



## STATE OF MICHIGAN

### REQUEST FOR PROPOSAL

#### **Michigan State Building Authority**

Lewis Cass Building  
320 S. Walnut Street, 1<sup>st</sup> Floor  
Lansing, MI 48933 (517) 373-3806

#### **Michigan Department of Treasury**

Treasury Building  
430 West Allegan Street, 1<sup>st</sup> Floor  
Lansing, MI 48922

June 18, 2004

The State Building Authority of Michigan under the Department of Management and Budget (the "SBA") and the Michigan Department of Treasury ("Treasury") are seeking statements of qualification from firms interested in serving as financial advisors for new money and/or refunding bond sales, issuance of general obligation bonds, cash flow financing and various State of Michigan related programs of the Michigan Municipal Bond Authority (the "MMBA") for State fiscal years 2005 through 2008.

SBA and Treasury consider the following to be the role of the financial advisor:

- Monitoring outstanding debt to assist the SBA or Treasury in presenting information to rating agencies, legislators, the Governor, the market and the public.
- Assisting in the selection of underwriters, bond counsel, credit facility providers, and other service providers associated with proposed bond projects, including drafting requests for proposals, interviewing applicants, and evaluating candidates.
- Assisting in all scheduling, including timing of entry into the market and preparation of disclosure documentation for the purpose of assuring a smooth interface with the credit market.
- Assisting SBA and Treasury in evaluating proposals for derivatives such as swaps, asset backed transactions, Certificates of Participation (COPs), and other securitized deals from underwriters.
- Suggesting financing options.
- Reviewing pricing information and making recommendations on the fairness of pricing negotiated bond financings.

The main purpose of the SBA as created by PA 183 of 1964, as amended, is to finance the acquisition of equipment and the acquisition and construction of facilities for the use of the State of Michigan (the "State"). To date, the SBA has issued over \$2 billion of bonds for such purposes.

Treasury issues cash flow notes, school bond loan fund general obligation bonds, and bonds to fund environmental and school programs. From time to time MMBA issues pooled financings for the benefit of and primarily secured by obligations of local units of government but secondarily secured by State appropriations.

Senior management of SBA and the State Treasurer will select the financial advisor from among qualified candidates recommended to them by a selection committee. Selection will be based primarily upon the firm's relevant experience, knowledge of the SBA's and Treasury's financing programs and requirements, creativity in recommending efficient structuring concepts, ability to assist the SBA and Treasury with the rating agencies, and proposed fee structure.

Your firm's responses to the attached questions will enable the SBA, the Department of Treasury and the selection committee to evaluate the firm's prior experience, along with the experience and qualifications of the individuals who will be primarily responsible for providing the services in their specific roles. The selection committee will also evaluate the firm's degree of critical understanding of the State's, the SBA's and the MMBA's operating environment and goals, and its ability to serve their needs in general.

The SBA and Treasury reserve the right to extend or terminate an engagement at any time during its term. The initial term of the engagement will be three (3) years, with two (2) one year options of extension.

Your firm's decision to **not** respond to this Request for Proposal will not affect SBA's or Treasury's consideration of your firm as an underwriter for SBA or Treasury financings. In addition, the firm selected to serve as financial advisor will **not** be eligible to serve as underwriter for SBA and Treasury financings.

If your firm is interested in providing financial advisory services to the SBA and Treasury, please submit five (5) copies of your response to the following questions no later than 5:00 pm on July 2, 2004, to each of the persons listed below:

Deborah Roberts, Deputy Executive Director  
State Building Authority of Michigan  
Lewis Cass Building  
320 S. Walnut Street, 1<sup>st</sup> Floor  
Lansing, Michigan 48933  
517-373-3806

Janet Hunter-Moore, Division Director  
Bond Finance Division  
Bureau of Bond Finance  
Michigan Department of Treasury  
430 W. Allegan St.  
Lansing, Michigan 48922  
517-335-0994

Please structure your responses to follow the outline of questions contained in this Request for Proposal. Your overall response must be limited to a maximum of ten (10) pages (excluding exhibits and one (1) page executive summary and the table of contents), excluding any quantitative analysis. Responses should be on 8 ½ x 11 paper with a minimum 10-point font and

should contain 1” margins. Responses submitted by facsimile or other electronic means will not be accepted.

