

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

TO: Mayor and City Council

FROM: Milo Nitschke, Director, Finance Department

THROUGH: Terry M. Brechtel, City Manager

COPIES: Melissa Byrne Vossmer, Assistant City Manager; 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 Municipal Drainage Utility System Revenue Bonds, Series 2003

DATE: April 17, 2003

SUMMARY AND RECOMMENDATIONS

This Ordinance complies with the requirements contained in Securities and Exchange Commission Rule 15c2-12, including the approval and distribution of a preliminary official statement pertaining to the issuance of approximately \$43,695,000 City of San Antonio, Texas Municipal Drainage Utility System Revenue Bonds, Series 2003; authorizes the City's staff, co-financial advisors and co-bond counsel to take all actions deemed necessary in connection with the sale of such obligations; and provides for an effective date.

Staff recommends approval of this Ordinance.

BACKGROUND INFORMATION

The Fiscal Year 2003 Adopted Budget included a rate increase for residential, multi-family, commercial and public Storm Water Utility rates. It is estimated that for Fiscal Year 2003 the rate increase will generate \$4,962,660. Sixty percent of the Storm Water revenue fee collections will produce revenues estimated to be sufficient to pay debt service requirements on approximately \$43,695,000 revenue bonds for drainage improvements, assuming a twenty-five year, level debt service structure.

The City of San Antonio, Texas Municipal Drainage Utility System Revenue Bonds, Series 2003 are being issued to finance the costs of drainage improvements, including the acquisition, construction, and repair of structures, equipment and facilities for the City's Storm Water Utility.

The 2003 Bonds will be submitted to bond rating agencies during the week of April 14, 2003 to receive assigned public ratings. It is expected that such ratings will be received the week of April 21, 2003.

The 2003 Bonds will be submitted to 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 on the bonds with insurance.

It is anticipated that the 2003 Bonds will be sold the week of April 28, 2003 or the week of May 5, 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

The sale of City of San Antonio, Texas Municipal Drainage Utility System Revenue Bonds, Series 2003 (the "2003 Bonds") provides funding for a component of the overall capital improvement program projects. The proposed issuance of the 2003 Bonds is consistent with the planned overall subsequent general obligation bond projects to be presented to the citizens for voter authorization. The sale of the 2003 Bonds is consistent with the Debt Management Plan.

As the debt service on the 2003 Bonds will be paid from revenues derived from the existing storm water assessment fees, no voter authorization is required. However, public input will be incorporated in identifying, designing and constructing the drainage projects to be funded with the proceeds from the Series 2003 Bonds.

The size of the bond issue is very sensitive to interest rate changes. A slight increase in interest rates significantly decreases the bond issue size. As current interest rates are low, it is prudent to sell these bonds as soon as possible to maximize the amount of funding that will be available to finance projects construction. It is anticipated that the sale of the 2003 Bonds will occur the week of April 28, 2003 or the week of May 5, 2003. This will make funds available for design and construction by June, 2003.

FISCAL IMPACT

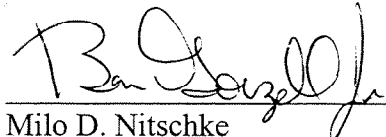
Any costs pertaining to the proposed bond transaction will be paid from the proceeds derived from the issuance and sale of the 2003 Bonds. Therefore, there is no impact on the City's Operating Budget. Detail on the costs of issuance will be provided in the bond disclosure report which will be prepared and distributed to the Mayor and City Council subsequent to the sale and delivery of the 2003 Bonds.

SUPPLEMENTAL COMMENTS

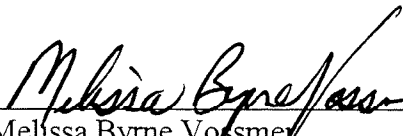
The disclosures required by the City's Ethics Ordinance for each of the firms are attached.


