

TOWN OF EDISTO BEACH, SOUTH CAROLINA



REQUEST FOR PROPOSALS FOR UNDERWRITER

I. Purpose, Background, Structure and Schedule

A. Purpose of Request for Proposals (“RFP”)

Request

The Town of Edisto Beach, South Carolina (“Town”) is soliciting proposals from qualified investment banking firms to serve as underwriter on the following issue:

Issue

\$7,490,000* Town of Edisto Beach, South Carolina Combined Water and Sewer System Revenue Bonds, Series 2017 (the “2017 Bonds”).

Purpose

The Town is issuing the 2017 Bonds to (i) pay costs of water extraction, treatment and related improvements to its Combined Water and Sewer System (the “System”), and (ii) pay costs of issuance of the 2017 Bonds, including bond insurance and debt service reserve surety premiums, if any.

B. Combined Water and Sewer System

Town of Edisto Beach Combined Waterworks and Sewer System

The System provides water and sewer services in a 5.2 square-mile service area that includes (i) areas within the political boundaries of the Town, (ii) adjacent unincorporated portions of Colleton County on Edisto Island, and (iii) other nearby unincorporated areas Colleton County. The System supplies potable water to approximately 2,300 customers and sewer services to approximately 1,000 customers.

Description of the Water System

Water System Components:

1. A 100,000-gallon elevated storage tank.
2. Four primary wells.
3. Two booster pumps.
4. A 200,000-gallon ground storage tank.
5. Two supplemental wells to meet fluctuating water demand attributed to the tourism.
6. 138,516 linear feet, or 26.35 miles, of pipe, consisting of 7,336 feet of 10-inch water main, 39,108 feet of 8-inch water mains, 56,872 feet of 6-inch water mains, and 35,200 feet of 2 and 3-inch water lines.

Capacity

Currently, pumping capacity of the Water System is rated at 1,600 gallons per minute. Permitted extraction capacity from the Town's wells is 256 million gallons per year.

Regulatory Compliance

The Town's water supply currently exceeds State of South Carolina recommended limits on naturally occurring fluoride content of drinking water. The Town is under no order or other regulatory action of either the State or federal authorities regarding the fluoride content of its drinking water.

Description of the Sewer System

Sewer System Components:

1. A 350,000 GPD treatment lagoon.
2. 10.8 miles of wastewater collectors.
3. 13 lift stations
4. a system of biological aeration treatment facilities.
5. Spraying facilities at the Plantation Golf Course.
6. 17,275 feet or 4.36 miles of 4-inch force mains.
7. 5,900 feet of 6-inch force mains.
8. 47,,999 feet or 9.09 miles of 10-inch gravity mains
9. 44,839 feet of 8-inch gravity mains

Capacity

The Town's wastewater treatment facilities are currently operating at approximately 80% of its rated treatment capacity of 350,000 gallons per day. The Town does not expect current rates of increases in Sewer System demand to require an expansion of the wastewater treatment facilities in the next five fiscal years.

Regulatory Compliance

The Town's wastewater treatment facilities currently meet or exceed the requirements of their National Pollutant Discharge Elimination System Permit ("NPDES Permit").

Rates and Charges

The Town has adopted a schedule of fees for water and sewer services that includes (i) volumetric charges with monthly minimums, (ii) interconnect fees, and (iii) ancillary charges. Recently the Town authorized the preparation of a rate study (the "2017 Rate

Study”) that is designed to provide the basis for setting revised rates that will result in Net Revenues for the System sufficient to meet covenants of the Town’s revenue bonds. The 2017 Rate Study has made recommendations for rate increases that the Town expects to adopt prior to issuance of the 2017 Bonds. The Town’s water and sewer rates are not subject to prior approval by any administrative body other than its Council. Such rates and rate setting procedures are subject to judicial review upon action of a ratepayer.

Financial Performance

For a description of the financial performance of the System, see the Town’s 2016 Annual Financial Report (“2016 Annual Report”). The 2016 Annual Report is available in electronic format from the Town’s financial Advisor and on the Municipal Securities Rulemaking Board’s EMMA system. For a hard copy of the 2016 Annual Report please send your request by email to the Town’s Financial Advisor Municipal Advisors Group of Boston, Inc. (advisor@bostonmuni.com).

