

City of Savannah, Missouri (the “City”)

Request for Proposal (the “RFP”)

LIMITED ROLE AS

SENIOR MANAGING UNDERWRITER (the “Underwriter”)

Combined Waterworks and Sewerage System Revenue Refunding Bonds (the “Bonds”)

DATE OF REQUEST: Thursday, August 25, 2016

RESPONSES DUE BY: Thursday, September 15, 2016, 10:00 AM, CST

## OVERVIEW

The City of Savannah, Missouri (“the City”) is planning to issue approximately \$2.4 million in Combined Waterworks and Sewerage System Revenue Refunding Bonds (the “Bonds”). Proceeds from the sale of the Bonds will be used to refinance the Combined Waterworks and Sewerage System Revenue Bonds, Series 2007 (the “Refunded Bonds”).

The City is seeking a recognized firm to underwrite the Bonds. Firms interested in underwriting these Bonds must submit 4 copies of a written proposal by 10:00 AM on Thursday, September 15, 2016 to:

**Beth Kar, City Clerk  
City of Savannah  
402 Court Street  
Savannah, Missouri 64485  
[bethkarsavmo@gmail.com](mailto:bethkarsavmo@gmail.com)  
Tel: 816-324-7502 Fax: 816-324-7501**

As an alternative to hard copies, you may also e-mail your proposal to Tionna Pooler, the City’s Municipal Advisor at [tpooler@independentpublicadvisors.com](mailto:tpooler@independentpublicadvisors.com) (e-mail). The e-mail must be received by the above-stated deadline.

The City will provide a question and answer period relating to this Request for Proposal. Questions must be submitted to Beth Kar via email as stated above, no later than September 1, 2016. Proposers wishing to receive addendums related to this RFP must notify the City Clerk no later than 3:00 pm September 8, 2016. Answers to requests for clarification will be provided to all persons making a request no later than September 9, 2016. **All other contact with any City official during the proposal solicitation and evaluation period may result in disqualification.**

### **The City**

The City is a fourth class city and political subdivision, duly created and existing under the laws of the State of Missouri. The City is located in Andrew County, Missouri, approximately 13 miles north of St. Joseph, Missouri on U.S. Business Routes 71 and 59. The City has shown a steady growth in population attributed primarily to the City’s proximity to St. Joseph, Missouri and its source of land suitable for new home and commercial construction. The present estimated population of the City is 5,057.

The City utilizes the Mayor-Board-Administrator form of government. The City is governed by a four-member Board of Aldermen. Two Aldermen are elected from each of two wards and the Mayor is elected at large. The Mayor and Aldermen serve two-year, staggered, terms. The City Administrator is appointed by the Mayor as the chief administrative officer of the City. The Aldermen set the policy for the City and the City Administrator is responsible for administering this policy in the day-to-day activities of City operations.

The Mayor presides over meetings of the Board of Aldermen. The Board of Aldermen establishes utility and tax rates and authorizes all municipal indebtedness. Tax rates are established by the Board of Aldermen to support the budget adopted. As required by state law, the aggregate City budget may not include any expenditures in excess of anticipated revenues. The City’s fiscal year ends on September 30.

## The System

The City of Savannah owns and operates the Combined Waterworks and Sewage System (the “System”). The waterworks portion of the System is currently comprises a water treatment plant, three wells, a pipeline from the three wells to the water plant, and two above ground storage tanks (500,000 gallons and 250,000 gallons) and two in-ground storage tanks totaling 551,000 gallons of water combined. The water plant has a pumping capacity of 2,000,000 million gallons per day based on a 24 hour per day run time.

The sewerage system portion of the System is comprises gravity lines, mechanical lift stations and an oxidation sewer treatment plant. The sewer treatment plant currently has a capacity of approximately 1,000,000 gallons per day.

The water treatment plant and the sewerage treatment plant are operated by six full time employees. Four employees in the City's public works department are responsible for the maintenance of the streets and the water and sewer lines.

