

# CHESLA

CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY

Request for Proposal For

TAX ARBITRAGE REBATE, LOAN YIELD  
AND UNIVERSAL CAP ANALYSIS SERVICES

DATE: January 9, 2020

State of Connecticut Higher Education Supplemental Loan Authority

DEADLINE: No Later than 2:00 p.m. (Eastern Time) on Friday, January 31, 2020

Extended to Monday, February 10, 2020



January 9, 2020

To Whom It May Concern:

The Connecticut Higher Education Supplemental Loan Authority (the "Authority") is requesting proposals from qualified firms wishing to provide tax arbitrage rebate, loan yield and universal cap analysis services to the Authority for a period not to exceed three (3) years.

The Authority seeks proposals from firms with established expertise in the area of tax-exempt municipal finance generally and specifically consumer/higher education lending. Proposals should highlight the recent experience of your firm performing tax arbitrage rebate, loan yield and universal cap analysis services for public entities and quasi-public agencies similar to the Authority.

### **Responses to the RFP**

Your firm's submission relating to this RFP should include a response to the questions and requests for information included in the attached ***Exhibit A, as well as Exhibits B.***

### **Proposal Schedule**

**Proposal deadline extended to February 10, 2020**

- RFP Issued – ***January 9, 2020***
- Proposals are due by no later than ***2:00 p.m. (Eastern Time) January 31, 2020***
- Interviews, if necessary, to be conducted ***the week ending February 21, 2020***
- Authority Board action on ***March 3, 2020***

**The initial term of this Agreement shall be from April 20, 2020 until April 20, 2023.**

## **Selection Process**

The Authority will conduct the selection of the service provider, with a recommendation for approval to the Board of Directors. Evaluation of firms will include, but will not be limited to: the reputation of the firm, the scope of services to be provided, proposed fees, the reputation and experience of the management and staff to be assigned to the Authority, and other value added services that may be provided.

## **Contractual Relationships with Quasi-Public Agencies**

### **1. Penalty for False Statement (C.G.S. §1-126)**

Any quasi-public agency, as defined in Section 1-120 of the General Statutes, shall require any application, agreement, financial statement, certificate or other writing submitted to such quasi-public agency with respect to any loan, mortgage, guarantee, investment, grant, lease, tax relief, bond financing or other extension of credit or financial assistance made or provided by such quasi-public agency and that provides information on which the decision of such quasi-public agency was based, to be signed under penalty of false statement as provided in Section 53a-157b of the General Statutes. The Authority requires that proposals in response hereto be provided on the same basis.

**Include the following statement with your proposal:**

**“The information provided herein is submitted by the undersigned firm under penalty of false statement as provided in the Connecticut General Statutes, Section 53a-157b.”**

### **2. An Act Concerning Certain State Contracting Nondiscrimination Requirements (C.G.S. Sections 4a-60 and 4a-60a)**

Connecticut General Statutes Sections 4a-60 and 4a-60a, as amended, require an entity or individual entering into a contract with the State or certain of its political subdivisions, including quasi-public agencies, to provide the contracting agency with a written affidavit, representation or other acceptable documentation that certifies the contractor's compliance with the State's nondiscrimination agreements and warranties and to periodically update such documentation. Please refer to the form of the required certification attached as **Exhibit B** and complete and sign.

### **3. Contract Language**

By submitting a response to this RFP, a Proposer agrees to inclusion of the language set forth in **Exhibit C** in any contract entered into with CHESLA in connection with this RFP.

### **4. Freedom of Information Act**

CHESLA is a “public agency” for purposes of the Connecticut Freedom of Information Act (“FOIA”). A proposal submitted in response to this RFP, and any files or documents associated with the proposal, including e-mails or other electronic files, will be public records and subject to disclosure under the FOIA. See Conn. Gen. Stat. §§1-200, et seq. The FOIA includes exemptions for, among other things, “trade secrets” and “commercial or financial information given in confidence, not required by statute.” See Conn. Gen. Stat. §1-210(b).

