

**MINUTES of the FINANCE COMMITTEE MEETING of the ERIE COUNTY  
WATER AUTHORITY held in the office, 3030 Union Road, Cheektowaga, New York 14227  
on the 15th day of September, 2011.**

**PRESENT:** Francis G. Warthling, Vice Chairman  
John F. O'Donnell, Treasurer  
Earl L. Jann, Jr., Commissioner  
Robert A. Mendez, Executive Director  
Matthew J. Baudo, Secretary to the Authority/Personnel Director  
Robert J. Lichtenthal, Jr., Deputy Director  
Wesley C. Dust, Executive Engineer  
Mark J. Fuzak, Attorney  
Ronald P. Bennett, Associate Attorney  
Edward A. Betz, Associate Attorney  
Jack Hanley, Manager of Data Processing  
Paul H. Riester, Director of Administration  
Daniel J. NeMoyer, Director of Human Resources  
Karen A. Prendergast, Comptroller  
Steven V. D'Amico, Budget and Financial Analyst

**ATTENDEES:**

**CALL TO ORDER**

**PLEDGE TO THE FLAG**

**I. - ROLL CALL**

**II. - READING OF MINUTES**

Motion by Mr. O'Donnell seconded by Mr. Jann and carried to waive the reading of the Minutes of the Finance Committee Meeting held on Thursday, September 30, 2010.

**III. - APPROVAL OF MINUTES**

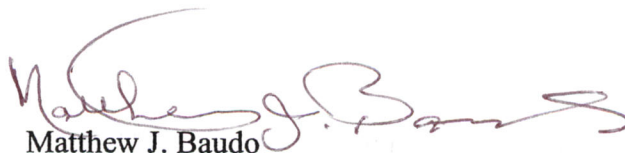
Motion by Mr. O'Donnell seconded by Mr. Jann and carried to approve the Minutes of the Finance Committee Meeting held on Thursday, September 30, 2010, 2010.

**IV. - REPORTS (See "Report" Minutes for Details)****A) Report on Responses to Financial Advisory Services RFP**

Bob Lichtenthal distributed a packet to the Commissioners updating them on the Financial Advisory RFP. He refreshed the Board that this was approved by the Board and the RFP was sent out in July. The RFP went to thirteen firms total, receiving four responses back. The RFP's were analyzed and he gave a summary to the Board. He brought to the Board's attention that none of the four firms provided any evidence that they have the required insurance coverage. He stressed his concern that if the Authority took advice and it proved to be faulty four years later, he would like to make sure that the proper insurance is in place. If that insurance does not exist, it becomes a huge liability. After discussing this in more detail with the Board, he recommended to the Board that they reject the RFP's that were received and continue on with PFM Group, which currently meets the insurance requirements. The Board approved to stay with PFM Group.

**V. - COMMUNICATIONS AND BILLS****VI. - UNFINISHED BUSINESS (NONE)****VII. - NEW BUSINESS****VIII. - ADJOURNMENT**

Motion by Mr. O'Donnell, seconded by Mr. Jann and carried that the meeting adjourn.



Matthew J. Baudo  
Secretary to the Authority/Personnel Director

SLZ

9/15/11

ERIE COUNTY WATER AUTHORITY 3  
INTEROFFICE MEMORANDUM



September 14, 2011

To: Commissioners Warthling, O'Donnell and Jann

From: Robert J. Lichtenthal, Jr., Deputy Director *RJL*

Subject: Financial Advisory Services RFP Report

---

The Erie County Water Authority entered into a professional services agreement on November 8, 2006 with Public Financial Management, Inc. (PFM) and PFM Asset Management, LLC to act as a financial advisor to the Authority. The initial contract term was extended for three years by mutual agreement of the Authority and PFM in October, 2009.

At the Board Meeting of July 7, 2011 the Board was provided with a memo outlining the reasons for issuing an RFP for Financial Advisory Services (attached) and at the Board Meeting of July 21, 2011 the Board authorized the issuance of an RFP.

RFP packages were sent to 13 firms. The Authority received four (4) responses. The respondents are Capital Markets Advisors, Environmental Capital, Fiscal Advisors and Whelan Municipal Advisors.

At this point, three of the four responses are being compared against the current contract the Authority has with PFM. The response received from Whelan Municipal Advisors is not receiving further consideration as the firm does not meet a number of the minimum requirements with respect to years in business and number of public sector clients as outlined on page 4 of the RFP.

