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OFFICE OF THE
CITY TREASURER

CITY OF SACRAMENTO
CALIFORNIA

921 TENTH STREET
SUITE 400
SACRAMENTO, CA
95814-2714

THOMAS P. FRIERY
TREASURER

MICHAEL L. MEDEMA
ASSISTANT TREASURER

DONALD E. SPERLING
DEPUTY TREASURER/OPERATIONS

DAVID M. AFFLECK
DEPUTY TREASURER/FINANCING

December 22, 1989

916-449-5318
OPERATIONS

916-449-5168
INVESTMENTS &
ADMINISTRATION

FAX 916-448-3139

Budget and Finance Committee
Sacramento, California

SUBJECT: Recommendation to Extend Investment Banking/Financial Consultant
Services Contract Through June 30, 1990.

Honorable Members in Session:

SUMMARY

It is requested that the Budget and Finance Committee recommend to the full City Council extension of the Investment Banking/Financial Consultant Services Contract through June 30, 1990. This contract is now with PaineWebber, Inc. and Stone & Youngberg and provides that a third firm may be approved by Council at the time a financing is undertaken. The contract expires January 20, 1990. Extending the contract will permit the City to maintain its external consultant relationships during the time that a team is selected.

Extension of the contract is requested for three basic reasons:

- During the past twelve months the Treasurer's Office has been involved with four major financings which have not permitted initiation of the selection process, and
- The selection process will take at least six months to complete, and
- It is highly advisable to maintain an investment banking team while the process is underway.

BACKGROUND

See City Council report.

FINANCIAL DATA

See City Council report.

POLICY CONSIDERATIONS

See City Council report.


MBE/WBE EFFORTS

See City Council report.

RECOMMENDATION

It is recommended that the Committee approve the attached City Council report and recommend adoption of the resolution providing for the extension of the Investment Banking/Financial Consultant Services contract with the firms of PaineWebber, Inc. and Stone & Youngberg through June 30, 1990.

Respectfully submitted,


THOMAS P. FRIERY,
City Treasurer

RECOMMENDATION APPROVED:


JACK R. CRIST, Deputy City Manager

January 9, 1990
All Districts

Contact Person: David Affleck, Deputy Treasurer, 449-5168



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Sacramento City Council
Sacramento, California

**SUBJECT: Recommendation to Extend Investment Banking/Financial Consultant
Services Contract Through June 30, 1990.**

Honorable Members in Session:

SUMMARY

It is requested that City Council approve extending the Investment Banking/Financial Consultant Services Contract through June 30, 1990. This contract is now with PaineWebber, Inc. and Stone & Youngberg and provides that a third firm may be approved by Council at the time a financing is undertaken. The contract expires January 20, 1990. Extending the contract will permit the City to maintain its external consultant relationships during the time that a team is selected.

Extension of the contract is requested for three basic reasons:

- During the past twelve months the Treasurer's Office has been involved with four major financings which have not permitted initiation of the selection process, and
- The selection process will take at least six months to complete, and
- It is highly advisable to maintain an investment banking team while the process is underway.

Maintaining a contract provides continuity with credit rating agencies and investors and makes it possible to perform special studies and confidential reviews without involving the market place in the ideas and potential financing plans of the City. The contract also provides an opportunity to use MBE and WBE firms in the financing process while retaining a nationally recognized investment banker as the lead manager. The City has benefited from this arrangement as evidenced from the "AA" rating given by Moody's Investor Service to the City's outstanding general obligation bonds and also its Certificates of Participation issued in 1987 for \$41,650,000 and more recently in 1989 for \$96,540,000.

Extending the existing contract will provide continuity during the period of time that a new underwriting team is selected. In this way, the City will continue to have the use of financial consultants, should it be necessary to call upon them. Further, it is not anticipated the City will begin new financing programs during the contract extension period. However, in the event a financing occurs, the contract extension will provide cost savings and other efficiencies by eliminating the need to quickly go through an underwriter selection process.

Finally, there are financing programs in which the investment bankers have invested substantial time and resources, and should appropriately be named as underwriters in the event they were to go to market in 1990. The largest of these are the proposed North Natomas Mello Roos district bonds and refunding of the 1985 Light Rail COP. Work on the North Natomas Mello Roos district financing began in 1987 and continues to proceed. The 1985 COP refunding was approved by Council in April, 1987 but later put on hold when interest rates rose. The current underwriting team remains ready to proceed should rates decline.

