

Fauquier County Government and Public Schools

Contract 53-17smc
Financial Advisory Services

This Agreement is made and entered into this 26th day of June 2017, by Fauquier County and the Fauquier County School Board, political subdivisions of the Commonwealth of Virginia, collectively referred to as "Owner" (such reference is for the matter of convenience only) and **PFM Financial Advisors, LLC**, located at **4350 North Fairfax Drive, Suite 580, Arlington, VA** hereinafter referred to as "Firm".

WITNESSETH that the Firm and the Owner, in consideration of the mutual covenants, promises and agreements herein contained, agree as follows:

SCOPE OF SERVICES: The Firm shall provide financial advisory services to the Owner as set forth in the Contract Documents and, attached hereto.

COMPENSATION: The Owner will pay and the Firm will accept in full consideration for the performance during the contract term the fixed price annual retainer fee, and cost per issuance fees, as set forth in the Firm's Revised Fee Proposal/Best and Final Offer dated May 22, 2017, and attached hereto.

CONTRACT TERM: June 26, 2017 through June 30, 2020 with the option to renew for two (2) additional one year periods by mutual agreement of both parties.

The contract documents shall consist of and are listed in order of priority:

- (1) This signed form;
- (2) RFP 53-17sm, dated March 8, 2017;
- (3) The Firm's June 9, 2017, 3-page Response to Owner's Questions of June 8, 2017; 4-page Best and Final Offer dated May 23, 2017, including a separate page of the attached final fees; Presentation materials dated May 15, 2017; and proposal submission dated April 4, 2017.

IN WITNESS WHEREOF, the parties have caused this Contract to be duly executed intending to be bound thereby.

PFM Financial Advisors, LLC

By: 

Title: Managing Director

Date: June 26, 2017

County of Fauquier and the Fauquier
County School Board, political subdivisions of the
Commonwealth of Virginia

By: 
Susan R. Monaco, CPPO, CPPB

Title: Procurement Manager

Date: June 30, 2017

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RFP 53-17sm, Financial Advisory Services: REVISED FEE PROPOSAL FORMAT
PFM Financial Advisors LLC ("PFM") 5/22/17

Please see PFM's complete proposal dated April 4, 2017 for a full description of our fee proposal. PFM is eager to serve as the County's financial advisor and is open to negotiating a mutually acceptable arrangement for the compensation of services.

Retainer:

The retainer would be an amount paid annually, for periodic advice and/or analyses, including but not limited to identification of potential refunding opportunities, analysis of the municipal bond market and discussions about potential project costs, forecasting contemplated debt issuances for decision-making purposes, RFPs for financing leases and/or other types of financings (direct bank loans, etc.), debt issuance and management policy guidance, and support on bond-rating calls. These activities may, or may not, result in the issuance of debt, and for that reason, should be a separate fixed price proposal.

| | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 |
|-----------------|----------------|----------------|----------------|----------------|----------------|
| Fixed Price | \$25,000 | \$25,000 | FY2019 + CPI-U | FY2020 + CPI-U | FY2021 + CPI-U |
| <i>Example:</i> | <i>\$7,500</i> | <i>\$7,875</i> | <i>\$8,270</i> | <i>\$8,685</i> | <i>\$9,120</i> |

Issuance Costs:

Issuance costs would be costs paid directly to the financial advisory firm specifically related to work in support of an issuance (not including bond counsel or underwriter's fees), but may stem from services included in the retainer, as outline above. The County wishes for this fee to be identified as fixed price ranges, based upon the type of debt issued (recognizing the varying complexities of these various types of issuances) and the size of the issuance. Please complete this table to reflect pricing applicable to FY2018, and also specify the annual percentage increase for these issuance costs, if any.

