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August 1, 2016

Ms. Heather Ussery
City Clerk
City of Knoxville
305 South 3rd Street
Knoxville, Iowa 50138

Dear Heather,

The purpose of this letter (this "Engagement Letter") is to confirm our agreement that PFM Financial Advisors LLC ("PFM") will act as financial advisor to the City of Knoxville, Iowa (the "Client"). PFM will provide, upon request of the Client financial planning services and development of planning models, as applicable and set forth in Exhibit A to this Engagement Letter. Most tasks requested by Client will not require all services provided for in Exhibit A and as such the specific scope of services for such task shall be limited to just those services required to complete the task.

PFM 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. As of the date of this letter, Client has **not** designated PFM as its independent registered municipal advisor ("IRMA") for purposes of SEC Rule 15Ba1-1(d)(3)(vi) (the "IRMA exemption"). Client agrees not to represent that PFM is Client's IRMA with respect to any aspect of a municipal securities issuance or municipal financial product, without PFM's prior written consent.

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 PFM's Disclosure Statement delivered to Client together with this agreement.

PFM's services will commence as soon as practicable after the receipt of this Engagement Letter by the Client and a request by the Client for such service. Any material changes in or additions to the scope of services described in Exhibit A shall be promptly reflected in a written supplement or amendment to this Engagement Letter. Services provided by PFM which are not included in the scope of services set forth in Exhibit A of this agreement shall be completed as agreed in writing in advance between the Client and the PFM. Upon request of Client, PFM or an affiliate of PFM may agree to additional services to be provided by PFM or an affiliate of PFM, by a separate agreement between the Client and PFM or its respective affiliate.

For the services described in Exhibit A, PFM's professional fees will be paid as provided in Exhibit B. In addition to fees for services, PFM will be reimbursed for necessary, reasonable, and documented out-of-pocket expenses, as outlined in Exhibit B, which are incurred by PFM. Upon request of Client, documentation of such expenses will be provided.

This Engagement Letter shall remain in effect unless canceled in writing by either party upon thirty (30) days written notice to the other party. PFM shall not assign any interest in this Engagement Letter or subcontract any of the work performed under this Engagement Letter without the prior written consent of the Client; provided that upon notice to Client, PFM may assign this Engagement Letter or any interests hereunder to a municipal advisor entity registered with the SEC that directly or indirectly controls, is controlled by, or is under common control with, PFM.

All information, data, reports, and records ("Data") in the possession of the Client or any third party necessary for carrying out any services to be performed under this Engagement Letter shall be furnished to PFM and the Client shall, and shall cause its agent(s) to, cooperate with PFM in its conduct of reasonable due diligence in performing the services. To the extent Client requests that PFM provide advice with regard to any recommendation made by a third party, Client will provide to PFM written direction to do so as well as any Data it has received from such third party relating to its recommendation. Client acknowledges and agrees that while PFM is relying on the Data in connection with its provision of the services under this agreement, PFM makes no representation with respect to and shall not be responsible for the accuracy or completeness of such Data.

All notices given under this Engagement Letter will be in writing, sent by email or registered United States mail, with return receipt requested, addressed to the party for whom it is intended, at the addresses on the first page of this Engagement Letter.

All materials, except functioning or dynamic financial models, prepared by PFM pursuant exclusively to this Engagement Letter will be the property of the Client. Subject to the preceding exception, upon termination of this Engagement Letter, PFM will deliver to the Client copies of any and all material pertaining to this Engagement Letter.

The Des Moines office of PFM will provide the services set forth in this Engagement Letter. PFM may, from time to time, supplement or otherwise amend team members. The Client has the right to request, for any reason, PFM to replace any member of the advisory staff. Should the Client make such a request, PFM will promptly suggest a substitute for approval by the Client.

PFM will maintain insurance coverage with policy limits not less than as stated in Exhibit C. Except to the extent caused by willful misconduct, bad faith, gross negligence or reckless disregard of obligations or duties under this Engagement Letter on the part of PFM or any of its associated persons, neither PFM nor any of its associated persons shall have liability to any person for any act or omission in connection with performance of its services hereunder, or for any error of judgment or mistake of law, or for any loss arising out of any issuance of municipal securities, any municipal financial product or any other financial product or investment, or for any financial or other damages resulting from Client's election to act or not to act, as the case

may be, contrary to or, absent negligence on the part of PFM or any of its associated persons, upon any advice or recommendation provided by PFM to Client.

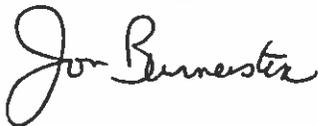
PFM, its employees, officers and representatives at all times will be independent contractors and will not be deemed to be employees, agents, partners, servants and/or joint venturers of Client by virtue of this Engagement Letter or any actions or services rendered under this Engagement Letter.

