Contra Costa Transportation Authority

Request for Proposals (RFP) No. 14-4 to Provide Investment Banking Services

Distribute Request for Proposals: December 19, 2014
Deadline for Requesting "Safe Harbor Letter" per Dodd-Frank: January 9, 2015
Deadline for Proposal Responses: January 23, 2015
Interviews: February 10, 2015
Authority Approval: March 18, 2015

1.0 PURPOSE

The Contra Costa Transportation Authority (the "Authority" or "CCTA") is soliciting proposals from qualified firms to potentially serve as senior manager(s) or co-manager(s) on future financings and refinancings. The Authority expects to qualify a pool of firms ("the CCTA Underwriter Pool") from which the Authority will select senior manager(s) or co-manager(s) as needed for underwriting services during the next 5-year period starting in early 2015. The 5-year term of the Authority's existing underwriter pool has expired and on November 19th the Authority Board directed staff to seek new qualifications.

Firm assignments for individual financings in the future will be made based in part on value-added financing and refinancing proposals recommended to the Authority by individual firms within the pool, and other relevant factors such as firm experience and fees. Assignments will be established at the time of each transaction from firms selected from CCTA's Underwriter Pool. The Authority does not guarantee that all firms within the pool will participate in transactions during the assignment period and reserves the right to determine the number of firms selected for each transaction. While CCTA does not anticipate making changes to the underwriting pool within the next 5 years, CCTA does retain the right to make changes for any reason.

From the selected pool of firms, the Authority is seeking to designate an underwriter(s) to serve as senior managing underwriter and/or co-managing underwriters for the Authority's upcoming bond transactions. The bonds are anticipated to be sold in the second or third quarter of 2015 and are expected to generate approximately $100 million for certain capital projects under the Measure J Sales Tax Expenditure Plan. The Authority is also seeking banking services for the refunding or remarketing of its Series 2012A Floating Rate Notes ("FRNs") with its upcoming early redemption date of June 12, 2015 or mandatory tender date of December 15, 2015. Senior manager(s) and co-manager(s) will be selected for the upcoming 2015 new money and the variable rate refunding/remarketing transactions separately.

Proposals will be due no later than the Proposal Deadline specified below. Details concerning the proposal are contained in this document.

2.0 MEASURE J SALES TAX

The Measure J Sales Tax Program, adopted by Contra Costa County voters in 2004, is an extension of the Measure C Sales Tax and is funded with a one-half cent sales tax that began on November 2, 2004 and expires on March 31, 2034. As part of the Authority's 2004 Ordinance which authorized the Measure J Sales Tax, the Authority adopted a Measure J Expenditure Plan (the "Expenditure Plan"). Sales tax revenues for the Authority in FY 2014 were $75,898,529, an increase of 1.47% over the prior year. Sales tax revenues for FY2015 are anticipated to be approximately $80.0 million.

As adopted by voters in 2004, the Ordinance included a detailed Expenditure Plan which establishes categorical allocations of sales tax revenues to be distributed over the life of the Measure J Program. The amount of revenue allocated for capital purposes consists of 40% of the total Measure J sales tax revenues. Further, the Authority pledges 100% of gross total Measure J sales tax revenues to bond holders.

3.0 CURRENT OUTSTANDING DEBT

The Authority has $201.45 million of publicly offered LIBOR-indexed Bonds (the "Series 2012A Bonds") and $176.19 million of fixed-rate Bonds outstanding (the "Series 2012B Bonds"). The Series 2012A Bonds have a mandatory tender date of December 15, 2015 and an optional early tender date on June 12, 2015. The Series 2012A Bonds are associated with and hedged by the Authority's outstanding interest rate swap with Bank of America, N.A. ("BANA"). The swap agreement with BANA is in the amount of $200 million, with principal amortizing beginning in March 1, 2025 through March 1, 2034. The swap establishes a fixed rate of 3.66% in exchange for the receipt of a floating rate that is equal to 63.5% of the one-month LIBOR plus a fixed spread of 29 basis points. As of November 18, 2014, the Authority's mark-to-market value on its swap is ($43,336,511).

The Series 2012B Bonds have a 7-year and a 10-year call option. Relevant bond documents for these transactions may be found on the Authority's website. The long term ratings are AA+/Stable from Fitch and AA+/Stable by Standard & Poor's.