| | VPSA¹ | VRA | Fin. Leases² | Loan/Other² | GO³ |
|-----------------|-------------------------|----------------------|--------------------------------|-------------------------------|-----------------------|
| \$0 - \$15M | \$15K | \$15K | \$25K - \$30K | \$25K - \$30K | \$60K - \$105K |
| \$15M - \$30M | \$15K | \$15K | \$25K - \$30K | \$25K - \$30K | \$60K - \$105K |
| \$30M - \$45M | \$15K | \$15K | \$25K - \$30K | \$25K - \$30K | \$60K - \$105K |
| \$45M - \$60M | \$15K | \$15K | \$25K - \$30K | \$25K - \$30K | \$60K - \$105K |
| \$60M - \$75M | \$15K | \$15K | \$25K - \$30K | \$25K - \$30K | \$60K - \$105K |
| \$75M+ | \$15K | \$15K | \$25K - \$30K | \$25K - \$30K | \$60K - \$105K |
| <i>Example:</i> | <i>\$15K - \$20K</i> | <i>\$15K - \$20K</i> | <i>\$25K - \$30K</i> | <i>\$25K - \$30K</i> | <i>\$35K - \$40K</i> |

| | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 |
|-----------------|---------------|---------------|----------------|----------------|----------------|
| Escalation | N/A | N/A | FY2019 + CPI-U | FY2020 + CPI-U | FY2020 + CPI-U |
| <i>Example:</i> | <i>N/A</i> | <i>2.0%</i> | <i>2.0%</i> | <i>3.0%</i> | <i>3.0%</i> |

- 1) Assumes an issuance through VPSA's pooled financing program rather than a stand-alone bond sale.
- 2) Base fee would be \$25K. An additional \$5K would be added for any refunding component.
- 3) Base fee would be \$60K. An additional \$15K would be added for any refunding component. An additional \$15K would be added for in-person ratings meeting. An additional \$15K would be added for any variable rate component.

Other Services:

For any services included in your proposal that are not identified above (please specify) that would be charged at an hourly rate, please provide the rates for various staff levels, as appropriate.

| Staff Level | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 |
|----------------------------|---------------|---------------|----------------|----------------|----------------|
| Managing Director | \$325 | \$325 | FY2019 + CPI-U | FY2020 + CPI-U | FY2021 + CPI-U |
| Director | \$290 | \$290 | FY2019 + CPI-U | FY2020 + CPI-U | FY2021 + CPI-U |
| Senior Managing Consultant | \$275 | \$275 | FY2019 + CPI-U | FY2020 + CPI-U | FY2021 + CPI-U |
| Senior Analyst | \$220 | \$220 | FY2019 + CPI-U | FY2020 + CPI-U | FY2021 + CPI-U |
| Analyst | \$200 | \$200 | FY2019 + CPI-U | FY2020 + CPI-U | FY2021 + CPI-U |
| Associate/Intern | \$140 | \$140 | FY2019 + CPI-U | FY2020 + CPI-U | FY2021 + CPI-U |

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The following changes to the original RFP language have been reviewed and accepted by both parties:

3.0. STATEMENT OF NEEDS:

3.4 ~~Prepare~~ **Assist in the preparation of** preliminary official statement, official statement, and notice of sale, and other material information designed to provide analysts, investors and rating agencies with appropriate disclosure for each debt issue in conjunction with the Owner, the Owner's Bond Counsel, and other parties.

37. INDEMNIFICATION:

Contractor shall indemnify, keep and save harmless the Owner, its agents, officials, employees and volunteers against claims of injuries, death, damage to property, patent claims, suits, liabilities, judgments, cost and expenses which may otherwise accrue against the Owner in consequence of the granting of a contract or which may otherwise result therefrom, if it shall be determined that the act was caused through negligent ~~negligence or~~ error, or omission of the Contractor or his or her employees, or that of the subcontractor or his or her employees, if any, and the Contractor shall, at his or her own expense, appear, defend and pay all charges of attorneys and all costs and other expenses arising therefrom or incurred in connection therewith; and if any judgment shall be rendered against the Owner in any such action, the Contractor shall, at his or her own expenses, satisfy and discharge the same. Contractor expressly understands and agrees that any performance bond or insurance protection required by this contract, or otherwise provided by the Contractor, shall in no way limit the responsibility to indemnify, keep and save harmless and defend the Owner as herein provided

