



City of San Antonio

Agenda Memorandum

File Number: 19-7123

Agenda Item Number: 22.

Agenda Date: 10/17/2019

In Control: City Council A Session

DEPARTMENT: Finance

DEPARTMENT HEAD: Troy Elliott

COUNCIL DISTRICTS IMPACTED: City-wide

SUBJECT:

Authorizing the issuance of debt for Brooks Development Authority

SUMMARY:

This Ordinance approves a finance agreement between the City and the City of San Antonio, Texas Municipal Facilities Corporation (the "Corporation"), under which the City will assign CPS revenues received by the City along with other lawfully available funds to the Corporation for the purpose of securing the repayment of a loan, in the an amount not to exceed \$6,100,000, to pay costs related to financing projects at Brooks City Base; authorizing the Corporation's issuance of debt obligations related to the foregoing project and the pledge of certain revenues as security therefor.

This Resolution approves a loan agreement by the City of San Antonio, Texas Municipal Facilities Corporation, pursuant to which the Corporation will receive a loan from a qualified financial institution in an amount not to exceed \$6,100,000 to pay costs related to financing projects at Brooks City Base; approving a finance agreement between the Corporation and the City of San Antonio, Texas, pursuant to which CPS revenues received by the City along with other lawfully available funds will be pledged by the City to the Corporation for further pledge by the Corporation as security for the aforementioned loan.

BACKGROUND INFORMATION:

In March 2019 the City and the Brooks Development Authority ("BDA") entered into an Economic Development Interlocal Agreement for the redevelopment of two buildings, 2415 Sidney Books and 176

Kennedy Hill, with the objective to attract a large employer multiple employers, or expansion of an existing Brooks City Base tenant. As part of the Interlocal Agreement the City is obligated to issue debt in an amount not to exceed \$6,100,000 which shall be transferred to BDA for reimbursement for the cost of the redevelopment of the two buildings. The Brooks Tax Increment Reinvestment Zone (“TIRZ”) Board authorized the TIRZ to reimburse the City for the debt service on the debt issued to reimburse BDA for redevelopment of the two buildings.

In order for the City to meet its obligations in the Interlocal Agreement, the City intends to utilize the Corporation which was created by the City to act on its behalf to accomplish certain governmental purposes. The Corporation will obtain a loan in an amount not to exceed \$6,100,000, inclusive of cost of issuance, which will be privately placed. The Corporation and the City will enter into a Finance Agreement in which CPS revenues received by the City along with other lawfully available funds will be pledged by the City to the Corporation as security for the loan. While CPS revenues received by the City are pledged as security to the loan, the City intends to utilize funds from the TIRZ to repay the loan.

Since this transaction will be privately placed, a Placement Agent is required to receive bids for the loan on behalf of the City. On September 11, 2019, the City released a Request for Bid for a Placement Agent and selected Hutchinson, Shockey, Erley & Co. to serve as Placement Agent.

On October 8, 2019, bids for the private placement were received and closing and delivery is planned for October 29, 2019. The final results of the loan will be detailed in a memorandum which will be provided to City Council on Wednesday, October 16, 2019. The final terms will be included in the Ordinance authorizing the transaction, which will be considered by the City Council on Thursday, October 17, 2019.

ISSUE:

The aforementioned issuance of debt in an amount not to exceed \$6,100,000 inclusive of cost of issuance is being issued to reimburse the BDA for the cost of redevelopment of two buildings at Brooks City Base and to pay the cost of issuance.

ALTERNATIVES:

The payment to BDA could be absorbed into the City’s operating budget but 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 Bonds, and the debt service will be paid from the TIRZ. Therefore, there is no impact on the City’s operating budget.

RECOMMENDATION:

Staff recommends approval of this ordinance that authorizes the issuance of debt in an amount not to exceed \$6,100,000 to reimburse Brooks Development Authority for redevelopment of two buildings at Brooks City Base.

