



CITY OF AURORA

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To: Mayor Doyle Ferguson & Aurora City Council
From: Jon Holmes, City Manager
Re: Municipal Advisor – Engagement Letter
Date: 01/20/2021

OVERVIEW

The City of Aurora has used D.A. Davidson for financial services whenever there was a need for financing, refinancing or debt issuance for a larger project or to make a larger purchase. While this has worked, Administration believes there are opportunities available for the City to lower the costs associated with bonding or other financing tools by utilizing a Municipal Advisor to advise the City on financial concerns. In order to do this, we could begin working with a Municipal Advisor. Below I have highlighted what a Municipal Advisor is, the credentials to be a Municipal Advisor, and how they are different than a firm that simply works out financing tools and debt issuance needed for capital projects.

DISCUSSION

Section 15B of the Securities Exchange Act defines the term "municipal advisor" to mean a person that (i) provides advice to or on behalf of a municipal entity or obligated person with respect to municipal financial products or the issuance of municipal securities, including advice with respect to the structure, timing, terms, and other similar matters concerning such financial products or issues, or (ii) undertakes a solicitation of a municipal entity. The definition includes financial advisors, guaranteed investment contract brokers, third-party marketers, placement agents, solicitors, finders, and swap advisors that engage in municipal advisory activities.

What sets Municipal Advisors apart from other have a fiduciary responsibility to the issuer. This responsibility means municipal advisors must always act in the best interests of the issuer and that they possess the expertise needed to execute a deal. Municipal Advisors providing advice to issuers related to debt issuance must hold a Series 50 license and be registered with the Securities and Exchange Commission.

I would like to highlight a few important points related to this agreement. As stated above, a Municipal Advisor has a fiduciary responsibility to the City. This means that they always must act in the best interests of the City whenever working on the City's behalf. Another important aspect is that as subject matter experts, they work closely with the City to assist and guide City staff and the Council in all the processes and procedures of debt issuance that are required by state and federal laws. The familiarity with the processes, as well as the firms in the market allows them to negotiate the best possible financing and fees for the City. Service fees and other additional costs associated with debt issuance

can be substantial; familiarity with these costs and negotiating them can result in a sizeable cost savings for the City.

CONCLUSION

The last two points I will make is that per the proposed agreement with McLiney and Company, the only time that the City incurs any costs is when the City is actively working on issuing debt (financing) on a capital project and the financing is completed. Secondly, per Section 6 of the agreement, the agreement between the City and McLiney and Company can be terminated at any time, with or without cause, with a simple written notice. In this instance, there is no expense or contractual obligations for terminating the relationship between the two organizations.

Sincerely,



Jon Holmes

City Manager

City of Aurora

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