

# Mayor and Council Communication

**DATE:** 06/23/20

**M&C FILE NUMBER:** M&C 20-0442

**LOG NAME:** 13FIN ADVISOR AMEND 4

## **SUBJECT**

Authorize Amendments to Existing Agreements with Hilltop Securities, Inc. and Estrada Hinojosa & Company, Inc. for Financial Advisory Services and with HTS Continuing Disclosure Services, a Division of Hilltop Securities, Inc., and Hilltop Securities Asset Management, LLC for Continuing Disclosure and Arbitrage Rebate Services for the Financial Management Services Department with Amendments Extending the Term of Each Agreement (ALL COUNCIL DISTRICTS)

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## **RECOMMENDATION:**

It is recommended that the City Council authorize the execution of necessary amendments to existing Agreements with Hilltop Securities, Inc. (formerly known as FirstSouthwest) and Estrada Hinojosa & Company, Inc. for the provision of financial advisory services and with HTS Continuing Disclosure Services, a Division of Hilltop Securities, Inc., and Hilltop Securities Asset Management, LLC, for continuing disclosure and arbitrage rebate services for the Financial Management Services Department, with amendments extending each agreement for an additional six month period with one six month renewal for each.

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## **DISCUSSION:**

The purpose of this Mayor and Council Communication (M&C) is to authorize amendments to existing Agreements to allow the current providers to continue delivering financial advisory, arbitrage rebate compliance, and continuing disclosure services for the City while staff undertakes a new procurement process for these services.

On July 23, 2013, (M&C C-26350) the City Council authorized contracts with Hilltop Securities, Inc. (formerly known as First Southwest) (City Secretary Contract (CSC) No. 45144) and Estrada Hinojosa & Company (CSC No. 45274) to provide financial advisory services and with Hilltop Securities Asset Management, Inc. (CSC No. 45387) and HTS Disclosure Services, a Division of Hilltop Securities (CSC No. 45200) to provide arbitrage rebate compliance services and continuing disclosure services to the City. The proposed amendments will allow the City to continue these services for an additional six month period with a further six month renewal option, at the City's discretion, if needed.

Hilltop Securities, Inc. and Estrada Hinojosa & Company, Inc., have satisfactorily served as the City's co-financial advisors for over a decade. The fee structure for financial advisory services will be a base fee in the amount of \$35,000.00 plus \$0.75 per \$1,000.00 denomination for each series of bond issues. In accordance with the current contract, the fee will be split 65/35 between the two firms, respectively.

Typically, no charges for financial advisory services related to bond transactions are incurred unless bonds are actually sold. Funds required to pay financial advisory fees will be available from proceeds of bond sales and/or participating operating funds. The Agreements will also provide for the financial advisors to provide special financial consulting work not directly related to a bond sale with compensation paid based on an hourly rate ranging from the amount of \$75.00 for work performed by administrative assistants to the amount of \$250.00 per hour for work performed by managing directors, executive vice presidents or senior vice presidents. An individual engagement letter will be executed for each special project compensated on an hourly basis.

Arbitrage rebate compliance services will be provided by Hilltop Securities Asset Management, LLC, and HTS Disclosure Services, a Division of Hilltop Securities, Inc., will provide continuing disclosure services. Disclosure services will be compensated at a rate of \$2,500.00 per year for assistance in preparation and distribution of each annual report and the amount of \$3,500.00 per year for distribution of audited financial statements. Funds required to pay arbitrage calculation and continuing disclosure fees will be paid from the General Fund and General Debt Service Fund. Arbitrage rebate compliance services will be compensated at a rate of \$1,400.00 per computation year. Additional fees would apply for specialized arbitrage-related services, if needed, in connection with an IRS refund request of commercial paper calculations.

M/WBE Office - Hilltop Securities, Inc. the lead financial advisor, and Estrada Hinojosa & Company, Inc., a certified minority-owned firm and the co-financial advisor, are in compliance with the City's BDE Ordinance by committing to the work fees on bond transactions being split 65/35 between the two firms respectively on this project.

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## **FISCAL INFORMATION / CERTIFICATION:**

The Director of Finance certifies that funds will be available from proceeds of bond sales and/or participating operating funds upon issuance of bonds, and that funds are currently available in the General Fund and General Debt Service Fund as previously appropriated, to support the approval of the recommendation and execution of the contracts. Prior to any expenditure being incurred, the Financial Management Services Department has the responsibility to validate the availability of funds.

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