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CITY OF SAN ANTONIO AGENDA ITEM NO. _____
FINANCE DEPARTMENT
CITY COUNCIL AGENDA MEMORANDUM

TO: Mayor and City Council

FROM: Milo Nitschke, Director, Finance Department

SUBJECT: Approving the Form, Content and Distribution of the Preliminary Official Statement Related to City of San Antonio, Texas Municipal Drainage Utility System Bonds, Series 2005

DATE: February 25, 2005

SUMMARY AND RECOMMENDATIONS

- A. 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 \$60,000,000 City of San Antonio, Texas Municipal Drainage Utility System Bonds, Series 2005; authorizing 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 providing for an effective date.

Staff recommends approval of this Ordinance.

BACKGROUND INFORMATION

In Fiscal Year 2004, City Council approved an increase in the monthly Storm Water Fee by ten cents (from \$2.98 to \$3.08 for residential) to increase maintenance in the natural creekways. The Fiscal Year 2005 Budget includes an additional \$0.60 increase to the residential Storm Water Fee to provide funding for the Storm Water Revenue Bonds for Regional Storm Water Projects. The fee increase took effect in January 2005 after public notice and public hearings. This increase to the fee will allow the City issue an estimated additional \$60,000,000 in Storm Water Revenue Bonds that will be used to complete priority storm water projects. The \$0.60 rate increase will move the average residential rate from the current \$3.08 monthly fee to a \$3.68 monthly fee.

The City of San Antonio, Texas Municipal Drainage Utility System Revenue Bonds, Series 2005 (the "2005 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 2005 Bonds, documents will be mailed to Rating Agencies and Insurance Companies on or about March 11, 2005. Any ensuing discussions will be conducted via telephone conversations.

The 2005 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 2005 Bonds will be sold the week of March 21, 2005 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 2005 Bonds provides funding for a component of the overall capital improvement drainage program projects. The proposed issuance of the 2005 Bonds is consistent with the planned overall general obligation bond projects approved by the voters in 2003. The sale of the 2005 Bonds is consistent with the Debt Management Plan.

As the debt service on the 2005 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 2005 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.

FISCAL IMPACT

Any costs pertaining to the proposed bond transaction will be paid from the proceeds derived from the issuance and sale of the 2005 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 2005 Bonds.

COORDINATION

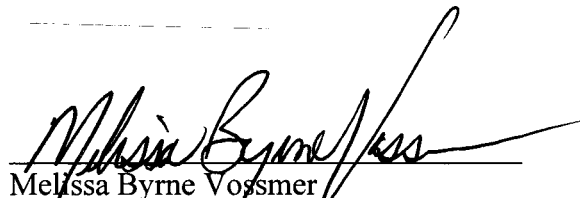
This action was coordinated with the City Manager's Office, City Attorney's Office, the Departments of Finance, Public Works, the Office of Management and Budget, the City's Underwriting Syndicate, Co-Financial Advisors and Co-Bond Counsel.

SUPPLEMENTAL COMMENTS

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



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.

Napoleon Brandford
Erlinda Cortez Dimas
Peter Wong
David Thomson
Levi Davis
Lou Lasaath

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

Siebert Brandford Shank & Co., LLC

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.

Suzanne Shank
Muriel Siebert & Co., 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.

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 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:
Not Applicable		

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: Chairman Company: Napoleon Brandford	Date: February 28, 2005

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: Siebert Brandford Shank & Co., LLC

Napoleon Brandford
Signature of Principal:

Napoleon Brandford
Printed Name of Principal:

Chairman
Title of Principal

City of San Antonio
Discretionary Contracts Disclosure*

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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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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:

Mark C. Nichols

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

RBC Dan Reuscher, Inc.

and the name of:

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

N/A

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;

Royal Bank of Canada

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.

