

Contract Number 1620364-03  
Original Contract Number 1620364

October, 2017 F. Dutchie/vw  
City of Philadelphia  
City Treasurer's Office

## **STANDARD AMENDMENT AGREEMENT**

### **CONFORMED**

**THIS STANDARD AMENDMENT AGREEMENT** ("Amendment Agreement") is made as of November 15, 2017 and effective the 1st day of January, 2018, (the "Effective Date"), by and between THE CITY OF PHILADELPHIA (the "City"), by and through its City Treasurer's Office ("Department"), and PFM FINANCIAL ADVISORS, LLC ("Provider or Assignee"), a limited liability company with its principal place of business located at 1735 Market Street, 43rd Floor, Philadelphia, Pennsylvania 19103.

### **BACKGROUND**

The City and Public Financial Management, Inc. ("Former Provider or Assignor") entered into a certain Contract, Contract Number 1620364, dated June 14, 2016, for an Initial Term from January 1, 2016 through December 31, 2016, which Contract includes the General Provisions, the Provider Agreement and any and all exhibits and attachments thereto (collectively, the "Base Contract"), wherein Provider agreed to render various Financial Advisor Services to the City in accordance therewith for an amount not to exceed ONE HUNDRED FIFTY THOUSAND DOLLARS (\$150,000.00); and

The City, Assignor, and Assignee entered into an Amendment to the Base Contract, Contract Number 1620364-01, dated December 20, 2016, for the period effective August 25, 2016 to December 31, 2016, in order for Assignor to assign its interest in Contract Number 1620364 to Assignee, in order for Assignee to continue to render the Financial Advisor Services as specified in the Base Contract and pursuant to an agreement between Assignor and Assignee, effective July 5, 2016, Assignor transferred to Assignee all of its rights, title, and

interest in Contract Number 1620364 and all obligations to the City under Contract Number 1620364 and Assignee assumed and ratified such right, title, interest and obligations and the City consented to such assignment and assumption; and

The City and Provider entered into an Amendment to the Base Contract, as amended, Contract Number 1620364-02, dated June 12, 2017, for the period January 1, 2017, to December 31, 2017, to add an Additional Term and to increase the amount of compensation payable under the Base Contract, as amended, by ONE HUNDRED FIFTY THOUSAND DOLLARS (\$150,000.00) in order for Provider to continue to render the Services and provide the Materials specified in the Base Contract, as amended; and

The City and Provider desire to enter into an Amendment to the Base Contract, as amended, Contract Number 1620364-03, for the period January 1, 2018, to December 31, 2018, to add an Additional Term and to increase the amount of compensation payable under the Base Contract, as amended, by ONE HUNDRED FIFTY THOUSAND DOLLARS (\$150,000.00) in order for Provider to continue to render the Services and provide the Materials specified in the Base Contract, as amended; and

The City and Provider have agreed to amend certain terms and conditions of the Base Contract, as amended, as set forth herein.

In consideration of the mutual obligations set forth herein, and each intending to be legally bound, the City and Provider covenant and agree as of the Effective Date as follows:

#### **ARTICLE I: AMENDMENTS TO THE CONTRACT**

With the exception of the following amendments set forth in this Amendment Agreement, and subject to councilmanic appropriation of funds, the terms and conditions of the Base Contract, as amended, shall be and remain in full force and effect:

##### **1.1 Definitions.**

Capitalized terms not otherwise defined herein shall have the meanings set forth in the Base Contract, as amended.

1.2 **Term.**

The Base Contract, as amended, is amended to add an Additional Term, commencing January 1, 2018, and expiring December 31, 2018.

1.3 **Compensation.**

As compensation for the Services and Materials being provided under this Amendment Agreement, the City covenants and agrees to increase the amount of compensation payable to Provider by an amount not to exceed ONE HUNDRED FIFTY THOUSAND DOLLARS (\$150,000.00). Therefore, notwithstanding anything in the Contract to the contrary, in no event shall the amount certified by the Office of the Director of Finance for Services and Materials under the Contract, including this Amendment Agreement, exceed FOUR HUNDRED FIFTY THOUSAND DOLLARS (\$450,000.00).

1.4 **Electronic Signatures.**

The Parties agree to conduct this transaction electronically, including the execution of this Amendment Agreement using the means of electronic signature provided below.

*{THE REMAINDER OF THIS PAGE LEFT BLANK INTENTIONALLY. SIGNATURE PAGE FOLLOWS.}*

IN WITNESS WHEREOF, the Parties, intending to be legally bound by all of the Contract Documents, have caused this Amendment Agreement to be executed by their respective duly authorized officers as of the date in the heading of this Amendment Agreement.

APPROVED AS TO FORM  
SOZI PEDRO TULANTE, CITY SOLICITOR      THE CITY OF PHILADELPHIA  
Through: City Treasurer's Office

Per: DocuSigned by:  
Francois Dutchie  
E2DD4B0A2D21470...

Name: Francois Dutchie

Title: Chief Deputy City Solicitor

By: DocuSigned by:  
Rasheia Johnson  
F34BB946F6F9416...

Name: Rasheia Johnson

Title: City Treasurer

PFM FINANCIAL ADVISORS, LLC

By: DocuSigned by:  
Katherine Clupper  
5A89873DD8FA4FA...

Name: Katherine Clupper

Title: Managing Director

WITNESS

By: DocuSigned by:  
Stacy McLean  
5B5BC32627BF4DC...

Name: Stacy McLean



## City of Philadelphia Contract Routing Slip

### External Negotiation/Encumbrance & Budget Verification (Conformance Manager)

1. Review contract as signed by vendor and consult with supervisor.

Click the check box to attach additional documentation, if required.

2. Confirm Encumbrance then forward in ACIS to Budget Verification.
  3. Confirm Budget Verification completed in ACIS.
- ☒ Send to Law.

### Approve as to Form – Attorney Upload Document (Optional)

Click the check box to attach additional documentation, if required.

### After AATF – Forward in ACIS

- ☒ Forward in ACIS to Initial Certification.

### Finance Certification

- ☒ Attach the Endorsement Sheet then forward in ACIS to Finance Review.



### Finance Review

- ☒ Review then forward in ACIS to Department Signs Contract.

### After Departmental Review – Forward in ACIS

- ☒ Forward in ACIS to Conformance.

### Conformance Review (Conformance Clerk)

- ☒ Conform Contract and Conform in ACIS.

<b>CONTRACT SUMMARY AND ENDORSEMENT</b>						<b>DATE</b> 11/8/2017	
<b>TO THE LAW DEPARTMENT:</b> The attached bid and award described below is referred to you for certification as to form, and where annual surety bond is on file, to have Contractor post satisfactory bond.							
<b>CONTRACTOR</b> PFM Financial Advisors LLC				<b>FINANCE CONTR. NO.</b> 16 20364		<b>LAW DEPT. NO.</b> 16 20364 03	
				<b>AMT. OF CONTRACT</b> \$450,000.00		<b>ANN. SURETY BOND</b>	
<b>DESCRIPTION</b> Water FA				<b>PERIOD COVERED</b> 1/1/2016 - 12/31/2018			
<b>ENDORSEMENT</b>							
<b>OFFICE OF THE DIRECTOR OF FINANCE-ACCOUNTING DIVISION</b> Examined: Pat Preston				<b>OFFICE OF THE CITY CONTROLLER</b> Examined:			
(For the Director of Finance)				(For the City Controller)			
PP 11-8-17 (Date)				(Date)			
This contract approved as to availability of funds under the budget and appropriations pursuant to section 8-200 (2) (d) of the Home Rule Charter.							
(For the Director of Finance)				(For the City Controller)			
11-04-17 (Date)				(Date)			
DOCUMENT NO.	ACCOUNT CODE					DEPARTMENT OR AGENCY	AMOUNT CHARGEABLE TO ACCOUNT
	FUND	DEPT	ELEMENT	SUB ELEMENT	CLASS		
						Previously Encumbered	\$300,000.00 ✓
MDXX18000159 01	020	28	07	01	0250	WATER	\$75,000.00 JE
<b>TOTAL.</b>						<b>\$375,000.00</b>	
Partial Certification. Contract increased to \$450,000.00. Contract extended to 12/31/2018.							
Amendment - Time + JE							

## Certificate Of Completion

Envelope Id: D80755BDCF234C8D9D8BD5126C1E6AB7

Status: Completed

Subject: Contract # 1620364-03 (PFM Financial Advisors, LLC)

Source Envelope:

Document Pages: 6

Signatures: 4

Certificate Pages: 4

Initials: 0

AutoNav: Enabled

Envelope Stamping: Enabled

Time Zone: (UTC-08:00) Pacific Time (US & Canada)

Envelope Originator:

City of Philadelphia Law Department

1234 Market Street

Suite 1800

Philadelphia, PA 19107

law.contractinitiation@phila.gov

IP Address: 170.115.248.25

## Record Tracking

Status: Original

10/20/2017 9:00:52 AM

Holder: City of Philadelphia Law Department

law.contractinitiation@phila.gov

Location: DocuSign

## Signer Events

Katherine Clupper

clupperk@pfm.com

Managing Director

Security Level: Email, Account Authentication  
(None), Access Code

## Signature:

DocuSigned by:  
*Katherine Clupper*  
5A89873DD8F4FA...

Using IP Address: 65.123.82.4

## Timestamp

Sent: 10/25/2017 12:47:51 PM

Viewed: 10/25/2017 12:55:12 PM

Signed: 10/25/2017 12:56:10 PM

## Electronic Record and Signature Disclosure:

Accepted: 10/25/2017 12:55:12 PM

ID: 5334bf8a-e325-47c7-bea5-7ad790bf36d0

Stacy McLean

mcleans@pfm.com

Security Level: Email, Account Authentication  
(None), Access Code

DocuSigned by:  
*Stacy McLean*  
6B5B32827BF4DC...

Using IP Address: 65.123.82.4

Sent: 10/25/2017 12:56:12 PM

Viewed: 10/25/2017 12:58:31 PM

Signed: 10/25/2017 1:00:18 PM

## Electronic Record and Signature Disclosure:

Accepted: 10/25/2017 12:58:31 PM

ID: fbaa3a3a-2951-43cd-8fcb-48c626217015

Keola Harrington

keola.harrington@phila.gov

Security Level: Email, Account Authentication  
(None)

## Completed

Using IP Address: 170.115.248.24

Sent: 10/25/2017 1:00:20 PM

Viewed: 10/25/2017 1:00:42 PM

Signed: 10/25/2017 1:00:57 PM

## Electronic Record and Signature Disclosure:

Accepted: 11/13/2017 6:17:44 AM

ID: ff7c334b-4e33-4ec3-9b99-610c0e013380

Francois Dutchie

Francois.Dutchie@phila.gov

Security Level: Email, Account Authentication  
(None)

DocuSigned by:  
*Francois Dutchie*  
E2DD480A2D21470...

Using IP Address: 68.82.141.127

Signed using mobile

Sent: 10/25/2017 1:00:58 PM

Viewed: 10/28/2017 7:29:38 AM

Signed: 10/28/2017 7:31:24 AM

## Electronic Record and Signature Disclosure:

Accepted: 10/28/2017 7:29:38 AM

ID: 3c957d5a-bd09-41d1-9418-f6897388cf37

Signer Events	Signature	Timestamp
Law ContractConformance LawContractConformance@phila.gov Security Level: Email, Account Authentication (None)  <b>Electronic Record and Signature Disclosure:</b> Accepted: 10/30/2017 12:10:41 PM ID: a8da2638-5636-407f-b737-29494f8b3846	<b>Completed</b>  Using IP Address: 170.115.248.25	Sent: 10/28/2017 7:31:26 AM Viewed: 10/30/2017 12:10:41 PM Signed: 10/30/2017 12:10:53 PM
Finance ContractCertification Finance.ContractCertification@phila.gov Security Level: Email, Account Authentication (None)  <b>Electronic Record and Signature Disclosure:</b> Accepted: 11/9/2017 12:15:50 PM ID: 255245d3-59bb-4e31-bb7d-0076b79d0333	<b>Completed</b>  Using IP Address: 170.115.248.25	Sent: 10/30/2017 12:10:54 PM Viewed: 11/8/2017 12:31:51 PM Signed: 11/9/2017 12:24:36 PM
Catherine Paster Catherine.Paster@phila.gov City of Philadelphia Security Level: Email, Account Authentication (None)  <b>Electronic Record and Signature Disclosure:</b> Not Offered via DocuSign	<b>Completed</b>  Using IP Address: 170.115.248.24	Sent: 11/9/2017 12:24:39 PM Viewed: 11/10/2017 6:00:23 AM Signed: 11/10/2017 6:00:32 AM
Rashela Johnson rashela.johnson@phila.gov Security Level: Email, Account Authentication (None)  <b>Electronic Record and Signature Disclosure:</b> Accepted: 11/15/2017 10:50:57 AM ID: d17a23f9-361b-4abe-9b6b-dc1effa82fb1	DocuSigned by:  F34B8B46F0F9416...  Using IP Address: 170.115.248.25	Sent: 11/13/2017 6:17:46 AM Viewed: 11/15/2017 10:50:57 AM Signed: 11/15/2017 10:51:16 AM
Keola Harrington keola.harrington@phila.gov Security Level: Email, Account Authentication (None)  <b>Electronic Record and Signature Disclosure:</b> Accepted: 11/13/2017 6:17:44 AM ID: ff7c334b-4e33-4ec3-9b99-610c0e013380	<b>Completed</b>  Using IP Address: 170.115.248.25	Sent: 11/15/2017 10:51:18 AM Viewed: 11/15/2017 11:21:37 AM Signed: 11/15/2017 11:21:41 AM
Law ContractConformance LawContractConformance@phila.gov Security Level: Email, Account Authentication (None)  <b>Electronic Record and Signature Disclosure:</b> Accepted: 11/15/2017 12:57:35 PM ID: 10e7d8d5-e4c9-495a-b448-216ab5827bdf	<b>Completed</b>  Using IP Address: 170.115.248.24	Sent: 11/15/2017 11:21:43 AM Viewed: 11/15/2017 12:57:35 PM Signed: 11/15/2017 12:57:43 PM

In Person Signer Events	Signature	Timestamp
Editor Delivery Events	Status	Timestamp
Agent Delivery Events	Status	Timestamp



