

REQUEST FOR QUALIFICATIONS

INVESTMENT BANKING SERVICES

**Relating to
VARIOUS OBLIGATIONS ISSUED BY
STATE OF WISCONSIN**

**Issued By:
State of Wisconsin
Department of Administration Capital Finance Office
On Behalf Of:
State of Wisconsin Building Commission**

January 29, 2018

**INITIAL DEADLINE FOR ELECTRONIC SUBMITTALS
NOON (CT) ON FRIDAY, FEBRUARY 16, 2018**

Prior Notification

If intending to respond to this Request for Qualifications (RFQ), please immediately send (i) Firm Name, and (ii) Name, Telephone Number, and E-Mail address of person preparing the response to the following E-mail address:

DOACapitalFinanceOffice@wisconsin.gov

While not required, providing this information allows the State to distribute additional information, if needed, to potential respondents.

Submittal Requirements

The initial deadline for receipt of *Electronic Submittals* in PDF format is Noon (CT) on Friday, February 16, 2018. Electronic submittals must be received by this time at the above E-Mail address.

In addition, four *paper copies* (three bound and one unbound suitable for photocopying) should be received at the following address by the business day immediately following the electronic submittal:

David R. Erdman, Director
State of Wisconsin Department of Administration
Capital Finance Office
101 E. Wilson St., 10th Floor
Madison, WI 53703
(608) 267-0374

Receipt of the electronic submittal by Noon (CT) on Friday, February 16, 2018, constitutes meeting the initial deadline under this RFQ. The State will accept electronic submittals and paper copies of responses to this RFQ at any time; however, the State of Wisconsin Capital Finance Office cannot represent that a timely review will occur for submittals that are received after the initial deadline.

**SECTION I
INTRODUCTION AND SUMMARY**

The State of Wisconsin (**State**) Capital Finance Office seeks to review the qualifications of firms who desire to be Senior Managers and Co-Managers in the negotiated sale and issuance of various State of Wisconsin obligations such as General Obligations, Transportation Revenue, Environmental Improvement Fund Revenue, General Fund Annual Appropriation, and Master Lease Credits. The review of these qualifications would also apply for the development and issuance of obligations for any new borrowing programs.

A. REQUESTING AGENCY. The Department of Administration, Division of Executive Budget and Finance, Capital Finance Office is issuing this RFQ on behalf of the State of Wisconsin Building Commission (**Building Commission**) pursuant to its policies and procedures. The Capital Finance Office is the sole point of contact during the RFQ and review process. Firms should not contact municipal advisor firms that the State

has under contract; any questions that arise from preparation of a response to this RFQ should be addressed pursuant to [Section II.A.](#)

Every firm that submits a response to this RFQ will have its qualifications reviewed in an open, objective, thorough, and independent process. The State encourages all firms to take advantage of this open opportunity and to submit responses to this RFQ. Minority-owned and disabled veteran-owned firms are encouraged to submit a response pursuant to this RFQ.

B. UNDERWRITER POOL. As a result of this RFQ, a pool of qualified investment banking firms will be established. These pools may be used for designating underwriting syndicate(s) for a period extending through December 31, 2020. The Capital Finance Office may terminate or extend the pools at any time prior to this date. Furthermore, the Capital Finance Office may periodically update the pools of underwriters, including the addition of firms that may submit their qualifications after the initial deadline. Expiration of the underwriting pool will not affect any previously designated syndicate(s) with which there are active negotiations for a bond sale.

C. MINORITY AND DISABLED VETERAN-OWNED PARTICIPATION. Pursuant to Wisconsin Statutes, it is a policy of the Building Commission that minority investment firms (as certified by the State) underwrite 6% of the State's obligations. In addition, pursuant to Wisconsin Statutes, it is a policy of the Building Commission to ensure that disabled veteran-owned investment firms (as certified by the State) underwrite a portion of the State's obligations. In a negotiated sale, the State will use best efforts to address these policies.

