



SOLICITATION NO. R-09-005-MF

REQUEST FOR QUALIFICATIONS

UNDERWRITING SERVICES

Deadline: April 17, 2009 @ 2:00 PM Central Time

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I. Project Information

a. Objective

The San Antonio Water System (SAWS) is requesting proposals from municipal bond underwriters to assist SAWS in the selection of an underwriting pool (senior managers and co-managers) for structuring, underwriting, and marketing SAWS revenue bonds for up to a 3 year period.

b. Background

SAWS is a municipally owned utility providing water, wastewater, and recycle water services to a customer base of approximately 1.3 million people. SAWS provides both retail and wholesale water and wastewater service. In addition, SAWS provides chilled water and steam service to various customers in the downtown area.

On February 13, 1992, the City Council determined that it was in the best interest of the citizens of San Antonio and the customers served by the water and wastewater systems to consolidate all water systems, agencies, and activities into one institution. This action was taken due to the myriad of issues confronting the City related to the development, management, and protection of its water resources.

SAWS came into existence on April 30, 1992, upon adoption of City Ordinance No. 75686 by the City Council of the City of San Antonio, Texas. This ordinance effectuated the consolidation of all water related agencies in the City into one entity, and placed management and control of SAWS in a seven member board of trustees ("the Board"). Members of the Board are appointed for four year staggered terms, with the Mayor serving as an ex-officio member.

The formation of SAWS was accomplished through the refunding of all previously outstanding water and sewer bonds. SAWS currently has outstanding \$1.3 billion of senior lien revenue bonds, \$288 million of junior lien revenue bonds issued through the Texas Water Development Board, and \$1 million of subordinate lien revenue bonds issued in a variable rate mode. SAWS also maintains a Tax-Exempt Commercial Paper Program with an authorization of up to \$500 million, with a liquidity facility currently at \$300 million.

The various ratings for SAWS are outlined below:

	Fitch Ratings	Moody's Investors Service, Inc.	Standard & Poor's Ratings Service
Senior Lien	AA	Aa2	AA
Junior Lien	AA-	Aa3	AA-
Subordinate Lien	A+	Aa3	AA-
TECP	F-1+	P-1	A-1+

A copy of the latest Comprehensive Annual Financial Report is available on the SAWS website at www.saws.org.

c. Scope of Service

The services to be rendered by the underwriter with respect to financings include, but are not limited to the following:

- Work with SAWS and co-financial advisors to manage and oversee all aspects of the debt transaction.
- Develop and recommend a plan of finance for the proposed transaction. Make recommendations as to structural components of the financing including

recommendations as to maturities and couponing of bonds.

- Identify the market and potential investors who are most likely to purchase the offering at rates most favorable to SAWS.
- Develop marketing materials needed to sell the proposed bonds at rates most favorable to SAWS, including scheduling and participating in informational meetings and/or calls as deemed necessary. Advise as to the most effective marketing strategy for bond sales.
- Perform functions to facilitate the marketing and sale of bonds; assist in the development, preparation and review and distribution of preliminary and final official statements.
- Attend any working group or other related meetings as requested.
- Manage the process of marketing and selling the bonds. Provide on-going analysis of market conditions leading up to and through the day of the sale, and advise SAWS with regard to market conditions and timing of the sale of the proposed bonds. Provide information on market conditions including investor demand and prevailing interest rates.
- Analyze and assist in the evaluation of credit enhancement proposals, as deemed appropriate.
- Present a timely, comprehensive summary of management performance to include distribution of bonds by syndicate members and investor category. Provide information on orders and allotments; prepare a pricing book subsequent to the sale of bonds.

d. Estimated Timeline – The dates listed below are subject to change without notice.

