



**BUSINESS OF THE CITY COUNCIL  
AGENDA STATEMENT**

Item No. 6g  
For Meeting of 05.05.2016

**ITEM TITLE:** Agreement for Municipal Advisory Services, Public Financial Management (PFM)

**CONTACT PERSON:** Jean Furler, Finance Director

**SUMMARY EXPLANATION:** The attached agreement outlines PFM's advisory services to be provided to the city.

The city has been paying \$2,300/quarter, \$2,400/year for the annual TIF report as well as bond issuance fees for this service.

This contract is \$2,000/quarter plus bond issuance fees. The TIF report will be handled in-house. PFM will provide all the cash flow modeling and planning for GO debt, debt service, water, sewer, TIF, local option sales and service tax and taxable valuation projections. In addition, this fee includes financial policy development which would provide better guidelines for development agreements, investment decisions and overall financial decisions.

PFM has an expert TIF person on staff that understands the complexity of TIF and keeps up to date on legislative changes. They also have another person who works with county assessors and the Legislative Services Agency to provide rollback and valuation to cities by October 1 of each year.

Also attached is PFM's agreement for the Series 2016 bond refinancing and pool financing. They have agreed to a set \$14,000 amount (instead of \$15,000) due to the fact that UMB is providing the official statement. This is a fee that would be paid for refinancing regardless of financial advisor.

<p>____ Resolution ____ Ordinance ____ Contract <u> X </u> Other (Specify) _____</p> <p>Funding Source: _____</p> <p>APPROVED FOR SUBMITTAL _____</p>
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**STAFF RECOMMENDATION:** Approve Agreement for Municipal Advisory Services for financial services outlined in the contract for \$8,000 per year and the agreement for Series 2016 bond issuance services not to exceed \$14,000.

## **PUBLIC FINANCIAL MANAGEMENT, INC.**

### **AGREEMENT FOR MUNICIPAL ADVISORY SERVICES**

This agreement, made and entered into this 27<sup>th</sup> day of April, 2016 by and between the City of Norwalk, Iowa (the "Client") and Public Financial Management, Inc., (hereinafter called the "Municipal Advisor" or "PFM") sets forth the terms and conditions under which the Municipal Advisor shall provide services.

WHEREAS, Client is desirous of obtaining the services of a Municipal Advisor to develop and assist in implementing Client's strategies to meet its current and long-term operations and capital financing needs and render assistance in respect to debt transactions; and

WHEREAS, PFM is capable of providing the necessary Municipal Advisory services.

NOW, THEREFORE, in consideration of the above mentioned premises and intending to be legally bound hereby, the Client and PFM agree as follows:

#### **I. SCOPE OF SERVICES**

PFM shall provide, upon request of the Client 1) retainer fee services related to ongoing financial planning and policy development, 2) debt transaction services related to debt issuance and 3) special services as requested by the Client, examples of which, not intended to be exclusive, are set forth in Exhibit A to this Agreement.

#### **II. WORK SCHEDULE**

The services of the Municipal Advisor are to commence as soon as practicable after the execution of this Agreement and a request by the Client for such service.

Services which are not related to a particular transaction shall be completed as agreed between the Client and the Municipal Advisor.

#### **III. MUNICIPAL ADVISORY COMPENSATION**

For the services described below, PFM's professional fees shall be paid as follows:

1. PFM reserves the right receive an annual retainer fee in the amount of \$8,000 for planning services related to at least, but not limited to:
  - a. General obligation debt capacity cashflow modeling and planning
  - b. Debt service tax levy analysis cashflow modeling and planning
  - c. Urban renewal cashflow modeling and planning
  - d. Water enterprise fund cashflow modeling and planning
  - e. Sewer enterprise fund cashflow modeling and planning
  - f. Local option sales tax cashflow modeling and planning
  - g. Taxable valuation projection modeling and planning
  - h. Financial policy development

Note: See Exhibit A.1 under "Retainer Fee Services" for additional information, including a detailed list of services to be provided.