Any firm that wishes to be certified by the State as a minority or disabled veteran-owned investment firm may directly contact the Department of Administration, Division of Enterprise Operations at (608) 267-9550 or DOABDMDB@wisconsin.gov.

D. BOND COUNSEL, LEGAL OPINIONS, AND LEGAL QUESTIONS. The customary legal opinions with respect to State law, federal tax law, and the legality of any transaction will be rendered by the respective bond counsel. Any legal questions that arise from preparation of a response to this RFQ should NOT be forwarded to or discussed directly with bond counsel; rather, they should be addressed pursuant to [Section II.A.](#)

SECTION II CONDITIONS FOR SUBMITTING RESPONSES

Submission of a response pursuant to this RFQ means that the following conditions are understood. The Capital Finance Office reserves the right to waive any informality or irregularity in any submittal or any condition of the RFQ.

A. CLARIFICATION OF SPECIFICATIONS. If additional information is necessary to interpret the requirements of this RFQ, that request and any questions should be directed by Noon (CT) on Monday, February 5, 2018 to the E-mail address **at the top of the first page of this RFQ**. At that time, and if needed, clarifications to this RFQ will be circulated to all firms that have provided the State prior notification of their intent to submit a response to this RFQ.

B. PREPARATION. JOINT RESPONSES WILL NOT BE ACCEPTED.

- **ALL RESPONSES MUST** respond to the questions in **Section III.A.**
- Responses for **Senior Manager** must respond to questions in **Section III.B.**
- Responses for **Co-Manager** must respond to questions in **Section III.C.**

All responses for the position of Senior Manager will automatically be considered for the position of Co-Manager unless specifically requested otherwise.

Please limit responses to this RFQ for Senior Manager to 18 pages and responses for Co-Manager to six (6) pages.

Pages must include a minimum of one-inch margins and a font size no smaller than the equivalent of Times New Roman 11 point with normal line and width spacing. A brief cover letter (two page maximum) and table of contents for your submittal will be appreciated and is not subject to the respective page limitation. Furthermore, any disclaimer language that a respondent must include is not subject to the respective page limitation.

The respective requirements detailed in **Section III** of this RFQ are mandatory. Failure by a respondent to respond to a specific requirement may result in delays with review of the submission.

C. INCURRING COSTS. The State of Wisconsin is not liable for any cost incurred by respondents in replying to this RFQ.

D. SUBMITTAL. The initial deadline and other submittal requirements are detailed at the top of the **first page of this RFQ**. The State reserves the right to receive electronic submittals and paper copies at any time; *however*, the Capital Finance Office cannot represent that a timely review of qualifications will occur for responses received after the initial deadline.

E. PROPRIETARY INFORMATION. Any restrictions on the use of data contained within a response must be clearly stated in the response. Proprietary information submitted in response to this RFQ will be handled in accordance with applicable State of Wisconsin procurement regulations. Blanket requests for restrictions will be rejected.

F. ORAL INTERVIEWS AND ADDITIONAL INFORMATION. Responses should be complete on their face. While not planned at this time, the Capital Finance Office reserves the right to schedule and conduct an oral interview with any or all respondents to this RFQ.

The Capital Finance Office reserves the right to request additional information and qualifications. In addition, the Capital Finance Office reserves the right to consider other information, including but not limited to, information available to the Capital Finance Office but not included in responses to this RFQ.

SECTION III RESPONSE CONTENT

A. ITEMS REQUIRED FOR ALL RESPONSES

1. Provide the name and address of the firm. Indicate if your firm is certified by the State Department of Administration as a minority or disabled veteran-owned firm.
2. Provide the location of the office, if other than that shown above, at which the services will be performed. If this office is not located within the State of Wisconsin, identify the physical location of other offices that your firm may have in the State.
3.
 - a. Provide the name, telephone number, cell number, and E-mail address of the banker(s) responsible for (a) submitting the response who may be contacted in the event of questions or notification, and (b) overseeing the firm's involvement in discussions and any transaction.
 - b. Include resume(s) that contain relevant experience as an appendix to your response; not subject to the respective page limit.
4.
 - a. Provide the name, telephone number, cell number, and E-mail address of all people from your firm who will provide the State with investment banking, quantitative, or related services.
 - b. Include resumes that contain relevant experience as an appendix to your response; not subject to the respective page limit.
5.
 - a. Provide the name, telephone number, cell number, and E-mail address of all people from your firm who will provide the State with underwriting or related services.

