

Only firms which have been prequalified by the Office of Financial Management for FY 2014 and FY 2015 to provide bond counsel services to the State Universities may submit a response to this Request for Proposals.

May 7, 2014

Request for Proposals (RFP) to Serve as Bond Counsel to the State Universities for Fiscal Year 2015.

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 bond counsel services to the institutions. The engagement period will be for the fiscal year beginning July 1, 2014 and ending June 30, 2015 (“FY 2015”) 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 2014 Regular Session of the Kentucky General Assembly enacted House Bill 235 (the Executive Branch Budget other than the Transportation Cabinet), effectively known as (the “State Budget”) of the commonwealth for the 2014-2016 biennium which authorized bond funding for various Agency Fund supported capital projects. In addition, the Budget Act also identifies General Fund supported bond projects for institutions of higher education: however, this debt will be issued by the Kentucky State Property and Buildings Commission (“SPBC”) and will not be a part of this engagement. 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 (“KCTCS”)
- 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 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.

The State FY 2015 budget includes \$145.5 million of authorized Agency Fund supported bond projects for KCTCS. KCTCS has not previously issued agency bonds and will require an initial trust indenture prior to issuance.

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 bond counsel services to the institutions will be working with OFM and a financial advisory 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 financial advisor to the universities. All debt issuances will be completed pursuant to KRS 424.360 regarding competitive public sales. The engagement will include legal services for all new money transactions, any refinancings, lease obligation transactions, when applicable, and other issuance-related financial transactions to include legal advice relating to any bond anticipation note program(s), debt service and other reserve funds. Such funds may be invested in Forward Purchase Agreements, Guaranteed Investment Contracts or other related agreements that will require careful review and possible opinions at no additional charge.

The firm selected to perform bond counsel services for the institutions will be responsible for duties which include, but are not limited to, providing legal opinions and advice related to debt structuring; drafting and producing the preliminary and final official statements; the sale and closing of the securities; tax issues including arbitrage regulation compliance; consulting with the issuer, the trustee, and the Commonwealth on all bond related items including IRS questionnaires; providing information as requested to the rating agencies and insurers; all applicable posting of notices and advertising relating to the bond issuance; overseeing the printing of bond certificates; drafting and circulating required issuance documents for approval; coordinating the closing of all issues; and reviewing any investment agreements related to debt service reserve fund deposits.

Bond Counsel will be required to create an initial trust indenture for KCTCS.

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 Beshear submitted a proposed State Budget, for the two-year period that begins July 1, 2014, during the regularly scheduled legislative session that began in January 2014. The State Budget for Fiscal Years 2015 and 2016 was adopted by the General Assembly during the 2014 Regular Legislative Session and enacted and vetoed in part by the Governor on April 11, 2014.

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 January 28, 2013. 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 (50%)

1. Relevant Experience of the Firm (25%)

- A. Provide a discussion of relevant bond counsel 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. Provide a discussion of relevant bond counsel experience of the firm in the area of Kentucky law, particularly statutes or case law related to the issuance of university bonds.
- C. Discuss your firm's technological capabilities, for example can your firm post POS directly to the MSRB's EMMA website?

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

- A. Identify the individuals who would serve as counsel to the state universities. Specify the primary and backup contacts. Indicate if there would be different individuals for different institutions. **Please note that any changes made to representation for the institutions must be communicated to and approved by OFM.**
- B. Provide the resumes of all individuals who would be assigned to work with OFM and the universities, and include a discussion of their experience as bond counsel with similar issuers within the last two years.
- 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.

III. Legal Issues Which May Impact the Issuance of Debt by the State Universities (30%)

- 1. Please discuss your firm's view of the continued requests for procedural and disclosure information from the Internal Revenue Service and the Securities and Exchange Commission and the practical implications for the state universities.
- 2. Please discuss what steps that the universities can take to ensure that their municipal advisors are complying with the requirements of Dodd-Frank, e.g. that the broker dealer has not bid on the bonds where the firm has acted as financial advisor.
- 3. Please identify or discuss any further legal issues pertaining to recent regulations or developments that you believe may have a material impact on the issuance of debt by the state universities.
- 4. With the bond authorized projects in the State Budget for KCTCS, a General Receipts Indenture will need to be created since the agency has no debt outstanding and no active trust indentures. All of the other state-supported universities currently have a General Receipts Indenture under which they issue their Agency Fund supported bonds. If your firm was given the opportunity to create the original KCTCS General Receipts Indenture, what features would you believe to be important to include? Being that it would be a new credit, what legal issues do you think there could be in establishing this credit?

