busch. Mr. Busch is in the Orange office, which is UFI’s principal place of business, and he can best be reached by phone:

Michael Busch, President & CEO
P: (714) 283-9334 | F: (714) 283-5465 | MichaelB@UrbanFuturesInc.com
3111 N. Tustin Street | Orange, CA 92865

² CDIAC – California Public Debt Issuance Monthly Data Vol. 33, No. 5, May 2014

The firm is financially stable and can easily meet insurance and liability requirements. There are no engagements that would interfere with the firm’s ability to provide independent or unbiased advice to the District. The firm has not been removed or asked to resign from a public finance transaction during the last five years, and there is no pending litigation nor has there been any in the last five years with respect to its subcontractors, consultants, insurers, or the public projects the firm has undertaken.³

³ Before signing the agreement or commencing work on any project for the District, UFI will provide proof of General Liability, Automobile Liability, Worker’s Compensation insurance, and any other forms of coverage, each for the appropriate level of coverage.

2. KEY PERSONNEL

In the past five years, UFI has led approximately \$3.5 billion of financings for credits such as the District's. As mentioned above, approximately \$375.0 million of this is in utility-revenue financings over 28 bond issuances.

The proposed team's principal staff are supported by the firm's analysts and managed directly by Mr. Michael Busch, President & CEO. **Mr. Busch, a long-time veteran in public service through roles such as assistant City Manager and Chief Financial Officer, will manage the day-to-day aspects of the project, ensuring that it effectively meets the District's objectives.**

He will also lead the advisory team in the conduct of analyses and preparation of project deliverables. UFI's project management approach is built upon the following principles:

- **COMMITMENT:** To serve our clients with a professional approach, integrity, honesty, and with the public good in mind;
- **EXCELLENCE:** To be the best through the hiring of proven professionals in the field with relevant experience and a proven track record;
- **PASSION:** To serve our clients with a passion for public service and a dedication for improving the communities in which we work, live, and play; and
- **RESULTS:** To provide a service and product unmatched in our field, on-time, within budget, and exceeding the expectations of our clients.

Our team is supported by several members with both underwriting and financial advisory experience – Mr. John Phan, and Mr. James Lee – lending independence to the financial structuring process. In today's environment of heightened regulatory scrutiny, this independence is crucial. It is reflected in our non-traditional financial advisory expertise from developing our own market scales based on in-house information sources such as Bloomberg, TM3 (Thompson Reuters), and EMMA to corroborating our cash flow analyses and market comparables to our network of underwriters. **Understanding how an individual financing complements the District's long-range financial plan is as critical as the potential financing itself.** Mr. Lee has assisted numerous agencies with such plans, and he is available to assist with developing a long-range financial plan on behalf of the District.

Additionally, we propose to **manage the marketing process with underwriters and investors, and understand that process intimately**, from developing investor materials to analyzing investor sales upon closing.

Please see the following profiles for key members of the proposed advisory team:

MICHAEL BUSCH: TEAM LEAD (PRESIDENT & CEO)

Bachelor of Arts in Urban and Regional Planning – California State Polytechnic University, Pomona
Master of Public Administration – California State University, Long Beach

ROLE FOR THIS PROJECT: Mr. Busch will manage the day-to-day aspects of the project, ensuring that it is within budget and on schedule and that it effectively meets the District’s objectives. He will also lead the advisory team in the conduct of analyses and preparation of project deliverables. UFI’s project management approach stresses communication, teamwork, objectivity, and accountability for meeting project objectives and includes general administrative duties, including correspondence with the Issuer, billing, project documentation, and administration of the study plan. We believe in a no-surprise approach and communication on a regular basis through face-to-face meetings and web and phone conferences so that the client is aware of the status of the project at all times.

PROFILE: Mr. Busch joined Urban Futures following a successful career in municipal government. Mr. Busch currently serves as the Chief Executive Officer of the firm and manages day-to-day operations. Mr. Busch’s background consists primarily of Assistant Deputy City Manager, Finance, and Project Manager positions. As such, he has extensive experience in Strategic Planning, Municipal Finance, and capital project implementation leading to the issuance of over \$1 billion in tax-exempt debt offerings and implementation of several economic development and infrastructure projects. Mr. Busch has a unique background having served as a Finance Director, City Treasurer, Deputy City Manager and Assistant City Manager where he has demonstrated experience in capital improvement plan development, capital financing, and capital project implementation.

RECENT PROJECTS AND ACCOMPLISHMENTS:

- Financial Advisor for recent utility financings for Azusa Light & Water, Santa Ana Financing Authority, and the cities of Coachella and South Pasadena
- Financial Advisor for the City of San Bernardino Bankruptcy Restructuring
- Financial Advisor to the California Communities Total Road Improvement Program and the Delinquency Property Tax Funding Program
- Prepared Budget Stabilization and Resiliency Plans for the Cities of Maywood, Adelanto, Desert Hot Springs and Rohnert Park

JOHN M. PHAN: TECHNICAL LEAD (PRINCIPAL)

*Bachelor of Arts in Business Administration – University of California, Berkeley
Series 7 and Series 63 registrations*

ROLE FOR THIS PROJECT: Mr. Phan will ensure technical accuracy with respect to financial structures for past of existing bond sales and proposed scenarios for new financing alternatives.

PROFILE: Mr. Phan joined Urban Futures after working exclusively as an investment banker in public finance for 14 years. John provides financial plan development, transaction oversight and other advisor services. He was instrumental in developing the CSCDA TRIP program as an underwriter, and continues to lead the process from the financial advisory side at UFI. Mr. Phan is often looked to by agencies for advice on tax matters and document preparation and review.

