

**CITY OF EL PASO, TEXAS
REQUEST FOR COUNCIL ACTION (RCA)**

DEPARTMENT: Financial and Administrative Services
AGENDA DATE: August 22, 2006
CONTACT PERSON/PHONE: William F. Studer, Deputy City Manager, Financial and Administrative Services, 541-4011 and Carmen Arrieta-Candelaria, Chief Financial Officer, 541-4293
DISTRICT(S) AFFECTED: All

SUBJECT:

Discussion and action on a resolution that the City Manager be authorized to sign an Agreement between the City and First Southwest Company to perform financial advisory services for the City's Financial and Administrative Services Portfolio related to the authorization and issuance of debt instruments or other securities as well as debt management planning services.

BACKGROUND / DISCUSSION:

On April 10, 2006, City Council adopted a Fiscal Policy Statement "to ensure a long-term financial stability and sustainability of the City Government" calling for various strategic goals to be implemented. One such goal was to maintain or improve the City's credit rating as recognized by external rating agencies. To that end, the City's Financial and Administrative Services prepared and sent a Request for Qualifications to several financial services companies for the purpose of awarding the City's Financial Advisor Contract. Three responses were received and evaluated by Financial and Administrative Services Portfolio. Based on this process, First Southwest Company was selected as the City's Financial Advisor for a five-year period with two additional five-year period options upon approved by City Council. Attached is the Evaluation Matrix for the three responses received.

PRIOR COUNCIL ACTION:

On March 7, 2006, City Council extended First Southwest Company's current agreement extending the term of that agreement through August 31, 2006.

AMOUNT AND SOURCE OF FUNDING:

Funded through future bond issuances or other debt instruments issued. Estimated cost of a \$50,000,000 bond issuance is approximately \$53,750.

BOARD / COMMISSION ACTION:

N/A

*****REQUIRED AUTHORIZATION*****

LEGAL: (if required) _____ **FINANCE:** (if required) _____

DEPARTMENT HEAD: _____

(Example: if RCA is initiated by Purchasing, client department
should sign also) Information copy to appropriate Deputy City Manager

APPROVED FOR AGENDA:

CITY MANAGER: _____ **DATE:** _____

RESOLUTION

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF EL PASO:

THAT the City Manager is hereby authorized to sign an agreement for financial advisory services between the City of El Paso and First Southwest Company for a contract term of five (5) years beginning on September 1, 2006 and ending on August 31, 2011, with options to extend the contract for two additional five-year periods.

ADOPTED this _____ day of _____, 2006.

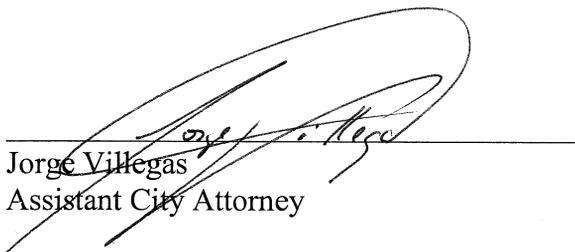
CITY OF EL PASO

John F. Cook
Mayor

ATTEST:

Richarda Duffy Momsen
Municipal Clerk

APPROVED AS TO FORM:



Jorge Villegas
Assistant City Attorney

APPROVED AS TO CONTENT:



Carmen Arrieta-Candelaria
Chief Financial Officer
Financial Services

DATE: August 21, 2006

TO: Municipal Clerk

FROM: Terrence Freiburg
Purchasing Manager, ext. 4313

THRU: Carolina Gonzales
Information Processing Operator, ext. 4319

Please place the following item on the **REGULAR** agenda for the Council Meeting of **AUGUST 29, 2006.**

Discussion and action on a resolution that the City Manager be authorized to sign an Agreement between the City and First Southwest Company to perform financial advisory services for the City for an initial five year period with options to extend the contract for two additional five-year periods.

Contact persons: William Studer/Carmen Arrieta-Candelaria, 541-4011.

City of El Paso
Evaluation of Financial Advisor Services RFPs
July 31, 2006

Evaluation Criteria

Section 1:

Mandatory Elements

A. The firm licensed in the State of Texas

B. Adherence to instructions

If Items above indicate NO, Stop here and do not evaluate further.

Proposals Submitted		
First Southwest	Estrada Hinojosa	Coastal Securities
Yes	Yes	Yes
Yes	Yes	Yes

Section 2:

General Overview of Firm and Services
 Experience in Financial Advisory Services
 Local Support
 Financing Techniques
 Trading Desk Information
 Total Points Awarded

Points

	First Southwest	Estrada Hinojosa	Coastal Securities
General Overview of Firm and Services	25	25	18
Experience in Financial Advisory Services	25	23	20
Local Support	25	22	15
Financing Techniques	20	20	10
Trading Desk Information	5	5	3
Total Points Awarded	100	95	66

Cost Proposal:

GOB:

First Amount

Fee for First Amount

Base Fee

Fee for over first amount

EXAMPLE: \$50,000,000 GOB

Revenue Bonds:

International Bridge Revenue Bonds

Other Charges

First Amount	\$ 25,000,000	\$ 15,000,000	\$ 2,500,000
Fee for First Amount	\$10,000+1.00 per \$1000 Bond	\$ 25,000	\$ 15,000
Base Fee	\$ 10,000	\$ -	\$ -
Fee for over first amount	Base Fee + Fee for First 25,000,000 plus .75 per \$1,000 thereafter	\$25,000+.75 per \$1000 Bond	\$15,000+2.25 per \$1000 Bond
EXAMPLE: \$50,000,000 GOB	53,750.00	51,250.00	121,875.00
Revenue Bonds:	YES, See Fee Schedules	YES, See Fee Schedules	Not Listed
International Bridge Revenue Bonds	Not Listed	YES, See Fee Schedules	Not Listed
Other Charges	YES, See Fee Schedules	YES, See Fee Schedules	YES, See Fee Schedules

STATE OF TEXAS)
)
)
COUNTY OF EL PASO)

**FINANCIAL ADVISORY SERVICES
AGREEMENT FOR FIRST SOUTHWEST
COMPANY**

This financial advisory services agreement (this "**Agreement**") is entered into this _____ day of _____, 2006 (the "**Effective Date**") by and between the City of El Paso, a home rule municipal corporation (the "**City**"), and First Southwest Company, a Texas Corporation (the "**Company**").

RECITALS

WHEREAS, the City desires to engage the Company to perform financial advisory services related to the authorization and issuance of debt instruments or other securities and debt management planning services; and

WHEREAS, the Company possesses the credentials, experience, and expertise to perform said financial advisor services for the City.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

SECTION I. TERM. This Agreement commences as of September 1, 2006 and remains in effect thereafter through August 31, 2011. The term of this Agreement may be extended for two (2) additional five-year periods.

SECTION II. SCOPE OF SERVICES. The Company hereby agrees to perform the professional financial advisory services in accordance with the City's Request for Qualifications Solicitation No. 2006-155 (the "**Solicitation**") attached hereto as **Exhibit A** and incorporated herein by reference and that certain Proposal to provide Financial Advisory Services RFQ 2006-155 submitted to the City by the Company in response to the Solicitation, attached hereto as **Exhibit B** and incorporated herein by reference. The scope of services included is the Solicitation and Proposal shall be referred to collectively as "**Advisory Services**."

SECTION III. COMPENSATION AND METHOD OF PAYMENT. The Company shall be paid in accordance with the modified proposal terms set forth in **Exhibit C** which is attached hereto and incorporated herein by reference. The Company hereby agrees that at no time will the Company make a claim against the City for more than the rates provided under the terms of this Agreement.

SECTION IV. ALTERNATE/ADDITIONAL SERVICES. Should alternate or additional services outside the scope set for in Section II be requested of the Company by the City, said alternate or additional services shall automatically become a part of this Agreement upon

acceptance and funding by the City and acceptance by the Company. It is understood and agreed that the City will not be liable for any cost overrun on this Agreement without its prior written approval. Said approval must be obtained prior to the Company commencing alternate or additional services that will result in the cost overrun.

SECTION V. LOCATION OF PERFORMANCE. The Company shall perform the Advisory Services in the city and county of El Paso, Texas or such other place(s) as may be necessary to fulfill the terms of this Agreement.

SECTION VI. REPRESENTATIONS OF THE COMPANY. The Company represents, warrants and agrees as follows:

- A. It will comply with all applicable federal, state and local governmental laws, rules, regulations and all provisions of the City of El Paso Charter and the El Paso City Code, now existing or as may be amended, in the performance of its duties under this Agreement.
- B. It shall obtain and pay for all licenses, permits and certificates required by any applicable statute, ordinance, rule or regulation of any regulatory body having jurisdiction over the conduct of its operations hereunder. The Company warrants that it is duly authorized and licensed to perform its duties hereunder in each jurisdiction in which it will act. It further warrants that its employees, agents and subcontractors shall maintain all required profession licenses during the term of this Agreement. If the Company receives notice from a licensing authority of a suspension or revocation of a license of the Company's employee(s), agent(s) or subcontractor(s), the Company shall immediately remove such employee, agent or subcontractor from performing any further services under this Agreement until such license is reinstated and in good standing. If the Company fails to maintain such licenses or fails to remove any employee, agent or subcontractor who performs services under this Agreement whose license has expired or been revoked or suspended, the City shall be entitled, in its sole discretion, to immediately terminate this Agreement upon written notice to the Company.
- C. It warrants that no person or selling agency has been employed or retained to solicit or secure this Agreement upon an agreement or understanding for commission, percentage, brokerage, or contingent fee excepting bona fide employees of bona fide established commercial or selling agencies maintained by the Company for the purpose of securing business. For breach or violation of this warranty, the City shall have the right in addition to any other right or rights to cancel this Agreement without liability and to deduct from the Agreement price, or otherwise recover the full amount of such commission, percentage, brokerage or contingent fee.

SECTION VII. INDEPENDENT CONTRACTORS RELATIONSHIP. Nothing herein shall be construed as creating a relationship of employer and employee between the parties hereto. The City shall not be subject to any obligations or liabilities of the Company incurred in the performance of

this Agreement unless otherwise herein authorized. The City will provide no fringe benefits to the Company or its employees.

SECTION VIII. CONFIDENTIAL WORK. The Company recognizes that all materials to be prepared hereunder and all data received by the Company shall be kept in strictest confidence. The Company shall not divulge such confidential information except as approved in writing by the City or as otherwise required by law.

The Company has or shall establish a method to secure the confidentiality of records or information that the Company may have access to in accordance with the applicable federal, state, and local laws and regulations. This provision shall not be construed as limiting the City's or its authorized representatives, right of access to records or other information under this Agreement.

If the Company receives inquiries regarding documents within its possession pursuant to this Agreement, the Company shall immediately forward such request to the City Attorney's office for disposition unless providing such notice of inquiry to the City Attorney's office is prohibited by law.

SECTION IX. INSPECTIONS & AUDITS. The City shall have the right to perform, or cause to be performed: (1) audits of the books and records of the Company; and (2) inspections of all places where work is undertaken in connection with this Agreement. The Company shall be required to keep such books and records available for such purpose for at least five (5) years after its performance under this Agreement ceases. Nothing in this provision shall affect the time for bringing a cause of action nor the applicable statute of limitations.

SECTION X. OWNERSHIP. All files generated by Company as a result of its activity under this Agreement shall remain at all times the property of the City. The data stored in the computer database shall also remain the property of the City.

SECTION XI. INSURANCE REQUIREMENTS. With no intent to limit Company's liability or the indemnification provisions set forth hereinafter, the Company shall provide and maintain certain insurance in full force and effect at all times during the term of this Agreement and any extensions thereto. Such insurance is described as follows:

- A. Risks and Limits of Liability. The insurance, at a minimum, must include the following coverage and limits of liability:

<u>COVERAGE</u>	<u>LIMIT OF LIABILITY</u>
Worker's Compensation and Employer's Liability	Statutory for Workers' Compensation Bodily Injury by Accident \$500,000 (each accident) Bodily Injury by Disease \$250,000 (policy limit) Bodily Injury by Disease \$250,000 (each employee)

Comprehensive General: Including Broad Form Coverage, Contractual Liability Bodily and Personal Injury	Bodily Injury and Property Damage, combined limits of \$500,000 each occurrence and \$1,000,000 aggregate
Excess Liability	Bodily Injury and Property Damage, combined limits of \$500,000 each occurrence and \$1,000,000 aggregate
Automobile Liability Insurance (for automobiles used by the Company in the course of its performance under this Agreement including Employer's Non-ownership and Hired Auto Coverage)	\$500,000 combined single limit per occurrence
Professional Liability Coverage	\$1,000,000 per occurrence \$2,000,000 aggregate

- B. Form of Policies. The insurance may be in one or more policies of insurance, the form of which must be approved by the City's Purchasing Manager.
- C. Issuers of Policies. The issuer of any policy must have a certificate of authority to transact insurance business in the State of Texas. Each issuer must be responsible, reputable, and have financial capability consistent with the risks covered. Each issuer shall be subject to approval by the City's Purchasing Manager in his sole discretion as to conformance with these requirements.
- D. Insured Parties. Each policy, except those for Workers' Compensation, Employer's Liability and Professional Liability, must name the City (and its elected and appointed officials, officers, agents and employees) as Additional Insured parties on the original policy and all renewals or replacements during the term of this Agreement.
- E. Deductibles. A policy may contain deductible amounts only if the City's Purchasing Manager approves the amount and scope of the deductible. The Company shall assume and bear any claims or losses to the extent of such deductible amount and waives any claim it may ever have for the same against the City, its officers, agents or employees.
- F. Cancellation. Each policy must expressly state that it may not be canceled or non-renewed unless thirty (30) days advance notice of cancellation or intent not to renew is given in writing to the City's Purchasing Manager by the insurance company. The Company shall give written notice to the City's Purchasing

Manager within five (5) days of the date upon which total claims by any party against the Company reduce the aggregate amount of coverage below the amounts required by this Agreement.

- G. Subrogation. Each policy must contain an endorsement to the effect that the issuer waives any claim or right in the nature of subrogation to recover against the City, its elected and appointed officials, officers, agents or employees.
- H. Endorsement of Primary Insurance. Each policy must contain an endorsement that such policy is primary insurance to any other insurance available to the Additional Insured with respect to claims arising hereunder and that the insurance applies separately to each insured.
- I. Liability for Premium. If any of the policies referred to above do not have a flat premium rate and such premium has not been paid in full, such policy must have a rider or other appropriate certificate of waiver sufficient to establish that the issuer is entitled to look only to the Company for any further premium payment and has no right to recover any premiums from the City.
- J. Subcontractors. The Company shall require all subcontractors to carry insurance naming the City as an Additional Insured and meeting all of the above requirements.
- K. Delivery of Policies. The originals of all policies referred to above, or copies thereof certified by the agent or attorney-in-fact issuing them together with written proof that the premiums have been paid, shall be deposited by the Company with the City's Purchasing Manager prior to beginning work under this Agreement, and thereafter before the beginning of each year of the term of this Agreement. Notwithstanding the termination notice provisions in this Agreement, the failure of the Company to provide the City's Purchasing Manager with the above proof of insurance prior to beginning work and thereafter prior to the beginning of each year of the term of this Agreement, shall constitute a default on the part of the Company entitling the City, upon three (3) days written notice to the Company to terminate this Agreement. This default provision shall also apply to the proof of insurance requirements under circumstances where a policy is canceled or expires during a given year of the Agreement. Notwithstanding the proof of insurance requirements set forth above, it is the intention of the parties hereto that the Company, throughout the term of this Agreement, continuously and without interruption, maintain in force the required insurance coverage set forth above. Failure of the Company to comply with this requirement shall constitute a default of the Company allowing the City, at its option, to terminate this Agreement.

SECTION XII. GRATUITIES. The City may, by written notice to the Company, cancel this Agreement without liability to the Company if it is determined by the City that gratuities, in the form of entertainment, gifts, or otherwise, were offered or given by the Company, or any agent

or representative of the Company, to any officer or employee of the City with a view toward securing a Agreement or securing favorable treatment with respect to the awarding or amending, or the making or any determinations with respect to the performing of such a contract. In the event this Agreement is canceled by the City pursuant to this provision, the City shall be entitled, in addition to any other rights and remedies, to recover or withhold the amount of the cost incurred by the Company in providing such gratuities.

SECTION XIII. INDEMNIFICATION. The Company or its insurer shall indemnify, hold harmless, and defend the City, its elected officials, agents, employees, officers, directors and representatives of the City, individually or collective, from and against any and all costs, claims, liens, damages, losses, expenses, fees, fines, penalties, proceedings, actions, demands, causes of action, liability and suits of any kind and nature, including but not limited to, personal injury or death of property damage, made upon the City directly arising out of, resulting from or related to the Company's activities under this Agreement for Third Party Claims Administration and Medical Cost Containment, including any act or omission by the Company, its agents, employees or subcontractors while in the exercise of performance of the rights or duties under this Agreement, all, without however, waiving and governmental immunity available to the City. The provisions of this indemnification are solely for the benefit of the parties hereto and not intended to create or grant any rights, contractual or otherwise, to any person or entity. Without modifying the conditions of preserving, asserting, or enforcing any legal liability against the City as required by the City Charter or any law, the City will promptly forward to the Company every demand, notice, summons or other process received by the City in any claim or legal proceeding contemplated herein. In addition, the Company shall promptly advise the City in writing of any claim or demand against the City or the Company known to the Company related to or arising out of the Company's activities under this Agreement. the Company will: 1) investigate or cause the investigation of accidents or occurrences involving such injuries or damages; 2) negotiate or cause to be negotiated the claim as the Company may deem expedient; and 3) defend or cause to be defended on behalf of the City all suits for damages even if groundless, false or fraudulent, brought because of such injuries or damages. The Company will pay all judgments finally establishing liability of the City in actions defended by the Company pursuant to this section along with all attorneys' fees and costs incurred by the City including interest accruing to the date of payment by the Company, and premiums on any appeal bonds. The City, at its election will have the right to participate in any such negotiations or legal proceedings to the extent of its interest without relieving Company of any of its obligations under this paragraph. The City

will not be responsible for any loss of or damage to the Company's property from any cause.

SECTION XIV. SUBCONTRACTOR'S INDEMNITY. The Company shall require all of its subcontractors to include in their subcontracts indemnity in favor of the City in substantially the same form as *Section XIII*.

SECTION XV. DISPUTE RESOLUTION. The parties hereto agree that reasonable efforts will be made to aid and assist the other in accomplishing the objectives of this Agreement. In the event of any dispute, claim, question, or disagreement arising from or relating to this Agreement or any breach thereof, the parties shall use their best efforts to meet regularly and resolve the dispute, claim, question, or disagreement. To this effect, the parties hereby agree to consult and negotiate with each other in good faith. The parties further agree that should their efforts to resolve a dispute, claim, questions, or disagreement arising from this Agreement fail, that before either party files suit against the other to enforce, or otherwise relating to, the terms of this Agreement, it shall notify the other party of its intent to sue. Upon delivery and receipt of such notice, the parties agree to submit the matter to be litigated to mediation before a mutually-agreed upon mediator and to diligently pursue a mediated settlement until such time as the parties mutually agree to terminate such mediation or the mediator declares an impasse. No lawsuit under this Agreement by one party against the other may be filed until mediation of the issue has ended in accordance with the terms hereof.

SECTION XVI. TERMINATION OF AGREEMENT. This Agreement may be terminated under any one of the following circumstances:

- A. TERMINATION FOR CONVENIENCE: This Agreement may be canceled by the City upon written notice, provided such notice specifies an effective date for cancellation of not less than thirty (30) calendar days from the date such notice is received. The Company will be paid its costs, including the contract close out costs, and profit on work performed up to the time of termination. The Company will promptly submit its termination claim to the City to be paid the Company.
- B. TERMINATION FOR CAUSE: Either party may terminate its performance under this Agreement in the event of default by the other party and a failure by that party to cure such default after receiving notice thereof, all as provided in this Section. Default shall occur if a party fails to observe or perform any of its duties under this Agreement. Should such a default occur, the injured party may deliver a written notice to the defaulting party describing such default and the proposed date of termination. Such proposed date of termination may not be sooner than the 30th day following receipt of the notice. The injured party, at its sole option, may extend the proposed date of termination to a later date. If prior to the proposed date of termination, the defaulting party cures such default, then the proposed termination shall be ineffective. If the defaulting party fails to cure such default prior to the proposed date of termination, then the injured party may terminate its performance under this Agreement as of such date.

- C. **FORCE MAJEURE:** If by reason of Force Majeure, either party hereto is unable wholly or in part to carry out its obligations under this Agreement, then such party shall give notice and full particulars of such Force Majeure in writing to the other party within a reasonable time after occurrence of the event or cause relied upon. The obligation of the party giving such notice, so far as it is affected by such Force Majeure, shall be suspended for a period not to exceed thirty (30) days during the continuance of the inability then claimed. If a party is unable to comply with the provisions of this Agreement by reason of Force Majeure for a period beyond 30 days after the event or cause relied upon, then upon written notice after the thirty (30) days, the City reserves the right to cancel this Agreement without any further liability.

The term Force Majeure as employed herein, shall mean acts of God, strikes, lockouts, or other industrial disturbances, act of public enemy, orders of any kind of government of the United States or the State of Texas or any civil or military authority, insurrections, riots, epidemics, landslides, lightning, earthquake, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraint of government and people, civil disturbances, explosions, breakage or accidents to machinery, pipelines, or canals. It is understood and agreed that the settlement of strikes and lockouts shall be entirely within the discretion of the party having the difficulty.