Agent Delivery Events	Status	Timestamp
Keola Harrington keola.harrington@phila.gov Security Level: Email, Account Authentication (None)	<div>VIEWED</div> Using IP Address: 170.115.248.24	Sent: 10/20/2017 9:04:10 AM Resent: 10/23/2017 9:12:22 AM Viewed: 10/25/2017 12:44:50 PM Completed: 10/25/2017 12:47:50 PM
<b>Electronic Record and Signature Disclosure:</b> Accepted: 11/13/2017 6:17:44 AM ID: ff7c334b-4e33-4ec3-9b99-610c0e013380		
Keola Harrington keola.harrington@phila.gov Security Level: Email, Account Authentication (None)	<div>VIEWED</div> Using IP Address: 170.115.248.24	Sent: 11/10/2017 6:00:34 AM Viewed: 11/13/2017 6:17:44 AM Completed: 11/13/2017 6:17:46 AM
<b>Electronic Record and Signature Disclosure:</b> Accepted: 11/13/2017 6:17:44 AM ID: ff7c334b-4e33-4ec3-9b99-610c0e013380		
Intermediary Delivery Events	Status	Timestamp
Certified Delivery Events	Status	Timestamp
Carbon Copy Events	Status	Timestamp
Katherine Clupper clupperk@pfm.com Managing Director Security Level: Email, Account Authentication (None), Access Code	<div>COPIED</div>	Sent: 10/25/2017 12:47:50 PM Viewed: 10/25/2017 12:49:44 PM
<b>Electronic Record and Signature Disclosure:</b> Accepted: 10/25/2017 12:55:12 PM ID: 5334bf8a-e325-47c7-bea5-7ad790bf36d0		
Controller Contracts Controller.Contracts@phila.gov Security Level: Email, Account Authentication (None)	<div>COPIED</div>	Sent: 11/15/2017 12:57:45 PM
<b>Electronic Record and Signature Disclosure:</b> Not Offered via DocuSign		
Notary Events	Signature	Timestamp
Envelope Summary Events	Status	Timestamps
Envelope Sent	Hashed/Encrypted	11/15/2017 12:57:45 PM
Certified Delivered	Security Checked	11/15/2017 12:57:45 PM
Signing Complete	Security Checked	11/15/2017 12:57:45 PM
Completed	Security Checked	11/15/2017 12:57:45 PM
Payment Events	Status	Timestamps
Electronic Record and Signature Disclosure		

**This Electronic Records and Signature Disclosure is provided by the City of Philadelphia in connection with a pending electronic transaction. Any party proceeding with such electronic transaction is deemed to have consented i) to conduct the transaction by electronic means; and ii) where execution of an agreement is required, to the use of electronic signatures using the method provided in the agreement. Questions regarding this Electronic Records and Signature Disclosure should be addressed to [econtractphilly@phila.gov](mailto:econtractphilly@phila.gov).**

Contract Number 1620364-02  
Original Contract Number 1620364

March, 2017 F. Dutchie/vw  
City of Philadelphia  
City Treasurer's Office

## **STANDARD AMENDMENT AGREEMENT**

**THIS STANDARD AMENDMENT AGREEMENT** ("Amendment Agreement") is made as of this 12<sup>th</sup> day of June, 2017, and effective the 1st day of January, 2017 (the "Effective Date"), by and between THE CITY OF PHILADELPHIA (the "City"), by and through its City Treasurer's Office ("Department"), and PFM FINANCIAL ADVISORS, LLC ("Provider or Assignee"), a limited liability company with its principal place of business located at 1735 Market Street, 43rd Floor, Philadelphia, Pennsylvania 19103.

### **BACKGROUND**

The City and Public Financial Management, Inc. ("Former Provider or Assignor") entered into a certain Contract, Contract Number 1620364, dated June 14, 2016, for an Initial Term from January 1, 2016 through December 31, 2016, which Contract includes the General Provisions, the Provider Agreement and any and all exhibits and attachments thereto (collectively, the "Base Contract"), wherein Provider agreed to render various Financial Advisor Services to the City in accordance therewith for an amount not to exceed ONE HUNDRED FIFTY THOUSAND DOLLARS (\$150,000.00); and

The City, Assignor, and Assignee entered into an Amendment to the Base Contract, Contract Number 1620364-01, dated December 20, 2016, for the period effective August 25, 2016 to December 31, 2016, in order for Assignor to assign its interest in Contract Number 1620364 to Assignee, in order for Assignee to continue to render the Financial Advisor Services as specified in the Base Contract and pursuant to an agreement between Assignor and Assignee, effective July 5, 2016, Assignor transferred to Assignee all of its rights, title, and interest in Contract Number 1620364 and all obligations to the City under Contract Number

1620364 and Assignee assumed and ratified such right, title, interest and obligations and the City consented to such assignment and assumption; and

The City and Provider desire to enter into an Amendment to the Base Contract, as amended, Contract Number 1620364-02, for the period January 1, 2017 to December 31, 2017, to add an Additional Term and to increase the amount of compensation payable under the Base Contract, as amended, by ONE HUNDRED FIFTY THOUSAND DOLLARS (\$150,000.00), in order for Provider to continue to render the Services and provide the Materials specified in the Base Contract, as amended; and

The City and Provider have agreed to amend certain terms and conditions of the Base Contract, as amended, as set forth herein.

In consideration of the mutual obligations set forth herein, and each intending to be legally bound, the City and Provider covenant and agree as of the Effective Date as follows:

#### **ARTICLE I: AMENDMENTS TO THE CONTRACT**

With the exception of the following amendments set forth in this Amendment Agreement, and subject to councilmanic appropriation of funds, the terms and conditions of the Base Contract, as amended, shall be and remain in full force and effect:

**1.1 Definitions.**

Capitalized terms not otherwise defined herein shall have the meanings set forth in the Base Contract, as amended.

**1.2 Term.**


The Base Contract, as amended, is amended to add an Additional Term, commencing January 1, 2017 and expiring December 31, 2017.

**1.3 Compensation.**

As compensation for the Services and Materials being provided under this Amendment Agreement, the City covenants and agrees to increase the amount of compensation payable to Provider by an amount not to exceed ONE HUNDRED FIFTY THOUSAND

DOLLARS (\$150,000.00). Therefore, notwithstanding anything in the Contract to the contrary, in no event shall the amount certified by the Office of the Director of Finance for Services and Materials under the Contract, including this Amendment Agreement, exceed THREE HUNDRED THOUSAND DOLLARS (\$300,000.00).

IN WITNESS WHEREOF, the Parties, intending to be legally bound by all of the Contract Documents, have caused this Amendment Agreement to be executed by their respective duly authorized officers as of the date in the heading of this Amendment Agreement.

APPROVED AS TO FORM  
SOZI PEDRO TULANTE, CITY SOLICITOR  
Per:   
FRANCOIS DUTCHIE  
Divisional Deputy City Solicitor

**THE CITY OF PHILADELPHIA**

Through: The City Treasurer's Office

By: 

Title: \_\_\_\_\_

**PFM FINANCIAL ADVISORS, LLC**

By: 

Katherine L. Clapper  
Print Name

Title: Managing Director

WITNESS:

\_\_\_\_\_  
STACY MC LEAN  
Print Name



Contract Number 1620364-01  
Original Contract Number 1620364

September, 2016 F. Dutchie/vw  
City of Philadelphia  
Office of the City Treasurer

**ASSIGNMENT AND ASSUMPTION  
AND STANDARD AMENDMENT AGREEMENT**

**THIS ASSIGNMENT AND ASSUMPTION AND STANDARD AMENDMENT AGREEMENT** ("Amendment Agreement") is made as of this       day of       , 2016, with an effective date of August 25, 2016 (the "Effective Date"), by and between THE CITY OF PHILADELPHIA (the "City"), by and through its Office of the City Treasurer ("Department"), and PUBLIC FINANCIAL MANAGEMENT, INC. ("Assignor"), a corporation with its principal place of business located at 18 Arch Street, Two Logan Square, Suite 1600, Philadelphia, Pennsylvania 19103, and PFM FINANCIAL ADVISORS, LLC ("Assignee or Provider"), a limited liability company with its principal place of business located at 1735 Market Street, 43rd Floor, Philadelphia, Pennsylvania 19103.

**BACKGROUND**

The City and Assignor entered into a certain Contract, Contract Number 1620364, dated June 14, 2016, for an Initial Term from January 1, 2016 through December 31, 2016, which Contract includes the General Provisions, the Provider Agreement and any and all exhibits and attachments thereto (collectively, the "Base Contract or Base Agreement"), wherein Assignor agreed to render various Financial Advisor Services in accordance therewith and a copy of the Base Contract, Contract No. 1620364 is attached and identified as "Exhibit A" and is hereby incorporated by reference; and

The City, Assignor, and Assignee desire to enter into an Amendment to the Base Contract, Contract Number 1620364-01, for the period effective August 25, 2016 to December 31, 2016, in order for Assignor to assign its interest in Contract Number 1620364 to Assignee, in

order for Assignee to continue to render the Financial Advisor Services as specified in the Base Contract; and

Pursuant to an agreement between Assignor and Assignee, effective July 5, 2016, Assignor transferred to Assignee all of its rights, title, and interest in Contract Number 1620364, and all obligations to the City under Contract Number and Assignee assumed and ratified such right, title, interest and obligations; and

Assignor desires to assign its interest in Contract Number 1620364 including all of Assignor's rights and responsibilities thereunder; Assignee desires to assume such interest, rights, and responsibilities and accept such assignment; the City's consent is required for such assignment and assumption pursuant to Contract Number 1620364 and the City desires to consent to such assignment and assumption; and

The City, Assignor and Assignee have agreed to amend certain terms and conditions of the Base Contract as set forth herein.

In consideration of the mutual obligations set forth herein, and each intending to be legally bound, the City, Assignor, and Assignee covenant and agree as follows:

#### **ARTICLE I - ASSIGNMENT AND ASSUMPTION**

With the exception of the following amendments set forth in this Amendment Agreement, and subject to councilmanic appropriation of funds, the terms and conditions of the Base Contract, as amended, shall be and remain in full force and effect:

1.1 The parties hereto acknowledge that the foregoing recitals are accurate in all material respects.

1.2 Assignor represents and warrants to the City that to the best of its knowledge and belief: Assignee is not insolvent or bankrupt; neither Assignee nor representative of Assignee has filed a petition in federal or state court for bankruptcy, reorganization arrangements,



insolvency or liquidation proceedings, or other proceedings for relief under any bankruptcy law, or similar law for relief of debtors instituted by or against Assignee; nor has a bill in equity, or other proceeding for the appointment of a receiver, trustee, liquidator, custodian, conservator, or similar official for any of Assignee's assets commenced as of the date of this Amendment Agreement.

1.3 Assignee represents and warrants to the City that Assignee is solvent; that neither Assignee nor any representative of Assignee has filed a petition in any federal or state court for bankruptcy, reorganization arrangement, insolvency or liquidation proceedings, or other proceedings for relief under any bankruptcy law, or similar law for relief of debtors instituted by or against Assignee; nor has a bill in equity or other proceeding for the appointment of a receiver, trustee, liquidator, custodian, conservator, or similar official for any of Assignee's assets commenced as of the date of this Amendment Agreement.

1.4 Assignee represents and warrants to the City that it possesses the resources, technical competence, and experience necessary to assume Assignor's obligations under the following City of Philadelphia Contracts: Contract Number 1620364.

1.5 Assignee represents and warrants to the City that Assignee is a corporation qualified to do business in the Commonwealth of Pennsylvania and the City of Philadelphia.

1.6 Assignor represents and warrants to the City that pursuant to the Assignment/Assumption Agreement between Assignor and Assignee, effective July 5, 2016, Assignor assigned the following Contracts with the City of Philadelphia to Assignee: Contract Number 1620364.

1.7 Assignee represents and warrants to the City that pursuant to the Assignment/Assumption Agreement between Assignor and Assignee, effective July 5, 2016,

Assignee assumed the following Contract with the City of Philadelphia from Assignor: Contract Number 1620364.

1.8 Assignor warrants and represents that it has executed no other agreement with any party (other than the Assignment/Assumption Agreement and this Amendment Agreement) relating to the assignment and/or assumption of the following Contracts with the City of Philadelphia to Assignee: Contract Number 1620364.

1.9 Assignor and Assignee expressly agree that in the event of any conflict between this Amendment Agreement and the Assignment/Assumption Agreement between Assignor and Assignee this Amendment Agreement shall govern.

1.10 Effective as of July 5, 2016, Assignor hereby transfers, sets over and assigns unto Assignee all of the right, title and interest of Assignor in and to City of Philadelphia Contract Number 1620364, together with the benefits and advantages to be derived from said Contracts, and all rights and responsibilities of Assignor under the said Contracts.

1.11 Effective as of July 5, 2016, Assignee hereby assumes all of the right, title and interest of Assignor in and to City of Philadelphia Contract Number 1620364, together with the benefits and advantages to be derived therefrom and all rights and responsibilities, obligations, and liabilities of Assignor thereunder; and Assignee hereby ratifies, and agrees that it will be bound by, all of the terms and conditions of said Contracts.

1.12 Assignor, Assignee, and the City agree that any and all payments due from the City under the City of Philadelphia Contract Number 1620364, prior to the execution of this Amendment Agreement by all parties, including, without limitation, any such payments that may be in arrears, shall be payable to Assignor at the following address:

PUBLIC FINANCIAL MANAGEMENT, INC.  
18 Arch Street, Two Logan Square, Suite 1600

Philadelphia, Pennsylvania 19103

1.13 Following the execution of this Amendment Agreement by all parties, any and all payments due under City of Philadelphia Contract Number 1620364 shall be payable to Assignee and shall be mailed or otherwise delivered to Assignee, at the following address:

PFM FINANCIAL ADVISORS, LLC  
1735 Market Street, 43rd Floor  
Philadelphia, Pennsylvania 19103

1.14 The name of Assignee shall be substituted for the name of Assignor wherever the latter appears in the City of Philadelphia Contract Number 1620364.

1.15 Subject to the terms and conditions hereof, the City consents to the assignment and assumption of the City of Philadelphia Contract Number 1620364 from Assignor to Assignee as set forth herein.

1.16 All terms, covenants and conditions of City of Philadelphia Contract Number 1620364, assigned and assumed pursuant to this Amendment Agreement, shall remain in full force and effect.

1.17 This Amendment Agreement may be executed in counterparts, each of which shall be deemed an original and shall together constitute a single valid and binding instrument. This Amendment Agreement shall be effective upon, but only upon, the execution by each party of one counterpart hereof.

1.18 This Amendment Agreement is made in Philadelphia, Pennsylvania and shall be governed by the laws of the Commonwealth of Pennsylvania. Any lawsuit, action, claim or legal proceeding arising out of or related to this Agreement shall be brought exclusively in the United States District Court for the Eastern District of Pennsylvania or the Court of Common Pleas of

Philadelphia County and jurisdiction over any such lawsuit, action, claim, or legal proceeding shall lie exclusively in either of these two forums.

