

Issue Analysis Form

Date: September 8, 2020

Item: Award of Contract for Utility Financial Advisory Services

Lead Department: Engineering & Utilities

Contact Persons: Frank Haltom, Director



Description and Current Status

Engineering & Utilities Department has been researching opportunities to fund current and future capital projects using grants and low interest loans. The Finance Department consulted with Davenport & Company LLC (Davenport) to review funding strategies for these projects.

Davenport has recommended financial advisory services to include financial reviews, capital planning and debt issuance specific to the County's Water Fund and Sewer Fund, which will provide the County with a Comprehensive Plan of Finance that will address the timing and structure of future debt issuance and capital funding; and a preferred method of sale.

Davenport has provided a proposal to perform the financial reviews and assessments. This project will be completed utilizing a cooperative contract with Dinwiddie County, RFP #15-091115. Staff recommends an award of the contract for financial advisory services to Davenport & Company LLC for a not-to-exceed amount of \$40,000, plus expenses.

The Government Path

- | | | |
|---|---|--|
| Does this require IDA action? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| Does this require BZA action? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| Does this require Planning Commission action? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| Does this require Board of Supervisors action? | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |

Board Action Requested:

A resolution to award the contract for Utility financial advisory services to Davenport & Company LLC for \$40,000.

Fiscal Impact Statement

The appropriated budget within the Utility CIP fund will cover the cost of these services and no additional appropriation is required.

Prince George County Impact

None.

Notes

None.

Board of Supervisors
County of Prince George, Virginia

Resolution

At a regular meeting of the Board of Supervisors of the County of Prince George held in the Boardroom, Third Floor, County Administration Building, 6602 Courts Drive, Prince George, Virginia, this 8th day of September, 2020:

Present:

Donald Hunter, Chairman
Alan R. Carmichael, Vice-Chair
Floyd M. Brown, Jr.
Marlene J. Waymack
T. J. Webb

Vote:

A-6

On motion of _____, seconded by _____, which carried unanimously, the following Resolution was adopted:

RESOLUTION: AWARD OF CONTRACT FOR UTILITY ADVISORY FINANCIAL SERVICES.

WHEREAS, Engineering & Utilities Department has researched opportunities to fund current and future capital projects using grants and low interest loans, and the Finance Department consulted with Davenport & Company LLC (Davenport) to review funding strategies for these projects;

WHEREAS, Davenport has recommended financial advisory services to include financial reviews, capital planning and debt issuance specific to the County's Water Fund and Sewer Fund, which will provide the County with a Comprehensive Plan of Finance that will address the timing and structure of future debt issuance and capital funding; and a preferred method of sale;

WHEREAS, this project will be completed utilizing a cooperative contract with Dinwiddie County, RFP #15-091115, and Staff recommends an award of the contract for financial advisory services to Davenport & Company LLC for a not-to-exceed amount of \$40,000, plus expenses.

NOW, THEREFORE BE IT RESOLVED that the Board of Supervisors of the County of Prince George this 8th day of September, 2020, hereby awards the contract for Utility financial advisory services to Davenport & Company LLC for \$40,000.

A Copy Teste:

Percy C. Ashcraft
County Administrator

August 17, 2020

Ms. Betsy Drewry
Deputy County Administrator, Finance
Prince George County, Virginia
PO Box 68
Prince George, VA 23875

Dear Ms. Drewry,

On behalf of my colleagues at Davenport & Company LLC (“Davenport”), we are pleased to provide this Letter Agreement to Prince George County (the “County”) to provide general financial advisory services including but not limited to financial reviews, capital planning and debt issuance specific to the County’s Water Fund and Sewer Fund (the “Funds”). The following outlines Davenport’s proposed Scope of Services for the potential engagement and the basis for compensation. This agreement will serve as an addendum to our existing Financial Advisory agreement dated December 31, 2015.

Scope of Services:

Davenport’s engagement with the County would include the following Scope of Services, among others, for both the Water Fund and the Sewer Fund independent of one another.

Non-Transaction & Planning Related Services:

- 1) Develop a comprehensive Financial Review and Assessment Report that includes the following deliverables:
 - Model all current Water debt & Sewer debt and provide a comprehensive debt profile identifying to the extent possible, debt obligations by credit type, source of payment and purpose.
 - Analyze each Fund’s historical and budgeted financial performance with respect to operations, debt/capital related funding activities and reserve levels over the past five years.
 - Provide perspective on each Fund’s financial strengths and weaknesses relative to key utility-related credit factors and ratios, including: historical and projected cash-flows including operating and non-operating revenues, operating and non-operating expenses, system debt levels, debt service coverage, capital outlay, liquidity / reserve levels, and adequacy of existing rates and charges.
 - Develop a peer comparison of each Fund and other similarly rated and/or sized systems covering various financial and debt related measures.

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- 2) Develop a forward looking financial pro-forma that models future Fund performance under a series of key operating and capital funding assumptions. The development of this model will include the following deliverables:
- Measure the Fund's projected financial performance related to key financial ratios and peer utility systems.
 - Develop a Debt Capacity and Debt Affordability Analysis to determine the range and upper limit of capital funding which the Fund could prudently undertake within the next 5-10 years while strengthening the financial profile of the County and minimizing rate payer impact.
 - Building upon the models described above, develop a funding plan for each Fund's Capital Improvement Program.
 - Review and discuss existing financial policies/practices and recommend potential enhancements as appropriate / desired by the County.
 - Establish a series of observations and recommendations that will help strengthen each Fund's financial profile and that will position the County to successfully address its future capital funding needs.
 - Provide the County with a Comprehensive Plan of Finance that will address the following items:
 - Timing and structure of the debt issuance and capital funding.
 - Preferred Method of Sale (i.e. Direct Bank Loan, Public Sale, State or Federal Utility Funding Program or some combination of all of these sources).
 - Rating Agency strategy, if required.

Transaction Related Services:

As a natural extension and compliment to the Capital Planning work described above, Davenport could provide transaction related services necessary to effect the successful raising of funds as outlined in the chosen Plan of Finance. The scope of work associated with this phase of the engagement will be developed and mutually agreed upon by Davenport and the County based upon the preferred funding approach and the tasks associated with that approach.

Compensation:

Non-Transaction & Planning Related Services:

For these services, Davenport will be compensated based on an hourly schedule of rates (shown below) subject to a not-to-exceed fee of \$20,000 per Fund. Final billing will be based upon actual time spent on the project deliverable. Additionally, customary direct out-of-pocket expenses will be charged at cost and indirect expenses (e.g. Conference Calls, Shipments, Printing, Binding) will be charged at an amount equal to 4% of the fee. These fees and the reimbursement for expenses will be paid upon the successful completion of the services as determined by the County, or at such other time as mutually agreed upon.

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<u>Professional</u>	<u>Hourly Rate</u>
Senior Vice President	\$275
First Vice President	\$250
Vice President	\$225
Analyst	\$200

Transaction Related Services:

For these services, compensation will be determined and agreed-upon by Davenport and the County in advance of any financing based upon the adopted plan of finance and the advisory tasks / services associated with that funding approach.

Termination:

Either party may terminate this agreement with 30-day written notice. Davenport will be reimbursed for its out-of-pocket expenses and services provided prior to termination.

Please do not hesitate to reach out to us if you have any questions. We appreciate the opportunity to submit this proposal and we look forward to the opportunity to assist the County.

Accepted by:

Prince George County, VA

Davenport & Company LLC

By

By

Title

Title

Date

Date