

TIME CERTAIN
ITEM NO. 4
1:30PM

**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 Issuance, Sale and Delivery of City of San Antonio, Texas Municipal Drainage Utility System Revenue Bonds, Series 2003

DATE: May 1, 2003

SUMMARY AND RECOMMENDATIONS

- A. This Ordinance authorizes the issuance of approximately \$43,695,000 "City of San Antonio, Texas Municipal Drainage Utility System Revenue Bonds, Series 2003"; pledges the revenues of the drainage utility system to the payment of the principal of and interest on said bonds; enacts provisions incident and related to the issuance, payment, security and delivery of said bonds, including the approval and distribution of an official statement pertaining thereto; authorizes the execution of a paying agent/registrar agreement and a purchase contract; complies with the requirements imposed by the letter of representations previously executed with the Depository Trust Company, and provides for an immediate effective date upon passage by eight affirmative votes.
- B. This Ordinance approves a resolution relating to establishing the City's intention to reimburse itself for the prior lawful expenditure of funds from the proceeds of tax-exempt obligations to be issued by the City for authorized purposes designated as "City of San Antonio, Texas Municipal Drainage Utility System Revenue Bonds, Series 2003"; authorizes other matters incident and related thereto; and provides an effective date.

Staff recommends approval of these ordinances.

BACKGROUND INFORMATION

On April 17, 2003, City Council approved the distribution of a Preliminary Official Statement pertaining to the issuance, sale and delivery of approximately \$43,695,000 "City of San Antonio, Texas Municipal Drainage Utility System Revenue Bonds, Series 2003" (the "2003 Bonds"). The 2003 Bonds 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.

In connection with the issuance and sale of the bonds, offering documents were submitted to bond rating agencies on April 16, 2003 to receive assigned public ratings. It is expected that such ratings will be received the week of April 21, 2003.

In addition, offering documents were also 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 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.

The final results of the pricing and sale will be detailed in a memorandum, which will be provided on Thursday, May 1, 2003.

Approval of the reimbursement resolution will enable the City to reimburse itself for project expenditures to be funded by the issuance the 2003 Bonds occurring prior to the sale and delivery of such obligations' proceeds.

POLICY ANALYSIS

The sale of the 2003 Bonds provides funding for a component of the overall capital improvement program projects. The proposed issuance of these 2003 Bonds is consistent with the planned overall subsequent General Obligation Bond Program to be presented to the citizens for voter authorization in November, 2003. 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 construction projects. It is anticipated that the sale of the 2003 Bonds will occur the week of April 28, 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.

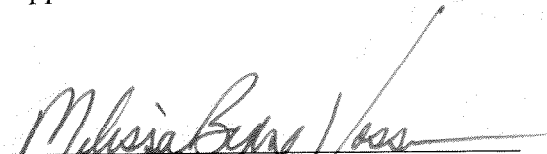
COORDINATION

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.

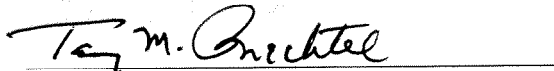


Milo D. Nitschke
Director, Finance Department

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
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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 entity² 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

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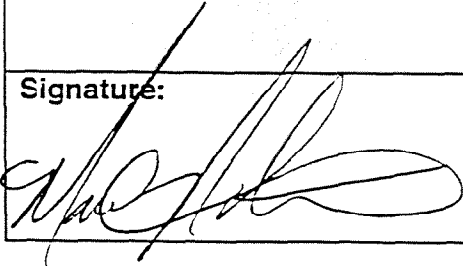
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Disclosures in Proposals

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: <i>9/4/02</i>

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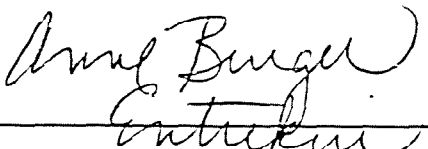
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Signature: 	Title: Senior Vice President Company: First Southwest Company	Date: 9/6/02

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NONE.

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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.

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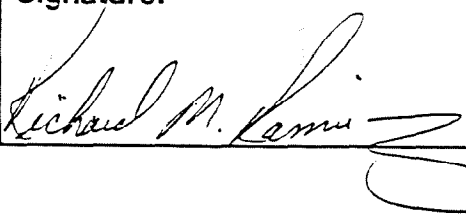
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Signature: 	Title: Richard M. Ramirez Company: J.P. Morgan Securities Inc.	Date: 9/6/2002

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