

City of San Antonio, Texas



# FY 2014 Proposed Budget Worksession

# Debt Management Plan

Presented by Ben Gorzell, Chief Financial Officer

September 4, 2013

# Types of Debt Issued by the City

- General Obligation Bonds
  - Voter Authorized, Major Infrastructure Improvements
  - Tax Supported Ad Valorem
- Certificates of Obligation
  - Non Voter Authorized, Special Capital Projects
  - Tax Supported Ad Valorem
- Tax Notes
  - Short-term, Non Voter Authorized, Special Capital Projects
  - Tax Supported Ad Valorem
- Revenue Debt
  - Non Voter Authorized
  - Secured by Revenue from Non Ad Valorem Tax Collections



# Ad Valorem Debt Limitations

- The City Charter establishes limitations on general obligation debt supported by ad valorem taxes not to exceed 10% of total assessed valuation.
  - Total assessed valuation for FY 2014 is \$87B which provides a debt ceiling of \$8.7B.
- The Constitution of the State of Texas and the City Charter provides that the ad valorem taxes levied for debt service and M&O may not exceed \$2.50 for each \$100 of assessed valuation of taxable property.
- The Attorney General of the State of Texas prohibits issuance of debt if such issuance produces debt service requirements that exceed the amount that can be paid from \$1.50 tax rate calculated at 90.0% collections.

# Outstanding Debt at September 30, 2013

	Outstanding Principal	Effective Interest Rate	Average Life (Years)
G.O./C.O./Tax Notes (Ad Valorem Debt)	\$1,406.2 M	3.70%	9.15
Ad valorem taxes not to exceed 10% of total assessed valuation			
Airport	207.7 M	4.52%	10.58
Airport – Passenger Facility Charge	153.9 M	4.80%	11.90
Stormwater	74.5 M	2.55%	9.07
Contract Revenue Bonds – Starbright (Toyota)	20.9 M	3.86%	12.42
Lease Revenue Bonds:			
One Stop	7.0 M	2.98%	4.10
Police and Fire Emergency Dispatch Center	27.4 M	4.88%	17.19
Convention Center Expansion	550.4 M	3.97%	21.84
Taxable Revenue Notes	18.5 M	0.85%	1.01
<b>Total</b>	<b>\$2,466.5 M</b>		

# Bond Ratings - Investment Grade

	Fitch	Moody's	S&P
<b>Prime</b>	AAA	Aaa	AAA
<b>High grade</b>	AA+	Aa1	AA+
	AA	Aa2	AA
	AA-	Aa3	AA-
<b>Upper medium grade</b>	A+	A1	A+
	A	A2	A
	A-	A3	A-
<b>Lower medium grade</b>	BBB+	Baa1	BBB+
	BBB	Baa2	BBB
	BBB-	Baa3	BBB-

# Bond Ratings

	Fitch	Moody's	S&P
G.O./C.O./Tax Notes	"AAA"	"Aaa"	"AAA"
Airport	"A+"	"A1"	"A+"
Airport – Passenger Facility Charge	"A"	"A2"	"A-"
Stormwater	"AA"	"Aa2"	"AA+"
Contract Revenue Bonds – Starbright (Toyota)	"AA+"	"Aa1"	"AA+"
Lease Revenue Bonds:			
One Stop	"AA+"	"Aa1"	"AA+"
Police and Fire Emergency Dispatch Center	"AA+"	"Aa1"	"AA+"
Convention Center Expansion	"AA"	"Aa2"	"AA+"

# Recent Bond Refunding Results

Since April 2012, the City has completed 5 refunding transactions for interest cost savings resulting in total gross savings of \$39.9 million and net present value savings of \$32.6 million

- \$33,410,000 General Improvement Refunding Bonds, Series 2012
- \$70,135,000 Airport System Revenue Refunding Bonds, Series 2012 (AMT)
- \$25,790,000 Passenger Facility Charge and Subordinate Lien Airport System Revenue Refunding Bonds, Series 2012 (AMT)
- \$70,685,000 Municipal Drainage Utility System Revenue Refunding Bonds, Series 2013
- \$20,890,000 Starbright Industrial Development Corporation Contract Revenue Refunding Bonds, Taxable Series 2013

