

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 16, 2023

INITIAL DEADLINE FOR ELECTRONIC SUBMITTALS
NOON (CT) ON FRIDAY, DECEMBER 8, 2023

+++++

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, December 8, 2023. Electronic submittals ***must be received*** by this time at both the above E-Mail address and at **Joshua.Davis@bakertilly.com**.

In the event of any discrepancies with receipt of submittals, the receipt of the electronic submittal by Noon (CT) on Friday, December 8, 2023, at the State of Wisconsin Department of Administration Capital Finance Office E-mail address stated above constitutes meeting the initial deadline under this RFQ.

After the initial deadline, the State will accept at any time via the above E-Mail address 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.

+++++

**SECTION I
INTRODUCTION AND SUMMARY**

The State of Wisconsin (**State**) 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 obligations such as General Obligations, Transportation Revenue, Environmental Improvement Fund Revenue, General Fund Annual Appropriation, and Master Lease Certificates of Participation.

This RFQ may also be used for selecting underwriters for the development and issuance of obligations for any new borrowing programs. This RFQ may also be used for selecting dealers, remarketing agents, or other providers of services for any issuance or placement of variable rate obligations or creating new variable rate borrowing programs.

A. REQUESTING AGENCY. The Department of Administration, Division of Executive Budget and Finance, Capital Finance Office (**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. After submittal in accordance with the

instructions above, firms should not contact municipal advisor firms that the State has under contract. Any questions that arise from the 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, women-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, 2026. 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).

C. MINORITY AND DISABLED VETERAN-OWNED PARTICIPATION. In a negotiated sale, the State will use best efforts to address the Building Commission's policies regarding participation of minority and disabled veteran-owned investment firms. Specifically, 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 and disabled veteran-owned investment firms (as certified by the State) underwrite 1% of the State's obligations.

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.

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 the 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 Capital Finance Office E-mail address **at the top of the first page of this RFQ by Noon (CT) on Wednesday, November 29, 2023.** 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.** in addition to the questions in **Section III.A.**
- Responses for **Co-Manager** must respond to questions in **Section III.C.** in addition to the questions in **Section III.A.**

All responses for the position of Senior Manager in **Section III.B.** will automatically be considered for the position of Co-Manager unless specifically requested otherwise.

Please limit responses to this RFQ for Senior Manager to twenty (20) pages and responses for Co-Manager to ten (10) 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 are 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 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 procurement regulations and laws governing the availability of public records. 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, women, or disabled veteran-owned firm. If your firm is not certified by the State Department of Administration, please highlight if the firm is certified by the Federal government or any other state.
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 Wisconsin, identify the physical location of other offices that your firm may have in Wisconsin.
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. Provide the total number of sales representatives (both institutional and retail) for municipal bonds that are employed by your firm nationally.

7. Summarize in table format your firm's Wisconsin underwriting activity (both negotiated and competitive) for calendar years 2021, 2022, and year-to-date in 2023. Please include with an explanation (such as footnote or other) any underwriting activity that individuals joining your firm after January 1, 2023, may have from prior employment. Include in this summary, separate from the negotiated and competitive underwriting activity, your Wisconsin private placement activity for the same time period. 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 sale, competitive sale, or private placement
 - 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, Placement Agent, etc.)

8. Please discuss the optimal structure of an underwriting syndicate for an assumed State \$300 million general obligation refunding bond issue that is selling via negotiated sale. Please also identify and discuss a means by which the State can evaluate the performance of all syndicate members in a negotiated transaction.

9. Describe how your firm provides secondary market support for obligations issued by the State. Responses to this question should include the average monthly balance since January 1, 2021, of (i) all municipal bonds, and (ii) municipal bonds of Wisconsin issuers that are held by your firm

10. Provide (including name, address, phone number, and E-mail address) three references that are state-level or other large and

frequent issuers with which your firm has worked in the past two years.

11. 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, 2021.

12. 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 exists which would constitute a violation of Section 19.45(6), Wisconsin Statutes, regarding a state public official or their immediate family. 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 on 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, 2021. 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, 2021.
- 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 (**MSRB**) Rule G-37) has made any contribution since January 1, 2021, directly or indirectly, to an official of the State. 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. With the continued elimination of tax-exempt advance refundings, the recent use of taxable advance refundings impacted by interest rate uncertainty, and the issuance by many issuers of refunding bonds with a tender component:
 - 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 $OCI = ((\text{Assumed present value savings at current market less 25 basis points} - \text{Current present value savings}) / \text{Current present value savings})$; (iii) negative arbitrage considerations including, but not limited to, efficiency and first optional redemption date of the bond. Please be specific and provide support for any new proposed criteria.
 - b. How does the existing or proposed criteria address the potential ability of the State to issue tax-exempt obligations to refund previously issued taxable advance refunding bonds after escrow proceeds have been expended, which approach has become an accepted industry standard?
 - c. 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 1, 2023, please identify any qualifying 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 2024. Please indicate if the refunding transaction would be tax-exempt, taxable, or a combination of both, and if the transaction would incorporate the use of a tender.
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 three ways – assuming 5% coupons for callable bonds, assuming 4% coupons for callable bonds, and identifying a different preferred coupon. In addition, please provide your assessment of optional redemption provisions based on current market conditions (as of December 1, 2023) as well as market conditions on December 3, 2021, and discuss whether different market environments would alter any recommendations discussed herein. Please include all assumptions and quantitative support in your response, including yield spreads of any non-5% coupons to 5% coupons.

