

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Authorize the City Manager to Award the Financial Advisor Contract to The PFM Group
DEPARTMENT:	Administrative Services
PRESENTED BY:	Robert Hartwig, Administrative Services Director
ACTION:	<input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution <input checked="" type="checkbox"/> Motion <input type="checkbox"/> Discussion <input type="checkbox"/> Public Hearing

PROBLEM/ISSUE STATEMENT:

As the Council is aware, the City will be acquiring King County's surplus maintenance facility at Brugger's Bog. The City will be financing this acquisition. Over the next few years staff anticipates additional transactions that will require debt financing. As a result of this anticipated increase in financing activity, staff recommends that the City engage the services of an experienced financial advisor to help the City make the best decisions and negotiate the best pricing when debt transactions are contemplated.

DISCUSSION:

Among other activities, the Government Finance Officers Association (GFOA) recommends best practices for state and local governments. In the area of debt administration, the GFOA's recommendation is as follows:

"State and local governments employ financial advisors to assist in the structuring and issuance of bonds whether through a competitive or a negotiated sale process. Unless the issuer has sufficient in-house expertise and access to market information, it should hire an outside financial advisor prior to undertaking a debt financing. A financial advisor represents the issuer, and only the issuer, in the sale of bonds. Issuers should assure themselves that the selected financial advisor has the necessary expertise to assist the issuer in selecting other finance professionals, planning the bond sale, and successfully selling and closing the bonds. In considering the roles of the financial advisor and underwriter, it is the intent of this Recommended Practice to set a higher standard than is required under MSRB Rule G-23, because disclosure and consent are not sufficient to cure the inherent conflict of interest."

To date the City has issued two debt financing transactions. These were the 2006 bonds (parks, recreation, and open space purposes) and the 2009 bonds (city hall construction). The City has used Steve Gaidos of Gaidos Consulting LLC as its financial advisor since 2002. Mr. Gaidos retired in 2011 and thus the need to seek the services of a new advisor.

Over the next several years there will likely be a variety of needs for outside debt expertise. These include future improvements at Brugger's Bog, new or improved police facilities, swimming pool replacement, sewer system improvements (tied to the Ronald Wastewater District assumption – in accordance with contract terms), water system improvements (tied to the acquisition of Seattle Public Utilities' water assets located in Shoreline – approved by over 70% of Shoreline's citizens in 2012), favorable debt refinancing opportunities, etc.

Given the City's upcoming needs, staff believes that this is an appropriate time to hire a new financial advisor. As a result the City issued a Request for Proposals for Financial Advisory Services. Three proposals were submitted.

Staff recommends that the City Council award the contract to The PFM Group (PFM). In addition to the lowest price, PFM met all other proposal specifications. They offer highly qualified local staff with access to nationwide expertise from their other offices located in twenty-four (24) states around the country. Reference checks were excellent. In addition, the Shoreline School District recently awarded its Financial Advisor contract to PFM.

Although this was not a part of the proposal evaluation, and had no bearing on the ultimate recommendation, it is also noteworthy that PFM is the only proposer that provides financial advisory services exclusively. The other proposers also provide underwriting services. Both of these other firms will of course be eligible to underwrite City debt issues. PFM states that it works with both of the other companies and is happy to work with them if either is selected to underwrite Shoreline's debt in the future.

RESOURCE/FINANCIAL IMPACT:

The financial advisor's fees will be paid as part of each debt financing. On a \$15 million transaction, PFM's fees would be approximately \$15,500. The cost for financial advisor services will be paid from applicable debt financing proceeds.

RECOMMENDATION

Staff recommends that Council authorize the City Manager to award a contract to The PFM Group for financial advisory services to the City of Shoreline.

Approved By: City Manager **JU** City Attorney **IS**