Tax Supported
New Issue

San Antonio, Texas

Ratings

New Issues	
General Improvement Bonds, Series 2011	AAA
Combination Tax and Revenue Certificates of Obligation, Series 2011	AAA
Tax Notes, Series 2011	AAA
Municipal Facilities Corporation Lease Revenue Bonds, Series 2011	AA+
Outstanding Debt	
Limited Tax Bonds	AAA
Municipal Facilities Corporation Lease Revenue Bonds	AA+

Rating Outlook

Stable

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New Issue Details

Sale Information: $65,005,000 General Improvement Bonds, Series 2011; $89,505,000 Combination Tax and Revenue Certificates of Obligation, Series 2011; $10,165,000 Tax Notes, Series 2011; and $27,650,000 Municipal Facilities Corporation Lease Revenue Bonds, Series 2011, on June 12 via negotiated sale.
Security: Limited tax bonds and notes secured by an annual property tax levy limited to $2.50 per $100 of taxable assessed valuation; municipal facilities corporation lease revenue bonds secured by annually appropriated lease payments made by the city to the corporation.
Purpose: Proceeds to fund various public improvements.
Final Maturity: Feb. 1, 2042.

Related Research

For information on Build America Bonds, visit www.fitchratings.com/BABs.

Applicable Criteria
- *Tax-Supported Rating Criteria, Aug. 16, 2010*
- *U.S. Local Government Tax-Supported Rating Criteria, Oct. 8, 2010*

Rating Rationale

- San Antonio's favorable financial performance has been aided by management's focus on increasing efficiency and conservative budgeting, enabling the city to preserve its progress in implementing enhanced financial reserve policies during the economic slowdown.
- The city's favorable debt profile is characterized by its low direct debt burden, above-average pay out, and ample debt service capacity within the current tax rate. The city's capital plan is aggressive but will allow the city to address its sizable deferred capital needs.
- The legal provisions of the lease revenue bonds are sound, and the leased assets are essential to city operations.
- The city's population growth remains rapid, aided by affordable home prices and ample developable land, which, until recently, had fueled solid property tax base growth.
- Although the local economy has diversified notably, the military remains a major economic factor, as evidenced by very large ongoing investments and planned additions to troop strength resulting from base realignment and closure decisions that have benefited the city.
- The contraction of the local economy has moderated somewhat, enabling the city's unemployment rate to remain well below state and national averages.

Key Rating Drivers

- The maintenance of solid financial reserves, aided by continued attention to cost controls, is key to preserving credit quality.

Credit Summary

San Antonio is the second largest city in the state and the seventh largest in the U.S., with a population of 1.4 million for 2010. Prominent sectors in the local economy are military and government, domestic and international trade, convention and tourism, medical and healthcare, financial services, and telecommunications. The economic slowdown has impacted local employment levels as evidenced by a growing unemployment rate that totaled 6.8% in April 2011, up modestly from the 6.7% level recorded in April 2010. Nevertheless, the city's unemployment rate still compares favorably to state and national averages of 7.7% and 8.7%, respectively, for the same period. Near-term job growth is expected from the construction of the $3.1 billion San Antonio Military Medical Center scheduled to open in September 2011, which also is expected to draw 12,000 additional military personnel to the city. After growing by a five-year annual average of 9.6%, taxable values declined 1.5% in fiscal 2011 to $71.6 billion as new improvement values ($1.2 billion) were more than offset by losses ($2.8 billion) in existing values.

Finances

The city's financial profile remains solid, as evidenced by the maintenance of unreserved fund balances in excess of 20% of spending since fiscal 2008. Additions to fund balance had been enabled by previously strong sales tax growth and positive City Public Service

Rating History — Limited Tax Bonds

Rating	Action	Outlook/ Watch	Date
AAA	Affirmed	Stable	7/8/11
AAA	Affirmed	Stable	3/17/11
AAA	Affirmed	Stable	6/11/10
AAA	Revised[a]	Stable	4/30/10
AA+	Affirmed	Stable	3/1/10
AA+	Affirmed	Stable	11/21/08
AA+	Affirmed	Stable	10/14/08
AA+	Affirmed	Stable	7/1/08
AA+	Affirmed	Stable	11/11/07
AA+	Affirmed	Stable	10/31/06
AA+	Affirmed	Stable	3/28/05
AA+	Affirmed	Stable	11/29/04
AA+	Affirmed	Stable	3/10/04
AA+	Affirmed	Stable	6/16/03
AA+	Upgraded	—	10/26/99
AA	Assigned	—	10/13/92

[a]Due to rating recalibration.

