

**ISSUE DATE: MAY 10, 2013**

**DUE DATE: MAY 31, 2013**

## **REQUEST FOR EXPRESSIONS OF INTEREST**

### **DIRECT PAY LETTERS OF CREDIT AND ALTERNATIVE FINANCING STRUCTURES**

#### **CITY OF PHILADELPHIA, PENNSYLVANIA Gas Works Revenue Refunding Bonds, Eighth Series B, C, D and E and Capital Projects Commercial Paper Program**

The City of Philadelphia (the "City") is seeking proposals for the provision of Direct Pay Letters of Credit (the "Facility") or alternative financing structures to provide credit enhancement and liquidity for the City's:

1. Outstanding Gas Works Revenue Refunding Bonds (1998 Ordinance), Eighth Series B, C, D and E (collectively, the "Eighth Series Bonds"); and
2. Capital Project Commercial Paper Program (the "PGW Capital Projects CP Program")

#### **Eighth Series Bonds**

Each of the above named Eighth Series Bonds is secured by a separate Letter of Credit ("LOC") issued by four different institutions. All of the current LOCs expire August 30, 2013. The underlying credit ratings on the Eighth Series Bonds are Baa2/BBB+/BBB from Moody's, S&P and Fitch, respectively. The Eighth Series Bonds are currently outstanding in an aggregate principal amount of \$225,520,000 broken down by series as follows.

<b>Philadelphia Gas Works ("PGW") Revenue Refunding Bonds, Eighth Series (1998 Ordinance)</b>			
<b>Series</b>	<b>Outstanding Par</b>	<b>Principal Amortization Start Date</b>	<b>Final Payment Date*</b>
B	\$50,260,000	August 1, 2017	August 1, 2028
C	\$50,000,000	August 1, 2017	August 1, 2028
D	\$75,000,000	August 1, 2017	August 1, 2028
E	\$50,260,000	August 1, 2017	August 1, 2028

*\* In connection with the August 2011 Remarketing, a portion of the principal of the Eighth Series Bonds, representing the mandatory sinking fund redemption payments due August 1, 2029 through and including August 1, 2031 was paid from PGW funds on hand.*

## **PGW Capital Projects CP Program**

The PGW Capital Projects CP Program will be used as an interim financing to fund various PGW capital improvement projects. The PGW Capital CP Program will be established in accordance with the terms of the First Class City Revenue Bond Act and the 1998 General Gas Works Revenue Bond Ordinance ("1998 General Ordinance"). The PGW Capital Projects CP will be issued as Subordinate Bonds under the 1998 General Ordinance and as Interim Debt, as defined in the 1998 Ordinance. The PGW Capital Projects CP Program and amounts payable to the provider(s) of a LOC will be on a parity in right of payment from Gas Works Revenues with debt service on Subordinate Bonds including the existing Gas Works Revenue Notes, CP Series F (which are authorized to finance working capital of PGW by financing a portion of the Inventory and Receivables of PGW). The PGW Capital Projects CP Program is expected to be established in Fall 2013 and will have a final maturity date of not in excess of 30 years from the initial issuance of PGW Capital Projects CP. The maximum principal amount of the PGW Capital Projects CP Program initially will be \$120 million, and the City is seeking LOC capacity of up to this amount.

For your information, on February 13, 2012, Mayor Michael Nutter released an analysis prepared by Lazard Freres & Co., LLC ("Lazard"), the City's strategic advisor, recommending that the City "pursue a process to transfer ownership and operation of PGW to a private entity via a strategic sale." The City has engaged a team of legal and financial advisors to assist with such process, including Lazard who was re-engaged to serve as financial advisor for the proposed sale. In its new role, Lazard is currently undertaking further financial review of the proposed transaction, including an analysis of the anticipated loss to the City of the \$18 million annual payment from PGW and the potential increase in annual tax revenues for the City resulting from a sale to a private party. The review is expected to be concluded in the second quarter of 2013. The City has selected JPMorgan Chase & Co. and Loop Capital Markets to serve as brokers in connection with the sale of PGW so that the City can proceed expeditiously with a sale process, including receiving bids should the refined financial analysis suggest a favorable result. A sale would require certain approvals, including those of City Council and also the Pennsylvania Public Utility Commission. For additional details about the sale process, and for updates as the process moves forward, please refer to the website set up specifically for this purpose: <http://www.exploringasale.com/>. No sale can be completed without providing for the defeasance of the City's outstanding Gas Works Revenue Bonds and Notes. The City is under no obligation to sell PGW and the selection of the team of legal and financial advisors, as well as broker selection and any subsequent invitation for bids, does not impose any obligation on the City to sell if the process does not produce the desired results.

