

RESOLUTION NO. 96 - 2018

Moved by: Wanda R. D. Williams

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

WHEREAS, Marathon Capital Strategies, LLC ("Marathon") was engaged by the City of Harrisburg ("City") in 2018 to provide services including debt and financial review and analysis, credit review, rating strategies, and an analysis of refinancing options; and

WHEREAS, Marathon has been reviewing the City's 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, Marathon's current contract with the City expires on December 31, 2018; and

WHEREAS, in light of the recently passed Act 124, the City is required to develop a five-year financial plan for approval by an intergovernmental cooperation authority; and

WHEREAS, the City desires to enter into a new contract with Marathon to continue utilizing their financial advisor services related to the 2018 engagement and expand the scope to include the development of a five-year financial plan and related activities; 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 with a not-to-exceed amount of \$75,000; and

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: Danielle L. Bowers

YEAS	NAYS
<input checked="" type="checkbox"/> MR. ALLATT	
<input checked="" type="checkbox"/> MS. BOWERS	
<input checked="" type="checkbox"/> MS. DANIELS	
<input checked="" type="checkbox"/> MS. GREEN	
<input checked="" type="checkbox"/> MR. MADSEN	
<input checked="" type="checkbox"/> MR. MAJORS	
<input checked="" type="checkbox"/> MS. WILLIAMS	
Yeas <u>7</u>	
Nays <u>0</u>	

Passed the City Council December 18, 2018
Wanda R. D. Williams
President of City Council
Attest [Signature]
City Clerk

- Approved
- Returned to City Council with objections

Exhibit "A"

November 9, 2018

Mayor Eric Papenfuse
City of Harrisburg
10 North 2nd 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.

Marathon was engaged by the City in 2018 to assist in the negotiations with AMBAC regarding the restructuring of the forbearance associated with the Series 1997D and 1997F bonds. Though the two parties were not able to reach an agreement during these negotiations, restructuring the forbearance liability remains a key goal for the City.

In October of 2018, the Governor signed a law (Pennsylvania Act 124) that allowed the City to exit the Commonwealth's Act 47 program. The new law allowed Harrisburg to retain the ability to impose elevating taxing levels for five more years and also created an oversight agency that is responsible for monitoring the City's finances. The law also requires the City to develop a multi-year financial plan that must be approved by the oversight agency.

PROPOSED SCOPE OF SERVICES

Marathon will provide the following services:

1. Assist the City in drafting the five-year financial plan required under Pennsylvania Act 124.
2. Continue to assist in negotiations with the City's creditors to achieve optimal outcomes.
3. Discuss circumstances required for the City to reestablish its credit rating.
4. Prepare the City for reentering the debt market
5. Prepare documents and assist the City in making presentations to AMBAC.
6. As required, develop a plan of finance and prepare financing schedules.
7. Evaluate approaches to use General Fund reserves to pay-off existing debt.
8. Evaluate options to refinance existing general obligation debt.
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. Participate 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 TERMS AND CONDITION

MODIFICATION AND/OR TERMINATION OF THIS AGREEMENT

The terms of this Agreement may be modified at any time upon prior written agreement from both the City and Marathon. Further, this Agreement may be terminated by the City upon providing 30 days' prior written notice to Marathon.

REGULATORY COMPLIANCE

Marathon Capital is registered with the SEC and MSRB. As such, Marathon has obligations to maintain and/or disclose certain information, including, but not limited to (i) standards of conduct; (ii) conflicts of interest and/or disciplinary events; and (iii) documentation with respect to its relationship, engagements and/or advisory activities (including this Agreement as well as certain other post-transaction documentation, that may be required from time-to-time). Information regarding MSRB Rules and Guidance can be found at <http://www.msrb.org/Rules-and-Interpretations/MSRB-Rules>.

CONFLICTS OF INTEREST

Marathon serves other clients that may from time to time have interests that could have a direct or indirect impact on your interests. For example, Marathon serves as financial advisor to other borrowers and, in such cases, owes a fiduciary duty to such other clients. These other clients may, from time to time and depending on the specific circumstances, have competing interests. In acting in the interests of its various clients, Marathon could potentially face a conflict of interest arising from these competing client interests. Marathon mitigates such conflicts through its adherence to its fiduciary duty to you if appointed as your financial advisor, which includes a duty of loyalty to you in performing all municipal advisory activities for you. This duty of loyalty obligates Marathon to deal honestly and with the utmost good faith with you and to act in your best interests without regard to Marathon's financial or other interests.

As of the date of this Agreement, Marathon does not have any disclosable conflicts; Marathon will advise the City in writing should any conflicts ever arise.

INFORMATION REGARDING MUNICIPAL ADVISOR COMPLAINTS

The website for the SEC is <http://www.sec.gov> and the website for the MSRB is <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.

MISCELLANEOUS

The City understands that Marathon may include certain public information in transaction lists and/or write-ups, as customary, for marketing purposes. Marathon hereby agrees that it shall maintain as confidential and will not disclose any nonpublic information pertaining to the City without the prior written consent of the City.

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:

Professional Level	Hourly Rate
Principal	\$275
Senior Advisor	\$225
Analyst	\$175

Marathon proposes a not-to-exceed fee of \$75,000. 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, Senior Advisor
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:

LEGISLATIVE APPROVAL FORM/CERTIFICATE OF ACCEPTANCE

BILL NO. -2018 RESOLUTION NO. 910-2018

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

Diffanie E. Caldwell
Sr. Deputy City Solicitor

11/13/2018
Date

Requested by Department/Bureau: Mayor / Finance

Department/Bureau Contact Person: Mayor / Bruce Weber

For Action on or before:

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

11/13/2018

Received by: *Chanda Huson*

Date: 11/13/2018