

Bond Case Briefs

Municipal Finance Law Since 1971

Goldman Sachs Dropped by NYC From Key Muni Underwriting Team.

- **Goldman ranks 8th among U.S. municipal-bond underwriters**
- **Morgan Stanley was also left out of underwriting lineup**

New York City, among the biggest borrowers in the \$3.9 trillion U.S. municipal bond market, cut Goldman Sachs Group Inc. from the ranks of those who underwrite a big chunk of its debt.

The firm will no longer be part of the pool of underwriters that sell its senior general-obligation bonds and debt for the Transitional Finance Authority as a result of its periodic reshuffling of bankers, New York City said on Aug. 7. It wasn't immediately clear why the city made the change from Goldman.

While Goldman Sachs isn't a major banker to states and local governments when it comes to more mundane bond deals, the decision still means the firm will miss out on billions of dollars of bond sales over the next few years.

Such deals aren't a major focus of Goldman Sachs's municipal bond business. Instead, the bank focuses more on specialized deals like a \$1.1 billion issue of unrated bonds to finance American Dream, the long-stalled shopping and entertainment center in New Jersey's Meadowlands, as well as public utilities offerings by issuers like the Long Island Power Authority.

New York City last selected senior underwriters in 2016. The city judges investment banking proposals on criteria including deal execution and the quality of ideas and analysis pitched to city officials.

New York City, which had to close a \$8.3 billion budget deficit in the fiscal year that began July 1 as revenue plummeted and coronavirus related spending increased, plans to issue about \$39 billion of general-obligation bonds and Transitional Finance Authority debt in the next four fiscal years, according to the city's financial plan. The Transitional Finance Authority was created in 1997 to circumvent limits on New York City general-obligation bond sales and its debt is backed by the city's income tax, and if needed, its sales tax.

Goldman ranks 8th among muni bond underwriters this year, just below Piper Sandler & Co., a regional investment bank based in Minneapolis.

The underwriters were selected in a "competitive process" by the city's Office of Management and Budget and the Comptroller's Office, said Hazel Crampton-Hays, a spokesperson for Comptroller Scott Stringer.

"OMB and the Comptroller's Office determined that the interests of the City and its related issuers are best served by the announced underwriting assignments," Hays said.

Nicole Sharp, a spokesperson for Goldman Sachs, declined to comment. Laura Feyer, a

spokesperson for New York City Mayor Bill de Blasio, said the city was confident the investment banks selected will help New York achieve its financing goals in support of funding critical infrastructure.

The city's senior GO and TFA bond managers include Bank of America Corp., Citigroup Inc., JPMorgan Chase & Co., Jefferies Financial Group Inc., Loop Capital Markets LLC, Samuel A. Ramirez & Co., Royal Bank of Canada, Siebert Williams Shank & Co., LLC and Wells Fargo & Co.

New York also selected Barclays Plc, Loop, Raymond James Financial Inc. and Siebert to serve as senior managers for bonds issued by the city's Municipal Water Finance Authority. Goldman can compete for a senior manager role on New York Water bond issues following deals managed by the four other firms, the city said in a statement.

One-third of GO and TFA senior bankers and 40% of New York Water's senior managers are minority and women-owned businesses, the city said.

Bloomberg Markets

By Martin Z Braun

August 10, 2020, 12:22 PM PDT Updated on August 10, 2020, 3:35 PM PDT