RECENT UTILITY EXPERIENCE:

- Financial Advisor for recent utility financings for Rowland Water District and City of Garden Grove

JAMES K. LEE: ADVISORY SUPPORT (PRINCIPAL)

*Bachelor of Arts in Economics-Accounting – Claremont McKenna College
Master of Public Policy – Price School of Public Policy, University of Southern California*

ROLE FOR THIS PROJECT: Mr. Lee will provide advisory support, conduct ad-hoc analyses, and lead preparation of project deliverables.

PROFILE: Mr. Lee has a background in utility advisory services, public finance and public policy. His primary expertise includes: financial modeling for utility financial plans and rates and fees studies; municipal debt issuances; policy analysis based on tools such as benefit-cost analyses; and documentation of processes and interviews for strategic planning and organizational assessment. His breadth of experience provides agencies the advantage of receiving seamless support through their changing needs.

RECENT UTILITY EXPERIENCE:

- Currently Financial Advisor to City of Banning – refunding of Water, Wastewater, and Electric System revenue bonds
- Currently assisting Quail Valley Water District with pre-qualification for SRF loan, receiving bids for a bank note, and developing a cost-of-service water rate and connection fees study
- Assisted San Bernardino Municipal Water Department with development of long-range financial plan for its 'Clean Water Factory', an indirect potable re-use project

3. CLIENT REFERENCES

Azusa Light & Water	City of Coachella	Rowland Water District
<p>Primary FA: Michael Busch Susan Paragas <i>Director of Finance</i> 213 E. Foothill Blvd. Azusa, CA 91702 sparagas@ci.azusa.ca.us 626-812-5202</p>	<p>Primary FA: Michael Busch Bill Pattison <i>Finance Director</i> 1515 Sixth Street Coachella, CA 92236 bpattison@coachella.org 760-398-3502</p>	<p>Primary FA: John Phan Tom Coleman <i>General Manager</i> 3021 Fullerton Rd. Rowland Heights, CA 91748 tcoleman@rowlandwater.com 562-697-1726</p>
<p>2012 Water & Electric System Revenue Bonds 2014 Tax Allocation Refunding Bonds Ongoing continuing disclosure annual reports and arbitrage rebate calculations</p>	<p>2015 Wastewater Refunding Bonds Ongoing continuing disclosure annual reports and arbitrage rebate calculations</p>	<p>2014 Water Refunding Bonds Ongoing continuing disclosure annual reports and arbitrage rebate calculations Organizational study Water supply operations study</p>

4. FIRM APPROACH

< APPROACH >

The process for each financing will include, but is not limited to, the below outline. Please see ‘Scope of Services’ below for a more detailed proposed scope of services:

1. Verify economics of financings and that, even in the presence of significant annual or net-present-value savings, financing(s) are in the District’s long-term interest and reflect the District’s goals and policy objectives;
2. Continuously monitor economics of financings through independent verification of market scales based on in-house bond sizing and access to market databases;
3. Assemble the lowest-cost and highest-impact financing team based on UFI’s broad network of underwriters, bond counsel attorneys, verification agents, etc.;
4. Secure the best credit rating from rating agencies;
5. Actively manage the marketing of the financing(s) with underwriters and investors;
6. Rigorously review and develop bond documents through closing; and
7. Provide post-sale summaries to apprise the District of its investors for future financings

< SCOPE OF WORK >

Principal advisory team members are identified by task to demonstrate how UFI proposes to apply the firm’s breadth and depth of expertise as they relate to the type of knowledge and experience that would best further the District’s short and long-term goals and objectives.

Each major activity as it relates to a bond financing is followed by the data that would be requested of the District and deliverables to be expected from the advisory team. Initials of principal staff are included next to each topic by relevant specialty, and they include:

- **MB** Michael Busch *President & CEO*
- **JP** John M. Phan *Principal*
- **JL** James K. Lee *Principal*

