

**State of Texas
County of Bexar
City of San Antonio**



**DRAFT
Meeting Minutes
City Council Special Session**

City Hall Complex
105 Main Plaza
San Antonio, Texas 78205

Tuesday, August 14, 2018

2:00 PM

Municipal Plaza Building

The City Council of San Antonio convened in the "B" Room of the Municipal Plaza Building. City Clerk Leticia Vacek took the Roll Call noting the following Councilmembers present:

PRESENT: 11 - Mayor Nirenberg, Treviño, Shaw, Viagran, Saldaña, Gonzales, Brockhouse, Sandoval, Pelaez, Courage, and Perry

1. Staff presentation of the FY 2019 Proposed Budget focusing on, but not limited to, the following City Departments: [Sheryl Sculley, City Manager; Justina Tate, Director, Management and Budget]

A. Transportation and Capital Improvements Department

B. Debt Plan

TRANSPORTATION AND CAPITAL IMPROVEMENTS DEPARTMENT

Mike Frisbie stated that the Transportation and Capital Improvements (TCI) Department builds and maintains San Antonio's infrastructure and reviewed the City's infrastructure inventory and Fund Budget of \$129.8 million. He presented the following Fiscal Year (FY) 2019 TCI Proposed Budget allocations:

\$110 million – Street Maintenance

\$19 million – Sidewalks

\$3 million – Pedestrian Safety and Traffic Calming

\$10 million – VIA Metropolitan Transit

\$13.8 million – Storm Water

\$850 million – 2017 Bond Program

Mr. Frisbie stated that the Street Maintenance Program improves the quality of life for residents by ensuring the safety of the community. He presented short and long-term outcomes and noted that the goal was to achieve an average Pavement Condition Index (PCI) of 70 for all city streets. He stated that due to this; \$35 million would be allocated to districts with a PCI score below 70. He noted that \$11 million would be allocated to C and D streets in all districts within Loop 410 and in older areas of Districts 8 and 9. He recommended the addition of nine positions for street maintenance in FY 2019; three for project development and six for project delivery.

Mr. Frisbie reported that as part of the Pothole Patrol Campaign; 4,687 people were surveyed. He noted that the survey revealed that 80% of respondents did not report potholes and 51% of respondents did not know how to report potholes. He stated that as a result, the Pothole Patrol Campaign was launched on April 17, 2018 which increased awareness on reporting potholes which resulted in an 18% increase in the reporting of potholes. He stated that the Advanced Transportation District (ATD) Fund Budget was \$21.6 million derived from the 0.25% Sales Tax and that funds were restricted for transportation projects. He stated that funds from the sales tax were shared with VIA and the Texas Department of Transportation (TxDOT). He reviewed the short and long-term outcomes for sidewalks and the goal to fill all sidewalk gap miles citywide in prioritized areas. He stated that the Proposed Budget would allocate \$19 million to sidewalks for FY 2019 and that sidewalks were prioritized by: 1) Pedestrian safety; 2) Schools; 3) Transit access; 4) Arterial roadway access; 5) Clinics and hospitals; and 6) Other destinations.

Mr. Frisbie stated that the City had 315 miles of bicycle network of which 65 miles were located in the Linear Creekway System. He noted that the Proposed Budget included \$1.875 million for the Intelligent Transportation System (ITS) which includes advanced communications, innovative services, traffic management, transportation modes, and safe and smarter use. He stated that the Metropolitan Planning Organization (MPO) provided \$4 million for corridor mobility planning and the City provided a 20% match which was included in the Proposed Budget. He noted that implementation of the Multi-modal Plan would continue where staff would perform research, analysis, and continue implementation of the Five-Year Action Plan. He stated that staff would develop a plan to reduce the single occupancy vehicle commuter rate as part of Transportation Demand Management. He noted that the goal of Vision Zero was zero fatalities in the City of San Antonio and reviewed the

City's fatality data for January-July 2018. He stated that pedestrian safety enhancements were accomplished by education and outreach; crash data research; and engineering projects.

