CITY OF WEST DES MOINES
CITY COUNCIL MEETING COMMUNICATION

ITEM: Approving Assignment of Agreement
- Financial Advisory Firm (from Public Financial Management, Inc. to PFM Financial Advisors, LLC)

DATE: October 3, 2016

FINANCIAL IMPACT: None.

BACKGROUND: Public Financial Management, Inc. (PFM) has served as the City's Financial Advisory Firm for approximately 12 years, with the arrangement last formalized in an agreement approved by Council on March 23, 2015.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and its associated regulations have had significant impact on the municipal market, and in particular, the ways in which financial advisors conduct day-to-day business with issuers and underwriters. In recent months PFM has initiated a structural change which will allow them to align their various operating activities (financial advisor, asset management, swap advisors, etc.) into separate entities that are registered with the appropriate regulatory authorities.

This item is a request from PFM to assign this agreement to PFM Financial Advisors LLC. PFM staff have asserted that this assignment will not affect staffing and other resources assigned to the City or have any other effect on the current agreement.

PFM is also at this time offering supplemental information to the agreement – disclosures of any potential conflicts of interest and other information. Staff has reviewed the accompanying letter and disclosure statement and finds no issues.

RECOMMENDATION: Approve the Assignment of the Financial Advisory Services Agreement from Public Financial Management, Inc. To PFM Financial Advisors, LLC.

Lead Staff Member: Tim Stiles, Finance Director

STAFF REVIEWS

Department Director	
Appropriations/Finance	
Legal	
Agenda Acceptance	

PUBLICATION(S) (if applicable)

Published In	
Dates(s) Published	

SUBCOMMITTEE REVIEW (if applicable)

Committee	Finance & Administration		
Date Reviewed	September 21, 2015		
Recommendation	Yes	No	Split

The PFM Group
Financial & Investment Advisors

801 Grand Avenue
Suite 3300
Des Moines, Iowa 50309

515-243-2600
515-243-6994 fax
www.pfm.com

September 14, 2016

Mr. Steven K. Gaer
Mayor
City of West Des Moines
4200 Mills Civic Parkway
West Des Moines, IA 50265

Dear Steven,

This letter is to inform you that we are pleased to offer the same great financial advisory services pursuant to the current agreement between City of West Des Moines, Iowa and Public Financial Management, Inc. ("PFMI") through our affiliated company PFM Financial Advisors LLC ("PFMFA"), a municipal advisor registered with the SEC and MSRB. Delivery of our services will not be impacted as current financial advisory personnel will continue to provide services to you under PFMFA.

Please sign this letter to acknowledge your consent and return it to Owen Gerard, Senior Analyst, by email or United States mail. In all other respects the agreement is ratified, and the terms and conditions remain in full force and effect.

We appreciate your assistance and look forward to our continued service to City of West Des Moines, Iowa. Thank you in advance for your prompt attention to this matter.

Sincerely,

PFM FINANCIAL ADVISORS LLC

ATTEST: **CITY OF WEST DES MOINES, IOWA**

By:_____
Steven K. Gaer, Mayor

DATE:_____

ATTEST: **CITY OF WEST DES MOINES, IOWA**

By:_____
(Witness) Ryan T. Jacobson, City Clerk

DATE:_____

ATTEST: **PFM FINANCIAL ADVISORS LLC**

BY: _____ _____
Jon Burmeister, Managing Director Jenny Blankenship, Director

DATE: September 14, 2016

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August 22, 2016

Mr. Tim Stiles
Finance Director
City of West Des Moines
4200 Mills Civic Parkway
West Des Moines, IA 50265

Dear Tim,

The purpose of this letter (this "Supplemental Letter") is to supplement the current agreement between City of West Des Moines, Iowa (the "Client") and PFM Financial Advisors LLC ("PFM") entered into as of July 27, 2015 (the "Agreement").

MSRB Rule G-42 requires that municipal advisors make written disclosures to its clients of all material conflicts of interest and certain legal or disciplinary events. Such disclosures are provided in PFM's Disclosure Statement delivered to Client together with this Supplemental Letter. Any material changes in or additions to the scope of services shall be promptly reflected in a written supplement or amendment to this Supplemental Letter or the Agreement.

PFM is a registered municipal advisor with the Securities and Exchange Commission (the "SEC") and the Municipal Securities Rulemaking Board (the "MSRB"), pursuant to the Securities Exchange Act of 1934 Rule 15Ba1-2. As of the date of this letter, the Client has **not** designated PFM as its independent registered municipal advisor ("IRMA") for purposes of SEC Rule 15Ba1-1(d)(3)(vi) (the "IRMA exemption"). Client agrees not to represent that PFM is Client's IRMA with respect to any aspect of a municipal securities issuance or municipal financial product, without PFM's prior written consent.