Outstanding Debt of the System

Outstanding debt of the Town that is secured by a pledge of Net Revenues of the System consists of \$1,480,000 remaining outstanding principal amount of the Town’s Town of Edisto Beach, South Carolina Combined Water and Sewer System Revenue Bonds, Series 2012 (the “2012 Bonds”) The following table sets forth a schedule of debt service due on the remaining outstanding 2012 Bonds:

Year Ending June 30	Principal	Interest	Total Debt Service
2018	\$ 40,000	\$ 51,780	\$ 91,780
2019	40,000	50,940	90,940
2020	40,000	50,100	90,100
2021	40,000	49,260	89,260
2022	40,000	48,420	88,420
2023	40,000	47,390	87,390
2024	45,000	46,094	91,094
2025	45,000	44,721	89,721
2026	45,000	43,349	88,349
2027	50,000	41,900	91,900
2028	50,000	40,200	90,200
2029	50,000	38,325	88,325
2030	55,000	36,356	91,356
2031	55,000	34,294	89,294
2032	55,000	32,231	89,294
2033	60,000	30,037	90,037
2034	60,000	27,713	87,713
2035	65,000	25,291	90,291
2036	65,000	22,772	87,713
2037	70,000	20,156	90,156
2038	70,000	17,400	87,400
2039	75,000	14,500	89,500
2040	75,000	11,500	86,500
2041	80,000	8,400	88,400
2042	85,000	5,100	90,100
2043	<u>85,000</u>	<u>1,700</u>	<u>86,700</u>
Totals	\$1,480,000	\$829,929	\$2,319,929

Ratings

Standard & Poor's Corp. ("S&P") maintains a long-term rating of A+ for the Town's outstanding revenue bonds.

C. Schedule

	<u>Date</u>	<u>Time*</u>
RFP issued by the Town	Week of January 29, 2017	n/a
Deadline for respondent questions (email)	February 8, 2017	5:00 PM
Deadline for proposal submissions	February 14, 2017	5:00 PM
Interviews [†]	February 15 - 16, 2017	TBD
Designation of underwriter and counsel ^{††}	February 16, 2017	n/a
Anticipated pricing/closing of 2017 Bonds ^{††}	March, 2017	n/a

*Eastern

[†] Interviews to be conducted telephonically

^{††} Subject to change

II. Proposal Submission Requirements

A. General Requirements

Proposals may be submitted electronically and/or in printed form. If submitting a Proposal in printed form, please use the following information if submitting a printed Proposal: **One** original and **seven** copies (**i.e., for a total of 8 books**) of each firm's response should be submitted to the following individuals at the addresses indicated:

Iris Hill - Town Administrator (**one** original and **five** copies)
Town of Edisto Beach
2414 Murray Street
Edisto Beach, SC 29438
Tel: (843) 869-2505
Email: ihill@townofedistobeach.com

John Canney - Managing Director (**one** copy)
Municipal Advisors
Group of Boston, Inc.
766 Country Way
North Scituate, MA 02066
Tel: (617) 688-9336
Email: advisor@bostonmuni.com

Samuel W. Howell – Bond Counsel (**one** copy)
Howell Linkous & Nettles, LLC
106 Broad Street
Charleston, SC 29401
Tel (843) 266-3801
Email: samhowell@bond-law.com

Proposals are due by or before **5:00 PM Eastern Standard Time on Tuesday, February 14, 2017**. Proposals deemed late by the Town may be rejected. Proposals sent via fax or e-mail will not be accepted. Proposals are limited to a maximum of 30 pages not including a transmittal letter of up to two pages.

Proposals must be clearly marked "Proposal for Underwriting Services." Failure to submit all information requested may result in a firm's proposal being deemed non-responsive. Proposals should clearly respond to the questions being asked and be comprised of a single bound volume. The Town will not reimburse any firm for costs associated with the preparation of a response to this RFP. Further, firms invited to participate in oral interviews will not be reimbursed for out of pocket expenses (e.g., presentation materials, travel, meals, etc.) incurred by the firm as a result of such participation. The Town reserves the right to reject any or all proposals and to waive any irregularities occurring in response to this RFP. Proposals shall be deemed valid for a period of 30 days or until accepted. No joint proposals will be accepted.

