



City of San Antonio

Legislation Details (With Text)

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Type: Misc - Financial Services

In control: City Council A Session

On agenda: 3/19/2020

Title: Ordinance approving Financial Underwriter Syndicates selected from the City’s Financial Underwriting Pool for financings of City of San Antonio Public Facility Corporation Refunding Lease Revenue Bonds, Taxable Series 2020; City of San Antonio, Texas General Improvement Refunding Bonds, Tax Exempt Series 2020; and City of San Antonio, Texas General Improvement Refunding Bonds, Taxable Series 2020 [Ben Gorzell, Chief Financial Officer; Troy Elliott, Deputy Chief Financial Officer]

Sponsors:

Indexes:

Code sections:

Attachments: 1. Exhibit I, 2. Ordinance 2020-03-19-0196

Date	Ver.	Action By	Action	Result
3/19/2020	1	City Council A Session	adopted	Pass

DEPARTMENT: Finance

DEPARTMENT HEAD: Troy Elliott

COUNCIL DISTRICTS IMPACTED: City-Wide

SUBJECT:

Approving Financial Underwriter Syndicates

SUMMARY:

This Ordinance authorizes and approves Financial Underwriter Syndicates selected from the City’s Financial Underwriting Pool for financings of: City of San Antonio Public Facility Corporation Refunding Lease Revenue Bonds, Taxable Series 2020, City of San Antonio, Texas General Improvement Refunding Bonds, Tax Exempt Series 2020, and City of San Antonio, Texas General Improvement Refunding Bonds, Taxable Series 2020.

BACKGROUND INFORMATION:

In June 2017, the City established a Financial Underwriting Pool (“Pool”) comprised of eighteen (18) firms to be utilized for the selection of underwriting syndicates for financial transactions effectuated by the City over

the term of the Pool. In October 2019, the City expanded the Pool to twenty (20) by including two qualified local firms that were selected through a Request for Proposal process that targeted local participation.

Once a potential bond financing transaction is identified, an underwriting syndicate is selected from firms within the Pool. The roles of each firm in the syndicate are determined based on performance in addition to other considerations including capital position and sales and distribution capabilities. Firms included in the Pool can potentially serve in the capacity of Senior, Co-Senior, or Co-Managing Underwriter.

Based on current interest rates and market conditions, the City is aware of two potential refunding bond transactions that could result in significant interest cost savings. These include: 1) the refunding of the City of San Antonio Public Facility Corporation Lease Revenue Bonds, which were issued in 2012 to finance the most recent Convention Center expansion; and 2) various issuances of outstanding general obligation bonds and certificates of obligation. Based on the feasibility of these refunding transactions, the Finance Department and the City's Co-Financial Advisors met to discuss recommendations for Financial Underwriter Syndicates for the two transactions.

The proposed Financial Underwriter Syndicates are included in Exhibit I. In the development of the proposed syndicates for the transactions, consideration was given to the following:

1. Background and expertise of firm, lead banker, and lead underwriter.
2. Performance on past City financing transactions.
3. Capitalization and the firm's willingness to commit capital in recent transactions.
4. Sales and distribution capabilities.

In addition to the forgoing, the City also took into consideration the expertise and experience of the firms included in each Underwriter Syndicate for the specific type of bonds that the City will be refunding as well as the current level of market volatility. The financial markets are currently undergoing a level of volatility that has not been experienced since the 2008 Financial Crisis. Influencing factors are the impact of the COVID19 virus which has led to decisions such as limited private sector production, limited travel and the volatility of oil prices. The economic impact to date has also resulted in the U.S. Federal Reserve taking surprise emergency measures last week by reducing the Fed Funds rate by half a percent and the passage of an \$8 billion emergency aid package for the COVID19 virus.

The Financial Underwriter Syndicates being proposed in Exhibit I include 16 of the 20 firms that are currently in the City's Financial Underwriting Pool. These two transactions are in addition to the City's annual issuances planned for summer and fall 2020. Additional Financial Underwriter Syndicates will be selected for these remaining planned issuances in June 2020.

ISSUE:

The selection of the Proposed Financial Underwriter Syndicates is consistent with the City's previous actions to employ underwriting syndicates to market and underwrite the City's debt obligations as well as to assist in the design and structuring of such obligations.

ALTERNATIVES:

The City could choose to delay the selection of Financial Underwriter Syndicates; however, that decision would delay the potential refunding transactions which are anticipated to produce significant interest cost savings.

FISCAL IMPACT:

Fees for financial underwriting services pertaining to the issuance of debt obligations are paid from the proceeds derived from the issuance and sale of such obligations. Therefore, there is no impact on the City's Operating Budget.

RECOMMENDATION:

Staff recommends approval of this ordinance approving Financial Underwriter Syndicates selected from the City's Financial Underwriting Pool for the aforementioned refunding transactions.