



City of Azusa

REQUEST FOR PROPOSALS

BOND UNDERWRITING SERVICES

for

REFUNDING WATER AND ELECTRIC UTILITY DEBT

January 30, 2012

Underwriting Firm:

The City of Azusa requests proposals from underwriting firms interested in providing underwriting services to refinance two debt issuances made in 2003 by the City's public utility, Azusa Light & Water.

The attached document includes the scope of work for the underwriting services to be performed and outlines the desired proposal format and process for submitting proposals.

Proposals must be received by our offices at 729 N. Azusa Avenue, Azusa, California, 91702, by 5:00 p.m. on Tuesday, February 14, 2012.

If you have any questions about this request for proposals, please contact Cary Kalscheuer at (626) 812-5174 or by email at ckalscheur@ci.azusa.ca.us.

Sincerely,

George F. Morrow
Director of Utilities

Attachments

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Introduction

The City of Azusa owns and operates a municipal utility referred to as “Azusa Light & Water” or “AL&W”. AL&W provides both electric and water utility services to Azusa residents and businesses, and the water utility provides services to customers outside of the City of Azusa.

AL&W is soliciting proposals from firms interested in providing underwriter services to its Water Utility to market revenue bonds to refund eligible outstanding debt from the 2003 issuance of Certificates of Participation (COP) – Series A. It is believed that a principal outstanding balance of about \$11.6 million is eligible for advanced refunding.

AL&W is also requesting proposals for underwriter services to market revenue bonds to refund the Electric Utility’s 2003 COP - Series B outstanding debt in the amount of about \$5.4 million.

Refinancing alternatives being considered for the Series B refunding include a private placement. However, with this RFP AL&W is interested in obtaining cost information on a revenue bond issuance for the Series B debt.

If revenue bond financing is chosen for both the Series A and Series B outstanding debt, all documents would be prepared in parallel for both issues, thus saving time.

The firm selected pursuant to this RFP will be required to provide AL&W with assistance as outlined in this document.

Proposals are due by 5:00 p.m., Tuesday, February 14, 2012 to the following:

**Mr. George F. Morrow
Director of Utilities
Azusa Light & Water
729 N. Azusa Ave.
Azusa, CA 91702**

See enclosed instructions for Proposal format and number of copies to be submitted.

Background

In 1993, AL&W purchased the Azusa Valley Water Company (AVWC) which served portions of Covina, Glendora, Irwindale, West Covina, and county unincorporated areas. The purchase of the AVWC was accomplished by issuing \$24,075,000 in Revenue Bonds through the Azusa Public Financing Authority.

In 2003, AL&W refunded the 1993 outstanding debt by issuing Certificates of Participation (COP) in the amount of \$20,370,000 (Series A) through the Financing Authority for Resources Efficiency of California (FARECal). As of June 30, 2011, the principal balance on the Series A COP amounted to about \$13.8 million.

When AL&W issued the 2003 debt, it also issued two additional COP Series (Series B and C) in the amount of about \$12 million to finance construction of a substation for its electric utility. The Series B issuance was a tax exempt series in amount of \$5.47 million, and the installment schedule is interest only through 2017.

In November 2011, AL&W retained the services of a Financial Advisor (FA) to evaluate the Series A & B debt. In reviewing the 1993 and 2003 financing documents, the FA concluded that AL&W can refinance up to 83% of the Series A debt, and advised issuing revenue bonds.

After analyzing the Series B issuance and financial markets, the FA recommended using a private placement alternative to refinance the Series B debt. Additional analysis of the Series B debt will be conducted to see if revenues bonds would provide greater cost savings compared to a private placement.

Following the FA's analysis and recommendations, the Azusa Utility Board approved solicitation of proposals from qualified law firms for bond and disclosure counsel services and underwriter services. This RFP concerns underwriter services.

The following scope of work is provided in order to solicit proposals for underwriter services:

Scope of Work

Series A – COP Refunding

- Underwrite revenue bonds or COP issuance during 2012 to refund 2003 Series A COP outstanding balance of about \$11.6 million;
- Assist in preparation and dissemination of the preliminary and final official statement and other necessary disclosure documents;
- Assist in the preparation of rating agency presentations to ensure that Water Utility's credit standing is being presented accurately and completely;
 - Rating by S&P is currently A2; no recent rating by Moodys

- Assist in the preparation and evaluation of alternative financing scenarios; this might include comparing and contrasting traditional tax exempt bonds and any other alternatives in the market;
- Provide pricing information and make recommendations on aspects of financing including, but not limited to, the timing of the sale, maturity schedule and call provisions;
- Assume primary responsibility for all activities associated with the purchase and marketing of securities in a manner that results in the most favorable bond terms to AL&W;
- Assist in the preparation and execution of closing documents associated with this refinancing; and
- Throughout the process, work with AL&W's financial team as required, including City Staff, Financial Advisor, Bond Counsel, and the Trustee, to effect this refinancing.

