



# BOARD OF PUBLIC WORKS

CITY OF HANNIBAL

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## ELECTRIC, WATER AND SEWER DEPARTMENTS

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### MEMO

**To:** Board of Directors of the Hannibal Board of Public Works  
**From:** Abraham Gray, Finance Director  
**Date:** January 11, 2018  
**Re:** Financial Advisory Agreement

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On the following pages a proposal from Joy Howard (WM Financial Strategies) to assist us with obtaining financing for capital improvements at the water filter plant.

Ms. Howard has assisted us in the past with financing in every one of our funds, including the Electric generator project, the Water SRF financing, and the Sewer bonds. Additionally, Ms. Howard has assisted the City with several of their financings.

I feel that Ms. Howard is very effective and professional and has a comprehensive understanding of the City/BPW finances and operations and I recommend that we hire her to assist us.

## FINANCIAL ADVISORY AGREEMENT

This Financial Advisory Agreement (the "Agreement") dated as of \_\_\_\_\_, is between WM Financial Strategies and the City of Hannibal Board of Public Works (the "Board"). The Board acting under its powers granted by the charter of the City of Hannibal (the "City") agrees to hire WM Financial Strategies and WM Financial Strategies agrees to act as financial advisor to the Board on the terms set forth below:

1. **SCOPE OF SERVICES.** The Board hires WM Financial Strategies to provide the services set forth in the EXHIBIT attached hereto.
2. **PROJECT FINANCING.** WM Financial Strategies agrees to assist in obtaining financing for water treatment projects (the "Project"). Financing for the Project may be in the form of revenue bonds or lease obligations (referred to herein as the "Securities").
3. **AGREEMENT TO PROVIDE INFORMATION.** The Board agrees to provide WM Financial Strategies with information including financial statements, budgets, outstanding loan and bond documents, Project descriptions and other information required to provide the services set forth in this Agreement.
4. **ADVISORY FEES.** In the event the City issues revenue bonds WM Financial Strategies shall receive a fee equal to \$20,000. In the event the City issues lease obligations WM Financial Strategies shall receive a fee equal to \$22,000. The fees include out-of-pocket expenses for courier, in-house reproductions, telephone, travel and postage. The fees will be contingent upon the closing of the sale of the Securities and will be payable from the proceeds of the Securities.
5. **PROPERTY OWNERSHIP.** All reports, studies and data obtained or compiled as part of this Agreement shall be the property of the Board. All such reports, studies and data shall be delivered promptly to the Board as completed. The Board may additionally request receipt of partially completed reports, studies and data in order to assess the status of completion of services.
6. **TERMINATION.** This Agreement shall terminate upon the completion of financing for the Project.
7. **PAST DUE BALANCES.** Any balance that is thirty days past due shall be subject to a finance charge computed at the rate of .50% per month, which is an annual percentage rate of 6%.

City of Hannibal Board of Public Works

WM Financial Strategies

BY: \_\_\_\_\_

BY: \_\_\_\_\_

TITLE: \_\_\_\_\_

TITLE: Principal

## EXHIBIT – SERVICES

### I. CAPITAL PLANNING

#### A. *Financing Plan (s)*

WM Financial Strategies will review the management and operations of the system, user charges, financial statements, engineering reports relating to the proposed project and other information that may impact upon the timing, sizing and payment sources for the proposed Project. Thereafter, WM Financial Strategies will work with the Board in developing a financing plan or plans that will include the Project time schedule and required financing dates, an analysis of financing alternatives taking into consideration an analysis of the cost of various financing options, referendum requirements and the impact such alternatives will have on waterworks system user charges.

Thereafter, WM Financial Strategies will prepare a financing plan identifying alternative funding mechanisms for the Project, costs of issuance and any ongoing administration fees, a proposed maturity schedule for each funding mechanism, projected debt service costs for each alternative and other funding requirements such as reserves and depreciation accounts. The financing plan will include recommendations regarding the financing alternative to be selected.