2. For debt transaction services related to the issuance of bonds, PFM will be paid a Municipal Advisory Fee not to exceed the amounts shown in the chart below. The determination of the Municipal Advisory Fee for each transaction will be based on the par amount of the bonds, the type of debt issued, and the services to be provided by PFM. All Municipal Advisory Fees will be mutually agreed upon by the Client and PFM prior to each transaction. Municipal Advisory Fees are payable upon the closing of each transaction:

Par Amount of Issue	Proposed Not to Exceed Municipal Advisory Fee
Under \$1 Million	Greater of \$5,000 or 1% of Par
\$1.0 to \$5.0 Million	\$15,000
\$5.1 to \$10.0 Million	\$16,000
\$10.1 to \$15.0 Million	\$18,000
\$15.1 to \$20.0 Million	\$20,000
Over \$20.0 Million	To be negotiated
Urban Renewal Bonds (TIF)	Same as GO Bonds
Local Option Sales Tax (LOST)	Same as GO Bonds
G.O., TIF or LOST Refunding Bonds	Same as GO Bonds
Revenue Bonds	125% of the GO Bond Fee
Revenue Refunding Bonds	Same as Revenue Bonds

Note: See Exhibit A.2 under “*Debt Transaction Services*” for additional information, including a detailed list of services to be provided in the not to exceed amounts listed above.

3. For fees related to Special Services requested by the Client, as described in Exhibit A.3, PFM shall negotiate with the Client, in advance of the project, the specific scope of the project, a not-to-exceed amount and a specific completion date. Hourly fees that would be used to determine the appropriate not-to-exceed amount are as follows:

<u>PFM Des Moines Staff</u>	<u>Hourly Rate</u>
Managing Director	\$250
Director	\$225
Senior Managing Consultant	\$200
Senior Analyst	\$185
Analyst	\$175

#### **Reimbursable Expenses**

In addition to fees for services, PFM will be reimbursed for necessary, reasonable, and documented out-of-pocket expenses incurred, including travel, mileage, meals, lodging, telephone, mail, and other ordinary cost and any actual extraordinary cost for graphics, printing, data processing and computer time which are incurred by PFM. Appropriate documentation will be provided.

#### **IV. TERMS AND TERMINATION**

This agreement shall remain in effect unless canceled in writing by either party upon thirty (30) days written notice to the other party.

## **V. NON-ASSIGNABILITY**

PFM shall not assign any interest in this Agreement or subcontract any of the work performed under the Agreement without the prior written consent of the Client.

## **VI. INFORMATION TO BE FURNISHED TO THE MUNICIPAL ADVISOR**

All information, data, reports, and records in the possession of the Client necessary for carrying out the work to be performed under this Agreement shall be furnished to the Municipal Advisor and the Client shall cooperate with the Municipal Advisor in all reasonable ways.

## **VII. NOTICES**

All notices given under this Agreement shall be in writing, sent by registered United States mail, with return receipt requested, addressed to the party for whom it is intended, at the designated below. The parties designate the following as the respective places for giving notice, to-wit:

### **CITY OF NORWALK, IOWA**

705 North Avenue  
Norwalk, Iowa 50211  
Attention: Jean Furler, Finance Director

### **PUBLIC FINANCIAL MANAGEMENT, INC.**

801 Grand Avenue, Suite 3300  
Des Moines, IA 50309  
Attention: Jon Burmeister, Managing Director

## **VIII. TITLE TRANSFER**

All materials prepared by PFM pursuant exclusively to this Agreement shall be the property of the Client. Upon termination of this Agreement, Municipal Advisor shall deliver to the Client copies of any and all material pertaining to this Agreement.

## **IX. MUNICIPAL ADVISOR'S REPRESENTATIVES**

### **1. Assignment of Named Individuals**

The professional employees of PFM set forth below shall provide the services set forth in this Agreement. PFM reserves the right, from time to time, to amend team members as necessary. PFM professionals assigned to service the Client include:

Susanne Gerlach, Senior Managing Consultant (Project Manager)  
Jon Burmeister, Managing Director  
Jenny Blankenship, Director  
Matthew Stoffel, Senior Analyst  
Owen Gerard, Senior Analyst  
Jennifer Ballard, Analyst  
Jocelyn Doerfler, Analyst

2. Changes in Staff Requested by the Client

The Client has the right to request, for any reason, PFM to replace any member of the advisory staff. Should the Client make such a request, PFM shall promptly suggest a substitute for approval by the Client.

**X. INSURANCE**

PFM shall maintain professional services insurance coverage.

