

**RESPONSE REQUESTED BY July 28, 2006**

**TEXAS PUBLIC FINANCE AUTHORITY  
REQUEST FOR PROPOSALS FOR ARBITRAGE COMPLIANCE SERVICES  
JUNE 23, 2006**

**PURPOSE**

The Texas Public Finance Authority (the "Authority") seeks proposals in response to this Request for Proposal ("RFP") from firms with the qualifications and experience to provide arbitrage compliance and related services as required to ensure compliance with Internal Revenue Code section 148 and Treasury regulations promulgated thereunder ("Section 148" herein.)

It is the policy of the Texas Public Finance Authority Board to make a good faith effort to include participation by Historically Underutilized Businesses (HUBs) in its contracts. HUB certified firms are for-profit business entities, that are certified by the Texas Building and Procurement Commission, in accordance with that agency's rules found in Title I Texas Administrative Code sections 111.11 - 111.28. HUBs and other minority and women-owned businesses capable of performing the scope of services described in this RFP are encouraged to respond.

**BACKGROUND OF THE AUTHORITY**

The Authority (formerly the Texas Public Building Authority) was created in 1983 by the 68th Texas Legislature. The Authority is authorized to issue revenue and general obligation bonds for the State of Texas to provide funding for the purchase, construction or renovation of buildings or other facilities, and the purchase of equipment for use by state agencies. The Authority has served as the issuer for the following state agencies: the Texas Building and Procurement Commission, the Texas Department of Criminal Justice, the Health and Human Services Commission, the Texas Department of Aging and Disability Services, the Texas Youth Commission, the Texas Juvenile Probation Commission, the Department of Public Safety, the Texas National Research Laboratory Commission (the agency responsible for the State's share of the construction of the Superconducting Supercollider), the Texas Department of Agriculture, the Texas School for the Blind and Visually Impaired, the Texas School for the Deaf, the Adjutant General's Department, the Texas Historical Commission, the Texas Department of Transportation, the Texas Workforce Commission, the Texas Parks and Wildlife Department, the State Preservation Board, the Texas Department of State Health Services, the Texas Military Facilities Commission, Texas Workers' Compensation Fund, the Texas State Technical College System, Midwestern State University, Stephen F. Austin University, and Texas Southern University. The Universities, Texas State Technical College, and the Texas Military Facilities Commission are responsible for arbitrage compliance for bonds issued on their behalf and such issues are not covered by this RFP or resulting contract. The Authority administers two general obligation commercial paper programs and a revenue commercial paper program ( the Master Lease Purchase Program) that is open to all state agencies, primarily for financing agencies' purchases of equipment.

As of the date of this RFP, there are approximately 22 outstanding bond issues for which Section 148 calculations are performed, including two commercial paper programs. Additionally any bonds issued subsequently may require computations during the term of any contract resulting from this RFP. (See Appendix A for a list of the outstanding bond issues covered by this RFP.) Bond proceeds are invested by the Treasury Division of the Office of the Comptroller of Public Accounts for the State of Texas in the State's

general cash pool. All proceeds are accounted for in separate accounts. Each bond issue will have at least a Project Fund, Interest and Sinking Fund, and may have additional funds such as Costs of Issuance, and Restoration Funds.

### **DIRECTION AND MANAGEMENT OF THE AUTHORITY**

The Authority is governed by a seven-member Board of Directors (the "Board"), appointed by the Governor with the advice and consent of the Senate for six-year staggered terms. The current members of the Board are: R. David Kelly, Chairman; H.L. Bert Mijares, Jr., Vice Chairman; J. Vaughn Brock, Secretary; Linda McKenna, Ruth C. Schiermeyer, and Marcellus A. Taylor, Members. One position is currently vacant. The Authority is operated with a staff of 15 employees, headed by an Executive Director. The Executive Director is Kimberly K. Edwards.

### **SCOPE OF SERVICES**

1. Perform all required calculations including a calculation of arbitrage yield, arbitrage liability and yield restriction requirements not less than annually for each issue of outstanding obligations listed on Appendix A.
2. Create and maintain records necessary to determine arbitrage liability, if any, on outstanding obligations of the Authority.
3. Review reports of investment and expenditure of bond proceeds, within the meaning of Section 148, as necessary to ensure compliance with Section 148.
4. Assist the Authority in preparing or causing to be prepared any schedules, reports, or records necessary to perform or support a calculation of arbitrage liability.
5. Provide the Authority a report of the calculations (including supporting documentation) of arbitrage liability within 90 days after the end of each State's fiscal year. (The State's Fiscal year-end is August 31)
6. Prepare transmittals and forms necessary to report and pay arbitrage liability on time.
7. Assist the Authority in providing information and guidance to the Authority's client agencies as may be necessary from time to time to improve record-keeping and monitoring required for compliance with Section 148.
8. Provide advice and recommendation as the Authority may request concerning unique or extraordinary compliance issues that may arise from time to time.
9. Review opportunities and recommend options to minimize existing liabilities or increase retainable earnings.