All information, data, reports, and records ("Data") in the possession of the Client or any third party necessary for carrying out any services to be performed under this Supplemental Letter shall be furnished to PFM and the Client shall, and shall cause its agent(s) to, cooperate with PFM in its conduct of reasonable due diligence in performing the services. To the extent Client requests that PFM provide advice with regard to any recommendation made by a third party, Client will provide to PFM written direction to do so as well as any Data it has received from such third party relating to its recommendation. Client acknowledges and agrees that while PFM is relying on the Data in connection with its provision of the services under this

Supplemental Letter, PFM makes no representation with respect to and shall not be responsible for the accuracy or completeness of such Data.

This Supplemental Letter and the Agreement represents the entire agreement between Client and PFM.

Sincerely,

PFM FINANCIAL ADVISORS LLC

Jon Burmeister
Managing Director

Jenny Blankenship
Director

DISCLOSURE OF CONFLICTS OF INTEREST AND OTHER INFORMATION
PFM Financial Advisors LLC

I. Introduction

PFM Financial Advisors LLC (hereinafter, referred to as "We," "Us," or "Our") is a registered municipal advisor with the Securities and Exchange Commission (the "SEC") and the Municipal Securities Rulemaking Board (the "MSRB"), pursuant to the Securities Exchange Act of 1934 Rule 15Ba1-2. In accordance with MSRB rules, this disclosure statement is provided by Us to each client prior to the execution of Our advisory agreement with written disclosures of all material conflicts of interests and legal or disciplinary events that are required to be disclosed with respect to providing financial advisory services pursuant to MSRB Rule G-42(b) and (c) (ii). We employ a number of resources to identify and subsequently manage actual or potential conflicts of interest in addition to disclosing actual and potential conflicts of interest provided herein.

How We Identify and Manage Conflicts of Interest

Code of Ethics. The Code requires that all employees conduct all aspects of Our business with the highest standards of integrity, honesty and fair dealing. All employees are required to avoid even the appearance of misconduct or impropriety and avoid actual or apparent conflicts of interest between personal and professional relationships that would or could interfere with an employee's independent exercise of judgment in performing the obligations and responsibilities owed to a municipal advisor and Our clients.

Policies and Procedures. We have adopted policies and procedures that include specific rules and standards for conduct. Some of these policies and procedures provide guidance and reporting requirements about matters that allows Us to monitor behavior that might give rise to a conflict of interest. These include policies concerning the making of gifts and charitable contributions, entertaining clients, and engaging in outside activities, all of which may involve relationships with clients and others that are important to Our analysis of potential conflicts of interest.

Supervisory Structure. We have both a compliance and supervisory structure in place that enables Us to identify and monitor employees' activities, both on a transaction and Firm-wide basis, to ensure compliance with appropriate standards. Prior to undertaking any engagement with a new client or an additional engagement with an existing client, appropriate municipal advisory personnel will review the possible intersection of the client's interests, the proposed engagement, Our engagement personnel, experience and existing obligations to other clients and related parties. This review, together with employing the resources described above, allows Us to evaluate any situations that may be an actual or potential conflict of interest.

Disclosures. We will disclose to clients those situations that We believe would create a material conflict of interest, such as: 1) any advice, service or product that any affiliate may provide to a client that is directly related to the municipal advisory work We perform for such client; 2) any payment made to obtain or retain a municipal advisory engagement with a client; 3) any fee-splitting arrangement with any provider of an investment or services to a client; 4) any conflict that may arise from the type of compensation arrangement We may have with a client; and 5) any other actual or potential situation that We are or become aware of that might constitute a material conflict of interest that could reasonably expect to impair Our ability to provide advice to or on behalf of clients consistent with regulatory requirements. If We identify such situations or circumstances, We will prepare meaningful disclosure that will describe the implications of the situation and how We intend to manage the situation. We will also disclose any legal or disciplinary events that are material to a client's evaluation or the integrity of Our management or advisory personnel. We will provide this disclosure (or a means to access this information) in writing prior to starting Our proposed engagement, and will provide such additional information or clarification as the client may request. We will also advise Our clients in writing of any subsequent material conflict of interest that may arise, as well as the related implications, Our plan to manage that situation, and any additional information such client may require.