1.19 This Amendment Agreement represents the entire agreement by and among the Assignor, Assignee and City with respect to the assignment of Contract Number 1620364.

## **ARTICLE II: AMENDMENTS TO THE CONTRACT**

### **2.1 Definitions.**

Capitalized terms not otherwise defined herein shall have the meanings set forth in the Base Contract.

### **2.2 Notice.**

Section 13.1 ("Notice") of the Base Contract, as amended, is hereby amended to provide for notices to be sent to the Assignee/Provider and City of Philadelphia under this Contract to the following representatives:

#### **IF TO THE CITY:**

Attn.: Bhavin Patel  
Contract Conformance Manager  
City of Philadelphia  
Office of the City Treasurer  
1401 John F. Kennedy Boulevard, Room 640  
Philadelphia, PA 19102  
Phone No.: 215.686.3823  
Fax No.: 215.686.3815

#### **IF TO THE PROVIDER:**

Attn.: Kathy Clupper  
Managing Director  
PFM Financial Advisors, LLC  
1735 Market Street, 43rd Floor  
Philadelphia, PA 19103  
Phone No.: 215.567.6100

**2.3 Other Amendments.**

The Base Contract, as amended, is amended in accordance with the Exhibit listed below, which is attached to this Amendment Agreement and incorporated in the Base Contract, as amended, by reference:

**S.A.A.-1: Provider's Letter dated July 5, 2016**

IN WITNESS WHEREOF, the Parties, intending to be legally bound, have caused this Amendment Agreement to be executed by their respective duly authorized officers.

APPROVED AS TO FORM  
SOZI PEDRO TULANTE, CITY SOLICITOR

Per: \_\_\_\_\_  
FRANCOIS DUTCHIE  
Divisional Deputy City Solicitor

CORPORATE SEAL:

WITNESS

\_\_\_\_\_  
Print Name

**THE CITY OF PHILADELPHIA**

Through: Office of the City Treasurer

By: \_\_\_\_\_

Title: City Treasurer

**ASSIGNOR:  
PUBLIC FINANCIAL MANAGEMENT,  
INC.**

By: \_\_\_\_\_

Title: \_\_\_\_\_  
President or Vice-President

Attest: \_\_\_\_\_

Title: \_\_\_\_\_  
(Ass't) Secretary or (Ass't) Treasurer

**ASSIGNEE:  
PFM FINANCIAL ADVISORS LLC**

By: \_\_\_\_\_

\_\_\_\_\_  
Print Name

Title: \_\_\_\_\_

**EXHIBIT A**

**COPY OF ORIGINAL CONTRACT NO. 1620364**

**EXHIBIT S.A.A.-1**

**PROVIDER'S LETTER DATED JULY 5, 2016**

## **PROVIDER AGREEMENT**

### **(General Consultant Services)**

**THIS PROVIDER AGREEMENT** is made as of the       day of  
20\_\_, by and between The City of Philadelphia (the "City"), by and through the City Treasurer's  
Office (the "Department"), and Public Financial Management Inc. ("Provider"), a for-profit  
corporation, with its principal place of business at Two Logan Square, Suite 1600, Philadelphia,  
PA 19103.

### **BACKGROUND**

The City and Provider desire that Provider render general consultant services to  
the City in accordance with the provisions of this Provider Agreement, the City of Philadelphia  
Professional Services Contract General Consultant Services General Provisions, as revised  
August, 2014 (the "General Provisions") and all of the other documents and exhibits which  
together constitute the Contract Documents as defined in the General Provisions. A copy of the  
General Provisions is attached hereto and incorporated herein by reference.

In consideration of the mutual obligations set forth herein, and intending to be  
legally bound, the City and Provider covenant and agree as follows:

### **ARTICLE I: GENERAL TERMS**

#### **1.1 Incorporation of Background.**

The Background is incorporated by reference herein.



1.2 **Definitions.**

Capitalized terms shall have the meanings set forth in the General Provisions.

**ARTICLE II: TERM**

2.1. **Initial Term.**

The term of this Contract shall commence on January 1, 2016, and shall terminate on December 31, 2016, unless terminated earlier in accordance with the terms of the Contract.

2.2 **Additional Term(s).**

This Contract may be amended by the City, in its sole discretion, in accordance with Section 2.2 (Additional Terms) of the General Provisions. The terms and conditions applicable during the Initial Term shall be applicable during any Additional Term.

**ARTICLE III: SERVICES AND MATERIALS**

3.1 **Services and Materials.**

Provider shall perform the Services and provide the Materials described in the Exhibit listed below, which is attached hereto and incorporated herein by reference:

**Exhibit PA-1: Scope of Work and Cost Proposal**

**ARTICLE IV: COMPENSATION**

4.1 **Amount.**

As compensation for the Services and Materials rendered and provided, the City covenants and agrees to pay to Provider in accordance with the following Exhibit, which is attached hereto and incorporated herein by reference, subject to all limitations on the allowability of cost items imposed by the City of Philadelphia Contract Cost Principles and Guidelines:

**Exhibit PA-1: Scope of Work and Cost Proposal**

Notwithstanding anything in this Contract to the contrary, in no event shall the amount certified by the Office of the Director of Finance for Services and Materials during the Initial Term or any Additional Term exceed the maximum amount of ONE HUNDRED AND FIFTY THOUSAND DOLLARS (\$150,000.00).

**4.2 Manner of Payment.**

(a) Payment shall be made after Provider's timely submission of invoices to the Responsible Official, in the number, form and content acceptable to the Responsible Official, accompanied by such additional supporting data and documentation as the Responsible Official may require. All payments to Provider are contingent upon satisfactory performance of the terms and conditions of this Contract. Provider shall submit its final invoice not more than sixty (60) days from completion of the Services and delivery of Materials. All payments to Provider shall be by checks drawn by the City Treasurer.

(b) The City reserves the right to withhold or offset against any funds payable to Provider for any invoice for which the Responsible Official asserts a discrepancy exists or for Provider's failure to satisfactorily perform the terms of the Contract, as determined solely by the City.

**ARTICLE V: MISCELLANEOUS PROVISIONS**

**5.1 Notice.**

Any notice required or permitted to be given under the Contract shall be given in writing and shall be personally delivered by hand with receipt obtained, by a national overnight express carrier (such as Federal Express), by facsimile, or sent by registered or certified United States mail, return receipt requested, addressed as follows:

IF TO THE CITY:

Attn.: Bhavin Patel  
Conformance Manager  
City Treasurer's Office  
1401 JFK Boulevard, Room 640  
Philadelphia, PA 19102

Phone No.: (215) 686-3823  
Fax No.: (215) 686-3815

**IF TO PROVIDER:**

Attn.: Katherine Clupper  
Managing Director  
Public Financial Management Inc.  
Two Logan Square, Suite 1600  
Philadelphia, PA 19103  
Phone No.: (215) 567-6100  
Fax No.: (215) 567-4180

**5.2 Intentionally Deleted.**

**5.3 Interpretation; Order of Precedence.**

In the event of a conflict or inconsistency between the terms of this Provider Agreement and any term, condition or provision contained in any Exhibit hereto, or any attachment to such Exhibit (including, without limitation, any proposal of Provider), the terms of this Provider Agreement shall control.

**5.4 Other Provisions.**

Other provisions, including, without limitation, OEO participation commitments and any exceptions or modifications to the General Provisions of the Contract, is set forth in the following Exhibit attached hereto and incorporated herein by reference:

**Exhibit PA-2: Mutually Agreed to Waivers to the General Provisions**

**5.5 Acknowledgement of the General Provisions.**

Provider specifically acknowledges that Provider has read and understands the terms and conditions contained in the General Provisions and acknowledges that by executing this Provider Agreement, Provider shall be legally bound by all of the terms of this Contract, including, but not limited to, those set forth in the General Provisions.

IN WITNESS WHEREOF, the Parties hereto, intending to be legally bound by all of the Contract Documents, have caused the Contract to be executed by their respective duly authorized officers as of the date in the heading of this Provider Agreement.

APPROVED AS TO FORM  
SOZI PEDRO TULANTE, CITY SOLICITOR

Per \_\_\_\_\_  
Francois Dutchie  
Divisional Deputy City Solicitor

**CORPORATE SEAL:**

**THE CITY OF PHILADELPHIA**

**Through: City Treasurer's Office**

**By:** \_\_\_\_\_

**Title:** \_\_\_\_\_

**PUBLIC FINANCIAL  
MANAGEMENT INC.**

**By:** \_\_\_\_\_

**Title:** \_\_\_\_\_  
President or Vice-President

**Attest:** \_\_\_\_\_

**Title:** \_\_\_\_\_

(Ass't) Secretary or (Ass't) Treasurer

## **Exhibit PA-1: Scope of Work and Cost Proposal**



# CITY OF PHILADELPHIA

Request for Proposal for Financial Advisory Services  
for Water and Wastewater Revenue Bonds

**October 21, 2015**

**PUBLIC FINANCIAL MANAGEMENT, INC.**

18th & Arch Street  
Two Logan Square, Suite 1600  
Philadelphia, PA 19103  
(215) 567-6100

**[www.pfm.com](http://www.pfm.com)**





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- A. Scope of Work and Work Products
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- E. Exceptions to Contract and Insurance Statement
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- H. PFM Financial Statement
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## The PFM Group

Public Financial Management, Inc.  
PFM Asset Management LLC  
PFM Advisors

Two Logan Square  
Suite 1600  
18<sup>th</sup> & Arch Streets  
Philadelphia, PA 19103

215 567-6100  
215 567-4180 fax  
www.pfm.com

October 21, 2015

Ms. Nancy Winkler  
Treasurer, City of Philadelphia  
Municipal Services Building, Room 640  
1401 John F Kennedy Boulevard  
Philadelphia, PA 19102

Ms. Melissa LaBuda  
Deputy Water Commissioner  
City of Philadelphia  
1101 Market Street, 5<sup>th</sup> Floor  
Philadelphia, PA 19102

### Attention: RFP – City of Philadelphia

Dear Ms. Winkler and Ms. LaBuda:

We are pleased to provide our response to the City of Philadelphia in conjunction with the Water Department ("PWD") request for proposal ("RFP") for Financial Advisory Services. As a team and as a firm, we are very familiar with PWD and the many issues associated with water supply and treatment in Philadelphia and nationwide.

We have a deep understanding of the water industry and the many challenges that water and wastewater agencies face. In addition, we bring not only the full suite of services that can only be offered by the largest independent financial advisor in the nation, but a keen understanding of local, regional and statewide water and wastewater policy issues.

Public Financial Management, Inc. ("PFM") is the largest independent municipal financial advisory firm in the country and as such we are prepared to address the complete scope of work outlined in the Request for Proposals. We believe that PFM is uniquely qualified to serve as PWD's independent registered municipal financial advisor for the following reasons:

**National Experience and Local Knowledge.** PFM provides financial advice to state and local governments and agencies across the country. Our national footprint allows us to provide our clients with best practices we have learned from other entities around the country, while recognizing the unique local challenges individual entities face. Our national experience is just one of the many traits we can provide as a benefit to PWD. Since 1975, PFM has been headquartered in Philadelphia, growing from 12 employees to the current level of more than 500 employees. PFM has a long history serving the City of Philadelphia, first serving as financial advisor to PWD from 1992 through 1999, testifying at the 2001 rate hearing and hired again in 2009 to the present.

**Experience and Understanding of the Water Business.** The PFM team brings many years of experience in the water business and a high degree of specific expertise, which positions the PFM team to be an extension of senior staff. The PFM team understands PWD's challenges and opportunities, in particular the challenge of funding a significant CIP and the implementation of the newly created Rate Board. Funding growing capital needs is certainly a challenge facing most large water utilities across the Country. PWD will benefit from PFM's national and extensive experience and knowledge in addressing future challenges and taking advantage of potential opportunities.

**Market Presence and Pricing.** PFM has consistently been ranked the leading financial advisor in the nation, measured by par amount issued according to Thomson Reuters, achieving this ranking once again in 2014. Our market leading experience translates into material benefit for our clients because PFM sees and does more financings than any of our competitors. PFM maintains a fully staffed, dedicated Pricing Group that functions as our 'desk' even though we are not a broker/dealer and are not engaged in the sale or trading of bonds. As a result, PFM independently analyzes the expected cost of capital for all types of credits and financing structures.

PFM understands the work requirements and schedule of work for this engagement and we are ready to begin work immediately. We look forward to working with you.

Sincerely,

Katherine Clupper,  
Managing Director

Rebecca Perry-Glickstein  
Director





## (2) Introduction/Executive Summary.

While there are many metrics that can be used to select a financial advisor, we believe the following factors make PFM uniquely qualified to serve the City of Philadelphia and PWD:

### A) INDEPENDENCE

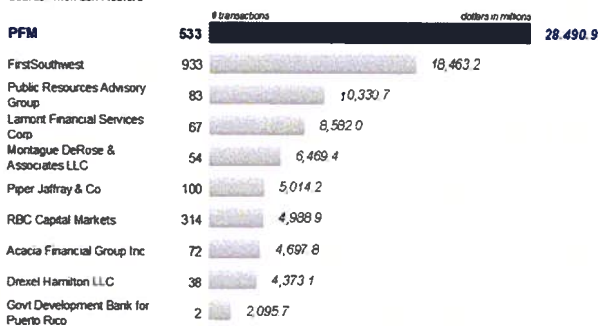
PFM is an independent financial advisory firm with a fiduciary responsibility to its clients. It has always been PFM's position that independence and experience is at the core of good advocacy. While we possess the experience and resources that equal or surpass investment banks, **we do not provide underwriting or investment banking services**. Therefore, we are able to serve, without conflicts, as an unconditional advocate for our clients. PFM's only interest is to enable an issuer to access capital at the lowest available possible cost.

As an independent financial advisory firm, we are fully and solely committed to our client's concerns. The attention of our professionals is not diverted by the potential conflicts arising from being in the underwriting and securities distribution business. While we are sensitive to investor preferences from a credit, marketing, structuring and pricing perspective, we make our client's needs and requirements our first priority.

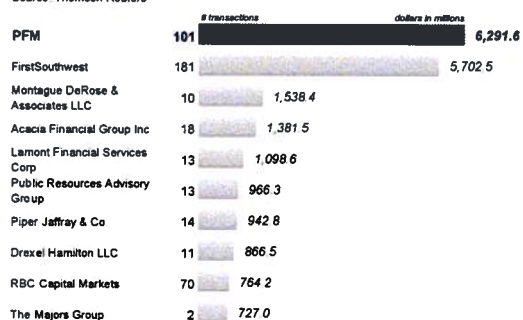
### B) EXPERIENCE

**PFM is the national leader for municipal utility financings.** As a national firm with local presence, PFM offers PWD the accumulated knowledge of a large and diverse client base. PFM is the financial advisor to water utility agencies across the country, and has served as financial advisor on the largest par amount of bonds for such issuers than any other firm.

