

# **REQUEST FOR PROPOSALS**

## **To Serve as Financial Advisor to the**

### **State Environmental Improvement and Energy Resources Authority**

**May 10, 2021**

#### **I. INTRODUCTION:**

The State Environmental Improvement and Energy Resources Authority of the State of Missouri (“EIERA” or “Authority”) is a governmental instrumentality and body corporate and politic established pursuant to Sections 260.005 to 260.125 RSMo, as amended. The EIERA is authorized to provide for the conservation of air, land and water resources of the State by the prevention or reduction of pollution; to provide for proper methods of disposal of solid waste and sewage; to provide for the furnishing of water facilities and resource recovery facilities; to provide for the development of the energy resources of the State; and to provide for energy conservation, energy efficiency projects and increased energy efficiency of the State of Missouri (“State”). The EIERA is authorized to acquire, construct, and finance projects; to issue bonds and notes; and to make loans to pay the costs of projects. In furtherance of its purposes, the EIERA has established leveraged wastewater and drinking water financing programs (collectively the “SRF” or “SRF Program”), the Energy Efficiency Leveraged Loan Program (“Energy Program”) and the Missouri Brownfields Revolving Loan Fund (“MBRLF”), among other efforts and programs. The EIERA is seeking a Financial Advisor to provide financial advice to the EIERA generally and relating to these and other programs.

#### **A. The SRF Program:**

The EIERA, in cooperation with the Missouri Department of Natural Resources (“DNR”), the Clean Water Commission and the Safe Drinking Water Commission, has implemented the Missouri Leveraged Water Pollution Control and Drinking Water Revolving Fund Program (“SRF”). As of the date of this Request for Proposals (“RFP”), approximately \$2.7 Billion of State Environmental Improvement and Energy Resources Authority Water Pollution Control Revenue Bonds and Notes have been issued to finance wastewater treatment and drinking water facilities for approximately 298 participants throughout the State.

The SRF currently operates under a cash-flow structure. In this structure, DNR enters into direct loans with program participants at an interest rate equaling 30% of the AAA 25-year revenue bond index at the time of loan closing. Program participants issue a bond to DNR evidencing their obligation to repay the loan. When additional funds are needed for participant loans, the EIERA issues SRF Bonds secured under its 2020 Amended and Restated Master Trust Agreement (the “2020 Master Trust Agreement”) and DNR pledges its rights, title to and interest in, and the principal and interest payment of designated participant loans as security for the payment of SRF Bonds secured by the 2020 Master Trust Agreement. A link to the 2020 Master Trust Agreement can be found [here](#).

Prior to 2010, the SRF utilized a reserve fund model which provided credit enhancement and the interest rate subsidy for the participants. A construction loan fund was funded from bond proceeds and disbursed as construction occurred. Contemporaneous with construction draws, the reserve fund received deposits of State and/or federal funds in proportion to the construction disbursements. As the principal amount on the bonds was repaid, a corresponding reserve amount was released from the series reserve account into the Master Trust where it was first available to cure shortfalls on a series of master trust bonds and, if there are no shortfalls, released back to DNR to finance new projects.

In December 2020, the Authority refunded all of the bond series that were outstanding under the reserve fund model and terminated the credit enhancement contracts. A link to the Official Statement for this transaction can be found [here](#).

Moving forward, the Authority anticipates that any future bonds under the 2020 Master Trust will be issued using the cash flow model. The list of future wastewater loan participants is found in DNR's FY2021 Clean Water intended Use Plan which is available [here](#). The list of future drinking water loan participants is found in the FY2021 Drinking Water Intended Use Plan which is available [here](#).

**B. Energy Efficiency Leveraged Loan Program:**

The Missouri Department of Natural Resources' Division of Energy currently administers a direct loan program to provide funds to school districts and governmental entities to facilitate energy efficient capital improvements to facilities or buildings owned and operated by such entities. The EI ERA, in cooperation with the Division of Energy, developed the Missouri Energy Efficiency Leveraged Loan Program ("EELLP"), the first such program in the nation.

To date, three series of EELLP bonds have been issued which incorporated a blend of the cash flow and reserve fund leveraging models. All of the series have matured, or have been redeemed. However, it is possible that new EELLP bonds could be issued in the future. Advice with respect to issuing EELLP bonds once again may be required.

