

AN ORDINANCE 2008-08-07-0665

REAPPOINTING RAOUL EDWARD BERLANGA AND BECKY THOMAS AND APPOINTING MARGARET M. HARTMAN AND SHERRY L. MOSIER TO THE BOARD OF DIRECTORS FOR TAX INCREMENT REINVESTMENT ZONE NUMBER 15, CITY OF SAN ANTONIO, TEXAS (NORTH EAST CROSSING) FOR THE REMAINDER OF UNEXPIRED TERMS OF OFFICE TO EXPIRE JUNE 12, 2010, WAIVING THE TIF MANUAL AT-LARGE APPOINTMENT PROCESS FOR THESE APPOINTMENTS, AND WAIVING THE TIF MANUAL TERM LIMITATIONS FOR THE REAPPOINTMENT OF BECKY THOMAS AND RAOUL E. BERLANGA.

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BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SAN ANTONIO:

SECTION 1. Raoul Edward Berlanga and Becky Thomas are reappointed and Margaret M. Hartman and Sherry L. Mosier are appointed to the Board of Directors for Tax Increment Reinvestment Zone Number 15, City of San Antonio, Texas (North East Crossing) for the remainder of unexpired terms of office to expire June 12, 2010.

SECTION 2. The TIF Manual at-large appointment process is waived for these appointments, and the TIF Manual term limitations are waived for the reappointment of Becky Thomas and Raoul E. Berlanga.

SECTION 3. This Ordinance is effective immediately upon the receipt of eight (8) affirmative votes.

PASSED AND APPROVED this 7th day of August 2008.


M A Y O R

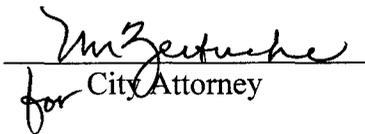
PHIL HARDBERGER

ATTEST:



City Clerk

APPROVED AS TO FORM:



for City Attorney

Agenda Item:	36F (in consent vote: 8, 11, 12, 14, 15, 16, 17A, 17B, 18, 20, 21, 23, 24, 26, 28, 29, 31, 32, 34A, 34B, 34C, 34D, 34E, 34F, 34G, 34H, 34I, 34J, 34K, 35, 36A, 36B, 36C, 36D, 36E, 36F, 36G, 36H, 36I, 36J)						
Date:	08/07/2008						
Time:	03:08:26 PM						
Vote Type:	Motion to Approve						
Description:	An Ordinance reappointing Raoul Edward Berlanga and Becky Thomas and Appointing Margaret M. Hartman and Sherry L. Mosier to the Board of Directors for Tax Increment Reinvestment Zone Number 15, City of San Antonio, Texas (North East Crossing) for the remainder of unexpired terms of office to expire June 12, 2010, waiving the TIF Manual at-large appointment process for these appointments, and waiving the TIF Manual term limitations for the reappointment of Becky Thomas and Raoul E. Berlanga.						
Result:	Passed						
Voter	Group	Not Present	Yea	Nay	Abstain	Motion	Second
Phil Hardberger	Mayor		x				
Mary Alice P. Cisneros	District 1		x				
Sheila D. McNeil	District 2		x				
Jennifer V. Ramos	District 3		x				x
Philip A. Cortez	District 4		x			x	
Lourdes Galvan	District 5		x				
Delicia Herrera	District 6		x				
Justin Rodriguez	District 7		x				
Diane G. Cibrian	District 8		x				
Louis E. Rowe	District 9		x				
John G. Clamp	District 10		x				



CITY OF SAN ANTONIO
Request for Council Action

Agenda Item # 28
Council Meeting Date: 8/7/2008
RFCAs Tracking No: R-3639

DEPARTMENT: Finance

DEPARTMENT HEAD: Ben Gorzell

COUNCIL DISTRICT(S) IMPACTED:
City Wide

SUBJECT:
SAWS Variable Rate Bond Redemption

SUMMARY:

This ordinance authorizes the redemption of certain City of San Antonio, Texas Water System Subordinate Lien Revenue and Refunding Bonds, Series 2003-A and 2003-B. Proceeds from the San Antonio Water System's commercial paper program will be used to redeem the bonds.

