

City of Hills

Council Members

Bruce Endris
Steve Harris
Merle Hill
Thom Kirkpatrick
Cathy Knebel

201 N 1st St P O Box 345
Hills, Iowa 52235-0345
Phone 319-679-3197
Fax 319-679-3097
www.hills-ia.org

Mayor

Tim Kemp
Clerk
Bonnie Hansen
Deputy Clerk
Leanne Sommers

Regular Meeting

Hills Fire Department Meeting Room @ 7:00 PM

February 24, 2014

- **Consent Agenda:**
 - Minutes from meetings February 10
 - Bills from February 7 – February 21
- **Public Discussion**
- **New Business**
 - Set Public Hearing Date for Water Utility bid, specs, contact for March 3
 - Set Public Hearing for SRF Bond Issuance for March 10
 - Submission and possible actions on RFP from financial advisors
 - Discussion and possible action to certify past due sewer/garbage bills to County Treasurer
 - Discussion on Water Superintendent contract
- **Previous Business**
 - Discussion and possible action on Water utility
- **Council Action List, Comments, Concerns, Reports**
 - Mayor
 - Attorney
 - Maintenance
 - Fire Department
 - Sewer
 - Clerk
- **Adjournment**

Hills City Council
Meeting
February 10, 2014
7:00 PM
Hills Fire Station Meeting Room

The regular Hills City Council meeting was called to order at 7:00 PM on Monday, February 10, 2014 at the Hills Fire Station Meeting Room.

Mayor Tim Kemp called the meeting to order at 7:00 PM. Council members present were: Bruce Endris, Merle Hill, and Cathy Knebel. Absent: Steve Harris and Thom Kirkpatrick.

A motion was made by Knebel and seconded by Endris approve the consent agenda of the minutes and bills.

Ayes: 3. Motion passed.

Public Discussion: None

Council Meeting:

New Business:

A motion was made by Hill and seconded by Knebel to set March 10 for the Public Hearing of the FY15 budget. Ayes: 3. Motion passed.

A motion was made by Knebel and seconded by Endris to waive the building permit fees for the remodeling job at Saint Joseph's Church per letter request. Ayes: 3 Motion passed.

Thom Kirkpatrick arrived at 7:10 PM.

Old Business:

Update on the water utility was held. Discussion was held regarding the easements from Stevens, Eldon Stutsman Inc, Brian Stevens, Betty Letts, Leah Seaton, and Clausen Farms.

Attorney Sittig updated the council on financial advisors and the prices that been given verbally. A RFP will be made and an update will be held at the February 24 meeting.

The third reading of the water superintendent ordinance was held. A motion was made by Hill and seconded by Endris to accept this ordinance. Roll Call was held. Ayes: 4 Ordinance passed.

The job description water project manager was discussed. A posting will be made with the changes soon.

A motion was made to accept the resolution 2014-02 regarding the easement agreements of those submitted by Knebel and seconded by Kirkpatrick. Roll Call was held. Ayes: 4 Resolution passed.

Council Concern List:

The City attorney updated the council on the recodification process. The sewer and water utility parts of the code had been submitted to the City engineer. Feedback was received and will be incorporated. Update to the council will be soon.

The Clerk had received several cities' processes of rental property inspections. These will be compiled and sent to the Council in early spring for discussion.

Reports:

Attorney: No report

Fire Chief: Chief Jason Van Nevel the department is checking on lease options instead of purchase options for the replacement of truck 81. Jason has heard from one of three companies. Jason also mentioned that the fire and bunker gear was outdated and needed to be replaced. Fire Department calls for February so far: one fire, two EMS, and one car accident.

Total for the year has been four fires, 22 EMS calls, and four accidents.

Maintenance: Ron was absent but had the clerk asked about how much needed to be done to remove snow piles around the city. It was discussed and Ron will be notified.

Sewer: Bruce received has received word that the parts order will be updated this Friday.

Mayor: No report

Clerk: - The clerk handed out the budget forms that will be submitted to the State. The updated Comprehensive plan has been received and was passed out to the Council. This will be an item for discussion at a council meeting in March.

A motion was made by Knebel and seconded by Hill to adjourn the meeting at 8:04 PM. Ayes: 4 Motion passed.

Tim Kemp, Mayor

Bonnie Hansen, Clerk

INVOICE#/LN	TY	DUE DATE	INV DATE	REFERENCE	GROSS	DISCOUNT	NET	DISCOUNT TAKEN	PAYMENT AMOUNT	DIST	MAN	CHCK	CK SQ
HILLS BANK & TRUST GENERAL													
1139 ALLIANT UTILITIES													
FEB14	1 I	2/24/2018	2/24/2018	4916015906002	1/2 FIRE	80.61		80.61	80.61	001			1
	2 I			4916014001001	STREET LI	879.58		879.58	879.58	001			1
	3 I			4916015906002	1/2 FIRE	80.61		80.61	80.61	001			1
	7 I			4916015907001	SIREN	43.78		43.78	43.78	001			1
	8 I			4916015865001	MAINT BUI	260.81		260.81	260.81	001			1
	9 I			4916014882201	BALL PARK	112.72		112.72	112.72	001			1
	10 I			4916015019501	STREET SI	17.56		17.56	17.56	001			1
				* INVOICE TOTALS		1475.67		1475.67	1475.67				
				** VENDOR TOTALS *		1475.67		1475.67	1475.67				
1269 NEUZIL, SANDERSON & SIGAFOOSE, P													
13516	1 I	2/24/2014	2/24/2014	CITY EXPENSE		954.50		954.50	954.50	001			1
				** VENDOR TOTALS *		954.50		954.50	954.50				
1046 GAZETTE COMMUNICATIONS													
2499671	1 I	2/24/2014	2/24/2014	PUBLICATIONS		11.08		11.08	11.08	001			1
2499672	1 I	2/24/2014	2/24/2014	PUBLICATIONS		52.01		52.01	52.01	001			1
2499673	1 I	2/24/2014	2/24/2014	PUBLICATIONS		22.64		22.64	22.64	001			1
2499674	1 I	2/24/2014	2/24/2014	PUBLICATIONS		91.50		91.50	91.50	001			1
				** VENDOR TOTALS *		177.23		177.23	177.23				
1061 HILLS BANK AND TRUST COMPANY													
FEB14	1 I	2/24/2014	2/24/2014	CASH USED FOR POSTAGE		115.00		115.00	115.00	001			1
				** VENDOR TOTALS *		115.00		115.00	115.00				
1122 MENARDS													
53154	1 I	2/24/2014	2/24/2014	CLEANING SUPPLIES		65.52		65.52	65.52	001			1
				** VENDOR TOTALS *		65.52		65.52	65.52				
1130 MID AMERICAN ENERGY													
FEB14	1 I	2/24/2014	2/24/2014	77990-78018	1/2 FIRE DE	216.91		216.91	216.91	001			1
	2 I			77990-78018	1/2 FIRE DE	216.91		216.91	216.91	001			1
	3 I			77150-78014	MAINT BUILD	326.73		326.73	326.73	001			1
				* INVOICE TOTALS		760.55		760.55	760.55				
				** VENDOR TOTALS *		760.55		760.55	760.55				
1198 STAPLES													
FEB14	1 I	2/24/2014	2/24/2014	FILE CABINET, FILES		212.77		212.77	212.77	001			1
	2 I			SEALS		22.37		22.37	22.37	001			1
	3 I			PRINTING OF NEWSLETTER		237.24		237.24	237.24	001			1
	4 I			PAPER TOWELS, PENS, SUPPL		80.99		80.99	80.99	001			1
	5 I			PENS, PENCILS, PAPER		27.77		27.77	27.77	001			1
				* INVOICE TOTALS		581.14		581.14	581.14				
				** VENDOR TOTALS *		581.14		581.14	581.14				
1347 STAR LEASING L.L.C.													
85757	1 I	2/24/2014	2/24/2014	COPIER		133.00		133.00	133.00	001			1

INVOICE#/LN	TY	DUE DATE	INV DATE	REFERENCE	GROSS	DISCOUNT	NET	DISCOUNT TAKEN	PAYMENT AMOUNT	DIST	MAN	CHCK	SQ	CK
** VENDOR TOTALS *					133.00		133.00		133.00					
8203	1 I	2/24/2014	2/24/2014	1227 UI HEALTH CARE EMS LEARNG CPR CARDS	126.00		126.00		126.00	001				1
** VENDOR TOTALS *					126.00		126.00		126.00					
GENERAL					4388.61		4388.61		4388.61					
ROAD USE TAX														
659	1 I	2/24/2014	2/24/2014	1179 KNEBEL LANDSCAPING SNOW REMOVAL	3107.50		3107.50		3107.50	110				1
** VENDOR TOTALS *					3107.50		3107.50		3107.50					
412118	1 I	2/24/2014	2/24/2014	1111 LINDER TIRE TIRE REPLACEMENT	901.87		901.87		901.87	110				1
** VENDOR TOTALS *					901.87		901.87		901.87					
154449	1 I	2/24/2014	2/24/2014	1203 STUTSMAN INC DUMP TRUCK AND ENDOLOADE	150.00		150.00		150.00	110				1
154783	1 I	2/24/2014	2/24/2014	SNOW REMOVAL	281.25		281.25		281.25	110				1
** VENDOR TOTALS *					431.25		431.25		431.25					
ROAD USE TAX					4440.62		4440.62		4440.62					
WATER														
13516	2 I	2/24/2014	2/24/2014	1269 NEUZIL,SANDERSON & SIGAFOOSE,P WATER UTILITY EXPENSE	1897.50		1897.50		1897.50	600				1
** VENDOR TOTALS *					1897.50		1897.50		1897.50					
36243	1 I	2/24/2014	2/24/2014	1261 FOX ENGINEERING ENGINEERING FEES	11241.15		11241.15		11241.15	600				1
** VENDOR TOTALS *					11241.15		11241.15		11241.15					
WATER					13138.65		13138.65		13138.65					
SEWER														
73525	1 I	2/24/2014	2/24/2014	1133 ACTION SEWER & SEPTIC CAMERA FOR IOWA ST LINE	623.30		623.30		623.30	610				1
** VENDOR TOTALS *					623.30		623.30		623.30					
FEB14	4 I	2/24/2018	2/24/2018	1139 ALLIANT UTILITIES 4916015217001 LIFT STAT	325.08		325.08		325.08	610				1
	5 I			4916014431501 LAGOON	788.32		788.32		788.32	610				1
	6 I			4916016300702 OH LIFT S	46.22		46.22		46.22	610				1
* INVOICE TOTALS					1159.62		1159.62		1159.62					
** VENDOR TOTALS *					1159.62		1159.62		1159.62					
FEB14	1 I	2/24/2014	2/24/2014	1034 BRUCE ENDRIS WAGES FOR JANUARY 14	800.00		800.00		800.00	610				1
	2 I			ALARMS FOR JANUARY 14	75.00		75.00		75.00	610				1

HKMESSAGE
05.24.13

Fri Feb 21, 2014 9:54 AM

*** CITY OF HILLS IA ***
SCHEDULED CLAIMS LIST

OPER: BR

INVOICE#/LN	TY	DUE DATE	INV DATE	REFERENCE	GROSS	DISCOUNT	NET	DISCOUNT TAKEN	PAYMENT AMOUNT	DIST	MAN	CHCK	SQ	CK
* INVOICE TOTALS					875.00		875.00		875.00					
** VENDOR TOTALS *					875.00		875.00		875.00					
1287 KEYSTONE LABORATORIES														
1055	1 I	2/24/2014	2/24/2014	TESTS	41.68		41.68		41.68	610				1
1140	1 I	2/24/2014	2/24/2014	TESTS	61.38		61.38		61.38	610				1
** VENDOR TOTALS *					103.06		103.06		103.06					
1345 SMITH & LOVELESS INC														
72439	1 I	2/24/2014	2/24/2014	STAND PUMP	3237.00		3237.00		3237.00	610				1
	2 I			FREIGHT	96.75		96.75		96.75	610				1
* INVOICE TOTALS					3333.75		3333.75		3333.75					
** VENDOR TOTALS *					3333.75		3333.75		3333.75					
SEWER					6094.73		6094.73		6094.73					
BANK TOTALS					28062.61		28062.61		28062.61					
TOTAL MANUAL CHECKS									.00					
TOTAL E-PAYMENTS									.00					
TOTAL PURCH CARDS									.00					
TOTAL OPEN PAYMENTS									28062.61					
GRAND TOTALS					28062.61		28062.61		28062.61					

RESOLUTION NO. 2014-_____
RESOLUTION APPROVING A CONTRACT WITH STEVEN S. FLAKE TO PROVIDE SERVICES TO THE CITY OF HILLS AS A WATER OPERATOR

WHEREAS, the City of Hills is in the process of constructing a public water system, and
WHEREAS, the City will require a qualified individual to act as the operator of the City's water system, and

WHEREAS, the City posted a request for proposals regarding the water operator position, reviewed the proposals it received, and determined that Steven S. Flake is qualified and should be retained as the operator of the City's future water system.

