



# Underwriter RFP Summary Independence Power & Light 2012A & 2012F Refunding

January 10, 2022

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## Background

- IPL has 2 series of bonds that can be refunded in 2022

<u>Series</u>	<u>Callable Par</u>	<u>Call date</u>
2012 Series A	\$51.5 million	June 1, 2022
2012 Series F	\$33.5 million	June 1, 2022

Current refunding can close as early as March (90 days prior to call date)

- The City issued an RFP for underwriting services in December with several areas of emphasis:

Cover Letter	Pricing Scale and Takedown	Calendar Review
Discussion of the Plan of Finance	Ratings and Investor Engagement Strategy	Underwriter's Counsel

- There were 6 responses to the RFP:

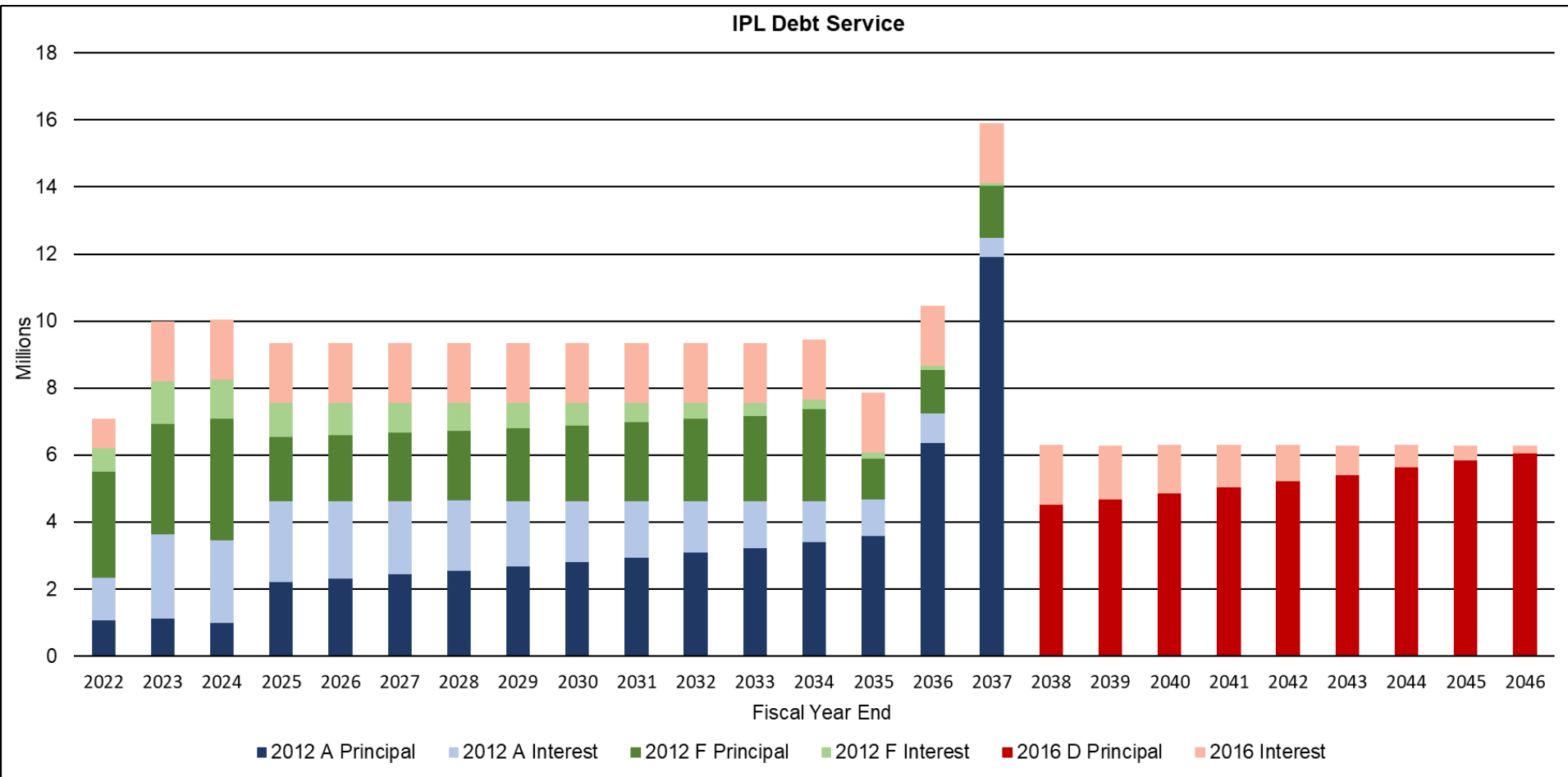
American Veteran's Group	Drexel Hamilton	Piper Sandler
Baird	Morgan Stanley	Valdes & Moreno