II. General Conflict of Interest Disclosures

Disclosure of Conflicts Concerning the Firm's Affiliates

Our affiliates offer a wide variety of financial services, and Our clients may be interested in pursuing services separately provided by an affiliate. The affiliate's business with the client may be perceived as an incentive for Us to recommend a course of action designed to increase the level of the client's business activities with the affiliate or to recommend against a course of action that would reduce the client's business activities with the affiliate. In either instance, We may be perceived

as recommending services for a client that are not in the best interests of Our clients, but rather are in Our interests or the interests of Our affiliates. Accordingly, We mitigate any perceived conflict of interest that may arise in this situation by disclosing it to the client, and by requiring that there be a review of the municipal securities transaction or municipal financial product to ensure that it is suitable for the client in light of various factors, after reasonable inquiry, including the client's needs, objectives and financial circumstances. Further, We receive no compensation from Our affiliates with respect to a client introduction or referral. If a client chooses to work with an affiliate, We require that the client consult and enter into a separate agreement for services, so that the client can make an independent, informed, evaluation of the services offered.

Disclosure of Conflicts Related to the Firm's Compensation

From time to time, We may be compensated by a municipal advisory fee that is or will be set forth in an agreement with the client to be, or that has been, negotiated and entered into in connection with a municipal advisory service. Payment of such fee may be contingent on the closing of the transaction and the amount of the fee may be based, in whole or in part, on a percentage of the principal or par amount of municipal securities or municipal financial product. While this form of compensation is customary in the municipal securities market, it may be deemed to present a conflict of interest since We may appear to have an incentive to recommend to the client a transaction that is larger in size than is necessary. Further, We may also receive compensation in the form of a fixed fee arrangement. While this form of compensation is customary, it may also present a potential conflict of interest, if the transaction requires more work than contemplated and We are perceived as recommending a less time consuming alternative contrary to the client's best interest so as not to sustain a loss. Finally, We may contract with clients on an hourly fee bases. If We do not agree on a maximum amount of hours at the outset of the engagement, this arrangement may pose a conflict of interest as We would not have a financial incentive to recommend an alternative that would result in fewer hours. We manage and mitigate all of these types of conflicts by disclosing the fee structure to the client, and by requiring that there be a review of the municipal securities transaction or municipal financial product to ensure that it is suitable for the client in light of various factors, after reasonable inquiry, including the client's needs, objectives and financial circumstances.

Disclosure concerning providing services to State and Local Government Clients

We regularly provide municipal advisory services to state and local governments, their affiliates, and component units. While Our clients have expressed that this experience in providing services to a wide variety of clients generally provides great benefit for all of Our clients, there may be or may have been clients with interests that are different from (and adverse to) other clients. If for some reason any client sees Our engagement with any other particular client as a conflict, We will mitigate this conflict by engaging in a broad range of conduct, if and as applicable. Such conduct may include one or any combination of the following: 1) disclosing the conflict to the client; 2) requiring that there be a review of the municipal securities transaction or municipal financial product to ensure that it is suitable for the client in light of various factors, including the client's needs, objectives and financial circumstances; 3) implementing procedures that establishes an "Informational Bubble" that creates physical, technological and procedural barriers and/or separations to ensure that non-public information is isolated to particular area such that certain governmental transaction team members and supporting functions operate separately during the course of work performed; and 4) in the rare event that a conflict cannot be resolved, We will withdraw from the engagement.

Disclosure Related to Legal and Disciplinary Events

As a registered municipal advisor with the Securities and Exchange Commission (the "SEC") and the Municipal Securities Rulemaking Board (the "MSRB"), pursuant to the Securities Exchange Act of 1934 Rule 15Ba1-2, Our legal, disciplinary and judicial events are required to be disclosed on Our forms MA and MA-I filed with the SEC, in '**Item 9 Disclosure Information**' of form MA, '**Item 6 Disclosure Information**' of form MA-I, and if applicable, the corresponding disclosure reporting page(s) ("DRP"). To review the foregoing disclosure items and material change(s) or amendment(s), if any, clients may electronically access PFM Financial Advisors LLC filed forms MA and MA-I on the SEC's Electronic Data Gathering, Analysis, and Retrieval system, listed by date of filing starting with the most recently filed, at:

PFM Financial Advisors LLC (PFMFA):
http://www.sec.gov/cgi-bin/browse-edgar?company=PFM+Financial&owner=exclude&action=getcompany

III. Specific Conflicts of Interest Disclosures – City of West Des Moines, Iowa

To Our knowledge, following reasonable inquiry, We make the additional disclosure of actual or potential conflicts of interest cited below in connection with the municipal advisory services currently being contemplated for the client.

We currently serve as municipal advisor to certain overlapping entities including West Des Moines Community School District, Waukee Community School District, Des Moines Independent School District, Des Moines Metropolitan Wastewater Reclamation Authority, State of Iowa, Iowa Finance Authority, and Des Moines Area Regional Transit Authority. We do not anticipate this to create a conflict of interest nor to impede Our ability to fulfill Our fiduciary duty to City of West Des Moines, Iowa.