



**CITY OF SEDALIA
CLOSED DOOR SESSION
SPECIAL COUNCIL MEETING
Monday, July 24, 2017
Municipal Building
200 S. Osage Avenue**

Closed Door Session – 6:00 p.m. – Mayor’s Conference Room

ADJOURN TO CLOSED DOOR SESSION – In accordance with Section 610.021 (1) RSMo to closed-door session for Legal Advice.

**Special Council Meeting – Immediately following Closed Session – Mayor’s
Conference Room**

ROLL CALL

ROLL CALL OF STANDING COMMITTEES:

FINANCE/ADMINISTRATION – Councilmember Donald Meier

1. Approve Recommendation to accept the proposal for underwriting services for Certificates of Participation, Series 2017B, from D.A. Davidson & Co.

ADJOURN

The City Council reserves the right to discuss any other topics that are broached during the course of this meeting.

IF YOU HAVE SPECIAL NEEDS, WHICH REQUIRE ACCOMMODATION, PLEASE NOTIFY THE CITY CLERK’S OFFICE. ACCOMMODATIONS WILL BE MADE FOR YOUR NEEDS.

Posted July 21, 2017



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July 19, 2017

Delivered via Electronic Mail

Mayor Stephen Galliher
City of Sedalia
200 South Osage Avenue
Sedalia, Missouri 65301

Re: **Underwriter Recommendation: Certificates of Participation, Series 2017B**

Dear Mayor Galliher:

Introduction

The City of Sedalia (the "City") is considering the issuance of approximately \$5,695,000 of Certificates of Participation, Series 2017B (the "Certificates"). Proceeds of the Certificates will be used to: (a) acquire, construct, furnish and equip a new approximately 18,000 square foot Police and Law Enforcement facility located across the street from City Hall, (b) rehabilitate and make improvements to the shared municipal court and council chambers located within City Hall, and (c) repurpose the space that is to be vacated by the City Police Department for expanded dispatch and other growing City operations (all together defined as the "Project"). The new Police and Law Enforcement facility will be located on land currently owned by the City. Construction is expected to begin in the fall of 2017, with completion anticipated in the summer of 2018. The City is undertaking the Project as the result of a formal space needs assessment for its police operations.

Due to the complexity of the transaction and the nature of the security, banks were invited to propose under three approaches;

- Serve as underwriter, utilizing their sales force to sell the Certificates to investors (a "public sale"),
- Serve as placement agent, identifying an institutional investor or bank to purchase the Certificates (a "private placement"), or
- Purchase the Certificates, thereby serving as the sole investor (a "bank purchase").

The decision to include alternatives to a traditional underwriting was based on Springsted's recent experience with other clients whereby superior rates and terms were achieved by placing or directly selling obligations to commercial banks.

Process

A request for proposals ("RFP") was distributed June 27, 2017. The adjoining table indicates the firms receiving the RFP and their respective response. The written proposals were reviewed by the City's Finance Director with assistance from Springsted.

The selection criteria focused on:

- Experience of the firm and its assigned staff with comparable obligations
- City's judgment of that firm best able to market the Certificates to achieve its goals
- Cost – both fees and estimated interest rates

Banks Receiving RFP	Proposal Received
Ameritas	No
Central Bank of Sedalia	No
D.A. Davidson	Yes ¹
George K. Baum	Yes
Hilltop Securities	Yes ²
L. J. Hart & Company	Yes
Piper Jaffray & Company	Yes ³
Robert W. Baird & Company	Yes
Signature Public Funding	Yes ⁴
Stern Brothers	Yes
Stifel Nicolaus & Company	Yes
UMB	Yes
US Bank	Yes

Evaluation of the Proposals

Proposals received from D.A. Davidson (Lessors 2, 3 & 4), George K. Baum, Hilltop Securities (private placement), Robert W. Baird, Signature Public Funding, Stern Brothers, UMB and US Bank were eliminated due to clearly higher costs and/or unacceptable terms. Utilizing the fee quotes and interest rate indications provided by the remaining respondents, Springsted calculated the all-inclusive cost (rate) for each proposal. The results of these calculations are illustrated in the following table.

Bank	Distribution Approach	Estimated All-Inclusive Cost
D.A. Davidson – Lessor 1	Private Placement	2.90%
L.J. Hart & Company	Public Sale	3.07%
Hilltop Securities	Public Sale	3.09%
Stifel Nicolaus & Company	Public Sale	3.13%
Piper Jaffray	Public Sale	3.13%
Piper Jaffray	Private Placement	3.25%

1 Four private placement proposals

2 Public sale and private placement proposals

3 Public sale and private placement proposals

4 Not originally invited to propose.

The lowest estimated all-inclusive cost came from D.A. Davidson, which quoted a firm rate of 2.63% for an obligation closing no later than September 30, 2017. (The above table indicates a slightly higher rate because the all-inclusive cost considers fees associated with the transaction.)

All the public sale proposals are based on interest rate estimates which are subject to market movement. It is possible that interest rates could decrease prior to the Certificate sale date, making a public sale preferable to the D.A. Davidson private placement. However, it is also possible that interest rates could rise, resulting in a cost that exceeds the D.A. Davidson proposal by an even larger amount. The D.A. Davidson proposal represents an opportunity for the City to "lock" the interest rate now and guard against an unfavorable move in the marketplace.

Another advantage of the D.A. Davidson proposal is the relatively rapid closing. A public sale would take approximately 10 weeks to execute. A swifter closing will allow the Project to be executed in a timelier fashion.

Underwriter Recommendation

City staff and Springsted recommend D.A. Davidson as the placement agent for the Certificates. This recommendation is based on the selection criteria and the relative quality of the proposal received.

Conclusion

We congratulate the City in conducting a professional, effective and efficient process. We believe the results of this process will lead to a successful financing.

Respectfully,

Tom Kaleko

Tom Kaleko, CIPMA
Senior Vice President

PC. City Council
Gary Edwards, City Administrator
Kelvin Shaw, Finance Director

Sedalia Missouri
Public Bid Opening
Proposals Received - Regarding 2017B COPs
7/13/2017 4:30 PM

	Management Fee	Takedown	Expenses	Total	Bank Fees	
Ameritas Investment Corp.	3,000	3,250	0,398	6,648	15,000.00	Underwriter
Stiefel Nicolaus & Co Inc.	8,000	-	-	8,000	-	Underwriter
George K. Baum & Company	4,000	-	-	4,000	-	Placement Agent Lease Financing
US Bank	-	8,050	-	8,050	-	Placement Agent
UMB	5,000	-	-	5,000	-	Underwriter
Piper Jaffray	1,000	6,250	-	7,250	-	Placement Agent
Robert W Baird & Co Inc	2,450	-	-	2,450	15,000.00	Underwriter
Hilltop Securities	-	4,237	0,564	4,801	7,500.00	Placement Agent
LJ Hart & Company	8,850	-	-	8,850	-	Placement Agent
Stern Brothers & Co	1,760	-	-	1,760	15,000.00	Placement - Proposal 1
D.A. Davidson & Co	4,520	-	-	4,520	5,000.00	Placement - Proposal 2
	4,520	-	-	4,520	10,000.00	Placement - Proposal 3
	4,520	-	-	4,520	15,000.00	Placement - Proposal 4
Signature Bank	4,520	-	-	4,520	8,000.00	Placement - Proposal 4
Central Bank Of Sedalia	-	-	-	-	25,000.00	
	-	-	-	-	-	