



# CITY OF HOUSTON

Finance Department

## Interoffice

Correspondence

To: Budget and Fiscal Affairs Committee

From: Kelly Dowe, Director  
Finance Department

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Finance Department

CC:

Date: April 5, 2011

Subject: **Financial Advisory Contract**

The City currently has two financial advisors. First Southwest serves the City for the General Fund and the Houston Airport System, while Coastal Securities/Morgan Keegan serves the City for the Combined Utility System and the Convention and Entertainment System. Both contracts expire on April 30, 2011.

The Finance Department, in conjunction with SPD, has conducted an RFP which resulted in six proposals. The proposals from First Southwest and Morgan Keegan stood out as the most experienced and capable firms.

The Best and Final Offers received by SPD are as follows (note that Morgan Keegan only bid for the CUS and CEF, while First Southwest bid for all four systems):

	BAFO		Award Options			
	First Southwest	Morgan Keegan	Award Sc. 1	Cost	Award Sc. 2	Cost
CUS	243,000	450,000	Morgan Keegan	450,000	First Southwest	243,000
C&E	67,500	50,000	Morgan Keegan **	50,000	First Southwest	67,500
GO	243,000	NA	First Southwest *	270,000	First Southwest	243,000
HAS	243,000	NA	First Southwest *	270,000	First Southwest	243,000
<b>Annual Cost</b>				<b>1,040,000</b>		<b>796,500</b>

Additional cost per year to select Award Scenario 1	243,500
Additional cost over 5-years to select Award Scenario 1 ***	1,202,007

\* FSW bid includes a 10% discount if they are selected for all 4 systems.

\*\* Does not include additional costs MK would charge for any special financings undertaken.

\*\*\* FSW bid includes a 2% increase in years 4 and 5.

The Evaluation Committee comprised of staff members from the Finance Department, the Controller's Office, the Combined Utility System, the Houston Airport System, and the Convention and Entertainment System. The final evaluation scores of First Southwest and Morgan Keegan are as follows:

OFFERORS	EVAL. 1 SCORE	EVAL. 2 SCORE	EVAL. 3 SCORE	EVAL. 4 SCORE	EVAL. 5 SCORE	TOTAL TEAM SCORE
<b>First Southwest Company</b>	<b>AVERAGE</b>					<b>475.75</b>
CEF	97	96	97	96	83	469
CUS	98	92	98	93	85	466
GO	97	97	97	97	96	484
HAS	97	97	97	97	96	484
<b>Morgan Keegan &amp; Company Inc</b>	<b>AVERAGE</b>					<b>473</b>
CEF	97	92	99	97	95	480
CUS	93	89	96	94	94	466
GO	N/A	N/A	N/A	N/A	N/A	N/A
HAS	N/A	N/A	N/A	N/A	N/A	N/A

### Recommendation

Based on the evaluations and the Best and Final Offers received by SPD, the Administration recommends that the award for financial advisory services for all four systems be made to First Southwest. The Company has the experience and expertise necessary to fill the role of financial advisor and is competitively priced.

Highlights of the proposed contract include:

- Contract Term – Three (3) years with two (2) one-year options to renew;
- Scope of the Contract – Financial advisor will be responsible for providing Financial Advisory Services for the General Fund, Combined Utility System, Houston Airport System, and the Convention and Entertainment System;
- Timing – The current contracts expire on April 30, 2011 so a new contract would begin on May 1, 2011.
- Pricing –The total cost, over the potential five-year term of the contract, will not exceed \$4,030,609.00; and
- M/WDBE – 24% of the contract amount will go to M/WDBE firms.