

**CITY OF SAN ANTONIO  
INTERDEPARTMENTAL MEMORANDUM  
FINANCE DEPARTMENT**

**TO:** Mayor and City Council

**FROM:** Milo Nitschke, Director, Finance Department

**THROUGH:** Terry M. Brechtel, City Manager

**COPIES:** Melissa Byrne Vossmer, Assistant City Manager; City Attorney's Office; City Clerk; File

**SUBJECT:** Authorization to proceed with the evaluation of a lease-lease back transaction or other such transactions commonly described by industry vernacular, and selection of Investment Banking Firms

**DATE:** November 13, 2003

**SUMMARY AND RECOMMENDATIONS**

This Ordinance authorizes staff to proceed with the evaluation of the financial opportunities that the City may realize by entering into a lease-lease back, securitization and monetization or other such transactions commonly described by industry vernacular ("Asset Based Transactions"); directs staff to report such findings to City Council; and approves the selection of Investment Banking firms to assist in such evaluations and possible execution of such transactions subsequent to City Council approval.

Staff recommends approval of this Ordinance.

**BACKGROUND INFORMATION**

On July 11, 2003, the Department of Finance mailed thirty-four (34) Request for Proposals (RFP's) soliciting Investment Banking services. The RFP was placed on the City's web site, and notice of Investment Banking solicitation was advertised in the San Antonio Express-News on July 11, and 13, 2003.

Through the issuance of the RFP, the City contemplated the selection of an Investment Banking firm or firms to assist the City in evaluating the financial opportunities and risks that the City may encounter by effectuating a transaction or transactions as mentioned above. If undertaking such a transaction is beneficial to the City the selected senior Investment Banking firm or firms would proceed with executing the transaction or transactions subsequent to City Council approval. The selected senior Investment Banking firm or firms would be in effect from the effective date of the Ordinance approving the Investment Banking firms through September 30, 2006, with the exception of completing any work in progress that was initiated prior to September 30, 2006, and completed subsequent to September 30, 2006. Those transactions will be completed by the respective Investment Banking firm(s) already engaged.

On August 12, 2003, a total of eleven (11) proposals to serve as an Investment banker were received in response to this RFP. The written proposals and firms were evaluated by an Investment banker selection committee (the "Selection Committee") comprised of representatives from the City Manager's Office, the departments of Finance, Economic Development, Aviation, Asset Management and the City's Co-Financial Advisors. The evaluation and selection of the proposed firms was based on experience of the firm and assigned personnel, availability of assigned personnel, demonstrated knowledge of transaction capability and knowledge of entities interested in such transactions, and ability to effectuate such a transaction, demonstrated working relationship with co-bankers, recent transactions that had been completed by the firm, technical expertise and sensitivity to the Small business Economic Development Advocacy Program (SBEDA) goals. Evaluation and selection of the firms involved a two-step process.

**Step 1** evaluated and scored the written proposals to determine who would be invited to make an oral presentation to the Selection Committee. Selection Committee members independently scored the written proposals according to the criteria incorporated in the RFP. These scores were then totaled and an average score for each firm calculated. Based on the average scores, the Selection Committee selected seven (7) firms to make oral presentations. The firms are listed below in alphabetical order.

Capstar Partners	Morgan Stanley/Babcock & Brown
Citigroup Global Markets	Ramirez & Company
Global Capital Finance	UBS Financial Services/Dexia Global
J.P. Morgan/Dresdner, Kleinwort, Wasserstein	

**Step 2** involved the evaluation of the firms' oral presentations and selection of Investment Banking firms. The selection was based on each firm's demonstrated ability to meet the aforementioned criteria.

The City plans to work with the Investment Banking firms to evaluate the following types of transactions: (1) securitization and monetization of certain of the City's assets; and (2) transactions that involve the lease-lease-back of City assets. The evaluation will examine the highest potential of net funds that the City may receive by effectuating a transaction, the highest probability of completing the transaction, the control and flexibility that the City will have after completing the transaction, mitigation of risk to the City, and a minimum amount of net funds to the City that is in accordance with industry benchmarks.

Based on the aforementioned evaluation criteria and selection process, the Selection Committee recommends the following firms for City Council approval:

**Citigroup Global Markets** to evaluate and possibly execute a transaction pertaining to the securitization and monetization of certain of the City's assets.