**2010 - 2014 Water Sewer & Gas Long Term Municipal New Issues**  
National Municipal Financial Advisory Ranking - Equal to Each Financial Advisor  
Source: Thomson Reuters



**2014 Full Year Water Sewer & Gas Long Term Municipal New Issues**  
National Municipal Financial Advisory Ranking - Equal to Each Financial Advisor  
Source: Thomson Reuters



**Over the past five years (2010 to 2014) PFM has completed 533 water, sewer, and gas transactions with a total par amount of \$28.5 billion, consistently being ranked the top financial advisor in the sector.**

### C) TECHNICAL CAPABILITIES

PFM is extremely proud of the technical capabilities of our professionals and their ability to build flexible, customized models that address the unique analytical requirements of our clients. A case in point is Future Perfect™, a strategic financial planning model developed by PFM and is currently being used by PWD as a part of its strategic planning process. It is this fundamental understanding of the technical aspects of our business that sets us apart from our competition. In addition, PFM also subscribes to a large number of on-line services. These provide PFM with up-to-the-minute data on market conditions and allow our clients to take advantage of some of the most sophisticated market analysis available to properly structure and time the sale of their issues (see table for some of these services).

Finally, no other financial advisory firm has consistently brought the level of financial innovation as PFM. We believe this is reflected in the fact that PFM has been a working group member on more Bond Buyer Deal of the Year award winners than any other financial advisory firm.

### D) DEEP BENCH

PFM is unique in the ability to provide a multi-faceted approach to financial advisory services. Our clients, including the City and PWD, are afforded the local expertise of financial advisor who have decades of experience working with and living in the City while also having access to national expertise in the field of water, sewer and utilities. Our deep bench includes expertise in the area of budgeting, financial modeling, and any other facet of the financial profile of our clients. For example as mentioned previously, PFM acquired and





further developed a long range strategic model specifically for our water clients, Future Perfect™, which PWD has engaged and is becoming a critical component of their strategic planning process.

(3) Applicant Profile.

a. **Applicant's business identification information, including name, business address, telephone number, website address, and federal taxpayer identification number or federal employer identification number:**

Public Financial Management, Inc.  
Two Logan Square, Suite 1600, Philadelphia, PA 19103  
Phone: 215-567-6100; Fax: 215-567-4180  
Tax ID# 23-1992164

b. **Primary contact for the Applicant, including name, job title, address, telephone and fax numbers, and email address:**

Katherine Clupper, *Managing Director*  
Public Financial Management, Inc.  
Two Logan Square, Suite 1600, Philadelphia, PA 19103  
Phone: 215-557-1481; Fax: 215-567-4180  
Email address: [clupperk@pfm.com](mailto:clupperk@pfm.com)

c. **A description of the Applicant's business background.**

The PFM Group, which includes Public Financial Management, Inc. ("PFM"), PFM Asset Management LLC ("PFMAM"), PFM Swap Advisors LLC ("PFMSA"), and PFM Financial Services LLC ("PFMFS"), was founded in 1975 and is headquartered in Philadelphia, PA. PFM is one of the nation's leading provider of independent financial and investment advisory services. As of March 31, 2015, the PFM Group has more than 500 employees in 39 professional locations throughout the United States. The Philadelphia office has 127 employees in addition to the 133 employees working in PFM's two other Pennsylvania based offices.

The PFM Group			
Public Financial Management, Inc.		PFM Asset Management LLC	
Financial Advisory Services	Management and Budget Consulting	Fixed Income Portfolio Management	Multi-Asset Class Management
Debt Management	Strategic Planning	Treasury Management Consulting	Structured Investments
PFM Swap Advisors LLC		PFM Financial Services LLC	
Swap Advisory Services	SwapViewer	Payment Solutions	

PFM is a MSRB and SEC registered advisor and our primary business is to provide our clients with a full line of financial advisory services. We are not underwriters, nor do we engage in any securities trading or sales. PFM offers the full suite of services necessary to meet PWD's needs, including financial advisory, post issuance compliance, derivative pricing and structuring, and investment advisory services, including bond proceeds reinvestment and escrow structuring. PFM is the nation's largest financial advisor, and has provided financial advisory services on the largest par amount of water and wastewater transactions than any other financial advisor (Source: Thomson Reuters). In the past three years (2012-2014), PFM has completed 324 water, sewer, and gas transactions for a total par amount in excess of \$17 billion<sup>1</sup>. PFM's deep knowledge of the water industry shines through in all aspects of our scope of work – everything from rate structure to analysis.

PFM is registered to do business in Philadelphia and Pennsylvania. Please see **Appendix H** for business certification information. PFM is not registered as a minority-, woman-, or disabled-owned business or as a disadvantaged business.

(4) Project Understanding.

**PFM fully understands and agrees to provide all of the services and tangible work products specified in the RFP.**

<sup>1</sup> Source: Thomson Reuters.





Long-term advisory relationships that yield tangible results are centered on certain critical factors that we believe are necessary and which PFM has consistently provided clients.

**Direct Financial Advisory Experience with PWD:** PFM has served as the Financial Advisor to PWD beginning in 1992 to 1999 and again in 2009. Since 2009, we have served as financial advisor for eleven separate bond transactions including \$905.820 million of new money issues and \$865.260 million of refunding bonds. The firm also has worked extensively with the City on procuring bank facilities for PWD, negotiating letter of credit ("LOC") terms and conditions, executing LOC Substitutions/Remarketings for PWD's variable rate demand bonds, and structuring direct bank placements. Both in connection with specific bond transactions and routine surveillance, PFM has assisted in the development of, and participated in, rating agency presentations. Additionally, PFM has periodically, and on an as-requested basis, advised PWD with regard to various matters including pending legislation and has provided expert testimony at rate proceedings on behalf of PWD. PFM is currently working with PWD in preparing its Financial Stability Plan as required by the Rate Ordinance.

**Local Presence and Accessibility:** First and foremost, the City of Philadelphia is one of PFM's oldest and most important clients. The firm is committed to ensuring that the entire firm's resources are available to this account. PFM's presence and depth of professionals allows us to respond to the needs of the City on a moment's notice. This commitment was evident recently when we assisted in the development of rating agency strategies, reviewed and summarized underwriter proposals and participated in oral interviews, managed the letter of credit solicitation process and participated in updating the City's disclosure documents. We are always available on a short notice. As mentioned previously, PFM is headquartered in Philadelphia and has two other offices in Pennsylvania. We believe that this unique experience and perspective sets us apart in the depth of information and understanding of current issues that we are able to provide to the City.

**Philadelphia Track Record:** While rankings provide a shorthand method of measuring success, the length of service and level of satisfaction we provide our clients is a better measure of true success. This level of service is most evident with the City of Philadelphia, where PFM has extensive experience working with rating agencies, investors, the underwriting and legal community and other City stakeholders, with regard to the City's debt and credit profile. We would continue to assist the City in strengthening its relationship with these industry participants, capitalizing on our relationships both on the national and local level. PFM will continue to assign experience, committed professionals with long years of real Philadelphia experience to this engagement. In fact, ***the proposed day to day team has over 50 years of combined experience in working with and working for the City.*** PFM's interdisciplinary approach to assisting our clients' means that the City and PWD will have access to our Management and Budgeting professionals, many of whom served in past City administrations. It is PFM's philosophy that the best solutions to financial pressures are usually multi-faceted and our clients should have access to the entire firm's expertise. ***Since 1992, PFM has served as financial advisor on 167 different Philadelphia and City-related credits, totaling \$26.4 billion.***

**Pennsylvania Experience:** PFM's experience within the Commonwealth is unmatched. The firm currently serves as financial advisor to hundreds of municipal issuers across Pennsylvania as well as the Commonwealth itself. This knowledge and relationship with the Commonwealth, provides our Pennsylvania clients with an additional "deep bench" of information and understanding into the issues surrounding state funding and policy issues.

**Quantitative Rigor.** Among both independent advisory firms and broker/dealers acting as financial advisors, PFM is set apart by our quantitative tools, analytical capabilities and the originality we bring to these tasks. Over the past years, the City has called upon PFM to analyze multiple financing alternatives, monitor and advise on its variable rate debt portfolio, assist in extensive peer credit research and update debt profiles and refunding screens. Few other independent advisory firms can match the level of investment or creativity that PFM has placed in these critical areas, nor can they offer the same quantitative modeling capabilities. In addition to the quantitative approach to the City's debt portfolio, PFM takes the same approach to its services in pricing bonds. The PFM Pricing Group, which has assisted the City in pricing numerous transactions across the City's different issuing enterprises, takes a very analytical approach to providing this service to our clients. This analyses provided by the Pricing Group is critical in supporting the Treasurer's office in negotiating with the underwriting community to achieve the lowest cost of capital for the City and its citizens. We continue to work with PWD in development of the customized Future Perfect™ model, which will be critical to PWD's long range planning activities.

**Escrow Structuring:** From time to time, PWD might need the assistance with purchasing SLGS or open market securities for an advanced refunding. PFM Asset Management's ("PFAM") Structured Products Group ("SPG") is a market leader and expert at identifying and executing innovative investment strategies for refunding and defeasance escrow accounts. Since 2006, SPG has







advised on over 1,615 bond proceeds related transactions totaling more than \$147.9 billion in related assets. These transactions included structuring over 1,263 defeasance escrows for more than \$102.1 billion of related assets on behalf of a wide range of issuers (as of June 30, 2015). We use proprietary models and industry-leading software to optimize and structure escrow portfolios on multiple levels. PFMAM's procurement process is conducted utilizing a unique security-by-security optimization and procurement process that enables our clients to receive the best price possible on each security purchased, which can result in multiple winning brokers and a much more efficient escrow compared to what one broker could have offered as a whole. We also leverage our trading desk of 18 dedicated professionals to research the market and conduct each procurement process. In addition, the PFM Group offers extensive asset management and structured products and escrow structuring services through PFMAM and comprehensive derivatives advisory services through PFMSA.

We are sensitive to the compliance and reporting challenges that our clients face. Our procurement process is governed by an exhaustive term sheet, which is reviewed and approved by counsel and includes both legal and business provisions designed to protect our clients. As soon as the bonds have finished pricing, we conduct the procurement process via Bloomberg, which allows us to maintain time-stamped documentation of all offers received. These records, along with the term sheet and broker acknowledgments, are included as part of the bidding agent certificate and final report summarizing the results of the transaction. Finally, we ensure that no operational details are overlooked. Our portfolio managers and SPG professionals coordinate with the custodian of the escrow securities throughout the engagement to ensure that both the custodian and the winning securities brokers have all of the information they need to facilitate a timely settlement of the securities on the closing date. As a large fixed-income manager, our professional relationships with both broker-dealers and custodial banks provide us the leverage necessary to resolve operational problems in a timely manner.

(5) **Proposed Scope of Work.**

PFM has carefully reviewed the Scope of Work set forth in the City's RFP and is fully prepared to provide all of the services and deliverables specified. All of the services and tangible work products described in the RFP are, in fact, services which PFM routinely provides to its financial advisory clients. More specifically, these are the services and work products which the firm is currently providing to the City, both in connection with PWD and in connection with other City credits for which PFM is the Financial Advisor. These services include transaction management, in which we facilitate and/or oversee every part of the transaction, from selecting the working group members to closing the bond transaction, and ongoing interactions with the client to ensure that PFM's clients have all of the information and analysis needed to make informed decisions on their financial issues between transactions. We have included a more detailed scope of services and transaction timetable in **Appendix A**.

**COST PROPOSAL**

To the right is a range of fees for each type of issue stipulated in the RFP, depending upon complexity of the specific transaction. For non-transaction related projects, PFM is proposing to be compensated at the hourly rates of \$325 for Managing Directors/Directors, \$295 for Senior Managing Consultants, \$250 for Analysts and \$200 for Associates. Of course, all fees are subject to negotiation. If PFMAM purchases the OMS, we will deduct \$10,000 from our financial advisory fee.

Transaction Type	Financial Advisory Fee
\$300 Million New Money Issue	\$65,000-\$90,000
\$100 Million Refunding Issue	\$75,000-\$90,000
Purchase of SLGS/OMS for \$100 Million Refunding*	\$2,500 (SLGS)- \$20,000-\$25,000 (OMS)

\*Any work performed by PFMAM would be pursuant to a separately executed engagement letter.

(6) **Statement of Qualifications, Relevant Experience.**

**As discussed below and throughout the proposal response, PFM meets the minimum qualifications for performance as set-forth in this RFP.**

- a. ***Discuss your FA experience with large city and water utility debt programs, since January 1, 2011; provide a summary showing total number of issuer clients, and par amounts. Please highlight up to three relevant case studies, especially involving water or utility entity bonds.***





PFM is the nation's leading financial advisor to water systems, with many PFM professionals, having at some point in their careers, worked in a meaningful capacity with a number of the largest water issuers in the country. In addition to the bond transactions on which we have advised clients, PFM has assisted its water and wastewater clients with many hours of non-bond, financial advisory projects (e.g., financial planning and modeling, reserve analyses, OPEB funding analyses, etc.) in the past five years. PFM has also been a leader in the creation and implementation of Title VI State Revolving Funds (SRF) and has worked with several states to develop the new Drinking Water Revolving Funds (DWRF). Our SRF clients have been on the leading edge of finding new ways to aggressively manage their programs.

Since January 1, 2011 we have served as financial advisor for 149 separate financings for water and sewer projects totaling a par amount of \$21,924,465,000. The list of specific issues can be found in **Appendix B**. Below are three case studies which exemplify our recent experience working with similar water and sewer clients:



**District of Columbia Water and Sewer Authority ("DC Water").** In 2014, PFM advised DC Water on three separate transactions totaling \$827 million, both new money and refunding bonds, as well as LOC renewals for their \$200 million commercial paper program. Of particular note was the \$350 million, Series 2014A Bonds that were structured as 100-year "Century" bonds, due in 2114 and were officially verified as "Green Bonds". The Century bonds were intended to match the funding to the useful life of DC Water's unique tunnel assets that are part of the compliance with an EPA Consent decree on combined sewer overflows. This first Century bond for municipal infrastructure financing in the US won the 2014 Bond Buyer "Deal of the Year" award for its innovative funding approach. It is also important to note PFM has been working with DC Water since 2000, and has played a major role in the transition of the water and sewer system from a District of Columbia asset to an independent authority, governed by a regional board, that oversees wholesale sewer services to a number of the surrounding Virginia and Maryland jurisdictions. During this time, PFM has played a major role in the design of the capital program and has assisted DC Water in achieving a four notch rating upgrade from A to AA+. PFM is currently working with DCWASA on its Environmental Impact Bonds, which will be used to assist in the funding of its green infrastructure. If successful, this product could be relevant to PWD's funding strategy.



