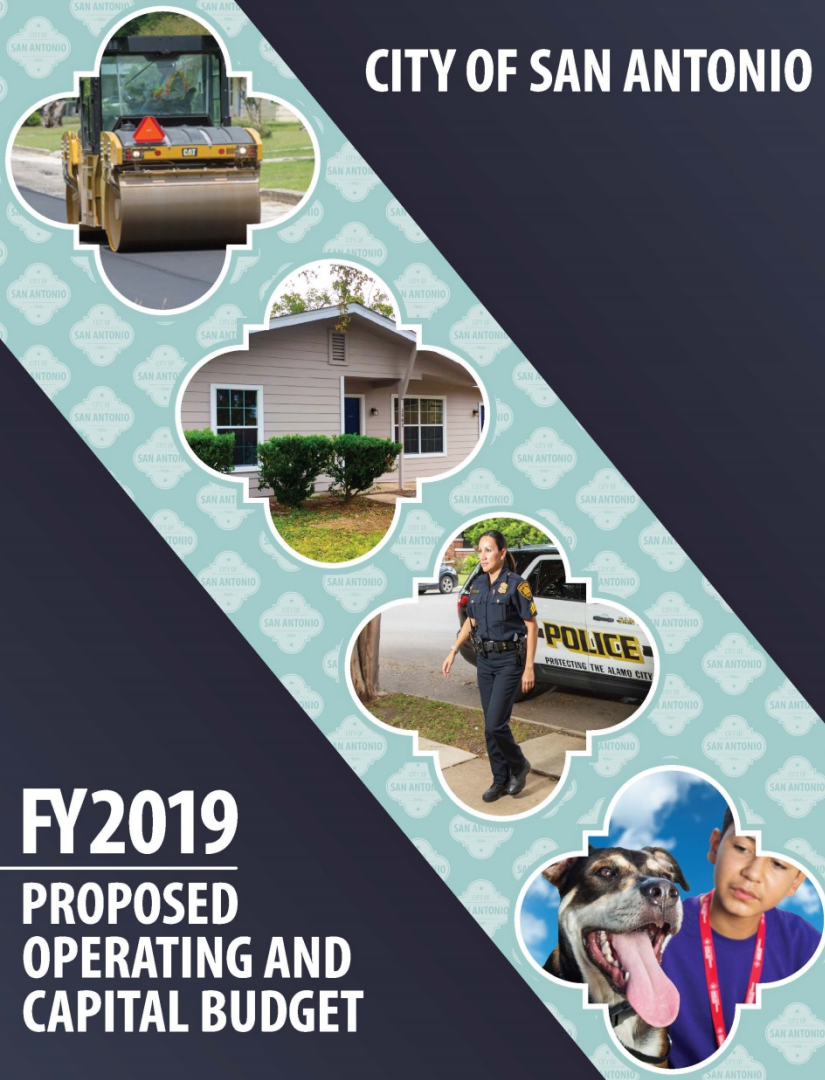


CITY OF SAN ANTONIO



FY2019
PROPOSED
OPERATING AND
CAPITAL BUDGET

Debt Management Plan

Presented by:
Chief Financial Officer
Ben Gorzell Jr.

Date: August 14, 2018

Types of Debt Issued

- **General Obligation Bonds** - Payable from ad valorem taxes, which must be voter approved
- **Certificates of Obligation** - Payable from ad valorem taxes, not voter approved, requires 30 day notice prior to sale approval
- **Tax Notes** - Payable from ad valorem taxes, not voter approved, maturity of less than seven years
- **Revenue Debt** - Not voter approved, secured by specific revenue source

Bond Ratings

	Fitch	Moody's	S&P
Prime	AAA	Aaa	AAA
High grade	AA+	Aa1	AA+
	AA	Aa2	AA
	AA-	Aa3	AA-
Upper medium grade	A+	A1	A+
	A	A2	A
	A-	A3	A-
Lower medium grade	BBB+	Baa1	BBB+
	BBB	Baa2	BBB
	BBB-	Baa3	BBB-

