

Agenda item #81

**CITY OF SAN ANTONIO
NEIGHBORHOOD ACTION DEPARTMENT
CITY COUNCIL AGENDA MEMORANDUM**

TO: Sheryl Sculley, City Manager
FROM: David D. Garza, Neighborhood Action Director
SUBJECT: MANAGING UNDERWRITER RFP RECOMMENDATION
DATE: June 29, 2006

SUMMARY AND RECOMMENDATIONS

This item is an ordinance to select First Southwest Company and Morgan Keegan & Company, Inc. to serve as Senior/Co-Senior Managing Underwriters for the proposed \$16,500,000 Mortgage Revenue Bond Program to be issued by the San Antonio Housing Trust Finance Corporation.

Staff recommends approval.

BACKGROUND INFORMATION

In order to move forward with a proposed Mortgage Revenue Bond program with a timeline of a bond sale in late summer, the San Antonio Housing Trust Finance Corporation (SAHTFC) and City staffs expedited the development of a Request for Proposals (RFP) for senior and co-managing underwriters. The RFP was issued on May 1, 2006 with proposals due on May 31, 2006. The City received six responses; however two firms indicated their inability to serve as Senior Manager. A Committee comprised of City staff, City's Financial Advisors, and SAHTFC staff reviewed, interviewed and scored the proposals (see attached matrix).

The Committee is recommending the top two scoring firms: First Southwest Company and Morgan Keegan & Company, Inc. Both firms expressed creative and innovative abilities for the expansion of affordable housing programs, have strong lender relationships to make a successful mortgage revenue bond program, can provide strong staff support to monitor pre- and post- bond sale activity, and have experience with joint agency transaction such as the one proposed between the San Antonio Housing Trust Finance Corporation and Bexar County Housing Finance Corporation.

Both firms would serve as Senior/Co-Senior Managers for the proposed bond transactions over the next four years. With this recommendation, each firm would alternate their "senior/co-senior" role over the next four years beginning with First Southwest Company.

POLICY ANALYSIS

The SAHTFC is responsible for issuing the city's Mortgage Revenue Bond ("MRB") programs. The objective of MRB programs is to provide low interest rate funds for single-family homebuyers and multifamily mortgage loans made to qualifying recipients. The SAHTFC's

ability to issue tax-exempt municipal bonds produces low interest rate funds. Bondholder's interest income from municipal bonds generally is exempt from federal, state, and local taxes. Interest rates on "tax-exempt" municipal bonds, under normal market conditions, enables mortgages to be priced at a level that is below a typical market rate mortgage. Therefore, potential homebuyers have access to below-market interest rate mortgages.

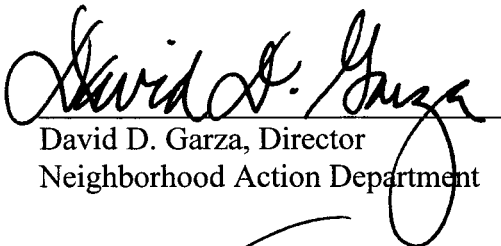
During the 2002/2003 bond program, the Trust had two firms who assisted with the previous Mortgage Revenue Bond programs. The City Council will be required to approve the sale of bonds in connection with the MRB Program as it gets finalized.

FISCAL IMPACT

The proposed 2006 MRB program totals \$16.5 million in mortgage revenue bonds. The IRS allows transaction costs up to two percent (2.00%) to be paid from bond proceeds. Transaction costs in excess of the two percent (2.00%) limitation may be paid through the issuance of taxable bonds, other financing mechanisms, or Housing Trust fund balances. Efforts are being made to keep transaction cost within the two percent (2.00%) limitation and in the event they exceed 2.00%, other financing mechanisms are being reviewed by the finance team. Every effort is being made so there will be no transaction costs paid from Housing Trust or fund balances. The fees for the recommended managing underwriters are proposed to be paid through the bond proceeds.

COORDINATION

This item has been coordinated with the City Attorney's Office, City Manager's Office, Economic Development, Contract Services and the San Antonio Housing Trust Finance Corporation Board who approved the recommendation during the June 8, 2006 Board meeting.

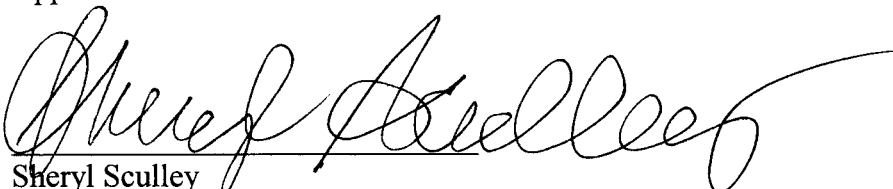


David D. Garza, Director
Neighborhood Action Department



Jelynn LeBlanc Burley
Deputy City Manager

Approved for Council consideration:



Sheryl Sculley
City Manager

Attachment A

RFP for Managing Underwriter for Housing Trust Finance Corp. Mortgage Revenue Bonds

