

**RESOLUTION NO. 22 - 2018**

Moved by: Altaff

A Resolution authorizing the City of Harrisburg to negotiate and enter into a professional services contract with Marathon Capital Strategies, LLC, to serve as the City's limited purpose Financial Advisor.

**WHEREAS**, the City of Harrisburg (the "City") remains subject to the requirements prescribed by the Commonwealth of Pennsylvania under the Municipalities Financial Recovery Act, Act 47 of 1987 ("Act 47") and the related Recovery Plan, as amended, that heretofore was approved by the Commonwealth Court of Pennsylvania; and

**WHEREAS**, in order to continue progress toward a permanent fiscal recovery, the City needs to reestablish its public standing to secure financing in the competitive municipal markets through public offerings of bonds in the normal course of municipal affairs; and

**WHEREAS**, the City has determined that a prerequisite to demonstrating the wherewithal to participate in and reenter the fiscal marketplace, the City should review existing general obligation debts and the related default reimbursement agreement that the City made with its insurer under the mandates of receivership and ultimately set forth in the Harrisburg Strong Plan; and

**WHEREAS**, in order to fully explore the City's fiscal options related to current debt obligations, the Mayor has determined, in consultation with the Act 47 Coordinator, the City Controller, and others, that the City should retain the professional services of a financial advisor; and

**WHEREAS**, through a request for proposal process, the City identified Marathon Capital Strategies, LLC, ("Marathon") as a qualified firm able to act as a Financial Advisor to provide services including debt and financial review and analysis, credit review, rating strategies, an analysis of refinancing options, and potentially transaction management; and

**WHEREAS**, Marathon will provide the City with financial advisor services in accordance with the terms of the proposed Agreement, with the limitations provided by this authorizing Resolution; and

**WHEREAS**, this engagement of service is approved with the condition that Marathon shall make a final written report to the City that identifies the City's fiscal options, which shall include the advantages and disadvantages of each option, and otherwise advises the City on any recommended course(s) of action; and

WHEREAS, the City and Marathon have agreed to undertake these services on an hourly-rate basis, with professional fees ranging between \$175 to \$275 per hour; and

WHEREAS, the 2018 Annual Budget includes an appropriation in the amount of \$75,000.00 for the services of a Financial Advisor; and

WHEREAS, in consideration of that budgetary limitation, this engagement of service is approved with the conditions that the total cost of services shall not exceed \$75,000.00 without further authorization of Council and shall not exceed ninety (90) days;

WHEREAS, a copy of the professional services contract is attached hereto as "Exhibit A" and incorporated as if fully set forth herein.

NOW, THEREFORE, BE IT AND IT IS HEREBY RESOLVED BY THE COUNCIL OF THE CITY OF HARRISBURG, that the City of Harrisburg is authorized to negotiate and enter into a professional services contract with Marathon Capital Strategies, LLC, to provide financial advisor services consistent with the foregoing.

BE IT FURTHER RESOLVED that the Mayor, City Controller, Business Administrator and other appropriate City officials are authorized and directed to take all steps necessary to further effectuate the purpose of this Resolution.

Seconded by: Johnson

Passed by City Council March 13, 2018

Wanda L. D. Williams

President of City Council

Attest

[Signature]  
City Clerk

Approved

YEAS		NAYS
	<del>MR. ALLATT</del>	
	<del>MS. DANIELS</del>	
	<del>MS. GREEN</del>	
	<del>MR. JOHNSON</del>	
	<del>MR. MADSEN</del>	
	<del>MR. MAJORS</del>	
	<del>MS. WILLIAMS</del>	
Yeas	<u>7</u>	
Nays	<u>0</u>	

**Exhibit "A"**

February 7, 2018

Mayor Eric Papenfuse  
City of Harrisburg  
10 North 2<sup>nd</sup> Street  
Harrisburg, PA 17101

**Re: Proposal to Provide Financial Advisory Services**

Dear Mayor Papenfuse:

Marathon Capital Strategies, LLC (“Marathon”) is pleased to submit this proposal for providing financial advisory services to the City of Harrisburg (the “City”). The following sections serve to present (i) our understanding of the engagement and proposed scope of services, (ii) the experience and credentials of our firm and assigned professionals, and (iii) our proposed compensation arrangement.

***BACKGROUND AND UNDERSTANDING***

The City of Harrisburg, a third-class city and capitol of the Commonwealth of Pennsylvania, entered into the Act 47 distressed municipalities program in December of 2010 facing overwhelming debt, severe structural budgetary imbalance, and the threat of municipal bankruptcy. In the years since entering the Act 47 program, by making tough decisions and engaging in difficult negotiations, the City has made significant progress towards restoring financial stability. The City emerged from the emergency declaration issued by the Governor in October 2011. The City addressed outstanding debt and eliminated all obligations related to the Resource Recovery Facility and Harrisburg Parking Authority and reduced accounts payable. The City corrected structural budgetary imbalance by reducing labor costs and identifying new funding sources that resulted in a positive operating fund balance. The City is seeking to build on its recent financial progress by investing in infrastructure and economic development initiatives that will help restore Harrisburg’s tax base.