American Veteran's Group, Valdes & Moreno and Drexel Hamilton requested co-manager role



# Background

### IPL Debt Service



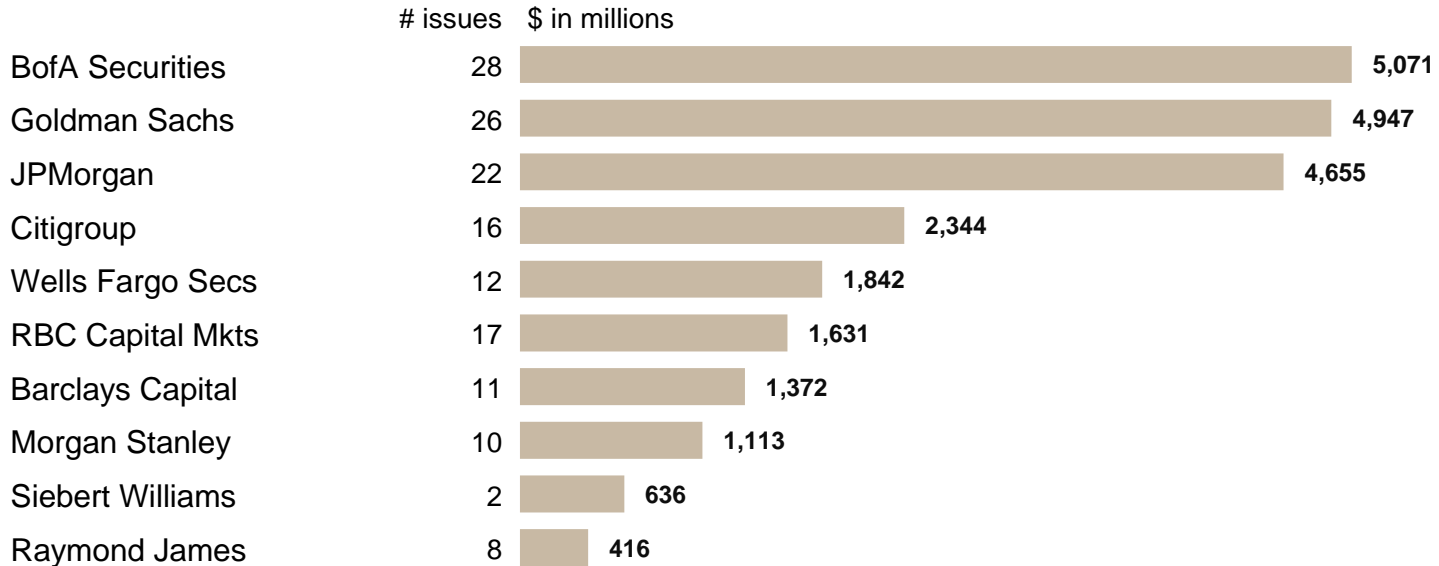


# Experience

## 2018 - 2020 Public Power Long Term Municipal New Issues

Underwriter Ranking - True Economics to Each Bookrunner

Source: Ipreo



- Only Morgan Stanley appears in the rankings for Public Power issuance

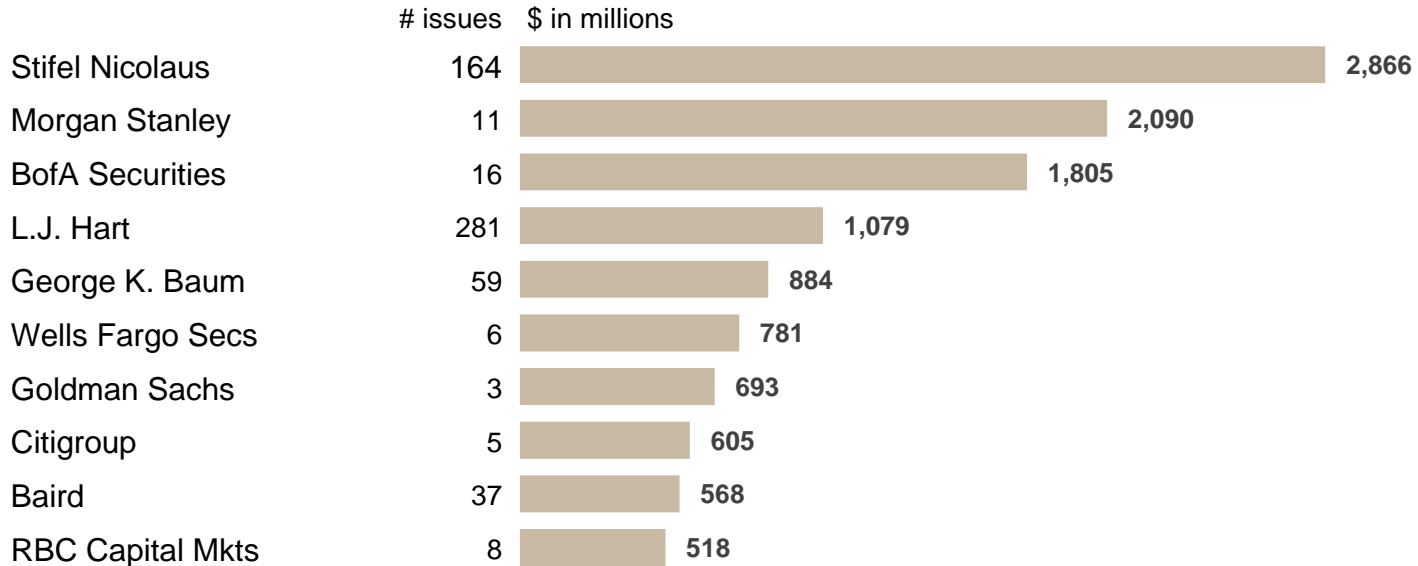


# Experience

## 2018 - 2020 Full Year Missouri Overall Long Term Municipal New Issues

Underwriter Ranking - True Economics to Each Bookrunner

Source: Ipreo



- Morgan Stanley generally specializes in larger transactions (~\$200 million)
- Baird's average transaction is about \$15 million
- Others do not appear to be active in MO



# Experience

Question: Experience	<b>American Veteran's Group</b>	<b>Baird</b>	<b>Drexel Hamilton</b>
	<ul style="list-style-type: none"> <li>- Service Disabled Veteran Owned Business Enterprise</li> <li>- Social impact focus. Provides 25% of "profits" to veteran charity organizations</li> <li>- Growing each year since inception</li> <li>- Salesforce has +20 years muni experience</li> <li>- 2021: Participated in 21 financings, \$10.2 billion in par</li> <li>- Participates in Morgan Stanley syndicate for competitive transactions (MO presence)</li> </ul>	<ul style="list-style-type: none"> <li>- Not a significant discussion in the cover letter</li> <li>- Was involved in the City's 2021 Event's Center financing</li> <li>- Discussion of a private placement</li> </ul>	<ul style="list-style-type: none"> <li>- Service Disabled Veteran Owned Business Enterprise</li> <li>- Social impact focus.