Due regard will be given for the protection of proprietary or confidential information contained in all proposals received. However, all materials associated with this RFP are subject to the terms of the FOIA and all applicable rules, regulations and administrative decisions. If a proposer is interested in preserving the confidentiality of any part of their proposal, it will not be sufficient to state generally in the proposal that the proposal is proprietary or confidential in nature and therefore not subject to release to third parties.

Instead, those particular sentences, paragraphs, pages or sections that a proposer believes to be exempt from disclosure under the FOIA must be specifically identified as such. Convincing explanation and rationale sufficient to justify each exemption consistent with Section 1-210(b) of the FOIA must accompany the proposal. The rationale and explanation must be stated in terms of the reasons the materials are legally exempt from release pursuant to the FOIA.

Confidential information must be separated and isolated from other material in the proposal, labeled CONFIDENTIAL, and submitted in a separate envelope and in a separate PDF. All proposal materials not placed in a separate envelope and PDF clearly marked as confidential will not be treated as confidential and will be made available for public view upon receipt of a FOIA request. Proposers should not request that their entire proposal, nor the majority of the proposal, be confidential and CHESLA reserves the right to reject any such proposal.

CHESLA has no obligation to initiate, prosecute or defend any legal proceeding or to seek a protective order or other similar relief to prevent disclosure of any information that is sought pursuant to a FOIA request. The proposer has the burden of establishing the availability of any FOIA exemption in any proceeding where it is an issue. In no event shall CHESLA or any of its officers, directors or employees have any liability for the disclosure of documents or information in CHESLA's possession where CHESLA, or such officer, director or employee believes disclosure is required under the FOIA or other law.

### **Scope of Services**

The Authority will consider each respondent's ability to provide comprehensive, quality service to the Authority, as well as its reputation and fee structure. At a minimum, the services provided to the Authority will include the following:

For each issue assigned, the selected firm will be required to perform any or all of the following services:

1. Consult with the Authority regarding the nature of the issue and collect all necessary documentation and investment data.
2. Review documentation for special elections and eligibility for spending exceptions. Verify that the issue is subject to the Rebate Requirement.
3. Verify debt service, original issue discount or premium, sources and uses, and calculate the tax arbitrage yield.
4. Review and confirm prior calculations for the issue, if any.
5. Identify, and separately account for, all "Gross Proceeds" (as that term is defined in the Rebate Requirement) of the bond issue, including those requiring allocation analyses due to "transferred proceeds" and/or "commingled funds" circumstances.
6. Review and analyze the portfolio of investments and the funds and accounts in which the investments are held. Determine whenever necessary the fair market price or present value of investments, as needed.
7. Calculate the issue's excess investment earnings (cumulative rebate liability), taking into account any proceeds that are or have become subject to the yield restriction requirements and all credit and debits required or permitted by the tax regulations.
8. Deliver a comprehensive report detailing the tax arbitrage rebate calculations, the rebate liability, yield restriction issues, loan yield and universal cap analysis as well as an opinion letter regarding the calculations for obligations issued by the Authority, which shall provide, among other things, that such calculations were performed in compliance with federal tax

law. Provide an executive summary identifying the methodology employed, major assumptions, conclusions, and any recommendations for changes in the Authority's recordkeeping and investment policy.

9. Prepare and provide for signing and dating a completed Form 8038T ready for filing with the IRS within 60 days as required.
10. Assist the Authority as requested or necessary in the event of an IRS or other inquiry.
11. Consult if necessary with Authority staff and the Authority's bond and tax counsel as necessary regarding tax arbitrage-related matters, loan yield, universal cap, record keeping and compliance, strategies to maximize investment earnings while complying with tax regulations and changes in tax laws and their effects on outstanding issues and future issuance.

