

REQUEST FOR QUALIFICATIONS

FINANCIAL ADVISORY SERVICES BY INDEPENDENT REGISTERED MUNICIPAL ADVISORS

Relating to:

**General Obligation Bond Issuance and Management
Ohio Public Facilities Commission**

STATE OF OHIO



February 20, 2015

Issued by:

**Ohio Office of Budget and Management
Rhodes State Office Tower
30 East Broad Street, 34th Floor
Columbus, Ohio 43215**

On Behalf of:

The Ohio Public Facilities Commission

I. Introduction

The Ohio Public Facilities Commission is soliciting statements of qualifications for financial advisory services for the period April 1, 2015 through March 31, 2019 in connection with: (i) the issuance and management of State of Ohio general obligation bonds, and (ii) the analysis, execution and management of interest rate swaps and derivative products proposed or entered into in connection with those bonds or outstanding OPFC bonds. The Commission is a body politic and corporate, constituting an agency and instrumentality of the State. It is comprised of six members, being the incumbents in the elective offices of Governor, Attorney General, Auditor of State, Secretary of State, and Treasurer of State, and the appointed Director of the Office of Budget and Management (OBM).

For the four year service period covered by this request for qualifications (RFQ), the Commission anticipates issuing 20-25 series of new money bonds aggregating approximately \$3.0 to \$3.5 billion in par amount and sold predominantly on a competitive basis though some smaller issues may be sold via negotiated sale. Refunding obligations may also be issued if determined to be economically advantageous to the State and consistent with its adopted policies. In addition to managing its existing interest rate swaps, the Commission will also consider entering into new interest rate swaps or derivatives if those transactions are determined to be of a net benefit to the State and consistent with its adopted policies.

Firms responding to this RFQ may apply to be qualified to provide: (i) services associated with the issuance and management of Commission bonds (respond to questions 1-12 and 19-22); (ii) services associated with the execution and management of interest rate swaps and derivatives linked to Commission bonds (respond to questions 1-3 and 13-22); or (iii) services associated with both bonds and swaps/derivatives (respond to all questions). All firms responding to this RFQ must also submit the Certifications in Section VIII.

The Commission will evaluate RFQ responses based on the criteria in Section VI and will select one or more firms to assist with the issuance and management of Commission bonds and related debt functions and one firm to assist with interest rate swaps and derivatives. The selected firms will be responsible for notifying the Commission in writing within 30 days of the occurrence of any: (i) material changes in ownership or ownership structure, organization, personnel, litigation or conflicts, regulatory investigations or enforcement actions, or (ii) changes related to the Certifications in Section VIII.

Responses to this RFQ are the property of the State and will be “public records”. Responses that are labeled “confidential”, or that contain information identified as “confidential”, will not be considered by the Commission.

Any and all questions must be submitted by e-mail to Larry Scurlock at OBM.DebtMgmt@obm.state.oh.us. All questions and responses will be posted to the web at www.obm.ohio.gov under the OPFC section of the “Bonds & Investors” portal. With the sole exception of questions submitted per the above protocol, respondents and their representatives may not communicate about this RFQ with OBM or the Commission members or their designees. Any such communication will disqualify the respondent and its proposal from consideration.

This RFQ is not and shall not be construed as an offer of a contract by the Commission. Any contractual arrangement will be evidenced by a separate contract authorized by the Commission.

II. Minimum Qualifications

Each firm selected to serve must be a registered “municipal advisor” within the meaning of the Securities Exchange Act of 1934 Rule 15Ba1-1(d)(3)(vi) and must have served as the primary municipal or financial advisor on a minimum of five large (\$100 million or greater) state and/or local or regional government bond issues since January 1, 2012.

The firms selected to serve under this RFQ will not be eligible to serve the Commission as an underwriter (at any level) or as an interest rate exchange agreement counterparty during the four year period covered by this RFQ.