- D. **EFFECTS OF TERMINATION:** All duties and obligations of the City and the COMPANY shall cease upon termination or expiration of this Agreement, except that:

1. All files are property of the City and at the City's request will be delivered at no cost to the City or its designated recipient at the effective date of cancellation. Any City funds held in any escrow account(s) shall be returned to the City within thirty (30) calendar days after the effective date of cancellation.
2. The Company shall release and make available to the City all records owned by the City, including all supporting documentation for the claims data contained in the computer database, and the database itself, which the Company shall download to one or more ASCII formatted tape(s), to be supplied to the City and shall cooperate fully to effect an orderly transfer of services and claim files.
3. All provisions of this Agreement that expressly or impliedly contemplate or require payment or performance after the expiration or termination of this Agreement shall survive such expiration or termination. Any unpaid obligation due and owing, by either party, as of the date of termination, shall continue to be due and payable.
4. Upon termination or expiration of this Agreement, the City shall have option to:
 - a) Assume responsibility of all claims pending as of the effective date of the termination; or

- b) Require the Company to continue administering all pending claims as provided herein at the compensation provided in this Agreement. If the City assumes responsibility for all claims, the Company agrees to do all things necessary to transfer administration of all claims to the City.

SECTION XVII. RIGHT TO ASSURANCE. Whenever one party to this Agreement in good faith has reason to question the other party's intent to perform, it may demand that the other party give written assurance of its intent to perform. In the event that a demand is made and no assurance is given within five (5) calendar days, the demanding party may treat this failure as an anticipatory repudiation of the Agreement.

SECTION XVIII. ASSIGNMENT. Neither party may assign its rights or obligations under this Agreement without the prior written consent of the other party hereto. Any attempted assignment or delegation by either party shall be wholly void and totally ineffective for all purposes unless made in conformity with this paragraph.

SECTION XIX. SUBCONTRACTORS. The Company may subcontract with other competent entities to provide services required to be performed under this Agreement. Any work or services approved for subcontracting hereunder, however, shall be contracted only by written Agreement and, unless specific waiver is granted in writing by the City, shall be subject by its terms to each and every provision of this Agreement. Compliance by subcontracts with this Agreement shall be the Company's responsibility. The Company shall submit a list, identifying the subcontractors who will perform services under this Agreement, within ten (10) days of the Effective Date of this Agreement. All subcontractors, however, must be accepted and approved by the City in writing, and such consent shall not be unreasonably withheld.

Despite the City's approval of a subcontract or subcontractor, the City shall in no event be obligated to any third party, including any subcontract of the Company, for performance of work or services.

SECTION XX. SURVIVAL. The Company shall remain obligated to the City under all clauses of this Agreement that expressly or by their nature extend beyond the expiration or termination of this Agreement, including but not limited to the Indemnification provisions hereof.

SECTION XXI. AMENDMENT & WAIVER. This Agreement may be amended by the parties at any time, by mutual consent of the parties. Unless otherwise provided herein, this Agreement may be amended only by written instrument duly executed on behalf of the City and the Company. No claim or right arising out of a breach of this Agreement can be discharged in whole or in part by a waiver or renunciation of the claim or right unless the waiver or renunciation is supported by consideration and is in writing signed by the aggrieved party.

SECTION XXII. APPLICABLE LAW & VENUE. This Agreement shall be governed by the laws of the State of Texas along with any applicable provisions of Federal law, the City Charter, or any ordinance or resolution of the City. Both parties agree that venue for any litigation arising from this Agreement shall lie in El Paso, El Paso County, Texas.

SECTION XXIII. LEGAL CONSTRUCTION. Every provision of this Agreement is severable, and if any term or provision hereof is illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the validity of the remainder of this Agreement. Where the context of the Agreement require, the singular shall include the plural and the masculine gender shall include feminine.

SECTION XXIV. NOTICES. Any notices required under this Agreement shall be sufficient if sent by Certified Mail, Return Receipt Requested, postage prepaid, to the City and the Company at the following addresses:

THE CITY:

City of El Paso
2 Civic Center Plaza – 7th Floor
El Paso, Texas 79901-1196

THE COMPANY:

First Southwest Company
Steven A. Adams • Senior Vice President
325 North St. Paul Street, Suite 800, Dallas, Texas 75201
214.953.4014 Phone • 214.953.4050 Fax
sadams@firstsw.com • www.firstsw.com

OR

First Southwest Company
Hector A. Zavaleta • Vice President
221 North Kansas, Suite 1200, El Paso, Texas 79901
915.351.7228 Phone • 915.351.7230 Fax
hzavaleta@firstsw.com • www.firstsw.com

SECTION XXV. ENTIRE AGREEMENT. This Agreement and attached Exhibits constitute the entire Agreement between the parties hereto. There exists no other written or oral understanding, Agreements or assurances with respect to such matters except as are set forth herein. Unless expressly stated, this Agreement confers no rights on any person(s) or business entity(s) that is not a party hereto. This Agreement shall not be construed against or unfavorably to any party because of such party's involvement in the preparation or drafting of this Agreement.

[Signature page to follow]

STATE OF TEXAS)
)
)
COUNTY OF EL PASO)

**FINANCIAL ADVISORY SERVICES
AGREEMENT FOR FIRST SOUTHWEST
COMPANY**

(Signature page)

IN WITNESS WHEREOF, the parties have hereunto set their hands this _____ day of _____, 2006.

CITY OF EL PASO

Joyce Wilson
City Manager

FIRST SOUTHWEST COMPANY



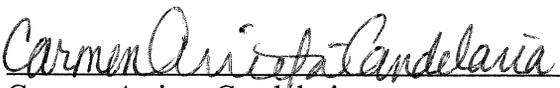
Name: Hill A. Reinberg
Title: Chairman and CEO

APPROVED AS TO FORM:



Jorge Villegas
Assistant City Attorney

APPROVED AS TO CONTENT:



Carmen Arrieta-Candelaria
Chief Financial Officer

EXHIBIT A

First Southwest Company

Proposal to Provide Financial Advisory Services

RFQ 2006-155

EXHIBIT B
CITY OF EL PASO, TEXAS
RFQ 2006-155
REQUEST FOR QUALIFICATIONS
FOR
PROFESSIONAL FINANCIAL ADVISORY SERVICES

EXHIBIT C

Financial Advisory Service Fees

(As modified from Pages 19-20 of the Proposal)

The fees due the Company for financial advisory services will not exceed those contained in the customary fee schedule as follows:

Base Fee	\$10,000
for the first \$25,000,000 of bonds issued	plus \$1.00 per \$1,000
thereafter	plus \$0.75 per \$1,000

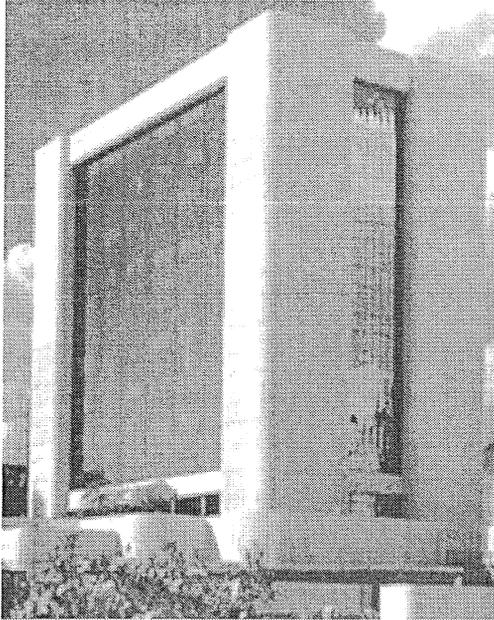
The above charges shall be multiplied by 1.20 times for the completion of an application to a federal or state government agency, for the issuance of revenue bonds, for the issuance of refunding bonds, and/or for a defeasance, reflecting the additional services required. The charges for ancillary services, including computer structuring and official statement printing, shall be levied only for those services that are reasonably necessary in completing the transaction and that are reasonable in amount, unless such charges were incurred at the specific direction of the City.

The payment of charges for financial advisory services described in the Agreement shall be contingent upon the delivery of bonds and shall be due at the time that bonds are delivered. The payment of charges for services described in the Agreement shall be due and payable in accordance with the mutual Agreement between the Company and the City.

The City shall be responsible for the following expenses, if and when applicable, whether they are charged to the City directly as expenses or charged to the City by the Company as reimbursable expenses.

- A. Bond counsel;
- B. Bond printing;
- C. Bond ratings;
- D. Computer structuring;
- E. Credit enhancement;
- F. CPA fees for refunding;
- G. Official statement preparation and printing;
- H. Paying agent/registrar/trustee;
- I. Travel expenses;
- J. Underwriter and underwriter's counsel; and
- K. Miscellaneous, including copy, delivery, and phone charges.

The payment of reimbursable expenses that the Company has assumed on behalf of the City shall not be contingent upon the delivery of bonds and shall be due at the time that services are rendered and payable upon receipt of an invoice therefore submitted by the Company to the respective City departments having direct oversight of this Agreement.

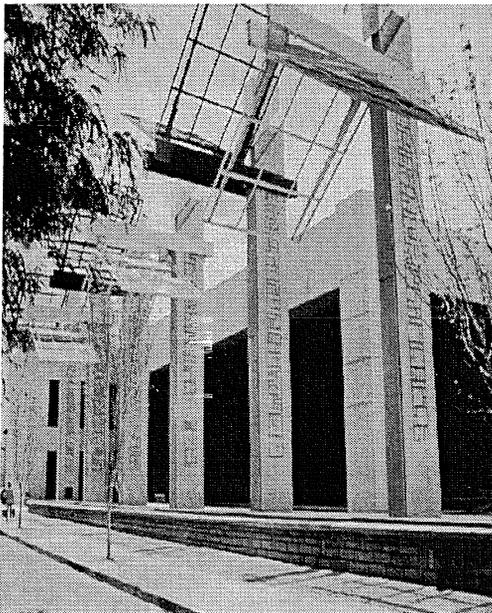
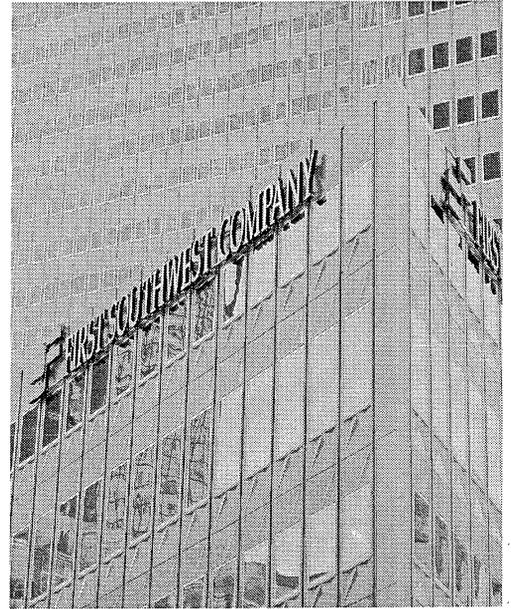


CITY OF EL PASO, TEXAS

JUNE 30, 2006

Proposal to Provide Financial Advisory Services

RFQ 2006-155



 **First Southwest Company**
Investment Bankers Since 1946

60 Years of
Building Trusted Financial Relationships

Contacts:

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hzavaleta@firstsw.com
221 North Kansas
Suite 1200
El Paso, Texas 79901
915.351.7228 Phone 915.351.7230 Fax

June 30, 2006

City of El Paso, Texas
Attn: Mr. Ray Heredia
2 Civic Center Plaza 7th Floor
El Paso, Texas 79901

Dear Mr. Heredia:

First Southwest Company ("First Southwest") is pleased to submit our qualifications to serve as financial advisor to the City of El Paso (the "City"). We have enjoyed a long and fruitful relationship with the City and hope to continue this relationship for many years to come. First Southwest is proud to be the only firm with a public finance office in El Paso. We are an active participant in the El Paso community and support many charitable organizations in the area.

We are also proud of the many things we have accomplished with and for the City. We helped the City pass its last two bond elections, and assisted in an intense planning effort to manage the tax rate to help pay for these capital improvements with a minimal tax rate impact. At the same time, we worked with the City to maintain its higher bond ratings throughout the implementation of a huge capital program and a changing form of government.

We worked with the City when it became necessary for it to comply with arbitrage rebate calculations beginning in 1986. We also worked with the City when it became necessary to comply with continuing disclosure filings beginning in 2001. As a firm dedicated to financial advisory work, we will continue to bring products and services to our financial advisory clients as required by either the market or regulations. We are the only firm in our industry to respond to these requirements on a continual and responsive basis.

We bring an experienced team that knows the City and its finances far more than any other firm. We have the history with the City that no other firm can match, we have public finance employees that are active in the community, and we have more experience within our industry than any other firm.

As El Paso continues to grow, it will use more complex and cutting edge financial products. We believe that we are the best equipped firm to assist the City in any area, whether it be pension obligation bonds, regional mobility authorities, derivative products, creation of new credit programs, or assistance in complying in the ever increasing regulatory rules and laws. We believe the partnership between First Southwest and the City has been very successful for both entities and should continue far into the future. We hope the City feels the same way.

Sincerely yours,

Steven A. Adams
Senior Vice President

Hector A. Zavaleta
Vice President



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- A. Certificates of Liability Insurance
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ATTACHMENT

- 1. Required Forms

ID SERVICES OVERVIEW

The City requests that the Financial Advisor provide a brief description of the firm, how it is organized, and how its resources will be utilized on behalf of the City. Additionally, the overview should include how the Financial Advisory will approach the aforementioned recommendations and other services that the firm may provide as the Financial Advisor of the City. The Financial Advisor shall take into account the Debt Management Policy adopted by the City of El Paso. (See Attachment A)

The overview should also include but not be limited to:

- Relevant experience of the firm and the individuals assigned to the issuer;
- Identification of the individual in charge of day-to-day management and the percentage of time committed for each individual on the account;
- The respondent's ideas on how the issuer should approach the financing, including the structure of the offering, credit-rating strategy, and investor marketing strategy;
- The analytic capability of the firm and assigned individuals and ongoing employee training programs;
- The availability of sources of information to assist in bond pricing;
- The amount of uncommitted capital available and the ability and willingness of the firm to purchase the entire offering of the issuer, if necessary, in the case of underwriting firms;
- The level and types of insurance carried, including the deductible amount, to cover errors and omissions, improper judgments, or negligence; and
- Any finder's fees, fee splitting, or other contractual arrangements of the Financial Advisor that could present a real or perceived conflict of interest, as well as any pending investigation of the Financial Advisor or enforcement or disciplinary actions taken within the past three years by the SEC or other regulatory bodies.

First Southwest Company ("First Southwest") appreciates the chance to continue to provide financial advisory services to the City of El Paso, Texas (the "City") by responding to the City's Request for Qualifications ("RFQ"). We believe that our 60 years of experience and our local representation and history in Texas will allow us to provide high-quality financial advisory services to the City.

HISTORY OF THE FIRM

First Southwest was founded in 1946. Today, First Southwest is a nationally recognized investment banking firm focused on one mission: *to provide financial advisory services to our clients*. First Southwest has more than 355 employees in 23 offices across the United States. Over the past five years, First Southwest has been the **number-two** ranked financial advisory firm in terms of number of transactions completed. In addition, First Southwest is ranked as the largest financial advisory firm in the State of Texas, both for the number of issues and the total dollar volume.

First Southwest's success is fueled by our reputation for integrity, innovation, and professionalism.

Integrity. First Southwest is known for its integrity — a reputation molded by strict adherence to regulations. As one of only a few financial advisory firms that is also a registered broker/dealer, First Southwest is subject to the rules and regulations of the National Association of Securities Dealers ("NASD"), Municipal Securities Rulemaking Board ("MSRB"), and Securities and Exchange Commission ("SEC"). Our stringent compliance to regulation reinforces the high standards we place in all of our roles and relationships, creating an atmosphere of trust for our clients.

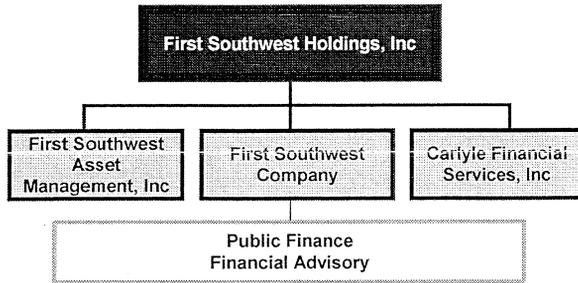
Innovation. For notably progressive and effective banking strategies, we have received seven "Deal of the Year" awards during the past 16 years. Our clients approach First Southwest expecting dynamic financing solutions from a highly trustworthy firm and stay with First Southwest knowing that they will continue to benefit from our creativity and reliability. First Southwest continues to develop services to meet our clients' demands.

Professionalism. After our clients, the most important assets of our firm are our employees. Remarkably, more than 23% of First Southwest employees have been with the firm for ten years or more — some have been with the firm for more than 30 years. First Southwest cultivates team spirit, centering our focus on the needs of our clients. Within First Southwest, we encourage professionals across the firm to mine the breadth and depth of our resources in order to prepare exceptional, comprehensive plans that anticipate our issuers' current and future needs. Our professionals maintain and exceed the educational and regulatory requirements of the securities industry.

CORPORATE STRUCTURE

First Southwest is a fully diversified, private investment banking corporation that is recognized nationwide as an accomplished financial advisor. First Southwest is a wholly owned subsidiary of First Southwest Holdings, Inc. ("Holdings"). Holdings has two other wholly owned subsidiaries, First Southwest Asset Management, Inc. ("FSAM") and Carlyle Financial Services, Inc. ("Carlyle"). Holdings, First Southwest, FSAM and Carlyle are all based in Dallas, Texas. Holdings is owned by approximately 65 of its employees, officers and directors.

The following table illustrates the organizational structure of Holdings.



While many investment banking firms currently are eliminating or reducing their municipal finance departments, First Southwest's commitment to excellence and financial strength has enabled the firm to maintain an aggressive expansion. We continue to seek out professionals who are able to provide the level of service our clients expect. First Southwest acquired Houston-based Masterson Moreland Sauer Whisman Inc., in 1996; the public finance department of Fleet Boston Financial Corp., in 2001; Friedman Luzzatto & Co., in 2003; and Arimax Financial Advisors in 2004. This growth expanded First Southwest's presence across the country, and more importantly, reinforced rather than overshadowed our public finance department.

EXPERIENCE

First Southwest has provided financial advisory services throughout our 60-year history. Our work has gained us ranking among the top financial advisory firms in the nation, as well as making us the top financial advisory firm in the State of Texas. In addition, the senior members of the team assigned to the City have almost 80 years of collective public finance experience. All members of the team are based out of Texas and are very familiar with providing public finance to issuers in the State. They are also all registered members of the NASD.

TEAM LEADER AND DIVISION OF WORK

Mr. Steven A. Adams and Mr. Hector A. Zavaleta will serve as the Project Co-Managers to the City. Mr. Adams is a Senior Vice President in our Dallas headquarters and has more than 19 years of public finance experience. Mr. Zavaleta manages our El Paso office and will serve as First Southwest's local representative to the City. He has worked for First Southwest for eight years and serves as financial advisor to the majority of issuers in El Paso and the surrounding region.

Mr. Steven A. Adams	Mr. Hector A. Zavaleta
First Southwest Company 325 North St. Paul Street Suite 800 Dallas, Texas 75201 Phone: 214.953.4014 Fax: 214.953.4050 sadams@firstsw.com	First Southwest Company 221 North Kansas Suite 1200 El Paso, Texas 79901 Phone: 915.351.7228 Fax: 915.351.7230 hzavaleta@firstsw.com

The following table lists the full team assigned to perform financial advisory services for the City, as well as their respective roles and the percentage of time each team member will provide.

Name	Role	Percentage of Time
Mr. Steven A. Adams	Project Co-Manager	As needed
Mr. Hector A. Zavaleta	Project Co-Manager and Local Contact	As needed
Mr. J. C. "Corky" Hall	Support Banker	As needed
Ms. Maria F. Urbina	Technical Banker	As needed
Mr. Peter B. Stare	Underwriting Support	As needed
Mr. Michael J. Marz	Derivatives Support	As needed
Shelly Weiske	Arbitrage Rebate Consultant	As needed

Resumes for all members of the First Southwest finance team can be found in our response to Question I-E.

APPROACH TO FINANCING

Our detailed approach to financing is outlined in the next section under **Component III Financing Techniques**. From an account engagement view, we believe that we cannot give any advice to a client unless and until we have a comprehensive understanding of that client. To understand a client, we must ask many questions, attend many meetings, and spend a lot of time with each client.

Once we understand the client, we believe that we should educate the client. Many firms attempt to make the bond issuance process a “black box” that the client does not fully comprehend. First Southwest takes the approach that the client should have an in-depth knowledge of the program in its entirety.

Only after we understand the client’s needs and have educated the client, are we in a position to make recommendations about any financing program.

As previously mentioned, the exact steps are laid out in the next section of this proposal.

ANALYTICAL SUPPORT

First Southwest’s approach to providing financial advisory services centers on detailed analysis and continuous technical support during the planning process and throughout each transaction, often before an underwriter is selected. We develop detailed financial models to help quantify the benefits and risks of any proposed financing. We want our clients to have total confidence in the final transaction structure and to be assured that all options are analyzed thoroughly. Evident of our commitment to provide the highest level of analytical support, First Southwest has an exemplary quantitative analysis group. Some firms use this area as a training ground for new bankers; however, we believe it is critical to have an experienced banker leading such effort.

