Only firms which have been prequalified by the Office of Financial Management for Fiscal Year 2016 and Fiscal Year 2017 to provide financial advisory services to the State Universities may submit a response to this Request for Proposals.

May 13, 2016

Request for Proposals (RFP) to Serve as Financial Advisor to the State Universities for Fiscal Year 2017.

The Office of Financial Management ("OFM") of the Finance and Administration Cabinet of the Commonwealth of Kentucky, on behalf of the state-supported universities in the Commonwealth, is inviting proposals from pre-qualified firms to provide financial advisory services to the institutions. The engagement period will be for the fiscal year beginning July 1, 2016 and ending June 30, 2017 ("FY 2017) with an option to renew for one year under the same terms and conditions at the discretion of OFM.

Enclosed for your information as Attachment C is an identification of the proposed University Agency Fund supported bond projects anticipated to be permanently financed by the universities. The 2016 Regular Session of the Kentucky General Assembly enacted House Bill 303 (the Executive Branch Budget other than the Transportation Cabinet), effectively known as (the "State Budget") of the commonwealth for the 2016-2018 biennium which authorized bond funding for various Agency Fund supported capital projects. The General Assembly may add to or subtract from this list in future sessions. The timing of bond issues will depend on project needs and market conditions. There is no assurance that any of the transactions contemplated in the RFP will be completed during the engagement period.

The state-supported institutions of higher education in the Commonwealth are as follows:

Eastern Kentucky University
Kentucky Community and Technical College System
Kentucky State University
Morehead State University
Murray State University*
Northern Kentucky University*
University of Kentucky*
University of Louisville*
Western Kentucky University*

*Provisions granted in KRS 164A.560 provide the option to these universities to independently select a financial advisor and bond counsel firm outside this RFP or procurement process.

Each university, with the exception of Kentucky Community and Technical College System (KCTCS) has recently issued bonds under a General Receipts Indenture. This modernized indenture does not require a debt service reserve and allows more flexibility than previous indentures which had more restrictive covenants. The postsecondary education institutions issue debt to finance capital projects which may include consolidated educational buildings projects, community and technical college educational buildings projects, housing and dining facilities projects, sports facilities projects, and hospital facilities projects. The security for the debt issued by these institutions is revenue generated from the operation of the facilities financed and the pledge of other defined university receipts. In some cases, the universities receive state General Fund reimbursements for a portion of the debt service associated with certain projects.

Bonds issued in the name of state universities are required by law to issue permanent financing on a competitive basis. All bond transactions undertaken will be under the direction of OFM and the respective institutions. Issues of the institutions must be approved prior to sale by OFM, the respective university board, the State Property & Buildings Commission, and the Capital Projects and Bond Oversight Committee of the Legislative Research Commission of the Kentucky General Assembly.

Description of Services Sought

The firm engaged to perform financial advisory services to the institutions will be working with OFM and a bond counsel firm on all transactions. **KRS 42.420 requires state universities 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 advisor to the universities. All debt issuances will be completed pursuant to KRS 424.360 regarding competitive public sales. The engagement will include all new money transactions, any refinancings, lease obligation transactions, and other issuance-related financial transactions to include assistance relating to any bond anticipation note program(s), debt service and other reserve funds.

The firm selected to perform financial advisory services for the institutions will be responsible for duties which include, but are not limited to, providing structuring; debt management and pre-sale marketing advice; advising with regard to investment of debt service reserve funds (new or refunded bonds); competitively bidding for verification agent and printing services for the printing of official statements and bond forms; coordinating the sale and closing of the securities with the issuer, the trustee, and the Commonwealth; serving as the point of contact with the rating agencies and insurers for all issuances; and overseeing the entire bond issuance.

Consistent with MSRB Rule G-23, the firm selected to perform financial advisory services for the institutions is prohibited from bidding on their competitive transactions.

Debt Service Appropriation Process

The Commonwealth of Kentucky is statutorily 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 Council on Postsecondary Education is involved in the budget recommendation process regarding university bond projects. OSBD further refines the cabinet and agency budget requests into the Governor's Executive Budget Request.

The Governor is required by Kentucky law to submit a biennial State Budget (the "State Budget") for the Executive Branch of state government 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. Governor Bevin submitted a proposed State Budget, for the two-year period that begins July 1, 2016, during the regularly scheduled legislative session that began in January 2016. The State Budget for Fiscal Years 2017 and 2018 was adopted by the General Assembly during the 2016 Regular Legislative Session and enacted and vetoed in part by the Governor on April 27, 2016.

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

1. 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 February 3, 2015. 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, if not previously communicated to OFM.