Item 3 on Insurance Checklist, Automobile Liability, strikethrough of "Owned": *Acceptable to Fauquier*

Section 19, Terms and Conditions, Conflict of Interest: Replaced or supplemented by the addition of PFM's Disclosure of Conflicts of Interest and Other Information: *Acceptable to Fauquier (3 pages, found on page 4-6 of this contract)*

Additional Language Requested by PFM, page 45 of the attached Exceptions: *acceptable to Fauquier (1 page, found on page 7 of this contract).*

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DISCLOSURE OF CONFLICTS OF INTEREST AND OTHER INFORMATION
PFM Financial Advisors LLC

I. Introduction

Public Financial Management, Inc., PFM Financial Advisors LLC, Western Financial Group, LLC (a wholly-owned subsidiary of PFM Financial Advisors LLC), and PFM Swap Advisors LLC (hereinafter, referred to as "We," "Us," or "Our") are registered municipal advisors with the Securities and Exchange Commission (the "SEC") and the Municipal Securities Rulemaking Board (the "MSRB"), pursuant to the Securities Exchange Act of 1934 Rule 15Ba1-2. In accordance with MSRB rules, this disclosure statement is provided by Us to each client prior to the execution of its advisory agreement with written disclosures of all material conflicts of interests and legal or disciplinary events that are required to be disclosed with respect to providing financial advisory services pursuant to MSRB Rule G-42(b) and (c) (ii). We employ a number of resources to identify and subsequently manage actual or potential conflicts of interest in addition to disclosing actual and potential conflicts of interest provided herein.

How We Identify and Manage Conflicts of Interest

Code of Ethics. The Code requires that all employees conduct all aspects of Our business with the highest standards of integrity, honesty and fair dealing. All employees are required to avoid even the appearance of misconduct or impropriety and avoid actual or apparent conflicts of interest between personal and professional relationships that would or could interfere with an employee's independent exercise of judgment in performing the obligations and responsibilities owed to a municipal advisor and Our clients.

Policies and Procedures. We have adopted policies and procedures that include specific rules and standards for conduct. Some of these policies and procedures provide guidance and reporting requirements about matters that allows Us to monitor behavior that might give rise to a conflict of interest. These include policies concerning the making of gifts and charitable contributions, entertaining clients, and engaging in outside activities, all of which may involve relationships with clients and others that are important to Our analysis of potential conflicts of interest.

Supervisory Structure. We have both a compliance and supervisory structure in place that enables Us to identify and monitor employees' activities, both on a transaction and Firm-wide basis, to ensure compliance with appropriate standards. Prior to undertaking any engagement with a new client or an additional engagement with an existing client, appropriate municipal advisory personnel will review the possible intersection of the client's interests, the proposed engagement, Our engagement personnel, experience and existing obligations to other clients and related parties. This review, together with employing the resources described above, allows Us to evaluate any situations that may be an actual or potential conflict of interest.

Disclosures. We will disclose to clients those situations that We believe would create a material conflict of interest, such as: 1) any advice, service or product that any affiliate may provide to a client that is directly related to the municipal advisory work We perform for such client; 2) any payment made to obtain or retain a municipal advisory engagement with a client; 3) any fee-splitting arrangement with any provider of an investment or services to a client; 4) any conflict that may arise from the type of compensation arrangement We may have with a client; and 5) any other actual or potential situation that We are or become aware of that might constitute a material conflict of interest that could reasonably expect to impair Our ability to provide advice to or on behalf of clients consistent with regulatory requirements. If We identify such situations or circumstances, We will prepare meaningful disclosure that will describe the implications of the situation and how We intend to manage the situation. We will also disclose any legal or disciplinary events that are material to a client's evaluation or the integrity of Our management or advisory personnel. We will provide this disclosure (or a means to access this information) in writing prior to starting Our proposed engagement, and will provide such additional information or clarification as the client may request. We will also advise Our clients in writing of any subsequent material conflict of interest that may arise, as well as the related implications, Our plan to manage that situation, and any additional information such client may require.

