



City of San Antonio

Agenda Memorandum

File Number:20-3872

Agenda Item Number: 16D.

Agenda Date: 6/25/2020

In Control: City Council A Session

DEPARTMENT: Finance

DEPARTMENT HEAD: Troy Elliott

COUNCIL DISTRICTS IMPACTED: City-Wide

SUBJECT:

Issuance, Sale, and Delivery of 2020 Obligations and Reimbursement Resolution.

SUMMARY:

- A. This Ordinance authorizes the issuance of the City of San Antonio, Texas General Improvement and Refunding Bonds, Series 2020, in an aggregate principal amount not to exceed \$206,000,000, and authorizes other matters incident and related thereto.
- B. This Ordinance authorizes the issuance of the City of San Antonio, Texas General Improvement Refunding Bonds, Taxable Series 2020, in an aggregate principal amount not to exceed \$596,000,000, and authorizes other matters incident and related thereto.
- C. This Ordinance authorizes the issuance of the City of San Antonio, Texas Combination Tax and Revenue Certificates of Obligation, Series 2020, in an aggregate principal amount not to exceed \$50,000,000, and authorizes other matters incident and related thereto.
- D. An Ordinance authorizing the issuance of the City of San Antonio, Texas Combination Tax and Revenue Certificates of Obligation, Taxable Series 2020, in an aggregate principal amount not to exceed \$16,000,000, and authorizing other matters incident and related thereto.
- E. An Ordinance authorizing the issuance of the City of San Antonio, Texas Tax Notes, Series 2020, in an aggregate principal amount not to exceed \$49,000,000, and authorizes other matters incident and related thereto.
- F. This Resolution by the City Council of the City of San Antonio, Texas establishes the City's intent to

reimburse itself for the prior lawful expenditure of funds from the proceeds of one or more series of tax exempt or taxable obligations to be issued by the City for authorized purposes and as further designated by series and federal tax treatment; authorizes other matters incident and related thereto; and provides for an effective date.

BACKGROUND INFORMATION:

The FY 2020 Adopted Capital Budget and FY 2020 Capital Budget Amendments include the proposed sale of general obligation bonds, certificates of obligation and tax notes to fund capital projects.

On May 6, 2017 the 2017 Bond Program was approved by the voters in the amount of \$850,000,000. The issuance of General Improvement and Refunding Bonds, Series 2020 (the “2020 Bonds”) represents the fourth issuance of bonds for the 2017 Bond Program. The total project amount to be funded from the sale of the 2020 Bonds is detailed below:

Streets, Bridges, and Sidewalks	\$89,250,000
Drainage and Flood Control	29,750,000
Parks, Recreation, and Open Space	40,250,000
Library and Cultural Facilities	5,250,000
Public Safety Facilities	10,500,000
Total 2020 Bonds	\$175,000,000

In addition to the funding amount of \$175,000,000 there is a refunding component to potentially refund approximately \$28,280,000 in existing debt if market conditions are favorable at the time of the sale. The total project amount to be funded including the refunding is \$203,280,000 while the maximum issuance amount included is \$206,000,000. The differential is attributable to the potential issuance of the 2020 Bonds at a premium which will be dependent upon market conditions and determined at the time of the sale. A portion of the premium may be used to fund the costs of issuance for the 2020 Bonds.

The Combination Tax and Revenue Certificates of Obligation, Series 2020 (“2020 Certificates”) and the Combination Tax and Revenue Certificates of Obligation, Taxable Series 2020 (“the 2020 Taxable Certificates”); will be issued for the purpose of providing funds for streets, public safety, municipal facilities, and other public purposes. The projects to be funded with both series of certificates are listed in Exhibit I. The 2020 Certificates will be issued for projects totaling \$49,132,036 (but not to exceed \$50,000,000) and the 2020 Taxable Certificates will be issued for projects totaling \$15,300,599 (but not to exceed \$16,000,000). The aggregate amount to be funded with certificates is \$64,432,635, while the maximum issuance amount included is \$66,000,000. The differential is attributable to the potential issuance of the certificates at a premium which will be dependent upon market conditions and determined at the time of the sale. A portion of the premium may be used to fund the costs of issuance for the Certificates.