### Customers & Usage

<u>Fiscal Year Ending</u>	<u>Water Gallons Sold</u>	<u>Water Customers</u>	<u>Sewer Customers</u>
09/30/2011	163,101,903	2,091	1,924
09/30/2012	168,955,029	2,084	1,921
09/30/2013	164,815,881	2,109	1,937
09/30/2014	152,919,299	2,101	1,935
09/30/2015	154,594,864	2,107	1,939

### Historical Coverage

<u>Fiscal Year Ending</u>	<u>Total Revenues</u>	<u>Operating Expenses</u>	<u>Net Revenues</u>	<u>Debt Service</u>	<u>Debt Coverage</u>
09/30/2011 <sup>1</sup>	\$1,849,168	\$778,737	\$1,070,431	\$1,102,053	0.97
09/30/2012	2,513,823	862,041	1,651,782	1,165,733	1.42
09/30/2013	2,638,278	808,541	1,829,737	1,119,107	1.63
09/30/2014	2,535,394	969,999	1,565,395	964,546	1.62
09/30/2015	2,478,329	956,619	1,521,710	955,634	1.59

Source: The City

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<sup>1</sup> In response to less than covenanted coverage, the City took corrective action, which is reflected in coverage levels FY2012 and later.

## The Bonds

### Purpose

The Bonds are being issued for the purpose of paying the costs, to that extent, of current refunding \$2,405,000 of the \$3,300,000 Combined Waterworks and Sewerage System Revenue Bonds, Series 2007 and paying certain costs of issuance related to the Bonds. Details of the bonds to be refunded are as follows:

<u>Refunded Maturities</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Call Date</u>	<u>Call Price</u>
06/01/2020	500,000	5.250%	12/01/2016	100%
06/01/2023	490,000	5.250%	12/01/2016	100%
06/01/2025	1,415,000	4.800%	12/01/2016	100%

### Security & Source of Payment

The Bonds will be special obligations of the City payable solely from the net income and revenues derived by the City from the operation of its System after payment of costs of operation and maintenance. **The Bonds will not constitute a general obligation of the City, and the taxing power of the City is not pledged to the payment of the Bonds.**

### Rate Covenant

The City in accordance with and subject to applicable legal requirements will fix, establish, maintain and collect such rates and charges for the use and services furnished by or through the System as will produce revenues sufficient to (a) pay the costs of the operation and maintenance of the System; (b) pay the principal of and interest on the Bonds as and when the same become due; (c) enable the City to have in each fiscal year Net Revenues not less than 110% of the amount required to be paid in such fiscal year on account of both principal of and interest on all System Revenue Bonds at the time outstanding; and (d) provide reasonable and adequate reserves for the payment of the Bonds and the interest thereon and for the protection and benefit of the System as provided in the Bond Ordinance.

### Parity Obligations

The City covenants and agrees that so long as any of the Bonds remain Outstanding, it will not issue any additional bonds or other long-term obligations payable out of the Net Revenues of the System or any part thereof which stand on a parity or equality with the Bonds ("Parity Bonds") unless the following conditions are met:

- (a) The City shall not be in default in the payment of principal of or interest on any Bonds or any Parity Bonds at the time outstanding or in making any payment at the time required to be made into the respective funds and accounts created by and referred to in the Ordinance or any Parity Ordinance for Parity Bonds at the time outstanding (unless such additional revenue bonds or obligations are being issued to provide funds to cure such default); and
- (b) The City shall obtain a certificate showing ,either of the following:
  - a. The average annual Net Revenues derived by the City from the operation of the System as set forth in the last available audit, for the two fiscal years immediately preceding the issuance of additional bonds for which an audit is available, shall have been equal to at least 110% of the Average Annual Debt Service required to be paid out of said Net Revenues in succeeding fiscal years on account of both principal ( at maturity or upon mandatory redemption) and interest becoming due with respect to all System Revenue Bonds of the City, including the additional bonds proposed to be issued. In determining the Average Annual Debt Service, the interest on any SRF Program Bonds shall be reduced by

the SRF Subsidy, if any. In determining the Net Revenues for the purpose of this subsection, the City may adjust said Net Revenues by adding thereto, in the event the City shall have made any increase in rates for the use and services of the System and such increase shall not have been in effect during all of the two fiscal years immediately preceding the issuance of additional bonds, the amount of the additional Net Revenues which would have resulted from the operation of the System during said two preceding fiscal years had such rate increase been in effect for the entire period; or