**C. Missouri Brownfield Revolving Loan Fund:**

Beginning in 2005, the Authority received grants totaling \$4.2 million from the USEPA to establish a revolving loan fund for the cleanup of "brownfields"—properties that are under-utilized due to environmental contamination. The Missouri Brownfields Revolving Loan Fund ("MBRLF") provides loans to private entities and subgrants to non-profit entities and political subdivisions. Loan interest rates are capped at 3% and subgrants are generally limited to \$100,000.

Applicants complete a Pre-Application to establish eligibility followed by the Full Application for Credit Analysis and Financial Evaluation which may be found [here](#). EI ERA staff provides loan application materials to the Financial Advisor that performs the financial reviews set forth in

the MBRLF Prudent Lending Practices document which may be found [here](#). It is anticipated that one such review will be needed per year; however, the number can vary from year to year.

**D. New Business Line Exploration:**

The EIERA is currently involved in the development of an Energy Infrastructure Bank for the State of Missouri. This bank could play a broad role in the development of a wide range of energy projects from development, generation and transmission to energy efficiency and renewable energy sources. The Financial Advisor would assist in the continued development of this concept.

**II. OBJECTIVE:**

The EIERA is seeking the services of a Financial Advisor with highly specialized expertise in structured financings, particularly pooled transactions, and invites firms to demonstrate that experience in their response to this RFP. In addition to providing services relating to bond transactions, the Financial Advisor selected will provide credit review and financial analysis of amortization schedules for MBRLF projects as well as provide advice and other services relating to other financing mechanisms including any energy-related project, as requested.

**III. SCOPE OF SERVICES:**

**A. The SRF Program:**

Significant SRF participation, from initial discussion of financings to closure of bond issues, is expected from the Financial Advisor selected. Duties include, but are not limited to:

1. Review of and advice regarding the SRF's financing structure to meet the Authority's program goals and needs given current and projected market conditions.
2. Assist in the preparation and review of financing documentation (Resolutions, Indenture, Bond Purchase Agreement, Revolving Fund Agreement, direct loan debt service schedules, etc.).
3. Calculate and review all costs of issuance, underwriters' discount, pricing terms and structure issues for each financing and make recommendations to the EIERA in connection therewith.
4. Assist in negotiations with other parties to the transaction (for example with underwriters, investment agreement provider, rating agencies, credit enhancers, etc.).
5. Develop cash flow, bond sizing and default tolerance models; generate cash flow and bond sizing reports, default tolerance analyses and other credit information for rating agency review. Develop investment bid schedules for transaction accounts/funds and participate in the review and award of bid as needed. Generate "number runs" as necessary for bond issuances. Provide cash flow sufficiency and other certifications as requested. Analyze the need for state match and make recommendations to provide the required match.
6. Analyze the cost/benefits of different structuring and pricing options.
7. Assist in determining redemption provisions, security provisions, bond covenants and other provisions for each transaction in consultation with the Authority staff, bond counsel and senior managing underwriter(s).

8. Assist the finance team in evaluating whether municipal bond insurance and other forms of credit enhancement are beneficial.
9. Assist the Authority staff in determining the underwriting spread and bond allocation policies.
10. Provide advice on investment strategies for reserve, construction and other funds.
11. Serve as pricing advisor.
12. Provide the EIERA and DNR with best practice information on how other states are implementing and evolving their programs.
13. As requested, participate in the review of documents submitted as part of the due diligence process.
14. Render assistance to and advise the EIERA in connection with the selection of program bond counsel, underwriters, investment brokers, investment providers, trustees and other professionals.
15. Assist DNR staff in developing preliminary debt service schedules for program participants.
16. Provide analysis of program capacity based on various loan subsidy levels and other programmatic and economic variables.
17. Provide advice to the EIERA and DNR on all other issues that may arise in connection with the SRF or its ongoing administration. Provide analysis of, and opinions as to, the impact to bonds or the SRF program of potential program participant actions, policy changes, program modifications or other matters as requested.
18. Provide final maturity, cash flow and other schedules and financial information to DNR in a format acceptable to DNR and the EIERA.
19. Consult with the Authority on continuing disclosure requirements and make recommendations to ensure continued compliance with bond documents, laws and regulations to maintain or enhance credit ratings.
20. Attend EIERA meetings and/or participant meetings as requested. At a minimum, one Authority meeting should be anticipated annually.

