



**MUNICIPAL FINANCE**

June 23, 2016

Ms. Lorelei Case  
Asst. Superintendent for Business  
Port Jervis City School District  
9 Thompson Street  
Port Jervis, NY 12771

Dear Lorrie:

We are pleased to submit the following letter for financial consulting services in connection with the School District's \$7,000,000 Capital Project and other financial matters.

The scope of our letter is divided into five parts:

**A TEMPORARY FINANCING**

**PART 1 -** Initial Borrowing and/or Renewal of Bond Anticipation Notes with an Official Statement.

**B PERMANENT FINANCING**

**PART 2 -** Sale of Registered Public Market Serial Bonds with an Official Statement.

**PART 3 -** Refunding Bonds with an Official Statement.

**C OTHER**

**PART 4 -** Continuing Annual Secondary Market Disclosure over the Life of a Bond Issue to Comply with CFR Title 17, Securities Exchange Act of 1934, as amended, Section 240.15c2-12.

**PART 5 -** Financial Management Services.

**BERNARD P. DONEGAN, INC.**

PO BOX 70 • VICTOR, NEW YORK 14564  
585 • 924-2145 • FAX 585 • 924-4636

E-MAIL: [team@bpdinc.net](mailto:team@bpdinc.net)

**A TEMPORARY FINANCING**

**PART 1 - INITIAL BORROWING AND/OR RENEWAL OF BOND ANTICIPATION NOTES WITH AN OFFICIAL STATEMENT**

The following items will be completed under this portion of the contract:

- (1.1) Complete a sequential **deadline calendar** for all items to be accomplished in connection with the creation of the Official Statement and Notice of Sale, the Bond Anticipation Note sale, and subsequent closing.
- (1.2) Collect the information necessary and create the **Official Statement** used to advertise the issue in compliance with Part 27 of Title 2 of the Official Compilation of Codes, Rules and Regulations of the State of New York, and in compliance with Section 60.00 of the Local Finance Law for the public sale of obligations in excess of \$500,000; and additionally, in compliance with the Security and Exchange Commission's Rule 240.15c2-12, requiring the Official Statement for public reoffering of issues of \$1,000,000 and more.
- (1.3) Prepare and file the **"Certificate of Filing of Official Statement"** pursuant to Title 2 of the Official Compilation of Codes, Rules and Regulations of the State of New York, Section 27.4(a).
- (1.4) Create the **Notice of Sale** required by the Official Compilation of Codes, Rules and Regulations of the State of New York, Section 26, and Section 60.00(e) of the Local Finance Law and coordinate the approval of Bond Counsel and subsequent distribution to potential purchasers of the Bond Anticipation Notes along with the Official Statement.
- (1.5) Arrange for **time and location of sale**.
- (1.6) Coordinate and provide **written follow-up** among School District Officials and Bond Counsel.
- (1.7) **Conduct the sale** and make a recommendation on the award of the bid.
- (1.8) Arrange for Standard & Poor's **"CUSIP"** (Committee on Uniform Security Identification Procedures of the American Bankers Association) **numbers** to be assigned to the issue and subsequently printed on the notes, if applicable.

- (1.9) Coordinate and provide **written follow-up** of the note details and **closing arrangements** with the purchaser of the Bond Anticipation Notes, Bond Counsel and/or the School Attorney, and School District Officials.
- (1.10) If appropriate, **coordinate the payoff of any maturing Notes** with the renewal proceeds among all concerned parties.

The charge for each Bond Anticipation Note borrowing or renewal thereof will be \$5,465 plus out-of-pocket expenses. If an Official Statement is not utilized for a Note issue under \$1,000,000, then the charge would be \$2,733 plus out-of-pocket expenses. The rate will be adjusted each July 1 by the change in the Consumer Price Index, All Urban Consumers - Northeast Urban Rate, for the time period July 1 through June 30.

