

NOTICE INVITING BIDS

Notice is hereby given that electronic proposals will be received by the City of San Fernando, California, for furnishing the following:

UNDERWRITING SERVICES FOR PENSION OBLIGATION BONDS

in strict accordance with the Specifications on file in the office of the SAN FERNANDO FINANCE DEPARTMENT, 117 MacNeil Street, San Fernando, California, 91340. Copies of specifications and proposal documents may be obtained from the City's website at <https://ci.san-fernando.ca.us/rfps-rfqs-nibs-nois/>.

One electronic copy of the proposal must be submitted to cityclerk@sfcity.org no later than **5:00** p.m. on **Friday, December 4, 2020**. Any bidder may withdraw their proposal, without obligation, at any time prior to the scheduled closing time for receipt of proposals. Proposals may later be referred to the City Council for appropriate action. The City reserves the right to reject any or all proposals as the best interests of the City may dictate.

By: _____
Julia Fritz, City Clerk

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REQUEST FOR PROPOSALS



The Finance Department is requesting proposals for:

Underwriting Services for Pension Obligation Bonds

RELEASE DATE: November 19, 2020

RESPONSE DUE: December 4, 2020

GENERAL INFORMATION

The City of San Fernando (the City) is currently accepting proposals from interested underwriter firms in connection with the issuance of 2021 Pension Obligation Bonds (2021 POBs). The City is interested in retaining one underwriting firm to price and sell the 2021 POBs, which are expected to be sized to fund a portion of the UAL - approximately \$45 million.

BACKGROUND

The City of San Fernando was incorporated in 1911 and is currently organized according to the City Council/City Manager form of government with six departments, including a Police Department, Public Works Department, and Recreation and Community Services Department. The City employs approximately 125 full-time employees from a total Adopted Budget for fiscal year 2019-2020 of \$49.5 million, which includes a General Fund budget of \$19.9 million. The City is a cost-conscious provider of outstanding public services to its citizens and local businesses.

The City believes that the open competition for services and products provides the City with the best results for its public dollars. The City is interested in receiving responsive and competitive proposals from experienced and qualified firms to provide underwriting services for pension obligation bonds. What follows is a description of the scope of work, qualifications, and performance expectations.

INSTRUCTIONS TO SUBMITTING FIRMS

A. Examination of Proposal Documents

By submitting a proposal, the prospective firm represents that it has thoroughly examined and become familiar with the services required under this RFP, and that it is capable of delivering quality services to the City in a creative, cost-effective & service-oriented manner.

B. Questions/Clarifications

Any questions regarding the questions, process and/or meaning of terms specified in the RFP should be submitted via e-mail by **December 1, 2020**, to cityclerk@sfcity.org and DIbanez@sfcity.org. Answers to RFP questions/inquiries will be distributed.

C. Submission of Bid Proposals

The Proposal is to be delivered electronically by **5:00pm on December 4, 2020**, to the following email address: cityclerk@sfcity.org. Proposals may be withdrawn by the Bidder only prior to the RFP due date and time.

D. Electronic Submissions Carry Full Force and Effect

The bidder, by submitting its electronic proposal, acknowledges that doing so carries the same force and full legal effect as a paper submission with a longhand (wet) signature.

E. Rejection of Proposals

Proposals may be rejected if they show any alterations of form, additions not called for, conditional or alternative bids, incomplete bids, erasures, or irregularities of any kind. The right is reserved to reject any and all proposals

F. Withdrawal of Proposals

A firm may withdraw its proposal at any time before the due date for submission of proposals as provided in the RFP by delivering a written request for withdrawal signed by, or on behalf of the prospective firm.

G. Rights of City of San Fernando

This RFP does not commit the City to enter into a Contract (Bond Purchase Agreement), nor does it obligate the City to pay for any costs incurred in preparation and submission of proposals or in anticipation of a contract.

The City reserves the right to:

- 1) Make the selection based on its sole discretion.
- 2) Reject any and all proposals without prejudice.
- 3) Issue subsequent Requests for Proposal.
- 4) Postpone opening for its own convenience.
- 5) Remedy technical errors in the Request of Proposal process.
- 6) Approve or disapprove the use of particular sub-contractors.
- 7) Negotiate with any, all, or none of the prospective firms.
- 8) Solicit best and final offers from all or some of the prospective firms.
- 9) Accept other than the lowest offer; and/or
- 10) Waive informalities and irregularities in the proposal process.