All fees and expenses related to the proposed financing will be paid from bond proceeds. If the proposed financing does not close for any reason, the Town will not be responsible for the accumulated costs and/or expenses incurred by the underwriter(s). Nothing in this RFP, proposals submitted in response to this RFP, or the Town's acceptance of a proposal and designation of an underwriter shall obligate the Town to complete negotiations with the selected firm or pay any expense of said firm. The Town will have the right to end negotiations regarding the proposed transactions at any time up to approval and execution of the bond purchase agreement between the Town and the selected firm.

B. Questions, Amendments and Modifications Regarding the RFP

Questions with respect to the RFP may be directed to Howell Linkous & Nettles, LLC at (843) 266-3800, samhowell@bond-law.com, alanlinkous@bond-law.com, Municipal Advisors Group of Boston at 781/383-3117, bostonmuni@mac.com, or Iris Hill at (843) 869-2505, ihill@townofedistobeach.com. The terms and conditions of this RFP may only be modified by a written amendment issued by the Town, any oral representation to the contrary notwithstanding.

C. No Contact

Except as provided for in Section II.B of this RFP, upon the release of this RFP and until the final selection by the Town of the underwriter there shall be no communication regarding either or both financings between any prospective respondent and/or their lobbyist or other authorized agents with (1) any staff of the Town or (2) any elected or appointed official of the Town and/or their staff. Violation of this provision by any prospective respondent and/or its agent(s) may be considered grounds for disqualification by the Town.

D. Preliminary and Final Official Statements

The Town along with its Bond Counsel, Howell Linkous & Nettles, LLC and its Financial Advisor, Municipal Advisors Group of Boston, Inc. will take primary responsibility for the preparation of the preliminary and final official statements for the 2017 Bonds.

III. Proposal Requirements

A. Transmittal Letter

Provide a cover letter which summarizes the key points of your response and is signed by an officer or employee of the firm who is authorized to commit the firm's resources to the Town's proposed transaction.

B. Basic Information

1. Describe your firm's background in serving as underwriter to governmental entities with particular emphasis on South Carolina and/or the South. As a part of your response, describe your firm's commitment to maintaining a public finance practice and/or presence in the primary municipal market.
2. Discuss your staffing plan or proposed transaction team which would be assigned to serve as underwriter to the Town. Be specific regarding the person who would have primary and/or day-to-day responsibility for directing your firm's efforts. Provide a resume for each individual assigned to the Town's service including their title, address, phone, fax and e-mail.

C. Technical Proposal

1. Provide a statement as to why you believe your firm will be able to obtain the lowest cost of funds for the Town on its issuance of the 20017 Bonds.
2. What benefit, if any, would the Town derive from the inclusion of a co-manager on the proposed transactions?
3. Provide case studies (limit three) which describe your firm's experience with the tax exempt financing of municipal utility systems. Please place particular emphasis on your work with such entities in the South and South Carolina.
4. Depict in tabular form your firm's experience since January 1, 2015 in serving as sole, senior or co-senior underwriter on tax-exempt revenue bond anticipation note and revenue bond transactions within the South. For each issue listed or discussed, specify your firm's role in the transaction (i.e., sole, senior or co-senior), closing date, par-amount, security, insurer, rating on and purpose of the bonds. At the bottom of the table, please total the number of transactions and par-amount. Tables detailing such financing experience may be included as an appendix to your proposal and will not count against the 30-page limit.
5. Provide scales for your firm's three most recent negotiated revenue bond underwritings, including spread vs. MMD, along with price information from MSRB trade reports for all secondary market transactions for these issues for the date of sale of each issue listed and for the next three succeeding business days.
6. Discuss any recent, pending or threatened investigations or other regulatory action as well as any litigation by any private or public entity which may impact your firm's ability to serve as underwriter. (Please include any affirmative filing, including any blanket self-reporting, or regulatory order or other action to which your firm has been subject in connection with the Securities and Exchange Commission's MCDC program and, if any, describe the outcome.)
7. Discuss any conflicts of interest your firm may have if selected as the Town's underwriter. How will you insulate the Town from these conflicts?
8. Utilizing the following principal amortization schedule and structuring assumptions, estimate what price (i.e., coupon, price and resulting yield) comparable transactions from the list provided would have captured had they been priced by your firm on February 1, 2017:

