

**Only firms which have been prequalified by the Office of Financial Management for FY 2012 and FY 2013 to provide financial advisory services to the Kentucky Infrastructure Authority may submit a response to this Request for Proposals.**

February 5, 2013

**Request for Proposals (RFP) to Serve as Financial Advisor to the Kentucky Infrastructure Authority for Fiscal Year 2013.**

The Office of Financial Management (“OFM”) of the Finance and Administration Cabinet of the Commonwealth of Kentucky, on behalf of the Kentucky Infrastructure authority (“KIA” or “the Authority”), is inviting proposals from pre-qualified firms to provide financial advisory services to the Authority. The engagement period will be for the fiscal year beginning July 1, 2012 and ending June 30, 2013 (“FY 2013”) with an option to renew for one year under the same terms and conditions at the discretion of OFM and the Authority.

The Authority was created to provide a mechanism for funding construction of infrastructure projects by governmental agencies of the Commonwealth. Currently there are four loan programs administered by the Authority. Additionally, the Authority administers state funded Special Appropriation Grants. These include:

**Fund A - Clean Water State Revolving Fund Loan Program**

This program is used to finance local wastewater treatment facilities and nonpoint source projects that qualify under the U.S. Environmental Protection Agency requirements of the Clean Water Act. Debt service for Fund A revenue bonds issued to provide the required state match is funded through state appropriations. The Authority has issued leveraged agency bonds for the Fund A program, program revenues are used for the debt service on these bonds.

**Fund B - Infrastructure Revolving Loan Program**

This program provides funding for utilities and other public services projects. Debt service for bonds issued to capitalize Fund B is funded through state appropriations.

**Fund C - Governmental Agencies Program**

This program provides local governmental agencies access to funding through direct loans financed predominantly with municipal bond proceeds at better terms than could be obtained on an individual basis. Debt service for Fund C revenue bonds is paid from local governmental agency receipts and not from state appropriations. As a result, no budgetary authorization is required.

**Fund F - Drinking Water State Revolving Fund Loan Program**

This program is used to finance local drinking water treatment facilities that qualify under the U.S. Environmental Protection Agency requirements of the Safe Drinking Water Act. Debt service for Fund F revenue bonds issued to provide the required state match is funded through state appropriations. The Authority has issued leveraged agency bonds for the Fund F program, program revenues are used for the debt service on these bonds.

**SPAP - Special Appropriation Grants (State Funded)**

The Kentucky General Assembly has specially appropriated by budget line item grants for water and wastewater infrastructure projects identified by the Area Water Management Councils in the Water Resource Information System.

For additional information on the Authority or its programs, please see their web site at:

<http://kia.ky.gov/>

### **Description of Services Sought**

The firm engaged to perform financial advisory services to KIA will be working with the Authority, OFM, and potentially a senior managing underwriter and a bond counsel firm should the Authority issue any debt obligations or in preparation for the issuance of any debt obligations during the engagement. KRS 42.420 requires the Authority to submit all proposed debt financings to OFM for review and approval prior to issuance. OFM is very active in this role and serves as an additional financial advisor to the Authority. The engagement may include negotiated or competitive new money transactions, any refinancings, and other issuance-related financial transactions to include advice relating to any bond anticipation note program(s), debt service and other reserve funds.

The selected firm, if engaged to perform financial advisory services for the Authority, will be responsible for duties that include, but are not limited to the following:

1. Advise as to the various financing alternatives available and oversee any potential bond issuance in its entirety serving as the point of contact with rating agencies and issuers;
2. Review and develop possible alternatives related to debt transaction including evaluation of revenues available, maturity schedule and cash flow requirements;
3. Assist the Authority in developing the terms, conditions and structure of any proposed debt offering;
4. Develop a plan of financing for bonds to be issued including a maturity schedule and other terms and conditions, resulting in the most advantageous terms, consistent with a minimum effective interest rate, including determining the timing of the offering and the sizing of each bond issue;
5. Provide advice on the condition of the bond market at the time of sale, including volume, timing considerations, competing offerings, and general economic considerations;
6. Assist bond counsel in the coordination of the offering, including preparing such information, as necessary, for the rating agencies and upon approval, assisting in the presentation to such agencies; assisting in maintaining on-going relationships with the credit rating agencies;
7. Review all documents that are customary and necessary in order to structure and issue bonds;
8. Competitively bid for verification agent and printing services for the printing of official statements and bond forms;
9. Coordinate the sale and closing of the securities with the issuer, bond counsel, senior managing underwriter, the trustee, and the Commonwealth;
10. Assist in closing details and post-closing duties, including the development of closing memoranda (or “memorandums”);