The City is conducting a competitive process for the provision of credit enhancement and liquidity from highly rated credit and liquidity providers. Both current and new bank facility providers are strongly encouraged to participate.

Please be advised that a successful Eighth Series Bonds LOC bidder may be asked, at the sole discretion of the City, to serve as Remarketing Agent for the series of Eighth Series Bonds secured by that institution's LOC and/or one or more additional series. Furthermore, a successful PGW Capital Projects CP Program LOC bidder may be asked, at the sole discretion of the City, to serve as Dealer for the PGW Capital Projects CP Program.

For rating agency press releases on the Eighth Series Bonds, latest official statements/remarketing circulars, and other information, please see the City's investor website at <http://www.phila.gov/investor>. The City Treasurer hosted an Investor Conference on Thursday, April 18th through Friday, April 19th in Philadelphia at which representatives from City senior management provided information regarding the City's tax supported credits as well as its enterprise fund credits, including Philadelphia Gas Works. The information presented at the Investor Conference regarding the Philadelphia Gas Works can be found on the "2013 Conference Materials" tab of the above site.

## Alternative Financing or Refinancing Structure Proposals

The City encourages proposals for alternative refinancing structures for the Eighth Series Bonds and/or financing structures for the PGW Capital Projects CP Program other than Direct Pay Letters of Credit. Alternative refinancing or financing structures may include privately placed floating rate notes or other alternative refinancing products. If your firm is an authorized underwriter in the current PGW pool, you may also submit publically offered floating rate notes or other alternative financing products. Any alternative proposal submitted should be detailed, including pricing, terms and conditions, and should also indicate whether the proposal is a firm offer.

**Please note that under the 1998 General Ordinance, the Eighth Series Bonds are, and the PGW Capital Projects CP Program will be, on a parity as to covenants, priority of payments, security and source of payment and defaults and remedies with all other Senior Bonds and Subordinate Bonds, respectively, issued under the 1998 General Ordinance. Accordingly, proposals which require a continuing covenants agreement or similar arrangements containing provisions which differ from those contained in the 1998 General Ordinance and the First Class City Revenue Bond Act will not be considered.**

## Anticipated Schedule of Events

The preliminary Schedule of Events for the proposals solicited hereby is set forth below.

<b>Issue REI</b>	<b>May 10, 2013</b>
<b>Deadline to Submit Questions</b>	<b>May 17, 2013</b>
<b>PROPOSAL SUBMISSION DEADLINE</b>	<b>May 31, 2013 @ 5:00 pm EST</b>
<b>Select Facility Providers</b> <i>(Final award is subject to approval by the City of terms of the Facilities)</i>	<b>June 17, 2013</b>

## Conflicts of Interest

Please identify any conflicts of interest or potential conflicts of interest and how you plan to address any such conflict.

## Proposal Information

Prospective providers who have received this document from a source other than the City, and who wish to assure receipt of any changes or additional materials related to this REI, should immediately e-mail Bhavin Patel ([bhavin.patel@phila.gov](mailto:bhavin.patel@phila.gov)) and provide their name and mailing address so that amendments to the REI or other communications may be sent to them.

Please respond on behalf of your firm only; the City will not consider joint proposals.

The expenses of your proposal will not be the responsibility of the City or any of its respective counsel or advisors.

