



City of San Antonio

Agenda Memorandum

File Number:20-5330

Agenda Item Number: 1.

Agenda Date: 9/10/2020

In Control: City Council Special Meeting

DEPARTMENT: City Manager's Office

DEPARTMENT HEAD: Ben Gorzell, Chief Financial Officer

COUNCIL DISTRICTS IMPACTED:

SUBJECT: Briefing on Funding Alternative for Edwards Aquifer Protection Program

SUMMARY: This item is a briefing on a funding alternative to continue funding of the City's Edwards Aquifer Protection Program.

BACKGROUND INFORMATION:

The Edwards Aquifer provides San Antonio with an abundant and vital source of groundwater. It stretches across thousands of acres over several counties in South Central Texas. Roughly 70 percent of San Antonio's water originates as recharge from counties located west of Bexar County. Rainfall enters the Edwards Aquifer through fractures, caves, sinkholes and other features and replenishes the Aquifer. However, rapid growth and development over the recharge and contributing zones of the Aquifer adversely impact it by reducing the number of recharge features able to maintain San Antonio's primary water resource.

In May 2000, San Antonio voters approved a proposition which initiated the Edwards Aquifer Protection Program (EAPP) with funding from a portion of a 1/8-cent venue sales tax. The EAPP protects the Edwards Aquifer through the acquisition of property rights including fee simple purchases, conservation easements, and donations of land over the sensitive zones of the Aquifer. Perpetual conservation easements benefit San Antonio residents by limiting the amount of increased impervious cover allowable on the protected properties in order to preserve the quantity and quality of water recharging in the Edwards Aquifer.

On April 6, 2000, the Conservation Advisory Board (CAB) was created to provide input and advice on the EAPP. The CAB is comprised of nine members appointed by the San Antonio City Council for two-year terms. City Ordinance provides for nominees from the following subdivisions, agencies or organizations: Texas Parks and Wildlife, Edwards Aquifer Authority, San Antonio River Authority, San Antonio Water System, Parks &

Recreation Advisory Board, The Economic Development Foundation, Medina County, Uvalde County, and the Director of the San Antonio Parks & Recreation Department.

This initial proposition funded the EAPP at \$45 million and funding has been approved by voters for continuation of the EAPP in the following amounts: \$90 million in 2005; \$90 million in 2010; and most recently \$100 million in 2015. To date, the EAPP has protected 160,330 acres over the Edwards Aquifer recharge and contributing zones through purchase of property and negotiation of conservation easements.

The current iteration of funding for the EAPP was approved in 2015 at \$100 million from the 1/8-cent sales tax venue. The tax will expire once this dollar threshold is met which based on current projections is expected to occur in the Spring of 2021.

The COVID-19 global pandemic has had significant impacts on the San Antonio community. Poverty rates in our community are among the highest in the nation and low post-secondary educational attainment rates in San Antonio have resulted in a shortage of skilled workers and an abundance of lower wage, low skill jobs. To provide resources toward addressing these challenges, on August 13th the City Council approved an Ordinance which places a proposition on the November 3, 2020 ballot for workforce training and higher education, effectively redirecting currently funded sales tax programs including the EAPP.

Given the significant importance of the EAPP, City staff was asked to develop an alternative source of funding to continue the current EAPP. City staff working in conjunction with outside bond counsel reviewed and evaluated funding options. Staff is recommending funding the EAPP by utilizing the City's existing Municipal Facilities Corporation. Funding from the current 1/8-cent sales tax is expected to carry the EAPP through FY 2022, and as such, the proposed alternative funding would begin in FY 2023. Following are some of the key highlights:

- City contracts with Municipal Facilities Corporation (MFC) to carry out the EAPP on the City's behalf;
- Pursuant to MFC's articles of incorporation and City ordinance, Mayor and City Council are the Board of Directors of the MFC;
- Term of Program Funding is up to 10 Years;
- Total commitment to Program Funding is \$100 million (excluding interest costs, financing costs, and maintenance and support costs);
- Annual Program Funding would be in approximately equal amounts through the MFC, however, annual Program Funding can be adjusted based on the need of the Program and financial capacity of the City taking into consideration other forecasted City budget needs for the upcoming fiscal year;
- The Conservation Advisory Board (CAB) created in 2000 will continue to advise the City Council on the EAPP under the proposed MFC financing structure;
- A collaborative process with input from CAB established in the Financing Agreement for determination of the recommendation for Program Funding for an upcoming fiscal year;
- Program Funding is to be funded from the issuance of debt through the MFC (short-term commercial paper program and long-term fixed rate debt) and at the City's discretion from other lawful revenues of the City (to fund a portion of the Program Funding with cash);
- To meet the legal requirements for the issuance of debt to fund the EAPP, a portion of the City's revenue payment from SAWS equal to the amount necessary to satisfy payment and security of the debt issued by the MFC will be pledged by the City. The payment from SAWS is a City revenue (City General Funds) and there is no coordination or approval required from SAWS for this proposed debt structure;
- Under the contract, the City, through its annually adopted budget, will utilize any lawfully

available funds to transfer amounts sufficient to meet the MFC's annual commitments or obligations for the EAPP;

- Program expenses such as costs for monitoring and assuring compliance with deed restrictions and conservation easements of acquired real property under the EAPP will be funded from the City's Operating Budget; and
- Any material deviation of the Program Funding outlined in the Ordinance and Financing Agreement would require those documents to be amended by City Council at a regularly scheduled City Council meeting. Consideration of a revision would only occur after two public hearings were held by the City Council at least thirty (30) days apart.

ISSUE:

This item is a briefing on a funding alternative to continue funding of the City's Edwards Aquifer Protection Program.

ALTERNATIVES:

This item is for briefing purposes only.

FISCAL IMPACT:

This item is for briefing purposes only.

RECOMMENDATION:

This item is for briefing purposes only.