



City of San Antonio

Agenda Memorandum

File Number:15-3241

Agenda Item Number: 15.

Agenda Date: 5/28/2015

In Control: City Council A Session

DEPARTMENT: Finance

DEPARTMENT HEAD: Troy Elliott

COUNCIL DISTRICTS IMPACTED: City-wide

SUBJECT:

Authorizing the issuance of \$5,570,000 Tax Notes, Taxable Series 2015

SUMMARY:

This Ordinance authorizes the issuance of \$5,570,000 “City of San Antonio, Texas Tax Notes, Taxable Series 2015” (the “2015 Taxable Notes”), levying a continuing direct annual ad valorem tax for the payment of the Notes; prescribes the form, terms, conditions, and resolving other matters incident and related to the issuance, sale, and delivery of the Notes; authorizes the execution of a Paying Agent/Registrar Agreement and a Purchase and Investment Letter, complying with the provisions of the Depository Trust Company’s letter of representations; enacts other provisions incident and related to the subject and purpose of this ordinance; and provides for an effective date.

BACKGROUND INFORMATION:

The City is planning to issue “\$5,570,000 City of San Antonio, Texas Tax Notes, Taxable Series 2015”. The 2015 Taxable Notes are planned to be privately placed with a financial institution(s). The 2015 Taxable Notes are short term ad valorem tax supported taxable debt.

The 2015 Taxable Notes are being issued primarily to fund the Initial or Prepaid Purchase Price for the acquisition of the Frost Bank Tower included in the Comprehensive Development Agreement among the City, Weston Urban, LLC, and Frost Bank and the Purchase and Sale Agreement between the City and Frost Bank. Other authorized uses of proceeds of the 2015 Taxable Notes include payment of professional expenses related to such acquisition and building utilization by the City. Under the aforementioned agreements, the City will, at

the time of execution of the same (which execution signifies the City's commitment to purchase the Frost Bank Tower), pay \$5.51 million as a Prepaid Purchase Price, which amount will be held in two escrow accounts. At "closing" on the Frost Bank Tower (defined in the applicable agreements to mean the exchange of legal title in exchange for payment), these previously paid funds then held in escrow will be applied against the total purchase price of \$51 million. In the event that the City does not meet its obligation to purchase the Frost Bank Tower, of these deposited amounts, \$510,000 (representing 1% of the total purchase price) will be paid to Frost Bank; and Weston Urban will reimburse themselves for any actual costs incurred up to \$5 million. To the extent of any balance remaining (or the entirety, in the event the City does not purchase the Frost Bank Tower because of the fault of Frost Bank or Weston Urban), the same will be refunded to the City and used to redeem the 2015 Taxable Notes at such time outstanding (without prepayment penalty to the City).

On May 13, 2015, the City released a request for bid for a Placement Agent for the 2015 Taxable Notes and received bids on May 14, 2015. The Placement Agent will receive the bids for the 2015 Taxable Notes on behalf of the City prior to the Council's consideration of the Ordinance (which Ordinance will include final sales terms of the 2015 Taxable Notes). Closing and delivery of the 2015 Taxable Notes is planned for June 11, 2015.

ISSUE:

The aforementioned issuance of the 2015 Taxable Notes is being issued for the Frost Bank Tower acquisition.

ALTERNATIVES:

The amount being financed with the 2015 Taxable Notes 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 2015 Taxable Notes. Therefore, there is no impact on the City's operating budget.

RECOMMENDATION:

Staff recommends approval of this ordinance that authorizes the issuance of \$5,570,000 Tax Notes, Taxable Series 2015.