One of the budget savings strategies the City is exploring is leveraging its improved financial position to negotiate with creditors and possibly restructure high cost debt. As part of its recovery process, the City entered into an agreement with AMBAC, its bond insurer, regarding its outstanding Series 1997D and Series 1997F issues. The agreement reduced annual debt service owed by the City to provide near-term

budget relief and improve liquidity. However, the agreement involved creating new liabilities with AMBAC at higher cost and longer maturities than its existing Series 1997D and 1997F issues.

***PROPOSED SCOPE OF SERVICES***

Marathon will provide the following services:

1. Assist in negotiations with the City's creditors to achieve optimal outcomes.
2. Discuss circumstances required for the City to reestablish its credit rating.
3. Prepare documents and assist the City in making presentations to AMBAC.
4. Develop a plan of finance and prepare financing schedules.
5. Coordinate all efforts of the financing team, including arranging for conference calls, setting timelines and preparing agendas ensuring as timely a closing as possible.
6. Evaluate approaches to use General Fund reserves to pay-off existing debt.
7. Evaluate options to refinance existing general obligation debt.
8. Prepare as requested sources and uses of funds schedules and debt service schedules – and update based on market conditions.
9. Review relevant documents.
10. Analyze and report on the advantages and disadvantages of each proposed scenario.
11. Analyze and report on the cash flow from any revenue sources that may constitute security for any obligation incurred.
12. Work with the City's Bureau of Financial Management to determine the adequacy of cash flows for any given retirement/refinancing scenario.
13. Advise the City in the selection of any other necessary professionals that may be required to achieve the City's objectives.
14. Advise the City's team of any industry specific knowledge that may impact that desired outcome.
15. Analyze the financing impact of project costs, cash flow projections, and rate implications. Participated in the development of alternate strategies with the City's financing team.
16. Prepare financial presentation to City Council advocating course of action.

***FIRM OVERVIEW AND PROFESSIONAL TEAM***

Marathon Capital Strategies, LLC is an independent financial advisory firm established to assist governmental and nonprofit organizations with strategic financial planning, capital planning and capital financing involving the issuance of tax-exempt and taxable debt. Marathon is an Independent Registered Municipal Advisor (IRMA) registered with the U.S. Securities and Exchange Commission (SEC) and

Municipal Securities Rulemaking Board (MSRB). Marathon's professionals have a strong expertise in all aspects of public finance with extensive experience in providing financial advisory services to governments and 501(c)3 nonprofits.

Dan Connelly, Director will serve as the primary financial advisor for this engagement. Alex Dinkels, Principal will provide executive and general project oversight. Marathon will engage support as needed for analytical work. No personnel will added to this engagement without the prior consent of the City. Summaries of the project team credentials are presented directly below.

***Dan Connelly, Director***

Before joining Marathon in recent weeks, Mr. Connelly worked at Fairmount Capital Advisors, Inc. for over 12 years where he led the firm's government consulting practice. Mr. Connelly has worked on a wide range of financing transactions in the healthcare, education, non-profit, and local government sectors. Mr. Connelly is responsible for transaction management including credit analysis, financial planning, refunding analysis, credit enhancement strategy, swap advisory, and bond proceed investment services to 501(c)3 and governmental entities. He has advised on traditional and synthetic fixed and variable rate debt structures and has helped clients meet their capital planning needs through the public and private debt markets.

Mr. Connelly's past governmental financial advisory experience includes the City of Philadelphia, Center City District (Philadelphia), Connecticut Health and Educational Facilities Authority, Whitemarsh Township, Whitemarsh Township Authority, and Sussex County. Mr. Connelly also has extensive experience advising 501c3 clients including Hartford Healthcare Corporation, the Village for Families and Children, University of Hartford, Sacred Heart University, the Ethel Walker School, Saint Joseph's Living Center, among others.

Mr. Connelly currently works on the financial Recovery Coordinator Teams for the City of Chester and Borough of Colwyn. In this role, Mr. Connelly is responsible for developing, monitoring, and implementing a multi-year financial plan with the goal of eliminating projected budget deficits and setting the municipalities on the course to structural budgetary balance.

Before joining Fairmount, he worked for almost four years as a project manager for the management consulting firm American Management Systems. At AMS, he was responsible for managing strategic planning and certification programs for organizations within the U.S. Navy. Mr. Connelly has a Bachelor of Business Administration (Finance) from the University of Notre Dame and a Master of Public

Administration with a certificate in public finance from the University of Pennsylvania's Fels Institute of Government.

***Alex Dinkels, Principal***

Mr. Dinkels has over 15 years of capital markets experience and is the principal and founder of Marathon Capital Strategies. Prior to forming Marathon, Mr. Dinkels was a partner of Fairmount Capital Advisor's public finance advisory team and led the firm's senior living, swap and investment advisory engagements. Since 2004, he has advised on over 95 debt financings, hedging and bond proceed/ escrow investment transactions totaling more than \$5 billion in combined par and notional value. His experience includes advising on a range credit and capital structures, publicly offered fixed and variable rate tax-exempt bond issues, hedged and fixed rate direct bank placements, multi-bank syndicated and participated transactions, construction facilities, total return swap bond structures, and has led credit solicitations, rating agency presentations as well as creditor/investor and counterparty negotiations.

