

Memorandum



CITY OF DALLAS

DATE April 8, 2010

TO Members of the Budget, Finance & Audit Committee:
Chair Jerry Allen, Vice-Chair Ann Margolin, Vonciel Jones Hill, Delia Jasso, Ron Natinsky, David Neumann

SUBJECT Bond Underwriter Syndicate Selection

The April 12, 2010 Budget, Finance & Audit meeting agenda includes a briefing on the recommended bond underwriter syndicate selection. Attached is a copy of the briefing.

Please let me know if you need additional information.

A handwritten signature in cursive script, reading "Jeanne Chipperfield".

Jeanne Chipperfield
Chief Financial Officer

Attachment

c: Honorable Mayor & Members of the City Council
Mary K. Suhm, City Manager
Ryan S. Evans, First Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
A.C. Gonzalez, Assistant City Manager
Forest E. Turner, Assistant City Manager
Deborah A. Watkins, City Secretary
Tom P. Perkins, City Attorney
Craig Kinton, City Auditor

CITY OF DALLAS

BOND UNDERWRITER SYNDICATE SELECTION

BUDGET, FINANCE & AUDIT
COMMITTEE

April 12, 2010



UNDERWRITER SELECTION PROCESS

- UNDERWRITING – “The process of purchasing all or any part of a new issue of municipal securities from the issuer and offering such securities for sale to investors.”
- SYNDICATE – “A group of underwriters formed to purchase a new issue of municipal securities from the issuer and offer it for resale to the general public.”

Municipal Securities Rulemaking Board

UNDERWRITER SELECTION PROCESS

- The City has maintained a pool of underwriters for negotiated sales divided into two syndicates, called Team A and Team B
 - The teams are composed of national, regional, and minority/women business enterprise firms and include a mix of firms with institutional and retail sales capabilities
 - The teams alternate financings, beginning with Team A
 - Two Senior Managers are appointed at the time of the financing

UNDERWRITER SELECTION PROCESS

- Senior Manager positions in the previous syndicates were rotated between the national and MWBE firms as the teams alternated financings
 - All national firms and the two highest ranked MWBE firms in each team served in the role of Bookrunning Senior Manager
 - Regional firms were not included in the rotation of Senior Manager positions

UNDERWRITER SELECTION PROCESS

- The new syndicates will include the rotation of firms as Senior Managers as the teams alternate financings
 - National and MWBE firms will be considered for the Bookrunning Senior Manager position, beginning with the highest ranked national and MWBE firm on each team
 - Firms will rotate in the Bookrunning Senior Manager position until all have had an opportunity to serve in this role
 - Regional firms will be considered for rotation with national firms as Co-Senior Managers, beginning with the highest ranked regional firm on each team

UNDERWRITER SELECTION PROCESS

- On February 8th, Budget Finance & Audit Committee was briefed on the underwriter selection process
- On March 3rd, the City received responses from 37 firms to serve as underwriter for the City's negotiated bond sales

UNDERWRITER SELECTION PROCESS

- Evaluation team reviewed responses and submitted recommendations to Business Development and Procurement Services
 - Team members represented City departments and the City's Co-Financial Advisors:
 - Chief Financial Officer
 - Interim Assistant Director of Business Operations, Water Utilities
 - Assistant Director, Office of Financial Services
 - Interim Director, Convention and Event Services
 - Assistant Director/Treasury Manager, City Controller's Office
 - First Southwest Company, Co-Financial Advisor
 - Estrada Hinojosa, Co-Financial Advisor

UNDERWRITER SELECTION PROCESS

■ Selection Criteria

■ 30% Experience

- Experience of the firm and its representatives

■ 30% Capacity

- Capital

- Municipal securities sales force and public finance staff

■ 20% Commitment to Dallas and/or Texas

- Location of offices and public finance personnel

■ 20% Other Qualifications

- References

- Litigation/Disclosures

UNDERWRITER SELECTION PROCESS

- National firms in order of ranking:
 - Citigroup Global Markets, Inc.
 - JPMorgan Chase & Co.
 - Bank of America Merrill Lynch
 - Morgan Stanley
 - Wells Fargo Bank, N.A.
 - Goldman Sachs
 - Barclays Capital
 - Jefferies
 - Robert W. Baird & Co., Inc.
 - Fidelity Capital Markets
 - Edward Jones

UNDERWRITER SELECTION PROCESS

■ Regional firms in order of ranking:

- Southwest Securities Group
- Morgan Keegan & Co., Inc.
- RBC Capital Markets
- Piper Jaffray
- Raymond James & Assoc.
- Stifel Nicolaus
- Stephens Inc.
- BB&T Capital Markets
- Frost Bank
- BOSCO, Inc.
- Sterne Agee & Leach
- Coastal Securities Inc.
- Mesiroow Financial
- SAMCO Capital Markets, Inc.
- Crews & Associates, Inc.
- M.E. Allison & Co.

UNDERWRITER SELECTION PROCESS

- Minority/women business enterprise firms in order of ranking:
 - Siebert Brandford Shank & Co.
 - Loop Capital Markets
 - M. R. Beal & Co.
 - Ramirez & Co.
 - Jackson Securities
 - Cabrera Capital Markets
 - Duncan-Williams, Inc.
 - Stern Brothers & Co.
 - Rice Financial Products
 - Rockfleet Financial Services

UNDERWRITER SELECTION PROCESS

■ Previous underwriting syndicates:

Team A

Bank of America Merrill Lynch

Citigroup Global Markets, Inc.

JPMorgan Chase & Co.

Morgan Keegan & Co., Inc.

Ramirez & Co.

Rice Financial Products*

Team B

Barclays Capital

Goldman Sachs

Morgan Stanley

RBC Capital Markets

Siebert Brandford Shank & Co.

Southwest Securities Group

Walton Johnson & Co.

*Formerly Apex Pryor Securities, Inc.

UNDERWRITER SELECTION PROCESS

■ Recommended underwriting syndicates:

Team A

JPMorgan Chase & Co.
Bank of America Merrill Lynch
Morgan Stanley
Southwest Securities Group
RBC Capital Markets
Raymond James & Assoc.
Siebert Brandford Shank & Co.
M. R. Beal & Co.
Cabrera Capital Markets

Team B

Citigroup Global Markets, Inc.
Wells Fargo Bank, N.A.
Goldman Sachs
Morgan Keegan & Co., Inc.
Piper Jaffray
Stifel Nicolaus
Loop Capital Markets
Ramirez & Co.
Jackson Securities

UNDERWRITER SELECTION PROCESS

- Recommended teams will also include one additional national, regional, and minority/women business enterprise firm, which will serve as an alternate.
- The alternate will assume the place on the team of a firm that can no longer serve
- Recommended alternates:

Team A

Barclays Capital

Stephens Inc.

Duncan-Williams

Team B

Jefferies

BB&T Capital Markets

Stern Brothers

RECOMMENDATION

- Approval of resolution on April 21st city council agenda to appoint underwriting syndicates