

**CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY**  
**Resolution No. 2001-2**

**October 25, 2001**

This resolution would authorize the Executive Director to enter into an Agreement with the winning bidder of the Request for Proposal for Bond Sale Financial Advisor Services Related to the Bond Sale Process (RFP) and enter into an Interagency Agreement with the California Health Facilities Financing Authority (CHFFA) for reimbursement of Financial Advisory services related to health care issues. The Financial Advisory Firm would invoice the Authority for professional services at the accepted hourly rate. The services would be utilized by CEFA and CHFFA on an as-needed basis and CEFA would bill CHFFA for reimbursement of healthcare Financial Advisory service fees.

**Background:** Staff 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.

CEFA and CHFFA requested proposals from pre-qualified financial advisory firms in the State Treasurer's Pool last June to provide professional services related to the sale of CEFA and CHFFA bonds. The Authority previously authorized by Resolution No. 2000-04, the execution of an agreement with Public Financial Management to provide Bond Sale Financial Advisory services. However, it was subsequently determined that although the Request for Proposal for the Bond Sale Financial Advisor was made available to all firms in the State Treasurer's Financial Advisor Pool, proper advertisement through the State Contracts Register was omitted and CEFA could not obtain all of the required approvals for the proposed contract.

Staff has prepared a new Request for Proposal for Bond Sale Financial Advisor, advertised in the State Contracts Register and mailed a copy to all Financial Advisory Firms in the State Treasurer's Financial Advisor Pool. The Department of General Services has advised a single contract between either CEFA or CHFFA and the Financial Advisor and an Interagency Agreement between the Authorities for proper reimbursement of fees for health or education services. Staff desires to enter into a three year agreement with the Financial Advisory firm selected from the RFP for both the Authority and CHFFA and simultaneously enter into an Interagency Agreement with CHFFA for reimbursement of Financial Advisory fees related to health care issues. The total proposed contract will be for an amount not to exceed \$600,000, with maximum amounts for CEFA and CHFFA of \$300,000 each.

**Recommendation:** Staff recommends approval of the proposed Agreement with the selected Financial Advisory Firm for an amount not to exceed \$600,000 and an Interagency Agreement with CHFFA for an amount not to exceed \$300,000.