- b. Include resumes that contain relevant experience as an appendix to your response; not subject to the respective page limit.

6. Summarize in table format your firm's Wisconsin underwriting activity (both negotiated and competitive) for calendar years 2015, 2016, 2017, and year-to-date in 2018. Itemize the obligations you have participated in and categorize these issues into three categories:

- State of Wisconsin issues
- State Authority issuers (e.g., WHEDA and WHEFA)
- Wisconsin local government issuers

As an appendix, and not subject to the respective page limit, provide the following details for each transaction included in the above summary:

- Name, dated date, and par amount of the issue
- Negotiated or competitive sale
- Role your firm played in the transaction (Book Running Senior Manager, Senior Manager, Co-Manager, etc.)
- The amount of underwriting liability and the amount of securities sold by your firm at the initial offering price

7. For individuals identified in response to prior questions that have joined your firm subsequent to January 1, 2017, summarize their relevant Wisconsin underwriting or investment banking activity (both negotiated and competitive) for the same period (and format) as outlined in the previous question.

8. Describe how your firm provides secondary market support for obligations issued by the State of Wisconsin. In addition to referencing your firm's average daily inventory of State's securities during the past two years, highlight any other unique means by which your firm provides secondary market support for municipal obligations.

9. Provide (including name, address, phone number, and E-mail address) three references that are state-level or other large and frequent issuers and for which your firm has worked with in the past two years.

10. Provide an electronic link to your firm's most recent financial disclosure. In addition, please summarize and provide the most recent financial information for your firm that shows, at a minimum, (i) total capital, (ii) excess net capital (uncommitted) as of your firm's most current reporting date, and (iii) excess net capital committed/allocated to support public finance in each calendar year since January 1, 2015. In addition, please also provide the average daily balance of (i) all

municipal bonds, and (ii) municipal bonds of Wisconsin issuers, that are held by your firm in support of secondary market sales and trading.

11. Responses must include the following certifications (as an appendix that is not subject to the respective page limit):
- a. CERTIFICATION OF NO CONFLICTING STATUTORY RELATIONSHIP. The respondent certifies that no relationship which would constitute a violation of Section 19.45 (6), Wisconsin Statutes, regarding a state public official or their immediate family exists. The respondent also certifies that no relationship exists which interferes with fair competition with respect to its submittal. The Capital Finance Office may waive this provision, in writing, if those activities of the respondent will not be adverse to the interests of the State.
 - b. STATEMENT REGARDING OTHER CONFLICTS OF INTEREST. Provide a statement that, if selected to serve on the underwriting team, no relationship exists which could constitute a conflict of interest between the State and your firm, if selected to serve in the underwriting team for a State transaction. The statement should further certify that the firm will promptly provide notice to the Capital Finance Office when the firm learns of any conflict of interest that may arise in the future.
 - c. STATEMENT REGARDING CHARGES, LITIGATION, AND CRIMINAL ACTIONS. Provide a statement as to any fraud, related charges, or pertinent civil litigation that has been made against the public finance business of your firm since January 1, 2015; such statement should also discuss any settlement of those matters, any sanctions resulting from such settlement, and the status of any open investigations related to the charges or litigation.
 - d. STATEMENT REGARDING ENFORCEMENT ACTIONS. Provide a statement on the status of any pending or resolved actions under federal law or regulations or by any state against your firm or registered principals of the firm (relating to the business of your firm) since January 1, 2013.
 - e. STATEMENT REGARDING POLITICAL CONTRIBUTIONS. Provide a statement that neither your firm nor any person or entity associated with your firm (and covered by Municipal Securities Rulemaking Board Rule G-37) has made any contribution since January 1, 2015, directly or indirectly, to an official of the State of Wisconsin. This statement must further describe your firm's compliance with MSRB Rule G-37.

