

---

# City Performance Based Infrastructure Program Financial Advisory Services Contract Amendment Ernst and Young Infrastructure Advisors

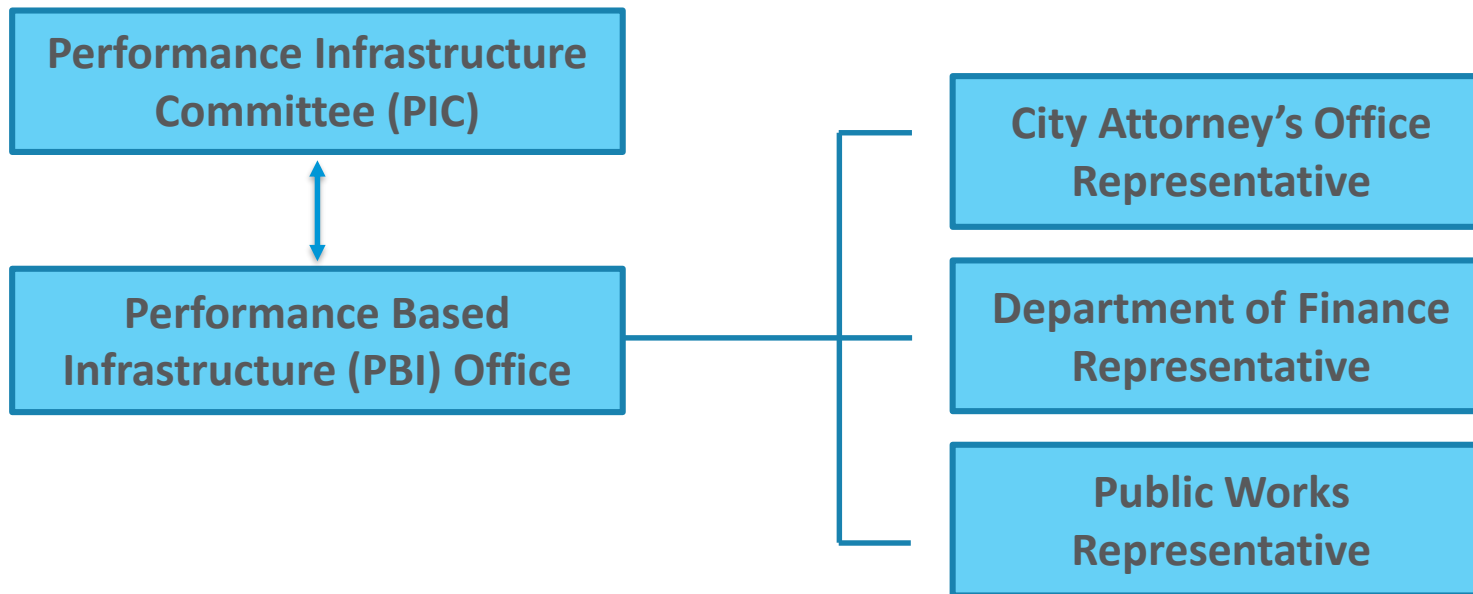
Department of Finance

Finance and Governance Committee

April 30, 2019



# Performance Based Infrastructure Program Citywide Structure



- PBI Office is supported by staff from the Department of Finance, City Attorney's Office and Public Works.
- Each department leverages expertise and experience of legal, financial, and technical external advisory services respectively.



# City Council Resolution Request

- Amends a contract with Ernst and Young Infrastructure Advisors by adding \$1,918,000 for a new total of \$2,368,000 and adding one year for a new end date of December 31, 2020 to continue to serve as the city’s financial advisor on performance based infrastructure projects, including evaluation, planning, structuring and implementation.

<b>Original Contract Value</b>	<b>\$450,000</b>
<b>Requested Added Contract Value</b>	<b>\$1,918,000</b>
<b>Total Revised Contract Value</b>	<b>\$2,368,000</b>



# Background

- Late 2016 Department of Finance (DOF) completed a competitive procurement process to select financial advisor for Performance Based Infrastructure (PBI) Program which was under development.
- Ernst and Young Infrastructure Advisors (EY) selected to serve as City's third party financial advisor throughout all stages of the PBI project development process.
- Preliminary contract tasks focused on development of PBI policy and process for assessing PBI project proposals as well as initial vetting and evaluation of potential projects across various project portfolios in the City.



## PBI Financial Advisor

- Serves as fiduciary to the City and provides independent financial and strategic planning advice, serving solely the interests of the City for potential PBI projects.
- Brings broad depth of knowledge and industry expertise in PBI delivery approaches, transaction structures, comprehensive financial modeling, and non-traditional financings.
- Provides specialized expertise in the development and negotiation of key PBI commercial terms and documentation with the goal of minimizing the long-term financial and risk position of the City.
- Advises in the development of ongoing financial best practices and policies in the evaluation, planning, structuring, and implementation of PBI projects.



# Ernst and Young Scope of Work

PBI Stages	Scope
<b>Screening</b>	<ul style="list-style-type: none"><li>• Advisement on key financial considerations in the evaluation of PBI project candidates.</li><li>• Review of financial assumptions, risks, and metrics for PBI project candidates.</li></ul>
<b>Structuring</b>	<ul style="list-style-type: none"><li>• Advisement on financial structure considerations including evaluation of risk and financial impact to the City.</li><li>• Development/update of value for money (VFM) and business case analysis which includes validation of financial assumptions from project consultants.</li></ul>
<b>Procurement</b>	<ul style="list-style-type: none"><li>• Assists with procurement process activities including developing RFQ/RFP documents, financial evaluation criteria, and negotiations.</li><li>• Financial analysis of received PBI project proposals</li><li>• Document preparation for successful PBI projects such as term sheets and project agreements.</li><li>• Support for financial close including benchmarking and financial evaluation.</li></ul>
<b>Implementation</b>	<ul style="list-style-type: none"><li>• Provide ongoing advice and guidance on post transaction matters including financial monitoring and reporting.</li></ul>



# Ernst and Young Scope of Work

- **The increased contract capacity of \$1.918M is requested to:**
  - Allow for EY to continue to serve as independent financial advisor through contract term (December 2020) to support the evaluation, planning, structuring, and implementation of PBI projects.
  
  - Continue to serve as City's PBI financial advisor for NWC Triangle Project:
    - Financial modeling, analysis of transaction structures, and sensitivity testing
    - Evaluation of financial proposals for RFQ and RFP and update of VFM
    - Preparation of financial and commercial RFP sections
    - Financial close support and document review
  
  - Ongoing financial analysis, modeling, project screening and business case support for future PBI project candidates.
  
- **Budget**
  - Due to the integration of technical and financial elements in PBI project procurements, the cost of tasks which support the development and execution of procurement documents will be shared between DOF and the PBI Office.
  - PBI Office will be responsible for the cost of project business case development.



# City Council Calendar

Date	Action
Tuesday, April 30 <sup>th</sup>	Finance and Governance Committee
Tuesday, May 7 <sup>th</sup>	Mayor Council
Monday, May 13 <sup>th</sup>	City Council First Reading



Thank You