III. Scope of Services

The firm's selected through this RFQ process may be asked to provide or assist in the provision of the following services:

Debt Issuance and Management

- Assist and make recommendations on all aspects of the debt issuance, including the method of sale, structure, terms, timing, marketing and pricing.
- Examine, evaluate, and recommend an overall financing plan that is expected to result in the lowest cost of borrowing to the State over the life of the debt, including the ability to estimate and compare the financial impact of various call options and coupon combinations.
- Assist in the preparation of the schedule, distribution list, meeting agendas, the preliminary and final official statements and other documents related to the marketing and issuance of bonds.
- Assist with the preparation for, and participate in, meetings and conference calls with the working group, investors, rating agencies, credit facility providers, and swap providers.
- In negotiated transactions: (i) analyze and recommend pricing levels based on the Commission's historical pricing and the pricing of comparable credits in the then current market; (ii) provide a written opinion that the initial offering price of the bonds reflected fair market pricing on the date of sale; (iii) coordinate the allocation of bonds among the members of the underwriting syndicate team; and (iv) summarize the allocation of bonds across the different types of investors.
- In competitive transactions: (i) assist in the preparation of the notice of sale and bid specifications; (ii) inform underwriting firms of the structure and timing of the transaction; and (iii) independently evaluate bids, verify the TIC calculation, and recommend award.
- Compile secondary market trading information for trades of the issued bonds that occur between the pricing and closing dates and assist in analyzing that information.
- Assist in the evaluation and selection of underwriters/investment bankers, legal counsel, credit facility providers, trustees, verification agents, printers, and other professional service providers, including preparation of RFQ's, requests for proposals (RFPs) or bids and the evaluation of statements of qualifications, proposals or bids submitted in response thereto.
- Monitor and evaluate refunding opportunities with respect to outstanding Commission obligations.
- For refunding transactions, submit or assist with the submission of SLGS subscriptions, evaluate the efficiency of open market securities relative to SLGS and, if necessary, prepare bid specifications and receive bids for open market securities.
- Provide a transaction summary outlining pricing performance, investor participation, orders and allocations, market dynamics, and other relevant data.
- Provide advice and guidance on post-issuance compliance, including but not limited to continuing disclosure, GASB, or any other state or Federal regulations affecting the State's debt, as requested.
- Assist in reviewing and updating the State's debt policies.
- Analyze proposals presented by investment bankers and perform other related services as requested by the Commission.

Swaps and Derivatives

- Advise and assist the Commission in evaluating interest rate swap and other derivative proposals.
- For new interest rate swaps or derivatives: (i) determine pricing relative to mid-market and recommend spreads that fairly compensate the counterparty for costs and profit; (ii) review swap documents to ensure consistency with existing State documents; and (iii) recommend changes in swap documents to ensure terms and conditions most favorable to the State.
- Provide weekly valuations and threshold valuation notifications for each of the Commission's outstanding interest rate swap agreements.
- Assist in the preparation and maintenance of end-of-fiscal-year, derivative disclosure reports required for GASB 53 compliance.
- Assist in reviewing and update the State's interest rate swap and derivative policies.
- Other related services as requested by the Commission.

IV. Submission of Responses

Interested firms must respond to this RFQ in all applicable respects. Responses are strictly limited to a total of 12 pages at no smaller than 12-point font. This 12-page limit does not include requested attachments which consist of the tables of transactions requested in questions 10 and 15, the Information Sheet and the Certification. Please restate each question and sub-question in your response. A complete copy of the response must also be provided on a CD-ROM in both MSWord and PDF format.

A single page cover letter may be submitted with the proposal at the discretion of the responding firm and will not count toward the 12 page limit. Information contained in the cover letter will not be used to evaluate the response. Ten copies of your response are to be delivered to:

Larry Scurlock
Assistant Debt Manager
Ohio Office of Budget and Management
30 East Broad Street, 34th Floor
Columbus, Ohio, 43215

Responses must be received no later than 1:00 p.m. EDST, on Tuesday, March 10, 2015. A responding firm bears full responsibility for the timely delivery of its response at the prescribed location. Responses received after the time and date listed above will not be considered.