**UBS Financial Services/Dexia Global** to evaluate and possibly execute a transaction pertaining to transactions that involve the lease-lease-back of City assets.

## **POLICY ANALYSIS**

The selection of Investment Banking firms is consistent with the City's policy and previous actions to employ such firms to evaluate the financial opportunities that the City may realize by entering into Asset Based Transactions. The selection of the firms and undertaking of the potential transactions is consistent with the capital projects budget and debt management plan.

## **FISCAL IMPACT**

The aforementioned transactions are consistent with approved capital projects and the debt management plan. The City will incur financial risk in undertaking such transactions. Subsequent to the evaluation and potential decision to proceed with the execution of a transaction, expenses will be incurred. However, there is no guarantee that the transaction will be completed in which case expenses incurred would be paid by the City and would impact the City's Operating Budget. It is intended that subsequent to the evaluation and potential decision to proceed with the execution of a transaction any expenses that will be incurred would be paid out of proceeds derived from the completion of the transaction.

## **SUPPLEMENTAL COMMENTS**

The score sheets and disclosures required by the City's Ethics Ordinance for each of the firms are attached.

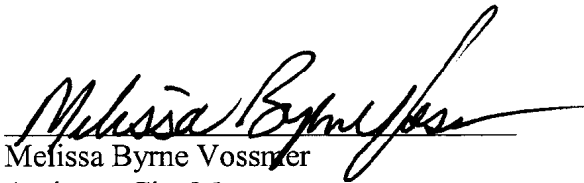
## **COORDINATION**

Selection of the Investment Banking firms was coordinated with the City Manager's Office, City Attorney's Office, the Departments of Finance, Economic Development, Aviation, Asset Management and the City's Co-Financial Advisors.



Milo D. Nitschke  
Director, Finance Department

Approved:



Melissa Byrne Vossmer  
Assistant City Manager



Terry M. Brechtel  
City Manager

August 29, 2003

City of San Antonio  
Evaluation of Firms to Provide Investment Banking Services

		Global Capital Finance Americas LLC	Capstar Partners	Macquarie Holdings Inc.	Southwestern Capital Markets		CitiGroup Global Markets	RBC Dain Rauscher	Jackson Securities LLC		UBS Financial Services/ Dexia Global	Morgan Stanley/ Babcock & Brown	JP Morgan/ Dresdner, Kleinwort, Wasserstein	Ramirez & Co.	
	Firm Name:														
	*Category:	N	N	N	R, L		N, L	N, L	N		N, L	N, L	N, L	N, L	
	**SBEDA:				SBE, DBE, MBE				MBE, AABE (Pending)					MBE	
EVALUATION CRITERIA	Maximum Score														
Firm's Experience	15	13.000	13.000	10.900	5.300		13.900	11.200	8.000		14.400	13.000	12.800	8.700	
Experience of Assigned Personnel	20	17.300	16.000	13.900	6.900		17.300	12.600	10.700		18.200	15.800	14.900	11.200	
Availability of Assigned Personnel	10	8.400	7.000	6.100	8.400		8.400	7.400	6.000		8.800	7.800	8.100	8.200	
Transaction Capability: Demonstrated Knowledge of Entities Interested in such Transactions & Ability to Effectuate such a Transaction	10	8.700	8.500	7.400	1.700		8.800	6.800	3.900		8.800	7.600	7.800	5.100	
Demonstrated Working Relationship with Co-Managers	10	8.200	7.000	6.600	5.800		8.600	7.500	7.000		8.300	7.700	7.500	7.500	
Recent Transactions that have been Completed by Firm	5	4.000	4.500	3.500	0.500		4.000	2.700	0.900		4.700	4.000	4.100	0.800	
Technical Expertise	10	8.900	8.700	7.200	2.500		8.900	7.500	5.100		9.500	8.400	8.300	4.800	
<b>SUBTOTAL</b>	<b>80</b>	<b>68.500</b>	<b>64.700</b>	<b>55.600</b>	<b>31.100</b>		<b>69.900</b>	<b>55.700</b>	<b>41.600</b>		<b>72.700</b>	<b>64.300</b>	<b>63.500</b>	<b>46.300</b>	
Local Business Enterprise	10	0.000	0.000	0.000	10.000		6.000	6.000	0.000		6.000	6.000	6.000	6.000	
Historically Underutilized Enterprise	5	0.000	0.000	0.000	5.000		0.000	0.000	5.000		0.000	0.000	0.000	0.000	
SBEDA Policy Compliance	5	0.000	0.000	0.000	2.000		0.000	0.000	3.000		0.000	0.000	0.000	1.000	
<b>SUBTOTAL</b>	<b>20</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>17.000</b>		<b>6.000</b>	<b>6.000</b>	<b>8.000</b>		<b>6.000</b>	<b>6.000</b>	<b>6.000</b>	<b>7.000</b>	
<b>TOTAL</b>	<b>100</b>	<b>68.500</b>	<b>64.700</b>	<b>55.600</b>	<b>48.100</b>		<b>75.900</b>	<b>61.700</b>	<b>49.600</b>		<b>78.700</b>	<b>70.300</b>	<b>69.500</b>	<b>53.300</b>	

