

Date: August 12, 2020

To: Board of Directors



From: Doug Kelsey

Subject: RESOLUTION NO. 20-08-36 OF THE TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON (TRIMET) AUTHORIZING A NEW UNDERWRITER POOL TO INCLUDE CITIGROUP GLOBAL MARKETS, GOLDMAN SACHS, JP MORGAN, MORGAN STANLEY, SIEBERT WILLIAMS SHANK, AND UBS FINANCIAL SERVICES FOR BOND UNDERWRITING SERVICES

1. **Purpose of Item**

This Resolution requests that the TriMet Board of Directors (Board) authorize the General Manager or his designee to form a pool of underwriting firms from which the agency may select one or more participants from the pool to underwrite bond issues. If selected for future bond issues, TriMet will execute a Bond Purchase Agreement (BPA) with the selected underwriter(s) at the time of the issue. Underwriters selected for the pool are Citigroup Global Markets, Goldman Sachs, JP Morgan, Morgan Stanley, Siebert Williams Shank, and UBS Financial Services.

2. **Type of Agenda Item**

- Initial Contract
- Contract Modification
- Other: Bond Purchase Agreement(s)

3. **Type of Contract Procurement**

- Low Bid / Invitation to Bid (ITB)
- Request for Proposals (RFP) (inc. CM/GC)
- Request for Qualifications (RFQ) (Personal Services)
- Other (inc. sole source): _____

4. **Reason for Board Action**

Board authorization is required for all personal services contracts obligating TriMet to pay in excess of \$500,000.

5. **Type of Action**

- Resolution
- Ordinance 1st Reading
- Ordinance 2nd Reading
- Other _____

6. **Background**

TriMet anticipates the need to issue debt, from time to time, to fund capital projects during the next five years for ongoing capital needs. Projected capital needs include bus and light rail vehicle purchases to continue replacing TriMet’s aging fleet, funding of the Red Line Extension and Southwest Corridor projects, and other capital projects on the Capital Improvement Plan (CIP) in FY2021 and subsequent years.

TriMet also may have 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.

7. **Description of Procurement Process**

TriMet issued a Request for Proposals for bond underwriting services on June 5, 2020. Evaluation criteria included experience of the firm and key staff, proposed debt structure and plan of finance for the issues anticipated, marketing considerations, and proposed fees.

After receipt and review of proposals from eleven interested underwriting services firms, TriMet’s evaluation committee ranked the firms as shown in the table below. The committee recommended the six highest scoring firms for inclusion in the TriMet Underwriter Pool for the approximately five-year period ending June 30, 2025.

Description	Maximum Possible Score	Morgan Stanley	JP Morgan	Siebert Williams Shank	UBS Financial Services	Goldman Sachs	Citigroup Global Markets
Experience of the Firm	10	9.3	10.0	9.3	8.5	9.3	9.3
Experience of Key Staff	20	18.5	17.0	18.0	17.5	18.3	17.8
Debt Structure and Plan of Finance	25	24.3	24.3	22.3	22.3	21.3	22.0
Marketing Considerations	20	18.5	19.3	18.5	18.5	17.8	16.3
Fees	25	23.3	22.3	23.3	23.3	22.0	21.5
Total . . .	100	93.8	92.8	91.3	90.0	88.5	86.8

Description	Maximum Possible Score	Wells Fargo Bank	Piper Sandler	UMB Bank	Mischler Financial Group	Drexel Hamilton
Experience of the Firm	10	7.0	8.9	5.8	5.8	5.0
Experience of Key Staff	20	17.3	16.5	13.3	13.8	9.8
Debt Structure and Plan of Finance	25	22.0	20.3	19.6	16.0	14.0
Marketing Considerations	20	17.8	17.8	15.3	15.8	12.5
Fees	25	22.0	21.0	21.3	19.5	18.8
Total . . .	100	86.0	84.4	75.1	70.8	60.0

Based on the close scoring and general industry practice, staff intends to include each of the six 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 responses to deal-specific RFPs issued at the onset of preparations for the bond 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 municipal advisor to be reasonable and competitive for similar transactions. Underwriting compensation is paid at bond closing from bond proceeds pursuant to a BPA and thus the actual amount received by the underwriters will be dependent on the amount of bonds issued.

8. **Diversity**

The diversity information for the six firms recommended for award is as follows:

Siebert Williams Shank is a DBE Certified firm. Its workforce is 56.6% minority and 29.2% female; its total employee count is 120.

Citigroup Global Markets' workforce is 17.6% minority and 29.9% female; its total employee count is 1,557.

Goldman Sachs' workforce is 31.3% minority and 41.4% female; its total employee count is 99.

JP Morgan's workforce is 38.2% minority and 35.7% female; its total employee count is 6,033.

Morgan Stanley's workforce is 30.5% minority and 40.2% female; its total employee count is 41,672.

UBS Financial Services' workforce is 15.5% minority and 40.4% female; its total employee count is 12,569.

9. **Financial/Budget Impact**

Based on current projections of future debt issuances for capital projects and potential refunding transactions over the next five years (FY2021 – FY2025), staff estimates the total par amount of bonds issued to be approximately \$325 million (not including potential issuance of bonds for Southwest Corridor), with total fees to be paid to the six firms over the five-year period to be approximately \$500,000. The amount may increase depending upon the total financings required over the term of the pool and changes in market conditions.

Each BPA will specify the underwriters' discount.

10. **Impact if Not Approved**

Failure to have a readily-available pool of underwriting firms from which TriMet may select to underwrite bond issues will delay TriMet's ability to issue bonds when needed. Given the wide interest and response to the RFP process, and the professional determination that the scope of services to be provided and fees are reasonable, issuance of a new RFP for these services would not yield a more qualified pool.

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TRANSPORTATION DISTRICT OF OREGON (TRIMET) AUTHORIZING A
NEW UNDERWRITER POOL TO INCLUDE CITIGROUP GLOBAL
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UNDERWRITING SERVICES**

WHEREAS, TriMet has authority under ORS 267.200 to enter into contracts with Citigroup Global Markets, Goldman Sachs, JP Morgan, Morgan Stanley, Siebert Williams Shank, and UBS Financial Services for bond underwriting services (Contracts); and

WHEREAS, the total amount of the Contracts is likely to exceed \$500,000; and

WHEREAS, by Resolution dated October 25, 2017, the TriMet Board of Directors (Board) adopted a Statement of Policies requiring the Board to authorize personal services contracts obligating TriMet to pay in excess of \$500,000;

NOW, THEREFORE, BE IT RESOLVED:

1. That the Contracts shall conform with applicable law.
2. That the General Manager or his designee is authorized to execute the Contracts through their June 30, 2025, Contract terms.

Dated: August 12, 2020

Presiding Officer

Attest:

Recording Secretary

Approved as to Legal Sufficiency

Gregory E. Skillman

Legal Department