



## Sacramento Transportation Authority

### Request for Qualifications to Provide Underwriting Services

Request Date: February 19, 2013

Deadline for Responses: March 21, 2013 at 2:00PM (Pacific)

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#### 1.0 INTRODUCTION

The Sacramento Transportation Authority (STA) intends to update its pool of underwriters to serve as senior and/or co-managers, as appropriate, on the Authority's future bond transactions. STA established its underwriting pool in 2006 with an amendment in 2008. The pool is being updated to reflect today's marketplace based on the significant changes that have taken place in the financial market in recent years.

STA does not expect to issue additional debt until 2016, but welcomes underwriting firms to monitor the existing interest-rate swap agreements and outstanding bonds, and to provide cost effective options that reduce risk and costs.

#### 2.0 BACKGROUND

The Sacramento Transportation Authority was originally formed to administer the Measure A half-percent transportation sales tax that Sacramento County voters enacted in 1988 and to oversee implementation of the Measure A Expenditure Plan. In November of 2004, the sales tax was renewed by voters for an additional 30 years (to 2039) and a new Expenditure Plan was adopted. **New** Measure A commenced on April 1, 2009, immediately after the original Measure A program expired.

**New** Measure A introduces a new countywide development impact fee (Sacramento County Transportation Mitigation Fee Program) to be adopted and implemented by the County and each incorporated city. The associated revenues are remitted semi-annually to STA for reallocation to local transportation agencies: 85% for eligible capital expenditures and 15% to endow a smart growth incentive program.

The sales tax revenues are allocated annually by formula to specific programs set forth in the **New** Measure A Ordinance and Expenditure Plan, which is summarized on the following page. The STA's bonding capacity is constrained by the allocation of sales tax revenues to the capital program, and the amount of debt service allocated to any single year is capped at 20.75%. STA pledges 100% of gross total sales tax revenues to bond holders. Measure A sales tax revenues were \$91,474,109 in FY 2012. For forecasting purposes, the Authority assumes an average annual sales tax revenue growth rate of 5.00% from FY 2013 continuing through the end of the Measure A term in FY 2039.



**Annual Distribution of Measure A Sales Tax Revenues**

<b>Program Category</b>	<b>Revenue Allocation</b>
Sacramento RTD (Transit Operations, Maintenance & Safety)	34.50%
Street and Road Maintenance	30.00%
<b>Capital Program</b>	<b>20.75%</b>
Safety, Streetscaping, Pedestrians & Bike Facilities	5.00%
CTSA (Senior and Disabled Transportation Services)	4.50%
Traffic Control and Safety	3.00%
SMAQMD (Transportation Related Air Quality Program)	1.50%
Administration	0.75%
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<b>Total Allocation</b>	<b>100.00%</b>
<i>Other Set-Asides:</i>	
City of Galt	1.00%
City of Isleton	0.04%
Neighborhood Shuttle <sup>1</sup>	
Sacramento County Regional Parks Department <sup>2</sup>	

1. Neighborhood Shuttle will be funded with at least \$30 million over the life of the program. (Amortized over 30 years, \$1 million each year).
2. Sacramento County Regional Parks Department receives \$1 million each year over the life of the New Measure A Program within the Safety, Streetscaping, Pedestrian & Bike Facilities program.

Additional information on the Measure A Program including the most recent financial statements can be found at [http://www.sacta.org/r\\_library.html](http://www.sacta.org/r_library.html)

**3.0 CURRENT OUTSTANDING DEBT**

STA issued \$318.3 million of variable rate demand bonds – Series 2009A, 2009B, and 2009C – on October 1, 2009 (collectively the “Series 2009 Bonds”). These bonds were issued to take out all outstanding short term notes as well as to provide additional funding for Measure A projects. They are secured by a gross pledge of Measure A sales tax revenues. The Series 2009 bonds’ long term ratings are Aa3 (Moody’s) and AA+ (Standard & Poor’s).

The Series 2009 Bonds are hedged with three \$106.1 million floating-to-fixed interest rate swaps, which became effective on October 1, 2009. The majority of the notional principal on these swaps does not begin to amortize until 2028. Two of these swaps establish a fixed rate of 3.736% in exchange for the receipt of a floating rate that is equal to 67% of the 1-month London Interbank Offered Rate (“LIBOR”). The third swap establishes a fixed rate of 3.666% in exchange for the receipt of a floating rate that is equal to 67% of 3-month LIBOR.

The Series 2009 Bonds are supported by three Standby Bond Purchase Agreements (“SBPAs”) with Wells Fargo, JP Morgan and Bank of America. The 2009C Bonds supported by Bank of America were downgraded by Moody’s to VMIG 2 in June 2012.

The Authority also issued \$53,355,000 of sales tax revenue bonds (the “Series 2012 Bonds”) in July 2012 to fund certain Measure A capital projects. The Series 2012 Bonds were issued as fixed rate bonds with a final maturity in 2027. Coverage based on FY 2012 revenues is 2.54 times the combined maximum annual debt service (MADS) on the Series 2009 and 2012 Bonds.