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II. General Conflict of Interest Disclosures

Disclosure of Conflicts Concerning the Firm's Affiliates

Our affiliates offer a wide variety of financial services, and Our clients may be interested in pursuing services separately provided by an affiliate. The affiliate's business with the client could create an incentive for Us to recommend a course of action designed to increase the level of the client's business activities with the affiliate or to recommend against a course of action that would reduce the client's business activities with the affiliate. In either instance, We may be perceived as recommending services for a client that are not in the best interests of Our clients, but rather are in Our interests or the interests of Our affiliates. Accordingly, We mitigate any perceived conflict of interest that may arise in this situation by disclosing it to the client, and by requiring that there be a review of the municipal securities transaction or municipal financial product to ensure that it is suitable for the client in light of various factors, after reasonable inquiry, including the client's needs, objectives and financial circumstances. Further, We receive no compensation from Our affiliates with respect to a client introduction or referral. If a client chooses to work with an affiliate, We require that the client consult and enter into a separate agreement for services, so that the client can make an independent, informed, evaluation of the services offered.

Disclosure of Conflicts Related to the Firm's Compensation

From time to time, We may be compensated by a municipal advisory fee that is or will be set forth in an agreement with the client to be, or that has been, negotiated and entered into in connection with a municipal advisory service. Payment of such fee may be contingent on the closing of the transaction and the amount of the fee may be based, in whole or in part, on a percentage of the principal or par amount of municipal securities or municipal financial product. While this form of compensation is customary in the municipal securities market, it may be deemed to present a conflict of interest since We may appear to have an incentive to recommend to the client a transaction that is larger in size than is necessary. Further, We may also receive compensation in the form of a fixed fee arrangement. While this form of compensation is customary, it may also present a potential conflict of interest, if the transaction requires more work than contemplated and We are perceived as recommending a less time consuming alternative contrary to the client's best interest so as not to sustain a loss. Finally, We may contract with clients on an hourly fee bases. If We do not agree on a maximum amount of hours at the outset of the engagement, this arrangement may pose a conflict of interest as We would not have a financial incentive to recommend an alternative that would result in fewer hours. We manage and mitigate all of these types of conflicts by disclosing the fee structure to the client, and by requiring that there be a review of the municipal securities transaction or municipal financial product to ensure that it is suitable for the client in light of various factors, after reasonable inquiry, including the client's needs, objectives and financial circumstances.

Disclosure Concerning Provision of Services to State and Local Government, and Non-Profit Clients

We regularly provide financial advisory services to state and local governments, their agencies, and instrumentalities, and non-profit clients. While Our clients have expressed that this experience in providing services to a wide variety of clients generally provides great benefit for all of Our clients, there may be or may have been clients with interests that are different from (and adverse to) other clients. If for some reason any client sees Our engagement with any other particular client as a conflict, We will mitigate this conflict by engaging in a broad range of conduct, if and as applicable. Such conduct may include one or any combination of the following: 1) disclosing the conflict to the client; 2) requiring that there be a review of the municipal securities transaction or municipal financial product to ensure that it is suitable for the client in light of various factors, including the client's needs, objectives and financial circumstances; 3) implementing procedures that establishes an "Informational Bubble" that creates physical, technological and procedural barriers and/or separations to ensure that non-public information is isolated to particular area such that certain governmental transaction team members and supporting functions operate separately during the course of work performed; and 4) in the rare event that a conflict cannot be resolved, We will withdraw from the engagement.

