

City of San Antonio



City Council Special Meeting

No in-person access to this meeting

Thursday, September 10, 2020

1:00 PM

Videoconference

ROLL CALL

The City Council convened in a Special Meeting. City Clerk Tina J. Flores took the Roll Call noting a quorum with the following Councilmembers present:

PRESENT: 11 - Mayor Nirenberg, Treviño, Andrews-Sullivan, Viagran, Rocha Garcia, Gonzales, Cabello Havrda, Sandoval, Pelaez, Courage, and Perry

Once a quorum is established, the City Council shall consider the following:

1. Briefing on Funding Alternative for Edwards Aquifer Protection Program. [Ben Gorzell Jr., Chief Financial Officer]

Homer Garcia stated that most of the drinking water in San Antonio came from the Edwards Aquifer, a massive underground limestone formation. He reported that the Edwards Aquifer received water from rainfall on the Edwards Plateau, which was the Hill Country to the north and west of Bexar County. He indicated that runoff from the drainage area flowed into the ground through natural formations along the recharge zone. He added that as development grew, there were less of these features which allowed the Aquifer to recharge and replenish itself.

Mr. Garcia stated that the Edwards Aquifer Protection Program (EAPP) protected the quality and quantity of water recharging into the Edwards Aquifer by: 1) The purchase of land; 2) Conservation easements; and 3) Water quality projects. He noted that the City partnered with the Edwards Aquifer Authority (EAA), San Antonio Water System (SAWS), San Antonio River Authority (SARA), the Land Acquisition Team, and the Scientific Evaluation Team to drive the mission forward.

Mr. Garcia presented the EAPP property evaluation process:

1. Property modeling and ranking – GIS model ranks properties based on geological features
2. Board review – Conservation Advisory Board (CAB) considers properties

3. Stage 1 due diligence – Geological assessment and property appraisal
4. Stage 2 due diligence – Phase I environmental site assessment completed and negotiation
5. Final approval - Final CAB approval and City Council consideration

Mr. Garcia indicated that the CAB was created in April 2000 and provided input and advice to City Council on the EAPP. He noted that there were nine members appointed by the City Council representing:

- EAA
- Parks and Recreation Board
- Parks and Recreation Department director
- SARA
- SAWS
- San Antonio Economic Development Foundation
- Texas Parks and Wildlife Department
- Medina County
- Uvalde County

Mr. Garcia reported that since 2000, voters had approved \$325 million for Aquifer protection and over 160,000 acres had been protected.

Ben Gorzell stated that the funding alternative recommended would continue funding for the EAPP through the issuance of bonds or debt. He noted that the 2015 EAPP sales tax was projected to reach \$100 million in the Spring of 2021 and at that time there would be approximately \$20 million available which would carry the program through FY 2022. He indicated that the proposed alternative funding structure would begin in FY 2023 and the City would contract with the Municipal Facilities Corporation (MFC) to carry out the EAPP. He added that the Mayor and City Council were members of the Board of Directors of the MFC per City Ordinance and the MFC Articles of Incorporation.

Mr. Gorzell stated that under the proposal, the City's commitment for EAPP would be \$100 million for up to 10 years. He noted that the \$100 million would exclude interest, financing, and maintenance and support costs. He reported that the program objective was to preserve and protect the Edwards Aquifer watershed to include a recharge area or Recharge Feature Protection Project, a conservation easement, and an open space preservation program.

Mr. Gorzell reported that annual program funding would include approximately equal amounts (\$10 million) over the program term which could be adjusted based on EAPP needs, and the financial capacity of the City while taking into consideration other budget needs.

Mr. Gorzell stated that the CAB would continue to advise on the EAPP and the City would collaborate with the CAB on what they considered as the needs for the EAPP in the next fiscal year. He added that Parks and Recreation staff would continue to support the EAPP.

Mr. Gorzell reported that the EAPP would be funded through the issuance of debt with short-term commercial paper (\$30 million capacity) and long-term fixed rate debt (20-25-year

amortization). He noted that cash funding from other sources could be applied at the City's discretion and could be utilized to leverage grant funds. He added that any lawful available revenues could be used to pay for debt or cash fund.

