



Council Communication

Office of the City Manager

Date

June 18, 2007

Agenda Item No. Extra Item 1
Roll Call No. 07-
Communication No. 07-375
Submitted by: Allen McKinley, Finance
Director/City Treasurer and Craig Smith,
Aviation Director

AGENDA HEADING:

Designating Merrill Lynch and Co., Inc. as Senior Managing Underwriter for a Three Year Period for the Issuance of Airport Revenue Bonds Using a Negotiated Sale Process.

SYNOPSIS:

RFPs were distributed to 14 potential underwriters with four responding (Merrill Lynch, Morgan Keegan & Company, Inc., Piper Jaffray & Company, and RBC Capital Markets). An evaluation committee comprised of city staff from three departments (Aviation, Finance, and the City Manager's Office) and the city's Financial Advisor (PFM) reviewed the submitted RFPs and then held interviews on May 24 and May 25, 2007. The Airport Board met in special session on June 18, 2007, and approved the staff recommendation to designate Merrill Lynch (Stan O'Neal, Chairman of the Board, CEO, President 4 World Financial Center, 9th Floor, New York, NY 10080) as the underwriter for underwriting services for the issuance of General Airport Revenue Bonds using a negotiated sale process.

FISCAL IMPACT:

Amount: Costs related to underwriting services are only incurred when bonds are sold and are subject to the size of the bond issue. Thus, actual costs are not known at this time. However, in the RFP, a \$50 million transaction was used for the cost comparison, which yielded a cost of \$264,700. The airport is pursuing a not to exceed \$40 million refunding and may issue new debt over the next 18-24 months. Any costs that are incurred related to this relationship will be funded from bond proceeds with the retirement of the debt funded from the Airport's revenue stream.

Funding Source: Bond proceeds from future airport financed bond sales.

ADDITIONAL INFORMATION:

Request for Proposals were sent to 14 potential underwriters. Of the 14 contacted, four responded and were interviewed by the selection committee. Below is the list of the potential underwriters to which RFPs were sent, with those responding in bold and underlined.

A.G. Edwards & Sons
Banc of America Securities LLC
Bank of America, NA
Citigroup Corporate & Investment Banking
Edward Jones

Lehman Brothers
Merrill Lynch
Morgan Keegan & Company, Inc.
Piper Jaffray & Co.
RBC Capital Markets

George K. Baum & Company
J.P. Morgan Securities Inc.

UBS Securities LLC
William Blair & Company

The Selection Committee used the following criteria to evaluate the proposals and unanimously chose Merrill Lynch as the preferred underwriter:

- Experience of the firm and understanding of the Airport's objectives
- Cost (fees related to issue management, expected average takedown per bond, any expected "net to underwriter" fees, other expenses anticipated to be reimbursed, and underwriter's counsel fees)
- Distribution capacity (bond marketing)
- Financial capacity
- References

PREVIOUS COUNCIL ACTION(S):

Date: April 23, 2007

Roll Call Number: 07-758

Action: Approving Request For Proposals (RFP) for Underwriting Services on issuance of General Airport Revenue Bonds (Council Communication No. 07-215). Moved by Hensley to adopt. Motion Carried 7-0.

Date: March 12, 2007

Roll Call Number: 07-478

Action: Hearing on issuance of not to exceed \$40,000,000 Aviation System Revenue Refunding Capital Loan Notes. (Council Communication No. 07-142). Moved by Hensley to adopt. Motion Carried 6-1 (Vlassis absent).

Date: March 12, 2007

Roll Call Number: 07-479

Action: Resolution for additional actions. Moved by Hensley to adopt. Motion Carried 6-1 (Vlassis absent).

Date: February 12, 2007

Roll Call Number: 07-243

Action: Setting date of public hearing on issuance of not to exceed \$40,000,000 Aviation System Revenue Refunding Capital Loan Notes, (3-12-07). (Council Communication No. 07-085). Moved by Hensley to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Date: February 6, 2007

Airport Board Resolution Number: A07-23

Action: Approve consideration of the sale, advance refunding, and/or forward refunding of existing 1998 Airport Revenue Bonds; approve issuance of Request for Proposal (RFP) documents for underwriting services for such refunding; recommendation that City Council set a date for public hearing on the issue of Not to Exceed \$40 Million Aviation System Revenue Refunding Capital Loan Notes.

Date: June 18, 2007

Airport Board Resolution Number: A07-120

Action: Recommend Approval to Council Designating Merrill Lynch & Co., Inc. as the Provider of Airport Bond Senior Managing Underwriting Services for a Three-Year Period beginning July 1, 2007

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- Approval of Preliminary Operating Statement
- Approval of Bond Purchase Agreement
- Approval of Bond Resolutions
- Approval of Sale of Bonds and Final Operating Statement