Mr. Frisbie noted that education and outreach has been accomplished by a contest for San Antonio's safest driver in which there were 14,008 participants. He stated that drivers compete and win prizes and the contest would end on September 3, 2018. He noted that the City was entering the fifth year of the School Pedestrian Program which is budgeted for \$1 million per year. He noted that funding in the amount of \$10 million would be transferred to VIA which has added several routes with 30 minute service and several corridors with 12 minute service so far. He stated that in FY 2019, four additional corridors with 12 minute service would be added and that \$3.5 million was allocated to the Right of Way Management Fund.

Mr. Frisbie reported that the Storm Water Operating Fund was \$54.4 million and was utilized for flood management, street sweeping, mowing, channel restoration, natural creekway, and tunnel maintenance. He noted that fund revenues included the Storm Water Utility Fee which was in its fourth year of the Five-Year Rate Plan approved in 2016. He noted that FY 2019 included a 2% increase in fees consistent with the Five-Year Rate Plan. He stated that the Storm Water Regional Facilities Fund or Fee In-Lieu of (FILO) Fund was budgeted for \$7.8 million and included \$63,467 for a Floodplain Management Review Position and \$5,500,000 for Concepcion Creek construction. He noted that the Budget for the Capital Improvement Program was \$690 million and included 447 projects. He stated that said projects included those in information technology, air transportation, drainage, parks, neighborhoods and facilities, and streets. He reviewed the 2017 Bond Program status and small business utilization. He stated that eight positions were recommended to deliver the 2017 Bond Program as projects progress from design to construction. He noted that the allocation of \$3.5 million for the District 2 Sports Education Facility must be reallocated to alternate projects within District 2 due to the lack of partner participation. He reviewed the partnerships and status of the Architecture, Construction, and Engineering (ACE) Program and added that female participation in the ACE Program had doubled.

DEBT PLAN

Ben Gorzell stated that the following four types of debt were issued: 1) General Obligation Bonds – Payable from ad valorem taxes, which must be voter approved; 2) Certificates of Obligation – Payable from ad valorem taxes, not voter approved, requires 30 day notice prior to sale approval; 3) Tax Notes – Payable from ad valorem taxes, not voter approved, maturity of less than seven years; and 4) Revenue Debt – Not voter approved, secured by specific revenue source. He reviewed the Bond Ratings utilized by the Bond Rating Agencies noting that the City had a "AAA" Bond Rating which was the top rating. He stated that the City's total outstanding debt including Restricted and Revenue Debt was \$3.01 billion. He

noted that since May 2007, there have been 11 refunding transactions for all types of debt for a total gross savings of \$124.9 million. He provided a detailed description of the current outstanding debt and reviewed the various Bond Ratings that the City has in effect today. He stated that the ad valorem debt outstanding was \$1.9 billion with an effective Interest Rate of 2.87% and an average life of 8.7 years. He noted that under State Law and the City Charter, the City could not exceed 10% of total assessed valuation, which for the current year would be \$12.4 billion. He stated that property taxes levied for debt must not exceed \$1.50 per \$100 of assessed valuation and that since 2004, the property taxes levied for debt has been at \$0.21 per \$100 of assessed valuation. He provided a breakdown of the Ad Valorem Tax Rate and stated that the City provides \$52 million in tax relief in homestead exemptions and frozen city tax payments. He reviewed the Ad Valorem Debt Management Plan and actual and planned issuances and provided a summary of Ad Valorem Debt from May 2007 through September 2018. He outlined the following FY 2019 proposed debt issuances: 1) HUD 108 Loan refinancing - \$25.7 million; 2) General Obligation Bonds - \$249.5 million; 3) Certificates of Obligation Capacity - \$33.7 million; and 4) Tax Notes - \$37 million.