Mr. Gorzell stated that the City would pledge a portion of the City payment from SAWS as security for the bonds with no approval or coordination from SAWS required. He indicated that this would provide security to bondholders and created the ability to issue debt for EAPP. He reported that the City would provide funding to the MFC to pay for debt service and to provide cash funding for the program. He added that the City would provide funding from the City Operating Budget for expenses such as monitoring or the SET model update.

Mr. Gorzell reported that the Parks and Recreation Department had partnerships to support the program to include monitoring for compliance, and technical assistance. He indicated that costs could be allocated as program costs or expense based on type. He noted that a provision was included in the agreement whereby material change could not be made through the Budget process. He stated that the authorizing Ordinance and the financing agreement would have to be amended by City Council and would only occur after two public hearings were held at least 30 days apart.

Mr. Gorzell stated that the City would contract with MFC to carry out the program on behalf of the City. He noted that this provided the ability for the City to issue bonds to support the program. He indicated that bond proceeds would be utilized to fund the program and a portion of the City's payment (SAWS revenue) would be utilized to create security for bondholders. He reported that the City would be able to cash fund the program and repay the debt service or the bonds and the borrowing that would have occurred. He stated that the City Council and MFC would approve the Ordinance and the financing agreement. He noted that staff was prepared to bring the Ordinance and financing agreement before the City Council on September 17, 2020. He indicated that other financing documents to support the financing structure would be presented for approval in FY 2022 and program funding would begin in FY 2023. He added that he would provide a Resolution approved by the CAB supporting a funding alternative to continue the City's EAPP.

Mayor Nirenberg stated that the EAPP had been valuable and successful in protecting the aquifer. He reported that the EAPP was recognized in the State, nationally, and internationally. He thanked Dr. Francine Romero, Councilmember Bonnie Connor, Susan Hughes, Ben Youngblood, the VIA board, and Jim Greenwood. He stated that the three pillars of the EAPP were: 1) To ensure that the management and the governance of the EAPP remained the same; 2) To ensure that the strength, the commitment, and the size of the commitments remained the same; and 3) To ensure that the commitment made to the EAPP was intact. Mayor Nirenberg asked if a modification was made or the EAPP was not carried out, would the 160,000 acres purchased belong to the City forever. Homer Garcia replied that they would. Mayor Nirenberg asked if the EAPP modified the relationship that the Science Evaluation Team had regarding the shaping criteria for land acquisition. Mr. Gorzell replied that it did not.

Mayor Nirenberg reported that the Bexar County Commissioner's Court committed to the next round of development for the Linear Creekway Parks Program. He indicated that City staff

would continue to maintain existing and new trails.

Councilmember Courage stated that he anticipated a partnership with the Edwards Underground Water District Authority which was established through the legislature and charged with protecting the aquifer. He advocated for the EAPP and stated that it was a strong program to protect the aquifer.

Councilmember Cabello Havrda asked where the 160,000 acres benchmarked and requested the original goal set in 2000. She asked if the City had hit or was close to hitting a fair market ceiling. Homer Garcia stated that he would provide that information. Councilmember Cabello Havrda noted that community members had expressed concern regarding a SAWS rate increase. Mr. Gorzell stated that this would not result in a SAWS rate increase.

Councilmember Rocha Garcia asked what SET Model was referred to on slide 10. Mr. Garcia stated that the Scientific Evaluation Team reviews the SET model, and that was how properties were ranked. He noted that the SET Model was updated periodically, usually every four to five years, to ensure that relevant information was captured in terms of the sites which drive key indicators of the program. He added that the SET Model was vetted through the CAB. Councilmember Rocha Garcia requested a five, ten, and 20-year plan. Mr. Garcia stated that he would provide that information.

Councilmember Gonzales expressed concern that the Westside creeks may not be funded in the Linear Creekway Parks Program. City Manager Erik Walsh reported that in February 2020, the Bexar County Commissioners Court approved a Watershed and Linear Creek Development Program and asked the San Antonio River Authority (SARA) and County staff to work on a financing plan which had not been developed. He added that Bexar County was probably trying to assess the impact of COVID-19 on property tax values.

