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B of AML, PFM Top First-Half Tables

Bank of America Merrill Lynch remained the leading senior manager of municipal bonds in the first half of 2013, outpacing its competitors by a considerable margin.

The bank was credited with underwriting 208 issues, totaling $25.1 billion by par amount, according to Thomson Reuters data. That number is slightly down from the 238 issues totaling $25.6 billion that B of A worked on during the first half of 2012.

The decline is part of the broader 11.5% decrease in total amount of municipal market long-term issuance. Despite the decrease, B of A increased its market share from 13.4% last year to 14.8% this year.

The bank also came in first place among senior managers working on both negotiated issues, with $17.2 billion in par value, and competitive issues, with $8 billion. B of A was also the top co-manager on all issues.

The top four underwriters remained unchanged compared to the first half of 2012, with JPMorgan coming in second, followed by Citi and Morgan Stanley. Wells Fargo jumped up to fifth place from sixth, while Goldman Sachs dropped to seventh from fifth.

JPMorgan worked on 172 issues totaling $19.7 billion, for an 11.6% market share. Last year the firm worked on 198 issues totaling $22 billion with an 11.5% market share.

Paul Palmeri, managing director and head of public finance at JPMorgan, said the firm has continued to focus on its banking efforts and capital commitment over the past few years.

"We've continued to improve our banking coverage by leveraging our industry specialists with geographic expertise," Palmeri said.

In addition to slightly increasing its total market share, JPMorgan also increased its market share of negotiated issues to 11.2% from 10.4% last year. The firm worked on 110 negotiated issues, totaling $14.6 billion, keeping its number two spot. In the competitive issue category the firm dropped to third place from second last year, with 62 issues totaling $5.1 billion.

Among co-managers, JPMorgan jumped to second place from sixth last year, with 168 issues totaling $5.6 billion.

Within specific industries, the firm has made significant strides in the transportation, utilities, healthcare, and higher education sectors, Palmeri said. JPMorgan focuses on those four industries, as well as general municipal finance and housing.

Palmeri said there's still a tremendous amount to get done both on the new money side and on the refunding side.

"Both on the taxable and tax-exempt side a number of deals have been temporarily sidelined, and with a bit more rate stability, we’re confident that those deals will come to market,” Palmeri said.

Third-ranked underwriter Citi was credited with 207 issues totaling $18.7 billion during the first half. Citi also came in third place among negotiated issues, and second place among competitive issues.

RBC Capital Markets jumped two spots from last year to sixth place, credited with 347 issues totaling $10.4 billion.

While the industry total declined during the first half of the year, RBC actually saw an increase in the total value of issues it worked on from the $7.8 billion during the year before. The firm also saw its market share increase to 6.2% from 4.1%.

Among negotiated deals, the firm jumped to fifth place from eighth place last year, with 333 deals totaling $9.9 billion.

Mark Maroney, head of the RBC U.S. rates, municipals and securitized products business lines, said that RBC’s goal is to be among the top five underwriters of negotiated deals.

“We’ve had a nice mixture of our local middle market business with some large issuer transactions throughout the first half of the year,” Maroney said. “You can tell by the number of transactions that we’ve been busy with 333 negotiated deals.”

Some of the larger deals RBC worked on this year included a $540 million transaction for Denver Public Schools, $372 million for Dallas Fort Worth Airport, and a $328 million Phoenix excise tax deal.

“If you look across our activity we had a broad base of business across the United States,” Maroney said. “There were some large issuer deals out west, in Colorado, Texas and California, and also in the middle markets, in particular, in Texas and Pennsylvania. We’ve had a good number of deals sprinkled across the U.S.”

Among financial advisors, Public Financial Management Inc. kept its number one spot on the Thomson Reuters table. The firm worked on 398 issues during the first half of the year, totaling $18.8 billion and a 15% market share.

“It’s nice to have these kinds of results and so consistently, but they’re not the beginning and the end for how we measure ourselves,” said John Bonow, chief executive officer of PFM. “It’s our client satisfaction and the trust our clients have in us that really matters to us.”

Behind the firm’s consistent success is a focus on building, earning, and keeping the trust of its clients, as well as helping them navigate through tough times, especially during the last five or six years, he said.

“I think our clients know that we’ve got solutions to offer them, not just better mechanics or a better mouse-trap,” Bonow said. “Over time it’s our ability to focus on solutions and be comprehensive in our advice that has caused many of our clients to be with us for decades, and many more to come our way as these challenges arise for them.”

Bonow said the first half of the year was typified by the dramatic decline in interest rates, before the last few weeks in June, as well as new regulations in the money market. The low interest rate environment allowed PFM to help its clients lower their borrowing costs to take advantage of the refinancing market.

The firm also experienced recent expansion in the Northwest region with its acquisition of SDM Advisors, a Seattle-based advisory firm. Bonow said PFM is well-structured at present and is looking more toward internally-generated growth, and not necessarily looking for further acquisitions. Though, he added, PFM is always alert for opportunities.

Bonow said he believes the challenges for the industry include new regulations and the overhang of retiree-related costs, such as pensions and other post-employment benefits.

“We’ve got groups focused on solving those problems systematically for our clients so that they have sustainable finances going forward and I think that’s where the growth is going to come from in our industry—the ability to be a comprehensive advisor to municipalities and non-profits,” Bonow said. “And if debt transactions occur because they’re prudent and they’re a good piece of the financial management puzzle, then I think we’re well-positioned to assist clients there as well.”

The top four financial advisors remained the same as the first half of 2012, with Public Resources Advisory Group coming in second place, FirstSouthwest third, and Lamont Financial Services Corp coming in fourth.

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