

MEMORANDUM

TO: Honorable Mayor and City Council Members

FROM: Chester Murray, Interim City Manager

OCT 23 2009

DATE: October 27, 2009

SUBJECT: Financial Advisor Resolution 564-09

PURPOSE

To retain Larson Consulting Services, LLC, Orlando, as the City's Financial Advisor.

BACKGROUND

Jeff Larson, the City's Principal Contact Officer at D.A. Davidson & Co. left the firm on July 30th and established Larson Consulting Services, LLC. Staff desires to continue to utilize Mr. Larson and his local team's support and experience as the City's Financial Advisor. Staff acknowledges that with Mr. Larson's departure, D. A. Davidson closed its Orlando Investment Banking office, but still maintains a presence with its investment affiliate, Davidson Fixed Income Management.

The proposed agreement was reviewed by staff and the City Attorney. It is essentially the same agreement the City used with Mr. Larson's prior firm to retain his services as the City's Investment Banker. The agreement proposes a base retainer to cover various support services that the City has utilized over the past few years. This approach helps the City further reduce administrative time and related expenses, and will be reviewed as needed to quantify the retainer.

Mr. Larson's relationship with the City goes back to 1996 when he served as our Financial Advisor. We have continued to benefit from his financial expertise since then. He brings an extensive institutional knowledge of the City's General Fund and Utility operations, having worked on all financing or refunding projects with the City since 1996. This includes bond financings, private bank placements, and most recently the Public Private Partnership relating to the Sparkman Road Special Assessment project. Mr. Larson provided key support with updating the City's investment policy and updating the City's investment approach. Given the current instability of the financial market, it is important to maintain access to Mr. Larson's expertise and support. Given Mr. Larson's long history with the City as described above and his intimate knowledge of the City, staff recommends this purchase be made via city code section 12.3-33, Unique Circumstance.

RECOMMENDATION

Staff recommends that the City Council approve Resolution No. 564-09.

RESOLUTION NO. 564-09

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ORANGE CITY, FLORIDA, AUTHORIZING THE INTERIM CITY MANAGER TO EXECUTE AN AGREEMENT WITH LARSON CONSULTING SERVICES, LLC TO SERVE AS THE CITY'S FINANCIAL ADVISOR; AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, the City has determined that it is in its best interest to continue to retain a Financial Advisor to advise the City with respect to certain financial, capital planning, economic development, budget, project analysis, financing, refunding, and investment matters; and

WHEREAS, Larson consulting Services, LLC is well qualified by experience and capability to perform such financial advisory, investment banking support, and consulting services, and brings extensive prior experience and knowledge to this engagement having previously served the City since 1996; and

WHEREAS, the Financial Advisor is desirous of continuing to provide financial advisory, consulting, investment, and other general financial support services to the City.

WHEREAS, based on a prior history and intimate knowledge of the City's investment and operations, the City of Orange City wishes to retain the services of Larson Consulting Services, LLC under City Code Section 12.3-33, Unique Circumstance.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF ORANGE CITY, FLORIDA:

SECTION 1. The City Council of the City of Orange City, Florida hereby authorizes the Interim City Manager to execute an agreement with Larson Consulting Services, LLC to serve as the City's Financial Advisor, attached hereto as Exhibit "A" and incorporated herein by reference.

SECTION 3. That this resolution shall take effect immediately upon its adoption by the City Council of the City of Orange City, Florida.

ROLL CALL VOTE AS FOLLOWS:

O. William Crippen	_____	Anthony Pupello	_____
Gary A. Blair	_____	Tom Abraham	_____
Tom Laputka	_____	Jeff H. Allebach	_____
Harley Strickland, Mayor	_____		

ADOPTED THIS _____ DAY OF _____, 2009.

ATTEST:

AUTHENTICATED:

Deborah J. Renner, CMC, City Clerk

Harley Strickland, Mayor

This Resolution approved
as to form and legal sufficiency:

W. E. Reischmann, City Attorney

***Agreement Between
The City of Orange City, Florida and Larson Consulting Services***

THIS AGREEMENT made and entered into this ___ day of November, 2009 by and between the City of Orange City, Florida (herein called the "City") and Larson Consulting Services, LLC (herein called the "Financial Advisor" or "Larson Consulting").