A. CONDUCT PRELIMINARY ANALYSES AND MAKE RECOMMENDATIONS FOR FINANCING ALTERNATIVES (MB, JP, JL)

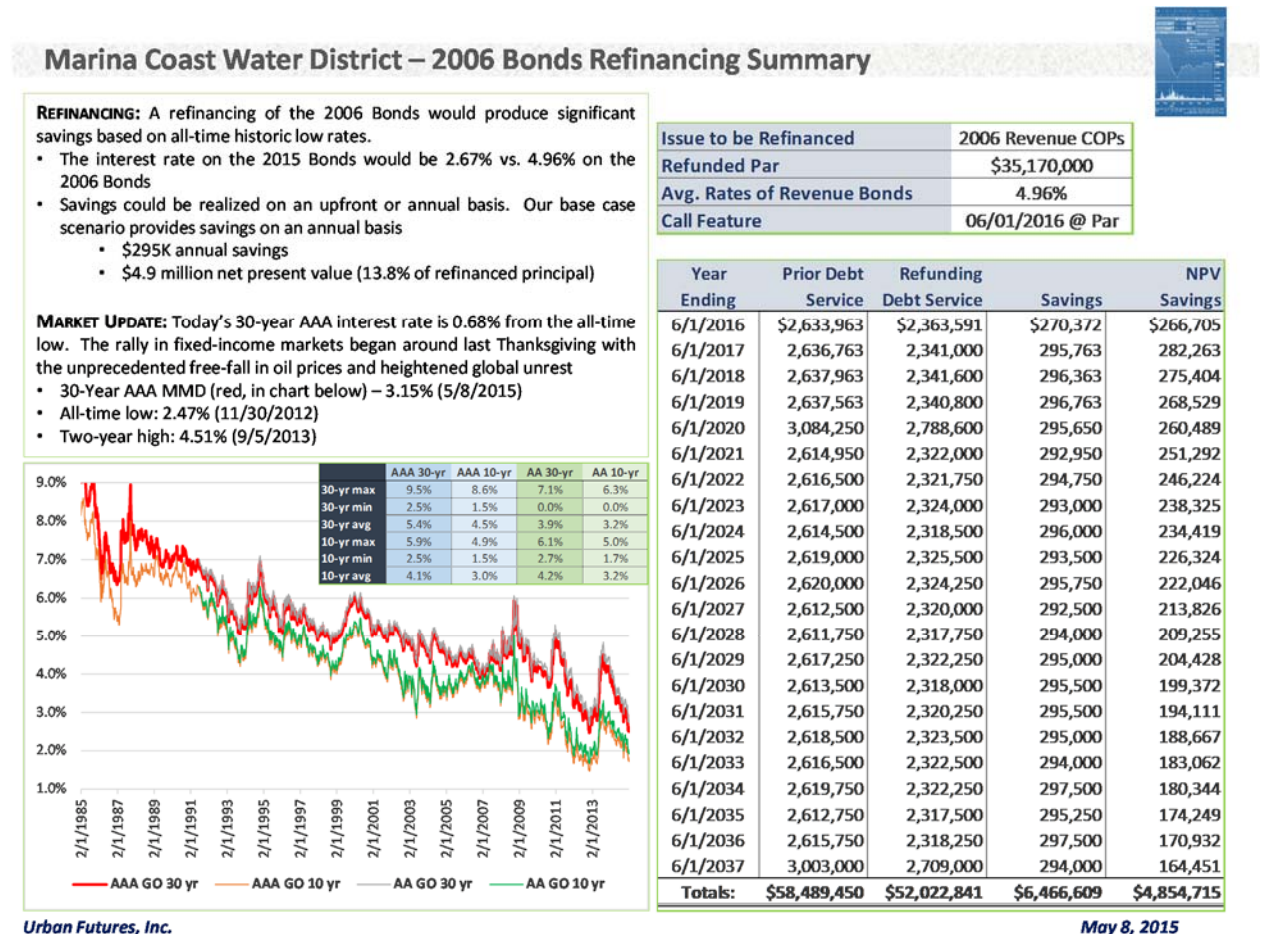
- Verify economics of each financings and that, even in the presence of significant annual or net-present-value savings, financing(s) are in the District’s long-term interest and reflect the District’s goals and policy objectives
- Comprehensive comparison of financing alternatives

UFI will conduct preliminary analyses and make recommendations for financing alternatives as they relate to market rates, timing of financing, impact of negative arbitrage, and long-term impacts to the District. In doing so, UFI will develop separate reviews of each financing with considerations that include:

- Comparative analysis of various financing options – e.g. direct bank loan versus bonds issued through a public or private offering
- Estimated costs of issuance – e.g. bond counsel, rating agencies, underwriter discounts, District’s attorney, etc.
- Summary of existing debt issue with items such as debt service schedule, average coupon, true interest cost etc.
- Pricing comparables for yield trends of comparable transactions based on date, size of issuance, credit rating, and credit name
- Summary of proposed refunding issue with items such as refunding debt schedule, average annual savings, total net present value savings, escrow requirements etc.

These considerations will be summarized in tables and developed as one-page reports for each of the bond financings. The reports will be inclusive of recommendations whether to refund in the current market and other timing and financing considerations.

Please see below for a sample summary:



The above summary is based on the following assumptions: 1) AAA MMD as of May 8, 2015 and market comparables with credits similar to the District’s in terms of credit rating and par size; 2) fixed-rate debt; 3) not extending the maturities past the original final maturity; 4) negotiated sale (as opposed to competitive); and 5) a call date to afford the District some flexibility in the future. Please also note that

the market has moved since the District was first presented with savings results, as 30-year AAA MMD was at 250 basis points (as opposed to 315 today) only several months ago .

UFI will also be available to assist with the application for any IRS, SEC, or CDIAC rulings or opinions related to the issuance of debt.

The viability and/or success of new financings are determined in large part by the long-term financial and other impacts on the District. We believe the most appropriate approach to developing financial impact analyses is to build those analyses around methods that facilitate communication of results in an interactive environment. This is because results from analyses are only as good as the understanding and acceptance of decision-makers who are familiarized with the advantages and risks of programs and potential borrowers who demand a comfort threshold in terms of implementing a new program and its policies according to the District’s criteria. Mr. Lee is highly experienced in developing industry-leading cost-benefit financial models with interactive dashboards that present financial impacts in an easy-to-understand format which shows the impacts of various assumptions so that decisions regarding incentive levels, provisions and exceptions, internal funding etc. can all be made quickly and efficiently. UFI’s analyses will facilitate discussion for quick consensus building. This has proven to be particularly useful when making presentations to decision-makers (e.g. agency staff, executive directors, subcommittees, and other stakeholders), allowing them to fully appreciate the impacts of their decisions instantly.

