

City of San Antonio



City Council Special Session

No in-person access for this meeting

Tuesday, August 25, 2020

2:00 PM

Videoconference

ROLL CALL

The City Council convened in a Special Meeting. Acting 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. Staff presentation of the FY 2021 Proposed Budget focusing on, but not limited to, the following City Departments or Initiatives: [Erik Walsh, City Manager; Scott Huizenga, Director, Management and Budget]

A. Public Works, Transportation, and Capital Budget

Razi Hosseini stated that the Public Works Department was committed to its mission to ensure innovation and dedication to maintain the City's infrastructure. He highlighted the department's major programs which included:

- 2017 Bond and Capital Improvement Programs
- Five-Year Infrastructure Management Program (IMP)
- Traffic management and operations
- Storm water operations
- Neighborhood Access & Mobility (NAMP)

Mr. Hosseini reported that the FY 2021 proposed Budget for Public Works was \$667 million and included 867 positions. He indicated that the department managed six departments focused on streets, traffic, storm water, and capital projects. He stated that 13 positions were transferred to the new Transportation Department which focused on enhanced transportation planning, multimodal transportation, and transportation demand management. He noted that 13 positions were transferred to

the Finance Department which focused on standardized procurement and associated contract management processes. He reported that three positions were transferred to the Development Services Department which focused on streamlining traffic impact reviews for private development.

Mr. Hosseini presented the following FY 2020 equity accomplishments:

1. Established an Equity Training Team
2. Hired a Pedestrian Mobility Officer to provide guidance related to micro-mobility planning and implementation efforts with an enhanced focus on safety and equity
3. Expanded outreach efforts to communities with higher densities of people of color and lower incomes

Mr. Hosseini reviewed the following FY 2021 equity commitments:

1. Launch Department Equity Assessment
2. Add “equity” as an essential element to the Vision Zero Program
3. Committed to utilizing Equity Atlas data to prioritize funding and project recommendations for FY 2021 IMP Sidewalk Program and 2022 Bond Program

Mr. Hosseini reported that the street network included 4,161 centerline miles with 42% in excellent condition (A); 23% in good condition (B); 16% in fair condition (C); 9% in poor condition (D); and 10% in failed condition (F). He stated that the goal for Public Works was to maintain the Pavement Condition Index (PCI) at 76% or above. He indicated that the Street Maintenance Program (SMP) proposed Budget was \$102 million which included 268 projects totaling 371 centerline miles. He reported that of the \$102 million, \$43 million was allocated to deferred projects from FY 2020; and the remaining \$59 million was allocated based on the PCI in each Council District and the size of the work.

Mr. Hosseini stated that \$10 million would be allocated to VIA in the FY 2021 proposed Budget and VIA would be allowed flexibility to fund basic services and the \$10 million would not be tied to corridors. He noted that this would provide the flexibility to adjust the route and frequency in response to the COVID-19 Pandemic. He added that VIA would provide periodic briefings to the City Council.

Mr. Hosseini reported that the department would continue to manage the delivery of traffic infrastructure improvements in support of Vision Zero and pedestrian safety. He noted that \$1 million would be allocated to school pedestrian safety; \$5.6 million would be allocated to pavement markings; and \$1 million would be allocated to neighborhood traffic calming.

Mr. Hosseini indicated that the FY 2021 proposed Budget for the Advanced Transportation District (ATD) Fund was \$17.2 million which included \$11.2 million for capital projects. He noted that revenues generated by a 0.25% sales tax (ATD receives 0.0625%) supported sidewalks, traffic signals, and bikes and helped to increase mobility, reduce congestion, and improved neighborhood connectivity. He provided the existing miles of sidewalk and the gaps by Council District and reported that there were 5,270 miles of existing sidewalk and 1,716 gap miles citywide. He added that the FY 2021 efforts would create approximately 67 usable miles and equity was utilized as criteria for the allocation of funds with 50% allocated for equity and 50% allocated based on gap miles for each Council District.

Mr. Hosseini stated that the proposed Budget for the Storm Water Operating Fund was \$48.5 million. He indicated that the fund’s revenue was generated through the Storm Water Utility residential, commercial, and industrial property which discharges storm water into the City drainage system. He

reported that these fees were collected on a monthly basis through the SAWS water bill. He stated that storm water operations focused on flood management, general maintenance, vegetation management, and street sweeping.

Mr. Hosseini reported that the proposed Budget for the Storm Water Regional Facilities Fund was \$4 million which supported 14 positions. He indicated that the revenue for the fund was generated from on-site detention implemented in 1997. He noted that the developer paid this fee and there was no impact on the street and on-site detention was not required. He stated that under the fund, the City developed plans, flood control plans, and management and construction of capital projects.