Series B – COP Refunding

Perform duties to underwrite the Electric Utility's Series B COP debt, similar to those duties outlined above for the Water Utility's Series A COP debt.

Proposal Preparation and Format

Each underwriter proposal shall be prepared by individuals qualified to fulfill the needs required by the scope of work for this RFP.

The contents of written proposals shall be arranged or presented in the following sequence to facilitate evaluation:

- Cover letter
- Company and staff/qualifications
- Work plan
- Data Request
- Scope exclusions/addenda
- Deliverables
- Schedule
- Underwriter's Fee or Spread for Each Series
- Other commitments
- Other

Following includes a brief description of each of the items above.

1. Cover Letter

The cover letter should introduce and summarize the proposal, and indicate to whom all proposal communications should be addressed, including an e-mail address.

2. Company and Staff/Qualifications

This section should contain the following:

- a) Name of firm and mailing address, phone and fax number of the proposer's principal place of business.
- b) Mailing address, phone and fax number of the office in which the project team will work.
- c) Names and positions of persons to be assigned to this financing by underwriter.
- d) Mailing address, staffing and degree of participation by any co-managers or other firms that might participate in marketing bonds.
- e) Listing of recent financings underwriter has successfully marketed for issuances that are of a similar nature to those included in this RFP.
- f) References from at least four recent clients, including financing managers' names, addresses and phone numbers, for which similar services have been provided in the last three years, preferably to municipal utilities, by the staff to be assigned to this financing.
- g) Resumes and relevant experience of key staff to be assigned by underwriter to this financing. These should clearly demonstrate the underwriter's qualifications to perform required tasks of this RFP.
- h) Overall company experience in utility infrastructure financings or debt refunding. Include a brief history of your firm, including ownership, size, capital position, number of offices nationally and accounts in California.
- i) Include a description of your firm's municipal sales and distribution capabilities, including the volume of tax-exempt bond sold to investors in the last five years, and your role as senior manager, co-manager, etc.
- j) Describe your relationships with credit enhancement providers and any innovative structures you have utilized to improve credit ratings of issuers you have served in the past three years.

3. Work Plan

This section should give an introduction and overview of the approach your firm would use in fulfilling the obligations set forth in the Scope of Work of this RFP by breaking down the scope into a specific list of tasks. In addition to describing your marketing plan, please include some details regarding pricing.

As of close of business, February 1, 2012, please indicate, by maturities of one through twenty years, an estimate of where AL&W:

- tax exempt revenue bonds would price relative to municipal market data for its water utility with an A2/AA+ credit rating.
- tax exempt revenue bonds would price relative to municipal market data for its electric utility with an A2/A rating.

Please describe specific marketing ideas and efforts that you would engage in as part of your service as underwriter to assure that AL&W would get the best pricing possible.

4. Data Request

This section of the proposal shall itemize all documents or data the underwriter expects AL&W to provide in carrying out this financing.

5. Scope Exclusions/Addenda

In reviewing this RFP, underwriting firms may encounter tasks, which, in the opinion of some firms, may be unnecessary, or, may have been omitted. At the Proposer's discretion, the underwriter may identify such tasks and either comment on why they should or should not be included as part of this RFP.

6. Deliverables

Deliverables are material products such as the sales of bonds named in the Scope of Work.

7. Schedule

AL&W prefers the underwriter to recommend timing of sales such that it renders the greatest benefit to the issuer. Underwriter proposal should include a brief description of factors to consider in deciding when to price and sell bonds.

8. Underwriter Fees or Spread for Each Series

Proposers shall provide a table which summarizes costs for underwriter services in accordance with following table format for each series, Series A and Series B, as described in this RFP:

SAMPLE FEES			
Underwriter Spread \$11.6 Million – Series A			
<u>Components</u>	<u>Amounts per \$1,000 bond</u>	<u>Percentage of Issue</u>	<u>Total For Issue</u>
Management Fee	\$1.50	0.150%	17,400
Expenses	1.50	0.150%	17,400
Underwriter Fee (<i>if any</i>)	0.75	0.075%	8,700
Average Takedown	6.25	0.625%	72,500
Additional (<i>Itemize</i>)	-	-	-
Total Spread	\$10.00	1.00%	116,000

Where:

Management Fee refers to development of financing plan, origination and marketing tasks, such as preparation of bond documents, rating agency presentations, circulation of disclosure information, assessment of market conditions, preparation of reports on post-sale transaction. Management fee also includes fees paid to Senior Manager and or co-senior managers if any.