- b. The estimated average annual Net Revenues derived by the City from the operation of the System for the two fiscal years immediately following the fiscal year in which the improvements to the System, the cost of which is being financed by such additional bonds, are to be in commercial operation, as certified by a Consultant, shall be equal to at least 110% of the Average Annual Debt Service required to be paid out of said Net Revenues in succeeding fiscal years following such commercial operation on account of both principal (at maturity or upon mandatory redemption) and interest becoming due with respect to all System Revenue Bonds of the City, including the additional bonds proposed to be issued. In determining the Average Annual Debt Service, the interest on any SRF Program Bonds shall be reduced by the SRF Subsidy, if any. In determining the amount of estimated Net Revenues for the purpose of this subsection, a Consultant may adjust said estimated Net Revenues by adding thereto any estimated increase in Net Revenues resulting from any increase in rates for the use and services of the System which have been approved by the City.

Refunding Bonds

**The City shall have the right, without complying with the provisions of the Ordinance , to refund any of the Bonds under the provisions of any law then available, and the refunding bonds so issued shall enjoy complete equality of pledge with any of the Bonds which are not refunded, if any, upon the Net Revenues of the System;** provided, however, that if only a portion of the Bonds are refunded and if said Bonds are refunded in such manner that the aggregate amount of principal and interest scheduled to become due on the refunding bonds in any fiscal year (taking into account scheduled mandatory redemptions) exceeds the aggregate amount of principal and interest scheduled to become due on the refunded Bonds in said fiscal year (taking into account scheduled mandatory redemptions), then said Bonds may be refunded without complying with the provisions of the Ordinance only by and with the written consent of the Registered Owners of a majority in principal amount of the Bonds not refunded.

**Consultants**

Respondents should be aware the City has retained other professional advisors to assist in the completion of the financing. These advisors and their general areas of responsibility are as follows:

<u>Municipal Advisor</u>	<u>Bond Counsel</u>	<u>Certified Public Accountant</u>
Independent Public Advisors, LLC Tionna Pooler, President 6300 N. Revere Drive, Suite 260 Kansas City, Missouri 64151	Gilmore & Bell, P.C. Brian Furey 2405 Grand Boulevard, Suite 1100 Kansas City, Missouri 64108	CliftonLarsonAllen LLP Harold Ray 2301 Village Drive St. Joseph, Missouri 64506

## PROPOSAL CALENDAR

The following are anticipated dates that may be adjusted by the City. A designated time for interviews does not require the City to conduct interviews with any respondent. In the event interviews are held (either in person or by phone), the City will select firms for interview at its discretion, and is not obligated to interview each respondent.

<b>Date</b>	<b>Event</b>
<b>August 25, 2016</b>	Distribution of Request for Proposal
<b>September 1, 2016</b>	Deadline for Questions
<b>September 8, 2016</b>	Deadline to register to receive addenda
<b>September 9, 2016</b>	Distribution of City responses
<b>September 15, 2016</b>	Deadline for proposal submission
<b>September 29-30, 2016</b>	Interviews (as needed only)
<b>Early October</b>	Staff Recommendation & Final Selection

## SCOPE OF SERVICE

The Underwriter will be expected to work closely with the City and other members of the financing team in the structuring, marketing and settlement of the Bonds. A general listing of the expected scope of services is:

- Work with the Financing Team to gain an in-depth understanding of the overall transaction including, but not limited to, financing objectives, relationship of obligated parties and pledged debt service revenues
- Review and comment on the financing program
- Assist in the analytical work
- Assist in the rating strategy development, execution, and discussion
- Participate in the review of legal documents
- Assist in the development of all sale-related documentation
- Lead the marketing, pricing, and underwriting of the Bonds, performing those functions customary to the position of senior managing underwriter
- Provide supporting documentation to the City regarding the reasonableness of rates and comparable issues in the market concurrent with the Bonds
- Facilitate the closing
- Assist the City in any other steps necessary to complete the transaction.
- Review and comment of the structure and legal documents
- Assist the City in any other steps necessary to complete the transaction