BE IT HEREBY RESOLVED BY THE CITY COUNCIL OF THE CITY OF HILLS, IOWA, that the City Council approves and the Mayor is authorized to sign the attached agreement with Steven S. Flake to provide services as the operator of the City's future public water system, and to provide services and give advice as requested before the water system is operational.

Motion made by _____, seconded by _____ to approve Resolution # 2014-_____.

YES:

NO:

ABSTAIN:

ABSENT:

Resolution # 2014-_____ Passed and Approved on February 24, 2014.

Tim Kemp
Mayor

REVIEWED BY:

ATTEST:

Bonnie Hansen
City Clerk

Erek P. Sittig
City Attorney

AGREEMENT RE HILLS WATER OPERATOR

WHEREAS the City of Hills, Iowa, (City) intends to construct, operate, and maintain a public water system to include wells, raw water mains, treatment and storage facilities, and a distribution system; and

WHEREAS City requires an appropriate person, certified by the Iowa Department of Natural Resources, to be the Operator-In-Charge for its future water system; and

WHEREAS City has determined that selecting an Operator-In-Charge prior to the water system being operational is desirable to allow the Operator-In Charge to advise City regarding and become acquainted with the system during construction; and

WHEREAS City received proposals and chose Steven S. Flake as its desired Operator-In-Charge and Steven S. Flake (Operator) has agreed to provide such services to City.

NOW THEREFORE the parties hereby set out the following agreement to govern their relationship:

1. Operator represents that he currently possesses and agrees to maintain the following minimum certifications through the Iowa Department of Natural Resources: Grade II Water Treatment and Grade I Water Distribution.
2. Operator represents that he understands and is qualified to perform the responsibilities and duties of an Operator-In-Charge for a public water system.
3. City and Operator have each reviewed the "OPERATOR BY AFFIDAVIT GUIDANCE", published by the Iowa Department of Natural Resources and attached hereto, and agree to abide by the terms set out therein.
4. Prior to City's water treatment plant becoming operational, Operator will provide advice and services to City as requested by the Mayor, City Council, staff, or agents, regarding the water treatment plant and distribution system and City shall compensate Operator at the rate of \$50 per hour for such advice and services.
5. At least six months prior to City's water treatment plant becoming operational, they will each complete their respective portions of and will each execute four (4) originals of the attached "Water and Wastewater Operator Certification Program Affidavit", which will then be submitted to the Iowa Department of Natural Resources for approval.
6. Upon City's water treatment plant becoming operational, Operator shall be responsible for all operations of the plant and the water distribution system, as set out in the "OPERATOR BY AFFIDAVIT GUIDANCE", previously referenced.
7. Upon City's water treatment system becoming operational, City shall abide by the duties and responsibilities of "Owner" as set out in the "OPERATOR BY AFFIDAVIT GUIDANCE", previously referenced.

8. Operator shall visit the facility no fewer than three different day during each calendar week and shall be responsible for providing another qualified person or persons to visit the facility as needed, when Operator does not visit the facility, himself.

9. For all services performed after City's water treatment plant becomes operational, whether performed by Operator or his agent, City shall compensate Operator at a rate of \$50 per hour.

10. Operator shall submit to City an invoice showing services rendered to City under this agreement no less than every 30 days and City shall not unreasonably withhold payment therefor.

11. Should City disagree with any charge for services shown on any invoice submitted by Operator, City shall pay to Operator the amount of the invoice that is not in question and shall promptly notify Operator of its disagreement.

12. Should City desire to utilize Operator's services as Operator-In-Charge prior to its water treatment plant becoming operational and if Operator agrees, the parties shall as soon as practical execute the "Water and Wastewater Operator Certification Program Affidavit and submit it to the Iowa Department of Natural Resources for approval. In such an instance, the parties will treat all other provisions of this agreement as if the water treatment plant were operational.

13. Either party may terminate this agreement upon no less than 45 days' notice and shall both notify the Iowa Department of Natural Resources of such termination at least 30 days prior to the effective date of the termination.

14. City shall not be required to provide Operator any compensation or benefits other than those set out within this agreement.

15. Operator shall be responsible for all costs related to training and certification required for Operator to maintain the certifications required under this agreement, or any certifications required in the future to operate City's water treatment plant or distribution system.

16. Operator shall be responsible for compensating any agents of his who perform services related to the operation and regular maintenance of City's water system.

OPERATOR

Steven S. Flake

CITY OF HILLS, IOWA

Tim Kemp, Mayor

Bonnie Hansen, City Clerk

PROPOSAL TO PROVIDE
FINANCIAL SERVICES

Presented to:

CITY OF HILLS, IOWA

Submitted by:

NORTHLAND  SECURITIES

Michael Hart

Northland Securities, Inc.
6600 Westown Parkway, Suite 255
West Des Moines, Iowa 50266

Telephone #:
(515) 657-4683 (Direct)

Email:
mhart@northlandsecurities.com

February 20, 2014

City of Hills, Iowa
201 N 1st Street
Hills, Iowa 52235

Dear Hills City Council:

Northland Securities, Inc. is very pleased to offer this proposal to provide financial consulting services to the City of Hills. We trust that the following information provides you with an indication of our experience and qualifications to serve the City, and provides insight into our philosophy on public finance. After reviewing our proposal we hope three characteristics stand out to you that demonstrate Northland's ability to provide you with superior financial services:

- *Experience in Iowa* - Northland Securities' service is grounded in significant experience helping cities and other local governments across Iowa. In 2013, Northland was involved as a financial advisor, underwriter or placement agent on 68 transactions in Iowa with a total par amount of \$362,347,000. Northland's experience includes work with many communities similar to Hills in eastern Iowa. We have extensive experience with financing projects through Iowa Finance Authority's SRF program.
- *Highest Quality Service* - Our firm has built its reputation on being attentive to client needs and responding with creative and prudent ideas. Northland believes in providing ideas on creative financing solutions on a continuous basis, not simply in reaction to a request. The City of Hills will receive unmatched responsiveness from Northland.
- *Long-term Outlook* - Northland's consultants look beyond the minimum short term analysis needed to just complete the financing. We achieve efficient financing through finance plans that provide long term financial stability and flexibility for the City. Through our work, we will paint a broad picture of the alternatives so that the City Council can make the best possible financing decisions for the City of Hills today and in the future.

We appreciate the opportunity to submit this proposal and look forward to the possibility of working with you in the near future.

Sincerely,



Michael Hart
Vice President

Brief Description of the Firm

Northland Securities is a diversified financial securities firm that is regionally recognized as a financial advisor and underwriter of tax-exempt and taxable bond issues. At Northland Securities our mission is to "Provide Direction and Produce Results". Northland professionals are committed to the highest levels of integrity and accountability to their clients, industry regulators, investors and employees. Northland's success is measured by the success of those we serve.

Northland Securities, Inc. was founded in the fall of 2002 by a core of public finance professionals. The veterans of that early organization represent over 400 years of experience and come from both national and regional financial advisory and investment banking firms, all with one common focus – Midwest Public Finance. The firm currently has 184 employees, 44 of whom are shareholders. Northland Securities, Inc. is a full service investment-banking firm focused on public finance and capital market access for education, municipal government, non-profit and institutional clients throughout the Midwest.

Northland will provide the services described in this proposal out of the West Des Moines, Iowa office.

Relevant Experience

Our work with communities similar to Hills gives us unique experience to finance the City's new public water system in the most efficient manner. Northland provides financial consulting services to many small communities all across the State of Iowa. Below is a list of communities in the counties surrounding Hills where Northland has provided similar services to those requested in the proposal.

- ❖ City of West Liberty, Iowa
- ❖ City of Wilton, Iowa
- ❖ City of Durant, Iowa
- ❖ City of Tiffin, Iowa
- ❖ City of Riverside, Iowa
- ❖ City of Lone Tree, Iowa
- ❖ City of Wellman, Iowa
- ❖ City of Swisher, Iowa
- ❖ City of Solon, Iowa
- ❖ City of Wapello, Iowa
- ❖ City of Winfield, Iowa
- ❖ City of Marengo, Iowa
- ❖ City of Princeton, Iowa
- ❖ City of Belle Plaine, Iowa

Please feel free to reach out to any of the cities listed above. A list of specific references can be provided upon request. Attached to this proposal is a complete list of transactions that Northland completed in Iowa in 2013.

Description of Service and Proposed Fee

Five Year Pro-forma Cash Flow Analysis - As stated in the request for proposal, the City will need a five year cash flow analysis to complete the financing through Iowa Finance Authority's SRF program. To complete this work, Northland would work closely with the City's engineer and city staff to gather relevant information. Once all information is gathered, Northland would prepare the cash flow to include in loan documents and make a presentation to the City Council. We will work with the City Council to develop and implement a utility rate structure that covers operation and maintenance expenses, loan payments and provides for a reserve balance in the utility fund. The analysis will pay particular attention to the coverage requirements and other covenants required by the SRF program. Our proposed fee for this service is shown below.

❖ Proposed Fee: \$950

Note: All out of pocket expenses such as travel and printing will be paid by Northland.

General Obligation Bond Issue - For the proposed bond issue, Northland can act as a Financial Advisor, Placement Agent or Underwriter. As a Financial Advisor, we would advise on the optimal structure, work with your bond attorney in coordinating the legal process, coordinate the timeline of the issue and conduct a public sale, looking to attract bids from a host of regional investment banks. As a Placement Agent, we would work with a financial institution to negotiate the terms of the bond issue instead of conducting a public sale. As an Underwriter, we would purchase the bond issue from the City in a negotiated transaction and sell the bonds to investors across the Midwest. As an underwriter we give preference to local investors should they be interested in buying all or part of the bond issue.

Based on your decision, we will provide the City with a service agreement that describes Northland's role and relationship with the City, services to be provided, compensation, any conflicts of interest, and all other disclosures required by federal securities regulations.

Below is a proposed fee for each of the scenarios for the bond issue. It is important to note that the fees cannot be compared on an apples to apples basis. If we act as a Financial Advisor, there will be an underwriter's discount included in the cost that will be set when the bonds sell. *Because we can act in any of these three capacities, we provide the City the flexibility to enter the market in the best way possible for the City and its proposed project.*

- ❖ Proposed Fee as Financial Advisor:
 - 0.95% of par amount (\$4,750 for a \$500,000 issue)
 - Minimum of \$4,000

- ❖ Proposed Fee as Placement Agent:
 - 1.10% of par amount (\$5,500 for a \$500,000 issue)
 - Minimum of \$3,000

- ❖ Proposed Fee as Underwriter:
 - 9 years or less: 1.30% of par amount (\$6,500 for a \$500,000 issue)
 - 10 – 15 year: 1.50% of par amount (\$7,500 for a \$500,000 issue)
 - 16 – 20 year: 1.70% of par amount (\$8,500 for a \$500,000 issue)

Revenue Bonds

If the City decides to issue revenue bonds instead of general obligation bonds our fees will be as follows:

- ❖ Proposed Fee as Financial Advisor
 - 120% of General Obligation Fee (\$5,700 for \$500,000 issue)

- ❖ Proposed Fee as Placement Agent
 - 120% of General Obligation Fee (\$6,600 for a \$500,000 issue)

- ❖ Proposed Fee as Underwriter:
 - 15 year or less: 1.50% of par amount (\$7,500 for a \$500,000 issue)
 - 16 – 20 year: 1.70% of par amount (\$8,500 for a \$500,000 issue)

Continuing Disclosure

If the bond issue includes a continuing disclosure requirement, we can provide this service for the following annual fee:

- ❖ Limited Disclosure: \$435
- ❖ Full Disclosure: \$1,250

Timeline

Northland does not foresee any issues completing the cash flow analysis in March 2014. As details related to the potential bond issue become clear, we will work with the City to develop a timeline that meets funding requirements.

