



Metropolitan Water Reclamation District of Greater Chicago

100 East Erie Street
Chicago, IL 60611

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Title: Authorization to execute a bond purchase agreement for Contract 15-RFP-21 Professional Underwriting Services for District Bond Sales with Merrill Lynch, Pierce, Fenner & Smith, Inc., and to appoint Merrill Lynch, Pierce, Fenner & Smith, Inc., as Senior Managing Underwriter and Book-runner; Siebert Bradford Shank & Co., L.L.C, as Co-Senior Managing Underwriter; and Citi Global Markets Inc.; J.P. Morgan Securities LLC; North South Capital LLC; The Williams Capital Group, L.P.; and Loop Capital Markets, as Co-Managing Underwriters, in a total amount not to exceed \$300,000.00, in connection with the sale of up to a total of \$500,000,000 of General Obligation Capital Improvement and Refunding Bonds of the Metropolitan Water Reclamation District of Greater Chicago, Accounts 401-50000-767300 and 767400

Sponsors:

Indexes:

Code sections:

Attachments:

Date	Ver.	Action By	Action	Result
3/3/2016	1	Board of Commissioners	Approved	Pass
3/3/2016	1	Committee of the Whole	Recommended	Pass

TRANSMITTAL LETTER FOR BOARD MEETING OF MARCH 3, 2016

COMMITTEE ON PROCUREMENT

Mr. David St. Pierre, Executive Director

Authorization to execute a bond purchase agreement for Contract 15-RFP-21 Professional Underwriting Services for District Bond Sales with Merrill Lynch, Pierce, Fenner & Smith, Inc., and to appoint Merrill Lynch, Pierce, Fenner & Smith, Inc., as Senior Managing Underwriter and Book-runner; Siebert Bradford Shank & Co., L.L.C, as Co-Senior Managing Underwriter; and Citi Global Markets Inc.; J.P. Morgan Securities LLC; North South Capital LLC; The Williams Capital Group, L.P.; and Loop Capital Markets, as Co-Managing Underwriters, in a total amount not to exceed \$300,000.00, in connection with the sale of up to a total of \$500,000,000 of General Obligation Capital Improvement and Refunding Bonds of the Metropolitan Water Reclamation District of Greater Chicago, Accounts 401-50000-767300 and 767400

Dear Sir:

The District intends to sell up to a total of \$500,000,000 of General Obligation Capital Improvement and Refunding Bonds at its upcoming bond sale. This sale will include Limited and Unlimited Tax Series Bonds to fund both TARP and non-TARP capital improvement projects; Alternate Revenue Series Bonds to fund capital improvement projects for the Stormwater Management program; and Limited and Unlimited Tax Series refunding bonds for savings in debt service cost. The size and structure of the bond sale will be determined with the assistance of the Underwriters and Financial Advisors, based upon the market interest rates, investor cash positions, supply of bonds for sale, liquidity of the market, and other conditions.

Underwriters assist the District in structuring, marketing, selling, and underwriting debt. It is required that the underwriting team be knowledgeable and experienced, exhibit professionalism, and possess the expertise to carry out the required functions correctly and with the necessary timeliness.

The Request for Proposal (RFP) 15-RFP-21, Professional Underwriting Services for District Bond Sales, was advertised on July 29, 2015. Ninety-two (92) firms were notified, and thirty-nine (39) firms requested proposal documents. Thirty (30) acceptable proposals were received by August 28, 2015.

The RFP process was coordinated through the Director of Procurement and Materials Management. The evaluation committee which reviewed and evaluated the submitted RFP's consisted of staff from the Treasury, Finance, Law, and Procurement and Materials Management Departments. Responses were evaluated according to the criteria defined in the RFP, including the firm's technical approach and competence, experience in public finance and expertise in the underwriting and sale of general obligation bonds, and financial capacity to underwrite bonds. Firms were ranked based on the technical score calculated by this evaluation.

The committee reached a consensus that fourteen proposers met the technical qualifications portion of the RFP. These firms were requested to submit their best and final offers on cost. The composite evaluation rankings were based on each firm's technical score and best and final offer for cost of services. Merrill Lynch, Pierce, Fenner & Smith, Inc., was highest-ranked overall by this composite evaluation and is recommended to act as Senior Managing Underwriter and Book-runner for the 2016 bond sale.

The Co-Senior Managing Underwriter and Co-Managing Underwriters are recommended from the firms remaining on the eligible list based upon their technical score and the District's participation goals for Minority-Owned (MBE) and Women-Owned (WBE) business enterprises; the cost proposal does not apply to these firms. Siebert Bradford Shank & Co., L.L.C, is recommended to act as Co-Senior Managing Underwriter for the 2016 bond sale, and Citi Global Markets Inc.; J.P. Morgan Securities LLC; North South Capital LLC; The Williams Capital Group, L.P.; and Loop Capital Markets are recommended to act as Co-Managing Underwriters.

A minimum of 30% of the work and services required by the RFP for each bond sale will be awarded to one or more MBE or WBE firm(s) from the list of candidates identified by the RFP process. The Affirmative Action Section has reviewed the proposed underwriter appointments for this bond sale and concluded that the group identified is in accordance with the RFP requirements.

The underwriters' discount (fee for services) is proposed to be fifty cents (\$0.50) per \$1,000 principal amount of bonds sold up to \$500,000,000, a fee not to exceed \$250,000.00. Administrative expenses are proposed to be ten cents (\$0.10) per \$1,000 principal amount of bonds sold, a fee not to exceed \$50,000.00. Therefore, the total fee to the Underwriting Group is a maximum of sixty cents (\$0.60) per \$1,000 principal amount of bonds sold, in a total amount not to exceed \$300,000.00.

Accordingly, it is requested that the Board of Commissioners direct the Chairman of the Committee on Finance or other duly authorized officer of the Board of Commissioners and the Treasurer of the District to execute a bond purchase agreement with Merrill Lynch, Pierce, Fenner & Smith, Inc., and to authorize the appointment of Merrill Lynch, Pierce, Fenner & Smith, Inc., as Senior Managing Underwriter and Book-runner; Siebert Bradford Shank & Co., L.L.C, as Co-Senior Managing Underwriter; and Citi Global Markets Inc.; J.P. Morgan Securities LLC; North South Capital LLC; The Williams Capital Group, L.P.; and Loop Capital Markets, as Co-Managing Underwriters, in a total amount not to exceed \$300,000.00, per Section 11.4 of the Purchasing Act. Funds will be paid from the bond sale proceeds Accounts 401-50000-767300 (\$63,000.00) and 401-50000-767400 (\$237,000.00). Fees as noted above will only be disbursed if and when the transaction is completed.

Requested, Mary Ann Boyle, Treasurer, MAB:st

Recommended, Darlene A. LoCascio, Director of Procurement and Materials Management
Respectfully Submitted, Barbara J. McGowan, Chairman Committee on Procurement
Disposition of this agenda item will be documented in the official Regular Board Meeting Minutes of the Board of Commissioners for March 3, 2016