



# Metropolitan Water Reclamation District of Greater Chicago

100 East Erie Street  
Chicago, IL 60611

## Legislation Text

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**File #:** 14-1266, **Version:** 1

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### **TRANSMITTAL LETTER FOR BOARD MEETING OF NOVEMBER 6, 2014**

#### COMMITTEE ON PROCUREMENT

Mr. David St. Pierre, Executive Director

Authorization to execute a bond purchase agreement for Contract 10-RFP-21, Professional Underwriting Services for District Bond Sales, with Morgan Stanley & Co. LLC; and to appoint Morgan Stanley & Co. LLC as Senior Managing Underwriter and Book-runner; Loop Capital Markets, LLC, as Co-Senior Managing Underwriter; and Cabrera Capital Markets, LLC; Goldman, Sachs & Co.; Jefferies LLC; and Rice Securities, LLC, as Co-Managing Underwriters, at a total fee not to exceed \$270,000.00 to market and sell up to \$300,000,000 of General Obligation Capital Improvement Bonds of the Metropolitan Water Reclamation District of Greater Chicago, Accounts 401-50000-767300 and 767400

Dear Sir:

Authorization is requested to execute a bond purchase agreement with Morgan Stanley & Co. LLC to serve as Senior Managing Underwriter and Book-runner for the upcoming bond sale. The District intends to market and sell up to \$300,000,000 of General Obligation Capital Improvement Bonds. This sale will include Limited and Unlimited Tax Series Bonds, in order 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 Tax Series refunding bonds for savings in debt service cost.

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. On November 7, 2013, the Board of Commissioners extended the duration of the qualified list for 10-RFP-21 for a two-year period ending November 18, 2015.

On September 8, 2014, a Best and Final Offer Cost Proposal was sent to the eleven remaining underwriting firms on the list of firms eligible to serve as Senior Managing Underwriter for District bond sales. The request included a price proposal for the requirements of the upcoming bond sale, updated information on the firm and personnel, technical information including their firm's estimate of how the District's bonds would sell in the current market, and completion of the District's Minority Business Enterprise(MBE)/Women-Owned Business Enterprise(WBE) Verification Form. Eleven acceptable proposals were received by October 1, 2014. The Treasury and Procurement departments reviewed the responses received, and updated the RFP scoring based on the results of the new Best and Final Offer Cost Proposal, specific requirements for the proposed bond sale, and the response to the Minority Business Enterprise(MBE)/Women-Owned Business Enterprise (WBE) Verification Form.

Morgan Stanley & Co. LLC was selected as Senior Managing Underwriter and Book-runner based upon its top overall ranking for the composite score, and Loop Capital Markets, LLC, was chosen as Co-Senior Managing Underwriter based upon its technical competence and experience, and ability to meet the District's participation goals for Minority-Owned (MBE) and Women-Owned (WBE) business enterprises as the cost proposal does not apply to Co-Managing Underwriting firms. The Co-Managing Underwriters chosen for the sale were Cabrera Capital Markets, LLC; Goldman, Sachs & Co.; Jefferies LLC; and Rice Securities, LLC. The Co-Managing Underwriters were chosen based upon their technical competence and experience, and ability to meet the District's participation goals for Minority-Owned (MBE) and Women-Owned (WBE) business enterprises as the cost proposal does not apply to Co-Managing Underwriting firms. 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.

Authority is requested to appoint this selling group to market and sell up to \$300,000,000 General Obligation Capital Improvement Bonds. 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.

The total underwriters' discount (fee for services) shall not exceed \$270,000.00. Accordingly, the exact fees may not exceed ninety(\$0.90) per \$1,000 principal amount of bonds sold. The fee to the Underwriting Group is a maximum of seventy-five cents(\$0.75) per \$1,000 principal amount of bonds sold, a total fee not to exceed \$225,000.00; and administrative expenses are \$0.15 per \$1,000 principal amount of bonds sold, required to be paid upon the issuance of bonds, a total fee not to exceed \$45,000.00. No fees for professional services connected with the bond issuance will be paid unless the sale is completed.

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 Morgan Stanley & Co. LLC, and to authorize the appointment of Morgan Stanley & Co. LLC as Senior Managing Underwriter and Book-runner; Loop Capital Markets, LLC, as Co-Senior Managing Underwriter; and Cabrera Capital Markets, LLC; Goldman, Sachs & Co.; Jefferies LLC; and Rice Securities, LLC as Co-Managing Underwriters, at a total fee not to exceed \$270,000.00 to market and sell up to \$300,000,000 of General Obligation Capital Improvement Bonds 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 Accounts 401-50000-767300(\$202,500.00) and 401-50000-767400(\$67,500.00).

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 November 6, 2014