



Financial Services Audit Committee Communication

Date: May 15, 2020

To: Great Lakes Water Authority Audit Committee

From: Jon Wheatley, Public Finance Manager

Re: Municipal Advisor Services Contract CS-002 Update

Background: Since March 20, 2015, PFM Financial Advisors, LLC (PFM) has served the Great Lakes Water Authority (GLWA) as its municipal advisor through contract number GLWA CS-002. As a municipal advisor, PFM acts in a fiduciary capacity to assist GLWA with the execution of its water and sewer revenue bond issuances and monitoring of its current debt portfolio. To date, PFM has assisted GLWA with the issuance of 17 new money and refunding bond issues (including state revolving fund bonds), totaling over \$2.4 billion. This includes the most recent water refunding and new money transaction on April 30, 2020.

PFM also provides other non-transactional services such as providing feedback on various GLWA agreements and financial policies.

On May 13, 2020, the PFM contract, GLWA CS-002, was extended for one year through March 19, 2021 via Change Order No. 4. Below is a summary of the original contract amount and the change orders. To date GLWA has extended the contract 3 times and has increased the contract amount by \$300,000.

Contract Dates:

Original Contract Start Date:	March 20, 2015
Initial Contract End Date:	March 19, 2018
Change Order 1 Contract End Date*:	March 19, 2018
Change Order 2 Contract End Date:	March 19, 2019
Change Order 3 Contract End Date:	March 19, 2020
Change Order 4 Contract End Date:	March 19, 2021

**Change Order #1 was a correction of original contract fees, with no time extension*

Contract Estimate

Original Contract Price:	\$300,000
Change Order No. 1:	\$0
Change Order No. 2:	\$100,000
Change Order No. 3:	\$100,000
Change Order No. 4:	<u>\$100,000</u>
New Contract Total:	\$600,000

The current contract for municipal advisor (GLWA CS-002) with PFM will expire on March 19, 2021.

Justification: GLWA's Debt Management Policy states *"GLWA will retain a Registered Municipal Advisor (or advisors) to provide GLWA with a comprehensive analysis of options available to GLWA. The Financial Advisor(s) will advise on the structuring and execution of all debt and debt-related transactions and provide other services as defined by approved contracts."*

GLWA will follow service sector best practices for selecting a municipal advisor in regards to the upcoming solicitation process. Included with this memo is a Government Finance Officers Association (GFOA) "Best Practices" publication titled, *"Selecting and Managing Municipal Advisors."* In the document, the GFOA recommends that issuers select municipal advisors on the basis of merit using a competitive process and that issuers review those relationships periodically. A competitive process using a request for proposals (RFP) or request for qualifications (RFQ) process as applicable allows the issuer to compare the qualifications of proposers and to select the most qualified firm based on the scope of services and evaluation criteria outlined in the solicitation request.

The scope of services for the solicitation process will also be based on service sector standards, in accordance with the role municipal advisors serve in bond transactions. Also included with this memo is a publication by the Municipal Securities Rulemaking Board (MSRB) titled, *"Roles and Responsibilities: The Financing Team in an Initial Municipal Bond Offering"* which outline the services of a municipal advisor as well as the other members of the financing team.

Due to the other solicitations currently being undertaken by the Public Finance Team, the solicitation process for this contract will not begin until September 1, 2020. **Table 1** on the next page outlines the proposed time schedule for the solicitation of the municipal advisor.

Based on this schedule, the new contract will be approved by the GLWA Board of Directors by December 9, 2020 and work will begin by January 1, 2021.

Table 1- Municipal Advisor Selection Process

	<u>Week of:</u>
<i>Phase 1 - Solicitation Development</i>	
Draft Front End/Background	9/1/2020
Finalize RFP	9/15/2020
<i>Phase 2 - Advertisement</i>	
Advertise date for RFP	9/15/2020
Questions due	9/29/2020
Pre-proposal conference	10/6/2020
Proposals due	10/20/2020
<i>Phase 3 - Evaluation</i>	
Minimum qualifications verified	10/20/2020
Evaluations due	10/27/2020
Oral interviews	11/3/2020
Additional questions compiled	11/3/2020
Responses from proposers	11/3/2020
Responses distributed to Eval Team	11/3/2020
Evaluation Team final selection	11/10/2020
<i>Phase 4 - Contract Development</i>	
Negotiation	11/10/2020
Preliminary Draft	11/10/2020
Final Draft	11/24/2020
<i>Phase 5 - Board Requirements</i>	
Prepare summary documents	11/10/2020
Audit Committee Review	11/20/2020
Board review/requested approval	12/9/2020
Contract award	
<i>Phase 6 - Project Execution and Management</i>	
Contract execution	12/21/2020
Start work	1/1/2021

Budget Impact: The current contract for municipal advisory services falls within the annual Public Finance budget. The effect on future Public Finance budgets based on the outcome of the proposed competitive procurement process is yet to be determined. It is not expected to be materially different.

Proposed Action: Receive and file.