The table below summarizes the Authority's outstanding debt:

SERIES	ISSUE SIZE	DELIVERY DATE	FINAL MATURITY	OUTSTANDING PAR	NEXT CALL DATE	MANDATORY TENDER DATE
2012A	$201,450,000	12/18/2012	3/1/2034	$201,450,000	6/12/2015	12/15/2015
2012B	$188,770,000	12/18/2012	3/1/2034	$176,190,000	3/1/2020	--
Total	**$390,220,000**			**$377,640,000**		

Based on the Authority's FY2014 sales tax revenues of $75,898,529, coverage of maximum annual debt service on the Series 2012 Bonds is approximately 2.7 times. Together the 2012 Bonds have an aggregate level debt service structure.

4.0 DEBT POLICY

The Authority has a Debt Policy to establish the policies and procedures related to permissible debt, debt issuance and debt administration including the use of interest rate swaps. The Authority is in the process of amending the Debt Policy to conform to Dodd-Frank with respect to interest rate swaps. Specifically, it is the intent of the Authority to conform to the requirements relating to legislation and regulations for over-the-counter derivatives transactions under Title VII of the Dodd-Frank Wall Street Transparency and Accountability Act of 2010, as supplemented and amended from time to time (herein collectively referred to as "Dodd-Frank"). On January 21, 2015, the Authority Board will consider amending its Debt Policy to include the following:

> *It is the policy of the Authority that: (i) each swap advisor engaged or to be engaged by the Authority will function as the designated qualified independent representative of the Authority, ("Designated QIR"); (ii) each swap advisor agrees to meet and meets the requirements specified in Commodity Futures Trading Commission Regulation 23.450(b)(1) or any successor regulation thereto (herein referred to as the "QIR Regulation"); (iii) each swap advisor will provide a written certification to the Authority to the effect that such swap advisor agrees to meet and meets the requirements specified in the QIR Regulation; (iv) the Authority will monitor the performance of each swap advisor consistent with the requirements specified in the QIR Regulation; (v) the Authority will exercise independent judgment in consultation with its swap advisor in evaluating all recommendations, if any, presented by any counterparty with respect to transactions authorized pursuant to this Debt Policy; (vi) the Authority will rely on the advice of its swap advisor with respect to transactions authorized pursuant to this Debt Policy and not rely on recommendations, if any, presented by any counterparty with respect to transactions authorized pursuant to this Debt Policy; and (vii) the Authority will comply with all recordkeeping, reporting and certification requirements for end-users as applicable under the Commodity Exchange Act ("CEA").*

Following Board consideration and potential approval of the amended Debt Policy, the Authority will be in a position to provide a "safe harbor" letter to firms that wish to provide ideas and recommendations on the Authority's interest rate swaps. You may prepare your proposals with the assumption that you will receive a signed safe harbor letter prior to final submission of your proposal.

The Authority requests that you send the safe harbor letter request by January 9th. Following Board review and potential approval on January 21st, the Authority will return signed letters to those that request them by the 22nd. Proposals are due January 23rd.

5.0 SCOPE OF SERVICES

The Authority will select for its pool of underwriters the firm(s) which can most cost effectively meet the financing objectives of the Authority. The scope of services will require the firm(s) to fully participate in all aspects of the bond issuance process. The Authority has its own professional staff and has retained other industry professionals and the firm will be expected to complement these resources. The Authority has retained Public Financial Management, Inc. as financial advisor and Best, Best & Krieger as bond and issuer counsel.

A qualified firm will be expected to provide the following services relating to the planning, structuring, and sale of bonds, which include but are not limited to:

1. Work with the Authority's financing team to analyze, develop, and execute a financing strategy that accounts for existing structural parameters and current market conditions.

2. Develop a credit strategy for the Authority to maintain or upgrade its current long-term ratings.

3. Develop financing alternatives working with the Finance Team.

4. Develop and execute an effective marketing strategy to maximize investor interest and Authority visibility.

5. Underwrite, as necessary, at appropriate market yields.

6. Participate in the settlement and bond closing process.

7. Perform any additional services that may be required to close the transaction.

6.0 REQUIRED PROPOSAL CONTENT

I. GENERAL FIRM INFORMATION

a. Provide a firm overview and discuss your presence and committed resources to municipal finance.

b. Provide the names, post addresses, telephone numbers, and email addresses of the two principal contacts from your firm which CCTA would contact for all future engagements. Resumes for the proposed CCTA underwriter team may be included in the appendices.

c. Please describe any significant restructuring, organizational or personnel change at your firm or within the municipal banking, underwriting, or trading divisions which you believe would be of interest to CCTA.