4. While the above analysis looks at 8-year versus 10-year par call alternatives, what is the shortest call date investors are currently willing to accept? Provide recent examples for credits comparable to the State along with general comment on any pricing differences of these examples compared to a 10-year par call.

5. Please briefly describe your firm’s market outlook, specifically interest rate expectations for the next three years.

6. The State and all municipal issuers are facing market interest rates and yield curve that have not been seen in many years. Are there any new debt management tools, or prior debt management tools needing refreshing, which would be advantageous for the State to utilize with this current rate and yield curve environment?

7. Are there any suggested changes or new efforts that your firm believes are needed by the State and/or municipal market to ensure that new additional regulations do not become the means to address any market concerns related to municipal disclosure? While not the intent of this question, disclosure related to certain environmental and social risks has been a topic of interest for regulators. Also, do investors desire any changes to the MSRB EMMA system as part of any additional steps to improve municipal disclosure?

8. With the State’s most recent investor meeting occurring in 2014, 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. Is there any value in hosting a virtual investor event and is there any different value in hosting an in-person investor event (whether in Wisconsin or outside of Wisconsin)?

9. The State’s 2023-25 biennial budget (2023 Wisconsin Act 19) includes \$400 million to retire currently outstanding general fund annual appropriation bonds tied to tobacco settlement revenues. Please identify your firm’s approach to optimizing the use of the \$400 million to retire currently outstanding bonds.

10. Environmental, Social, and Corporate Governance (**ESG**) designations are becoming more prevalent in the municipal marketplace. Please discuss if the State would see any benefit in completing a designated transaction for either (i) projects benefitting the environment per the Green Bond principles published by the International Capital Market Association in its June 2021 publication, *Green Bond Principles* (as updated in June 2022), or other principles, or (ii) projects that may have social impact such as general obligations the State issues for the University of Wisconsin System. *If there is a benefit*, clearly outline the disclosure, certifications, and opinions or verifications that would be needed to achieve this benefit.

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.
5. 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 recently been active in pursuing State bonds in the primary market. Please discuss your firm’s approach to accomplishing these goals.

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

A. SENIOR MANAGING UNDERWRITERS/SYNDICATES. The State may designate more than one Senior Manager for each underwriting syndicate selected. On an issue-by-issue basis, the State will designate one or more Book-Running Senior Managers. As part of selecting an underwriting syndicate, the State may also appoint Co-Seniors, Co-Managers, and selling group members. Selection of firms within an underwriting syndicate will be based on (i) participation in competitive sales of State obligations, (ii) performance in the competitive sales of State obligations, and (iii) investment banking or other coverage of the State regarding opportunities related to the State’s debt portfolio across all State credits.

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 underwriters' counsel, the choice of underwriters' counsel, and the fees to be paid to underwriters' counsel in a negotiated sale are the determinations of the underwriter. One specific characteristic that the State suggests for underwriters' counsel is knowledge of Wisconsin's bond issuance and disclosure procedures.

Qualified minority-owned, women-owned, and disabled veteran-owned firms, or firms where the majority of this work will be performed by minorities, women, and disabled veterans, should also be considered when selecting underwriters' counsel.

D. DISCLOSURE BY THE STATE. The State 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 of Wisconsin 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 following websites:

wisconsinbonds.com
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.

G. MINORITY AND DISABLED VETERAN-OWNED PARTICIPATION.

Pursuant to Wisconsin Statutes, an individual underwriter or syndicate of underwriters shall: (1) ensure that each bid or proposal submitted by that individual or syndicate in a negotiated sale provides for a portion of sales to minority investment firms; and (2) make efforts to ensure that each bid or proposal submitted by that individual or syndicate in a negotiated sale provides for at least 1% of sales to disabled veteran-owned investment firms.

**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%)

**SECTION VI
AVAILABILITY OF RECORDS**

Any documents used or actions taken in connection with this RFQ may be subject to disclosure pursuant to a public records request under Section 19.36(3), Wisconsin Statutes.