Projects to be funded by certificates of obligation include improvements for the Alamodome and Convention Center. These projects were originally scheduled to be funded with cash from the HOT Fund. Given the significant financial challenges in the HOT Fund, the funding for these projects is temporarily being shifted to the City’s property tax debt plan. The debt service for the certificates of obligation issued to fund these projects is projected to be paid from property taxes through FY 2023 and beginning in FY 2024, the debt service would begin to be paid from the HOT Fund.

As a condition to the issuance of certificates of obligation, State law requires that Notice of Intention to issue

the Certificates be published twice in a newspaper of general circulation with the first date of publication at least 30 days prior to the date of approval of the certificate authorizing ordinance. The Notice of Intention was approved by City Council on April 30th and published in the San Antonio Express News initially on May 3rd and again on May 10th and reflected a maximum principal amount not to exceed \$105,000,000. The Notice of Intention was also posted on the City's website.

The Tax Notes, Series 2020 ("the 2020 Notes") are being issued for the purpose of providing funding for streets, public safety, municipal facilities, information technology and other public purposes. The projects to be funded with the 2020 Notes are listed in Exhibit I. The total project amount to be funded is \$47,550,821, while the maximum issuance amount included is \$49,000,000. The differential is attributable to the potential issuance of the 2020 Notes at a premium which will be dependent upon market conditions and determined at the time of the sale. A portion of the premium may be used to fund the costs of issuance for the 2020 Notes.

The issuance of General Improvement Refunding Bonds, Taxable Series 2020 (the "2020 Taxable Refunding Bonds") is included for a total amount of \$526,305,000 with an amount not to exceed \$596,000,000. The authorization for refunding component of the 2020 Bonds and 2020 Taxable Refunding Bonds is included in order to give the City the most flexibility to take advantage of debt service savings if market conditions are favorable at the time of the sale. The refunding opportunities will be evaluated until the sale date and a decision will be made at that time on whether to include a refunding component.

Approval of these ordinances will give parameter sale authorization for the 2020 Bonds, 2020 Taxable Refunding Bonds, 2020 Certificates, 2020 Taxable Certificates, and 2020 Notes (collectively the "2020 Obligations"). This authorization will give the City Manager and Chief Financial Officer the flexibility to establish the pricing terms of the 2020 Obligations and the authority to sign the applicable purchase contracts upon completion of the sale of such obligations.

It is anticipated that the 2020 Obligations will be sold the week of August 10, 2020 by an underwriting syndicate. Closing and delivery of the 2020 Obligations is anticipated to occur on August 27, 2020.

FHN Financial Municipal Advisors, and Hilltop Securities Inc. are serving as Co-Financial Advisors. Norton Rose Fulbright US LLP is serving as Bond Counsel.

Approval of the reimbursement resolution will enable the City to reimburse itself for project expenditures to be funded by the issuance of future obligations but expended prior to the sale and delivery of such obligations' proceeds. Such expenditures are related to projects funded by the future issuance of one or more series of tax exempt or taxable obligations to be issued by the City.

ISSUE:

These transactions will fund capital projects approved in the FY 2020 Adopted Capital Budget and FY 2020 Capital Budget Amendments and are consistent with the Debt Management Plan.

ALTERNATIVES:

The City could choose not to move forward with the proposed capital improvements included in the adopted capital budget and not fund the projects.

FISCAL IMPACT:

Any costs pertaining to the proposed transactions will be paid for from the proceeds derived from the issuance

and sale of such obligations. Therefore, there is no impact on the City's Operating Budget.

RECOMMENDATION:

Staff recommends approval of these Ordinances that authorize the issuance, sale, and delivery of the 2020 Obligations and a Resolution that establishes the City's intention to reimburse itself for prior lawful expenditure of funds.