

REQUEST FOR PROPOSALS
Accounting and Business Advisory Services for Borrowers
of the PIDC Contract Line-Of-Credit

Issue Date: March 20, 2018
Due Date: April 20, 2018- 12:00 Noon

This RFP is also available on the PIDC website at <http://www.pidcphila.com/tools/contract-opportunities>.

I. Summary

Founded in 1958, PIDC is the economic development organization for the City of Philadelphia. A public/private partnership between the City of Philadelphia and the Chamber of Commerce for Greater Philadelphia, we successfully leverage resources of the public and private sectors to meet the growing needs of local businesses. Financial resources are our chief product offering providing both short-term and long-term financing with varying interest rates and with PIDC positioned as either the senior lender or the subordinate lender. For additional information about PIDC and its activities, go to www.pidcphila.com.

PIDC is seeking to engage a CPA firm to provide financial consulting and financial management strategies to PIDC borrowers utilizing the PIDC Contract Line-Of-Credit (CLOC). These services to the borrower would be those of an outsourced CFO for a limited period to identify weaknesses, improve financial intelligence and develop more efficient internal controls and systems.

This engagement will be between PIDC and the successful firm. This engagement will initially be up to 18 months and is considered a pilot program. PIDC, in its sole discretion, will have the option to extend the contract for an additional one (1) year.

A. Contract Line-Of-Credit

One of our more popular and sought-after financing products is our Contract Line-Of-Credit (CLOC). This credit facility is a short-term line-of-credit that advances working capital to the PIDC borrower against approved invoices on executed contracts. These executed contracts are typically with a public sector entity, utility, non-profit institution, or credit-worthy private entity. In consideration of being approved for the CLOC, the company seeking financing enters into a 3-party assignment agreement that includes PIDC, the company itself and the contract owner. In this assignment agreement, the proposed borrower agrees to assign all proceeds of its executed contract to PIDC as

repayment for the advanced funds and directs the contract owner to remit all payments directly to PIDC.

In the general marketplace this type financing is often viewed as factoring when the factor purchases the invoices. With the PIDC credit facility, the borrower retains ownership of the invoices. Upon completion of a portion of work, the borrower issues the invoice to the contract owner for approval, after which the borrower presents the approved invoice to PIDC. PIDC advances up to 90% of the approved invoice value to the borrower, which is used to pay any expenses incurred directly on the contract – i.e., payroll, suppliers, consultants, union benefits, etc.

The credit facility provides financing from \$75,000 to \$500,000 and has gone higher on a case-by-case basis based on the strength of the borrower and the quality of the contract.

Having access to working capital enables the borrower to meet its financial obligations in a timely manner, despite unintentional and unanticipated payment delays, and continue forward progression on the contract. As an economic development entity, PIDC is able to provide the working capital at affordable interest rates enabling the borrower to meet its financial obligations, maintain projected profits, and manage growth.

The popularity of this product is due to many factors:

- Banks often do not provide a focused line-of-credit product geared specifically for contract receivables
- Credit scores of typical borrowers are often below the minimum thresholds established by lending institutions in consideration of a commercial line-of-credit
- Even when a lender approves a commercial line-of-credit, the threshold is often insufficient for the actual cash flow needed to service the contracts of the borrower.

There are also risks to PIDC associated with this type financing that often preclude its offering by traditional lenders or prevent contract owners from forwarding payments to PIDC:

- The borrower may have limited growth potential with a limited credit history
- The borrower may have limited access to managerial and financial expertise in managing cash flow and implementing internal controls and systems
- The contract owner may inadvertently bypass remitting payments directly to PIDC and send payments to the borrower, thus increasing the risk that PIDC will not be reimbursed
- Funds advanced to the borrower may have been used for other contracts not assigned to PIDC, leaving direct suppliers and other creditors without payment on the assigned contract.
- Disputes on construction projects (between owners, unions, and contractors) may result in non-payment to the borrower, or reduced payments, leaving an outstanding balance due to PIDC and suppliers, after PIDC funds have been advanced.

As Philadelphia's economic development corporation and often the lender of last resort, we consider the risk factors and develop tools and processes to offset the risks, thus enabling PIDC to provide much-needed financing and business support to small businesses.