THE CITY ENCOURAGES SUBMISSIONS BY MINORITY, WOMEN, AND DISABLED OWNED FIRMS. THE CITY REQUIRES THAT ANY FIRM SELECTED TO PARTICIPATE AS PROVIDER FOR A CITY FINANCING AGREE NOT TO DISCRIMINATE NOR PERMIT DISCRIMINATION AGAINST ANY PERSON BECAUSE OF RACE, COLOR, RELIGION, NATIONAL ORIGIN, OR

SEXUAL ORIENTATION. IN THE EVENT OF SUCH DISCRIMINATION, THE CITY RESERVES THE RIGHT TO TERMINATE THE FIRM'S APPOINTMENT TO THE TRANSACTION.

### **Proposal Submission & Deadline**

Please submit your proposals via e-mail by **no later than 5:00 PM EST on, Friday, May 31, 2013** to Nancy Winkler ([nancy.winkler@phila.gov](mailto:nancy.winkler@phila.gov)), Joseph Golden ([joseph.goldenJr@pgworks.com](mailto:joseph.goldenJr@pgworks.com)), James Lanham ([james.lanham@phila.gov](mailto:james.lanham@phila.gov)), and Rebecca Perry-Glickstein ([perry-glicksteinr@pfm.com](mailto:perry-glicksteinr@pfm.com)). The subject title should read, REI-Submission –PGW Bank Facility - - [insert firm name].

Your response should follow the format in **Exhibit A** and **Exhibit B**, which are attached. THE CITY ANTICIPATES NEGOTIATING COMPLETE TERM SHEETS AFTER RESPONSES HAVE BEEN RECEIVED.

Interested parties must indicate by when they would expect to be able to receive **final credit approval**. A form of the Direct Pay Letter of Credit and Reimbursement Agreement or relevant legal documents for alternative proposals to be entered into by the City and the Facility provider must be made available to the City promptly upon notice to the respondent that they are the apparent choice of the City.

### **Questions**

The City will accept written questions from prospective providers. Questions will be accepted by e-mail to both James Lanham at [james.lanham@phila.gov](mailto:james.lanham@phila.gov) and Bhavin Patel at [bhavin.patel@phila.gov](mailto:bhavin.patel@phila.gov). **The deadline for written questions is Friday, May 17, 2013 at 5:00 PM, Local Time.**

NO QUESTIONS ARE TO BE DIRECTED TO THE MAYOR'S OFFICE, OR TO ANY OTHER CITY DEPARTMENT, AGENCY, OR PERSONNEL.

Answers to all substantive questions that are not clearly specific only to the requestor, will be distributed to all prospective providers who are known to have received a copy of the REI. Such distribution may include the posting of such information on the City's website [www.phila.gov/RFP](http://www.phila.gov/RFP).

### **Evaluation Criteria and Selection**

Selection shall be made to the responsive and responsible providers whose proposals are deemed to be the most advantageous to the City, along with any relevant performance data and other information available to the City. Proposals will not be opened publicly.

### **Revisions to the REI**

If it becomes necessary to revise this REI before the due date for proposals, amendments will be provided to all prospective providers who were sent this REI or otherwise are known by the City to have obtained this REI. Amendments made after the due date for proposals will be sent only to those providers who submitted a timely proposal.

Acknowledgment of the receipt of all amendments to this REI issued before the proposal due date must accompany the provider's proposal in the transmittal letter accompanying the proposal. Acknowledgement of the receipt of amendments to the REI issued after the proposal due date shall be in the manner specified in the amendment notice. Failure to acknowledge receipt of amendments does not relieve the provider from complying with all terms of any such amendment.

