

Agenda Item #17

**CITY OF SAN ANTONIO
CITY COUNCIL MEMORANDUM**

TO: Sheryl Sculley, City Manager

FROM: Ben Gorzell Jr, Acting Director, Finance Department
Andrew W. Cameron, Director, Housing and Community Development

SUBJECT: An Ordinance Authorizing the Issuance of a Promissory Note to Secure a \$57 million HUD Section 108 Loan, Approving a Contract for Loan Guarantee Assistance with HUD, and Authorizing the City Manager and Other City Officials to Execute the Note, the Contract and All Related Documents

DATE: June 8, 2006

Summary and Recommendation

The following item is proposed for consideration:

An Ordinance Approving and Authorizing the Execution of All Documents Related to Obtaining a HUD Section 108 Loan in the Maximum Principal Amount of \$57,000,000 to Finance Various Capital Improvements, Including a Contract for Loan Guarantee Assistance and a Promissory Note, and Pledging Certain Funds and Revenues of the City to Secure Such Promissory Note.

Staff recommends approval of this Ordinance.

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.

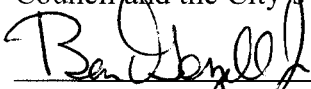
On May 18th, City Council approved a resolution authorizing the publication of a notice of the City's intention to issue the note inclusive of the terms previously described. The notice was published in the San Antonio Express News on the same day for two consecutive weeks with the first publication occurring at least 15 days before consideration for approval of the note by the City Council. The Ordinance authorizes the issuance of a \$57,000,000 promissory note by the City to secure the HUD 108 Loan, approves the Contract for Loan Guarantee Assistance with HUD in substantially final form, and authorizes the City Manager or in her stead, the Deputy City Manager, an Assistant City Manager, an Assistant to the City Manager, or the Director of Housing and Community Development to execute the Contract, the Note and all other documents related to the HUD 108 Loan and to approve any and all changes to the Contract and the Note.

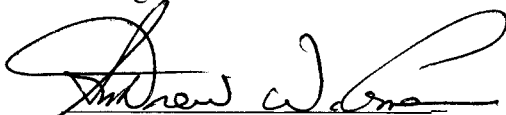
Fiscal Impact

The proposed Ordinance authorizes the issuance of the promissory note by the City as security for the HUD Section 108 Loan which, in addition to a pledge of CDBG funds received by the City, includes a pledge of gross revenues derived from the operation of the City's Solid Waste System to secure the debt through the issuance of the promissory note by the City.

Coordination

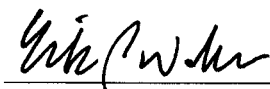
The proposed Ordinance has been coordinated with the City Attorney's Office, outside Legal Council and the City's Bond Counsel for this transaction.


Ben Gorzell Jr, CPA
Acting Director of Finance


Andrew W. Cameron, Director
Housing and Community Development Dept.


Jelynn LeBlanc Burley
Deputy City Manager

for
Approved for Council Consideration:


Sheryl Sculley
City Manager