

**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**

**November 24, 2020**

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**INITIAL DEADLINE FOR ELECTRONIC SUBMITTALS**  
**NOON (CT) ON FRIDAY, DECEMBER 18, 2020**

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**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](mailto: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, December 18, 2020. Electronic submittals must be received by this time at the above E-Mail address.

Receipt of the electronic submittal by Noon (CT) on Friday, December 18, 2020, constitutes meeting the initial deadline under this RFQ. The State will accept electronic submittals of responses to this RFQ for inclusion in its underwriting pool at any time (see Section I.B. below); 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.

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**SECTION I  
INTRODUCTION AND SUMMARY**

The State of Wisconsin (**State**) Capital Finance Office is seeking qualifications from firms wishing to serve as senior managing or co-managing underwriters in connection with negotiated sales and the 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. This RFQ may also be used for selecting underwriters 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 POOLS.** As a result of this RFQ, pools 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, 2023. 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, ongoing 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 [WiSDPWebApplication@wisconsin.gov](mailto:WiSDPWebApplication@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 to the E-mail address [at the top of the first page of this RFQ by Noon \(CT\) on Monday, December 7, 2020](#). After 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** address 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 20 pages and responses for Co-Manager to eight (8) 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 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 available to the Capital Finance Office but not specifically 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, or by the State or any state as a women-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 2018, 2019, and year-to-date in 2020. 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. If negotiated transaction, please also include the amount of underwriting liability.
- Role your firm played in the transaction (Book Running Senior Manager, Senior Manager, Co-Manager, etc.)

7. For individuals identified in response to prior questions that have joined your firm subsequent to January 1, 2020, summarize their relevant Wisconsin underwriting or investment banking activity (both negotiated and competitive) while at the prior firm(s), 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. If publicly available, 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, 2018. 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, 2018; 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, 2018.
- 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, 2018, 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 both Senior Manager and Book-Running Senior Manager.
2. In light of the continued elimination of tax-exempt advance refundings and the past comments of the Federal Open Market Committee (**FOMC**) to keep interest rates low through calendar year 2023, coupled with the issuance by many issuers of taxable advance refunding bonds:

- a. What changes should the State consider making to its standard criteria for selecting refunded bond candidates? This criteria is currently (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  $OCI = \frac{\text{Assumed present value savings at current market less 25 basis points} - \text{Current present value savings}}{\text{Current present value savings}}$ ; (iii) negative arbitrage considerations including, but not limited to efficiency and first optional redemption date of the bond.
  - b. Using any proposed changes discussed in (a) above to the criteria for selection of refunded bonds, and based on market interest rates as of December 11, 2020, please identify any qualifying refunding candidates and the resulting refunding transaction of the State's outstanding general obligations that the State should consider executing in the first quarter of calendar year 2021. Please indicate if the refunding transaction would be tax-exempt, taxable, or a combination of both.
3. What optional redemption structure is more optimal for the State for its new money transactions – 10 year par call which generates more proceeds or an 8 year par call which provides more optionality? Please answer the question two ways – assuming 5% coupons for callable bonds and assuming 4% coupons for callable bonds. In addition, please provide your assessment of optional redemption provisions based on current market conditions (as of December 11, 2020) as well as market conditions on November 6, 2018, and discuss whether different market environments would alter any recommendations discussed herein. Please include all assumptions and quantitative support in your response.
4. The State has traditionally utilized 4% and 5% coupons for callable maturities for new money transactions, but other recent transactions have included a broader range of coupons. Using market conditions as of December 11, 2020 and November 6, 2018 and an assumed 10-year par call, what coupons would have been beneficial to the State (either 4%, 5%, or other alternatives)? Please clearly provide the relevant yield spreads of any non-5% coupons to 5% coupons, and include all quantitative support in your response.
5. Please describe your firm's market outlook, specifically interest rate expectations for the next three years. The State has executed various taxable advance refunding transactions in recent years that refunded tax-exempt new money bonds having first optional redemption dates in 2021-2024. How should the State address your firm's market and rate expectations with respect to any future transactions (executed after the issuance of the taxable advance



refunding bonds) in which the State could further maximize the benefit of the redemption provisions that existed on the refunded tax-exempt new money bonds.

6. The current COVID-19 pandemic has impacted all participants in the municipal bond market. The following questions relate to this current pandemic.

- a. Based on current events, what changes are expected from your firm with respect to how it “covers” the municipal marketplace. This coverage is primarily focused on issuers, investors, and credit analysts.
- b. Are there other operational changes at your firm, or expected operational changes, that will impact the focus of public finance or municipal bonds at your firm?

7. The State’s Capital Finance Office has been, and continues to be, a leader and proponent for municipal bond disclosure and improvements to such disclosure. The current COVID-19 pandemic is a situation that will test the sufficiency and timeliness of municipal disclosure, as previously highlighted by the SEC. Both specific to the State Capital Finance Office and in general, what changes or additional steps does your firm believe are needed to ensure that any market concerns related to municipal disclosure are not addressed with more regulations.

8. Please discuss any marketing ideas you may have to improve the State’s outreach to investors and the general market reception of the State’s credits. Answers to this question should address both short-term, as impacted by the current COVID-19 pandemic, and long-term, assuming a return to the pre-COVID-19 “normal” that issuers, municipal sales, and investors experienced prior to February 2020.

9. The State’s 2021-23 biennial budget is currently being developed with release of the Executive Biennial Budget for the 2021-23 biennium likely to occur in February 2021. Please identify and discuss one bonding-related initiative that the State should review for possible inclusion in the 2021-23 biennial budget.

10. Environmental, Social, and Corporate Governance (**ESG**) designations are becoming more prevalent in the municipal marketplace. Please discuss any initiatives or administrative changes the State should consider related to this topic – including, but not limited to general disclosure, certifications, and proper identification of specific projects within future issuances that may promote the ESG designation, allow for expanded investor interest, and meet disclosure expectations.

### **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 value” 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 all syndicate members in a negotiated transaction.
5. Discuss the optimal structure of an underwriting syndicate for an assumed State of Wisconsin \$300 million general obligation refunding bond issue that is selling via negotiated sale.
6. The State utilizes Co-Managers in negotiated underwriting syndicates to expand the distribution of State bonds to (i) new investors, or (ii) accounts that have not been recently active in pursuing State bonds in the primary market. Please discuss if and how the current COVID-19 pandemic has changed your firm’s approach to accomplishing these goals, or in separating the State’s credit from others that may be in the primary market at the same time.

### **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-Seniors, 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](http://doa.wi.gov/capitalfinance)  
[wisconsinbonds.com](http://wisconsinbonds.com)

**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 pools 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%)