</li> <li>- 25 Missouri issues totaling \$2.4 billion (since 2011)</li> <li>- 219 utility issues, totaling \$58.2 billion (since 2011)</li> <li>- Just wants to be co-manager</li> </ul>
	<b>Morgan Stanley</b>	<b>Piper Sandler</b>	<b>Valdes &amp; Moreno</b>
	<ul style="list-style-type: none"> <li>- Top 4 senior managing underwriter since 2008</li> <li>- 2021: 333 total transactions, \$33.9 billion in par</li> <li>- #3 underwriter in MO since 2019</li> <li>- Sole manager on WPC transaction</li> <li>- 2d largest holder (disclosed) of 2012A/Fs</li> <li>- Underwrote \$674 million in 2021</li> </ul>	<ul style="list-style-type: none"> <li>- Numerous financings for the City of Independence</li> <li>- 2016 and 2017 for IPL and the City's Eastland TIF, Hartman TIF, Centerpoint TIF, Drumm Farm TIF, and the Independence Events Center CID</li> <li>- Regularly underwrites annual appropriation credits for Missouri utilities</li> <li>- Through November 2021, underwrite \$1.3 billion (likely includes competitive transactions)</li> </ul>	<ul style="list-style-type: none"> <li>- Latino-owned Minority Business Enterprise</li> <li>- \$178.3 million, City of Kansas City, MO Special Obligation Bonds, Series 2021ABCD</li> <li>- \$102.8 million, City of Kansas City, MO Sanitary Sewer System Refunding Revenue Bonds, Series 2021B</li> <li>- \$68.0 million, City of Kansas City, MO Water Refunding Revenue Bonds, Series 2021A</li> <li>- \$632.2 million, Kansas City International Airport Terminal Modernization Project, Series 2020ABC</li> </ul>



