

Summary of Underwriter Qualifications

Proposed UAL Refinancing



CITY COUNCIL PRESENTATION
CITY OF REDONDO BEACH, CA
MAY 4, 2021

Presented by:

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EXECUTIVE SUMMARY

- City Staff and City's Municipal Advisor, Kosmont Transactions Services (KTS), previously presented the Budget and Finance Commission and subsequently the City Council with potential options to refinance the City's Unfunded Accrued Liability (UAL) with CalPERS for substantial savings
- With Commission's support, ultimately City Council directed Staff and KTS to:
 - Explore UAL refinancing options (POBs, LRBs)
 - Assemble Finance Team to assist City in preparing a refinancing transaction for City's consideration
- A Bond Underwriter is an integral part of the Finance Team and is needed to assist with developing the various structuring options that will ultimately be presented to City Council for consideration
- On behalf of the City, KTS issued a Request for Qualifications (RFQ) to 16 Bond Underwriting firms
 - Nine (9) firms submitted Statements of Qualifications (SOQ); six (6) firms were selected for interviews
- Results of the Underwriter Selection process were presented to the Budget and Finance Commission on April 22 and are now hereby presented to the City Council for consideration

BROAD DISTRIBUTION OF REQUESTS FOR QUALIFICATIONS

RFQs DISTRIBUTED (16)

280 Capital Markets	Oppenheimer & Co. Inc.
Barclay's	UBS Financial Services Inc.
Bank of America Securities	Stifel
Cabrera Capital Markets	Robert Baird & Co.
Hilltop Securities	RBC Capital Markets
JPMorgan Securities	Raymond James
Morgan Stanley	Ramirez & Co.
MUFG Union Bank	Piper Sandler & Co.

SOQs RECEIVED (9)

Barclay's
Cabrera Capital Markets ✓
Hilltop Securities ✓
JPMorgan Securities
Piper Sandler & Co ✓
Ramirez & Co. ✓
Raymond James ✓
Stifel ✓

DETAILED SCREENING PROCESS

- RFQ required following information:
 - Does firm meet certain minimum qualifications to provide Bond Underwriting Services to the City?
 - Does a firm's credentials comply with certain key metrics (e.g., minimum capital base, California presence, etc.)?
 - Specific unique value that firm brings to the City's bond financing
 - RFQ questions included as Appendix A
- Minimum Criteria:
 - All nine respondents have adequate capital, personnel, underwriting experience, and credentials to fulfill requirements
 - Empirical Data including statistics and information about each firm is summarized in Appendix B

SIX FIRMS SELECTED FOR INTERVIEWS

- KTS prepared Summary of Underwriter SOQs to Provide Underwriting and Services and reviewed results of our findings with Staff
- The six firms called for interviews demonstrated:
 - Comprehensive responsiveness to RFQ questions
 - Demonstrated financial capacity and technical capabilities
 - Superior overall issuance experience for refinancing UALs
- Videoconference interviews were held on April 20, 2021 by panel consisting of:
 - Jerry Woodham, Vice Chair, Budget and Finance Commission
 - Marni Ruhland, RB Director of Finance
 - Larry Kosmont, President, KTS
 - Dan Massiello, Sr. Vice President, KTS

CONCLUSIONS FROM SOQ REVIEW, INTERVIEWS AND BUDGET/FINANCE COMMISSION REVIEW

- Budget and Finance Commission voted 7-0 to endorse the following findings for City Council's consideration
- City will be better served by more than one underwriter for potentially large (\pm \$215 million) bond issue
 - Financing results likely improved with additional market coverage
- Appointing Stifel and Ramirez as Joint Senior Managers would provide the City with excellent intellectual capital and broad bond distribution capacity
 - Ramirez and Stifel provided the best overall SOQ responses and interview dynamics
 - Both firms have significant experience analyzing UALs for CA municipalities
- Appointing Stifel as “book-running” Joint Senior Manager will bring the advantage of two (2) California-based underwriting desks (SF and LA) to the City's bond issue
- Appointing Ramirez as a Joint Senior Manager provides advantage of advanced UAL-base analytics to help determine the optimal portion of UAL to refinance
- Anticipated underwriting fees between \$2.50 and \$4.00 per \$1,000 issued, depending on final structure and timing

NEXT STEPS

- If City Council agree with Budget and Finance Commission and Staff/KTS's conclusions, direct Staff to appoint Stifel and Ramirez as Joint Senior Managers
- KTS will bring presentation of various UAL refinancing options to City Council (expected May 18) for consideration, including:
 - Issuance of LRBs or POBs to refinance UAL
 - Percentage of UAL to refinance (e.g., 100%, 90%) including sensitivity analysis related to CalPERS returns
 - Preferred repayment structure and allocation of budget savings (e.g., increasing or decreasing payments, front-loaded savings, total overall savings, etc.)
- Bond authorization action will be prepared and brought to Council (expected June 1) and will include:
 - Issue structure and terms based on Council direction
 - Not-to-exceed underwriter's discount, interest rates, issuance size (par amount), and "good faith estimates" of issuance costs
 - Supporting legal documents, likely to include at least: Preliminary Official Statement, Trust Indenture, Lease Agreements (if LRB), Bond Purchase Agreement, Continuing Disclosure Agreement

THANK YOU – ANY QUESTIONS?



