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**CITY OF SAN ANTONIO
INTERDEPARTMENTAL MEMORANDUM
FINANCE DEPARTMENT**

TO: Board of Directors, City of San Antonio, Texas Starbright Industrial Development Corporation

FROM: Milo Nitschke, Director, Finance Department

THROUGH: Terry M. Brechtel, City Manager

COPIES: Melissa Byrne Vossmer, Assistant City Manager; Christopher J. Brady, Assistant City Manager; Ramiro Cavazos, Director, Economic Development; City Attorney's Office; City Clerk; File

SUBJECT: Approving the Form, Content and Distribution of the Preliminary Official Statement Related to City of San Antonio, Texas Starbright Industrial Development Corporation Contract Revenue Bonds, Series 2003

DATE: February 27, 2003

SUMMARY AND RECOMMENDATIONS

This Resolution approves the form, content and distribution of the Preliminary Official Statement pertaining to the issuance, sale and delivery of City of San Antonio, Texas Starbright Industrial Development Corporation Contract Revenue Bonds, Series 2003; retains Co-Bond Counsel and Special Issuer's Counsel; and authorizes other actions deemed necessary in connection with the sale of such bonds.

Staff recommends approval of this Resolution.

BACKGROUND INFORMATION

State, County, City, and other municipal officials have been working in a collaborative effort to attract Toyota Motors to locate its sixth automobile manufacturing plant near San Antonio. Official announcements of this decision by Toyota were made on Monday, February 10, 2003. The terms, responsibilities, and obligations of the public entities offering some form of incentive or infrastructure investment to Toyota are outlined in the "Project Starbright Agreement," which is presently being finalized in negotiations.

On February 20, 2003, the City Council authorized creation of the Starbright Industrial Development Corporation for the purpose of undertaking authorized economic development activities to fulfill obligations under the Agreement. Such activities include, but are not limited to, the issuance of debt, acquisition and conveyance of real and/or personal property, and other related actions necessary to meet the anticipated terms of the City's commitments to Toyota Motor Manufacturing.

The City of San Antonio, Texas Starbright Industrial Development Corporation Contract Revenue Bonds, Series 2003 (the "2003 Bonds") are being issued to provide funds: (1) to purchase, or cause to be purchased, the project site for the proposed Toyota plant as provided in the Project Starbright Agreement; (2) reimburse Toyota or pay other costs of the project site including site preparation and a training facility as provided in the Project Starbright Agreement; and (3) to pay the costs of issuance.

The 2003 Bonds are secured by pledged contract payments to be made from the City to the City of San Antonio, Texas Starbright Industrial Development Corporation to be payable solely from net revenues of the gas and electric systems owned by the City and payable to the City in an amount not to exceed 14% of gross revenues. The estimated annual pledged contract payments are equal to the debt service requirements on the 2003 Bonds of approximately \$1,465,000.

In connection with the issuance and sale of the bonds, presentations have been scheduled with Moody's, Standard & Poor's and Fitch, on March 3 and 4, 2003.

The 2003 Bonds will be submitted to four bond insurance firms for qualification for municipal bond insurance. In the event the City selects to have the bonds insured, the bonds would be assigned the rating of "AAA", "Aaa" and "AAA" by Fitch, Moody's and Standard & Poor's respectively. Whether the bond insurance will be utilized will be determined the week the bonds are priced by comparing the interest cost on the bonds without insurance versus the interest cost with bond insurance plus the cost of insurance.

It is anticipated that the 2003 Bonds will be sold the week of March 24, 2003 by an underwriting syndicate including Siebert Brandford Shank & Co. as Senior Book Running Manager; RBC Dain Rauscher as Co-Senior Manager; and First Southwest and J.P. Morgan as Co-Managers.

POLICY ANALYSIS

This action is will support the City's obligations under the Project Starbright Agreement. Approval of this Resolution will promote development that is consistent with the City's goals.

FISCAL IMPACT

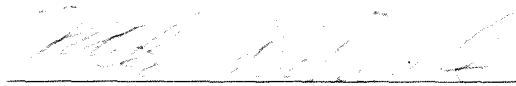
Any costs pertaining to the proposed bond transaction will be paid from the proceeds derived from the issuance and sale of such bonds.

SUPPLEMENTAL COMMENTS

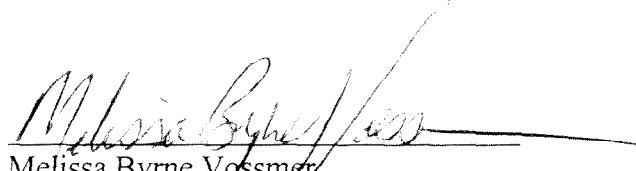
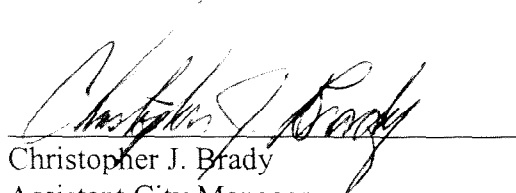
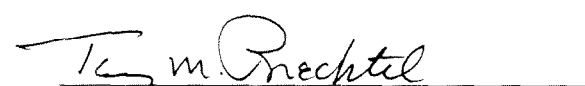
The City will work with the senior managing underwriters to develop bond allocation and a participation process that is consistent with the City's goals and Small Business and Economic Development Advocacy Program. The disclosures required by the City's Ethics Ordinance for each of the firms are attached.

COORDINATION

This action was coordinated with the City Manager's Office, City Attorney's Office, the Departments of Finance, Economic Development, the Office of Management and Budget, the City's Underwriting Syndicate, Co-Financial Advisors and Co-Bond Counsel.


Milo D. Nitschke
Director, Finance Department

Approved:


Melissa Byrne Vossmer
Assistant City Manager
Christopher J. Brady
Assistant City Manager
Terry M. Brechtel
City Manager