April 3, 2009RFQ Issued
April 9, 2009 by 2:00 PM Central Time Receipt of Written Questions Due
April 13, 2009 by 4:00 PM Central Time Q & A Posted to Website
April 17, 2009 by 2:00 PM Central Time Proposals Due
April 19, 2009 Proposals Evaluated
May 14 & 15, 2009 Interviews, if necessary
May 22, 2009 Selected Firm Notified
June 2, 2009 SAWS Board Approval and Award
June 3, 2009 Non-Selection Notices mailed

II. Selection Process

a. Selection

A Selection Evaluation Committee will review, evaluate, and rank the proposals according to a numerical scoring system based on the responses to the criteria listed below. The Selection Evaluation Committee may select two or more firms to be interviewed, based solely on qualifications. The successful firm may expect notification on or about May 22, 2009.

b. Interviews (if necessary)

The Respondents will provide clarification regarding the proposal with respect to their qualifications and their understanding of the solicitation's scope of service. SAWS has reserved the dates of May 13 – 14, 2009 to conduct the interviews, if needed. SAWS reserves the right to change the date of the interviews and/or invite additional firms to be interviewed should a selection not be made from those firms initially chosen as finalists.

c. Evaluation Criteria

Evaluation criteria are listed in order of priority:

Firm/Team Experience	(30 pts)
Financing Ideas	(30 pts)
Distribution Capability	(20 pts)
Financial Condition	(20 pts)

Respondent responding solely for a **co-manager position**, should answer only the items denoted by an **asterisk “*”**. Financing Ideas will not be considered in the evaluation of co-manager positions. Failure to respond to a question or to submit all required documentation may result in a proposal being deemed non-responsive and therefore not considered in the selection process.

The most qualified group of firms will be recommended by the committee to the SAWS Board of Trustees.

SAWS expects to select a pool of national, regional, and minority-owned firms to serve as senior managers and co-managers who may be asked to serve as underwriters over the next three (3) years. SAWS reserves the right to select the senior manager and co-managers for each transaction from the underwriting pool. **Inclusion in the underwriting pool does not guarantee participation in any or all SAWS financings. SAWS may, at its sole discretion, add or remove any member from participation in the pool or shorten or lengthen the period of time for which the pool is in place.**

III. Communication

a. Restrictions

1. Respondents or their representatives are prohibited from communicating with any City of San Antonio officials to include:
 - o City Council members (as defined by the City of San Antonio Ethics Code),
 - o City Council member's staff, and
 - o San Antonio Water System (SAWS) Board of Trustees regarding the RFQ from the time the RFQ is released until it has been acted upon by the Board of Trustees.
2. Respondents or their representatives are prohibited from communicating with SAWS employees regarding this RFQ, except as provided under TECHNICAL QUESTIONS, from the time the RFQ is released until the contract is awarded.
3. This includes “thank you” letters, phone calls, emails, and any contact that results in the direct or indirect discussion of the RFQ submitted by Respondents.
4. Violation of this provision by the Respondent and/or their agent may lead to disqualification of the Respondent's proposal from consideration.

b. Pre-Submittal Conference

A Pre-Submittal Conference is not scheduled for this RFQ.

c. Technical Questions

1. Respondents may submit technical questions concerning the services in this RFQ, in writing; however electronic inquiries by e-mail or fax will be accepted. The Contact Person for this project is:

Maria Franco
Contract Administration
San Antonio Water System
2800 U.S. Hwy 281 North, Suite 171
San Antonio, TX 78212
Email: mfranco@saws.org
Fax to 210-233-4622

2. Questions regarding this RFQ received after 2:00 PM Central Time on April 9, 2009 will not be answered in order to allow ample time for distribution of answers and/or addendums to this RFQ.
 3. Answers to the questions will be posted on the SAWS website by 4:00 PM Central Time on April 13, 2009.
 4. Verbal questions are not permitted other than as described by this section and during interviews, if any.
- d. Submittal or Status Questions
1. For questions regarding this solicitation please contact Maria Franco, Contract Administration Specialist, at mfranco@saws.org or by fax at 210-233-4622.
 2. To check the status of an RFQ after the due date, visit our website located at www.saws.org, select Business Center, next select RFP: Consulting, then select View Archive, scroll down to locate the RFQ and select more. The RFQ status is located under the due date.
 3. If the website does not provide sufficient information, please call Maria Franco, Contract Administration Specialist at 210-233-3405 for assistance.
- e. Submittal Clarification
- SAWS reserves the right to contact any Respondent for clarification after responses are opened and/or to further negotiate with any Respondent if such is deemed desirable by SAWS.

