



# City of San Antonio

## Agenda Memorandum

**File Number:**20-3866

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**Agenda Item Number:** 14B.

**Agenda Date:** 6/25/2020

**In Control:** City Council A Session

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**DEPARTMENT:** Finance

**DEPARTMENT HEAD:** Troy Elliott

**COUNCIL DISTRICTS IMPACTED:** City-wide

### **SUBJECT:**

Approving the extension of the Financial Underwriting Pool and approving a Financial Underwriter Syndicate

### **SUMMARY:**

- A. This ordinance authorizes and approves the same terms and conditions for the second renewal term for the 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, 2020 and ending September 30, 2021.
- B. This ordinance approves the Financial Underwriter Syndicate selected from the Financial Underwriting Pool for financing of General Improvement and Refunding Bonds (Tax Exempt); General Improvement Refunding Bonds (Taxable); Combination Tax and Revenue Certificates of Obligation (Tax Exempt and Taxable); and Tax Notes to be issued in August 2020.

### **BACKGROUND INFORMATION:**

On June 15, 2017, the City established 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. 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 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 initial term of the

Underwriting Pool was from June 15, 2017 to September 30, 2019.

In an effort to promote the development of local businesses, after two years, the City provided local firms the opportunity to present their qualifications to be part of the Pool. On October 3, 2019, City Council approved the selection of Frost Bank and M.E Allison & Co., Inc. to be added to the Financial Underwriting Pool and also approved the first renewal term for the Financial Underwriting Pool for the period commencing October 3, 2019 and ending September 30, 2020.

On Monday, June 8, 2020, the Finance Department and the City's Co-Financial Advisors met to review and finalize recommendations for a Financial Underwriter Syndicate for the financings planned for August 2020 to include: General Improvement and Refunding Bonds (Tax Exempt); General Improvement Refunding Bonds (Taxable); Combination Tax and Revenue Certificates of Obligation (Tax Exempt and Taxable); and Tax Notes.

The Proposed Financial Underwriter Syndicate is included in Exhibit I. In the development of the proposed syndicate 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. Capitalization and the firm's willingness to commit capital in recent transactions.
4. Expertise and experience in specific types of transactions.
5. Sales and distribution capabilities.

#### **ISSUE:**

The selection of the Proposed Financial Underwriter Syndicate 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 the Financial Underwriter Syndicate; however, that decision would delay the financing transactions which are anticipated to occur in August 2020.

#### **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 for the second renewal term for the Financial Underwriting Pool and approval of the Financial Underwriter Syndicate selected for financings planned for August 2020.