V. Compensation

For competitive bond sales, the Commission will compensate the selected firm(s) at a flat rate per issuance of \$0.25 per \$1,000 bond, with a minimum fee of \$12,500 and a maximum fee of \$40,000 per issuance. For negotiated bond sales, the Commission will compensate the selected firm(s) at a flat rate per issuance of \$0.35 per \$1,000 bond, with a minimum fee of \$15,000 and a maximum fee of \$50,000 per issuance.

In circumstances in which three or more series of bonds are sold on the same date, the two largest series by par amount will be considered and compensated as separate sales based on the above fee schedule. Compensation for each additional series of bonds sold on that same date will reflect the applicable minimum fee. The Commission may adjust the above fee schedule to reflect special circumstances that increase the volume or complexity of the work performed.

The above fees are inclusive of all expenses and SLGS subscription services (if applicable). Fees associated with the optimization and bidding of open market securities escrows for refunding transactions will be negotiated with the selected firm and based on the size, term, number of securities and number of payment dates, subject to a maximum fee of \$15,000 per series.

For its existing interest rate swaps and derivatives, the Commission will compensate a selected firm an annual fee of \$12,000 for ongoing weekly valuations and assistance in the preparation and review of fiscal-year end GASB-required schedules. For new interest rate swap and derivative product transactions, the Commission will negotiate an appropriate fee with the selected firm based on factors such as the size, complexity, and term of the transaction. Firms submitting qualifications to serve as the advisor for swaps and derivatives are asked to provide a set of indicative fees in Section VII of this RFQ.

VI. Evaluation Criteria

The statement of qualifications received will be evaluated based upon several factors, including but not limited to:

- A. Capability of the firm to perform the required scope of services, including:
 - i. Knowledge of and experience in the Ohio and national municipal bond markets;
 - ii. Capacity to provide technical financial analysis for bond issuances and derivative products;
 - iii. Understanding of and ideas with respect to lowering the State's cost of borrowing and ability to cost-effectively structure transactions and negotiate pricings; and
 - iv. Ability to assist in the ongoing management of debt and derivative products.
- B. Qualifications, education and experience of the individuals to be assigned to the State.
- C. Commitment to Ohio:
 - i. Experience advising Ohio issuers; and
 - ii. Physical presence within the State of Ohio.

The Commission may, at its discretion, conduct interviews with one or more responding firms. The Commission reserves the right to reject all responses or to solicit additional information regarding a firm's participation in transactions that occur subsequent to its response to this RFQ. The Commission may take into consideration any other information, including information not requested in this RFQ or not included in the statements received.

VII. Information to be Provided by Responding Firms

General Firm Information

- 1. Overview and Organizational Structure
 - i. Provide a brief overview of your firm and its areas of business. Identify ownership and legal organization (e.g., corporation, partnership).
 - ii. Confirm that your firm is a registered "municipal advisor" within the meaning of the Securities Exchange Act of 1934 Rule 15Ba1-1(d)(3)(vi) and that you meet the minimum qualifications set forth in Section II of this RFP.
 - iii. Describe your firm's commitment to public finance and municipal advisory services.
 - iv. Indicate if your firm is a minority business enterprise (MBE) and, if so, how it qualifies as an MBE.
- 2. Footprint
 - i. Provide the total number and location of your firm's offices.
 - ii. Provide the number of employees and total number of municipal advisory professionals.
 - iii. State the location of your offices in Ohio and list the number and type of employees at each.
 - iv. Discuss any significant changes in staffing levels and number of offices since January 2012.

3. Staffing Plan
 - i. Identify the individual(s) from your firm who will be primarily and directly responsible for providing services to the Commission (include the name and telephone number for the lead individual and any quantitative personnel).
 - ii. Provide information relative to the training, education and relevant experience of the listed individuals, including the number of years with the firm.
 - iii. Confirm that only individuals from your firm and not subcontractors of your firm will provide services to the Commission.

