

City of Sacramento

Legislation Text

File #: 2020-01485, **Version:** 1

Title:
Extension of City's Pool of Bond Underwriters

File ID: 2020-01485

Location: Citywide

Recommendation:

Pass a Motion approving the extension of the pool of firms qualified to provide bond-underwriting services to the City through FY2020/21.

Contact: Brian Wong, Debt Manager, (916) 808-5811, Office of the City Treasurer

Presenter: None

Attachments:

1-Description/Analysis

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Issue Detail: In July 2017, the City Council approved the pool of bond underwriters (i.e., investment bankers) that could provide bond-underwriting services to the City during FY2017/18, FY2018/19, and FY2019/20. In early calendar year 2020, the City Treasurer's Office began developing a Request for Qualifications (RFQ) to establish a new pool of underwriters. But because of the COVID-19 pandemic, we had to postpone development of the RFQ, as we have had to devote-and are continuing to devote-considerable time to assessing the pandemic's economic effects on the City's ability to meet its current debt obligations or issue new-money bonds.

The pool of underwriters that was in place through June 30, 2020, consisted of the following:

- Bank of America Merrill Lynch
- Fidelity Capital Markets
- Goldman Sachs & Co. LLC
- Morgan Stanley & Co. LLC
- Piper Sandler & Co. (previously known as Piper Jaffray & Co.)

- Siebert Cisneros Shank & Co., LLC, and
- Stifel

The City Treasurer's Office recommends that the City Council extend the term of this pool of bond underwriters through June 30, 2021.

Policy Considerations: The establishment and maintenance of a pool of firms that may provide underwriting services is a best practice of the Government Finance Officers Association. The practice provides staff with immediate access to specialized expertise, maintains continuity for City projects, and ensures competitive exposure to the financial markets (bond financing market and investors).

Economic Impacts: None.

Environmental Considerations: Not applicable. The recommendation does not constitute a "project" and is therefore exempt from the California Environmental Quality Act.

Sustainability: Not applicable.

Commission/Committee Action: None.

Rationale for Recommendation: Extending the term of the pool of bond underwriters will enable the City to access bond-underwriting services, if necessary, through the remainder of FY2020/21. In spring 2021, the City Treasurer's Office intends to develop a comprehensive RFQ to establish a new pool of bond underwriters to meet the City's anticipated bond-financing needs over the following three-to-five years. Developing the RFQ will require that we assess and understand the capital-financing needs of City departments beyond the current fiscal year, and we currently do not have the capacity to do that adequately.

Financial Considerations: There are no budget implications associated with the recommendation. Compensation for underwriters is negotiated at the time of each financing and is contingent upon the sale of bonds.

Local Business Enterprise (LBE): Not applicable.