### **Reservation of Rights**

The City reserves the right to cancel this REI, accept or reject any and all proposals, in whole or in part, received in response to this REI, to waive or permit cure of any irregularities, and to conduct discussions with any or all qualified or potentially qualified providers in any manner necessary to serve the best interests of the City. The City also reserves the right to award a contract based upon the written proposals received without discussions or negotiations. In the event negotiations with any respondent(s) are not satisfactory to the City, the City reserves the right to discontinue such negotiations at any time; to enter into or continue negotiations with other respondents; and/or to solicit new responses from providers that did not respond to this REI. The City reserves the right not to enter into any contract with any respondent, with or without the re-issuance of this REI, if the City determines that such is in the City's best interest. The City reserves the right to change the details at any time. Nothing in this REI shall bind the City to enter into any agreements pursuant to this solicitation.

**Exhibit A**



**CITY OF PHILADELPHIA, PENNSYLVANIA  
Gas Works Revenue Refunding Bonds, Eighth Series B, C, D  
and E**

**REI for Direct Pay Letters of Credit  
and other Alternative Refinancing Structures  
Proposal Form - Eighth Series Bonds**

*Proposals submitted must complete this form or include responses to all items on this form in order to be considered.*

**SECTION 1 – GENERAL INFORMATION**

**Full Legal Name of Provider:** \_\_\_\_\_

**Contact Person:** \_\_\_\_\_ **Phone:** \_\_\_\_\_

**Fax:** \_\_\_\_\_ **E-mail:** \_\_\_\_\_

**Bank's Ratings:**

Fitch:	Long-term _____	Short-term _____	Outlook/Credit Watch _____
Moody's:	Long-term _____	Short-term _____	Outlook/Credit Watch _____
Standard & Poor's:	Long-term _____	Short-term _____	Outlook/Credit Watch _____

- 1.1. Please indicate if your firm has overall limits for providing credit and/or liquidity to the City and would capacity be available for other City owned credits, such as the Philadelphia Airport.
- 1.2. Maximum Principal Amount for the Bonds: \_\_\_\_\_ (plus required interest coverage)
- 1.3. Timeframe for Credit Approval: \_\_\_\_\_

**SECTION 2 – PRICING**

- 2.1 Complete the fee table below and separately provide a downgrade pricing grid.

<b>Facility Length</b>	<b>Annual Fee</b>
1 Year/365 days	
2 Years	
3 Years	
4 Years	

- 2.2 List any and all additional fees for which you would expect reimbursement (e.g., Draw, Amendment, Origination, etc.) and any expenses other than Legal Counsel.
- 2.3 List and describe additional fees, if any, for reduction in size or early termination of LOC. Are these fees waived if City's action is due to a downgrade of Providers' long or short term ratings?
- 2.4 Provide a description of Term-Out Provisions including interest rates and all conditions
- 2.5 Bank Counsel: Firm: \_\_\_\_\_

Primary Contact: \_\_\_\_\_  
Legal Fees and Expenses (Estimate): \_\_\_\_\_  
Capped at: \_\_\_\_\_

- 2.6 If the City selects more than one LOC Provider, your willingness to agree to one law firm as representative of all Providers.
- 2.7 Please indicate if your institution would be interested and willing to serve as Remarketing Agent. If so, please indicate your proposed Remarketing Agent fee in basis points.

### **SECTION 3 – COVENANTS**

- 3.1 Please itemize and briefly describe all preferred Security Covenants
- 3.2 List all preferred Termination Events and Events of Default for Reimbursement Agreement if different from attached Exhibit C – Certain Preferred Reimbursement Agreement Provisions.
- .
- 3.3 Provide alternative language for any provisions you would propose to change in the attached Exhibit C – Certain Preferred Reimbursement Agreement Provisions.
- 3.4 Identify any key terms, conditions, covenants or other restrictions that you would propose to add to the attached Exhibit C – Certain Preferred Reimbursement Agreement Provisions.

### **SECTION 4 – ALTERNATIVE REFINANCING STRUCTURE PROPOSALS (LIMIT: 2 PAGES)**

Please include a description, terms and pricing associated with any proposed alternative refinancing structures being proposed. Indicate whether the proposal is a firm offer. Proposals should not exceed two pages.