# Pricing Scales

Maturity	Spreads to MMD						
	PFM	American Veteran's Group	Baird	Drexel Hamilton	Morgan Stanley	Piper Sandler	Valdes & Moreno
1-Jun-23	17 bps	25 bps	30 bps	4 bps	15 bps	25 bps	15 bps
1-Jun-24	20 bps	30 bps	35 bps	6 bps	20 bps	25 bps	20 bps
1-Jun-25	22 bps	35 bps	40 bps	6 bps	25 bps	30 bps	25 bps
1-Jun-26	28 bps	40 bps	45 bps	5 bps	30 bps	35 bps	29 bps
1-Jun-27	30 bps	42 bps	48 bps	3 bps	35 bps	40 bps	33 bps
1-Jun-28	32 bps	45 bps	50 bps	5 bps	40 bps	45 bps	36 bps
1-Jun-29	36 bps	45 bps	55 bps	8 bps	45 bps	50 bps	40 bps
1-Jun-30	39 bps	50 bps	60 bps	11 bps	50 bps	55 bps	42 bps
1-Jun-31	44 bps	52 bps	65 bps	14 bps	55 bps	60 bps	44 bps
1-Jun-32	49 bps	55 bps	70 bps	18 bps	60 bps	60 bps	46 bps
1-Jun-33	53 bps	60 bps	70 bps	19 bps	63 bps	60 bps	48 bps
1-Jun-34	60 bps	60 bps	70 bps	24 bps	65 bps	75 bps	50 bps
1-Jun-35	64 bps	60 bps	70 bps	25 bps	75 bps	75 bps	52 bps
1-Jun-36	66 bps	60 bps	70 bps	26 bps	78 bps	75 bps	54 bps
1-Jun-37	66 bps	60 bps	73 bps	28 bps	80 bps	75 bps	55 bps
Comments			Assumes the final 5 maturities have 4% coupon bonds (likely +20 bps to 5% coupons)				



## Takedowns (Compensation)

Maturity	Takedowns						
	American Amortization	Veteran's Group	Baird	Drexel Hamilton	Morgan Stanley	Piper Sandler	Valdes & Moreno
1-Jun-23	\$ 2,620,000	\$2.50 / bond	\$1.25 / bond	\$1.25 / bond	\$4.25 / bond	\$2.50 / bond	\$2.50 / bond
1-Jun-24	\$ 3,620,000	\$2.50 / bond	\$1.25 / bond	\$1.25 / bond	\$4.25 / bond	\$2.50 / bond	\$2.50 / bond
1-Jun-25	\$ 3,110,000	\$2.50 / bond	\$2.50 / bond	\$1.25 / bond	\$4.25 / bond	\$2.50 / bond	\$2.50 / bond
1-Jun-26	\$ 3,260,000	\$2.50 / bond	\$2.50 / bond	\$1.25 / bond	\$4.25 / bond	\$2.50 / bond	\$2.50 / bond
1-Jun-27	\$ 3,430,000	\$5.00 / bond	\$2.50 / bond	\$1.25 / bond	\$4.25 / bond	\$2.50 / bond	\$2.50 / bond
1-Jun-28	\$ 3,595,000	\$5.00 / bond	\$2.50 / bond	\$2.50 / bond	\$4.25 / bond	\$3.75 / bond	\$3.50 / bond
1-Jun-29	\$ 3,765,000	\$5.00 / bond	\$2.50 / bond	\$2.50 / bond	\$4.25 / bond	\$3.75 / bond	\$3.50 / bond
1-Jun-30	\$ 3,960,000	\$5.00 / bond	\$3.75 / bond	\$2.50 / bond	\$4.25 / bond	\$3.75 / bond	\$3.50 / bond
1-Jun-31	\$ 4,160,000	\$5.00 / bond	\$3.75 / bond	\$2.50 / bond	\$4.25 / bond	\$3.75 / bond	\$3.50 / bond
1-Jun-32	\$ 4,370,000	\$5.00 / bond	\$3.75 / bond	\$2.50 / bond	\$4.25 / bond	\$3.75 / bond	\$3.50 / bond
1-Jun-33	\$ 4,585,000	\$5.00 / bond	\$3.75 / bond	\$2.50 / bond	\$4.25 / bond	\$3.75 / bond	\$3.50 / bond
1-Jun-34	\$ 4,925,000	\$5.00 / bond	\$3.75 / bond	\$2.50 / bond	\$4.25 / bond	\$3.75 / bond	\$3.50 / bond
1-Jun-35	\$ 3,580,000	\$5.00 / bond	\$3.75 / bond	\$2.50 / bond	\$4.25 / bond	\$3.75 / bond	\$3.50 / bond
1-Jun-36	\$ 6,355,000	\$5.00 / bond	\$3.75 / bond	\$2.50 / bond	\$4.25 / bond	\$5.00 / bond	\$3.50 / bond
1-Jun-37	\$ 12,115,000	\$5.00 / bond	\$3.75 / bond	\$2.50 / bond	\$4.25 / bond	\$5.00 / bond	\$3.50 / bond

