

REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
14	10/22/12	Open	Action	10/16/12

Subject: Amend Contract for Underwriter Services with Citigroup Global Markets, Inc.

ISSUE

Whether or not to authorize the General Manager/CEO to execute an amendment to the Contract for Underwriter Services with Citigroup Global Markets, Inc.

RECOMMENDED ACTION

Adopt Resolution No. 12-10-____, Authorizing the General Manager/CEO to Execute an Amendment to the Contract for Underwriter Services with Citigroup Global Markets, Inc.

FISCAL IMPACT

Increase the estimated underwriter expenses by \$18,778, for a new maximum potential fixed expense total of \$47,671; and increase the estimated takedown (commission) by \$129,600, from a flat \$170,400 to a not-to-exceed amount of \$300,000 to reflect the effect of increasing the bond size and changing the structure of the bonds. Actual takedown costs may be as low as \$266,000.

Note: 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

RT is currently undertaking its inaugural direct financing issue under the authority conferred by AB 1143. As part of this effort, on June 25, 2012, the RT Board conditionally awarded a contract for underwriter services to Citigroup Global Markets, Inc. (Citi). The award was made following a procurement process that involved consideration of fifteen proposals that were submitted in response to the RT's Request for Proposals (RFP). Citi scored the highest of all proposers during both the evaluation of written proposals and after oral presentations, thus the selection committee determined that Citi's proposal was the most advantageous proposal for underwriter services for RT. Following the Board's action to award, RT sought to enter into its standard contract for services with Citi; however, entering into a separate contract is not a usual practice for underwriters, as the terms of the issue are customarily set forth in a Bond Purchase Agreement (BPA) between the issuer and the issuing agency. Nonetheless, RT required a separate contract with Citi and Citi ultimately agreed to sign the separate contract in addition to the BPA.

The contract was written with not-to-exceed limits based on the information provided in the response to the RFP, as would be customary had the size and structure of the issue been determined in advance of the RFP. However, the response to the RFP was based on a hypothetical structure of \$80 million with level debt service over thirty years at a rate of \$2.13 per Bond. The hypothetical scenario did not envision the call features that are now included. The

Approved:

Presented:

Final 10/17/12

General Manager/CEO

Chief Financial Officer

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take-down (commission) rate in the RFP was provided as an estimate only as the actual take-down rate will fluctuate with market conditions, and size of the issue and will be fully determined at the time the Bonds are priced and sold. Given that, the hypothetical take-down at the rates provided in the RFP was \$170,040. Several changes have occurred related to placement of the bonds within the financing structure with regard to the balance of the transaction. These changes were made to make it possible to call certain sums of bonds if RT decides to pay down the issue when either or both of the TCRP and Proposition 1B funds become available for the South Sacramento Corridor Phase 2 project.

Fixed expenses identified in the RFP response totaled \$28,893. Additionally and subsequent to the contract, the financing team determined that the inclusion of the following will be advantageous to both pre-marketing and pricing the bonds and propose increasing the fixed expenses by \$18,778 to include the following:

- Develop and make available to potential investors a Netroadshow Presentation, which is the recording of a live investor call and website with marketing presentation, (\$7,500 fixed cost)
- IPREO Order Viewing, which will allow the viewing of orders from investors in real-time during pricing (\$0.015 per bond or \$1,278 under current par size)
- Travel expenses – actual expenses up to \$10,000 (to reflect pricing in New York)

Staff recommends the Board authorize the General Manager/CEO to execute an amendment to the contract for underwriter services with Citigroup Global Markets, Inc. to: a) increase the not-to-exceed amount by adding \$129,600 to the potential take-down and b) \$18,778 to fixed expenses for a new total potential compensation amount of up to \$347,671.

RESOLUTION NO. 12-10-_____

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

October 22, 2012

**AUTHORIZING THE GENERAL MANAGER/CEO TO EXECUTE AN AMENDMENT TO
THE CONTRACT FOR UNDERWRITER SERVICES WITH CITIGROUP GLOBAL
MARKETS, INC.**

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

THAT, the General Manager/CEO is authorized to amend 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, to increase the total consideration to an amount to be determined at the time of the sale of the Bonds at a rate estimated at \$2.66 per bond at the current pricing size, with a not-to-exceed amount of \$3.00 per bond, plus expenses, thereby increasing the total consideration under the Contract by \$148,378, for a total not-to-exceed amount of \$347,671.

BONNIE PANNELL, Chair

A T T E S T:

MICHAEL R. WILEY, Secretary

By: _____
Cindy Brooks, Assistant Secretary