Councilmember Perry stated that additional debt would be created in the General Fund for protection of the aquifer. He suggested that the item be delayed until the next ballot in May 2021. He asked if this would affect the City's issuance of other certificates of obligation and the FY 2022 Bond Program. Mr. Gorzell replied that it would not. Councilmember Perry added that voters did not have the opportunity to vote on the EAPP.

City Attorney Andy Segovia stated that since the City's tax proposal was on the ballot in November 2020, under State Law you could only do that once every 365 days, and due to the fact that a ballot in November 2021 would be less than 365 days from November 2020, the earliest that a tax proposition could be put on the ballot would be in May 2022.

Mayor Nirenberg noted that the conservation easements were not leases, but were property owned by the City of San Antonio in perpetuity.

Councilmember Viagran asked if there had ever been any conflicts of interest with any property owner which had been considered for participation in the program. Mr. Garcia replied that there had not been.

Councilmember Sandoval asked if this were adopted, how could the next City Council reverse it. Mr. Gorzell stated that the Mayor and the City Council would be required to hold two public hearings on the program at least 30 days apart and then the Ordinance and agreement would have to be amended and passed by City Council. He added that the City would be required to pay for the debt already issued.

Councilmember Pelaez stated that this was an opportunity to secure dedicated funding for the next 10 years and continue the work of the CAB.

Mayor Nirenberg asked if the funding plan would be immune from the ups and downs of the market. Mr. Gorzell stated that the City had the ability to adjust the annual amount and the agreements delegated the authority to staff to move forward and continue to execute the program as it exists today. Councilmember Pelaez stated that the City Council would not let the Linear Creekway Parks Program end.

Councilmember Treviño suggested that this item be discussed further after the November 2020 election to better understand the impacts. He indicated that the County Manager, Judge Nelson Wolff and the Commissioners Court stated that they did not agree to fund the Linear Creekway Parks Program. He added that he wanted to be assured that his constituents would not see an impact.

City Manager Erik Walsh stated that he would provide the item on the Bexar County Commissioners Court Agenda, the vote, and the presentation to the Mayor and City Council. Mr. Gorzell stated that funding for the structure would not begin until 2023.

Councilmember Andrews-Sullivan asked what contribution by Bexar County was the City asking for. City Manager Walsh reported that Bexar County's five to 10-year program was allocated \$240 million of which \$83.5 million was designated for the Linear Creekway Parks Program. City Attorney Segovia suggested that a separate meeting be held to discuss the Linear Creekway Parks Program. Councilmember Andrews-Sullivan requested a mock matrix of the program. City Manager Walsh stated that he would provide the projected impact of the program on the General Fund for the next several years.

Councilmember Courage stated that a decision regarding the aquifer was relevant at this time and the City Council should not wait for another year and a half for another election. He noted that the amount of funding required for projects would depend on the supply of land, the location, the value recollecting the aquifer, the price of the land, and the willingness of property owners to provide easements. He encouraged the City Council to study the information on the program.

Councilmember Perry stated that citizens should be able to provide feedback on the item before it was approved and noted that the City would be taking funds away from other services.

Councilmember Gonzales stated that Bexar County had not voted to fund the Linear Creekway Parks Program. She expressed concern that the urban and inner city creekways would not be funded.

Councilmember Rocha Garcia pointed out that the Resolution stated in part that “notwithstanding its determination to request that City voters redirect the Sales Tax at the 2020 Election as described above, the City Council, pursuant to an ordinance adopted currently herewith (the *Ordinance*), determined that (i) continuation of the Edwards Aquifer Protection Program beyond the expiration of the 2015 EAPP is of critical importance to the City's future sustainability, (ii) a new iteration of the EAPP, causing its continuation beyond the 2015 EAPP' s expiration, is in the best interests of the City and its residents.”

Councilmember Sandoval expressed concern that individuals not living in the City of San Antonio received the benefits of living nearby.

Mayor Nirenberg stated that the City was committed to adequately protecting the Edwards Aquifer and the solution was one that had minimal impact to the General Fund.

ADJOURNMENT

There being no further discussion, Mayor Nirenberg adjourned the meeting at 3:31 pm.

APPROVED

RON NIRENBERG
Mayor

Attest:

TINA J. FLORES
City Clerk