Appendix A – Iowa Transactions 2013

IOWA TRANSACTIONS 2013

MANAGER, CO-MANAGER, FINANCIAL ADVISOR OR PLACEMENT AGENT

ISSUER	STATE	DESCRIPTION	SIZE	NCH SHARE	CLOSED
AGWSR CSD	IA	GO School Bonds Series 2013	\$6,500,000	\$309,000	7/1/13
Ames CSD	IA	GO School Bonds Series 2013 B	\$15,000,000	\$659,000	11/19/13
Anamosa CSD	IA	GO School Bonds Series 2013	\$9,850,000	\$469,000	7/15/13
Ankeny CSD	IA	GO School Bonds Series 2013 A	\$15,900,000	\$795,000	6/4/13
Bellevue	IA	GO Corporate Purpose and Ref Bonds Series 2013 A	\$2,635,000	\$2,635,000	4/16/13
Board of Regents State of IA	IA	Student Hlth System Rev Ref Bonds (Univ N IA) 2013	\$2,435,000	\$135,000	5/22/13
Board of Regents State of IA	IA	Field Housing Rev Ref Bonds (Univ N IA) 2013	\$4,815,000	\$283,000	5/22/13
Bondurant-Farrar CSD	IA	Schl Infra Sales Svcs Use Tax Revs Series 2013	\$10,000,000	\$555,000	6/4/13
Boone Community Schl Dist	IA	GO School Bonds Series 2013	\$6,125,000	\$306,000	5/1/13
Cedar Rapids	IA	GO Bonds Series 2013 A	\$7,755,000	\$430,000	6/11/13
Cedar Rapids	IA	TXBL GO Urban Renewal Bonds Series 2013 C	\$25,855,000	\$1,846,000	6/11/13
Cedar Rapids	IA	Sewer Rev Bonds Series 2013 D	\$5,200,000	\$273,000	6/11/13
Cedar Rapids	IA	Water Rev Bonds Series 2013 E	\$7,265,000	\$382,000	6/11/13
Charles City	IA	GO Refunding Bonds 2013 A	\$632,000	NA	3/6/13
Clarke	IA	GO Hospital Bonds 2013	\$5,000,000	NA	12/20/13
Clinton	IA	GO Cap Loan Notes Series 2013 D	\$4,155,000	\$197,000	10/23/13
Clinton CSD	IA	School Infrastructure Sales, Services, and Use Tax Revenue Bonds Series 2013	\$5,310,000	\$312,000	6/26/13
Clive	IA	GO Corp Purpose Bonds Series 2013 A	\$1,970,000	\$89,000	10/31/13
English Valleys CSD	IA	School Infrastructure Sales, Services, and Use Tax Revenue Bonds Series 2013	\$4,190,000	\$232,000	7/1/13
Fairfield CSD	IA	GO School Bonds Series 2013	\$10,000,000	\$476,000	6/27/13
Fort Madison	IA	GO Bonds Series 2013	\$6,000,000	\$285,000	8/22/13
Gilbert CSD	IA	Schl Infra Sales Svcs Use Tax Revs Series 2013	\$3,650,000	\$214,000	7/1/13
Hamilton County	IA	GO Refunding Bonds Series 2013 A	\$6,525,000	\$6,525,000	2/28/13
Hamilton County	IA	GO Highway Imp Bonds Series 2013 B	\$995,000	\$995,000	10/9/13
Hawkeye Community College	IA	Industrial New Jobs Training Certs. TXBL 2013-1	\$2,365,000	\$131,000	6/3/13

ISSUER	STATE	DESCRIPTION	SIZE	NCH SHARE	CLOSED
Hubbard-Radcliffe CSD	IA	GO School Bonds Series 2013 A	\$8,400,000	\$400,000	5/1/13
Hull	IA	GO Capital Loan Notes Series 2013 A	\$765,000	\$765,000	9/26/13
Inwood	IA	GO Bonds 2013A	\$1,500,000	N/A	7/15/13
Jesup	IA	GO Capital Loan Notes Series 2013 A	\$1,280,000	\$1,280,000	4/2/13
Johnston	IA	GO Refunding Bonds 2013A	\$12,140,000	N/A	7/10/13
Johnston	IA	GO Bonds 2013B	\$18,095,000	NA	11/13/13
Kellogg	IA	Subordinate Rev Bonds Series 2013 C (Newton Village)	\$2,500,000	\$2,500,000	7/30/13
Keokuk	IA	GO Urban Renewal Bonds Series 2013 D	\$4,050,000	\$213,000	5/1/13
Le Claire	IA	GO Annual Appropriation Corp Pupr Ref Bonds Series 2013 A	\$6,910,000	\$6,910,000	10/23/13
Mapleton	IA	Electric Revenue Capital Loan Notes Series 2013 A	\$730,000	\$730,000	8/15/13
Marengo	IA	GO Corp Purp and Ref Bonnds Series 2013 A	\$1,555,000	\$1,555,000	3/13/13
Marion	IA	GO Ref Bonds Series 2013 A	\$2,610,000	\$153,000	3/6/13
McGregor	IA	GO Corporate Purp and Ref Bonds Series 2013 A	\$1,175,000	\$1,175,000	5/8/13
Mills County	IA	GO County Public Safety Center Bonds Series 2013 A	\$6,200,000	\$6,200,000	9/5/13
Mitchell County	IA	GO County Purpose Bonds Series 2013 A	\$6,410,000	\$6,410,000	12/26/13
Mount Ayr	IA	GO Solid Waste Disposal and Ref Bonds Series 2013 A	\$830,000	\$830,000	7/25/13
North Scott CSD	IA	School Infra Sales, Services, Use Tax Rev Bonds Series 2013	\$10,000,000	\$588,000	6/25/13
Osceola County	IA	GO County Purpose and Ref Bonds Series 2013 A	\$3,430,000	\$3,430,000	12/18/13
Pella CSD	IA	GO School Bonds Series 2013	\$9,000,000	\$428,000	7/15/13
Peosta	IA	GO Corporate Purp Bonds 2013 A	\$775,000	\$775,000	4/16/13
Rockford	IA	GO Coporate Purpose Bonds Series 2013	\$900,000	\$900,000	5/28/13
Shellsburg Benton County	IA	GO Corporate Purpose and Ref Bonds Series 2013	\$1,735,000	\$1,735,000	5/21/13
Sioux Center	IA	GO Refunding Bonds 2013A	\$2,705,000	NA	5/1/13
Sioux Center	IA	Private College Rev Ref Bonds (Dordt College Prj) 2013 A	\$4,100,000	\$4,100,000	9/5/13
Sioux Center CSD	IA	GO School Bonds 2013A	\$4,765,000	NA	12/17/13
Sioux City	IA	TXBL GO Urban Renewal Bonds Series 2013 B	\$4,480,000	\$235,000	6/28/13
Sioux County	IA	Private College Revenue Ref Bonds (Dordt College Prj) 2013 B	\$7,000,000	\$7,000,000	9/5/13
St. Ansgar	IA	GO Corporate Purp and Ref Bonds Series 2013 A	\$1,090,000	\$1,090,000	6/25/13
Swisher	IA	GO Refunding Bonds Series 2013 A	\$1,050,000	\$1,050,000	1/9/13
Tama County	IA	GO Urban Renewal County Purpose Bonds Series 2013 A	\$7,450,000	\$7,450,000	2/20/13
Wapello County	IA	GO Capital Loan Notes Series 2013 A	\$4,615,000	\$4,615,000	3/28/13
Wapello County	IA	GO Refunding Capital Loan Notes Series 2013 B	\$1,395,000	\$1,395,000	3/28/13
Waterloo	IA	TXBL GO Bonds Series 2013 B	\$6,565,000	\$547,000	6/27/13

ISSUER	STATE	DESCRIPTION	SIZE	NCH SHARE	CLOSED
Waterloo CSD	IA	School Infrastructure Sales, Services and Use Tax Revenue Bonds Series 2013	\$10,000,000	\$555,000	4/22/13
Waukee	IA	Sewer Rev Cap Loan Notes Series 2013 A	\$1,185,000	\$79,000	3/1/13
Waukee	IA	GO Bonds Series 2013 B	\$3,280,000	\$182,000	5/28/13
West Branch	IA	GO Corp Purp and Ref Bonnds Series 2013	\$2,730,000	\$2,730,000	3/5/13
West Burlington	IA	GO Urban Renewal Bonds Series 2013 A	\$3,750,000	\$3,750,000	8/21/13
West Central CSD	IA	GO School Bonds Series 2013	\$7,600,000	\$361,000	6/25/13
Wilton	IA	GO Corporate Purpose and Ref Bonds Series 2013 A	\$4,100,000	\$4,100,000	3/26/13
Winfield	IA	GO Water Improvement and Ref Bonds Series 2013 A	\$1,150,000	\$1,150,000	5/2/13
Winterset Muni Utilities	IA	Water Rev Imp and Ref Bonds Series 2013 A	\$6,720,000	\$6,720,000	10/1/13
Woodward-Granger CSD	IA	GO School Bonds Series 2013	\$5,500,000	\$261,000	8/15/13
TOTAL			\$362,347,000	\$102,880,000	

NORTHLAND SECURITIES

Main Office: 45 South 7th Street, Suite 2000, Minneapolis, Minnesota 55402 Toll Free 1-800-851-2920
 West Des Moines Office: 600 Westown Parkway, Suite 255, West Des Moines, Iowa 60266 Toll Free 1-800-851-2920
 Hudson Office: 2217 Vine Street, Suite 202, Hudson, Wisconsin 54016 Toll Free 1-800-398-7107
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 Denver Office: 5251 DTC Parkway, Suite 1020, Greenwood Village, Colorado 80111 Toll Free 1-800-851-2920

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These issues are shown as a matter of record only. This is not an offer to sell any investment
 Northland Capital Holdings, Inc. is the parent company of Northland Securities, Inc.

February 20, 2014

Mr. Erek P. Sittig
Neuzil, Sanderson & Sigafoose P.C.
119 Wright Street, PO Box 1607
Iowa City, IA 52244-1607

Dear Mr. Sittig:

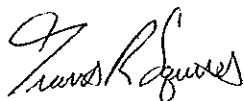
Thank you for considering our proposal to act as financial advisor to the City of Hills.
Enclosed please find one copy of the RFP response as you requested.

With my signature below, Piper Jaffray hereby certifies:

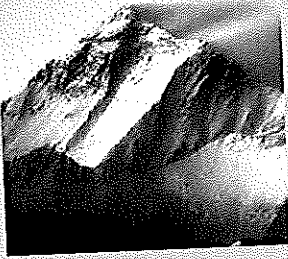
1. This proposal is signed by a duly authorized individual.
2. Piper Jaffray received the request for proposal dated February 12, 2014.

Please feel free to contact me at (800)333-6008 or travis.r.squires@pjc.com should you have any questions or wish to clarify any items within the proposal.

Very truly yours,



Travis R. Squires
Senior Vice President
TRS:
Enclosure



**REQUEST FOR PROPOSALS FOR
FINANCIAL ADVISORY SERVICES**

CITY OF HILLS, IOWA

Prepared by:

**Travis R. Squires
Senior Vice President
515-247-2354**

**Timothy J. Oswald
Managing Director
515-247-2358**

February, 2014

**GUIDES FOR
THE JOURNEY.®**

PiperJaffray

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NYSE.
Piper Jaffray & Co.