Date Proposals Rec'd: 5/31/2006

Date RFP Issued: 4/30/2006

	Max. Pts.	Bank of America 214 Tryon St. Charlotte, NC	George K. Baum & Co. 4801 Main Kansas City, MO	First Southwest Co. 325 N. St. Paul Dallas, TX	Morgan Keegan & Co. 50 N. Front Memphis, TN
Experience, Background, Qualifications	40	23.60	24.20	31.20	37.00
Proposed Financing Plan	30	17.40	19.80	24.20	28.00
SUB-TOTAL		41.00	44.00	55.40	65.00
Professional Investment Bankers located in San Antonio	10	5.00	0.00	8.00	0.00
SBEDA	20	6.00	1.00	6.00	0.00
TOTAL	100	52.00	45.00	69.40	65.00

ATTACHMENT III

City of San Antonio
Discretionary Contracts Disclosure
Attach additional sheets if space provided is not sufficient.

(1) Identify any individual or business entity ¹ that is a party to the discretionary contract:
None.
(2) Identify any individual or business entity with is a partner, parent or subsidiary business entity, of any individual or business entity identified above in Box (1):
<input checked="" type="checkbox"/> No partner, parent or subsidiary; <i>or</i> List partner, parent of subsidiary of each party to the contract and identify the corresponding party:
(3) Identify any individual or business entity that would be a subcontractor on the discretionary contract.
<input checked="" type="checkbox"/> No subcontractor(s); <i>or</i> List subcontractors:
(4) Identify any lobbyist or public relations firm employed by any party to the discretionary Contract for purposes related to seeking the discretionary contract.
<input checked="" type="checkbox"/> No lobbyist or public relations firm employed; <i>or</i> List lobbyists or public relations firms:

¹ 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. A sole proprietor should list the RFP for Managing Underwriter Service for the San Antonio Housing Trust Finance Corporation.

(5) Political Contributions

List all political contributions totaling one hundred dollars (\$100) or more within the past Twenty-four (24) months made 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 Box (1), (2), (3) or (4) above, or by the officers, owners of any business entity listed in Box (1), (2) or (3):

☒ No contributions made; if contributions made list below:

By Whom Made:	To Whom Made:	Amount:	Date of Contribution:

(6) Disclosure in Proposals

Any individual of business entity seeking a discretionary contract with the city must disclose any known facts which, reasonably understood, raise a question² as to whether any city official or employee would violate Section 2-43 of the City Code (Ethics Code), ("conflicts of interest") by participating in official action relating to the discretionary contract.

☒ Party not aware of facts which would raise a "conflicts-of-interest" issue under Section 2-43 of the City Code; or

Party aware of the following facts:

Signature: 	Title: Managing Director Company: Morgan Keegan	Date: May 30, 2006
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² 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.



Partners with the Community

6. Discretionary Contracts Disclosure Form (Attachment III)

City of San Antonio Discretionary Contracts Disclosure

Attach additional sheets if space provided is not sufficient.

1. Identify any individual or business entity that is a party to the discretionary contract:

First Southwest Company

2. Identify any individual or business entity which is a partner, parent, or subsidiary business entity, of any individual or business entity identified above in Box (1):

☐ No partner, parent or subsidiary; or

List partner, parent or subsidiary of each party to the contract and identify the corresponding party:

First Southwest Company and First Southwest Asset Management, Inc., are wholly-owned subsidiaries of First Southwest Holdings, Inc. First Southwest Holdings, Inc., is a privately held company owned by employees of First Southwest Company.

3. Identify any individual or business entity that would be a subcontractor on the discretionary contract.

☒ No subcontractor(s); or

List subcontractors:

4. Identify any lobbyist or public relations firm employed by any part to the discretionary contract for purposes related to seeking the discretionary contract.

☒ No lobbyist or public relations firm employed; or

List lobbyists or public relations firms:

5. Political Contributions

List all political contributions totaling one hundred dollars (\$100) or more within the past twenty four (24) months made to any current or former member of City Council elections, by any individual or business entity whose identity must be disclosed under Box (1), (2), (3) or (4) above, or by the officers, owners of any business entity listed in Box (1), (2) or (3):

☒ No contributions made; If contributions made, list below:

By Whom Made:	To Whom Made:	Amount:	Date of Contribution:
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Partners with the Community

6. Disclosures in Principals

Any individual or business entity seeking a discretionary contract with the city must disclose any known facts which, reasonably understood, raise a question as to whether any city official or employee would violate Section 2-42 of the City Code (Ethics Code); ("conflicts of interest") by participating in official action relating to the discretionary contract.

☒ Party not aware of facts which would raise a "conflict of interest" issue under Section 2-43 of the City Code; or

Part aware of the following facts:

This form is required to be supplemented in the event there is any change in the information 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, whichever occurs first.

Signature: 

Title: Managing Director

Date: May 30, 2006

Company or D/B/A: First Southwest Company