For each financing mechanism under consideration, WM Financial Strategies shall assist in developing the financing terms required and analyze the impact of the terms on the Board's finances and water user charges. The following is a brief summary of some of the specific terms which WM Financial Strategies will assist in developing.

*Issue Sizing.* In advising on size, WM Financial Strategies will take into consideration project costs and availability of funds on hand. In addition, WM Financial Strategies will explore the timing of expenditures to insure that the funds can be spent in a time-frame consistent with the Internal Revenue Code rules relating to municipal financing.

*Maturity Schedule.* WM Financial Strategies will work with the Board in developing the maturity schedule.

*Debt Coverage.* Debt coverage refers to the amount of revenues required to support debt service. For most publicly sold revenue bond issues, the minimum acceptable debt coverage is generally 1.20 times. This means that for each \$1.00 of principal and interest on the bonds, there must be \$1.20 of revenues to support the debt. It may be possible to sell bonds with lower coverage; however, a lower or no bond rating and higher interest rates are probable. WM Financial Strategies shall review the operations of the system to determine whether the appropriate coverage requirement can be met and, if not, advise on steps for compliance (e.g. one or more user charge increases).

*Reserve and Depreciation Accounts.* WM Financial Strategies shall determine the amounts required for these accounts to market the Securities. WM Financial Strategies will also recommend the mechanisms to be used for funding these accounts.

*Redemption Provision.* A redemption provision should be included in the Securities documents to provide future flexibility for refunding debt for savings, voluntarily reducing outstanding debt or debt reorganizations. There are numerous options available for structuring a redemption provision for publicly sold Securities. WM Financial Strategies will carefully analyze redemption alternatives taking into consideration the Board's needs and any adverse effect the provision may have on interest cost.

Other Terms. WM Financial Strategies will assist in the development of other financial and investment provisions for inclusion in the bond or lease obligation documents. These terms include, among others, establishment of bond accounts, bond issue dates, and bond payment dates.

**B. Bond Referendum**

WM Financial Strategies will assist the Board in determining (i) whether to seek voter approval of revenue bonds, (ii) the projects to be funded by the bonds, and (iii) the amount to be authorized. WM Financial Strategies will also assist in developing educational materials to be distributed prior to any election.

**II. Sale of Bonds or Lease Obligations**

**A. Preparation of Time Schedule and Management of Activities**

WM Financial Strategies will prepare a schedule of events and assign specific dates to the timetable. In addition, WM Financial Strategies will monitor the progress of the steps set forth in the schedule and will coordinate the work of the parties to the transaction to insure that each step is completed on a timely basis.

**B. Market Analysis**

In order to appropriately advise the Board on the establishment of a desirable sale date and to keep the Board abreast of the cost of the financing plan under development, WM Financial Strategies shall monitor the following: (i) the general condition and trends in the economy, (ii) the condition of capital markets, (iii) the status of recently sold competitive bond issues including the yield on the bonds, and (iv) the supply of issues coming to market.

**C. Document Preparation**

WM Financial Strategies will work with the Board and Bond Counsel in the development of the authorizing ordinance and the other Securities documents. WM Financial Strategies' primary role in this matter is to insure that the financing terms desired for the transaction are accurately stated in the authorizing documents.

**D. Official Statement**

WM Financial Strategies will prepare the Preliminary and Final Official Statement (collectively the "Official Statement") to be used in conjunction with the sale of the Securities. In order to assist the City in fulfilling its disclosure obligations, WM Financial Strategies will prepare the official statement in a form generally consistent with the Government Finance Officers Association's Disclosure Guidelines. In preparing the Official Statement WM Financial Strategies will collect, research, develop and compile data for use therein provided that the City and Board will be responsible for the accuracy of the Official Statement content. In the event the Board engages disclosure counsel for the preparation of the Official Statement, WM Financial Strategies shall prepare the sections relating to the City and the Board.

**E. Rating**

Advise the Board whether the Securities should be sold unrated, rated, or secured with a municipal bond insurance policy. WM Financial Strategies will make arrangements for applying

for bond insurance and/or a rating and use its best efforts to obtain the highest possible rating for the Securities.

