

Proposal for Financial Advisory Services to Washtenaw County



March 1, 2010

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March 1, 2010

Washtenaw County
Administration Building, Purchasing Division
220 N. Main St., Room B-35
Ann Arbor, MI 48104

Re: Proposal for Independent Financial Advisory Services – Washtenaw County

Thank you for the opportunity to submit a proposal to provide financial advisory services to the County of Washtenaw. We understand the County is seeking to appoint a financial advisor or a pool of advisors to assist with various County financings for a five year period.

Enclosed is one copy of our proposal. An electronic version has also been provided as instructed in the RFP. *Please note, based upon approval from Mr. Devault, our proposal deviates from the double-spaced format as required in the RFP.*

We believe Public Financial Management (“PFM”) offers Washtenaw County services and resources not available from other independent financial advisors in the State. PFM has been the nation’s #1 financial advisor since 2003. In 2009 alone, our firm advised on 832 issues totaling over \$51.6 billion. PFM has advised on 242 Michigan issues totaling over \$3.1 billion since the Ann Arbor office opened in 2004.

As the nation’s #1 financial advisor, we invest heavily in resources which we use to ensure our clients receive the best financing structure possible. These resources include real-time, online market data such as Bloomberg, TM3 and a variety of newswires including Municipal Market Advisors, which helps us to evaluate current market conditions and the appropriateness of proposed interest rates during bond sales.

PFM is also known for its creativity. We have developed a variety of quantitative models for our clients including debt profiles, call option valuations, forward rates, tender optimization, pricing, risk management and insurance valuation. Our creativity also allows us to offer alternatives beyond traditional negotiated and competitive bond sales. Namely, we offer a competitive internet auction which allows bidders to improve upon their bids throughout the sale, resulting in a lower interest cost to the County.



Request for Proposal and Required Signed Documents

BIDDERS COMPANY NAME

REQUEST FOR PROPOSAL

6523

FINANCIAL ADVISOR

For

WASHTENAW COUNTY

Prepared By:

Washtenaw County Purchasing
Administration Building
220 N. Main, B-35
Ann Arbor, MI 48104

Robert G. Devault C.P.M.
Purchasing Manger
(734) 222-6768





Financial Advisory Services

Our fees are based upon the estimated note or bond size and are only due when the note or bonds are sold and delivered. The fee structures PFM proposes for the County is as follows:

Notes/Delinquent Tax or Tax Anticipation Notes

Base fee \$5,000 plus

\$0.75 per \$1,000 of notes up to \$10,000,000 plus

\$0.50 per \$1,000 of notes from \$10,000,000 to \$20,000,000 plus

\$0.25 per \$1,000 of notes \$20,000,000 and higher

General Obligation Limited or Unlimited Tax Bonds

Base fee \$6,000 plus

\$1.00 per \$1,000 of bonds up to \$10,000,000 plus

\$0.90 per \$1,000 of bonds from \$10,000,000 to \$20,000,000 plus

\$0.75 per \$1,000 of bonds \$20,000,000 and higher

Below are PFM's proposed fees for the projects set forth in the County's RFP:

- | | |
|---|---|
| 1. \$500,000 note for Water Resources Comm. | \$5,250 (\$5,000 + \$250) |
| 2. \$2,500,000 capital bond issue | \$8,500 (\$6,000 + \$2,500) |
| 3. \$12,500,000 capital bond issue | \$18,250 (\$6,000 + \$10,000 + \$2,250) |
| 4. \$30,000,000 delinquent tax note issue | \$20,000 (\$5,000 + \$7,500 + \$2,500) |

Public Financial Management's fee does not include the Municipal Advisory Council's (MAC's) assessment of \$200 per issue. The MAC's fee is not assessed on "private placement" transactions.

Travel expenses would be billed at the actual cost of the expense. Due to our proximity, we would not expect in-State travel expenses to be in excess of approximately \$300 per issue, and would vary based on the number of meetings we were requested to attend. Out-of-State meetings (such as face-to-face rating agency meetings) would be billed at the actual expenses, and would vary depending on the number of persons attending, the number of days, etc.



Lower Fees or Lower Cost

2009 was a year that continued to see changes in the municipal market. One such change was the reduced demand for municipal debt by institutional buyers which resulted in a lower number of bids, and higher interest rates. The reduction in market participants means that the County, and its advisors, must work extremely hard to produce adequate interest for its debt to ensure a successful sale. It is no longer appropriate or acceptable to simply set a sale date, circulate an Official Statement and expect bidders. A financial advisor must put forth extra effort to bring its client's issuance to the top of the "stack" on underwriters' desks. PFM's national presence assists this effort. Organizationally, PFM advises on an average of over three bond issues per day. The underwriting community responds quickly when PFM calls because we are in the market more often than any other financial advisor in the U.S. Accordingly, the County is able to capitalize on our national presence, and have it result in lower interest cost to the County.

This change in market demand has necessitated a large increase in the amount of time we must expend on each client's financings to ensure that they pay the lowest cost possible. **PFM's fee covers the additional time required for aggressive marketing to ensure the County's interest costs are the lowest possible.** The County may elect a reduced financial advisory fee that does not allow for aggressive marketing of the County's notes; however, that choice could result in fewer bidders for a transaction or an extremely large increase in interest cost over the life of the issuance beyond the upfront cost savings from the lower financial advisory fee. As an example, on a \$54,000,000 3-year note issuance, an increase of 0.25% in the borrowing interest rate would cost the issuer approximately \$70,000 more in interest cost per year, or approximately \$210,000 over the life of the note issue.