

VILLAGE OF DOWNERS GROVE
Report for the Village
1/5/2021

SUBJECT:	SUBMITTED BY:
Renewal of Financial Advisor Professional Services Agreement	Judy Buttny Finance Director

SYNOPSIS

A resolution has been prepared to authorize an extension of a professional services agreement for a five-year term with Robert W. Baird & Co. of Naperville Illinois for financial advising services.

STRATEGIC PLAN ALIGNMENT

The goals for 2019-2021 include *Steward of Financial, Environmental and Neighborhood Sustainability*.

FISCAL IMPACT

Baird's fee for services consists of a fixed rate of \$12,500 plus \$0.95 per \$1,000 of the public offering price of bonds issued. There is no fee increase from the original agreement.

RECOMMENDATION

Approval on the January 5, 2021 consent agenda.

BACKGROUND

The Village uses the services of a financial advisor to prepare for and issue bonds to finance capital projects and to refund existing bonds when interest rates are favorable. Baird has been the Village's financial advisor since 2016. They were selected after a Request for Proposal (RFP) process. The original agreement was for a term of five years, with options for two five year renewals. Baird has performed favorably for the Village, monitoring the market for refunding opportunities and assisting the Village with S&P ratings calls. They have significant experience with municipal clients and in depth market knowledge through their extensive underwriting and trading desks.

ATTACHMENTS

Resolution
Contract Document

RESOLUTION NO. ____**A RESOLUTION AUTHORIZING EXECUTION OF AN
EXTENSION AND SUPPLEMENT TO THE AGREEMENT
BETWEEN THE VILLAGE OF DOWNERS GROVE
AND ROBERT W. BAIRD & CO.**

BE IT RESOLVED by the Village Council of the Village of Downers Grove, DuPage County, Illinois, as follows:

1. That the form and substance of certain Extension and Supplement Agreements (the "Agreements"), between the Village of Downers Grove (the "Village") and Robert W. Baird & Co. (the "Consultant"), for financial planning services, as set forth in the form of the Agreements submitted to this meeting with the recommendation of the Village Manager, is hereby approved.

2. That the Village Manager and Village Clerk are hereby respectively authorized and directed for and on behalf of the Village to execute, attest, seal and deliver the Agreements, substantially in the form approved in the foregoing paragraph of this Resolution, together with such changes as the Manager shall deem necessary.

3. That the proper officials, agents and employees of the Village are hereby authorized and directed to take such further action as they may deem necessary or appropriate to perform all obligations and commitments of the Village in accordance with the provisions of the Agreement.

4. That all resolutions or parts of resolutions in conflict with the provisions of this Resolution are hereby repealed.

5. That this Resolution shall be in full force and effect from and after its passage as provided by law.

Mayor

Passed:

Attest: _____
Village Clerk

**EXTENSION TO THE AGREEMENT BETWEEN
THE VILLAGE OF DOWNERS GROVE
AND ROBERT W. BAIRD & CO.**

The Village of Downers Grove, Illinois and Robert W. Baird & Co. ("Consultant") entered into a five-year Agreement for financial planning services to prepare for and issue bonds to finance capital projects on or about January 5, 2016. Pursuant to the terms stated therein, the parties desire to extend that contract for a five-year period under the following terms:

1. The fees shall remain the same as follows: a fixed rate of \$12,500 plus \$0.95 per \$1,000 of the public offering price of bonds issued.
2. All other terms from the 2016 Agreement remain in full force and effect.
3. The extension shall continue for a five-year period ending January 4, 2026.
4. Both parties are in acceptance of the terms contained in the attached Supplement to the Agreement.
5. The Village is in receipt of Disclosures by Municipal Advisor Pursuant to MSRB Rule G-42.

VILLAGE OF DOWNERS GROVE

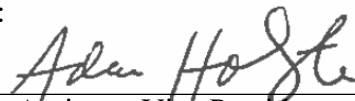
ROBERT W. BAIRD & CO.