SECTION I: PROFILE OF THE FIRM, PIPER JAFFRAY

(1) OWNERSHIP AND PHILOSOPHY

Piper Jaffray is an equal-opportunity employer and a full service investment banking firm founded in 1895. Piper Jaffray is regionally based, with offices primarily in the Midwest, Rocky Mountain, Southwest, Eastern and Pacific Coast states. We serve corporations, government and non-profit entities, and institutional investors on a national basis predominantly across the western half of the United States. Piper Jaffray has capabilities and expertise that rival those of national firms in our areas of focus.

Our public finance offices and staffing are as follows:

Office	Bankers & Analysts	Administrative Support	Office	Bankers & Analysts	Administrative Support
Albany	2	0	Memphis	4	0
Atlanta	2	1	Milwaukee	2	1
Austin	1	0	Minneapolis	17	4
Birmingham	1	0	Nashville	1	0
Boise	2	1	New York	0	0
Boston	1	0	Orange County	3	0
Charleston	2	0	Philadelphia	5	0
Charlotte	1	0	Phoenix	5	1
Chicago	2	1	Pittsburgh	6	2
Cleveland	3	0	Portland	5	2
Denver	6	2	Sacramento	1	0
Des Moines	4	1	Salt Lake City	2	0
El Segundo	9	2	San Antonio	1	0
Hartford	1	0	San Francisco	2	1
Houston	4	1	Seattle	12	3
Indianapolis	0	0	St. Louis	5	1
Jacksonville	2	0	Tampa	1	0
Kansas City	10	2	Washington DC	3	0



(2) CORE VALUES

Piper Jaffray has a philosophy that emphasizes steady growth through financial strength, honoring a commitment to client service, and providing a quality work environment for its employees. These values are reflected in the company's guiding principles below.

We create and implement superior financial solutions for our clients. Serving clients is our fundamental purpose.

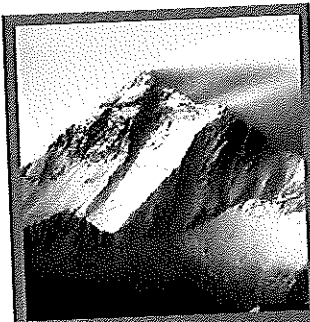
We earn our clients' trust by delivering the best guidance and service.

Great people working together as a team are our competitive advantage.

As we serve, we are committed to these core values:

- *Always place our clients' interests first*
- *Conduct ourselves with integrity and respect and treat others with respect*
- *Work in partnership with our clients and each other*
- *Maintain a high-quality environment that attracts, retains and develops the best people*
- *Contribute our talents and resources to serve the communities in which we live and work*

We have a strong tradition of supporting our communities. We provide support in many ways, including cash grants, loan assistance, in-kind donations, and sponsorships of nonprofit organizations. Employees donate thousands of hours of volunteer time each year and their personal contributions to community and higher education nonprofit organizations are matched through the company's Matching Gift Program. Our company's size and strength ensure that we continue to be a leading corporate citizen where we do business.



(3) CAPITAL MARKETS OVERVIEW

Value is achieved through focus on: creative investment banking and underwriting to meet the needs of strategic clients, and quality advice, product and execution for select investors in fixed-income products.



SECTION II: FINANCING TEAM AT PIPER JAFFRAY

Our team will include Travis Squires, Tim Oswald, and Matt Hall in our Des Moines, Iowa office. Mr. Squires is the primary contact for all dealings with the City. Mr. Squires will provide financial modeling support and handle the day to day interactions with the City. Backup to Mr. Squires will be provided by Mr. Oswald, who is the senior banker and principal in charge in our Des Moines office. Mr. Hall will serve as backup for financial modeling support. Each of the individuals involved have experience assisting various communities in the State of Iowa



PiperJaffray

Travis R. Squires
Senior Vice President
Public Finance Investment Banking

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Managing Director
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Des Moines, IA 50312



TRAVIS R. SQUIRES, SENIOR VICE PRESIDENT

Mr. Squires joined the Des Moines office of Piper Jaffray in 2006. Since 2012, Mr. Squires has been in an officer role and currently holds the title of Senior Vice President in the Des Moines office.

Mr. Squires regularly assists, as advisor or underwriter, on general obligation, sales tax revenue, and essential utility revenue bonds. Since joining Piper Jaffray in 2006, he has provided financial modeling support and analytical support on over 400 transactions totaling in excess of \$1 billion in par amount. Since the beginning of 2011, he has served as the primary contact for over 111 financing transactions, including sale of 77 different series of general obligation bonds, 28 different series of sales tax revenue bonds, 1 lease issue, and 5 different series of essential utility revenue bonds, all of which included new money issues, current refundings, advance refundings, and included both tax exempt and taxable transactions. Mr. Squires has assisted numerous public entities in long range financial plans requiring extensive financial modeling. His experience includes the development of a sales tax revenue and enrollment model for Iowa schools, individualized capital and budget planning tools for Cities and School Districts in Iowa, and modeling to provide ongoing refunding and restructuring analysis for outstanding debt of our office's clients.

Mr. Squires graduated Summa Cum Laude from the University of Northern Iowa in Cedar Falls, IA with a Bachelor of Arts degree in Finance. Mr. Squires currently holds a Series 7 and 63 licenses with FINRA.

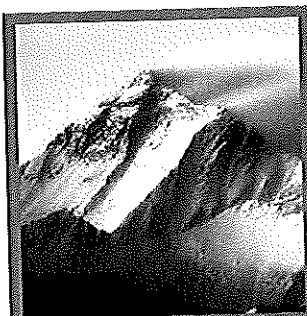
Mr. Squires regularly (annually) assists the following Iowa governmental bodies: {Schools} Adel DeSoto Minburn, Atlantic, Ballard, Gilbert, Knoxville, North Polk, and Pella; {Cities} Burlington, Fairfield, Grimes, New Hampton, Urbandale, and Waukon; {Others} Grant Wood Area Education Agency, Urbandale Water Utility, and Iowa Western Community College.

TIMOTHY J. OSWALD, MANAGING DIRECTOR

Mr. Oswald joined Piper Jaffray's Public Finance Department in 1989 and is a Managing Director. Since 1999, Mr. Oswald has been the principal in charge of the Des Moines office.

Mr. Oswald regularly assists, as advisor or underwriter, on general obligation, sales tax revenue and essential utility revenue bonds. In 2013, Tim worked on the sale of 50 separate series of debt, including 8 essential utility revenue bonds, 11 sales tax revenue bonds, 24 general obligation bonds, 5 NJTP issues and 2 miscellaneous items (leases etc), all of which included new money, refinancings, including both tax exempt and taxable transactions.

Mr. Oswald has extensive experience with unique structured bonds, such as (1) tax credit bonds: {assisted on the sale and issuance of qualified school construction (tax credit) bonds and qualified zone academy (tax credit) bonds for issuers including Sioux City CSD, Council Bluffs CSD, Waterloo CSD and Cedar Rapids CSD}; (2) urban renewal tax increment revenue bonds {Altoona, Bass Pro; Coralville, multiple series for a hotel, convention center, brewery/restaurant, blight remediation, site acquisition and redevelopment,



flood land acquisition and flood mitigation}; (3) annual appropriation general obligation and tax increment revenue bonds {Altoona, Coralville, Spirit Lake, Storm Lake, DeWitt}; and (4) lease or turn-key lease facilities (Williamsburg fire station, Coralville Plaza on 5th, Coralville Marriott Hotel & Conference Center, Kirkwood Community College, the Hotel at Kirkwood Center project, and currently assisting the City of Marion on a turn-key lease of a new police station and Kirkwood College on a turn-key lease of a new attendance center in greater Iowa City}. In addition to financings, Mr. Oswald drafted the first model set of board policies used by the Iowa Association of School Business Officers regarding financial and debt management, policies that have since been revised to incorporate ongoing disclosure obligations. Mr. Oswald has guest lectured at the University of Iowa – Pappajohn School of Business and annually teaches a class (on debt management and debt policies) at Iowa State University as part of the School Business Managers Academy.

Mr. Oswald has a Bachelors of Arts degree in Economics from the College of St. Thomas, St. Paul, MN. Mr. Oswald holds Series 7, Series 63 and Series 53 securities licenses.

Mr. Oswald regularly (annually) assists the following Iowa governmental bodies: {Schools} Cedar Rapids, Dubuque, Sioux City, Waterloo, Council Bluffs, Clear Creek Amana, College Community (Cedar Rapids Prairie), and Ames; {Cities} Coralville, Keokuk, DeWitt, Mt. Pleasant, Spirit Lake, Storm Lake, Okoboji, Arnolds Park, and Ottumwa (sewer capital planning); {Counties, less frequent than annually}: Boone, Dickinson, Hardin, O'Brien, Polk and Wapello; {Others} Kirkwood Community College, Iowa Western Community College, Northeast Iowa Community College, and Iowa Great Lakes Sanitary District.

MATTHEW HALL, JUNIOR BANKER / INVESTMENT BANKING ANALYST

Mr. Hall joined the Public Finance Department in 2012, and is an investment bank analyst in our Des Moines, Iowa office. As an analyst, his duties include providing financial modeling support for all Senior Bankers in the Des Moines office. He is also in charge of the feasibility of debt refinancing for our current clients. Mr. Hall has also built an Iowa community college medians database. This database compares various data of community colleges among their peers and to Moody's rating guidelines to assist in developing a plan to improve the college's bond rating.

Mr. Hall graduated from the University of Iowa in Iowa City, IA with a Bachelors degree in Finance. Before joining Piper Jaffray, Mr. Hall provided analytical research for a team of senior investment analysts, and portfolio managers in the investment grade fixed income research department for Principal Global Investors.

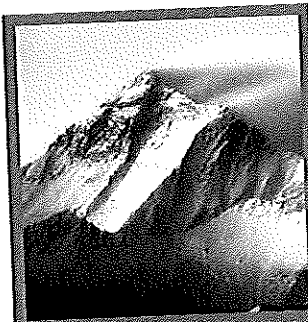
SECTION III: MULTIFACETED EXPERTISE

Piper Jaffray takes great pride in its position as one of only two firms nationally that ranks as one of the top ten firms for both underwriting and financial advisory services. In addition, we consistently rank within the top ten for underwriters of competitive sale, demonstrating our daily involvement in this market and our deep understanding of appropriate structures and pricing levels. Our expertise in all of these arenas allows us to provide our clients with a unique skill set and knowledge base derived from these activities. As a result, we have successfully provided strategic services to our clients gleaned from over eight decades of continuous experience in the municipal marketplace. Provided below are ranking for 2013.

NATIONAL CLOUT

2013 National Rankings Financial Advisor - Full to Each Manager Long-Term Municipal New Issues			
Rank	Firm	Par Amount (\$ Millions)	# of Issues
1	Public Financial Management Inc	55,288.9	768
2	FirstSouthwest	24,058.9	654
3	Ehlers & Associates	1,394.9	324
4	Southwest Securities	2,953.5	215
5	Piper Jaffray & Co	7,257.0	207
6	Springsted Incorporated	1,654.6	205
7	Fiscal Advisors & Marketing Inc	944.6	177
8	RBC Capital Markets	4,724.1	168
9	Stephen H McDonald & Associates I	461.1	160
10	Acacia Financial Group Inc	13,690.7	147

2013 National Rankings Underwriter - Full Credit to Lead Manager Long-Term Municipal New Issues			
Rank	Firm	Par Amount (\$ Millions)	# of Issues
1	Robert W Baird & Co Inc	8,266.6	800
2	Piper Jaffray & Co	10,998.3	626
3	RBC Capital Markets	17,416.3	571
4	Stifel Nicolaus & Co Inc	8351.8	542
5	Raymond James	10,304.6	496
6	Bank of America Merrill Lynch	44,600.4	386
7	BOSC Inc	2764.4	380
8	Roosevelt & Cross Inc	1,893.9	369
9	Citi	36168.5	362
10	D A Davidson & Co	2,004.9	361



LOCAL EXPERTISE

According to Piper Jaffray files, presented below are the number of transactions and par amount, as well as percentages, of competitively-sold securities in Iowa over the 2011- Jan of 2014 calendar years (negotiated sales and private placements are not included).