Debt Issuance and Management

4. Describe your firm's experience, qualifications and resources to perform the tasks identified in the scope of services under Debt Issuance and Management. Describe how your firm is organized to facilitate coordination of its advisors and specialists who may be performing various tasks within the scope of services.
5. Provide an overview of the major legislative and regulatory changes in the municipal bond market since January 2012.
6. Describe your firm's ideas with respect to structuring and marketing OPFC obligations that would lower the State's cost of borrowing taking into account potential future refunding savings. Include in the discussion your approach to determining call option and couponing parameters on competitive offerings.
7. Describe how your firm would manage the pricing of a negotiated bond sale, including the real-time resources and information your firm would utilize. Discuss ideas your firm has with respect to the competitive sale process that would help achieve the lowest cost of borrowing on the day of sale.
8. Provide recommendations on the most cost effective method of introducing more variable rate debt into the State's debt portfolio. Include a discussion of the risk factors inherent in the products you propose.
9. Provide two references from public issuers to which your firm has provided debt issuance and management services since January 2012 that can be contacted by the Commission during the RFQ process. Identify the primary contact (name, title, address, telephone and e-mail) and list the transactions worked on for that issuer.
10. Provide a tabular listing and subtotals for each of the following types of transactions for which your firm has served as the primary financial advisor since January 2012. Please identify the issuer, par amount, security structure, and method of sale for each transaction.
 - (i) Fixed rate bonds for state-level issuers outside of Ohio;
 - (ii) Variable rate debt for state-level issuers outside of Ohio;
 - (iii) Bond or note issuances for state-level bond issuing authorities or agencies in the State of Ohio; and
 - (iv) Bond or note issues of more than \$50,000,000 for non-state-level issuers in Ohio (e.g., large local/regional governments and school districts).
11. For work outside the scope of services of this RFQ, please propose an average hourly fee or provide a representative fee schedule for the individuals to be assigned.

12. Discuss any other relevant factors that you believe should be considered by the Commission.

Swaps and Derivatives

13. Describe your firm's experience, qualifications and resources to perform the tasks identified in the scope of services under Swaps and Derivatives.
14. Describe how your firm would price a negotiated swap to determine the mid-market level and the appropriate level of fees to compensate the counterparty for costs (hedging/execution, legal, credit, etc.) to achieve the lowest possible cost of borrowing for the State. Include in your answer the real-time resources and information your firm has access to and will utilize to ensure the best possible pricing.
15. Provide a tabular list of the notional amount by type of product (synthetic fixed, synthetic variable, basis swap, other) of swaps or derivatives you have entered into since January 2012 for the following categories of municipal issuers. Identify each issuer separately within the table and calculate totals for each category.
 - (i) State-level issuers nationally (excluding Ohio)
 - (ii) State-level issuers in Ohio
 - (iii) Local government issuers in Ohio
16. Assuming a negotiated floating-to-fixed LIBOR swap involving the State's general obligation credit (assume \$100 million in serial maturities over 20 years and a level debt service structure), please provide an indication of the fee that your firm would propose both in basis points and in dollars.
17. Provide two references from public issuers to which your firm has provided interest rate swap and derivative services since January 2012 that can be contacted by the Commission during the RFQ process. Identify the primary contact (name, title, address, telephone and e-mail) and list the transactions worked on for that issuer.
18. Discuss any other relevant factors that you believe should be considered by the Commission.

Regulatory

19. With respect to the State of Ohio, describe your firm's compliance with MSRB Rule G-37 on Political Contributions and Prohibitions on Municipal Securities.
20. Describe any investigation, review or litigation regarding a violation or alleged violation by your firm of any state or federal securities, investment advisor, or tax law or regulation relating to tax-exempt financings that is currently pending or that was concluded since January 1, 2012.
21. Describe any official investigation or review, or litigation regarding a violation or alleged violation by your firm of any State of Ohio ethics (Chapter 102 and Sections 2921.42 and 2921.43 of the Ohio Revised Code), campaign financing (Chapter 3517 of the Ohio Revised Code), lobbying (Sections 101.70 et seq. and 121.60 et seq. of the Ohio Revised Code), and non-discrimination (Section 125.111 of the Ohio Revised Code) laws or rules that is currently pending or concluded since January 1, 2012.
22. Describe reasons for and explanations of any deviation from the Certifications in Part VIII of this RFQ.

