Role of the Financial Advisor

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Key Roles of the Financial Advisor

• Serve one interest – that of the Issuer

• Provide information to enable Issuer to make informed decisions

• Ongoing relationship with Issuer, not limited to bond transactions
  – Assist with entire process from designing plan of finance to post-closing administration, as well as projects not involving bonds
What to Look for in a Financial Advisor

- Independent and objective
  - Does not sell or underwrite bonds
- Understanding of the Issuer and its needs
- Experience with similar issuers and projects
- Knowledge of the municipal bond market
- Technical ability and resources
- Long-term commitment to clients
What Does a Financial Advisor Do?

- Develop debt and other financial policies
- Prepare Plan of Finance
- Implement Plan of Finance
- Provide ongoing post-closing support
- Maintain debt profile and monitor refunding opportunities
Development of Financial Policies

• Financial advisor can assist in drafting key financial policies
  – Debt policy
  – Community Facilities District Goals and Policies
  – Reserve policies
  – Swap policy

• Strong financial policies are critical factor in rating agencies’ credit analysis
Designing the Plan of Finance

• Considerations in creating the Plan of Finance
  – Issuer’s financial policies and goals
  – Project cost and available funding sources
  – Issuer’s risk tolerance, resources available for debt administration, etc.

• Evaluation of alternatives
  – Short vs. long term financing
  – Fixed vs. variable rate
  – Pay-as-you-go

• Plan of Finance may be developed well in advance of bonds being issued
  – An Underwriter may or may not be involved
Executing the Plan of Finance

- Recommend a method of sale for bonds
  - Competitive vs. Negotiated Sale
- Assist in selection of financing participants
- Manage bond financing process
- Coordinate rating process
- Review legal and disclosure documents
- Advise Issuer on bond pricing
- Facilitate closing
Determining the Method of Sale

- Financial Advisor will recommend a competitive or negotiated sale, based on various factors:
  - Type of financing
  - Structure of bonds
  - Issuer’s presence in the market
  - Credit quality
  - Size of issue
  - Market conditions
  - Issuer preference
Role in Competitive vs. Negotiated Sale

• **FA primary responsibilities in a Competitive Sale**
  - Structure bonds
  - Prepare notice inviting bids
  - Receive and confirm bids
  - Manage closing process

• **FA primary responsibilities in a Negotiated Sale**
  - Participate in bond structuring
  - Evaluate use of credit enhancement
  - Advise Issuer on pricing of bonds and underwriter’s spread
  - Assist in closing process
Role in Competitive Pricing

- Role of Financial Advisor in Competitive Pricing
  - Advise Issuer on selection of sale date
  - Premarketing calls to potential bidders in week prior to sale
  - Handle prequalification of bonds for insurance, if applicable
  - Receive bids submitted through electronic platform
  - Confirm winning bidder
  - Resize and/or restructure bonds based on winning bid
Role in Negotiated Bond Pricing

• Role of Financial Advisor in Negotiated pricing

  – Prior to pricing date, engage in dialogue with Underwriter about structure, pricing levels, market dynamics
  – Advise Issuer as to competing supply, economic data, and pricing levels of comparable issues
  – On pre-pricing call with Underwriters, provide independent view of appropriate pricing levels and set expectations for pricing performance
  – Monitor order flow during pricing period
  – Make recommendations to Issuer as to final bond structure and interest rate levels
Role in the Credit Process

- Financial Advisor prepares credit presentation materials, but the Issuer presents.
- Financial Advisor keeps Issuer abreast of changes in rating criteria, “hot” issues.
- Financial Advisor assists with the continuity of information or “story”:
  - Presenting the credit does not begin or end with the rating meeting.
- Financial Advisor serves as analysts’ point of contact for questions and information requests.
Role in Closing and Post-Closing

• Review closing documentation and facilitate closing procedures
• Prepare post-sale analysis
• Evaluate performance of financing participants
• Advise on reinvestment of bond funds
• Assist Issuer with ongoing debt administration
  - Continuing disclosure questions
  - Renewal of credit facilities
• Monitor debt for refunding or restructuring opportunities
Summary

• A Financial Advisor...
  – Has the Issuer’s interests at heart
  – Has more ongoing Issuer contact than other financing team members
  – Is there for the Issuer when no transaction is in process
  – Does more than just execute financings
Feel free to contact me:

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