The table below summarizes the Authority’s outstanding debt:



STA OUTSTANDING DEBT OVERVIEW						
SERIES	PAR OUTSTANDING	FINAL MATURITY	MODE	CREDIT ENHANCEMENT	SBPA EXPIRATION	REMARKETING AGENT
2009A	\$106,100,000	10/1/2038	Weekly VRDB	Wells Fargo Bank SBPA	9/22/2014	Wells Fargo Securities
2009B	\$106,100,000	10/1/2038	Weekly VRDB	JP Morgan Chase SBPA	4/1/2015	JP Morgan Securities
2009C	\$106,100,000	10/1/2038	Weekly VRDB	Bank of America N.A. SBPA	10/1/2013	Merrill Lynch & Co.
2012	\$53,355,000	10/1/2027	Fixed	N/A	N/A	N/A
<b>Total Outstanding</b>	<b>\$371,655,000</b>					

#### 4.0 REQUIRED CONTENT FOR RESPONSES

##### I. FIRM OVERVIEW

- a. Provide a brief profile of the firm, and the qualifications and resumes of the professionals who will likely work on STA's potential future transactions.
- b. Please indicate if any relationship exists between the firm and any other non-affiliated firm(s) or individual(s) involving a compensation arrangement that may be associated with possible engagement to provide underwriting services to STA.
- c. Submit a list and describe any lawsuits filed against the firm during the preceding three (3) years, and any litigation currently pending or threatened in conjunction with the types of services described in the RFQ.

##### II. QUALIFICATIONS AND EXPERIENCE

- a. Describe the firm's underwriting experience as it pertains to national and California transportation entities and sales tax issuers similar to Sacramento Transportation Authority.
- b. Provide the firm's SDC ranking serving as senior manager for each of the following types of debt over the past 5 years (2008-2012). Please provide the rankings both in terms of number of deals and par value issued.
  - National Sales Tax Revenue Bonds
  - California Sales Tax Revenue Bonds
  - California Transportation Financings

##### III. FINANCING STRATEGY

Based on the firm's understanding of STA's current debt profile and portfolio needs, provide ideas or strategies that STA should consider in addressing the following:

- a. The SBPA on the Series 2009C Bonds with Bank of America N.A. is expiring on October 1, 2013. The Authority is contemplating options for either a renewal of the liquidity agreement or an alternative short-term financing product.
- b. Based on the current capital plan, the STA anticipates need for additional new project fund proceeds in 2016 or 2017.
- c. Any other issues pertaining to STA's debt portfolio as deemed pertinent.

## 5.0 FEES

With no issuance currently contemplated, firms should not provide any underwriting fees in response to this RFQ.

## 6.0 SELECTION CRITERIA

The Authority will evaluate the responses based on the following considerations:

1. Experience of firm and assigned personnel on similar transactions
2. Understanding and insight on the specific issues facing the Authority and the proposed strategies to address them

STA will establish a pool of firms to meet its needs during the next 3- 5 years. No specific firm will be selected as senior or co-managing underwriter for the Authority's next issuance based on the results of this RFQ. The Authority does not plan to meet with the respondents for oral presentations at this time.

**The Authority reserves the right to reject all responses, to select without interviews, to negotiate with multiple respondents, or to re-solicit additional firms.**

## 7.0 SUBMISSION REQUIREMENTS

The submittals must be on standard letter-size paper (8.5" x 11") and have a minimum font size of eleven (11) points. A one (1) to two (2) page transmittal letter should be submitted, which includes a point of contact for the underwriting firm. The response should be made upon official letterhead and bear the name, title, and signature of a duly authorized officer of the responding firm.

Submittals should address the questions and requirements within "REQUIRED CONTENT FOR RESPONSES" section of the RFQ and should not exceed twelve (12) pages, excluding the transmittal letter and any appendices you choose to include. Please submit your responses in the same order as listed in "REQUIRED CONTENT FOR RESPONSES" to facilitate review and comparison.

The Authority must receive responses no later than the date and time specified below. Any response or part thereof received after the designated response time will not be considered. The schedule of events for this RFQ is as follows:

Distribute Request for Qualifications:	February 19, 2013
Deadline for Responses:	March 21, 2013 at 2:00PM (Pacific)

Please submit one (1) electronic copy of your response to each of the following recipients:

Brian Williams  
Executive Director  
Sacramento Transportation Authority  
Email: [brian@sacta.org](mailto:brian@sacta.org)

Public Financial Management, Inc. (Financial Advisor)  
Peter Shellenberger: [shellenbergerp@pfm.com](mailto:shellenbergerp@pfm.com)  
Nancy Jiang: [jiangn@pfm.com](mailto:jiangn@pfm.com)

The STA reserves the right to reject any or all responses, to waive any informality or irregularity in any response received, and to be the sole judge of the merits of the respective responses received. The response shall be in accordance with the format specified herein. This RFQ only establishes an updated underwriter pool for the STA and does not obligate the Authority to undertake any financing or engage a single firm within the pool to provide underwriting services. STA may issue additional RFPs to its underwriter pool to select underwriting teams for future financings. All responses shall be prepared by and at the expense of the respondent.

## **8.0 CONTACT PERSON**

Questions pertaining to this RFQ shall be addressed to the following:

Peter Shellenberger  
Managing Director  
Public Financial Management, Inc.  
50 California Street, Suite 2300  
San Francisco, CA 94111  
Phone: (415) 982-5544  
Fax: (415) 982-4513  
Email: [shellenbergerp@pfm.com](mailto:shellenbergerp@pfm.com)

Failure of a proposing company, or any of its representatives, to comply with this paragraph will result in their response being rejected.

## **9.0 ADDENDA**

If it becomes necessary to revise any part of this RFQ, an addendum will be provided to all proposing companies in written or electronic (i.e., facsimile or email) form.

## **10.0 PUBLIC RECORDS**

All materials submitted in response to this RFQ are property of the STA and will not be returned. The materials will be a public record subject to the disclosure provisions of the California Public Records Act and any other related public law or provision of such laws.

## **11.0 FINANCIAL RESPONSIBILITY**

STA accepts no financial responsibility for any costs incurred by a firm in responding to this RFQ. Submissions will become the property of the Authority and may be used by the Authority in any way deemed appropriate.