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 None	
(2) the identity of any <u>business entity</u> ¹ that would be a party to	the discretionary contract:
Noneand the name of:	
and the name or.	
 (A) any individual or business entity that would be a subcontract; 	actor on the discretionary
None	
and the state of	
 (B) any individual or business entity that is known to be a partner business entity, of any individual or business entity who discretionary contract; 	
None	
(3) the identity of any <i>lobbyist</i> or <i>public relations firm</i> employed fo discretionary contract being sought by any individual or busine party to the discretionary contract. None	
Notice	
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	그는 사람이 되고 있다.
¹ A <i>business entity</i> means a sole proprietorship partnership firm corporation holding	

COSA Form 1050-33-2, Discretionary Contracts, 08/01/01

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	٠.	1,
Signature:	Title: Chairman	Date:
negan Branford III	Company: Siebert Brandford Shank & Co., LLC	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 an convicted of a fe	y member of clony or misde	f your Firm t emeanor great	o be assigned to this engagement er than a Class C in the last five (5)	ever been indicted or years?
	Circle One		YES	NO	
2.		member of y he City of Sa	vour Firm beer n Antonio or :	n terminated (for cause or otherwise any other Federal, State or Local (e) from any work being Government, or Private
	Circle One		YES	NO	
	on the one		IES	<u> </u>	
3.	Have you or any City of San Anto ten (10) years?	member of yonio or any ot	our Firm been her Federal, S	involved in any litigation with or f tate or Local Government, or Privat	iled a claim against the e Entity during the last
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	person(s), the nat	ure, and the spelicable. An	status and/or o y such inform	he above questions, please indica outcome of the indictment, convicts action should be provided on a sep-	ion termination claim

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(1) the identity of any individual who would be a party to the discretionary of	contract;
None	
(2) the identity of any <u>business entity</u> that would be a party to the	ne discretionary contract:
and the name of:	
(A) any individual or business entity that would be a subcontract;	ctor on the discretionary
None	
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(B) any individual or business entity that is known to be a partner, business entity, of any individual or business entity who we discretionary contract;	or a <i>parent</i> or <i>subsidiar</i> , vould be a party to the
None	
(3) the identity of any <i>lobbyist</i> or <i>public relations firm</i> employed for discretionary contract being sought by any individual or busines party to the discretionary contract.	purposes relating to the s entity who would be a
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To Whom Made:	Amount:	Date of Contribution:
None		

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Signature:	Title:	Date; /
	Company:	9/4/02
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May do	Company:	7/4/5

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1.	Have you or any member of convicted of a felony or misder	your Firm to be assign meanor greater than a Cl	ned to this engagement eve ass C in the last five (5) year	r been indicted or
	Circle One	YES	(NO)	
2.	Have you or any member of you performed for the City of San	our Firm been terminated Antonio or any other F	i (for cause or otherwise) fro ederal, State or Local Gove	om any work being rnment, or Private
	Entity?			
	Circle One	YES	(NO)	
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3.	Have you or any member of you City of San Antonio or any oth ten (10) years?	our Firm been involved i er Federal, State or Loca	n any litigation with or filed al Government, or Private Er	a claim against the ntity during the last
	Circle One	YEŚ	(NO	; ;
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	If you have answered "YES" person(s), the nature, and the stor litigation, as applicable. Any this form and submitted with yo	tatus and/or outcome of / such information shou	the indictment, conviction.	termination, claim

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(1) the	identity of anyundividual who would be a party to the discretion any contra	Charten
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(2) fine	identity of any business entity shat would be a party to the dis	cretionary contract.
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FIRST S	outhwest Company is owned by First Southwest Holdings, Inc.	
2019010		
	⊒identity; of any <i>alobbyist</i> or <i>public relations≱ium</i> employed for purp cretionary contract being solight by any individual or business; ent	
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None.	· •	

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To Whom Made:	Amount:	Date of Contribution:
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official action relating to the discretionary cont		scoenent by participaning in

Title: Senior Vice President

Company: First Southwest Company

Date:

9/6/02

Signature:

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	Circle One	YES	NO	
2.	Have you or any member of performed for the City of Entity? Circle One	of your Firm been San Antonio or a YES	terminated (for cause or otherwise ny other Federal, State or Local C	e) from any work being Government, or Private
			<i>y</i> ,	
3.	Have you or any member of City of San Antonio or any ten (10) years?	of your Firm been of other Federal, St	involved in any litigation with or fate or Local Government, or Privat	iled a claim against the e Entity during the last
	Circle One	YES	NO	
			ne above questions, please indica	

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.

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(1) the identity of any individual who would be a party to	the discretionary contra	ct;
NONE.		
(2) the identity of any <u>business</u> entity that would J.P. Morgan Securities Inc. and	be a party to the dis the name of:	cretionary contract:
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NONE.	> ••	
(B) any individual or business entity that is known business entity, of any individual or busine discretionary contract;	n to be a <i>partner</i> , or a , ess entity who would	parent or subsidiary be a party to the
J.P. Morgan Chase & Co. CSI Portfolio Holdings Hambrecht & Quist California Lewco Securities Inc.		
(3) the identity of any lobbyist or public relations finding discretionary contract being sought by any indiversity to the discretionary contract.	m employed for purpo idual or business enti	oses relating to the ty who would be a
NONE.		

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Signature:

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To Whom Made:	Amount:	Date of Contribution:
NONE.		
Disclosures in Proposals Any individual or business entity seeking		
known facts which, reasonably understoo employee would violate Section 1 of Pa official action relating to the discretionary	art B, Improper Econo	
		and the second control

Richard M. Ramirez

J.P. Morgan Securities Inc.

Date:

9/6/2002

Title:

Company:

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1.	Have you or any member convicted of a felony or n	er of your Firm to be nisdemeanor greater th	e assigned to nan a Class C	this engageme in the last five (ent ever been indicted or (5) years?
	Circle One	YES		NO	
2.	Have you or any member performed for the City of Entity?	of your Firm been ter San Antonio or any	minated (for cother Federal	cause or otherw , State or Loca	ise) from any work being I Government, or Private
	Circle One	YES		NO	
3.	Have you or any member City of San Antonio or an ten (10) years?	of your Firm been invo y other Federal, State of	olved in any li or Local Gove	itigation with our private or Pri	r filed a claim against the vate Entity during the last
	Circle One	YES		NO	
(If you have answered "Y person(s), the nature, and to litigation, as applicable, this form and submitted with	ne status and/or outco Any such information	me of the inc	lictment convi	ction tommination alaim