Total Outstanding Debt

\$3.01

Billion*



*Includes Restricted and Revenue Debt

Bond Refunding Results

Since May 2007:

- 11 Refunding Transactions (All types of debt)
- Total Gross Savings of \$124.9M
- Net Present Value Savings of \$93.7M

Current Outstanding Debt

	Outstanding Principal	Effective Interest Rate	Average Life (Years)
G.O./C.O./Tax Notes ¹	\$1,915.2M	2.87%	8.73
Airport – GAR	\$185.1M	4.56%	10.53
Airport – PFC	\$125.3M	4.83%	8.92
Airport – CFC	\$123.9M	5.70%	18.13
Stormwater	\$56.9M	2.02%	6.08
Starbright	\$18.2M	4.14%	8.67
MFC Lease Revenue Bonds			
One Stop	\$2.1M	3.35%	1.51
Fire and Police Dispatch Center (PSAP)	\$24.4M	5.02%	13.94
PFC Lease Revenue Bonds ²	\$544.7M	3.98%	17.03
Taxable Revenue Notes ¹	\$6.6M	2.32%	1.01
Short-term Loan ¹	\$ 6.1M	3.37%	1.0
Total	\$3,008.5M		

¹ Includes private placement debt.

² Includes Capital Appreciation Bonds with proceeds in the amount of \$30.0M and a maturity value of \$99.5M.

Bond Ratings

	Fitch	Moody's	S&P
G.O./C.O./Tax Notes	"AAA"	"Aaa"	"AAA"
Airport	"A+"	"A1"	"A+"
Passenger Facility Charge	"A"	"A2"	"A"
Customer Facility Charge Revenue Bonds	"BBB+"	"A3"	"A-"
Stormwater	"AA"	"Aa2"	"AA+"
Contract Revenue Bonds – Starbright (Toyota)	"AA+"	"Aa1"	"AA+"
One Stop	"AA+"	"Aa1"	"AA+"
Public Safety Emergency Dispatch Center	"AA+"	"Aa1"	"AA+"
Convention Center Expansion	"AA+"	"Aa2"	"AA+"

