

Memorandum



CITY OF DALLAS

DATE October 14, 2016

TO Honorable Members of the Budget, Finance, & Audit Committee: Jennifer S. Gates (Chair), Philip T. Kingston (Vice Chair), Erik Wilson, Rickey D. Callahan, Scott Griggs, Lee M. Kleinman

SUBJECT Financial Advisory Services Contract

On Monday, October 17, 2016, the City Controller's Office will brief the Budget, Finance, & Audit Committee on the Financial Advisory Services Contract. We have attached the briefing for your review.

Please let me know if you need additional information.

A handwritten signature in blue ink that reads "M. Elizabeth Reich".

M. Elizabeth Reich
Chief Financial Officer

Attachment

c: Honorable Mayor and Members of the City Council
A.C. Gonzalez, City Manager
Larry Casto, City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge
Ryan S. Evans, First Assistant City Manager

Eric D. Campbell, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Mark McDaniel, Assistant City Manager
Joey Zapata, Assistant City Manager
Sana Syed, Public Information Officer
Elsa Cantu, Assistant to the City Manager – Mayor & Council

City of Dallas Financial Advisory Services Contracts



BUDGET, FINANCE, & AUDIT
COMMITTEE
October 17, 2016

PURPOSE

- Review the selection process
- Make an award recommendation



FINANCIAL ADVISORY SERVICES

Assist the City in all aspects of debt issuance

- Develop financing plan
- Set financing terms and coordinate related services
- Prepare documentation
- Coordinate bond rating process
- Conduct marketing and sale of bonds



FINANCIAL ADVISORY SERVICES

Provide other services, including:

- Monitor legislative, economic, budgetary, and regulatory changes
- Evaluate financing alternatives and products



FINANCIAL ADVISORY SERVICES

- Increasing complexity of municipal bond market since 2011
 - New regulations affecting issuers, advisors, and buyers
 - Would competition increase if the contract were split between bond issues based on pledged revenues?
 - Example: general obligation vs. revenue bonds

FINANCIAL ADVISORY SERVICES

- Do other issuers use multiple financial advisors?
 - State of Texas agencies (Texas Dept. of Transportation; Texas Water Development Board; Texas Public Finance Authority)
 - NTTA
 - City of San Antonio

FINANCIAL ADVISORY SERVICES

Group A - Obligations supported by a pledge of governmental fund revenues including:

- General Obligation (GO) Bonds
- GO Commercial Paper
- Certificates of Obligation (CO)
- Contractual Obligation Bonds



FINANCIAL ADVISORY SERVICES

Group B - Obligations supported by a pledge of designated enterprise revenues including:

- Waterworks and Sewer System (WW&SS) Revenue Bonds
- WW&SS Commercial Paper
- General Aviation Revenue Bonds
- Civic Center and Convention Complex Revenue Bonds
- Tax Increment Bonds



SELECTION PROCESS

Request for Competitive Sealed Proposals issued in July;
Three proposals received on July 27:

- Hilltop Securities (formally First Southwest Co.),
and Estrada Hinojosa & Company - Joint Proposal
- PFM Financial Advisors LLC
- New Capital Funding & Partners



SELECTION PROCESS

Evaluation committee reviewed and evaluated the proposals:

- Convention Center & Event Services
- Controller's Office
- Dallas Water Utilities
- Business Development & Procurement Services
 - Evaluated Business Inclusion and Development Plan and Cost



SELECTION PROCESS

Selection Criteria:

- 25% Overall approach to projects
- 30% Capability and expertise
- 30% Fees
- 15% Business Inclusion and Development (BID) plan



SELECTION PROCESS

Evaluation committee recommends award of financial advisory services contracts as follows:

- Group A – PFM Financial Advisors LLC
 - TKG & Associates, a certified M/WBE, will serve as a sub-contractor
- Group B – Hilltop Securities and Estrada Hinojosa & Co.



FINANCIAL ADVISORS

- PFM Financial Advisors LLC
 - Based in Philadelphia, PFM was founded in 1975 and has served as financial advisor to many of the largest US cities, including Austin and San Antonio
 - Texas offices located in Dallas and Austin
 - Consistently ranks among the top financial advisors

FINANCIAL ADVISORS

- Hilltop Securities (formerly First Southwest Co.) and Estrada Hinojosa & Co.
 - Based in Dallas, the firms have served as co-financial advisors to the City since 1995
 - Consistently rank among the top US financial advisors
 - Leading financial advisor in Texas

FINANCIAL ADVISORS

- Three separate, five-year term contracts
- Fees for bond issuance will be divided as follows:
 - Group A – PFM Financial Advisors LLC
 - Group B – 60% Hilltop Securities and 40% Estrada Hinojosa & Company
 - Fees for non-transactional services are 70% Hilltop Securities, 30% Estrada



FINANCIAL ADVISORS

Fees for bond issuance will be divided as follows:

- Group A – PFM Financial Advisors



	PFM Financial Advisors
First \$15,000,000	\$29,750
Next \$15,000,000	\$0.720 per \$1,000
Over \$30,000,000	\$0.600 per \$1,000

FINANCIAL ADVISORS

Fees for bond issuance will be divided as follows:

- Group B – Hilltop Securities and Estrada Hinojosa & Company



	Hilltop Securities	Estrada Hinojosa & Co.	Total
First \$15,000,000	\$14,175	\$6,075	\$20, 250
Next \$15,000,000	\$0.567 per \$1,000	\$0.243 per \$1,000	\$0.810 per \$1,000
Over \$30,000,000	\$0.350 per \$1,000	\$0.150 per \$1,000	\$0.500 per \$1,000

RECOMMENDATION

Recommend award of three five-year contracts for financial advisory services on October 26 Council agenda:



- Group A – PFM Financial Advisors LLC
- Group B – Hilltop Securities and Estrada Hinojosa & Company