WITNESSETH:

WHEREAS, the City has determined that it is in its best interest to continue to retain the Financial Advisor to advise the City with respect to certain financial, capital planning, economic development, budget, project analysis, financing, refunding, and investment matters; and

WHEREAS, the City has determined to retain the Financial Advisor; and

WHEREAS, the Financial Advisor is well qualified by experience and capability of performing such financial advisory, investment banking support, and consulting services, and brings extensive prior experience and knowledge to this engagement having also previously served the City since 1996; and

WHEREAS, the Financial Advisor is desirous of continuing to provide financial advisory, consulting, investment, and other general support services to the City.

NOW THEREFORE, the City and the Financial Advisor agree as follows:

A. TERM OF AGREEMENT:

The term of this Agreement commences the date of acceptance and continues until October 31, 2010 unless otherwise extended by mutual agreement. Thereafter, the contract shall automatically renew for up to four successive one-year terms.

B. SERVICES PROVIDED BY THE FINANCIAL ADVISOR:

The services to be performed by the Financial Advisor on behalf of the City, and as requested by the City, related to a financing or refunding shall include those financial advisory and consulting support services covered under this Section B. Other financial advisory or support services are covered in Sections D and E.

B.1. GENERAL SERVICES

1. Attend and/or make presentations at public, City Council, Workshop, and staff meetings.
2. Review the City's capital improvement plan/budget and assist in developing a strategic capital financing plan. This would include current projects and future needs of the City.

B.2. INVESTMENTS

1. Attend and/or make presentations at public, City Council, Workshop, and staff meetings.
2. Provide ongoing assistance to the City with its investment needs.
3. Assist in developing and implementing (a) an investment strategy for proceeds from any financings and other funds available to enhance overall financing plan and (b) general investment plan of the City.

B.3. FINANCING/REFUNDING/LEASE FINANCINGS

If bonds, notes, bank debt, capital leases, or other debt instruments or leases ("Obligations") are sold and delivered by the City, the Financial Advisor shall perform, but will not be limited to performing, the following services:

1. Advise and assist the City in structuring bond, capital lease, or bank debt financings or refundings in accordance with the City's financing needs and capital program. The Financial Advisor will also assist the City in the review of any financing, refunding, defeasance, or leasing proposal. This includes determining the principal amount of issues, establishing maturity schedules, analyzing the feasibility of various features such as calls, puts, premiums and fixed or variable rates, advising as to method of sale, and determining the timing of the sale.
2. If applicable, assist the City in the presentation of material to any potential bank lenders or lessors, and assist with any negotiations with banks or lessors in the arrangement of any bank debt or lease obligations.
3. Prepare time schedules with Bond Counsel, and coordinate actions of the financing team, if appropriate, to assist the City in meeting its objectives and needs.
4. Review, in cooperation with the City Staff, City Attorney, and Bond Counsel, , bond resolutions and other legal documents necessary for the successful issuance of Obligations.
5. Review all other materials for official bond documents, bank debt or lease related documents prepared by City Staff, counsel, auditors and consultants.

6. Assist the City and City's Bond Counsel in the preparation of validation proceedings, if applicable, and attend and testify, if requested, for the City as an expert witness on the plan of finance.
7. On bond or lease purchase financings, assist Disclosure or Underwriter's counsel in the preparation of the preliminary official statement and final official statement in cooperation with the appropriate City officials and City Attorney in conformance with full primary disclosure and continuing secondary disclosure guidelines and requirements per SEC Rule 15c2-12. This may also include assisting Staff with the retention of a recommended Dissemination Agent for continuing disclosure requirements.
8. If applicable, supply the necessary information to communicate with the major bond rating agencies and/or bond insurers or other providers of credit enhancement to obtain, and/or maintain the best possible credit enhancement and/or underlying credit rating on City Obligations (if such rating or credit enhancement is determined to be in the best interest of the City and its financing program). Assist in negotiations/presentations to the rating agencies, bond insurers, investors, or financial institutions, as applicable.
9. If applicable, and for bond or lease purchase financings, assist in developing bids to obtain costs for printing for the preliminary and final official statements, bonds and other printing requirements, as well as evaluating such bids and arranging for the printing thereof.
10. Assist in developing and evaluating bids for registrar, paying agent, escrow agent or trustee, verification agent and arbitrage consultant, as these services are required.
11. Assist in restructuring or refunding any existing Obligations and the negotiations involved therein, including any work associated with obtaining debt service reserve surety insurance, underlying ratings, etc.
12. If the Obligations are to be sold by competitive public sale:
 - a. Assist the City Attorney, and Bond Counsel in the preparation of a notice of sale, bid form and other materials necessary to market the obligations and arrange for the necessary advertisements in The Bond Buyer and other publications that will help promote the sale. This may include an electronic internet-based platform for a competitive sale.
 - b. Assist in distributing the preliminary official statement to municipal bond underwriters and potential institutional purchasers, and take such actions as deemed necessary to help develop market exposure of the Obligations.