**B PERMANENT FINANCING**

**PART 2 - SALE OF REGISTERED PUBLIC MARKET SERIAL BONDS WITH AN OFFICIAL STATEMENT**

The following items will be completed under this portion of the contract:

- (2.1) Coordinate the **approval of the maturity schedule** and Bond Counsel's drafting of the certification setting the terms and conditions of the registered serial bond sale.
- (2.2) Complete a sequential **deadline calendar** for all items to be accomplished in connection with the creation of the Official Statement, the Bond sale and subsequent closing.
- (2.3) Collect the information necessary and create the **Official Statement** used to advertise the issue in compliance with Part 27 of Title 2 of the Official Compilation of Codes, Rules and Regulations of the State of New York, and in compliance with Section 60.00 of the Local Finance Law for the public sale of obligations in excess of \$500,000; and additionally, in compliance with the Security and Exchange Commission's Rule 240.15c2-12, requiring the Official Statement for the public reoffering of issues of \$1,000,000 and more.
- (2.4) Coordinate and provide **written follow-up** to School District Officials and Bond Counsel.

- (2.5) Compile the information required to make application on behalf of the District for a **Standard & Poor's or a Moody's Credit Rating** in connection with the bond sale.
- (2.6) Apply for "Qualification" for **municipal bond insurance**, which would guarantee the repayment of the yearly principal and interest on the Bonds and, subsequently, complete the request for reviews.
- (2.7) Provide **advance notification** of the Bond Sale to banks, brokerage firms and other potential purchasers prior to mailing the Official Statement and Notice of Sale.
- (2.8) Where appropriate, using Certificated Bonds, coordinate the appointment of a "**Fiscal Agent**" bank to act as the required registrar for subsequent payment of principal and interest to registered bond holders. Coordinate the completion and review of the "Fiscal Agent Agreement" among the District Officials, Bond Counsel and selected bank.
- (2.9) Where appropriate, using **Book-Entry Only Bonds**, coordinate all necessary arrangements with The Depository Trust Company in preparation for the closing.
- (2.10) Coordinate the **printing and mailing of the Official Statement** and the Notice of Sale.
- (2.11) Prepare and file the "**Affidavit of Mailing of Official Statement**" pursuant to Title 2 of the Official Compilation of Codes, Rules and Regulations of the State of New York, Section 25.3(b).
- (2.12) Prepare and file the "**Certificate of Filing of Official Statement**" pursuant to Title 2 of the Official Compilation of Codes, Rules and Regulations of the State of New York, Section 27.4(a).
- (2.13) Arrange for legal ad **publication of the Notice of Sale** in compliance with Section 25.2 of Title 2 of the Official Compilation of Codes, Rules and Regulations of the State of New York and in compliance with Section 57.00 of the Local Finance Law.
- (2.14) Complete, have executed by School Officials, and file the "**Debt Statement**" and appended **SA-24 "Building Aid Estimate"** with the Office of the State Comptroller and Bond Counsel in compliance with Section 109.00 of the Local Finance Law.

- (2.15) Arrange for the **location and time of the Bond sale**, and acceptance of the bids.
- (2.16) **Conduct the sale** and make recommendation on award of the Net Interest Cost bid. Coordinate filing copies of the bids with Bond Counsel and the School District Clerk. Coordinate deposit of the proceeds of the "Good Faith" check (2% of issue amount).
- (2.17) Arrange for Standard & Poor's "**CUSIP**" (Committee on Uniform Security Identification Procedures of the American Bankers Association) **numbers** to be assigned to the issue.
- (2.18) Coordinate the **closing arrangements** with the bond purchaser, Bond Counsel and School District Officials. Provide written confirmation of the net amount to be received at the closing including the principal, good faith check, premium and accrued interest as applicable.
- (2.19) If appropriate, **coordinate the payoff of any maturing Notes** with the bond proceeds among all parties concerned.

We will assist the School District in planning its total budget for the project and, in doing so, we will prepare a list of materials, outside services, disbursements and the estimated costs for items such as bond register bookkeeping system, credit rating, printing and mailing of the Official Statement, and publications of the Notice of Sale. The aforementioned materials, outside services and disbursements will be the responsibility of the School District.

The charge for each serial bond issue will be \$10,375 plus out-of-pocket expenses. If an Official Statement is not utilized for a Bond issue under \$1,000,000, then the charge would be \$5,188 plus out-of-pocket expenses. The fee quoted herein will be adjusted by the change in the Consumer Price Index, All Urban Consumers - Northeast Urban Rate, for the time period July 1 through June 30.