IV. Submitting a Response

- a. Deadline
- Proposals are due no later than 2:00 P.M. Central Time on April 17, 2009.
- b. Submission
1. Submission of Proposals - Eight (8) hard copies and one electronic version in the form of a CD must be date and time stamped in at:

San Antonio Water System
Attn: Contract Administration
Customer Center Building
2800 U.S. Hwy 281 North, Suite 171
San Antonio, Texas 78212

2. Responses submitted via any form of electronic transmission, such as electronic mail, or facsimile, will not be considered.
3. If the submittal to this RFQ is by any means other than personal delivery, then it is

the Respondent's sole responsibility to ensure the submittals are delivered to the exact location by the time specified.

4. Responses are limited to a maximum of 20 pages per proposal, excluding regulatory and financial data. A single side equals to a single page.
5. Responses should be clear, concise, and complete. They should be submitted using an 8 ½" by 11" portrait format. Illustrations, if required, may be submitted on 11" by 17" sheets. Utilization of existing brochures, pamphlets, and information items may supplement a response to questions only if such material addresses a specific question and does not require interpretation to form a conclusion. These pages will not count towards the page limit amount of 20 pages.
6. Responses must be **securely** bound by any means **except** by 3-ring binders and paper/binder clips.
7. By submission of a response, the Respondent acknowledges that it has read and thoroughly understands the Scope of Service, agrees to all terms and conditions stated herein, acknowledges that it has all the requisite licenses, certifications and training, and can perform all tasks as required.

c. Response Format

The response shall be organized as follows:

1. Proposal Checklist

Complete and include the proposal checklist within the proposal. Verify that the checklist is signed and that all documents on the checklist have been included with the proposal.

2. Respondent Questionnaire

The Respondent Questionnaire captures general information regarding the firm submitting a proposal in response to this RFQ. It also includes acknowledgements for the attached exhibits and addendums. **The questionnaire is a required submittal and must be completed and included in the proposal.**

3. Firm Overview

Respondent should begin each response by stating the item and immediately follow with a response.

- a. *Briefly describe your firm, office location(s) that will have individuals assigned to SAWS, Headquarters location and history of the firm. State which of the following categories best describes your firm; National, Regional, Texas-headquartered Regional, Regional with Texas trading desk, Certified Minority- or Women-Owned Business Enterprise.
- b. *Discuss your firm's commitment to the public finance industry, detailing recent and relevant changes in ownership, management, or staffing. Include the number of employees (by title) today versus two years ago in the public finance department (including sales and trading). Describe any changes your firm has experienced or is planning.
- c. *Provide general office and sales personnel information as follows:
 1. Number, description and date of established offices in the United States, Texas and San Antonio;
 2. Number of account executives selling municipal bonds in the United States, by year, for the last three calendar years;

3. Number of investment bankers assigned to public finance, by year, for the last three calendar years;
 4. Number and location of national municipal bond trading desks;
 - d. *Describe the amount, circumstances and dates associated with financial assistance obtained from any of the various programs made available from the federal government, including but not limited to the U.S. Treasury, Federal Reserve or by legislation adopted by Congress. Please provide details as to the form of assistance: loans, equity or convertible.
 - e. *Provide information on changes in corporate structure, major ownership changes, sales of a portion of the company, acquisition of a company, issuance of preferred or convertible securities associated with raising capital or any other major changes in the company that will limit or improve the company's ability to serve SAWS.
 - f. *State whether your firm wishes to be considered as Senior Manager. Stating NO to this question does NOT preclude your firm from being considered as Co-Senior Manager position, if any.
 - g. *Please describe your firm's policy and provide examples regarding the use of capital for municipal underwriting.
4. Firm/Team Experience
- a. *Since 2006, outline your firm's experience in negotiated underwritings of debt for municipal issuers in Texas. Include your firm's experience in lead senior managing, co-senior managing or co-managing water/sewer issues on a negotiated basis;
 - b. *List all personnel assigned to staff this engagement including contact information, outline their roles with respect to this engagement; provide brief resumes that describe their experience with water/sewer revenue bonds. In addition, provide any other related utility experience of this individual;
 - c. *Please describe any unique underwriting experience that may be helpful in demonstrating your firm's ability to serve SAWS;
 - d. *Describe how best to conduct a negotiated sale given current market conditions and discuss the issues which should be addressed in developing a marketing strategy for SAWS bond sales. Your discussion should include, but not necessarily be limited to, how you would deploy your retail and institutional sales distribution capabilities and a description of the investor base you feel should be targeted and strategies on how to reach those investors.
5. Financing Ideas
- a. Provide two case studies demonstrating instances in which your firm has applied its creative skills and services for the benefit of its municipal clients. Examples should demonstrate the following: creative ability; knowledge and understanding of water/sewer financings; underwriting capability; knowledge of municipal market conditions and trends; and analytical capabilities.
 - b. Discuss any suggestions regarding new or innovative financing techniques which should be considered by SAWS. Your response should demonstrate your familiarity with SAWS and its finances.
 - c. State why your firm should be appointed as one of the senior managing underwriters and describe any other factors that SAWS should consider in the selection process.
 - d. Recent market volatility, lack of liquidity and credit concerns has made it difficult for many issuers to access the market. Discuss measures SAWS may take to ensure the continuous availability of funds for SAWS' capital improvement program.
6. Distribution Capability
- a. *Describe your firm's municipal bond distribution capability, for both taxable and

