

CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY
Resolution No. 2000-4

December 7, 2000

This resolution would authorize the Executive Director to enter into an Agreement with Public Financial Management (PFM) for financial advisory services related to the bond sale process. The Agreement would be for a period of three years and would be utilized by CEFA on an as-needed basis. PFM would invoice the Authority for professional services at the accepted hourly rate.

Background: CEFA (and the California Health Facilities Financing Authority [CHFFA]) requested proposals from pre-qualified financial advisory firms in the State Treasurer's Pool in June of this year, to provide professional services related to the sale of CEFA and CHFFA bonds. Staff has determined that the use of a financial advisor prior to and during the sale of client bonds in the marketplace would significantly enhance our ability to obtain the best structure and lowest interest cost. In the current market, competition from other transactions and the need to negotiate terms that meet the needs of both the borrower and the investor requires issuers to have direct access to relevant bond data both in the primary and secondary markets. Since market data changes constantly, CEFA and CHFFA need the ability to react not only to the initial proposals for bond sales, but to repricings and proposed adjustments to the structure as the sale progresses.

Since qualified financial advisors are in the market daily, have access to the most current data and work with most underwriters and major bond funds on a continuous basis, staff believes that the advisor can provide significant assistance not only with the actual bond sale, but with review of proposed costs of issuance, credit enhancement analysis and other components of the bond issuance process. (See attached RFP for complete scope of services).

Staff received proposals from seven professional financial advisors in response to the RFP. After a thorough review of the detailed proposals, four firms were selected to participate in oral interviews/presentations. The interviews allowed staff to determine which of the firms had the best grasp of services required by CEFA and CHFFA and which appeared to be most qualified to provide those services.

Based on the RFP responses and the interviews, Public Financial Management was selected as the winning bidder. Staff proposes entering into a three year Agreement with PFM for bond sale advisory services. PFM will provide work as needed by staff and will be compensated at an hourly rate of \$195. This will be a joint Agreement with CHFFA, with services billed directly to the appropriate Authority.

Recommendation: Staff recommends approval of the proposed Agreement with Public Financial Management.