## RESPONSE OUTLINE

The RFP response, in no more than 20 pages (excluding appendices) should include the following information:

1. Transmittal Letter
2. General Description of Firm
  - a. Please include in your description the location expected to serve the City.
3. Organizational Capacity & Project Team
  - a. Briefly describe your firm's organizational structure and professional capacity for this transaction.
  - b. Please include the name, address, and telephone number of the primary contact person from your firm who would coordinate the underwriting of the Bonds with the City and its Municipal Advisor. Please provide the same information regarding the primary contact on your underwriting and trading desk who would be assigned to this issue. Please provide a brief resume for both of these individuals.
4. Financial Capacity
  - a. Please provide a statement of the net underwriting capital available to your firm as of December 31, 2015. (Do not include capital of any firm without full common ownership with your own.)
  - b. Indicate any transaction for which, in your capacity as Senior Managing Underwriter, you have declined to underwrite unsold balances.
5. Experience
  - a. Provide a general description of your firm and its specific project team's experience with comparable financings.
  - b. Profile up to three of these issues that your firm believes to be noteworthy and of specific applicability to the Bonds, and where possible your project team's roles in these financings, with accompanying references relating to your project team.
  - c. Please outline your firm's experience in underwriting utility revenue bonds over the last five years. In an appendix, please provide a list of revenue bond issues your firm has underwritten during the same time period, showing the issuer's name, sale date, par amount, final maturity, and the true interest cost for each. (Please total the par amounts and number of transactions.) On the list, please indicate whether or not the issue was insured or guaranteed and disclose any ratings that were obtained.
6. Structuring
  - a. Indicate your proposed bond structure, including specific comments on debt service coverage, reserves, surety, optional redemption, and other structuring components.
  - b. Indicate proposed pre-payment provisions and any related impact on pricing and market reception.

- c. Discuss any structuring concepts or innovations for the City's consideration.
- 7. Credit
  - a. Provide your assessment of the City's potential credit quality as currently proposed.
  - b. Provide any strategies (and related pricing) to improve the credit quality if necessary.
- 8. Marketing Approach
  - a. Your marketing plan, with specific reference to type of investor, investor expectations, features which would facilitate the pricing results.
  - b. Describe any particular challenges to the successful placement of the Bonds and how your firm will address these challenges.
- 9. Pricing Views
  - a. Please provide a preliminary scale of coupons and yields for this issue (and indicate the assumed market date).
  - b. Include a general indicator of yield differentials to the MMD AAA index, and indicate the assumed market date.
- 10. Primary & Secondary Disclosure
  - a. Please indicate whether or not your firm will require or recommend the use of underwriter's counsel. If so, please provide an estimate of the incremental fees in the fee section of your proposal.
  - b. If you require or recommend Underwriter's Counsel, please provide the name of the firm and the name of the specific individual. Underwriter's Counsel will be expected to prepare those documents customarily prepared by Underwriter's Counsel, such as the bond purchase agreement, continuing disclosure undertaking, etc.
  - c. Provide a description of the ongoing reporting requirements you expect the City to agree to under the Continuing Disclosure Agreement.
- 11. Notice of Litigation and/or Regulatory Actions
  - a. Provide information regarding any filed, pending or threatened litigation during the past five years against your firm involving any federal, state or local government unit or agency. List any regulatory actions, concluded or underway, taken against your firm in the past five years.
- 12. Conflict of Interest
  - a. Describe any current or historical engagement or relationship with any public or private party that could potentially create a conflict of interest with the City or related entities and how those would be mitigated.

## Fee Template

*(General suggested format of compensation, but respondents have flexibility in framing their response as long as the requested information is provided.)*

### Underwriter Compensation

Compensation proposals should be quoted in 'per bond' or rate per \$1,000 of bonds issued, where possible.

Management Fee	
Risk Allowance	
Takedown	
Expenses (excluding underwriter's counsel)	

### Underwriter's Counsel Compensation

If underwriter's counsel is required or recommended, please state any related compensation to be funded from the transaction. Do not include in Expenses above.

Firm & Attorney	
Compensation	
Expenses	

### Agreed

Signature by Duly Authorized Officer of the Firm

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Date

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Name/Title

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Firm Name

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