Ad Valorem Debt Outstanding

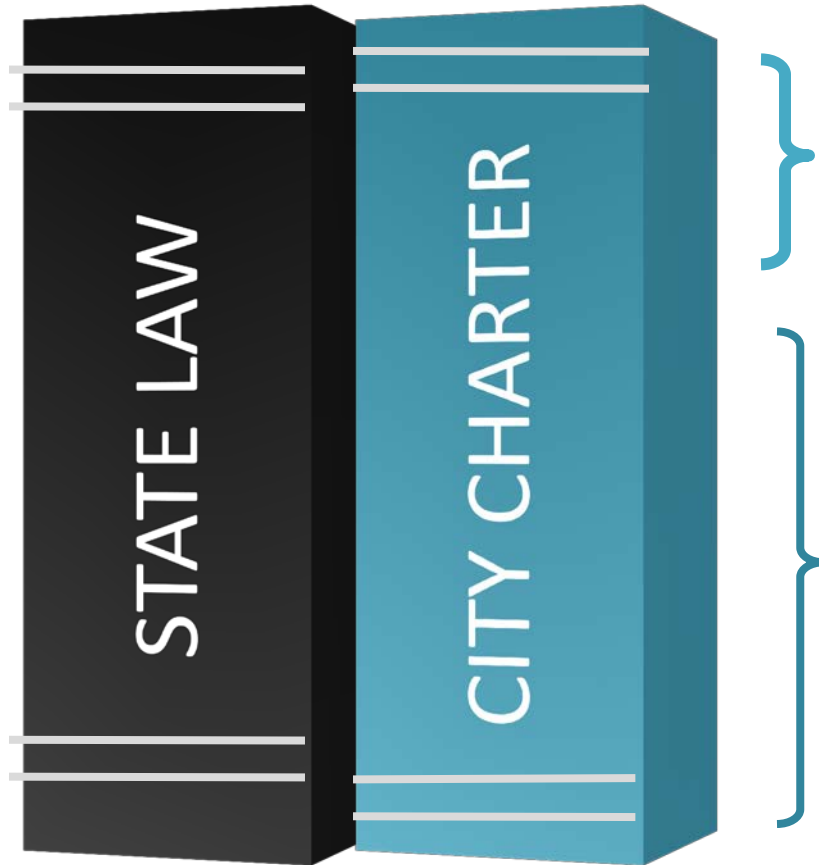
**\$1.9
Billion**

- General Obligation Bonds
- Certificates of Obligation
- Tax Notes

Effective Interest Rate: 2.87%

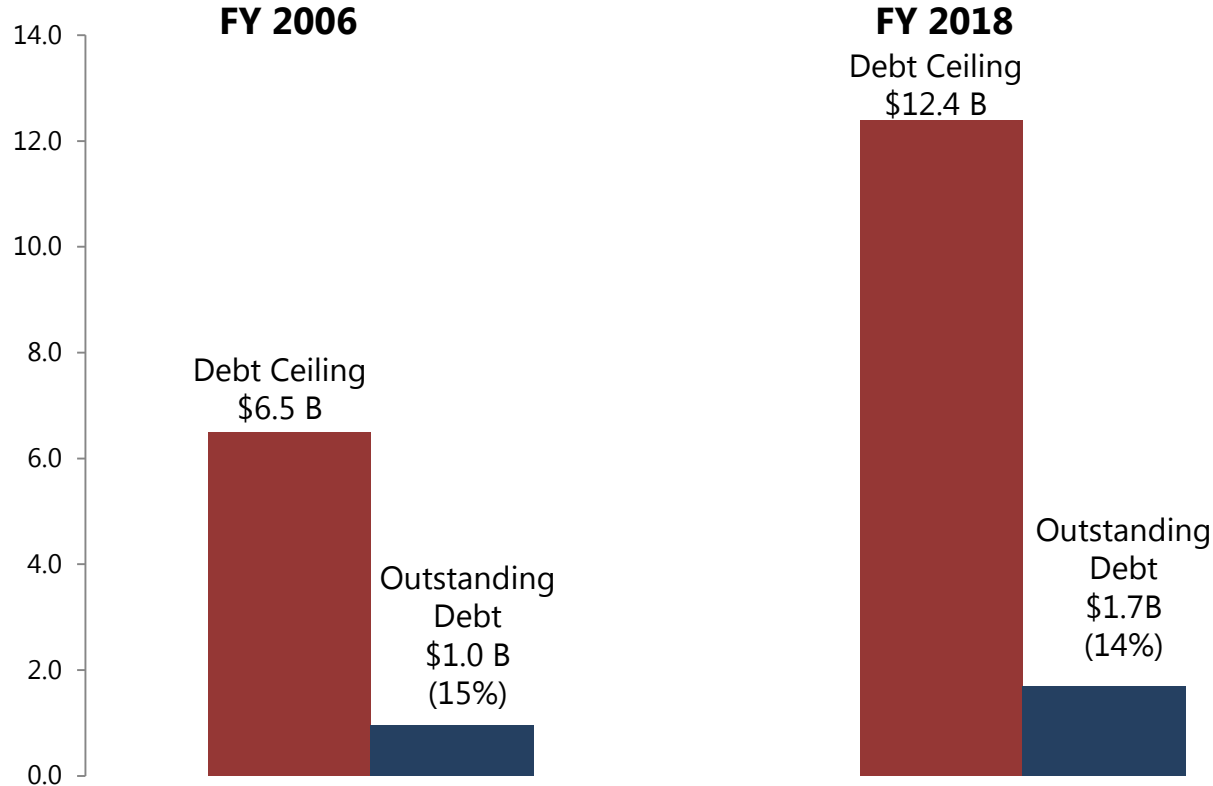
Average Life: 8.7 years

Ad Valorem Debt Legal Limits



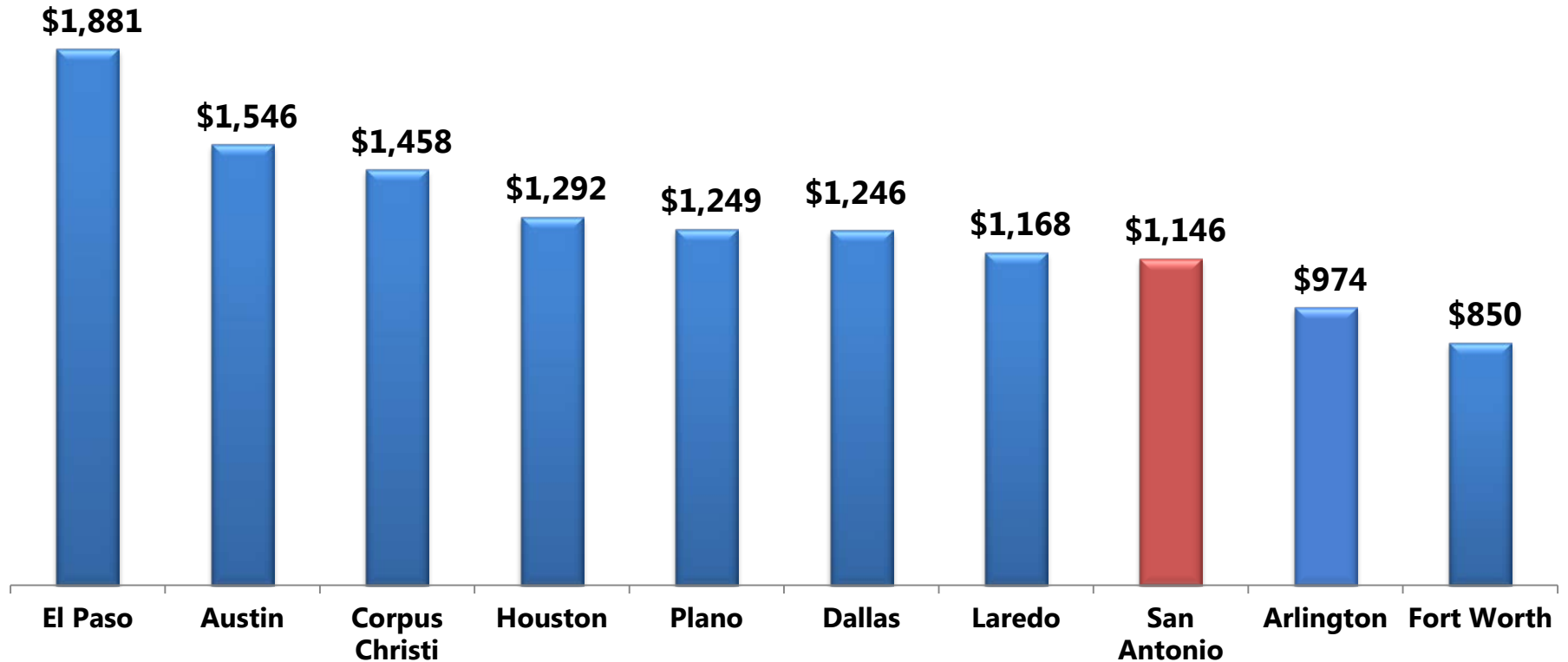
- **Should not exceed 10% of total Assessed Valuation**
 - *Ceiling: \$12.4 billion*
- **Property Taxes levied for debt must not exceed \$1.50 per \$100 of assessed valuation**
 - *City Current Debt Portion of Property Tax Rate:*
 - *21 cents for every \$100 valuation*
 - *Has been 21 cents since 2004*

Actual Debt vs. Legal Capacity*



* Excludes Self-Supporting Debt

San Antonio One of the Lowest Ad Valorem Debt per Capita in Texas



SOURCE: Texas Review Board website as of August 31, 2017

Ad Valorem Debt Management Plan Update

Ad Valorem Tax Rate

Tax Rate Breakdown:

General Fund	\$0.34677
Debt Service Fund	<u>0.21150</u>
Total Tax Rate	\$0.55827

City Tax Relief

\$52 Million

100,000 seniors & disabled
homestead exemptions &
frozen city tax payments

33,000 senior and disabled homeowners
pay **\$0** City Property Taxes

Assumptions

**Net Taxable Assessed Value
Growth Rate**

Tax Collections

Debt Service Tax Rate

Interest Rate

Length of Debt

Average Life

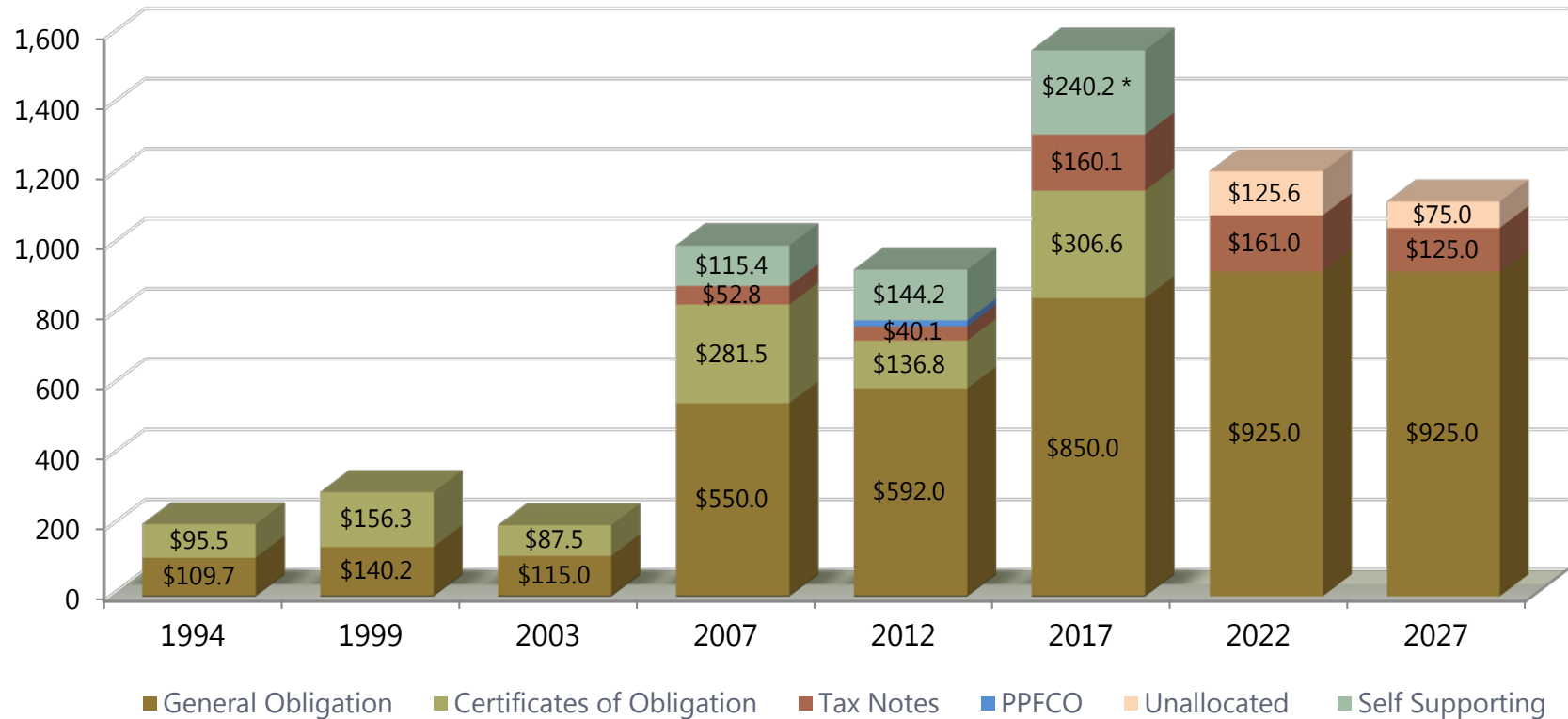
Planned Authorization

Investment Rate

Fund Balance

Ad Valorem Debt Management Plan

Actual and Planned Issuances



*Amount includes Interim financing for Airport

Summary of Ad Valorem Debt

May 2007 – September 2018

	(In Millions)
Total Outstanding as of May 2007	\$923.6
Total Issuances	\$3,020
Total Refunded	(\$685.2)
Total Principal Paid	(\$1,338)
Total Cash Defeasance	(\$4.9)
Total	\$1,915

FY 2019 Proposed Debt Issuances

HUD 108 Loan Refinancing \$25.7M

General Obligation Bonds \$249.5M

Certificates of Obligation Capacity \$33.7M

- \$11.2M Streets
- \$7.5M Enterprise Land Management System (Self-Supporting)
- \$15M Police Radio

Tax Notes \$37M

- \$10M Information Technology
- \$5M Deferred Maintenance
- \$22M Street Maintenance

General Obligation Ratings

San Antonio is the only City with population of more than 1 million to receive a "AAA" General Obligation rating from *any one* of the three major rating agencies



**Fitch
Moody's
S&P**

"AAA" Bond Rating Reports

Growing & Vibrant
Economy

Superior Financial
Resilience

Strong Financial Policies
& Practices

Stable Employment
Trends

Strong Revenue Flexibility
& Growth Prospects

Minimum Revenue
Volatility

Very Strong Financial Management

Potential Charter Election - November 2018

Three petitions seeking to amend the City Charter submitted by the Fire Union:

- First petition pertains to public petitions to place items on an election:
 - Expands the topics of referendum to include utility rates, budget, and zoning
 - Lowers the threshold of signatures needed for a referendum from 70K to 20K signatures
 - Increases the time to obtain signatures from 40 days to 180 days
- Second petition limits a City Manager's term of service to eight years and a salary of 10X the lowest paid City employee