In developing tools to offset the risks, PIDC has created the Business Builder workshop series, designed to address certain topics that present common and recurring challenges to small borrowers as revealed through the PIDC underwriting process. Workshop topics include Managing Cash Flow, Developing Financial Projections, Understanding Financial Statements, Personal Credit for Business Growth and many more and are conducted by subject matter experts. With greater business acumen and access to practical business education, many challenges by the small business can be overcome.

Our short-term objectives are providing much needed working capital and ensuring the repayment of the advanced funds to PIDC; our long-term and mission-driven objective is to support the growth of the PIDC borrower demonstrated by a successful transition to a more traditional lending institution to establish a traditional banking relationship. A description of the Contract Line-Of-Credit facility is attached as **Attachment "A"**.

II. Background

In the early 2000's, PIDC partnered with the African-American Chamber of Commerce in providing financing for small demolition contractors working on the Neighborhood Transformation Initiative (NTI) projects, a program of former Mayor John F. Street to revitalize Philadelphia's most distressed neighborhoods. Programmatic funds were provided by the City of Philadelphia through the issuance of bonds. Support included technical assistance to prepare the small contractors for bidding and performing with the City. With the success of this product, the Emerging Business Loan Program evolved and was made available to any company having been awarded a public sector contract or "credit worthy" private contract. PIDC eventually transitioned from using bond proceeds and began using its own sources to capitalize the program. Business support continued through third-party consultants who provided mini assessments of the businesses with workshops to address operational and management deficiencies that inhibited growth.

Success of the program continued through growth of the companies and the absence of this product in the marketplace. This led to a name change, becoming the Contract Line-Of-Credit, reflecting the use of the credit facility on any contract, not limited to construction, and a widening and growing need of working capital to a greater pool of businesses. To date, PIDC has successfully provided more than \$41 million in approvals that have revolved to more than \$100 million to small minority, women and disabled-owned businesses.

III. Scope of Services

PIDC is seeking to engage a CPA firm to provide financial consulting and financial management strategies to PIDC borrowers utilizing the PIDC Contract Line-Of-Credit (CLOC). These services to the borrower would be of an outsourced CFO for a defined period to identify weaknesses, improve financial intelligence and develop more efficient internal controls and systems. Working cooperatively with PIDC and the PIDC borrower, the CPA firm will develop a tactical plan to identify and correct deficiencies within the organization that position the company for continued growth.

PIDC seeks proposals from financial professionals experienced in working with small businesses with specific knowledge of nuances in the construction industry, both in the union and non-union environments. The successful financial professional will demonstrate expertise in construction bidding and scheduling, construction reporting, and construction accounting using technology software to build a more efficient operation that leads to growth.

The successful CPA firm must demonstrate the following:

- Experience and expertise working with companies in the construction industry.
- Knowledge of the local trade unions and practices and procedures.
- Knowledge of construction bonding, bonding requirements, and bonding alternatives.
- Knowledge of and familiarity with construction software/technology or software readily convertible for construction.
- History of providing on-going business management and advisory services to clients in the construction industry.
- Experience working with MBE, WBE and DBE firms is preferred.

The successful firm will be responsible to:

- Attend an initial introductory meeting with the designated CLOC borrower and PIDC staff.
- Conduct a written assessment (in a form acceptable to PIDC) of the borrower's financial and managerial condition including staffing and day-to-day operations through interviews with the borrower and key personnel, meetings, conference calls. The successful firm will be required to make site visits to the office(s) of the borrower.
- Identify the SWOT analysis, CORE assessment or other comparable assessment tool for the borrower's organization.
- Make an initial assessment of the owners' credit to determine credit scores, debt load, and derogatory marks, liens and judgments.
- Recommend technology that may assist in the company's growth.
- Develop benchmarks that assess progress each quarter for the duration of the engagement
- Develop a credit strategy that assesses progress for the 6-month, 12-month and 18-month periods of the engagement.

The successful firm will work with small construction contractors and non-construction firms that are currently PIDC borrowers. The construction companies may be a combination of union and non-union firms. The companies will be operating businesses with at least two (2) years of operational experience. Currently, PIDC has twenty (20) borrowers utilizing the Contract Line-Of-Credit and anticipates no more than ten (10) borrowers to participate in this pilot engagement.