COORDINATION

This action was coordinated with the City Manager's Office, City Attorney's Office, the Departments of Finance, Public Works, 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


Terry M. Brechtel
City Manager

CITY OF SAN ANTONIO
Discretionary Contracts Disclosure*

For use of this form, see City of San Antonio Ethics Code, Part D, Sections 1&2

Attach additional sheets if space provided is not sufficient.

State "Not Applicable" for questions that do not apply.

* This form is required to be supplemented in the event there is any change in the information under (1), (2), or (3) below, before the discretionary contract is the subject of council action, and no later than five (5) business days after any change about which information is required to be filed.

Disclosure of Parties, Owners, and Closely Related Persons

For the purpose of assisting the city in the enforcement of provisions contained in the City Charter and the code of ethics, an individual or business entity seeking a discretionary contract from the city is required to disclose in connection with a proposal for a discretionary contract:

(1) the identity of any individual who would be a party to the discretionary contract;

None

(2) the identity of any business entity¹ that would be a party to the discretionary contract;

None

and the name of:

(A) any individual or business entity that would be a *subcontractor* on the discretionary contract;

None

(B) any individual or business entity that is known to be a *partner*, or a *parent* or *subsidiary* business entity, of any individual or business entity who would be a party to the discretionary contract;

None

(3) the identity of any *lobbyist* or *public relations firm* employed for purposes relating to the discretionary contract being sought by any individual or business entity who would be a party to the discretionary contract.

None

¹ A *business entity* means a sole proprietorship, partnership, firm, corporation, holding company, joint-stock company, receivership, trust, unincorporated association, or any other entity recognized by law.


Political Contributions

Any individual or business entity seeking a discretionary contract from the city must disclose in connection with a proposal for a discretionary contract all political contributions totaling one hundred dollars (\$100) or more within the past twenty-four (24) months made directly or indirectly to any *current* or *former member* of City Council, any *candidate* for City Council, or to any *political action committee* that contributes to City Council elections, by any individual or business entity whose identity must be disclosed under (1), (2) or (3) above. Indirect contributions by an individual include, but are not limited to, contributions made by the individual's spouse, whether statutory or common-law. Indirect contributions by an entity include, but are not limited to, contributions made through the officers, owners, attorneys, or registered lobbyists of the entity.

To Whom Made:	Amount:	Date of Contribution:
None		

Disclosures in Proposals

Any individual or business entity seeking a discretionary contract with the city shall disclose any known facts which, reasonably understood, raise a question² as to whether any city official or employee would violate Section 1 of Part B, Improper Economic Benefit, by participating in official action relating to the discretionary contract.

None		
Signature: 	Title: Chairman Company: Siebert Brandford Shank & Co., LLC	Date: September 4, 2002

² For purposes of this rule, facts are "reasonably understood" to "raise a question" about the appropriateness of official action if a disinterested person would conclude that the facts, if true, require recusal or require careful consideration of whether or not recusal is required.

CITY OF SAN ANTONIO

City Attorney's Office

LITIGATION DISCLOSURE

Failure to fully and truthfully disclose the information required by this Litigation Disclosure form may result in the disqualification of your proposal from consideration or termination of the contract, once awarded.

1. Have you or any member of your Firm to be assigned to this engagement ever been indicted or convicted of a felony or misdemeanor greater than a Class C in the last five (5) years?

Circle One

YES

☒ NO

2. Have you or any member of your Firm been terminated (for cause or otherwise) from any work being performed for the City of San Antonio or any other Federal, State or Local Government, or Private Entity?

Circle One

YES

☒ NO

3. Have you or any member of your Firm been involved in any litigation with or filed a claim against the City of San Antonio or any other Federal, State or Local Government, or Private Entity during the last ten (10) years?

Circle One

YES

☒ NO

If you have answered "YES" to any of the above questions, please indicate the name(s) of the person(s), the nature, and the status and/or outcome of the indictment, conviction, termination, claim or litigation, as applicable. Any such information should be provided on a separate page, attached to this form and submitted with your proposal.