This Engagement Letter represents the entire agreement between Client and PFM and may not be amended or modified except in writing signed by PFM.

Please have an authorized official of the Client acknowledge receipt of this Engagement Letter and respond to us to acknowledge the terms of this engagement.

Sincerely,

PFM FINANCIAL ADVISORS LLC



Jon Burmeister
Managing Director



Susanne Gerlach
Senior Managing Consultant

EXHIBIT A
SCOPE OF SERVICES

PFM shall provide, upon request of the Client, municipal advisory services related to financial planning and the development of planning models, examples of which, not intended to be exclusive, are set forth as follows:

- Review of Client's audited financial statements.
- Review current and projected financial status and capacity of the client.
- Identification and determination of Client's existing taxable valuation.
- Review current debt structure, identifying strengths and weaknesses of structure so that future debt issues can be designed to optimize ability to finance future capital needs.
 - This will include, but is not limited to, reviewing existing debt for the possibility of refunding that debt to provide the Client with savings.
- Review capital improvement plan and review funding sources for the capital projects.
- Development and preparation of several financial and capital planning models:
 - Debt Service Tax Analysis planning model
 - General Obligation Debt Capacity planning model
 - Senate File 295 valuation projection model
 - Individual Tax Increment Urban Renewal Plan cashflow models
 - Sewer Enterprise Fund financial and capital planning model
 - Road Use Tax Fund financial and capital planning model
 - Local Option Sales Tax (LOST) Fund financial and capital planning model
- Assist the Client with annual TIF certification.
- Develop financial options analyses (using financial and capital planning models listed above):
 - Analysis of the existing financial arrangements
 - Analyze debt capacity
 - Identify & analyze financing alternatives and debt structuring options
 - Develop scenarios
 - Analyze and compare to objectives/constraints
 - Evaluation of alternative security structures
 - Evaluation of alternative funding and financing approaches
 - Sensitivity analysis
- Assist the Client with the development of the Client's financial plan by assessing capital needs, identifying potential revenue sources, analyze financing alternatives such as pay-as-you-go, lease/purchasing, short-term vs. long-term financings,

assessments, user fees, impact fees, developer contributions, public/private projects, and grants and provide analysis of each alternative as required as to the budgetary and financial impact.

- Develop preliminary financial plan objectives:
 - Review and revise with staff
 - Presentation and review with City Council
 - Assist with financial plan review and approval (as appropriate)
- Attend meetings with Client's staff, consultants and other professionals.
- Assist the Client in preparing financial presentations for public hearings and/or referendums.

EXHIBIT B
COMPENSATION FOR SERVICES

1. Retainer

For financial planning services and development of planning models, PFM shall receive an annual fee in the amount of \$8,000 ("Retainer"), payable upon invoice. The Retainer assumes the scope of services outlined in Exhibit A can be completed within 65 hours. The Retainer shall be reviewed and revised upon mutual agreement.

2. Hourly Project Fees (Non-Transaction Related)

In the event the Client requests that PFM perform significant special projects, fees will be negotiated in advance of the project. Fees will be generally based upon the following hourly rates for the indicated levels of experience or their equivalents.

<u>Experience Level</u>	<u>Hourly Rate</u>
Managing Director	\$250.00
Director	\$225.00
Senior Managing Consultant	\$200.00
Senior Analyst	\$180.00
Analyst	\$150.00
Associate	\$125.00

3. Reimbursable Expenses

In addition to fees for services, PFM will be reimbursed for necessary, reasonable, and documented out-of-pocket expenses incurred, including travel, meals, lodging, printing, telephone, postage and other ordinary costs which are incurred by PFM. Appropriate documentation can be provided.

EXHIBIT C
INSURANCE STATEMENT

PFM Financial Advisors LLC (“PFM”) has a complete insurance program, including property, casualty, comprehensive general liability, automobile liability and workers compensation. PFM maintains professional liability and fidelity bond coverages which total \$25 million and \$10 million, respectively. PFM also carries a \$10 million cyber liability policy.

Our Professional Liability policy is a “claims made” policy and our General Liability policy claims would be made by occurrence.

1. Deductibles/SIR:

Automobile \$250 comprehensive & \$500 collision
Cyber Liability \$50,000
General Liability \$0
Professional Liability (E&O) \$1,000,000
Financial Institution Bond \$75,000

2. Insurance Company & AM Best Rating:

Professional Liability (E&O).....Indian Harbor Insurance Company; and
.....Continental Casualty Company; (both are A)
Financial Institution BondFederal Insurance Company; (A++)
Cyber LiabilityIndian Harbor Insurance Company (A)
General LiabilityGreat Northern Ins. Company; (A++)
Automobile LiabilityFederal Insurance Company
Excess /Umbrella LiabilityFederal Insurance Company
Workers CompensationPacific Indemnity Company; (A++)
& Employers Liability