

May 10, 2023

**SUPPLEMENTAL REQUEST FOR
STATEMENT OF QUALIFICATIONS
MUNICIPAL ADVISOR SERVICES**

To Interested Pool Members:

The California State Treasurer's Office (STO) requests that firms interested in providing municipal advisory services for the State of California's (State) General Fund supported bond programs (primarily General Obligation Bonds, the State Public Works Board Lease-Revenue Bonds, and Revenue Anticipation Notes), and the State's Department of Veterans' Affairs bond programs (Veterans General Obligation Bonds and Home Purchase Revenue Bonds) submit a Supplemental Statement of Qualifications (SOQ) to the STO by 12:00 p.m. (Pacific Time) on May 31, 2023, by e-mail to InvestorRelations@treasurer.ca.gov. The SOQ should respond to the attached request.

STO protocol requires that firms (and its agents) refrain from advocating or inquiring about the status of this selection process unless contacted by the STO. Any necessary contact with the STO regarding this request should be directed exclusively to Geoff Palmertree at (916) 653-2440 or via e-mail at gpalmertree@treasurer.ca.gov unless instructed otherwise by a member of the STO. Failure to adhere to this protocol may result in disqualification.

Sincerely,

/s/ original signed copy on file

Blake Fowler, Director
Public Finance Division

**SUPPLEMENTAL REQUEST FOR
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MUNICIPAL ADVISOR SERVICES**

I. OVERVIEW

The California State Treasurer's Office (STO) requests Supplemental Statement of Qualifications (SOQs) for municipal advisory services for the State of California's (State) General Fund supported bond programs and the State Department of Veterans' Affairs (CalVet) bond programs. This Supplemental Request for Qualifications (RFQ) outlines the scope of services and the information required for submission.

The STO expects to retain two or more firms as a result of this RFQ and will enter into a contract with each firm selected from July 1, 2023 to June 30, 2026. The STO reserves the right, with the consent of the firm, to extend the contract beyond June 30, 2026. Selected firms will be assigned to specific programs, including, but not limited to, the General Obligation (GO) bond program, the State Public Works Board (SPWB) Lease-Revenue Bond (LRB) program, the Revenue Anticipation Notes (RANs) program, the CalVet General Obligation (Vets GO) bond program, and the CalVet Home Purchase Revenue (Vets Revenue) bond program.

II. BACKGROUND

A. GO Bonds

The STO is responsible for the issuance of State GO Bonds, including commercial paper notes (CP Notes), which are an authorized form of GO Bonds. Proceeds from GO Bond sales and GO CP Notes provide funding for projects authorized under various bond acts approved by the voters of the State.

As of January 1, 2023, the State had \$68.3 billion in non-self-liquidating GO Bonds outstanding and \$27.8 billion in authorized but unissued non-self-liquidating GO Bonds. The State also had approximately \$1.3 billion in outstanding CP Notes. There are approximately 60 GO bond acts under which long term bonds and/or CP Notes are outstanding of which over 30 bond acts have authority remaining to be issued. Further, there are approximately 78 issues of GO Bonds outstanding, comprised of over 1,300 series and over 1,000 maturities across the various bond acts. Each GO bond act creates a separate series within a GO Bond issue. Each maturity of a bond issue may be assigned to one or more bond acts. GO Bonds are not required to be assigned proportionately by bond act within an issue.

\$749.2 million of the State's outstanding debt is variable rate debt. In connection with the State's variable rate and CP Notes programs, the State has entered into several reimbursement agreements or other credit agreements with a variety of financial institutions. As of January 1, 2023, the State maintained agreements with 12 different financial institutions.

B. SPWB LRBs

The SPWB issues LRBs to pay for the construction of various facilities including, but not limited to, court facilities, correctional facilities, and office buildings. The State typically leases facilities to a state agency or department under a long-term lease, which provides the source of payment for debt service on the bonds. As of January 1, 2023, the SPWB had \$8.1 billion in fixed-rate LRBs outstanding and \$5.8 billion in authorized but unissued LRBs.