# FY 2013 New Issuances

- \$114,435,000 General Improvement Bonds, Series 2013
  - Funding of \$125,563,456 for 2012 Bond Program
- \$15,145,000 Combination Tax and Revenue Certificates of Obligation, Series 2013
  - Funding for Approved Capital Projects
- Total Combined True Interest Cost of 3.747%
- \$18,460,000 Revenue Notes, Taxable Series 2013
  - Funding for Approved Capital Projects

# Upcoming Transactions

- General Improvement Bonds / Certificates of Obligation / Tax Notes (Summer 2014)
  - Next installment of 2012 Bond Program
- Airport Consolidated Car Rental Facility
  - To be paid by Customer Facility Charges (CFC)

# Upcoming Transactions

- \$17.2 million is proposed to be issued as Tax Notes (FY 2014)
  - \$7.8 million FY 2014 Equipment Requests
  - \$4.4 million San Antonio Police Department Helicopters
  - \$5.0 million Lease Refinancing
- \$34 million in bond balance savings may be issued as Tax Notes (FY 2014)
  - \$17 million for IMP Streets (General Fund in FY 2014 & FY 2015)
  - \$17 million for other recommended capital projects

# Multiple Debt Management Plans

- Ad Valorem
- Airport
- Convention Center
- Municipal Drainage Utility System (Stormwater)
- Other Financings





# Ad Valorem Debt Management Plan

# Ad Valorem Debt Management Plan

## General Obligation Bond Ratings

Standard & Poor's Ratings Services	"AAA"
Moody's Investors Service, Inc.	"Aaa"
Fitch Ratings, Inc.	"AAA"

- Ratings affirmed in July 2013.
- San Antonio is the only city with a population of more than 1 million to receive a "AAA" general obligation rating from all three major rating agencies.

# Ad Valorem Debt Management Plan

## Key Variables

- Growth in Taxable Assessed Values based on the following scale:
  - FY 2014 4.68%
  - FY 2015-2016 3.00%
  - FY 2017-2018 3.50%
  - FY 2019-2021 2.00%



# Ad Valorem Debt Management Plan

## Key Variables

- Estimated Tax Collections – 98.0%
- No Projected Increase in Debt Service Tax Rate
- 5 Year Authorizations
- Projected Interest Rates for Issuances
- 20-25 Year Fixed Rate Debt with Structuring
- Includes No Variable Rate Debt
- Monitor Average Life of Debt Service
- Planned Drawdown of Debt Service Fund Balance
- Target Fund Balance \$25M - \$30M



# Ad Valorem Debt Management Plan

## Actual & Potential Bond Elections

• 2012 - 2016 (May 2012 Bond Election)	\$ 596,000,000
• 2017 - 2021 (Potential 2017 Bond Election)	625,000,000
• 2022 - 2026 (Potential 2022 Bond Election)	<u>625,000,000</u>
Total	\$ 1,846,000,000

## Actual & Potential Certificates of Obligation

• 2012 - 2016	\$ 152,775,000 *
• 2017 - 2021	25,620,000
• 2022 - 2026	<u>0</u>
Total	\$ 178,395,000