2. 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 may impair the firm's ability to provide the requested services (provide attachments if necessary).

3. 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 any university. 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 (85%)

1. Relevant Experience of the Firm (20%)

A. Provide a discussion of relevant financial advisory experience of the firm in the area of higher education financing. Include a discussion of other revenue and revenue refunding bond transactions with similar credits in which the firm has participated and describe the role played by the firm.

B. What software vendor and version (including year released) is your firm currently using to structure and analyze bond transactions? Does your software allow you to easily convert cashflows into an Excel and Adobe (pdf) format for electronic distribution?

C. OFM prefers an on-line bidding platform for the review and evaluation of university bond issue bids. Has your firm sold a bond transaction using Parity or another online bidding site? If so, please identify the site and the number of completed transactions used for each bidding site. Does the site(s) provide access for the issuer or advisor such as OFM?

2. **Relevant Experience and Qualifications of the Representatives of the Firm (25%)**

   A. Identify the principal contact that would serve as the advisor to the state universities, provide their resume, and specifically discuss that individual's qualifications and their experience as principal financial advisory contact within the last two years. Please indicate if there would be different principal contacts for different universities. **Please note that any changes made to representation for the institutions must be communicated to and approved by OFM.**

   B. Identify the person in the firm who would provide cash flow and debt structuring analysis, provide their resume, and specifically discuss that individual's qualifications and their experience providing that service to other similar issuers within the last two years. Please indicate if there would be different individuals for different universities.

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

3. **Marketing (20%)**

   A. Provide a brief discussion of the firm's view of how the debt of the state universities in the Commonwealth trades in the primary and secondary markets. Make recommendations, if any, as to how the institutions could enhance their market acceptance now that the state intercept program (KRS 164A.608) and General Receipts Indentures have been in place for several years.

   B. Provide a discussion of the underlying rating status (absent the state intercept) of the debt of each of the state universities and make recommendations as to the strategy each institution should pursue to enhance its rating status (e.g. a formal debt policy). In light of current economic conditions, include in the discussion your opinion of how these rating may be affected, up or down, by the university's relationship to the Commonwealth and dependence upon for financial support.

   C. Discuss any suggested bidding parameter changes that your firm believes would benefit the universities, if any.

   D. Discuss the resources your firm employs to manage continuing disclosure of its clients as it relates to SEC Rule 15c2-12, how your firm will manage additional disclosure items of the Universities that were not disclosed in a timely manner, and how to prevent future disclosure errors by the Universities.

4. **Refunding Analysis and General Discussion (20%)**

   A. Prepare a refunding summary for any outstanding university bonds that your firm believes merit consideration, if any. Please address any known tax issues associated with a particular refunding.

   B. Describe the general parameters and rationale that your firm believes is appropriate for consideration of advanced and current refundings as recommended above in light of prevailing market conditions of extremely low rates and a steeply sloped yield curve.

III. Fee Proposal (15%)

The 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 fee proposal (**Attachment B**) for all work to be performed during the engagement period. Financial advisory fees are paid only upon the completion and closing of a bond issuance, including refunding bonds. Propose a fee on a per $1,000 bond basis, inclusive of all expenses including copying, faxing, mailing, telephone, travel and other expenses. OFM will provide for a minimum fee of $8,000 per issuance and a maximum fee of $75,000.

2. Fee proposals will be evaluated on an assumed single new money bond issue of $15,000,000. Actual bond issuances, if any, may be higher or lower than the assumed amount. There can be no assurance by OFM or the universities that transactions contemplated in the RFP will be completed during the engagement period. All bond series for a university transaction sold on the same date will be considered one issue for billing purposes.

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 disclose 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 Friday, May 20, 2016.** Any questions submitted, and answers, may be distributed to all pre-qualified firms at the discretion 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 and all related materials must be received no later than 1**:00 p.m. ET on Friday, June 3, 2016** at the following address:

Office of Financial Management
Selection Committee
State University Financial Advisor RFP FY 2017
702 Capital Avenue, Suite 76
Frankfort, Kentucky 40601-3453
Phone: (502) 564-2924 Fax: (502) 564-7416
E-mail to: Tammy.McCall@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 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 state universities (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 and KRS 45A.490 to 45A.494. The scoring of proposals is subject to reciprocal preference for Kentucky resident bidders and preference for a Qualified Bidder. See **Attachment D** for recently enacted KRS 45A.490 to 45A.494 "Kentucky Preference Laws".

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 state universities respectfully solicits the submission of a proposal by your firm.