IV. Engagement Outcomes

It is PIDC's expectation to extend this offer of accounting support as a critical component of the long-term growth of the borrower. While all borrowers may not experience the same level of success by this accounting support, the following outcomes will be measures by which the successful CPA firm is expected to achieve:

- Borrowers will have installed construction accounting software and industry-recognized accounting software with training provided by the successful firm.
- Borrower will, in consultation with the successful firm, develop financial statements.
- Borrower will be able to complete project budgets.
- Borrowers will be able to develop a spreadsheet to track contracts, contract payables, and contract receivables.
- Borrower will be able to complete and submit AIA payment forms G702 and G703, if applicable.
- Borrower will be familiar with LCPTTracker, the web-based tool for submitting prevailing wage certified payrolls used by the City of Philadelphia Office of Labor Standards.
- Successful firm will identify all outstanding tax obligations (federal, state and local) of the borrower and work with borrower to enter into reasonable and feasible payment agreements.
- Successful firm will work with borrower to develop a payment matrix for operational and contract obligations.
- Successful firm will identify all personal and business credit barriers and develop a financial plan that increases personal credit scores and improves business credit.

V. Engagement Terms

This engagement will be between PIDC and the successful firm. This engagement will initially be up to 18 months and is considered a pilot program. PIDC, in its sole discretion, will have the option to extend or terminate the pilot program. The proposer should include with its response a form of their contract for legal review by PIDC.

A. Statement of Qualifications

Each proposal must include a statement of qualifications detailing the successful firm's professional expertise, capacity and experience, including examples of no more than five (5) companies where similar services were successfully performed by the firm. These examples should specifically call out the impact of the engagement from the beginning to the end of the engagement.

To the extent the respondent is proposing to use one or more sub-consultants, a statement of qualifications must be submitted for each sub-consultant, along with an explanation of the sub-consultant's proposed role, a description of how the firm's team will be structured and managed, and identification of the project manager and primary point of contact. The respondent and all sub-consultants must identify key personnel who will perform the services and detail their specific responsibilities. For key personnel, the respondent must include résumés or curriculum vitae and brief summaries of up to five (5) companies where similar services were successfully performed, which demonstrate the individual's experience and qualifications.

1. Retention of Sub-Consultants and Key Personnel:

All key personnel and subconsultants must remain with the pilot program until completion, although PIDC reserves the right at all times to request a change in personnel to ensure high-quality service and deliverables. If at any time during the term of the engagement a sub-consultant or key person is terminated or discontinues work, PIDC must be informed within 5 business days. PIDC must approve any substitute sub-consultant or key person prior to their appointment. All proposals must indicate the firm's acceptance of this requirement.

2. Conflicts of Interest:

Each proposal must include a section which discloses professional engagements, relationships, conflicts of interest, and/or potential conflicts of interest that may impact the successful firm's (and/or sub-consultant's) performance of the scope of services. This section should also identify the specific steps the firm will take to ensure no conflicts of interest arise during the term of the contract.

3. References:

Provide at least three, but no more than five references for the firm and each sub-consultant. References must be from companies or organizations where the engagement was similar in scope and successfully completed. Include company or organization names, the firm's role and company or organization contact information (both telephone and email).

B. Explanation of Work to be Performed

The proposal must include a detailed description of the firm's approach to the engagement and proposed method of completing all tasks associated with the Scope of Work (set forth in Section III) in a high-quality, timely fashion.

1. Work plan and Schedule.

Each proposal must include a detailed work plan and schedule, including all tasks, milestones, organization and coordination, and a project timeline with key milestones. Please indicate information that the firm will expect PIDC to provide. PIDC will work collaboratively with the firm and the PIDC borrowers to ensure timely submission of needed information and scheduling.

2. **Capacity to Perform on Time:** Describe the measures your team will take to assure on-time performance. Please cite evidence of recent on-time performance on similar projects.
3. **Compensation:** Each proposal must include a detailed fixed-price cost proposal, clearly identifying the total fee for each task required to complete the Scope of Work set forth in Section III. The proposal must include a breakdown indicating cost per task, hours, staff, applicable hourly rates, overhead, and other constituent costs. All invoices must include the names of borrowers, dates of meetings, and the number of hours per task.