**San Antonio Water System ("SAWS").** In 2014 and 2015, PFM has advised SAWS on six separate bond transactions totaling over \$700 million, including fixed and variable rate new money (both through the Texas Water Development Board SRF programs and on SAWS own credit) and refunding bonds for SAWS combined water and sewer system. PFM also advised on the restructuring and LOC credit support extension for SAWS' \$400 million commercial paper program. The recent \$303 million Series 2015B financing in January 2015 was a combination of new money and refunding, generating over \$40 million in present value savings. PFM also advised SAWS on a \$3 billion public private partnership transaction with Abengoa SA, a large Spanish corporation active in water and power infrastructure, that was approved in October 2014 and will provide 50,000 acre feet of water annually to SAWS for the next 30 years. Notably, PFM has also assisted SAWS with the acquisition of the Bexar Metropolitan Water District ("Bexar Met"), and incorporated Bexar Met's surrounding County water and sewer system into the SAWS system, while maintaining the SAWS AA/AA+ ratings.



**Pittsburgh Water and Sewer Authority.** PFM was hired in May 2013 by Pittsburgh Water and Sewer Authority (the "Authority") to serve as Financial Advisor. The Authority had approximately \$680 million in outstanding bonds, of which over \$318 million were issued as variable rate debt with corresponding interest rate swap agreements. Over \$100 million of these bonds were issued under a subordinate lien. The Senior Lien bonds are currently rated "A"/"A2" and the Subordinate Lien bonds are rated "A-". In 2013, the Authority was facing the expiration of three liquidity facilities totaling \$170 million of which \$145.4 million was Senior Lien debt and \$25 million was Subordinate Lien debt. Since that time, PFM has either replaced or restructured credit facilities to save the Authority approximately \$2.2 million in annual fees and another \$516,000 as a result of restructuring certain interest rate swap agreements from SIFMA based to LIBOR based and lowering the fixed payer rate from 3.998% to 3.50%.



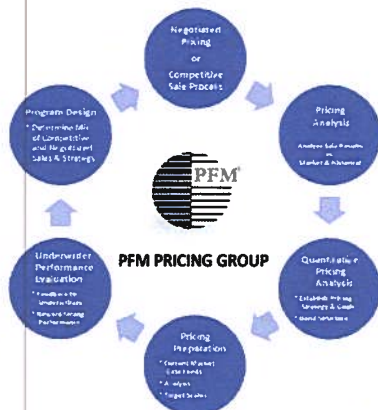
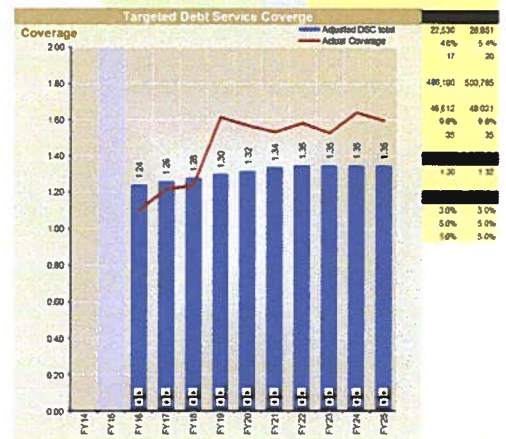


### Water / Wastewater Cash Flow Model – Future Perfect™

PFM has developed and managed a robust water/wastewater model that is used to assist our clients with their strategic planning needs. PFM, in conjunction with our Water and Wastewater Financial Advisory practice, offers Future Perfect™, PFM's strategic financial planning platform. Future Perfect™ is a comprehensive, fully-integrated, customized projection model designed to produce pro-forma GAAP financial statements (if needed), cash-based revenue requirements and budget statements, and an assortment of benchmarked ratios and metrics over an extended (10- to 30-year) prospective planning horizon. Future Perfect™ provides a flexible and functional Microsoft Office® Excel®-based architecture that is being customized to the City's particular needs to permit consideration of the financial ramifications of prospective operating initiatives, rate changes, capital initiatives, and debt issuances, all in real time. This tool will be critical in assisting PWD in analyzing expected capital costs and the needed rate increases to fund certain reserves, maintain and increase coverage while funding required CIP. Various scenarios will be available to show a variety of stakeholders possible strategies in achieving these goals and minimizing rate increases while maintaining fiscal health.

Clients, in addition to PWD, that are currently using the Future Perfect™ Water Model include the Hampton Roads Sanitation District in Virginia, and the Las Vegas Valley Water District.

Five Year Look						
	FY16	FY17	FY18	FY19	FY20	FY21
CIP						
Unfunded spending	262,353	294,041	283,751	299,519	300,818	322,181
Unfunded costs	262,353	295,073	318,388	331,648	350,169	365,351
Initiated spending	221,300	250,778	269,830	285,239	287,835	318,554
Percent spend	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%



**Pricing Group:** PFM possesses industry-leading expertise and experience in regard to both competitive and negotiated sales. Last year, we served as the primary financial advisor on 902 transactions with a par value of \$56.9 billion, setting us in a class by ourselves as the nation's foremost financial advisor to the public sector.

PFM has an in-house bond Pricing Group that will join the core finance team to support the pricing of the City's bonds. PFM's Pricing Group operates completely independently of the underwriting of municipal securities by banks and securities dealers. **PFM does not underwrite, buy or sell securities.** Our only immediate or long-term direct or indirect loyalty is to the municipal clients that have employed us to provide professional financial advice. Underwriters have to meet the goals of two clients: the issuer and the investor. PFM's only role is to meet the goal of its client: the City. We do this by acknowledging the preferences of investors, but always in the context of the City's financing goals.

PFM is able to maintain this independence while remaining highly respected within the municipal market. Trading desks and third-party market data and research firms turn to the Pricing Group as an authoritative source for input on the municipal market. *Moreover, PFM is the only independent financial advisor involved with Municipal Market Advisors' Consensus daily yield curve creation.*

Since 2004, the Municipal Securities Rulemaking Board's (MSRB) Rule G-14 has required real-time reporting and comparison of municipal securities transactions made by all brokers, dealers or municipal securities dealers. As such, PFM has complete access to all trades as reported. We use this data in two essential ways: 1) to provide further market support and confirmation of our pricing targets heading into price negotiations, and 2) to monitor the initial secondary market activity after a bond sale to ensure proper and legitimate distribution. The Pricing Group utilizes proprietary models to sift through, sort and meaningfully analyze this data. PFM also uses live MSRB trade data to provide up-to-the-minute market feedback on comparable transactions during price negotiations.





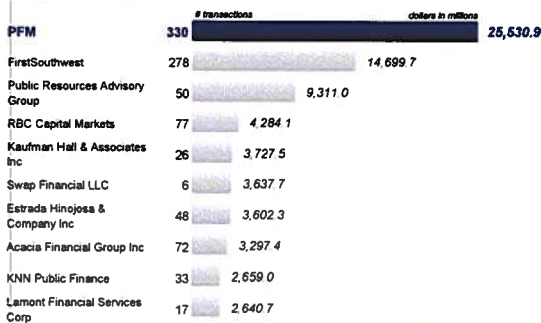


**b. Competitive and Negotiated Transactions**

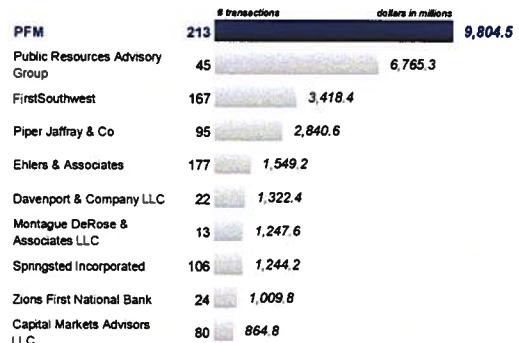
PFM is a financial advisory leader in both the negotiated and competitive markets as shown in the ranking charts below. PFM's role in both a negotiated and competitive sale has many similarities. The firm's job is simply to get the best results possible. This includes structuring, marketing and pricing of a transaction. Regardless of the choice of a negotiated or competitive sale, PFM runs the numbers and prepares the sensitivity analyses necessary so that the City has an independent evaluation of the pricing.

On competitive transactions, PFM takes full responsibility for structuring the bond issue and runs all cash flows. We make recommendations on the terms of the sale and the bidding provisions as detailed in the Notice of Sale. Our market preparation includes calling underwriting desks to market the sale,

2015 First Half Negotiated Long Term Municipal New Issues  
National Municipal Financial Advisory Ranking - Equal to Each Financial Advisor  
Source: Thomson Reuters



2015 First Half Competitive Long Term Municipal New Issues  
National Municipal Financial Advisory Ranking - Equal to Each Financial Advisor  
Source: Thomson Reuters



assuring they understand the

bid requirements, answering any questions, and monitoring the market between POS posting and the bid date to determine if the preliminary amortization needs updating via a supplement. We manage the bid process, including verifying the TIC of each bid, restructuring the bonds with the winning coupons and yields, tying to the underwriters' cash flows post-restructuring, and assisting with closing. PFM will also develop and post the investor presentation on Parity, a role typically fulfilled by the senior underwriter. For example, PFM worked with the City to post the investor presentation for its competitively bid TRAN issuance at the same time as the POS and NOS was posted for the benefit of both bidding investment banks and investors.

On negotiated sales, PFM's dedicated pricing group plays a significant role in the pricing process. Our tools for pricing bonds include a combination of a market database of option-adjusted pricing data for our client's bonds and comparable credits, and knowledge of our client's goals. In the days leading up to pricing, the Pricing Group supplies information and statistics on the current market environment and the results of recently priced, comparable transactions. Just before pricing, the PFM Pricing Group provides its independent target scale for the issue. Furthermore, based on our expected pricing levels, the Pricing Group will confer with the book-running senior manager in order to discuss the key drivers in the current market and, if necessary, to tighten spreads prior to pre-pricing activities. During a negotiated pricing, PFM actively monitors the order book and will recommend pricing and structure changes, when appropriate. In addition, PFM has developed a Secondary Trade Tracker model, and uses it to assess post-issuance pricing performance, and to refine strategies for more cost effective pricing on future issuances.

Historically, PWD has issued its bonds via negotiated sale. PFM believes that the credit has been well received in the past and issuers such as PWD benefit from issuing bonds on a competitive basis from time to time to determine a competitive market level. Over the past six months, 132 utility issues that are over "A" rated have been priced on a competitive basis, we believe that PWD would be well received in the competitive space. While it might be important to have the Rate Board conduct its first rate increase, the current refunding of the Series 2007A bonds, which is in the money, might be a candidate to consider. We would work with PWD and the City's Treasurer's office to assess the benefit of competitor vs. negotiated sale given prevailing market conditions and specific PWD circumstances around the new Rate Board.

**c. Detail and identify your firm's Water & Wastewater industry expert and explain how the City and PWD will have direct access to this resource**

The proposed team is made up of a group of professionals whose experience we believe cannot be matched by any other firm. Our proposed team has approximately 200 combined years of experience in matters addressing public finance for large and complex organizations. The lead on this project will be Katherine Clupper, Managing Director who is intimately familiar with public finance in the City and Commonwealth,





and has assisted PWD in addressing its capital formation and credit profile since 2009. Rebecca Perry-Glickstein will work with Ms. Clupper on an ongoing basis. The City and PWD should be served by two senior financial advisors, who have served the City for over 25 years. In addition, below are listed various subject and industry experts that the City will have and have had access too. We believe that this list speaks to the “deep bench” that PFM offers its clients.

PWD Project Team		
Name	Role/Responsibility	Relevant Experience
<b>Katherine Clupper,</b> <b>Managing Director</b> <i>Philadelphia, PA</i>	<b>Engagement Manager</b> ♦ Day-to-Day Contact ♦ Transaction Oversight	Worked for the City Treasurer's Office in debt management; and acting as issue manager for approximately one billion dollars of securities. She has also worked for the City as Financial Advisor and investment banker on all City and City related credits over the past 25 years.
<b>Rebecca Perry-Glickstein, Director</b> <i>Philadelphia, PA</i>	<b>Financial Advisory</b> ♦ Rating Agency Support ♦ Credit Provider Interface ♦ Meetings	Works with the City on transaction execution, capital planning, documentation development, rating agency interface, negotiations with credit enhancement/liquidity providers and investor outreach. She has also worked for the City as Financial Advisor and investment banker on all City and City related credits over the past 29 years
<b>Dan Hartman,</b> <b>Managing Director</b> <i>Arlington, VA</i>	<b>Financial Advisory</b> ♦ Head of PFM's Utility Sector Cluster	Has 25 years' experience in national utility experience. Co-heads the first Utility Cluster and spear heads the Water/Sewer cluster. Currently lead with DCWASA and San Antonio Water System.
<b>Brett Matteo,</b> <b>Managing Director</b> <b>Robert McInerney</b> <i>Philadelphia, PA</i>	<b>Financial Advisory</b> ♦ Manages Future Perfect™	Implemented and Heads the Future Perfect business, Developed the FP model specifically for Water/Sewer clients. Robert McInerney specifically works with PWD as the PF project manager.
<b>Laura Franke</b> <b>Managing Director</b> <i>Los Angeles, CA</i>	<b>Financial Advisory</b> ♦ Environmental Finance	Provides firm wide expertise on any environmental finance projects, such as Green Bonds. Has over 27 years of experience in municipal finance and is the force behind PFM's environmental finance team.
<b>Todd Fraizer</b> <b>Managing Director</b> <i>Charlotte, NC</i>	<b>Financial Advisory</b> ♦ Manages Pricing Group	Heads our pricing desk and can be available before, during, and after pricing to help advise the team about current market conditions, provide pricing guidance, and evaluate syndicate performance.
<b>Dan Kozloff</b> <b>Managing Director</b> <i>Philadelphia, PA</i>	<b>Quantitative Strategies</b> ♦ Custom Modeling	Heads the Quantitative Strategies Group, which comprises a dedicated group of professionals who provide primary technical, new product, transactional, and modeling expertise for PFM's clients
<b>Dean Kaplan</b> <b>Managing Director</b> <i>Philadelphia, PA</i>	<b>Management &amp; Budget Consultant</b> ♦ Budgeting	Co-head of the firm's Management and Budget consulting. Dean also previously worked for the City in various capacities, including CFO for the PWD.

Full resumes for the PWD Project Team Members can be found in **Appendix C**.