Financial Advisor - Competitive Sales January 2011 - January 2014 Long-Term Municipal New Issues					
Rank	Firm	Par Amount	# of Issues	% of Par Value	% of # Issues
1	Piper Jaffray	1,717,999,000	178	36.19%	26.06%
2	PFM	1,535,875,000	148	8.20%	21.67%
3	Speer	885,145,000	114	18.64%	16.69%
4	Springstead	105,160,000	47	2.22%	6.88%
5	DA Davidson	36,170,000	37	0.76%	5.42%
6	IPA	77,705,000	11	1.64%	1.61%
7	Northland	4,747,464,000	683		

* Sources are Thompson Reuters and Bloomberg

SECTION IV: SCOPE OF SERVICE TO BE PROVIDED

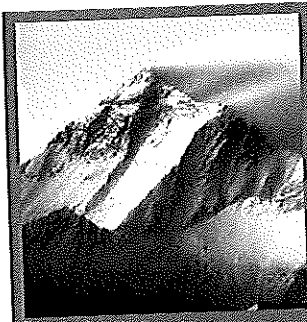


In our experience, financings first begin with the identification of a particular need, often capital improvement in nature. With the identification of the need comes a discussion about potential options to address the need, and ultimately, the legal authority to pay for such options. It is at this point that the concept of financing begins, with the requisite debt schedules starting to be prepared. There are annual resources that are or may be available, often time resources that have some existing obligations assigned for a period of time, but for which balances may exist from time to time. Simply "running a bond schedule" using typical or customary approach is inconsistent with long-range planning. In a true long-range plan, cash assets available from time to time are identified and, if earmarked (legally or otherwise), available resources are identified as to the fiscal year available. If the leveraging of those assets is to be contemplated (borrowing money), that leveraging is also identified year by year. In our experience, often the time at which leveraging becomes available determines when a project is to be contemplated.

To that end, we maintain an excel model that identifies all of the debts of the issuer (in this case, the City), the source of repayment of those debts (by fiscal year and bond series), the cash receipts that are available from time to time to support those debts (for example, annual installments of gaming rent), and the surplus balances that may exist from time to time. This single file would encompass all of the City's various funding options available, including debt service tax levies, TIF, utility revenues, local option sales tax revenues, etc. Our approach with an issuer, such as the City, is to share this file back and forth with finance staff such that our workings are collaborative. We try to generate the schedules both for fiscal year planning, but also such that the City can easily prepare the necessary annual budget forms.

Once a funding source is identified and a bond schedule agreed upon, we then move to circulating proposed bond terms. We have developed an initial bond memo that we use with bond counsel and Issuers, with input from bond attorneys practicing in Iowa, to ensure that we circulate one simple, easy to read document that included all of the information that a person (whether elected official, staff or outside professional) would need to know to complete their work on the transaction.

We have significant experience working on multi-year water and wastewater capital improvement programs. We have developed a form of cash flow modeling for future revenue and expense, as well as debt and capital set-asides, which projects out into the future the actual increases in revenue necessary to support the ongoing commitment on the part of a city. Other client communities have relied on us to be a part of their presentations to city council regarding future rate increases necessary, the timing and sizing of those increases. In most instances, we will advocate for earlier rate increases than is typical in order to spread the burden out over multiple years and attempt to avoid shocking rate increases. We believe that the DNR and SRF are familiar and comfortable with our approach and documentation surrounding long-term



funding of operations and capital improvements. *We note that the DNR has a mandate, on the drinking water side of the SRF program, to establish the sufficiency of the operation, and this almost always requires both a long-range finance plan and a long-range operating plan. The SRF has previously accepted information provided by us as evidence of the finance plan.*

With our input, our clients have utilized multiple different types of security for SRF financings, in addition to the usual and customary revenue bonds, we have also used LOST and TIF bonds as funding sources in other communities. Each has its own unique set of requirements, statutorily and otherwise, as our familiarity with multiple different funding options should be of value to the City as it plans for the future.

Specific to your particular circumstance, we have worked extensively with our clients and the SRF program when there have been both SRF financings and conventional bond issues in order to structure the debt to achieve the most cost effective debt structure available given the parameters and guidelines of the SRF program.

To elaborate on our financial modeling capabilities, we would anticipate the ability to work directly with the City staff and your engineer to develop a financial model that is custom tailored to your unique situation. We recognize that financial planning should not be looked at as a one-size fits all approach. Once the financial model is built, we plan to build flexibility to allow for contingency planning of best and worst case scenarios as desired by City staff, legal counsel, engineering, and City Council. With the creation of a new public water system there are bound to be unanticipated changes to the financial model that the City will desire to understand the long-term impact of these changes. We have included a sample of one of our custom-developed planning tools as Appendix A.

Since our staff focuses solely on the State of Iowa, and we have a significant presence in all corners of the state, we are frequently in Eastern Iowa for one meeting or another and would anticipate regular in-person dialogue with the City.



SECTION V. ESTIMATED TIMELINE

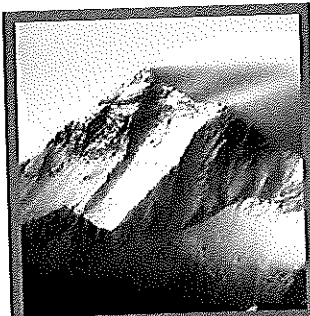
We understand the timeline outlined below to be the desired timeline of the City from comments in the request for proposal:

<u>Date</u>	<u>Action</u>	<u>Party Responsible</u>
February 24, 2014	Selection of Financial Advisor	Council
February 27, 2014	Open Bids for Construction	Council
March 3, 2014	Award Construction Contract	Council
April 2014	Close SRF Program financing	Council
May 2014	Begin Drawing Down SRF Funds	Council

To attempt to meet the desired timeline of the City, additional actions steps (highlighted below) would be required by various parties involved in the financing, including the engineer, Bond Counsel, and Financial Advisor:

<u>Date</u>	<u>Action</u>	<u>Party Responsible</u>
February 24, 2014	Selection of Financial Advisor ("FA")	Council
February 25, 2014	Engineering Report / Study provided to FA	Engineer
February 25, 2014	FA begins work reviewing the Cash Flow	FA
February 27, 2014	Open Bids for Construction	Council
March 3, 2014	Award Construction Contract	Council
March 3, 2014	Approve FA Agreement	Council
March 4, 2014	Planning Review Meeting	Various Parties
March 10, 2014	1st Draft of Cash Flow Analysis Completed	FA
March 14, 2014	Review of Cash Flow Analysis	Various Parties
March 17, 2014	2nd Draft of Cash Flow Analysis Completed	FA
March 24, 2014	Final determination of Financing Plan	Various Parties
April 2014	Close SRF Program financing	Council
May 2014	Begin Drawing Down SRF Funds	Council

Obviously, there are items outside of the scope of control that all parties involved with the project may not be able to control. While the goal of delivery the cash flow analysis by mid to late March appears to be feasible, it is equally important for the staff and Council of the City to have a thorough understanding of all options available to ensure that the most cost effective method of financing is achieved.



SECTION VI. REFERENCES

Presented below are contacts:

Jim Ferneau, City Manager

City of Burlington
400 Washington Street
Burlington, IA 50261
319/753-8124
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Jim Choate, Chief Financial Officer

Kirkwood Community College
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Cedar Rapids, IA 52404
319/398-7612
Jim.choate@kirkwood.edu



SECTION VII: FEES AND COMPENSATION

We have fee relationships that are “fixed,” “hourly” and “contingent fee” in nature. The vast majority of our clients prefer a contingent fee structure, as such; we will propose a contingent fee structure to our agreement for the Bond issue, with a fixed component to protect both us and the City in the event that transaction sizes increase dramatically. We are willing to consider any alternate structure that the City so desires.

Each method of fees has an inherent conflict of interest. In an hourly fee structure, the party has no interest in keeping the hours spent to a minimum, and as such, an unethical provider might create work for themselves to have to deal with from time to time as a means of increasing overall billings. In a contingent fee structure, the incentive is on the provider to see that the transaction is completed, since their payment is entirely a function of completed transactions. In this case, an unethical provider might suggest approaches that produce transactions solely as a means of increasing overall billings. In a fixed fee arrangement, both parties make assumptions as to the work to be done and the amount of time required and liability created by the work effort. In a fixed fee arrangement, there is no reward to the Issuer (the City, in this case) for an efficient transaction requiring less time than previously contemplated.

PROPOSED ENGAGEMENT

Piper Jaffray is interested in working on the combined arrangement of the initial cash flow analysis and the anticipated General Obligation Bond issue. We have built our fee structure assuming retainage for both pieces of work.

INITIAL CASH FLOW ANALYSIS

We are proposed an hourly fee structure with a maximum annual fee
 Hourly Fees: \$250 / hour (maximum Annual Fee of \$2,500)

ANTICIPATED \$500,000 GENERAL OBLIGATION BOND ISSUE

Fee as a % of Bonds Issues:	1% of Par Amount of Bonds
Minimum Fee:	\$5,000 per issue
Maximum Fee:	\$8,500 per issue
Reimbursement/other fees	City will reimburse for the cost of printing, mailing and obtaining an electronic link for the official statements, at \$2,000 per issue, if applicable. City is additionally responsible for (all, if any) the costs of bond counsel, local legal counsel, disclosure counsel costs, all rating fees, CUSIP fees, bond underwriting costs, paying agent and registration fees, CPA verification fees in an advance refunding, escrow agent fees, any other printing or mailing costs and publication expenses, all typical and standard “Costs of Issuance” for a bond transaction.



APPENDIX A: SAMPLE FINANCIAL PROFORMA

Includes are a sample of pages from a financing model built for the City of Asbury to account for existing obligations and the future obligations.

Includes pages: Water Revenue Obligations (including future projects), Water Utility Analysis.

We also did work for another one of Fox Engineering's clients (City of Grimes) earlier this calendar year in ensuring compliance with the SRF's reporting requirements. We can provide this modeling information upon request.

WATER REVENUE OBLIGATIONS (NOT INCLUDING GO BONDS)

Outstanding Principal

Fiscal Year	Outstanding Principal			Future	Total Principal	Total Interest	Total P&I	Water Tower project Uses of Funds	
	1-May-01	1-Aug-10	This Issue 1-Jun-14					new water tower	est. bond costs
2014	60,000	85,000	0		145,000	37,388	182,388	1,710,000	
2015	60,000	90,000	0		150,000	67,298	217,298	171,000	
2016	60,000	95,000	1,000		156,000	61,748	217,748	49,310	
2017		100,000	7,000		107,000	55,840	162,840		
2018		100,000	10,000		110,000	53,200	163,200		
2019		105,000	8,000		113,000	50,250	163,250		
2020		110,000	6,000		116,000	46,940	162,940		
2021		115,000	5,000		120,000	43,245	163,245		
2022		120,000	4,000		124,000	39,120	163,120		
2023			129,000		129,000	34,540	163,540		
2024			131,000		131,000	31,960	162,960		
2025			134,000		134,000	29,340	163,340		
2026			137,000		137,000	26,660	163,660		
2027			139,000		139,000	23,920	162,920		
2028			142,000		142,000	21,140	163,140		
2029			145,000		145,000	18,300	163,300		
2030			148,000		148,000	15,400	163,400		
2031			151,000		151,000	12,440	163,440		
2032			154,000		154,000	9,420	163,420		
2033			157,000		157,000	6,340	163,340		
2034			160,000		160,000	3,200	163,200		
2035			163,000		163,000	0	163,000		
2036					0	0	0		
Totals:	180,000	920,000	1,931,000	0	3,031,000	687,688	3,718,688		

Total Uses of Funds:	1,930,310
Bond Issue	1,931,000
Surplus of Bonds over uses:	690