11. Provide advice regarding investment of debt service reserve funds;
12. Provide advice on continuing disclosure requirements in relation to the bonds;
13. After issuance, interpret bond provisions and covenants when requested by representatives of the Authority and or staff;
14. Provide the Authority information about outstanding loans and debt issuances as agreed to by both the Authority and the firm selected in an electronic format accessible by the Authority (Excel, Access, etc);
15. Provide Credit rating maintenance – proactively develop materials to convey accurate the program rating profile for periodic surveillance and transaction ratings, including regular default tolerance analyses;
16. Undertake any and all other financial planning and policy development assignments requested regarding bond and other financings, and financial policy including cash management issues and related fiscal policies and programs, including those promulgated by EPA requests;
17. Provide financial advisory support for all other matters necessary or incidental to the issuance of the bonds or administering the Authority’s loan programs.

### **Debt Service Appropriation Process**

The Commonwealth of Kentucky is constitutionally mandated to budget on a biennial cycle, with the new biennium beginning July 1 of the even numbered calendar years. The biennium consists of two (2) fiscal years, each fiscal year beginning July 1 and ending June 30 of the next calendar year.

The budget process normally begins in August prior to the start of each new biennium. Each cabinet and agency prepares a budget request for the upcoming biennium, which is submitted to the Office of the State Budget Director (“OSBD”). As part of this process, each cabinet and agency requests the amount of new debt service dollars required to support new or expansion projects to be funded via the debt issuance process. Debt service for new projects is estimated using a debt service template which provides rate assumptions for 7-, 10-, and 20-year bonds issued on a tax-exempt or taxable basis. The Authority is involved in the budget recommendation process regarding potential authorizations and projects. The OSBD further refines the cabinet and agency budget requests into the Governor’s Executive Budget Request, which is then presented to the General Assembly.

The Governor is required by Kentucky law to submit a biennial State Budget (the "State Budget") to the General Assembly of the Commonwealth during the legislative session held in each even numbered year. State Budgets have generally been adopted by the General Assembly during those legislative sessions, which end in mid-April, to be effective upon the Governor's signature for appropriations commencing for a two-year period beginning the following July 1.

## **REQUIRED COMPONENTS OF PROPOSAL**

Each response to the RFP must include and address the following items. **Failure to comply with the requirements of the RFP will result in the firm's response not being evaluated by the Selection Committee.** (See Selection and Notification)

### **I. Disclosure**

- A. Certify that there has been no material change to any of the statements and certifications made by the firm in its response to the Request for Qualifications, Section II, Disclosure, issued by OFM on January 25, 2011. In the event there has been a material change, please specify the nature of the change and the impact of the change on the firm and its ability to provide the desired services.
- B. Detail any criminal investigation, indictment, prosecution or other proceeding that has ever been brought against your firm (provide attachment if necessary). Also, describe any civil litigation pending or concluded within the last three years against your firm that would impair the firm's ability to provide the requested services (provide attachments if necessary).
- C. Disclose any potential conflicts of interest with representing the Commonwealth in this matter, including any potential conflicts of interest of employees assigned to this project and potential conflicts with the Authority. The Commonwealth reserves the unqualified right to disqualify an entity or cancel any contract for any potential conflict of interest issues raised initially and/or during the life of any contract awarded.

### **II. Qualifications (80%)**

#### **A. Relevant Experience of the Firm (30%)**

1. Briefly review the history and organization of the firm. Provide a brief discussion of similar and relevant financial advisory services within the last two years.
2. Discuss similar types of transactions, specifically leveraged water, wastewater and solid waste revolving fund financings, on which your firm has served as a financial advisor over the past two years.