d. If applicable, provide credit ratings by nationally recognized rating organizations (short and long-term debt) of your firm, and its related subsidiaries and/or affiliates that may provide products and/or services to CCTA.

e. Indicate if your firm is involved in any Securities Exchange Commission (SEC) investigation regarding municipal sales methods, security dealings, underwritings, or related practices. Please disclose the status of such matters to the extent possible.

f. Indicate if your firm and/or any of your subsidiaries or affiliates are involved in any pending or threatened litigation, administrative proceedings or federal/state/city investigations, audits, subpoenas, or other information requests arising from the conduct of your municipal business activities. Please disclose the nature and status of such matters to the extent possible.

g. List any sanctions or penalties brought against your firm or any of its personnel (including suspension or disbarment) by any regulatory or licensing agencies involving state or local governments. Include a description of the reasons for the sanction or penalties and whether such sanctions or penalties are subject to appeal.

II. FIRM QUALFICATIONS AND EXPERIENCE

a. Describe your firm's underwriting experience as it pertains to National and California transportation entities and sales tax issuers similar to the Authority. Please provide 3 case studies (with references which are not CCTA related) your firm believes demonstrate the type of relevant value added you would bring to CCTA as a member of its underwriting pool. Please have 1 case study for each for the following: National transportation account, California transportation account, and California sales tax issuer account. If your firm does not have case studies across these three areas, please provide case studies for clients that are most similar to CCTA in financing needs.

b. Please provide your firm's SDC ranking serving as senior manager for each of the following types of debt over the past 5 years (2009-2013). Please provide your rankings both in terms of number of deals and par value issued.

- National Sales Tax Revenue Bonds
- National Transportation Financings
- California Sales Tax Revenue Bonds
- California Transportation Financings

Transactions with multiple senior managers can be claimed under number of transactions by all senior managers and should be claimed in proportion to SDC credit received under total par amount. A summary of transactions may be included as an appendix as part of your firm's response, and will not be counted towards the page limit.

c. Indicate whether your firm would like to be considered as a senior manager or as a co-manager for CCTA's underwriting pool. Firms interested in serving as senior manager will automatically be considered for co-manager positions.

d. Describe your firm's position on providing credit either in the form of a Letter-of-Credit, Standby Bond Purchase Agreement, or Direct Purchase to municipal issuers at the current time.

e. Please include any other relevant experience related information you believe is important to CCTA as it evaluates your proposal.

III. VARIABLE RATE BONDS FINANCING STRATEGY

As confirmed by bond counsel, the Series 2012A FRNs can be remarketed or refunded on its mandatory tender date of December 15, 2015. The Series 2012A FRNs are also first eligible for an optional redemption (refunding only) beginning on June 12, 2015. The Authority currently plans to keep these bonds as publicly sold FRNs and an integrated element to an interest rate swap. CCTA is comparing the alternatives of remarketing the FRNs on its mandatory tender date or refunding the FRNs on its call date.

Please discuss the pros and cons of these two options, and any other relevant alternatives, and provide your recommendation. Discuss the proposed role your firm would play in your recommended strategy.

a. Discuss the current market for FRNs and recommend a structure. Please address the following:

1. Tenor (term)
2. Floating index
3. Estimated fixed spread
4. Mandatory tender, redemption provisions, and other features that are relevant

In addition to the terms above, please describe your marketing, investor relations and distribution strategy for the Authority's bonds.

b. To the extent that your firm is recommending an alternative to FRNs (e.g., a Direct Purchase, LOC, etc.) for the Series 2012A, please address the following questions:

1. Please describe briefly the general economic terms of the proposal or offer including: structure, relevant terms and conditions, required credit support, cost and pricing for the alternative.

2. Please provide a very short description of the economic or risk advantages of your proposal as compared to the existing structure.

3. Please describe the more significant legal terms your proposal or offer would require, in particular, terms related to cost increases, Events of Default, disclosure and reporting, ratings maintenance, etc.

IV. NEW MONEY FINANCING STRATEGY

a. Describe your firm's proposed financing strategy and/or primary alternatives for the Authority's 2015 sales tax revenue bond issuance given the strategies for the Series 2012A FRNs proposed above and the existing debt service structure for the Series 2012B. Please be specific about the timing and considerations of the 2015 Bonds in relation to the recommendations for the 2012A FRNs. How should the Authority balance between leveraging future sales tax growth and preserving debt service coverage, current ratings and potentially achieving a higher credit rating?

b. Discuss your firm's consideration of the Authority's credit and your strategy to maintain or upgrade current ratings. What is your firm's view towards adding a third rating in addition to the S&P and Fitch's ratings? Address any issues that could affect the Authority's credit for this proposed issuance. Describe your firm's experience, if any, with Kroll ratings.

c. Describe your marketing, investor relations and distribution strategy for the Authority's bonds.

d. Identify the law firm you wish to use as underwriter's counsel.