### **RFP Format and Submission Requirements**

1. The total length of the response is limited to 15 pages.
2. Please submit a copy of your firm's response to this RFP via email by no later than **2:00 p.m. (Eastern Time) on Friday, January 31, 2020** in PDF format to: Josh Hurlock at [jhurlock@chesla.org](mailto:jhurlock@chesla.org) and Debrah Galli at [dgalli@chefa.com](mailto:dgalli@chefa.com) **and** 4 printed (non-binder) copies delivered to the Authority. **Proposal deadline extended to February 10, 2020**

The Authority reserves the following rights (without limitation or waiver):

1. To reject any or all proposals.
2. To conduct investigations or request further information relating to the qualifications of any or all respondents.
3. To supplement, modify or cancel this request for proposals without notice or substitution of another such request.
4. To reevaluate a proposal or selection if there are any changes in the substance of the proposal.
5. Waive or modify any irregularities in proposals received.
6. Accept a proposal based on considerations other than cost.
7. Negotiate with any firm deemed to be in the best interest of the Authority.

Interviews, if necessary, will be held during the week ending February 21, 2020. The Authority shall not be liable for any cost incurred in connection with responding to this proposal.

Questions must be sent to Josh Hurlock via email at [jhurlock@chesla.org](mailto:jhurlock@chesla.org) no later than January 20, 2020 at 5:00 p.m. (Eastern Time). Responses to questions will be posted on the CT DAS ([das.ct.gov](http://das.ct.gov)) and CHESLA website on January 22, 2020 at 3:00 p.m. (Eastern Time).

Sincerely,



Jeanette Weldon  
Executive Director

Exhibits Attached

## EXHIBIT A

### TAX ARBITRAGE REBATE, LOAN YIELD AND UNIVERSAL CAP ANALYSIS PROVIDER REQUEST FOR PROPOSAL

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#### I. General Information:

A. Describe your firm's experience in providing tax arbitrage rebate, loan yield and universal cap compliance services in general, and specifically with regard to student loan transactions issued by State-level entities. Highlight experience with complex tax-exempt asset backed security structures. Include at least two examples of work performed at the specific branch office which will have primary responsibility for this engagement. These examples should reflect currently applicable laws, rules and regulations.

B. Provide a brief explanation of circumstances requiring methodological discretion and your recommended approach to addressing such circumstances. Specific examples of how such discretionary measures can impact analyses performed on complex debt issuances are preferred. Examples might include allocation of co-mingled funds, replacement proceeds, identifying and advising on optional elections available. Please note, the Authority subscribes to the direct trace methodology in which its loans are tracked back to the bond source of originations.

C. Identify the individual(s) who would be working on day-to-day activities with Authority staff. Provide a brief description of their experience, office location, and accessibility.

D. Describe in detail the information and assistance you will require from Authority staff. Include your needs for bond issuance and investment information, loan portfolio information and any special reporting formats that may be required.

E. Describe the legal expertise available within or to your firm, particularly with regard to the provisions of Section 148(f) of the Internal Revenue Code and Regulations promulgated thereunder. Describe the assurance you can provide the Authority that work performed is consistent with federal tax and other applicable laws. Explain whether the necessary legal advice will be provided within your firm or by a subcontractor. Describe any legal opinions that may be required to satisfy each tax arbitrage calculation.

F. NOTE: If the requisite legal expertise is available within your firm, describe your firm's expertise with the relevant provisions of the Internal Revenue Code and applicable rules and regulations. If the legal advice is to be provided outside your firm, identify the source of this expertise and explain the source's knowledge of the relevant Code and Regulation sections. Explain any mark-ups you will add to the cost for outside legal advice. Provide an estimate of the scope and cost of legal advice, including estimated hours for a typical complex matter and fee rates.

G. Describe your firm's experience with universal cap analyses as they relate to student loan financings.

H. Describe your firm's process for adapting to changes in the tax law and the impact on your clients.

I. Describe your firm's experience with calculating arbitrage rebate with regard to investment in complex Guaranteed Investment Contracts.

II. **References:** Identify three recent clients that we may contact as references. Provide the following information for each reference: name, title, company address, and phone number as well as a brief summary of the services provided and the type of bond issue(s).

III. **Connecticut Experience:** Discuss your firm's experience within the State of Connecticut.

IV. **Affirmative Action:** What is your firm's Affirmative Action and Equal Employment Policy and what proportion of your firm's professionals are minorities and women?