Water Utility Analysis

	Assumed Rate Increase:		7.00%		4.00%		2.00%		2.00%		2.00%		2.00%		2.00%	
	Assumed Cost Inflation:		7.00%		4.00%		2.00%		2.00%		2.00%		2.00%		2.00%	
	Audited	Audited	2010	2011	2012	2013	Audit	2014	2015	2016	2017	2018	2019	2020	2021	Proforma
OPERATING RECEIPTS	642,248	676,232	790,507	845,843	862,760	880,015	897,615	915,568	933,879	952,557	16,088	16,088	16,088	16,088	16,088	16,088
Charges for Services	19,597	27,412	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Use of Money and property																
Miscellaneous																
Interest Income	661,845	703,644	806,595	861,931	878,848	896,103	913,703	931,656	949,967	968,645						
TOTAL OPERATING RECEIPTS																
OPERATING DISBURSEMENTS	68,276	72,865	96,008	99,848	103,842	107,995	112,315	116,808	121,480	126,339						
Salaries and wages:	22,991	25,029	32,043	33,325	34,658	36,045	37,486	38,986	40,545	42,167						
Employee benefits and costs	2,970	1,769	1,693	1,761	1,831	1,905	1,981	2,060	2,142	2,228						
Staff development	63,691	54,743	141,383	147,038	152,920	159,036	165,398	172,014	178,894	186,050						
Repair, maintenance, and utilities	198,550	175,162	105,798	110,030	114,431	119,009	123,769	128,720	133,868	139,223						
Contractual services	32,973	34,668	37,000	37,706	38,824	39,706	40,729	41,865	43,099	44,416						
Commodities	214,476	813,569	78,319	81,452	84,710	88,099	91,622	95,287	99,099	103,063						
Capital Outlay			145,000	150,000	156,000	107,000	110,000	113,000	116,000	120,000						
Principal on Bonds		75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000						
Interest on Bonds		25,781	37,388	67,298	61,748	55,840	53,200	50,250	46,940	43,245						
Purchase of Capital (water looping)			0	0	0	0	0	0	0	0						
Depreciation	603,927	1,278,586	716,632	1,360,912	795,587	763,793	788,191	813,241	838,930	866,275						
TOTAL OPERATING EXPENSES	57,918	-574,942	89,963	-498,981	83,261	132,310	125,512	118,415	111,037	102,370						
CHANGE IN NET ASSETS																
Reconciliation of Net Income to Cash	57,918	-574,942	89,963	-498,981	83,261	132,310	125,512	118,415	111,037	102,370						
Net Income		1,160,000	0	0	0	0	0	0	0	0						
Plus TIF Income			35,360	36,360	42,340	45,200	43,000	40,840	39,720	38,620						
Plus: Revenue Bonds Proceeds			0	0	0	0	0	0	0	0						
Plus: Funds from Bond Esc			0	0	0	0	0	0	0	0						
Plus: TIF Transfers in			-23,270	-23,270	-23,270	-23,270	-23,270	-23,270	-23,270	-23,270						
Plus: Operating Transfers in			0	0	0	0	0	0	0	0						
Less: Operating Transfers out			0	0	0	0	0	0	0	0						
Plus Depreciation	57,918	585,058	102,053	485,891	102,331	154,240	145,242	135,985	127,487	117,720						
Net Free Cash Flow	272,394	339,408	350,670	387,768	385,719	383,249	380,335	376,952	373,076	368,678						
Net Income available for debt service	931,752	989,670	1,889,296	1,991,349	1,505,457	1,607,788	1,762,029	1,907,271	2,043,256	2,170,743						
Beginning Cash Balance	989,670	1,574,728	1,784,221	1,889,296	1,784,221	1,574,728	1,784,221	1,889,296	1,784,221	1,574,728						
Ending Cash Balance			1,92	1.78	1.77	2.35	2.33	2.31	2.29	2.26						
Debt Service Coverage (All Water Debt)			1.92	1.78	1.77	2.35	2.33	2.31	2.29	2.26						
Debt Service Coverage (Revenue Debt Only)			1.92	1.78	1.77	2.35	2.33	2.31	2.29	2.26						



SPEER FINANCIAL, INC.

PUBLIC FINANCE CONSULTANTS SINCE 1954

KEVIN W. McCANNA
PRESIDENT

DAVID E. PHILLIPS
SR. VICE PRESIDENT

LARRY P. BURGER
VICE PRESIDENT

DANIEL D. FORBES
VICE PRESIDENT

BARBARA L. CHEVALIER
VICE PRESIDENT

RAPHALATA E. MCKENZIE
VICE PRESIDENT

MAGGIE J. BURGER
VICE PRESIDENT

February 17, 2014

Mr. Erek Sittig, City Attorney,
Honorable Tim Kemp, Mayor, and
Members of the City Council
City of Hills
201 N 1st Street
Hills, IA 52235-0345

Dear Mr. Sittig, Mayor and Council Members:

Speer Financial, Inc. is pleased to submit a proposal to act as Municipal Advisor for all of your bond financing needs to the City of Hills, Johnson County, Iowa.

Background on Speer Financial

Speer Financial, Inc. is a nationally recognized, employee-owned firm of municipal finance consultants. We are charter members of the National Association of Independent Public Finance Advisors, an industry coalition seeking to develop and promote ethical and professional standards for firms and their employees. We bring our clients years of experience in the financial markets. Since the firm's founding in 1954, Speer Financial has participated in the planning and sale of over \$26.92 Billion in taxable and tax-exempt securities for more than 865 clients. We routinely handle securities such as general obligation bonds, revenue bonds, current and advance refunding bonds, tax increment bonds, special assessment bonds, installment purchase contracts, notes, and special service area bonds.

Financial consulting is our firm's only business. Speer Financial does not underwrite, purchase or sell bonds, nor is the firm affiliated with any bank, underwriter or investing institution. We are able, therefore, to render financial advice to clients without bias or conflict of interest. Our services are offered solely for the benefit of our governmental clients.

Our staff's expertise and availability permits prompt responses to your questions. Speer Financial only accepts assignments within its expertise and available time. Our many long-term relationships demonstrate the level of client satisfaction with our services.

Commitment to Iowa

Speer Financial has served Iowa issuers since 1954, primarily from the Chicago office. In 1993, we opened an office in Waterloo and recruited Larry P. Burger, an experienced Iowa local government leader to join our team of professional independent municipal advisors. These additions ensure prompt, quality service from an Iowa municipal expert, as well as greater accessibility for our Iowa clients. The Chicago office supports our work when needed.

Summary of Services

Speer Financial provides comprehensive service and advice based on the needs of the client in each and every project. Read a detailed description of services in **Appendix A**, "Financial Planning and Municipal Security Sales Services." In summary, clients can expect Speer Financial to:

- Conduct a planning session with the City's Council and staff to structure the details of the City's financial plan.
- Prepare a financial plan and implement it through the proposed sale and issuance of debt.
- Make recommendations on all aspects of the financing and work closely with the City's staff, attorney and bond counsel. **The City makes all final decisions.**
- Develop alternative bond maturity schedules and estimated tax rates (when appropriate) or user fees to accommodate water, sewer and electric systems financing or SRF Loans for your review.
- Consult with you and recommend maturity schedules and other terms for the proposed debt issuance to meet your needs and match market requirements.

See **Appendix B** for an example of a spreadsheet that identifies the annual income and expenses from the City's water system and dollar increases needed to accommodate future projects.

The Speer Financial team also researches financial and economic data relating to the City and compiles an Official Statement for each debt issuance. Our firm determines the appropriateness of insurance and rating the bond, and makes recommendations and applications if necessary. We recommend the most appropriate scope and method of sale. When a competitive sale is appropriate, we distribute the Official Statement to underwriters and investors and work to develop bidding groups. Speer Financial attends all competitive bond sales, checks the bids and recommends which bid to accept. When a negotiated placement is most advantageous, we work with you to select an underwriter. Speer Financial negotiates the interest rates, spread, terms and conditions of the issue with the selected underwriter on your behalf.

Speer Financial will arrange for the preparation and registration of the securities, the delivery of the securities to the purchaser and the simultaneous transfer of security proceeds to the City. Under separate contract, we can assist you in complying with disclosure requirements.

An Experienced Team

To serve your needs in a timely and expert manner, Speer Financial provides a team of finance professionals to share the responsibilities of planning and issuing your securities. Your experienced finance team consists of **Larry Burger, Charlotte Nielsen, Daniel D. Forbes** and **Maggie Burger**, with the latter serving as Project Manager. Because our staff includes individuals with accounting, banking, economics, computer science, legal planning, and public management expertise, Speer Financial's team approach enables specialized and varied perspectives to surface during the planning phase. Speer responds to your needs quickly and without unnecessary delay.

This prompt and uninterrupted service ensures our availability during vacations, illnesses and scheduling conflicts. Please refer to **Appendix C** for team member biographies.

Planning Your Issuance

Some firms are primarily concerned with completing transactions. Speer Financial looks at the big picture and helps with planning as well as transaction details. The actual security sale is important, but it is only successful if it achieves your policy objectives and results in the most favorable cost of capital with the most favorable terms. Speer Financial works with you in the planning phase to identify your primary policy options, analyze each option, and provide financial data on levies, tax rates and related information. The financing plan will cover more than just a single project, should this be appropriate. Please refer to **Appendix D** for examples of our financial planning capabilities. A sample of both \$500,000 and \$1,000,000 debt service schedules retired over 10 years with average annual payments of \$57,513 and \$115,146, respectively, are enclosed. Also enclosed are corresponding samples for Cost of Issuance.

Competitive or Negotiated Sale?

For each securities issue, Speer Financial examines several factors to determine whether a competitive or negotiated sale is more appropriate. Neither method is inherently superior in sale results, but the openness and objectivity of the competitive sale is more attractive to most public bodies. Speer Financial, without bias or conflict of interest, analyzes these factors and recommends which type of sale is best for the client.

For an overview of these factors and the related advantages of each method of sale, see **Appendix E**, "Competitive and Negotiated Security Sales."

In 2013, 135 of Speer's 202 (66.83%) sales were competitively bid. This represents 51.79% of our dollar volume. A recent historical analysis of the most active bidders shows that even the most active bidder wins only 1 of every 3 issues.

Role of a Registered Independent Municipal Advisor

The role of the Municipal Advisor includes making and justifying the selection of a method of sale that is in the best interest of the City. The City should ask each firm proposing to serve as its Municipal Advisor whether that firm benefits financially in the purchase and resale of the securities to be issued. If so, the underwriter/advisor has two clients with contrary interests:

- (1) The issuer, who wants low interest rates; and
- (2) The investors, who want high interest rates.

Impartial advice by a registered independent municipal advisor assures that decisions made are in the City's best interest. Speer Financial provides unbiased information about both methods of sale. Perceived conflicts of interest are sometimes as damaging to the image of public bodies as actual conflicts of interest. Speer Financial has no potential conflict of interest. We do not purchase or trade in municipal securities.

Please refer to the following article from *The Bond Buyer* regarding the SEC's Municipal Advisor Rule:

THE BOND BUYER

Friday, December 13, 2013 | as of 4:21 PM ET



Commentary: MA Rule May Help Rectify Blurred Lines

Tim Firestine
DEC 9, 2013 12:46pm ET

In September the Securities and Exchange Commission finalized the long awaited municipal advisor definition. The Government Finance Officers Association supports regulating those professionals who provide "advice" to state and local governments and believes that the Dodd Frank Act and this rule will help to ensure that those who provide advice have a fiduciary duty to their government clients. The SEC's final Rule aims to set a clear line between advice and the underwriting of bonds. Differentiating these two practices is key to the implementation of the municipal advisor rule and will encourage best practices by issuers and other professionals, resulting in a stronger municipal market.

There is no doubt that for decades, investment bankers acting as underwriters have contributed to essential infrastructure financings. They have brokered hundreds of thousands of deals that provide everything from a new public safety facility in Sedgwick County, Kansas, to a Resource Recovery Facility here in Montgomery County, Maryland. However, it is equally undeniable that the financial interests of investment banks and issuers are not aligned and that issuers need to look out for their own interests, either directly or with the assistance of qualified advisors who have to put the interests of their clients first.