**PART 3 - SALE OF REGISTERED PUBLIC MARKET REFUNDING SERIAL BONDS WITH AN OFFICIAL STATEMENT**

The following items will be completed under this portion of the contract:

- (3.1) Advise on the **dollar size** of the registered serial bond issue and market timing of the Pricing.
- (3.2) Plan an optimum **maturity date** recognizing the fiscal year, timing of revenue, and long-term debt service planning impact thereof on the District.
- (3.3) Prepare **alternative maturity schedules**, if needed, complying with the restrictions of Sections 11.00 and 21.00 of the Local Finance Law, and market expectations, so that the District may select the one to be used for repayment of the borrowed funds.
- (3.4) **Presentation** to Board of Education and School District Officials, if requested.
- (3.5) Coordinate the **approval of the maturity schedule** and Bond Counsel's drafting of the certification setting the terms and conditions of the registered serial bond pricing.
- (3.6) Coordinate and provide **written follow-up** to School District Officials and Bond Counsel.
- (3.7) Complete a sequential **deadline calendar** for all items to be accomplished in connection with the creation of the Official Statement, the Bond Pricing and subsequent closing.
- (3.8) Prepare **Contact List** to be distributed to all parties.
- (3.9) Collect the information necessary and create the **Official Statement** used to advertise the issue in compliance with Part 27 of Title 2 of the Official Compilation of Codes, Rules and Regulations of the State of New York, and in compliance with Section 60.00 of the Local Finance Law for the public sale of obligations in excess of \$500,000; and additionally, in compliance with the Security and Exchange Commission's Rule 240.15c2-12, requiring the Official Statement for the public reoffering of issues of \$1,000,000 and more.
- (3.10) Compile the information required and make application on behalf of the District for a **Standard & Poor's or a Moody's Credit Rating** in connection with the bond pricing.

- (3.11) Attend **conference call** with Municipal Officials and Credit Rating Agency Representative.
- (3.12) Attend **due diligence conference call** with Municipal Officials, Underwriter, and Bond Counsel.
- (3.13) Apply for "Qualification" and receive bids for **municipal bond insurance**, which would guarantee the repayment of the yearly principal and interest on the Bonds and, subsequently, complete the request for reviews.
- (3.14) Coordinate **Refunding Bond Pricing** with Underwriter and other potential purchasers.
- (3.15) Where appropriate, using Certificated Bonds, coordinate the appointment of a "**Fiscal Agent**" bank to act as the required registrar for subsequent payment of principal and interest to registered bond holders. Coordinate the completion and review of the "Fiscal Agent Agreement" among the District officials, Bond Counsel and selected bank.
- (3.16) Where appropriate, using **Book-Entry Only Bonds**, coordinate all necessary arrangements with The Depository Trust Company in preparation for the closing.
- (3.17) Coordinate the completion and execution of the **Bond Purchase Agreement**.
- (3.18) Coordinate the **printing and mailing of the Official Statement**.
- (3.19) Coordination **of the Bond Pricing**, and acceptance of pricing results.
- (3.20) Arrange for Standard & Poor's "**CUSIP**" (Committee on Uniform Security Identification Procedures of the American Bankers Association) **numbers** to be assigned to the issue.
- (3.21) Coordinate the **closing arrangements** with the bond purchaser, Bond Counsel and School District officials. Provide written confirmation of the net amount to be received at the closing including the principal, good faith check, premium and accrued interest as applicable.
- (3.22) If appropriate, **coordinate the payoff** and calling of any maturing Bonds with the bond proceeds among all parties concerned.

Ms. Lorelei Case

June 23, 2016  
Page 8 of 13

- (3.23) Completion of future principal and interest schedule with **annual debt service tracking and CUSIP identification tracking**.
- (3.24) Complete all necessary **New York State Education Department forms** for tracking the refunding. After the completion, review the forms with the municipal officials, answer questions and provide direction for execution and filing with the appropriate parties inside the State Education Department.
- (3.25) Assistance with **communicating and interfacing with Depository Trust Company** on the follow up issues. This may include what the principal and interest payments are, when the payments are due, and the wire instructions for the routing of the proceeds by Federal Funds through the Federal Reserve System to the Depository Trust Company.
- (3.26) Additional municipal request for **assistance in clarifying, informing, and reviewing the refunding process after the funding date**. This may include informing the municipal officials, advising on key communication personnel at the various agencies serving during the transaction including Bond Counsel, Depository Trust Company, Credit Rating Agency, Escrow Bank, Underwriter, Underwriter's Counsel, the Verification Agent and the tracking of the defeasement investments.

We will assist the School District in planning its total budget for the funding and, in doing so, we will prepare a list of materials, outside services, disbursements and the estimated costs for items such as bond register bookkeeping system, credit rating, printing and mailing of the Official Statement. The aforementioned materials, outside services and disbursements will be the responsibility of the School District.

