

Hampton Roads Transportation Accountability Commission

Request for Proposals for Bond Underwriting Services



Issue date: October 24, 2017

Proposals due: November 13, 2017 at 2 P.M. EDT

HRTAC RFP 2018-01

1. HRTAC HISTORY AND OVERVIEW

On April 3, 2013, House Bill 2313 (HB 2313) was adopted by the Virginia General Assembly. Based on criteria set forth in HB 2313, several new taxes dedicated to transportation were imposed in Planning District 23 (described herein), thereby providing permanent, annual sources of revenue dedicated to transportation projects to reduce congestion in the region. These new revenue sources became effective on July 1, 2013, with the new taxes being imposed in the localities comprising Planning District 23: the counties of Isle of Wight, James City, Southampton, and York and the cities of Chesapeake, Franklin, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, and Williamsburg (collectively, the “Member Jurisdictions”).

The legislation established the Hampton Roads Transportation Fund (HRTF) which is funded with the new taxes imposed in Planning District 23. Pursuant to HB 2313, the Hampton Roads Transportation Planning Organization (HRTPO) was given authority over use of funds in the HRTF.

In 2014, Hampton Roads Transportation Accountability Commission (HRTAC) was created under HB 1253 and SB 513 as a political subdivision of the Commonwealth. Administration of HRTF was transferred from HRTPO to HRTAC on July 1, 2014.

HRTAC is empowered to procure, finance, build and operate highway, bridge and tunnel projects in Hampton Roads. It is authorized to use HRTF monies and tolls for construction projects on new or existing highways, bridges and tunnels and to issue bonds using revenues to support bond debt. HRTAC does not replace the planning functions that are provided by the HRTPO. Additional information regarding HRTAC can be found at www.HRTAC.org.

2. HRTAC PROJECTS AND FUNDING SOURCES

2.1 HRTAC Projects

Regional priority projects have been identified which are subject to HRTAC’s funding availability.

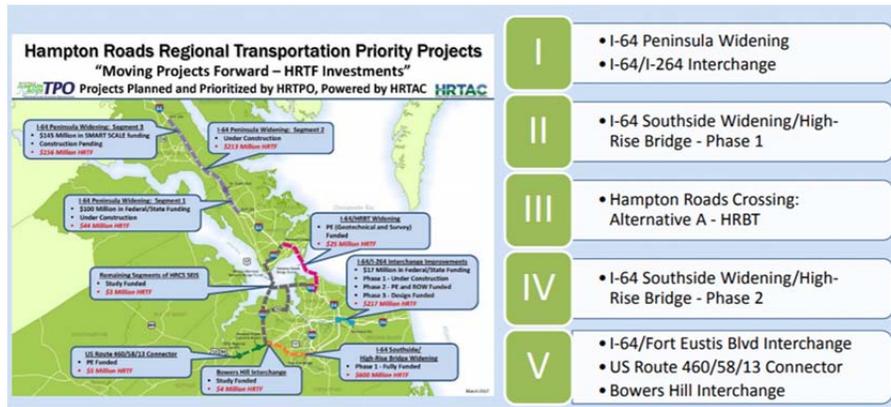


Figure 1: Priority Project Map

Among the priority projects, HRTAC has approved the Six-Year Plan from FY 2018 to FY 2023 in its September 2017 Commission meeting ("Six-Year Plan") in order to:

- fully fund the I-64 Peninsula Widening, I-64/I-264 Interchange, and I-64 Southside Widening/High Rise Bridge Phase I projects, and
- fund Hampton Roads Crossing – HRBT through FY 2023 (with final completion in FY 2024)

Table 1 outlines the status and cost estimates of the projects approved in the Six-Year Plan as of October 2017.

Table 1: Project Status and Estimated Costs

Projects	Status	Completion	Costs
I-64 Peninsula Widening			
Segment I	Under construction	2018	\$144M
Segment II	Under construction	2019	\$190M
Segment III	Contract award anticipated in December 2017	2018	\$311M
I-64/I-264 Interchange			
Phase I	Under construction	2020	\$157M
Phase II	Contract award anticipated in December 2017	2022	\$205M
I-64 Southside Widening/High Rise Bridge Phase I*	Contract award anticipated in December 2017	2022	\$605M
Hampton Roads Crossing - HRBT	Preliminary study	2024 (target)	\$3,799M

*Include \$10M PE study for I-64/I-264 Interchange Phase III

2.2 HRTAC Projects' Funding Sources

HRTAC projects will be funded with the following sources.