C. RANs

Historically, as part of its cash management program, the State regularly issued short-term RANs to partially fund timing differences between receipts and disbursements, as the majority of General Fund revenues are received in the latter part of the fiscal year. By law, RANs must mature prior to the end of the fiscal year of issuance. The State has not issued RANs since fiscal year 2014-15.

D. CalVet Bonds

Vets GO Bonds and Vets Revenue Bonds provide funds for the CalVet Home Loans Program. Since its establishment in 1921, the Home Loans Program has provided loans to 426,500 veterans in California. Vets GO Bonds are considered “self-liquidating” GO Bonds since debt service is first paid from the Veterans' Farm and Home Building Fund of 1943 (the "1943 Fund"), a revolving special fund in the State Treasury. If monies in the 1943 Fund are insufficient to pay debt service when due, the balance is payable from the State’s General Fund. As of January 1, 2023, the State had \$675.7 million in Vets GO Bonds outstanding and \$636.2 million in authorized but unissued Vets GO Bonds.

Vets Revenue Bonds are special obligations of CalVet and payable solely from and equally and ratably secured with other Vets Revenue Bonds by a pledge of an undivided interest in the assets of the 1943 Fund, other than proceeds of Vets GO Bonds, and certain other funds. Neither the faith and credit nor the taxing power of the State or any political subdivision thereof is pledged to the payment of the principal of or the interest on Vets Revenue Bonds. As of January 1, 2023, the State had \$431.8 million in Vets Revenue Bonds outstanding.

For CalVets Bonds, CalVet utilizes a separate quantitative consultant for its cash flow modeling and bond structuring. Accordingly, the scope of services for the Vets GO Bonds and Vets Revenue Bonds will exclude these services.

III. SCOPE OF SERVICES

- A.** The STO expects selected firms to provide the full range of municipal advisory services required in connection with (a) the successful issuance and delivery of GO, SPWB LRBs, RANs, Vets GO, and Vets Revenue issues; (b) on-going municipal advisory services for the GO, SPWB LRBs, RANs, Vets GO and Vets Revenue programs; and (c) additional services as mutually agreed between the parties.

Please note that for the SPWB LRBs assignment, the firm's clients will be both the STO and SPWB, and for the Vets GO and Vets Revenue Bond assignment, the firm's clients will be both the STO and CalVet.

The scope of services for each program may include, but not be limited to, the following:

1. Consult with the STO in developing a coordinated plan for the timing of General Fund supported and other State debt issuance each year;
2. Provide information on major national, state, and local debt issuances that may coincide or compete with State issuances. Provide strategies and feedback on how to market the bonds to investors. Review and comment on the proposed marketing plan submitted by the syndicate;
3. Prepare quantitative analyses related to the bond sizing, structure, flow of funds, and debt service savings from refundings (not applicable for Vets GO and Vets Revenue Bond assignment). Calculate and verify the true interest cost of bonds, when sold;
4. Assist the STO, when requested, with rating agency or investor presentations or meetings;
5. Participate in bond document review sessions. Review the preliminary and final official statements, including the State's Appendix A (if applicable), and participate in due diligence meetings;
6. For competitive sales, assist in the preparation of the Notice of Sale, assist in developing the structure, bid parameters, verification of the bid results, and closing memo (if applicable);
7. Assist the STO in developing options, plans and strategies to meet future funding needs for each program;
8. Examine applicable law and coordinate with the STO and Bond Counsel to ensure compliance with federal tax law in order to maintain the tax-exempt status of the bonds (if applicable);
9. Participate in a post-financing review as directed by the STO. At a minimum, this work will include preparation of a memorandum that addresses how the State's bonds priced relative to market indices, comparables and any attainment of goals established prior to sale;
10. Analyze the cost and benefit of different structuring and pricing options. This includes, but is not limited to, fixed rate versus variable rate bonds, insured versus uninsured bonds, callable versus non-callable bonds, short calls versus standard calls, and par versus premium or discounted bonds;

