



City of San Antonio

Agenda Memorandum

File Number:16-5861

Agenda Item Number: 21.

Agenda Date: 12/8/2016

In Control: City Council A Session

DEPARTMENT: Finance

DEPARTMENT HEAD: Troy Elliott

COUNCIL DISTRICTS IMPACTED: City-wide

SUBJECT:

Authorizing the issuance of approximately \$52,000,000 Variable Rate Certificates of Obligation, Series 2016

SUMMARY:

This Ordinance authorizes the issuance of approximately \$52,000,000 "City of San Antonio, Texas Variable Rate Certificates of Obligation, Series 2016" (the "Certificates") and levies an annual ad valorem tax, within the limitations prescribed by law, for the payment of the Certificates; prescribes the form, terms, conditions, and resolves other matters incident and related to the issuance, sale, and delivery of the Certificates; authorizes the execution of a Paying Agent/Registrar Agreement, Tender Agent Agreement, and a Purchase and Investment Letter; and to execute certain other documents relating to the sale thereof; and provides for an effective date.

BACKGROUND INFORMATION:

The City is issuing approximately \$52,000,000 of its "City of San Antonio, Texas Variable Rate Certificates of Obligation, Series 2016" to purchase the Frost Bank Tower and pay professional services (including closing cost) related to such acquisition and financing.

The Certificates will be issued as thirty-year variable rate obligations, initially in a three-year term (or "fixed") rate mode with a one-year call option. The Certificates will have multi-modal conversion flexibility (including conversion to tax-exempt obligations) at the expiration of the initial three-year interest rate period.

On November 4, 2016, the City released a request for bid for a Placement Agent for the Certificates and selected M. E. Allison & Co., Inc. to serve as Placement Agent for this transaction. Since this transaction will be privately placed, the Placement Agent will receive the bids for the Certificates on behalf of the City. It is anticipated that bids on the Certificates will be received on December 6, 2016 and closing and delivery of the Certificates is planned for December 20, 2016. The final results of the pricing and sale will be detailed in a memorandum which will be provided to City Council on Wednesday, December 7, 2016. These final terms will be included in the Ordinance authorizing the issuance

of the Certificates, which will be considered by the City Council on Thursday, December 8, 2016.

The closing on the acquisition of the Frost Bank Tower is anticipated to occur on December 22, 2016. Once the acquisition is completed, the City will lease the Frost Bank Tower back to Frost Bank for approximately thirty months until the new tower is completed and ready for occupancy by Frost Bank. The City will renovate the Frost Bank Tower once it is vacated. The cost of such renovation will be financed through subsequent debt issuances.

On June 4, 2015, City Council approved a Comprehensive Development Agreement between the City, Weston Urban LLC, and Frost Bank. This public private partnership provides for the acquisition of the Frost Bank Tower which will serve as a consolidated administrative tower for the City; 265 residential units in the central business district; and the construction of the first class A office tower in downtown San Antonio since 1989.

The acquisition and renovation of the Frost Bank Tower for the consolidation of City administrative services is cost neutral to the City and does not impact the City's bond capacity. A 30-year cash flow analysis was performed which analyzed the cost differential of maintaining existing City leases and operations at various facilities and the consolidation of City administrative services into a single facility. The analysis included items such as the sale of property, third party lease revenue, added parking revenue and additional property tax revenue from the proposed new tower and concluded that the transition was cost neutral overall.

ISSUE:

The aforementioned issuances of the Certificates are being issued to fund the acquisition of the Frost Bank Tower building and pay related costs.

ALTERNATIVES:

The cost of the improvements to be financed could be absorbed into the City's operating budget. However, this alternative is not budgeted and would negatively impact funding for other services and improvements.

FISCAL IMPACT:

Any costs pertaining to the proposed transaction will be paid for from the proceeds derived from the issuance and sale of the Certificates. Therefore, there is no impact on the City's operating budget.

RECOMMENDATION:

Staff recommends approval of this ordinance that authorizes the issuance of approximately \$52,000,000 Variable Rate Certificates of Obligation, Series 2016.