

Staff Summary



Subject		Date																																									
Selection of Bond Underwriters		September 18, 2013																																									
Department		Vendor Name																																									
Finance Department																																											
Department Head Name		Contract Number																																									
Patrick J. McCoy <i>BM</i>																																											
Department Head Signature		Contract Manager Name																																									
Division Head Name		Table of Contents Ref #																																									
Bob Foran <i>[Signature]</i>																																											
<table border="1"> <thead> <tr> <th colspan="6">Board Action</th> <th colspan="4">Internal Approvals</th> </tr> <tr> <th>Order</th> <th>To</th> <th>Date</th> <th>Approval</th> <th>Info</th> <th>Other</th> <th>Order</th> <th>Approval</th> <th>Order</th> <th>Approval</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Finance</td> <td>9/16</td> <td>X</td> <td></td> <td></td> <td>2</td> <td><i>CR</i> Chief of Staff</td> <td>1</td> <td>Legal <i>[Signature]</i></td> </tr> <tr> <td>2</td> <td>Board</td> <td>9/18</td> <td>X</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>				Board Action						Internal Approvals				Order	To	Date	Approval	Info	Other	Order	Approval	Order	Approval	1	Finance	9/16	X			2	<i>CR</i> Chief of Staff	1	Legal <i>[Signature]</i>	2	Board	9/18	X						
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Purpose:

To obtain Board approval to qualify firms for underwriting assignments on MTA (including affiliates and subsidiaries) bond and note issues in connection with the MTA financed portion of approved capital programs as well as for financing of special projects outside of approved capital programs, as set forth below, including: (1) a pool of 10 bond underwriters to serve as senior managers, including one joint venture for a total of 11 firms, (2) a pool of 22 bond underwriters to serve as co-managers, including two joint ventures for a total of 24 firms, and (3) a pool of 18 bond underwriters to serve as selling group members.

Background:

The Authority released its Request for Proposals ("RFP") for Underwriters on June 25, 2013. The RFP was advertised in the *The New York State Contract Reporter*, *Minority Weekly*, *The New York Post*, *El Diario*, *The Wall Street Journal*, and *The Bond Buyer*. The RFP solicited firms to serve as members of the MTA underwriting teams on negotiated financings. The MTA selection process continues to lower barriers to entry and create opportunities for qualified New York State certified Minority and Women-Owned Business Enterprises ("M/WBEs") to ensure that MTA meets the 2010 New York State Business Diversification Act requirements for participation by M/WBE firms.

The selection committee of seven members was comprised of representatives of MTA Finance, Legal, Treasury, Budget, Diversity and Civil Rights, and Bridges & Tunnels. The Authority's Financial Advisor (Lamont Financial) and staff from the MTA Procurement, Finance and Strategic Initiative Departments served in a non-voting advisory capacity to the committee. The committee reviewed the responses with the following selection criteria as guidelines for evaluation and scoring:

Senior Managers:	<ul style="list-style-type: none"> (1) Experience and knowledge of the MTA, other transportation issuers, and M/WBE status, (2) Securities distribution capabilities, both institutional and retail, (3) Composition of MTA client team demonstrating knowledge of MTA and expertise in the Capital Markets, (4) Technical capabilities, (5) Quality of financing and structuring ideas, (6) Financial strength and capital position, and (7) Oral interviews (discussion of questions posed and presentation).
Co-Managers:	<ul style="list-style-type: none"> (1) Capital position, (2) Distribution capabilities, (3) Volume of orders generated, (4) On-going service and commitment to the MTA, and (5) Specialty or niche (i.e. regional, retail, M/WBE).

Senior manager proposers that were not selected as senior managers were rated with other co-manager proposers.

Results of the RFP:

A total of 50 proposals were received by the stated RFP deadline of July 19, 2013; 25 seeking to be qualified as senior manager, 24 seeking to be qualified as co-manager, and 1 seeking to be qualified as a selling group member. All of the written proposals were reviewed and scored by the seven scoring committee members. Based on the scoring of the written proposals, seventeen proposers seeking to be qualified as senior manager were invited to appear before the selection committee for oral interviews. Interviews were held on August 19-23, 2013 at MTA Headquarters. The conclusions and recommendations of the selection committee are set forth below.

Discussion:

As a frequent and large issuer of debt for the Capital Program, it is important for the MTA to select a group of highly capable underwriting firms that will consistently provide money-saving ideas and assist MTA in the effective placement of both fixed-rate and variable-rate indebtedness and the on-going management of its capital structure. In furtherance of these objectives, it is requested that the Board qualify pools of firms to serve as senior managers, co-managers, and selling group members.

The firms selected as "Senior Managers" will rotate in the role of book-running senior manager on negotiated fixed-rate and variable-rate financings. The senior manager is required to actively participate in all aspects of the transaction, including but not limited to structuring the financing, participating in investor and rating agency discussions, managing syndicate communication, marketing and pricing the bonds, closing, and monitoring post issuance trading activity. To assist in the placement of fixed-rate bonds, a large and diverse pool of co-managers is recommended for all negotiated fixed-rate financings. Moreover, a co-manager that has an affiliate that is providing a Letter of Credit or Standby Purchase Agreement for a variable-rate transaction is also eligible to serve as a remarketing agent/dealer on such a transaction upon the

recommendation of such assignment by the Director of Finance and approval of the Chief Financial Officer. A selling group is also used on fixed-rate transactions to ensure the widest distribution possible of MTA bonds to retail investors. Selling group members are not assigned underwriting liability in transactions.