- HRTAC funds: HRTF in forms of both HRTF Revenue debt and pay-go funds
- HRTAC funds: toll revenues in forms of both non-recourse debt and pay-go funds

The first potentially tolled HRTAC project will be I-64 Southside Widening/High Rise Bridge Phase I: toll revenue collection is expected to commence in FY 2023.

Planning with respect to tolling and any toll-backed finance is subject to change. Any toll finance is outside of the scope of this RFP.

- VDOT funds (Smart Scale funds): Smart Scale is a competitive prioritization process administered by the Commonwealth to advise the Commonwealth Transportation Board in its funding decisions. \$295M has been awarded to HRTAC thus far, plus another \$122M in VDOT funding is available between FY 2018 to FY 2022. HRTAC will consider Smart Scale applications for the next allocation cycle.
- HRTPO funds
- Outside contribution (from City of Virginia Beach)

Below are the Six-Year Plan's sources and uses. Note that it ranges from FY 2018 to FY 2023, and does not cover the estimated last year of HRBT's construction in FY 2024. HRTF is the predominate source.

Table 2: HRTAC's Six-Year Plan

	Prior Years	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	Total	HRTAC Share Debt		VDOT Funds	HRTPO Funds	Outside Contribution
									PayGo	Proceeds ¹			
Operating/HRTF Fees	\$7	\$2	\$2	\$2	\$2	\$3	\$3	\$22	\$22				
I-64 Peninsula Widening	\$247	\$96	\$62	\$51	\$147	\$43		\$645	\$400		\$245		
I-64/I-264 Interchange Improvement	\$136	\$77	\$73	\$44	\$24	\$8		\$362	\$290		\$67	\$2	\$3
I-64 Southside/High Rise Bridge	\$57	\$44	\$170	\$170	\$164	\$0		\$605	\$500		\$105		
Project Development	\$8	\$29	\$4	\$1				\$41	\$41				
Mega-Project Delivery (HRBT)		\$164	\$332	\$473	\$742	\$795	\$824	\$3,330	\$352	\$2,978			
Total	\$455	\$412	\$643	\$741	\$1,079	\$848	\$826	\$5,004	\$1,605	\$2,978	\$417	\$2	\$3

Funding Sources

	Prior Years	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	Total
VDOT Funds	\$186	\$49	\$46	\$69	\$60	\$8		\$417
HRTPO Funds	\$2							\$2
Outside Contribution	\$3							\$3
HRTAC Funds (HRTF)	\$265	\$363	\$597	\$672	\$1,020	\$840	\$824	\$4,580
HRTAC Funds (Toll Revenue)							\$2	\$2
Total	\$455	\$412	\$643	\$741	\$1,079	\$848	\$826	\$5,004

3. HRTF and HRTF REVENUE DEBT

3.1 HRTF Revenues

As previously discussed, HRTAC receives all of the amounts dedicated to the HRTF. HRTF consists of two components levied within Planning District 23:

- special sales and use tax revenues at a rate of 0.7 percent described in Section 58.1-638.H.2 of the Virginia Code
- wholesale motor vehicle fuels sales tax revenues at a rate of 2.1 percent described in Section 58.1-2295.A.2 of the Virginia Code

Actual revenues from FY 2014 to FY 2017 as well as forecast revenues from FY 2018 to FY 2023 provided by VDOT in October 2017 are listed below:

Table 3: Historical and Forecasted HRTF Revenues

	Sales and Uses Tax	Fuels Tax	Total
FY 2014	\$107.4	\$37.2	\$144.7
FY 2015	\$129.9	\$40.9	\$170.9
FY 2016	\$126.5	\$26.7	\$153.2
FY 2017	\$131.5	\$25.0	\$156.5
FY 2018	\$134.4	\$27.4	\$161.8
FY 2019	\$136.9	\$29.9	\$166.8
FY 2020	\$139.8	\$33.2	\$173.0
FY 2021	\$142.9	\$35.2	\$178.1
FY 2022	\$145.9	\$36.8	\$182.7
FY 2023	\$148.9	\$37.7	\$186.6

3.2 HRTF Revenue Debt

HRTAC intends to issue debt pledged by the HRTF revenues. HRTF revenue and any HRTAC toll revenue will not comingle for purposes of security for debt.

