

ORDINANCE NO. 2008-06-12-0535

AN ORDINANCE COMPLYING WITH THE REQUIREMENTS CONTAINED IN SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12, INCLUDING THE APPROVAL AND DISTRIBUTION OF A PRELIMINARY OFFERING MEMORANDUM PERTAINING TO THE ISSUANCE OF APPROXIMATELY \$135,000,000 "CITY OF SAN ANTONIO, TEXAS HOTEL OCCUPANCY TAX SUBORDINATE LIEN VARIABLE RATE DEMAND REVENUE AND REFUNDING BONDS, SERIES 2008"; AUTHORIZING THE CITY'S STAFF, CO-FINANCIAL ADVISORS, AND BOND COUNSEL TO TAKE ALL ACTIONS DEEMED NECESSARY IN CONNECTION WITH THE SALE OF SUCH OBLIGATIONS; AND PROVIDING FOR AN EFFECTIVE DATE

WHEREAS, the City Council (the *City Council*) of the City of San Antonio, Texas (the *City*) is contemplating the issuance of hotel occupancy tax revenue and refunding bonds described in the caption above (the *Obligations*); and

WHEREAS, the preliminary offering memorandum, including the City's audited financial statements for the period ending September 30, 2006 (the *Preliminary Offering Memorandum*) has been prepared in connection with the proposed issuance and sale of the *Obligations*, and the Preliminary Offering Memorandum has been submitted to and reviewed by proper officials of the City; and

WHEREAS, though the City is exempt from compliance with 17 C.F.R. §240.15c2-12 (the *Securities and Exchange Commission Rule*) by its provisions, the City nevertheless desires prior to the offering, sale, and issuance of the *Obligations*, to have the Offering Memorandum relating to the *Obligations* reviewed by appropriate officials of the City and to approve the distribution thereof; and

WHEREAS, based upon their review of the Preliminary Offering Memorandum and of the final Offering Memorandum (the *Final Offering Memorandum* and collectively with the Preliminary Offering Memorandum, the *Offering Memorandum*), the City requires that the appropriate officials thereof find to the best of their knowledge and belief, after reasonable investigation, that the representations of facts pertaining to the City contained in the Offering Memorandum are true and correct and that, except as disclosed in the Offering Memorandum, there are no facts pertaining to the City that would adversely affect the issuance of the *Obligations* or the City's ability to pay the debt service requirements on the *Obligations* when due; and

WHEREAS, the City Council hereby finds and determines that the Offering Memorandum should be approved and authorization to distribute such document concerning the negotiated sale of the *Obligations* should be given in the manner provided by applicable law; and

WHEREAS, the City Council authorizes the City Manager, Director of Finance, City Clerk, and the City Attorney, as appropriate, or their designees, to review, approve, and execute

any document or certificate in order to allow the City to carry out the intent of this Ordinance or to comply with applicable law; and

WHEREAS, the City Council hereby finds and determines that such documents pertaining to the sale of the Obligations should be approved;

WHEREAS, the City Council hereby finds and determines that the adoption of this Ordinance is in the best interests of the citizens of the City; now, therefore,

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

SECTION 1: The Preliminary Offering Memorandum, including the City's audited financial statements for the period ending September 30, 2006, prepared in connection with the issuance and sale of the Obligations is hereby approved, such documents to read substantially as attached hereto as Exhibit A and incorporated herein by reference and made a part of this Ordinance for all purposes, and the Mayor and the City Clerk are hereby authorized to execute and cause distribution to be made of such documents for and on behalf of the City.

SECTION 2: The City Manager, Director of Finance, City Clerk, and the City Attorney, as appropriate, or their designees, are authorized to review and approve the Final Offering Memorandum, including any amendment thereto, pertaining to the offering, sale, and issuance of the Obligations and to execute any document or certificate in order to carry out the intent of this Ordinance or to comply with the applicable law.

SECTION 3: The Underwriters (as identified in the Offering Memorandum) are confirmed to serve as the underwriting syndicate for the proposed issuance of the Obligations by the City.

SECTION 4: The City Clerk is directed to maintain a copy of this Ordinance in the City's official records in a manner that will allow any member of the general public to review this Ordinance during the normal business hours of the City during the period beginning thirty (30) days after the adoption hereof and ending on the date of issuance of the Obligations.

SECTION 5: The recitals contained in the preamble hereof are hereby found to be true, and such recitals are hereby made a part of this Ordinance for all purposes and are adopted as a part of the judgment and findings of the City Council.

