

# REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
3	06/25/12	Open	Action	06/15/12

Subject: Conditionally Awarding a Contract for Underwriter Services to Citigroup Global Markets, Inc.

## ISSUE

Whether or not to conditionally award a Contract for Underwriter Services to Citigroup Global Markets, Inc.

## RECOMMENDED ACTION

Adopt Resolution No. 12-06-\_\_\_\_\_, Conditionally Awarding a Contract for Underwriter Services to Citigroup Global Markets, Inc.

## FISCAL IMPACT

The fees for issuing an \$80 Million bond issue with Citigroup Global Markets, Inc. are estimated at \$199,293. The fee is comprised of an underwriter expense of \$28,893 and an average takedown fee (commission) of \$170,400.

The final cost of the underwriter services will be contingent on successful completion of the bond issuance. The fees associated with the transaction will be incorporated into the offering and therefore there is no fiscal impact to the operating budget.

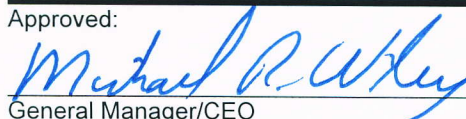
## DISCUSSION

On December 12, 2011, the RT Board authorized the release of a Request for Proposals (RFP) for a contract for Underwriter Services for the purpose of assisting RT with its first direct issuance of revenue bonds.

Staff released the RFP on March 26, 2012. The solicitation was advertised in publications of general circulation and posted on RT's website under Contracting Opportunities. Twenty-seven firms received the RFP. In response, RT received 15 proposals on May 7, 2012 from: Bank of America Merrill Lynch; Barclays Capital Inc.; Citigroup Global Markets, Inc.; De La Rosa & Co; Edward Jones; Jefferies & Company, Inc.; J.P. Morgan Securities LLC; Morgan Stanley; Piper Jaffray & Co.; Raymond James/Morgan Keegan; RBC Capital Markets, LLC; Siebert Brandford Shank & Co., L.L.C.; Stone & Youngberg; US Bancorp; and Wells Fargo Securities.

The Selection Committee scored the written proposals and created a short list for oral presentations. The qualifying criteria in the RFP included the Proposer's understanding of the project (20%), staffing and experience (20%), project work plan (25%), and competitiveness of price (35%). Ranking was based on a maximum of 100 points, using a scoring range of 1 to 10, and weighted in the four aforementioned categories.

Approved:



General Manager/CEO

Presented:



Chief Financial Officer

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The Selection Committee consisted of 6 members: Dee Brookshire, Chief Financial Officer; Brent Bernegger, Director, Finance and Treasury; Mike Mattos, Chief of Facilities and Business Support Services; Peter Ross from Ross Financial (RT’s Contracted Financial Advisor); Russ Branson, Administrative Services Director/Assistant City Manager from the City of Roseville; and Daniel Bills, Finance Director from the Sacramento Suburban Water District. The results of the Selection Committee’s scoring of the written proposals are as follows:

From the evaluation of the written proposals, 5 firms scored in the competitive range and were invited to oral interviews that were held on June 1, 2012. Oral presentations were a final opportunity for firms to emphasize the depth of their experience in underwriting California and national transportation bonds, the specific qualifications of the key staff members, and the proposed structure for RT’s obligations. The final results are as follows:

Underwriter Services						
Rank	Proposer	Project Understanding	Project Staffing & Experience	Project Work Plan	Price	Total Points*
1	Citigroup	114	118	141	189	562
2	J.P. Morgan	109	108	133	189	539
3	RBC Capital Markets	105	107	128	189	529
4	Raymond James/MK	82	84	90	184	440
5	Wells Fargo	68	77	80	168	393

\*700 points available

Citigroup Global Markets, Inc. (“Citi”) scored the highest of all Proposers during evaluation of written proposals and after oral presentations. The Selection Committee determined that Citi’s proposal is the most advantageous proposal for underwriter services for RT.

Citi has a strong understanding of RT, its project, and of transit. Citi has extensive experience with bond financing for California transportation projects including farebox revenue bonds, sales tax revenue bonds and other similar financings. Its client references include multiple California transportation agencies such as Bay Area Rapid Transit, Caltrain, Santa Clara Valley Transportation Authority, and Los Angeles County Metropolitan Transportation Authority. Citi assigned an experienced staff to RT’s account and during oral presentations, it was evident that all members add value to the team. Citi’s depth and breadth of experience assures the Selection Committee that this team is highly qualified to serve as underwriter for RT’s first venture into direct revenue bond financing.

Citi’s proposed fees for underwriter services are considered fair and reasonable. Citi’s estimated fee of \$199,293 is the third-lowest of all 15 proposers’ fees, which ranged from a low of \$185,712 to a high of \$417,248.

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Due to limited subcontracting opportunities, no Small Business Enterprise (SBE) goal was set for this procurement.

Staff did not send out the Notice of Intent to Award to the unsuccessful proposers until June 13, 2012. Proposers that are not selected are entitled to protest a decision to award and must be granted a full 10 days to submit a protest to RT. Because the Notice of Intent to Award was not sent out until June 13, 2012, proposers have until June 27, 2012 to protest the award. Therefore, staff recommends that the Board conditionally award the underwriter services contract to Citigroup Global Markets, Inc. conditioned upon the 10-day bid protest period elapsing and RT not receiving any protest.

Staff recommends the Board award the underwriter services contract to Citigroup Global Markets, Inc. The amount of the Underwriter fees will be determined by the size of the issue, therefore it is not yet possible to know the exact amount of the charge; however, it is expected that the amount will not exceed \$199,293.

RESOLUTION NO. 12-06-\_\_\_\_\_

Adopted by the Board of Directors of the Sacramento Regional Transit District on this date:

June 25, 2012

**CONDITIONALLY AWARDING A CONTRACT FOR UNDERWRITER SERVICES TO  
CITIGROUP GLOBAL MARKETS, INC.**

BE IT HEREBY RESOLVED BY THE BOARD OF DIRECTORS OF THE  
SACRAMENTO REGIONAL TRANSIT DISTRICT AS FOLLOWS:

THAT, the Contract between the Sacramento Regional Transit District, therein referred to as "RT," and Citigroup Global Markets, Inc., therein referred to as "Consultant," whereby Consultant agrees to provide Underwriter Services, as specified, for an amount not to exceed \$199,293, is hereby approved, contingent upon no protest being properly filed by the close of business on Wednesday, June 27, 2012.

THAT, the Chair and General Manager/CEO are hereby authorized and directed to execute said Contract.

\_\_\_\_\_  
BONNIE PANNELL, Chair

A T T E S T:

MICHAEL R. WILEY, Secretary

By: \_\_\_\_\_  
Cindy Brooks, Assistant Secretary