tax-exempt bonds. Describe in a table the following:

1. Underwriting location – number of underwriters.
 2. Traders.
 3. Institutional sales personnel.
 4. Retail sales persons who (actively) sell municipal bonds.
- b. *Describe how your firm would market SAWS' bonds in this economic and financial market environment. Describe your firm's retail and institutional marketing network for municipal bonds. Describe the likely distribution for SAWS' bonds: retail, institutional, and in-state versus out-of-state.
- c. Describe your firm's policy for allocating bonds to syndicate members; and your firm's policy on assuring meaningful participation by local, minority-owned or women-owned firms. Provide 3 examples of transactions with description of designation policy for transaction and allocation of orders and dollars distributed. Limit your selection of these transactions to the last two years.

7. Financial Condition

- a. *Provide your firm's equity capital position (total equity capital, net equity capital and excess net equity capital) in accordance with GAAP, (or corresponding equity information if a bank) as of December 31, 2008 and for the three (3) preceding years. For broker/dealers, provide capital information as reported to the NASD on the FOCUS Report. Please provide this information in a summary table. Do not refer to the annual audit as a response to this question.
- b. *Indicate the credit ratings assigned by Moody's, S&P, and Fitch Rating (short and long-term debt) of your firm, related subsidiaries and/or affiliates that may provide products and/or services to SAWS. Provide copies of your firm's most recent rating reports. In addition, for the past two (2) years, describe any rating changes, if any, to include the extent of the rating change, the timing of the change and the reasoning provided by the rating agency for the change.
- c. *Discuss your firm's capital commitment to public finance. Your response should include:
1. How much uncommitted excess net capital was allocated to support public finance operations in 2007 and 2008?
 2. Briefly discuss examples of transactions and circumstances where your firm used its capital to support the sale and distribution of bonds during the past two years.
 3. What are the three largest positions your firm has taken down into inventory during the last six months when your firm was senior manager on a transaction? Please include in our response the total par amount of the issue, the total amount of unsold bonds, the type of bonds, as well as the amount of bonds your firm took into inventory.

8. Disclosures

- a. *State whether, in the last five years, your firm or any individual that would be assigned to work on SAWS transactions has been disciplined for violation of, or found non-compliant with, applicable standards or laws regulating your business, whether those findings were made by a regulatory agency, a peer group, or otherwise. For each such instance, state the nature of the violation and the date of its resolution, together with the contact person for the firm who could address any questions about the matter.
- b. *Disclose whether your firm or any person in your firm has been involved in litigation with or filed a claim against SAWS or the City of San Antonio within the past five years. If so, disclose the nature of such lawsuits or claims and the status and resolution of the claims and lawsuits.
- c. *Disclose any consultants that have been reported according to MSRB rules with respect to soliciting business on behalf of your firm from SAWS, the City of San Antonio, and CPS Energy. In addition, disclose any relationship with an individual or business entity which might create a conflict of interest if your firm

is selected as a member of the underwriting pool.