CITY OF SAN ANTONIO
Discretionary Contracts Disclosure*

For use of this form, see City of San Antonio Ethics Code, Part D, Sections 1&2

Attach additional sheets if space provided is not sufficient.

State "Not Applicable" for questions that do not apply.

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(1) the identity of any individual who would be a party to the discretionary contract;

None.

(2) the identity of any **business entity**² that would be a party to the discretionary contract:

None
and the name of:

(A) any individual or business entity that would be a *subcontractor* on the discretionary contract;

None

(B) any individual or business entity that is known to be a *partner*, or a *parent* or *subsidiary* business entity, of any individual or business entity who would be a party to the discretionary contract;

None

(3) the identity of any *lobbyist* or *public relations firm* employed for purposes relating to the discretionary contract being sought by any individual or business entity who would be a party to the discretionary contract.

None

² A *business entity* means a sole proprietorship, partnership, firm, corporation, holding company, joint-stock company, receivership, trust, unincorporated association, or any other entity recognized by law.

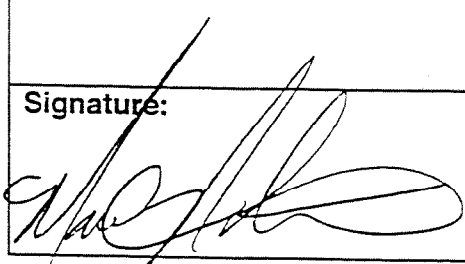
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To Whom Made:	Amount:	Date of Contribution:
None		

Disclosures in Proposals

Any individual or business entity seeking a discretionary contract with the city shall disclose any known facts which, reasonably understood, raise a question³ as to whether any city official or employee would violate Section 1 of Part B, Improper Economic Benefit, by participating in official action relating to the discretionary contract.

Signature: 	Title: Company:	Date: 9/4/02

³ For purposes of this rule, facts are "reasonably understood" to "raise a question" about the appropriateness of official action if a disinterested person would conclude that the facts, if true, require recusal or require careful consideration of whether or not recusal is required.

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None.

~~(2) the identity of any business entity that would be a party to the discretionary contract
and the name of:~~

~~(A) any individual or business entity that would be a subcontractor on the discretionary contract,~~

None.

~~(B) any individual or business entity that is known to be a partner, or a parent or subsidiary business entity, of any individual or business entity who would be a party to the discretionary contract,~~

First Southwest Company is owned by First Southwest Holdings, Inc.

~~(3) the identity of any lobbyist or public relations firm employed for purposes relating to the discretionary contract being sought by any individual or business entity who would be a party to the discretionary contract.~~

None.

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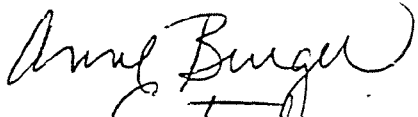
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Signature: 	Title: Senior Vice President Company: First Southwest Company	Date: 9/6/02

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J.P. Morgan Securities Inc. and the name of:

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NONE.

(B) any individual or business entity that is known to be a *partner*, or a *parent* or *subsidiary* business entity, of any individual or business entity who would be a party to the discretionary contract;

J.P. Morgan Chase & Co.
CSI Portfolio Holdings
Hambrecht & Quist California
Lewco Securities Inc.

(3) the identity of any *lobbyist* or *public relations firm* employed for purposes relating to the discretionary contract being sought by any individual or business entity who would be a party to the discretionary contract.

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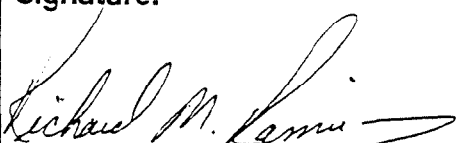
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Signature: 	Title: Richard M. Ramirez Company: J.P. Morgan Securities Inc.	Date: 9/6/2002

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