

# **REQUEST FOR QUALIFICATIONS**

## **INVESTMENT BANKING SERVICES DEALER 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**

**December 1, 2015**

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**INITIAL DEADLINE FOR ELECTRONIC SUBMITTALS  
NOON ON TUESDAY, DECEMBER 22, 2015**

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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 Tuesday, December 22, 2015. 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 Tuesday, December 22, 2015, 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.

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**SECTION I  
INTRODUCTION AND SUMMARY**

The State of Wisconsin (**State**) Capital Finance Office seeks to review the qualifications of firms who (i) desire to be Senior Managers and Co-Managers in the negotiated sale and issuance of various State of Wisconsin obligations, which may involve development of new borrowing programs, and (ii) desire to be Dealers in the State’s commercial paper (**CP**) programs, extendible municipal commercial paper (**EMCP**) programs, and other variable-rate products that the State may authorize and issue in the future.

**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.

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 AND DEALER POOL.** As a result of this RFQ, a pool of qualified investment banking firms and a pool of qualified dealers will be established. These pools may be used for designating underwriting syndicate(s) and making dealer appointment(s) for a period extending through December 31, 2017. 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 and dealers, 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](mailto: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 (Central Time) on Thursday, December 10, 2015 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.**
- Responses for **Dealer** must respond to questions in **Section III.D.**

Firms may submit responses for all or any of the above options; however, 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 16 pages, responses for Co-Manager to five (5) pages, and responses for Dealer to eight (8) pages; responses for both Senior Manager and Dealer are limited to 24 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) 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 of the respondents to this RFQ.

The Capital Finance Office also 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 any transaction.
  - b. Include a summary of the relevant experience of the banker(s) listed above.
  - c. Include resume(s) as an appendix to your response; not subject to the respective page limits.
4.
  - a. Provide the name, telephone number, cell number, and E-mail address of all people from your firm who will provide investment banking, quantitative, or related services for a State transaction.
  - b. Identify the role that each individual would perform in a State transaction and include a summary of the relevant experience
  - c. Include resumes as an appendix to your response; not subject to the respective page limits.

5.
  - a. Provide the name, telephone number, cell number, and E-mail address of all people from your firm who will provide underwriting, dealer, or related services for a State transaction.
  - b. Identify the role that each individual would perform in a State transaction and include a summary of the relevant experience.
  - c. Include resumes as an appendix to your response; not subject to the respective page limits.
6. Summarize your firm's Wisconsin underwriting activity (both negotiated and competitive) for calendar years 2013, 2014, and year-to-date in 2015. Please note that a summary of dealer activity for this time period is requested in Section III.D. 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

For each issue listed, show the following (this level of detail not subject to the respective page limits):

- 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 who have joined your firm subsequent to January 1, 2013, summarize their relevant Wisconsin underwriting or investment banking activity (both negotiated and competitive) for the same time period (and format) as outlined in the previous question.
8. Describe how your firm provides secondary market support for State of Wisconsin obligations. In addition to referencing your firm's average daily inventory of State's securities during the past two years, highlight any other 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 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, 2013. 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 (not subject to the respective page limits):

- 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, 2013; 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, 2012.
- 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, 2013, 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. The 2015-17 biennial budget (2015 Wisconsin Act 55) includes \$1.5 billion of 'economic' refunding authority for the State's general obligation bonds. The \$1.5 billion of refunding authority is a general amount that does NOT reflect any current or specific refunding plans of the State.

The State currently uses the general criteria listed below for each refunded bonds when selecting refunding 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  $OCI = \frac{\text{Assumed present value savings at current market less 25 basis points} - \text{Current present value savings}}{\text{Current present value savings}}$ , and (iii) negative arbitrage considerations that generally take into account the amount of negative arbitrage as a percentage of the present value debt service savings while also considering the first optional redemption date of the bond.

Using the State's outstanding general obligation bonds (new money/general governmental purposes AND advance or current refunding purposes), please address the following questions:

- a. Please review and discuss criteria the State currently utilizes for selection of refunding candidates. Would your firm use any alternatives to these criteria? More specifically, what tests or standards does your firm use with respect to negative arbitrage and selection of refunding candidates?
- b. Using market interest rates at close of business on Friday, December 11<sup>th</sup> and the State's refunding "criteria" outlined above combined with your firm's proposed negative arbitrage criteria discussed in the previous subsection of this question, provide details of a proposed general obligation refunding transaction to the State that includes an assumed pricing date of January 13, 2015 and assumed delivery date of February 18, 2016. In addition to details, (i) clearly identify and discuss the inclusion of any previously issued advance refunding bonds that could be advance refunded with taxable general obligation refunding bonds, and (ii) clearly identify and discuss outstanding general obligations (both new money and refunding) that may meet the State's refunding

“criteria” discussed above, but your firm *would NOT include in a refunding transaction at this time.*