- c. Assist the City at the time of the public sale including evaluating all bids for compliance with bid specifications, verifying the true interest cost of bids received, and making a recommendation as to the award of the Obligations in the best interest of the City.
13. If Bonds are to be sold by negotiated sale, or bank debt or lease financings are arranged, the Financial Advisor will:
 - a. Following assistance provided to the City in the selection of the City's retention of underwriters, banks or lessors, assist the City in the evaluation of the underwriter's, banker's or lessor's bids in relation to interest rates, gross spread, all-in-cost, fees, terms and covenants. Any bank or lease proposal will be compared with other options available at that time.
 - b. Assist the City in any negotiations regarding the underwriter's bond purchase contract, bank documents, or lease financing documents. This includes providing current market information and a report and recommendations to Staff and the City Council, as requested.
14. Arrange for the signing and delivery of the Obligations to either the underwriter(s), bankers or lessors and assist Bond Counsel with the arrangements for a successful closing for the Obligations.

C. COMPENSATION TO FINANCIAL ADVISOR:

C.1. BOND OR LONG-TERM LEASE PURCHASE ("COP") FINANCINGS

The City shall pay to the Financial Advisor a fee in accordance with the following Fee Schedule, for services under Section B.3.,

\$15,000 Fee for any issue up to \$2,500,000.

\$20,000 Fee for any issue from \$2,500,001 to \$5,000,000.

\$25,000 Minimum Fee for any issue over \$5,000,000, plus \$1.50 per \$1,000 for all bonds over \$5,000,000.

If the City receives a legal bid for the Obligations from a bona fide purchaser which complies with the bid specifications and offers acceptable interest rates, and thereafter, the City decides not to issue the Obligations, the Financial Advisor will be paid the appropriate compensation as set forth in this Section C.1.

C.2. BANK PRIVATE PLACEMENT OR LEASE FINANCING

The City will pay to the Financial Advisor a reduced fee in accordance with the following Fee Schedule; per Section B.3., if the financing is a bank, private placement or short term lease financing or refunding:

\$7,500 Fee for any financings up to \$1,000,000.

\$12,500 Fee for any financings from \$1,000,001 to \$5,000,000.

\$17,500 Minimum Fee for any financings over \$5,000,000, plus \$1.25 per \$1,000 for all financings over \$5,000,000.

C.3. RETAINER

The City agrees to pay the Financial Advisor, as compensation for general and ongoing financial advisory, consulting and general support services covered under Section B.1. and B.2., a quarterly retainer of \$1,000.00 payable quarterly on fifteenth day of November, February, May and August by check or wire transfer. The Financial Advisor agrees to provide City Staff quarterly in arrears with a written memo outlining how to allocate the retainer internally, with the initial memo due in February 2010 covering the initial quarter from November through January 2010, and to review the level of base retainer compensation annually with City Finance Director to insure that the level of base compensation is appropriate.

C.4 OUT OF POCKET EXPENSES

Reimbursable out-of-pocket expenses, and computer/structuring/quantitative analysis fees, as noted in this Agreement, include the following items and other miscellaneous expenses incurred on behalf of the City:

- Travel, Lodging and Meals, provided travel occurs in coach class and lodging and meals are reasonable, with any out-of-state travel requiring prior City Staff approval,
- Courier or Delivery Service
- Facsimile (\$2.00 per facsimile)
- Photo Copies (\$0.15 per page)
- Long Distance, Cellular, and Conference Telephone Charges
- 3rd Party expenses such as advertising incurred on behalf of the City
- Administrative, Marketing and Accounting Support Fees and Expenses
- Computer Structuring and Quantitative Support Fees and Expenses