Two of the three remaining firms all have an appropriate amount of staff "depth", as does PFM. One firm, Environmental Capital, appears to only have three main staff members, making this firm (and the Authority) potentially vulnerable if the firm principal is not available.

All of the fees structure quoted are within range of each other. Based upon issuance size, the variables in each firm's formula would change the Authority's cost but not in a material manner in respect to the overall bond issue. The only potential for higher costs relates to the regular arbitrage calculations which must be computed by the Financial Advisory firm. The current fee from PFM appears to be the most reasonable.

9/15/11

4 Finally, none of the firms responding provided the Authority with evidence of currently having the appropriate amount of professional liability insurance as determined from the Risk Assessment and provided to prospective bidders as a part of the RFP. This is troubling as the exposure on each bond offering is not only the size of the offering but also the tax implications. If the advisor was to give the Authority advice which it takes and subsequently it is found to be bad advice, the liability and damages could be large. This is an area of concern. The current firm PFM does have the required amount of insurance.

Therefore, at this time I am recommending that the Finance Committee reject all of the responses to the RFP and continue its relationship with PFM.



**ERIE COUNTY WATER AUTHORITY** 5  
**INTEROFFICE MEMORANDUM**



July 6, 2011

To: Commissioners Warthling, O'Donnell and Jann

From: Robert A. Mendez, Executive Director  
Robert J. Lichtenthal, Jr., Deputy Director

Subject: Issuance of Financial Advisory Services RFP

---

The Erie County Water Authority entered into a professional services agreement on November 8, 2006 with Public Financial Management, Inc. (PFM) and PFM Asset Management, LLC to act as a financial advisor to the Authority. The initial contract term was extended for three years by mutual agreement of the Authority and PFM in October, 2009.

PFM had provided excellent services to the Authority during the 2007 debt issuance and was instrumental in assisting the Authority navigate out of the 1993A and 1993B bond issues during the 2008 financial market meltdown. PFM was also very helpful in getting the Authority's bond rating upgraded in 2008.

However, over time, the three principals that the Authority worked with throughout 2007 and 2008 have all left the firm. Senior Management Consultant Brian McQuillan passed away. Senior Management Consultant Edward Lin left the firm for another opportunity and Managing Director Nancy Winkler has left the firm to take the position of Treasurer for the City of Philadelphia, Pa. Since these departures, a noticeable decline in service has been noted and a new level of confidence in the current staff at PFM has not been developed.

Going forward, there is the possibility that the Authority will need to enter the debt market to partially fund the next five years of capital spending. Rather than wait to find out if PFM is the firm the Authority wishes to move forward with, it is recommended that an RFP for Financial Advisory Services be issued. This would allow us the opportunity to interview additional firms and make a decision on whether to try and move forward with PFM or terminate their contract and choose another firm to work with.

Attached is a draft RFP (minus the "boilerplate" pages for insurance, etc.) for review and comment. It is our intention to prepare a resolution for the Board to consider at the meeting of July 21, 2011.

9/15/11

Erie County Water Authority  
 Financial Advisor Fee Comparison  
 2011

	Capital Markets Advisors	Environmental Capital	Fiscal Advisors \$5M or less	Fiscal Advisors >\$5M	PFM
Bonds-Competitive Sale		\$150-275/hr			Up to \$15M
Base	5,000.00			12,500.00	20,000.00
Plus-for each \$1,000 par	0.50			.001 times	
Minimum Fee	12,500.00		12,500.00	each \$1M >\$5M	
Maximum Fee	45,000.00				
Bonds-Negotiated Sale		\$150-275/hr			Up to \$15M
Base	5,000.00				27,500.00
Plus-for each \$1,000 par	0.85				
Minimum Fee	15,000.00				> \$15M
Maximum Fee	75,000.00				negotiate
Bond & Revenue Anticipation Notes		\$150-275/hr			
Base	3,000.00				
Plus-for each \$1,000 par	0.20				
Other Expenses		\$150-275/hr			
Per Hour	\$175/hr			\$150/hr	\$110-300/hr
Arbitrage	\$175/hr			5,300 +	2,000.00
Out of Pocket	at cost		0.00	0.00	yrly-\$1,500
Insurance	below required	If we reduce Prof liab to \$1M \$150-225/hr	Not incl		Yes
Location of Office for our a/c	Orchard Park, NY	NY, NY	Syracuse, NY		NY, NY
Other Locations	Great Neck, NY NY, NY Hopewell Junction, NY Elmira, NY	None	Clifton Park, NY LeRoy, NY Canandaigua, NY Bethpage, Long Island		27 Offices Nationwide

9/15/11