Senior Vice President

Attest:

Attest:



Assistant Vice President

Village Clerk

Date: _____

Date: December 16, 2020

**SUPPLEMENT TO THE AGREEMENT BETWEEN
THE VILLAGE OF DOWNERS GROVE
AND ROBERT W. BAIRD & CO.**

This Supplement provides additions and amendments to the original Financial Advisory Services Agreement (“Agreement”) between Robert W. Baird & Co. Incorporated (“Baird”) and the Village of Downers Grove (“Village”) which went into effect on January 5, 2016 and will be extended for a five-year period ending January 4, 2026.

Addition under 1. Financial Advisory Services to be Provided by Baird.

Limitations on Financial Advisory Services Baird’s financial advisory services are subject to the following limitations:

- i.) Baird’s financial advisory services are limited solely to the services described in the Agreement and in the RFP Response.
- ii.) Baird is not responsible for certifying as to the accuracy or completeness of any preliminary or final official statement, other than with respect to any information about Baird provided by Baird for inclusion in such documents.
- iii.) Baird’s services do not include tax, legal, accounting or engineering advice with respect to any Securities or in connection with any opinion or certificate rendered by counsel or any other person at closing, and do not include review or advice on any feasibility study.
- iv.) Baird will not have the authority to bind, commit or act on behalf of Village in connection with the Securities, or to otherwise act as agent for the Village in the financial advisory services provided.

Complete replacement of section 5. Miscellaneous with the following.

5. Miscellaneous. This Agreement shall be governed and construed in accordance with the laws of the State of Illinois. This Agreement shall be binding upon and inure to the benefit of the Village and Baird, their respective successors and permitted assigns; provided however, neither party may assign or transfer any of its rights or obligations hereunder without the prior written consent of the other party. This Agreement may not be amended, supplemented or modified except by means of a written instrument executed by both parties hereto. This Agreement may be executed in counterparts, each of which shall be an original, but which taken together, shall constitute one and the same instrument.

Addition of a new section entitled 6. Regulatory Duties.

6. Regulatory Duties. Under MSRB Rule G-23, Baird will not be able to serve as underwriter or placement agent for any notes, bonds or other securities to be issued and sold as part of any financing related to the Securities. Baird is registered as a municipal advisor with the Securities Exchange Commission and Municipal Securities Rulemaking Board. As financial advisor to the Village in connection with the proposed Securities, Baird will have fiduciary duties, including a duty of care and a duty of loyalty. Baird is required to act in the Village’s best interests without regard to its own financial and other interests.

MSRB Rule G-42 requires that Baird make a reasonable inquiry as to the facts that are relevant to the Village’s determination whether to proceed with a course of action or that form the basis for and advice provided by Baird to the Village. The rule also requires that Baird undertake a reasonable investigation to determine that it is not basing any recommendation on materially inaccurate or incomplete information. Baird is also required under the rule to use reasonable diligence to know the essential facts about the Village and the authority of each person acting on the Village’s behalf.

The Village agrees to cooperate, and to cause its agents to cooperate, with Baird in carrying out these regulatory duties, including providing to Baird accurate and complete information and reasonable access to relevant documents, other information and personnel needed to fulfill such duties. In addition, the Village agrees that, to the extent the Village seeks to have Baird provide advice with regard to any recommendation made by a third party, the Village will provide to Baird written direction to do so as well as any information it has received from such third party relating to its recommendation.

Addition of a new section entitled 7. Required Disclosures.

7. Required Disclosures. Accompanying this Supplement is a disclosure document describing the material conflicts of interest and information regarding certain legal events and disciplinary history related to the Securities proposed to be sold during the term of the Agreement as required by MSRB Rule G-42.

DISCLOSURES BY MUNICIPAL ADVISOR PURSUANT TO MSRB RULE G-42

On behalf of Robert W. Baird & Co. Incorporated, we wish to provide you with certain disclosures relating to the Securities, as required by Municipal Securities Rulemaking Board ("MSRB") Rule G-42 as set forth in MSRB Notice 2016-03. All capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Municipal Advisory Services Agreement (the "Agreement").

I. **Services to be Provided by Baird.** Baird is delighted to be serving as municipal advisor to you, in connection with the Securities. Baird is a municipal advisor registered with the Securities and Exchange Commission and the MSRB.