Refunding Bonds will be at the following rates based on the Par size of the Refunding Bond (based on latest estimate of Bond size per Underwriting team): \$1,000,000 - \$5,000,000 base fee of \$18,000 plus \$1.15 / 1,000; \$5,000,001 - \$10,000,000 base fee of \$20,000 plus \$0.75 / 1,000; \$10,000,001 - \$20,000,000 base fee of \$22,000 plus \$0.50 / 1,000; and \$20,000,001 and above, base fee of \$27,000 plus \$0.25 / 1,000. If the Refunding Bond is issued through DASNY, then the above Base fee is increased by \$5,000. The rates will be adjusted each July 1 by the Consumer Price Index, All Urban Consumers - Northeast Urban Rate, for the time period July 1 through June 30. Voucher will be submitted after Pricing.



**C OTHER**

**PART 4 - CONTINUING ANNUAL SECONDARY MARKET DISCLOSURE OVER THE LIFE OF A BOND ISSUE TO COMPLY WITH CFR TITLE 17, SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, SECTION 240.15c2-12**

The above-referenced Section 240.15c2-12 requires the School District, as the issuer of \$1,000,000 or more, "to enter into a written agreement to provide certain event notices and/or annual financial information to the Electronic Municipal Market Access ("EMMA") system maintained by the Municipal Securities Rulemaking Board ("MSRB)." The regulation makes it unlawful for a broker or underwriter to purchase and reoffer the School District's issue unless the broker has verified that the School District has undertaken the above-referenced "written agreement or contract for the benefit of the bond holders." Services rendered to assist with compliance will depend directly upon the amount and type of indebtedness incurred by the School District and will be billed at the firm's hourly rate.

- (4.1) **FULL DISCLOSURE** - The School District is required to annually prepare and file a secondary market disclosure official statement (financial information and operating data); audited annual reports, if any; and Material Event Notices to MSRB's EMMA system, if the School District's total outstanding indebtedness, including the current issue, exceed \$10,000,000. We can assist with the collection and filing of the required information as annually required and as Event Notices are received from the School District.
- (4.2) **LIMITED DISCLOSURE** - The School District is required to provide, at a minimum, certain annual financial information and operating data which is customarily prepared by the School District and is publicly available and a copy of the audited financial statements to MSRB's EMMA system. The School District must also provide Material Event Notices to the EMMA system. We can assist with the collection and filing of the required information as annually required and as Event Notices are received from the School District, if the School District's total outstanding indebtedness, including the current issue, is less than \$10,000,000.
- (4.3) **LIMITED DISCLOSURE - EVENT NOTICES ONLY** - The School District is required to file certain "Event Notices" to the MSRB's EMMA system. When "Events" occur during the life of the issue, a determination is needed by Bond Counsel, and we can assist with the filing of the "Event Notices" after being notified by the School District as "Events" occur.

**PART 5 - FINANCIAL MANAGEMENT SERVICES**

The following representative items may be completed at the request of the Board of Education or School Administrators under this portion of the contract:

- (5.1) Assist in the creation of a **projected cash flow** for the project.
- (5.2) Assist with and coordinate the **wire transfer** of funds from bank to bank through the Federal Reserve System.
- (5.3) Assist with **financial planning** and borrowings and review of borrowing options and scenarios.
- (5.4) Assist in establishing **accounting records** and bookkeeping procedures on the double-entry basis.
- (5.5) Create the format for a **monthly financial report** on the project to summarize the information in the bookkeeping system for management purposes.
- (5.6) Assist in estimating appropriate **debt service budget** figures.
- (5.7) Attend and participate in **Board meetings**, worksessions, or public information meetings.
- (5.8) Prepare **interim reports** concerning financial matters of the project.
- (5.9) Obtain an independent market valuation of the current value of **bonds** proposed to be **substituted in lieu of cash retainage** by contractors pursuant to Section 106.00 of the General Municipal Law and provide written followup and procedural suggestions for the physical handling of these instruments.
- (5.10) Complete the **SA-23, "Request for Building Aid Estimate"** for execution and filing by the District Officials. This assumes the District has received the "Approval of Plans and Specifications" and "Bond Certificate" from the State Education Department.
- (5.11) Provide a tracking document for various State Aid forms to enhance awareness of the District for timely and sequential filing with Facilities Planning, General Aids and Services and School District Reorganization, where appropriate.
- (5.12) Assist in the preparation of various New York **State Department of Education forms and reports** pertaining to the Capital project.