**XI. INDEPENDENT CONTRACTOR**

The Municipal Advisor, its employees, officers and representatives at all times shall be independent contractors and shall not be deemed to be employees, agents, partners, servants and/or joint ventures of Client by virtue of this Agreement or any actions or services rendered under this Agreement.

**XII. ENTIRE AGREEMENT**

This Agreement represents the entire agreement between Client and PFM and may not be amended or modified except in writing signed by both parties.

**XII. DISCLOSURE OF POTENTIAL CONFLICTS OF INTEREST**

While PFM does not anticipate any impairment of its fiduciary responsibilities related to this engagement, it should be noted that PFM does serve as Municipal Advisor to certain overlapping entities including the State of Iowa, the Iowa Finance Authority and the Des Moines Metropolitan Wastewater Reclamation Authority.

IN WITNESS THEREOF, the Client and Municipal Advisory have executed this Agreement as of the day and year herein above written.

ATTEST: **CITY OF NORWALK, IOWA**

By: \_\_\_\_\_  
Name, Title

Date: \_\_\_\_\_

ATTEST: **PUBLIC FINANCIAL MANAGEMENT, INC.**

BY: Jon Burmeister  
Jon Burmeister  
Managing Director

BY: Susanne Gerlach  
Susanne Gerlach  
Senior Managing Consultant

DATE: April 27, 2016

## EXHIBIT A

1. **Retainer Fee Services** related to the Financial Planning and Policy Development upon request of the Client:
  - Assist the Client in the formulation of Financial and Debt Policies and Administrative Procedures.
  - Review current debt structure, identifying strengths and weaknesses of structure so that future debt issues can be designed to maximize ability to finance future capital needs. This will include, but not be limited to, reviewing existing debt for the possibility of refunding that debt to provide the Client with savings.
  - Analyze future debt capacity to determine the Client's ability to raise future debt capital.
  - Assist the Client in the development of the Client's Capital Improvement program by identifying sources of capital funding for infrastructure needs.
  - Assist the Client with the development of the Client's Financial Plan by assessing capital needs, identifying potential revenue sources, analyze financing alternatives such as pay-as-you-go, lease/purchasing, short-term vs. long-term financings, assessments, user fees, impact fees, developer contributions, public/private projects, and grants and provide analysis of each alternative as required as to the budgetary and financial impact.
  - Review the reports of accountants, independent engineers and other project feasibility consultants to ensure that such studies adequately address technical, economic, and financial risk factors affecting the marketability of any proposed revenue debt issues; provide bond market assumptions necessary for financial projections included in these studies; attend all relevant working sessions regarding the preparations, review and completion of such independent studies; and provide written comments and recommendations regarding assumptions, analytic methods, and conclusions contained therein.
  - Develop, manage and maintain computer models for long-term capital planning which provide for inputs regarding levels of ad valorem and non-ad valorem taxation, growth rates by operating revenue and expenditure item, timing, magnitude and cost of debt issuance, and project operating and capital balances, selected operating and debt ratios and other financial performance measures as may be determined by the Client. Planning models to be developed and maintained under the Retainer Fee Services include:
    - General obligation debt capacity cashflow model
    - Debt service tax levy analysis cashflow model
    - Urban renewal cashflow model (for each TIF district)
    - Local option sales tax cashflow model
    - Water & Sewer enterprise fund cashflow model
    - Taxable valuation projection model
  - Provide debt services schedules reflecting varying interest rates, issue sizes, and maturity structures as these are needed for feasibility consultants or for related Client fiscal planning.
  - Attend meetings with Client's staff, consultants and other professionals and the Client.
  - Review underwriter's proposals and submit a written analysis of same to the Client.
  - Undertake any and all other financial planning and policy development assignments made by the Client regarding bond and other financings, and financial policy including budget, tax, cash management issues and related fiscal policy and programs.
  - Assist the Client in preparing financial presentations for public hearings and/ or referendums.
  - Provide special financial services as requested by the Client.

