



City of San Antonio

Agenda Memorandum

File Number:21-1265

Agenda Item Number: 17.

Agenda Date: 2/4/2021

In Control: City Council A Session

DEPARTMENT: Finance

DEPARTMENT HEAD: Troy Elliott

COUNCIL DISTRICTS IMPACTED: City-wide

SUBJECT:

Approving Publication of a Notice of Intention to Issue Certificates of Obligation

POSTING LANGUAGE:

An Ordinance authorizing and approving publication and posting of a Notice of Intention to issue City of San Antonio, Texas Combination Tax and Revenue Certificates of Obligation in a maximum aggregate principal amount not to exceed \$16,100,000 and providing an effective date.

SUMMARY:

This Ordinance authorizes and approves publication and posting of a Notice of Intention to issue City of San Antonio, Texas Combination Tax and Revenue Certificates of Obligation in a maximum aggregate principal amount not to exceed \$16,100,000 and providing an effective date.

BACKGROUND INFORMATION:

In October 2020, the Witte Museum (“the Witte”) requested assistance from the City with their existing \$15.7 million construction loan (“the Loan”) with Frost Bank because their operations as well as their ability to fundraise was dramatically impacted by COVID-19. The land and most of the buildings at the Witte are owned by the City and the Witte operates the facilities through a long-term lease (“the Lease”); however, the City had previously transferred ownership interest to certain property to the Witte to use as collateral for the Loan in which operating and fundraising revenues were the projected sources of repayment.

The issuance of Certificates of Obligation will provide funding for the City-owned Witte to pay off the Loan

with Frost Bank by providing consideration to the Witte for its return to the City of previously transferred real property. Under a Funding Agreement, the Witte will be required to pay for all costs of financing for the City issued debt and will also require that debt be repaid in full before the Witte moves forward with any major future expansion or renovation. The Lease will be amended to return property utilized as collateral by the Witte for the Loan back to the City (for which the City will pay the Witte from Certificates of Obligation proceeds). The City will also have two seats appointed by the Mayor on the Witte's Board of which one seat will be the City Manager or his designee. Additionally, the Witte will continue to identify opportunities to assist other art agencies.

It is anticipated that the Certificates of Obligation will be sold on a taxable basis and presented to City Council for approval on April 22, 2021 along with a Funding Agreement with terms as outlined above and the amended Lease.

This is a request to approve publication of a Notice of Intention to Issue Certificates of Obligation and does not obligate the City to proceed with any such issuance.

Texas law requires that the Notice of Intention to issue Certificates of Obligation be published twice in a local newspaper of general circulation in the City, with the first date of publication being at least 46 days prior to the City's adoption of the ordinance authorizing the issuance of the Certificates of Obligation and posted on the City's website continuously for at least 45 days prior to the City's adoption of the Ordinance authorizing the issuance of the Certificates of Obligation. The total maximum aggregate principal amount of Certificates of Obligation to be issued is an amount not to exceed \$16,100,000. The final issuance amount will be determined at the time of the sale.

ISSUE:

The aforementioned transaction will support the City-owned Witte Museum. This is a request to approve publication of a Notice of Intention to Issue Certificates of Obligation and does not obligate the City to proceed with any such issuance.

ALTERNATIVES:

The cost of the improvements to be financed could be paid by the City's operating funds; however, this alternative is not budgeted.

FISCAL IMPACT:

Any costs pertaining to the proposed transactions will be paid for from the proceeds derived from the issuance of the Certificates of Obligation. Therefore, there is no impact on the City's Operating Budget.

RECOMMENDATION:

Staff recommends approval of this Ordinance that approves publication of a Notice of Intention to issue the Certificates of Obligation.