

(h) Is present when sealed bids are opened and stands ready to advise on acceptability of bids.

(i) Supervises the printing, signing, and delivery of the bonds.

(j) Advises on investment of bond proceeds.

QUALIFICATIONS AND STANDARDS OF PERFORMANCE

In general, the municipal finance consultant should have a broad knowledge of municipal government, laws, and practices. He should also be fully conversant with the intricacies of underwriting and distributing municipal securities as well as investor preferences and prejudices. Finally, he must be capable of discerning and interpreting developments in the bond and money markets.

While there are no standards in performance as such, the professional services rendered must be of a consistently high caliber as the major portion of new business originates from the referrals of satisfied clients. Experience, reputation, and integrity are the consultant's major assets.

STRUCTURE OF THE INDUSTRY

At this point, a distinction should be drawn between the independent financial consultant and the investment banking firm acting as a consultant. The independent consultant renders professional service for a fee and he represents and acts for the issuer who has retained him. Investment banking firms, on the other hand, are primarily in the business of underwriting and distributing securities for a profit. While there is no question about the ability of a reputable investment banking firm to render competent advice and service—the two functions—acting as agent for the issuer and underwriting the issuer's bonds—have often raised questions of a conflict of interest. Accordingly, some investment banking firms, as a matter of policy, will not participate in the underwriting of an issue, if they are acting as consultant.

Commercial banks, by and large, limit themselves to providing general advice and guidance to governmental issuers. There are a few, however, which offer full consultant services. Attorneys, engineers, and accounting firms have also provided municipalities with advice on bond financing.

NUMBER, SIZE, AND DISTRIBUTION OF FIRMS

Research indicates that there are only six nationally recognized independent municipal finance consultants. One is headquartered in New York with branch offices in Florida and California and has a total of 20 employees. Another is headquartered in Chicago and serves governmental issuers through the Middle West. It has eight employees. Interestingly, there are three such firms in the Minneapolis-St. Paul area operating in Minnesota, Wisconsin, and North and South Dakota, with an estimated 40 employees. There is one independent consultant firm headquartered in California, with about four employees.

A similar tally of investment banking firms presents some problems since every investment banking firm with a municipal bond department is potentially a consultant. However, if consideration is limited to those firms which have one or more individuals actively and consistently engaged only in consulting service then there are at least 30 invest-