HRTAC intends to issue senior lien and junior lien HRTF Revenue Debt:

- Senior lien - tax-exempt current interest bonds up to a 40-year term
- Junior lien - tax-exempt current interest bonds and potentially deferred interest payment bonds (capital appreciation bonds and convertible capital appreciation bonds) up to a 40-year term
- Junior lien – Transportation Infrastructure Finance and Innovation Act (TIFIA) loan on parity with the junior lien bonds

The senior lien HRTF Revenue bonds and the junior lien HRTF Revenue bonds are collectively referred as the “Bonds” for purposes of this RFP.

In 2016, HRTAC’s Bond Counsel (Kaufman & Canoles, P.C.) prepared a draft Master Indenture and form of Series Indenture providing for the legal structure of the HRTF Revenue debt. At its June 2016 meeting, the Commission adopted the proposed legal structure for future HRTF Revenue debt and authorized the bond counsel to file a motion for judgement in Chesapeake Circuit Court to validate such structure and related matters. The legal structure for the HRTF Revenue debt has been validated by the Chesapeake Circuit Court.

The Master Indenture of Trust is provided in Appendix A. Please note that the Indenture is subject to change.

Neither the Commonwealth of Virginia nor any of its political subdivisions, including HRTAC and the Member Jurisdictions, will be obligated to pay the principal of or interest on the HRTF Revenue debt or other costs incident to the issuance of the HRTF Revenue Debt except from the HRTF revenues. Neither the faith and credit nor the taxing power of the Commonwealth of Virginia or any of its counties, cities, towns or other political subdivisions, including the Member Jurisdictions, will be pledged to the payment of the principal of or interest on the Bonds. Debt service on the Bonds will not directly, indirectly, or contingently obligate the Commonwealth of Virginia or any of its counties, cities, towns or other political subdivisions, including the Member Jurisdictions, to levy any taxes or to make any appropriation for their payment. HRTAC has no taxing power.

4. PURPOSE OF SOLICITATION

HRTAC intends to select an Underwriter Pool from which it will select Senior Managers and Co-Managers to provide underwriting services on a transaction-by-transaction basis for the Bonds. For each transaction, HRTAC may select any, all, or several of the underwriters in the pool and enter into a Bond Purchase Agreement with those underwriters selected for each transaction. The selection of a firm to be a part of the Underwriter Pool does not guarantee that HRTAC will use that firm on any transaction.

The Underwriter Pool is being established in connection with the issuance of Bonds or other obligations of HRTAC through December 31, 2019, with an option to extend for an additional one year period each year for five years, (through December 31, 2024).

HRTAC is aware of the “Municipal Advisor Rule” of the Securities and Exchange Commission (effective July 1, 2014) and the RFP exemption from the definition of “municipal advisor” for a person providing “advice.” In response to this RFP, HRTAC hereby notifies all firms submitting a response to this RFP that it seeks such firms’ advice and recommendations on its planned bond issuance. HRTAC intends for any such advice and recommendations received during this RFP process (which shall begin on the issue date of the RFP and end not later than December 31, 2017) to qualify for the RFP exemption. HRTAC understands that by responding to this RFP, respondents are not acting as municipal advisors to the Commission and do not owe the HRTAC a fiduciary duty.

5. SCOPE OF WORK

Services required by the underwriting firms who qualify to serve as Senior Managing Underwriter and/or Co-Managing Underwriter as a result of this RFP will include, but will not be limited to, the following:

Senior Managing Underwriter:

- Work with HRTAC and its Municipal Advisor (Public Financial Management, Inc.), as appropriate, to develop financing alternatives that meet HRTAC's objectives. The financing alternatives should focus on both funding the Six-Year Plan and preserving capacity for other future HRTAC Projects;
- Assist in structuring bond issues, provide recommendations regarding structural aspects of the Bonds (e.g., call provisions, amortization structure);
- Identify investors who are most likely to purchase the offering(s) at rates most favorable to HRTAC. Assist HRTAC and its Municipal Advisor, as required, in the preparation and presentation of information regarding the financing plan and HRTAC's credit profile to rating agencies, investors and other entities as needed;
- Assist the Municipal Advisor and the Bond Counsel in the preparation of the Preliminary and final Official Statements and all other financing documents, and offer comments, as necessary;
- Attend financial working group meetings, conference calls and other related discussions as requested;
- Analyze market conditions prior to, during, and after the sale of Bonds and advise HRTAC and its Municipal Advisor with regard to market timing;
- Assume primary responsibility for all activities associated with marketing the Bonds to be issued, including developing a marketing plan and executing a marketing strategy to minimize interest rates to HRTAC;
- Schedule and participate in, as required, all necessary informational meetings for prospective investors prior to the issuance of the Bonds;
- Manage the sale, direct the activities of the underwriting syndicate, run the books during the pricing and allocate the Bonds in accordance with industry practice and any objectives mutually agreed upon by the financing team;
- Provide pricing information and purchase the Bonds upon terms and conditions mutually acceptable to HRTAC;
- Supervise the closing of the transaction(s) and the transfer of funds;
- Prepare a post-sale analysis to record market conditions, investor allocation of the Bonds, rates received by comparable issues at the time of sale and other necessary information as requested by HRTAC; and

