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OFFICE OF THE
CITY TREASURER

THOMAS P. FRIERY
TREASURER

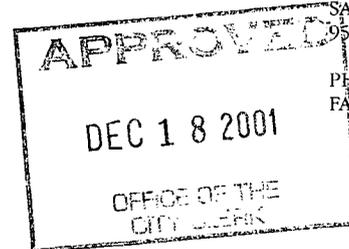
November 29, 2001
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City Council
Sacramento, California

CITY OF SACRAMENTO
CALIFORNIA

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Honorable Members in Session:

SUBJECT: RESOLUTION AUTHORIZING APPOINTMENT OF FIRMS TO SERVE AS INVESTMENT BANKERS/FINANCIAL CONSULTANTS

RECOMMENDATION: Staff recommends that City Council approve the attached resolution:

- Confirming the City Treasurer's recommendation of Goldman, Sachs, & Co., Merrill Lynch & Co., Stone & Youngberg LLC, E. Wagner & Associates, Siebert Brandford Shank & Co. and Optimal Water to provide Investment Banker/Financial Advisor services.
- Authorizing the City Treasurer to enter into a five-year agreement for Investment Banker/Financial Advisor services.
- Authorizing the City Treasurer to enter into a consulting services agreement with Optimal Water Co. to provide services related to water rights.

CONTACT PERSON: Thomas P. Friery, City Treasurer, 264-5168
Lydia Lara, Deputy City Treasurer, 264-5168

FOR COUNCIL MEETING OF: December 18, 2001

SUMMARY:

Approval of this action confirms the appointment of and authorizes the City Treasurer to enter into agreements with selected firms to provide underwriting in addition to water rights services and financial advisor services to the City for a five-year period effective upon approval through December 2007. The recommended firms are: Goldman, Sachs, & Co., Merrill Lynch & Co., Stone & Youngberg LLC, E. Wagner & Associates, Siebert Brandford Shank & Co., and Optimal Water, Inc., as a special consultant. Approval of the agreements addresses only the scope of services and manner of providing such services; compensation for services is addressed on a project-by-project basis dependent upon market conditions and services provided at the time.

COMMITTEE/COMMISSION ACTION: None.

BACKGROUND INFORMATION:

Every five years the City Treasurer Public Finance Unit solicits proposals from firms interested in providing investment banking and/or financial advisor services to the City. The objective of requesting proposals is to enable the City to determine which firm or team of firms could offer the highest level of financial expertise and services and provides an opportunity for the City to periodically evaluate various technological advances and procedural enhancements that could improve the City's financing efficiency. Additionally, a five-year period of time provides for continuity on more complex, long-term projects. The RFP encourages investment-banking firms to submit "team" proposals in order to enable the City to take advantage of the combined financing expertise and distribution strengths of the team members. The "team" concept was determined to best meet the City's diverse financing needs.

RFP PROCESS

The Request for Proposal (RFP) process was as outlined below.

Distribution of Proposals:	August 10, 2001
Pre-proposal Session:	August 22, 2001
Proposal Submission:	September 21, 2001
Interviews:	October 29, 2001

The RFP was sent out to approximately 45 investment banking and financial advisor firms. 25+ individuals, representing 17 firms, attended the pre-proposal session. All RFP recipients received information detailing the questions and answers from that session. The City received two "team" proposals representing nine prominent investment banking firms. Two other highly reputable firms declined to submit a proposal for various reasons. The two submitting proposals were:

TEAM A

Goldman, Sachs, & Co.
Merrill Lynch & Co.
Stone & Youngberg, LLC
E. Wagner & Associates
Siebert Brandford Shank & Co.
Optimal Water, Inc. (Water Resource Consultant)

TEAM B

Salomon Smith Barney
Sutter Securities Inc.
E.J. DeLaRosa Inc.
M.R. Beal & Company

RFP CRITERIA

The City's RFP process was two-phased, the first phase consisting of the submission of a detailed proposal in response to various questions, hypothetical exercises, as well as disclosure of various professional qualifications and ethics (i.e. pending litigation, political contribution practices, etc.). The second phase was an interview that provided the firms an opportunity to expand upon their qualifications. The evaluation criteria consisted of six critical areas:

- **Capability and Experience**
- **Assigned Individuals**
- **Structuring**
- **Marketing**
- **Cost**
- **Other Factors**

In addition, a five-percent (5%) preference was added for Emerging Small Business Enterprise firms.

The Selection Committee comprised of city staff included Andrew Plescia, Economic Development Director, Kenneth Nishimoto, Deputy City Manager, Deborah Schulte, Deputy City Attorney, Satoshi Matsuda, Finance Director for the Redevelopment Agency, Lydia Lara, Deputy City Treasurer and myself. The committee completed an initial evaluation of the proposals; invitations for an oral interview were extended to both teams to allow for explanation and expansion on their written proposals. The Committee determined that the team consisting of Goldman, Sachs & Co., Merrill Lynch, Stone & Youngberg LLC, E. Wagner & Associates, Siebert Brandford Shank & Co., and Optimal Water, Inc. best suited the upcoming investment banking/financial consulting needs of the City in the coming years. An "Attachment A" is included as an agreement for these services

SELECTED TEAM PROFILE

The six-member team of Goldman, Sachs & Co., Merrill Lynch, Stone & Youngberg LLC, E. Wagner & Associates, Siebert Brandford Shank & Co., and Optimal Water, Inc. received the review committee's recommendation as best meeting the upcoming financial services needs of the City. The combined strength of the firms is illustrated by a combined net (uncommitted) capital position in excess of \$9.9 billion. While the City will have access to an entire range of services and expertise offered by over 190 professionals working in the public finance arena, 26 professionals, with an average of 15 years of experience, are specifically assigned to work directly on the City's financings needs.