H. Permits and Licenses

A City of San Fernando Business License is **NOT** required upon award.

I. Terms and Conditions

By submitting an electronic proposal, the bidder certifies that the bidder has thoroughly examined and understands the Request for Proposals, and that by submitting its bid electronically, the bidder acknowledges, agrees to and is bound by its bid. Alternatives which do not substantially comply with the City's specifications will not be considered. Conditional proposals cannot be accepted.

Please refrain from contacting City Staff and/or City Elected Officials during the RFP process (November 19, to December 18). Any form of communication, written or oral, may serve as grounds for disqualification.

J. Assignment

No assignment by the Firm of any Contract to be entered into hereunder or of any part thereof, except of funds to be received thereunder by the Firm, will be recognized by the City unless such assignment has had the prior written approval of the City.

K. Termination for Convenience

The City may, by written notice stating the extent and effective date, terminate any resulting order for convenience in whole or in part, at any time prior to the sale of bonds. The City shall NOT pay the Firm any compensation for work performed prior such termination, except for bond-related expenses. In no event shall the City be liable for any loss of profits on the resulting order or portion thereof so terminated.

L. Governing Law

This Contract shall be construed and interpreted according to the laws of the State of California.

SCOPE OF SERVICE

I. INTRODUCTION

The City of San Fernando (City) provides its employees with pension benefits through the California Public Employees' Retirement System (CalPERS). The City's CalPERS liability has increased dramatically over the past few years, increasing to **\$45.5 million** as of the most recent valuation, June 30, 2019.

Urban Futures, Inc., (UFI) was hired to work with City staff and the Citizen's Finance Advisory Committee (CFAC) in evaluating potential funding solutions and developing a recommendation strategy to address the UAL.

The City has developed a comprehensive management plan, which considers multiple options, including the sale of Pension Obligation Bonds (POBs).

Jones Hall has filed the judicial validation proceedings with the LA County Superior Court, to obtain authorization to issue Pension Obligation Bonds. The deadline to *submit a protest against the validation* is December 13, 2020. The Default Judgement Judicial was filed on or November 13, 2020, the 30-day appeal period will end on **December 13, 2020**.

II. NATURE OF SERVICES REQUIRED

A. Scope of the Work to be Performed

The City of San Fernando is soliciting proposals from qualified firms to serve as the City's Underwriter in connection to the issuance of tax allocation bonds and intends to award a professional services contract for the defined scope of work detailed in this Request for Proposal.

The firm selected as Underwriter will be required to have the capabilities to perform the following services including, but not limited to:

- Providing review and comments on all legal documents related to the financing.
- Proposing and elaborating on the benefits and risks of alternative financing structures.
- Participating in meetings (presentations) to the City Council and City Staff.
- Advising the financing team regarding the timing, sizing and structure of the bond issue, including call features and deal structures that enhance pricing.
- Assisting in the preparation and review of the official statement (OS) and disclosure documents.
- Developing the rating strategy and credit package for submittal to the rating agency(s) for the proposed issue.
- Assessing the benefits of credit enhancement.
- Executing a marketing plan, including virtual road show, for the sale of the bonds.
- Determining the ideal date/time for the sale of the bonds
- Selling the bonds directly to investors to ensure the lowest cost of borrowing.
- Providing assistance in closing the bond issue.
- Preparing Post-Sale Analysis for the sale of the bonds, including investors who purchased the bonds, market conditions at the time of sale, orders, designations, allocations, and results of comparable sales.

The above list is not meant to constitute an exhaustive list of duties. The awarded Firm may be called upon to provide other services not identified here in connection with a particular transaction. In addition, the City expects the Underwriters, as part of their responsibilities to investors under the Federal Securities Laws, to conduct such review as is necessary to attain

a reasonable basis for belief in the accuracy and completeness of the key representations in the Official Statement.

III. **Proposal Requirements**

General Requirements

The proposal should be concise, well organized, and demonstrate the Firm’s qualifications and experience applicable to the project. The proposal shall not exceed **5 pages (1-inch margins & 12-point font)**. The page limit does not include the cover letter and any addenda.