A snapshot of the sample Dashboard is shown below:



DATA/INFORMATION REQUESTED: None

DELIVERABLES: Recommendations based on analysis of various financing options / Summary report for each proposed financing / Ongoing monitoring of the market / Maturity-by-maturity analyses / Sensitivity analyses

B. MANAGING TRANSACTIONS (MB, JP, JL)

- Underwriting and advisory experience is comprehensive and extensive
- Assist in developing financing team and developing sale calendar
- Assist with presentation of recommendations to District management and its Board
- Detailed road map outlining various tasks and steps for implementing the financing of desired projects along with the timeline schedule

Mr. Phan has 14 years of experience managing transactions from both the underwriting and advisory sides. His experience ranges from extensive work with state agencies such as UC Regents and State Public Works Board (SPWB), state authorities such as California School Financing Authority (CSFA) and California Educational Facilities Authority (CEFA) to private placements for clients such as charter schools and cities. This makes him familiar with the negotiation of transactions and management of investor bids from the underwriting side and with delivering independent advice to clients on the advisory side. He is very familiar with every aspect of managing a wide variety of transactions, from financial structuring and document review to pricing, investor relations, and the management of the financing party itself. Each of these areas will be discussed in further detail in the sections below.

Providing advice for effective administration of new and existing programs is one of our firm's specialties. For example, UFI continues to assist the California Statewide Communities Development Authority (CSCDA) with developing implementation recommendations for and administering the Authority's delinquent property tax program.

Finally, Mr. Lee, who has also managed transactions for cities, counties, and special districts from both the underwriting and advisory sides, will support the management of transactions for the District's ongoing projects.

DATA/INFORMATION REQUESTED: Any preferred vendors

DELIVERABLES: Financing schedule / RFPs for financing team, as necessary / Evaluation summary of all proposals received, as necessary / Financing team / Distribution list / Staff reports, as necessary / Meetings and presentation materials, as necessary / Term sheet with proposed legal structure of the bonds / Review and request of potential credit enhancement options

C. REVIEWING PROPOSED CASH FLOWS, COVENANTS, SECURITY PROVISIONS & OTHER DOCUMENTS (MB, JP)

Demonstrated trust as document preparer and reviewer – e.g. POS, OS etc.

- Rigorous verification of financing structures based on in-house analysis using DBC® and Excel
- Credit ratings process built on solid analyses

The advisory team has prepared and reviewed the documents prepared by numerous clients' bond, underwriting, and special counsels and related consultants, from preliminary official statements and official statements to tax certificates, loan agreements, and indentures. UFI has consistently gone above and beyond the requisite scope of advisory services with respect to document preparation and review, demonstrating our clients' trust in the rigor of our document review process. For example, Woodbury University requested UFI to prepare its tax due diligence questionnaire for its recent bond sale, an activity traditionally entrusted to borrower's counsel.

UFI's approach to reviewing financing structures of transactions – including redemption provisions, security provisions, bond covenants and other provisions – is built on a solid understanding of cash flows and the various provisions around which bonds are sized. Financing structures from underwriters are verified in-house using the industry's DBC® software, including calculations for yield-to-call and yield-to-maturity for premium and discount bonds when the underwriter changes the coupons and yields of the structure to meet investor demands. UFI also develops financing structures with Excel, which proves useful in the event that DBC® has not updated its software to accommodate new regulations, provisions, or financing structures. This will prove particularly relevant to the District as it considers new financing alternative.

While development of credit rating presentations are traditionally undertaken by underwriters, UFI often develops or drafts presentations for ratings agencies. That clients and underwriters look to UFI to lead credit ratings process is an indication of UFI's expertise with the various aspects of bond sales from document review to verification of financing structures.

DATA/INFORMATION REQUESTED: Information pertinent to credit rating presentations, such as up-to-date rate structures and rates, customer usage, largest customers, breakdown of water supply, water sustainability plans, prior rate studies, etc.

DELIVERABLES: Credit rating draft and final presentations / Review of all legal documents for transactions / Pricing comparables of relative market yields

D. PRICING CALLS AND INVESTOR MONITORING FOR COST-EFFECTIVE FINANCINGS (MB, JP)

- Post-sale summary books ensure cost-effective financings
- Pricings corroborated with network of underwriting sales desks
- Market comparables developed from Bloomberg and TM3 (Thompson Reuters)

UFI's approach to the sale process begins with pre-pricing and pricing calls to monitor investor appetite and preferences. In addition, UFI will conduct a shadow underwriting call for every bond sale. Both UFI's approach and understanding of the retail and institutional investor market are based on extensive experience on the underwriting side. Our approach and understanding are corroborated on a deal-by-deal basis against UFI's wide array of underwriters who can provide up-to-the-minute verifications of where they believe interest rate scales should be.

Our approach also presents the client with a cost/benefit of different structuring and pricing options – fixed vs. variable-rate, public offerings, private placements etc. – to ensure not only that the agencies we represent receive the most cost-effective terms on their financings, but that the financing structure and arrangement they pursue best meets their goals and objectives. It is also customary for us to provide for each structuring or pricing option a sensitivity analysis in terms of hypothetical interest rates according to potential market movements.

Finally, UFI develops a scale of market comparables in-house using up-to-the-minute information from industry information resources such as Bloomberg and TM3 (Thompson Reuters), based on criteria such as par size, sale date, type and use of credit, and credit rating.

Retail and institutional investors are monitored throughout the process, culminating with a post-sale book that is provided to summarize the basis for investors approving or not approving a credit, the allotment sizes, and the orders themselves. We view this as an important step toward maintaining a strong understanding of movements in investor preferences which pays dividends for subsequent bond sales.

UFI serves as pricing agent to virtually every one of its financings. This means that not only are we constantly in the market, **we are trusted by the highest-credit issuers as pricing agent and financial advisor for their less-common financings**. For example, just last month, City of Pasadena looked to UFI as its pricing agent and financial advisor for the refinancing of its \$100 million pension obligation bonds on the heels of a mandatory tender.