2. **Debt Transaction Services** shall include, upon the request of the Client, bonds, notes, loans, letters of credit, line of credit and short term financings, and all related services as follows:
- Analyze financial and economic factors to determine if the issuance of bonds is appropriate.
  - Develop a financing plan in concert with Client's staff which would include recommendations as to the timing and number of series of bonds to be issued.
  - Assist the Client by recommending the best method of sale, either as a competitive sale, a negotiated sale or a private placement. In a competitive sale, make recommendation as to the determination of the best bid. In the event of a negotiated sale, assist in the solicitation, review and evaluation of any investment banking proposals, and provide advice and information necessary to aid in such selection; and oversee the pricing process.
  - Advise as to the various financing alternatives available to the Client.
  - Develop alternatives related to debt transaction including evaluation of revenues available, maturity schedule and cash flow requirements.
  - Evaluate benefits of bond insurance and/or security insurance for debt reserve fund.
  - If appropriate, develop credit rating presentation and coordinate with the Client the overall presentation to rating agencies.
  - Assist the Client in the procurement of other services relating to debt issuance such as printing, paying agent, registrar, etc.
  - Identify key bond covenant features and advise as to the financial consequences of provisions to be included in bond resolutions regarding security, creation of reserve funds, flow of funds, redemption provisions, additional parity debt tests, etc.; review and comment on successive drafts of bond resolutions.
  - Review the requirements and submit analysis to bond insurers, rating agencies and other professionals as they pertain to the Client's obligation.
  - Review the terms, conditions and structure of any proposed debt offering undertaken by the Client and provide suggestions, modifications and enhancements where appropriate and necessary to reflect the constraints or current financial policy and fiscal capability.
  - Coordinate with Client's staff and other advisors as respects the furnishing of data for offering documents, it being specifically understood that Municipal Advisor is not responsible for the inclusion or omission of any material in published offering documents.
  - Provide regular updates of tax-exempt bond market conditions and advise the Client as to the most advantageous timing for issuing its debt.
  - Advise the Client on the condition of the bond market at the time of sale, including volume, timing considerations, competing offerings, and general economic considerations.
  - For negotiated sales: Assist and advise the Client in negotiations with investment banking groups regarding fees, pricing of the bonds and final terms of any security offering, and make in writing definitive recommendations regarding a proposed offering to obtain the most favorable financial terms based on existing market conditions.
  - For competitive sales: Assist in preparation of the Preliminary Official Statement, distribute the Preliminary Official Statement to potential underwriters, market the bonds effectively to potential underwriters, evaluate bids received, analyze pricing received, present bids received to the City Council and make recommendation as to the winning bidder, provide Client final debt service schedules and other final pricing information, assist with the preparation of the Final Official Statement, and distribute the Final Official Statement to the finance team.

- Arrange for the closing of the transaction including, but not limited to, providing closing instructions to finance team, facilitate bond closing with DTC, coordinate with bond counsel on bond printing, signing and final delivery of the bonds.

3. **Special Services.** Upon request of the Client, PFM may provide other services which may include, but are not limited to, the following:

- Valuation analysis
- Impact fee financial analysis
- Rate analysis
- Management analysis
- Referendum assistance
- Legislative initiatives
- Project assessment analysis
- Implementation of revenue enhancement programs
- Arbitrage and rebate services
- Financial analysis of projects and engineer/architect studies
- Negotiate on behalf of the Client for proposed projects

**PUBLIC FINANCIAL MANAGEMENT, INC.**

**AGREEMENT FOR MUNICIPAL ADVISORY SERVICES**

This agreement, made and entered into this 27<sup>th</sup> day of April 2016, by and between the City of Norwalk, Iowa (“Client”) and Public Financial Management, Inc., (hereinafter called the “Municipal Advisor” or “PFM”) sets forth the terms and conditions under which the Municipal Advisor shall provide services for the issuance of approximately \$9,350,000 General Obligation Swimming Pool and Refunding Bonds, Series 2016 (the “Bonds”).

WHEREAS, Client is desirous of obtaining the services of a Municipal Advisor to develop and assist in implementing Client’s strategies to meet its current and long-term operations, financial obligations, capital financing needs and render assistance in respect to debt transactions; and

WHEREAS, PFM is capable of providing the necessary municipal advisory services.

NOW, THEREFORE, in consideration of the above mentioned premises and intending to be legally bound hereby, Client and PFM agree as follows:

**I. SCOPE OF SERVICES**

PFM shall provide, upon request of the Client services related to financial planning, budget and strategic advice and planning, credit development and services related to debt issuance, examples of which, not intended to be exclusive, are set forth in Exhibit A to this agreement.

