



**THE PORT
OF LOS ANGELES**
Executive Director's
Report to the
Board of Harbor Commissioners

DATE: MAY 5, 2021

FROM: DEBT & TREASURY MANAGEMENT

**SUBJECT: RESOLUTION NO. _____ TO ESTABLISH A THREE-YEAR
POOL OF INVESTMENT BANKING FIRMS TO PROVIDE
UNDERWRITING, REMARKETING AND INVESTMENT BANKING
SERVICES**

SUMMARY:

Staff requests adoption of the Resolution authorizing approval of a pool of thirteen investment banking firms for a period of three years to provide underwriting services and access to capital markets in order to meet the Harbor Department's financing needs.

The Department will enter into agreements with the underwriters at the time of each transaction detailing responsibilities and expectations from each firm.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners (Board):

1. Find that the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II, Section 2(f) of the Los Angeles City CEQA Guidelines;
2. Approve and appoint the following thirteen investment banking firms to a pool for a period of three years to provide the Harbor Department with investment banking services: Academy Securities; BofA Securities; Barclays; Goldman Sachs & Co., LLC; J.P. Morgan Securities, LLC; Jeffries, LLC; Loop Capital Markets, LLC; Morgan Stanley & Co., Inc.; RBC Capital Markets, LLC; Ramirez & Co. Inc.; Siebert Williams Shank & Co., LLC; UBS Financial Services Inc.; Wells Fargo Securities; and
3. Adopt Resolution No. _____.

DATE: MAY 5, 2021

PAGE 2 OF 4

SUBJECT: TO ESTABLISH A POOL OF INVESTMENT BANKING FIRMS

DISCUSSION:

Background – Section 609 of the City of Los Angeles (City) Charter authorizes the Harbor Department to borrow money and to issue bonds, refunding bonds, notes and other evidences of indebtedness for any lawful purpose. Such borrowings are payable from the revenues of the Harbor Department and from any other sources lawfully available to the Harbor Department or under its control, in the form and manner approved by the Board. In order to fund capital projects and meet short-term financing needs, the Harbor Department has from time-to-time issued long and short term debt instruments in the form of bonds and commercial paper notes.

Investment banks play a key role in the Harbor Department's financing team as these underwriters assist in the structuring, marketing and distribution of bonds and commercial paper notes. The banks' market reach, access, and understanding of the needs of the investor base provide a direct benefit to the Harbor Department in the form of wide distribution and efficient cost of borrowing. Based on the complexity of the work to be completed, market conditions, and the financial risk associated with large-scale financing transactions, using investment banks to aid the Harbor Department is warranted.

There were twelve firms in the previous pool that was established in May 2018, pursuant to Resolution 18-8284. The Department selected firms from that pool for the following transaction in 2019 that was approved by the Board:

- In June 2019, the Department selected Jefferies, LLC, Siebert Cisneros Shank & Co., LLC, and UBS Financial Services Inc. from the pool to refund 2009 Series A and C Bonds on their call dates by issuing 2019 Series A, B, C1 (Green) and C2 (Green) Bonds for \$163.08 million resulting in net present value savings of \$43.69 million or 20.26% of the refunded bonds.

Prior to this transaction, the firms in the pool were surveyed through a questionnaire focusing on bond structuring, marketing strategies, and fees as primary selection criteria.

Pool Selection Process – On February 2, 2021, the Harbor Department issued a Request for Qualifications (RFQ) for underwriting, remarketing and investment banking services. This RFQ was submitted electronically to 34 firms doing business in California, utilizing the latest edition of the *Bond Buyer's Municipal Marketplace*, a leading directory of public finance professionals, as well as firms that had contacted the Department and expressed an interest to receive the RFQ. The RFQ was also posted to the Department's website and on the City of Los Angeles' Business Assistance Virtual Network (LABAVN).

DATE: MAY 5, 2021

PAGE 3 OF 4

SUBJECT: TO ESTABLISH A POOL OF INVESTMENT BANKING FIRMS

Twenty-seven statements of qualifications (SOQ) were received by the February 23, 2021 deadline. The SOQs (Transmittal 1) were reviewed and evaluated by a selection panel comprised of five professional level finance staff, four of whom are Harbor Department employees and one who is employed by the Debt Group of the Office of the City Administrative Officer (CAO).

The selection panel evaluated and ranked the firms utilizing the criteria listed under Exhibit E in the RFQ (Transmittal 2). Based on the evaluation process, staff is recommending the inclusion of thirteen firms in the pool, nine are large firms and the remaining four or 31% are small, minority, woman, and disabled veteran owned business enterprises (SBE/MBE/WBE/DVBE). All thirteen proposed firms scored 80 and above, the minimum scoring threshold, by the selection panel. Creating a diverse pool of underwriters provides the Harbor Department with access to a wider range of investors. The banks being recommended would enable the Harbor Department to obtain the broadest range of financing choices when the need arises.

Services to be Performed – The Harbor Department will select firms from the pool on an as-needed basis to perform investment banking services based on the specific needs of future financings. In case the need arises during the next three years, the pool includes firms deemed eligible to serve as senior managers and/or co-managers for fixed rate debt, remarketers for variable rate debt, and/or dealers for commercial paper. The Harbor Department will enter into agreements with the underwriters at the time of each transaction detailing responsibilities and expectations from each firm. All transactions require Board and City Council approval.

Prospective transactions over the course of the next 18 months may include refinancing previously issued debt to lower debt service costs at lower interest rates depending on market conditions.

ENVIRONMENTAL ASSESSMENT:

The proposed action is a Resolution to establish a pool of underwriters to provide investment banking services for the Harbor Department, which is an administrative activity. Therefore, the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with Article II, Section 2(f) of the Los Angeles City CEQA Guidelines.

DATE: MAY 5, 2021

PAGE 4 OF 4

SUBJECT: TO ESTABLISH A POOL OF INVESTMENT BANKING FIRMS

FINANCIAL IMPACT:

There are no costs beyond staff time and materials associated with the establishment of a pool of investment banks. Costs associated with utilizing the services of one or more of the investment banks in the proposed pool will be incurred when a Board-approved financing transaction is required, and will be paid out as a cost of issuance from the bond proceeds.

CITY ATTORNEY:

The Office of the City Attorney has reviewed this Board Report and finds there are no legal issues to address at this time.

TRANSMITTALS:

1. List of Responding Firms
2. Selection Evaluation Form (Exhibit E)
3. Ranking of Firms by Score

Soheila Sajadian

Digitally signed
by Soheila

Sajadian

Date: 2021.05.13

SOHEILA SAJADIAN 10:17:38 -07'00'
Director, Debt & Treasury Division

FIS Approval: MB (initials)
CA Approval: SO (initials)

Marla Bleavins

MARLA BLEAVINS
Deputy Executive Director and Chief
Financial Officer

APPROVED:

Marla Bleavins For

EUGENE D. SEROKA
Executive Director