The software packages First Southwest utilizes include DBC Finance, MUNEX Advanced Decision Support Software for Public Finance and Financial Management Systems Micro Muni Debt Refund and Sizing, Microsoft Excel and Lotus 123. Occasionally, specific software is built on a contract basis for clients should the complexities of transactions exceed the capabilities of the standard software packages. First Southwest maintains proprietary models for the evaluation of derivative structures and investments. In addition to the software that directly supports the public finance effort, we subscribe to Bloomberg, Reuters, Telerate, Dalnet and Thomson Financial Securities Data Company.

The computer capabilities of the underwriting and trading desk that are fundamental to broker/dealer firms enhance the financial advisory services that First Southwest provides. Therefore, First Southwest is committed to staying abreast of the latest developments in the digitalization of fixed income trading. Since the emergence of the Electronic Communication Networks (“ECNs”) and electronic bid submission systems, we have been a pioneer, working with the leading vendors in the field to

provide unique insight. Among the vendors we are actively utilizing today are: Bloomberg, I-deal, MuniAuction, Thomson, MuniCenter, Bonddesk and Valubond. We have recently engaged Random Walk, a consulting firm notable for their development of the Real Time Reporting System (“RTRS”) for the Municipal Securities Rulemaking Board (“MSRB”). We believe the transparency created by the data disseminated in the RTRS has far-reaching implications for our clients, and that First Southwest Company is in a unique position to harness and interpret that data by equipping our experienced trading professionals with the most up-to-date market information, and analyzing that information for our clients.

Representative analyses, which we are able to perform to best establish the fundamentals of each transaction, include the following:

- Produce cash flow models with the flexibility to calculate bond capacities based on debt service installments; utilize forecasted revenues, expenditures and growth factors; model construction drawdowns and interest earnings; and project tax rates and user charges.
- Size a financing including allowance for capitalized interest, construction costs, escrow requirements, insurance costs, interest earnings, issuance costs and reserve funds.
- Structure a payment amortization to a tailored schedule based on projected revenue and expenditure constraints.
- Defease outstanding debt utilizing a state of the art advance refunding software system that will structure an optimal escrow fund, structure new debt on a level, front-end or tail-end savings basis, and provide as necessary other structures.
- Calculate the issue price of an issue and, using this price, calculate the arbitrage yield as defined by the Tax Reform Act of 1986.
- Calculate an internal rate of return or “true interest cost” and provide present value schedules based on such yield for use in evaluating bids or modeling present values of cash flow projections.
- Develop debt service schedules, which can be used to illustrate the debt service requirements on an actual, bond, or fiscal year basis while assuming annual, semi-annual, or monthly payments. Our schedules also can accommodate serial and term bonds, discount and premium bonds, and zero coupon bonds, including premium capital appreciation bonds.
- Provide refunding analysis, which can be used to illustrate savings on a gross basis or a present value basis of refundings.

Incorporating Live Market Data into the City's Financial Models

First Southwest believes maintaining a trading and underwriting desk is essential to properly advise our clients about market conditions. We believe that this approach towards our financial advisory business will benefit the City immensely.

Our firm's underwriting desk participates in the market on a daily basis when purchasing positions for our own account as well as when purchasing for others, and assures our financial advisory clients that their securities are priced and sold at market levels. The risks of not knowing the market are enormous. For example, a difference of five basis points (0.05%) on a \$20 million offering can cost the City \$10,000 annually or \$200,000 over a 20-year life.

An example of the value of an underwriting desk to a financial advisory client is illustrated in the \$698,000,000 Houston Independent School District Limited Tax Schoolhouse and Refunding Bonds, Series 1999A. During the negotiated sale, several maturities of the issue were reported by the Underwriter as being unsubscribed. The Underwriter suggested increasing the yields on those maturities in order to complete the transaction. First Southwest's underwriting desk suggested that those maturities did not need an increased yield adjustment, but rather that they could be structured as premium coupon maturities priced to the call date. By utilizing our suggestion, the Underwriter was able to secure buyers for the maturities and the Houston Independent School District avoided having to bear a higher interest cost on its financing.

INFORMATION ON BOND PRICING

In financial advisory roles, First Southwest believes maintaining a trading and underwriting desk is essential to properly advise clients on market conditions. We believe that the discipline of maintaining an active broker/dealer operation benefits our clients in numerous ways. First and foremost, we are active participants in the marketplace every day, not merely observers. Having our capital at risk gives us additional perspective into the nuances of the underwriting process, and gives us valuable credibility with the underwriting community. Other broker dealers know that we are willing and able to provide the very same functions we are asking of them. They know we are speaking on a daily basis to many of the same institutional investors. As a result, our financial advisory clients benefit from market advice that is obtained from firsthand, direct real-time information, not just secondhand observations obtained from calling other firms or compiled from information

vendors. We strongly believe that this approach distinguishes our services from our competitors, but more importantly provides a higher quality service to our clients.

As a nationally recognized leader in the field of public finance, First Southwest has the benefit of exposure to a wider variety of underwritings than do most firms. Our Debt Capital Markets Group has professionals with extensive experience. We underwrite both competitive and negotiated issues; additionally, our underwriters assist our financial advisors in structuring and pricing issues with other underwriters. Through the continuous commitment of capital, we enjoy a greater understanding of the importance and complex demands of the role of underwriter. Our extensive pool of unique financing concepts allows us to see on a daily basis what structures, coupons, call features and other aspects of a transaction are currently leading to the lowest cost of funds for an issuer. Our active involvement with both institutional and retail buyers enables us to know what investors are willing to pay for premium or discount securities, and what various trade-offs will cost the issuer.

First Southwest has 193 registered representatives, including 46 municipal, government sales and trading personnel and 14 underwriting and trading professionals. This sales force ensures that a client's bonds and notes get the attention needed for successful pre-marketing and distribution. These professionals work in partnership with our Financial Advisors from the beginning preliminary structuring, updating with current scales and coupon ideas, call features, priority of order decisions all the way to the final allocations. We have three underwriting professionals with more than 25 years of experience each, working for both national and regional firms. They understand all facets of the underwriting process, from how to capture the largest retail sales percentage to working with the most difficult institutional orders. In addition, we serve as clearing agent for 76 broker/dealer firms throughout the nation. These firms, which employ more than 1,000 registered representatives, have continuous access to our municipal bond inventory via the Internet and direct communications and provide additional retail distribution strength to our market knowledge and capacity.

As much as 70% of our underwriters' time is spent working with financial advisory clients. The City can be confident that when the time to price its issue arrives, our professional underwriters will be watching over every detail of the transaction and getting the most value for the City's securities the market will allow.

EMPLOYEE TRAINING

First Southwest Company has one of the most comprehensive public finance recruiting and training program in the industry. The program is a two year program that includes topics such as: ethics, compliance and regulations, securities mathematics, credit training, securities pricing and other relevant topics. It culminates with an internship where analysts are assigned to senior bankers. Upon completion, the employee will start his/her career as

a support analyst for several years with the ultimate goal of having client responsibilities.

CAPITAL STANDING

The following table illustrates First Southwest's various capital positions and underwriting capabilities from September 30, 2001, through March 31, 2006. During this time, First Southwest's excess net capital increased from \$34.58 million to \$52.58 million.

DATE	EQUITY CAPITAL (\$ MIL)	NET REGULATORY CAPITAL (\$ MIL)	EXCESS NET CAPITAL (\$ MIL)
3/31/2006	\$65.790	\$55.758	\$52.585
9/30/2005	\$65.312	\$65.870	\$63.599
9/30/2004	\$52.836	\$50.116	\$48.361
9/30/2003	\$47.622	\$43.317	\$39.588
9/30/2002	\$41.524	\$40.820	\$39.696
9/30/2001	\$35.197	\$37.087	\$34.584

Though we do not anticipate underwriting any of the City's bonds if we are selected as financial advisor, we are responding to the question posed in the RFQ. First Southwest is one of the leading underwriters of Texas municipal bonds and one of the top 25 in the nation. We recently opened a New York trading desk and have completely upgraded our main trading floor in Dallas. We anticipate that underwriting and trading will be a growing part of the City's business in the future.

The difference between First Southwest and our competitors is how we use that capital to support our underwriting clients. Because First Southwest's primary business is the municipal bond business, we do not carry huge equity positions or corporate bond positions. Our capital is most productively employed in the new issue municipal market, and we attempt to leverage the commitments we make on the underwriting side with our other services. First Southwest understands fixed income markets and, in particular, the municipal market, and we are comfortable with the risks involved.

INSURANCE

First Southwest maintains liability insurance in an amount that we consider sufficient to hold harmless, indemnify, and defend the City for losses, costs, and expenses arising from claims resulting from the alleged negligence of First Southwest, our officers, employees, and subcontractors. We maintain general liability insurance with a general aggregate limit of \$2 million. In addition, the combined single limit of our firm's automobile liability insurance is \$1 million, and First Southwest maintains workers' compensation and employer's liability insurance with a limit of \$500,000.

We also maintain professional liability insurance as a licensed broker/dealer, with an aggregate limit of \$2 million. First Southwest also carries umbrella insurance on the above policies. Certificates for our liability insurance can be found in **Appendix A**.

CONFLICT OF INTEREST

First Southwest does not believe that its selection as financial advisor to the City would create a conflict of interest. First Southwest has no compensation agreements in place with other individuals or entities engaged in the municipal finance business other than a small number of fee sharing relationships with co-financial advisors, which arrangements are fully disclosed to the clients.

Except as provided below, there is no pending investigation nor any enforcement or disciplinary actions taken within the past three years by the SEC or other regulatory bodies related to the firm's public finance business.

The SEC is conducting an investigation regarding ratings trips that was initiated after a nationwide broker-dealer examination sweep. First Southwest is cooperating fully in providing requested documents and information.

I-E ADDITIONAL REQUIREMENTS

In addition to the previous information described, the selected Financial Advisor shall consider the following, based on their assessment, to further satisfy the requirements of the Services Overview and needs of the Portfolio.

Component I – Experience in Financial Advisory Services

Selected firm will provide relevant Financial Advisory experience of the firm and the individuals assigned to the City. Provide a description, including resumes, of the professional(s) that will provide direct financial advisory services to the City, including the name of the lead consultant for this account and his primary office location. The primary individual assigned to the City should be a licensed public finance professional. Indicate any specific firm resources available to the proposed team that differentiates the firm from any competing firms. The selected firm is also required to be a regulated broker/dealer.

For the past five years, indicate the firm's ranking as a Financial Advisor for the following categories (indicate both total dollar volume and number of issues):

- General National Financial Advisor
- Financial Advisor in the State of Texas
- Financial Advisor for Texas Cities

References from at least three other municipal clients, preferably Texas municipalities, are requested.

Component II – Local Support and Knowledge

A critical aspect of providing quality service is access to the Financial Advisor. Provide a brief description of the firm's presence and knowledge of the El Paso area tax-exempt bond market and resources dedicated to the El Paso area. The selected firm will provide the location of the office responsible for the day-to-day contact, hours of operation, secondary offices and other contact support to be provided.

Describe the firm's experience and/or knowledge of the City's finances. Please provide any information that the City should consider in selecting its Financial Advisor.

Component III – Financing Techniques

The Financial Advisor will outline the overall approach to accessing the needs of the City. An example of a quantitative analysis must be included in the proposal. Provide the firm's depth of knowledge of Texas cities' financing techniques and provide a list of the tax-exempt financings that have been completed for the last 5 years for which the firm served as financial advisor for cities in the State of Texas. Please include issuer, issue description, and par amount.

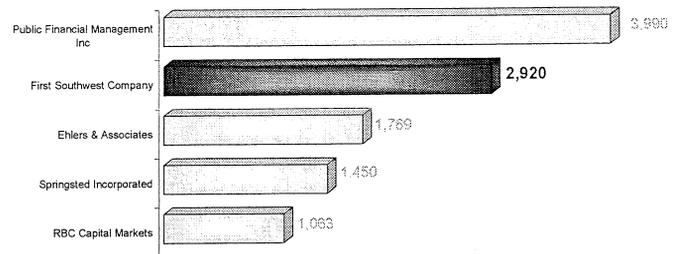
Component IV – Trading Desk Information

A complete description of both short and long-term underwriting desk activities should be included in the proposal for evaluation by the Portfolio. The selected consulting firm is required to have an active municipal underwriting and trading desk.

EXPERIENCE IN FINANCIAL ADVISORY SERVICES

First Southwest's experience in providing financial advisory services has ranked us among the top firms in the nation. According to Thomson Financial Securities Data ("Thomson"), we have provided financial advisory services on 2,920 issues nationwide over the past five years. The par volume of these issues totals more than \$97.48 billion. Thomson ranks us as the **number-two** financial advisory firm in the nation for the total number of issues.

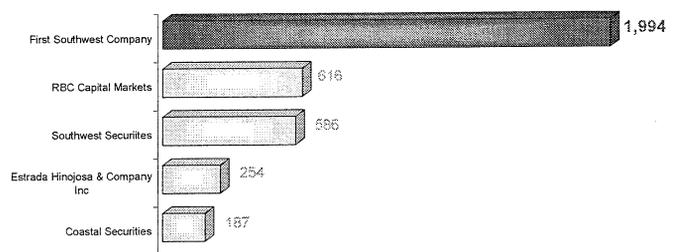
National Financial Advisory Ranking
1st Quarter 5 Years (April 1, 2001 - April 1, 2006)
Number of Issues



Source: Thomson Financial Securities Data

In addition, Thomson ranks us as the largest financial advisory firm in the State of Texas, both for the number of issues and the total dollar volume. From April 1, 2001, to April 1, 2006, First Southwest provided financial advisory services on 1,994 issues in Texas, totaling more than \$59.98 billion par amount. We provided financial advisory services on more than three times the number of issues of our closest competitor.

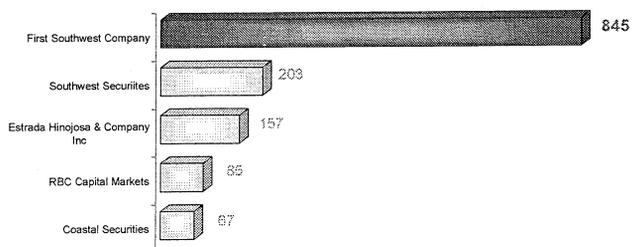
Texas Financial Advisory Ranking
1st Quarter 5 Years (April 1, 2001 - April 1, 2006)
Number of Issues



Source: Thomson Financial Securities Data

As part of the work that First Southwest has performed for issuers in Texas, we have extensive experience with cities, towns, and villages throughout the State. According to Thomson, we have provided financial advisory services on 845 city, town, or village issues in the past five years. These issues total more than \$16.78 billion par amount. Thomson ranks us as the **number-one** financial advisory firm in Texas in terms of the number of city, town, or village issues.

Texas Financial Advisory Ranking - City, Town, or Village
1st Quarter 5 Years (April 1, 2001 - April 1, 2006)
Number of Issues



Source: Thomson Financial Securities Data

The following references are representative examples of Texas municipalities for which First Southwest has provided financial advisory services. We encourage the

City to contact these clients for assessments of our quality services.

Dallas, Texas

Mr. Dave Cook
 Chief Financial Officer
 1500 Marilla, Room 4F South
 Dallas, Texas 75201
 Phone: 214.670.3659
 dcook@mail.ci.dallas.tx.us



Fort Worth, Texas

Mr. Charles Boswell
 City Manager
 1000 Throckmorton
 Fort Worth, Texas 76102
 Phone: 281.388.4231
 charles.boswell@fortworthgov.org



Houston, Texas

Ms. Judy Gray Johnson
 Department of Finance &
 Administration
 611 Walker, 10th Floor
 Houston, Texas 77002
 Phone: 713.221.1025
 judygray.johnson@cityofhouston.net



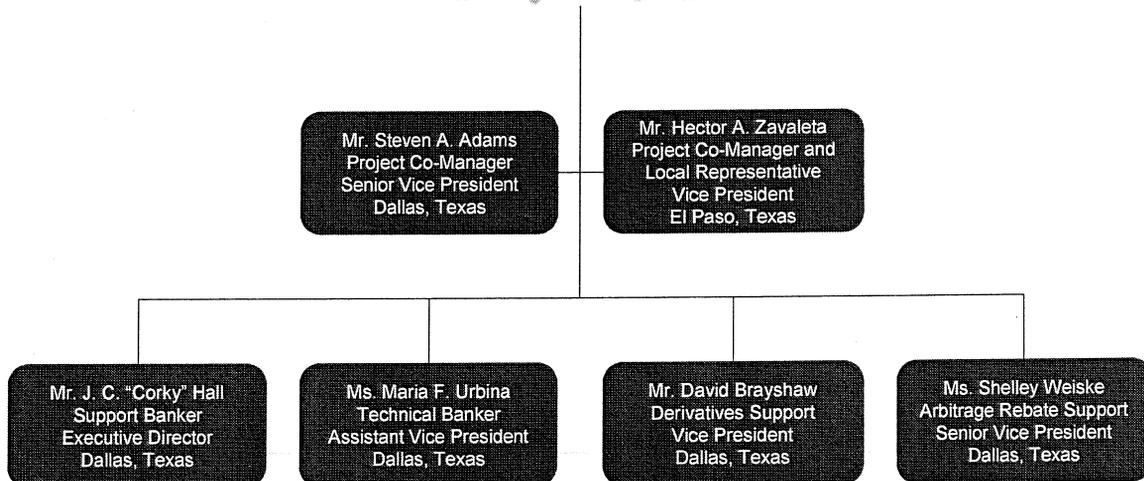
FIRST SOUTHWEST'S FINANCIAL ADVISORY TEAM

By far, the most valuable resources First Southwest has to offer the City are experienced and skilled professionals. First Southwest is arguably the most highly equipped and resourceful financial advisory firm in the nation – evident in that we employ professionals

who specialize in such a diverse range of concentrations that every foreseen financial need of a client can be addressed by internal resources. To maximize this most important quality of our firm, First Southwest asserts a "team philosophy," whereby we make all efforts to call upon the most qualified personnel for every aspect of a given financing. The team approach provides a higher level of experience, proficiency, and client service.

Mr. Steven A. Adams and **Mr. Hector Zavaleta** will serve as the Project Co-Managers for our engagement with the City. As such, Mr. Adams and Mr. Zavaleta will be responsible for the day-to-day communication and activities required of First Southwest. They will attend meetings with the City's staff and finance team and will be responsible for making presentations to the City. **Mr. J. C. "Corky" Hall** will provide banking support to Messrs. Adams and Zavaleta. **Ms. Maria F. Urbina** will serve as Technical Banker, providing quantitative support to the financial advisory team. **Mr. David Brayshaw** will provide assistance with the evaluation and pricing of any derivatives or other interest rate products. **Ms. Shelley Weiske** will provide arbitrage rebate support.

First Southwest is committed to make the proposed finance team fully available to the City during our engagement in order to provide the highest level of service and complete the work of the contract. The personnel will have no higher priorities within the firm than the City. While the professionals making up the Finance Team may take on additional assignments, they will take on no other assignments that will render them unavailable to the City.





Steven A. Adams
Senior Vice President
325 North St. Paul Street
Suite 800
Dallas, Texas 75201
Direct: 214.953.4014
Fax: 214.953.4050
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Experience: Mr. Steven A. Adams has been with First Southwest since 1989, having been in public finance for 19 years. Prior to joining First Southwest, he served as Chief Financial Analyst for the Texas Water Development Board. In this position he was responsible for credit analysis and loan recommendation to the Board for political subdivisions seeking financial assistance from the Board. Mr. Adams has provided services for issuers such as the City of El Paso, City of San Antonio -City Public Service Board, El Paso Water Utility, Texas Municipal Power Agency, and the Brazos River Authority of Texas.

Professional Activities and Memberships: Mr. Adams is a Chartered Financial Analyst.

Education: Mr. Adams earned a Master of Business Administration from Texas A&M University and a Bachelor of Arts in Economics from the University of Texas at Austin.

Licenses Held: Mr. Adams is a Registered Representative of National Association of Securities Dealers, Inc., and is licensed as a General Securities Representative (Series 7), a General Securities Principal (Series 24), a Municipal Securities Principal (Series 53), and a Uniform Securities Agent (Series 63).



Hector A. Zavaleta
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Experience: Mr. Hector A. Zavaleta joined First Southwest in 1998 and specializes in new money financings, refundings, restructurings, commercial paper programs, and variable rate bond transactions. Mr. Zavaleta has provided services for such issuers as the City of El Paso, Texas; El Paso Water Utilities; El Paso Independent School District; Socorro Independent School District; and Tucson Unified School District.

Mr. Zavaleta's current responsibilities include sizing and pricing new bond issues, conducting credit and cash flow analyses, constructing financial models of proposed financing structures, and obtaining credit enhancement.

Professional Activities and Memberships: Mr. Zavaleta is an active member of the El Paso

Independent School District Fund and the El Paso Museum of Art.

Education: Mr. Zavaleta graduated from Texas Christian University with a degree in Business Administration.

Licenses Held: Mr. Zavaleta is a Registered Representative of the National Association of Securities Dealers. He is licensed as a General Securities Representative (Series 7), a Municipal Securities Principal (Series 53), and a Uniform Securities Agent (Series 63).



J.C. "Corky" Hall
Executive Director
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Experience: Mr. J. C. "Corky" Hall has been with First Southwest Company for 52 years. During his long career, Mr. Hall has been senior banker on virtually every type of debt in the Public Finance sector. Included are senior financial advisory responsibilities to numerous Texas cities and school districts, as well as Brazos River Authority, an issuer of more than \$3 billion bonds. Mr. Hall was the firm's representative on the team to create the Texas Municipal Power Agency, a joint-action agency issuer of more than \$3 billion of financings.