As a qualified swap advisor, his experience includes executing interest rate derivative hedging strategies involving fixed payer/ receiver, forward starting and cancellable swaps, blend-and-extend restructurings, terminations and tri-party agreements, including novations. With respect to investment of bond proceeds/funds, he has advised on the execution of optimal investment portfolios, including defeasance escrows, as well as structured interest rate agreements such as uncollateralized guaranteed investment, repurchase and forward delivery agreements.

Before joining Fairmount, Mr. Dinkels worked as a currency derivative analyst at AIG International's trading group based in Greenwich, Connecticut and at BNP Paribas currency options trading desk located in midtown New York. He has a Bachelor of Science in Business Administration from the University of Delaware.

***OTHER PROFESSIONAL RELATIONSHIPS***

Mr. Connelly is part of a project team that is engaged with the Department of Community and Economic Development as the financial recovery coordinator for the City of Chester and the Borough of Colwyn. Through his former firm Fairmount Capital Advisors, Inc., Mr. Connelly was also engaged as a financial and management consultant for the Borough of Minersville, Borough of Marcus Hook, City of Coatesville, and Municipality of Norristown on projects that were supported by DCED grants. With respect to this client relationship, Marathon and Mr. Connelly mitigate any potential conflicts through its adherence to its fiduciary duty to the City, which includes a duty of loyalty to the City in performing all

municipal advisory activities for the City. This duty of loyalty obligates Marathon to deal honestly and with the utmost good faith with the City and to act in the City's best interests without regard to Marathon's financial or other interests. In addition, Marathon's success and profitability is not dependent on maximizing short-term revenue generated from individualized recommendations to its clients but instead is dependent on long-term profitability built on a foundation of integrity, quality of service, and strict adherence to its fiduciary duty.

***MSRB REQUIRED DISCLOSURE RELATED TO RULE G-10, MUNICIPAL ADVISORY CLIENT EDUCATION AND PROTECTION***

Marathon Capital Strategies, LLC is registered with the U.S. Securities and Exchange Commission ("SEC") and the Municipal Securities Rulemaking Board ("MSRB"). The website for the SEC is [www.sec.gov](http://www.sec.gov) and the website for the MSRB is [www.msrb.org](http://www.msrb.org). There is a brochure available on the MSRB website that describes the protections provided by MSRB rules and how to file a complaint with the appropriate regulatory authority.

***PROPOSED COMPENSATION***

For financial advisory services relating to this engagement, Marathon proposes to be compensated on an hourly basis payable monthly based on the following rate schedule:

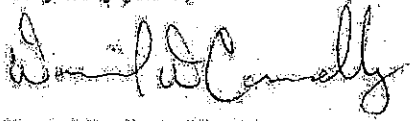
<b>Professional Level</b>	<b>Hourly Rate</b>
Principal	\$275
Director	\$225
Analyst	\$175

Marathon agrees to notify the City as its billings reach pre-designated thresholds. Once a course of action is more clearly defined, Marathon's compensation could remain on an hourly basis through completion of the financing or convert to a fixed fee. Additionally, any pre-approved travel or similar out-of-pocket expenses related to this engagement shall also be reimbursed by the City.

If the terms of this proposal are acceptable, please return one signed copy of this letter to us. Should you have questions, please call me at (215) 668-8079. At your convenience, we are available to discuss any aspect of our proposal or the proposed scope of services in more detail. We look forward to working with you throughout this important financing.



Very truly yours,



Daniel D. Connelly, Director  
Marathon Capital Strategies, LLC

**Read and accepted by the City of Harrisburg:**

By \_\_\_\_\_ Date \_\_\_\_\_

Title:

**INTER**

**OFFICE**

# MEMO

To: HARRISBURG CITY COUNCIL  
From: Kirk Petroski, City Clerk  
LEGISLATIVE APPROVAL FORM

Date: 2/9/2018

LEGISLATIVE APPROVAL FORM/CERTIFICATE OF ACCEPTANCE

BILL NO. -2018      RESOLUTION NO. 22-2018

THE ABOVE LISTED ITEM WAS WRITTEN AND PREPARED FOR FINAL INTRODUCTION AT THE HARRISBURG CITY SOLICITOR'S OFFICE ON:

  
Acting Deputy City Solicitor

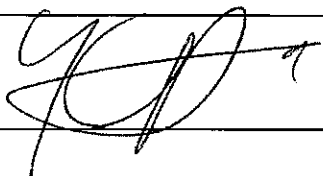
2/9/2018  
Date

Requested by Department/Bureau: Office of the Mayor

Department/Bureau Contact Person: \_\_\_\_\_

For Action on or before:

The attached was received in the Office of the City Clerk for introduction on

\_\_\_\_\_  
Received by: 

2-9-18  
Date: \_\_\_\_\_