**II. WORK SCHEDULE**

The services of the Municipal Advisor are to commence as soon as practicable after the execution of this agreement and a request by the Client for such service.

**III. MUNICIPAL ADVISORY COMPENSATION**

For the services described, PFM's professional fees and expenses shall be paid as follows:

1. For services related to the issuance of the Bonds, PFM will be paid a fee of \$14,000 at closing of the transaction.

**Reimbursable Expenses**

In addition to fees for services, PFM will be reimbursed for necessary, reasonable and documented out-of-pocket expenses incurred, including travel, meals, lodging, telephone, mail, and other ordinary costs and any actual extraordinary cost for graphics, printing, data procession, internet posting fees and computer time which are incurred by PFM. Appropriate documentation for out-of-pocket expenses will be provided.

**IV. TERMS AND TERMINATION**

This agreement shall remain in effect until the closing of the Bond transaction described above and funds have been delivered to the Client.

**V. NON-ASSIGNABILITY**

PFM shall not assign any interest in this agreement or subcontract any of the work performed under the agreement without the prior written consent of the Client.

**VI. INFORMATION TO BE FURNISHED TO THE MUNICIPAL ADVISOR**

All information, data, reports, and records in the possession of the Client necessary for carrying out the work to be performed under this agreement shall be furnished to the Municipal Advisor and the Client shall cooperate with the Municipal Advisor in all reasonable ways.

**VII. ENTIRE AGREEMENT**

This agreement represents the entire agreement between Client and PFM and may not be amended or modified except in writing signed by both parties.

**VIII. DISCLOSURE OF POTENTIAL CONFLICTS OF INTEREST**

PFM does not anticipate any impairment of fiduciary responsibilities related to this engagement.

IN WITNESS THEREOF, the Client and PFM have executed this agreement as of the day and year herein above written.

**CITY OF NORWALK, IOWA**

By: \_\_\_\_\_

Date: \_\_\_\_\_

**PUBLIC FINANCIAL MANAGEMENT, INC.**

By: Jon Burmeister

Jon Burmeister, Managing Director

By: Susanne Derlach

Date: April 27, 2016

## **EXHIBIT A**

### 1. Services Related to Debt Transactions, upon the request of the Client:

- Analyze financial and economic factors to determine if the issuance of bonds is appropriate.
- Develop a financing plan in concert with Client's staff which would include recommendations as to the timing and number of series of bonds to be issued.
- Assist the Client by recommending the best method of sale, either as a negotiated sale, private placement or a public sale. In a public sale, make recommendation as to the determination of the best bid. In the event of a negotiated sale, assist in the solicitation, review and evaluation of any investment banking proposals, and provide advice and information necessary to aid in such selection.
- Advise as to the various financing alternatives available to the Client.
- Develop alternatives related to debt transaction including evaluation of revenues available, maturity schedule and cashflow requirements, if necessary.
- Assist the Client in the procurement of other services relating to debt issuance such as printing, verification agent, escrow agent, paying agent and registrar, etc.
- Identify key bond covenant features and advise as to the financial consequences of provisions to be included in bond resolutions regarding security, flow of funds, redemption provisions, etc.; review and comment on successive drafts of bond resolutions.
- Review the terms, conditions and structure of any proposed debt offering undertaken by the Client and provide suggestions, modifications and enhancements where appropriate and necessary to reflect the constraints or current financial policy and fiscal capability.
- Coordinate with Client's staff and other advisors with respect to the furnishing of data for offering documents. PFM will assist the Client in the preparation of debt section of the offering document, it being specifically understood that Municipal Advisor is not responsible for the inclusion or omission of any material in published offering documents and that the ultimate responsibility remains with the Client.
- Provide regular updates of tax-exempt bond market conditions and advise the Client as to the most advantageous timing for issuing its debt.
- Advise the Client on the condition of the bond market at the time of sale, including volume, timing considerations, competing offerings, and general economic considerations.
- Assist and advise the Client in negotiations with investment banking groups regarding fees, pricing of the bonds and final terms of any security offering, and make in writing definitive recommendations regarding a proposed offering to obtain the most favorable financial terms based on existing market conditions.
- Arrange for the closing of the transaction including, but not limited, to bond printing, signing and final delivery of the bonds.