II. **Required Disclosures.** MSRB Rule G-42 requires that Baird provide you with the following disclosures of material conflicts of interest and of information regarding certain legal events and disciplinary history.

Disclosures of Conflicts of Interest. MSRB Rule G-42 requires that municipal advisors provide to their clients disclosures relating to any actual or potential material conflicts of interest, including certain categories of potential conflicts of interest identified in Rule G-42, if applicable. If no such material conflicts of interest are known to exist based on the exercise of reasonable diligence by the municipal advisor, municipal advisors are required to provide a written statement to that effect.

Accordingly, Baird makes the following disclosures with respect to material conflicts of interest in connection with the Services under the Agreement, together with explanations of how Baird addresses or intends to manage or mitigate each conflict. To that end, with respect to all of the conflicts disclosed below in this Municipal Advisor Disclosure Statement, Baird mitigates such conflicts through its adherence to its fiduciary duty to Client, which includes a duty of loyalty to Client in performing all municipal advisory activities for Client. This duty of loyalty obligates Baird to deal honestly and with the utmost good faith with Client and to act in Client's best interests without regard to Baird's financial or other interests. In addition, because Baird is a broker-dealer with significant capital due to the nature of its overall business, the success and profitability of Baird is not dependent on maximizing short-term revenue generated from individualized recommendations to its clients but instead is dependent on long-term profitability built on a foundation of integrity, quality of service and strict adherence to its fiduciary duty. Furthermore, Baird's municipal advisory supervisory structure, leveraging our long-standing and comprehensive broker-dealer supervisory processes and practices, provides reasonable and industry standard safeguards against individual representatives of Baird potentially departing from their regulatory duties due to personal interests. The disclosures below describe, as applicable, any additional mitigations that may be relevant with respect to any specific conflict disclosed below.

Baird is a full service securities firm and as such Baird and its affiliates may from time to time provide advisory, brokerage, consulting and other services and products to its clients, including municipalities, other institutions, and individuals and the Client, certain Client officials or employees, and potential purchasers of the Securities for which Baird may receive customary compensation; however, such services are not related to the proposed offering. Such services may also include the buying and selling of new issue and outstanding securities and providing investment advice in connection with securities (including the Securities), may be undertaken on behalf of, or as counterparty to, Client, personnel of Client, and current or potential investors in the securities of Client. Baird may have previously served as underwriter, placement agent or financial advisor on other bond offerings and financings for or for the benefit of Client and expects to serve in such capacities in the future. Baird may also be engaged from time to time by the Client to manage investments for the Client (including the proceeds from the proposed offering) through a separate contract that sets forth the fees to be paid to Baird. Baird manages various mutual funds, and from time to time those funds may own bonds and other securities issued by or for the benefit of Client (including the Securities). Additionally, clients of Baird may from time to time purchase, hold and sell bonds and other securities issued by or for the benefit of the Client (including the Securities). These other clients may, from time to time and depending on the specific circumstances, have interests in conflict with those of Client, such as when their buying or selling of Client's securities may have an adverse effect on the market for Client's securities, and the interests of such other clients could create the incentive for Baird to make recommendations to Client that could result in more advantageous pricing for the other clients. Furthermore, any potential conflict arising from Baird effecting or otherwise assisting such other clients in connection with such transactions is mitigated by means of such activities being engaged in on customary terms through departments of Baird that operate independently from Baird's municipal advisory business, thereby reducing the likelihood that the interests of such other clients would have an impact on the services provided by Baird to Client under this Agreement.

Robert W. Baird & Co.
777 East Wisconsin Avenue
Milwaukee WI 53202-5391
Main 414 765-3500
Toll Free 800 RW BAIRD

In the ordinary course of fixed income trading business, Baird may purchase, sell, or hold a broad array of investments and may actively trade securities and other financial instruments, including the Securities and other municipal bonds, for its own account and for the accounts of customers, with respect to which Baird may receive a mark-up or mark-down, commission or other remuneration, and therefore Baird could have interests in conflict with those of Client with respect to the value of Client's Securities while held in inventory. Such investment and trading activities may involve or relate to the financing or other assets, securities and/or instruments of the Client and/or persons and entities with relationships with the Client. In particular, Baird or its affiliates may submit orders for and acquire Client's securities issued in an Offering under the Agreement from members of the underwriting syndicate, either for its own account or for the accounts of its customers. This activity may result in a conflict of interest with Client in that it could create the incentive for Baird to make recommendations to Client that could result in more advantageous pricing of Client's bond in the marketplace. Any such conflict is mitigated by means of such activities being engaged in on customary terms through departments of Baird that operate independently from Baird's municipal advisory business, thereby reducing the likelihood that such investment activities would have an impact on the services provided by Baird to Client under the Agreement.