11. Participate in all pricing discussions. In consultation with the STO, provide data on market comparables and different indices that can be used in pricing discussions;
12. Assist the STO in the coordination and review of the senior manager's quantitative analyses related to the bond sizing, structure, product mix, and flow of funds (not applicable for Vets GO and Vets Revenue Bond assignment);
13. As directed by the STO, solicit and review liquidity and credit enhancement proposals;
14. Assist the STO in reviewing proposed syndicate policies including liability assignments, priority of orders, designation policies, and underwriter compensation. Review industry practices and make recommendations;
15. Assist the STO with monitoring and determining the feasibility of refunding opportunities (not applicable for Vets GO and Vets Revenue Bond assignment). Assist the STO in structuring and bidding out the escrow and evaluating the purchase of authorized investment securities. This includes preparation of the bid form and solicitation of verification agent services;
16. Advise the STO, when requested, on the method of sale, competitive or negotiated, that should achieve the lowest borrowing cost for the State;
17. Upon request, identify new strategies and initiatives to enhance debt performance and lower costs. Identify new ideas and products in the marketplace and report on strategies of other issuers that may be relevant to the State. Monitor market movements and developments and keep the STO informed of these developments;
18. Provide ongoing assistance and advice to the State on other matters related to its General Fund supported bond programs;
19. Perform additional services as needed from time to time, including but not limited to, training or special projects upon STO request;
20. The following services are unique to the GO program:
 - a. For bonds sold on a negotiated basis, prepare a detailed written analysis as to why a negotiated sale will result in a lower interest cost to the State than a competitive sale. This analysis serves as the basis for the STO to make the required statutory findings for negotiated sales;
 - b. Working with the STO, maintain a database of all of the State's outstanding GO Bonds on a maturity-by-maturity basis, with all

relevant descriptive information for each maturity (CUSIP, series, series maturity, program ID, dated date, final maturity date, original par, outstanding par, interest rate, call provisions, refunded status, type of issue, etc.) to allow among other things, scenario analysis of the impact of future debt issuance and refunding analyses;

- c. Working with the STO, maintain a database to calculate deviations of “hypothetical” debt service assuming that all bonds were issued on a level debt basis to actual debt service;
- d. Recommend optimal amortization structure considering demand estimates, cost estimates, deviations of actual debt service versus hypothetical level debt, future call dates, and future bonding needs;
- e. In connection with pricing, create an allocation schedule for the sales series’ maturities by program. This is used in importing data into the State’s debt management system as well as assists bond counsel with the creation of bond certificates and closing documents;
- f. Provide quantitative support and advice on the State’s variable rate GO Bonds and CP Notes Program, including dealer and remarketing agent performance, structuring and negotiating letter of credit facilities, and monitoring of the credit providers; and
- g. Assist the STO in the preparation of portions of the annual Debt Affordability Report, which is due by October 1 of each year.

21. The following services are unique to the SPWB LRB program:

- a. Working with the STO, maintain a database to support the calculation of the master reserve requirement for the SPWB LRB program and perform an analysis, as requested, on the impact of a proposed bond issuance to the master reserve requirement.

22. The following services are unique to the CalVet bond program:

- a. For Vets GO Bonds sold on a negotiated basis, prepare a detailed written analysis as to why a negotiated sale will better assist CalVet in providing funds for its Home Loans Program. This analysis serves as the basis for the STO to make the required findings for negotiated sales.

IV. MINIMUM QUALIFICATIONS

A. STO MUNICIPAL ADVISOR POOL MEMBER

The firm must be a current member of the STO's Municipal Advisor Pool in good standing.

B. COMPLIANCE WITH POLITICAL REFORM ACT

Principals at the firm engaged for each assignment will be required to comply with the Political Reform Act and complete a Statement of Economic Interests (Form 700) within 30 days of executing the contract with the STO and annually each calendar year during the term of the contract. For more information, please visit the Fair Political Practice Commission website at www.fppc.ca.gov.

C. SOLE MUNICIPAL ADVISOR EXPERIENCE

FOR GO BOND PROGRAM ASSIGNMENTS, THE FOLLOWING MINIMUM QUALIFICATION IS REQUIRED:

The firm must have served as the sole municipal advisor on a general obligation bond financing of at least \$100 million for a California public agency since January 1, 2019. Please describe how your firm meets this requirement.

FOR SPWB LRB ASSIGNMENTS, THE FOLLOWING MINIMUM QUALIFICATION IS REQUIRED:

The firm must have served as the sole municipal advisor on a lease-revenue bond financing of at least \$100 million for a California public agency since January 1, 2019. Please describe how your firm meets this requirement.