**d. Knowledge and Understanding of the City's PWD Debt Programs**

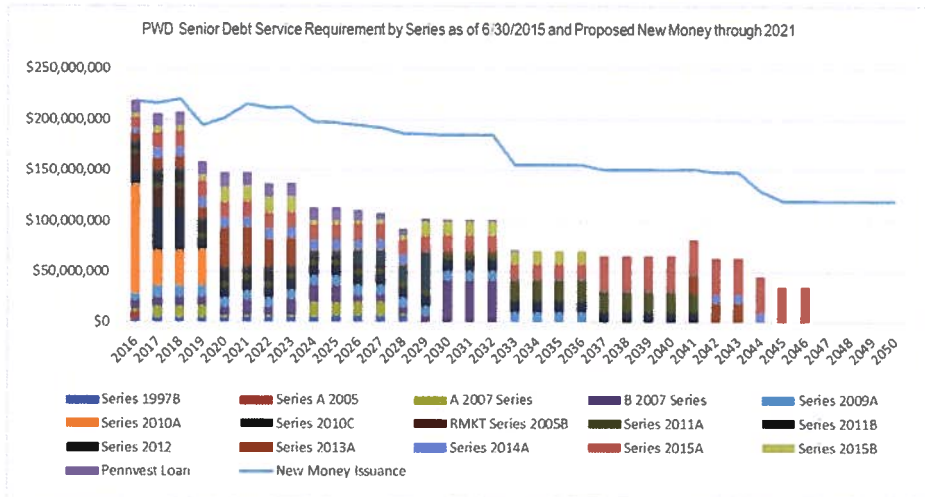
As previously mentioned, PFM has served as financial advisor to the City on PWD related matters for over two decades. As such we have gained an intimate knowledge of PWD and its strengths and challenges. PWD has \$1,991 million outstanding debt, of which \$1,879 (94.37%) million is fixed rate, \$51.64 (2.59%) million is hedged variable rate and \$60.4 (3.03%) million is unhedged variable rate as of June 30, 2015. PFM worked with the City and PWD in 2011 to remarket the hedged variable rate Series 2005B as a private placement bank loan, which matched the swap index and termination date. This significantly reduced the risk profile of PWD's outstanding debt portfolio, leaving only 3.03% as unhedged variable rate. This conservative profile provides some opportunities which are discussed in the following section.







**Debt Structure:** In January of 2014, the City enacted a new rate ordinance which creates a rate setting board and radically changes how PWD will raise revenue in the future. This is one of the most significant challenges facing the department because the implementation will impact a range of issues connected to managing PWD's debt portfolio and future CIP. Historically, the PWD's internally controlled rate setting process allowed the City to manage its rate increases closely to the 1.2 times coverage requirement. The rate process drove the practice of front loading debt as a means to force necessary rate increases as well as funding the Rate Stabilization Fund at a level higher than the more unrestricted Residual Fund. The upfront debt strategy was utilized in the Series 2010C transaction, which amortized over \$60 million bonds in FY 2016 and FY 2017 in order to continue the frontloaded structure. Again in 2013, PWD issued new money bonds in a barbell structure which amortized bonds from FY 2017 to 2023 and then again in 2041 to 2043. This did result in a lower TIC than the more traditional level debt structure, but the weighted average maturity was 13.019 years which is much shorter than the life of fixed assets traditionally funded by utilities.



Much progress has been made recently to begin to address this practice by issuing bonds with much longer maturities which match funded assets, as well as taking advantage of the historically low long term interest rates. The most recent new money issue structured debt on a level, beginning to amortize in 2037 to 2046, with a weighted average maturity of 26.115 years. While there is additional capacity to structure long dated issues, PWD has a significant future CIP and needs to be careful to not use up future capacity. We would suggest that PWD continue to issue its new money as level, fixed rate bonds being mindful of using capacity needed over the next 25 years. The above graph includes the current debt and proposed CIP through 2021, structured as level debt with one wrap around structure to manage increased debt service. Note that while the current debt profile does provide capacity in the short run, given the significant long term capital needs, managing debt burden will be a challenge.

**Policies:** PFM has provided PWD with various debt capacity studies, modeling its entire 25 year CIP, issuing debt as level debt amortizing over 30 years. What results is an annual debt service burden that could possibly double by 2040. The most critical policy change that will positively impact the PWD debt profile is increasing Pay Go funding from the traditional 20% closer to 40%, which is more in line with higher rated credits. This will require a change in current policy and will required support from the new Rate Board. There will be a need to increase water/sewer rates specifically for Pay-Go, something that has been resisted in the past. PFM also worked with the City's Treasurer's office and PWD in 2011 to begin to consider policies that slowly increased planned coverage to 1.3 times. This was a change in the practice and was noted in all of the rating agency reports, in connection with the past reliance on the RSF to comply with the rate covenant. Both of these policy changes will allow PWD to expand options for managing its debt portfolio such as possibly developing a subordinate lien structure to manage rate coverage requirements, issuing bonds along certain sections of the yield curve to manage cost of capital or to diversify debt instruments with riskier profiles. Without sufficient coverage or liquidity, PWD's long term debt program has limited structural options beyond its current conservative nature.

### Refunding Opportunities

PFM maintains a data base of the PWD debt, including monitoring refunding opportunities that comply with the City's current refunding policy. The current policy considers several test to insure that candidates being considered for refunding are at a significant level of efficiency. Currently the outstanding Series 2007, which are callable on August 1, 2017 and eligible for advance refunding, have certain maturities that would comply with the City's policy. Given the size and the fact that the refunding should become more efficient as the call date approaches (assuming no significant increases in interest rates), we would suggest that consideration of this refunding be postponed until after the next Rate Board hearing takes place and possibly combine it with the 2017 proposed new money issue. PFM would monitor interest rates and work with the City Treasurer's office and PWD to determine the best time to go to market. As mentioned in the previous section related to competitive/negotiated pricing, because the size of this issue is relatively small, PFM would also discuss the possibility of issuing this refunding on a competitive basis. We would reserve the option to discuss this after the Rate





Board enacted the next rate increase and some possible targeted investor outreach. A complete debt profile and refunding screen analysis can be found in **Appendix D**.

City of Philadelphia, Pennsylvania  
Water and Wastewater Revenue Bonds  
Refunding Candidate Analysis  
Series 2007A

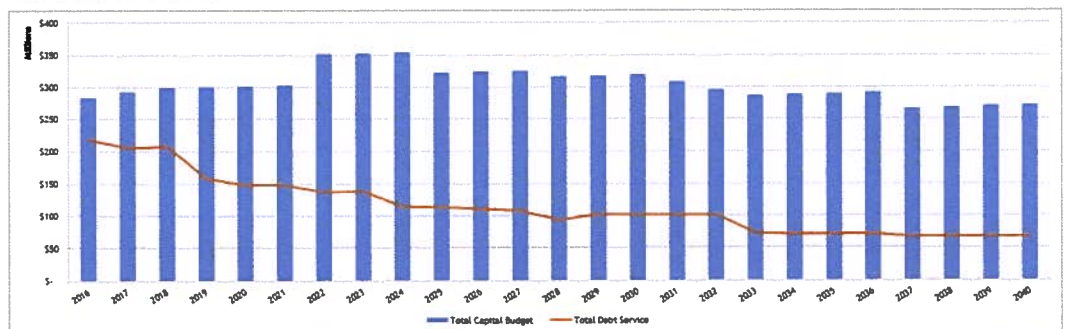
Sorted by Maturity

Description		Key Dates & Amounts					Arbitrage		PV Savings		PACAP Savings		Savings at 25 bps Improvement		Creditable Negative Arbitrage		Net PV Savings					
Series	Component	Maturity	Par Amount	Coupon	Call Date	Arbitrage	NA % of PV Sps	PV	% of Par	Sps as %	Savings at 25 bps Improvement	% Improvement	PV Savings (>1%)	Optimal Value (>65%)	Neg. Arb. Effec. (<75%)	Rate Efficiency (<68%)	NY Grid	Refunded Par	PV Savings	% of Par	Negative Arbitrage	% of PV Sps
A 2007 Series	Serial	8/1/2018	\$10,430,000	5.000%	8/1/2017	(\$59,946.34)	34.71%	\$259,132.85	2.484%	73.72%	\$331,657.59	27.99%	YES	YES	YES	YES	YES	10,430,000.00	259,132.85	2.484%	(\$59,946.34)	(34.71%)
A 2007 Series	Serial	8/1/2023	\$13,360,000	4.500%	8/1/2017	(\$590,290.08)	32.91%	\$1,185,932.15	8.877%	73.54%	\$1,443,787.00	21.74%	YES	YES	YES	YES	YES	13,360,000.00	1,443,787.00	8.074%	(\$590,290.08)	(32.91%)
A 2007 Series	Serial	8/1/2024	\$13,985,000	4.500%	8/1/2017	(\$449,510.79)	34.76%	\$1,293,276.39	9.248%	72.70%	\$1,594,054.03	23.26%	YES	YES	YES	YES	YES	13,985,000.00	2,738,341.39	7.249%	(\$449,510.79)	(34.76%)
A 2007 Series	Serial	8/1/2025	\$14,615,000	4.500%	8/1/2017	(\$505,286.45)	36.26%	\$1,393,530.91	9.535%	73.79%	\$1,738,843.04	24.78%	YES	YES	YES	YES	YES	14,615,000.00	4,131,872.30	7.887%	(\$505,286.45)	(36.26%)
A 2007 Series	Serial	8/1/2026	\$15,300,000	4.500%	8/1/2017	(\$570,982.44)	48.25%	\$1,183,307.76	7.734%	63.73%	\$1,546,192.44	30.67%	YES	NO	YES	YES	YES	15,300,000.00	5,315,180.06	7.852%	(\$570,982.44)	(37.74%)
A 2007 Series	Serial	8/1/2027	\$2,600,000	4.500%	8/1/2017	(\$104,144.73)	67.76%	\$153,701.56	5.912%	54.50%	\$215,281.22	40.06%	YES	NO	YES	NO	YES	2,600,000.00	5,468,881.62	7.780%	(\$104,144.73)	(38.98%)

(1) Moody's AAA G.O. Scale plus 55 % as of 10/16/15  
(2) State and Local Government Series (SLGS) rates as of 10/16/15  
(3) Present Value Savings as of 12/15/15  
(4) PV Savings as a percentage of Refunded Par  
(5) Call date on refunding bonds is 08/01/2025

### e. Firm's knowledge of the PWD's capital program

PWD has significant capital needs over the next 25 years. The graphic below superimposes the current debt service over future capital disbursements, showing the debt capacity available to fund the required needs into the future. Currently, PWD expects to fund 80% of its CIP with bond proceeds which will significantly increase the debt burden. In addition to striving



to increase the pay go portion of funding PWD's capital needs, there are capital structure considerations. PWD's debt structure is over 95% fixed rate debt with an average life of 11.66 years, a very conservative structure. The PWD is also in its fourth year of the Green City, Clean Water Program and while the CIP specifically designated for this program is a small percentage it includes incentive programs, "SMIP and "GARP", which will need to be funded with operating revenues.

In addition to adjusting the percentage of Pay-Go, which has been discussed previously, PWD can pursue other short term options to assist in managing future needs. PFM has worked with many different types of short term funding programs designed to provide capital for project construction that is anticipated to be refunded with long term bonds at a later date. Commercial paper represents one of several types of these programs. Alternative financing vehicles include variable rate demand bonds, SIFMA index notes, one year bond rollovers or BANS, synthetic variable rate notes, and a drawdown bank facility. Given the conservative nature of the debt profile, as discussed previously, PWD could utilize a short term funding program without increasing any significant risk. This is an approach that the City has used for its other enterprise funds, Airport and PGW.

- **Commercial Paper (CP)** is often used in this capacity. Amounts can be issued as needed, and there will be no reinvestment of idle funds. Short term rates of 1 to 270 days can be accessed and the issuer has the flexibility to change the periodicity of the maturities. Interest can accrue in the CP rollovers and a dealer and liquidity provider will be necessary. OUS would have the ability to acquire liquidity or request that the State or bank provide it. Generally a CP program can be reused to fund multiple projects, each for a short period of time, over a long horizon.
- **SIFMA Index Notes (SIFMA Notes)** are generally issued in two to five year periods. Similar to VRDBs, all proceeds are funded at closing. Unlike CP and VRDBs, SIFMA Notes are reset based on SIFMA plus a fixed spread without a dealer/remarking agent and investors take longer term risk so no liquidity is necessary. Unlike CP, the timing of the periodic resets (e.g., weekly) is unchangeable once established at closing. SIFMA Notes are issued to finance a specific set of projects identified prior to closing.





- **Bond Anticipation Notes ("BAN")** will provide all of its proceeds upfront. A BAN program's interest is generally greater than a weekly or other short-term resetting vehicle, but the program does not require a dealer/remarketing agent or liquidity. Because a BAN can mature in a year, a long term program can fund multiple sets of projects over the years.
- **Synthetic Variable Rate Notes** are similar to Rollovers, but add a variable rate pay/fixed rate receive swap. All of the proceeds are paid upfront and no dealer/remarketing agent or liquidity is required. The swaps can be acquired for multi-year periods, or be acquired year to year with the option to not have a swap and simply have a fixed rate Rollover for interim years. A long term program can fund multiple sets of projects over the years.
- **Bank Facility (Facility)** is similar to a tax-exempt line of credit. Amounts can be drawn as needed and the terms are directly negotiated with the banking institution. No dealer/remarketing agent or liquidity is necessary. Similar to the SIFMA Note term, the maturity of a Facility in today's market would generally be 2 to 5 years. This could be structured to finance multiple projects throughout its term.

Commercial Paper and a Bank Facility are the two vehicles that are drawdown sources of funding, do not have reinvestment risk, and are structured to permit accreting their interest payments. Other than the 1 Year BAN, all other sources can achieve weekly or other short term reset rates. The Synthetic Variable requires a swap counterparty and carries counterparty risk. Commercial Paper has the most flexibility in determining its reset term and provides the most programmatic flexibility in tapping into the public investor market. However, we might suggest that initially PWD consider pursuing a bank facility to assist in managing capital needs. These facilities are relatively easy to implement and can include a both tax-exempt and taxable line for additional flexibility. PWD could use a smaller taxable line to assist with funding the GARP/SMIP incentive programs.

**f. What recommendations would you make to the City as it seeks to improve the PWD's bond ratings**

PFM has worked extensively with PWD and the City in presenting its credit to the rating agencies. Currently rated A1/A/A+, the credit is the highest rated credit overall of the City's enterprise funds. Historic low coverage and liquidity levels have served as a cap on the City's ratings, prohibiting movement to the AA category. While underlying service area socio-economic metrics impact ratings and are difficult to control or impact directly, the areas in which PWD can control are the amount of coverage and liquidity it is able to generate. Relying on the rate stabilization fund and upfront debt service to manage rate increases does not set the credit profile on an upward trend.