## **FORM OF RESPONSE**

### **1. Overview of the Firm**

Provide a description of the firm, including general experience and history with arbitrage compliance, date founded, number of offices, location and number of professionals and employees in each office, total number of employees and professionals in the firm, description of practice areas in addition to arbitrage compliance services and firm philosophy. Indicate which office(s) perform arbitrage compliance work and will be responsible for day-to-day contact with the Authority. Describe structure of firm ownership (e.g., publicly held corporation, partnership, sole proprietor) and any parents, affiliates, or subsidiaries of the firm.

### **2. Qualifications**

- A. List the experience since January 2003 of the professionals proposed to be assigned to the Authority in providing arbitrage compliance services. If listing experience of a professional while at a different firm, please specify the name of the firm.
- B. Provide a list of current arbitrage compliance clients, the number of issues covered by the contract for each client, and indicate how many of these issues are variable rate programs.
- C. Identify and discuss two transactions listed in your response to question 2B above that are most applicable and best demonstrate your ability to serve the Authority. Identify the professional responsible. Limit your response to two pages.
- D. Please describe your experience, if any, in assisting a client with an audit or other regulatory proceedings related to the services solicited by this RFP.

### **3. Other Services**

Please describe other services that your firm offers, such as verification agent, underwriting, financial advisory services, investor relation programs, or investment of bond proceeds. Please describe your experience with such services.

### **4. Monitoring and Compliance Plan**

- Describe the steps your firm would take to assume and carry out the responsibilities as the Authority's arbitrage compliance consultant. The response should include, but not be limited to:
- 1. The approach you would recommend for the Authority's commercial paper programs;
  - 2. The transition of work from previous arbitrage consultant;
  - 3. The firm's policy regarding reliance upon the prior consultant's calculations performed prior to this contract;
  - 4. The format required for data transmission;
  - 5. The information and assistance required of Authority staff in completing the calculations;
  - 6. The extent of coordination with financial advisors and bond counsel, if any;
  - 7. The firm's approval process for finalizing arbitrage reports;
  - 8. A sample of a fixed rate bond computation and a commercial paper computation.

**5. Resumes**

Provide brief resumes for those individuals who would be assigned to serve the Authority. Indicate the individual's years of experience in arbitration work, public finance, licenses or certification. Specify who would be assigned as the primary day-to-day contact for the Authority.

**6. Business Practices**

- A. Please describe your firm's experience and involvement working with HUB certified firms (if your firm is not HUB certified) or as a HUB certified firm, in providing any professional services to clients or in operating your business.
- B. Please describe efforts made by your firm to encourage and develop the participation of minorities and women in your firm's provision of arbitration compliance and/or other professional services. Complete the grid attached as Exhibit A.

**7. Conflicts of Interest, Litigation, and Compliance History**

- A. Please disclose any conflicts of interest. Disclose all contractual or informal business arrangements/agreements, including fee arrangements and consulting agreements between your Firm and the Authority, its staff and/or its Board, or any entity that provides services to the Authority.
- B. Please disclose any material litigation, administrative proceeding, or investigation regarding any regulatory agency rules (SEC, MSRB, NASD, NYSE) in which your firm was involved, whether currently ongoing or concluded.

**8. References**

Provide names, addresses, and phone numbers of at least three references.

**9. Fee structure**

Provide your fee quote issue-by-issue, by inserting a fee per calculation per issue in the appropriate column on Appendix A. Please indicate clearly on the Appendix whether the stated fee will apply to bonds issued during the term of any resulting contract. If not, insert a fee that will apply to such issues and explain the need for the different fee.

**TERM OF AGREEMENT**

The contract term is to be for a two year period from November 1, 2006 to October 31, 2008, renewable, at the Board's option, for up to two additional terms of two years each. The Board will provide notice of its decision to renew 60 days before the end of the then current contract term. The Board retains the right to negotiate all elements of the contract, including fees for renewal terms, if the renewal option is exercised. The Board also retains the right to terminate the contract for any reason and at any time upon the payment of then earned fees and expenses.

## **PROPOSAL MODIFICATION**

Any proposal may be modified or withdrawn at any time prior to the proposal due date. No material changes will be allowed after the expiration of the proposed due date. The Authority also reserves the right to make amendments to the RFP by giving written notice to all firms who receive the RFP by posting notice thereof on the Authority's web page at [www.tpfa.state.tx.us](http://www.tpfa.state.tx.us) and the Texas Marketplace at [www.marketplace.state.tx.us](http://www.marketplace.state.tx.us).

## **TIME SCHEDULE**

Proposals are due no later than 5:00 p.m., July 28, 2006.