FOR RANS PROGRAM ASSIGNMENT, THE FOLLOWING MINIMUM QUALIFICATION IS REQUIRED:

The firm must have served as the sole municipal advisor on a short-term cash flow note financing of at least \$100 million for a California public agency since January 1, 2019. Please describe how your firm meets this requirement.

FOR CALVETS BOND PROGRAM ASSIGNMENT, THE FOLLOWING MINIMUM QUALIFICATION IS REQUIRED:

The firm must have served as the sole municipal advisor on a financing of at least \$50 million for a single-family housing bond or veteran bond financing since January 1, 2019. Please describe how your firm meets this requirement.

D. ON-GOING MUNICIPAL ADVISOR EXPERIENCE

The firm must have served as the on-going municipal advisor to an issuer of municipal bonds for at least three consecutive years since January 1, 2019. Please describe how your firm meets this requirement.

V. CONTENT OF STATEMENT OF QUALIFICATIONS

Responses should be limited to fifteen (15) pages (excluding attachments and appendices) using a font size of no less than 12 pitch. If a question does not apply to the firm or circumstances, please respond "not applicable." Failure to provide all requested

information or deviation from the required format will delay processing of the firm's SOQ and may result in disqualification. Address the following items in responding to this supplemental RFQ:

A. COVER LETTER

Submit a cover letter on the firm letterhead, signed by an authorized representative, highlighting the key points of the firm's proposal. Please indicate which bond program the firm is applying for: GO Bond program, SPWB LRB program, RANs program, Vets GO Program, and/or Vets Revenue Program. The cover letter should not exceed one page.

B. MINIMUM QUALIFICATIONS

Provide information on how the firm meets the minimum qualifications, as described in section IV. MINIMUM QUALIFICATIONS, for the assignment(s) for which the firm is applying.

C. QUALIFICATIONS, EXPERIENCE, KNOWLEDGE, AND SERVICE DELIVERY CAPABILITIES

Please respond to the following:

1. Personnel

- a. Provide the names and titles of the individuals that will be assigned to work with the STO. STO projects can involve a significant amount of hours and restrictive time frames, please describe each individual's availability to work on STO projects.
- b. Describe the role of each individual on the team and the anticipated division of duties.
- c. Please attach a detailed resume (similar to one that would be submitted for employment) for each team member.
- d. Please identify any additional individuals within the firm that may be available for consultation and describe their specialized expertise.

2. Municipal Bond Experience

- a. Describe both the firm's and the assigned individual's experience in providing municipal advisory services to large, ongoing municipal bond programs in both California and nationally.
- b. Describe any debt optimization models used to enhance the program's debt portfolio.
- c. Provide a short narrative describing the firm's and assigned individual's technical expertise.

3. If applying for the GO Bond Program assignment, please respond to the following:
 - a. Describe the assigned individuals' municipal advisory experience with respect to general obligation bond financings for California public agencies since January 1, 2019.
 - i. Include the size of the issue, the date of such financing (or status and projected sale date if not yet completed), whether issued on a competitive or negotiated basis, the role of the firm, and the name of the issuers.
 - b. Please provide the firm's ideas on how the State should approach the management of its GO bond program, considering cost, marketability, affordability, current debt profile, flexibility to incur additional debt and restructure debt, credit ratings, and any other considerations you believe are relevant to the State.
 - c. Please provide the firm's ideas on how the State should approach the management of its GO variable rate debt portfolio over the course of the next two to five years?
4. If applying for the SPWB LRB assignment, please respond to the following:
 - a. Describe the assigned individuals' municipal advisory experience with respect to LRB financings for California public agencies since January 1, 2019.
 - i. Include the size of the issue, the date of such financing (or status and projected sale date if not yet completed), whether issued on a competitive or negotiated basis, the role of your firm, and the name of the issuers.
 - b. Describe the firm's knowledge of the SPWB's LRBs program and provide any recommendations or considerations your firm believes would be important to the LRBs program.
5. If applying for the RANs assignment, please respond to the following question:
 - a. Describe the assigned individuals' municipal advisory experience with respect to short-term cash flow note financings for California public agencies since January 1, 2019.
 - i. Include the size of the issue, the date of such financing (or status and projected sale date if not yet completed), whether issued on a competitive or negotiated basis, the role of your firm, and the name of the issuers.
 - b. Describe the firm's knowledge of RANs and provide any recommendations or considerations your firm believes would be relevant for the State to consider when issuing RANs.