B. ITEMS REQUIRED FOR SENIOR MANAGER RESPONSES

1. Statement of interest in serving as Senior Manager and general qualifications of your firm as they relate to services provided as Book-Running Senior Manager.
2. In light of the new “Tax Cuts and Jobs Act” (P.L. 115-97) signed into law on December 22, 2018, which has eliminated tax-exempt advance refunding issuances, provide any innovative strategies that can help the State extract value of call options on outstanding bonds.
 - a. Taking into account an innovative strategy from the above question that the State is most likely to utilize, please identify and discuss new or revised criteria the State should consider when reviewing refunded bond candidates. The State previously used the following criteria for selecting refunded bond candidates; (i) present value savings of at least 3.00% (using a scale for a 10-year par call structure), (ii) OCI factor equal to or less than 50%, where $OCI = ((\text{Assumed present value savings at current market less 25 basis points} - \text{Current present value savings}) / \text{Current present value savings})$; (iii) negative arbitrage considerations considering primarily the first optional redemption date of the bond.
3. In light of the elimination of tax-exempt refundings, with respect to new money issuances, generally describe bond terms, redemption features, and innovative debt management tools that can both create and sustain realistic call option features for the State. Include in this discussion a summary of the risks or costs the State would be subject to under these different options.
4. Based on the new “Tax Cuts and Jobs Act”, what (if any) enhancement(s) does this new law provide for the State’s credit profile?
5. Does your firm foresee the fundamentals of the municipal bond market changing? Will the municipal bond market transform to fundamentals of the corporate bond market?
 - a. How has your firm expanded its coverage of investors to identify and expand clients that are interested in Taxable Bonds? Do you see a demand for Taxable Bonds from international clients, and if so, is the State’s investor outreach and disclosure suitable to address this demand?
 - b. Assuming some fundamentals of the municipal market will change, how do issuers, advisors, underwriters, and investors work together to reach and maintain this accepted new municipal bond structure?

6. With the anticipation of low supply due to the loss of tax-exempt refundings, what are both the short-term and long-term effects on interest rates and credit spreads?
7. Please discuss any structuring or marketing ideas you may have to improve the general market reception of the State's credits.
8. Please identify your firm's preferred option for complying with the new (June 2017) issue price rules. With respect to the 5-day "hold-the-price" alternative in the rules, please explain how this alternative can be provided to issuers "at no cost", considering the market and other risks that exist for the 5-day period.
9. The State is looking to improve its negotiated sale process based on past mixed experiences. Please identify and discuss a means by which the State can monitor and grade performance of Co-Senior Book-Running Managers and Co-Senior Managers in a negotiated transaction.
 - a. What can issuers do to facilitate and gain a greater number of market reads from institutional investors prior to the formal pricing?
 - b. With supply/demand dynamics and market volatility over the past year, the State has sometimes experienced large yield adjustments after release of the pricing wire and close of the order period. How would you suggest the State assess the appropriateness of these yield adjustments prior to award?

C. ITEMS REQUIRED FOR CO-MANAGER RESPONSES

1. Statement of interest in serving as Co-Manager.
2. Describe the qualifications of your firm as they relate to services to be provided by a Co-Manager in a negotiated sale.
3. If your firm has previously served as a Co-Manager in the sale (competitive or negotiated) of State obligations, provide an example and discuss how your firm "added" to the transaction. If your firm has not previously served as a Co-Manager in a State transaction, please provide an example or case study of how your firm added value to another transaction.
4. Please identify and discuss a means by which the State can monitor and grade performance of syndicate members in a negotiated transaction. In the past the State has reviewed and referred to the final designations of a negotiated transaction, but acknowledge that factors away from the transaction have an impact on such designations.

