



City of San Antonio

Agenda Memorandum

File Number:20-5368

Agenda Item Number: 6.

Agenda Date: 9/9/2020

In Control: Intergovernmental Relations Committee

DEPARTMENT: Government and Public Affairs

DEPARTMENT HEAD: Jeff Coyle

COUNCIL DISTRICT(S) IMPACTED: City Wide

SUBJECT: Emergency Services District No. 2's Request to Incur Debt

SUMMARY:

A briefing on a request from Emergency Services District (ESD) No. 2 to incur debt of up to \$30 million for the development of additional fire stations and purchase of equipment. City consent to incur debt is required pursuant to the agreement terms between Bexar County and the City of San Antonio that created ESD No. 2 in 2004.

BACKGROUND:

In October 2004 City Council approved, through ordinance 97417, an agreement with Bexar County to create Emergency Services District No. 2 within the City's Extraterritorial Jurisdiction (ETJ) for the provision of fire suppression and emergency medical services for individuals residing within the district's boundaries. ESD No. 2 is in western Bexar County and is generally described as bounded on the west by the Bexar County line; on the south U.S. Highway 90; on the east by Loop 1604; and on the north by Culebra Rd.

Because state law (Texas Health and Safety Code Section 775.022) requires that the City pay the ESD a pro-rata share of the District's indebtedness should the City annex a portion of the District's territory, the City reviews and evaluates any request to incur debt prior to providing consent.

The agreement for the creation of ESD No. 2 includes the following conditions:

- ESD No. 2 cannot incur debt in excess of \$20,000 without the consent of the City.

- If the City annexes a portion of ESD No. 2, any contractual obligations of ESD No. 2 to, or the payment of any debt incurred by, a third-party contractor will not be a debt for purposes of Texas Health and Safety Code Section 775.002 unless City approved the contract creating the obligation or debt.
- Any fire station constructed by ESD No. 2 will be located and constructed with the concurrence of the San Antonio Fire Department.
- ESD No. 2 will ensure that its equipment is compatible with City's equipment.
- ESD No. 2 will enter into mutual aid agreements.

The above imposed conditions were included on the ballot for the election to confirm the creation of ESD No. 2 and authorize the imposition of a tax; ESD No. 2 was approved by voters and currently imposes an ad valorem tax of \$0.01 per \$100 of valuation on property owners within the District. Additionally, ESD No. 2 imposes a 1.5% sales tax in the district. The District began collecting a sales tax on October 1, 2017.

In May 2020, the City began review of the request from ESD No. 4 to incur up to \$30 million in debt.

ISSUE:

ESD No. 2 requests the City's consent to secure debt of up to \$30 million to provide for the financing of ongoing capital improvement projects which include the construction of a new fire station and the purchase of fire trucks, ambulances, and other fire apparatus. Planned capital projects are the construction of Fire Station 124 to be located at 14515 Omicron Drive, replacement of Fire Station 121, a remodel of Fire Station 123 and 122, and replacement construction of Fire Station 125. The initial capital improvement plan debt will be structured for a 20-year term and an interest rate of 3.98%, additional debt will be sought for 20-year terms at the best prevailing rate.

The City would not be required to assume any debt if the District defaults on the loan. However, if the City annexes territory within the District, it would be required to pay the District the pro-rata value of the district's bonded and other indebtedness for the annexed property. Pursuant to Sec. 775.022 of the Texas Health and Safety Code, the amount of compensation that the City must pay the District following annexation would be the District's total indebtedness at the time of annexation multiplied by a fraction equal to the assessed value of the property to be annexed divided by the total assessed value of the property of the District based on the most recent certified county property tax rolls at the time of annexation.

The City's Finance, Planning, and Fire Departments reviewed ESD No. 2's request to analyze the District's capacity to incur the debt, probability of near-term annexation within the ESD, and compatibility of the planned fire station to SAFD standards, respectively. The Finance Department determined that ESD No. 2's tax base is sufficient to manage the proposed debt. The Planning Department indicated that at this time the City has no planned annexation within ESD No. 2's boundaries. The proposed specifications for the fire station met SAFD's requirements.

ALTERNATIVE:

The City could choose not to consent to the request to incur debt, which could negatively impact the District's ability to provide effective fire and emergency services.

FISCAL IMPACT:

The resolution would not have a fiscal impact on the City unless the City annexes property within ESD No. 2.

RECOMMENDATION:

Staff recommends providing consent to ESD No. 2 to incur debt of up to \$30 million.