V. FEE PROPOSAL

a. State your proposed total underwriting fee for the issue, separated to show:
   1. New Money Issuance
      i. Proposed takedown
      ii. Estimated underwriting expenses (including counsel)

   2. Variable Rate Issuance
      i. Proposed takedown
      ii. Estimated underwriting expenses (including counsel)

   If necessary, please summarize the fees provided above in part 3 of section 5, depending on the proposal your firm has provided.

7.0 SELECTION CRITERIA

The Authority will evaluate the proposals based on the below considerations. **The Authority reserves the right to reject all proposals, to select without interviews, to negotiate with multiple respondents, or to re-solicit additional firms.**

1. Experience of firm and assigned personnel on similar transactions

2. Understanding and insight on the specific issues facing the Authority and the proposed financing strategy to address them
3. Approach to marketing and pricing the bonds
4. Competiveness of fee proposal

8.0 SUBMISSION REQUIREMENTS

The submittals must be on standard letter-size paper (8.5" x 11"), have a minimum font size of eleven (11) points and suitable for a 3-ring binder. A one (1) to two (2) page transmittal letter should be submitted, which includes a point of contact for the underwriting firm. The proposal should be made upon official letterhead and bear the name, title, and signature of a duly authorized officer of the proposing company.

Submittals should address the questions and requirements within "REQUIRED PROPOSAL CONTENT" section of the RFP and should not exceed twenty five (25) pages, excluding the transmittal letter and any appendices you choose to include. Please submit your responses in the same order as listed in "REQUIRED PROPOSAL CONTENT" to facilitate review and comparison.

No marketing information should be included within the resumes or transaction list. CCTA encourages your firm to answer the questions herein as directly and succinctly as possible and to refrain from providing excessive marketing information other than that which is requested.

All proposals must be received as described above under the section entitled "SUBMISSION REQUIREMENTS." Any proposal or part thereof received after the designated time will not be considered. The contract will be awarded to the firm whose proposal best meets the needs of the Authority in its sole discretion. Proposals shall be valid for one hundred and twenty (120) days after the final proposal due date.

The schedule of events for this procurement is as follows:

Distribute Request for Proposals: December 19, 2014
Deadline for Requesting "Safe Harbor Letter" per Frank-Dodd: January 9, 2015
Deadline for Responses: January 23, 2015
Interviews: February 10, 2015
Authority Approval: March 18, 2015

The Authority must receive three (3) original proposals no later than the time and date specified above.

PLEASE MARK YOUR SUBMITTAL "INVESTMENT BANKING SERVICES (RFP 14-4)" AND SEND IT TO:

Randall Carlton
Chief Financial Officer
Contra Costa Transportation Authority
2999 Oak Road, Suite 100

Walnut Creek, CA 94597
Phone: (925) 256-4725
E-mail: rcarlton@ccta.net

In addition, please submit one (1) electronic copy of your proposal to each of the following recipients:

Randall Carlton
Contra Costa Transportation Authority
Email: rcarlton@ccta.net

Peter Shellenberger
Public Financial Management, Inc. (Financial Advisor)
Email: shellenbergerp@pfm.com

The Authority reserves the right to reject any or all proposals, to waive any informality or irregularity in any proposal received, and to be the sole judge of the merits of the respective proposals received. The Authority may request interviews with selected firms prior to making a final award. The proposal shall be in accordance with the format specified herein. This RFP does not obligate the Authority to undertake any financing. All proposals shall be prepared by and at the expense of the proposer.

9.0 CONTACT PERSON

Please contact Peter Shellenberger at PFM if you have questions or require additional information. His contact information can be found below.

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

Questions pertaining to this RFP shall be addressed to the parties specified in the section above. Failure of a proposing company, or any of its representatives, to comply with this paragraph will result in their proposal being rejected.

10.0 ADDENDA

If it becomes necessary to revise any part of this RFP, an addendum will be provided to all proposing companies in writing.

11.0 PUBLIC RECORDS

All materials submitted in response to this RFP are property of the Authority 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. Marking proposal documents "confidential" does not afford disclosure protection from the Act.

12.0 FINANCIAL RESPONSIBLITY

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