

TAB 3

**Financial Advisor
April 21, 2008 Workshop**

POINT PAPER

Problem: The City of Palmetto would like to hire an independent Consultant/Financial Advisor to assist with long term capital planning, debt analysis and investments.

Background:

Several months ago staff presented comparative information to Commission regarding current debt outstanding and debt capacity within the City. The information was intended to provide a high level look at how the City measures up in comparison to industry standards and other municipalities. At the conclusion of the presentation, staff informed Commission that we would seek an independent consultant to assist with long term capital planning including debt capacity analysis. Staff contacted a few other cities (Sarasota and Bradenton) to inquire as to suggestions regarding a financial advisor. Both Sarasota and Bradenton indicated that they are working with the capital markets group at RBC Dain, Inc. Other clients include City of Clearwater, Dunedin, Oldsmar, North Port, and Ft. Myers. Several months ago, staff met with two of the Directors, Julie Santamaria and Jeffrey Green to discuss the types of services they typically perform. Based on our discussion, staff would like to retain there services to assist with long term financial planning within the City. Long term capital planning is something that they are very familiar with and they work with several other cities throughout Florida. Staff feels they will be able to provide an independent assessment and add value as we try and manage our capital financing needs in this difficult time.

Staff will also look to RBC Dain to provide guidance regarding the debt and fund balance policies we discussed earlier this year. Staff will also look for assistance regarding investments options for City funds. RBC Dain indicated they do a lot of this type of work for other cities and have many examples that they could share with the City of Palmetto.

Staff would like to retain the services of RBC Dain to assist with some of the items mentioned above. The contract for services is attached for your review. The contract has two components that determine the fee for their services. If we choose to use them as part of a debt issuance (not the case for us right now), they receive a percentage of the debt issuance. The second part of the contract indicates they will bill per hour for special projects related to capital financing and any analysis. This per hour arrangement as outlined on page 3 would apply for the type of work we are requesting. Staff would like retain the services of RBC Dain for an amount not to exceed \$6,000. The exact amount will be determined as we further define the scope of services to be performed.

Alternatives:

1. Motion to approve and authorize the Mayor to execute the Financial Advisory Services Agreement with RBC Dain Rausher Inc. for an amount not to exceed \$6,000.
2. Do not approve the Financial Advisory contract and instruct staff to seek other options.

Recommendation:

Alternative #1

Budget Impact: Finance has \$3,000 remaining in the consulting line item (Account # 0015153101) that will be used to fund a portion of the this cost. The remaining \$3,000 will come from training dollars (Acct#0015135413) that will not be utilized in the IT budget. A budget amendment will be forthcoming to reallocate the \$3,000 from IT's budget to Finance.

FINANCIAL ADVISORY SERVICES AGREEMENT

THIS AGREEMENT is made and entered into this ____ day of _____, 2008 by and between the City of Palmetto (the "Client") and RBC Dain Rauscher Inc. doing business under the name RBC Capital Markets Corporation ("RBC Capital Markets" or the "Financial Advisor").

1. The Client hereby retains RBC Capital Markets and RBC Capital Markets hereby agrees to act as Financial Advisor to the Client.

2. The term of this Agreement shall commence with the execution hereof and shall be in effect for 12 months from said date (the "Term"). The Agreement may be renewed for an additional Term upon written agreement by the parties. Either party may cancel and terminate this agreement at any time, and upon such termination, all responsibility and obligation under this Agreement will terminate. Once notice of termination has been received, all work shall cease unless otherwise directed by the Client. In the event of early termination of this Agreement, the Financial Advisor shall be compensated on all projects in progress until the date of formal written notification.

3. Services Involving the Issuance of Debt. The Financial Advisor agrees that upon request, the following services may be performed by the Financial Advisor in consideration of the compensation in Paragraph 5 hereto:

- a. Assist in the development of the Client's capital improvement program as requested.
- b. Review existing debt structure and financial resources to determine available borrowing capacity.
- c. Evaluate financing mechanisms and assist in the financing component of any such mechanisms chosen by the Client.
- d. Assist in the selection of a financing vehicle, including but not limited to, private placement of debt, participation in pooled short term borrowing programs, bank loans, tax anticipation notes, certificates of participation and revenue anticipation notes or other alternative financial products, including but not limited to interest rate swaps, caps or collars.
- e. To be available, upon proper notification, to participate in conference calls, conferences, with the personnel of the Client and other consultants to the Client regarding financing matters.
- f. Provide information concerning the structure of financing programs used by other issuers.

- g. Recommend, in conjunction with bond counsel, provisions and covenants to be contained in debt issues, including, but not limited to debt amounts, maturities, interest rates, redemption provisions, flow of funds, debt service coverage requirements, reserve funds, security pledges and conditions relating to the issuance of additional debt.
- h. Assist with the preparation of debt service requirements for proposed issues.
- i. Advise on the use of a negotiated or competitive process for each issue.
- j. Advise as to the advantages and disadvantages of municipal bond insurance or other credit enhancements, if applicable.
- k. Coordinate with and provide the municipal bond rating agencies (and credit enhancers, if applicable) with information necessary to obtain an appropriate rating on the debt, if applicable.
- l. Advise as to market conditions and recommend the timing of the pricing of the debt.
- m. Review the bond purchase agreement and advise as to its acceptance or rejection in light of market conditions.
- n. Assist in negotiating the interest rate for the debt.
- o. In conjunction with Client's legal counsel, assist in the preparation of the official statement, private placement memorandums, loan applications, or other information related to the financing.
- p. Coordinate the closing and transfer of funds.