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Disclosure Related to Legal and Disciplinary Events

As registered municipal advisors with the Securities and Exchange Commission (the "SEC") and the Municipal Securities Rulemaking Board (the "MSRB"), pursuant to the Securities Exchange Act of 1934 Rule 15Ba1-2, Our legal, disciplinary and judicial events are required to be disclosed on Our forms MA and MA-I filed with the SEC, in 'Item 9 Disclosure Information' of form MA, 'Item 6 Disclosure Information' of form MA-I, and if applicable, the corresponding disclosure reporting page(s) ("DRP"). To review the foregoing disclosure items and material change(s) or amendment(s), if any, clients may electronically access PFMFA filed forms MA and MA-I on the SEC's Electronic Data Gathering, Analysis, and Retrieval system, listed by date of filing starting with the most recently filed, at:

PFM Financial Advisors LLC –

<http://www.sec.gov/cgi-bin/browse-edgar?company=PFM+Financial&owner=exclude&action=getcompany>

III. Specific Conflicts of Interest Disclosures – FAUQUIER COUNTY, VIRGINIA

To Our knowledge, following reasonable inquiry, we are not aware of any other actual or potential conflict of interest that could reasonably be anticipated to impair Our ability to provide advice to or on behalf of the client in accordance with applicable standards of conduct of MSRB Rule G-42.

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If PFMFA is awarded the engagement, we respectfully request the inclusion of certain provisions in the resulting contract that are regulatory requirements driven by our status as a municipal advisor registered with the Securities and Exchange Commission ("SEC") and with the Municipal Securities Rulemaking Board ("MSRB") (e.g., municipal advisor description; the scope of MA services, form and basis of compensation, termination or withdrawal of the client relationship, conflicts of interest disclosure, and our disclosure of any legal and disciplinary events). Specifically, any contract must contain the scope of services, compensation, term/termination and the provisions below.

1. PFMFA is a registered municipal advisor with the Securities and Exchange Commission (the "SEC") and the Municipal Securities Rulemaking Board (the "MSRB"), pursuant to the Securities Exchange Act of 1934 Rule 15Ba1-2. If Client has designated PFMFA as its independent registered municipal advisor ("IRMA") for purposes of SEC Rule 15Ba1-1(d)(3)(vi) (the "IRMA exemption"), then services provided pursuant to such designation shall be the services described in Exhibit A hereto, subject to any limitations described thereon. PFMFA shall not be responsible for, or have any liability in connection with, verifying that PFMFA is independent from any other party seeking to rely on the IRMA exemption (as such independent status is required pursuant to the IRMA exemption, as interpreted from time to time by the SEC). Client acknowledges and agrees that any reference to PFMFA, its personnel and its role as IRMA, including in the written representation of Client required under SEC Rule 15Ba1-1(d)(3)(vi)(B) shall be subject to prior approval by PFMFA. Client further agrees not to represent that PFMFA is Client's IRMA with respect to any aspect of a municipal securities issuance or municipal financial product, outside of the scope of services without PFMFA's prior written consent.
2. MSRB Rule G-42 requires that municipal advisors make written disclosures to its Clients of all material conflicts of interest and certain legal or disciplinary events. Such disclosures are provided in PFMFA's Disclosure Statement delivered to Client together with this Agreement.

PFM proposes the revised language as shown below. PFM has no intent to circumvent the County's procurement efforts; however, the County request to use services that are provided by an affiliate of PFMFA. For example, in connection with the sale of refunding bonds, the County may ask PFM to structure the escrow and purchase securities to fund the escrow on the County's behalf. To comply with various Securities and Exchange Commission regulations, such services are provided by an affiliate of PFMFA and as a separate legal entity, requires a separate engagement letter.

"Upon request of Client and direction from the Client that such services meet the County's procurement guidelines, other services may be provided by PFMFA or an affiliate of PFMFA, provided, however, if services are provided by an affiliate, those services shall be provided under separate agreement between the Client and such affiliate."