Five copies shall be delivered to Kimberly K. Edwards, Executive Director.

Kimberly K. Edwards  
Executive Director  
Texas Public Finance Authority  
300 West 15th Street, Suite 411, Austin, Texas 78701  
P.O. Box 12906, Austin, Texas 78711-2047

The submitted proposal must be signed by a duly authorized representative of the firm. An unsigned proposal will not be considered. Clearly mark the envelopes containing the proposals with the following phrase in the lower left hand corner: "IN RESPONSE TO RFP: ARBITRAGE COMPLIANCE SERVICES." All proposals become the property of the Authority. Proposals must set forth accurate and complete information as required by this RFP. Oral instructions or offers will not be considered.

**Contact with Board Members regarding this RFP is expressly prohibited and will result in disqualification of your proposal.**

Questions regarding this RFP should be submitted, in writing, by electronic mail to Kimberly K. Edwards, Executive Director, at [rfp@tpfa.state.tx.us](mailto:rfp@tpfa.state.tx.us), or by fax, (512) 463-5501. Questions submitted by 5:00 PM, July 12, 2006, and the Authority's answers to them will be posted on the Authority's web page on July 14, 2006. Questions submitted later than July 12, 2006, may not be answered.

**BASIS OF AWARD**

The Board will make its selection based on demonstrated competence, experience, knowledge and qualifications, as well as the reasonableness of the proposed fee.

Firms responding are encouraged to maintain a Texas office staffed with personnel who are responsible for providing services to the Authority. By this RFP, however, the Board has not committed itself to employ an arbitrage compliance consultant. The Authority reserves the right to negotiate individual elements of any proposal and to reject any and all proposals.

**COST INCURRED IN RESPONDING**

All costs directly or indirectly related to preparation of a response to this RFP or any oral presentation required to supplement and/or clarify the RFP which may be required by the Authority shall be the sole responsibility of, and shall be borne by, your firm.

**RELEASE OF INFORMATION AND OPEN RECORDS**

All proposals submitted shall be deemed to be the property of the Authority. Information submitted in response to this RFP shall not be released by the Authority during the proposal evaluation process or prior to Board's contract award. After the evaluation process is completed by the Board's award of a contract, proposals and the information included therein may be subject to public disclosure under the Public Information Act, Texas Government Code, Ch. 552.

The Texas Public Finance Authority will not participate in any programs, nor will it conduct business, with any entity that is found to knowingly discriminate against persons on the basis of race, color, gender, age, national origin, religion, physical or mental disability.

Please use this form to provide us with a breakdown of your company's workforce.

Total number of employees: \_\_\_\_\_

**Males**

	Year	White	Black	Hispanic	Oriental	Disabled	Other
Executives	2006 YTD						
	2005						
Professionals	2006 YTD						
	2005						
Clerical/	2006 YTD						
Technical	2005						
	Totals						
	Percentage						

(compare to entire workforce)

Total number of male employees: \_\_\_\_\_

Percentage of total workforce: \_\_\_\_\_

**Females**

	Year	White	Black	Hispanic	Oriental	Disabled	Other
Executives	2006 YTD						
	2005						
Professionals	2006 YTD						
	2005						
Clerical/	2006 YTD						
Technical	2005						
	Totals						
	Percentage						

(compare to entire workforce)

Total number of female employees: \_\_\_\_\_

Percentage of total workforce: \_\_\_\_\_

Do you have an Equal Opportunity/Affirmative Action Plan? Yes No

What percentage of your firm is minority owned? \_\_\_\_\_\*

What percentage of your firm is women owned? \_\_\_\_\_\*

\*If your firm is a Texas Building and Procurement Commission certified HUB, please submit a photocopy of your certification.