Technical questions with respect to this request may be directed to Ms. Roberts or Ms. Hunter-Moore. Interested firms should not contact any other employee, elected official, member, or agent of the State concerning this request. In addition, we request that you refrain from contacting any representatives of the credit rating agencies concerning the SBA or the State as a part of your preparation for your response to this request.

Firms are advised that the SBA and Treasury are public agencies and their records, including statements submitted in response to this request, are considered public records. The SBA and Treasury reserve the right to retain all submitted materials; to withdraw this request, or any part of this request; to reject any and all responses to this request; to waive any requirements of this request; to waive any minor informalities in a statement; to modify or amend, with the consent of the respective firm, any statement, if otherwise permitted by law; and to effect any agreement deemed to be in its best interest. The SBA and Treasury also reserve the right to seek additional information from any and all firms, to select finalists, and, if necessary, to schedule interviews. The SBA and Treasury shall not be responsible for any costs incurred by firms in the preparation, submission, or presentation of their proposals.

# REQUEST FOR PROPOSAL

## QUESTIONS

### A. PRINCIPAL CONTACTS

1. State the full name, mailing address, telephone number, facsimile number and any other electronic mail addresses of the primary contact person from your firm and the principal author of this submission. Include the professional members of your firm who will be assigned on a full-time priority basis. Provide brief resumes for each, and explain the responsibilities that he/she would assume for the SBA and Treasury. These resumes may be included as an appendix.
2. If your firm intends to use the services of any other investment banking, brokerage, financial advisory, specialty firms, or other professionals in the context of this engagement, please list the names and affiliation of any such individuals or firms, state the services to be provided by such firms or individuals, and provide details regarding any such arrangements.

### B. OWNERSHIP, MICHIGAN PRESENCE AND STAFFING

3. Briefly describe the firm's ownership structure, location, and organization.

Under separate cover (excluded from page limit); please provide a copy of your firm's most recent audited annual statement of financial condition.

Describe your firm's Michigan presence and any changes that may have occurred affecting your staffing or structure over the last two years or are anticipated to occur over the next 12 months. State the number of full-time employees from your company that are currently based in Michigan and the location of your offices here.

4. Please provide a copy of your firm's equal employment opportunity and affirmation action policy or plan (as an attachment excluded from page limit).

### C. REPRESENTATIONS AND REFERENCES

5. Please list the issuer names, par amounts and sale dates of negotiated Michigan (non SBA or Department of Treasury) municipal bond issues in which your firm served as financial advisor since January 1, 2003. Briefly comment on the specific strengths and capabilities your firm offers in assuring that SBA and Treasury bonds will be issued at the lowest costs to the respective Departments.
6. List any state or local Michigan government issuers that have engaged your firm as financial advisor for financing (s) expected to be completed by September 30, 2004.
7. Please provide three (3) references from issuers that can attest to your capabilities in recent municipal bond transactions. At least one reference must be a Michigan issuer.
8. Are there any investigations by the Securities and Exchange Commission, or any other regulatory body or court, or pertinent litigation regarding the conduct of your firm or its

management? Indicate whether your firm is in compliance with the State of Michigan Executive Order 2003-1. The Executive order can be viewed on the State's web site at [www.michigan.gov](http://www.michigan.gov).