As mentioned previously, the biggest challenge facing PWD is managing the newly created rate process. While the authorizing ordinance requires the Board to follow certain best practices and charge rates to provide a minimum of one times coverage, this process takes away the ability of the Water Commission to ultimately set rates. This internal ability to determine revenue was considered a credit positive and served to mitigate the impact of historically lower debt service coverage. Having an independent Rate Making Board is not in itself a credit negative; the impact rests entirely on the actions of the Board. The first rate hearing is to take place early 2016 and it is critical that PWD is able to effectively make their case for consistent and sufficient rate increases.

Moody's	S&P	Fitch
<b>Rated: A1/Stable Outlook (3/19/2015)</b> <ul style="list-style-type: none"> <li>• Large and Diverse service area, stable operating profile.</li> <li>• Narrow but consistent debt service coverage</li> <li>• Heavy future capital needs</li> <li>• Demonstrated willingness to increase user rates</li> </ul> <b>Positive Credit Impact:</b> <ul style="list-style-type: none"> <li>• Improvement in debt service coverage more consistent with peer credits</li> <li>• Increased improvements in service base</li> </ul> <b>Negative Credit Impact:</b> <ul style="list-style-type: none"> <li>• Failure to continue to increase rates to cover likely increased debt service</li> <li>• New rate setting boards unwillingness to increase rates to meet debt service coverage</li> </ul>	<b>Rated: A/Positive Outlook (3/20/2015)</b> <ul style="list-style-type: none"> <li>• Diverse and broad service area, with weaker economic profile.</li> <li>• Competitive rate structure, managements willingness to increase rates</li> <li>• Stable financing performance</li> </ul> <b>Positive Credit Impact:</b> <ul style="list-style-type: none"> <li>• Financing performance meets or exceeds current projections (increased DS coverage over time)</li> <li>• No significant costs or unanticipated projects beyond current CIP</li> <li>• City economic profile continues to steadily improve</li> </ul> <b>Negative Credit Impact:</b> <ul style="list-style-type: none"> <li>• Deterioration of financial ratios</li> <li>• Significant increase in capital plan resulting in increasing an already-high system of debt to capital (low pay-go).</li> </ul>	<b>Rated: A+/Stable Outlook (3/23/2015)</b> <ul style="list-style-type: none"> <li>• Expects debt levels to increase to fund sizable CIP program; concern regarding the approach by the new ratemaking board to fund capital needs with both equity and debt.</li> <li>• Service area is highly diverse with weak income levels</li> <li>• Ample capacity of water and overall treatment capacity is sufficient</li> </ul> <b>Positive Credit Impact:</b> <ul style="list-style-type: none"> <li>• Sound management results in stable operations</li> <li>• Continued and improving liquidity</li> <li>• Continued compliance with consent order and general agreement</li> </ul> <b>Negative Credit Impact:</b> <ul style="list-style-type: none"> <li>• Accelerating capital and debt plans</li> <li>• Politicization of Rate Relief</li> </ul>







The presentation that the City Treasurer's office made in 2011 to begin the conversation about increasing coverage to 1.3x as a matter of policy was a great start to addressing the historically low liquidity. The current challenge is to continue that discussion with the Rate Board to continue to increase coverage and the percentage of pay-go used to fund capital projects. Both of these actions will serve to ultimately decrease the debt burden and increase liquidity which could push PWD in the "AA" category. While we acknowledge that the City's underlying economics is also noted as a credit negative and that PWD has no control over that metric, there are other systems with similar median family income that have been able to make it in the AA rating category, primarily as a result of strong liquidity and coverage.

	Philadelphia	Baltimore	Cleveland
Rating (2014)	A1	Aa2	Aa1
Debt Service Coverage	1.4X	2.0X	2.2X
Median Family Income <sup>(1)</sup>	\$45,619	\$47,435	\$34,495

\* Data from latest Moody's Financial Ratio Analysis Reports

(1) 2010 Census

We also appreciate that increasing pay-go percentage and coverage needs to be a long term goal. The unknown of the new Rate Board's view on this will make any rating upgrades unlikely in the near future. However, there are some strategies that could be initiated immediately.

1. Continue to focus the rating agency's attention on the underlying upward trend of the City's economy and demographics. This strategy has been successfully employed in rating discussions regarding other City credits and, while poverty concerns continue, there are some material positive trends that should be highlighted.
2. All three rating agencies view cash on hand differently, while Moody's includes both the RSF and Residual Fund with unrestrictive cash, S&P and Fitch only included the Residual Fund. Historically, debt service coverage from net operating revenue was so tight, it was important to fund the RSF fund to a greater extent in order to satisfy the annual coverage requirements. As the PWD continues to move away from actually depending upon the RSF to comply with the 1.2 coverage test, it should consider funding the Residual Fund at increased levels. This will help with the days cash on hand calculation, and more importantly it will provide additional funds for pay-go. Additionally, future discussions with the rating agencies and investors, should continue to be clear about the level of liquidity available in all funds and how they all support the financial health of the system.
3. Standard & Poor's is the most likely to upgrade the PWD credit within the next few years. Maintaining the upward trend on coverage and liquidity is crucial to making this a reality.

**g. What recommendations would you make to the City as it seeks to improve the PWD's investor relations?**

PFM is a strong proponent of a well thought-out, comprehensive investor relations program and the City is well underway in developing and implementing a robust, multifaceted Investor Relations Program. As the City is well aware, a consistent and thorough investor relations program can stimulate investor demand and enable an issuer to achieve lower costs of borrowing. In order to maximize the benefits of an investor relations program, outreach must encompass both institutional and retail investors and the tools and techniques used should be targeted to the specific, and sometimes markedly different, investment decision making processes and drivers of both groups. Current and comprehensive information must be easily accessible and maintain a high level of transparency in terms of the time to absorb and assess that information. The City and PWD have also made impressive studies in fine tuning its disclosure information in recent official statements. Clear and robust Disclosure is also a critical component of investor outreach.

**Ongoing Outreach:** Ongoing investor outreach involves providing investors with ready access to pertinent and timely information (financial and otherwise) regarding an issuer and its various credits. Under the best circumstances, this information is available in one location that can be accessed "at will" by the investor – the highly desirable "one-stop-shop." Investors are much more likely to participate in a bond offering if the information they need to conduct their analysis is easy to both find and understand. While the City currently maintains an "Investor Relations" page on its website that provides a wealth of information in a user-friendly format, PFM believes that there are a few modifications and additions that could enhance this vehicle. Information related to PWD is incorporated in the City's financial data, which can make it difficult to quickly ascertain ongoing information. A couple of thoughts to enhance ongoing outreach are:





1. Include an Investor Relations redirect on PWD's website so investors that start with that page will be redirected to the City Treasurer's page.
2. Include information on the CIP either on the PWD's site or on the City's web page, it is very difficult to track down the information since the approved plan is part of the City's larger capital improvement budget. Investors and credit agencies are interested in long term obligations beyond what is authorized in the City's five year Capital Budget.
3. The City should also strategically target certain outreach to those investors that hold City bonds in other enterprise funds, but not the Water Fund. This strategy should be incorporated into a larger City and City-related targeted strategy that could be developed and implemented in 2016, while the City's bond calendar is estimated to be relatively light.

Institutional Holders of Philadelphia Bonds			
Water	General Obligation	Gas Works Revenue	Airport
Vanguard Group Inc	Vanguard Group Inc	Fidelity Management & Research Company	T Rowe Price Associates Inc
Franklin Templeton Investments	Loews Corporation	Nuveen Asset Management LLC	BlackRock Investment Management LLC
PineBridge Investments LLC	Franklin Templeton Investments	Deutsche Asset Management	USAA Asset Management Company
Nuveen Asset Management LLC	Fidelity Management & Research Company	Franklin Templeton Investments	MacKay Shields LLC
Hartford Investment Management Company	Wells Capital Management Inc	Lord, Abnett & Co LLC	AllianceBernstein LP
GE Asset Management Inc	MacKay Shields LLC	Vanguard Group Inc	Vanguard Group Inc
Lord, Abnett & Co LLC	Pacific Investment Management Co LLC	Gannett Welsh & Kotler LLC	Metropolitan Life Insurance Co
Principal Global Investors LLC	Invesco Advisers Inc	Wells Capital Management Inc	Wells Capital Management Inc
BNY Mellon	Allstate Investment Management Company	BlackRock Investment Management LLC	Boston Management & Research
Fidelity Management & Research Company	Delphi Capital Management Inc	Invesco Advisers Inc	Nationwide Insurance Co

\*Highlighted firms hold bonds in at least two Philadelphia credits.

**h. Issues, benefits or challenges associated with pricing and marketing PWD Bonds.**

PWD successfully priced its Series 2015A and 2015B with the tightest spreads to date and with two different underwriting teams. The coordination between the two firms presented an extra level of complication, with the Series 2015B bonds pricing resulting in significant over subscription, with the 2015A bonds only 75% subscribed. Ultimately the final scale was tightened in the early maturities, widened slightly in the longer maturities but with a shorter call. PFM's pricing desk worked closely with both senior managers to ensure that the transaction was coordinated and that the pricing resulted in an overall market spread that made sense. As can be seen below the weighted average spreads have become tighter over the last several issues. It is difficult to make definitive statements regarding the reason, spreads are impacted greatly by overall interest rate environment, global events and other comparable issues that are in the market at the time of pricing. PFM's ability to know what it going on across the country and having real time access to market data is invaluable in insuring that the City's issues are priced at or through the market.

PWD	Series 2015A	Series 2015B	Series 2014A	Series 2013A	Series 2012	Series 2011A	Series 2011B
Weighted Average Spread	70.0 bps	62.2 bps	55.2 bps	64.0 bps	57.9 bps	87.4 bps	86.2 bps
Weighted Average Maturity	26.16 yrs	13.47 yrs	37.02 yrs	13.62 yrs	14.06 yrs	25.47 yrs	8.65 yrs

**i. How would your firm suggest evaluating senior and co-manager performance on a given financing, and what sources of information would you use in such an analysis? Please provide your independent pricing views and explanation for the following: \$300 million, 30-year level debt service Water and Wastewater Revenue bonds with serial or term maturities (as a spread to the "AAA" GO MMD Index as of October 18, 2015.**

The most obvious basis for evaluating a senior manager is the final price offered to underwrite the bonds. However, we would not recommend only evaluating the end product. As we have worked with the City and PWD in the past, we would continue to recommend that the City:

- Aggressively push the senior manager to develop a robust pre-marketing plan well in advance of marketing.
- During the marketing period, require continued communication from the senior manager regarding investor feedback. Compare this information against the initial list of targeted investors.





- Clearly communicate to the syndicate members that the City will review and monitor performance and will be mindful of actual going away orders, not those that "pile-on" other institutional orders. The City has begun to compile the orders/allocation for each transaction. This is one way to determine whether co-managers actively participated in the transaction.
- Secondary trading should be reviewed between pricing and closing to ensure that there is not any unusual trading activity. PFM has developed a Secondary Trade Tracker model which assesses post-issuance pricing performance. We included the secondary trade analysis from the last transaction between pricing and closing as well as recent trading activity. In general there was not any significant trading activity that would suggest the issues was priced incorrectly. There was tighter trading in the longer maturities that could support continuing pushing the spread in any new issues, depending upon prevailing marketing conditions.
- To come up with the independent pricing view, PFM utilized a secondary trade search from TM3 to get a sense of where PWD bonds are trading. As shown in the table below, recent secondary trades in 2029 maturities are from +54 bps to +61 bps and recent secondary trades in 2045 maturities are from +56 bps to +63 bps with the largest aggregate trades at +56 bps.

Three most recent PWD comparables are:

- Yuma Arizona Water A1/A+/AA-; 10/7 Sale Date; 5% Coupons after the call date trading at +44 bps
- DC Water Aa3/AA/AA-; 10/6 Sale Date; 5% Coupons after the call date trading at +39/37 bps
- Allegheny County PA Water A1/A/NR; 9/3 Sale Date; 5% Coupons after the call date trading at +60/62 bps

PWD is a stronger credit than Allegheny County and spreads were adjusted credit for difference between DC Water's ratings and PWD's ratings. There are a range of general market factors that can impact spreads beyond specific credit and issuer demand. However, we see nothing in the secondary data that indicates PWD spreads widening.

Combining secondary trade results with the most recent comparables and considering how PWD's last deal priced, PFM developed the independent pricing view shown in the table to the right. Complete secondary trade analysis can be found in **Appendix D**.




## Philadelphia Water & Wastewater

10/20/2015

		Call Date Rating	10-Year Call A1/AA/AA+
	MMD	Tax-Exempt Spread	Tax-Exempt Yield
2016	0.23	18 bps	0.41
2017	0.55	24 bps	0.79
2018	0.76	30 bps	1.06
2019	0.96	34 bps	1.30
2020	1.20	38 bps	1.58
2021	1.39	42 bps	1.81
2022	1.58	46 bps	2.04
2023	1.78	49 bps	2.27
2024	1.91	52 bps	2.43
2025	2.02	55 bps	2.57
2026	2.14	57 bps	2.71
2027	2.25	57 bps	2.82
2028	2.35	57 bps	2.92
2029	2.44	57 bps	3.01
2030	2.53	57 bps	3.10
2031	2.60	57 bps	3.17
2032	2.66	57 bps	3.23
2033	2.71	57 bps	3.28
2034	2.76	57 bps	3.33
2035	2.81	57 bps	3.38
2036	2.86	57 bps	3.43
2037	2.90	57 bps	3.47
2038	2.94	57 bps	3.51
2039	2.97	57 bps	3.54
2040	3.00	57 bps	3.57
2041	3.02	57 bps	3.59
2042	3.04	57 bps	3.61
2043	3.05	57 bps	3.62
2044	3.06	57 bps	3.63
2045	3.07	57 bps	3.64

2029	7/1	5.00	PHILADELPHIA PA WTR & WAS	PA	7/23/2015	A1/A/A+	***	900	3.25	61 bps	7/1/2025	9.72 yrs
					7/29/2015	A1/A/A+	***	3,325	3.17	58 bps	7/1/2025	9.72 yrs
					7/30/2015	A1/A/A+	***	620	3.15	54 bps	7/1/2025	9.72 yrs
					7/31/2015	A1/A/A+	***	5,400	3.15	54 bps	7/1/2025	9.72 yrs
2045	7/1	5.00	PHILADELPHIA PA WTR & WAS	PA	9/18/2015	A1/A/A+	***	15,000	3.78	56 bps	7/1/2024	8.72 yrs
					9/24/2015	A1/A/A+	***	4,635	3.70	59 bps	7/1/2024	8.72 yrs
					9/29/2015	A1/A/A+	***	7,290	3.70	63 bps	7/1/2024	8.72 yrs

## (7) References.

 <b>James Good, Executive Director</b> 1200 Penn Avenue, Pittsburgh, PA 15222 (412) 255-8960 jgood@pgh2o.com Pittsburgh Water & Sewer Authority	 <b>Stephen Kraus, Assistant Treasurer</b> 200 Holiday Street, Room 7 Baltimore, MD 21201 (410) 396-4750 steve.kraus@baltimorecity.gov City of Baltimore	 <b>Mark Kim, Chief Financial Officer</b> 500 Overlook Ave, SW, Washington, DC 20032 (202) 787-2714 mark.kim@dcwater.com DC Water
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(8) Proposed Subcontractors.