BACKGROUND INFORMATION:

In 2003, the San Antonio Water System ("SAWS") issued \$122,500,000.00 City of San Antonio, Texas Water System Subordinate Lien Revenue and Refunding Bonds, Series 2003-A and 2003-B (the "Bonds") as multi-modal variable rate demand obligations, with interest rates reset weekly. At the time of issuance, the bonds were insured by MBIA Insurance Corporation ("MBIA"), then a triple A rated municipal bond insurance provider. Also at the time of issuance, SAWS entered into a Standby Bond Purchase Agreement with JPMorgan Chase Bank, who guaranteed to purchase the bonds should the remarketing agent be unable to remarket the bonds in the financial markets.

At the time, SAWS issued the variable rate demand obligations to provide lower cost of financing than traditional fixed rate bonds would have provided. Since the Bonds were variable rate and interest rates would fluctuate weekly with changes in the short-term market, SAWS entered into a swap agreement which effectively changed the Bonds from variable rate to fixed rate and provided SAWS certainty with regard to the rate of interest paid on the Bonds. Please see Attachment A for a diagram of the transaction. Based on the theory that the Securities Industry and Financial Markets Association (SIFMA) Index leg of the swap paid to SAWS and the Weekly Reset rate SAWS paid to the bondholders perfectly matched, SAWS' interest on the Bonds is fixed at 4.18% plus fees.

Until recently, the SIFMA Index leg of the swap and the Weekly Reset leg of the swap were almost perfectly matched and SAWS had an effective hedge against the fluctuation in short-term interest rates and essentially paid 4.18% interest on the Bonds.

With the recent downgrading of the several municipal bond insurance companies, including

MBIA, the Weekly Reset paid to the Bondholders has increased significantly while short-term rates, as represented by the SIFMA index, have declined. This has caused a significant mismatch in the two variable rate legs of the transaction resulting in SAWS paying interest rates higher than the 4.18% on the Bonds. SAWS is currently paying interest rates up to 9% which equate to an increase of approximately \$160,000.00 in additional debt service costs per week.

SAWS has been working with its Financial Advisors and Bond Counsel to review options available to reduce the effect the downgrade of MBIA has had on the outstanding Bonds. The redemption of all but \$1 million of the Bonds using proceeds from SAWS' commercial paper program has been identified as the most advantageous option. Using proceeds from the commercial paper program, SAWS would continue to have a variable rate leg of the swap and the SIFMA Index received would more closely match the rate paid on the commercial paper.

ISSUE:

SAWS is paying significantly higher than necessary interest rates on its variable rate demand obligations as a result of the recent downgrading of the bond insurer for this transaction, MBIA. The redemption of all but \$1 million of the Bonds with commercial paper proceeds will stop the payment of significantly higher interest rates and still preserve the swap, thus not triggering a termination payment of approximately \$4.3 million on the swap.

ALTERNATIVES:

SAWS, its Co-Financial Advisors, and Bond Counsel have reviewed alternatives to the redemption of the Bonds, including refunding the Bonds with fixed rate debt and removing MBIA's insurance policy, which would trigger the termination of the swap; converting the Standby Bond Purchase Agreement into a Letter of Credit which would take the place of MBIA's insurance policy; and refunding the Bonds with another variable rate demand obligation with a Letter of Credit. These and other alternatives have been analyzed by SAWS, the Co-Financial Advisors and Bond Counsel, and all have concluded that the proposed approach is the most advantageous as a result of the speed with which it can be executed and that fact that it allows SAWS the maximum financial flexibility while limiting credit and market risk.

FISCAL IMPACT:

This transaction will have no fiscal impact to the City, and will stop the payment of significantly higher interest rates paid on the Bonds by SAWS.

RECOMMENDATION:

In order to stop the payment of significantly higher interest rates for SAWS variable rate bonds, staff recommends approval of the proposed ordinance.

ATTACHMENT(S):

File Description	File Name
Attachment A	Attachment A.doc

Voting Results	
Ordinance/Supplemental Documents	200808070655.pdf

DEPARTMENT HEAD AUTHORIZATIONS:

Ben Gorzell Director Finance

APPROVED FOR COUNCIL CONSIDERATION:

Pat DiGiovanni Deputy City Manager