In applying for the rating, WM Financial Strategies will use the following rating strategy:

- Prepare the Official Statement in a form consistent with the Government Finance Officers Association's Disclosure Guidelines to assure that a complete picture of the quality of the issue is available.
- Perform an independent credit review of the City and Board in order to advise the Board of possible rating questions and concerns.
- Advise upon all information, in addition to the official statement, to be submitted to the rating agency.
- Determine whether an in-person meeting with the rating agency is feasible either at the offices of the rating agency or at the Board.
- Prepare a rating outline, supervise and direct rating rehearsals, and prepare supplemental reports, if feasible, in anticipation of the rating presentation to the rating agency.

#### ***F. Bond Marketing***

WM Financial Strategies shall develop a marketing plan for the Securities including whether to sell the Securities by negotiated sale or competitive bidding. For a negotiated sale, WM Financial Strategies shall prepare a request for proposals, appraise the proposals received, recommend the firm to be selected and negotiate the terms of the sale in the Board's best interest. For a competitively sold issue, WM Financial Strategies will (a) identify the information to be distributed to prospective underwriters (bidders), (b) arrange printing and distribution of the official statement, notice of sale and bid form, (c) assist in the arrangements for advertising the Securities sale, and (d) recommend the date and time for the Securities sale. The date of sale shall be based on current and anticipated market conditions with particular attention to the timing requirements of the specific project under consideration. In addition, WM Financial Strategies shall personally contact prospective bidders to stimulate interest in the issue. Regardless of the method of sale, following the execution of the purchase agreement, WM Financial Strategies shall not be responsible for monitoring the yields or prices assigned in any sale of the Securities subsequent to the execution of the purchase agreement.

#### ***G. Paying Agent***

WM Financial Strategies assists in the selection of a bank or trust company to serve as paying agent/registrars and as Trustee in the case of lease obligations. WM Financial Strategies will prepare a list of qualified firms, prepare and distribute a request for proposals, analyze the proposals received, and make recommendations with respect to the engagement of the paying agent.

#### ***H. Closing Services***

Supervise and assist in providing the technical services required to complete the financing such as the opening of bank accounts, investing borrowed funds prior to expenditure, obtaining CUSIP identification numbers, and wiring funds at the time of the closing.

***I. Mathematical Computations and Sale Report***

Throughout the financing process, WM Financial Strategies will prepare mathematical reports with respect to the debt service on the Securities, cash flows and the source and disbursement of funds. Following the sale WM Financial Strategies will prepare a sale report that contains information relating to market conditions prior to and following the sale and comparable sale information. The report will also include complete mathematical computations including the final debt service schedule, arbitrage yield, costs of issuance and the source and disbursement of funds.

## REQUIRED DISCLOSURES

WM Financial Strategies, is a registered municipal advisor with the Securities and Exchange Commission (“SEC”) and the Municipal Securities Rulemaking Board (“MSRB”). The Municipal Securities Rulemaking Board requires disclosures relating to (a) conflicts of interest, (b) disciplinary events filed with the Securities and Exchange Commission, and (c) fee arrangements. These disclosures are set forth below:

- (a) WM Financial Strategies has no known conflicts of interest relating to this transaction.
- (b) Joy A. Howard has not been the subject of any disciplinary event.
- (c) The Financial Advisory Agreement between WM Financial Strategies and the Board includes contingent fees payable upon the closing of the Securities sale. The Municipal Securities Rulemaking Board has identified fees contingent on the closing of a transaction as a potential conflict of interest since it could encourage proceeding with a transaction that may not be feasible; however, WM Financial Strategies has a fiduciary duty to serve in the City’s best interest which should mitigate the potential conflict of interest.

WM Financial Strategies is required to provide you the following information at least once in any calendar year during the term of its engagement:

- (a) Notice that as a client of a registered municipal advisor you have certain protections from the MSRB.
- (b) You may access a brochure regarding your protections and how to file a complaint on the MSRB’s website at <http://www.msrb.org>.