Expenses refers to underwriter's counsel fee and out-of-pocket costs incurred such as travel expenses, advertising, printing costs, bond clearance, communications (phone, FAX, courier, messenger services), and certain regulatory fees such as Municipal Securities Rulemaking Board (MSRB) fees, and the California Debt and Investment Advisory Commission fees.

Underwriter Fees refer to fees charged by underwriter to cover risk associated with the possibility that underwriter may have to reoffer the bonds. (Given current market trends, it appears that this risk is minimal and so issuer is expecting such fees to be waived.)

Average Takedown refers to commission received by underwriter on average for sale of all bonds.

Additional refers to any additional fees the underwriter wishes to include with its proposal not listed above. Additional fees should be itemized and not include MSRB prohibitions, e.g., MSRB Rule A-13(e).

9. Other Client Commitments

Underwriting firm shall attest to the availability of key staff to fulfill the obligations of this engagement in a professional and timely manner. If there are any scheduling issues of concern, then underwriting firm shall disclose those other commitments in its Proposal to AL&W and indicate how such other commitments will be addressed to mitigate their effect on services rendered to AL&W.

10. Other

This section should contain any additional information the underwriting firm feels will strengthen the proposal or be of interest to AL&W.

General Instructions to Proposers

1. AL&W's Point of Contact

Upon release of this RFP, all proposer communications concerning this process must be directed to AL&W's point of contact for this RFP:

Cary Kalscheuer
Assistant to the Director of Utilities
Azusa Light & Water
729 N. Azusa Ave.
Azusa, CA 91702

Telephone: (626) 812-5174
FAX: (626) 334-3163
E-Mail: ckalscheuer@ci.azusa.ca.us

2. Proposer Requests and Questions

Specific requests and questions concerning this RFP shall be submitted in writing to the RFP Point of Contact prior to 4:00 p.m. on Monday, February 6, 2012. AL&W will make every attempt to send copies of all questions and AL&W's responses, if any, to all RFP recipients of record.

3. Pre-Proposal Meeting

No Pre-Proposal meeting is scheduled for this RFP process.

4. RFP Revisions

Revisions to the RFP, if any, will be issued by AL&W's point of contact to all RFP recipients of record.

5. Submittal Address and Deadline

Three original hardcopies and one electronic version (on CD or USB drive) of the respondent's proposal in its entirety must be received by Azusa Light & Water no later than 5:00 p.m. on Tuesday, February 14, 2012, at the following address:

George F. Morrow
Director of Utilities
Azusa Light & Water
729 N. Azusa Ave.
Azusa, CA 91702

6. Terms of Withdrawal

All proposals shall be firm and may not be withdrawn for a period of ninety (90) days following the deadline dated for submission of proposals noted herein.

7. Disposition of Proposals

All proposals submitted to AL&W in response to this RFP will become the property of AL&W and will not be returned. All expenses incurred in preparing and submitting proposals shall be at the sole cost and expense of the Proposer. AL&W reserves the right to reject any and all proposals submitted in response to this RFP.

Selection Process

Selection of underwriter services will be based on evaluation of the various proposal elements, and the following will be of primary importance:

- a) Experience and qualifications of firm and assigned staff
- b) Sales and pricing strategy and methodology
- c) Fees and expenses
- d) Other proposal aspects including references

Proposal Approval and Agreement Execution Process

The successful Proposer will be required to enter into a professional services agreement with AL&W which incorporates by reference the negotiated Work Statement and payment schedule. The following summarize “anticipated” approval process and requirements for issuance of notice to proceed:

1. Utility Board/City Council Approval

AL&W anticipates that award of contract for this engagement will be made on February 27, 2012. The Utility Board/City Council may reject any and all proposals or may waive irregularities or informalities in any proposal if it is in the public’s best interest. After approval of award by the Utility Board/City Council, the City Clerk will forward the professional services agreement in triplicate to the law firm for signature.

2. Underwriter to Obtain Insurance

The awarded Law Firm shall provide to AL&W the worker’s compensation, comprehensive general and automobile liability, and the professional liability insurance coverage’s, endorsements and certifications specified in the attached sample contract.

3. Underwriter to Execute Contract

The contract agreement shall be signed by the underwriting firm in triplicate and three originals shall be returned together with the insurance within 15 calendar days from the date of receipt of notice of award. No contract shall be binding upon the City until completely executed by the underwriting firm and the City and approved by the City Attorney. Failure to execute the contract agreement and file acceptable insurance within the time limit may be just cause for annulment of the award.

4. Purchase Order and Notice to Proceed

Following receipt by AL&W of executed agreement and insurance documents, City of Azusa will issue a Purchase Order and Notice to Proceed to the underwriting firm and return a signed contract to underwriter. These documents will provide final approval and authorization for the underwriting firm to commence work.