

ADMINISTRATION

Russell B. Truell
Assistant City Administrator, CFO
Finance



ITEM #14
FINANCE
2-15-11

Dr. Ken Moore
Mayor

Eric S. Stuckey
City Administrator

HISTORIC
FRANKLIN
TENNESSEE

February 9, 2011

TO: Members of the Budget & Finance Committee

FROM: Eric Stuckey, City Administrator
Russ Truell, ACA/CFO

RE: Amendment to Professional Services Contract with Public Financial Management

Purpose

The purpose of this item is to amend the existing professional services contract with Public Financial Management from a fee-for-service basis to a retainer basis.

Background

Upon engaging Public Financial Management(PFM) two years ago as our financial advisor, the City of Franklin entered a professional services contract that established a payment for services based on hourly rates of the various PFM staff. To simplify and lower those fees, the City has asked PFM for alternatives to their hourly billing procedure. They have responded with a proposal to change to a retainer payment schedule that reflects the approximate amount of time projected for the routine services over the course of the year. Those services include updates to the City's debt policy and capital funding capacity model, as well as the base services provided in reviewing potential bond refundings, capital market updates, rating agency interviews, and time spent consulting with City staff on a variety of banking services and financial issues.

The PFM proposal is for a quarterly retainer of \$4,000. In calendar year 2010, the hourly billing charges totaled just over \$22,000.

The retainer would not include any special projects that require major amounts of research or staff time on the part of PFM. It would specifically not include the preparatory and bidding efforts normally included with bond issuance costs.

Financial Impact

There is a strong possibility that the retainer arrangement could reduce our overall costs for financial advisory services. It would also remove some uncertainty to our budgeting process.

Options

- 1) Continue with the existing professional services contract
- 2) Adopt the amendment which would change to the retainer billing format

Recommendation

Staff recommends that we try the amendment and the quarterly billing arrangement on a trial basis.

Professional Services: Financial Advisor

Amendment One

This Contract Amendment One is made and entered by and between the City of Franklin, TN (“Client”) and Public Financial Management, Inc. It is mutually understood and agreed by and between said, undersigned contracting parties that the existing financial advisor’s contract is amended as follows:

Retainer/General Consulting Services

In addition to the Financial Advisory Compensation section, Attachment A, in the contract between the City of Franklin, TN and Public Financial Management, Inc. for financial advisory services approved on February 18, 2009, PFM proposes to charge a quarterly retainer of \$4,000¹.

This retainer covers services related to general financial planning, policy development and financial analysis, outside of transactional services, as listed below:

- Assist the Client in the review and maintenance 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 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.

¹ The annual retainer level will be reviewed in December of each calendar year in accordance with the actual number of hours billed to the Franklin Retainer. This annual review will allow the City and PFM to review the accurate retainer level going forward.

Professional Services: Financial Advisor

Amendment One

- 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. *Initial development of such models may be considered a Special Project.*
- 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; and
- 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.

For consideration associated with the rendering of the aforementioned non-transactional financial advisory and debt management services with total costs greater than \$4,000 as generally described above, the Financial Advisor proposes to charge hourly rates for professional services as outlined in the Financial Advisor's contract dated February 18, 2009.

For special projects requested of the client, a budget will be developed prior to the start of the project work, based upon the standard hourly rates

Reimbursable Expenses

As detailed in the Financial Advisor's contract dated February 18, 2009, PFM will be reimbursed for necessary, reasonable, and documented out-of-pocket expenses incurred, including travel, 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. These expenses are capped at a not-too-exceed \$3,000 annually.

[SIGNATURES ON FOLLOWING PAGE]

Professional Services: Financial Advisor

Amendment One

IN WITNESS THEREOF, the parties hereto have executed this Agreement as of the day and year herein above written.

CITY OF FRANKLIN, TN

Date: _____, 2011

By: _____
Dr. Ken Moore , Mayor

PUBLIC FINANCIAL MANAGEMENT, INC.

Date: _____, 2011

By: _____
Lisa Daniel, Managing Director