POLICY CONSIDERATIONS

There are no new policy considerations.


MBE/WBE EFFORTS

MBE firms have co-managed \$96.5 million of bonds issued by the City since 1987, which amounts to 47.0 percent of total bonds issued. Further, MBE firms have been used as special counsel for 67.2 percent of the bonds issued by the City during the same time period.

Extending the underwriting contract through June 30, 1990 would provide the same MBE/WBE goals and objectives that have been in place with respect to the current contract. The proposed underwriting contract that would go into effect July 1, 1990 would continue to provide for the use of MBE/WBE firms.

RECOMMENDATION

It is recommended that City Council adopt the attached resolution providing for the extension of the Investment Banking/Financial Consultant Services contract with the firms of PaineWebber, Inc. and Stone & Youngberg through June 30, 1990.

Respectfully submitted,

THOMAS P. FRIERY,
City Treasurer

RECOMMENDATION APPROVED:

WALTER J. SLIPE, City Manager

January 9, 1990
All Districts

Contact Person: David Affleck, Deputy Treasurer, 449-5168

RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF January 9, 1990

RESOLUTION OF THE CITY OF SACRAMENTO EXTENDING AN INVESTMENT BANKING/FINANCIAL CONSULTANT SERVICES CONTRACT

WHEREAS, the City desires to extend the Investment Banking/Financial Consultant Services contract entered into as of January 27, 1987 under City Agreement No. 86130 with the firms of PaineWebber, Incorporated and Stone & Youngberg,

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Sacramento, as follows:

The City Treasurer and the City Manager are hereby authorized to extend the Investment Banking/Financial Consultant Services contract with the firms of PaineWebber, Incorporated and Stone & Youngberg through June 30, 1990.

PASSED AND ADOPTED this 9th day of January, 1990 by the following vote:

AYES: Councilmembers

NOES:

ABSENT:

Mayor of the City of Sacramento

[Seal]

Attest:

City Clerk of the City of Sacramento

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

PROPOSED ACTION PLAN FOR SELECTION OF
INVESTMENT BANKER/FINANCIAL CONSULTANT SERVICES

| <u>ACTION</u> | <u>DATE</u> |
|------------------------------------|------------------|
| Develop Request for Qualifications | January 30, 1990 |
| Mail out RFQ's | February 1 |
| Return RFQ's to City | March 6 |
| Complete Screening of RFQ's | March 16 |
| Mail out Request for Proposal | March 23 |
| Return RFP's to City | April 25 |
| Preliminary RFP screening | May 4 |
| Begin interviews | May 14 |
| Complete interviews, select team | May 31 |
| Council approval of team | June 19, 1990 |

CITY OF SACRAMENTO BONDS UNDERWRITTEN
FROM 1/27/87 THROUGH 12/31/89

COMPETITIVE BID FINANCING SUMMARY STATISTICS

| | |
|------------------------|-----------------------------|
| City of Sacramento | \$138,190,000 |
| Special District Bonds | |
| 1915/1913 Act | 55,398,925 |
| 1911/1913 Act | 4,754,221 |
| 1911/1911 Act | 1,372,149 |
| Other Bonds | <u>5,900,000</u> |
| Total Bonds Sold: | <u><u>\$205,615,295</u></u> |

Lead Managers:

| | | <u>Total Bonds Sold</u> |
|-------------------|------------|-----------------------------|
| PaineWebber, Inc. | (3 issues) | \$144,090,000 |
| Stone & Youngberg | (6 issues) | <u>61,525,295</u> |
| | | <u><u>\$205,615,295</u></u> |

Co-Managers:

| | | <u>Bond Issues Sold</u> |
|--------------------------------------|------------|-------------------------|
| PaineWebber, Inc. | (3 issues) | \$ 45,041,177 |
| Stone & Youngberg | (3 issues) | \$144,090,000 |
| Grigsby, Brandford & Powell | (1 issue) | \$ 96,540,000 |
| Cranston/Prescott | (1 issue) | \$ 41,650,000 |
| Boettcher & Company, Inc. | (1 issue) | \$ 38,446,534 |
| Van Kampen Merritt, Inc. | (1 issue) | \$ 5,900,000 |
| Dowdell Securities, Inc. | (1 issue) | \$ 5,900,000 |
| PacificCorp Capital Securities, Inc. | (1 issue) | \$ 5,900,000 |