Professional Activities and Memberships: Mr. Hall has served on the Board of Trustees of Christian Care Centers, Inc., a not-for-profit continuing healthcare entity, for 32 years and has served on advisory committees related to Mental Health/Mental Retardation services, as well as being involved in various church and civic activities.

Education: Mr. Hall attended East Texas State University

Licenses Held: Mr. Hall is a Registered Financial Principal of the National Association of Securities Dealers, Inc., licensed as a General Securities Representative (Series 7) and a General Securities Principal (Series 24), and a member of the American Public Power Association and the Government Finance Officers Association of the United States and Canada.



Maria F. Urbina
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Experience: Ms. Maria F. Urbina has been with First Southwest since 2001, having been in public finance for nearly seven years. She provides technical support to senior bankers and has assisted in structuring and pricing deals totaling more than \$1.18 billion in bonds. Her in-depth technical experience includes structuring and pricing current and advance refundings, private placements, short-term financings, new revenue or general obligation debt, and restructurings of outstanding debt. She has experience working with cities, counties, utilities, airports, school districts, electric utilities, hospital districts, community colleges, and golf course systems.

Prior to joining First Southwest, Ms. Urbina worked as an entrepreneur and as a financial analyst for the Texas Water Development Board ("TWDB"). She brings to First Southwest extensive experience in conducting credit analysis for multi-million dollar construction projects and possesses knowledge of TWDB funding programs such as the State Revolving Fund, Drinking Water State Revolving Fund, and Economically Distressed Areas Program. She was the lead analyst for the projects within the Rio Grande/Permian Region.

Education: Ms. Urbina earned a Bachelor of Arts in Economics with a minor in Mathematics from the University of Texas at Austin.

Licenses Held Ms. Urbina is a Registered Representative of the National Association of Securities Dealers (Series 7), and is licensed as a Uniform Securities Agent (Series 63).



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Experience: Mr. David Brayshaw joined First Southwest in 1992. He currently serves as a Structured Investment Products and Municipal Interest Rate Swap trader in the Dallas office. Mr. Brayshaw's other responsibilities have included trading government guaranteed loans and pools, structuring refunding issues for outstanding municipal debt, engineering single family mortgage revenue issues, and designing/selling various asset backed securities

transactions. He has also provided development support for the firm's in-house analytical software and proprietary trading models. He is responsible for managing portfolio performance and for analyzing and structuring derivative products and has extensive experience in the performance evaluation and sale of asset backed securities.

Prior to joining First Southwest, Mr. Brayshaw was involved in financial engineering for the Federal Home Loan Bank ("FHLB") of Dallas. At the FHLB, he was responsible for trading and hedging portions of the bank's \$4 billion mortgage backed securities portfolio. These activities concentrated on portfolio benchmark performance and hedging prepayment/interest rate risk exposure. He was also engaged in measuring and tracking the market performance of the bank's \$7 billion interest rate swap portfolio with respect to hedge relationships and potential counterparty risk exposure.

In addition, while at FHLB, Mr. Brayshaw was responsible for transferring multi-billion dollar portions of FHLB debt throughout the FHLB system, and for implementing and maintaining hedging strategies using strips of Euro-dollar futures contracts designed to effectively create "synthetic" interest rate swaps.

Education: Mr. Brayshaw earned both a Master of Business Administration degree and a Bachelor of Business Administration degree from Texas Christian University.

Licenses Held: Mr. Brayshaw is a registered representative of the NASD, licensed as a General Securities Representative (Series 7) and a Uniform Securities Agent (Series 63).



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Experience: Ms. Shelley Weiske joined First Southwest in November 2002 as an Assistant Vice President. She is responsible for preparing arbitrage rebate computations and interacts with clients to obtain all of the information necessary to test compliance with the federal arbitrage regulations. Additionally, Ms. Weiske is responsible for performing the detailed review of computations to ensure compliance with federal regulations. Prior to joining First Southwest, Ms. Weiske worked at Gilmore & Bell, P.C. in Kansas City, Missouri, as the Senior Financial Analyst in its arbitrage rebate group.

Education: Ms. Weiske received her Bachelor of Business Administration in Finance and Accounting from Ashland University in Ashland, Ohio in May 1995.

Licenses Held: Ms. Weiske is a licensed Certified Public Accountant.

LOCAL SUPPORT AND KNOWLEDGE

Since 2003, First Southwest has maintained an office in El Paso. First Southwest company is the only investment banking firm in the El Paso region with a public finance office. Mr. Zavaleta manages our local office and serves as First Southwest's representative in the region. As detailed in his resume, Mr. Zavaleta is experienced and familiar with the tax-exempt bond market in the El Paso area. Contact information for our El Paso office is below.

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First Southwest has provided financial advisory services to the City since 1990. During the past five years, we have provided financial advisory services on 14 issues for the City, with a total par value of more than \$632.06 million. In addition, we have provided financial advisory services for a number of related issuers, including:

- El Paso County'
- El Paso County Hospital District,
- El Paso Community College District'
- El Paso Independent School District,
- Socorro Independent School District,
- Ysleta Independent School District,
- Canutillo Independent School District'
- Clint Independent School District'
- El Paso Property Finance Authority,
- El Paso Water Utilities.
- Town of Horizon City
- Tornillo Water Improvement District

First Southwest has provided the City with financial advisory services for many years, and hopes to continue to do so in the future.

KNOWLEDGE OF THE CITY OF EL PASO

First Southwest Company and the City have accomplished many cutting edge and innovative financings together over the years. Below are some examples:

The City was the second city in Texas to implement a general obligation commercial paper program. This program has helped the City to manage its Interest & Sinking tax rate and avoid tens of millions of dollars in

avoided interest. Without the program, the City could not meet its tax rate goals and complete its entire capital plan.

The El Paso Airport system refunded its debt and reduced its debt significantly with First Southwest Company's assistance in 2003. First Southwest and El Paso Airport staff developed a plan to use restricted cash to restructure the airport's debt and create a vast amount of savings over a two year period. This savings and cash were used in such a way to reduce fees to airlines who had not yet fully recovered from 9-11 air traffic declines. These lower fees for El Paso helped the City to retain Southwest Airline flights that could have moved to other cities.

In 2004, First Southwest and City staff developed a solid waste financing system to help the solid waste system continue with a capital improvement program while avoidance of the use of certificates of obligation. This challenge was set forth to the financing team by the City Council.

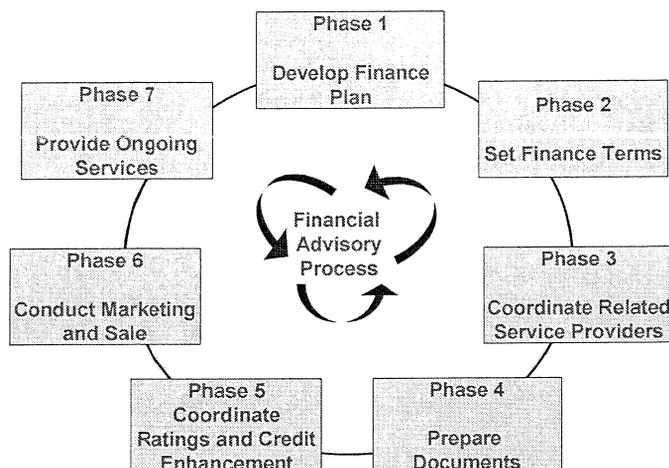
First Southwest and the City's staff worked together to maintain the City's high ratings as the City converted from a strong Mayor to a City Manager form of government. During the conversion, the City's tax rate fell victim to the changing of government and could have impacted the City's general obligation bond rating. First Southwest's primary goal was to apprise the new management team of the potential rating implication and assist in managing the relationship with the rating agencies. Together, the financing team was able to accomplish this task.

These are but a few examples of how First Southwest Company's knowledge of the City has helped the City to achieve its financial goals while savings many millions of dollars in the process.

FINANCING TECHNIQUES

Based on our extensive and varied experience with public entities, First Southwest has developed a full-service approach to providing financial advisory services that ensures every aspect of an issuer's needs is addressed. The driving force behind our long history of success, our approach combines all of the firm's public finance capabilities and additionally employs as needed representatives of our other specialty groups. The following chart details each step of our approach:

Financial Advisory Scope of Services



We recognize that the City may require a customized approach and scope of services, and we will readily accommodate needs not mentioned in the Request for Qualifications. Additionally, because of the experience and competence of our professionals, First Southwest confidently assures timely and responsive service during the process of preparing for and completing any transaction.

Phase 1: Develop Finance Plan

For the planning and structuring of tax-exempt financings, First Southwest will incorporate the implications of arbitrage rebate, investment policies, marketing, and technical considerations. Furthermore, our financing strategies factor in the implications of relevant financial issues, both current and potential, ensuring clients that the relevant aspects of a transaction will be considered before terms are finalized.

In order to determine available borrowing capacity, we will evaluate the existing debt structure and financial resources of the City. First Southwest will analyze the projected sources of revenue that may be pledged to secure payment of debt service; and we will assist in determining the cash flows that are legally available to pay principal and interest as well as the optimal revenue pledge in terms of the overall credit rating of the City and the marketability of the issue. First Southwest will devise and recommend a plan for financing bonds to be issued through monitoring and controlling the costs of fees and expenses incurred, a maturity schedule, and other terms and conditions requested by the City.

First Southwest will recommend the investment of bond proceeds and compliance with federal arbitrage regulations, and will provide sound, current advice concerning the ongoing legislative considerations of new bond or borrowing initiatives. Furthermore, we will provide oversight, coordination, and experience in the development of new bond or borrowing initiatives.

Upon completion of Phase 1, the City and First Southwest will have designed a financing strategy that facilitates the success of all future financing initiatives.

Phase 2: Set Finance Terms

First Southwest will perform analyses to determine the timing of the offering, appropriate size of the bond issue, and structure of each financing. In addition, we will evaluate the cost effectiveness of various financing alternatives in order to recommend the structure that achieves the highest possible credit rating within the constraints of the City and underlying loan participant.

We have the technical capability and experience required to assess virtually every type of financial structure contemplated by a government issuer or conduit borrower. Therefore, we are able to run scenarios that quantify the benefits and costs of various structuring considerations, such as: fixed versus variable rate debt, credit enhancement, optimal call dates and prices, desired maturity dates, premium versus discount bonds, and serial versus term bonds. First Southwest will prepare cash flow forecasts that will enable the City to evaluate the annual debt service requirements associated with alternative financing structures. We will recommend the method of sale that maximizes the marketability of the City's securities and minimizes the overall borrowing cost. For the most common types of design analysis, First Southwest will :

- Produce cash flow models with the flexibility to calculate bond capacities based on debt service installments; utilize forecasted revenues, expenditures and growth factors; model construction drawdowns and interest earnings; and project tax rates and user charges. This capacity analysis is vital to the City's planned annexation negotiations.
- Size a financing including allowance for capitalized interest, construction costs, escrow requirements, insurance costs, interest earnings, issuance costs and reserve funds.
- Structure a payment amortization to a tailored schedule based on projected revenue and expenditure constraints.
- Defease outstanding debt utilizing a state-of-the-art proprietary advance refunding software system that structures an optimal escrow fund; structure new debt on a level, front-end or tail-end savings basis; and provide other structures as necessary.
- Calculate the issue price to the public and, using this price, calculate the arbitrage yield as defined by the Tax Reform Act of 1986.
- Calculate an internal rate of return or "true interest cost" and provide present value schedules based on such yield for use in evaluating bids or modeling present values of cash flow projections.
- Devise debt capacity models that can be used to detail the City's existing debt service requirements;

forecast proposed debt service requirements; and project the impact of the proposed requirements on financial ratios, such as debt to valuation and per capita debt as well as taxes and tax rates.

- Develop debt service schedules, which can be used to illustrate the debt service requirements on an actual, bond, or fiscal year basis, while assuming annual, semi-annual, or monthly payments. Our schedules can accommodate serial and term bonds, discount and premium bonds, and zero coupon bonds, including premium capital appreciation bonds, as well as variable rate and synthetic fixed rate debt.
- Provide refunding analysis, which can be used to illustrate savings on a gross basis or a present value basis of refundings.

A sample of our quantitative analysis can be found in **Appendix B**.

We offer a distinctly different approach to providing technical services from our competitors. Often investment banking firms use the technical area as a training ground for new bankers; however, we believe that structuring a bond transaction requires the implementation of innovative financing techniques by *experienced* professionals. The team of professionals carefully selected to work with the City have the ideal combination of expertise, skill, and creativity to address and achieve future financing needs of the City.

Phase 3: Coordinate Related Service Providers

First Southwest will assist with the evaluation of proposals from financial printers, paying agents/registrars, and trustees. We will participate in document preparation and assist bond counsel in the coordination of the offering, prepare information as necessary for the rating agencies and will help the City maintain ongoing relationships with credit rating agencies. We will disclose all fees, define all relationships, and meet the City's needs by facilitating excellent working relationships with the City's other service providers.

We serve as financial advisor for approximately 600 transactions per year. Our professionals work daily with bond attorneys, financial advisors, and underwriters. Because we often commit our own capital for the benefit of our clients, we understand the role of underwriters. Our underwriting capability enables us to negotiate as equals with underwriters during the structuring, marketing, and pricing phases of a transaction. Furthermore, we have a long history of working with minority and female-owned firms involved in all facets of the investment banking industry. For these reasons, our firm is well equipped to provide recommendations on the composition of the financing team.

Phase 4: Prepare Documents

First Southwest will coordinate closing details and post-closing duties, including the development of closing memorandum and the final preparation of documents necessary for financing current and future projects. Our participation ensures the creation of documents that will provide credit strength and operating flexibility to the City, security to the investor, and marketability for the underwriter. Additionally, we will assist with the preparation of an Official Statement and other disclosure documents that describe all terms and conditions of the transaction.

Phase 5: Coordinate Ratings & Credit Enhancement Process

First Southwest is consistently recognized as the leading firm for number of bond ratings per year. Our record for obtaining rating upgrades demonstrates our ability to effectively navigate the rating agency process. From 2003 through 2005, we obtained rating upgrades for 107 municipal debt issues.

First Southwest Company Rating Upgrades (2003-2005)

Year	2003	2004	2005	Total
Number of Upgrades	37	26	44	107

As a result of our experience, First Southwest has unparalleled relationships with Moody's Investors Service, Standard & Poor's, and Fitch. This continual "hands-on" exposure to all aspects of the rating process affords the City a major advantage: an in-depth understanding of the rating agencies' typical concerns regarding city, town, or village credits. We will closely guide the City through the presentation process in order to achieve the best possible ratings.

In addition to our standing as the nation's leading municipal financial advisory firm for credit enhanced financings, First Southwest has a thorough knowledge of liquidity facilities and relationships with providers of third party credit enhancement and commercial banks beneficial to the successful completion of the City proposed financing. We regularly explore bond insurance and letters of credit in order to lower the interest and issuance costs of our clients. To evaluate the credit worthiness of our clients' bonds and the cost effectiveness of municipal bond insurance, we maintain contact, nearly daily, with the American Municipal Bond Assurance Corporation ("AMBAC"), Financial Guaranty Insurance Company ("FGIC"), Financial Security Assurance ("FSA"), Municipal Bond Insurance Association ("MBIA"), Radian, and other bond insurance companies. We also maintain close contact with domestic and foreign banks and other companies that provide letters of credit, surety bonds, and other credit enhancement instruments.

Bond Rating Strategy

Although issuers have much in common, they and their presentations to the rating agencies are unique. After analyzing the City's finances, First Southwest will determine the relative strengths and weaknesses. We then can anticipate and prepare for the lines of questioning and propose a presentation outline. As part of the rating process, we will make recommendations on how the bond rating will be communicated: by mail or through personal presentations, and which agency or agencies will be approached for the bond rating. We have been involved in a wide variety of presentation formats, ranging from the coordination of written materials to the organization of on-site visits and the preparation of audiovisual productions. During this process, we will focus on the best method for presenting information most likely to influence the rating outcome.

Then, First Southwest will assist the City with establishing bond rating goals. Based on these targets, we will advise on the selection of bond rating providers and on the method for obtaining bond ratings, which includes:

- Financial, administrative and credit factor consulting
- Assisting in the development of long-term strategic plans
- Developing action plans to obtain credit rating goals
- Assisting with the preparation of presentation materials

We will recommend the most appropriate rating presentation method, including site visits, conference calls, or direct presentation. First Southwest takes a *supportive* role, rather than active, in the actual presentation of materials, because the rating agencies stress direct discussions with the issuer. Therefore, we will fully prepare the City and the City's staff for the presentations that they will make to the rating services. Our participation in the actual presentation will focus primarily on preparing solid answers for different lines of questioning, drawing from experience gained from our participation in many other presentations.

Phase 6: Conduct Marketing and Sale

First Southwest will take the steps necessary to obtain the broadest possible participation in bidding. We ensure that investors and underwriters understand the City's credit and the mechanics of the sale, evaluating such to determine the most beneficial financing structure. For a negotiated sale, we will represent the City in all areas of pricing and sale. We will assist with the negotiation of covenants, coupons, expenses, takedowns, and yields to ensure that the City's bonds are sold at market rates. Our professionals will conduct pre-pricing calls with the City and the underwriters, set marketing priorities, monitor all orders, and balance requests for re-pricing.

First Southwest's constant evaluation of alternatives to re-marketing and the implementation of those alternatives, when appropriate, will be highly beneficial to the City. We will recommend approval of final pricing only after our underwriting desk has assured the City that the borrowing has achieved a fair cost of capital for the sale date, based on to-the-minute market conditions for that type of security.

Phase 7: Provide Ongoing Services

Maintain Continual Client Relations

As part of First Southwest's comprehensive service, we will continue to offer assistance to the City by:

- Commenting on the credit implications of local actions and events
- Developing debt management policies
- Evaluating financing alternatives
- Participating in long-range strategic planning for capital improvements and debt structure
- Developing financial models to analyze the full range of debt funding alternatives
- Evaluating the appropriateness and benefit of derivative products
- Identifying cost savings or debt service restructuring opportunities
- Providing an ongoing link between such parties as underwriters, bankers, insurers, investors, regulators, trade groups, and other issuers

Monitor Legislative and Regulatory Changes

First Southwest will monitor legislative, economic, budgetary and regulatory changes as they relate to the City and advise relevant and beneficial action and participation. Additionally, we will continue to comment on the credit implications of local actions and events, develop debt management policies, evaluate financing alternatives, and evaluate the appropriateness and benefit of derivative products and services.

Arbitrage Rebate Approach

FSAM's arbitrage rebate services focus on governmental bond issues for state and local governments, and we recognize there are a number of different accounting systems used to trace bond proceeds. We have developed several methods of calculating the arbitrage rebate computations that align with various recordkeeping methods and also maintain compliance with the arbitrage rebate regulations. First Southwest works with each client's existing records to develop a computational approach rather than requiring the client to follow one established method. This approach minimizes compliance costs to the client and requires substantially less time from the client's personnel. To provide an overview of our process and how we minimize the data gathering efforts of our

clients, the following discusses our standard procedures, listed below.

Gathering Required Information

As part of the initial work performed on each issue, we start an analysis to determine whether the issue satisfied the requirements of any of the available exceptions to the rebate requirements, such as the small issuer exception; six-month, 18-month, or 24-month spending exception; or the exception for reimbursement bond proceeds. At the issuer's request, we will prepare an opinion letter summarizing our conclusions that the issue has complied with the regulatory requirements and is exempt from rebate. To facilitate the required Internal Revenue Service filing dates, it is our standard practice to perform an annual review of the computations. We have found that accumulation of certain information already generated by the client provides the necessary information for us to complete our computational work. The following information is needed for each bond issue requiring an arbitrage rebate calculation:

Bond Document Information: In order to analyze the rebate requirements established by bond counsel when the bonds were issued and to obtain the information necessary to calculate the yield on the bonds, the following legal documents are requested:

- Copy of Official Statement for the issue
- Copy of Winning Bid Form and Underwriter's Certificate as to Yields (if competitively sold)
- Copy of Form 8038-G (Informational Tax Form)
- Copy of "Tax/Arbitrage Certificate"
- Copy of Verification Report (for advance refunding issues)

Investment Transaction Information: Issuers invest the proceeds of their bond issues in a variety of ways. Some issuers separately invest each bond issue, some internally commingle bond proceeds with other funds, some deposit the proceeds in an external investment pool or fund, and some use a combination of all three approaches.

- **Proceeds invested with a trustee bank.** If the proceeds of the issue are invested through an external trustee bank, the trustee can normally provide all of the investment information necessary to compute the rebate amount. It will be necessary to obtain a detail of transactions for each fund established for the issue. This is accomplished by obtaining copies of the annual "transaction listing" that can be generated by the trustee. The transaction listing is a statement that details only the transactions that occurred during the year and omits the summary schedules normally contained in

monthly trust statements. The transaction listing report is the easiest means of obtaining the data needed for the calculation. If the trustee cannot produce this, copies of the monthly trust statements will be needed.

- **Proceeds invested in an internal commingled fund.** Many issuers invest proceeds of their bond issues in some form of internal pool or commingled fund. Because the tax laws related to commingling of proceeds are complex, it is necessary to analyze the approach used by the issuer to determine the best means of obtaining data. If an issuer utilizes a commingled funds approach, which can be relied upon by First Southwest, we obtain expenditure detail and interest allocation records or monthly pool yields associated with the pooled funds. In general, it is necessary to obtain information related to the daily, or monthly, balance of each fund in the pool and the allocation of interest earnings to the various funds containing amounts in the commingled pool.

