

**CITY COUNCIL  
COMMUNICATION:**

**ITEM \_\_\_\_\_**

**OFFICE OF THE CITY MANAGER  
CITY OF DES MOINES, IOWA**

**98-429**

**SYNOPSIS —**

**AGENDA:**

SEPTEMBER 28, 1998

**SUBJECT:**

SELECTION OF NEW  
FINANCIAL  
ADVISOR FOR DEBT  
MANAGEMENT  
AND ISSUANCE

The highest-scoring response to the City's Request for Proposal (RFP) for financial advisory services was submitted by Public Financial Management, Inc. (PFM). PFM (F. John White, Chief Executive Officer, Philadelphia, PA) would replace Springsted, Inc., which has served ably as the City's financial advisor since winning the last RFP competition in 1990.

**FISCAL IMPACT —**

**TYPE:**

**RESOLUTION  
ORDINANCE  
RECEIVE/FILE**

Depends on frequency and size of City bond issues, but would have cost \$112,500 for the last three bond issues (stretching back to Spring 1997) and the next projected bond issue (Winter 1999). See final attachment. The financial advisor's fee will be paid from proceeds of individual bond issues, as they are sold.

**SUBMITTED BY:**

KEVIN RIPER  
FINANCE  
DIRECTOR/  
TREASURER

**RECOMMENDATION —**

**Approve contract with Public Financial Management, Inc. as the City's new financial advisor for debt management and issuance.**

**BACKGROUND —**

As a relatively frequent issuer of debt—both general obligation and enterprise fund—the City, for many years, has retained an independent financial advisor to assist with the structuring, management, marketing, and sale of bond issues. From 1982 to 1990, the James J. Lowrey Company of New York served as financial advisor. Since 1990, Springsted, Inc. of St. Paul, Minnesota, has been the City's financial advisor.

On July 13, 1998, Council approved and directed the distribution of an RFP for financial advisory services. Eighteen RFPs were mailed, with four responses received: 1) Evensen-Dodge of Minneapolis, with an office in Des Moines; 2) Public Financial Management, Inc. of Philadelphia, with a Minneapolis office relocating to Des Moines this year; 3) Speer Financial, Inc. of Chicago, with an office in Waterloo; and 4) Springsted, Inc. of St. Paul, with an office in Des Moines.

A selection committee consisting of the Finance Director/Treasurer, City Solicitor Lawrence McDowell, and Management Analyst Robyn Ellert evaluated the proposals and interviewed all four firms for two hours each. Three finalist firms were selected, and extensive reference checks performed, even on the City's current financial advisor, Springsted, in an attempt to eliminate possible "familiarity bias."

The selection committee rated each firm according to the criteria in the RFP: adherence to RFP (10 percent), experience/qualifications/references (65 percent), and price (25 percent). The combined point totals were:

Public Financial Management	95 points
Evensen-Dodge	78
Springsted	77

The selection committee concluded that PFM substantially exceeded the other firms in its ability to assist the City, based on staff competence, experience, quantitative skills, and references. Furthermore, PFM's price is noticeably lower than the other firms. Details of the scoring appear in the first attachment and price comparisons appear in the second attachment.

PFM's primary contact for the City will be Jeanne Frederick Vanda, who heads PFM's upper midwest office, which is moving from Minneapolis to Des Moines this year. PFM and Ms. Vanda have served for several years as financial advisor to the Des Moines Independent Community School District. Recently, the School District expanded PFM's role to include analytical reviews and recommendations of the type often made by a chief financial officer. City staff have reviewed this new relationship between PFM and the School District—as well as

PFM's resources to be dedicated to the City's needs—and are confident that PFM can fulfill its contractual commitments to the City capably and fairly. [In the relatively small world of Iowa public finance advisors, two of the other three responding firms also have advisory relationships with public entities whose geographic boundaries overlap with the City: Evensen-Dodge (Polk County) and Speer (Des Moines Water Works). Only Springsted has no such overlapping clients.]

The recommended contract with PFM calls for a three-year term with two one-year renewals at the option of the City. Initial tasks for PFM will be:

- Analysis and recommendations on the City's existing general obligation debt structure and the 70 percent debt margin policy.
- Financing options for the Gateway Project, Gray's Lake, and Court Avenue Entertainment Center.
- Preparation for an anticipated sale of parking revenue and refunding bonds in early 1999.

Attachments (2)