



Metropolitan Water Reclamation District of Greater Chicago

100 East Erie Street
Chicago, IL 60611

Legislation Text

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TRANSMITTAL LETTER FOR BOARD MEETING OF AUGUST 5, 2021

COMMITTEE ON PROCUREMENT

Mr. Brian A. Perkovich, Executive Director

Authorization to execute a bond purchase agreement for Contract 20-RFP-04 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; Loop Capital Markets LLC as Co-Senior Managing Underwriter; and Academy Securities, Inc., Melvin Securities, LLC, Samuel A. Ramirez & Company, Inc., Siebert Williams Shank & Co., LLC, and Stern Brothers & Co. as Co-Managing Underwriters, in a total amount not to exceed \$250,000.00 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 new money and refunding bonds (taxable and tax-exempt). The new money component will be approximately \$150 million. The refunding bonds could approximate \$350 million on the date of the sale depending upon market conditions. The total bond sale requirement of an estimated \$500 million would be sold in one sale on the same date. Refunding candidates include the 2011 and 2014 District bond sales and SRF outstanding loan amounts. 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) 20-RFP-04, Professional Underwriting Services for District Bond Sales, was advertised on January 8, 2020. Eighty-seven (87) firms were notified, and forty-eight (48) firms requested proposal documents. Twenty-eight (28) acceptable proposals were received by February 21, 2020.

The RFP process was coordinated through the Director of Procurement and Materials Management. The evaluation committee which reviewed and evaluated the proposals consisted of staff from the Treasury, 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 thirteen 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. J.P. Morgan Securities LLC. was highest-ranked overall by this composite evaluation and is recommended to act as Senior Managing Underwriter and Book-runner for the 2021 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 aspirational participation goals for Minority-Owned (MBE), Women-Owned (WBE), and Veteran-Owned (VBE) business enterprises; the cost proposal does not apply to these firms. Loop Capital Markets LLC is recommended to act as Co-Senior Managing Underwriter for the 2021 bond sale, and Academy Securities, Inc., Melvin Securities, LLC, Samuel A. Ramirez & Company, Inc., Siebert Williams Shank & Co., LLC, and Stern Brothers & Co. are recommended to act as Co-Managing Underwriters.

For each bond sale, the District shall aspire to award a minimum of 30% of the work and services required by the RFP to one or more MBE or WBE firm(s) and a minimum of 3% of the work and services to one or more VBE firm(s). The Diversity 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 forty cents (\$0.40) per \$1,000 principal amount of bonds sold up to \$500,000,000. The total fee is therefore not to exceed \$200,000.00, to be apportioned 45% to the Senior Managing Underwriter/Book-runner, 20% to the Co-Senior Managing Underwriter, and 7% to each Co-Managing Underwriter. 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. The total fee to the underwriting group is not to exceed \$250,000.00.

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 J.P. Morgan Securities LLC., and to appoint J.P. Morgan Securities LLC, as Senior Managing Underwriter and Book-runner; Loop Capital Markets LLC, as Co-Senior Managing Underwriter; and Academy Securities, Inc., Melvin Securities, LLC, Samuel A. Ramirez & Company, Inc., Siebert Williams Shank & Co., LLC, and Stern Brothers & Co. as Co-Managing Underwriters, in a total amount not to exceed \$250,000.00 per Section 11.4 of the Purchasing Act. Funds will be paid from the bond sale proceeds Accounts 401-50000-767300 (\$75,000.00) and 401-50000-767400 (\$175,000.00). Fees as noted above will only be disbursed if and when the transaction is completed.

Requested, Mary Ann Boyle, Treasurer, MAB:sn

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 August 5, 2021

Attachment