Rating History — Municipal Facilities Corporation Lease Revenue Bonds

Rating	Action	Outlook/ Watch	Date
AA+	Affirmed	Stable	7/8/11
AA+	Affirmed	Stable	3/17/11
AA+	Revised[a]	Stable	4/30/10
AA	Assigned	Stable	3/1/10

[a]Due to rating recalibration.

(CPS) (the electric and gas utility is rated 'AA+' by Fitch Ratings) payment trends, along with management's aggressive cost controls in the form mainly of annual personnel reductions. Audited fiscal 2010 results were positive (as anticipated), showing a large $23.1 million surplus, aided by greater than projected sales tax revenues and CPS transfers. Sales tax receipts remained nearly level, despite previous estimates of a modest decline, and CPS payments increased notably due to a cold winter, natural gas price increases, and a rate hike. As a result, the unreserved fund balance totaled a strong $199 million, or 22.9% of spending.

The fiscal 2011 budget was based on conservative revenue growth assumptions. Additionally, the spending plan reflected the city's two-year budget strategy, in which a portion of reserves in excess of its fund balance policy is internally designated for next year's spending. The fiscal 2011 budget includes the use of $71 million of these reserves to balance its operations. As a result, the city's remaining unreserved fund balance will decline by year end to a still adequate $114 million, or 12% of spending. However, favorable year-to-date sales tax receipts should reduce the level of reserve drawdowns. Excluding the 9% dedicated cushion, up to $18 million of fiscal 2011 reserves will be used to reduce the projected fiscal 2012 budget gap down to $37 million.

Debt

The series 2011 bonds and certificates of obligation are issued to provide funds to finance improvements to streets, bridges, sidewalks, drainage, public safety, park, library, and municipal facilities. Note proceeds will finance improvements to the city's technology infrastructure and business systems and renovate, improve, and equip various facilities. The lease revenue bonds will be utilized to fund the construction of the city's new 911 dispatch center, which is currently under construction and scheduled to be operational by December 2011.

General Fund Financial Summary

($000, Audited Fiscal Years Ended Sept. 30)

	2006	2007	2008	2009	2010
Revenues	738,993	753,742	858,058	835,409	857,493
Expenditures	617,421	647,880	737,797	764,205	816,690
Net Change	**121,572**	**105,862**	**120,261**	**71,204**	**40,803**
Transfers In/Other Sources	11,467	15,972	18,720	13,750	36,581
Transfers Out/Other Uses	(89,977)	(123,620)	(93,730)	(83,995)	(54,255)
Net Income/(Deficit)	**43,062**	**(1,786)**	**45,251**	**959**	**23,129**
Total Fund Balance	161,476	159,690	205,548	206,507	229,636
As % of Expenditures, Transfers Out, and Other Uses	22.8	20.7	24.7	24.3	26.4
Unreserved Fund Balance	149,610	142,960	190,775	190,407	199,110
As % of Expenditures, Transfers Out, and Other Uses	21.1	18.5	22.9	22.4	22.9
Unreserved, Undesignated Fund Balance	102,523	80,298	107,781	100,308	101,348
As % of Expenditures, Transfers Out, and Other Uses	14.5	10.4	13.0	11.8	11.6

Note: Numbers may not add due to rounding.

The general improvement bond issuance is from the city's $550 million authorization approved by voters in May 2007, the largest in the city's history, intended to address its large deferred capital needs. After this sale, the city will have $98.6 million remaining authorization from the 2007 election. The administration is proposing to seek voter authorization for a similar-sized program in fiscal 2012. According to the city, all future debt will be sized and timed to maintain the city's current debt service tax rate, assuming modest tax base growth. Additionally, the city plans to draw down its large debt service fund balance to maintain level tax rates as part of its overall capital plan, with a target of $25 million–$30 million for its debt service fund balance; the balance at fiscal year-end 2010 was $80 million. The principal pay-out rate is modestly above average with nearly 60% of principal to be retired within 10 years.

