

TRANSMITTAL MEMORANDUM

TO: The Honorable Mayor and City Council

FROM: Karl R. Amylon, City Manager

DATE: February 26, 2020

RE: **Approval of Professional Services Agreement for Financial Advisor Services for the Redevelopment of Port of Ketchikan Berths I, II, III and IV Project – Piper Sandler**

The motion detailed below was prepared at the request of Finance Director Bob Newell, who asked that it be placed before the City Council for consideration at its meeting of March 5, 2020. If adopted, the motion provides for approving a professional services agreement between the City and Piper Sandler for financial advisor services for the Redevelopment of Port of Ketchikan Berths I, II, III and IV Project. The rationale for retaining Piper Sandler is articulated in Mr. Newell's transmittal memorandum and requires no elaboration on the part of my office. I concur with the Finance Director's recommendation.

Mr. Newell will be attending the City Council meeting of March 5, 2020, in order to address any questions and/or concerns that Councilmembers may have.

A motion has been prepared for City Council consideration.

RECOMMENDATION

It is recommended the City Council adopt the resolution approving a professional services agreement for financial advisor services with Piper Sandler for Redevelopment of Port of Ketchikan Berths I, II, III and IV Project for an amount not to exceed \$40,000; authorizing funding from the Port Department's 2020 Legal And Accounting Services Account (Account No. 640.01); and directing the City Manager to execute the contract documents on behalf of the City Council.

Recommended Motion: I move the City Council approve a professional services agreement for financial advisor services with Piper Sandler for Redevelopment of Port of Ketchikan Berths I, II, III and IV Project for an amount not to exceed \$40,000; authorize funding from the Port Department's 2020 Legal And Accounting Services Account (Account No. 640.01); and direct the City Manager to execute the contract documents on behalf of the City Council.

MEMORANDUM
CITY OF KETCHIKAN, ALASKA
Finance Department
Office of the Finance Director

Bob Newell, Finance Director
Camille Nelson, Financial Analyst
Phone: (907) 228-5621
Facsimile: (907) 228-5617

TO: Karl R. Amylon, City Manager/KPU General Manager

FROM: Bob Newell, Finance Director

DATE: February 26, 2020

SUBJECT: Engaging the Services of a Financial Advisor to Assist the City in the Review of the Responses to the City's Request for Proposals for the Redevelopment of Port of Ketchikan Berths

On January 21, 2020, the City received three responses for Contract No. 19-36, *Redevelopment of Port of Ketchikan Berths I, II, III and IV and Other Infrastructure within the City*. Although all three proponents submitted proposals based on the concession approach, there are some significant differences between the financial portion of the proposals that makes it necessary to employ various financial models and tools in order to develop the appropriate framework for a fair and reasonable comparison. I am also concerned about making sure that the financial review is conducted in a manner that provides assurances to the community that the review is fair and unbiased. In addition, I believe that time is of essence and that an experienced outside financial advisor with all the necessary financial models and tools will be able commit the resources necessary to complete the financial analysis efficiently and timely.

I would like to propose that the City engage the services of Dick Schober to assist the City in its financial review of the proposals submitted by the three proponents. Mr. Schober is a managing director of Piper Sandler (formerly known as Piper Jaffray) and is based in Seattle, Washington. Piper Sandler is a global investment banking firm that has a very strong presence in the public finance services market. Currently, public finance accounts for 25% of its total revenues. Their practice covers a broad range of products and services including mergers & acquisitions, debt capital markets, and restructuring. The firm also has extensive public private partner experience (aka P3) which would be very appropriate for this engagement with the City of Ketchikan. The firm is current serving as financial advisors to the Port of Seattle, which has been working on new \$200 million cruise terminal at Terminal 46.

Piper Sandler has proposed the following scope of services:

- Serve as municipal advisor with a fiduciary duty to the City under MSRB rules
- Review the City's request for proposal to gain an understanding of the requirements and expectations
- Review proposals submitted to the City by the proponents
- Meet with City staff and bond counsel to discuss tax and legal elements of the financial proposals
- Develop and review with City staff the analytical framework for comparison of the financial elements of the proposals
- Prepare a financial analysis of the alternative proposals
- Prepare a written report of the assessment of the proposals with a specific focus on the financial elements of the proposals

- If requested, present conclusions/results to the City Council and other stakeholders
- Assist in negotiating final terms of a concession or other form of agreement

For more information about Piper Sandler, the firm's experience and the proposed scope of services, please review the attached document that was prepared by Mr. Schober.