D.1. ADDITIONAL SERVICES

In addition to the general financing or refunding related services tied to a financing or refunding authorized by the City noted in Section B, the Financial Advisor agrees to be available to advise the City from time-to-time, as requested by the City Manager or Finance Director, as to capital planning, investment studies, referendum assistance, economic development, public private partnership project

analysis, project finance analysis and budget/planning matters. In addition, we agree to work with the City Staff in preparing and reviewing either Request for Proposals or Request for Qualifications, and recommendations related thereto, for members of the Finance Team including underwriters, banks, consulting engineers, rate consultants, legal counsel, architects, land planning consultants, master developers as part of a Public Private Partnership ("PPP"), Public Partnership or Joint Venture

contractual arrangements, feasibility consultants and others, as needed. Additional services may include work related to developing a Term Sheet or Memorandum of Understanding ("MOU") for a PPP, debt capacity analysis, financial planning, capital planning and feasibility for the City's capital improvement program for the General Fund or Enterprise Units, review of the existing General Fund or Enterprise debt, and City revenue forecasts. Services may also include a review of financing proposals received by the City from banks, underwriters or lessors, tax matters, CDD petition applications, economic and community development, and referendum issues.

The Financial Advisor also agrees to provide City Staff, at its request and subject to City Manager approval, with a Scope of Services for a specific project that may involve time and expenses above those typically covered by the retainer and covered under Section D.1.. This Scope of Services will set forth the Project Assignment, estimated timeframe for the project, a targeted work product to be delivered by the Financial Advisor, and a not to exceed level of compensation and capped expenses. This Scope will be subject to City approval and mutually acceptable to both parties. To the extent that there are unallocated portions of the monthly retainer, then quarterly in arrears the Financial Advisor agrees to account for and absorb the cost of any Scope of Services work under the monthly retainer, and then have the additional work covered by the respective Scope of Services.

This may also include our recommendations to the City Staff of structured finance and/or bond proceeds investment ideas, as noted below:

D.2. INVESTMENT ADVISORY SERVICES

If requested and authorized by the City Manager or Finance Director, we will assist the City to review and or provide for investment advisory services and/or with the arrangement, either by negotiation or bid, of any investment products for bond proceeds, open market or escrows, including but not limited to investment contracts, flexible repurchase agreements, or structured portfolios as they may become appropriate to meet the City's Financing/Refunding Plan, Investment Policies and/or to maximize or optimize investment earnings in respective funds.

The fee for structured finance investment products is expected to be by approximately 5 basis points, calculated on the average amount of funds invested. However, such investment product fee typically is paid at closing to Larson Consulting Services directly by the investments provider, and shall be set forth in the separate documents covering the specific transaction and fully disclosed to the City Staff.

We note that the City has currently contracted for investment advisory services with Davidson Fixed Income Management, ("DFIM"), a SEC Registered Investment Advisory Firm, as the City's Investment

Advisor. The terms and conditions of the City's engagement of DFIM are set forth in a written agreement signed by the City and by DFIM. As previously disclosed in writing to the City, Larson Consulting Services serves as a consultant or solicitor to DFIM.

D.3. INTEREST RATE HEDGING ADVISORY AND STRUCTURED FINANCE SERVICES

If requested and authorized by the City Manager or Finance Director, we will assist the City in reviewing any interest rate hedging or structured finance products, (i.e., interest rate caps, collars, swaps, debt service deposit agreements). This may include the additional services of an industry reputable broker working with Larson Consulting, City Staff and Bond Counsel, as needed, to insure that the City is receiving a market bid appropriate to the City's investment and financial objectives. The fee for such services shall be negotiated with the City and based on the size of the interest rate-hedging contract with a minimum fee of \$7,500. These fees paid to Larson Consulting at closing by the interest rate hedging or structured finance products provider will be based on standard fees for transactions of this type in the capital markets industry, shall be set forth in the separate documents covering the specific transaction, and fully disclosed to City Staff in writing.

D.4. HOURLY COMPENSATION SCHEDULE

If the Financial Advisor assists the City in any of these areas not covered by either the for either general work above the retainer for not to exceed \$2,500.00 per year or under a City authorized Scope of Services, the Financial Advisor shall be paid on an hourly basis for all time expended by its personnel. The hourly rates shall be as follows:

President:	\$250.00/Hour
Senior Vice President or Company Counsel:	\$175.00/Hour
Vice President or Assistant Vice President:	\$110.00/Hour
Associate:	\$ 75.00/Hour
Marketing, Accounting or Administrative Support:	\$ 35.00/Hour

In addition to such hourly fees, the Financial Advisor's expenses will be payable by the City as set forth in Section C.4.

E. OBLIGATIONS OF THE CITY:

1. Provide the Financial Advisor, without charge, copies of financial or planning documents, City Council presentation material, engineering reports, bank and investment records, legal opinions and other pertinent disclosure or other documentation as the Financial Advisor may reasonably require in order to provide services as outlined herein.