The impact of the proposed debt plans on the city's direct debt profile should be manageable given its low current levels, above-average pay-out rate, and expansive tax base. The brisk pay-out rate is reflected in sizable annual debt payments, which, in fiscal 2010, were above average at 19% of general government spending. The city's overall debt burden is high, even after adjusting for state support of local school district debt.

Property Value and Sales Tax Trends

($000, Fiscal Years Ending Sept. 30)

	TAV	% Change	Sales Tax Receipts[a]	% Change
1998	29,422,285	—	118,992	—
1999	31,253,551	6.2	126,473	6.3
2000	33,315,479	6.6	135,130	6.8
2001	36,033,321	8.2	136,811	1.2
2002	39,587,584	9.9	140,084	2.4
2003	41,535,547	4.9	138,962	(0.8)
2004	44,536,796	7.2	148,500	6.9
2005	46,481,974	4.4	162,786	9.6
2006	49,868,955	7.3	177,806	9.2
2007	56,767,702	13.8	189,753	6.7
2008	65,954,867	16.2	196,306	3.5
2009	72,541,141	10.0	187,400	(4.5)
2010	72,743,220	0.3	188,741	0.7
2011	71,631,155	(1.5)	188,070	(0.4)

[a]Fiscal 2011 sales tax receipts are projected. TAV – Taxable assessed valuation.

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July 8, 2011

Summary:

San Antonio Municipal Facilities Corp.
San Antonio, Texas; Appropriations

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Summary:

San Antonio Municipal Facilities Corp. San Antonio, Texas; Appropriations

Credit Profile		
US$27.65 mil lse rev bnds (San Antonio) (Pub Safety Answering Point Proj) ser 2011 dtd 07/01/2011 due 08/01/2041		
Long Term Rating	AA+/Stable	New

Rationale

Standard & Poor's Ratings Services assigned its 'AA+' rating to San Antonio Municipal Facilities Corp., Texas' series 2011 lease revenue bonds. In addition, Standard & Poor's affirmed its 'AA+' rating on the corporation's debt outstanding. The outlook on all ratings is stable.

The 'AA+' rating reflects our view of:

- The general creditworthiness of the city of San Antonio ('AAA' GO debt rating),
- The lease payments to be made from the annual appropriation of the city, and
- A stable and diversified economic base.

Ongoing lease payments by the city to the municipal facilities corp., a not-for-profit corporation, secure the bonds. Lease payments are made based on an annual appropriation of the city from legally available general fund revenues as an ongoing obligation of the city for the lease term. Officials will use bond proceeds to fund the construction of a new Fire and Police Emergency Dispatch Center, also known as the Public Safety Answering Point. The center is located at Brooks City-Base, adjacent to the city's Emergency Operations Center and is scheduled to be complete in December 2011. The bonds will also fund the replacement and enlargement of the existing fire and police Emergency Dispatch Center, which is currently located at the police headquarters.

(For more information on San Antonio's GO rating, please read the report published July 8, 2011, on RatingsDirect on the Global Credit Portal.)

Outlook

The stable outlook reflects our view of San Antonio's expanding and increasingly diverse property tax base, solid financial performance, and growing level of general fund reserves, which we believe should allow management to successfully develop its capital program, and growing service delivery needs. The continued diversification of the city's economic and employment base, coupled with a steady increase in household wealth and income levels provides additional stability to the rating.

Related Criteria And Research

USPF Criteria: Appropriation-Backed Obligations, June 13, 2007

Ratings Detail (As Of July 8, 2011)		
San Antonio, Texas		
San Antonio Mun Facs Corp, Texas		
San Antonio (San Antonio Mun Facs Corp) lease rev rfdg bnds (San Antonio Mun Fac Corp.) (Dev And Bus Svcs Ctr Proj) ser 2010		
Long Term Rating	AA+/Stable	Affirmed
San Antonio Mun Facs Corp, Texas		
San Antonio, Texas		
San Antonio Mun Fac Corp lse rev bnds		
Unenhanced Rating	AA+(SPUR)/Stable	Affirmed
Many issues are enhanced by bond insurance.		

Complete ratings information is available to subscribers of RatingsDirect on the Global Credit Portal at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.