\$7,490,000*
Town of Edisto Beach, South Carolina
Combined Water and Sewer System
Revenue Bonds, Series 2017

Principal Amount	Coupon	Maturity Date*	Date of First Optional Call	Call Price	Dollar Price	Yield to Maturity
\$ 160,000	NA	3/15/18	NA	NA	NA	NA
160,000	____%	3/15/19	_____	_____	_____	____%
160,000	____%	3/15/20	_____	_____	_____	____%
165,000	____%	3/15/21	_____	_____	_____	____%
170,000	____%	3/15/22	_____	_____	_____	____%
175,000	____%	3/15/23	_____	_____	_____	____%
175,000	____%	3/15/24	_____	_____	_____	____%
185,000	____%	3/15/25	_____	_____	_____	____%
190,000	____%	3/15/26	_____	_____	_____	____%
195,000	____%	3/15/27	_____	_____	_____	____%
200,000	____%	3/15/28	_____	_____	_____	____%
205,000	____%	3/15/29	_____	_____	_____	____%
215,000	____%	3/15/30	_____	_____	_____	____%
220,000	____%	3/15/31	_____	_____	_____	____%
230,000	____%	3/15/32	_____	_____	_____	____%
235,000	____%	3/15/33	_____	_____	_____	____%
245,000	____%	3/15/34	_____	_____	_____	____%
250,000	____%	3/15/35	_____	_____	_____	____%
260,000	____%	3/15/36	_____	_____	_____	____%
275,000	____%	3/15/37	_____	_____	_____	____%
285,000	____%	3/15/38	_____	_____	_____	____%
295,000	____%	3/15/39	_____	_____	_____	____%
305,000	____%	3/15/40	_____	_____	_____	____%
320,000	____%	3/15/41	_____	_____	_____	____%
335,000	____%	3/15/42	_____	_____	_____	____%
345,000	____%	3/15/43	_____	_____	_____	____%
360,000	____%	3/15/44	_____	_____	_____	____%
375,000	____%	3/15/45	_____	_____	_____	____%
390,000	____%	3/15/46	_____	_____	_____	____%
<u>410,000</u>	____%	3/15/47	_____	_____	_____	____%
\$7,490,000						

* Preliminary, subject to change.

- Discuss any creative approaches that you may wish to suggest for the structure of the 2017 Bonds. Explain how such suggested approaches may be expected to benefit the Town by reducing its overall cost of funds for the 2017 Bonds.

D. Cost Proposal

Provide your firm's cost proposal in the format provided on the following page. Please itemize all anticipated expenses including, but not limited to, underwriter's counsel, CUSIP, DTC, PSA, etc. Failure to specify a specific expense component may result in your firm not receiving reimbursement for said expense from bond proceeds or other available funds. The Town reserves the right to reject or negotiate any and all cost proposal components and/or to waive any irregularities.

TOWN OF EDISTO BEACH, SOUTH CAROLINA

COST PROPOSAL



\$7.49 MILLION TAX-EXEMPT COMBINED WATER AND SEWER SYSTEM REVENUE BONDS

	\$/1,000	Whole \$
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
Total		

IV. Proposal Evaluations

A. Selection Criteria

The winning proposal(s) will be selected based upon the following criteria (not listed in any order of importance):

1. Qualifications and experience of firm(s) and assigned personnel
2. Capability to provide required services
3. Familiarity and experience with similar projects and/or plans of finance
4. Proposed fees

V. Concluding Statement

We thank you for your interest in responding to this proposal and appreciate the time and effort you have taken with respect to this RFP and the 2017 Bonds.