



# City of San Antonio

## Agenda Memorandum

### File Number:

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**Agenda Item Number:** 23

**Agenda Date:** June 15, 2023

**In Control:** City Council A Session

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**DEPARTMENT:** Finance Department

**DEPARTMENT HEAD:** Troy Elliott

**COUNCIL DISTRICTS IMPACTED:** Citywide

**SUBJECT:**

Approving the Financial Underwriting Pool

**SUMMARY:**

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 16, 2023 and terminate September 30, 2026, with an option to extend the contract for one (1) additional two (2) year period under the same terms and conditions.

**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 Finance Department released the RFQ on November 17, 2022. The RFQ was advertised in the HartBeat Newspaper, TVSA channel, the City's Bidding & Contracting Opportunities website, the San Antonio e-Procurement System (SAEPS) and an email notification was released to a list of potential Respondents. A total of 162 firms were notified. On January 17, 2023, thirty-three (33) proposals were received; however, two (2) firms were deemed nonresponsive for inability to comply with the proposal

requirements and one (1) firm was disqualified due to a political contribution made during the prohibited black-out period; therefore, only thirty (30) firms were evaluated.

The proposals were evaluated by a Selection Committee comprised of representatives from the City Manager's Office, Aviation Department, and Finance Department. Advisory participants also included the City's Co-Financial Advisors and representatives from the Finance Department, and the City Attorney's Office.

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

- Firm Background, Experience, and Qualifications
- Proposed Plan for Securities Marketing and Distribution

The firms were scored within three categories based on net excess capital: (1) firms with net excess capital less than \$20,000,000; (2) firms with net excess capital ranging from \$20,000,000 to \$500,000,000; (3) firms with net excess capital greater than \$500,000,000. This evaluation methodology allowed for the selection of a well-diversified Pool comprised of small, medium, large, and local 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, 2026, with an option to extend the contract for one (1) additional two (2) year period. 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, after September 2023 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 participation by local firms.

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

## **ISSUE:**

The selection of a Pool 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.

The Local Preference Program (LPP) was applied to this solicitation and four (4) of the top ranked firms are local businesses.

The Veteran-Owned Small Business Preference Program (VOSBPP) was applied to this

solicitation and three (3) of the top ranked firms are veteran-owned small businesses.

**ALTERNATIVES:**

The City could also choose to delay the approval of the Pool; however, that would delay the various potential financing transactions which are anticipated to occur in fiscal year 2023.

**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 16, 2023 and terminate September 30, 2026, with an option to extend the contract for one (1) additional two (2) year period under the same terms and conditions.

This pool was procured by means of Request for Qualifications and Contracts Disclosure Forms are required.