

# Exhibit to Agenda Item #3

Board Finance & Audit Committee Meeting and Special SMUD Board of Directors Meeting

Tuesday, April 16, 2019 scheduled to begin at 5:30 p.m.

Customer Service Center, Rubicon Room

# Requested Board Action

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- Authorize the General Manager to select a Senior Underwriter and Co-Managers from a Senior Manager Pool on a transaction by transaction basis over the next 5 years, and to move underwriters between the Senior Manager Pool and the Alternate Pool as necessary.

# Request for Qualifications for Bond Underwriting Services

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## RFQ was to establish:

- **Senior Manager Pool:** comprised of the six most qualified firms that can serve as senior or co-managing underwriters on a transaction by transaction basis
  - Increased to six from four to promote competition and ensure firms are engaged in giving SMUD the best coverage at cost effective underwriting fees.
- **Alternate Pool:** comprised of other highly qualified firms than can potentially provide SMUD with additional product coverage
  - Firms may be moved from one pool to the other to reflect changing qualifications or coverage focus.
  - Allows access to particular underwriters based on their presentation of unique products or financing ideas that will benefit SMUD.

# Evaluation Criteria

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## Corporate & Financial Qualifications of the Firm : 30%

- CA and Sacramento staff presence
- Firms green strategy in support of clean energy/renewables development
- Corporate responsibility goals and community involvement
- CA and Public Power senior/co-senior manager transaction rankings
- Commodity financing focus including prepays and project finance
- Willingness and ability to underwrite \$50M+ and provide SMUD with credit capacity
- Credit rating/financial strength

## Marketing Approach : 20%

- Unique strategies for SMUD to identify potential investors
- Strategies to reach retail distribution in particular within SMUD territory
- Green/ESG bond certification recommendation
- Ratings Agency communications given recent events

## Technical Approach : 35%

- Interest rate outlook and risk management strategies
- Recommendation for mix of fixed vs. variable rate debt products
- Debt portfolio structuring recommendation based on SMUD's Capital Investment Plan
- Research and analytical capabilities

## Experience/Qualifications of Personnel : 15%

- Depth and breadth of underwriting team
- Knowledge of team of SMUD's credit and processes

# Evaluation Process and Recommended Pool Structure

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- SMUD received and evaluated 14 responses
- Process included an evaluation of all written proposals followed by interviews of a short list of firms

## **Recommended pool structure:**

### **Senior Manager Pool**

- Citigroup
- Bank of America Merrill Lynch
- Goldman Sachs
- JP Morgan
- Morgan Stanley
- Barclays

### **Alternate Pool**

- Wells Fargo Securities
- RBC Capital Markets
- Ramirez & Co
- TD Securities

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