

Request for Proposals (RFP) for Underwriter Services

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Planning a Bond Sale, Session Three, October 27, 2016

Getting Organized

- An underwriter RFP is used for negotiated underwritings
 - not needed for competitive sales
- Underwriter Requests for Proposal Process (RFPs) requires both internal and external coordination
 - Internal – Determine which departments will be involved in selection process
 - External – Work with your Municipal Advisor (MA) (and Bond Counsel, if needed)
- With careful planning and organization, the underwriter selection process can be handled efficiently, effectively, and fairly

Plan Financing

Develop financing plan concepts:

- Discuss financing ideas with your Municipal Advisor
- Determine goals and requirements of the financing
- Decide timing of events

Develop (write) the RFP

- RFP should detail questions that allow you to compare and rank underwriters
 - Structuring recommendations
 - Coupon structure and yield estimates strategy
 - Rating agency strategies
 - Project/refunding experience
 - Relationship with issuer/client
 - Marketing strategies and investor outreach
 - Underwriting and other fees that the issuer would be expected to pay for
 - Syndicate structure recommendation
 - Willingness to underwrite unsold balances

Distribute Underwriter RFP

- Develop list of underwriters to send RFP to directly
 - MA can provide contact list
- Distribute RFP with a firm deadline for responses
 - Specify date, time, and time zone for response deadline
 - Issuer or MA may send out and/or receive responses
 - Responses can be limited to e-mail
- Have a plan for handling questions after RFP is distributed

Review/Evaluate RFP Responses and Select Senior UW

- Determine scoring/evaluating criteria
 - Can use different weighting for different questions
 - May want to hold interviews for top responses
 - May want to check references
- Determine selection committee
- Score and rank responses
- Select and notify Senior Managing Underwriter
 - Also select co-managers, if needed

Define Deal Parameters and Structure

- Once the UW team is selected, further refine parameters and structure
 - Type of bond security: GO, Revenue, COP, Lease Revenue
 - New money: Project fund size, timeline, reserve fund
 - Refunding: Advanced/current, minimum NPV savings, escrow efficiency tests
 - Call features
 - Determine number of firms in bond syndicate
 - Other Considerations: Green bond eligibility, tax issues, number of series, bond insurance or other credit enhancement

Negotiate UW Terms and Syndicate Rules

- Negotiate fee and terms with Senior Managing Underwriter
 - Management fee (if any)
 - Takedown
 - Expenses
 - Municipal advisor should be able to provide comps
- If co-managers are selected, determine the syndicate rules
 - Group Net vs. Net Designated
 - Syndicate structure and liability
 - Order priority (retail, professional retail, institutional)
 - Retail definition

Example: SRCSD's \$378 million Series 2014A Revenue Bonds Transaction Team (Underwriters)

Wells Fargo Securities
Senior Manager

Bank of America Merrill Lynch
Co-Senior Manager

Morgan
Stanley
Co-Manager

JP Morgan
Securities
Co-Manager

Raymond
James
Co-Manager

Summary

- Good planning and organization will help you conduct an effective and fair process that will result in the best financing for your organization
- Use your MA as a key part of your team, from planning through negotiating deal structure
- Lowest fees don't always result in the best financing. Look at other factors beside underwriter compensation, particularly experience, structuring ideas, and marketing
- With an unusual structure, difficult credit, or turbulent market, give weight to an underwriter's willingness to commit capital to underwrite unsold balances