



**Date: July 30, 2015**

**To: THE TRUSTEES**

**From: THE PRESIDENT and CHIEF EXECUTIVE OFFICER**

**Subject: Procurement (Services) Contract –  
Selection of Firm to Provide Independent  
Swap Advisory Services – Contract Award**

**SUMMARY**

The Trustees are requested to approve the award and funding of a procurement contract for a term of up to five years in the amount of \$250,000 to Mohanty Gargiulo LLC to provide independent swap advisory services in connection with the execution of the Authority's Interest Rate Exchange Program.

**BACKGROUND**

Section 2879 of the Public Authorities Law and the Authority's Guidelines for Procurement Contracts require the Trustees' approval for procurement contracts involving services to be rendered for a period in excess of one year. The terms of the contracts considered herein are for more than one year and, therefore, the Trustees' approval is required.

The Authority engages the services of a swap advisor when considering the use of financial derivative instruments with the objectives of mitigating the impact of interest rate exposure on its earnings and cash flows and minimizing debt costs. The swap advisor assists the Authority in evaluating the risks and/or benefits associated with a potential derivative transaction; evaluating appropriate market conditions for entering into a transaction; bidding, pricing and awarding of a transaction; and providing an independent evaluation and report concerning the fairness of the price for a particular transaction. The swap advisor may also be called upon to assist the Authority in negotiating master agreements and credit support annexes, and providing effectiveness testing under Governmental Accounting Standards Statement No. 53 (*Accounting and Financial Reporting for Derivative Instruments*). The use of derivative instruments is governed under the "Policy for the Use of Interest Rate Exchange Agreements" approved by the Board on January 25, 2011.

**DISCUSSION**

On May 13, 2015, Request for Proposal Inquiry No. Q15-5900MR ("RFP") was published in the New York State *Contract Reporter* inviting firms to submit proposals to provide independent swap advisory services in connection with the management of the Authority's interest rate swap and derivatives program. On June 5, 2015, the Authority received proposals from the following four firms: First Southwest Company LLC; Mohanty Gargiulo LLC ("Mohanty"); PFM Swap Advisors LLC; and Swap Financial Group.

Authority staff from Finance, Energy Commodity & Credit Risk and Procurement evaluated the written responses based on the following evaluation criteria: quality and clarity of

the written proposal; technical ability to provide the requested services; qualifications and experience of the team assigned to perform the services; demonstrated ability to assist the Authority in negotiating master agreements and related documents; compensation; and status as, or experience with and willingness to team with, Minority-Owned Business Enterprises and Women-Owned Business Enterprises.

Based on staff's evaluation, it is recommended that a contract for a term of up to five years be awarded to Mohanty to provide the subject swap advisory services. The Mohanty team has over forty years of experience on the dealer side as heads of derivatives desks at major financial institutions. Mohanty has expertise in and provides a comprehensive array of swap advisory services that will be beneficial to Authority staff in the management of the interest rate swap and derivatives program. The array of services includes: portfolio management and reporting; valuation services via a client web portal; regulatory monitoring and assistance; International Swaps and Derivatives Association ("ISDA") document negotiation; Governmental Accounting Standards Statement No. 53 effectiveness testing; market access and education; advice on commodity hedging; and structuring, pricing and bidding transactions. With many financial institutions consolidating, exiting the interest rate swap business, or having their credit ratings downgraded over the past several years, staff will be utilizing Mohanty's expertise in negotiating new ISDA agreements and credit support annexes with additional counterparties that meet the Authority's credit requirements.

Mohanty has a proven record of success in providing swap advisory services to large sophisticated issuers nationwide including many New York State authorities and agencies. Mohanty is also a New York State certified Minority and Women Business Enterprise.

Staff considers Mohanty to be well qualified with the requisite experience to advise the Authority with the execution of its Interest Rate Exchange program.

#### FISCAL INFORMATION

Funds required for swap advisory services provided in connection with the issuance of Authority debt will be paid directly from the proceeds of the debt issuance. Funds required to support non-debt related swap advisory services will be paid from the Authority's Operating Fund and are not expected to exceed \$250,000 over the term of the agreement.

#### RECOMMENDATION

The Vice President – Procurement and the Treasurer recommend the Trustees' approval of the award of a multiyear service contract for a term of up to five years to Mohanty Gargiulo LLC to provide swap advisory services in connection with the execution of the Authority's Interest Rate Exchange Program.

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below.

Gil C. Quiniones  
President and Chief Executive Officer

## **RESOLUTION**

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority and the Authority's Expenditure Authorization Procedures, approval is granted for the award and funding of a contract, for a term of up to five years, in an amount of up to \$250,000, to Mohanty Gargiulo LLC as recommended in the foregoing memorandum of the President and Chief Executive Officer; and be it further

RESOLVED, That the Chairman, the President and Chief Executive Officer, the Chief Operating Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President and General Counsel.