- d. *Disclose any possible conflicts of interest or circumstances that could create the appearance of a conflict of interest. Disclose all contractual or informal business arrangements or relationships, including fee arrangements and consulting agreements, as well as any personal relationships, between your firm, including professional staff listed in your response, and any SAWS staff and/or members of the SAWS Board of Trustees or City Council of the City of San Antonio. In addition, disclose the same information as it relates to your firm and your professionals and the co-financial advisors to SAWS, First Southwest Company and Estrada Hinojosa & Co., Inc.
- e. *Disclose contributions, if any, made to elected officials of the City of San Antonio who currently hold office.

9. Exhibit "A" - Conflict of Interest Questionnaire
Ethics Policy and Disclosure

Effective January 1, 2006, Chapter 176 of the Texas Local Government Code requires that persons, or their agents, who seek to contract for the sale or purchase of property, goods, or services with SAWS shall file a completed Conflict of Interest Questionnaire (CIQ) with SAWS.

The CIQ will be submitted as part of the response to this RFQ from SAWS. The CIQ is attached as Exhibit "A", or is available from the Texas Ethics Commission at www.ethics.state.tx.us.

Please consult your own legal advisor if you have questions regarding the statute or form. This form is required and is considered part of the response to this RFQ.

V. Reservation of Rights

- a. SAWS reserves the right to:
 - 1. Reject any and all proposals received;
 - 2. Issue a subsequent RFQ;
 - 3. Cancel the entire RFQ;
 - 4. Remedy technical errors in the RFQ process;
 - 5. Negotiate with any, all, or none of the Respondents to the RFQ;
 - 6. Accept the written proposal as an offer;
 - 7. Waive informalities and irregularities;
 - 8. Accept multiple proposals;
 - 9. Make multiple recommendation(s) to the Board;
 - 10. Request additional information or clarification;
 - 11. All responses and their contents will become the property of SAWS.
- b. SAWS will not reimburse Respondents or sub-consultants for any costs associated with any travel and/or per diem incurred in any presentations associated with the selection process.
- c. This RFQ does not commit SAWS to enter into a contract, nor does it obligate it to pay any costs incurred in the preparation and submission of proposals or in anticipation of a contract.

PROPOSAL CHECKLIST

Project Name: _____

Use the checklist to ensure that the proposal is complete by checking off each item included with your response. Sign and date this form and include this page with each proposal.

- ☐ Respondent Questionnaire
- ☐ Firm Overview
- ☐ Firm/Team Experience
- ☐ Financing Ideas
- ☐ Distribution Capability
- ☐ Financial Condition
- ☐ Disclosures
- ☐ Exhibit "A" – Conflict of Interest Questionnaire

I certify that the proposal submitted includes the items as indicated above.

Signature

Date

Printed Name

Title



RESPONDENT QUESTIONNAIRE

PROJECT NAME: _____

Instructions: The Respondent Questionnaire is a required questionnaire. Complete the questionnaire by inserting the requested information. Do not modify or delete the questions.

GENERAL INFORMATION

1. **Respondent Information:** Provide the following information regarding the Respondent.
(NOTE: Co-Respondents are two or more entities proposing as a team or joint venture with each signing the contract, if awarded. Sub-contractors are not Co-Respondents and should not be identified here. If this proposal includes Co-Respondents, provide the required information in this Item #1 for each Co-Respondent by copying and inserting an additional block(s) before Item #2.)

Respondent Name: _____

(NOTE: Give exact legal name as it will appear on the contract, if awarded.)

Principal Address: _____

City: _____ State: _____ Zip Code: _____

Telephone No. _____ Fax No: _____

Social Security Number or Federal Employer Identification Number: _____

2. **Contact Information:** List the one person who SAWS may contact concerning your proposal or setting dates for meetings.

Name: _____

Address: _____

City: _____ State: _____ Zip Code: _____

Telephone No. _____ Fax No: _____

Email: _____

3. Identify the principal contact person authorized to commit the Respondent to a contractual agreement.

4. Does Respondent anticipate any mergers, transfer of organization ownership, management reorganization, or departure of key personnel within the next twelve (12) months?