Additionally, the City will have access to an extensive institutional and retail marketing system comprised of 16,000 sales professionals nationwide and over 2000 in California. The marketing strength of the team is evident in its sales activity. During 2000-2001, the firms sold nearly \$155 billion of bonds nationwide and over \$12.6 billion in California alone. Further illustrating their capabilities and experience in the Sacramento market, in 1999-2000 the firms sold over \$266 million in secondary market bonds issued by local entities including the City and County of Sacramento, Sacramento Municipal Utility District, and local school districts.

FINANCIAL CONSIDERATIONS:

There are no budget impacts as a result of this action. Investment banking/financial consulting fees are negotiated at the time of each financing and are contingent upon the sale of bonds; the cost of such services is built into the financing structure.

POLICY CONSIDERATIONS:

This RFP process is consistent with previous selection methods approved by City Council. The City Treasurer recommends the five-year period as prudent and appropriate to provide for continuity in meeting needs of the City's financing program while still providing the opportunity to periodically evaluate various advances and enhancements that could improve the City's financing efficiency.

Each firm will enter into an Agreement for Investment Banking/Financial Advisor Services (Agreement) that sets out the terms and conditions under which the firms will perform. The basic terms of the Agreement provide that the firms will assist the City to develop and implement comprehensive financing plans for the preparation, execution, sale, and marketing of municipal bonds and other municipal securities for capital projects and other financing needs authorized by the City Council. The recommended firms have agreed to use their best efforts to bring the City's bonds to market at reasonable rates under existing conditions. A copy of the Agreement in substantially final form is provided as Attachment A. During the course of negotiating the final form such changes or additions that may hereafter become necessary in the interests of the City will be reviewed and approved by the Treasurer of the City in consultation with the City Attorney's Office.

ENVIRONMENTAL CONSIDERATIONS:

This action in itself is considered administrative activity and does not constitute a “project” for purposes of the California Environmental Quality Act (CEQA).

ESBD CONSIDERATIONS:

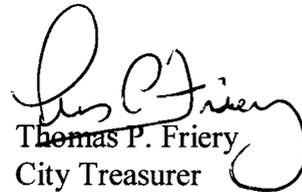
The RFP process required all proposing firms to submit a completed Emerging/Small Business Enterprise Certification. The proposal evaluation criteria also provided for a five percent preference for those teams that included qualified ESBE firms. Three of the nine firms involved in the proposal submissions are certified by the City or State of California as being a Small Business Enterprise. Those firms included: Sutter Securities, E. J. De La Rosa, and E. Wagner & Associates. The recommended team includes the firm of E. Wagner & Associates. E. Wagner & Associates will be given opportunities to participate in structure development and marketing of bonds.

RECOMMENDATION APPROVED:

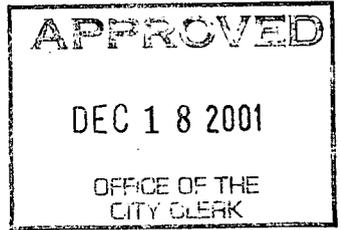
Respectfully Submitted,



ROBERT P. THOMAS
City Manager



Thomas P. Friery
City Treasurer



RESOLUTION NO. 2001-852

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

RESOLUTION CONFIRMING THE CITY TREASURER'S RECOMMENDATION OF FIRMS TO SERVE AS INVESTMENT BANKER/FINANCIAL CONSULTANTS, OPTIMAL WATER, INC., AND AUTHORIZING THE CITY TREASURER TO ENTER INTO FIVE-YEAR AGREEMENT FOR SUCH SERVICES

WHEREAS, from time to time the City desires the services of a investment banker/financial advisor to provide financial expertise and Optimal Water, Inc. to provide services related to water rights services to meet the City's diverse financing needs; and

WHEREAS, it is in the best interest of the City to periodically solicit proposals from qualified firms in order to periodically evaluate various technological advances and procedural enhancements that could improve the City's financial efficiency; and

WHEREAS, it has been determined that a service period of five-year is appropriate for maintaining continuity on more complex, long-term projects;

NOW, THEREFORE BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO, AS FOLLOWS:

1. City Council confirms the selection of the financing team of Goldman, Sachs, & Co., Merrill Lynch & Co., Stone & Youngberg LLC, E. Wagner & Associates, Siebert Brandford Shank & Co., and Optimal Water, Inc., as special consultant.
2. The City Treasurer is authorized to enter into a five-year agreement for Investment Banker/Financial Advisor services in substantially said forms, with such changes or additions that may hereafter become necessary in the interests of the City and which are reviewed and approved by the Treasurer of the City in consultation with the City Attorney's Office.

Mayor

ATTEST:

City Clerk

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____ 5 _____

DATE ADOPTED: _____

City's Criteria of Financing Expertise

- General Government Finance**
- Economic Development**
- Redevelopment**
- Land Secured**
- Public Private Partnerships**
- Water Rights**
- Transportation**
- Sports & Entertainment**

