



# City of San Antonio

## Agenda Memorandum

**File Number:**

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**Agenda Item Number:** 33

**Agenda Date:** December 12, 2023

**In Control:** City Council A Session

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**DEPARTMENT:** Finance Department

**DEPARTMENT HEAD:** Troy Elliott

**COUNCIL DISTRICTS IMPACTED:** Citywide

**SUBJECT:**

Approving Financial Underwriter Syndicates

**SUMMARY:**

This ordinance approves the Financial Underwriter Syndicates selected from the Financial Underwriting Pool for financing of: 1) Airport Terminal Development Program to be issued in FY 2025; 2) General Improvement Bonds, Tax Exempt and/or Taxable, Combination Tax and Revenue Certificates of Obligation Tax Exempt and/or Taxable, and Tax Notes to be issued in FY 2024; and 3) the remarketing of City of San Antonio Municipal Facilities Corporation Variable Rate Lease Revenue Bonds to be completed in FY 2024.

**BACKGROUND INFORMATION:**

On June 15, 2023, City Council approved the City's Financial Underwriting Pool ("Pool") comprised of nineteen 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 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 FY 2024 and FY 2025 to include: 1) Airport Terminal Development Program to be issued in FY 2025; 2) General Improvement Bonds, Tax Exempt and/or Taxable, Combination Tax and Revenue Certificates of Obligation Tax Exempt and/or Taxable, and Tax Notes to be issued in FY 2024; and 3) the remarketing of City of San Antonio Municipal Facilities Corporation Variable Rate Lease Revenue Bonds to be completed in FY 2024.

The Proposed Financial Underwriter Syndicates are 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.

Additionally, all nineteen firms in the Pool were included in one of the proposed syndicates to ensure participation by all.

To protect the City's interests in selling each of these financings the Chief Financial Officer and/or the Deputy Chief Financial Officer, with the prior concurrence of the City Manager, will be allowed to revise the assigned role of any firm(s) within the syndicates included in Exhibit I. The 87th Texas Legislature passed Senate Bill 19, which prohibits contracts with companies that discriminate against the firearms or ammunition industry and Senate Bill 13 which prohibits contracts with companies that boycott energy companies. The Attorney General's Office recently released a list of companies and affiliates that are members of a Net Zero Alliance that may boycott energy companies in violation of Senate Bill 13. Any firm found to be in violation of Senate Bill 19 or Senate Bill 13 would be unable to provide underwriting services to the City. Therefore, the City needs flexibility in the assignment of roles of firms within the syndicates should underwriting firms be deemed to be in violation of Senate Bills 13 and 19 in the future.

#### **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 the Proposed Financial Underwriter Syndicates; however, the City would like to begin to utilize the expertise of the selected firms in preparation for the aforementioned financing, specifically, the airport financing.

**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 the Financial Underwriter Syndicates for financings planned for FY 2024 and FY 2025.