Attachments:
Attachment A: Evaluation Criteria
Attachment B: Fee Proposal
Attachment C: Authorized Project List
Attachment D: Kentucky Preference Laws

ATTACHMENT A

EVALUATION CRITERIA
STATE UNIVERSITIES REQUEST FOR PROPOSALS
FINANCIAL ADVISOR
FISCAL YEAR 2017

	Evaluation Criteria	Weight
1.	Relevant Experience of the Firm	20%
2.	Relevant Experience and Qualifications of the Firm's Representatives	25%
3.	Marketing Review and Recommendations	20%
4.	Refunding Analysis and General Discussion	20%
5.	Fee Proposal	15%
Total		100%

EVALUATION FORM (Attachment A continued)
STATE UNIVERSITIES REQUEST FOR PROPOSALS
FINANCIAL ADVISOR
FISCAL YEAR 2017

FIRM:_____ REVIEWER:_____

DISCLOSURE STATEMENT: Yes _____ No _____

1. **RELEVANT FIRM EXPERIENCE** - (Qualifications, recent similar transactions, firm organization) Total of 20 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 references for firm & individuals) Total of 25 points possible.

   Score = _____

Notes: _____
_____
_____

3. **MARKETING** - (Depth and quality of discussion, demonstration of understanding of higher education bonds, ratings absent state intercept, and bid submission) Total of 20 points possible.

   Score = _____

Notes: _____
_____
_____

4. **REFUNDING ANALYSIS & GENERAL DISCUSSION** - (Depth and quality of discussion, rationale and demonstration of understanding of higher education bonds and refunding opportunities) Total of 20 points possible.

   Score = _____

Notes: _____
_____
_____

Total Score*(85 points possible):_____

*Scores for fee proposals (15 points) will be uniformly assigned by the Committee Chair.

Note: This form must be used when submitting your Fee Proposal. 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
STATE UNIVERSITIES REQUEST FOR PROPOSALS
FINANCIAL ADVISOR FOR FISCAL YEAR 2017

Provide a comprehensive fee inclusive of all expenses including copying, faxing, mailing, telephone, travel and other out-of-pocket expenses. The per bond fee quoted will be applicable to all financings (the per bond fee shall include any assistance with reserve accounts or any work related to prior bonds being refunded) completed during the engagement period subject to the minimum and maximum fees stated below. The per bond fee shall only be paid upon a completed bond transaction.

Minimum fee per issuance = $8,000.00
Maximum fee per issuance = $75,000.00

*For purposes of this proposal and fee evaluation, assume one single new money issue of $15,000,000 issued by the University.

FINANCIAL ADVISOR FEE **Price per $1,000 Bond** _____

_____
SIGNED DATE

_____
NAME OF FIRM

ATTACHMENT C

AUTHORIZED PROJECT LIST
STATE UNIVERSITIES REQUEST FOR PROPOSALS
FINANCIAL ADVISOR FOR FISCAL YEAR 2017

Remaining 2010 Special Session University Agency Bond Authorization

Northern Kentucky University	
Acquire Land/ Master Plan	$17,500,000

Remaining 2014 Regular Session University Agency Bond Authorization

University of Kentucky	
Expand/Renovate/Upgrade Law Building	$30,000,000
University of Louisville	
Purchase Land Support Service-Northeast Quad	$15,600,000

2016 Regular Session University Agency Bond Authorization

Eastern Kentucky University	
Construct Student Life Facilities	$90,000,000
Construct Parking Deck	$15,000,000
Morehead State University	
Construct Food Service/Retail & Parking-Additional	$6,600,000
Renovate Cartmell Hall	$15,200,000
Murray State University	
Renovate White Hall	$16,299,000
Complete ADA Compliance Pool – H&D	$1,957,000
Northern Kentucky University	
Construct/Acquire New Residence Hall	$28,500,000
Construct Satellite Parking Lot	$6,000,000
University of Kentucky	
Facilities Renewal, Modernization, and Deferred Maintenance	$60,000,000
Renovate/Upgrade HealthCare Facilities	$150,000,000
University of Louisville	
Renovate Residence Halls	$46,320,000
Expand – Papa John's Stadium/Football Complex	$55,000,000

Western Kentucky University

Renovate Garrett Conference Center	$12,000,000
Construct Parking Structure III	$10,000,000
Total Proposed University Agency Bonds	**$575,976,000 ***

* Project amounts do not include allocable costs of issuance.

ATTACHMENT D

Kentucky Preference Laws (KRS 45A.490-494)

The scoring of bids/proposals is subject to Reciprocal preference for Kentucky resident bidders and Preferences for a Qualified Bidder. *Vendors not claiming resident bidder or qualified bidder status need not submit the corresponding affidavit.