The following figures and figure descriptions provide a snapshot into the considerations and associated deliverables we consistently apply toward securing the lowest possible cost for our clients' negotiated financings:

Figure 1 - In-House Market Monitoring & Independent Verification of Financings

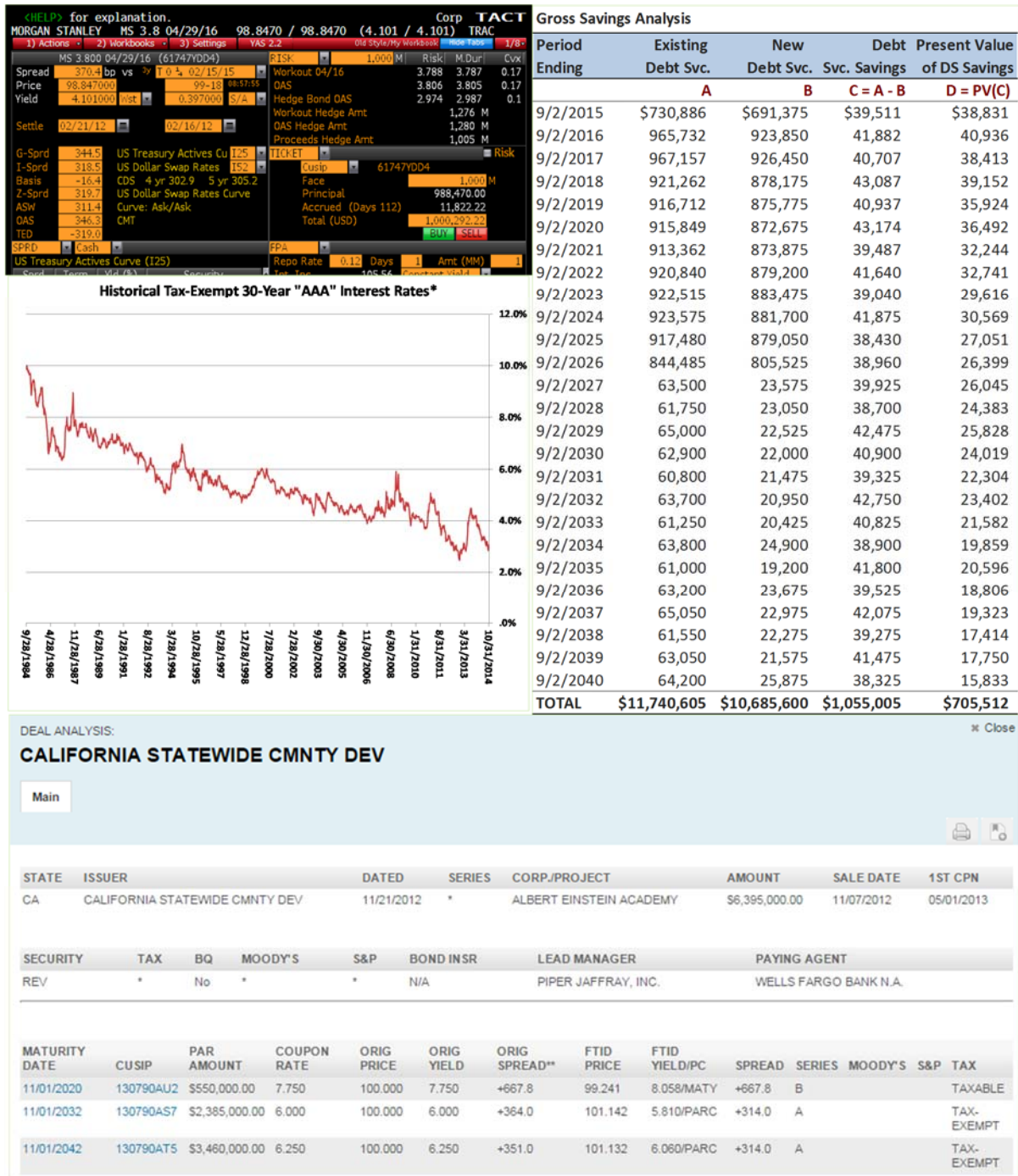


Figure 2 - Regular Monitoring of Representative Pricing Comparables

Issuer Security Insurance Rating Par Sale Date Call Features	Eastern Municipal Water District Special Assessment None Non-Rated \$4,595,000 8/20/2014 Current @ 103 9/1/2022 @ 102 9/1/2023 @ 101 9/1/2024 @ 100			Rowland Water District Rate Revenue None AA- \$20,060,000 9/18/2014 12/1/2024 @ 100			Santa Margarita Water District Special Assessment None Non-Rated \$32,810,000 8/26/2014 9/1/2024 @ 100		
	Maturity	Coupon	Yield	Spread to MMD	Coupon	Yield	Spread to MMD	Coupon	Yield
2015	2.000%	0.640%	0.520%	2.000%	0.250%	0.130%	2.000%	0.390%	0.270%
2016	2.000%	1.000%	0.680%	3.000%	0.470%	0.160%	3.000%	0.770%	0.450%
2017	2.000%	1.350%	0.780%	3.000%	0.760%	0.190%	4.000%	1.070%	0.500%
2018	2.000%	1.800%	0.920%	3.000%	1.060%	0.220%	4.000%	1.370%	0.540%
2019	2.000%	2.190%	0.970%	3.000%	1.370%	0.250%	4.000%	1.730%	0.590%
2020	2.250%	2.480%	1.010%	4.000%	1.700%	0.290%	5.000%	2.030%	0.620%
2021	2.625%	2.830%	1.120%	4.000%	2.000%	0.330%	5.000%	2.310%	0.670%
2022	3.000%	3.120%	1.190%	4.000%	2.250%	0.350%	5.000%	2.580%	0.720%
2023	3.000%	3.320%	1.210%	4.000%	2.450%	0.390%	5.000%	2.810%	0.780%
2024	3.250%	3.480%	1.260%	4.000%	2.600%	0.440%	5.000%	2.970%	0.840%
2025	3.500%	3.690%	1.360%	4.000%	2.850%	0.590%	3.000%	3.140%	0.890%
2026	3.500%	3.800%	1.360%	3.000%	3.080%	0.710%	5.000%	3.310%	0.950%
2027	3.750%	3.880%	1.360%	3.000%	3.270%	0.820%	5.000%	3.370%	0.930%
2028	3.750%	3.970%	1.360%	3.125%	3.430%	0.900%	5.000%	3.460%	0.930%
2029	4.000%	4.050%	1.360%	3.250%	3.560%	0.960%	5.000%	3.540%	0.930%
2030	4.000%	4.120%	1.360%	3.500%	3.670%	1.010%	3.625%	3.810%	1.130%
2031	4.000%	4.190%	1.360%				3.750%	3.870%	1.130%
2032	4.125%	4.260%	1.360%				3.750%	3.930%	1.130%
2033	4.125%	4.310%	1.360%				3.750%	3.980%	1.130%
2034	4.250%	4.360%	1.360%						
2038							5.000%	4.030%	0.940%
2039	4.375%	4.560%	1.360%	5.000%	3.550%	0.480%			
2044	4.500%	4.610%	1.360%						

Figure 3 - In-Depth Analysis of Credit Characteristics for Most Effective Rating Presentations

Agency	Alameda County Water District (ACWD)	Antelope Valley-East Kern Water Agency (AVEK)	Calleguas Municipal Water District (CMWD)	Imperial Irrigation District (IID)
Rating	Aa2	A2	Aa2	Aa2
Operating ratio (%)	89%	76%	83%	79%
Net Take-Down (%)	21%	36%	23%	24%
Debt Service Safety Margin (%)	16%	23%	15%	23%
Debt Ratio (%)	14%	35%	38%	0%
Total Annual Senior Lien Debt Service Coverage (x)	4.2x	2.7x	2.9x	27.3x
