



DATE: August 4, 2014

TO: Thomas J. Bonfield, City Manager

THROUGH: Wanda S. Page, Deputy City Manager

FROM: David Boyd, Finance Director
Keith Herrmann, Deputy Finance Director
Chad Cowan, Treasurer

SUBJECT: Selection of Financial Advisor

EXECUTIVE SUMMARY

Financial advisors provide a wide range of analytical, consultative and strategic planning services to support government financing decisions. As part of the City's financing team they assist the City in planning, structuring and issuing debt.

In May an RFP for financial advisory services was posted to the City website and distributed. A committee consisting of Finance Department personnel evaluated the six proposals received and narrowed the field to two candidates who were asked to present their firm's qualifications in an interview.

The committee recommends the selection of DEC & Associates, Inc. ("DEC") of Charlotte, North Carolina to act as the City's financial advisor for a term of three years (with 3 one-year extensions at the sole discretion of the City). DEC is one of the most experienced and most successful independent financial advisory firms in North Carolina. The team assigned to the City has extensive North Carolina financing experience which makes them very qualified to assist the City in its future financial decision making.

RECOMMENDATION

The Finance Department recommends that the City Council authorize the City Manager to enter into an agreement to engage DEC Associates, Inc. as the City's financial advisor for a period of three years with three optional one year extensions.

BACKGROUND

Financial Advisors provide independent analysis for strategic financial planning and financial market monitoring. They also evaluate financing strategies for public projects, providing ongoing technical support and market monitoring and evaluation. The financial advisor provides an independent perspective supported by technical expertise, market knowledge and experience in all manner and variety of public financial issues. Specifically we would utilize the services of a financial advisor to assist in the following areas:

- Structuring, sizing and timing individual debt issues
- Arbitrage compliance
- Analysis of financing alternatives

- Credit rating presentations
- Refunding analysis
- Debt capacity analysis
- Investor relations

In May an RFP for financial advisory services was advertised. Proposals were received from First Southwest, DEC Associates, Inc., First Tryon Advisors, Public Financial Management, Inc., Stephens, Inc., and Davenport & Company, LLC. A committee consisting of Finance Department personnel evaluated the six proposals received and narrowed the field to two candidates who were asked to present their firm's qualifications in an interview. The two firms that were interviewed were:

1. DEC & Associates, service to be provided from their Charlotte, NC office
2. First Tryon Advisors, service to be provided from their Charlotte, NC office

In July of 2014, the Securities and Exchange Commission ("SEC") implemented rules which significantly complicate the relationship between the City and the investment banking firms that deal with tax-exempt municipal bonds. By having a Financial Advisor ("FA") or an Independent Register Municipal Advisor ("IRMA" – as defined in the new rules) under Contract, it significantly streamlines the rules for the City and clarifies the roles and responsibilities for all parties throughout a financing.

Due to the rules and despite not anticipating any significant financing activity in Fiscal Year 2015, it will be beneficial to the City to have an IRMA under contract as soon as possible.

ISSUES/ANALYSIS

Since May of 2010, the City of Durham has contracted with Stephens, Inc. for financial advisory services. At the expiration of their current contract and following a change in staffing at the Stephens (and most firms in the Financial Advisory field), the Finance Department decided it would be advantageous to re-evaluate the firms in the market and issue a new RFP.

For the reasons outlined below, the Finance Department has evaluated the proposals and believes DEC would be the best fit for the City's future financing needs:

- 1) **Significant Experience with Peer Cities and Counties:** The firm has recently worked with four of the five largest Cities in the State (except the City of Durham) and several of the largest Counties in the State. The perspective and experience will allow the firm to provide excellent guidance to the City as it moves forward with financings over the next several year.
- 2) **Firm Stability:** Of all the firms that proposed, the DEC's staff been the most stable over the past 2 years. The firm has not experienced significant changes in staffing and this stability will be beneficial to the City.
- 3) **Extensive Experience with the Local Government Commission (LGC):** The President of the firm, a former municipal finance director and employee of the Local Government Commission, has extensive experience working with the LGC. This experience allows DEC unique perspective when working with the LGC and provides excellent insight for the City to access during its financing processes.

Since 2008, DEC has served as financial advisor on nearly \$6.0 billion in North Carolina financings. They have worked with, among others, the counties of Cabarrus, Chatham, Cumberland, Durham, Forsyth, and Onslow, as well as the cities of Charlotte, Greensboro, Raleigh, and Winston-Salem. Through DEC's work with these clients and others, their advisors have gained valuable experience in structuring and marketing North Carolina Limited Obligation Bonds, Revenue Bonds and General Obligation Bonds.

ALTERNATIVES

To select an alternate financial advisor.

FINANCIAL IMPACT

DEC would be engaged to provide on-going services for a period of three years. Based on similar financial advisory engagements the total cost per transaction is estimated to be between \$15,000 and \$70,000 depending on the size and the complexity of the City's debt issues. Actual costs associated with this contract each fiscal year would be dependent upon the number, size and structure of any financing transactions for which DEC & Associates services were utilized. Fees would be paid from the proceeds of any transaction upon closing of the issuance. The approval of the contract authorizes the City Manager or designee to make one or more assignments to DEC for which the fee could be up to \$100,000 each.

SDBE SUMMARY

The Equal Opportunity/Equity Assurance Department reviewed the proposal submitted by DEC & Associates, Inc. of Charlotte, North Carolina and has determined that they are in compliance with the Ordinance to Promote Equal Business Opportunities in City Contracting.

SDBE REQUIREMENTS

No MSDBE or WSDBE goals were set.

WORKFORCE STATISTICS

Workforce statistics for DEC & Associates, Inc. are as follows:

Total Workforce	3	
Total Females	0	(0%)
Total Males	3	(0%)
Black Males	0	(0%)
White Males	3	(100%)
Other Males	0	(0%)
Black Females	0	(0%)
White Females	0	(0%)
Other Females	0	(0%)