- Assist HRTAC and its Municipal Advisor in such other matters related to HRTAC financing plan that may become necessary.

Co-Managing Underwriter:

- Assist with the marketing, sale and distribution of the Bonds; and
- Conduct as appropriate an analysis of the market conditions prior to, during and after the sale of the Bonds.

6. PROPOSAL REQUIREMENTS

Proposals shall be prepared simply and economically, providing a straightforward, concise description of the firm's capabilities to satisfy the requirements of the RFP. Emphasis should be on completeness and clarity of content. Elaborate brochures and other representations beyond that sufficient to present a complete and effective proposal are neither required nor desired.

All pages are to be 8 ½" X 11" and printed on one side, with single-spaced type no smaller than 11 point font.

Proposal contents shall be arranged in the same order and identified with question numbers as presented herein. Please provide the following information.

6.1 Transmittal Letter

A letter of transmittal stating the firm's understanding of the work to be performed, the names and titles of the persons who will be authorized to make representations for the firm, and whether the firm wishes to be considered for the role of Senior Manager, Co-Manager, or both. The letter should include a statement that your firm agrees to serve as Underwriter to HRTAC in accordance with the attached proposal. (2- Page limit).

6.2. Technical Proposal

6.2.1. Executive Summary

General information about the firm, including location of the office(s) from which the work will be performed, the primary contact persons for the investment banking and underwriting, and other members of the underwriting team. Include organizational chart for the core project team members. (2-page limit)

6.2.2. Firm Capabilities, Experience and Qualifications

- 1) Please detail any disciplinary actions related to municipal bonds taken by the SEC, FINRA, or any other federal or state regulatory agency over the past three years involving the firm or any of the individuals that would be assigned to this engagement, as well as any criminal proceedings against the firm or individuals employed by the firm related to municipal bonds during this period. Please disclose any conflicts of interest or potential conflicts of interest that may arise as a result of

your firm being selected for this engagement. (No page limit. Responses exceeding 2 pages may be included as an appendix).

- 2) In tabular form prepare the following as of the date which such information is most recently available or make brief statements where appropriate:
 - Total Capital
 - Equity Capital
 - Uncommitted (Excess Net) Capital
 - Discuss your firm's ability and willingness, if necessary, to commit capital to underwrite the entire issue at a fair market price.
- 3) In Appendix B, Tab "1. VA Deals", summarize the proposer's senior-managed underwriting experience since January 1, 2015 for Virginia municipal bonds (particularly any Member Jurisdiction's debt). Please highlight those transactions with a par amount greater than \$100,000,000. Please indicate which transactions your core team members have led. Provide contact information for a representative of two clients who may be contacted as a reference. Include separately the firm's co-managed underwriting experience for the same time period and for the same type of transactions. Both tables should list each transaction's par amounts and include the total number of transactions and the total par amounts.
- 4) In Appendix B, Tab "2. Similar HRTAC Deals", summarize the firm's senior-managed underwriting experience since January 1, 2015 for transportation special tax bonds similar to the Bonds. Please highlight those transactions with a par amount greater than \$100,000,000. Please indicate which transactions your core team members have led. Provide contact information for a representative of two clients who may be contacted as a reference. Include separately the firm's co-managed underwriting experience for the same time period and for the same type of transactions. Both tables should list each transaction's par amounts and term and include the total number of transactions and the total par amounts.

