



Legislation Text

File #: AF16-017, Version: 1

Agenda Information Sheet

DEPARTMENT: Finance

ACM: Bryan Langley

Date: September 27, 2016

SUBJECT

Receive a report, hold a discussion, and give staff direction regarding the City's contract for bond counsel services.

BACKGROUND

February 21, 2012, the City Council adopted Ordinance No. 2012-028 awarding a five year contract to McCall, Parkhurst and Horton, LLP ("MPH") for bond counsel services. This contract became effective March 27, 2012 and is due to expire on March 26, 2017. In an effort to reduce costs at that time, staff requested that MPH review its fee schedule for the City which resulted in a slight reduction in fees. At that time, staff estimated that the reduced fee schedule represented a savings of \$2,500 on a \$50 million bond sale. The current fee schedule is a graduated fee schedule with declining rates as the amount of bonds increases. Additionally, MPH agreed to include a provision that if an issue exceeded \$100 million they would extend a negotiated discount for that issue. For the upcoming Utility System Revenue Bonds, Series 2016, the firm agreed to a discount of approximately \$38,000 to coincide with their proposed fees for a potential new contract. This discount is not contingent upon approval of a contract.

In anticipation of this approaching expiration date, staff requested a proposed fee schedule from MPH for this service assuming a five year continuous term contract. Below are the current and proposed fees:

| | Current Fee | Proposed Fee |
|--|-------------|--------------|
| Bond Counsel Services: | | |
| Base Fee for first \$1 million of Bonds | \$5,000 | \$5,000 |
| Plus 1,000 of Bonds for next \$9 million of Bonds | \$1.00 | \$1.00 |
| Plus 1,000 of Bonds for next \$30 million of Bonds | \$0.95 | \$0.95 |
| Plus 1,000 of Bonds thereafter ¹ | \$0.90 | N/A |
| Plus 1,000 of Bonds for next \$60 million of Bonds | N/A | \$0.90 |
| Plus 1,000 of Bonds thereafter | N/A | \$0.50 |
| | | |
| Optional Legal Disclosure Services²: | | |

| | | |
|-----------|----------------|----------------|
| Partner | \$250 per hour | \$375 per hour |
| Associate | \$150 per hour | \$275 per hour |

¹If an issue exceeds \$100 million, the firm and City will negotiate a discount on fees.

²To date, optional legal services have not been necessary.

The proposed fees above now fully memorializes the “negotiated discount” included in the current fee schedule. As such, staff anticipates that ongoing savings will occur if the City’s capital improvement programs continue to expand for the foreseeable future.

As a due diligence check on fees, staff conducted an informal inquiry into pricing for bond counsel services among various cities. While not all cities are experiencing the same growth as the City of Denton nor are they, in most cases, full service cities, staff did find that most fees are comparable to those charged by MPH. However, staff would note that most other cities pay an additional markup (up to 1.5 times) on fees for refunding issues, variable rate issues and issues related to federal or state agencies. MPH does not differentiate between types of issues. In addition, hourly fees or additional fixed charges are also charged for services not directly related to an upcoming issuance or bond election. MPH does not charge separate fees for such services.

City staff is very pleased with the services provided by MPH and the lead attorney, Mr. Greg Schaecher, who is assigned to represent the City. Mr. Schaecher is always available to City staff and assists with development legal issues as requested and at no additional costs. The City’s Legal Department is also pleased with the services provided by MPH and also recommends a renewed contract for bond counsel services. MPH ranks number 1 (10 of last 11 years) in Texas by number of issues and amount issued. In 2015, MPH ranked number 3 nationally by number of issues and amount issued. Staff has attached (Exhibit 2) MPH’s statement of qualifications that provides additional information regarding the firm’s experience, staff and services.

If the Audit/Finance Committee concurs staff’s recommendation to forward a new five year continuous term contract with MPH for bond counsel services to the City Council, staff will plan to place the contract on the Council’s November 1, 2016 agenda.

RECOMMENDATION

Staff recommends that a new five year continuous term contract with MPH for bond counsel services be forwarded to the City Council for consideration and approval.

STRATEGIC PLAN RELATIONSHIP

The City of Denton’s Strategic Plan is an action-oriented road map that will help the City achieve its vision. The foundation for the plan is the five long-term Key Focus Areas (KFA): Organizational Excellence; Public Infrastructure; Economic Development; Safe, Livable, and Family-Friendly Community; and Sustainability and Environmental Stewardship. While individual items may support multiple KFAs, this specific City Council agenda item contributes most directly to the following KFA and goal:

Related Key Focus Area: Organizational Excellence

Related Goal: 1.1 Manage financial resources in a responsible manner

EXHIBITS

1. Current Contract with MPH
2. MPH Statement of Qualifications

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