6. If applying for the CalVets bond program assignment, please respond to the following:
 - a. Describe the assigned individuals' municipal advisory experience with respect to single family and/or veterans housing bond financings since January 1, 2019.
 - i. Include the size of the issue, the date of such financing (or status and projected sale date if not yet completed), whether issued on a competitive or negotiated basis, the role of the firm, and the name of the issuers.
 - b. Describe the firm's knowledge of the CalVet's bond program, and provide any recommendations or considerations your firm believes would be important to the program.
7. Commercial Paper/Variable Rate Experience
 - a. Describe the assigned individuals' municipal advisory experience with commercial paper and variable rate programs, including negotiating and structuring credit facilities.
8. Structured Investment Product Experience
 - a. Is the firm a Registered Investment Advisor? Describe the assigned individuals' experience serving as an investment advisor on structured investment products such as investment agreements, forward delivery agreements, and repurchase agreements.
9. Best Practices
 - a. Describe the firm's procedures for keeping abreast of "best practices" in municipal bond issuance and communicating those practices to its clients.
10. Other Experience
 - a. Describe any other experience the firm believes is relevant to the GO, RANs, LRBs, Vets GO, and Vets Revenue programs and/or provide any other information the firm would like the STO to consider.

D. LEGAL INFORMATION AND CONFLICTS OF INTEREST

Please provide the following:

1. Information on any recent or upcoming change in legal structure and/or ownership of the firm;
2. **Conflicts of Interest:** On a separate attachment, describe any existing or potential conflict of interest arising from (1) other lines of business of the firm; (2) the firm's relationships with or representation of other parties that would constitute an actual or potential conflict of interest or appearance of impropriety. Provide sufficient facts, legal implications, and possible effects in order for the State to appreciate the significance of each potential

conflict. If a conflict does or might exist, please describe how your firm will eliminate or prevent it. Indicate what procedures will be followed to detect, notify the STO of, and resolve any such conflicts. *Responses to this question do not count toward the total page maximum requirement.*

E. COMPENSATION

Please submit fee proposals for serving as municipal advisor for GO, SPWB LRBs, RANs, Vets GO, and Vets Revenue issuances by completing **Attachment A, Fee Matrix**. The STO will consider proposals that are based on flat fee compensation, hourly rate compensation or a hybrid approach that utilizes a flat fee covering specified services/projects and an hourly rate for other specified services. All proposals for flat fee compensation, hourly rate compensation, or a combination thereof shall indicate clearly, what services are covered by each type of compensation. Proposed fees would be in effect for July 1, 2023 through June 30, 2026.

Costs incurred for pre-approved travel and other travel related expenses will be reimbursed in accordance with current State policy for Excluded Employees. See: <https://www.calhr.ca.gov/employees/Pages/travel-reimbursements.aspx>.

VI. DELIVERY

The STO will reject any incomplete SOQs. The STO accepts SOQs by **e-mail only**. SOQs are due to the STO by 12:00 p.m. (Pacific Time) on May 31, 2023.

A. E-Mail Delivery

1. Address:
To: InvestorRelations@treasurer.ca.gov
Subject: FIRM NAME – 2023 Supplemental Municipal Advisor RFQ
2. Electronic deliveries must be in Adobe Acrobat PDF format.
3. Please contact Geoff Palmertree at (916) 653-2440 if the firm does not receive an e-mail confirming receipt of the firm's SOQ.
 - a. If the firm does not receive a receipt confirmation, the firm accepts the risk that any SOQ received after 12:00 p.m. (California Time) on May 31, 2023, will not be considered.

VII. CALIFORNIA PUBLIC RECORDS ACT

The STO will not return any material submitted in response to this solicitation and all material will become the property of the State. All material will be a public record subject to the disclosure provisions of the California Public Records Act. (Government Code, Section 7920.000, et seq.)