Please answer questions 5 through 13 **only if you wish to be considered as a Senior Managing Underwriter:**

- 5) Please discuss in the context of HRTAC the advantages and disadvantages of 1) CABs and/or Convertible CABs as well as 2) amortization schedules longer than 30 years. (2-page limit)
- 6) Discuss credit rating strategies and from which agencies the Bonds' ratings should be obtained to ensure a successful bond sale. Provide your firm's view of the Bonds' credit profile. (3-page limit)

- 7) Describe your firm's experience, as well as that of key team members, in underwriting bonds with a related TIFIA loan. (2-page limit)
- 8) HRTAC seeks to enter the market in the first quarter 2018 and issue its inaugural Bonds. The first issue will be senior lien HRTF Revenue Bonds ("Series 2018 Bonds"). Please comment on any current or anticipated market events or factors which HRTAC should consider in timing its Series 2018 Bonds sale. (2-page limit)
- 9) Describe your firm's recommended marketing plan for the Series 2018 Bonds. (2-page limit)
- 10) Please provide two recent case studies of your firm's experience in bringing a new credit to market with attributes similar to the Bonds. (2-page limit)
- 11) Include two case studies in which the firm's capital was used to underwrite the unsold balance of a municipal bond issue. (2-page limit)
- 12) In Appendix B, Tab "3. Pricing Schedules", please provide your firm's estimated takedowns, management fee, and expenses for the Series 2018 Bonds assuming a ten-year par call. For expenses, please assume HRTAC's Bond Counsel will take the lead in drafting the official statement. Please note that HRTAC reserves the right to negotiate these fees and expenses for any individual transaction.
- 13) In Appendix B, Tab "4. Underwriter's Counsel", please provide a list of up to three firms to serve as underwriters' counsel and specify the contact information for the attorney who would be the day-to-day contact.

6.3. Key Staff Resumes

Provide one-page resumes for each individual listed on the organizational chart in the Technical Proposal. Resumes must highlight the relevant experience of each individual, their role, and why they were selected for this project team. (10 resume limit of one page each)

7. SUBMISSION REQUIREMENTS AND RFP CALENDAR

The proposals should be delivered via email to the following **no later than 2:00 p.m. EDT on November 13, 2017:**

Kevin Page, Executive Director
Hampton Roads Transportation Accountability Commission
723 Woodlake Drive Chesapeake, VA 23320
757.420.8300
kpage@hrtac.org

With copy to:

PFM Financial Advisors LLC

David Miller, Managing Director millerd@pfm.comLiang Shan, Senior Managing Consultant shanl@pfm.com

It is the sole responsibility of the firm to assure that HRTAC, prior to the time specified, receives the response. Any proposals received after the deadline will not be considered.

A tentative calendar for the review of the RFP is as follows:

October 24, 2017	RFP circulated
October 31, 2017	Deadline for Questions prior to 2:00 P.M. EDT
November 13, 2017	RFP due to HRTAC and PFM prior to 2:00 P.M. EDT
November 20, 2017	Evaluation team review, Recommendations for Pool, and shortlist for 2018 Bonds Underwriting Team
November 28, 2017	Interviews for 2018 Bonds Senior Manager, if required
December 5, 2017	Finance Committee considers recommendations
December 14, 2017	Commission Approval of the Underwriting Pool as well as senior & co-managers on the Series 2018 Bonds

8. EVALUATION CRITERIA

HRTAC intends to select firms for the Underwriter Pool who are deemed to be fully qualified and the best suited among those submitting proposals for the various financing programs that may be undertaken by HRTAC in the years 2018-2024. Determination of qualifications and suitability will be based upon the firm's proposal. To be considered for senior managing underwriter, at a minimum a proposer must have served as senior underwriter in the past two years on at least 1) one tax-exempt issuance of at least \$50 million for a Virginia governmental entity; and 2) one sales tax and/or fuels tax issuance of at least \$50 million for a transportation agency. To be considered for co-manager underwriter, at a minimum a proposer must have served as a co-manager in the past two years on at least 1) one tax-exempt issuance of at least \$50 million for a Virginia governmental entity; and 2) one sales tax and/or fuels tax issuance of at least \$50 million for a transportation agency. HRTAC reserves the right to reject any or all proposals and to waive any irregularities in any proposal or the proposal process.

In addition, **HRTAC may elect to conduct interviews on November 28 to further assess qualifications of firms to serve as Senior Managing Underwriter for the proposed 2018 Bonds. Please hold these dates for potential interviews.**

For the purpose of selecting the Senior Manager(s) on the Series 2018 Bonds, the following factors are of greatest importance: the firm's experience introducing a new credit to the market and credit recommendations for HRTAC's Bonds; the firm's experience with Virginia tax exempt bonds and with special tax transactions similar to the Bonds; the firm's recommended marketing plan for the Series 2018 Bonds; and proposed underwriting spreads and fees.

APPENDIX

- A. Master Indenture of Trust Draft
- B. Firms' Pricing Proposals