

“FOR DISCUSSION ONLY”

DATE: APRIL 19, 2018

TO: AUDIT COMMITTEE OF THE BOARD OF HARBOR COMMISSIONERS

SUBJECT: ESTABLISHMENT OF A THREE-YEAR POOL OF INVESTMENT BANKING FIRMS

Background

In April 2018, the Harbor Department's (Department) three-year pool (Pool) of investment banking firms expires. The Pool was established and approved by the Board of Harbor Commissioners in April 2015 (Resolution 15-7798). There were twelve firms within the Pool from which in July 2015, US Bancorp and Samuel A. Ramirez & Co., LLC a minority business enterprise (MBE) were selected on a competitive basis as broker/dealers to remarket the Department's Commercial Paper ("CP") notes.

Furthermore, in September 2015 the Department selected Siebert Brandford Shank & Co., LLC (MBE) and RBC Capital Markets from the Pool to refund (i.e. refinance) 2005 Series A & B Bonds by issuing 2015 Series A Bonds of \$37 million resulting in net present value savings of \$5.7 million.

Additionally in October 2016, the Department selected RBC Capital Markets, Citigroup, and Loop Capital Markets (MBE) from the Pool to refund its 2006 Series A, B & C Bonds by issuing 2016 Series A, B, & C (Green Bonds) for total of \$201.6 million resulting in net present value savings of \$33.7 million.

Although the Department is not currently planning to issue any new debt, the establishment of the Pool is recommended in order to take advantage of refunding opportunities to reduce future debt service, as well as meeting near-term liquidity needs through the Department's CP Program.

Executive Summary

A Request for Qualification (RFQ) was released electronically on January 30th, 2018 to 43 firms listed in the most recent edition the Bond Buyer's Municipal Marketplace under California, as well as any other firms that had expressed an interest in doing business with the Department. The RFQ was also posted to the Department's website as well as on the City of Los Angeles' Business Virtual Network ("LABVN"). The Statements of Qualifications (SOQ) from the firms were due on February 20th, 2018.

A total of 29 SOQs were received (Transmittal 1) and were reviewed by a selection committee comprised of six professional level finance staff, five of which are Department employees and one from Los Angeles World Airports. The rating of the SOQs' was based on the criteria listed under Exhibit E of the RFQ (Transmittal 2).

Conclusion

The following twelve firms have scored the highest by the selection committee based on their responses to the RFQ (Transmittal 3):

1. Bank of America Merrill Lynch
2. Barclays Capital Inc.
3. Drexel Hamilton, LLC (SBE/DVBE)
4. Goldman Sachs & Co., LLC
5. J.P. Morgan Securities, LLC
6. Jeffries, LLC
7. Loop Capital Markets, LLC (MBE)
8. Morgan Stanley & Co. LLC
9. RBC Capital Markets
10. Samuel A. Ramirez & Co. Inc. (MBE)
11. Siebert Cisneros Shank & Co., LLC (SBE/MBE/WBE)
12. UBS Financial Services

Designations are as follows: SBE- Small Business Enterprise; MBE – Minority Business Enterprise; WBE –Woman Business Enterprise; DVBE – Disabled Veteran Business Enterprise

These diverse firms will be able to provide the Department with access to a wide range of investors as well as allow the Department to take advantage of refunding opportunities to reduce debt service costs for the Department.

Prior to each transaction the firms in the pool will be surveyed through a questionnaire focusing on strategies, structuring and marketing, as well as their fees for an upcoming transaction. The firms providing the best responses will be selected for the transaction subject to the approval of the Board of Harbor Commissioners. The agreements with the underwriters will be approved by the Board in advance of each transaction.

Transmittals:

1. List of Responding Firms
2. RFQ Selection Evaluation Form
3. Panel Rating Sheets



EUGENE D. SEROKA
Executive Director



MB/SS/Debt & Treasury Division
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**Underwriting, Remarketing, and Investment Banking Services
Statements of Qualifications Received - February 20, 2018**