N/A

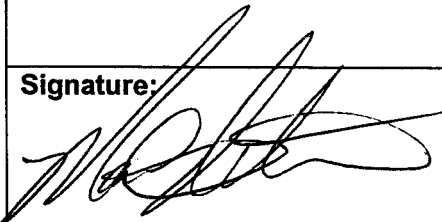
Political Contributions

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:
N/A	N/A	

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: <i>Principal</i> Company: <i>RBC Dan Reischer</i>	Date: <i>3/1/05</i>

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:

RBE Dan Rauscher 3/1/05

Signature of Principal:

Mark C. Nichols

Printed Name of Principal:

Principal

Title of Principal

City of San Antonio Discretionary Contracts Disclosure*

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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 that would be a party to the discretionary contract:

First Southwest Company

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:

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:

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.

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 *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:
Not Applicable		

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.

Not Applicable		
Signature: 	Title: Senior Vice President Company: First Southwest Company	Date: 3/2/05

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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 Entekin
Signature of Principal:

Anne Burger Entekin
Printed Name of Principal:

Senior Vice President
Title of Principal

3.

Except as provided below, there has been no claim or litigation with the City of San Antonio or any other Federal, State or Local Government, or Private Entity involving First Southwest Company ("FSC") or any member of the firm during the past ten (10) years related to the firm's public finance business.

- a. In April 2000, FSC was joined as a defendant in a lawsuit in Starr County, Texas, by Rio Grande City Consolidated Independent School District and Rio Grande City Public Facilities Corporation in connection with a lease revenue bond offering in 1995 in which FSC acted, nominally, as a co-manager in the underwriting of the bonds. There were no specific allegations of wrongdoing by FSC, but it was alleged that the managing underwriter represented that a lower interest rate would be obtained than that which was ultimately attributed to the bonds when issued. FSC denied the claims as same relate to FSC, and filed for removal of the case to federal court. FSC and the other defendant prevailed in the matter with a directed verdict entered on January 8, 2003. The plaintiff appealed the decision, but it was affirmed by the Court of Appeals on April 14, 2004.
- b. In 2001, Brownsville Independent School District instituted an action in state court in Brownsville, Texas based on a claim that FSC, as financial advisor to the district, acted to convince the district of a need for trips to New York to meet with ratings agencies in connection with certain bond offerings when, according to the district's allegations, the trips were unnecessary. The district claimed to have incurred travel expenses in an amount approximating \$65,000 for the three trips which they sought to recover from FSC. FSC filed an answer denying the claim and filed a counterclaim seeking to recover additional costs for the ratings trips for which FSC had not been reimbursed. The case was settled amicably with the school district agreeing to pay to FSC a portion of its unreimbursed expenses as sought in the counterclaim.

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:

Frank Sanchez Reed, Vice President, JPMorgan Securities
Rogelio Rodriguez, Vice President, JPMorgan Securities

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

JPMorgan Securities Inc.
1020 N.E. Loop 410, 2nd Floor
San Antonio, Texas 78209
Phone: 210.841.5830
fax: 210.829.6164

and the name of:

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

N/A

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:

N/A

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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.

N/A

Political Contributions

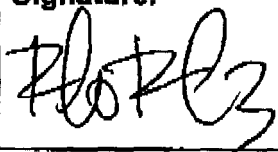
Any individual or business entity seeking a discretionary contract from the city must disclose in connection with a proposal for a discretionary contract all political contributions totaling one hundred dollars (\$100) or more within the past twenty-four (24) months made directly or indirectly to any 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.

Currently, we do not foresee any facts that would raise a question.

Signature: 	Title: Vice President Company: JPMorgan Securities Inc.	Date: 3/4/2005
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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

YES¹

NO

¹JPMSI or its predecessor firms, along with other parties, has been named as a defendant in civil actions alleging securities laws and other violations. In the opinion of management, JPMSI believes it has meritorious defenses to these claims and intends to defend itself vigorously. JPMSI has not been involved in any litigation with the City of San Antonio during the last ten years. As of the date of this response, there is no litigation between JPMSI and its clients or counterparties in relation to public finance or municipal bond practices. No other litigation pending against JPMSI is considered to present a risk to the public finance department or municipal bond practices.

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: JPMorgan Securities Inc.

Rogelio Rodriguez

Signature of Principal:

Rogelio Rodriguez

Printed Name of Principal:

Vice President

Title of Principal

Rev. 5/31/02