

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

TIME CERTAIN  
ITEM NO. 4  
1:30 PM

**TO:** Mayor and City Council

**FROM:** Milo Nitschke, Director, Finance Department

**SUBJECT:** Authorizing the Issuance, Sale and Delivery of approximately \$60,000,000 City of San Antonio, Texas Municipal Drainage Utility System Bonds, Series 2005

**DATE:** March 24, 2005

**SUMMARY AND RECOMMENDATIONS**

This ordinance authorizes the issuance of approximately \$60,000,000 "City of San Antonio, Texas Municipal Drainage Utility System Bonds, Series 2005"; pledges the revenues of the Drainage Utility System to the payment of the principal of and interest on such bonds; enacts provisions incident and related to the issuance, payment, security and delivery of such bonds, including the approval and distribution of an official statement; authorizing the execution of a paying agent/registrar agreement and a bond purchase contract; provides for an immediate effective date upon passage by eight affirmative votes.

Staff recommends approval of this Ordinance.

**BACKGROUND INFORMATION**

On March 10, 2005, City Council approved the form, content and distribution of a Preliminary Official Statement pertaining to the issuance, sale and delivery of approximately \$60,000,000 City of San Antonio, Texas Municipal Drainage Utility System Bonds, Series 2005 (the "2005 Bonds").

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 have been mailed to Rating Agencies and Insurance Companies.

The 2005 Bonds documents have also been 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**

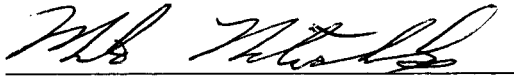
Any costs pertaining to the proposed bond transaction will be paid from the proceeds derived from the issuance and sale of the 2005 Bonds. Therefore, there is no impact on the City's Operating Budget. Detail on the costs of issuance will be provided in the bond disclosure report which will be prepared and distributed to the Mayor and City Council subsequent to the sale and delivery of the 2005 Bonds.

### **COORDINATION**

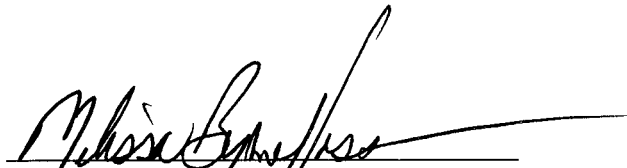
This action was coordinated with the City Manager's Office, City Attorney's Office, the Departments of Finance, Public Works, the Office of Management and Budget, the City's Underwriting Syndicate, Co-Financial Advisors and Co-Bond Counsel.

**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