V. **Pending Litigation:** Please disclose any criminal, civil litigation or administrative proceedings involving allegations of securities law violations by your firm or its employees during the last five years.

VI. **Potential Conflicts:** Are there any other lines of business conducted by your firm that could conflict with your service as financial advisor to the Authority? Please specify how you would propose to resolve any such conflict, including ensuring that there would be no real or apparent compromise of your objectivity as the Authority's tax arbitrage rebate service provider?

VI. **Insurance:** Please identify the firm's professional liability insurance provider and indicate the extent of coverage, including the amount of any deductible or coinsurance amount.

IX. **Compensation:**

The following is a list of outstanding Bond Issues:

- \$8,690,000 – 2009 Series A;
- \$19,910,000 – 2010 Series A;
- \$12,350,000 – 2013 Series A;
- \$15,500,000 – 2014 Series A;
- \$8,170,000 – 2015 Series A;
- \$13,085,000 – 2016 Series A;
- \$23,640,000 – 2017 Series A;
- \$6,755,000 – 2017 Series B;
- \$10,920,000 – 2017 Series C;
- \$9,820,000 – 2018 Series A;
- \$5,000,000 – 2019 Series A (Refinance program- taxable);
- \$25,550,000 – 2019 Series B

The Authority requires that an arbitrage rebate calculation and universal cap analysis be performed annually regarding each bond issue to assure compliance with all applicable Internal Revenue regulations and provisions. In addition, loan yield calculations for each issue must be performed annually at the end of the third bond year after issuance.

Your proposal should indicate all fees and expenses that your firm would charge the Authority for providing an arbitrage rebate, loan yield and universal cap analysis regarding each of the bond issues cited above and the three year cost structure for the engagement.



# STATE OF CONNECTICUT

## NONDISCRIMINATION CERTIFICATION – Representation by Entity

### For Contracts Valued at Less than \$50,000

*Written representation that complies with the nondiscrimination agreements and warranties under Connecticut General Statutes §§ 4a-60 and 4a-60a, as amended.*

#### INSTRUCTIONS:

For use by an entity (corporation, limited liability company, or partnership) when entering into any contract type with the State of Connecticut, valued at less than \$50,000 for each year of contract. Complete all sections of the form. Submit to the awarding State agency prior to contract execution.

#### REPRESENTATION OF ENTITY:

I, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, of \_\_\_\_\_  
(Authorized Signatory) (Title) (Name of Entity)

an entity duly formed and existing under the laws of \_\_\_\_\_  
(Name of State or Commonwealth)

represent that I am authorized to execute and deliver this representation on behalf of

\_\_\_\_\_ and that \_\_\_\_\_  
(Name of Entity) (Name of Entity)

agrees to comply with the nondiscrimination agreements and warranties of Connecticut General Statutes §§ 4a-60 and 4a-60a, as amended.

\_\_\_\_\_  
(Authorized Signatory)

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
(Printed Name)