**Exhibit B**



**CITY OF PHILADELPHIA, PENNSYLVANIA  
PGW Capital Projects CP Program**

**REI for Direct Pay Letters of Credit  
and other Alternative financing Structures  
Proposal Form - PGW Capital Projects CP Program**

*Proposals submitted must complete this form or include responses to all items on this form in order to be considered.*

**SECTION 1 – GENERAL INFORMATION**

**Full Legal Name of Provider:** \_\_\_\_\_

**Contact Person:** \_\_\_\_\_ **Phone:** \_\_\_\_\_

**Fax:** \_\_\_\_\_ **E-mail:** \_\_\_\_\_

**Bank's Ratings:**

Fitch: Long-term \_\_\_\_\_ Short-term \_\_\_\_\_ Outlook/Credit Watch \_\_\_\_\_  
Moody's: Long-term \_\_\_\_\_ Short-term \_\_\_\_\_ Outlook/Credit Watch \_\_\_\_\_  
Standard & Poor's: Long-term \_\_\_\_\_ Short-term \_\_\_\_\_ Outlook/Credit Watch \_\_\_\_\_

- 1.1. Please indicate if your firm has overall limits for providing credit and/or liquidity to the City and would capacity be available for other City owned credits, such as the Philadelphia Airport.
- 1.2. Maximum Principal and Interest Amount for the Notes: \_\_\_\_\_ (plus required interest coverage)
- 1.3. Timeframe for Credit Approval: \_\_\_\_\_

**SECTION 2 – PRICING**

2.1 Complete the fee table below and separately provide a downgrade pricing grid.

Facility Length	Annual Fee	
	\$60 Million	\$120 million
1 Year		
2 Years		
3 Years		
4 Years		

2.2 List any and all additional fees for which you would expect reimbursement (e.g., Draw, Amendment, Origination, etc.) and any expenses other than Legal Counsel.

- 2.3 List and describe additional fees, if any, for reduction in size or early termination of LOC. Are these fees waived if City's action is due to a downgrade of Providers' long or short term ratings?
- 2.4 Provide a description of Term-Out Provisions including interest rates and all conditions
- 2.5 Bank Counsel: Firm: \_\_\_\_\_  
Primary Contact: \_\_\_\_\_  
Legal Fees and Expenses (Estimate): \_\_\_\_\_  
Capped at: \_\_\_\_\_
- 2.6 If the City selects more than one LOC Provider, your willingness to agree to one law firm as representative of all Providers.
- 2.7 Please indicate if your institution would be interested and willing to serve as Dealer for the PGW Capital Projects CP Program. If so, please indicate your proposed fee in basis points.

### **SECTION 3 – COVENANTS**

- 3.1 Please itemize and briefly describe all preferred Security Covenants
- 3.2 List all preferred Termination Events and Events of Default for Reimbursement Agreement if different than attached Exhibit C – Certain Preferred Reimbursement Agreement Provisions.  
.
- 3.3 Provide alternative language for any provisions you would propose to change in the attached Exhibit C – Certain Preferred Reimbursement Agreement Provisions.
- 3.4 Identify any key terms, conditions, covenants or other restrictions that you would propose to add to the attached Exhibit C – Certain Preferred Reimbursement Agreement Provisions.

### **SECTION 4 – ALTERNATIVE REFINANCING STRUCTURE PROPOSALS (LIMIT: 2 PAGES)**

Please include a description, terms and pricing associated with any proposed alternative refinancing structures being proposed. Indicate whether the proposal is a firm offer. Proposals should not exceed two pages.

## **Exhibit C**

### **Certain Preferred Security Agreement Provisions**

1. No early termination fee.
2. No most favored lender covenant.
3. No most favored pricing provision.
4. Increased cost provision applies only in instances where the increased cost is a result of new regulations and shall not apply to instances of reinterpretation of existing laws or regulations
5. Increased Cost provision would apply to participants, but limit the amount payable to such participant to the amount which would have been payable to the bank had there been no participation.
6. No maximum interest rate “clawback” provision.
7. Bank Rate at Base Rate for at least 180 days.
8. Pennsylvania Law
9. Limited Indemnification.