- c. Separately, and not reflecting any of the criteria or discussions above, outline a general approach the State should consider as it addresses possible refunding opportunities of its taxable “Build America Bonds” that have par call provisions starting in 2019.
3. Please address the current market appetite for completing a tender of outstanding obligations; are there any such tenders being completed, and if so, are they cost-effective compared to negative arbitrage in escrows resulting from current investment rates?
4. The State of Wisconsin is reviewing its investor relations program. This will start with changes to the State’s Capital Finance Office website, but will also involve other aspects and opportunities. Please provide feedback to the following questions:
  - a. What are the optimal means to reach out to ‘Tier 1’ investors that have either never invested in State of Wisconsin obligations or have previously invested in State of Wisconsin obligations but currently have minimal or no holdings?
  - b. Expand on the benefits, if any, of expanding the amount of ‘Tier 2’ and ‘Tier 3’ firms investing in State of Wisconsin obligations. If beneficial, what approaches would your firm engage in to expand the State’s outreach efforts to these investors?
  - c. The State hosted investor conferences with the Governor in Milwaukee, WI (January 2014) and New York, NY (June 2014). What is the ideal frequency for the State to host such events, and does this frequency change if the Governor is not able to participate.
  - d. Please discuss any structuring or marketing ideas you may have to improve the general market reception of the State’s credits.
5. In light of proposed regulations relating to issue price determination, combined with continued requirements and obligations on underwriters to ensure issuers are in compliance with continuing disclosure undertakings, the State is concerned of negative impacts on the future use of competitive sales. What steps can the State and other issuers take to assist underwriters in these areas to ensure that competitive sales remain a viable option in the future.
6. Assuming a typical \$300 million refunding transaction for an established credit of the State, would it be beneficial to the State to

expand the size of its typical syndicate (Co-Senior Book Running Manager, Co-Senior Manager, and 4 Co-Managers) for negotiated sales? What are the potential disadvantages of doing so?

- a. In addition, provide and discuss an ideal designation policy that benefits the issuer and is responsive to the syndicate, assuming the syndicate consists of a Co-Senior Book Running Manger, Co-Senior Manager, and 4 Co-Managers.

7. The State currently maintains ratings from four separate rating agencies for the State's general obligation rating. If the State were to determine that only three ratings are needed, briefly comment on steps the State would need to complete to adequately address market questions, concerns, or expectations of the State making this reduction in number of ratings.

### **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.
4. The State of Wisconsin is reviewing its investor relations program. The State will be making some changes to its website; beyond that, please generally discuss any other initial efforts the State should make in this area.
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.

### **D. ITEMS REQUIRED FOR DEALER RESPONSES**

1. Statement of interest in serving as Dealer for CP, EMCP, and any other future variable-rate products. If not interested in serving as dealer for a specific type of variable-rate product, please highlight and discuss.
2. Provide the name, telephone number, cell number, and E-mail address of all people from your firm who will provide investment banking and other-related services for variable-rate obligations issued by the State. Include resumes as an appendix to your response; not subject to the respective page limits.

3. Provide the name, telephone number, cell number, and E-mail address of the dealers or traders who will be responsible for the marketing and placement of variable-rate obligations. Include resumes as an appendix to your response; not subject to the respective page limits.

4. Provide a complete summary of your firm's Dealer experience with variable-rate obligations for calendar years 2013, 2014, and year-to-date in 2015. Categorize the obligations by type of variable-rate obligation (CP, EMCP, ARCs, Index Product, VRDBs, other) and show the following for each obligation (this level of detail not subject to the respective page limits):

- Name of Issuer
- Name of issue, date of initial issuance, total par amount of the issue, and par amount for which your firm is currently the Dealer.

5. Discuss thoughts your firm has with respect to the use of variable-rate obligations in the State's debt portfolio. Is there an overall percentage, or mix of fixed-rate and variable-rate, that the State should attain?

6. The State of Wisconsin is looking to further diversify its outstanding variable-rate obligations in the upcoming year. Related, with scheduled amortization of its CP and EMCP over recent years, the State, may be active issuer of variable-rate obligations in calendar year 2016.

- a. Please present and discuss a variable product that the State of Wisconsin should consider issuing in 2016 to provide diversity to its variable-rate portfolio. Please identify and discuss two (2) disadvantages or concerns *specific and unique to the presented product* for which the State should be aware.
- b. Outline experience your firm has in assisting an issuer with the initial issuance of a new variable-rate product.

**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 recommends 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. Selection of underwriters' counsel will not be considered in the review of qualifications.

**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:

[www.doa.state.wi.us/capitalfinance](http://www.doa.state.wi.us/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 require respondents to include an assumed spread for securities sold at negotiated sale. If an assumed spread is provided in the 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.

While not subject to a negotiated sale, the Dealer(s) for CP, EMCP, or other types of variable-rate products or instruments that State may consider will be required to enter into a Dealer Agreement with the State.

#### **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 and qualified dealers will reflect the following criteria.

- Financial Capacity (15%)
- Distribution Strength (10%)
- Technical Abilities & Qualifications (40%)
- State of Wisconsin Commitment and Experience (20%)
- Relevant Senior Manager/Co-Manager/Dealer Experience (15%)