Total compensation (\$)	305,725	215,888	148,575	286,663	255,975	220,035
Average Takedown (per \$1,000)	\$4.53 / bond	\$3.20 / bond	\$2.20 / bond	\$4.25 / bond	\$3.80 / bond	\$3.26 / bond

Comments			- Different takedowns for a private placement (\$2.50 per bond)		Assumes sole senior role (no other banks). If co-managers, then \$5.75 / bond	
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# Plan of Finance

	American Veteran's Group	Baird	Drexel Hamilton
Question: Plan of Finance	<p>- Proposes 3 options:  <u>Base case:</u> Level savings (21% PV savings, \$18.2 million NPV)  <u>3 year front load savings</u> (21% PV savings, \$17.9 million NPV)  <u>5 year front load savings</u> (21% PV savings, \$17.7 million NPV)</p> <p>Accelerated options increase initial savings by ~\$3 million with no "dissavings"</p> <p>Recommendation: 5 year upfront savings</p>	<p>- Proposes multiple options:  <u>Base case:</u> IPL AGGREGATE level savings (restructure). Requires including the 2022 maturity (20% PV savings, \$18.1 million NPV)  <u>Shortened Maturity Structure (2037 to 2034):</u> (23% PV savings, \$20.7 million NPV)  <u>Private Placement 2 x options</u> (Assumes 18 bps "penalty" but no DSRF required. Some assumptions underlying that need investigation)</p> <p>Discusses value of insurance</p> <p>Recommendation: None specified</p>	<p>- Proposes multiple options:  <u>Base case:</u> Match Maturities (24% PV savings, \$20.1 million NPV)  <u>Accelerated 5 year savings:</u> (22% PV savings, \$19.2 million NPV)  <u>TE refunding of 2012's with TXBL refunding of 2016's</u> (focus on structural change)</p> <p>Recommendation: None specified</p>
	Morgan Stanley	Piper Sandler	Valdes & Moreno
	<p>- Proposes 3 options:  <u>Base case:</u> Uniform savings (21% PV savings, \$18.4 million NPV)  <u>Shortened Maturity Structure:</u> Final maturity moves from 2037 to 2035 with no dissavings (23.5% PV savings, \$21.0 million NPV)  <u>6 year front load savings (2028):</u> (19.3% PV savings, \$17.2 million NPV)</p> <p>Other options do not create "dissavings".  <b>Recognizes 2 seperate security packages for 2012A/Fs</b></p> <p>Recommendation: None specified</p>	<p>- Proposes 4 options:  <u>Base case:</u> Uniform savings (20% PV savings, \$17.7 million NPV)  <u>Deffered Principal: Eliminate principal payments 2023 - 2026</u> (18.9% PV savings, \$16.9 million NPV)  <u>Defer Principal with Maturity Extension:</u> City extends the refunding beyond 2046 (may not be desirable)  <u>Accelerate Principal to Increase Overall Savings Over Time:</u> Eliminate 2035-2037 principal payments (23.1% PV savings, \$20.6 million NPV)</p> <p>Mention Bond Insurance - lower yields by 15 bps (cost must be &lt; .88% of DS)</p> <p>Recommendation: None specified</p>	<p>- Proposes multiple options:  <u>Base case:</u> Match Maturities  <u>Extended maturity scenario</u>  <u>Shortened maturity scenario</u></p> <p><u>Note:</u> No savings statistics provided, just amortization</p> <p>Recommendation: None specified</p>