Mr. Schober and I discussed the fee and we both agreed that it is difficult to come up with firm number at this time because he has not had an opportunity to review the proposals. He is aware that there may some complex issues to resolve with respect to some of the proponents proposing to issue private activity bonds and retire debt through the use of an escrow account. Based on what little I have been able to share with him and his experience working with other clients with a similar scope of service, he does not see the fee exceeding \$40,000. He feels that even this fee may on the high side. There are two exceptions that could cause the fees rise and that would be travel expenses associated with a trip to Ketchikan to present the results or if the firm became involved in the negotiations. My office plans to work closely with Mr. Schober to develop the financial analysis and provide whatever assistance we can to minimize cost of this engagement.

I have not worked with Mr. Schober but he comes highly recommended by David Thompson, the City's bond counsel. He has over 28 years of experience in the industry and has experience working on port related projects in the Pacific Northwest. He has also worked with SEAPA on their first bond issue so he has experience working with a Ketchikan client. I have discussed this project on the phone with him several times. He has clear understanding of the City's expectations and what needs to be accomplished.

I recommend that the City engage the services of Piper Sandler to serve as the City's financial advisor for the Redevelopment of Port of Ketchikan Berths I, II, II and IV project. Since the amount of the engagement is not known at this time for the reasons given above, I recommend that a not to exceed fee of \$40,000 be approved by the City Council with funding to come from the Port Department's 2020 Legal and Accounting Services Account 640.01.

Recommended Motion:

I move the City Council approve a professional services agreement for financial advisor services with Piper Sandler for the Redevelopment of Port of Ketchikan Berths I, II, II and IV project for an amount not to exceed \$40,000 with funding to come from the Port Department's 2020 Legal and Accounting Services Account 640.01 and direct the City Manager to execute a professional services agreement on behalf of the City Council.

Qualifications to Serve the City of Ketchikan as P3 Advisor

Richard Schober

MANAGING DIRECTOR

Tel: +1 206-628-2887

Email: Richard.Schober@psc.com

David Klinges, Jr.

MANAGING DIRECTOR

Tel: +1 212-284-9526

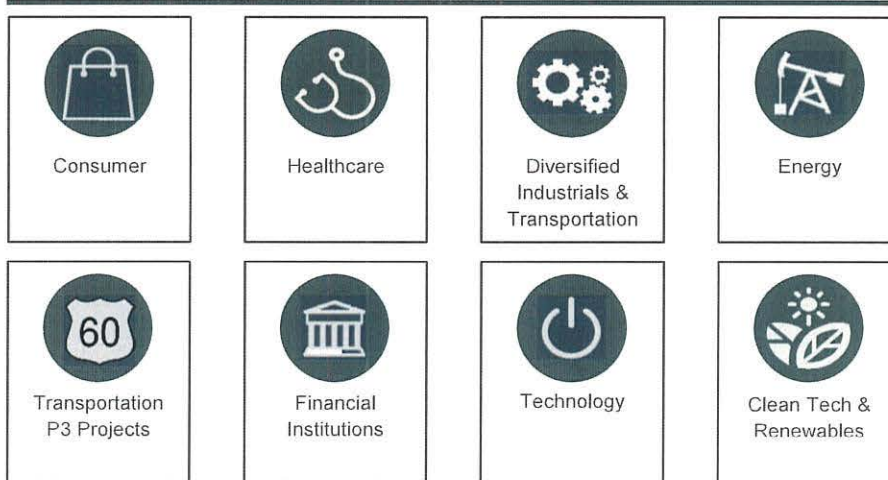
Email: David.Klinges@psc.com

Global Growth-Oriented Investment Bank (Listed on the NYSE:PIPR)

Global Reach



Deep Domain Expertise



Comprehensive Product and Service Capabilities

Mergers & Acquisitions

150+ completed transactions in our focus sectors in the past 2 years and ranked as either #1 or #2 middle market M&A advisor each of the past 5 years