- (5.13) If required by arbitrage rules, coordinate the investment in State & Local Government Series in cooperation with the local bank of account, bond counsel and the Federal Reserve Bank in New York City.
- (5.14) If not done by Bond Counsel, assist in the completion of the **Internal Revenue Service form 8038-G or (8038-GC Small Issues), "Information Return for Tax-Exempt Governmental Bond Issues"**, which must be filed for every School District borrowing or installment purchase contract, in compliance with the revised Internal Revenue Code of 1986 and subsequent amendments thereto.
- (5.15) Assist with **credit rating review** and/or conference call for bond sale or surveillance call as needed by Credit Rating Agency.

The charge for any Financial Management Services will be \$139.00 per hour plus out-of-pocket expenses. The rate will be adjusted each July 1 by the change in the Consumer Price Index, All Urban Consumers - Northeast Urban Rate, for the time period July 1 through June 30.

#### INVOICES

All invoices will include out-of-pocket expenses, which include copies, postage, mileage, travel, and any other incidental costs in connection with the project.

- PART 1 - BOND ANTICIPATION NOTE BORROWINGS WITH AN OFFICIAL STATEMENT** - Vouchers will be submitted after settlement of the Notes.
- PART 2 - SALE OF REGISTERED PUBLIC MARKET SERIAL BONDS WITH AN OFFICIAL STATEMENT** - Vouchers will be submitted after settlement of the Bonds.
- PART 3 - SALE OF REGISTERED PUBLIC MARKET REFUNDING SERIAL BONDS WITH AN OFFICIAL STATEMENT**- Vouchers will be submitted after settlement of the Bonds.
- PART 4 - CONTINUING ANNUAL SECONDARY MARKET DISCLOSURE** - Vouchers will be submitted after verified filing of the required information with the specified repositories.
- PART 5 - FINANCIAL MANAGEMENT SERVICES** - Vouchers may be submitted on a monthly basis.

Ms. Lorelei Case

June 23, 2016  
Page 12 of 13

Additional work beyond the scope of this June 23, 2016 letter of services will be at the rate of \$139.00 per hour plus out-of-pocket expenses. The rate will be adjusted each July 1 by the Consumer Price Index, All Urban Consumers - Northeast Urban Rate, for the time period July 1 through June 30. Vouchers for any services provided may be submitted on a monthly basis.

If the services under any portion of this contract are commenced, but are not completed for any reason, or are completed without our firm performing the entire role contemplated herein, an invoice will be rendered for the actual hours completed at the firm's normal hourly rate, plus actual disbursements incurred.

Any services in the nature of financial advice are to be performed by our firm to the best of our abilities based on such information as may be available to us from time to time when such advice is given. No liability is assumed, however, for any errors or omissions not constituting gross negligence.

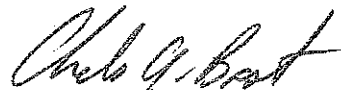
Upon acceptance of this letter of services, please have the Board President **sign and date both copies**, retaining one signed copy for the official School District records, and **returning the other signed copy to our office in the envelope provided.**

This letter of intent and the fees quoted herein are valid if accepted and executed within 60 days of the date hereon.

Pursuant to proposed SEC MSRB Rule G-42, this letter of services should be in place prior to municipal advice being given. Further, under Rule G-42, we are not aware of any known material conflicts of interest with your municipality. The firm has not been subject to any legal or disciplinary proceedings under SEC regulations. The Company's SEC Forms MA and MA-I can be found at [www.sec.gov/edgar/searchedgar/webusers.htm](http://www.sec.gov/edgar/searchedgar/webusers.htm).

If you should have any questions concerning this letter of services, please contact us. We look forward to working with the School District on this project.

Very truly yours,



Charles A. Bastian  
President

CAB/jam  
Enclosures

I, \_\_\_\_\_, President of the Board of Education of the Port Jervis City School District, have been authorized by a resolution dated \_\_\_\_\_ to accept the Bernard P. Donegan, Inc. letter for Financial Consulting Services as outlined above in connection with the School District's \$7,000,000 Capital Project.

(Signed) \_\_\_\_\_

(Dated) \_\_\_\_\_