SECTION 6: All ordinances and resolutions, or parts thereof, which are in conflict or inconsistent with any provision of this Ordinance are hereby repealed to the extent of such conflict, and the provisions of this Ordinance shall be and remain controlling as to the matters resolved herein.

SECTION 7: This Ordinance shall be construed and enforced in accordance with the laws of the State of Texas and the United States of America.

PASSED AND APPROVED, this the 12th day of June, 2008.

CITY OF SAN ANTONIO


Mayor

ATTEST:


City Clerk



(CITY SEAL)

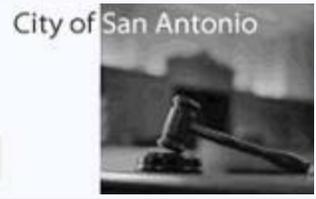
I, the undersigned, City Attorney of the City of San Antonio, Texas, hereby certify that I read, passed upon, and approved as to form the foregoing Ordinance prior to its adoption and passage as aforesaid.



Michael D. Bernard, City Attorney
City of San Antonio, Texas



Request for
**COUNCIL
ACTION**



Agenda Voting Results - 29A

Name:	8, 9, 12, 14, 15, 18, 20, 22, 23, 24, 26, 27, 28A, 28B, 29A, 29B, 30, 31, 32, 33, 37, 38, 39A, 39B, 39C
Date:	06/12/2008
Time:	10:17:35 AM
Vote Type:	Motion to Approve
Description:	An Ordinance complying 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 \$135,000,000.00 "City of San Antonio, Texas Hotel Occupancy Tax Subordinate Lien Variable Rate Demand Revenue and Refunding Bonds, Series 2008"; authorizing the City's staff, co-financial advisors, and bond counsel to take all actions deemed necessary in connection with the sale of such obligations; and providing for an effective date.
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				
Lourdes Galvan	District 5		x				
Delicia Herrera	District 6		x			x	
Justin Rodriguez	District 7		x				
Diane G. Cibrian	District 8		x				
Louis E. Rowe	District 9		x				
John G. Clamp	District 10		x				

Exhibit A

Preliminary Offering Memorandum

See Tab No. __



CITY OF SAN ANTONIO
Request for Council Action

Agenda Item # 29
Council Meeting Date: 6/12/2008
RFCA Tracking No: R-3453

DEPARTMENT: Finance

DEPARTMENT HEAD: Ben Gorzell

COUNCIL DISTRICT(S) IMPACTED:
City Wide

SUBJECT:
Approving the Issuance, Sale and Delivery of H.O.T. Revenue and Refunding Bonds

SUMMARY:

- 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 \$135,000,000.00 "City of San Antonio, Texas Hotel Occupancy Tax Subordinate Lien Variable Rate Demand Revenue and Refunding Bonds, Series 2008"; authorizes the City's Staff, Co-financial Advisors, and Bond Counsel to take all actions deemed necessary in connection with the sale of such obligations; and provides for an effective date.
- B. This Ordinance authorizes the issuance of "City of San Antonio, Texas Hotel Occupancy Tax Subordinate Lien Variable Rate Demand Revenue and Refunding Bonds, Series 2008"; making provision for the payment of these bonds on a parity with certain obligations; enacts other provisions incident and related to the issuance, payment, sale and delivery of these bonds including the approval and execution of a Paying Agent/Registrar Agreement, a Remarketing Agreement, a Purchase Contract, a Reimbursement and Security Agreement, a Promissory Note, and an Escrow Agreement and the approval and distribution of an Official Statement, providing for the defeasance of the bonds being refunded; delegates the authority to certain members of the City Staff to execute certain documents relating to the sale of the bonds; and provides an effective date.

BACKGROUND INFORMATION:

The Hotel Occupancy Tax Variable Rate Demand Subordinate Lien Revenue and Refunding Bonds, Series 2008 (the "Series 2008 Bonds") are being issued to refund approximately \$106,950,000.00 of the Hotel Occupancy Tax Revenue Bonds, Series 2004B (the "Series 2004B Bonds"). Additionally, approximately \$30,000,000.00 in new money is being issued for renovations to the Lila Cockrell Theatre, including ADA compliance improvements, asbestos abatement, renovation of all interior finishes and mechanical, electrical, and plumbing upgrades, as well as other expansion-related improvements.

Over the past few years the City has positioned itself to maximize financial flexibility associated with the City's outstanding Hotel Occupancy Tax Bonds. This flexibility has been aimed at optimizing the City's ability to address Convention Center expansion requirements anticipated in fiscal year 2008 through fiscal year 2010.