# Rating Agency

	American Veteran's Group	Baird	Drexel Hamilton
Question: Rating Agency	<ul style="list-style-type: none"> <li>- Zoom meeting</li> <li>- Discuss lawsuit and investigation but focus on strengths</li> <li>(1) Strong, residential service area</li> <li>(2) Strong DSC levels</li> <li>(3) Manageable debt profile</li> <li>(4) Solid liquidity</li> <li>(5) Prudent management oversight of finances</li> </ul>	<ul style="list-style-type: none"> <li>- No real discussion of rating agencies except to say that representations need to be affirmed to S&amp;P</li> </ul>	<ul style="list-style-type: none"> <li>- No real discussion of rating agencies</li> </ul>
	Morgan Stanley	Piper Sandler	Valdes & Moreno
	<ul style="list-style-type: none"> <li>- No real discussion of rating agencies separate from the investor discussion (which was thorough)</li> </ul>	<ul style="list-style-type: none"> <li>- Discussion of COVID-19 and decline in operating revenues</li> <li>- Winter Storm (did not have a significant impact on IPL)</li> <li>- ESG aspects</li> <li>- Cybersecurity (actions taken since the December 2020 ransomware attack against the City)</li> </ul>	<ul style="list-style-type: none"> <li>- No real discussion of rating agencies</li> <li>- Mention bringing rating to AA but not an in depth analysis</li> </ul>



# Investor Relations

	American Veteran's Group	Baird	Drexel Hamilton
Question: Investor Engagement	<p><u>FBI Investigation</u></p> <ul style="list-style-type: none"> <li>- Does not appear the headlines were a problem with the 2021 WPC transaction</li> <li>- Consider using the same disclosure for the FBI investigation</li> <li>- Does not appear that the demolition transaction is core to IPL operations</li> </ul> <p>Lawsuit</p> <ul style="list-style-type: none"> <li>- Add to disclosure</li> <li>- Not uncommon to be sued</li> </ul> <p>Note: Does provide steps to improve marketing of the bonds and provides a marketing list of likely investors</p>	<ul style="list-style-type: none"> <li>- Market has already digested this information - no penalty</li> <li>- Post information in the investor presentation that addresses this as well as credit strengths</li> <li>- Ideally, no material impact on City/IPL</li> </ul>	<ul style="list-style-type: none"> <li>- Mentions uncertainty &amp; risk surrounding investigation, which gets priced into bond yields</li> <li>- Believes there needs to be more details about both the FBI investigation and the litigation so that it answers the next level of questions from investors (1) why the feeling of non-materiality (2) is the City contesting the litigation (3) will the Grand Jury issue indictments</li> </ul>
	<p><b>Morgan Stanley</b></p> <ul style="list-style-type: none"> <li>- Could have direct impact on IPL credit (versus WPC)</li> <li>- Update necessary disclosure</li> <li>- Determine potential \$\$ impact</li> <li>- ID if material</li> <li>- Highlight the following               <ol style="list-style-type: none"> <li>(1) Current status</li> <li>(2) Decision makers now gone</li> <li>(3) Insurance/reserves avail</li> <li>(4) New policies and procedures enacted</li> </ol> </li> </ul>	<p><b>Piper Sandler</b></p> <ul style="list-style-type: none"> <li>- Does not feel the FBI or Litigation poses a significant threat to pricing but should disclose:               <ol style="list-style-type: none"> <li>(1) Nature of allegations</li> <li>(2) Status of process and how it could play out (timeline)</li> <li>(3) Potential ramifications for IPL</li> <li>(4) Remedies (appeal, insurance, cash position)</li> </ol> </li> </ul> <p>Also, reviews investor targets for the bonds.</p>	<p><b>Valdes &amp; Moreno</b></p> <ul style="list-style-type: none"> <li>- Mentions in person or virtual discussion of investigation to investors</li> <li>- Believes insurance might be useful to mitigate a 5-25 bps "headline penalty"</li> </ul>