**B. The MBRLF:**

The Financial Advisor will, when requested, perform all reviews and analysis mentioned in the documents referenced in the MBRLF section of the Introduction to this RFP. The Financial Advisor will prepare a report to the Authority staff setting forth the findings of these reviews and analyses, stating its opinion as to the creditworthiness of the potential borrowers and discussing the recommended loan terms or financing structure options. Upon request, loan amortization schedules will be prepared for MBRLF loans. The Financial Advisor will also provide ongoing advice to the EIERA staff and Board regarding all financial aspects (including loan structure and credit review) of the MBRLF. These are expected to be very few in number.

**C. Other Programs or Initiatives:**

As requested, the Financial Advisor will perform financial analysis or other finance activities, including providing opinions related to other business lines, programs or initiatives. This responsibility may grow with the potential launch of an Energy Infrastructure Bank.

**IV. AGREEMENT:**

The firm selected will be required to enter into a written Agreement for Services with the EI ERA. The Agreement will include, among other provisions, an initial term of three years with an optional two-year renewal; immediate termination for cause; termination by either party without cause with thirty days prior written notice; provisions for changing assigned personnel; requirements concerning general liability and bodily injury as well as professional liability/errors and omissions coverage acceptable to the EI ERA; indemnification; and certifications regarding conflict of interest, employment of unauthorized aliens and anti-boycott of Israel .

The EI ERA anticipates that the selected firm will provide services as requested and outlined in this RFP. The Authority will not, however, guarantee that any minimum compensation will be paid to the firm or any minimum usage of the firm's services.

**V. PROPOSALS:**

To be considered, proposals must respond to the questions listed below. Do not include extraneous information. Answers that do not respond to the questions or provide information as requested may be deemed non-responsive and result in negative point designations or disqualification. Proposals may not exceed twenty-five (25) pages including any cover letters, tables of content and attachments other than the requested G-37 filing and EEO Policy.

1. Organizational Structure: Provide a brief description of your firm and its organizational structure. Describe how the firm will support assigned personnel to ensure the needs of the EI ERA are met in a timely manner, particularly if there are changes in assigned personnel.
2. Structured Finance Experience:
  - a. List your firm's experience as Financial Advisor for revolving fund financing programs, tax-exempt and taxable appropriation-backed financings. Note whether your firm was the sole Financial Advisor and if not, describe the role played.
  - b. Provide detailed descriptions of pooled, reserve fund, cash flow and hybrid model financial advisory experience of the personnel to be assigned to the EI ERA.
  - c. Describe your firm's financial advisory experience, and that of assigned personnel, for SRF and other environmental programs and indicate how such experience may support the EI ERA's programs. If your firm has no SRF experience, or limited SRF experience, describe in detail the commitment that your firm and assigned personnel will make to gain an understanding of the laws, regulations, policies, guidance documents, rating criteria and other matters specific to the SRF program that impact the EI ERA's financings and the Financial Advisor's services.
  - d. Provide a description of innovative financing concepts, structures or programs that your firm and assigned personnel have developed for clients similar to the Authority. Describe the specific role assigned personnel played, how the client benefitted and whether the EI ERA could similarly benefit.
  - e. Provide three references willing to attest to assigned personnel's qualifications and experience working with structured, multiple participant loan financings.

