

Agenda item # 37

ADD-ON

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

TO: Sheryl Sculley, City Manager
FROM: Ben Gorzell Jr., CPA, Acting Director of Finance
SUBJECT: A Resolution Authorizing a Notice of Intention to Issue a Promissory Note to Secure a HUD 108 Loan
DATE: May 18, 2006

SUMMARY AND RECOMMENDATION

A Resolution authorizing a notice of intention to issue a note to secure a \$57 million HUD 108 Loan and providing for an immediate effective date.

Approval of this Resolution is recommended.

BACKGROUND INFORMATION

On September 16, 2004, City Council authorized the submission of a \$57 million 108 loan application to the Department of Housing and Urban Development (HUD). Proceeds of the loan were planned to be utilized to fund various capital improvement projects including streets and drainage projects and improvements to public health facilities, parks, libraries, and community recreation and cultural facilities.

The repayment of annual debt service for the 108 Loan is to be made from Community Development Block Grant (CDBG) Funds received by the City on an annual basis. HUD reviewed the City's application and recommended it for approval with the condition that in the event CDBG funds were not available, the City would commit to the utilization of other lawful sources of revenues available to the City to meet the debt service requirements of the HUD 108 loan. The City's existing HUD 108 loans are secured by the property being improved with the loans. For the proposed capital improvement program, many of the projects involve street and infrastructure improvements making it impractical to pledge as security for the loan.

The City has been in discussions with HUD and the Office of the Texas Attorney General which must approve the City's note to secure the HUD 108 loan. Based on these discussions, a revised note to be issued by the City to secure the 108 loan has been developed. The proposed note provides that the City will utilize the following to repay the 108 loan: 1) CDBG Funds, 2) program income generated from the HUD 108 loan, and 3) gross revenues derived from the operation of the City's solid waste system. CDBG funds will be the first priority for repayment followed by CDBG program income. In the event these funds are insufficient for repayment of the 108 loan, the City has pledged gross revenues from its solid waste system as security for the loan. However, if CDBG funds are insufficient, the City is not required to utilize the solid waste revenues for repayment of the loan and may exercise other options such as refinancing the loan or appropriating funds from any lawful revenue sources to meet debt service requirements.

The proposed resolution authorizes the publication of a notice of intention to issue the note inclusive of the terms previously described, as required by Texas law. The notice will be published in the San Antonio Express News on the same day for two consecutive weeks with the first publication occurring 14 days before consideration for approval of the note by the City Council. Consideration of the note by the City is scheduled for June 8th.

FISCAL IMPACT

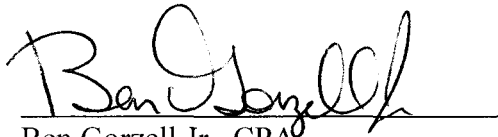
There is no financial impact related to the proposed resolution as it authorizes publication of a notice to issue a note.

COORDINATION

The proposed resolution has been coordinated with the Housing and Community Development Department, the City Attorney's Office, and the City's Bond Counsel for this transaction.

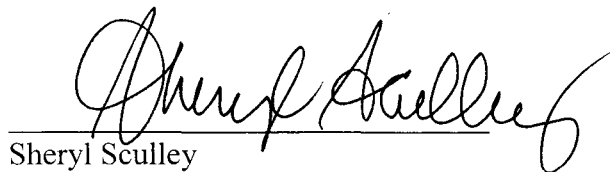
SUPPLEMENTARY COMMENTS

The disclosure requirements of the City's Ethics Ordinance are not applicable.

A handwritten signature in cursive script, appearing to read "Ben Gorzell Jr.", written over a horizontal line.

Ben Gorzell Jr., CPA
Acting Director of Finance

Approved for Council Consideration:

A handwritten signature in cursive script, appearing to read "Sheryl Sculley", written over a horizontal line.

Sheryl Sculley
City Manager