Equity Capital Markets

#1 IPO bookrunner among growth banks in our focus sectors with full institutional commitment to provide distinguished aftermarket support in research and trading

Debt Capital Markets

The debt capital markets team at Piper Sandler has raised more than \$9.8 billion in public and private debt for our corporate clients since 2013

Restructuring

Experienced restructuring advisory team integrates with industry and product groups to deliver comprehensive solutions

Sponsor Coverage

Dedicated team focused on delivering the firm's resources across industries and products — unequivocal focus on middle market financial sponsors



Completed Acquisitions of BMO Capital Markets in 2015, Simmons in 2016 and Sandler O'Neill in 2020



750+ Completed Transactions in 2019

Overview of Public Finance Services

Public finance-related revenues comprise a healthy portion of our overall revenues – approximately 25%

Well Capitalized and Conservatively Managed

- Total regulatory capital of approximately \$658 million
- Excess net capital of \$197 million
- Legal underwriting capacity of approximately \$2.8 billion
- No long term debt
- Piper Sandler utilizes the majority of its capital for the municipal business
- Expanded municipal research capabilities resulting from BMO Capital Markets GKST acquisition
- Average daily inventory of approximately \$200 million of long-term municipal bonds

Broad Sector Coverage



Cities, Counties
& Local Government



States, State Agencies
& Large Issuers



Healthcare



Higher Education



Hospitality



School Districts & Charter Schools



Senior Living



Transportation

Distribution Footprint



Senior Manager Rankings (Neg, Comp, Priv. Placement)

Year	Ranked by # of Issues	# of Issues	Ranked Par Amt	Par Amount (\$MMs)
2019	3	568	11	\$11,900.0
2018	3	584	9	\$14,303.4
2017	3	766	9	\$17,015.9
2016	3	875	7	\$18,959.4
2015	1	950	8	\$17,606.4

Piper Sandler's Overall P3 Experience

Private Bidders		Public Sponsors
<ul style="list-style-type: none"> ▪ E-470 ▪ Chicago Skyway ▪ Southern Connector ▪ Route 3 North ▪ Florida Fiber Network ▪ Toronto 407-ETR ▪ Mid Currituck Bridge ▪ I-595 Express Corridor Improvement Project ▪ Central 70 ▪ Michigan DOT Lighting ▪ 91 Express Lanes ▪ Dulles Metrorail ▪ Pocahontas Parkway ▪ C-470 Express Lanes ▪ Capital Beltway Express Lanes 	<ul style="list-style-type: none"> ▪ Indiana Toll Road Auction ▪ PennDOT CNG Project ▪ Niagara Frontier Transportation Authority ▪ Northwest Parkway Auction ▪ Maryland Economic Development Corporation ▪ 1-95/395 Express Lanes ▪ Midtown Tunnel ▪ Chesapeake Expressway ▪ Camino Colombia ▪ Hampton Roads Third Crossing ▪ Detroit-Windsor Bridge 	<ul style="list-style-type: none"> ▪ Massachusetts Port Authority (Conley Terminal Crane acquisition) ▪ City of Chicago, O'Hare Express Rail Project ▪ E-470 Public Highway Authority ▪ Metropolitan Transportation Authority of New York ▪ Sound Transit ▪ New Jersey Transit ▪ Massport Conley Terminal ▪ MassDOT (Route 3 Express Lanes) ▪ Northwest Parkway ▪ MBTA (Rail Connections)
		Transportation M&A Projects
		<ul style="list-style-type: none"> ▪ Sale of 91 Express Lanes to Orange County Transportation Authority ▪ Sale of Dulles Greenway equity to Macquarie Infrastructure Partners ▪ Bid for Indiana Toll Road and Northwest Parkway