Mr. Hosseini stated that storm water engineering provided floodplain management and storm water regional project planning through identifying mitigation and regulating storm water issues to reduce flood risk and ensure public safety. He noted that the Storm Water Engineering Team focused on floodplain management to include private development plat and building permit reviews, capital improvement project reviews, and floodplain administration. He indicated that the team completed an average of 4,700 reviews annually. He reported that three new projects were included in the proposed Budget for \$2.1 million.

Mr. Hosseini reported that the proposed Budget for capital projects was \$641 million and included 383 projects. He indicated that \$233 million was allocated for streets; \$42 million was allocated for air transportation; \$139 million was allocated for municipal facilities; \$5 million was allocated for neighborhoods; \$76 million was allocated for drainage; \$10 million was allocated for the library; \$33 million was allocated for information technology; and \$102 million was allocated for parks. He added that 38 projects or 21% of the 2017 bond program were completed; 64 projects were under construction; 74 projects were under design; and four projects were under pre-design.

Assistant City Manager Rod Sanchez reported that a Budget of \$5.8 million was proposed for the new Transportation Department and supported 13 positions which were moved from the Public Works Department. He indicated that the position of the Director was currently being advertised. He stated that the department would focus on transportation planning, multimodal transportation, and transportation demand management.

B. Debt Management Plan

Chief Financial Officer Ben Gorzell stated that debt was a tool that could be utilized to meet financial or funding objectives. He noted that general obligation bonds were backed by property taxes and were voter approved, and certificates of obligation functioned from a financial market perspective, much like general obligation bonds. He reported that they were backed by property taxes, not voter approved, and required a 45-day public notice of projects to be financed. He stated that tax notes were backed by property taxes, not voter approved, had a short maturity, and could not exceed seven years in duration. He noted that revenue debt had a specific revenue stream and was not voter approved.

Mr. Gorzell presented the bond rating scale utilized by Fitch, Moody's, and Standard and Poor's. He reported that the City's property tax debt ratings were AAA with Moody's and Standard and Poor's and AA with Fitch. He noted that all three rating agencies had local government as a sector with a negative outlook. He indicated that the City of San Antonio's property tax debt ratings had been reaffirmed with all three agencies with a stable outlook. He reviewed the current bond ratings for the various bonds held by the City of San Antonio. He stated that the outstanding debt for property tax was \$1.9 billion and included \$1,441 million in general obligation bonds; \$427.5 million in certificates of obligation; \$60.6

million in tax notes; and \$11.3 million in public property finance contractual obligations. He added that the effective interest rate was 2.19% with an average life of 8.2 years.

Mr. Gorzell reported that under the City Charter, the City could not exceed 10% of its total assessed valuation which was \$14.1 billion and under State Law, the City could not have a debt service tax rate which exceeded \$1.50 per \$100 of the assessed valuation. He presented the ad valorem debt per capita for the top 10 cities in Texas.

Mr. Gorzell stated that in June 2020, the City refinanced \$472 million in bonds which would deliver interest costs savings of \$58.5 million over 14 years with a net present value savings of \$51.8 million. He indicated that today, the City sold \$245.1 million in tax notes with an overall interest cost of 1.88% and noted that the proceeds of the bonds would provide the next installment of the 2017 Bond Program and funding for FY 2020 Capital Budget Projects.

Mr. Gorzell reported that the Debt Management Plan included the following components:

- Short average life
- Moderately conservative projections
- Maintenance of debt service reserve
- Assumed no change in Debt Service Tax Rate
- Capacity analyses
- Sensitivity analyses
- 2022 and 2027 Bond Programs for planning and forecasting only and sized to available capacity

Mr. Gorzell reviewed the following FY 2020 updates to the Debt Management Plan:

- ❖ Refunded \$11.5 million in General Fund capital leases
- ❖ \$2.7 million in debt service due from Hemisfair Park Area Redevelopment Corporation (HPARC) covered for FY 2021 and FY 2022
- ❖ \$39.6 million issued for Convention Center and Alamodome – HOT Fund self-supporting after FY 2023
- ❖ \$12.3 million in debt service from the Alamodome covered through FY 2023

Mr. Gorzell presented the following FY 2021 proposed debt issuances:

- \$116.5 million City Tower Financing - January/February 2021
- \$156 million general obligation bonds – Summer 2021
- Refunding of \$23 million MFC lease revenue bonds (Fire and Police dispatch) – Summer 2021
- \$114 million certificates of obligation and tax notes – Summer 2021
- Monitor refunding opportunities

Mr. Gorzell stated that the City had outstanding debt of \$541.7 million in the Public Facility Corporation (PFC) Lease Revenue Bonds for the Convention Center expansion. He noted that the bonds would be callable on September 15, 2022. He indicated that bonds were issued for the Convention Center hotel to support its construction. He reported that \$39.6 million was issued for the Convention Center and the Alamodome and ascending debt service of \$24 million in FY 2021 to \$62.5 million by FY 2042. He added that staff would request to refinance the debt in the next several months to a year.

