



# City of Galveston

## FINANCE DEPARTMENT STAFF REPORT

Date: October 28,2021

To: Brian Maxwell, City Manager  
Dan Buckley, Deputy City Manager  
Hon. Mayor and City Council Members

From: Michael Loftin, Assistant City Manager Finance

**Request:** A motion approving a pool of twelve underwriting firms for a five-year period to participate in negotiated bond sales conducted by the City. The approval will be from the specific underwriters for specific bond sales.

**Prior Council Action:** City Council last approved a pool of underwriters on December 15, 2016 prior to the planned sale of Water and Sewer Certificate of Obligation in January 2017.

### **Background**

The City anticipates conducting sale of bonds in support of its 5-year Adopted Capital Improvement Plan for FY 2022-2026. The CIP contains projects in seven program areas primarily in Water, Streets, Sewer and Drainage. A complete financing plan was adopted for various projects including a combination of cash on hand, cash to be set aside from future operating budgets and necessary future bond sales. While some projects will be financed by various federal and/or state granting agencies, the City can use the proceeds from bond financing to meet the City's portion of the grant match (when required).

Underwriters are needed to market future sales contemplated for the next five years in order to implement the Adopted CIP for FY 2022-2026. Designating a pool of underwriters in advance of future bond sales will expedite the process so that adequate time is focused on participating in the preparation and review of offering documents.

The City issued RFQ 21-03 on August 25, 2021 and received twelve responses. A committee reviewed the proposals and deemed all proposals responsive and highly qualified.

The table provided below reflects how and when previous underwriters have participated in prior negotiated sales with the City of Galveston.





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Type and Title of Sale	Purpose of Issue	Size of Issue	Savings/Benefits	Repayment Period	Total Interest Cost in Percentage terms	Pledged Revenues	Debt Service Paid With	Underwriters
2014 General Obligation Refunding Bonds	Refunding primarily Water and Sewer debt	\$5,900,000	\$428,000 estimated as of 8.28 2014	Same ending date as Refunded Bonds - 2024	2.298% estimated as of 8.28 2014	Property taxes (61%) Water and Sewer (39%)	Taxes and Water and Sewer revenue	Hutchinson Shockey Eley & Co.
2016 General Obligation Refunding Bonds	Refunding primarily Water and Sewer debt and defeasing GO debt from 2005	\$17,365,000	Defeased \$1.48 million from 2005 GO Bonds with excess debt service fund cash and achieved total gross savings overall of \$4.23 million and \$2.06 million in Net Present Value savings	Same ending date as Refunded Bonds - 2033	2.830%	Property taxes for defeasance; Property taxes (10%), Water and Sewer revenue (90%)	Taxes and Water and Sewer revenue	Raymond James (Sr Manager) & Estrada Hinojosa (Co-Manager)
2017 Certificates of Obligation	Water and Sewer projects	\$33,300,000	Netted \$35 million for Construction fund	30 years	3.890%	Water and Sewer revenue supported by Property taxes	Water and Sewer revenue	Coastal Securities (Sr Manager), Oppenheimer & Co Inc (Co-Manager) & BOK Financial Securities Inc (Co-Manager)
2019 Certificates of Obligation	Water and Sewer projects	\$32,750,000	Netted \$35 million for Construction fund	30 years	3.895%	Water and Sewer revenue supported by Property taxes	Water and Sewer revenue	Estrada Hinojosa (Sr Manager), Piper Jaffray & Co (Co-Manager) & SAMCO Capital Markets Inc (Co-Manager)
2017 General Obligation Bonds	Streets, Drainage, and directly related or required improvements	\$20,550,000	Netted \$25 million for Construction fund	20 years	3.060%	Property taxes	Property taxes	Hilltop Securities Inc (Sr Manager) & SAMCO Capital Markets Inc (Co-Manager)
2019 General Obligation Bonds	Streets, Drainage, and directly related or required improvements	\$31,205,000	Netted \$37 million for Construction fund	20 years	2.572%	Property taxes	Property taxes	Raymond James (Sr Manager), Estrada Hinojosa (Co-Manager) & FTN Financial Capital Markets (Co-Manager)
2021 General Obligation Taxable Refunding Bonds	Refunding remaining Water and Sewer Revenue Bond debt	\$14,895,000	Net Present Value Savings of \$574,776 or 3.85 percent of refunded bonds	Same ending date as Refunded Bonds - 2030	1.697%	Water and Sewer revenue supported by Property taxes	Water and Sewer revenue	SAMCO Capital Markets Inc (Sr Manager) & Estrada Hinojosa (Co-Manager)

### **Fiscal Impact Report**

Estimated total cost will be paid as a part of the sale based on market pricing.

### **Recommendation**

Designate the following list of firms to serve as underwriters for bond sales to be conducted over the next five years.

- Raymond James & Associates, Inc.
- Siebert Williams Shank & Co., LLC
- BOK Financial Securities
- Stifel Nicolaus & Co.
- UMB, n.a.
- Hilltop Securities, Inc.
- Estrada Hinojosa & Company, Inc.
- Mesirow Financial, Inc.
- SAMCO Capital Markets, Inc.
- Mischler Financial Group, Inc.
- Blaylock Van, LLC
- Baird





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