Total Annual Debt Service Coverage (x)	4.2x	2.7x	2.9x	27.3x
Maximum Annual Debt Service Coverage(x)	3.2x	2.3x	1.7x	13.5x
Net Working Capital as a % of O&M	142%	388%	172%	122%
Unrestricted Reserves as a % of O&M	138%	372%	149%	136%

Figure 4 – Precise Timing of Pricing Using Visible Market Supply and Major Economic Events

Description	State	Par (\$MM)	Tax Status	Senior Manager	Status	Type	Moody's	S&P	Fitch
Energy Northwest	WA	397.615	TX	JP Morgan	Week of 04/20	Neg.	Aa1	AA-	-
Stanford University	CA	250.000	TX	Barclays	4/22/2015	Neg.	-	-	-
Montefiore Med Ctr	NY	240.000	TX	BofAML	4/28/2015	Neg.	-	-	-
City of Pasadena	CA	119.155	TX	BofAML	4/23/2015	Neg.	NR	AA+	AA
State of California	CA	105.355	TX	N/A	4/21/2015	Com.	Aa3	A+	A+
Jefferson County SD	CO	69.595	TX	Baird	4/21/2015	Neg.	-	-	-
Columbus CSD	OH	69.040	TX	Siebert	Week of 04/20	Neg.	-	-	-
Ohio Housing Finance Agency	OH	62.996	TX	JP Morgan	Week of 04/20	Neg.	-	-	AA+
Phoenix Civic Improvement Corporation	AZ	61.015	TX	Wells Fargo	Week of 04/20	Neg.	Aa3	AA+	-
Oregon State University	OR	51.305	TX	Citigroup	Week of 04/20	Neg.	-	-	-
Pinal County	AZ	42.745	TX	Stifel	Week of 04/20	Neg.	-	-	-
Charlotte	NC	39.375	TX	BofAML	Week of 04/20	Neg.	-	-	-
Waukesha	WI	30.270	TX	Baird	4/21/2015	Neg.	-	-	-
Labbock	TX	28.320	TX	RBC	Week of 04/20	Neg.	Aa2	-	-

Monday	Tuesday	Wednesday	Thursday	Friday
Apr. 13	14	15	16	17
Treasury Budget	Redbook PPI-FD Retail Sales Business Inventories	Empire State Mfg Survey Industrial Production Housing Market Index EIA Petroleum Status Report Beige Book Treasury International Capital MBA Mortgage Applications	Housing Starts Jobless Claims Philadelphia Fed Business Fed Balance Sheet POS Posted Record and Release Investor Presentation	Consumer Price Index Consumer Sentiment
20	21	22	23	24
Chicago Fed National Activity Index MBA Mortgage Applications	Redbook	Existing Home Sales EIA Petroleum Status Report	Jobless Claims PMI Manufacturing Index Flash New Home Sales Institutional Pricing	Durable Goods Orders
27	28	29	30	May. 1
Dallas Fed Mfg Survey	FOMC Meeting Begins Redbook S&P Case-Shiller HPI Consumer Confidence	FOMC Meeting Announcement GDP FOMC Forecasts Pending Home Sales Index MBA Mortgage Applications	Jobless Claims Personal Income and Outlays Employment Cost Index Chicago PMI	ISM Mfg Index PMI Manufacturing Index Consumer Sentiment Construction Spending Motor Vehicle Sales
4	5	6	7	8
Factory Orders	Redbook International Trade ISM Non-Mfg Index	ADP Employment Report Productivity and Costs EIA Petroleum Status Report MBA Mortgage Applications	Jobless Claims	Employment Situation
11	12	13	14	15
	Redbook JOLTS Treasury Budget	Retail Sales Import and Export Prices Business Inventories	Jobless Claims PPI-FD Factory Orders	Empire State Mfg Industrial Production Consumer Sentiment