The successful firm will receive payments upon submission and approval of monthly invoices.

VI. RFP Schedule

RFP Release	March 20, 2018	
Deadline for Questions	March 27, 2018	
Responses to Questions	April 3, 2018	
Deadline for RFP Submissions	April 20, 2018	
Estimated Selection & Notification Date	May 18, 2018	

A. Questions

All questions must be submitted in writing and sent via e-mail to Marla S. Hamilton at mhamilton@PIDCphila.com by Noon on March 27, 2018. PIDC will provide responses to all questions by April 3, 2018.

Deadline for RFP submissions is Friday, April 20, 2018 at 12:00 Noon.

VII. Evaluation and Selection

- A. Factors that will be considered in the evaluation include the following, in no particular order:
 - Qualifications and experience of the firm (and sub-consultant(s)) on projects of similar type and magnitude;
 - Qualifications and experience of the proposed project team;
 - Firm's understanding of the Scope of Services, as demonstrated by the proposal;
 - Quality and feasibility of the firm's approach to the Scope of Services, proposed methodologies, and work plan;
 - Value (level of service and personnel for the fee); and
 - Firm's commitment and approach to preventing conflicts of interest in the performance of this contract.

Following an initial review of all proposals, a short-list of proposers may be asked to make a presentation to PIDC prior to selection. PIDC reserves the right at all times during the RFP process to request supplemental information to clarify. PIDC reserves the right, at any time, to reject one or more participants in the proposed team. PIDC retains the right to reject all proposals.

B. Selection

All proposers will be notified of the outcome of the selection process no later than June 1, 2018.

C. Engagement Negotiation

The successful firm will submit a form of their contract for legal review by PIDC. Upon selection of a consultant, PIDC will proceed to negotiate with that consultant. Negotiations must be completed within 10 business days or PIDC will have the option to move on to the next highest ranked proposer. PIDC retains the right to negotiate the work program and fee.

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ATTACHMENT “A”

CONTRACT LINE OF CREDIT

The Contract Line of Credit Loan provides support to small, minority, women, and disabled owned businesses which need a line of credit to fund contract-related working capital. To qualify, contracts must be assignable to PIDC.

USES

Use of funds is restricted to labor, materials, equipment and administrative costs directly associated with the contract being financed. Borrowers are required to participate in PIDC-sponsored business support programs designed to foster sustainable business growth.

FINANCING

Financing is available to qualified businesses that have been awarded public or institutional contracts or sub-contracts. Private sector contracts may also be considered for financing.

Line of Credit Amount:	Starting at \$50,000 Financing will not exceed 90% of the dollar value of the contract(s) being financed.
Term:	May be renewed for additional one (1) year terms subject to PIDC approval.
Interest Rate:	\$249,999 and below: 2.75% \$250,000 - \$499,999: 3.50% \$500,000- \$999,999: 5.00%
Underwriting:	Collateral requirements for the loan must include assignment of contract or sub-contract payments to PIDC. PIDC will review a combination of credit, cash flow, collateral, financial position, management capacity, and industry risk.

TIMING & PROCEDURE

Client submits a completed application to PIDC for staff review at which time a thorough credit analysis is performed. For applications that receive a positive credit evaluation, the loan is presented to the PIDC Loan Committee and the Board of Directors. Following loan approval, PIDC issues a commitment letter to applicant. Settlement of the loan may occur once the terms of the commitment are satisfied. The process from application submission to settlement generally takes approximately 60 to 90 days to complete.

FEES

Fees will vary with each transaction and generally include:

Application Fee:	\$250 - \$1,000 depending on loan size - nonrefundable fee, payable at time of application submission.
Origination Fee:	1.5% of the line of credit amount, payable upon acceptance of PIDC's commitment letter.
Legal Fee:	Ranges from \$500 to a maximum of \$2,500, depending on loan size (does not include third party costs such as appraisals or UCC filings)

Fees are subject to change. Please confirm all transaction fees with PIDC prior to application.

For more information visit PIDCphila.com or contact
Chamor Hollinger at 215-496-8157 or chollinger@pidcphila.com.

As of 1.19.16