Mr. Gorzell reported that the outstanding debt in the Airport Fund was \$388.4 million which did not include \$36 million in interim financing notes. He reviewed the following outstanding debts in the Airport Fund:

- General Airport Revenue Bonds - \$158.8 million
- Passenger Facility Charge Bonds - \$107.3 million
- Customer Facility Charge Bonds - \$122.3 million

Mr. Gorzell stated that airport financings and Federal assistance included \$178.5 million in airport refunding, \$100 million in interim financing, and \$50.6 million in CARES Act funding. He noted that the airport team had prioritized essential capital projects at the airport to keep it operational.

Mayor Nirenberg asked how capital projects would be accelerated in FY 2021. City Manager Erik Walsh replied that staff were looking to accelerate 17 projects and a timeline and information on the projects would be sent to City Council in a memorandum. Mayor Nirenberg asked if the City had ever received an interest rate below 2%. Mr. Gorzell stated that he could not recall the City receiving an interest rate below 2%.

Councilmember Gonzales asked how it was determined which projects would be completed by City employees and outside contractors. Mr. Hosseini stated that sidewalk repairs were made by City employees because the repairs were small and it was much easier and practical for City employees to complete. He noted that the majority of street maintenance was performed by outside contractors.

Councilmember Andrews-Sullivan asked of initiatives considered regarding City bonds. Mr. Gorzell reported that staff was focused on taking advantage of interest rates which have fallen and looking for refinancing opportunities. He added that a bill was filed in the Texas Legislature which would allow for advanced refinancing with tax exempt debt and staff would monitor that closely.

Councilmember Rocha Garcia asked if the Micro Mobility Master Plan Update would be accomplished before the Director position for the Transportation Department was filled. Mr. Hosseini stated that the update was proceeding and the new director would probably finalize it.

Councilmember Perry requested a list of capital projects. City Manager Erik Walsh stated that he would provide a list of capital projects by Council District. Councilmember Perry requested more information on the progress of bringing streets into better condition and an aggregate chart showing the total debt for the City. He asked if the Convention Center and Alamodome projects could be delayed and should the City be responsible for covering the debt for the Convention Center hotel since it was not open. He asked if staff had considered issuing micro bonds. Mr. Gorzell stated that he would follow up on these items.

Councilmember Viagran asked if street maintenance projects would increase the PCI to an "A" rating. Mr. Hosseini replied that most would increase to an "A" rating and some would increase to a "B" rating. He added that projects completed for streets with a "F" rating would increase to an "A" rating.

Councilmember Pelaez asked how the \$50.6 million received from CARES Act funding covered lost revenue at the airport. Mr. Gorzell stated that the CARES Act funding for airports included funding for operating expenses and debt service.

Councilmember Courage requested more information on the proposed funding for traffic calming

measures. He asked of the projection for the 2022 Bond Program. Mr. Gorzell stated that the 2022 Bond Program was \$675 million and the certified property tax role which the City would receive next summer would drive the projections. Councilmember Courage suggested delaying the 2022 Bond Program for a year or two. Mr. Gorzell indicated that it could be discussed next summer given the economic climate.

Councilmember Sandoval requested the number of projects completed by local contractors, City employees, and non-local contractors. She requested a breakdown of expenditures in the Parking Fund.

Councilmember Treviño asked how much of the City's reserve fund could be utilized to fund necessary programs related to the COVID-19 Pandemic without affecting the City's credit rating. Mr. Gorzell replied that if the City drew upon the reserve, that would place pressure on the ratings. Councilmember Treviño requested that the City Architect and the Pedestrian Mobility Officer speak to the City Council regarding their roles in Public Works. He requested that the City Attorney review the interpretation of maintenance as applied to sidewalk repair.

Mr. Gorzell stated that staff would clarify the City's and Bexar County's policy related to how projects were capitalized and how sidewalk repair could be bond financed. He indicated that the City would not be repairing sidewalks but demolishing and building new sidewalks. He added that he would provide more detail in the next few days.

ADJOURNMENT

There being no further discussion, Mayor Nirenberg adjourned the meeting at 4:08 pm.

APPROVED

RON NIRENBERG

Mayor

Attest:

TINA J. FLORES

Acting City Clerk