

**Date:** June 24, 2015

**To:** Board of Directors

**From:** Neil McFarlane *Neil McFarlane*

**Subject:** RESOLUTION 15-06-38 OF THE TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON (TRIMET) AUTHORIZING CONTRACTS WITH JP MORGAN, MORGAN STANLEY, CITIGROUP GLOBAL MARKETS AND RBC CAPITAL MARKETS FOR INVESTMENT BANKING AND UNDERWRITING SERVICES

**1. Purpose of Item**

The purpose of this item is to request that the TriMet Board of Directors (“Board”) adopt a Resolution authorizing the General Manager to form a pool of underwriting firms from which the GM may select one or more participants from the pool to underwrite bond issues. In forming the pool, it is necessary to execute contracts with JP Morgan, Morgan Stanley, Citigroup Global Markets and RBC Capital Markets in the form of a bond purchase agreement.

**2. Type of Agenda Item**

- Initial Contract
- Contract Modification
- Other \_\_\_\_\_

**3. Reason for Board Action**

Board approval is required for personal services contracts obligating TriMet to pay in excess of \$150,000.

**4. Type of Action:**

- Resolution
- Ordinance 1<sup>st</sup> Reading
- Ordinance 2<sup>nd</sup> Reading
- Other \_\_\_\_\_

**5. Background**

TriMet anticipates the need to issue debt to fund capital projects during the next five (5) years for ongoing capital needs. Projected capital needs include bus purchases to continue replacing TriMet’s aging fleet; the purchase and installation of the electronic fare system (“E Fare”); and other capital projects on the Capital Improvement Plan (CIP) in FY2016 and subsequent years.

TriMet also has the opportunity to reduce interest costs to the agency through refinancing of existing debt issuances by taking advantage of low interest rates as they become available.

All bond issues will be brought before the Board for approval prior to any sale of bonds.

## 6. Procurement Process

TriMet issued a Request for Proposals (RFP) for investment banking and bond underwriting services on April 9, 2015. After receipt and review of proposals from eleven interested investment banking firms, TriMet's evaluation committee conducted interviews with seven firms. Evaluation criteria included experience of the firm and assigned staff, proposed debt structure for the issues anticipated, marketing considerations and proposed fees. Subsequent to the interview stage, the committee chose the four most highly ranked firms and requested Best and Final Offers related to proposed underwriting fees.

After receipt of Best and Final Offers, the evaluation committee conducted a final scoring and ranking which is reflected in the table below.

Criteria	Possible points	JP Morgan	Citigroup Global Markets	Morgan Stanley	RBC Capital Markets
Qualifications/Experience of firm and staff	20	20	18	19	15.5
Proposed Debt Structure and Financing plan	25	25	22	21	20
Marketing Considerations	20	20	20	17	18
<b>Total (Non-Fee)</b>		65	60	57	53.5
Proposed Fee	35	25.2	30	32	35
<b>Total</b>	100	90.2	90	89	88.5

Based on the close scoring and general industry practice, staff intends to include each of the four firms in its underwriting pool at some point during the term of the contract engagement (up to 5 years). The specific role of each firm, however (e.g. Senior Manager, Co-Manager, Non-Participating) will be determined based on the size and finalized structure of each issue.

Compensation for underwriting bonds is paid in the form of an underwriters' discount and represents a percentage of the par amount of bonds sold, consistent with industry practice. The proposed fee or underwriters' discount from each of the firms in the underwriting pool was considered by TriMet's independent financial advisor to be reasonable and competitive for similar transactions. Underwriting compensation is paid at bond closing from bond proceeds pursuant to a bond purchase contract, and thus the actual amount received by the underwriters will be dependent on the amount of bonds issued.

## 7. Diversity

Only one Disadvantaged Business Enterprise (DBE) firm, Siebert Brandford, submitted a proposal. They were one of the seven firms interviewed by the Evaluation Committee and based on the criteria in the proposal did not move into the final four.

Each of the finalists is a national firm with hiring practices that promote diversity and is reflected in the respective teams assigned to this transaction.

There may be additional opportunities to include DBI firms in Oregon in the larger selling group at the time of sale. Staff will recommend to the underwriting firms that TriMet's preference will be to include such firms whenever possible.

**8. Financial/Budget Impact**

Based on current projections of future debt issuances for capital projects and potential refunding over the next five years (FY2016 – FY2020), staff estimates the total par amount of bonds issued to be approximately \$250 million, with total fees to be paid to the four (4) firms over the five-year period to be approximately \$1.3 million.

At the time of each bond sale, staff will bring the bond purchase agreement to the Board for approval unless authority to execute the bond purchase agreement is otherwise delegated. Each bond purchase agreement will specify the underwriters' discount paid from bond proceeds.

**9. Impact if Not Approved**

The Board may approve this Resolution or direct staff to issue a new RFP. Given the wide interest and response to this RFP process and determination that the scope of services to be provided and fees are reasonable, issuance of a new RFP is not recommended.

DB/LB/JF/pc

RESOLUTION 15-06-38

**RESOLUTION OF THE TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON (TRIMET) AUTHORIZING CONTRACTS WITH JP MORGAN, MORGAN STANLEY, CITIGROUP GLOBAL MARKETS AND RBC CAPITAL MARKETS FOR INVESTMENT BANKING AND UNDERWRITING SERVICES**

**WHEREAS**, TriMet has authority under ORS 267.200 to enter into contracts with JP Morgan, Morgan Stanley, Citigroup Global Markets, and RBC Capital Markets for investment banking and underwriting services ("Contracts"); and

**WHEREAS**, the total amount of the Contracts will likely exceed \$150,000; and

**WHEREAS**, the TriMet Board of Directors ("Board"), by Resolution dated January 25, 2006, adopted a Statement of Policies requiring the Board to approve personal services contracts obligating TriMet to pay in excess of \$150,000;

**NOW, THEREFORE, BE IT RESOLVED:**

1. That the Contracts shall be in conformance with applicable laws.
2. That the General Manager is authorized to execute the Contracts.

Dated: June 24, 2015

\_\_\_\_\_  
Presiding Officer

Attest:

\_\_\_\_\_  
Recording Secretary

Approved as to Legal Sufficiency:

  
\_\_\_\_\_  
Legal Department