SUMMARY STATEMENT

ITEM NO.: DRPA-18-040  SUBJECT: Selection of Financial Advisors

COMMITTEE: Finance

COMMITTEE MEETING DATE: March 14, 2018

BOARD ACTION DATE: March 28, 2018

PROPOSAL: That the Board authorizes staff to create a “pool” of Financial Advisors, and to negotiate separate three-year agreements (with 2 one-year options for a fourth or fifth year), consistent with the results of the recent competitive procurement, with Acacia Financial Group, Inc. and Public Financial Management, Inc., (PFM), in an amount not-to exceed $250,000 each, to provide financial advisory services to the Delaware River Port Authority.

PURPOSE: To engage firms with the skills, knowledge and experience needed to provide comprehensive financial advisory services (including general financial advisory and swap advisory services) to the Authority.

BACKGROUND: The Authority uses financial advisory services to work in conjunction with staff on a variety of financial and bond related projects.

Key Aspects of a Financial Advisor’s Consulting Role:

The use of financial advisory services is necessary to assist in the analysis of fiscal issues affecting long-range capital development and financial programs undertaken by the Authority, as well as to enhance the capabilities of the Authority to implement programs of long-range capital programs, planning and municipal financing. The financial advisory services envisioned under the scope of a new agreement may include:

- Traditional and synthetic bond refunding assignments made by the Authority regarding bond financing, financial policy including swap management, budget, tax, cash management issues and related fiscal policies and programs.

- Provision of, or updating of, various long-range financial planning models to assist the Authority in capital financing and debt issuance planning.

- Review of reports of accountants, independent engineers (related to required traffic studies) and other project or feasibility consultants to ensure that such studies adequately address technical, economic and financial risk factors affecting the marketability of proposed debt issues; written comments of assumptions, analytical methods and conclusions contained in the studies.
• Provision assistance to the Authority in the regular review of an effective, well-researched credit rating program; meet with analysts from the major ratings services; furnish the rating services with all necessary and relevant documentation and information; prepare any graphic support to be used for presentations made to the rating agencies, etc.

• Provision regular updates of tax-exempt bond market conditions and advise the Authority as to future debt issuances and refunding opportunities. Such analysis will include review of interest rate levels and trends, projected volume of financing, data on comparable financing, economic projections, and other relevant information and analysis, and proposals submitted by various investment banks to the Authority. As needed, to assist in the facilitation of the bond issuance process for new bond or refunding bond issues, in conjunction with other bond deal professionals.

• Provision of debt service schedules on a regular basis reflecting varying interest rates, issue sizes and maturity structures as are needed by feasibility consultants or for related Authority fiscal planning.

• Review or the performance of special analyses, to insure that the Authority remains in compliance with Bond Indenture covenants.

Selection Process: The Authority posted a Request for Proposal (RFP) on its website on January 29, and also emailed RFPs to five (5) firms it identified using the “The Bond Buyer’s Municipal Marketplace Directory.” Three (3) firms indicated an interest in submitting a proposal, however, only two (2) firms opted to submit a proposal by the deadline. After a review by a selection committee, Acacia and PFM were found to have met the minimum submission requirements with their technical proposal submissions.

Rationale for Selection: Acacia Financial and Public Financial Management have successfully provided financial advisory services to the Authority for many years. During the term of the existing contracts, these two firms have assisted the Authority in the performance of its annual Finance Action plans, which has included:

1) Swap novation of our two active swaps (which significantly reduced the Authority’s exposure to cross-default, and other restrictive provisions);

2) Assisted the Authority in diversifying its variable rate portfolio, wherein the Authority replaced roughly $288 million in LOC facilities with Floating Rate Notes (bank purchase loans), at attractive rates,

3) Extension of two LOCs, which will result in total savings in excess of $1 million during the next 4-5 years;
4) Positioning the Authority via various Board Resolutions to quickly address any of its swap, or variable rate exposures, if economically prudent, and

5) Crafting of a successful presentation to Moody’s, which resulted in the upgrade of all of the Authority’s bonds, in October of 2017.

Finally, in their proposals, the two firms have individually proposed a comprehensive financing strategy for 2018: to address the Authority’s desire to defease its 2010D bonds, issue new bonds to fund a large portion of the 5-year capital program, and to potentially address the remainder of its variable rate debt exposure.

SUMMARY:

<table>
<thead>
<tr>
<th>Amount:</th>
<th>N-T-E $500,000.00 (250,000.00/firm)</th>
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<tbody>
<tr>
<td>Source of Funds:</td>
<td>Revenue Fund</td>
</tr>
<tr>
<td>Capital Project #:</td>
<td>N/A</td>
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<tr>
<td>Operating Budget:</td>
<td>DRPA Budget – Professional Services – Commitment # 700180 - $500,000.00</td>
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<tr>
<td>Master Plan Status:</td>
<td>N/A</td>
</tr>
<tr>
<td>Other Fund Sources:</td>
<td>N/A</td>
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<tr>
<td>Duration of Contract:</td>
<td>Three Years from Contract Date (with two 12 month options)</td>
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<tr>
<td>Other Parties Involved:</td>
<td>N/A</td>
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RESOLUTION

RESOLVED: That the Board authorizes staff to negotiate a three-year Agreement (with an option for a fourth and fifth year), consistent with the results of the recent competitive procurement, with Acacia Financial Group, Inc. and Public Financial Management, Inc. to provide financial advisory services to the Delaware River Port Authority in an amount not to exceed $250,000.00 per firm; and be it further

RESOLVED: The Chair, Vice Chairman and the Chief Executive Officer must approve and are hereby authorized to approve and execute all necessary agreements, contracts, or other documents on behalf of the DRPA. If such agreements, contracts, or other documents have been approved by the Chairman, Vice Chairman and Chief Executive Officer and if thereafter either the Chairman or Vice Chairman is absent or unavailable, the remaining Officer may execute the said document(s) on behalf of DRPA along with the Chief Executive Officer. If both the Chairman and Vice Chairman are absent or unavailable, and if it is necessary to execute the said document(s) while they are absent or unavailable, then the Chief Executive Officer shall execute such documents on behalf of DRPA.

SUMMARY:

Amount: N-T-E $500,000.00 ($250,000.00/firm)
Source of Funds: Revenue Fund
Capital Project #: N/A
Operating Budget: DRPA Budget – Professional Services – Commitment # 700180 - $500,000.00
Master Plan Status: N/A
Other Fund Sources: N/A
Duration of Contract: Three Years from Contract Date (with two 12 month options)
Other Parties Involved: N/A