# Calendar Review

Question: Timing and Schedule	American Veteran's Group	Baird	Drexel Hamilton
	<ul style="list-style-type: none"> <li>- Reasonable</li> <li>- Avoids the March 15/16 Federal Reserve meeting</li> <li>- The closer to April the closer "tax time" stresses markets</li> <li>- Recommendation: Accelerate to early March</li> </ul>	<ul style="list-style-type: none"> <li>- Prepared to support</li> <li>- Avoid Federal Reserve meeting</li> <li>- Consider moving to April to avoid "Spring Break" effect</li> <li>- For private placement, can lock rates 60 days prior to closing</li> </ul>	<ul style="list-style-type: none"> <li>- Feel timing is reasonable but no specific details</li> </ul>
	Morgan Stanley	Piper Sandler	Valdes & Moreno
	<ul style="list-style-type: none"> <li>- Avoid weeks of major economic news releases</li> <li>- Avoid Federal Reserve meetings (15-16 March)</li> <li>- If issuing bonds in 2 separate series, recommend doing the same <b>on the same day</b></li> </ul>	<ul style="list-style-type: none"> <li>- 3 factors:</li> <li>- Overall interest rate dynamics</li> <li>- Municipal bond market-specific dynamics</li> <li>- City/IPL-specific dynamics</li> <li>- Accelerate pricing to avoid Federal Reserve Open Market Committee meeting of March 15-16</li> </ul>	<ul style="list-style-type: none"> <li>- Feel timing is reasonable</li> </ul>



## Underwriter's Counsel

Question: Underwriter's Counsel	<b>American Veteran's Group</b>	<b>Baird</b>	<b>Drexel Hamilton</b>
	- Gilmore Bell - Armstrong Teasdale	- Not required (?)	- Orrick, Herrington & Sutcliffe LLP - Armstrong Teasdale LLP - Greenberg Traurig LLP - Fields & Brown LLC
	<b>Morgan Stanley</b>	<b>Piper Sandler</b>	<b>Valdes &amp; Moreno</b>
	- Fischer Broyles (David Reed) - Fee (NTE) \$22,500  - Hardwick Law Firm - Kutak Rock	- Fischer Broyles (David Reed) - Fee (NTE) \$22,500	- Fischer Broyles (David Reed) - White Coleman & Associates - Hardwick Law Firm - Defer to the Senior Manager for the final decision



## Conclusion (1 of 3)

- Experience: Morgan Stanley, Piper Sandler and Baird have the most experience. Three other banks seeking co-manager role.
- Pricing: Wide range of spreads to the benchmark indicate banks are uncertain about the impacts of the FBI investigation or litigation
- Takedowns: For the 3 senior manager proposals, from lowest to highest: Baird, Piper and Morgan Stanley. However, there are instances where an issuer “gets what they paid for” when selecting an underwriter based on fee level.
- Plan of finance
  - IPL has many options (level savings, accelerate savings, delay savings, direct purchase)
  - Should think “in the aggregate” impacts on debt service profile as well as potential impacts of the “new generation” decision
  - Insurance could add value



## Conclusion (2 of 3)

- Rating Agencies:
  - Need to explain cash levels and the motivation
  - Better discussion and definition around the potential outcomes of FBI investigation and litigation as well as how IPL/city can address
  - Some concerns about rating pressure due to cash position
- Investors:
  - Same comments on disclosure as with rating agencies
  - Make leadership “more available” to investors
  - Structure of the transaction should see high demand
- Underwriter’s Counsel: Consistency with the prior legal team



## Conclusion (3 of 3)

December					January				February				March				April				
1-3	6-10	13-17	20-24	27-31	3-7	10-14	17-21	24-28	31-4	7-11	14-18	21-25	28-4	7-11	14-18	21-25	28-1	4-8	11-15	18-22	25-29

POS #1	POS#2	POS#3	Final Updates and edits	Post POS	Price Bonds	Close
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RA Pres #1	RA Pres #2	MTG	Analyst Review	Rcve rtngs
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Investor Pres #1	Investor Pres #2	Final & Post
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- Timing:

- Reasonable schedule proposed
- Avoid Federal Reserve meeting
- Proceed with haste given inflation concerns
- March is usually a heavy month of issuance (supply elevated)
- However, 2021 technicals point to strong inflows into the municipal bond market (demand elevated)
- Avoid mid-April due to tax season (cash used to pay tax liability)