I know that many governments are overwhelmed with a wide variety of financial responsibilities that limit their ability to fully engage in the day to day events of the municipal securities market. This is why GFOA's Best Practices, Selecting Financial Advisors, Selecting Underwriters in a Negotiated Sale, and Selecting and Managing the Method of Sale for State and Local Government Bonds, recommend that governments hire a financial advisor for their transactions, unless they have sufficient in house expertise to understand all facets of the bond transaction.

Unfortunately, for many governments, critical financial advice about bond transactions has come from parties subject to varying and unclear contractual or regulatory duties (or none at all) and not all that advice has been in the best interest of or suitable for those governments.

The final Rule addresses and will help to rectify some of the market practices that however well intentioned, caused a blurring of the lines between underwriting and the fiduciary role of a professional advisor. It continues down an important path set in 2011 when the MSRB changed

rule G-23 to stop the practice of role-switching that allowed a professional to serve as both the FA and underwriter on the same transaction.

The changes to Rule G-23 also set the stage for ensuring that the issuer knows up front whether the professional coming to the office seeks to be hired as an FA or an underwriter. The MSRB continued this theme in Rule G-17 by developing disclosure standards that the underwriter must provide to an issuer about its role in a transaction, its conflicts of interest, and that it does not have a fiduciary duty to the issuer.

The SEC MA Rule further advances the market down this path by defining this line and clarifying the separate roles of a financial advisor and underwriter.

There has been vocal opposition, primarily from the broker/dealer community that this Rule will stifle the ability to have important conversations and a flow of ideas between underwriters and issuers. I believe these concerns are exaggerated, and are unhelpful to having the market move forward with finding appropriate ways to adapt to the new Rule.

Unlike some of the rhetoric I've heard, conversations between underwriters and issuers may still occur after Jan. 13. It is the advice component of these conversations that will have to change, unless an issuer follows the GFOA's Best Practices, and has a financial advisor on a transaction, an RFP out for underwriters, and/or has secured a professional as an underwriter.

While the goal and intent of the Rule are set, there are areas where interpretations from the SEC would be helpful. These include the need to give additional guidance about how the term "RFP" may be interpreted; how underwriters, issuers and other market participants can better understand the difference between advice and general information; how an issuer should disclose that it has a financial advisor; and when an underwriter may qualify as engaged with an issuer to trigger the underwriter exemption of the Rule.

There's no doubt about it — the MA Rule is an important step forward for ensuring that municipal capital markets truly serve the public interest. Many of the discussions currently being held in the market seem to blur the lines of the Rule, and what it does for this sector and issuers. We find the spirit and letter of the rule in line with the GFOA's Best Practices that will help to ensure that our citizens receive the best deal possible for the financing of essential infrastructure that our taxpayers depend on and deserve.

Tim Firestone is chief administrative officer of Montgomery County, Md., and president of the Government Finance Officers Association.

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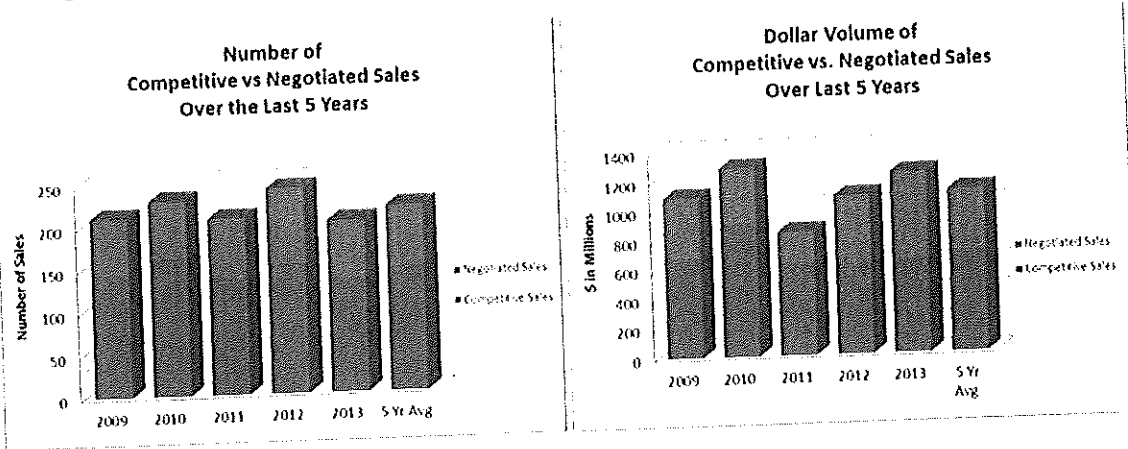
In 2013, 67 of Speer Financial's 202 sales were negotiated or privately placed with a commercial bank or an investment bank. In all cases we acted as Municipal Advisor. This represents 33.17% of our sales and 48.21% of our dollar volume in calendar year 2013.

In a negotiated sale, Speer Financial protects the City from being overcharged with unnecessary or hidden fees, interest rates that are not in-line with the market, or unnecessary restrictions in the terms and conditions of the sale. As the expert on behalf of the City, Speer Financial acts as the intermediary to the City with our financing team and we assist the City in making the best financial decisions in a timely manner.

The Municipal Advisor develops the plan and subsequent specifications. Should the City then seek to negotiate the sale with a specific underwriter, the Municipal Advisor orchestrates the sale with the selected underwriter and protects the interests of the City.

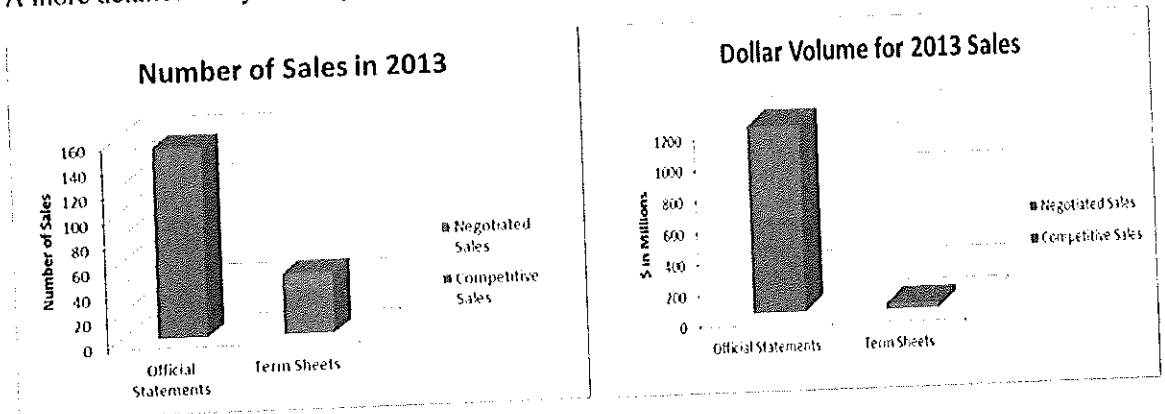
Speer Financial's Recent Bond Sale Experience

In the last five calendar years, Speer Financial competitively sold 67.25% of our security sales, totaling over \$3.476 billion of securities.



In 2013, 135 of Speer's 202 sales were competitively bid. Speer takes each competitive sale to a large and highly competitive market, which allows many bidders and, as a result, achieves favorable interest rates.

A more detailed analysis of Speer Financial's 2013 sales shows:



The par size of a sale leads to a selection of the most appropriate sale document for disclosure, marketability and cost efficiency purposes.

Speer Financial, Inc. - High Number and Par Value of Security Sales

According to recent surveys, Speer Financial has maintained its ranking as one of the top Registered Independent Municipal Advisors in the United States based on the dollar volume of issues and the number of issues brought to market. We assisted in bringing 1,093 issues to market amounting to over \$5.534 billion in municipal securities in the last five complete calendar years. This large number of issues and par value of securities illustrates Speer Financial's high level of expertise and market awareness.

Attached **Appendix F** lists Speer Financial's 2013 Client Sales of Securities as well as the 2010 - 2014 Year-to-date Iowa Client Sales of Securities.

Speer Financial, Inc. serves a broad and diverse client base composed on all types of large to small issuers with all sizes of issues, varied credit strengths and varied lengths to maturity. It is this wide variety of experience that enhances the experience of our team in meeting and exceeding the expectation of our clients on the \$100,000 issue, the \$10,000,000 issue, or the \$100,000,000 issue, as each is critical to the issuer at that time. The broad experience provides Speer Financial, Inc. a unique perspective to bring that experience to our clients advantage.

Marketing Your Securities

Speer Financial develops a debt structure to encourage favorable pricing by bidders. If a competitive sale is selected, Speer Financial will circulate the Preliminary Official Statement as widely as is appropriate. This is coupled with a personal solicitation of bidders to obtain the most bids possible. As an example of a recent competitive sale marketing effort, enclosed, as **Appendix G** is the Preliminary Official Statement and "bids and bidders" results of the recent sale of \$1,730,000 General Obligation Bonds, Series 2013A sold on behalf of the City of Evansdale with 4 bidders.

When you examine the sale results of this similarly sized and secured debt issuance by the City of Evansdale, Black Hawk County, Iowa, you can see the varied opinions of the bidders.

Of the four bidding syndicates we had banks and underwriters from four states. The low bidder was \$37,544 lower in lifetime interest costs than the high bidder.

These results help demonstrate that an independent Municipal Advisor combined with a competitive method of sale is cost effective to the City. In addition, these factors provide a significant reduction of total costs.

On any given day, the order of bidding could be reversed, so that the ability to keep all bidders active up to the day of sale is to the advantage of the City.

Using Technology for Your Benefit

In May 1999, Speer Financial became one of the first Municipal Advisors in the nation to competitively sell larger issues of securities on the Internet. Our website, SpeerAuction.com, was the second private-label website in the United States (and the first in Illinois) to be used to:

- **Electronically notify potential bidders of a future sale;**
 - We electronically notify all potential bidders of an upcoming sale and direct them to the competitive sale calendar where they can access the Preliminary Official Statement, the Notice of Sale, and the Bid Form.
- **Post Preliminary Official Statements (POSs) for easy access;**
 - Speer Financial's web page (SpeerFinancial.com) Debt Auction Center provides a sale calendar listing of all competitive sales being sold with Preliminary Official Statements (POSs). All competitive sales with POSs (not just larger competitive sales) are aggressively marketed utilizing the latest in technology to benefit our clients, and other municipal bond market participants, including rating agencies, insurance companies, banks (bidders), registrar/paying/escrow agents, and bond counsel.
- **Conduct electronic bidding; and**
 - Since May of 1999, Speer Financial, Inc. has been competitively selling larger issues of securities utilizing the Internet. In 2013, 88 of the 98 competitive sales (89.80%), using Official Statements, were sold on SpeerAuction.com totaling \$615,371,900. During the fourteen and one half years of its operation, through calendar year 2013, SpeerAuction.com has facilitated the sale of 855 issues totaling over \$7.2 billion of securities for 232 issuers.
- **Post bid results after the sale.**

We also have a negotiated sale calendar available to assist the underwriters in electronically posting and distributing the Preliminary Official Statement for their sales team and to provide clients easy accessibility to the information contained in such documents.

While the role of technology in the municipal bond market is still evolving, Speer Financial, Inc. is a leader in the application of technology to better serve our clients.

Our online Debt Auction Center, SpeerFinancial.com, provides a sale calendar for all competitive sales being sold with POSs — whether they are large or small — will be aggressively marketed utilizing the latest in technology to benefit our clients.

We utilize the most current and sophisticated software available to analyze refunding opportunities and to structure debt issues to meet very specific planning targets.