\*Categories:  
N = National  
R = Regional  
L = Local

\*\* SBEDA (Small Business Economic Development Advocacy) certification:  
MBE = Minority Business Enterprise  
AABE = African American Business Enterprise  
WBE = Woman Owned Business Enterprise  
DBE = Disadvantaged Business Enterprise  
SBE = Small Business Enterprise

City of San Antonio  
Evaluation of Firms to Provide Investment Banking Services

	Firm Name:	CitiGroup Global Markets	UBS Financial Services/ Dexia Global	JP Morgan/ Dresdner, Kleinwort, Wasserstein	Morgan Stanley/ Babcock & Brown	Global Capital Finance Americas LLC	Capstar Partners	Ramirez & Co.	
	*Category:	N, L	N, L	N, L	N, L	N	N	N, L	
	**SBEDA:							MBE	
<b>EVALUATION CRITERIA</b>	<b>Maximum Score</b>								
Firm's Experience	15	13.556	14.000	12.444	12.333	12.000	12.222	7.250	
Experience of Assigned Personnel	20	18.000	18.333	15.000	15.111	16.125	15.889	8.875	
Availability of Assigned Personnel	10	8.444	8.333	7.222	7.333	6.625	6.444	7.625	
Transaction Capability: Demonstrated Knowledge of Entities Interested in such Transactions & Ability to Effectuate such a Transaction	10	7.556	9.000	7.444	7.111	7.500	7.778	3.500	
Demonstrated Working Relationship with Co-Managers	10	8.444	7.778	8.000	8.111	6.375	6.222	7.250	
Recent Transactions that have been Completed by Firm	5	3.667	4.667	4.000	4.000	4.125	4.333	0.000	
Technical Expertise	10	8.222	8.889	7.667	7.556	8.000	7.778	3.625	
<b>SUBTOTAL</b>	<b>80</b>	<b>67.889</b>	<b>71.000</b>	<b>61.777</b>	<b>61.555</b>	<b>60.750</b>	<b>60.666</b>	<b>38.125</b>	
Local Business Enterprise	10	6.000	6.000	6.000	6.000	0.000	0.000	6.000	
Historically Underutilized Enterprise	5	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
SBEDA Policy Compliance	5	0.000	0.000	0.000	0.000	0.000	0.000	1.000	
<b>SUBTOTAL</b>	<b>20</b>	<b>6.000</b>	<b>6.000</b>	<b>6.000</b>	<b>6.000</b>	<b>0.000</b>	<b>0.000</b>	<b>7.000</b>	
<b>TOTAL</b>	<b>100</b>	<b>73.889</b>	<b>77.000</b>	<b>67.777</b>	<b>67.555</b>	<b>60.750</b>	<b>60.666</b>	<b>45.125</b>	

## \*Categories:

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## \*\* SBEDA (Small Business Economic Development Advocacy) certification:

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SBE = Small Business Enterprise

# City of San Antonio

## Discretionary Contracts Disclosure\*

For use of this form, see City of San Antonio Ethics Code, Part D, Sections 1&2  
Attach additional sheets if space provided is not sufficient.  
State "Not Applicable" for questions that do not apply.