Bold indicates transactions that closed with our client

Piper Jaffray's Recent P3 Experience



Client	Port of Seattle	Maryland Economic Development Corporation Parking Garage Lease Transfer	Central 70	All Aboard Florida	Metropolitan Transportation Authority of New York	Amtrak	Massachusetts Department of Transportation	New Jersey Transit
Role	Financial Advisor	Lead Underwriter	PAB Underwriter	Bond Underwriter	Advisor for MTA Loan Guarantee	Financial Advisor	Develop Project Scope Financial Model Feasibility Study	Financial Advisor
Project	New Cruise Terminal	Long-term lease of four City of Baltimore parking garages	Rebuild of I-70 in Denver	Phase 1 construction costs (Miami-West Palm Beach)	Farley Station Development	Amtrak Trainset Acquisition	MassDOT Route 3 Express Lanes	NJ Transitgrid Power Plant
Size	\$200 million	\$100 million	\$1 billion	\$600 million	\$537 million	\$2.45 billion	\$2 billion	\$400 million
Year	2018-2020	2018	2017	2017	2017	2016	2014-2015	2020

Piper Sandler is currently Financial Advisor to the Port of Seattle for a P3 for a new cruise terminal

This engagement began as an advisory assignment to determine whether using a private partner through a P3 would be advantageous to the Port

- Piper Sandler undertook a Value for Money analysis that established that a better financial outcome was possible with the use of private capital
- Beginning in January of this year, Piper Sandler worked with the Port to undertake a RFQ process
- The RFQ process led to the identification of three qualified bidders
- A site visit for bidders was held last summer
- Piper Sandler reviewed and analyzed the financial proposals received
- The Port released an addendum to the initial request for proposals requesting more detailed operating and project development information and is in the process of evaluating proposals



Piper Sandler is currently advising on an innovative financing structure for Massachusetts Port Authority



- We are currently advising on an innovative financing structure that Massport is currently exploring for the acquisition of three new post panamax cranes to be used at Conley Terminal's new Berth 10, which recently received Board approval to proceed with the Project.
- Massport is making approximately \$850 million in Conley Terminal improvements with funding support from the Commonwealth of Massachusetts and the U.S. Federal Government, to compete for a greater share of New England inbound and outbound container volume.
- Landside investments include the development of Berth 10 and three new neo-panamax cranes for use at Berth 10. Massport board recently approved a funding plan for the development of Berth 10, and Massport is currently finalizing a MOU with the Commonwealth for a portion of the Berth 10 costs.
- Massport is exploring an innovative financing transaction that would entail a private capital provider making an investment to purchase three new neo-panamax Cranes for use at the new Berth 10.
- In return for the acquisition, delivery, and financing of the Cranes, the Concessionaire will have the right to receive a share of the revenues **only from the incremental** TEU volumes that are generated at Conley as a result of the completion of Berth 10 and the delivery of the Cranes.
- The likely term of the Contract is expected to be up to 25-years.
- **Our advisory role entails making sure that Massport is able to achieve the primary goals of this financing, which include: 1) incentivize Concessionaire to drive TEU volume growth, 2) actionable marketing plan and 3) transfer delivery risk.**

What is significant in this engagement is Massport is trying an innovative solution to meet its business objectives and is taking no risk in the attempt.

Piper Sandler Advised Amtrak's Board of Directors in their Business Case Review of the Next Generation Highspeed Trainsets

Next Gen HSR Business Case Review

- Served as Advisor in 2016 on Amtrak's \$2.45 billion RRIF loan
- Developed capital financing proforma model for Amtrak's Northeast Corridor
- Reviewed NextGen business case for the Amtrak's Board of Directors. Presented regular updates to Board of Directors.
- Developed a review of the Amtrak business case for the Board

Capital Markets

- Led solicitation and negotiation with commercial banks related to a \$500 million commercial paper program
- Provided debt management services and assessments of refinancing and restructuring opportunities
- Developed rolling stock financing new acquisition strategies for finance staff along with disposal alternatives for equipment that is pending retirement.

