ment banking firms which would qualify. Most are headquartered in New York with the bulk of the remainder in Texas and California.

Relationships With Other Segments of the Industry

Financing consultants are employed as agents for the municipality and render services for a fee. The municipality looks to the consultant for advice and guidance in all phases of financing municipal improvements. The consultant, acting as liaison between issuer and underwriters should anticipate and provide for all of the prospective underwriters' needs in the preparation of the bid.

The consultant should work to stimulate interest in the issuers securities among investors and also make sure that bondholders are kept fully informed.

The consultant should work very closely with other technical advisers such as bond counsel, engineers, and architects.

Remuneration

Just as the type of services provided will vary from issuer to issuer, so too does the basis of contracts vary. The size and method of payment of fees will depend upon the type of issue, its size, and complexity.

An issuer who makes regular demands on the capital market may contract with a financial consultant on the basis of an annual retainer. The annual retainer is also preferred in the case of a unique or major project which may involve many years of work before any bonds are actually issued. The retainer may cover all services or it may be credited against a per bond fee, or it may be in addition to per bond fees. Such fees may or may not include expenses.

In a good many cases the fee is established on a per bond basis with charges for revenue bonds generally higher than those on straight general obligation bonds. Such fee schedules are on a sliding scale with the per bond charge decreasing as the size of the issue increases. On a $1 million general obligation issue for example, the fee might be between $2 and $3 per $1,000 bond, while on a $10 million issue, it would only be about $1 or $1.50 per bond.

Revenue bond consulting fees show considerable variation because such issues are generally much more complex than issues backed by a governmental unit's full faith and taxing power. If the security provisions are relatively simple the per bond fee might be only about 25 percent higher than on a general obligation issue of the same size. On others, the fee schedule could be $5 per bond on the first $5 million and $2.50 per bond over $5 million. In certain special instances a per diem arrangement may be made.

As a practical matter, consulting fees can be fixed only after considering the individual bond issue and determining just how much work is involved. There are no pat formulas for putting a bond issue together. Governmental issuers are considerably diverse in their makeup, borrowing powers, etc., and their financing problems are equally diverse.

Future Prospects

When a State or local government undertakes to borrow for a capital improvement, it binds its citizens to a financial obligation which will endure for a generation or more. Increasingly, State and local finance