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## *Memorandum*

TO: BATA Oversight Committee

DATE: February 5, 2014

FR: Executive Director

W. I. 1254

RE: Underwriting Pool - Investment Banking Services

Staff requests approval of a pre-qualified list of firms to provide investment banking services for a five-year period. Compensation for these firms is subject to and derived from the sale of bonds and limited by the approved financing plan.

### **Background**

BATA utilizes a pool of senior and co-managing bankers to underwrite and sell bonds for its projects. Senior managing bankers are utilized to plan, design, and structure the BATA financings in coordination with the approved BATA 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 January, 2014, BATA issued a nationwide Request for Qualifications (RFQ) for Underwriting Services for a five-year term from March 2014 through March 2019. The anticipated scope of services included underwriting and other investment banking services. On January 17, 2014, BATA received Statements of Qualifications (SOQs) from a total of 18 firms.

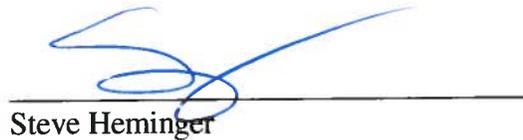
As BATA expands beyond the existing Seismic, RM 2 and Rehab projects, our banking team will need to meet a different level of financial challenges. New projects such as Express Lanes and the Transit Core Capacity Challenge Grant Program will be less predictable in their timing, cost and return for the toll program. In addition to financing the balance of the toll bridge projects, the banking team will have to help plan not just toll bridge revenue bonds but the means to provide liquidity and capital support while these new types of projects develop.

The nine firms with the highest RFQ response scores were invited to the senior banker interviews. Interviews took place over a two-day period and consisted of a case study, as well as a prepared presentation. The interview panel consisted of representatives of Public Financial Management (PFM), the Authority's financial advisor, and finance staff. The recommendations represent the consensus of the panel.

The panel recommends a pool of 7 senior bankers, 7 co-managing bankers and 4 selling group members. The senior bankers are responsible for the planning and execution of each financing from developing the financing model to credit presentations and investor marketing, as well as final pricing and sale. Senior bankers were selected based on their banking and transportation expertise, capacity to underwrite BATA bonds and ability to provide credit support and overall banking services. The co-managing bankers help prepare the transaction for sale as well as contribute to the ultimate pricing and sale of the bonds. The co-managers are very important to the marketing and pricing success of an issuance while providing a bench should the senior banking pool need to be supplemented. Those firms not chosen as senior bankers or co-managers are selected to become selling syndicate members, which are utilized in the final pricing of an issuance. Along with the selling syndicate members, the combined financing team provides the widest possible investor distribution.

**Recommendation**

Staff recommends that the Committee approve the pool of investment banking firms identified in Attachment 1 to provide investment banking services that have been approved by the Authority for a five-year term from March 2014 through March 2019.



Steve Heminger

SH:BM

# ATTACHMENT 1

## Investment Banking Selection

### Senior Banking Pool:

Bank of America Merrill Lynch  
Barclays  
Citigroup  
Goldman Sachs  
J.P. Morgan  
Morgan Stanley  
Wells Fargo

### Co-Manager Pool:

Brandford Shank & Co.  
Fidelity Investments  
Loop Capital  
Ramirez & Co.  
Royal Bank of Canada (RBC)  
Stifel Nicolaus  
U.S. Bancorp

### Selling Syndicate:

Cabrera Capital Market  
First Southwest  
Mesirov Financial  
William Blair