	Firm	Designation*	Address	City/State	ZIP CODE
1	280 Securities	SBE/VSB	575 Market St., Suite 3800	San Francisco, CA	94105
2	Academy Securities, Inc.	MBE/DVBE	140 East 45th St., Suite 5A	New York, NY	10017
3	Backstrom McCarley Berry & Co., LLC	SBE/VSB/MBE	115 Sansome St., Mezz A	San Francisco, CA	94104
4	Bank of America Merrill Lynch	OBE	333 S. Hope St., Suite 2310	Los Angeles, CA	90071
5	Barclays Capital Inc.	OBE	745 Seventh Ave. 19th Floor	New York, NY	10019
6	Blaylock Van, LLC	MBE	350 Frank H. Ogawa Plaza, 10th Floor	Oakland, CA	94612
7	Cabrera Capital Markets, LLC	MBE	633 West 5th St.	Los Angeles, CA	90071
8	Citigroup Global Markets Inc.	OBE	444 South Flower St., 27th Fl.	Los Angeles, CA	90071
9	Drexel Hamilton, LLC	SBE/DVBE	350 Rhode Island St., Suite 240	San Francisco, CA	94103
10	Estrada Hinojosa & Company, Inc.	MBE	5757 West Century Blvd., Suite 700	Los Angeles, CA	90045
11	Fidelity Capital Markets	OBE	100 California St., Suite 1100	San Francisco, CA	94111
12	FTN Financial Capital Markets	OBE	633 W. 5th St., Suite 2600	Los Angeles, CA	90071
13	Goldman Sachs & Co. LLC	OBE	2121 Avenue of the Stars, Suite 2600	Los Angeles, CA	90067
14	Hutchinson, Shockey, Erley & Co.	SBE	811 Wilshire Blvd., Suite 1810	Los Angeles, CA	90071
15	J.P. Morgan Securities LLC	OBE	1125 17th St., Floor 02	Denver, CO	80202
16	Jefferies LLC	OBE	11100 Santa Monica Blvd., 12th Fl.	Los Angeles, CA	90025
17	Loop Capital Markets LLC	MBE	12100 Wilshire Blvd., Suite 605	Los Angeles, CA	90025
18	Morgan Stanley & Co. LLC	OBE	555 California St., 21st Floor	San Francisco, CA	94104
19	RBC Capital Markets, LLC	OBE	777 S. Figueroa St., Suite 850	Los Angeles, CA	90017
20	Rice Securities, LLC	MBE	55 Broad St., 27th Fl.	New York, NY	10004
21	Samuel A. Ramirez & Co., Inc.	MBE	445 S. Figueroa St., Suite 2310	Los Angeles, CA	90071
22	Siebert Cisneros Shank & Co., LLC	SBE/MBE/WBE	660 S. Figueroa St., Suite 1720	Los Angeles, CA	90017
23	Stern Brothers & Co.	WBE	14724 Ventura Blvd., Suite 809	Sherman Oaks, CA	91403
24	Stifel, Nicolaus & Company, Inc.	OBE	515 South Figueroa St., Suite 1800	Los Angeles, CA	90071
25	TD Securities (USA)	OBE	31 West 52nd St., 2nd Fl.	New York, NY	10019
26	The Williams Capital Group, L.P.	SBE/MBE	650 Fifth Ave., 9th Floor	New York, NY	10019
27	Tribal Capital Markets, LLC	SBE/MBE	42 Broadway, 3rd Floor	New York, NY	10004
28	UBS Financial Services Inc.	OBE	555 California St., Suite 4650	San Francisco, CA	94104
29	Wells Fargo Bank	OBE	333 S. Grand Ave., 5th Floor	Los Angeles, CA	90071

* Designations are as follows: SBE - Small Business Enterprise; VSB - Very Small Business Enterprise; MBE - Minority Business Enterprise; WBE - Woman Business Enterprise; DVBE - Disabled Veteran Business Enterprise; OBE - Other Business Enterprise

Transmittal 2

EXHIBIT E

RFQ SELECTION EVALUATION FORM

PROJECT: UNDERWRITING, REMARKETING AND INVESTMENT BANKING SERVICES

SCORING GUIDELINES:

Rater's Score: (Range 0-5) - 0=not included/non responsive; 1=Marginal Abilities, Serious Deficiencies; 2=Adequate with Minor Deficiencies; 3=Adequate, Standard-Acceptable; 4=Well Qualified; 5=Exceptionally Well Qualified.

Weighting Factor: Input using a range of 1 through 6, with 1 being of relative lower importance and 6 being relative highest importance. You may use each number (1 through 6) more than once; however, in establishing weights, the total of all the weighting factors (A - E) must equal 20. Example: 3+2+6+4+5=20 or 3+3+3+6+5=20

Weighted Score= Rater's Score multiplied by (x) Weighting Factor. Totals should be calculated for each criterion.

Total score = Sum of all weighted scores.

Firm Name	Evaluated by	Date

CRITERIA TO BE RATED	RATER'S SCORE	WEIGHING FACTOR	WEIGHTED SCORE
A. Firm Qualifications, Experience and References	Has the company done similar work? Level of expertise in financings comparable to the Port's needs.	5	
B. Personnel, and Experience of the Assigned Key Personnel	Qualification and experience of proposed personnel for requested services.	5	
C. Ability of the Firm to Address the Financing Needs of the Port	Has the company demonstrated an understanding of the Port's financing needs and provided options and approaches to meet the Port's objectives?	4	
D. Proposed Costs/Fees	Competitive rates and expenses proposed?	3	
E. Clarity and Comprehensiveness of the Proposal	Is the proposal clear, comprehensive, and understandable?	3	
A+B+C+D+E =20			Maximum points possible = 100