Tasks Generally Performed

It is our belief that the success of an arbitrage rebate program is enhanced by a rebate calculation consultant who serves as a resource to all parties involved. Explaining the requirements of the Code and Regulations and providing practical solutions to problems of all natures enhances the total service provided by the program. Our approach dictates that the rebate calculation consultant provide constant interaction with the issuers and provide the following additional services:

- Assist the City in understanding the current computational and reporting requirements of the Code and Regulations and facilitate the City's understanding of changes as they occur.
- Be knowledgeable of the rules regarding expiration of temporary periods and be prepared to assist the City in monitoring yield-restricted funds, which may be invested.
- Assist the City, on a rebate installment date, in evaluating whether full or partial payment of the rebate liability should be paid.

Computational Requirements

- Review all applicable bond documents, including the tax or arbitrage certificate, official statement, and issue price certificate, indenture resolution and other related documents.
- Compute the arbitrage yield on the bonds in accordance with the regulations and revise such computations in the event that events occur subsequent to delivery of the bonds, which would require recomputation.

- Identify and separately account for all “Gross Proceeds” (as is defined in the Treasury Regulations) of the bond issue, including those requiring allocation analyses due to “transferred proceeds” and/or “commingled funds” circumstances.
 - Obtain the necessary information related to investments, including (i) expenditure detail; or (ii) investment detail; and/or (iii) interest earnings.
 - Compute the yield on the actual earnings of the gross proceeds of the issue using the same frequency of compounding as the yield on the bonds for each individual investment as well as the portfolio as a whole.
 - Perform computations of rebatable arbitrage under both the 1992 Treasury Regulations (for bonds issued prior to June 30, 1993) and the 1993 Treasury Regulations to determine which regulations provide a lower liability amount. The 1993 Treasury Regulations may be applied in whole to bonds issued prior to their effective dates. The rebate computation agent must be familiar with all of the various regulations to determine which regulations to apply in order to compute the lowest lawful arbitrage liability amount.
 - Review the yield restriction requirements to determine if the yield reduction payment may be due.
 - Perform computations of rebatable arbitrage at least once every five years and as of the date all bonds of the issue are retired.
 - Provide an executive summary and opinion identifying the methodology employed, major assumptions, conclusions, and any recommendations for changes in recordkeeping and investment policy. The opinion provided states that all work performed is consistent with Federal Tax Law and other applicable law.
- Determine the correction amount and the penalties associated with any installment failure as required.
 - Assist in applying for permitted refunds for certain overpayments in the event an issuer overpays the amount of rebatable arbitrage for an issue.
 - Maintain complete records supporting the computations of rebatable arbitrage for a period of not less than six years after the final maturity of all bonds of an issue.
 - Assist the City, as necessary, in responding to any inquiries or audits by the Internal Revenue Service related to the computations performed by the rebate calculation agent.
 - Maintain a tickler system, which monitors critical deadlines, calculation due dates, rebate exception dates, and expiration of temporary periods

Experience with Texas Cities' Financing Techniques

As mentioned, First Southwest has provided financial advisory services on 845 issues for cities, towns, and villages in the State of Texas in the past five years. These issues were for more than 170 different municipal entities within the state. Our Texas clients include:

- City of Dallas
- City of Fort Worth
- City of El Paso
- City of Houston
- City of Galveston
- City of College Station
- City of Plano

A full listing of all tax-exempt city, town, and village issues for the past five years can be found in **Appendix C**.

TRADING DESK INFORMATION

As a nationally recognized leader in the field of public finance, First Southwest has the benefit of exposure to a wider variety of underwritings than do most firms. Our Debt Capital Markets group has professionals with extensive experience. We underwrite both competitive and negotiated issues. Additionally, our underwriters assist our financial advisors in structuring and pricing issues. Through the continuous commitment of capital, we enjoy a greater understanding of the important and complex demands of the role of underwriter. Our extensive pool of unique financing concepts allows us to see on a daily basis what structures, coupons, call features and other aspects of a transaction are leading to the lowest cost of funds for an issuer. First Southwest's active involvement with both institutional and retail buyers enables us to know what investors are willing to pay for premium or discount securities, and what various trade-offs will cost the issuer.

Internal Revenue Service Reporting Requirements:

We believe the rebate calculation agent is an integral member of the structure for serving as the interface between the issuers and the Internal Revenue Service. Therefore, he/she must be knowledgeable of the reporting and documentation requirements associated with compliance of the arbitrage rules and be qualified to perform the following duties:

- Complete Internal Revenue Service Form 8038-T and any other necessary reports in order that only a signature is required prior to filing on either an installment computation date or final installment date.
- Provide a written report supporting the computations to the City.

Because of its active market involvement and extensive institutional investor relationships, First Southwest's underwriting and trading desk provides timely recommendations to its underwriting clients in such areas as:

- Structure of the Bonds
- Call Options and Premiums
- Underwriters' Takedown
- Placement of Term Bonds
- Capital Appreciation Bonds
- Serial Bonds and Pricing
- Coupons
- Yields
- Syndicate Roles
- Credit Aspects
- Allocation of Bonds

First Southwest's 193 registered representatives include 20 fixed income institutional sales professionals and nine high-net-worth individual account personnel. Our institutional salespeople have longstanding relationships with accounts that rely on them for credit information in the states in which we have a financial advisory operation. As one of the largest financial advisors in the country that is also a broker/dealer, we enjoy a unique advantage over other underwriting firms.

First Southwest's sales force has strong distribution capabilities to the following groups (ranked in order by volume):

- **Tier 1 Firms:** Large institutional investors (e.g., mutual funds, trust departments, major corporations, money managers, insurance companies, arbitrage accounts, hedge funds and tender option programs). Most of the large institutions are well known and covered by all underwriting firms. Because First Southwest is such a prolific financial advisor and underwriter, it has an edge over most underwriting firms in selling bonds to this market. We are the eyes and ears for many large institutions in those areas of the country where we have a public finance presence.
- **Tier 2 Firms:** Regional institutions (e.g., certain bond funds, trust departments, smaller corporations). Sales to these entities are largely relationship based. First Southwest can expose an issuer's bonds to different markets that are often overlooked by major firms. While other firms are cutting back sales and gravitating toward a totally electronic distribution model, First Southwest is actively expanding our sales force in this important market segment.
- **Retail (e.g., high net worth individuals, local money managers, prime brokers):** Although always a part of our customer base, retail business is now being expanded by First Southwest. First Southwest's high net worth retail effort allows us to

reach local investors and gives our underwriting desk additional confidence when it comes time to step under balances.

In 2005, First Southwest ranked in the top 20 underwriting firms nationally as Senior Manager on long- and short-term issues. We ranked ninth nationally on issues under \$10 million (according to Thomson Securities Data Corporation). Over the last five years, First Southwest has participated in 1,405 underwritings, as a senior manager or co-manager, for a total par amount exceeding \$33.87 billion. We also maintain an active remarketing book of variable rate and auction rate securities totaling more than \$2.25 billion. As an integral part of our financial advisory services, our trading desk works closely with underwriters across the nation on all types of projects, amassing a valuable store of knowledge concerning the latest structures and strategies that will produce the lowest interest cost for our issuers.

ANCILLARY SERVICES

The municipal finance industry grows increasingly more complex, challenging financial firms like First Southwest to raise the bar on the services, resources and experience offered. The organization of First Southwest's Public Finance department is structured to provide clients with access to multiple professionals with expertise in diverse areas of finance. Examples of these specialty practice groups include the following:

Arbitrage Services

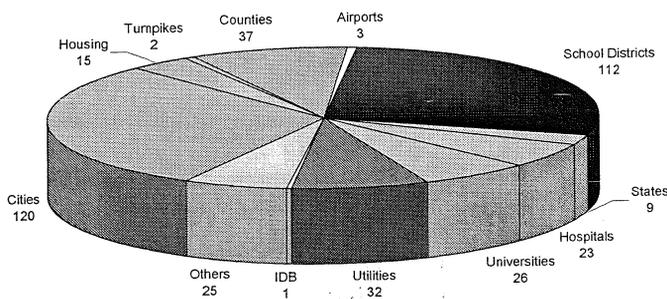
First Southwest's affiliate, FSAM, provides arbitrage rebate services. Since its inception, FSAM has become one of the largest providers of arbitrage rebate calculation services in the nation. We are proud of this growth and believe that the quality of our service and expertise of our associates are the basis for our success. First Southwest is the first investment banking firm in the nation to develop arbitrage rebate calculation services for governmental bond issuers, and currently provides arbitrage compliance services on more than 2,300 bond issues with a par value in excess of \$86 billion. We represent more than 400 issuers throughout the country and have extensive experience with a variety of complex issue structures, including commingled funds, reserve fund allocations, transferred proceeds, interest rate swaps, and commercial paper computations. First Southwest's arbitrage rebate compliance division serves issuers in 16 states nationwide.

We are proud of the duration of our longstanding relationships with clients and believe the quality and knowledge of our staff is the foundation for that longevity. In fact, more than 110 of First Southwest's arbitrage rebate clients have retained our services for more than 10 years. The following list highlights a few of our longstanding relationships.

Issuer Name	Active Number of Issues	Client Since
Texas Water Development Board	24	08/21/87
Texas Public Finance Authority	31	12/11/87
City of Dallas, Texas	37	01/08/88
Brazos River Authority, Texas	22	02/17/88
Union Public Schools, Oklahoma	6	06/27/88
State of Arizona	19	09/24/88
City of Glendale, Arizona	10	07/25/89
City of Fort Worth, Texas	37	10/10/89
City of El Paso, Texas	30	02/20/90
Pima County, Arizona	7	06/01/90

City-level issuers make up the largest percentage of First Southwest's clients. We believe our ongoing relationships with the other 120 cities we represent will benefit the City with its future needs. The following chart illustrates the types of issuers and the volume of issues First Southwest represents:

Number of Issuers Under Arbitrage Rebate Contract



For further information on First Southwest's experience and the experience of our proposed team, please see our response to Question I-E.

Continuing Disclosure: The annual disclosure of financial information, operating data and ongoing material events as required by the SEC is voluminous for many large municipal bond issuers. As one of the first financial advisory firms to recognize the impact of those requirements, our firm responded by forming a specialty practice area to assist our clients. First Southwest is one of the **only** financial advisory firms in the nation with a separate department established for continuing disclosure. First Southwest Disclosure Services files more than 625 reports for some 500 clients annually. We are competitively unique in that our Disclosure Services department is more than just a dissemination agent; we work closely with clients to prepare and file disclosure reports.

Asset Management: First Southwest recognizes that the primary objective for state and local governments is to maintain safety of principal while ensuring adequate liquidity. Therefore, we have a conservative investment philosophy tailored to the needs of state and local governments that has proven successful over time. All investment transactions made for our investment management clients are performed on a best execution basis with non-affiliated brokers/dealers. Our Asset Management professionals expertly analyze potential investments strategies, determine any subsequent arbitrage liabilities, analyze specific investments and comply with regulations regarding the investment of bond proceeds to determine an "optimal" portfolio.

Equity Capital Markets: First Southwest's Equity Capital Markets group is known for its flexibility in structuring innovative solutions to meet individual client needs. The group is composed of seasoned investment professionals dedicated to the long-term success of corporate clients, institutional investors and high-net-worth individuals. By analyzing market trends and identifying investment opportunities, we bring together investors and those seeking to raise capital. The group specializes in market-making in approximately 130 stocks, large order executions, and facilitating trades by committing firm capital. We maintain a full-service, agency-order execution desk and are involved in underwriting initial and secondary public offerings. The Equity Capital Markets group is a retail and institutional brokerage that participates as a syndicate member.

Swap Advisor Services: First Southwest regards swap advisory services as an essential part of our financial advisory practice. In the past five years, First Southwest has engaged in 110 swap transactions totaling more than \$9.6 billion in notional amount. Our clients include issuers from all sectors of the tax-exempt spectrum: general obligation, revenue, health care, transportation, public power, water and sewer, and other 501(c)(3) issuers. Our experience includes both competitive and negotiated transactions. Each swap is unique, and generalizing our experience is difficult, except to say that we have worked with all types of issuers and all types of transactions.

To effectively evaluate risks and rewards for our clients, First Southwest provides assistance to our clients throughout the entire process of determining the impact of basis, credit, and tax and termination risk. We also advise the client on appropriate market levels for products being evaluated. Our comprehensive swap advisory services include staff and board education, the formulation of a swap policy, structural and analytical modeling, document negotiations, rating agency analysis, transaction execution, closing, fair market value opinions and ongoing analyses.

Equipment Leasing: In reaction to the need for new innovations in structuring equipment lease-purchase transactions, First Southwest formed Carlyle Financial

Services in 2003. Carlyle Financial Services draws upon a 20-year track record of working with clients in structuring lease-purchase transactions. In addition to financing a wide range of "conventional" equipment, such as school buses, medical equipment, aircraft, voting machines, and office furniture, the firm has assisted clients in tailoring lease-purchase transactions for atypical items, such as stadium scoreboards and Astroturf, fiber optic cable, and even textbooks for public school systems. Innovative financings, such as those involving energy management equipment – designed to reduce energy consumption and pollution while increasing performance and reliability – also have been structured using lease financings.

II-E SERVICES OVERVIEW

State in succinct terms the firm's understanding of the services to be provided and the approach as presented in this document.

First Southwest understands that the City requires a financial advisor to provide services on the City's Administrative and Financial Services Portfolio. Using our full-service approach (as detailed in our response to Question I-E), First Southwest will assist the City with the issuance of debt instruments or other securities, as well as any debt management planning services required. Should there be any further services that the City requires, First Southwest will be glad to discuss providing assistance to the City on these services.

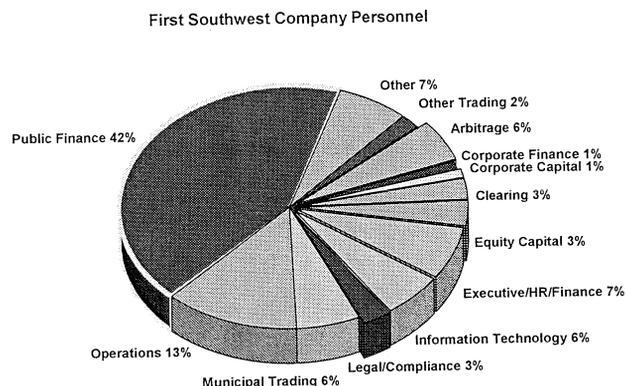
II-F WORK PLAN

Include a brief narrative description of the firm's organization and how the organization anticipates best being able to meet the specifications outlined herein in terms of methodology and solutions in performing the services described. The work plan should address the Additional Requirements requested in Part I – E.

As previously mentioned, First Southwest is a wholly owned subsidiary of Holdings, and is affiliated with the other two subsidiaries, FSAM and Carlyle. First Southwest's public finance department is supported by the ancillary services provided to our clients by all three affiliates.

COMMITMENT TO PUBLIC FINANCE

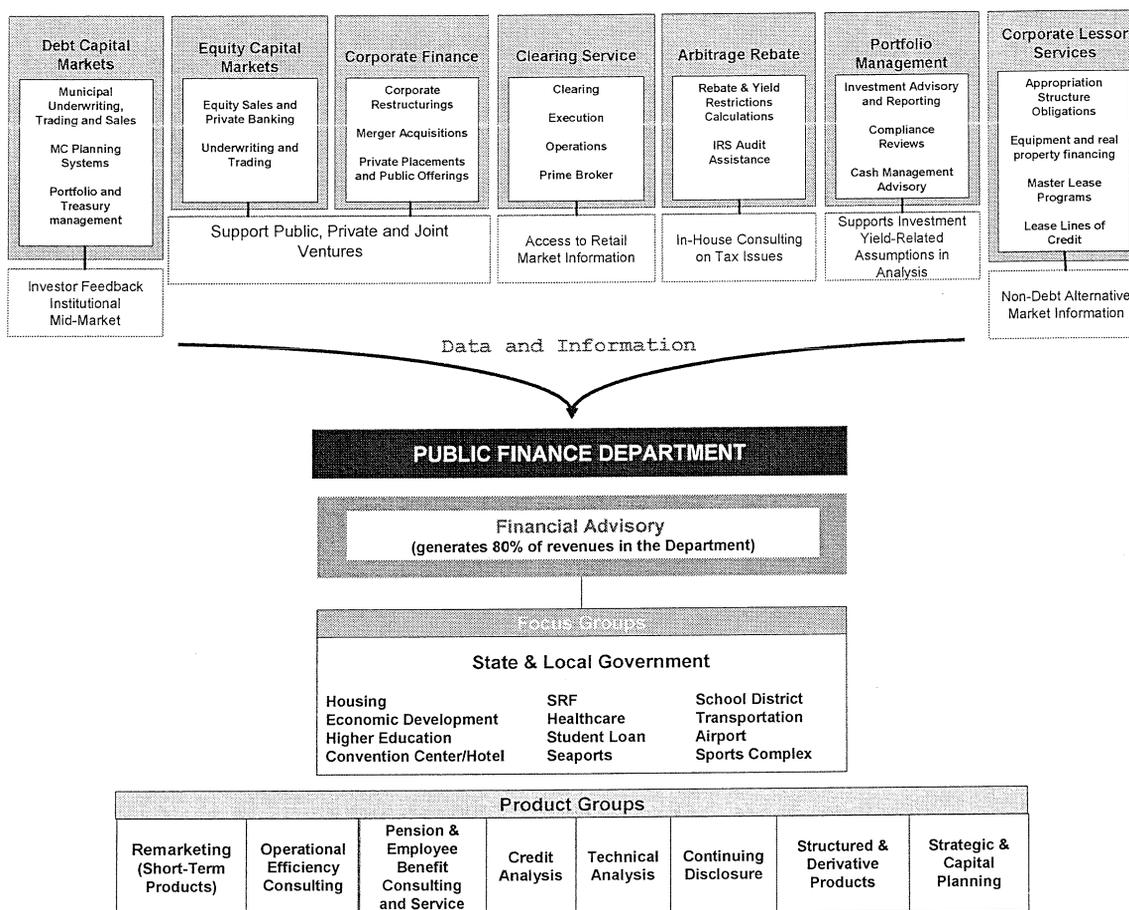
First Southwest's Public Finance Department encompasses the majority of the firm and generates approximately 50% of the firm's total annual revenue. All of First Southwest's branch offices and 42% of total staff firm-wide are dedicated solely to public finance.



Within our Public Finance Department, which is organized by industry, region, and product, we have a focus group for nearly every type of public entity: power, water/wastewater, economic development, housing, education, state and local government, state revolving funds, transportation, and healthcare. We are the first investment banking firm in the country to offer arbitrage rebate services, and the first firm to have a separate continuing disclosure department. Other ancillary services further support our financial advisory practice: underwriting, asset management, equity capital markets, swap advisory, corporate finance, and others. Our governmental clients receive attention from all corners of the firm however and whenever necessary.

The following diagram illustrates the organization of our Public Finance Department's resources. All ancillary services will be called upon as necessary when providing financial advisory services and advice to the City.

Greatest Value in Financial Services



First Southwest's team philosophy, as mentioned, is designed to maximize the expertise available to the City for its intended financings. While our team has more than 75 years of experience in public finance collectively, we will draw upon the skills of the other professionals employed by First Southwest if further or more diverse expertise is necessary. In this fashion, we will ensure that the City receives quality services from First Southwest.

First Southwest emphasizes client services at the regional level. The close proximity to our clients allows us to gain a thorough understanding of their needs and the specific financial and political environment in which they operate. This insight along with the full and substantial resources of the firm allows us to develop creative solutions to meet the client's long-term financial objectives. This focus will allow us to continually serve the City as a trusted advisor for all their financial concerns.

Mr. Zavaleta will serve as the local liaison between the City and our team. First Southwest emphasizes client services at a regional level in order to gain a thorough understanding of the needs of our clients and the specific financial and political environment in which they

operate. This focus allows us to maintain a close working relationship with our clients. Mr. Zavaleta's proximity to the City will allow us to continue our long-term relationship with the city and provide ongoing service between transactions, as well as during the issuing process.

II-G FEE SCHEDULES

Submittal must include a proposed fee schedule for providing the services outlined in the RFQ.

FINANCIAL ADVISORY SERVICE FEES

The fees due First Southwest for financial advisory services will not exceed those contained in our customary fee schedule as listed on the following page.

\$10,000	Base Fee
plus \$1.00 per \$1,000	for the first \$25,000,000 of bonds issued
plus \$0.75 per \$1,000	thereafter

The above charges shall be multiplied by 1.20 times for the completion of an application to a federal or state

government agency, for the issuance of revenue bonds, for the issuance of refunding bonds, and/or for a defeasance, reflecting the additional services required. The charges for ancillary services, including computer structuring and official statement printing, shall be levied only for those services that are reasonably necessary in completing the transaction and that are reasonable in amount, unless such charges were incurred at the specific direction of the City.

The payment of charges for financial advisory services described in Section I of the foregoing Agreement shall be contingent upon the delivery of bonds and shall be due at the time that bonds are delivered. The payment of charges for services described in Section II of the foregoing Agreement shall be due and payable in accordance with the mutual agreement therefor between First Southwest and the City.

The City shall be responsible for the following expenses, if and when applicable, whether they are charged to the City directly as expenses or charged to the City by First Southwest as reimbursable expenses.

- Bond counsel
- Bond printing
- Bond ratings
- Computer structuring
- Credit enhancement
- CPA fees for refunding
- Official statement preparation and printing
- Paying agent/registrar/trustee
- Travel expenses
- Underwriter and underwriter's counsel
- Miscellaneous, including copy, delivery, and phone charges

The payment of reimbursable expenses that First Southwest has assumed on behalf of the City shall NOT be contingent upon the delivery of bonds and shall be due at the time that services are rendered and payable upon receipt of an invoice therefor submitted by First Southwest.