Mr. Gorzell stated that San Antonio was the only City with a population of more than one million to receive a “AAA” General Obligation Rating from any one of the three major rating agencies. He noted that the City has held that rating from all three Rating Agencies for nine years and said rating was reaffirmed in July 2018. He mentioned that “AAA” Bond Rating Reports noted that the City had:

- Growing and vibrant economy
- Strong financial policies and practices
- Strong revenue flexibility and growth prospects
- Superior financial resilience
- Stable employment trends
- Minimum revenue volatility
- Very strong financial management

Mr. Gorzell noted that the single biggest challenge or threat to the Bond Rating today were the three petitions submitted by the Fire Union. He provided excerpts from Rating Agency Reports concerning the effect the City Charter Amendments would have on the City’s Bond Rating. He stated that in his professional opinion; the City’s Bond Rating would be downgraded if the measures were to pass. He noted that the City requested an analysis from its Co-Financial Advisors, FTN Financial Municipal Advisors, and Hilltop Securities, Inc. and their report noted that the passing of the City Charter Amendments would result in the Rating Agency sequentially moving the City of San Antonio General Obligation Credit to negative outlook to be followed by one or more successive credit downgrades. He reviewed the projected financial impact of rating levels on \$2.5 billion of debt.

Jorge Rodriguez stated that the rating agencies and the Municipal Bond Community dislike uncertainty in an elected body's ability to have final decision making authority. He noted that the lowering of thresholds for reviewing petitions and ultimate voter approval would be regarded as significant impediments to the finality of the decisions that the City Council would be asked to make. Richard Ramirez stated that it was important that the referendums be defeated in terms of ratings for the City.

Mayor Nirenberg thanked everyone for the presentations and asked if the City had ever received warnings from Rating Agencies before. Mr. Gorzell replied that the City had been on negative outlook with Moody's during the recession in 2010-2011 but had not received any since then. Mayor Nirenberg asked of the effects to a homeowner. Mr. Gorzell stated that more of their tax dollars would be spent on interest and not on projects. He noted that in order to complete the same amount of projects; the tax rate would need to be raised to offset the costs of a rating downgrade. Mayor Nirenberg asked if the Airport rating would likely increase. Mr. Gorzell replied that it would not increase at this time and would not do so until a Strategic Plan for the Airport was created. Mayor Nirenberg asked of the interest costs saved by refinancing of the HUD 108 Loan. Mr. Gorzell replied that \$2.8 million in interest costs was saved. Mayor Nirenberg asked for a snapshot of the 2017 Bond Program. Mr. Frisbie stated that the 2017 Bond Program was on track and expected to be substantially complete within the five-year period of the Bond Program.

Councilmember Viagran asked how the Rating Agencies knew of the three City Charter Amendments. Mrs. Sculley stated that the analysts follow San Antonio closely and the Rating Agencies brought up the subject in July 2018. Councilmember Viagran requested a breakdown of clinics and hospitals per district.

Councilmember Brockhouse expressed concern over electioneering and stated that he wanted to ensure there was fairness in every debate.

Councilmember Courage asked of the types of funding financed by City Public Service (CPS) and the San Antonio Water System (SAWS) over the last 10 years. Mr. Gorzell estimated that CPS had \$6 billion of debt outstanding and SAWS had \$3.5 billion.

Councilmember Gonzales expressed concern that some of the most dangerous streets in the City were not being addressed by capital improvements. Mr. Frisbie stated that arterial streets must become complete streets.

Councilmember Treviño asked how the City was shifting its focus on cars to be more focused on people. Mr. Frisbie stated that the SATomorrow Multi-Modal Plan was focused on same.

Councilmember Saldaña commended TCI Staff for their great communication with community members regarding projects undertaken in their area.

Councilmember Perry asked where the projects for streets, sidewalks, and bike paths would be undertaken. Mrs. Sculley stated that the Infrastructure Management Plan lists all of the projects in each Council District and the City Council adopts that as part of the Budget each year. She stated that staff could provide follow up on projects in Council District 10.

Mayor Nirenberg thanked everyone for the presentations.

ADJOURNMENT

There being no further discussion, Mayor Nirenberg adjourned the meeting at 4:57 pm.

APPROVED

RON NIRENBERG
MAYOR

ATTEST:

LETICIA M. VACEK, TRMC/CMC/MMC
CITY CLERK