\* This form is required to be supplemented in the event there is any change in the information under (1), (2), or (3) below, before the discretionary contract is the subject of council action, and no later than five (5) business days after any change about which information is required to be filed.

### Disclosure of Parties, Owners, and Closely Related Persons

For the purpose of assisting the City in the enforcement of provisions contained in the City Charter and the Code of Ethics, an individual or business entity seeking a discretionary contract from the City is required to disclose in connection with a proposal for a discretionary contract:

(1) the identity of any **individual** who would be a party to the discretionary contract:

None

(2) the identity of any **business entity**<sup>1</sup> that would be a party to the discretionary contract:

None

and the name of:

(A) any individual or business entity that would be a **subcontractor** on the discretionary contract;

None

and the name of:

(B) any individual or business entity that is known to be a **partner**, or a **parent** or **subsidiary** business entity, of any individual or business entity who would be a party to the discretionary contract;

None

<sup>1</sup> A *business entity* means a sole proprietorship, partnership, firm, corporation, holding company, joint-stock company, receivership, trust, unincorporated association, or any other entity recognized by law.

(3) the identity of any lobbyist or public relations firm employed for purposes relating to the discretionary contract being sought by any individual or business entity who would be a party to the discretionary contract.

None

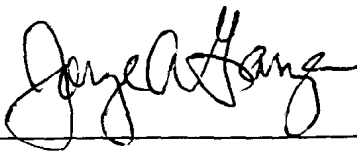
#### Political Contributions

Any individual or business entity seeking a discretionary contract from the city must disclose in connection with a proposal for a discretionary contract all political contributions totaling one hundred dollars (\$100) or more within the past twenty-four (24) months made directly or indirectly to any current or former member of City Council, any candidate for City Council, or to any political action committee that contributes to City Council elections, by any individual or business entity whose identity must be disclosed under (1), (2) or (3) above. Indirect contributions by an individual include, but are not limited to, contributions made by the individual's spouse, whether statutory or common-law. Indirect contributions by an entity include, but are not limited to, contributions made through the officers, owners, attorneys, or registered lobbyists of the entity.

To Whom Made:	Amount:	Date of Contribution:
None		

#### Disclosures in Proposals

Any individual or business entity seeking a discretionary contract with the city shall disclose any known facts which, reasonably understood, raise a question<sup>2</sup> as to whether any city official or employee would violate Section 1 of Part B, Improper Economic Benefit, by participating in official action relating to the discretionary contract.

Signature: 	Title: Director Company: Citigroup	Date: 8/12/2003

<sup>2</sup> For purposes of this rule, facts are "reasonably understood" to "raise a question" about the appropriateness of official action if a disinterested person would conclude that the facts, if true, require recusal or require careful consideration of whether or not recusal is required.

## LITIGATION DISCLOSURE

Failure to fully and truthfully disclose the information required by this Litigation Disclosure form may result in the disqualification of your proposal from consideration or termination of the contract, once awarded.

1. Have you or any member of your Firm or Team to be assigned to this engagement ever been indicted or convicted of a felony or misdemeanor greater than a Class C in the last five (5) years?

Circle One

YES

☒ NO

(see attached)

2. Have you or any member of your Firm or Team been terminated (for cause or otherwise) from any work being performed for the City of San Antonio or any other Federal, State or Local Government, or Private Entity?

Circle One

YES

☒ NO

3. Have you or any member of your Firm or Team been involved in any claim or litigation with the City of San Antonio or any other Federal, State or Local Government, or Private Entity during the last ten (10) years?

Circle One

☒ YES

NO

(see attached)

If you have answered "Yes" to any of the above questions, please indicate the name(s) of the person(s), the nature, and the status and/or outcome of the information, indictment, conviction, termination, claim or litigation, as applicable. Any such information should be provided on a separate page, attached to this form and submitted with your proposal.

TO THE BEST OF MY KNOWLEDGE, THE ABOVE INFORMATION IS TRUE AND CORRECT.

Company Name: Citigroup

Jorge A. Garza  
Signature of Principal:

Jorge A. Garza  
Printed Name of Principal:

Director  
Title of Principal



**City of San Antonio**  
**Discretionary Contracts Disclosure\***

*For use of this form, see City of San Antonio Ethics Code, Part D, Sections 1&2*

*Attach additional sheets if space provided is not sufficient.*

*State "Not Applicable" for questions that do not apply.*

\* This form is required to be supplemented in the event there is any change in the information under (1), (2), or (3) below, before the discretionary contract is the subject of council action, and no later than five (5) business days after any change about which information is required to be filed.