ARBITRAGE REBATE FEES

First Southwest Asset Management, Inc.

Arbitrage Rebate Compliance Services Fee Schedule

First Southwest's fee for arbitrage rebate services is a fixed annual fee per issue. The annual fee is charged based upon the number of years that proceeds exist subject to rebate from the delivery date of the issue to the computation date. For example, the five-year computation fee for an issue with proceeds that spend within three years calculates to be \$6,000 (\$2,000 * 3 years). Additional fees are charged for complexities, such as reserve fund allocations, transferred proceeds, debt service residual, etc. **The annual fees are also reduced when all or a majority of the proceeds are**

expended (for more information, please see description of itemized per issue fees below).

Description	Annual Fees Per Issue Per Computation Year ⁽¹⁾
Base Fee Per Computation Year:	\$2,000
<i>Additional Charges for Special Services Related to:</i>	
Debt Service Reserve Funds	\$500
Commingled Funds	\$500
Transferred Proceeds	\$500
Debt Service Fund Residual Calculations/\$100,000 Test	\$500
Variable/Floating Rate Bond Issue	\$1,000
Yield Restriction Analysis/Yield Reduction Computation	\$500
Universal Cap	\$500
Calculation of Late Interest Amount	\$500
Premium for Quick Turnaround (Preliminary or Final Liability Numbers within 21 days or less of receipt of data)	\$500
Preparation of IRS Refund Request	(2)
Commercial Paper: Per allocated issue to perform arbitrage rebate computation	\$4,000
Penalty Calculations: Semiannual fee for each issue of Bonds, regardless of issue size.	\$1,000

(1) A *Computation Year* represents a one-year period from the delivery date of the issue to the date that is one calendar year after the delivery date, and each subsequent one-year period thereafter. Therefore, if a calculation is required that covers more than one "computation year," the annual fee is multiplied by the number of computation years contained in the calculation being performed. For example, if the first calculation performed for an issue covers three computation years, the fee for that calculation would be three times the annual fees stated above.

(2) Fee based upon complexities involved and estimated time to complete request.

Recognizing that computational complexities are reduced when all or the majority of the gross proceeds of an issue are expended is First

Southwest's policy and we will reduce fees to the following levels, as appropriate:

Per issue fees for each circumstance itemized below shall be:

Proceeds expended in prior year.	\$ 750
Liability updated and report issued	
Debt Service Residual Calculation only	\$1,250
Reserve Fund calculation only	\$1,250
Escrow Fund only	\$1,250
Rebate Fund only	\$1,250
Yield Restriction/Yield Reduction Computation only	\$2,000

Explanation of Adjustments to Base Fee

1. **Debt Service Reserve Funds.** The authorizing documents for many revenue bond issues require that a separate fund be established (the "Reserve Fund") into which either bond proceeds or revenues are deposited in an amount equal to some designated level, such as average annual debt service on all parity bonds. This Reserve Fund is established for the benefit of the bondholders as additional security for payment on the debt. In most instances, the balance in the Reserve Fund remains stable throughout the life of the bond issue. Reserve Funds, whether funded with bond proceeds or revenues, must be included in any calculations of rebate.
2. **Commingled Fund Allocations.** By definition, a commingled fund means that the **proceeds** of any particular bond issue have been deposited in a fund that contains amounts that are not part of that bond issue. Issuers commonly commingle bond proceeds with either operating revenues or other bond proceeds. The arbitrage regulations, while permitting the commingling of funds, require that bond proceeds be "carved-out" for purposes of calculating rebate. Interest must be allocated to the portion of the commingled fund that represents bond proceeds of the issue in question.
3. **Transferred Proceeds Calculations.** When a bond issue is refinanced (refunded) by another issue, special services **relating** to "transferred proceeds" calculations may need to be performed. Under the regulations, when proceeds of a **refunding** issue are used to pay principal on a prior issue, a pro-rata portion of the refunded bond proceeds are treated as "transferred" to the refunding issue. Although no funds are physically transferred from one issue to another, performing these calculations for rebate purposes is often necessary.
4. **Debt Service Fund Residual Calculations.** Because tax rates are established using an estimated collection percentage, the balance in the

debt service fund (often referred to as the "Interest & Sinking Fund") may exceed the amount necessary to pay the current year's debt service **requirements**. Any such excess **amounts** in a debt service fund must be treated as a "reserve fund," thereby subjecting the excess balance to the rebate requirements. To the extent that any amounts deposited in the debt service fund remain for more than 13 months on a first-in, first-out basis, that excess is classified as a "reserve fund portion" until used for payment of debt service. Special services are required to complete these debt service fund residual calculations.

5. **\$100,000 Test for Debt Service Funds.** The Code requires that a bona fide debt service fund be included in the arbitrage rebate computation if it earns \$100,000 or more in a given bond year and if the issue is not a private activity bond and a long-term fixed rate issue.
6. **Variable/Floating Rate Bond Issues.** Special services are also required to perform the arbitrage rebate calculations for variable rate bonds. A bond is a variable rate bond if the interest rate paid on the bond is dependent upon an index which is subject to changes subsequent to the issuance of the bonds. The computational requirements of a variable rate issue are more complex than those of a fixed rate issue and, accordingly, require significantly more time to calculate. For example, evaluating both a five-year yield as well as one-year yield increments is necessary to determine which yield is most beneficial to the issuer.
7. **Yield Restriction Analysis/Yield Reduction Computations.** The Code provides that proceeds of a bond issue may not be invested above the yield on the bond unless an applicable exception applies which provides a temporary period during which proceeds are not yield restricted. First Southwest provides analysis to determine the amount of proceeds which must be yield restricted and provides computations to verify that the proceeds have been properly restricted. In addition, the 1993 Treasury Regulations provide that a yield reduction payment may be made in lieu of yield restricting proceeds. First Southwest will provide the necessary computations to determine the amount of yield reduction payment which must be made.
8. **Universal Cap.** Current regulations provide an overall limitation on the amount of gross proceeds allocable to an issue. In certain circumstances, de-allocating proceeds from an issue is necessary. First Southwest reviews the universal cap limitation for each bond issue at the appropriate time periods and, if necessary, performs the de-allocation of proceeds.

9. **Calculation of Late Interest Amount.** Additional calculations are required if an arbitrage rebate payment is not filed within the time permitted by the regulations. A fee is charged to compute the late interest amount from the time that the payment originally was due until the time the payment is made.

The fee for any bonds under this contract shall be payable only if a computation is required under Section 148(f)(2) of the Code. In the event that any of the bonds fall within an exclusion to the computation requirement as defined by Section 148 of the Code or related regulations and no calculations were required by First Southwest to make that determination, no fee will be charged for such issue. For example, certain bonds are excluded from the rebate computation requirement if the proceeds are spent within specific time periods. In the event a particular issue of bonds fulfills the exclusion requirements of the Code or related regulations, the specified fee will be waived by First Southwest if no calculations were required to make the determination.

First Southwest's fees are payable upon delivery of the report prepared by First Southwest, the first report to be made following one year from the date of delivery of the bonds and on each computation date thereafter during the term of the agreement. The fees for computations of the arbitrage amount which encompass more, or less, than one computation year of investment data performed during the same computation period shall be prorated to reflect the longer, or shorter, period of work performed during that period.

Our standard contract term is five years; however, we note in Section 2.4 of the RFQ that the initial contract term is three years, with an option to renew for two, one year periods. The fee schedule presented herein will be honored for the initial contract term and also for the subsequent two, one year period renewals (for a cumulative five year period).

II-H OTHER DELIVERABLES (OPTIONS)

Provide a high quality, written document to illustrate a presentation to City Council or other governing body that the consulting firm has

prepared and presented. Final proposal shall consist of five original copies for the review committee.

A presentation on school finance presented to the El Paso Independent School District can be found in **Appendix D.**

II-I TEAM'S EXPERIENCE, PAST PERFORMANCE, FINANCIAL CAPABILITY AND LITIGATIONS

In addition to the information requested in Part I – E, describe any other experiences related to the work described in this RFQ; in particular, experiences related to the work described.

Describe any prior or pending litigation, either civil or criminal, involving a governmental agency or which may affect the performances of the services to be rendered in which the consultant, any of its employees or subcontractors or sub consultants is or has been involved within the last three years.

Beginning January 1, 2006, a new state law (Chapter 176 of the Local Government Code) requires the filing of conflict of interest questionnaires by certain individuals and businesses.

The questionnaires require disclosures describing certain business and gift giving relationships, if any, the filers may have with City Council members and the city manager. The new law applies to businesses and individuals who contract with the City, businesses and individuals who seek to contract with the City, (regardless of whether a bidder is awarded the contract), and agents who represent such businesses in their business dealings with the City. All firms must submit a Conflict of Interest Questionnaire as provided in Attachment B.

First Southwest is fortunate to have such a large and diverse client base. This client base allows us to see a great number of transactions and a great numbers of issues. As a result, we as a firm, have a vast amount of experience to address most any situation that could arise. While there may be many things that the lead account managers may have little experience with, there is likely someone within First Southwest who has specific expertise that we can bring to the engagements.

PRIOR OR PENDING LITIGATION

During the last three years, there has been no litigation, either civil or criminal, nor is there any pending involving a governmental agency related to the firm's public finance business or which may affect the provision of financial advisory services by First Southwest or any of its employees.

Appendix A

CERTIFICATES OF LIABILITY INSURANCE



Appendix B

SAMPLE QUANTITATIVE ANALYSIS



City of El Paso, Texas

Case Study Demonstrating Quantitative Analysis

First Southwest Company routinely prepares quantitative analysis for projects in a number of ways. The two primary things that we do are refunding and restructuring analysis and cash flow analysis. The model illustrated below is the latest iteration of our City of El Paso Interest & Sinking Fund analysis.

The table on the following page illustrates the Interest & Sinking Fund ("I&S") projections assuming the City issues the currently authorized debt.

This model complies with the City of El Paso Financial policies in all regards and uses the current 2007 Fiscal Year Debt Service Fund budget projections to calculate the tax rate. We project that the City will not have to raise its I&S tax rate in 2007.

The following version of the model takes into account more than just the existing debt of the City. It assumes an additional \$35 million in certificates of obligation to be issues in spring of 2007, an additional \$100 million of general obligation bonds to be issued in 2008 and 2009, and \$240 million of pension funding bonds to be issued over a twelve year period.

Likewise, this model complies fully with the City's Financial Policies and remains under the \$0.25 I&S tax rate.

First Southwest Company has spend a great deal of time in developing this model. We have worked with City of El Paso staff to ensure that it agrees with the City budget and financial policies. This particular model has numerous other spreadsheets and debt service runs that feed into it. Yet, it can easily be read in this summary format.

Appendix C

TAX-EXEMPT CITY, TOWN, AND VILLAGE TRANSACTIONS, APRIL 1, 2001 TO APRIL 1, 2006



Appendix D

SAMPLE PRESENTATION ON SCHOOL FINANCE FOR EL PASO INDEPENDENT SCHOOL DISTRICT



Attachment 1

REQUIRED FORMS



APPENDIX B

PROPOSER CERTIFICATION

- I. The proposer certifies it can and will provide and make available, as a minimum, all services set forth in this RFQ.

Signature of Official: _____

Name (typed): Mr. Steven A. Adams

Title: Senior Vice President

Firm: First Southwest Company

Date: June 29, 2006

Phone: 214.953.4000 Fax Number: 214.953.4050

Email address: sadams@firstsw.com

APPENDIX C

PROPOSER WARRANTIES

- A. Proposer warrants that it is willing and able to comply with State of Texas laws with respect to foreign (non-state of Texas) corporations.
- B. Proposer warrants that it is willing and able to obtain an errors and omissions insurance policy providing a prudent amount of coverage for the willful or negligent acts, or omissions of any officers, employees or agents thereof.
- C. Proposer warrants that it will not delegate or subcontract its responsibilities under an agreement without the prior written permission of the City of El Paso, Texas.
- D. Proposer warrants that all information provided by it in connection with this submittal is true and accurate.

Signature of Official: _____

Name (typed): Mr. Steven A. Adams

Title: Senior Vice President

Firm: First Southwest Company

Date: June 29, 2006

APPENDIX D

REPRESENTATIONS AND CERTIFICATIONS

1. **All submittals shall be signed by a responsible officer of the Company. Failure to sign the form may be basis for declaring a submittal non-responsive.**

PROPOSER'S

(COMPANY) NAME: First Southwest Company

FEDERAL TAX NO: 75-0708002

BY: Mr. Steven A. Adams Senior Vice President
Print Name Title

SIGNATURE: _____

TELEPHONE NUMBER: 214.953.4014

FAX NUMBER: 214.953.4050

ADDRESS: 325 North St. Paul Street, Suite 800

Dallas, Texas 75201

2. **Please check the following blanks which apply to your company:**

(Yes) (No) Small Business Concern (Less than \$1,000,000.00 annual receipts or 100 employees.)

(Yes) (No) Disadvantaged Business Concern (At least 51 percent owned by one or more socially disadvantaged individuals; or, a publicly-owned business at least 51 percent of the stock owned by one or more of such individuals.)

DBEs include (please check):

- () Black Americans () Hispanic Americans
() Native Americans () Asian-Pacific Americans

(Yes) (No) Woman-Owned Business (At least 51 percent owned by a woman or women who also control and operate it. "Control" in this context means exercising the power to make policy decisions. "Operate" in this context means being actively involved in the day-to-day management.

(Yes) (No) Handicapped (At least 51 percent owned by a person or persons with an orthopedic, hearing, mental or visual impairment which substantially limits one or more of his/their major life activities.

(Yes) (No) Local Business Enterprise (At least 51 percent of which is owned by a resident or residents of El Paso County for at least twelve (12) months.

1. The proposer, by checking the applicable box, represents that:

- a. It operates as () a corporation incorporated under the laws of the State of Delaware, () an individual, () a partnership, () a non-profit organization,
- b. If the bidder is a foreign entity, it operates as () an individual, () a partnership, () a non-profit organization, () a joint venture, or () a corporation, registered for business in _____ (Country).

4. By submitting this submittal, the proposer:

- a. Represents that to the best of its knowledge the proposer is not indebted to the City of El Paso. Indebtedness to the City of El Paso shall be basis for non-award and/or ~~can~~ cancellation of any award;
- b. Certifies that it does not and will not engage in employment practices which have the effect of discriminating against employees or prospective employees because of race, color, religion, national origin, sex, age, handicap, political belief or affiliation, and
- c. Acknowledges that it has read and understands the requirements of the specifications and all other provisions of this request for submittal.

EXHIBIT B
CITY OF EL PASO, TEXAS
RFQ 2006-155
REQUEST FOR QUALIFICATIONS
FOR
PROFESSIONAL FINANCIAL ADVISORY SERVICES

CITY OF EL PASO, TEXAS

RFQ 2006-155

REQUEST FOR QUALIFICATIONS

FOR

PROFESSIONAL FINANCIAL ADVISORY SERVICES

DUE DATE: 10:00 A.M., FRIDAY, JUNE 30, 2006

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- Appendix A – Contract Clauses
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- Attachment A – City of El Paso Debt Management Policy
- Attachment B – Conflict of Interest Questionnaire

CITY OF EL PASO FINANCIAL SERVICES DEPARTMENT

REQUEST FOR QUALIFICATIONS

FINANCIAL ADVISORY SERVICES

INTRODUCTION

The intent of this document is to provide interested firms with sufficient information to enable them to prepare and submit innovative submittals for consideration to the City of El Paso Administrative and Financial Services Portfolio, hereafter referred to as "**Portfolio,**" to satisfy the need for professional Financial Advisory Services.

PART I – GENERAL INFORMATION

I – A PURPOSE

The Portfolio seeks the services of a nationally recognized and experienced consulting firm. This firm, hereafter referred synonymously as the "**Financial Advisor,**" should provide Financial Advisory Services related to the authorization and issuance of Debt Instruments or other Securities as well as debt management planning services as requested by the Portfolio. It is understood that the authorization and issuance of indebtedness in amounts and forms cannot be predetermined and that in connection with the authorization, sale, issuance and delivery of such indebtedness, this Request for Qualifications is being sought.

I – B ISSUING OFFICE

This Request for Qualifications ("**RFQ**") is issued by the Purchasing Division of the City of El Paso Financial Services Department ("**Division**") and is the sole point of contact. All requests shall be mailed to the City of El Paso, Purchasing Division, Ray Heredia, Procurement Analyst, 2 Civic Center Plaza 7th Floor, El Paso, Texas 79901, faxed to (915) 541-4347 or sent via e-mail message to herediaryx@elpasotexas.gov.

I – C HISTORICAL PERSPECTIVE

Introduction

The Deputy City Manager oversees the Portfolio that contains two critical departments involved in the issuance of bonds. The Financial Services Department, headed by the Chief Financial Officer, and the Office of Management and Budget, directed by the OMB Director, assist the Deputy City Manager with analysis, accounting and projection of debt issuances and

related issues. The Financial Advisor will coordinate with these areas to ensure that relevant issues are discussed and analysis prepared are reflective of City needs.

City Debt Management Policy

It is the policy of the City of El Paso to develop and maintain a sound debt management program. In November 2005, the City adopted a Debt Management Policy (“*Policy*”) that set forth the parameters for issuing new debt as well as managing the outstanding debt portfolio, identifying the types and amounts of permissible debt, and maintaining the current bond rating in order to minimize borrowing costs and preserving access to credit. It is the intent of the City to establish this policy to provide guidance to staff to:

- Ensure high quality debt management decisions;
- Ensure that debt management decisions are viewed positively by rating agencies, investment community and citizenry-at-large;
- Ensure support for debt issuances both internally and externally;
- Demonstrate a commitment to long-term financial planning.

I – D SERVICES OVERVIEW

In general, the Financial Advisor shall submit to the City recommendations on debt instruments under consideration including such elements as the date of issue, interest payment dates, schedule of principal maturities, options of prior payments, security provisions and any other additional provisions designed to make the issue attractive to investors. Information to make these recommendations will be provided by City staff. Submitted recommendations should be based on the professional judgment of the Financial Advisor with the goal of designing Debt Instruments, which can be sold under terms most advantageous to the City and at the lowest interest cost consistent with other considerations.

The City requests that the Financial Advisor provide a brief description of the firm, how it is organized, and how its resources will be utilized on behalf of the City. Additionally, the overview should include how the Financial Advisory will approach the aforementioned recommendations and other services that the firm may provide as the Financial Advisor of the City. The Financial Advisor shall take into account the Debt Management Policy adopted by the City of El Paso. (See Attachment A)

The overview should also include but not be limited to:

- Relevant experience of the firm and the individuals assigned to the issuer;
- Identification of the individual in charge of day-to-day management and the percentage of time committed for each individual on the account;
- The respondent’s ideas on how the issuer should approach the financing, including the structure of the offering, credit-rating strategy, and investor marketing strategy;

- The analytic capability of the firm and assigned individuals and ongoing employee training programs;
- The availability of sources of information to assist in bond pricing;
- The amount of uncommitted capital available and the ability and willingness of the firm to purchase the entire offering of the issuer, if necessary, in the case of underwriting firms;
- The level and types of insurance carried, including the deductible amount, to cover errors and omissions, improper judgments, or negligence; and
- Any finder's fees, fee splitting, or other contractual arrangements of the Financial Advisor that could present a real or perceived conflict of interest, as well as any pending investigation of the Financial Advisor or enforcement or disciplinary actions taken within the past three years by the SEC or other regulatory bodies.

I – E ADDITIONAL REQUIREMENTS

In addition to the previous information described, the selected Financial Advisor shall consider the following, based on their assessment, to further satisfy the requirements of the Services Overview and needs of the Portfolio.

Component I – Experience in Financial Advisory Services

Selected firm will provide relevant Financial Advisory experience of the firm and the individuals assigned to the City. Provide a description, including resumes, of the professional(s) that will provide direct financial advisory services to the City, including the name of the lead consultant for this account and his primary office location. The primary individual assigned to the City should be a licensed public finance professional. Indicate any specific firm resources available to the proposed team that differentiates the firm from any competing firms. The selected firm is also required to be a regulated broker/dealer.

For the past five years, indicate the firm's ranking as a Financial Advisor for the following categories (indicate both total dollar volume and number of issues):

- General National Financial Advisor
- Financial Advisor in the State of Texas
- Financial Advisor for Texas Cities

References from at least three other municipal clients, preferably Texas municipalities, are requested.

Component II – Local Support and Knowledge

A critical aspect of providing quality service is access to the Financial Advisor. Provide a brief description of the firm's presence and knowledge of the El Paso area tax-exempt bond market and resources dedicated to the El Paso area. The selected firm will provide the location of the office

responsible for the day-to-day contact, hours of operation, secondary offices and other contact support to be provided.

Describe the firm's experience and/or knowledge of the City's finances. Please provide any information that the City should consider in selecting its Financial Advisor.

Component III – Financing Techniques

The Financial Advisor will outline the overall approach to accessing the needs of the City. An example of a quantitative analysis must be included in the proposal. Provide the firm's depth of knowledge of Texas City's financing techniques and provide a list of the tax-exempt financings that have been completed for the last 5 years for which the firm served as financial advisor for cities in the State of Texas. Please include issuer, issue description, and par amount.

Component IV – Trading Desk Information

A complete description of both short and long-term underwriting desk activities should be included in the proposal for evaluation by the Portfolio. The selected consulting firm is required to have an active municipal underwriting and trading desk.