4. Services Not Involving Specific Financings. The Financial Advisor agrees that upon request, the following services may be performed by the Financial Advisor in consideration of the compensation in Paragraph 5 hereto:

- a. Attend meetings related to the Client's business as requested.
- b. Prepare debt capacity reports and assist in capital improvement planning, as requested.
- c. Provide other requested services, such as periodic rating agency updates.

5. Compensation. The Financial Advisor shall be compensated for all work performed for the Client pursuant to paragraphs 3 and 4 of this Agreement as follows:

- a. In connection with the issuance of debt, the Financial Advisor shall be paid at closing in accordance with the following schedule, with a minimum fee of \$17,000 per transaction:

Par Amount of Debt Issued	Fee Per \$1,000
First \$15,000,000	\$1.50
\$15,000,000 - \$25,000,000	\$1.35
\$25,000,000 - \$50,000,000	\$1.20
\$50,000,000 - \$100,000,000	\$1.00
\$100,000,000 and more	\$0.75

- b. For services not involving the issuance of debt and of a comprehensive nature agreed upon by both parties, the Financial Advisor shall be paid on an hourly basis for time expended by its personnel, as follows:

Managing Director and Director	\$185 per hour
Vice President	\$165 per hour
Assistant Vice President and Financial Analyst	\$150 per hour
Support Staff	\$ 35 per hour

- c. In the event an Interest Rate Derivative Transaction (IRDT) is undertaken, the Financial Advisor shall earn an advisory fee to be negotiated which generally will be calculated by using the present value in basis points of the yield on the IRDT. The fee will be paid to us by the counterparty upon completion of the transaction and included in the pricing of the IRDT paid by Client.

Our fee does not include and we will be entitled to direct reimbursement from Client for any "out-of-pocket" expenses incurred in connection with the services described above, including but not limited to reasonable travel expenses or any other expenses incurred on behalf of Client. Reimbursement for these expenses will be due upon receipt of an invoice from RBC Capital Markets and is not contingent on completion of the transaction.

- d. For the preparation of the bid solicitation and review of bids received for securities to be purchased for escrow accounts, guaranteed investment agreements and other investments, the Financial Advisor shall be paid a Placement Fee of five basis points (0.05%) of the weighted average balance to be invested each year of the agreement, discounted at a taxable yield by the Agreement Provider on behalf of the client.

- e. The Client and the Financial Advisor acknowledge that there may be special projects for which the services of the Financial Advisor will be requested which are not appropriately compensated for on an hourly rate and/or which do not result in the issuance of bonds as more specifically referenced in paragraph 7 below. Fees for these special services shall be negotiated on a case by case basis and shall be agreed to in writing by both parties.

The above fees in paragraph 5 of this Agreement shall be in effect for three years following the commencement of the Agreement period and subject to change by a written amendment to this Agreement in subsequent years upon mutual agreement of the parties.

- f. Unless and until the Client has received and reviewed informal quotes for services similar to those provided under this Agreement and determined that Financial Advisor is the lowest responsible, responsive, qualified vendor pursuant to Section 2-56 of the City of Palmetto Code of Ordinances, compensation paid to Financial Advisor shall not exceed \$10,000.

6. The parties acknowledge that if RBC Dain Rauscher sells securities for investment programs to the Client, such sale is in RBC Dain Rauscher's role as a broker/dealer and as principal and the Client acknowledges that a mark-up will be charged on the sale. Such markup shall be disclosed to the Client.

7. Julie A. Santamaria, Director, and Jeffrey L. Green, Director, will be the primary bankers for the Financial Advisor for all work performed herewith. Other professionals will perform services as directed by Julie A. Santamaria and Jeffrey L. Green. Julie A. Santamaria and/or Jeffrey L. Green may be removed from this position at the Client's request.

8. The Financial Advisor shall be entitled to the reimbursement of expenses associated with all services contemplated herein in full.

9. The parties acknowledge that the Financial Advisor may have ongoing business relationships with other investment banking firms and financial advisors, including firms doing business with the Client.

10. This Agreement does not govern, nor does it prohibit the Financial Advisor from serving in other roles, such as investing funds as a broker/dealer, selling securities to the Client as principal and other activities.

11. Severability. Should any term, provision, covenant, condition or other portion of this Agreement be held illegal or invalid, then such illegality or invalidity shall not affect the remainder of this Agreement, and the remainder shall continue in full force and effect as if such illegality or invalidity had not been contained herein.

12. Agreement. This Agreement may be executed in one or more copies, each of which shall be an original, and the copies together constitute but one in the same Agreement

which may be amended in writing with the consent of both parties from time to time.

13. Assignments. The parties agree that the services provided under this Agreement are in the nature of personal services. Financial Advisor shall not assign the rights, duties or obligations set forth in this Agreement without written consent from Client.

14. Entire Agreement. This Agreement constitutes the entire agreement between the parties and shall supersede and replace all prior agreements or understandings, written or oral, relating to the matters set forth herein. Notwithstanding the foregoing, however, the Financial Advisor hereby affirms the accuracy of the information provided by it in its proposal to the Client.

15. Amendment. This Agreement shall not be amended or modified other than in writing signed by the parties hereto.

16. Governing Law. This Agreement is governed by and shall be construed in accordance with the laws of the State of Florida.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and their seals to be affixed hereto as of the day and year first above written.

ATTEST: James R. Freeman,
City Clerk

CITY OF PALMETTO, FLORIDA, BY
AND THROUGH THE CITY
COMMISSION OF THE CITY OF
PALMETTO

By: _____
City Clerk/ Deputy Clerk

By: _____
Lawrence E. Bustle, Jr., Mayor

Date: _____

WITNESSES :

RBC CAPITAL MARKETS CORP.

_____ By _____

: _____ Title: Director