

**CITY OF SAN ANTONIO
FINANCE DEPARTMENT
CITY COUNCIL AGENDA MEMORANDUM**

TO: Mayor and City Council

FROM: Milo Nitschke, Director, Finance Department

SUBJECT: Approving the Preliminary Official Statement and the Issuance, Sale and Delivery of City of San Antonio, Texas General Improvement Forward Refunding Bonds, Series 2006

DATE: November 18, 2004

SUMMARY AND RECOMMENDATIONS

1. This Ordinance approves the City's Preliminary Official Statement pertaining to the sale of obligations designated as "City of San Antonio, Texas General Improvement Forward Refunding Bonds, Series 2006"; complies with the requirements contained in municipal securities rule making board rule 15c2-12; 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 bonds; and provides an effective date.
2. This Ordinance authorizes the issuance of approximately \$33,250,000 "City of San Antonio, Texas General Improvement Forward Refunding Bonds, Series 2006"; levies continuing direct annual ad valorem tax for the payment of the bonds; prescribes the form, terms, conditions, and resolving other matters incident and related to the issuance, sale, and delivery of the bonds, including the approval and distribution of an official statement pertaining thereto; authorizes the execution of a paying agent/registrar agreement, an escrow agreement, and a forward delivery purchase contract; complies with the requirements imposed by the Letter of Representations previously executed with the Depository Trust Company; delegates the authority to certain members of the City staff to execute certain documents relating to the sale of the bonds; and provides for an effective date.

Staff recommends approval of these Ordinances.

BACKGROUND INFORMATION

The City routinely evaluates the possibility of executing refunding transactions to achieve interest cost savings. The City of San Antonio, Texas, General Improvement Forward Refunding Bonds, Series 2006" (the "2006 Forward Refunding Bonds") are being issued to refund approximately \$34,400,000 City of San Antonio, Texas General Improvement Bonds, Series 1996A. Our analysis shows that under current market conditions this refunding generates \$2,036,224.37 in gross savings and \$1,785,117.75 or 5.19% in present value savings. This

transaction is extremely interest rate sensitive and will require City staff to move expeditiously to realize such savings. In the event that market conditions change and adversely impact projected savings, the City is under no obligation to effectuate this transaction. A forward delivery transaction enables the City to sell the bonds in November, 2004 to lock in the current low interest rates, but the delivery of the money does not occur until May 6, 2006.

In connection with the issuance and sale of the bonds, offering documents will be submitted to Moody's, Standard & Poor's and Fitch on November 19, 2004. The ratings are anticipated to be received by November 29, 2004.

The 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 2006 Forward Refunding Bonds will be sold the week of November 29, 2004 by an underwriting syndicate including First Southwest Company as Senior Book Running Manager; Ramirez & Company as Co-Senior Manager; and M.E. Allison, Southwestern Capital Markets and Southwest Securities as Co-Managers.

POLICY ANALYSIS

The aforementioned transactions are consistent with the Debt Management Plan.

FISCAL IMPACT

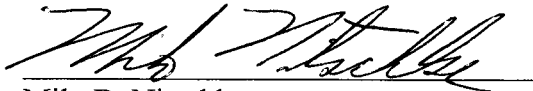
A portion of the transaction costs will be paid from available funds at the initial closing. Upon final closing on May 6, 2006, the remaining transaction costs and reimbursement of previously paid costs will be paid from bond proceeds. Therefore, there is no impact on the City's Operating Budget.

SUPPLEMENTAL COMMENTS

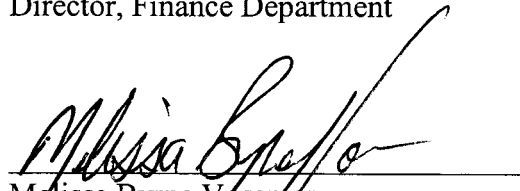
The disclosures required by the City's Ethics Ordinance for each of the firms are attached.

COORDINATION

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



Milo D. Nitschke
Director, Finance Department



Melissa Byrne Vossmer
Assistant City Manager



J. Rolando Bono
Interim 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**¹ 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.

and the name of:

(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.

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.

- (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.


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.

| | | |
|---|---|------------------|
| | | |
| Signature:  | Title: Senior Vice President Company: First Southwest Company | Date: 8/12/03 |

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.

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 or Team 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 or Team 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 or Team been involved in any claim or litigation with 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 information, 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.

TO THE BEST OF MY KNOWLEDGE, THE ABOVE INFORMATION IS TRUE AND CORRECT.

Company Name: First Southwest Company

Anne Burger Entrekin
Signature of Principal:

Anne Burger Entrekin

Printed Name of Principal:

Senior Vice President

Title of Principal

City of San Antonio
Discretionary Contracts Disclosure*

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

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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:

(2) the identity of any **business entity**¹ that would be a party to the discretionary contract:

Ramirez & Co., Inc.

and the name of:

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

None

and the name of:

(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;

Samuel A. Ramirez & Company

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.