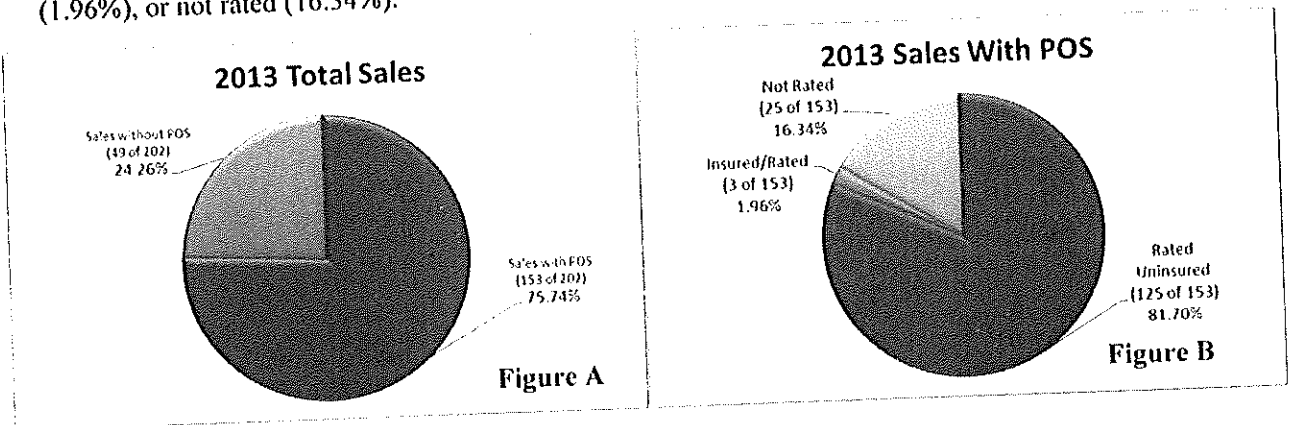
Meeting and Monitoring Your Expectations

Speer Financial is quality driven. We request feedback from our clients on each sale of securities to determine where we exceeded, met or did not meet the expectations of our principal client contact. We value your feedback and use it to ensure that our performance meets our high standards and your high expectations.

Credit Rating and/or Insurance

Speer Financial is a specialist in obtaining, upgrading and preserving bond ratings. If appropriate, Speer Financial will arrange for rating agency analysts to visit the City for a tour and an in-person presentation. Speer Financial assists in the preparation and submission of all written presentations for the analyst's review and ultimate decision.

Graphs of 2013 total sales for Speer Financial are shown below. **Figure A** illustrates the percentage of sales sold with a Preliminary Official Statement (POS). Of the 153 sales that sold with a POS, **Figure B** illustrates the breakdown of those sales which were rated (81.70%), rated and insured (1.96%), or not rated (16.34%).



The level of insured bonds is dropping due to a weakened insurance industry with no general market insurers still Aaa/AA+ rated, resulting in less competition. Higher premiums charged by the better rated companies have resulted, narrowing the cost benefit. A credit rating, and/or insurance was utilized on 83.66% (128 of 153) of POS sales in 2012.

Speer Financial will evaluate whether the City will benefit from a credit rating or from insurance. If either or both (rating and/or insurance) actions are appropriate, Speer Financial will recommend to whom application should be made and submit the necessary information to obtain the best investment rating or insurance commitment possible.

Please refer to **Appendix II** for more information on credit ratings and/or insurance along with credit rating criteria.

References, Long-Term Client Relationships

Appendix I provides Iowa references. Speer Financial has established many long-term client relationships that enable the elected officials, the staff and the Municipal Advisor to develop a comfortable working relationship. Also included is a listing of long-term municipal, special district, and school district clients. We encourage you to contact our clients.

Bond Sale Compensation

This proposal is for our professional services only and does not include the expenditure of any funds on behalf of the City. The City is to pay all of its own ordinary expenses in connection with the issue. These include, but may not be limited to:

- Professional services (attorney, bond counsel, architect, engineer, auditor)
- Credit enhancement (rating, insurance, letters of credit)
- Delivery (postage, express mail, fax service)
- Publication/printing fees (official statement, notice of sale, bid forms, report duplication, printing and delivery of the bonds), and
- Transaction costs (CUSIP, registration/paying agent).

Our fee for security sales is payable from sale proceeds. Our fee for each sale is based upon the par amount of securities issued and is calculated as follows:

Municipal Advisory Fee: \$5,200 plus 3/10 of 1% (or \$3 per \$1,000) of Municipal Securities issued in excess of \$1,000,000.

Municipal Advisory Fee: \$5,900 plus 3/10 of 1% (or \$3 per \$1,000) of Revenue or Refunding Municipal Securities issued in excess of \$1,000,000.

Our fee is the same for competitive and negotiated sales. Our recommendation on the method of sale is based on the best interests of the City and is not influenced by our fee. The fee is due upon the sale of the debt instrument and payable upon receipt of proceeds. Should the debt not be sold, there is no obligation to pay our fee.

****Speer Financial, Inc., will offer a discounted fee for both our bond sale services and SRF consulting services and will be willing to discuss with the City regarding your needs.**

****Speer Financial, Inc., will have no problem completing a five (5) year cash flow analysis of your water system by mid-to-late March 2014.**

Continuing Disclosure Compensation

Speer Financial shall be directed by the City of Hills, Johnson County, Iowa (the "City") pursuant to the Continuing Disclosure Certificate in connection with the issue of bonds exceeding \$1,000,000 value, to act as the City's agent in making public annual financial information with respect to such issue. Such annual financial information shall be of the type required in subsection (b)(5)(i)(A) of Rule 15c2-12 of the Securities Exchange Commission and as described in the Official Statement of such issue. The Annual Financial Update shall include audited financial statements and material events notices pertaining to the City that has been relayed to Speer Financial. The Annual Financial Update shall be deemed to have been made public if it is transmitted by Speer Financial to the appropriate disclosure repositories by the customary means, which includes electronic submission to the Municipal Securities Rulemaking Board (MSRB).

The City agrees to provide Speer Financial with all information with respect to the City necessary for the completion of the Annual Financial Update within 15 business days prior to the annual date of disclosure set forth in the Continuing Disclosure Certificate. Speer Financial is directed to act as the City's agent in making public the Annual Financial Update prior to such annual date of disclosure.

Speer Financial, Inc., agrees to hold the City harmless and indemnify the City and its employees, officers, directors, and agents from and against any and all claims, damages, losses, liabilities, reasonable costs and expenses whatsoever (including attorneys' fees and expenses) which the City may incur by reason of or in connection with the City's disclosure of information in accordance with this Agreement, except to the extent such claims, damages, losses, liabilities, costs and expenses result directly from the City's willful misconduct or gross negligence in the disclosure of such information. This hold harmless provision and indemnification shall survive the termination of this Agreement or the withdrawal of direction contained herein.

The City agrees to pay all of Speer Financial's out-of-pocket expenses and compensate Speer Financial for the services provided in connection with the preparation and transmission of the Annual Financial Update on an hourly basis. The following rates are as follows, but are subject to change over time:

Analyst	\$95.00/Hour
Support professionals	\$50.00/Hour
Filing Fee	\$100.00

The ceiling for the out-of-pocket expenses, excluding any additional filing fees if instituted, for the hourly billings shall be set at \$1,000.00
Speer Financial's employment under this Agreement is to continue from the date of acceptance and thereafter until canceled by either party upon 30 days written notice. In any event, this Agreement shall terminate upon the defeasance, prior redemption or payment in full of all securities that require Continuing Disclosure.

* Mayor Initials required to accept Continuing Disclosure services:

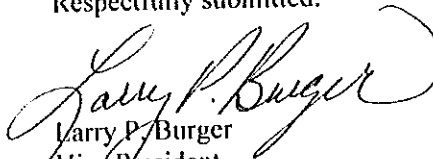
(Mayor)

Authorization

This proposal, upon acceptance, constitutes an agreement between the City of Hills, Johnson County, Iowa, and Speer Financial, Inc. for financial consulting services.

We look forward to working with the City and are ready to proceed upon your notification of our employment. Should you need additional information, please call (319) 291-2077.

Respectfully submitted:


Larry P. Burger
Vice President

LB/af

This proposal is accepted on behalf of the City of Hills, Johnson County, Iowa, this ____ day of _____, 2014. By this action, a contract is established between the City of Hills, Johnson County, Iowa, and Speer Financial, Inc. This contract will extend until canceled by either party upon 90 days written notice.

ATTEST:

CITY OF HILLS
JOHNSON COUNTY, IOWA

City Clerk

Mayor

MEMO

To: City Council, City of Hills

From: Erek Sittig, City Attorney

Re: Financial Advisor Proposals

As the City Council requested, I sent letters to three potential financial advisors requesting proposals for work related to the SRF and other funding the City is considering for the water project. I received and reviewed proposals from all three: Northland Securities, Speer Financial, and Piper Jaffray. Having reviewed the proposals, I wanted to summarize my thoughts for the Council.

First, though I'm not sure cost should be the only consideration, it appears to me that the costs proposed by Piper Jaffray are substantially higher than those proposed by Northland Securities and Speer Financial. Because of this, I'll focus on those two proposals.

I should start by noting that Speer Financial and Northland Securities are fairly different organizations. Speer Financial has offices in Iowa and Illinois and the only thing they do is advise public agencies. Northland Securities advises public agencies, but is also a broker/dealer of securities, and could actually purchase the bonds from the City, rather than just find buyers for them.

The first question is the cost for the five-year cash flow analysis of the water system that will be required for the SRF financing. Northland Securities provided a quote of \$950 for that work. Speer Financial does not include a separate quote for the analysis, but it is covered under the cost of other financing proposed.

Northland Securities provided three different options for working with the City to issue bonds outside of the SRF program: as only a financial advisor (giving advice regarding how to structure the financing and about selling the bonds publicly), as a placement agent (negotiating the sale of bonds to one buyer, such as Hills Bank), and as an underwriter (negotiating the purchase of the bonds from the City and selling them to others). Speer Financial could serve as a financial advisor and as a placement agent, but not as an underwriter, and did not make different proposals depending on which hat they would wear.

Assuming a \$500,000 issue of general obligation bonds, including the cost for the five-year cash flow analysis required by the SRF program, the comparison is as follows:

Financial Advisor (selling on the public market):

Northland Securities

\$5,700 (would be lower for a smaller issue, but \$4,950 minimum)

Speer Financial

\$5,200 (might be discounted if combined with other services)

Placement Agent (negotiating sale with one buyer):

Northland Securities	\$6,450 (would be lower for a smaller issue, but \$3,950 minimum)
Speer Financial	\$5,200 (might be discounted if combined with other services)

Assuming a \$500,000 issue of revenue bonds, including the cost for the five-year cash flow analysis required by the SRF program, the comparison is as follows:

Financial Advisor (selling on the public market):

Northland Securities	\$6,650 (would be lower for a smaller issue, but \$5,750 minimum)
Speer Financial	\$5,900 (might be discounted if combined with other services)

Placement Agent (negotiating sale with one buyer):

Northland Securities	\$7,550 (would be lower for a smaller issue, but \$4,550 minimum)
Speer Financial	\$5,900 (might be discounted if combined with other services)

If the City chooses to mix the character of bonds that are sold outside of the SRF program (some GO, some revenue), it will have to pay for both issues. In addition to the amounts you would pay a financial advisor, you would also pay some regular costs of the debt, which are not covered in the above proposals, but which are included in the Northland Securities proposal to act as an underwriter.

The Bottom Line:

Northland Securities provides more flexibility in how the financing is sold, but is a little more expensive for a \$500,000 bond issue. If the City chooses to issue a lower amount, or to issue a combination of GO and revenue bonds, Northland might well be less expensive. If they act as an underwriter regarding the bond issues, they would prepare the five-year cash flow and advise the City regarding the SRF program, then negotiate with the City regarding the cost of the bonds (to them).

Speer Financial does not provide quite as much flexibility in how the financing is sold, but is a little less expensive for a \$500,000 issue. There is no issue with them having a conflict of interest with the City in the sale of the bonds.

Please note that the proposals for financial advice regarding bond issues are not related to the SRF program. They only relate to bond issues that are not covered by the SRF program, as the State will be the buyer of the SRF debt and the rates are already established.

Date	Item	Person	Details
2/24/14	Recodification	Erek	update
2/24/14	Review of Emergency Plan	Tim	Update from Dave Wilson
2/24/14	Rental Ordinance	Bonnie	Sample ordinances from other cities- put on agenda April
2/24/14	Water Testing From Dec 2012		Continuation