



April 10, 2018

Mr. David A. Milliron, City Manager
City of Hogansville, Georgia
400 E. Main Street
Hogansville, GA 30230-1196

Re: Proposal to Provide Financial Advisory Services

pfm

600 Peachtree Street
Suite 3770
Atlanta, GA 30308
404.410.2226

pfm.com

Dear Mr. Milliron:

Thank you for inviting PFM to submit a bid in connection with financial advisory services for the City of Hogansville's Utility Enterprise Funds. We are confident that the City will select PFM as its financial advisor once you review the resources offered by our firm.

When I made our public presentation before you and the City Council on March 19, 2018, I mentioned Whitebirch as a possible tool available to the City for the purpose of financial modeling and projections. Now that we understand more about the City's needs (as outlined in the Invitation to Bid and subsequent Q&A), we believe that Whitebirch is well-suited to satisfy many of the City's financial planning needs. In this proposal, those needs that cannot be met with Whitebirch will be addressed through a traditional financial advisory engagement.

Whitebirch

Whitebirch is a cloud-based multi-year planning solution that would give the City a framework for developing its own multi-year financial plans for the Utility Enterprise Funds. With Whitebirch, you can develop models that serve the City's strategic decision-making needs without necessarily having to rely upon your financial advisor to complete time-consuming, repetitive changes to a spreadsheet.

All over the world, technology is being used to accomplish more efficient analysis and operations; with Whitebirch, the City can join this trend. Whitebirch will enable the City's leadership, stakeholders and staff to focus more time on making the important decisions that impact the City's future: not reviewing spreadsheets prepared by your financial advisor.

With Whitebirch, the City can *build a proforma financial model of the City's Utility Enterprise Funds over a multi-year period* using the utility's historic financial and operating results as a foundation. This model can be used to:



- 1) *Forecast rate changes based upon multiple assumptions.* Whitebirch contains a patented technology which allows the City to analyze multiple sets of assumptions, formulas and logic for any line item (or set of line items) in the same model at the same time without disturbing the underlying basic model.
- 2) *Model all the City's existing debt and other obligations as well as model restructuring alternatives* for the debt while simultaneously understanding the impact of these alternatives on the City's rate payers, credit rating and financial projections.
- 3) *Utilize the model to analyze the impact of capital improvement programs and other obligations of the system.*

Collaboration

Whitebirch is designed for collaboration. Multiple users working in web browsers can access the financial models anywhere that they have an internet connection, at any time. With typical spreadsheet analyses, if multiple people are involved, they save their work in renamed files which later must be reconciled. The collaborative capabilities of Whitebirch would significantly improve productivity and efficiency for the City. It also has a positive impact on the integrity of the models – fewer inputs means fewer chances for errors and less manual intervention.

Transparency and Auditability

One of the questions that is often asked when presenting to stakeholders is “where did that number come from.” For example, a city manager or CFO is presenting to their finance committee or City Council in a public meeting, and a number doesn't sit right with someone so they want to know how it was calculated. Too often, the answer to this question is “I'll have to get back to you.”

Not with Whitebirch. Whitebirch offers a feature known as "Explain" that gives the user complete access to all formulas and logic involved in the calculation. Click on any number in your model and you can drill down – and keep drilling down – into the underlying formulas and logic. This feature creates completely transparency within the models while building exceptional trust and confidence in the calculations. It is also the feature every Whitebirch client will tell you they love. This capability resonates particularly well in the local government sector.

Enhanced Communications

Whitebirch is an exceptional communications tool when you are presenting the outcomes of the model. The primary reason our clients model is to tell a financial story



that moves decision-makers to action. Think about making a presentation to the City Council about spending on a capital project. They are meeting with their finance committees, boards, and/or external stakeholders (e.g. rating agencies) trying to communicate a vision for their financial future.

Whitebirch offers exceptional capabilities to help stakeholders bring their financial story to life. Instead of using static PowerPoint decks or spreadsheets overloaded with data, users work in visually rich dashboards. The charts and graphs integrate and interact with the underlying model. Alternative scenarios and additional sensitivity testing can be done right in the dashboards with the stakeholders participating “live” in the model.

Our clients love this because it allows them to have more productive discussions around the outputs of the model as opposed to focusing so much effort on creating the model itself.

PFM will actually build the initial model for the City with your guidance and inputs from your auditors and engineers. Going forward, we will also be there to help you update the model as needed to suit the City’s needs.

David, I hope you can see how powerful a tool Whitebirch can be for you and the City Council as you face the decisions that will need to be made over the next few years. I encourage you to schedule a brief online demonstration to get a better sense of how Whitebirch works. With thirty minutes of your time, I am confident that you will want to know more about how Whitebirch can help the City analyze the future of its Utility Enterprise Funds.