(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

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: Councilman Art Hall | Amount: \$ 100.00 | Date of Contribution: 02/27/03 |
|--------------------------------------|----------------------|-----------------------------------|

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: Senior Vice President Company: Ramirez & Co., Inc. | Date: 08/12/03 |
|--|--|----------------|

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.

LITIGATION DISCLOSURE

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

Circle One

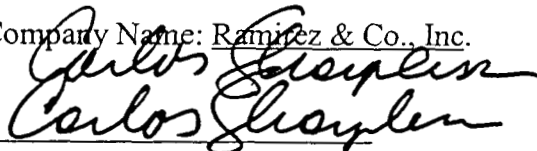
YES

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 information, 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.

TO THE BEST OF MY KNOWLEDGE, THE ABOVE INFORMATION IS TRUE AND CORRECT.

Company Name: Ramirez & Co., Inc.


Signature of Principal:

CARLOS SHARPLESS

Printed Name of Principal:

SENIOR VICE PRESIDENT

Title of Principal

City of San Antonio
Discretionary Contracts Disclosure*

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

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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;

Not Applicable

(2) The identity of any **business entity**⁴ 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;

Not Applicable

And the name of:

(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;

Not Applicable

⁴ 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.

- (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.

Not Applicable


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 member of 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 entity include, but are not limited to, contributions made through the officers, owners, 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 question⁵ as to whether any city official would violate Section 1 of Part B by participating in official action relating to the discretionary contract.

| | | |
|--|--|------------------------------|
| Not Applicable | | |
| Signature:  | Title: President and Chief Executive Officer Company: M. E. Allison & Co., Inc. | Date: August 12, 2003 |

⁵ 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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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.

TO THE BEST OF MY KNOWLEDGE, THE ABOVE INFORMATION IS TRUE AND CORRECT.

Company Name: M. E. Allison & Co., Inc.

M. E. Allison Jr.
Signature of Principal

M. E. Allison, Jr.
Printed Name of Principal:

President and Chief Executive Officer
Title of Principal

City of San Antonio

Discretionary Contracts Disclosure*

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

Robert G. Rodriguez, President & CEO

(2) the identity of any **business entity**¹ that would be a party to the discretionary contract:

Southwestern Capital Markets, Inc.

and the name of:

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

None.

and the name of:

(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.

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.

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- (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.

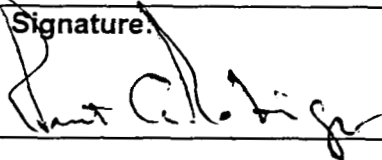
Political Contributions

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| To Whom Made: | Amount: | Date of Contribution: |
|---|----------|-------------------------------|
| MSRB Rule G-37 prohibits any dealer from engaging in municipal securities business with an issuer within 2 years of any contribution to an official of such issuer except a maximum of \$250 is allowed for someone you may vote for. A contribution was made to Art A. Hall | \$250.00 | Sometime before the election. |

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.

| | | |
|---|---|-------------------------|
| Signature:  | Title: President & CEO Company: Southwestern Capital Markets, Inc. | Date: August 8, 2003 |
|---|---|-------------------------|

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.

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1. Have you or any member of your Firm or Team 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 or Team 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 or Team been involved in any claim or litigation with 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 information, 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.

TO THE BEST OF MY KNOWLEDGE, THE ABOVE INFORMATION IS TRUE AND CORRECT.

Company Name: Southwestern Capital Markets, Inc.

Signature of Principal:

Robert G. Rodriguez

Printed Name of Principal:

President & CEO

Title of Principal

City of San Antonio Discretionary Contracts Disclosure*

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

None - Only Southwest Securities employees will work on this transaction.

(2) the identity of any **business entity**¹ 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 -

and the name of:

(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 -

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.

- (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 -

Political Contributions

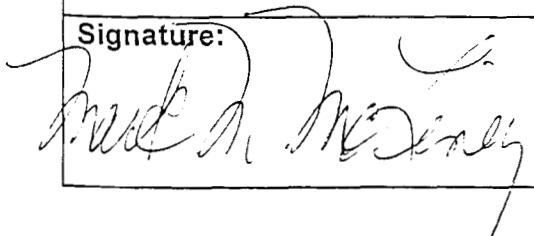
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| To Whom Made: | Amount: | Date of Contribution: |
|---------------|---------|-----------------------|
| - None - | | |

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 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: Vice President Company: Archwest Securities | Date: 8/12/03 |
|---|---|------------------|

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

Circle One

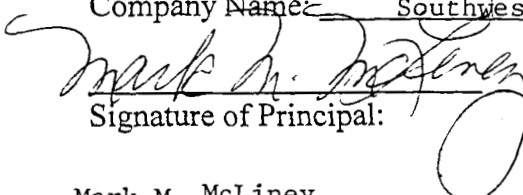
YES

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 information, 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.

TO THE BEST OF MY KNOWLEDGE, THE ABOVE INFORMATION IS TRUE AND CORRECT.

Company Name: Southwest Securities


Signature of Principal:

Mark M. McLiney
Printed Name of Principal:

Senior Vice President
Title of Principal