Yes ☐ No ☐

5. Is Respondent authorized and/or licensed to do business in Texas?

Yes ☐ No ☐

If "Yes", list authorizations/licenses.

6. **Debarment/Suspension Information:** Has the Respondent or any of its principals been debarred or suspended from contracting with any public entity?

Yes ☐ No ☐

If "Yes", identify the public entity and the name and current phone number of a representative of the public entity familiar with the debarment or suspension, and state the reason for or circumstances surrounding the debarment or suspension, including but not limited to the period of time for such debarment or suspension.

7. **Bankruptcy Information:** Has the Respondent ever been declared bankrupt or filed for protection from creditors under state or federal proceedings?

Yes ☐ No ☐

If "Yes", state the date, court, jurisdiction, cause number, amount of liabilities and amount of assets.

8. Provide any other names under which Respondent has operated within the last 10 years.
-

9. **Compliance Agreement:**

Nondisclosure. No information obtained by Prospective Consultant from SAWS shall be disclosed by Prospective Consultant to any third party. In the event Prospective Consultant is subject to the Texas Public Information Act, upon receipt of a request for any information obtained by Prospective Consultant, Prospective Consultant shall provide notice to SAWS of the request along with a copy of the request, and give SAWS the opportunity to respond to the request prior to its release by Prospective Consultant.

No Lobbying and Compliance with Law. During the selection process for the project named in this RFQ, Prospective Consultant agrees to comply with all applicable laws and regulations, including but not limited to restrictions against direct or indirect lobbying of public officials. Prospective Consultant agrees not to make or permit to be made any improper payments, or to perform any unlawful acts.

This agreement shall be construed to be enforceable to the maximum extent permitted by law.

Failure to complete this question or comply with its terms may subject this firm to elimination from the selection process at any time.

Does the Respondent agree to the above?

Yes ☐ No ☐

10.. **Addendums:** Each Respondent is required to acknowledge receipt of all addendums.

None ☐ Yes ☐ If "Yes", Identify.

The information provided above is true and accurate to the best of my knowledge. Furthermore, we understand that failure to complete the Respondent Questionnaire may subject this firm to elimination from the selection process.

Signature

Date

Printed Name

Title

CONFLICT OF INTEREST QUESTIONNAIRE

FORM CIQ

For vendor or other person doing business with local governmental entity

This questionnaire reflects changes made to the law by H.B. 1491, 80th Leg., Regular Session.

This questionnaire is being filed in accordance with Chapter 176, Local Government Code by a person who has a business relationship as defined by Section 176.001(1-a) with a local governmental entity and the person meets requirements under Section 176.006(a).

By law this questionnaire must be filed with the records administrator of the local governmental entity not later than the 7th business day after the date the person becomes aware of facts that require the statement to be filed. See Section 176.006, Local Government Code.

A person commits an offense if the person knowingly violates Section 176.006, Local Government Code. An offense under this section is a Class C misdemeanor.

OFFICE USE ONLY

Date Received

1 Name of person who has a business relationship with local governmental entity.

2 ☐ Check this box if you are filing an update to a previously filed questionnaire.

(The law requires that you file an updated completed questionnaire with the appropriate filing authority not later than the 7th business day after the date the originally filed questionnaire becomes incomplete or inaccurate.)

3 Name of local government officer with whom filer has employment or business relationship.

Name of Officer

This section (item 3 including subparts A, B, C & D) must be completed for each officer with whom the filer has an employment or other business relationship as defined by Section 176.001(1-a), Local Government Code. Attach additional pages to this Form CIQ as necessary.

A. Is the local government officer named in this section receiving or likely to receive taxable income, other than investment income, from the filer of the questionnaire?

☐ Yes ☐ No

B. Is the filer of the questionnaire receiving or likely to receive taxable income, other than investment income, from or at the direction of the local government officer named in this section AND the taxable income is not received from the local governmental entity?

☐ Yes ☐ No

C. Is the filer of this questionnaire employed by a corporation or other business entity with respect to which the local government officer serves as an officer or director, or holds an ownership of 10 percent or more?

☐ Yes ☐ No

D. Describe each employment or business relationship with the local government officer named in this section.

4

Signature of person doing business with the governmental entity

Date