VIII. EVALUATION OF QUALIFICATIONS

SOQs will be evaluated based on the following criteria (not listed in order of importance):

- Satisfaction of the minimum qualifications;
- Qualifications and experience of the firm and the ability to provide the requested services;
- Relevant background and qualifications of the staff to be assigned to the engagement as well as availability for dedication to the assignment;
- Knowledge of the programs and quality of program recommendations; and
- Fees and compensation will be an important factor in the evaluation of responses. However, the STO will select the firm(s) that demonstrates the “best value” overall.

The STO reserves the right to:

- Request an interview with, and require additional information from any firm prior to selection;
- Consider information about any firm from other sources in addition to the information submitted by the firm; or
- Negotiate a change in any element of the contract or any part of the supplemental RFQ.

IX. REMOVAL FROM SERVICE

The STO may remove or suspend any firm from service for reasons that include, but are not limited to, the following:

- Disqualification because of legal proceedings, including actions, settlements or judgments, disciplinary actions by state or federal regulatory agencies, criminal indictments, or convictions and claims of fraud whether criminal or civil;
- Filing for protection under federal or state bankruptcy laws;
- Failure to meet or continue to meet the minimum qualifications required for membership in the STO's Municipal Advisor Pool;
- Failure to meet or continue to meet the minimum qualifications as described in section IV. MINIMUM QUALIFICATIONS of this RFQ;
- Disqualification because of existing conflicts of interest outlined in the firm's response or future conflicts of interest brought to the attention of the STO; or
- Being the subject of disciplinary action by state or federal regulatory agencies.

X. ONGOING COMPLIANCE WITH MINIMUM QUALIFICATIONS

To remain engaged, firms must meet minimum qualifications as set forth in section IV. MINIMUM QUALIFICATIONS at all times. Firms are responsible for notifying the Public Finance Division Director immediately if the firm no longer meets the minimum qualifications.

FEE MATRIX
Municipal Advisory Services
State of California
State Treasurer's Office

Firm Name:	Contact Person:
Address:	Phone: () - ext. Email Address: @

Please describe your proposed fee structure for each type of financing below. Please indicate the duties included in your quote and provide a separate compensation structure for the duties that are not included. If proposing an hourly rate structure, include the hourly rate for each person assigned to the STO. If proposing a hybrid fee structure, include all services and deliverables included in the flat fee, as well as the hourly rate for each person assigned to the STO and all services, duties, and/or deliverables covered by hourly rates.

All fees proposed should be valid from the July 1, 2023 to June 30, 2026.

<u>ISSUANCE TYPE</u>	<u>MUNICIPAL ADVISORY FEE</u>
General Obligation Bond Program	
Competitive New Money Fixed Rate	
Competitive Refunding Fixed Rate	
Competitive Combined New Money and Refunding Fixed Rate	
Negotiated New Money Fixed Rate	
Negotiated Refunding Fixed Rate	
Negotiated Combined New Money and Refunding Fixed Rate	

<u>ISSUANCE TYPE</u>	<u>MUNICIPAL ADVISORY FEE</u>
Negotiated Variable Rate	
Lease-Revenue Bond Program	
Competitive New Money Fixed Rate	
Competitive Refunding Fixed Rate	
Competitive Combined New Money and Refunding Fixed Rate	
Negotiated New Money Fixed Rate	
Negotiated Refunding Fixed Rate	
Negotiated Combined New Money and Refunding Fixed Rate	
Revenue Anticipation Notes (RANS)	
Negotiated	
Competitive	
Veterans General Obligation Bond Program	
Competitive Fixed Rate	
Negotiated Fixed Rate	

<u>ISSUANCE TYPE</u>	<u>MUNICIPAL ADVISORY FEE</u>
Negotiated Variable Rate	
Negotiated Fixed Rate and Variable Rate	
Veterans Revenue Bond Program	
Competitive Fixed Rate	
Negotiated Fixed Rate	
Negotiated Variable Rate	
Negotiated Fixed Rate and Variable Rate	
General Program Support	
GO Commercial Paper	
Letter of Credit	
Miscellaneous	
Non-Bond Sale Hourly Fee	