#### **B. Relevant Experience and Qualifications of the Representatives of the Firm (35%)**

1. Provide a discussion of the experience and qualifications of the firm's representatives who would work with the Authority. Provide the names and resumes of all individuals who would be assigned to work with the Authority and OFM. Please note that any changes made to representation for the institutions must be communicated to and approved by the Authority and OFM.
2. Identify the principal contact that would serve as the advisor to the Authority and specifically discuss that individual's experience as principal financial advisory contact within the last two years.
3. Identify the person in the firm who would provide cash flow and debt structuring analysis and describe that individual's experience providing that service to other similar issuers within the last two years.

4. Provide three (3) specific references of the firm's and three (3) specific references of the principal contact's experience with similar entities. Include names, addresses and telephone numbers.

### **C. Innovative Financing (15%)**

Discuss financings the firm has done with agencies similar to the Authority that were new or unique; emphasize aspects of the financings that could be useful to the Authority for future financings. Also discuss innovative, program eligible strategies that would maximize the value of assets by enhancing the efficiency and quality of services. The Authority is particularly focused on strategies that utilize the balance sheet to prioritize long-term value creation over short-term gains.

### **III. Fee Proposal (20%)**

**One (1) Fee Proposal must be submitted in a separate sealed envelope using Attachment B. Failure to adhere to these requirements will result in disqualification of the response.**

1. Provide a *financial advisory* services fee proposal (**Attachment B**) for all work to be performed during the engagement period. Propose a flat per hour fee inclusive of all expenses including copying, faxing, mailing, telephone, travel and other expenses. The firm selected will be remunerated, based on the fee, as services are provided in an amount not to exceed \$40,000 per fiscal year.

### **Reservation of Rights**

OFM reserves the right to:

1. Review and approve any change in staff members significantly involved in any financing during the contract period, and discharge the firm promptly if such personnel changes do not meet the needs of the Commonwealth.
2. Reject any and all proposals with cause, including failure to disclosure material events.
3. Reject all proposals and seek new proposals when such procedure is reasonably in the best interest of the Commonwealth.
4. Make investigations regarding qualifications of any or all respondents, as the Selection Committee deems necessary.
5. Request and receive such additional information as the Selection Committee may reasonably require. Failure to comply with such a request will result in disqualification.
6. Waive minor irregularities in this RFP process.
7. Make all submitted proposals and any attached materials available for Open Records requests pursuant to KRS 61.870.

### **Liability**

The Commonwealth shall not be liable for:

1. Any cost incurred in the preparation or submission of any proposal.
2. Any costs incurred in connection with any interview or negotiation relating to this RFP (i.e. travel, accommodations, etc.).
3. Any disclosure, whether by negligence or otherwise, of any information, material or not, in any form submitted in response to this RFP.

## Questions

All questions and requests for information concerning this RFP must be submitted by facsimile, email or in writing to the address below by **noon ET on Thursday, February 14, 2013**. Any questions submitted, and answers, may be distributed to all pre-qualified firms at the discretion of the Chairperson of the Selection Committee. Please note that questions submitted after the deadline will not receive a response.

## Submission of Proposals

Six (6) copies of each proposal, one (1) electronic copy, one (1) fee proposal and all related materials must be received no later than **2:00 p.m. ET on Tuesday, February 26, 2013** at the following address:

Office of Financial Management  
Selection Committee Chair  
Kentucky Infrastructure Authority  
Financial Advisor RFP FY 2013  
702 Capitol Avenue, Suite 76  
Frankfort, Kentucky 40601-3453  
Phone: (502) 564-2924 Fax: (502) 564-7416  
[marcia.adams@ky.gov](mailto:marcia.adams@ky.gov)

**NOTE: Proposals received after the stated deadline will NOT be accepted. It is NOT the responsibility of courier services to meet the deadline; it is the responsibility of the respondent. Facsimile copies and electronic transmissions will NOT be accepted for submission of proposals.**

## Selection and Notification

The Selection Committee, established pursuant to KRS 45A.843, is composed of three (3) staff members of OFM (voting), two (2) representatives from the Authority (voting) and one merit employee from the Auditor of Public Accounts (nonvoting). A majority of the voting members must be merit employees of the Commonwealth. Proposals will be evaluated by voting members pursuant to the evaluation criteria outlined on **Attachment A**. The Selection Committee will determine whether to hold interviews of proposing firms. The Selection Committee will make a recommendation for selection pursuant to KRS 45A.840 to 45A.879.