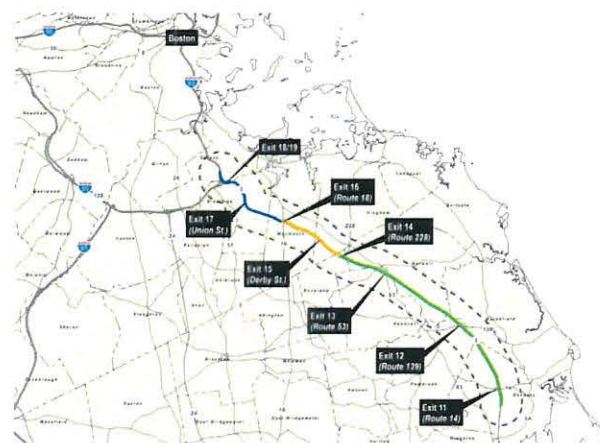
Additional Initiatives

- Frequent rating agency updates, including strategies to address new rating agency criteria

Piper Sandler served as Financial Advisor to MassDOT for the Route 3 Express Lanes Project

Scoping of the Project: The project was initially defined to install two express lanes on Route 3 South below Braintree, MA.

- After months of feasibility work with Jacobs Engineering and Cambridge Systematics, Piper Sandler recommended that the project be scoped as two reversible express lanes from Route 3 north to the Central Artery



After presentation of the project scope to the MassDOT Board and at a public hearing, Piper Sandler worked with MassDOT to engage potential partners for project development

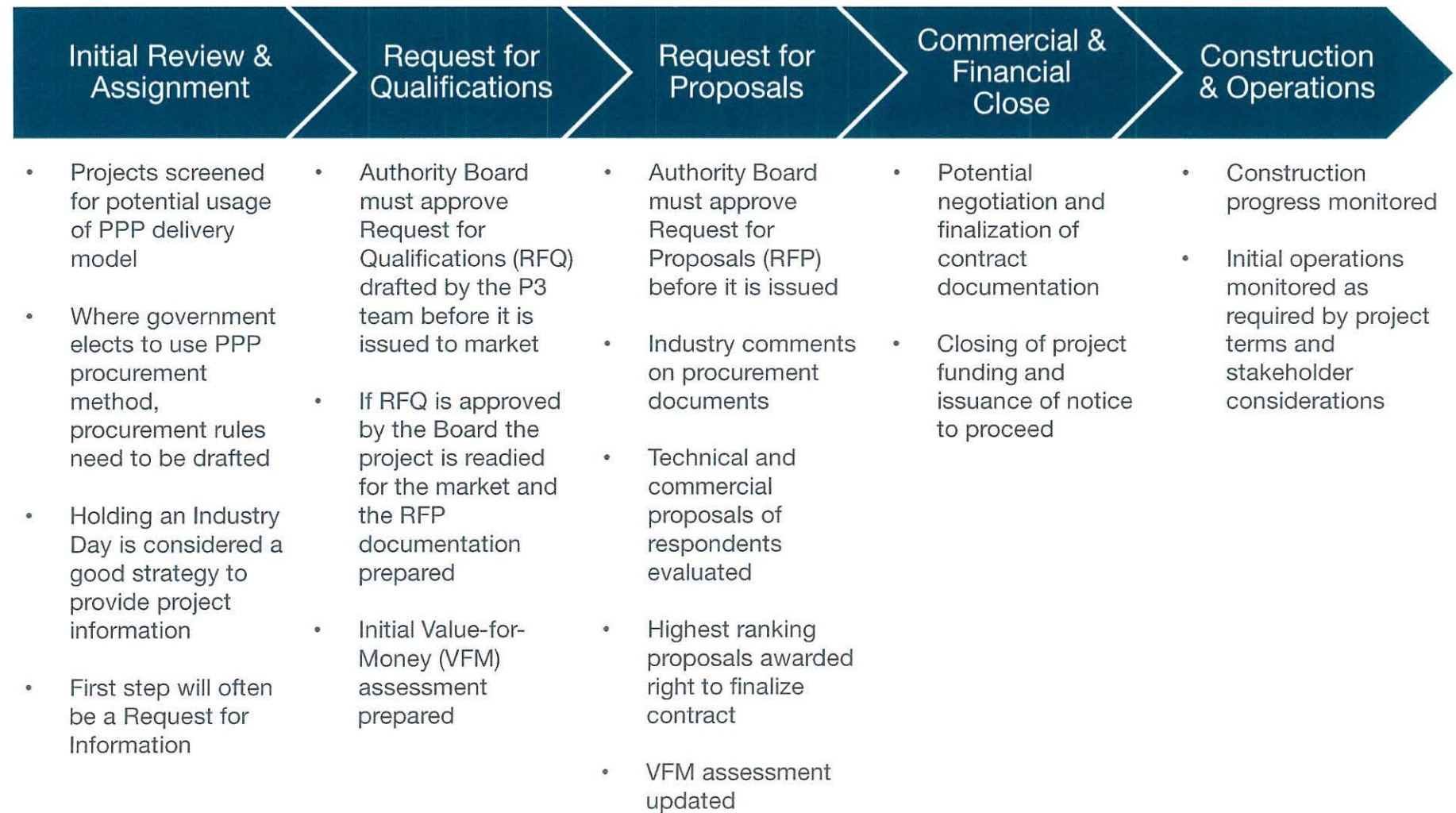
- After initial outreach, an Industry Day was held for over 150 participants representing almost 100 companies
- A series of one on one meetings followed the Industry Day presentation
- A website was established to enable public outreach
- After an 18 month development effort, the Baker Administration determined to place the project on hold pending a corridor review process