BUDGET AND FINANCE COMMISSION PRESENTATION
CITY OF REDONDO BEACH, CA
MAY 4, 2021

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APPENDIX

RFQ QUESTIONS

Firm Qualifications

- Provide a brief description of your firm, including years in business, corporate headquarters, ownership structure, number of employees and locations of offices in California.
- Provide a description of your firm's underwriting and distribution capabilities, including number of municipal finance professionals (e.g. bankers, underwriters), number of securities trading desks, and number of retail sales locations, both nationally and in California.
- Provide a listing of all municipal securities transactions for which your firm served as sole or senior book running manager for the past three (3) years. Please do not include issues where your firm was co-manager or a sales group member. Please highlight or segregate pension obligation bonds or similar financings where proceeds were used to refinance or restructure unfunded pension or "OPEB" liabilities.
- Provide the name, address, telephone number, and email address of three (3) references for whom the proposed personnel have served as underwriter since 2017 with responsibilities similar to those requested in this RFQ.
- Provide the latest available information regarding your firm's capitalization, including excess net capital and underwriting capacity.
- Provide the resumes and contact information of the personnel who will be working on this assignment for the City.

Proposed Bonds

- Discuss what you see as the key credit issues for the City in refinancing its UAL and how you would approach presenting this credit to rating agencies and bond insurers.
- Discuss your approach to marketing the City's credit to potential investors, including thoughts on how the City might strengthen the credit of the proposed Lease Revenue Bonds.
- Discuss your marketing and distribution plan for the bonds. Who do you anticipate the primary investors will be? What types of investors will your firm target? What strategy will your firm take to broaden the City's current investor base? Would you recommend a retail order period?
- Discuss your initial structuring ideas for refinancing the City's UAL. Should the City refinance 100% of its UAL? Why or why not? If not, what process would you undertake to help the City determine an appropriate funding level target and which discrete/annual underlying UALs to target for refinancing?
- Describe the firm's approach to pricing and marketing taxable bonds in a volatile capital market.

Compliance

Answer the following questions, and, if the response is affirmative, provide details and explanations as necessary in an appendix to your SOQ:

- Within the past 24 months, has your firm and/or any of its employees been the subject of any investigation relating to the municipal industry by the SEC, MSRB, FINRA, or any other state or federal organization that oversees, regulates, licenses or is otherwise responsible for the municipal industry?
- Within the past 24 months, has your firm and/or any of its employees been involved in any litigation, arbitration, disciplinary, or other actions arising from the firm's underwriting, management, derivatives, or municipal securities activities?
- Is there any compensation arrangement or relationship between your firm and any other nonaffiliated firm(s) or individual(s) that may be associated with or impact your possible engagement in the City's financing program? Is your firm receiving or paying any payment or consideration of any kind for securing the City's work?
- Disclose any existing or contemplated relationship which would constitute an actual or potential conflict of interest or appearance of impropriety in connection with the services requested in this RFQ.



APPENDIX

STATISTICS AND INFORMATION ABOUT RESPONDING FIRMS

Question 1: Firm Description	Years in Business	Corporate HQ	Ownership Structure	# of Employees	CA Office Locations	Comments
BofA Securities	>200	Charlotte, NC	Public	>200,000	871	
Barclay's	>300	New York, NY	Public	83,000	3	118 CA Employees
Cabrera Capital	20	Chicago, IL	Private	52	1	
Hilltop Securities	74	Dallas, TX	Public	770	8	88 CA employees
JP Morgan Securities LLC	>200	New York, NY	Public	255,000	972	
Piper Sandler & Co.	126	Minneapolis, MN	Public	1,573	4	103 CA employees
Ramirez and Co., Inc.	50	New York, NY	Private	133	1	
Raymond James	59	St. Petersburg, FL	Public	19,984	219	Has an office in Redondo Beach
Stifel	131	St. Louis, MO	Public	8,600	37	2 Public Finance offices in CA, 3 CA-based underwriters

Question 2: Underwriting and Distribution Capabilities	# Muni Finance Profess.	# Trading Desks	# CA Trading Desks	Retail Sales Locations USA	Retail Sales Locations CA	Comments
BofA Securities	238	N/R[1]	U/K	638	76	[1] Assume NYC
Barclay's	137	N/R[1]	U/K	0	0	[1] Assume NYC
Cabrera Capital	7	4	0	2	0	
Hilltop Securities	200	8	1	N/R	N/R[2]	[2]60 retail sales personnel in CA
JP Morgan Securities LLC	153	1	0	13,990	2,055	
Piper Sandler & Co.	150	13	1	N/R	N/R	3 Taxable Municipal Traders
Ramirez and Co., Inc.	67	1	0	3	0	Retail sales and trading operations are headquartered in NYC
Raymond James	171	7*	1	3,100	182	Dedicated Taxable Municipal Bond Desk
Stifel	200	6	N/R	N/R	N/R	2,300 retail salespeople managing \$300B in client accounts