Figure 5 - Disclosure of Material Risk Considerations to Complement Pricing Diligence

Material Risk Consideration	Description of Risk	Potential Consequences
Issuer Default Risk	Possibility that the Issuer defaults under the authorizing documents	-Range of available remedies may be brought against Issuer (e.g., forcing Issuer to raise taxes or rates) -Credit ratings negatively impacted -Access to capital markets impaired -Possibility of receivership or bankruptcy for certain issuers
Redemption Risk	The ability to redeem the bonds prior to maturity may be limited	-Inability to refinance at lower interest rates
Refinancing Risk	Possibility that the bonds cannot be refinanced	-Inability to refinance at lower interest rates
Reinvestment Risk	Possibility that the Issuer may be unable to invest unspent proceeds at or near the interest rate on the bonds	-Negative arbitrage resulting in a higher cost of funds
Tax Compliance Risk	For tax-exempt bonds, possibility that failure to comply with tax-related covenants results in the bonds becoming taxable obligations	-Increase in debt service costs retroactively to date of issuance -Possible mandatory redemption of bonds affected -Risk of IRS audit -Difficulty in refinancing the bonds -Access to tax-exempt market impacted -Difficulty in issuing future tax-exempt debt

Please see in the representative transactions section examples of financings where UFI achieved the lowest possible cost for its clients.

DATA/INFORMATION REQUESTED: None

DELIVERABLES: Pre-pricing and pricing calls / Investor matrices / Credit sale summaries for sales-and-trading desks of selected underwriters / Post-sale and closing report

E. OTHER ANALYSES AND SERVICES (JL)

- Continuing disclosure requirements & arbitrage rebate
- Annual update of District’s Debt Policies and Procedures
- Evaluating vendors for investment advisory, verification reporting etc
- Absorption study / Special tax consultant’s report / fiscal consultant’s report

Our being California’s largest solely-owned, full-service municipal advisory and management consulting firm has resulted in UFI developing many capabilities that assist our clients in implementing our recommendations, whether to provide decision-makers with the basis for adopting proposed plans or agency staff with the means to improve their processes. We assisted agencies with hundreds of continuing disclosure reports, arbitrage rebate calculations, utility rate cost-of-service studies, absorption studies, special tax consultant’s reports, and fiscal consultant’s reports.

Mr. Lee has extensive experience managing comprehensive fee surveys related both to the costs of issuance and underwriters fees for bond sales and for the rates and fees charged by California cities and special districts for utility services. In addition, UFI maintains a broad database of bond and utility-related surveys which would support the District’s decision-making and program marketing efforts. As a former banker, Mr. Lee is well-apprised of the various aspects of bond sales and other types of financings. He has formally and informally trained the staff, city councils, and boards of many agencies on types of financings, utility rate structures, and the use of financial and other models developed for client use. Training is based on internally-developed materials, and conducted either through interactive presentations or webinars with requisite ongoing support.

UFI is also a leader in continuing disclosure and arbitrage rebate services, and our related services include the following:

- Dissemination Agent Services to ensure all disclosure documents are posted on MSRB’s Electronic Municipal Market Access (“EMMA”) and received by Digital Assurance Certification (“DAC”) correctly and in a timely manner. (mandatory)
- In-house preparation of arbitrage rebate calculations and Form 8038s. (mandatory)
- Significant/Material Event notice preparation ensures that mandatory notice filings are prepared and filed properly. (mandatory)
- Real-time ratings surveillance of the credit, bond, and insurer ratings ensures all notices are drafted and posted within the required 10 business days. (mandatory)
- Continuing Disclosure Annual Reports (“CDARs”) preparation in accordance with Continuing Disclosure Agreements (“CDAs”). (mandatory)

- In-house preparation of analytical tables mandatory for Continuing Disclosure provides an unparalleled depth of understanding. (optional)
- On-call ratings protection from audits by the ratings agencies (S&P, Moody's, Fitch) are handled by UFI with and/or on behalf of the issuer ensure credit ratings are protected. (optional)
- On-demand historical continuing disclosure compliance audits and historical disclosure updates ensure that all past and future disclosures are compliant. (optional)

< SAMPLE CASES >

As previously discussed, UFI believes full pricing agent services are requisite for comprehensive financial advisory services, and maintains this practice for the majority of the financings we represent.

Please see the below examples of selected negotiated purchases of outstanding securities:

- **\$20,060,000 Rowland Water District 2014A Water Revenue *September 2014***

The interest rates on the District's refinancing bonds were locked in during a time when interest rates were at all-time lows. Over the course of the financing program, market conditions steadily improved for the issuance of the 2014 Water Bonds. Though the municipal market experienced significant interest rate volatility over the last year, the municipal market began to reverse its course in 2014. This was largely driven by geopolitical risks and mixed economic data. In particular, the Bureau of Labor released disappointing employment reports. This negative economic news combined with international concerns related to Ukraine, Syria and Iraq caused a "flight to quality bid" in the market, causing rates to decline in both the US Treasury market and the municipal market.