9. Describe any existing or potential conflicts of interest your firm might have in the course of your service as financial advisor for the SBA or Treasury. Please describe the nature of any such conflict.
10. Please list any consultant(s) retained by your firm relative to this Request for Proposal that is reportable per the Municipal Securities Rulemaking Rule G-38 or that would be reportable under Rule G-38 if that rule applied to you.
11. Please describe your firm's method for monitoring a client's outstanding debt and assisting the client in presenting information about the client to rating agencies, legislators or the legislative body, chief executive officers, lending institutions and the public. If available, attach an example of a work product prepared for a client in conjunction with this service as an exhibit to your response to this request. Please list the staff in your firm who prepared this work product.
12. Please describe your firm's method for assisting in the selection of underwriters, bond counsel, credit facilities, and other service entities associated with proposed bond projects, including drafting requests for proposals, interviewing applicants and evaluating clients. If available, please attach an example of a work product prepared for a client in conjunction with this service as an exhibit to your response to this request. Please list the staff in your firm who prepared this work product.
13. Please describe your firm's method for assisting in scheduling financings, including timing of entry into the market and documentation of disclosure information for the purpose of assuring a smooth interface with the credit market. If available, please attach an example of a work product prepared for a client in conjunction with this service as an exhibit to your response to this request. Please list the staff in your firm who prepared this work product.
14. From time to time SBA and the Treasury receive proposals for derivatives such as swaps, asset backed transactions, COPs, and other securitized deals from underwriters. Please indicate your experience in evaluating these types of proposals and include, if available, an example of a work product prepared for a client in conjunction with this service as an exhibit to your response to this request. If your example did not include an assessment of risk, please include a brief assessment. Please list the staff in your firm who prepared this work product.
15. Please describe the method by which your firm evaluates pricing in a negotiated transaction, including whether your firm uses its own trading desk (if you have one). Please comment on if you think a trading desk helps or hinders in the evaluation of the pricing process. If your firm does not have its own trading desk, please explain how you acquire the information necessary to evaluate market prices.
16. Based on your knowledge of outstanding State of Michigan General Obligation Bonds and outstanding SBA Bonds, please provide an analysis of the extent to which SBA or the Treasury should structure future debt as variable rate, fixed rate, short-term, or long-term to plan for a future in which the State's immediate revenues are weak but future

revenues may be expected to strengthen. Also, provide an evaluation of SBA and Treasury's outstanding debt. Please include recommendations for improvements.

17. Please provide your recommendation on modeling a deal with the following numbers:

**STATE BUILDING AUTHORITY  
FACILITIES PROJECTS**

<u>Facility</u>	SBA Cost	<u>Annual Rental (35 Years)</u>
1	\$ 23,325,000.00	\$2,100,000.00
2	37,231,000.00	3,350,000.00
3	5,000,000.00	450,000.00
4	29,624,900.00	2,670,000.00
5	23,924,900.00	2,150,000.00
6	3,046,500.00	270,000.00
7	18,749,900.00	1,690,000.00
8	3,967,400.00	360,000.00
9	49,500,000.00	4,455,000.00

- Assumptions:
- 1.) 0.60% for all costs of issuance – fixed rate
  - 2.) 0.40% for all costs of issuance – variable rate
  - 3.) Debt Service Reserve Fund = ¼ maximum principal & interest
  - 4.) Use market interest rates as of August 5, 2003
  - 5.) Dated date October 1, 2003

Please provide your financial advisor fees based on the following hypothetical deals:

- \$250,000,000 new money issue.
- \$300,000,000 new money and refunding of \$500,000,000.
- \$300,000,000 refunding issue.

18. State of Michigan General Obligation Bonds and Notes

List financial advisor fees:

- Monitoring outstanding debt to assist Treasury present information to rating agencies, Legislators, the Governor, the market and public.
- Assisting Treasury in the selection of underwriters, bond counsel, credit facility providers, and other service providers associated with proposed bond projects, including drafting requests for proposals, interviewing applicants and evaluating candidates.

- Assisting Treasury in all scheduling, including timing of entry into the market and preparation of disclosure documentation for the purpose of assuring a smooth interface with the credit market.
- Assisting Treasury in evaluating proposals for derivatives such as swaps, asset backed transactions, COPs, and other securitized deals from underwriters.
- Suggesting financing options to Treasury.
- Reviewing pricing information and making recommendations on the fairness of pricing negotiated bond financings.

Multimodal general obligation bonds                      \$100 to \$300 Million \$ \_\_\_\_\_

Fixed rate general obligation bonds                      \$100 to \$200 Million \$ \_\_\_\_\_

Competitive sales    \$100 to \$200 Million \$ \_\_\_\_\_

Fixed rate notes    \$1.0 to \$1.3 Billion    \$ \_\_\_\_\_