



City of San Antonio

Agenda Memorandum

File Number:17-3551

Agenda Item Number: 38.

Agenda Date: 9/21/2017

In Control: City Council A Session

DEPARTMENT: Finance

DEPARTMENT HEAD: Troy Elliott

COUNCIL DISTRICTS IMPACTED: City-wide

SUBJECT:

Approving the issuance of up to \$100,000,000 in Taxable Tax Notes, which shall be delivered in installments through no later than August 1, 2020

SUMMARY:

This Ordinance authorizes the issuance of up to \$100,000,000 in principal amount of City of San Antonio, Texas Tax Notes, Taxable Series 2017, for the purpose of financing improvements to the San Antonio International Airport; secures the payment thereof by authorizing the levy of an annual ad valorem tax; approves and authorizes the execution of a Revolving Installment Delivery Note Purchase Agreement, a Paying Agent/Registrar Agreement, and all other instruments and procedures related thereto; delegates authority to certain City officials to approve certain final terms and the installment delivery of such notes; and provides for an immediate effective date.

BACKGROUND INFORMATION:

The City is issuing City of San Antonio, Texas Tax Notes, Taxable Series 2017, ("Tax Notes") in a principal amount up to \$100,000,000 to provide interim financing for the airport capital improvement program. The Tax Notes will be issued through negotiation through a Revolving Installment Delivery Note Purchase Agreement (the "Agreement") with Bank of America, N.A. as a member of the City's Financial Underwriting Pool. The City's Co-Financial Advisors had preliminary discussions with the banks in the pool to discuss this potential transaction. Based on those discussions, the Co-Financial Advisors moved to formal negotiation with the bank that had terms that were most advantageous to the City. The Tax Notes will be issued through negotiation with Bank of America, N.A. in an amount up to \$100,000,000 which will be issued in installments up to twice per

year (until August 1, 2020), with a maximum maturity of August 1, 2024. The City will have the option to prepay the Tax Notes at any time on and after August 1, 2020 at par. The interest rate on the Tax Notes will be determined five (5) business days prior to the delivery of each installment based on the pricing formula in the Agreement. The Tax Notes will be secured by ad valorem taxes, but the debt service will be paid with Airport revenues. The City has no intention of using property tax revenues to pay the debt service on the Tax Notes.

ISSUE:

The aforementioned transaction is being issued to provide interim financing for the airport capital improvement program and pay related costs. The City anticipates refunding all outstanding tax notes through the issuance of refunding bonds secured with airport-related revenues prior to the maximum maturity date of the notes.

ALTERNATIVES:

The capital improvement program could be absorbed into the Airport's operating budget. However, this alternative is not budgeted and would negatively impact funding for other services and improvements.

FISCAL IMPACT:

While most costs pertaining to the proposed transaction will be paid for from the proceeds derived from the transaction, the interest on the notes and other ongoing fees will be charged to the Airport's operating budget.

RECOMMENDATION:

Staff recommends approval of the issuance of up to \$100,000,000 in principal amount of City of San Antonio, Texas Tax Notes, Taxable Series 2017 to provide interim financing for the airport capital improvement program; approval of a Revolving Installment Delivery Note Purchase Agreement (the "Agreement") with Bank of America, N.A; authorization for a levy of an annual ad valorem tax to secure payment; authorization of all necessary agreements and of other matters incident and related thereto (including delegating authority to certain City officials to approve certain final terms and the installment delivery of such notes); and authorization of an immediate effective date.