



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 10-RFP-21, Professional Underwriting Services for District Bond Sales, with J.P. Morgan Securities LLC; and to appoint J.P. Morgan Securities LLC as Senior Managing Underwriter and Book-runner; Citigroup Global Markets, Inc., as Co-Senior Managing Underwriter; and Barclays Capital, Inc.; Duncan-Williams, Inc.; Loop Capital Markets, LLC; Merrill Lynch, Pierce, Fenner & Smith Incorporated (Bank of America); Samuel A. Ramirez & Co., Inc.; Siebert Brandford Shank & Co., LLC; and William Blair & Company LLC, as Co-Managing Underwriters, at a total fee not to exceed \$1,897,625.00 to market and sell up to \$500,000,000 of General Obligation Capital Improvement Bonds, Limited Tax Series of 2010, of the Metropolitan Water Reclamation District of Greater Chicago, Account 401-50000-767300

Sponsors:

Indexes:

Code sections:

Attachments:

Date	Ver.	Action By	Action	Result
11/18/2010	1	Committee of the Whole	Recommended	Pass
11/18/2010	1	Board of Commissioners	Approved	Pass

TRANSMITTAL LETTER FOR BOARD MEETING OF NOVEMBER 18, 2010

COMMITTEE ON PROCUREMENT

Mr. Richard Lanyon, Executive Director

Authorization to execute a bond purchase agreement for Contract 10-RFP-21, Professional Underwriting Services for District Bond Sales, with J.P. Morgan Securities LLC; and to appoint J.P. Morgan Securities LLC as Senior Managing Underwriter and Book-runner; Citigroup Global Markets, Inc., as Co-Senior Managing Underwriter; and Barclays Capital, Inc.; Duncan-Williams, Inc.; Loop Capital Markets, LLC; Merrill Lynch, Pierce, Fenner & Smith Incorporated (Bank of America); Samuel A. Ramirez & Co., Inc.; Siebert Brandford Shank & Co., LLC; and William Blair & Company LLC, as Co-Managing Underwriters, at a total fee not to exceed \$1,897,625.00 to market and sell up to \$500,000,000 of General Obligation Capital Improvement Bonds, Limited Tax Series of 2010, of the Metropolitan Water Reclamation District of Greater Chicago, Account 401-50000-767300

Dear Sir:

Authorization is requested to execute a bond purchase agreement with J.P. Morgan Securities LLC to serve as Senior Managing Underwriter and Book-runner for the December 2010 bond sale. The District intends to market and sell up to \$500,000,000 of General Obligation Capital Improvement Bonds, Limited Tax Series of 2010, in order to fund capital projects initiated since the effective date of the Debt Reform Act and which are subject to its provisions. It is anticipated that some portion of the bonds will be issued as taxable Build America Bonds (BAB's) authorized under the American Recovery and Reinvestment Act of 2009, using the Issuer

Subsidy option. Under this option, the Federal Treasury will subsidize thirty-five percent (35%) of the District's interest cost over the life of the Bonds. It is the intent of the District to apply Federal interest reimbursement payments for BAB's to debt service through subsequent abatement of taxes levied for the relevant debt service funds.

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) 10-RFP-21, Professional Underwriting Services for District Bond Sales, was advertised on October 6, 2010. The District notified 146 firms, and 46 firms requested proposal documents. Twenty-nine acceptable proposals were received by October 22, 2010. The RFP evaluation team, comprised of staff from the Treasury, Finance, Law, and Procurement and Materials Management departments, rated each firm's proposal for technical approach and competence, experience in public finance and expertise in the underwriting and sale of general obligation bonds, financial capacity to underwrite bonds, and cost of services.

For the 2010 bond sale, J.P. Morgan Securities LLC was selected as Senior Managing Underwriter and Book-runner, and Citigroup Global Markets, Inc., was chosen as Co-Senior Managing Underwriter, both on the basis of their lowest overall cost in addition to having demonstrated the highest ranking for technical competence and experience. The Co-Managing Underwriters chosen for this bond sale are Barclays Capital, Inc.; Duncan-Williams, Inc.; Loop Capital Markets, LLC; Merrill Lynch, Pierce, Fenner & Smith Incorporated (Bank of America); Samuel A. Ramirez & Co., Inc.; Siebert Brandford Shank & Co., LLC; and William Blair & Company LLC. The Co-Managing Underwriters were chosen based upon their technical competence and experience, and ability to meet the District's requirements for regional sales representation and minority-owned (MBE) and women-owned (WBE) business enterprise participation goals. 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 qualified candidates identified by the RFP process. The Affirmative Action Section has reviewed the underwriting group identified for this bond sale and concluded that the appointments are in accordance with the RFP requirements.

Pugh, Jones, Johnson & Quandt, P.C. was selected as Lead Underwriters' Counsel and Greene and Letts was chosen as Co-Underwriters' Counsel after review of law firms believed to be competent in performing these services. Such selection was outside of the scope of the RFP for Underwriting Services.

The total underwriters' discount (fee for services) shall not exceed \$1,897,625.00. Accordingly, the exact fees may not exceed thirty-eight hundredths of one percent (0.0038) of the actual par value of the bonds sold. The fee to the Underwriting Group is a maximum of \$3.25 per \$1,000 par amount of bonds sold, a total fee not to exceed \$1,625,000.00; Underwriters' Counsel fees are \$0.45 per \$1,000 par amount of bonds sold up to \$300 million and \$0.3375 per \$1,000 par amount of bonds sold in excess of \$300 million, a total fee not to exceed \$212,625.00, to be apportioned 70% to the Lead Underwriters' Counsel and 30% to the Co-Underwriters' Counsel; and administrative expenses are \$0.12 per \$1,000 par amount of bonds sold, required to be paid upon the issuance of bonds, a total fee not to exceed \$60,000.00. No fees for professional services connected with the bond issuance will be paid unless the sale is consummated.

Accordingly, it is requested that the Board of Commissioners direct the President or other duly authorized officer of the Board of Commissioners and the Treasurer of the District to execute a bond purchase agreement with J.P. Morgan Securities LLC, and to authorize the appointment of J.P. Morgan Securities LLC as Senior Managing Underwriter and Book-runner; Citigroup Global Markets, Inc., as Co-Senior Managing Underwriter; and Barclays Capital, Inc.; Duncan-Williams, Inc.; Loop Capital Markets, LLC; Merrill Lynch, Pierce, Fenner & Smith Incorporated (Bank of America); Samuel A. Ramirez & Co., Inc.; Siebert Brandford Shank & Co., LLC; and William Blair & Company LLC, as Co-Managing Underwriters, at a total fee not to exceed \$1,897,625.00 to market and sell up to \$500,000,000 of General Obligation Capital Improvement Bonds, Limited Tax Series of 2010, of the Metropolitan Water Reclamation District of Greater Chicago, per Section 11.4 of the Purchasing Act. Funds will be paid from the bond sale proceeds Account 401-50000-767300.

Requested, Harold G. Downs, Treasurer, HGD:MAB:wns

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 November 18, 2010