Baird serves a wide variety of other clients that may from time to time have interests that could have a direct or indirect impact on the interests of Client. For example, Baird serves as municipal advisor to other municipal advisory clients and, in such cases, owes a regulatory duty to such other clients just as it does to Client under the Agreement. These other clients may, from time to time and depending on the specific circumstances, have competing interests, such as accessing the new issue market with the most advantageous timing and with limited competition at the time of the offering. In acting in the interests of its various clients, Baird could potentially face a conflict of interest arising from these competing client interests. In other cases, as a broker-dealer that engages in underwritings of new issuances of municipal securities by other municipal entities, the interests of Baird to achieve a successful and profitable underwriting for its municipal entity underwriting clients could potentially constitute a conflict of interest if, as in the example above, the municipal entities that Baird serves as underwriter or municipal advisor have competing interests in seeking to access the new issue market with the most advantageous timing and with limited competition at the time of the offering. None of these other engagements or relationships would impair Baird's ability to fulfill its regulatory duties to Client.

Baird is registered with the Municipal Securities Rulemaking Board ("MSRB") and the SEC. The MSRB website is www.msrb.org. Two investor brochures, Information for Municipal Securities Investors and Information for Municipal Advisory Clients, describe the protections that may be provided by the MSRB's rules. The brochures are available on the MSRB website. The MSRB website also contains information about how to file a complaint with an appropriate regulatory authority.

While we do not believe that the following creates a conflict of interest on Baird's part, we note that spouses or other relatives of Baird Associates may serve as an officer, employee or official of Client. Client may wish to consider any impact such circumstances may have on how it conducts its activities with Baird under this Agreement.

Baird associates, including Baird Public Finance associates, may have made or may make political contributions to elected officials and/or candidates for office, including officials of the Client in compliance with MSRB Rule G-37 and Baird's internal policies and pre-clearance requirements.

Baird has not identified any additional potential or actual material conflicts that require disclosure other than those we may have previously provided you. If potential or actual conflicts arise in the future, we will provide you with supplemental disclosures about them.

Disclosures of Information Regarding Legal Events and Disciplinary History. MSRB Rule G-42 requires that municipal advisors provide to their clients certain disclosures of legal or disciplinary events material to its client's evaluation of the municipal advisor or the integrity of the municipal advisor's management or advisory personnel.

Accordingly, Baird sets out below required disclosures and related information in connection with such disclosures. Baird discloses the following legal or disciplinary events that may be material to Client's evaluation of Baird or the integrity of Baird's management or advisory personnel:

- In June 2019, Baird, without admitting or denying the findings, consented to the sanctions and findings of FINRA that, between April and July 2013, Baird published equity research reports about an issuer without disclosing that the research analyst who authored the reports was engaged in employment discussions with the issuer that constituted an actual, material conflict of interest and that the failure to disclose the research analyst's employment discussions with the issuer in the research reports made those reports misleading. In response, Baird took proactive measures to reiterate compliance policies pertain to disclosures about material conflicts of interest in research reports. This matter relates to Baird's Equity Research department and does not involve or pertain in any way to Baird's Public Finance business or municipal advisory activities or services. The details of this matter are available in item 11.E (2) and the accompanying Regulatory Action DRP on Form ADV available at <http://www.adviserinfo.sec.gov>.
- In March 2019, Baird, without admitting or denying the findings, consented to an order of the SEC, which found that it violated Sections 206(2) and 207 of the Investment Advisers Act of 1940 (the "Advisers Act") for making inadequate disclosures to advisory clients about mutual fund share classes. The order was part of a voluntary self-reporting program initiated by the SEC called the "Share Class Selection Disclosure (or SCSD) Initiative." Under the program, investment advisory firms were offered the opportunity to voluntarily self-report violations of the federal securities laws relating to mutual fund share class selection and related disclosure issues and agree to settlement terms imposed by the SEC, including returning money to affected investment advisory clients. The central issue identified by the SEC was that, in many cases, investment advisory firms bought for or recommended to their investment advisory clients mutual fund share classes that had distribution or service fees (commonly known as 12b-1 fees) paid out of fund assets to the firms when lower cost share classes were available to those advisory clients, and the investment advisory firms did not adequately disclose their receipt of 12b-1 fees and/or the conflict of interest associated with those 12b-1 paying share classes. Baird and many other firms self-reported under the program and entered into substantially identical orders. By self-reporting and consenting to the order, Baird agreed to a censure and to cease and desist from committing or causing any violations and future violations of Sections 206(2) and 207 of the Advisers Act. Baird also agreed to establish a distribution fund and to deposit into that fund the improperly disclosed 12b-1 fees received by Baird plus prejudgment interest, which will be paid to affected advisory clients. In response, Baird has made changes to its Private Wealth Management advisory programs in which mutual funds available in those programs do not include share classes that pay 12b-1 fees, and the share classes that are available to clients in those programs are generally those that are the lowest cost share classes most widely available by each mutual fund family across its various funds to most types of eligible investors. This matter relates primarily to Baird's Private Wealth Management department and does not involve or pertain in any way to Baird's Public Finance business or municipal advisory activities or services. The details of this matter are available in item 11.E (2) and the accompanying Regulatory Action DRP on Form ADV available at <http://www.adviserinfo.sec.gov>.
- Baird was among numerous municipal securities underwriters and municipal issuers that voluntarily participated in the Municipal Continuing Disclosure Cooperation Initiative (MCDC) facilitated by the Securities and Exchange Commission (SEC) in March 2014. Under the MCDC, underwriters and issuers were requested to submit reports to the SEC identifying municipal securities offerings for which the official statement did not accurately describe prior instances of the issuer's material non-compliance with its continuing disclosure requirements required by SEC Rule 15c2-12. By voluntarily participating in the MCDC, Baird and other underwriters and issuers agreed to accept standardized settlement terms. In June 2015, the SEC issued Orders to 36 participating municipal underwriters, including Baird, setting forth the agreed upon settlement terms. Subsequently, the SEC issued similar Orders to additional participating underwriters. Each Order, including the one applicable to Baird, contains a finding, which the underwriter neither admits nor denies, that Baird did not conduct adequate due diligence to ensure that the issuers' representations in the official statements about their past compliance with continuing disclosures were accurate and therefore violated Section 17(a)(2) of the Securities Act of 1933. Each Order requires the underwriter to cease and desist from committing or causing any violations or future violations of Section 17(a)(2), to pay a civil monetary penalty (which, in Baird's case, is \$500,000), to retain an independent consultant to review Baird's municipal underwriting due diligence policies and procedures, and to adopt the consultant's final recommendations for changes in or improvements to those policies and procedures. The details of this matter are available in item 11.C (2), 11.C (4) and 11.C (5) and the accompanying Regulatory Action DRP on Form ADV available at <http://www.adviserinfo.sec.gov>.