- Third petition allows the Union to unilaterally declare an impasse in collective bargaining and to force binding arbitration

Rating Agency Reports Excerpts - City Charter Amendments proposed by the Fire Union

Fitch noted the petitions proposed by the Fire Union:

- “Have the potential to greatly limit the City’s revenue and expenditure flexibility and interfere with management’s ability to operate the City.”
- “Successful passage of these petitions, particularly those that make any ordinance subject to referendum and allow the firefighters to require binding arbitration, would lead to negative rating pressure should the city be unable to effectuate effective responses.”

S&P states that :

- “If voters approve the proposed changes to the city's charter in the upcoming November 2018 election, we believe the changes to the referendum process in particular could have a material negative impact on the city's finances, as such initiatives could effectively limit San Antonio's ability to manage its budget.”

Financial Advisor Report - City Charter Amendments proposed by the Fire Union

The City requested analysis from the City's Co-Financial Advisors, FTN Financial Municipal Advisors and Hilltop Securities, Inc., the following is an excerpt from the Co-Financial Advisor's report:

- "This effect will result in the ultimate downgrade of credit ratings while directly affecting the budgetary process and ability of the City of San Antonio to effectively manage and respond to continued infrastructure demands and maintenance responsibilities. Such an outcome will result in the rating agencies sequentially moving the City of San Antonio general obligation credit to negative outlook to be followed by one or more successive credit downgrades."

Value of “AAA”

Projected Financial Impact of Rating Levels on \$2.5B of Debt

Cost of Potential Rating Downgrade (\$ in Millions)	Gross Cost
Downgrade from AAA to AA+ <i>(Drop of 1 level)</i>	\$17.5M to 37.5M
Downgrade from AAA to AA <i>(Drop of 2 levels)</i>	\$45M to 75M
Downgrade from AAA to AA- <i>(Drop of 3 levels)</i>	\$112.5M to 132.5M

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