### **EXHIBIT C**

(a) CGS Section 4a-60. In accordance with Connecticut General Statutes Section 4a-60, as amended, and to the extent required by Connecticut law, \_\_\_\_\_ (“CONTRACTOR”) agrees and warrants as follows: (1) in the performance of this Agreement it will not discriminate or permit discrimination against any person or group of persons on the grounds of race, color, religious creed, age, marital status, national origin, status as a veteran, ancestry, sex, gender identity or expression, intellectual disability, mental disability, or physical disability, including, but not limited to, blindness, unless it is shown by CONTRACTOR that such disability prevents performance of the work involved, in any manner prohibited by the laws of the United States or of the State of Connecticut and further to take affirmative action to ensure that applicants with job-related qualifications are employed and that employees are treated when employed without regard to their race, color, religious creed, age, marital status, national origin, status as a veteran, ancestry, sex, gender identity or expression, intellectual disability, mental disability, or physical disability, including, but not limited to, blindness, unless it is shown by CONTRACTOR that such disability prevents performance of the work involved; (2) in all solicitations or advertisements for employees placed by or on behalf of CONTRACTOR, to state that it is an “affirmative action-equal opportunity employer” in accordance with regulations adopted by the Commission on Human Rights and Opportunities (the “CHRO”); (3) to provide each labor union or representative of workers with which CONTRACTOR has a collective bargaining agreement or other contract or understanding and each vendor with which CONTRACTOR has a contract or understanding, a notice to be provided by the CHRO advising the labor union or workers’ representative of the commitments of CONTRACTOR under Connecticut General Statutes Section 4a-60, and to post copies of the notice in conspicuous places available to employees and applicants for employment; (4) to comply with each provision of Connecticut General Statutes Sections 4a-60, 46a-68e and 46a-68f and with each regulation or relevant order issued by the CHRO pursuant to Connecticut General Statutes Sections 46a-56, 46a-68e, 46a-68f and 46a-86; (5) to provide the CHRO with such information requested by the CHRO, and permit access to pertinent books, records and accounts, concerning the employment practices and procedures of CONTRACTOR as relate to the provisions of Connecticut General Statutes Sections 4a-60 and 46a-56; and (6) to include provisions (1) through (5) of this section in every subcontract or purchase order entered into by CONTRACTOR in order to fulfill any

obligation of this Agreement, and such provisions shall be binding on a subcontractor, vendor or manufacturer unless exempted by regulations or orders of the CHRO and take such action with respect to any such subcontract or purchase order as the CHRO may direct as a means of enforcing such provisions in accordance with Connecticut General Statutes Section 4a-60.

(b) CGS Section 4a-60a. In accordance with Connecticut General Statutes Section 4a-60a, as amended, and to the extent required by Connecticut law, CONTRACTOR agrees and warrants as follows: (1) that in the performance of this Agreement, it will not discriminate or permit discrimination against any person or group of persons on the grounds of sexual orientation, in any manner prohibited by the laws of the United States or of the State of Connecticut, and that employees are treated when employed without regard to their sexual orientation; (2) to provide each labor union or representative of workers with which CONTRACTOR has a collective bargaining agreement or other contract or understanding and each vendor with which CONTRACTOR has a contract or understanding, a notice to be provided by the CHRO advising the labor union or workers' representative of the commitments of CONTRACTOR under Connecticut General Statutes Section 4a-60a, and to post copies of the notice in conspicuous places available to employees and applicants for employment; (3) to comply with each provision of Connecticut General Statutes Section 4a-60a and with each regulation or relevant order issued by the CHRO pursuant to Connecticut General Statutes Section 46a-56; (4) to provide the CHRO with such information requested by the CHRO, and permit access to pertinent books, records and accounts, concerning the employment practices and procedures of CONTRACTOR which relate to the provisions of Connecticut General Statutes Sections 4a-60a and 46a-56; and (5) to include provisions (1) through (4) of this section in every subcontract or purchase order entered into by CONTRACTOR in order to fulfill any obligation of this Agreement, and such provisions shall be binding on a subcontractor, vendor or manufacturer unless exempted by regulations or orders of the CHRO and take such action with respect to any such subcontract or purchase order as the CHRO may direct as a means of enforcing such provisions in accordance with Connecticut General Statutes Section 4a-60a.

(c) Required Nondiscrimination Submissions. CONTRACTOR agrees and warrants that (1) it has delivered to CHESLA an affidavit signed under penalty of false statement by a chief executive officer, president, chairperson, member, or other corporate officer duly authorized to adopt corporate or company policy in the form attached as Attachment A hereto; (2) if there is a

change in the information contained in the most recently filed affidavit, CONTRACTOR will submit an updated affidavit not later than the earlier of the execution of a new contract with the state or a political subdivision of the state or thirty days after the effective date of such change; and (3) CONTRACTOR will deliver an affidavit to CHESLA annually, not later than fourteen days after the twelve-month anniversary of the most recently filed affidavit, stating that the affidavit on file with CHESLA is current and accurate.