Piper Sandler has just been retained as P3 Advisor to the NJ TRANSITGRID Project

- Project involves building a gas-fired power plant in Kearny and associated power distribution network to provide backup power during periods of power outages
- Estimated Construction Value of \$400 MM
- Private Partner will manage dispatch into the PJM electric grid during typical operations
- The project is in final stage of EIS, and an RFQ will be issued as soon as the ROD is secured
- Complexity of this project makes for ideal candidate for risk transfer
- Transfers Public Relations Effort to Private Partner
- Anticipated duration of this engagement is 18 months



Project Phases and Primary Activities



Why Piper Sandler?

Piper Sandler is well positioned to serve as **Advisor to Ketchikan for Selection of an Operator for the Port of Ketchikan**

Piper Sandler has extensive experience working on P3 projects with a broad range of clients across the U.S. Our public finance banking team includes bankers who have been involved with the development of the P3 industry over the past twenty years, and served as lead bankers to numerous high-profile P3 projects.

- **Piper Sandler is distinctively qualified to serve as Advisor on P3 projects for Ketchikan:**
 - We have been active in the P3 community in recent years, and have participated in several proposals in the transportation community including transit agencies such as MTA, MBTA and Sound Transit.
 - Our involvement in the Port of Seattle new cruise terminal at Terminal 46 has provided access to industry insights and knowledge of the universe of cruise terminal operators
 - In December, 2017, we served as sole underwriter for Port America Chesapeake's \$228 million refinancing transaction and a follow-up 2019 new money transaction for the buildout of Berth III, the second deepwater berth at the Port of Baltimore's Seagirt Terminal.
 - We believe we will bring substantial value in our role in quantifying and providing color on the different possible payment mechanisms that will be under consideration.
 - Piper has served as an advisor on both the sell side (advising sponsors) and buy side (serving as advisor or debt arranger to bidding consortium). This allows us to provide sell side clients with visibility into developer interest and deal terms.
- **Piper Sandler has a long history of working on successful and high profile P3 projects:**
 - We are a team of transport finance experts with unparalleled knowledge of current P3 industry dynamics, financing trends, and deep experience as a strategic advisor and underwriter on some of the largest US P3 projects.
 - Our public finance banking team includes bankers who have been involved with the development of the P3 industry over the past twenty years, and served as lead bankers/advisors to numerous high-profile public-private partnerships including the E-470 toll highway, the Dulles Greenway, the SR-91 Express Lanes, the Dulles Metrorail Project and the MassDOT Route 3 Express Lanes Project.

Proposed Scope of Services to the City Ketchikan

- **Serve as Municipal Advisor with a fiduciary duty to the City under MSRB rules**
- **Review the City's request for proposal to potential private partners**
- **Review proposals submitted to the City**
- **Meet with City staff and bond counsel to discuss tax and legal elements of financial proposals**
- **Develop and review with City staff the analytic framework for comparison of financial elements of the proposals**
- **Prepare financial analysis of alternative proposals**
- **Prepare a written report of our overall assessment of proposals with specific focus on financial elements of the proposals received**
- **If requested, present conclusions/results to City Council and other stakeholders**
- **Assist in negotiating final terms of a concession or other form of agreement.**