PFM supports completely the goal of providing more opportunities to minority-owned businesses. The firm is not proposing to work with a subcontractor on this engagement; however, as we have done on almost all of our City engagements to date, we would be pleased to work with an M/W/DSBE on the City's PWD account. The co-advisory partnerships we have participated in thus far on behalf of the City have proven to be beneficial for all involved, as the added experience and perspective enhances transaction management and execution.

We believe that the City is in the best position to determine which firm might best compliment the services PFM offers.

In addition, PFM, in conjunction with the City, will use its best efforts to afford small, minority and women-owned business enterprises with the maximum practicable opportunity to participate in the performance of subcontracts and the security bidding process on transactions on which PFM is the financial advisor. PFM has developed a number of approaches to encourage participation of MBE/WBE firms and regularly solicits bids/offers on securities from such firms. A list of firms would be developed by PFM and submitted for review by the client. At the request of specific clients, we have also taken other steps to encourage participation. These include awarding security bidding ties to MBE/WBE firms, and allocating a certain percentage of overall purchases/sales to these firms as a group and then receiving bids/offers on these securities only from these firms (in order to comply with our multiple bid/offer and fair market price procedures).

(9) Requested Exceptions to Contract Terms.

See **Appendix E**.

(10) Solicitation for Participation and Commitment Form

See **Appendix F**.

(11) Tax and Regulatory Status and Clearance

See **Appendix G**.

(12) Disclosure of Litigation; Disclosure of Administrative Proceedings

During the 5-year period preceding the date of this RFP there are NO judicial or administrative proceeding that is material to PFM's business or financial capability or to the subject matter of this RFP, or that could interfere with PFM's performance of the work requested by this RFP, including, but not limited to, any civil, criminal or bankruptcy litigation; any debarment or suspension proceeding; any criminal conviction or indictment; and any order or agreement made with or issued by a court or local, state or federal agency.

(13) Statement of Financial Capacity

See **Appendix H** for our most recent financial statements.

(14) Local Business Entity or Local Impact Certification. (Optional if applicable to Applicant)

See **Appendix I**.

(15) Disclosure Requirements

Per the RFP, all of disclosure requirements have been filed via eContract Philly.

(16) Defaults

Within the past five (5) years PFM has not defaulted or was deemed to be in noncompliance of any contractual obligations.

(17) Applicant shall provide a narrative description on whether and how a contract award based on its proposal will result in new job creation within the following: 1) City of Philadelphia; 2) Philadelphia Metropolitan Statistical Area; 3) Commonwealth of Pennsylvania; 4) United States of America.

PFM is headquartered in Philadelphia and has three other offices in Pennsylvania: PFM employs over 260 employees across the Commonwealth: **Philadelphia** (127 employees), **Harrisburg** (134 employees) and **Malvern** (2 employees). As a result, we contribute to the City and State's economic goals and working with the City allows us to provide employment opportunities.





## **Appendix A**

### **Scope of Work and Work Products**

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## SCOPE OF SERVICES AND TANGIBLE WORK PRODUCTS

As referenced in our proposal response to Question 5 of the RFP, we have presented in tabular form on the following pages the scope of services and work products we will provide to the City and the PWD. The table includes all of the Services and Tangible Work Products listed in Sections II.B.1 and II.B.2 of the RFP, as well as various additional services and work products that we provide to a number of our other major water & sewer clients.

(Items highlighted in yellow are specific Services and Tangible Work Products listed in the RFP. Items not highlighted were added by PFM)

No.	Item In RFP	Service to be Provided	Tangible Work Product	PFM Personnel Involved	Timetable
<b>Phase 1: Working with the Client to Develop a Detailed Plan of Finance for the Major Development Program</b>					
1	II.B.1.c	Develop and analyze plans of finance		Clupper, Perry-Glickstein	12-24 months, depending on number of alternate approaches and scenarios that are analyzed
2	II.B.1.b	Advise City and PWD on areas on industry-specific knowledge		Clupper, Hartman (as needed), Franke (as needed)	
3		Develop detailed computer model, including key assumptions for all projects in the CEP and any other projects		Clupper, Chung, Matteo, McInerney (FP), Kaplan (as needed)	
4		Evaluate numerous alternative approaches to funding the program	Will provide printouts of various calculations based on different financing assumptions	Clupper, Perry-Glickstein	
5		Work with PWD and feasibility consultant to evaluate impact on PWD cost structure and rates resulting from different plan of finance approaches	Financial projections will be developed by feasibility consultant which incorporate projected debt service provided by PFM	Clupper, Perry-Glickstein	
6		Analyze lien and security structure of the PWD's debt, and consider possible changes in connection with funding the CIP	If requested by City, will provide written report on issues identified related to the lien structure of the PWD's debt	Clupper, Perry-Glickstein, Hartman (as needed)	
7		Work with PWD to develop final agreed-upon plan of finance	If requested, will prepare report on issues analyzed during development of financial plan, recommendations made, and reasons therefor	Clupper, Perry-Glickstein	



No.	Item In RFP	Service to be Provided	Tangible Work Product	PFM Personnel Involved	Timetable
<b>Phase 2: Putting the Various Pieces in Place to Begin the Financing Program</b>					
8	II.B.1.e.	Assist with the underwriter selection process		Clupper, Perry-Glickstein, Chung	60-180 days, depending on the numbers of separate steps that have to be taken
9		Assist with RFP process for selection of any project team members that may be required (feasibility consultant, bond counsel, disclosure counsel, etc.)	Can provide copies of RFPs used by other PWDs to select such professionals, if needed	Clupper, Perry-Glickstein	
10	II.B.1.b	Advise City and PWD on areas on industry-specific knowledge		Clupper, Hartman (as needed), Franke (as needed)	
11	II.B.1.a	Advise on appropriate terms and conditions under which bonds should be sold		Clupper, Frazier	
12	II.B.1.e & II.B.1.f	Act as liaison with underwriters and/or rating agencies, as requested	Develop rating strategies and coordinate presentations to rating agencies	Clupper, Perry-Glickstein	
13	II.B.1.g	Assist in negotiations and discussions of business terms with relevant parties		Clupper, Perry-Glickstein	
14	II.B.1.j	Provide information on other major national state and local debt issuances as a reference	Can provide terms of sale of comparable issues, as frequently as may be requested by the City and PWD	Clupper, Frazier, Neilson (Pricing Group)	
15	II.B.1.k	Maintain a pricing database comparing City's pricings relative to market indices and other comparables, and orders and allotment data	Detailed pricing information from other issues can be provided by PFM's Pricing Group	Clupper, Frazier, Neilson (Pricing Group)	
16	II.B.1.u	Assist PWD and the City in the evaluation of derivative proposals related to the issuance of debt and minimizing debt service costs	Summary of analysis can be provided by PFM Swap Advisors, if requested	Pearsall, Mukunya, Hu	
17	II.B.2.h		Assist PWD and City in preparing and delivering presentations designed to facilitate understanding of the City's financing programs.	Clupper, Perry-Glickstein, Chung	
18		Agree with the City and the PWD on the sizing, timing and sequencing of the initial bond financings required for the CIP	Report summarizing plan for the initial financings will be prepared, if requested.	Clupper, Perry-Glickstein, Chung	
19		Agree with the City and PWD on the general structure of the initial issue to be undertaken (fixed vs. variable rate, lien level, etc.)	If requested, report will be prepared on the plan agreed to by the City and PWD, and the reasons therefor	Clupper, Perry-Glickstein, Chung	



No.	Item In RFP	Service to be Provided	Tangible Work Product	PFM Personnel Involved	Timetable
<b>Phase 3: Advise the Client on Specific Bond Financings</b>					
20		Assist the City and the PWD in guiding the overall financing process		Clupper, Perry-Glickstein	90-180 days, depending on the complexity of the transaction
21	II.B.2.a		Provide financing timetables and distribution lists	Clupper, Chung	
22	II.B.1.a & II.B.2.b	Advise on appropriate terms and conditions under which bonds should be sold	Prepare analyses and evaluations of potential refundings and new money issues	Clupper, Chung	
23	II.B.1.b	Advise City and PWD on areas on industry-specific knowledge		Clupper, Hartman (as needed), Franke (as needed)	
24	II.B.1.e & II.B.2.f	Act as liaison with underwriters and/or rating agencies, as requested	Develop rating strategies and coordinate presentations to rating agencies	Clupper, Perry-Glickstein, Hartman (as needed)	
25	II.B.1.j	Provide information on other major national state and local debt issuances as a reference	Results of other bond sales will be provided by Pricing Group as frequently as requested.	Clupper, Frazier, Neilson	
26	II.B.1.k	Maintain a pricing database comparing City's pricings relative to market indices and other comparables, and orders and allotment data	Detailed pricing information from other issues can be provided by Pricing Group	Clupper, Frazier, Neilson	
	II.B.1.g & II.B.2.i	Assisting in negotiations and discussions of business terms with relevant parties	Develop and coordinate credit enhancement and bond insurance strategies, including assisting in procuring credit enhancement	Clupper, Perry-Glickstein, Chung	
27	II.B.2.h		Assist PWD and City in preparing and delivering presentations designed to facilitate understanding of the City's financing programs.	Clupper, Perry-Glickstein, Chung	
28		Assist the City, the PWD and the underwriters in pre-marketing the issue, including reaching out to investors	Will assist underwriters to preparing the presentation to investors	Clupper, Perry-Glickstein, Chung, Frazier, Neilson	
29	II.B.1.g & II.B.2.j	Provide advice to help City and PWD obtain the lowest cost financing and maximize investor support	Participate in pricing discussions, provide data on market comparables, analyze different pricing and structuring options, provide independent pricing views, and recommend fair pricing levels	Clupper, Perry-Glickstein, Frazier, Neilson	
31	II.B.1.i	Assist, City, PWD and the underwriters in sizing and structuring bonds		Clupper, Perry-Glickstein, Chung	
32	II.B.1.u	Assist PWD and the City in the evaluation of derivative proposals related to the issuance of debt and minimizing debt service costs	Summary of analysis can be provided by PFM Swap Advisors, if requested	Pearsall, Mukunya, Hu	
33	II.B.1.m & II.B.2.c	Assist PWD and City with competitively-sold financings, including Notice of Sale, bid forms, procedures, electronic bidding, verification, etc.	Prepare advertisements for the sale of bonds and notes	Clupper, Perry-Glickstein, Chung	



No.	Item In RFP	Service to be Provided	Tangible Work Product	PFM Personnel Involved	
<b>Phase 3: Advise the Client on Specific Bond Financings (cont.)</b>					
34	II.B.1.n & II. B.2.i	Reviewing preliminary and final official statement for accuracy and adequacy	Assist PWD, City and other relevant parties in preparing various disclosure documents	Clupper, Perry-Glickstein, Chung	90-180 days, depending on the complexity of the transaction
35	II.B.1.v	Reviewing and commenting on PWD Consultant Feasibility Studies		Clupper, Perry-Glickstein, Chung	
36		Assist the City and the PWD on various matter related to the closing of the bond issue, including preparing any final calculations required from the financial advisor	Will provide any certificates or calculations that may be required from PFM at closing	Clupper, Perry-Glickstein, Chung	
37	II.B.1.r & II.B.2.k	Assisting PWD and the City in structuring and bidding escrows and purchasing SLGS and open market securities, as advised	Competitive procurement of SLGS and open market securities for escrows as needed	Eisel (PFMAM)	
38	II.B.1.s	Providing requested assistance with respect to defeasance or escrow accounts, bond redemptions and prepayments		Eisel (PFMAM)	
39		Analyze alternative approaches for the investment of bond proceeds, and assist the City and PWD in developing an agreed-upon strategy		Eisel (PFMAM)	
40	II.B.1.t	Bidding investment agreements	Will prepare report on results of process	Eisel (PFMAM)	





No.	Item In RFP	Service to be Provided	Tangible Work Product	PFM Personnel Involved	Timetable
<b>Phase 4: Ongoing Work with the Client Between Financings, Or After the Financing Program is Completed</b>					
41	II.B.1.i	Monitoring post-sale trading of the PWD's bonds	Will provide reports as often as may be requested by the City and PWD	Frazier, Neilson	Ongoing
42	II.B.1.e & II.B.2.f	Acting as liaison with underwriters and/or rating agencies, as requested	Develop rating strategies and coordinate presentations to rating agencies	Clupper, Perry-Glickstein, Hartman (as needed)	
43	II.B.1.f	Assisting in negotiations and discussions of business terms with relevant parties		Clupper, Perry-Glickstein	
44	II.B.1.k	Maintain a pricing database comparing City's pricings relative to market indices and other comparables, and orders and allotment data	Detailed pricing information from other issues can be provided by Pricing Group	Clupper, Frazier, Neilson	
45	II.B.2.h		Assist PWD and City in preparing and delivering presentations designed to facilitate understanding of the City's financing programs.	Clupper, Perry-Glickstein, Chung	
46	II.B.1.o	Providing other services and economic advice which may become necessary on a day-to-day basis		Clupper, Perry-Glickstein, Chung	
47	II.B.1.s	Providing requested assistance with respect to defeasance or escrow accounts, bond redemptions and prepayments		Eisel (PFMAM)	
48		On an ongoing basis, monitor investment of bond proceeds as projected cash flow requirements of the projects change	If excess cash accumulates in Construction Fund, will provide suggestions for possible restructuring of investments	Eisel (PFMAM)	
49		On an ongoing basis, assist the City and PWD in evaluating financing proposals and products that might be received from underwriters and other parties	Will provide written analysis of such proposals, if requested by the City and PWD.	Clupper, Perry-Glickstein, Hartman, Kozloff, Pearsall, Eisel	