Contents

Proposals submitted in response to this RFP shall be in the following order and shall include:

1. Firm Overview:

- Provide a brief overview of your firm, and the resources dedicated to the municipal bond sector (maximum 1 page).

2. Pension Experience:

- Briefly list on your firm’s experience issuing Pension Obligation Bonds or addressing unfunded pension liabilities (in bullet point format).
- Provide your firm’s experience serving as underwriter on POB transactions over the past 3 years in the following tabular format:

Date	Par Value	Issuer	Final Maturity	TIC%	Role*

*Role = Senior or Co-Manager and/or MA.

- List the individuals who would work on the proposed financing. Include the role, responsibilities, relevant experience with POB financings (resumes may be attached as an Appendix. Indicate the primary or day-to-day banker and their contact information.

3. Bonds Sale and Trading Capabilities

- Provide a brief summary of your firm’s taxable fixed income marketing and distribution capabilities, specifically taxable municipal bonds.
- Describe your resources dedicated toward reaching retail investors.
- Described your firm’s corporate bond sales and trading capabilities: Number of sales and trading personnel, League Tables/Rankings, and personnel assigned to sell taxable municipal bonds.

Please summarize this information in the tabular format provided below.

Sales & Trading				Underwriters		
Retail Advisors	# Muni Sales	# Taxable Muni Sales	# Fixed Income Taxable	# Muni	# Taxable Muni	# Taxable Fixed Income

	Par Value	# of Deals	Ranking (3 Years)
CA Muni			
National Muni			
Taxable Munis			
Taxable Corporate Bonds			

4. Fee Proposal

Include your not-to-exceed underwriters discount and detailed out-of-pocket expenses assuming a \$45 million POB, with 10-year call and maximum 25-year maturity.

Regulatory Issues – Please answer the following questions in the cover letter.

- a) Has your firm and/or any of its principals ever been the subject of any investigation relating to the municipal industry by the SEC, NASD, NYSE or any other State or Federal organization that oversees, regulates, licenses or is otherwise responsible for the municipal industry?
- b) Has your firm and/or any of its principals ever been involved in any litigation, arbitration, disciplinary or other actions arising from the firms underwriting, management or handling of municipal securities?
- c) Please list any potential conflicts of interest your firm may have in acting as an underwriter or placement agent for the City.

The City reserves the right to disqualify a proposal based on any detailed cost estimate with mathematical or clerical errors, inconsistencies, or missing information that prevents the City from fully evaluating the proposal. The City may, but is not required to, seek clarification from a Contractor regarding information in a proposal. Errors and ambiguities in proposals will be interpreted in favor of the City.

IV. EVALUATION CRITERIA

Proposals are evaluated to determine which firms are best qualified, and if their proposals are within a competitive range. Evaluation of underwriters will be based on the following criteria for selection to interview:

- Response to Interview Questions

- Experience with POB Transactions
- Demonstrated Underwriting Capabilities
- Fee Proposal
- Overall Quality of Response

The Selection of Underwriter(s) will incorporate the following additional elements from the interview process and overall evaluation:

- Knowledge and Understanding of the City’s financial objectives and unique elements of the City’s pension liability
- Demonstrated capacity to distribute POBs, based on past transaction experience (POB pricing Spreads to relative to H.15)
- Credit, Pricing and Marketing Plan tailored for the City’s POB issue.
- Recommendations

Discussions and negotiations may then be carried out with the most competitive and best qualified underwriter(s).

FINAL SELECTION

The City, with the approval of the City Manager, will select an Underwriter based upon staff /Finance Subcommittee evaluation, interviews, and recommendations, which will then be submitted to the City Council for approval.

SCHEDULE FOR SELECTION

RFP Distributed:	November 19, 2020
Deadline for submittal of Questions:	December 1, 2020
Response to Questions:	December 2, 2020
Deadline for submittal of Proposal:	December 4, 2020
Firms Notified of Interview:	Week of December 8, 2020
Interviews:	Week of December 14, 2020
City Council Award:	January 18, 2020
City Council Approves Sales of POBs:	TBD

**Schedule subject to change at the direction of the City.*