With the improvement in interest rates, the District was able to lock-in a low borrowing cost and save more than \$190,000 per year. This annual saving was \$20,000 more than the original projection of \$170,000 discussed at the District's. Ultimately, investors were willing to accept low interest rates from the District's bonds due to the credit strengths of the District, including a strong service area, approved rate increases through FY 2017, and historically strong liquidity position. The groundwork for the successful sale of the District's bonds to investors came through the prior months of work by District staff and the District's finance team.

- **\$7,965,000 California Communities TRIP Series 2014A COPs (City of Lake Elsinore) *November 2014***

The purpose of California Statewide Communities Development Authority's (CSCDA) \$7,965,000 Total Road Improvement Program (TRIP) bonds issued on behalf of City of Lake Elsinore was new money for capital projects. At the time, in late 2014, there was geopolitical unrest and mixed economic data resulting in a "flight to quality" in US securities. This was opportune, as there was downward pressure on US Treasury and AAA MMD yields. UFI and the financing team was able to take advantage of the market, a low volume in terms of new-money issuances, and a multi-prong marketing plan that resulted in investor oversubscriptions to achieve the lowest-cost financing on behalf of the Authority and its city client.

- **\$119,460,000 City of Pasadena Taxable POBs Series 2015 *May 2015***

City of Pasadena faced a mandatory tender of its variable-rate taxable pension obligation bonds and a renewal of its letter of credit. Thus, the City was not privy to flexibility in terms of its timing with

entering the market. In addition, the market for taxable pension obligation bonds leaves much variability in terms of pricing based on low volume of issuances. UFI served not only as financial advisor but pricing agent and issued the refinancing based on a 30-year fixed-rate on a negotiated basis to most appropriately take advantage of historic market lows. Though a 10-year call would slightly increase the cost of financing, UFI recommended a call provision to mitigate future interest rate risk by affording the City additional flexibility.

5. COMPENSATION AND FEES

UFI is committed to matching competitors' fees should fees serve as a significant basis for selecting the District's financial advisor. UFI proposes a not-to-exceed amount of **\$35,357** for the 2006 Bonds financing and other financings. **This is inclusive of a 30 percent discount** based on our commitment to bidding competitively. The not-to-exceed amount budgeted for expenses for each financing is \$1,500, and includes any charges for travel time and other reimbursements.

UFI is available to assist the District with advice on an as-needed basis. Please see the firm's proposed hourly rates for services and the basis on which our fees are calculated in the table below:

Task	Task Descriptions	No of Meetings	No. of Calls	Hours Requirements					Total Fees & Expenses
				MB	JP	JL	RS	Total	
HOURLY RATES				\$290	\$245	\$245	\$180		
1	Preliminary Analysis of Financing Alternatives	1	1	6	5	4	3	18	\$ 4,485
2	Comparative Analysis of Various Options		1	3	4	3	5	15	\$ 3,485
3	Development of RFPs for Financing Team		1	3		4	5	12	\$ 2,750
4	Evaluation of RFPs for Financing Team	1	1	3	3	3		9	\$ 2,340
5	Organize Distribution List and Financing Schedule		1	3			5	8	\$ 1,770
6	Verification of Proposed Financing Structure		1-3		4	4	4	12	\$ 2,680
7	Provision of Pricing/Marketing Comparables				4	2	6	12	\$ 2,550
8	Ongoing Monitoring of Financing Economics			3	5	5		13	\$ 3,320
9	Development Credit Rating Presentation		1-2	3	5	6	6	20	\$ 4,645
10	Presentation of Credit Rating Arguments to Rating Agency(s)	2	2-3	4	5	5		14	\$ 3,610
11	Review(s) of Bond Documents - e.g. POS, OS, Indenture etc.		1-3	4	5	5		14	\$ 3,610
12	Manage Marketing Process with Investors and Underwriters			2	4	4		8	\$ 2,540
13	Manage Bond, City, Underwriter's, and Other Special Counsel		1-2	3	3	3		8	\$ 2,340
14	Interface with IRS & SEC		1	3		2		5	\$ 1,360
15	Pre-Close & Closing Calls/Activities		2	2	2	2	3	9	\$ 2,100
16	Pre-Pricing & Pricing Calls/Activities		2	3	5	4	5	17	\$ 3,975
17	Post-Sale Summary & Sale Closing	2		2	3	3	5	13	\$ 2,950
TOTAL ESTIMATED MEETINGS / HOURS		6	16-23	47	57	59	47	207	
PROFESSIONAL FEES				\$ 13,630	\$ 13,965	\$ 14,455	\$ 8,460	\$ 50,510	
				Total Fees					\$ 50,510
				Economic Discount (30%)					\$ 15,153
				Final Proposed Fee					\$ 35,357
MB - Michael Busch		JL - James Lee							
JP - John Phan		RS - Russell Sager							

6. ACCEPTANCE LETTER

Please see Exhibit B, attached.

ACCEPTANCE

Firm Name: Urban Futures, Inc.

Address: 3111 N. Tustin St., Suite 230
Orange, CA 92865

Telephone: (714) 283-9334

Fax: (714) 283-5465

Subject: Request for Proposal for Financial Advisor Services

By my signature below, I, on behalf of the firm named above, acknowledge that I have read and understand the subject Request for Proposal (RFP) and all its attachments. I further acknowledge that, by submission of a proposal in response to the subject RFP, the firm named above accepts all the terms and conditions set forth in the subject RFP and its attachments, including, but not limited to, the Sample Contract, its insurance and indemnification clauses, and all other terms and conditions set forth therein.

ACCEPTED:

Firm



Signature

Michael P. Busch

Name (please print)

President & CEO

Title

May 8, 2015

Date

Please Return Signed Form with Proposal Response