- In September 2016, Baird, without admitting or denying the findings, consented to the sanctions and findings of the SEC that Baird violated Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder by failing to adopt and implement adequate policies and procedures to track and disclose trading away practices by certain of the subadvisors participating in Baird's wrap fee programs offered through its Private Wealth Management department. Through these programs, Baird's advisory clients pay an annual fee in exchange for receiving access to select subadvisors and trading strategies, advice from Baird's financial advisors, and trade execution services through Baird at no additional cost. However, if a subadvisor chooses not to direct the execution of particular equity trades through Baird in order to fulfill its best execution obligation and the executing broker charges a commission or fee, Baird's advisory clients often are charged additional commissions or fees for those transactions, which is often embedded in the price paid or received for the security. This practice is referred to as "trading away" and these types of trades are frequently called "trade aways." Baird was found to have failed to adopt or implement policies and procedures designed to provide specific information to Baird's clients and financial advisors about the costs of trading away. Baird agreed to provide additional disclosure to clients and review and, as necessary, update its policies and procedures. This matter relates to Baird's Private Wealth Management department and does not involve or pertain in any way to Baird's Public Finance business or municipal advisory activities or services. The details of this matter are available in item 11.E (2) and the accompanying Regulatory Action DRP on Form ADV available at <http://www.adviserinfo.sec.gov>.
- In August 2013, Baird was involved in a regulatory matter with respect to Municipal Securities Rulemaking Board (MSRB) Rule G-14 involving trade reporting of municipal bond transactions executed by Baird for internal money managers on behalf of their clients. Baird reported the transactions on a bunched order quantity basis instead of individually by amount of allocation. Baird has since reviewed its municipal bond trade reporting methodology in this context and has revised its processes to more clearly reflect the requirements of the rule interpretations. The details of this matter are available in item 11.E (2) and the accompanying Regulatory Action DRP on Form ADV available at <http://www.adviserinfo.sec.gov>.
- In June 2013, Baird was involved in a regulatory matter involving a small number of transactions in comparison to Baird's total fixed income trading volume with respect to the purchase of municipal securities for its own account from customers and/or sold municipal securities for its own account to customers that was allegedly not fair and reasonable, taken into account all relevant factors related to MSRB Rules G-17 and G-30(A). Baird has taken steps to address this matter, including improving its systems to better monitor and document Baird's compliance with its best execution obligations; providing additional training to Baird's fixed income traders on their obligations to document the prices, quotations or indications received from counterparties to reflect for firm records the pricing in markets at the time of each transaction; and providing additional training to traders on their best execution obligations. The details of this matter are available in item 11.E (2) and the accompanying Regulatory Action DRP on Form ADV available at <http://www.adviserinfo.sec.gov>.
- In November 2011, Baird was involved in a regulatory matter involving late submissions to the MSRB and the Electronic Municipal Market Access (EMMA). In response, all personnel in the municipal underwriting and public finance departments responsible for the filings attended additional MSRB training on primary market and advance refunding MSRB G-32 submissions, and Baird has amended its MSRB G-32 procedures by publishing additional guidance to appropriate personnel and installing new mechanisms to monitor the required filing and closing dates. The details of this matter are available in item 11.E (2) and the accompanying Regulatory Action DRP on Form ADV available at <http://www.adviserinfo.sec.gov>.
- The SEC permits certain items of information required on Form MA or MA-I to be provided by reference to such required information already filed by Baird in its capacity as a broker-dealer on Form BD or Form U4 or as an investment adviser on Form ADV, as applicable. If any of the above DRPs provides that a DRP has been filed on Form ADV, BD, or U4 for the applicable event, information provided by Baird on Form BD or Form U4 is publicly accessible through reports generated by BrokerCheck at <http://brokercheck.finra.org>, and Baird's most recent Form ADV is publicly accessible at the Investment Adviser Public Disclosure website at <http://www.adviserinfo.sec.gov>. For purposes of accessing such BrokerCheck reports or Form ADV, Baird's CRD number is 8158.

Page 5 of 5

How to Access Form MA and Form MA-I Filings. Baird's most recent Form MA and each most recent Form MA-I filed with the SEC are available on the SEC's EDGAR system at <https://www.sec.gov/cgi-bin/browse-edgar?CIK=0000009211>. Information regarding legal or disciplinary events can be found in Item 9 of the Form MA and Item 6 of the Form MA-I.

Most Recent Change in Legal or Disciplinary Event Disclosure. The date of the last material change to a legal or disciplinary event disclosure on any Form MA or Form MA-I filed by Baird with the SEC is July 1, 2019, which change consists of the equity research report disclosure described above in the annual filing.

Future Supplemental Disclosures. Baird has not identified any additional legal and disciplinary events that require disclosure. If material events arise in the future, we will provide you with supplemental disclosures about them.

If there is any aspect of the foregoing disclosures that requires further clarification, please do not hesitate to contact us. In addition, please consult your own financial and/or municipal, legal, accounting, tax and other advisors as you deem appropriate.