**Texas Public Finance Authority  
Issues Requiring Arbitrage Calculations**

**Appendix A**

<b>Delivery Date</b>	<b>Size</b>	<b>Issue</b>	<b>Fund Type</b>	<b>Cash Balance</b>	<b>Transferred Proceeds</b>
12/18/90	\$211,900,180	Revenue Refunding Portion, Series 1990 \$174,060,180 Fund 650 Fund 652 Nonconstruction Portion, Series 1990B \$37,840,000 Fund 687 Fund 688 Fund 690  Fund 694	COI Rebate  COI Rebate Project Construction Capitalized	Y	
11/24/92	\$14,080,000	TSTC Revenue Refunding, Series 1992 Fund 721 Fund 723 Fund 724	Project Reserve Rebate	 Y Y	
12/15/92	\$250,000,000	GO Refunding (Supercollider), Series 1992C Fund 731	Clearing		
01/25/96	\$56,055,000	Building Revenue Bonds, Series 1996A Fund 785 Fund 786 Fund 787	Project COI/Operations I&S	Y	
01/25/96	\$10,380,000	Special Revenue Bonds, Series 1996B Fund 790 Fund 791 Fund 794 Fund 795	Project COI Rebate Reserve	Y	
08/06/97	\$40,900,000	Building Revenue Bonds, Series 1997 Fund 7500 Fund 7301 Fund 7302	Project Rebate COI/Operations	Y Y	
12/11/97	\$92,535,000	Building Rev Refunding, Series 1997A & 1997B Fund 7502 Fund 7306 Fund 7501 Fund 7309	Project COI/Operations Project Rebate	Y  Y	
03/19/98	\$30,095,000	Special Revenue Bonds, Series 1998 Fund 7504 Fund 7313	Project COI/Operations	Y	
03/17/98	\$11,460,000	Rev Bonds (TX Parks & Wildlife Proj), Series 1998 Fund 7503 Fund 7322	Project/COI Rebate	Y	
01/28/99	\$223,920,000	GO Refunding and GO Park Development Refunding Bonds, Series 1998B & C Fund 7004	COI		
02/15/00	\$18,800,000	Revenue Bonds (TPWD), Series 2000 Fund 7508 Fund 7318	Project COI/Operations		



Delivery Date	Size	Issue	Fund Type	Cash Balance	Transferred Proceeds
02/15/00	\$16,310,000	GO Park Development Series 2000 Fund 408 Fund 763	Acq & Dev/COI Rebate	Y Y	
05/24/00	\$25,480,000	Building Revenue Bonds, Series 2000A Fund 7509 Fund 7319 Fund 7324	Project COI Rebate	Y	
01/30/01	\$12,685,000	Revenue Bonds (TPWD), Series 2001 Fund 7511 Fund 7321 Fund 7322	Project COI Rebate	Y	
05/02/01	\$318,921,222	GO Refunding Bonds, Series 2001A Fund 7006	COI		
02/13/02	\$369,715,000	GO Refunding Bonds, Series 2002 Fund 7009	COI		
12/04/02	\$35,240,000	Revenue Refunding Bonds, Series 2002 Fund 7325	COI		
01/23/03	\$142,209,350	GO Refunding Bonds, Series 2003 Fund 7016 Fund 7609 Fund 7610 Fund 7611 Fund 7612 Fund 7613 Fund 7614 Fund 7203 Fund 7204	COI Project Project Project Project Project Project Project Project	Y Y Y Y Y Y	
06/25/03	\$182,485,000	GO Refunding Bonds, Series 2003A Fund 7018 Fund 7205	COI Project	Y Y	Y
11/18/04	\$14,249,398	GO Park Development Rfdg Bonds, Series 2004 Fund 408	COI	Y	Y
11/18/04	\$192,730,000	Revenue Refunding Bonds, Series 2004 ABCD (Building Procurement Commission Srs 2004 A) (State Preservation Board Projects, Srs 2004 B) (Parks and Wildlife Dept. Projects, Srs 2004 C) (Dept. of State Health Svcs. Projects Srs 2004 D) Fund 7328	COI	Y	Y
08/24/05	\$32,575,000	Revenue Bonds, Series 2005 Fund 7512	Constr. & Acq./CO	Y	

Delivery Date	Size	Issue	Fund Type	Cash Balance	Transferred Proceeds
6/19/2002	5,000,000	2002B General Obligation Commercial Paper Fund 7014 Fund 7020 Fund 7604	COI Rebate Project	 Y Y	
6/3/2004	3,000,000	2002A General Obligation Commercial Paper Fund 7605 Fund 7012 Fund 7021	Project COI Rebate	 Y Y	
7/10/2003	2,505,000	2002A General Obligation Commercial Paper Fund 7202, 7614 Fund 7012 Fund 7021	Project COI Rebate	 Y Y	
10/9/2003	1,900,000	2002A General Obligation Commercial Paper Fund 7603, 7615 Fund 7012 Fund 7021	Project COI Rebate	 Y Y	
6/19/2002	5,000,000	2002B General Obligation Commercial Paper Fund 7014 Fund 7020 Fund 7604	COI Rebate Project	 Y Y	
10/22/2003	25,000,000	2002B General Obligation Commercial Paper Fund 7014 Fund 7020 Fund 7604	COI Rebate Project	 Y Y	

<sup>1</sup> Bond proceeds are invested by the Treasury Division of the Office of the Comptroller of Public Accounts for the State of Texas in the State's general cash pool.

<sup>2</sup> The bond anniversary dates are based on the closing date.

<sup>3</sup> The Uniform Statewide Accounting System fund cash history report (paper report) will be provided by the Authority for calculations that fall within a fiscal year. A query of these same records will be provided by the Authority electronically for annual fiscal year liability estimates.

<sup>4</sup> The commercial paper expenditures are tracked using a FIFO basis. A trace method is used to track the outstanding debt.