

PUBLIC FINANCE CONSULTANTS, Inc.

8939 Hall
Lenexa, KS 66219
(816) 444-4072
pfc@kc.rr.com

April 14, 2006

Ed Mullins
Finance Director, City of Lawrence
6 East 6th Street
Lawrence, KS 66044

Dear Ed:

Public Finance Consultants is pleased to submit our firm's qualifications for providing financial management services to the City of Lawrence. As demonstrated by the enclosed project list, our firm has completed similar work for many cities in the metro area. To meet your needs, our firm offers a unique software tool that will give the City the flexibility and expertise to estimate the financial impact of a wide range of capital and operating scenarios. Our Fiscal Planning Model, designed specifically for Lawrence, will meet most of the requirements of the RFP and allow the City to do its own detailed planning. Model assumptions that can be varied include:

- ✓ ***Changes to the CIP*** Change the timing and payment for planned bond-financed and PAYG capital to calculate the impact on the debt levy. Explore different financing options by varying other revenue sources.
- ✓ ***Staffing Levels*** Add police officers, fire fighters, parks and recreation, public works or administrative employees and calculate the impact on the City's bottom line. Highlight policy choices by identifying cuts in other areas or potential tax increases.
- ✓ ***Economic Conditions*** Vary revenue growth assumptions to evaluate impact on financial position.

This model can be updated and used by city staff in subsequent years without additional cost.

Our proposal of \$16,500 is based on an hourly rate of \$75, and is a firm and irrevocable offer for 60 days. Assuming contract execution in late April, our firm is committed to completing revenue and expenditure analysis in time for 2007 budget discussions. All project completion dates are negotiable. We welcome the opportunity to discuss this proposal and demonstrate the planning model. We look forward to assisting Lawrence with these important projects.

Sincerely,

Julie L. Carmichael
Stacy A. Miller
Electronic Signature Acknowledged

Summary of Related Projects

City of Leawood, Kansas (1996 to present)

- ✓ Coordinating a budget transformation process that has included: streamlining both operating and capital budget preparation; enhancing the budget format to include summaries and graphical overviews by department and program; providing council/staff training in the use of performance measures for budget deliberations; developing performance measures for the Police, Fire, Public Works, and Parks programs. The reformatted budget received the GFOA Distinguished Budget Presentation Award the first year of submission.
- ✓ Created Excel-based Capital Improvement Plan budget document. Individual project pages include description and expenditure detail and are linked to program summary for automatic update and recalculation of summary statistics.
- ✓ Developed an Excel-based 10-year fiscal planning model that integrates future capital and operating scenarios to calculate the impact on financial position.
- ✓ Developed a Debt Policy Manual to be a single, comprehensive source for policies, debt burden analysis, debt issuance procedures, and amortization schedules for outstanding bond issues; developed four Excel-based amortization schedules for use by city staff in analyzing debt issuance options.
- ✓ Created templates and financial database for Financial Trends Monitoring System; analyzed 10-year history of 26 indicators and recommended fiscal strategies; completed 8 annual updates.

City of Olathe, Kansas (2006)

- ✓ Developed an Excel-based 10-year fiscal planning model that integrates future capital and operating scenarios to calculate the impact on financial position.

City of Belton, Missouri (2005 to present)

- ✓ Completing a Sewer Rate Study, which includes a comprehensive review of the Sewer Fund's current financial condition, five-year forecast of revenue requirements, determination of rates based on specific policy goals and legal requirements, analysis of the change in customer bills, and a customized spreadsheet model to calculate rates.

City of Lenexa, Kansas (1996 to 2004)

- ✓ Developed forecast models for 19 revenue streams and provided staff training for updating the models.
- ✓ Developed a Request For Proposals and Bid Evaluation Form for financial advisor selection; provided a spreadsheet for summarizing proposals and suggested interview questions.

Summary of Related Projects (continued)

City of Blue Springs, Missouri (2002 to 2005)

- ✓ Perform annual updates to a Water and Sewer Rate Study, which includes a comprehensive review of the Water and Sewer Fund's current financial condition, five-year forecast of revenue requirements, determination of rates based on specific policy goals and legal requirements, analysis of the change in customer bills, and a customized spreadsheet model to calculate rates.