3. Pricing Analysis: Indicate whether your firm provides broker/dealer services. Please discuss how you typically assess the capital markets on retail and institutional pricing days and the experience of assigned personnel in that role. Describe the tools and technology your firm uses in these efforts.
4. Quantitative Abilities:
  - a. Discuss your firm's quantitative capabilities with regard to structuring underlying loans, default tolerance analysis, bond sizing and cash flow reports for similar multi-borrower debt issuance and refundings with a special emphasis on senior/subordinate refundings. Describe the tools or technology used by your firm in these efforts.
  - b. Describe specific, relevant quantitative work performed by assigned personnel, in the areas described in #4.a. above. Include the size, number and length of maturities, number of participants and other structuring features relevant to our program.
  - c. Describe all quality control measures in place to identify and minimize quantitative errors.
5. Credit Rating Issues: Describe the experience of assigned personnel in dealing with credit rating issues and the rating agencies in general.
6. SRF Program Structure: As the Missouri SRF program has evolved and matured, its ability to generate state match continues to be a challenge, especially in the drinking water program. Discuss ways to increase the capacity to generate state match and steps you believe should be implemented to improve the efficiency of program cash flows. Describe other, non-capacity issues you believe the Authority should consider as it looks to the future.
7. MBRLF: Briefly describe your firm's experience and that of assigned personnel in analyzing the credit worthiness of private entities. Briefly discuss the strengths and weaknesses of the MBRLF credit evaluation process and any suggestions you have for its enhancement.
8. Energy Infrastructure Bank: Briefly describe your firm's experience and that of assigned personnel relating to the potential development of an Energy Infrastructure Bank. Briefly describe the manner in which your firm could assist the EI ERA in developing that concept.
9. Other Experience: Describe any other experience or unique qualifications of assigned personnel you believe is particularly relevant to the EI ERA.
10. Services Provided: Describe the services, including, but not limited to, those listed in the Scope of Services Section above, that your firm would provide to the Authority and why they are critical to the EI ERA. If not listed elsewhere, state the experience of assigned personnel in those areas.
11. Investigations/Litigation: Provide details of any relevant civil, criminal, or regulatory investigation or action pending at any time, against your firm, related entity, employee or contract staff. Your response should be limited to material matters. Attach a copy of your most recent G-37 filed by your firm with the Municipal Securities Rule Making Board (if applicable).
12. Assigned Staff: Provide a brief resume of personnel to be assigned to provide services to the EI ERA. Describe the role of each individual, the amount of time they will allocate to the EI ERA programs, identify the day-to-day contact, and how coordination/oversight will be handled to ensure that timely, high quality, cost-effective service will be provided to the EI ERA.

13. Employment of Minorities and Women: The EIERA is an Equal Opportunity Employer. Discuss your firm's commitment to minority and female employment opportunities and the success of those efforts. Attach a copy of your firm's EEO Policy.
14. Missouri Presence: Describe your firm's presence in the State of Missouri. Include locations of offices within the State and number of employees nationally and in Missouri.
15. Conflicts of Interest: Describe any potential or actual conflicts of interest in connection with your firm's involvement with the EIERA, DNR, State of Missouri, SRF Program, MBRLF or existing or potential program participants. If your firm provides services to potential or existing SRF participants relating to water and/or wastewater financing, list those relationships and describe how your firm would handle or minimize any potential conflict of interest.
16. Fees: Provide fee information requested below. All SRF Transactional Financial Advisor fees are payable solely out of SRF bond proceeds or by the participants unless otherwise agreed to in writing. Non-transactional work will be paid on an hourly basis. Fees for refunding transactions and non-SRF related bond issuances will be negotiated on a per transaction basis and should not be included in the response to this RFP.
  - a. SRF Transactions: Specify a nominal dollar amount per transaction (rather than a dollar per bond amount), inclusive of all expenses, to be paid as compensation for acting as Financial Advisor for SRF Loan Program Bond issuances.
  - b. General Advisory Services:
    - i. Specify a dollar per hour amount, inclusive of all expenses, to be paid for financial advisory services regarding non-transactional matters whether or not they are related to the SRF program. This would include non-transactional SRF services, MBRLF and other business line matters. Authority requested attendance at board meetings will be compensated under this item.
    - ii. List those SRF Activities found in the Scope of Services section above, which you consider non-transactional.

**VI. SUBMITTAL REQUIREMENTS:**

To be considered, an electronic copy of your proposal must be received by 4:00 p.m. CST on May 28, 2021. E-mail proposals to [EIERA@eiera.mo.gov](mailto:EIERA@eiera.mo.gov). If you do not receive a confirmation of receipt by noon of the business day following your submittal, contact us at (573)751-4919. Proposals should not exceed 25 pages. Your firm's G-27 filing and EEO Policy will not count against the page limit.

If you have any questions regarding this solicitation, please e-mail them to [EIERA@eiera.mo.gov](mailto:EIERA@eiera.mo.gov) or use the "Contact Us" link on the right hand side of our website. All questions submitted by 4:00 p.m. CST on May 14, 2021, and responses thereto will be available for viewing no later than noon on May 18, 2021, via a link on the Authority's website found [here](#). Questions and answers may be posted prior to May 14, 2021. Questions submitted after 4:00 p.m. CST on May 14, 2021, will not be answered.