5. In light of the “Tax Cuts and Jobs Act”, please discuss any changes the State of Wisconsin should consider from a retail marketing perspective.

**SECTION IV
GENERAL CONDITIONS OF NEGOTIATED SALE
(Senior Manager and Co-Manager)**

A. SENIOR MANAGING UNDERWRITERS/SYNIDCATES. The State may designate more than one Senior Manager for each underwriting syndicate selected. On an issue-by-issue basis for each credit, the State may designate different, multiple, or “rotating” Book-Running Senior Managers. Alternatively, it may keep the same Book-Running Senior Manager for consecutive transactions. As part of selecting the underwriting syndicate(s), the State may also appoint Co-Managers and selling group members.

B. RESPONSIBILITIES. The appointed Senior Manager(s) of the syndicate are expected to actively participate in and lend expertise to the financial structure of the bond issue(s) and supporting resolutions. Co-Managers are expected to actively participate in and lend expertise in the distribution and marketing of the bond issue(s).

C. UNDERWRITERS’ COUNSEL. The necessity for underwriter’s counsel, the choice of underwriters’ counsel, and the fees to be paid to underwriters’ counsel in a negotiated sale is the determination of the underwriter. The characteristics that the State suggests for underwriters’ counsel include:

- Demonstrated knowledge of bond issuance, securities, and applicable federal tax laws. The State periodically completes a request for qualifications process for bond counsel services.
- Knowledge of Wisconsin’s bond issuance and disclosure procedures.
- Located in Wisconsin or willing to travel without charge to meetings in Wisconsin.

Qualified minority-owned and disabled veteran-owned firms should also be considered when selecting underwriters’ counsel.

D. DISCLOSURE BY THE STATE. The State of Wisconsin will provide to the underwriter(s) its customary disclosure and assurances in the general form of its Official Statements, Offering Memoranda, and Continuing Disclosure Annual Report. While the State will assume primary responsibility for preparation of its disclosure, the underwriter(s) will be expected to provide review and comment on the disclosure/offering documents. The following language will appear in any offering document that is sold via negotiated sale:

“The State is the author of this document and is responsible for its accuracy and completeness. The Underwriters are not the authors of this document. In accordance with their responsibilities under federal securities laws, the Underwriters are required to review the information in this document and must have a reasonable basis for their belief in the accuracy and completeness of its key representations.”

Examples of past disclosure documents are available on the world wide web at:

doa.wi.gov/capitalfinance

E. SPREAD. The questions within this RFQ do not require respondents to specifically provide the underwriter’s discount/spread for an issuance of securities; however, the questions may result in respondents including an assumed spread for securities sold at negotiated sale. If an assumed spread is provided in any response, it will not be considered in the review of qualifications. As part of a negotiated sale, the State will negotiate all components of underwriter’s spread.

F. NOT A CONTRACT. It is the expectation that the State will enter into negotiations with the selected firm(s) aimed at selling obligations to the underwriter(s). Nothing in this RFQ, the responses, or the State’s acceptance of qualification and designation of firm shall obligate the State to complete negotiations with the selected firm(s). The State will not provide an engagement letter to the selected firm(s). The State will have the right to end negotiations and/or designate other underwriters at any time up to approval and execution of a Bond Purchase Agreement between the State and the underwriter(s), at which time the terms of the Bond Purchase Agreement will prevail for the transaction.

SECTION V REVIEW CRITERIA

All responses received pursuant to this RFQ will be reviewed by a committee on behalf of the Building Commission. The review of responses and the determination to include respondents in the pool of qualified underwriters will reflect the following criteria.

- Financial Capacity and Distribution (20%)
- Technical Abilities & Qualifications (40%)
- State of Wisconsin Commitment and Experience (25%)
- Relevant Senior Manager/Co-Manager Experience (15%)