2. Employ, when required, qualified City Attorney, Bond Counsel, Disclosure Counsel, Consulting Engineers, and Feasibility Consultants, whose services in connection with the planning and preparation for the marketing of Obligations will be available to the Financial Advisor.

3. Pay all expenses relating to the issuance, sale and delivery of the Obligations including, but not limited to:
 - a. Fees and expenses of Bond Counsel, Disclosure Counsel, City Attorney, Consulting Engineers, Feasibility Consultants, auditors, bond registrar, paying agent, trustee, bank fees and expenses, lessor's fees and expenses, engineers and any other consultants and advisors retained by the City and necessary for the completion of the financing and refunding.
 - b. Cost of holding elections, if applicable.
 - c. Cost of printing and distribution of preliminary and final official statements and bonds, if applicable.
 - d. Cost of preparing and placing required legal publications.
 - e. Cost of obtaining ratings from the major rating agencies, including costs of any presentation thereto and fees and or premiums charged thereby.
 - f. Cost of obtaining bond insurance, credit enhancement, debt service reserve surety policies, bank of leasing facilities, including cost of
 - g. Any presentation thereto and fees and or premiums charged thereby.
 - h. Any expenses relative to the validation process, including court costs, travel expenses, if any, and local advertising.
 - i. Cost of printing, authenticating and delivery of the Obligations to the initial underwriter(s).
 - j. Cost of closing, including travel and lodging for City and City Staff officials. These expenses may initially be handled by the Financial Advisor when coordinating out-of-state travel, but will be reimbursed to the Financial Advisor by the City.

F. REQUEST FOR FINANCIAL ADVISOR TO BID:

Larson Consulting, as the City's Financial Advisor, will not bid on any Obligation advertised for public sale unless specifically requested to do so in writing by the City Manager or Finance Director. When serving as the Financial Advisor, Larson Consulting retains the right to purchase or sell any Obligations of the City in the open market following completion of the initial purchase and distribution of the obligations in the secondary market and provide investments on a transactional basis to the City following standard market practices.

G. STAFF SUPPORT:

The Financial Advisor agrees to provide the following Principal Contact Officer, other members of the firm, and professional subconsultants, as needed, to assist the City in the implementation of this Agreement:

- Any changes in the Principal Contact officer requires City approval

Principal Contact Officer

- Jeff Larson, President

Larson Consulting Support Team (as Coordinated by Jeff Larson)

- Larry Aubrecht, Senior Vice President and Quantitative Analyst
- John Moran, Vice President, Quantitative Analyst, CPA
- Lou Frey, Esq., Corporate Counsel, Larson Consulting, Lowndes Drosdick
- Lester Abberger, Government Grants, State/Federal Support Services, Florida Lobbyist Associates
- Robert Koch, Land Entitlement/Economic Development Services, Chairman, Group One Consultants
- Marcia Bexley, Vice President
- Dr. Hank Fishkind, Feasibility and Project Support Services, CEO, Fishkind and Associates
- Nicole Larson, Associate
- Christy Bowmar, Associate, Accounting and Administrative Support
- Jesy Acosta, Marketing and Administrative Support
- Others, as directed by Mr. Larson, as needed

H. TERMINATION

Either the City, or Financial Advisor may cancel and terminate this agreement upon ninety (90) days written notice to the other party, and at that time, all responsibility under this Agreement will terminate.

In the event of termination or expiration of the Agreement prior to the closing of any Obligations and after work has by the Financial Advisor, the Financial Advisor will be reimbursed for all fees, costs and expenses actually incurred by them through and including the date of termination as set forth in Sections C and D.

I. GOVERNING LAW:

This Agreement shall be governed by the laws of the State of Florida.

J. INDEMNIFICATION:

In addition, we further agree to indemnify and hold the City harmless for any liability and all reasonable costs, including legal fees that the city may incur as a result of our professional negligence in our provision of services under this agreement.

IN WITNESS WHEREOF the parties hereto affixed their hands and seals by official duty empowered on the day and year first above written.

Respectfully submitted,

LARSON CONSULTING SERVICES, LLP

Jeffrey T. Larson
President

Approved,

CITY OF ORANGE CITY, FLORIDA

Harley Strickland
Mayor

Date

Chester Murray
Interim City Manager

Date

ATTEST:

By: _____

Title: _____

Date: _____

Cc: Christine Davis, Finance Director