Question 3: Transaction Experience	# Lead/Sole Managed Deals (past 3 years)	# POB/similar Financings (past 3 years)	Comments
BofA Securities	>1,000	11	#1 ranked senior manager of national municipal financings for both negotiated and competitive sales for the last nine consecutive years
Barclay's	296	2	
Cabrera Capital	14	3	
Hilltop Securities	532	11	
JP Morgan Securities LLC	6,339	4	Gave a list of 20 Senior managed Pension UAL Refinancing Deals since 2010
Piper Sandler & Co.	256*	5	*Only specified # of CA deals
Ramirez and Co., Inc.	145*	8*	*Since 2017, not past 3 years. Since 2017, managed 26% of all POBs issued by CA cities
Raymond James	2,003	8	Consistently ranks in top 10 nationally for senior managing negotiated and competitive long-term new issues
Stifel	*578	11	*Only specified CA deals. 1 bond underwriter for CA Public agencies

Question 4: References	Reference 1	Reference 2	Reference 3
BofA Securities	Talika Johnson, Dir. Admin. Services City of Azusa (626) 812-5202 tjohnson@azusaca.gov	Steve S. Charelian, Finance Director City of Manhattan Beach (310) 802-5552 scharelian@citymb.info	Nikolai Sklaroff, Deputy Dir., Debt & Treasury City of San Jose (408) 535-7832 Nikolai.sklaroff@sanjoseca.gov
Barclay's	Rose Tam, Finance Director City of Baldwin Park (626) 960-4011 x254 rtam@baldwinpark.com	Ron Hacker, Assistant Supt. Centinela Valley UHSD (310) 263-3220 hackerr@centinela.k12.ca.us	Tim Schafer, Deputy Treasurer, Public Finance State of California (916) 653-2995 Tim.schaefer@treasurer.ca.gov
Cabrera Capital	Michael Solorza, Finance Director City of Montebello (323) 887-1412 msolorza@cityofmontebello.com	Tarik Rahmani, Finance Director City of Carson (310) 952-1755 trahmani@carson.ca.us	David Esparza, Finance Director City of Inglewood (310) 412 5257 desparza@cityofinglewood.org
Hilltop Securities	Dave Carmany, City Manager City of West Covina (626) 939-8401 dcarmany@westcovina.org	Scott Ochoa, City Manager City of Ontario (909) 395-2555 sochoa@ontario.ca.gov	Andy Health, Finance Director City of Grass Valley (530) 274-4301 andyh@cityofgrassvalley.com
JP Morgan	Julia Cooper, Director of Finance City of San Jose (408) 535-7011 julia.cooper@sanjoseca.gov	Robert McDonald, General Manager Carpinteria Valley Water District (805) 684-2816 x107 bob@cvwd.net	Brian Beelner, AGM/CFO City of Anaheim (714) 765-4620 BBeelner@anaheim.net
Piper Sandler	Dan Buffalo, Finance Director City of Uiah (707) 463-6220 dbuffalo@cityofukiah.com	Jason Caudle, City Manager City of Lancaster (661) 723-6010 jcaudle@cityoflanasterca.org	Tarik Rahmani, Finance Director City of Carson (310) 952-1755 trahmani@carson.ca.us
Ramirez	Martha Garcia, Director of Mgmt. Svcs. City of Monterey Park (626) 307-1349 magarcia@montereypark.ca.gov	Bruce Foltz, Finance Director City of El Monte (626) 580-2075 bfoltz@elmonteca.gov	Felice Lopez, Finance Director City of Hawthorne (310) 349-2923 flopez@cityofhawthorne.org
Raymond James	Don Kent, Asst. CEO/County Fin. Officer County of Riverside (951) 955-1110 drkent@rivco.org	Edward Enriquez, CFO City of Riverside (951) 826-5660 eenriquez@riversideca.gov	Alma Martinez, City Manager City of El Monte (626) 580-2001 amartinez@elmonteca.gov
Stifel	David Bilby, Director of Finance City of Chula Vista (619) 409-3818 Dbilby@chulavista.gov	Sunny Rief, Assistant CFO City of Huntington Beach (714) 536-5907 Sunny.rief@surfcity-hb.org	Will Kolbow, Assistant City Manager City of Orange (714) 744-2235 wkolbow@cityoforange.org

Question 5: Capitalization	Total Capital	Excess Net Capital	Underwriting Capacity
BofA Securities	\$237,964,000,000	\$10,976,000,000	\$14.1B
Barclay's	\$10,648,700,550	\$2,872,639,706	\$14B
Cabrera Capital	\$17,012,309	\$8,872,140	\$1.51B
Hilltop Securities	\$442,320,000	\$288,710,000	\$4.1B
JP Morgan Securities LLC	\$41,900,000,000	\$22,600,000,000	No internal or legal limit
Piper Sandler & Co.	\$829,425,000	\$213,812,000	\$3.0B
Ramirez and Co., Inc.	\$37,600,000	\$36,400,000	\$3.16B
Raymond James	\$7,363,000,000	\$1,447,949,535	\$20B
Stifel	\$1,362,282,094	\$463,252,373	\$6.1B