City of Harrisonville, Missouri (1998)

- ✓ Forecasted the City's primary sources of revenue for the 1999 budget including sales tax, franchise fees, property taxes, and interest income. Forecasts included an analysis of factors affecting growth, description of forecast assumptions and methodology, and identification of current management issues and strategies to maximize revenue collection.
- ✓ Completed a Water and Sewer Rate Study, which includes a comprehensive review of the Fund's current financial condition, five-year forecast of revenue requirements, determination of rates based on specific policy goals and legal requirements, and an analysis of the change in customer bills historically and compared to area cities.

City of Kansas City, Kansas (1998)

- ✓ Created a five-year strategic fiscal planning model, which allows staff, to vary assumptions regarding assessed value, sales tax growth, inflation, population, salary increases, and staffing levels to project ending fund balance. Included service level statistics to show the impact of each scenario on average compensation, employees per person, tax burden, and per capita costs.

References

Kathy Rogers

Director of Finance
City of Leawood
4800 Town Center Drive
Leawood, KS 66211
(913) 339-6700, ext.121

Jill Grube

Assistant Finance Director
City of Lenexa
12350 West 87th Street Parkway
Lenexa, KS 66215
(913) 477-7500

Oliver DeGrate

Director of Public Works
City of Blue Springs
903 W. Main Street
Blue Springs, MO 64015
(816) 228-0110

Molly Saunders

Budget Manager
City of Olathe
201 N. Cherry
PO Box 768
Olathe, KS 66051-0768
(913) 971-6489

SCOPE OF SERVICES

Analysis of Operating and Capital Budgets

Total Hours: 220

Estimated Cost of Project: \$16,500

Task no.	Description	Est. of hours/ Delivery date
A	FINAL PRODUCT <i>Excel-based CIP manual and budget document</i>	90
A.1	Evaluate current CIP planning and budgeting processes.	9/30/06
A.2	Develop Excel-based procedures to streamline both planning and budgeting procedures. Final product will include recommendations and templates for policies, ranking criteria, project request forms, and project tracking reports.	9/30/06
A.3	Develop Excel-based budget document. Summary pages will include calculation of revenue and debt capacity and utilization, as well as summary statistics by department, project and funding type. Project pages will include description, justification, ranking, and expenditure detail. All project data will be linked to summary statistics to allow for automatic recalculation in subsequent years.	9/30/06
B	FINAL PRODUCT <i>Excel-based Integrated Fiscal Planning Model</i>	130
B.1a	Complete 10 year historical review of City's revenue by major source and selected demographic and economic factors. Evaluate performance of trend and linear regression forecasting models where appropriate. Recommend growth rates for general fund revenue sources based on model performance and future scenarios.	3 weeks from contract execution
B.1b	Complete 10 year historical review of operating and capital expenditures by character and department. Recommend growth rate factors based on historical performance and future scenarios.	3 weeks from contract execution

SCOPE OF SERVICES

Analysis of Operating and Capital Budgets

Total Hours: 220

Estimated Cost of Project: \$16,500

Task no.	Description	Est. of hours/ Delivery date
B.2	Compare 2001-2005 average annual growth and 2005 distribution of major revenue sources, expenditures by department, personal services expenditures, pay plan structure, and capital improvement expenditures to 10-city comparison group.	<i>4 weeks from contract execution</i>
B.3	Review current Black and Veatch plan for financing water and sewer system improvements.	<i>9/30/06</i>
B.4	Develop an Excel-based 5-year fiscal planning model that integrates future capital, operating, and water and sewer system scenarios to calculate the impact of expenditure choices on financial position, debt capacity, and water and sewer rates. Assumptions governed by the user will include: timing and payment for planned bond-financed and PAYG capital, staffing levels, program initiatives, wage and salary increases, revenue growth by source, tax levies, and demographic changes.	<i>9/30/06</i>
B.5	Evaluate model results against city policies and 10-city comparison group.	<i>9/30/06</i>