

TIME CERTAIN  
ITEM NO. **3**  
**1:30PM**

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

**TO:** Mayor and City Council and 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:** Authorizing the Issuance, Sale and Delivery of City of San Antonio, Texas Starbright Industrial Development Corporation Contract Revenue Bonds, Series 2003

**DATE:** June 12, 2003

**SUMMARY AND RECOMMENDATIONS**

- A. This Resolution authorizes the issuance, sale and delivery of approximately \$25,070,000 City of San Antonio, Texas, Starbright Industrial Development Corporation Contract Revenue Bonds, Series 2003 (Taxable) (Starbright Project); approves and authorizes the execution of an indenture of trust relating to the bonds, including the first supplemental indenture of trust; approves a bond purchase agreement; ratifies a preliminary official statement and approves a final official statement; approves certain matters relating to credit enhancement and related matters; approves and authorizes the execution of a continuing disclosure agreement; authorizes and ratifies other actions of the corporation; makes certain findings and contains other provisions relating to the subject.
- B. This Ordinance approves the issuance, sale and delivery of approximately \$25,070,000 City of San Antonio, Texas, Starbright Industrial Development Corporation Contract Revenue Bonds, Series 2003 (Taxable) (Starbright Project); approves the form, terms, and substance of a resolution of the corporation relating to its Contract Revenue Bonds, Series 2003 (Taxable) (Starbright Project); approves the use of financial information in a preliminary official statement and a final official statement; makes certain findings and contains other provisions relating to the subject; and provides for the immediate effective date upon approval of eight (8) affirmative votes.

Staff recommends approval of this Resolution and Ordinance.

## **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 was approved by City Council on May 22, 2003.

On February 20, 2003, the City Council authorized creation of the City of San Antonio, Texas 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.

On February 27, 2003, the City of San Antonio, Texas Starbright Industrial Development Corporation approved 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 (the "2003 Bonds"). 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; (3) to pay the costs of issuance; and (4) to reimburse the City for project expenses heretofore incurred.

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 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 \$1,751,000.

In connection with the issuance and sale of the bonds, presentations were made to Moody's, Standard & Poor's and Fitch, on March 3 and 4, 2003. The bonds were rated "AA", "Aa2", and "AA" by Fitch, Moody's Investors Services, Inc., and Standard and Poor's Ratings Group respectively.

The 2003 Bonds were submitted to bond insurance firms for qualification for municipal bond insurance. The 2003 Bonds were qualified for municipal bond insurance by AMBAC. It is anticipated that the bonds will be insured by AMBAC and be assigned the rating of "AAA", "Aaa" and "AAA" by Fitch, Moody's and Standard & Poor's respectively.

It is anticipated that the 2003 Bonds will be sold the week of June 9, 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, June 12, 2003.

### **POLICY ANALYSIS**

This action will support the City's obligations under the Project Starbright Agreement. Approval of this Resolution and Ordinance 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.

It is estimated that the City will make annual pledged contract payments to the City of San Antonio, Texas Starbright Industrial Development Corporation in the approximate amount of \$1,751,000. This annual payment is required to pay the annual debt service requirements on the 2003 Bonds. The debt service for the bonds will be financed by a payment of the revenues collected from the 14% CPS revenues generated by the manufacturing plant's electric and gas consumption. The anticipated incremental CPS revenue created from the manufacturing plant will not be sufficient to fund the expected debt service for the bonds. The estimated collection of the total incremental 14% CPS revenues in comparison to total debt service over the life of the bonds will result in an estimated \$3.4 million shortfall. However, the estimated property tax collections from the \$400 million capital investment for the same period will be \$60 million. The net economic benefit to the City over the life of the bonds is estimated to be \$57 million.

### **SUPPLEMENTAL COMMENTS**

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

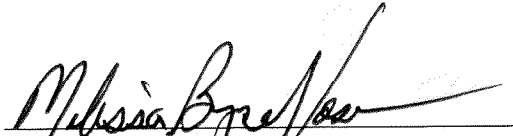
## COORDINATION

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.

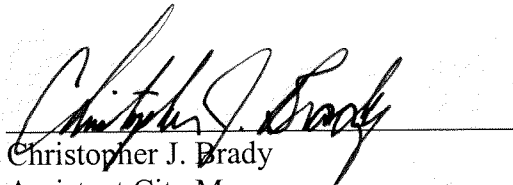


Milo D. Nitschke  
Director, Finance Department

Approved:



Melissa Byrne Vossmer  
Assistant City Manager



Christopher J. Brady  
Assistant City Manager



Terry M. Brechtel  
City Manager

**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 entity<sup>1</sup> 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

<sup>1</sup> 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.

<b>To Whom Made:</b>  None	<b>Amount:</b>	<b>Date of Contribution:</b>
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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 question<sup>2</sup> 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		
<b>Signature:</b> 	<b>Title: Chairman</b>  <b>Company: Siebert Brandford Shank &amp; Co., LLC</b>	<b>Date:</b> <b>September 4, 2002</b>

<sup>2</sup> 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.

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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<sup>2</sup> 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

<sup>2</sup> 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.



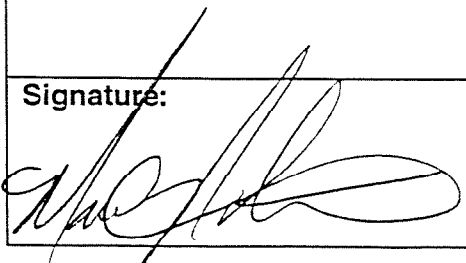
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<b>To Whom Made:</b> None	<b>Amount:</b>	<b>Date of Contribution:</b>
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### Disclosures in Proposals

Any individual or business entity seeking a discretionary contract with the city shall disclose any known facts which, reasonably understood, raise a question<sup>3</sup> 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.

<b>Signature:</b> 	<b>Title:</b> <b>Company:</b>	<b>Date:</b> 9/4/02

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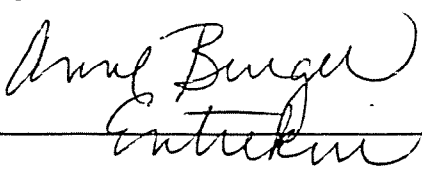
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Signature: 	Title: Senior Vice President  Company: First Southwest Company	Date:  9/6/02

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# CITY OF SAN ANTONIO

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NONE.

(2) the identity of any business entity<sup>1</sup> that would be a party to the discretionary contract:  
J.P. Morgan Securities Inc. 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;

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.

NONE.

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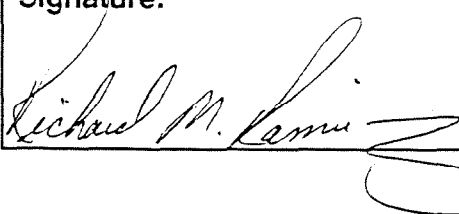
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Signature: 	Title: Richard M. Ramirez Company: J.P. Morgan Securities Inc.	Date: 9/6/2002

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YES

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