**Disclosure of Parties, Owners, and Closely Related Persons**

For the purpose of assisting the City in the enforcement of provisions contained in the City Charter and the Code of Ethics, an individual or business entity seeking a discretionary contract from the City is required to disclose in connection with a proposal for a discretionary contract:

(1) the identity of any **individual** who would be a party to the discretionary contract:

N/A

(2) the identity of any **business entity**<sup>1</sup> that would be a party to the discretionary contract:

UBS Financial Services Inc.

**and** the name of:

(A) any individual or business entity that would be a **subcontractor** on the discretionary contract;

None

**and** the name of:

(B) any individual or business entity that is known to be a **partner**, or a **parent** or **subsidiary** business entity, of any individual or business entity who would be a party to the discretionary contract;

None

<sup>1</sup> A *business entity* means a sole proprietorship, partnership, firm, corporation, holding company, joint-stock company, receivership, trust, unincorporated association, or any other entity recognized by law.

- (3) the identity of any *lobbyist* or *public relations firm* employed for purposes relating to the discretionary contract being sought by any individual or business entity who would be a party to the discretionary contract.

None

#### Political Contributions


Any individual or business entity seeking a discretionary contract from the city must disclose in connection with a proposal for a discretionary contract all political contributions totaling one hundred dollars (\$100) or more within the past twenty-four (24) months made directly or indirectly to any *current* or *former member* of City Council, any *candidate* for City Council, or to any *political action committee* that contributes to City Council elections, by any individual or business entity whose identity must be disclosed under (1), (2) or (3) above. Indirect contributions by an individual include, but are not limited to, contributions made by the individual's spouse, whether statutory or common-law. Indirect contributions by an entity include, but are not limited to, contributions made through the officers, owners, attorneys, or registered lobbyists of the entity.

To Whom Made:	Amount:	Date of Contribution:
None.		

#### Disclosures in Proposals

Any individual or business entity seeking a discretionary contract with the city shall disclose any known facts which, reasonably understood, raise a question<sup>2</sup> as to whether any city official or employee would violate Section 1 of Part B, Improper Economic Benefit, by participating in official action relating to the discretionary contract.

None.

<b>Signature:</b> 	<b>Title:</b> <i>Managing Director</i> <b>Company:</b> <i>UBS Financial Services</i>	<b>Date:</b> <i>8/11/03</i>
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<sup>2</sup> For purposes of this rule, facts are "reasonably understood" to "raise a question" about the appropriateness of official action if a disinterested person would conclude that the facts, if true, require recusal or require careful consideration of whether or not recusal is required.

## LITIGATION DISCLOSURE

Failure to fully and truthfully disclose the information required by this Litigation Disclosure form may result in the disqualification of your proposal from consideration or termination of the contract, once awarded.

1. Have you or any member of your Firm or Team to be assigned to this engagement ever been indicted or convicted of a felony or misdemeanor greater than a Class C in the last five (5) years?

Circle One

YES

NO

2. Have you or any member of your Firm or Team been terminated (for cause or otherwise) from any work being performed for the City of San Antonio or any other Federal, State or Local Government, or Private Entity?

Circle One

YES

NO

3. Have you or any member of your Firm or Team been involved in any claim or litigation with the City of San Antonio or any other Federal, State or Local Government, or Private Entity during the last ten (10) years?

Circle One

YES

NO

(See Question 13)

If you have answered "Yes" to any of the above questions, please indicate the name(s) of the person(s), the nature, and the status and/or outcome of the information, indictment, conviction, termination, claim or litigation, as applicable. Any such information should be provided on a separate page, attached to this form and submitted with your proposal.

TO THE BEST OF MY KNOWLEDGE, THE ABOVE INFORMATION IS TRUE AND CORRECT.

Company Name: UBS Financial Services Inc.

*A. Frank Farley*  
Signature of Principal:

A. Frank Farley  
Printed Name of Principal:

Managing Director  
Title of Principal