

# DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: January 12, 2011

Board Item: V-A-9

## Approval of the Second Amendment to Financial Advisory Agreement with Piper Jaffray & Co

Action by Consent

Action

Information

Piper Jaffray & Co. ("Piper Jaffray") serves as a Financial Advisor to the Board. The current contract with Piper Jaffray, which started on January 2, 2007 as a two-year contract with optional one-year extension, was amended in January 2009 to extend it until December 31, 2010 to allow uninterrupted debt sales during the Board's transition to a new Treasurer.

Services provided by Piper Jaffray include assistance with evaluation of financing options available to the Board, participation in bond document preparation and review, coordination of relationships with credit rating agencies, coordination of debt sale transactions, monitoring refunding opportunities, assistance with debt market monitoring, financial modeling/planning and policy development. Over the last four years, Piper Jaffray assisted the Board in three public and one private debt sales. Piper Jaffray has been instrumental in introduction and issuance of Clean Renewable Energy Bonds (2008) and Build America Bonds (2009 and 2010) as alternative debt financing instruments for the Board, which allowed us to achieve significant cost savings over traditional tax-exempt bonds. Board staff has always been pleased with the quality and timeliness of the services provided by Piper Jaffray.

While no debt issuances are planned for 2011, Treasury staff will focus on a review and analysis of the Board's debt, financing and reserve policies. Piper Jaffray's extensive knowledge of the Board's operations, capital and financial plans, as well as financing needs, combined with their expertise in public finance area and access to broad market information, make Piper Jaffray an indispensable source of information and warrant retaining Piper Jaffray during the review process. Specifically, Piper Jaffray's role in these efforts would include a review of the Board's current practices, a comparison with other utilities nationally including an evaluation of key median ratios, an outline of best practices and development of recommendations, in conjunction with Board staff. Additionally, as work on a 2012 debt issuance would likely begin in late 2011, Piper Jaffray would continue to serve as the main financial advisor for the next debt sale.

The current fee structure is based on a \$3,000/month (\$36,000/year) retainer arrangement for consulting services and a separate bond sale pricing (\$0.30 per \$1,000/minimum \$20,000). With the change of scope planned for 2011, Piper Jaffray proposed the elimination of a monthly retainer and switching to a fixed fee of \$15,000 for the assistance with the review of existing policies. Pricing for advisory services specific to debt issuance was adjusted to \$0.50 per \$1,000/minimum \$25,000. Compensation related to the bond sale is due only after the bonds are sold in 2012. Even with higher bond sale advisory fee, the total cost to the Board is expected to be lower under this new arrangement.

### Recommendation:

It is recommended that the Board approve the amendment extending the contract with Piper Jaffray & Co. through December 31, 2012 with the new fee structure. Piper Jaffray fees were included in the 2011 Treasury budget.

### Approvals:

  
Angela Brionmont, Director of Finance

Respectfully submitted,

  
James S. Lochhead, CEO/Manager