Kentucky Revised Statutes referenced in the RFP may be found at <http://www.lrc.ky.gov/law.htm>

## Contact with Selection Committee Members

Please note that any contact made by the firm with any member of the Selection Committee, from the date of issuance of the RFP until an award of contract, is required to be disclosed by such Committee member to the entire Committee and will become a part of the permanent file for this selection process which is subject to "open records requests" pursuant to Kentucky Open Records laws.

The Office of Financial Management on behalf of the Authority respectfully solicits the submission of a proposal by your firm.

## Attachments:

Attachment A: Evaluation Criteria

Attachment B: Fee Proposal

**ATTACHMENT A**  
**EVALUATION CRITERIA**  
**KENTUCKY INFRASTRUCTURE AUTHORITY**  
**REQUEST FOR PROPOSALS**  
**FINANCIAL ADVISOR AND/OR PROGRAM MANAGER**  
**FISCAL YEAR 2013**

<u>Evaluation Criteria</u>	<u>Weight</u>
1. Relevant Experience of the Firm	30%
2. Relevant Experience and Qualifications of the Firm's Representatives	35%
3. Innovative Financing	15%
3. Fee Proposal	<u>20%</u>
<b>Total</b>	100%

EVALUATION FORM (Attachment A continued)

KENTUCKY INFRASTRUCTURE AUTHORITY  
REQUEST FOR PROPOSALS  
FINANCIAL ADVISOR  
FISCAL YEAR 2013

FIRM: \_\_\_\_\_ REVIEWER: \_\_\_\_\_

DISCLOSURE STATEMENT: Yes \_\_\_\_\_ No \_\_\_\_\_

1. **RELEVANT FIRM EXPERIENCE** - (Qualifications, recent similar transactions, firm organization) Total of 30 points possible.

Score = \_\_\_\_\_

Notes: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

2. **RELEVANT EXPERIENCE AND QUALIFICATIONS OF FIRM REPRESENTATIVES** - (Number of staff available, background, individual experience on similar transactions, identification of principal contact, cash flow experience, specific firm references) Total of 35 points possible.

Score = \_\_\_\_\_

Notes: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

3. **INNOVATIVE FINANCING** – (Unique financings, aspects useful for the Authority, strategies for maximizing asset value of the Authority) Total of 15 points possible.

Score = \_\_\_\_\_

Notes: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Total Score\*(80 points possible): \_\_\_\_\_

\*Scores for fee proposals (20 points) will be uniformly assigned by the Committee Chair.

**Note: This form must be used when submitting your Fee Proposal. It is not to be changed. Any fees not entered as requested in the format below will result in the firm's response not being evaluated by the Selection Committee. Failure to comply with the requirements of this RFP will result in the firm's response not being evaluated by the Selection Committee.**

**ATTACHMENT B**

**FEE PROPOSAL**

**KENTUCKY INFRASTRUCTURE AUTHORITY  
REQUEST FOR PROPOSALS  
FINANCIAL ADVISOR  
FISCAL YEAR 2013**

**Financial Advisor Fee (20%)**

Provide a fee inclusive of all expenses including copying, faxing, mailing, telephone, travel and other out-of-pocket expenses.\*\* The per hour fee quoted will be applicable to all financial advisory services completed during the engagement period subject to a maximum fee stated below.

\*\*Any travel expenses directly related to a bond issue will NOT be included in the maximum annual fee and will be reimbursed based upon prior approval by the Authority.

Maximum annual fee per fiscal year = \$ 40,000.00

**Financial Advisor Fee**

**Price Per Hour \$\_\_\_\_\_**

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SIGNED

DATE

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NAME OF FIRM