Should a revision to this RFP be needed, notice will be available for viewing via a link on the Authority's website, found [here](#), by noon on May 14, 2021.

It is each proposer's responsibility to check the website for such items. We will not be sending questions and responses or RFP revisions to individual firms.

Proposals will remain confidential until the Authority has entered into a contract for the requested services. All proposals become the property of the Authority. The contents of all proposals will be in the public domain and be open to inspection by interested parties subject to exceptions provided in Missouri law. The Authority will treat all information submitted by a firm as public information following the conclusion of the selection process unless the firm properly requests that information be treated as confidential at the time of submitting the proposal. Any request for confidential treatment of information must be included in a transmittal letter sent with the proposal. In addition, the firm must enumerate the specific legal grounds for such request. If the firm designates any information in its proposal as confidential, the firm must also submit (in the same manner as and by the same deadline stated above) an additional copy of the proposal from which confidential information has been excised. The confidential material must be excised in such a way as to allow the public to determine the general nature of the material removed and to retain as much of the proposal as possible.

#### **VII. SELECTION OF PROPOSAL:**

All proposals received will be evaluated for the purpose of selecting a firm which best meets the needs of the EIERA and DNR. The following areas will be considered:

1. Demonstrated Experience: Proposals should demonstrate significant experience as Financial Advisor to complex, tax-exempt debt issuance including structured financings, revenue backed debt issuance and multi-borrower conduit bond issues, with particular emphasis on State Revolving Funds, and positive references for such experience. Proposer's performance of services on these matters, other EIERA programs and to other clients will be considered in the selection process.
2. Understanding of and Ability to Perform Scope of Services: Highly ranked proposals will demonstrate an understanding of the structure of the programs including the ongoing work required by the Scope of Services and any additional services necessary for the success of the programs.
3. Assigned Personnel: The proposal should demonstrate assignment of sufficient, qualified and experienced professional personnel as well as sufficient coordination and oversight to ensure that high quality services are provided in a cost-effective and timely manner.
4. Employment of Minorities and Women: The success of your firm's efforts toward the employment of minorities and women will be evaluated.
5. Missouri Business Presence: Section 34.073(1) RSMo. provides that in the letting of contracts for the performance of any service, preference shall be given to bidders doing business as



Missouri firms or which maintain places of business in Missouri when “the quality of performance promised is equal or better and the price quoted is the same or less.”

6. Fees: While cost is an important factor, it is only one of the items considered. Fees should be proposed in the manner requested; failure to do so may be considered non-responsive. Additions or clarifications to the proposed fees may be included; however, it is suggested that any questions regarding the fee structure be submitted to the Authority in the manner described in the Submittal Requirements section above.
7. Timing: It is anticipated that the selection of the Financial Advisor to the EIERA will take place no later than June 18, 2021; however, it is likely selection will take place prior to that time.

**VIII. OTHER MATTERS:**

- A. The selected Financial Advisor is expected to comply with all applicable rules and regulations regarding municipal/financial advisors including those relating to conflicts of interest.
- B. The EIERA reserves the right to:
  1. Cancel this solicitation;
  2. Reject any or all proposals;
  3. Select any proposal and negotiate with the firm which, in the EIERA’s sole opinion, meets the Authority’s needs regardless of the estimated costs in the proposal;
  4. Determine whether conflicts or potential conflicts will preclude a proposer from being considered as Financial Advisor to the Authority;
  5. Request additional information and/or an oral interview with individuals or firms prior to the selection of a Financial Advisor;
  6. Negotiate a contract; and
  7. Waive any technicalities and make any award that it determines to be in the Authority’s best interest.
- C. The EIERA is not obligated to provide a debriefing for any proposers.
- D. The EIERA is not liable for any costs incurred by any parties submitting proposals.
- E. **DO NOT CONTACT THE EIERA BOARD MEMBERS, EIERA STAFF, DNR STAFF, THE CLEAN WATER COMMISSION MEMBERS OR THE SAFE DRINKING WATER COMMISSION MEMBERS REGARDING THIS RFP.** Questions regarding this solicitation should be submitted in the manner described in the Submittal Requirements section above.

**Thank you for submitting your proposal to serve as Financial Advisor to the EIERA.**