Reciprocal preference for Kentucky resident bidders

KRS 45A.490 Definitions for KRS 45A.490 to 45A.494.

As used in KRS 45A.490 to 45A.494:
(1) "Contract" means any agreement of a public agency, including grants and orders, for the purchase or disposal of supplies, services, construction, or any other item; and
(2) "Public agency" has the same meaning as in KRS 61.805.

KRS 45A.492 Legislative declarations.

The General Assembly declares:

(1) A public purpose of the Commonwealth is served by providing preference to Kentucky residents in contracts by public agencies; and
(2) Providing preference to Kentucky residents equalizes the competition with other states that provide preference to their residents.

KRS 45A.494 Reciprocal preference to be given by public agencies to resident bidders -- List of states -- Administrative regulations.

(1) Prior to a contract being awarded to the lowest responsible and responsive bidder on a contract by a public agency, a resident bidder of the Commonwealth shall be given a preference against a nonresident bidder registered in any state that gives or requires a preference to bidders from that state. The preference shall be equal to the preference given or required by the state of the nonresident bidder.
(2) A resident bidder is an individual, partnership, association, corporation, or other business entity that, on the date the contract is first advertised or announced as available for bidding:
(a) Is authorized to transact business in the Commonwealth; and
(b) Has for one (1) year prior to and through the date of the advertisement, filed Kentucky corporate income taxes, made payments to the Kentucky unemployment insurance fund established in KRS 341.490, and maintained a Kentucky workers' compensation policy in effect.
(3) A nonresident bidder is an individual, partnership, association, corporation, or other business entity that does not meet the requirements of subsection (2) of this section.
(4) If a procurement determination results in a tie between a resident bidder and a nonresident bidder, preference shall be given to the resident bidder.
(5) This section shall apply to all contracts funded or controlled in whole or in part by a public agency.
(6) The Finance and Administration Cabinet shall maintain a list of states that give to or require a preference for their own resident bidders, including details of the preference given to such bidders, to be used by public agencies in determining resident bidder preferences. The cabinet shall also

promulgate administrative regulations in accordance with KRS Chapter 13A establishing the procedure by which the preferences required by this section shall be given.
(7) The preference for resident bidders shall not be given if the preference conflicts with federal law.
(8) Any public agency soliciting or advertising for bids for contracts shall make KRS 45A.490 to 45A.494 part of the solicitation or advertisement for bids.

The reciprocal preference as described in KRS 45A.490-494 above shall be applied in accordance with 200 KAR 5:400.

Determining the residency of a bidder for purposes of applying a reciprocal preference

Any individual, partnership, association, corporation, or other business entity claiming resident bidder status shall submit along with its response the attached Required Affidavit for Bidders, Offerors, and Contractors Claiming Resident Bidder Status. The BIDDING AGENCY reserves the right to request documentation supporting a bidder's claim of resident bidder status. Failure to provide such documentation upon request shall result in disqualification of the bidder or contract termination.

A nonresident bidder shall submit, along with its response, its certificate of authority to transact business in the Commonwealth as filed with the Commonwealth of Kentucky, Secretary of State. The location of the principal office identified therein shall be deemed the state of residency for that bidder. If the bidder is not required by law to obtain said certificate, the state of residency for that bidder shall be deemed to be that which is identified in its mailing address as provided in its bid.

REQUIRED AFFIDAVIT FOR BIDDERS, OFFERORS AND CONTRACTORS CLAIMING RESIDENT BIDDER STATUS

FOR BIDS AND CONTRACTS IN GENERAL:

The bidder or offeror hereby swears and affirms under penalty of perjury that, in accordance with KRS 45A.494(2), the entity bidding is an individual, partnership, association, corporation, or other business entity that, on the date the contract is first advertised or announced as available for bidding:

1. Is authorized to transact business in the Commonwealth;
2. Has for one year prior to and through the date of advertisement
    a. Filed Kentucky income taxes;
    b. Made payments to the Kentucky unemployment insurance fund established in KRS 341.49; and
    c. Maintained a Kentucky workers' compensation policy in effect.

The BIDDING AGENCY reserves the right to request documentation supporting a bidder's claim of resident bidder status. Failure to provide such documentation upon request shall result in disqualification of the bidder or contract termination.

_____ _____
Signature Printed Name

_____ _____
Title Date

Company Name _____

Address _____

_____

_____

Subscribed and sworn to before me by _____ _____
(Affiant) (Title)

of _____ this _____day of _____,20___.
(Company Name)

_____
Notary Public

[seal of notary] My commission expires: _____