



BAY AREA TOLL AUTHORITY

Bay Area Metro Center

375 Beale Street

San Francisco, CA 94105

TEL 415.778.6700

WEB www.mtc.ca.gov

Memorandum

TO: BATA Oversight Committee

DATE: September 5, 2018

FR: Executive Director

W. I. 1254

RE: Underwriting Pool – Investment Banking Services

Staff requests approval of a pre-qualified list of firms who will make up a pool to provide investment banking services for a five-year period for MTC, BATA and BAIFA. Compensation for these firms is subject to and derived from the sale of bonds and limited by the fees approved in future financing plans.

Background

BATA utilizes a pool of senior managing bankers, co-managing bankers and selling group members to underwrite and sell bonds for its projects. Senior managing bankers are utilized to plan, design and structure the financings in coordination with the approved financing plan. Co-managing and selling group firms are used to help market and sell bonds to the widest possible range of investors.

Procurement Process

In July 2018, BATA issued a nationwide Request for Qualifications (RFQ) to develop a team of firms to serve as a pool to provide investment banking services for a five-year term from October 2018 through October 2023. On August 13, 2018, BATA received Statements of Qualifications (SOQs) from a total of fifteen firms.

The RFQ contained minimum qualifications, which varied depending upon which aspect of the banking pool a firm requested inclusion in. All firms met the minimum qualifications in their respective areas.

Ten firms met minimum qualifications for the Senior and Co-Manager banking pools. All ten proposals were further evaluated on the basis of their qualifications, experience, and project approach, including maintaining the existing portfolio, developing a strategy for Regional Measure 3 (RM 3) as well as a conceptual strategy for our federal securitization financing.

The five firms that qualified for the selling group pool were selected for that pool without further scoring or oral interviews.

The ten firms that met minimum qualifications for the Senior/Co-Manager pool had their written proposals evaluated and scored on a scale of 1-100. The minimum score to proceed to oral interviews was 70; nine firms met or exceeded the minimum score. The oral interviews consisted of a 30 minute case study proceeded by a 90 minute interview. The written and oral scores were then averaged to determine the final ranking in the banking pool.

All written responses were evaluated by a team consisting of BATA finance staff and representatives from Public Financial Management (PFM). PFM is the financial advisor to BATA and MTC and also participated in the oral interviews and the final scoring. The oral interviews were conducted on August 21-23. The written scores were then averaged with the oral scores.

Staff is recommending a Senior Banking bench of four firms consisting of all firms who met minimum qualifications for Senior Banker and had a combined score of 80 or better. The written scores accounted for 60% of the final score while the oral score accounted for 40% of the final score. The final results were:


Firm	Final Score
Bank of America Merrill Lynch	95
JP Morgan	93
Citibank	84
Goldman Sachs	84
Morgan Stanley	79
UBS	74
Siebert Cisneros Shank & Co., L.L.C	74
Barclays Bank	71
Cabrera Capital	64

Bank of America Merrill Lynch, JP Morgan, Citibank and Goldman Sachs will make up the senior banking pool responsible for structuring and pricing future bond sales. Six firms will make up the co-manager pool and are essential to the final marketing and sale of bonds to the investor. The co-manager group will also constitute a reserve bench of firms who have deal specific expertise or when necessary to supplement or replace members of our senior banking team. Five firms will make up the Selling Group which is also very important to securing bond sales to the widest possible range of investors. The complete list and recommendations for placement pool is included in Attachment 1.

As BATA expands beyond the existing toll revenue Seismic, RM2 and Rehabilitation projects, the banking team will need to meet a different level of financial challenges. Projects such as Express Lanes, RM3 and FTA programs will be less predictable with their structure, timing and costs. The banking team will also be expected to provide liquidity and capital support as these new types of projects develop.

Recommendation

Staff recommends that the Committee approve the pool of investment banking firms as identified in Attachment 1 to provide investment banking services that have been approved by the Authority for a five-year term from October 2018 through October 2023.



Steve Heminger

Attachment 1

Investment Banking Firms Active Bench

Senior Manager Banks

- Bank of America Merrill Lynch (BAML)
- JP Morgan
- Citibank
- Goldman Sachs

Co-Manager Banks

- Barclays Bank
- Cabrera Capital
- Jefferies LLC
- Morgan Stanley
- Siebert Cisneros Shank & Co., LLC
- UBS

Selling Group

- 280 Securities
- Academy Securities
- Mischler Financial Group
- Robert W. Baird & Co. Inc.
- Stern Brothers

Firms on the Co-Manager and Selling Group teams are eligible to rotate onto Co-Manager or Senior Manager Teams on the basis of deal specific expertise, increased experience or as necessary supplements or replacements to the Senior Managing Banks.

REQUEST FOR COMMITTEE APPROVAL
Summary of Proposed Underwriting Pool

Work Item No.:	1254
Vendor:	Various, per Attachment 1 to the Executive Director's September 5, 2018 Memorandum
Work Project Title:	BATA, MTC, BAIFA Underwriting Pool
Purpose of Project:	Financing improvements for the state-owned toll bridges, and other MTC and BAIFA projects
Brief Scope of Work:	Underwriting and banking services
Funding Source:	Compensation subject to and derived from the sale of bonds and limited by the fees approved in future financing plans
Motion by Committee:	That the Executive Director or designee is authorized to utilize firms as listed in Attachment 1 to the Executive Director's September 5, 2018 Memorandum for investment banking services as described above and in the Executive Director's Memorandum, for a period of five years through October 2023.
BATA Oversight Chair:	<hr/> Amy R. Worth, Chair
Approved:	Date: September 12, 2018