As such, \$106,950,000.00 of the Series 2004B Bonds were issued as Multi-modal bonds which were originally structured as a Put Bond anticipated to mature in August 2008. A Put Bond is a structure that allows the issuer to repurchase the security from the bondholders at a specified date before maturity usually at par value. Upon maturity, the Put Bond was designed to be rolled over into a Variable Rate Demand Bond ("VRDB"), extended into another Put Bond structure, or refunded into fixed rate debt. This conversion was to take place sometime between fiscal year 2008 and fiscal year 2010 in order to maximize the capacity and flexibility for the anticipated financing of the next phase of the Convention Center Expansion.

The Series 2004B bonds were insured by Ambac Assurance Corporation ("Ambac") a then "AAA" municipal bond insurance provider. Recently, various municipal bond insurance companies including Ambac have experienced downgrades in their ratings due to their losses from insurance of structured products backed by residential mortgages. On January 18, 2008, Fitch Ratings downgraded Ambac from "AAA" to "AA". This deterioration in Ambac's credit quality has eroded many of the City's anticipated options on August 2008. Ambac's market acceptance has subjected the City to certain timing, credit, market and interest rate risk not anticipated in the original acceptance of the Ambac policy.

The various options for August 2008 have been reviewed by staff, the City's Financial Advisors and Bond Counsel. A current refunding to a new series VRDB was chosen as the most advantageous option as it eliminates Ambac's participation and preserves the City's flexibility given its continued development of the Convention Center Expansion Financing Plan. The transaction requires the City to secure a liquidity facility or a direct pay Letter of Credit to provide additional security for the variable rate bonds.

The City requested bids for Letter of Credit from various banks and received three bids for various terms. These are listed below:

Firm	1 Year	18 Months	2 Years	3 Years
Wachovia Bank	55 bp		60 bp	
Bank of America		62 bp		
Dexia				75 bp

Based on the bids received, City staff and the City's Financial Advisors selected Wachovia Bank as the Letter of Credit provider as well as the Remarketing Agent for the Series 2008 Bonds. Wachovia Bank is one of the firms currently in the City's existing Financial Underwriter Pool which was approved by City Council on October 19, 2006.

In connection with the issuance and sale of the bonds, documents will be mailed to the Rating Agencies on or about June 23, 2008. The Rating Agencies will use that documentation to assign their public ratings. It is anticipated that the Series 2008 Bonds will be sold the week of July 7, 2008 by Wachovia Bank, National Association.

The final results of the pricing and sale will be detailed in a memorandum which will be provided on Thursday, August 7, 2008.

ISSUE:

The sale of these bonds is consistent with the City's debt planning and management. Debt service on the Series 2008 Bonds will be paid from Hotel Occupancy Tax collections.

ALTERNATIVES:

There are several interim financing alternatives available to the City, including entering into another Put for a twelve to eighteen month period, attempting to convert into a VRDB while maintaining Ambac's insurance policy, refunding the Series 2004B Bonds into fixed rate debt and removing Ambac's insurance policy. These and other alternatives have been analyzed by City staff, the City's Financial Advisors and the City's Bond Counsel and all have concluded that the proposed approach allows the City the maximum financing flexibility while limiting credit risk until a long term finance plan is completed for the Convention Center.

FISCAL IMPACT:

Any costs pertaining to the proposed bond transactions will be paid from the proceeds derived from the issuance and sale of such obligations. Therefore, there is no impact on the City's Operating Budget.

RECOMMENDATION:

Staff recommends approval of this ordinance to refund certain currently outstanding bonds while preserving the City's flexibility given future plans for development of the Convention Center expansion and allows for the issuance of new money bonds for design or construction of permanent improvements relating to the expansion of the Convention Center in association with the Convention Center Master Plan.

ATTACHMENT(S):

File Description	File Name
2008 Convention Center Discretionary Contracts Disclosure	2008 Convention Center Discretionary Contracts Disclosure.pdf
Preliminary Official Statement	COSA Hotel Variable Rate POS 2008.pdf
Voting Results	
Voting Results	
Ordinance/Supplemental Documents	200806120535.pdf
Ordinance/Supplemental Documents	200806120536.pdf

DEPARTMENT HEAD AUTHORIZATIONS:

Ben Gorzell Director Finance

APPROVED FOR COUNCIL CONSIDERATION:

Pat DiGiovanni Deputy City Manager