I – F TIME REQUIREMENTS

A. Submittal Calendar

The following is a list of key dates up to and including the date submittals are due to be submitted:

Request for Qualifications issued May 30, 2006

Last day for Questions/Clarifications June 14, 2006

Due date for submittals June 30, 2006

B. Tentative Notification and Contract Dates

Selected firm notified August 1, 2006

Contract start date September 1, 2006

I – G SCHEDULE FOR WORK

A. Quantitative Analysis

As requested by the Portfolio, the Financial Advisor shall provide any quantitative analysis as needed within 10 days of the request. If unable to fulfill such request, a proposed time schedule and a list of all information to be provided to the firm and dates that the data will be required.

B. Draft Reports

As requested by the Portfolio, the Financial Advisor will prepare and submit drafts of the reports and recommendations to management available for review as is mutually agreeable to the Portfolio and the Financial Advisor.

C. Work Schedule

The Deputy City Manager, or designee, shall determine the work schedule for a particular debt issuance or related project.

D. Presentations to Council

As requested by the Portfolio, the Financial Advisor will make presentations to City Council and others as necessary. This will generally require extensive preparation as well as submittal of professionally prepared reports.

PART II – SUBMISSION OF REQUEST FOR QUALIFICATIONS

II – A REQUIREMENT GUIDELINES

There is no expressed or implied obligation for the City of El Paso, Texas to reimburse responding firms for any expenses incurred in preparing submittals in response to this request.

To be considered, one original, four (4) copies of submittals and one (1) electronic file in Word format, must be received by the City Purchasing Division, Seventh Floor, City Hall, no later than **10:00 A.M., FRIDAY, JUNE 30, 2006**. Submittals should be addressed as follows:

Deputy Director, Financial Services, Purchasing Division
City of El Paso
2 Civic Center Plaza 7TH Floor
El Paso, Texas 79901

RFQ No. 2006-155 – Professional Financial Advisory Services
Due: Friday, June 30, 2006

Requests for changes or clarifications to this solicitation are welcomed by the Purchasing Division for its consideration, provided the requests are made, in writing prior to June 14, 2006.

All requests shall be mailed to the City of El Paso, Purchasing Division, Ray Heredia, Procurement Analyst, 2 Civic Center Plaza 7th. Floor, El Paso, Texas 79901, faxed to (915) 541-4347 or send via E-Mail message to herediarx@elpasotexas.gov

Submittals will be evaluated by an evaluation committee and any other such committees or boards as may be necessary.

During the evaluation process, the City of El Paso, Texas reserves the right, where it may serve the City of El Paso, Texas' best interest, to request additional information or clarifications from proposers, or to allow corrections of errors or omissions. At the discretion of the City of El Paso, firms submitting submittals may be requested to make oral presentations as part of the evaluation process.

The City of El Paso, Texas reserves the right to retain all submittals and to use any ideas in a submittal regardless of whether that submittal is selected. Submission of a submittal indicates acceptance by the firm of the conditions contained in this Request for Qualifications, unless clearly and specifically noted in the submittal submitted and confirmed in the contract between the City of El Paso, Texas and the firm selected.

All submittals should be prepared simply and economically, providing a straight forward, concise description of the consultant's ability to meet the requirements. Fancy bindings, color displays, promotional material, etc., are not desired. Emphasis should be on the completeness and clarity of content.

II – B RFQ AVAILABILITY

Copies of this solicitation package can be obtained through the Purchasing Division of the City of El Paso Financial Services Department, #2 Civic Center Plaza, El Paso, Texas 79901. Copies can also be downloaded from the Purchasing Division's BidsOnline webpage located at the City of El Paso's website: www.elpasotexas.gov.

Interested firms who obtain copies of this solicitation from sources other than from the City of El Paso risk the potential of not receiving addenda, since their names will not be included on the list of firms participating in the process for this particular solicitation. Such firms are solely responsible for those risks.

II – C RESPONSIVE SUBMITTAL

All submittals must be responsive to the general information and guidelines outlined throughout this Request for Qualification (RFQ). A responsive submittal is one which follows the general guidelines of the RFQ, includes all documentation, is submitted following the general format outlined in the RFQ, and displays originality and sound justifications for recommendations, is of timely submission, and has the appropriate signatures as required for the document. The Services Overview description and Additional Requirements should be used as a guide only. Failure to comply with requirements may result in a submittal being deemed non-responsive.

II – D EXCEPTIONS

Interested consultants may initiate exceptions to any of the methods or components suggested in I – E Additional Requirements. However, all exceptions must be made absolutely clear and firm must indicate in very specific terms what and why alternatives are being recommended to allow the Portfolio and Purchasing Division a meaningful opportunity to evaluate and judge. Firms are also responsible to clearly document cost differences, if any, regarding exceptions.

II – E SERVICES OVERVIEW

State in succinct terms the firm’s understanding of the services to be provided and the approach as presented in this document.

II – F WORK PLAN

Include a brief narrative description of the firm’s organization and how the organization anticipates best being able to meet the specifications outlined herein in terms of methodology and solutions in performing the services described. The work plan should address the Additional Requirements requested in Part I – E.

II – G FEE SCHEDULES

Submittal must include a proposed fee schedule for providing the services outlined in the RFQ.

II – H OTHER DELIVERABLES (OPTIONS)

Provide a high quality, written document to illustrate a presentation to City Council or other governing body that the consulting firm has prepared and presented.

Final proposal shall consist of five original copies for the review committee.

II – I TEAM’S EXPERIENCE, PAST PERFORMANCE, FINANCIAL CAPABILITY AND LITIGATIONS

In addition to the information requested in Part I – E, describe any other experiences related to the work described in this RFQ; in particular, experiences related to the work described. Describe any prior or pending litigation, either civil or criminal, involving a governmental agency or which may affect the performances of the services to be rendered in which the consultant, any of its employees or subcontractors or sub consultants is or has been involved within the last three years.

Beginning January 1, 2006, a new state law (Chapter 176 of the Local Government Code) requires the filing of conflict of interest questionnaires by certain individuals and businesses. The questionnaires require disclosures describing certain business and gift giving relationships, if any, the filers may have with City Council members and the city manager. The new law applies to businesses and individuals who contract with the City, businesses and individuals who seek to contract with the City, (regardless of whether a bidder is awarded the contract),

and agents who represent such businesses in their business dealings with the City. All firms must submit a Conflict of Interest Questionnaire as provided in Attachment B.

II – J TIME OF PERFORMANCE

The services of the selected firm shall commence on the effective date of the contract and shall continue for the time period negotiated with the successful consulting firm.

II – K CHANGES

The Portfolio may request changes in the Scope of Services to be performed by the selected firm. Such changes, including any increase or decrease in the amount of the selected firm's compensation, which are mutually agreed upon by and between the Portfolio and the selected firm, shall be incorporated in written amendments to the Agreement.

II – L CITY OF EL PASO RIGHTS

The City of El Paso reserves the right to reject any or all submittals or parts of submittals, to negotiate modifications of submittals submitted, to accept part or all of the submittal and to negotiate specific work elements with a respondent into a project of lesser or greater expense and reimbursement than described in the Request for Qualifications, or the respondent's reply. The City of El Paso also reserves the right to cancel the contract without penalty, if circumstances arise which prevent City of El Paso from continuing the contract.

II – M NONDISCRIMINATION

The selected firm will not discriminate against any employee or applicant for employment because of race, color, creed, religion, ancestry, sex, national origin, affectional preference, disability, age, marital status, status with regards to public assistance or status as a disabled veteran or to be one of the following: employment upgrading, demotion or transfer, recruitment or recruitment advertising, layoff or termination, rates of pay or other forms of compensation, selection for training, including apprenticeships. The selected firm shall agree to post in conspicuous places, available to employees and applicants for employment, notices to be provided by City of El Paso, setting forth the provisions of this nondiscrimination clause. In addition, the selected firm will, in all solicitations or advertisements for employees placed by or on behalf of the selected firm, state that all qualified applicants will receive consideration for employment without regard to their race, color, creed, religion, ancestry, sex, national origin, affectional preference, status as a disabled veteran or veteran of the Vietnam era. All materials produced will include proper Equal Opportunity Housing logotypes and information as required by the Department of Housing and Urban Development.

II – N AFFIRMATIVE ACTION REQUIREMENTS

The selected firm shall agree, in writing, to comply with all applicable equal opportunity and affirmative action laws, directives and regulations of the federal, state and local governing

bodies or agencies thereof. The selected firm will be required to submit an affirmative action plan for approval prior to initiation of the contract services with the City of El Paso.

PART III – PROCESS FOR REVIEW AND AWARD

III – A REVIEW COMMITTEE

A Review Committee (“**Committee**”) consisting of representatives from the Portfolio and other City Department will screen submittals. The Committee will interview firm(s) believed to be the most responsive to the RFQ. The interviews will provide the selected firms with an opportunity to clarify their submittal to insure mutual understanding. After initial evaluation by the Committee, submittals may be reviewed by a City Council Legislative Review Committee or any board(s) desired.

III – B REVIEW OF SUBMITTALS

The Committee will review the technical submittal using a point formula to score submittals. The Committee shall select a firm capable of performing the services on the basis of demonstrated competence and qualifications. Once selected, the Committee will enter into price negotiations to establish a fee schedule.

A final recommendation will be made for award and placed on City Council agenda. City Council will make the award at a regularly scheduled meeting.

The City of El Paso, Texas reserves the right to retain all submittals submitted and use any idea in a submittal regardless of whether that submittal is selected.

III – C EVALUATION CRITERIA

Submittal will be evaluated initially to ensure that the certain mandatory elements are met. Firms meeting the mandatory criteria will have their submittals evaluated and scored for technical qualifications. The following represent the principal selection criteria that will be considered during the evaluation process.

1. Mandatory Elements
 - A. The firm licensed in the State of Texas.
 - B. The firm adheres to the instructions in this Request for Qualification on preparing and submitting the submittal. Firms that do not submit a work plan will be considered non-responsive.

2. Technical Quality: (Maximum Points – 100)

- General Overview of Firm and Services (25%)
- Experience in Financial Advisory Services (25%)
- Local Support (25%)
- Financing Techniques (20%)
- Trading Desk Information (5%)

III – D FINAL SELECTION

The El Paso City Council will award the contract. It is anticipated that a firm will be selected by August 1, 2006.

III – E RIGHT TO REJECT SUBMITTALS

Submission of a submittal indicates acceptance by the firm of the conditions contained in this Request for Qualification unless clearly and specifically noted in the submittal submitted and confirmed in the contract between the City of El Paso, Texas and the firm selected.

The City of El Paso, Texas reserves the right without prejudice to reject any or all submittals.

APPENDIX A

CONTRACT CLAUSES

The following clauses shall apply to any award made under this Request for Qualifications. Failure to agree to these provisions may disqualify a proposer. City reserves the right to modify the final contract as it deems appropriate in order to meet the needs of the City.

I. PARTIES

This Agreement is made effective on the "Effective Date," by and between the **CITY OF EL PASO, TEXAS**, ("CITY"), a municipal corporation and home-rule city of the State of Texas principally situated in El Paso County, acting by and through its governing body, the City Council and _____, (hereinafter referred to interchangeably as "Contractor"), doing business in the State of Texas.

The initial addresses of the parties, which one party may change by giving written notice of its changed address to the other party are as follows:

CITY

City of El Paso
2 Civic Center Plaza – 7th Floor
El Paso, Texas 79901-1196

CONTRACTOR

II. DURATION OF AGREEMENT

This Agreement commences as of (Date to be inserted) and terminates as of (Date to be inserted). This agreement may be extended for a period of _____ years upon approval by City Council.

III. REPRESENTATIONS OF THE CONTRACTOR

The Contractor represents, warrants and agrees as follows:

- A. It will comply with all applicable federal, state and local governmental laws, rules, regulations and all provisions of the City of El Paso Charter and Code of Ordinances, now existing or as may be amended, in the performance of its duties under this Agreement.
- B. It shall obtain and pay for all licenses, permits and certificates required by any applicable statute, ordinance, rule or regulation of any regulatory body having jurisdiction over the conduct of its operations hereunder. The CONTRACTOR warrants that it is duly authorized and licensed to perform its duties hereunder in

each jurisdiction in which it will act. It further warrants that its employees, agents and subcontractors shall maintain all required profession licenses during the Contract Term. If the CONTRACTOR receives notice from a licensing authority of a suspension or revocation of a license of Contractor's employee(s), agent(s) or subcontractor(s), Contractor shall immediately remove such employee, agent or subcontractor from performing any further services under this Contract until such license is reinstated and in good standing. If the Contractor fails to maintain such licenses or fails to remove any employee, agent or subcontractor who performs services under this contract whose license has expired or been revoked or suspended, the CITY shall be entitled, in its sole discretion, to immediately terminate this Contract upon notice to Contractor.

- C. It warrants that no person or selling agency has been employed or retained to solicit or secure this contract upon an agreement or understanding for commission, percentage, brokerage, or contingent fee excepting bona fide employees of bona fide established commercial or selling agencies maintained by the CONTRACTOR for the purpose of securing business. For breach or violation of this warranty the City shall have the right in addition to any other right or rights to cancel this contract without liability and to deduct from the contract price, or otherwise recover the full amount of such commission, percentage, brokerage or contingent fee.
- D. The CONTRACTOR is an independent contractor and responsible for its respective acts or omission, and the CITY shall in no way be responsible as an employer to Contractor's employees, agents or subcontractors who perform service in connection with this contract.
- E. Neither party hereto has authority to bind the other or to hold out to third parties that it has the authority to bind the other.

IV. CONFIDENTIAL WORK

Contractor recognizes that all materials to be prepared hereunder and all data received by the CONTRACTOR shall be kept in strictest confidence. The CONTRACTOR shall not divulge such confidential information except as approved in writing by the City or as otherwise required by law.

The CONTRACTOR shall establish a method to secure the confidentiality of records or information that the CONTRACTOR may have access to in accordance with the applicable federal, state, and local laws and regulations. This provision shall not be construed as limiting the City's or its authorized representatives, right of access to records or other information under this Contract.

If the CONTRACTOR receives inquiries regarding documents within its possession pursuant to this Contract, the CONTRACTOR shall immediately forward such request to the City Attorney's office for disposition.

V. INSPECTIONS & AUDITS

The CITY shall have the right to perform, or cause to be performed, (1) audits of the books and records of the Contractor, and (2) inspections of all places where work is undertaken in connection with this Contract. The Contractor shall be required to keep such books and records available for such purpose for at least five (5) years after its performance under this Contract ceases. Nothing in this provision shall affect the time for bringing a cause of action nor the applicable statute of limitations.

VI. OWNERSHIP

All files generated by Contractor as a result of its activity under this Contract shall remain at all times the property of the CITY. The data stored in the computer database shall also remain the property of the CITY.

VII. INSURANCE REQUIREMENTS

With no intent to limit Contractor's liability or the indemnification provisions set forth below, the Contractor shall provide and maintain certain insurance in full force and effect at all times during the term of this Agreement and any extensions thereto. Such insurance is described as follows:

- A. Risks and Limits of Liability. The insurance, at a minimum, must include the following coverage and limits of liability:

<u>COVERAGE</u>	<u>LIMIT OF LIABILITY</u>
Worker's Compensation and	Statutory for Workers' Compensation
Employer's Liability	Bodily Injury by Accident \$500,000 (each accident) Bodily Injury by Disease \$250,000 (policy limit) Bodily Injury by Disease \$250,000 (each employee)
Comprehensive General: Including Broad Form Coverage, Contractual Liability	Bodily Injury and Property Damage, combined limits of \$500,000 each occurrence

Bodily and Personal Injury and \$1,000,000 aggregate

Excess Liability Bodily Injury and Property
Damage, combined limits of
\$500,000 each occurrence
and \$1,000,000 aggregate

Automobile Liability Insurance \$500,000 combined single
(for automobiles used by the limit per occurrence
Contractor in the course of its
performance under this Agreement,
including Employer's Non-Ownership
and Hired Auto Coverage)

Professional Liability Coverage \$1,000,000 per occurrence
\$2,000,000 aggregate

Form of Policies. The insurance may be in one or more policies of insurance, the form of which must be approved by the Purchasing Director.

Issuers of Policies. The issuer of any policy must have a certificate of authority to transact insurance business in the State of Texas. Each issuer must be responsible, reputable, and have financial capability consistent with the risks covered. Each issuer shall be subject to approval by the Purchasing Director in his sole discretion as to conformance with these requirements.

Insured Parties. Each policy, except those for Workers' Compensation, Employer's Liability and Professional Liability, must name the City (and its elected and appointed officials, officers, agents and employees) as Additional Insured parties on the original policy and all renewals or replacements during the term of this Contract.

Deductibles. A policy may contain deductible amounts only if the Purchasing Director approves the amount and scope of the deductible. Contractor shall assume and bear any claims or losses to the extent of such deductible amount and waives any claim it may ever have for the same against the City, its officers, agents or employees.

Cancellation. Each policy must expressly state that it may not be canceled or non-renewed unless thirty (30) days advance notice of cancellation or intent not to renew is

given in writing to the Purchasing Director by the insurance company. Contractor shall give written notice to the Purchasing Director within five (5) days of the date upon which total claims by any party against Contractor reduce the aggregate amount of coverage below the amounts required by this Contract.

Subrogation. Each policy must contain an endorsement to the effect that the issuer waives any claim or right in the nature of subrogation to recover against the City, its elected and appointed officials, officers, agents or employees.

Endorsement of Primary Insurance. Each policy must contain an endorsement that such policy is primary insurance to any other insurance available to the Additional Insured with respect to claims arising hereunder and that the insurance applies separately to each insured.

Liability for Premium. If any of the policies referred to above do not have a flat premium rate and such premium has not been paid in full, such policy must have a rider or other appropriate certificate of waiver sufficient to establish that the issuer is entitled to look only to Contractor for any further premium payment and has no right to recover any premiums from the City.

Subcontractors. Contractor shall require all subcontractors to carry insurance naming the City as an Additional Insured and meeting all of the above requirements.

Delivery of Policies. The originals of all policies referred to above, or copies thereof certified by the agent or attorney-in-fact issuing them together with written proof that the premiums have been paid, shall be deposited by Contractor with the Purchasing Director prior to beginning work under this Contract, and thereafter before the beginning of each year of the Term of this Contract. Notwithstanding the termination notice provisions in this Contract, the failure of Contractor to provide the Purchasing Director with the above proof of insurance prior to beginning work and thereafter prior to the beginning of each year of the Term of this Contract, shall constitute a default on the part of Contractor entitling the City, upon three (3) days written notice to Contractor to terminate this Contract. This default provision shall also apply to the proof of insurance requirements under circumstances where a policy is canceled or expires during a given year of the Term. Notwithstanding the proof of insurance requirements set forth above, it is the intention of the parties hereto that Contractor, throughout the Term of this Contract, continuously and without interruption, maintain in force the required insurance coverage set forth above. Failure of the Contractor to comply with this requirement shall constitute a default of Contractor allowing the City, at its option, to terminate this Agreement.

VIII. CANCELLATION BY CITY

The City shall have the right to cancel for default all or any part of the undelivered portion of this order if the CONTRACTOR breaches any of the terms hereof including

warranties of the CONTRACTOR or if the CONTRACTOR becomes insolvent or commits acts of bankruptcy. Such right of cancellation is in addition to and not in lieu of any other remedies which the City may have in law or equity.

IX. GRATUITIES

The City may, by written notice to the CONTRACTOR, cancel this contract without liability to CONTRACTOR if it is determined by the City that gratuities, in the form of entertainment, gifts, or otherwise, were offered or given by the CONTRACTOR, or any agent or representative of the CONTRACTOR, to any officer or employee of the City of El Paso with a view toward securing a contract or securing favorable treatment with respect to the awarding or amending, or the making or any determinations with respect to the performing of such a contract. In the event this contract is canceled by the City pursuant to this provision, the City shall be entitled, in addition to any other rights and remedies, to recover or withhold the amount of the cost incurred by the CONTRACTOR in providing such gratuities.

X. INDEMNIFICATION

Contractor or its insurer shall indemnify, hold harmless, and defend the City, its elected officials, agents, employees, officers, directors and representatives of the City, individually or collective, from and against any and all costs, claims, liens, damages, losses, expenses, fees, fines, penalties, proceedings, actions, demands, causes of action, liability and suits of any kind and nature, including but not limited to, personal injury or death of property damage, made upon the City directly arising out of, resulting from or related to the Contractor's activities under this Contract for Third Party Claims Administration and Medical Cost Containment, including any act or omission by Contractor, its agents, employees or subcontractors while in the exercise of performance of the rights or duties under this Contract, all, without however, waiving and governmental immunity available to the City under Texas. The provisions of this indemnification are solely for the benefit of the parties hereto and not intended to create or grant any rights, contractual or otherwise, to any person or entity. Without modifying the conditions of preserving, asserting or enforcing any legal liability against the City as required by the City Charter or any law, the City will promptly forward to Contractor every demand, notice, summons or other process received by the City in any claim or legal proceeding contemplated herein. In addition, Contractor shall promptly advise the City in writing of any claim or demand against the City or Contractor known to Contractor related to or arising out of Contractor's activities under this Contract. Contractor will 1) investigate or cause the investigation of accidents or occurrences involving such injuries or damages; 2) negotiate or cause to be negotiated the claim as the Contractor may deem expedient; and 3) defend or cause to be defended on behalf of the City all suits for damages even if groundless, false or fraudulent, brought because of such injuries or damages. Contractor will pay all judgments finally establishing liability of the City in actions defended by Contractor pursuant to this section along

with all attorneys' fees and costs incurred by the City including interest accruing to the date of payment by Contractor, and premiums on any appeal bonds. The City, at its election will have the right to participate in any such negotiations or legal proceedings to the extent of its interest without relieving Contractor of any of its obligations under this paragraph.

