



MAY 18, 2009

AGENDA ITEM # **9**

IDENTIFICATION OF INVESTMENT BANKING FIRMS ELIGIBLE TO ASSIST WITH THE ISSUANCE OF PUBLIC DEBT

Action Requested: Update the pool of eligible investment banking firms

Key Staff: Brian Williams, Executive Director

Recommendation

Update the pool of investment banking firms from which to solicit bids for the provision of underwriting and related financial services associated with the issuance of public debt.

Discussion

In order to accelerate the delivery of the **New** Measure A capital program, the STA began to issue public debt in 2006. At that time, your Board certified a pool of 16 investment banking firms to facilitate the issuance of Bond Anticipation Notes (BANs) and future sales tax-backed financings. Investment bankers act as intermediaries between an issuer and private capital markets by purchasing debt instruments (bonds, notes, etc) from the issuer and offering them for resale to investors. They also advise issuers on effective ways to structure debt instruments to generate more revenue, reduce the cost of issuance, and improve marketability.

The financial markets have experienced substantial upheaval and restructuring during the past 18 months. As such, staff recommends that your Board update the investment banking pool, as such:

Banc of America Securities / Merrill Lynch

Citigroup Global Markets, Inc.

~~First Albany Capital~~

JP Morgan

Loop Capital Markets, LLC

Barclays Capital

RBC Capital Markets

Stone & Youngberg

Wedbush Morgan Securities

~~Bear Stearns & Co., Inc.~~

De La Rosa & Co. Investment Bankers

Goldman Sachs & Company

~~Lehman Brothers~~

MR Beal & Company

Morgan Stanley

Siebert Brandford Shank & Co., LLC

~~UBS Investment Bank~~

Jefferies & Company, Inc.

Bank of America and Merrill Lynch have merged into a single entity. Bear Stearns was bought by JP Morgan. First Albany's municipal finance unit was ultimately acquired by Jefferies. Lehman Brothers declared bankruptcy, and its municipal products group was purchased by Barclays Capital. UBS closed its municipal finance division. Wedbush Morgan is a California-based regional bank that has become increasingly active with California municipalities during the past several years.

Your Board's action to adjust the investment banking pool merely reflects the current circumstances of the effected firms. It does not commit your Board to do business with any particular bank, now or in the future. The pool expires at the end of 2012.