



# City of San Antonio

## Agenda Memorandum

**File Number:** 17-3762

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**Agenda Item Number:** 35B.

**Agenda Date:** 6/15/2017

**In Control:** City Council A Session

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**An update to this memo was posted on June 14, 2017. Please refer to the Addendum to Agenda Item in the attachments to this item.**

**DEPARTMENT:** Finance

**DEPARTMENT HEAD:** Troy Elliott

**COUNCIL DISTRICTS IMPACTED:** City-wide

**SUBJECT:**

Approving the Financial Underwriting Pool and approving the Financial Underwriter Syndicate

**SUMMARY:**

- A. This Ordinance approves the selection of a Financial Underwriting Pool from which Financial Underwriting Syndicates will be selected and approved by City Council for various financings for a period to commence June 15, 2017 and terminate September 30, 2019, with an option to extend the contract for three (3) additional one (1) year periods under the same terms and conditions.
- B. This Ordinance authorizes and approves the Financial Underwriter Syndicate selected from the Financial Underwriting Pool for financings of: General Improvement Bonds, Series 2017, Combination Tax and Revenue Certificates of Obligation, Series 2017, and Tax Notes, Series 2017.

**BACKGROUND INFORMATION:**

A Request for Qualifications (RFQ) was developed to establish a Financial Underwriting Pool (“Pool”) comprised of firms to be utilized for the selection of underwriting syndicates for financial transactions effectuated by the City over the term of the Pool. The RFQ was advertised in the San Antonio Express-News on June 26, 2016 and posted on the City’s website on June 27, 2016 and emailed to fifty-six (56) firms. On July 29, 2016, thirty-seven (37) proposals were received; however, one (1) firm was deemed nonresponsive and one (1) firm withdrew their proposal and therefore only thirty-five (35) firms were evaluated.

The proposals were evaluated by a Selection Committee comprised of representatives from the City Manager’s Office, Finance Department, and an individual from the private sector. Advisory participants also included the

City's Co-Financial Advisors and representatives from the Finance Department, City Attorney's Office and the Purchasing Department.

The Selection Committee evaluated and scored the firms based on the criteria included in the RFQ:

- Firm Background, Experience, and Qualifications
- Lead Banker Experience
- Lead Trading Desk Personnel Expertise
- Other Financial Underwriting Services
- Proposed Plan for Securities Marketing and Distribution
- Small Business Economic Development Advocacy Program

The firms were scored within three categories based on net excess capital: (1) firms with net excess capital greater than \$500,000,000; (2) firms with net excess capital ranging from \$20,000,000 to \$500,000,000; (3) firms with net excess capital less than \$20,000,000. This evaluation methodology allowed for the selection of a well diversified Pool comprised of large, medium, small, local, and SBEDA firms. All firms within the Pool will have the opportunity to potentially serve in the capacity of Senior, Co-Senior, or Co-Managing Underwriter on the City's transactions.

The proposed Pool is included as Exhibit I.

The Pool is anticipated to remain in place through September 30, 2019, with an option to extend the contract for three (3) additional one (1) year periods. Once a potential bond financing transaction is identified, an underwriting syndicate will be selected from firms within the Pool. Their roles will be determined based on performance and innovative ideas presented to the City and to the City's Co-Financial Advisors, 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. The underwriting syndicate for a bond issuance will subsequently be presented to City Council for consideration in connection with such future financing transactions. Additionally, in an effort to promote the development of local businesses, after two years, the City will provide local firms the opportunity to present their qualifications to be part of the Pool. This will allow for continuance of a diversified Pool and provide further opportunities for local participation.

A complete list of all Financial Underwriting Firms and scores is included as Exhibit II.

On May 16, 2017, staff of the Finance Department and the City's Co-Financial Advisors met to review and finalize recommendations for the Financial Underwriter Syndicate for financings planned for Fiscal Year 2017, including the following: General Improvement Bonds, Series 2017, Combination Tax and Revenue Certificates of Obligation, Series 2017, and Tax Notes, Series 2017.

The Proposed Financial Underwriter Syndicate is included in Exhibit III. In the development of the proposed syndicate for these transactions, consideration was given to the following:

- Background and expertise of firm, lead banker, and lead underwriter.
- Performance on past City financing transactions.
- Customer service and innovative ideas presented to the City and the City's Co-Financial Advisors.
- Capitalization and the firm's willingness to commit capital in recent transactions.
- Expertise and experience in specific types of transactions.
- Sales and distribution capabilities.

**ISSUE:**

The selection of the Pool and the Proposed Financial Underwriter Syndicate are 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 also choose to delay the approval of the Pool and the selection of the Financial Underwriter Syndicate. However, that would delay the various potential financing transactions which are anticipated to occur in fiscal year 2017.

**FISCAL IMPACT:**

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

**RECOMMENDATION:**

Staff recommends approval of this Ordinance approving the selection of a Financial Underwriting Pool for a period to commence June 15, 2017 and terminate September 30, 2019, with an option to extend the contract for three (3) additional one (1) year periods under the same terms and conditions.

Staff also recommends approval of this Ordinance approving the Financial Underwriter Syndicate selected from the Financial Underwriting Pool for financings planned for Fiscal Year 2017.