Appointments of senior managers will be based on a rotation in the order listed below, which order corresponds to the selection committee scoring. In addition, upon the recommendation of the Director of Finance, the Chief Financial Officer may approve merit based senior manager assignments to any firm that proposes unique and cost-saving ideas whether in the senior, co-manager, or selling group. It is recommended that MTA continue the practice of rotating M/WBE co-manager firms to the role of co-senior manager on every transaction as a way to advance M/WBE participation in debt financings, consistent with MTA's implementation of the 2010 New York State Business Diversification Act. Upon the recommendation of the Director of Finance, the Chief Financial Officer may also authorize issuance of bonds competitively from time to time.

Adoption of the underwriting recommendations will significantly expand MTA's utilization of M/WBE underwriting firms. Three out of the ten senior underwriting positions proposed for selection include M/WBE firms, achieving a 30% participation rate. Moreover, the co-manager pool listed below includes nine M/WBE firms, amounting to 41% of the recommended co-manager firms.

1. Senior Managers: The selection committee unanimously voted to recommend the 11 firms listed below for 10 senior manager roles based upon their written proposals and oral interviews. The number of firms included in the proposed senior underwriting group is larger than the existing group of senior managers. This group of senior managers includes two new firms not previously part of the senior manager pool.

Senior Managers (listed in order of recommended transaction rotation)

1. Goldman, Sachs & Co.
2. BofA Merrill Lynch
3. Morgan Stanley/Siebert Brandford Shank & Co., LLC * (joint venture)
4. Wells Fargo Securities
5. Jefferies
6. RBC Capital Markets (new)
7. J.P. Morgan
8. Loop Capital Markets LLC * (new)
9. Ramirez & Co., Inc. *
10. Citigroup

* M/WBE

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Co-Managers: The selection committee unanimously voted to recommend the 24 firms listed below (alphabetically) for 22 co-manager roles. This group of co-managers significantly expands the existing group of 14 managers. Fifteen firms originally proposed to serve as senior manager are recommended as co-managers. Seven of the 24 firms that proposed for a co-manager assignment were selected for this group. Eleven of the firms recommended are new firms in the co-manager pool.

1. Barclays Capital
2. M.R. Beal & Company *
3. Cabrera Capital Markets, Inc. * (new)
4. Castleoak Securities, L.P. * (new)
5. Duncan Williams/Oppenheimer * (joint venture)
6. Estrada Hinojosa & Company, Inc. * (new)
7. Fidelity Capital Markets
8. Janney Montgomery Scott LLC (new)
9. Keybank Capital Markets (new)
10. Lebenthal & Co., LLC * (new)
11. M&T Securities, Inc. (new)
12. Mesirow Financial, Inc.
13. Piper Jaffray & Co.
14. PNC Capital Markets LLC (new)
15. Raymond James
16. Rice Financial Products * /The Bank of New York Mellon (new as a joint venture)
17. Roosevelt & Cross, Inc.
18. Stern Brothers & Co. * (new)
19. Stifel, Nicolaus & Company, Incorporated
20. TD Securities
21. US Bancorp Municipal Securities Group (new)
22. Williams Capital Group, L.P. * (new)

* M/WBE

Selling Group Members: The selection committee unanimously voted to recommend the remaining 18 firms listed below as selling group members (listed alphabetically). This group of selling group firms is smaller than the previously existing group of 39 members, as 8 firms were elevated from selling group status to co-manager. However, of the eighteen firms listed below four are new to the selling group member pool. Consistent with prior MTA Finance practices, periodically after this RFP Selection process, selling group member firms may be added to this pool at the discretion of the Director of Finance provided the firm successfully completes MTA's Responsibility Review.

1. Academy Securities *
2. Backstrom McCarley Berry & Co. *
3. Blaylock Robert Van *
4. BMO Capital Markets (new)
5. Drexel Hamilton, LLC
6. Edward Jones
7. FTN Financial (new)
8. Great Pacific Securities *
9. Hapoalim Securities USA, Inc.
10. IFS Securities * (new)
11. Prager & Co., LLC

12. R. Seelaus & Co.
13. Robert W. Baird & Co.
14. RockFleet Financial *
15. Ross, Sinclair & Associates
16. Southwest Securities (new)
17. Sterne Agee & Leah, Inc.
18. Toussaint Capital Partners *

* M/WBE

In the event that any of the foregoing co-managers is acquired or merges with another firm, the successor firm may serve in the place of the chosen firm at the discretion of the Chief Financial Officer upon the recommendation of the Director of Finance.

The MTA Finance Department will conduct periodic reviews of all firms engaged in the sale and distribution of its bonds. Upon the recommendation of the Director of Finance, the Chief Financial Officer is further authorized to remove any firm that is not providing a level of service that is satisfactory to the MTA.

Recommendation:

The MTA Board is requested to approve the selection of the above-referenced firms, to approve the establishment of the above referenced pools of senior managers, co-managers, and selling group members and to approve the utilization of the firms and pools in accordance with the above-stated procedures, for underwriting and remarketing assignments on MTA (including affiliates and subsidiaries) negotiated bond and note issues in connection with the bond financed portion of approved capital programs as well as for financing of special projects outside of approved capital programs. The recommendation will allow the MTA to implement its financing program as efficiently and effectively as possible and will also significantly increase M/WBE participation in its bond issuances. It is recommended that these pools of firms remain in place for 3 years or until such time that a new RFP is concluded.