



City of San Antonio

Agenda Memorandum

File Number:14-1217

Agenda Item Number: 24.

Agenda Date: 5/29/2014

In Control: City Council A Session

DEPARTMENT: Finance

DEPARTMENT HEAD: Troy Elliott

COUNCIL DISTRICTS IMPACTED: All

SUBJECT:

Approving the extension of the Financial Underwriting Pool and approving the Financial Underwriter Syndicates

SUMMARY:

- A. This ordinance authorizes and approves the same terms and conditions for the first renewal term for the 2011 City of San Antonio Financial Underwriting Pool from which Financial Underwriter Syndicates will be selected and approved by City Council for various financings for the period commencing October 1, 2014 and ending September 30, 2015.
- B. This ordinance approves the Financial Underwriter Syndicates selected from the Financial Underwriting Pool for financings of: (1) General Improvement and Refunding Bonds, Series 2014, Combination Tax and Revenue Certificates of Obligation, Series 2014, and Tax Notes, Series 2014, (2) General Improvement Refunding Bonds, Series 2014, and (3) Customer Facility Charge and Subordinate Lien Airport System Revenue Improvement Bonds, Series 2015.

BACKGROUND INFORMATION:

The City established a Financial Underwriting Pool ("Underwriting 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 Underwriting Pool. Once a potential bond financing transaction is identified, an underwriting syndicate will be selected from firms within the Underwriting 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 Underwriting 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.

On May 19, 2011, City Council approved Ordinance 2011-05-19-0411 approving the selection of a Financial Underwriting Pool (the “Underwriting Pool”) from which Financial Underwriter Syndicates would be selected and approved by City Council for various financings for a term beginning May 20, 2011 and ending September 30, 2014, with the City’s option to renew under the same terms and conditions for two (2) additional one (1) year periods.

The Finance Department is recommending that the existing Underwriting Pool, Exhibit I, be renewed making it effective for one (1) additional one (1) year term commencing October 1, 2014 and ending September 30, 2015, under the same terms and conditions. The City’s Underwriting Pool has been involved in discussions on various potential financing transactions with City staff which are anticipated to occur in 2014 and early 2015. This action will ensure continuity and enable the City to complete these various potential transactions within the planned timeframes.

In anticipation of the financing of the proposed Consolidated Rental Car Facility, the City issued a Request for Supplemental Information on March 24, 2014. The requested information was due on April 7, 2014. Two firms opted out of the Customer Facility Charge financing and one firm did not respond. The proposals received were reviewed by staff of the Finance Department, Department of Aviation, and the City’s Co-Financial Advisors. The recommended underwriting syndicate for this transaction was chosen from the evaluation of the proposals received, as well as other considerations.

On May 2, 2014, the City’s Chief Financial Officer, Finance Department staff, and the City’s Co-Financial Advisors met to review and finalize recommendations for the Financial Underwriter Syndicates for financings planned for Fiscal Year 2014 and Fiscal Year 2015, including the following: (1) General Improvement and Refunding Bonds, Series 2014, Combination Tax and Revenue Certificates of Obligation, Series 2014, and Tax Notes, Series 2014, (2) General Improvement Refunding Bonds, Series 2014, and (3) Customer Facility Charge and Subordinate Lien Airport System Revenue Improvement Bonds, Series 2015.

See Exhibit II for the Proposed Financial Underwriter Syndicates. In the development of the proposed syndicates for these 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. Customer service and innovative ideas presented to the City and the City’s Co-Financial Advisors.
4. Capitalization and the firm’s willingness to commit capital in recent transactions.
5. Expertise and experience in specific types of transactions.
6. Sales and distribution capabilities.
7. The firm’s role in the syndicate.

ISSUE:

The extension of the Underwriting Pool and the selection of Proposed Financial Underwriter Syndicates 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 choose to release a new Request for Qualifications for Financial Underwriting Services. However, releasing a new Request for Qualifications for Financial Underwriting Services could delay the various potential financing transactions anticipated to occur in Fiscal Year 2015. The City could also choose to delay the selection of the Financial Underwriter Syndicates, however, that would delay the various potential financing transactions which are anticipated to occur in Fiscal Year 2014 and Fiscal Year 2015. Additionally, the City could forego savings related to the proposed bond refinancings if this item was delayed.

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 authorizing the City to extend the Financial Underwriting Pool for the first of two (2) one (1) year renewal terms under the same terms and conditions.

Staff also recommends approval of this ordinance approving Financial Underwriter Syndicates selected from the Financial Underwriting Pool for financings planned for Fiscal Year 2014 and Fiscal Year 2015.