Financial Advisory

Of course, the power of Whitebirch will be enhanced even further as we will combine our financial advisory expertise with the software platform to develop a holistic solution for the City’s needs. Members of our financial advisory team will be available to:

- 1) *Discuss funding options as needed;*
- 2) *Compare use rates for similar sized utilities; and*
- 3) *Meet with staff and City Council as necessary.*

PFM’s local financial advisory team will be augmented by the capabilities of our Municipal Utilities Group. Thomson Reuters has ranked PFM as the leading financial advisory firm for municipal utilities including water, sewer, electric and gas debt financing, in terms of overall issues and/or principal amount during the last 10 years. In 2017 alone, we advised on 83 transactions totaling nearly \$6.9 billion. Whether the



issue is large or small, you simply cannot ignore the value of PFM's extensive experience in helping municipal utilities solve their most complex challenges.

We routinely advise on strategic matters such as resource acquisitions, rate structures, financial reserve policies and credit matters. We believe this breadth of experience and leadership provides us unique insight into this rapidly evolving sector. Communities across the country face ever-increasing pressure to meet new and existing environmental quality standards, improve customer service and become more efficient, all while maintaining competitive rates. Our financial advisory professionals provide utilities with a diverse array of services to help them meet these challenges.

So, rather than limiting the resources available to Hogansville to a regular financial advisory relationship, by selecting PFM as its advisor the City can obtain¹:

- 1) Comprehensive financial modeling capabilities through Whitebirch including capital planning, debt structuring, rate setting and credit analysis.
- 2) A local team available to provide superior technical resources to assist the City with the execution of its transactions as well as provide thoughtful financial advice. The City will benefit from the availability of our local Atlanta professionals, who are well-versed in matters unique to Georgia issuers.
- 3) This team, supported by our national resources that include sector-specific expertise, provide us with a unique ability to serve the City.

Attached is a copy of the Invitation to Bid with the Execution of Bid signed by Lisa Daniel, the Managing Director authorized to bind the firm to all commitments made in this proposal. Also attached is our fee quote related to satisfying the scope of professional services outlined in the Invitation to Bid. If you have any questions regarding our proposal, please don't hesitate to contact me directly.

Sincerely,

C. Courtney Knight
Director
PFM Financial Advisors LLC

Lisa L. Daniel
Managing Director
PFM Financial Advisors LLC

¹ Services related to Whitebirch will be performed by PFM Solutions LLC under separate agreement. All other financial advisory services would be provided under PFM Financial Advisors LLC.



Project Name: Financial Advisor Services
Fee Quote

Proposed Whitebirch Fees:ⁱ

Client	Implementation Fee (payable at execution)	Annual Licensing Fee (Beginning of Next Fiscal Year)
City of Hogansville, GA	\$5,000	\$7,500

1. Whitebirch Implementation Fees –

The basic Whitebirch implementation fee of \$5,000 includes:

- Working with the City of Hogansville to set up the tool using its specific Utility Enterprise Fund data
- Several hours of (typically) webinar training on software use
 - Baseline scenario development
 - Incorporating initiatives and scenarios
 - Editing visual content

2. Whitebirch Annual License Fee –

\$7,500 also includes model updates and ongoing help desk support (software-related).

Financial Advisory Fees:ⁱⁱ

Financial advisory fees for services related to the analysis of current and future debt, capital planning, analysis of funding alternatives, comparison of user rates, credit analyses, etc., will be based upon the following hourly rates for the indicated levels of experience or their equivalents and capped pursuant to the following:

Experience Level	Hourly Rate
Managing Director	\$325
Director	\$300
Senior Managing Consultant	\$280
Senior Analyst/Analyst	\$255

If a Whitebirch subscription is signed, additional financial advisory fees will be capped at \$10,000 per year. Without a Whitebirch subscription, additional financial advisory fees will be capped at \$25,000 per year.

ⁱ Services related to Whitebirch will be performed by PFM Solutions LLC under separate agreement.

ⁱⁱ Financial advisory services would be provided by PFM Financial Advisors LLC under separate agreement. Transaction fees for competitive or negotiated debt transactions would be subject to a separate fee arrangement.



City of Hogansville
Invitation to Bid · Not an Order
400 E. Main St., Hogansville, GA 30230

Bid No. 2018-001 Project Name: Financial Advisor Services Date: April 5, 2018

Cost Proposals will be received by the City Clerk at communications@cityofhogansville.org **no later than Tuesday, April 10, 2018** for furnishing the professional services as stated below:

Specifications:

1. Build a proforma financial model of the City's Utility Enterprise Funds over a multi-year period that can be used to forecast rate increases under several different assumptions;
2. Include in the model all existing debt and other obligations of the City's Utility Enterprise Funds;
3. Review the impact to customers of the systems based upon the various assumptions;
4. Utilize the model to analyze the impact of the capital improvement program and other obligations of the system;
5. Discuss funding options as needed;
6. Compare user rates for similarly sized utilities including; and
7. Meet with staff and City Council as necessary.

Execution of Bid

I/We, the undersigned, have read all the requirements set forth in this document regarding the services being bid on, and I/We agree to furnish services at the price stated. Bid pricing shall be effective for up to 60 days.

Company/Individual: PFM Financial Advisors LLC

Address: 600 Peachtree Street NE, Suite 3770, Atlanta, GA 30308

Date: April 10, 2018 Office Phone: (404) 410-2226 Cell: (913) 481-7886

Lisa L. Daniel  Managing Director
Printed Name Signature Title