IV. Fee Proposal (20%)

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. Bond Counsel fees are paid only upon completion and closing of a bond issue. Propose a fee on a per \$1,000 bond basis, inclusive of all expenses except bond advertising, bond transcripts, and overnight mailing which will be pass through expenses and billed separate of the bond counsel fee. OFM will provide for a minimum fee of \$6,000 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 Tuesday, May 13, 2014**. 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 **4:00 p.m. ET on Wednesday, May 28, 2014** at the following address:

Office of Financial Management
Selection Committee
State University Bond Counsel RFP FY 2015
702 Capitol Avenue, Suite 76
Frankfort, Kentucky 40601-3453
Phone: (502) 564-2924 Fax: (502) 564-7416
E-mail: 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 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
BOND COUNSEL
FISCAL YEAR 2015

<u>Evaluation Criteria</u>	<u>Weight</u>
1. Relevant Experience of the Firm	25%
2. Relevant Experience and Qualifications of the Firm's Representatives	25%
3. Legal Issues	30%
4. Fee Proposal	<u>20%</u>
Total	100%

EVALUATION FORM
(Attachment A continued)
STATE UNIVERSITIES REQUEST FOR PROPOSALS
BOND COUNSEL FOR FISCAL YEAR 2015

FIRM: _____

REVIEWER: _____

DISCLOSURE STATEMENT: Yes _____ No _____

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

Score = _____

Notes: _____

- 3. LEGAL ISSUES** - (Depth and quality of discussion, demonstration of understanding of higher education bonds and impact of state intercept and General Receipts Indenture) Total of 30 points possible.

Score = _____

Notes: _____

Total Score*(80 points possible): _____

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

This form must be used when submitting your Fee Proposal. Failure to comply with the requirements of the RFP will result in the firm's response not being evaluated by the Selection Committee.

ATTACHMENT B

**FEE PROPOSAL
STATE UNIVERSITIES REQUEST FOR PROPOSALS
BOND COUNSEL FOR FISCAL YEAR 2015**

A. Provide a 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 completed during the engagement period subject to the minimum and maximum fees stated below.

Minimum fee per issuance = \$6,000.00
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.

** Bond advertising, bond transcripts, and overnight mailing will be pass through expenses and will be billed separate of the bond counsel fee.

BOND COUNSEL FEE **Price per \$1,000 Bond** _____

B. Provided a one-time, all-inclusive fee proposal for the creation and establishment of a new General Receipts Indenture for KCTCS.

price \$ _____

SIGNED

DATE

NAME OF FIRM

ATTACHMENT C

AUTHORIZED PROJECT LIST STATE UNIVERSITIES REQUEST FOR PROPOSALS BOND COUNSEL FOR FISCAL YEAR 2015

2010 Special Session University Agency Bond Authorization

Northern Kentucky University Acquire Land & Buildings/Master Plan	\$17,500,000
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2013 Regular Session University Agency Bond Authorization

University of Louisville Expand Student Activities Center	\$9,600,000
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2014 Regular Session University Agency Bond Authorization

Eastern Kentucky University Renovate Athletics Facilities	\$15,000,000
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Kentucky State University Construct Athletics Sports Complex	\$5,487,000
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Morehead State University Construct Student Residential Facilities	\$30,735,000
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Murray State University Replace Franklin Hall	\$28,953,000
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Northern Kentucky University Expand University Drive Parking Garage	\$15,000,000
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University of Kentucky Renovate/Expand University Student Center	\$160,000,000
Renovate/Upgrade HealthCare Facilities	\$150,000,000
Expand/Renovate/Upgrade Law Building	\$30,000,000

University of Louisville Purchase Land Support Service-Northeast Quad	\$15,600,000
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KCTCS

Newtown Campus Expansion-Bluegrass CTC	\$18,000,000
Construct MCTC/MSU Postsecondary Center of Excellence, Phase 1-Maysville CTC	\$21,000,000
Construct Carrollton Campus Phase 1-Jefferson CTC	\$12,000,000
Construct Advanced Technology Center Phase II-Owensboro CTC	\$9,000,000

KCTCS *continued*

Construct Postsecondary Education Center-Madisonville CC	\$15,000,000
Construct 2D Art School Phase 1-West Kentucky CTC	\$7,500,000
Construct Urban Campus-Gateway CTC	\$11,250,000
Construct Agricultural Health and Career Technology Center Phase 1-Hopkinsville CC	\$11,250,000
Construct Instructional Classroom Complex-Southcentral CTC	\$16,500,000
Renovate Main Building-College Drive- Ashland CTC	\$7,500,000
Construct Educational Alliance Center-Middlesboro Campus- Southeast Kentucky CTC	\$7,500,000
Renovate Campus Wide Facilities-Henderson CC	\$3,750,000
Renovate Owen Classroom Building-Elizabethtown CTC	\$750,000
Construct Community Intergenerational Center-Lees –Hazard CTC	\$1,500,000
Expansion of Pikeville Campus-Big Sandy CTC	\$1,500,000
<u>Construct Arts & Humanities Building-Somerset CC North</u>	<u>\$1,500,000</u>
Total 2014 Regular Session Authorization	\$596,275,000
 Total Proposed University Agency Bonds	 <u>\$623,375,000 *</u>

* 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.