Information Sheet

**Ohio Public Facilities Commission
Request for Qualifications for
Financial Advisor for Bonds and
Financial Advisor for Interest Rate Swaps and Derivative Products**

Name of Firm: _____

Primary Contact: _____

Telephone Number: _____

E-Mail Address: _____

Mailing Address: _____

Qualification Categories: _____ Debt Issuance and Management (Questions 1-12 and 19-22)
 _____ Interest Rate Swaps and Derivatives (Questions 1-3 and 13-22)
 _____ Both Debt and Swaps and Derivatives (Questions 1-22)

Date: _____, 2015

VIII. Certifications - this section must be completed by all firms

CERTIFICATIONS

In addition to responding to the foregoing items, this firm certifies that:

1. The firm's position as financial advisor in the proposed project will not create any conflict of interest for the firm or any of its assigned personnel and it will promptly disclose to the OBM any such conflict of interest if, as and when it arises and is known to the firm. (If you believe that any conflict of interest may exist, the nature of the conflict must be described in Part VII, question 22).
2. All of the assigned personnel of the firm who are not United States citizens will have executed a valid I-9 form and have valid employment authorization documents.
3. The firm is an independent contractor and neither firm nor its personnel shall at any time, or for any purpose as a result of the transactions be considered as agents, servants, or employees of OBM or the State of Ohio, or as public employees for the purpose of Ohio Public Employees Retirement Systems benefits.
4. The firm is not currently in violation of or under any investigation or review for a violation of any state or federal law or regulation that might have a material adverse impact on the firm's ability to serve.
5. The firm is and will be during the period from the below date through March 31, 2019 in compliance with all applicable federal, State and local laws, including but not limited to the applicable provisions of the following for which it also makes the following related certifications:
 - a) State of Ohio equal opportunity provisions (Section 125.111 of the Ohio Revised Code) The firm is an equal opportunity employer that does not and will not discriminate against applicants or employees on the basis of race, color, religion, sex, age, disability, military status, national origin, or ancestry. In addition, in compliance with such provisions, the firm has a written affirmative action program for the employment and effective utilization of economically disadvantaged persons and will annually report such progress.
 - b) The Federal (41 U.S.C. 701(a)) and Ohio (R.C. 153.03) Drug Free Workplace Acts. The firm will make good faith efforts to ensure that all of its employees will not have or be under the influence of illegal drugs or alcohol or abuse prescription drugs in any way while providing services to the State of Ohio.
 - c) State of Ohio ethics (Chapter 102 and Sections 2921.42 and 2921.43 of the Ohio Revised Code), campaign financing (Chapter 3517 of the Ohio Revised Code), lobbying (Sections 101.70 and 121.60 et seq. of the Ohio Revised Code) and non-discrimination (Section 125.111 of the Ohio Revised Code).
 - d) Section 9.24 of the Ohio Revised Code. The firm is not subject to an "unresolved" finding for recovery under that section.
 - e) Pursuant to Ohio Executive Order 2011-12K¹, the firm, if selected, will not provide any services (including data storage) in connection its work for the Commission from outside of the United States.
¹ <http://procure.ohio.gov/pdf/EO201112K/EO201112K.pdf>
 - f) The firm is duly registered as a "municipal advisor" within the meaning of the Securities Exchange Act of 1934 Rule 15Ba1-1(d)(3)(vi), and acknowledges that if selected to provide services under this RFQ it (a) must maintain that status as a registered "municipal advisor" and (b) will not be eligible to serve the Commission as an underwriter (at any level) or as an interest rate exchange agreement counterparty during the four-year period covered by this RFQ.

CERTIFICATIONS (continued)

Firm: _____

By: _____

Name: _____

Title: _____

Date: _____, 2015