The City will not be responsible for any loss of or damage to the Contractor's property from any cause.

XI. SUBCONTRACTOR'S INDEMNITY

Contractor shall require all of its subcontractors to include in their subcontracts indemnity in favor of the City in substantially the same form as above.

XII. TERMINATION OF CONTRACT

The contract entered into by the CITY and the CONTRACTOR may be terminated in whole or in part under any one of the following circumstances:

TERMINATION FOR CONVENIENCE: The Contract may be canceled by the CITY upon written notice, provided such notice specifies an effective date for cancellation of not less than thirty (30) calendar days from the date such notice is received. All files are property of the CITY and at the City's request will be delivered at no cost to the CITY or its designated recipient at the effective date of cancellation. Any CITY funds held in any escrow account(s) shall be returned to the CITY within thirty (30) calendar days after the effective date of cancellation. Such right of termination is in addition to and not in lieu of rights of the City set forth in Clause 9, herein. In the event of termination by the City, the CONTRACTOR shall not be entitled to lost or anticipated profits. The end of term of contract, unless extended, is pursuant to provisions of the Contract.

TERMINATION FOR CAUSE: Either party may terminate its performance under this Contract in the event of default by the other party and a failure by that party to cure such default after receiving notice thereof, all as provided in this Section. Default shall occur if a party fails to observe or perform any of its duties under this Contract. Should such a default occur, the injured party may deliver a written notice to the defaulting party describing such default and the proposed date of termination. Such proposed date of termination may not be sooner than the 30th day following receipt of the notice. The injured party, at its sole option, may extend the proposed date of termination to a later date. If prior to the proposed date of termination, the defaulting party cures such default, then the proposed termination shall be ineffective. If the defaulting party fails to cure such default prior to the proposed date of termination, then the injured party may terminate its performance under this Contract as of such date.

FORCE MAJEURE: By reason of Force Majeure, either party hereto shall be rendered unable wholly or in part to carry out its obligations under this Contract then such party shall give notice and full particulars of such Force Majeure in writing to the other party within a reasonable time after occurrence of the event or cause relied upon, and the obligation of the party giving such notice, so far as it is affected by such Force Majeure, shall be suspended for only thirty (30) days during the continuance of the inability then claimed, except as hereinafter provided, but for no longer period, and such party shall endeavor to remove or overcome such inability with all reasonable dispatch. The term Force Majeure as employed herein, shall mean acts of God, strikes, lockouts, or other industrial disturbances, act of public enemy, orders of any kind of government of the United States or the State of Texas or any civil or military authority, insurrections, riots, epidemics, landslides, lightning, earthquake, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraint of government and people, civil disturbances, explosions, breakage or accidents to machinery, pipelines, or canals. It is understood and agreed that the settlement of strikes and lockouts shall be entirely within the discretion of the party having the difficulty. If a party is unable to comply with the provisions of this contract by reason of Force Majeure for a period beyond 30 days after the event or cause relied upon, then upon written notice after the thirty (30) days, the City reserves the right to cancel this contract without any further liability.

EFFECTS OF TERMINATION: All duties and obligations of the City and the CONTRACTOR shall cease upon termination or expiration of this Contract, except that:

1. Contractor shall release and make available to the City all records owned by the CITY, including all supporting documentation for the claims data contained in the computer database, and the database itself, which Contractor shall download to one or more ASCII formatted tape(s), to be supplied to the CITY and shall cooperate fully to effect an orderly transfer of services and claim files.
2. All provisions of this Contract that expressly or impliedly contemplate or require payment or performance after the expiration or termination of this Contract shall survive such expiration or termination. Any unpaid obligation due and owing, by either party, as of the date of termination, shall continue to be due and payable.
3. Upon termination or expiration of this Contract, the CITY shall have option to:
 - a) Assume responsibility of all claims pending as of the effective date of the termination; or
 - b) Require Contractor to continue administering all pending claims as provided herein at the compensation provided in this Contract. If the CITY assumes responsibility for all claims, Contract agrees to do all things necessary to transfer administration of all claims to the CITY.

XIII. RIGHT TO ASSURANCE

Whenever one party to this contract in good faith has reason to question the other party's intent to perform it may demand that the other party give written assurance of its intent to perform. In the event that a demand is made and no assurance is given within five (5) calendar days, the demanding party may treat this failure as an anticipatory repudiation of the contract.

XIV. ASSIGNMENT

Neither party may assign its rights or obligations under this Agreement without the prior written consent of the other party hereto. Any attempted assignment or delegation by either party shall be wholly void and totally ineffective for all purposes unless made in conformity with this paragraph.

XV. SUBCONTRACTORS

The Contractor may subcontract with other competent entities to provide services required to be performed under this Contract. Any work or services approved for subcontracting hereunder, however, shall be contracted only by written contract and agreement and, unless specific waiver is granted in writing by the City, shall be subject by its terms to each and every provision of this Contract. Compliance by subcontracts with this Contract shall be Contractor's responsibility. Contractor shall submit a list, identifying the subcontractors who will perform services under this Contract, within ten (10) days of the Effective Date of this Contract. However, all subcontractors must be accepted and approved by the CITY in writing, and such consent shall not be unreasonably withheld.

Despite City approval of a subcontract or subcontractor, the City shall in no event be obligated to any third party, including any subcontract of Contractor, for performance of work or services, nor shall City funds ever be used for payment of work or services performed prior to the date of Contract execution or extending beyond the expiration date of this Contract.

XVI. SURVIVAL

Contract shall remain obligated to the CITY under all clauses of this Contract that expressly or by their nature extend beyond the expiration or termination of this Contract, including but not limited to the Indemnification provisions hereof.

XVII. AMENDMENT & WAIVER

This Agreement may be amended by the parties at any time, by mutual consent of the parties. Unless otherwise provided herein, this Agreement may be amended only by written instrument duly executed on behalf of the CITY (by authority by the City Council) and Contractor. No claim or right arising out of a breach of this contract can be discharged in whole or in part by a waiver or renunciation of the claim or right unless the waiver or renunciation is supported by consideration and is in writing signed by the aggrieved party.

XVIII. ENTIRE CONTRACT

This Agreement, together with the Exhibits attached hereto, constitutes the entire agreement between the parties hereto relating to the Agreement. There exists no other written or oral understanding, agreements or assurances with respect to such matters except as are set forth herein. Unless expressly stated, this Agreement confers no rights on any person(s) or business entity(s) that is not a party hereto. This Contract shall not be construed against or unfavorably to any party because of such party's involvement in the preparation or drafting of this Contract.

XIX. APPLICABLE LAW & VENUE

This contract shall be governed by the laws of the State of Texas along with any applicable provisions of Federal law or the City Charter or any ordinance of the City of El Paso. Both parties agree that venue for any litigation arising from this contract shall lie in El Paso, El Paso County, Texas.

XX. ADVERTISING BY CONTRACTOR

The Contractor shall not advertise or public, without the City's prior consent, the fact that the CITY has entered into this contract, except to the extent necessary to comply with proper requests for information from an authorized representative of the federal, state or local government.

XXI. LEGAL CONSTRUCTION

Every provision of this Agreement is severable, and if any term or provision hereof is illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the validity of the remainder of this Agreement. Where the context of the Agreement require, the singular shall include the plural and the masculine gender shall include feminine.

XXII. NOTICES

All notices required or permitted hereunder shall be in writing and shall be deemed delivered when actually received or, if earlier, on the third day following deposit in a United States Postal Service post office or receptacle with proper postage affixed (certified mail, return receipt requested) addressed to the respective other party at the address prescribed in the preamble of this Contract or at such other address as the receiving party may have theretofore prescribed by written notice to the sending party.

XXIII. AGREEMENTS

If the proposer has any agreements he desires to be executed, then a sample should be included with the submittal. The City will review any such desired agreements to determine what parts the City can execute. This will be an evaluation factor for award.

APPENDIX B

PROPOSER CERTIFICATION

- I. The proposer certifies it can and will provide and make available, as a minimum, all services set forth in this RFQ.

Signature of Official: _____

Name (typed): _____

Title: _____

Firm: _____

Date: _____

Phone: _____ Fax Number: _____

Email address: _____

APPENDIX C

PROPOSER WARRANTIES

- A. Proposer warrants that it is willing and able to comply with State of Texas laws with respect to foreign (non-state of Texas) corporations.
- B. Proposer warrants that it is willing and able to obtain an errors and omissions insurance policy providing a prudent amount of coverage for the willful or negligent acts, or omissions of any officers, employees or agents thereof.
- C. Proposer warrants that it will not delegate or subcontract its responsibilities under an agreement without the prior written permission of the City of El Paso, Texas.
- D. Proposer warrants that all information provided by it in connection with this submittal is true and accurate.

Signature of Official: _____

Name (typed): _____

Title: _____

Firm: _____

Date: _____

(Yes) (No) Woman-Owned Business (At least 51 percent owned by a woman or women who also control and operate it. "Control" in this context means exercising the power to make policy decisions. "Operate" in this context means being actively involved in the day-to-day management.

(Yes) (No) Handicapped (At least 51 percent owned by a person or persons with an orthopedic, hearing, mental or visual impairment which substantially limits one or more of his/their major life activities.

(Yes) (No) Local Business Enterprise (At least 51 percent of which is owned by a resident or residents of El Paso County for at least twelve (12) months.

1. The proposer, by checking the applicable box, represents that:

- a. It operates as () a corporation incorporated under the laws of the State of _____, () an individual, () a partnership, () a non-profit organization,
- b. If the bidder is a foreign entity, it operates as () an individual, () a partnership, () a non-profit organization, () a joint venture, or () a corporation, registered for business in _____ (Country).

4. By submitting this submittal, the proposer:

- a. Represents that to the best of its knowledge the proposer is not indebted to the City of El Paso. Indebtedness to the City of El Paso shall be basis for non-award and/or cancellation of any award;
- b. Certifies that it does not and will not engage in employment practices which have the effect of discriminating against employees or prospective employees because of race, color, religion, national origin, sex, age, handicap, political belief or affiliation, and
- c. Acknowledges that it has read and understands the requirements of the specifications and all other provisions of this request for submittal.

APPENDIX E

CONE OF SILENCE

“Cone of Silence” is imposed upon each RFQ, RFQ or bid after advertising and terminates at the time the Director of Purchasing places a written recommendation on City Council Agenda. The Cone of Silences prohibits any communication regarding RFPs, FRS or bids between, among others:

- Potential vendors, service providers, bidders, lobbyists or consultants and City’s professional staff.
- Potential vendors, service providers, bidders, lobbyists or consultants, any member of the City’s professional staff, the Mayor, Council Representatives or their respective staff and members of the respective selection committee.

The provisions do not apply to, among other communications:

- Oral communications with the Purchasing Director or Contract Administrator, provided the communications is limited strictly to matters of process or procedure already contained in the solicitation document;
- The provisions of the Cone of Silence do not apply to oral communications at pre-submittal or pre-bid conferences, oral presentations before selection committees, contract negotiations during duly notice public meeting, public presentations made to the Mayor and Council Representatives during a duly noticed public meeting; or
- Communications in writing at any time unless specifically prohibited by the applicable RFQ, RFQ or bid document.

In addition to any other penalties provided by law, violation of the Cone of Silence by any proposer or bidder shall render any RFP or bid award voidable. Any person having personal knowledge of a violation of these provisions shall report such violations to City Attorney.

ATTACHMENT A

City of El Paso Debt Management Policy



**DEBT
MANAGEMENT
POLICY**

Table of Contents

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Adopted by Council on November 28, 2005

The City of El Paso

Debt Management Policy

1.0 POLICY

It is the policy of the City of El Paso to develop and maintain a sound debt management program. This policy sets forth the parameters for issuing new debt as well as managing the outstanding debt portfolio, identifying the types and amounts of permissible debt, and maintaining the current bond rating in order to minimize borrowing costs and preserving access to credit. It is the intent of the City to establish this policy to provide guidance to staff to:

- Ensure high quality debt management decisions;
- Ensure that debt management decisions are viewed positively by rating agencies, investment community and citizenry-at-large;
- Ensure support for debt issuances both internally and externally;
- Demonstrate a commitment to long-term financial planning.

2.0 SCOPE

The City of El Paso Debt Management Policy (this “Policy”) applies to all debt instruments issued by the City of El Paso regardless of the funding source. Funding sources can be derived from ad valorem taxes, general City revenues, enterprise fund revenues or any other identifiable source of revenue that may be identified for appropriate pledging for bonded indebtedness.

3.0 OBJECTIVES

The primary objective of this Policy is to ensure that the City establishes and maintains a solid position with respect to its debt service fund. It is intended to demonstrate that proceeds from long-term debt will not be used for current operations but rather for capital improvements and other long-term assets.

Other objectives include: i) bonds will be paid back within a period not to exceed, and preferably sooner than, the expected useful life of the capital project; ii) decisions will be made based on a number of factors and will be evaluated against long-term goals rather than a short-term fix.; and iii) debt service funds will be managed and invested in accordance with all federal, state and local laws.

4.0 FINANCING ALTERNATIVES

It is the City’s intent to develop a level of cash and debt funded capital improvement projects that provide the citizens with the desired amount of City services at the lowest cost. The City may use both general obligation bonds or certificates of obligations as deemed appropriate by City staff and approved by Council.

4.1 General obligations bonds (“GOB”) will be used if the following criteria is met:

- The size of the issuances is \$100 million or above.
- Funds will be used for new and expanded facilities, major repair/renovations to existing facilities, and quality-of-life projects.
- Useful lives of assets acquired will be fifteen (15) years or more; or will extend the useful life of an asset for more than (15) years.
- Voter authorized debt

4.1.1 The total dollar amount of bond election propositions recommended to the voters shall not exceed the City’s estimated ability to issue said bonds within a normal 6 year period.

4.1.2 The use of reimbursement resolutions shall be encouraged as a cash management tool for general obligation debt funded projects.

4.1.3 Commercial paper can be used as a source of long-term financing for projects that have received voter authorization if City staff has determined that such financing is prudent. It is the policy of the City that the amount of commercial paper outstanding should not exceed 120% of the total investment portfolio of the City. It is the policy of the City that the net amount (total commercial paper less the investment portfolio) of commercial paper outstanding not exceed 25% of the amount of fixed rate debt outstanding. Commercial paper will be converted to refunding bonds when dictated by economic and business conditions.

4.1.4 Quality-of-life projects are defined as projects such as but not limited to the City’s parks, museums, zoo, libraries, non-public safety facilities, and entertainment, sports and amusement-type facilities.

4.2 Certificates of Obligation – For Issuances < \$100 million

It is the City’s priority to fund the majority of capital projects with voter-approved debt. However, on occasion, it becomes necessary to seek additional financing in order to fund a particular non-quality of life project(s). COs will be issued for the following projects/acquisitions:

- Capital asset acquisitions (heavy equipment, vehicles, IT equipment, etc.)
- Rehabilitation and/or extension of the useful life of existing facilities
- Street resurfacing
- Unpaved Rights of Way
- ADA retrofitting/rehabilitation projects

- Street lighting
- Infrastructure projects (street and draining work)
- Emergency city facilities rehabilitation (storm water draining, etc.)
- Major core service facilities (police, fire, streets, etc.)

Furthermore, certificates of obligation or other long-term debt may be considered if the following criteria are met:

- The need for the project is urgent and immediate;
- The project(s) is necessary to prevent an economic loss to the City;
- Source of revenue is specific and can be expected to cover the additional debt;
- The expected debt is the most cost effective financing option available.

In addition, the average maturity of non-voter approved debt shall not exceed the average life of the project financed. Capital items shall have a value of at least \$5,000 and a life of at least four years.

Reimbursement resolutions may be used for projects funded through certificates of obligations.

4.3 Certificates of Obligations – Enterprise Fund

Certificates of obligation for an enterprise system will be limited to only those projects, which can demonstrate the capability to support the certificate debt either through its own revenues, or another pledged source other than ad valorem taxes and meet the same criteria as outlined in 4.2 above.

4.4 Revenue Bonds

Revenue bonds will be issued for projects that generate revenues that are sufficient to repay the debt. Except where otherwise required by State Statutes, revenue bonds may be issued without voter approval and only in accordance with the laws of Texas.

4.5 Other debt obligations

The use of other debt obligations, permitted by law, including but not limited to public property finance act contractual obligations, pension obligation bonds, tax notes, and lease purchase obligations, will be reviewed on a case-by-case basis. The findings in 4.2 above will be considered for the use of these obligations.

5.0 REFUNDING OF DEBT

- 5.1 Advance refunding and forward delivery refunding transactions for savings should be considered when the net present value savings as a percentage of the par amount of refunded bonds is at least 3%.
- 5.2 Current refunding transactions issued for savings should be considered when the net present value savings as a percentage of the par amount of refunded bonds is at least 2%.
- 5.3 From time to time, the City may also issue refunding debt for purposes of restructuring debt, changing covenants, and/or changing the repayment source of the bonds. Such purpose should be specifically recognized by City Council.

6.0 DEBT LIMITS

- 6.1 The total principal amount of general obligation bonds together with the principal amount of all other outstanding tax indebtedness of the City shall not exceed ten percent of the total assessed valuation of the City's tax rolls.
- 6.2 Since debt service payments represent a fixed expense of the City's total annual operating budget, debt service as a percent of total expenditures should not exceed 15%.

7.0 MATURITY LEVELS

- 7.1 The term of debt shall not exceed the expected useful life of the capital asset being financed and in no case shall it exceed 30 years. The average (weighted) general obligation bond maturities shall be kept at or below 15 years.

8.0 MANAGEMENT OF DEBT SERVICE FUND

- 8.1 Interest earnings from general obligation bonds and certificates of obligation shall be used solely to fund direct or related capital expenditures or to service current and future debt payments. Interest earnings will be allocated in accordance with the City's Investment Policy, adopted annually by Council.
- 8.2 Debt service reserves for tax-supported debt shall not exceed a three-month reserve of the current year total debt service expenditure budget (i.e. Total Annual Debt Service Budget/12 month x 3 months). If this reserve balance is exceeded during any given fiscal year, a plan should be

adopted to reduce the size of the reserves as quickly as possible without causing large variances in the ad valorem property tax rate.

- 8.3 The minimum debt service unrestricted fund balance should exceed the debt service portion of the largest taxpayer's tax levy for the ensuing fiscal year.
- 8.4 Debt service reserves for revenue bonds shall be maintained at levels required by controlling bond ordinances.
- 8.5 The City shall comply with all Internal Revenue Service rules and regulations including but not limited to arbitrage.

9.0 DEBT SERVICE TAX RATE

- 9.1 Council shall adopt the necessary debt service tax rate up to a maximum amount of twenty-five cents (25 ¢) per \$100 valuation in order to meet debt service principal, interest and fees payments, net of transfers, for each particular fiscal/budget year, subject to any reserve availability as outlined in 8.2 above.

10.0 RATINGS

- 10.1 The City will strive to maintain good relationships with bond rating agencies as well as disclose financial reports and information to these agencies and to the public.
- 10.2 The City will obtain a rating from at least one nationally recognized bond-rating agency on all issues being sold on the public market.
- 10.3 Timely disclosure of annual financial information including other information will be provided to the rating agencies. The Comprehensive Annual Financial Report (CAFR) will be prepared by management and attested to by an outside nationally recognized audit firm.
- 10.4 Timely disclosure of any pertinent financial information that could potentially affect the City's credit rating will also be presented to the ratings agencies required information repositories, bond insurance companies insuring City of El Paso debt and commercial banks providing liquidity support for commercial paper programs.

11.0 INVESTMENT POLICY REVIEW

- 11.1 This Debt Management Policy shall be reviewed at least bi-annually by the City Council and any modifications must be adopted by Council.

EXHIBIT C

Financial Advisory Service Fees

(As modified from Pages 19-20 of the Proposal)

The fees due the Company for financial advisory services will not exceed those contained in the customary fee schedule as follows:

Base Fee	\$10,000
for the first \$25,000,000 of bonds issued	plus \$1.00 per \$1,000
thereafter	plus \$0.75 per \$1,000

The above charges shall be multiplied by 1.20 times for the completion of an application to a federal or state government agency, for the issuance of revenue bonds, for the issuance of refunding bonds, and/or for a defeasance, reflecting the additional services required. The charges for ancillary services, including computer structuring and official statement printing, shall be levied only for those services that are reasonably necessary in completing the transaction and that are reasonable in amount, unless such charges were incurred at the specific direction of the City.

The payment of charges for financial advisory services described in the Agreement shall be contingent upon the delivery of bonds and shall be due at the time that bonds are delivered. The payment of charges for services described in the Agreement shall be due and payable in accordance with the mutual Agreement between the Company and the City.

The City shall be responsible for the following expenses, if and when applicable, whether they are charged to the City directly as expenses or charged to the City by the Company as reimbursable expenses.

- A. Bond counsel;
- B. Bond printing;
- C. Bond ratings;
- D. Computer structuring;
- E. Credit enhancement;
- F. CPA fees for refunding;
- G. Official statement preparation and printing;
- H. Paying agent/registrar/trustee;
- I. Travel expenses;
- J. Underwriter and underwriter's counsel; and
- K. Miscellaneous, including copy, delivery, and phone charges.

The payment of reimbursable expenses that the Company has assumed on behalf of the City shall not be contingent upon the delivery of bonds and shall be due at the time that services are rendered and payable upon receipt of an invoice therefore submitted by the Company to the respective City departments having direct oversight of this Agreement.