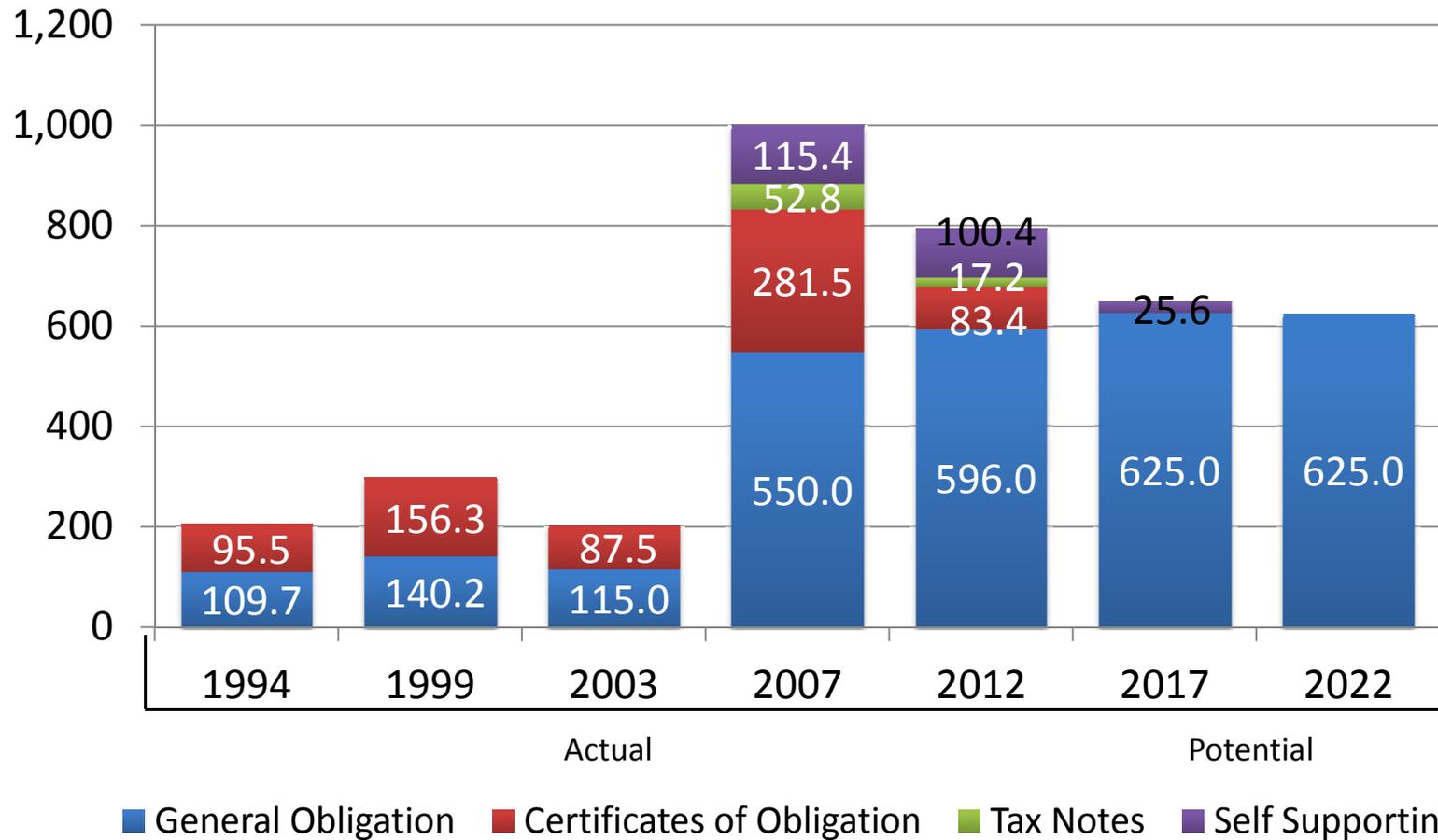
## Actual & Potential Tax Notes

• 2012 - 2016	\$ 48,203,802
• 2017 - 2021	0
• 2022 - 2026	<u>0</u>
Total	\$ 48,203,802

\* Includes \$7.2 million of new capacity of which \$2.2 million recommended for capital projects and \$5.0 million reserved for future capital projects.

# Ad Valorem Debt Management Plan

Actual & Potential Issuances  
(Dollars in millions)



# Ad Valorem Debt Management Plan

## 2012 Bond Program

Improvements	Amount Authorized	Debt Issued To Date	Debt Authorized But Unissued
Streets, Bridges, and Sidewalks	\$337,441,000	\$96,473,436	\$240,967,564
Drainage and Flood Control	128,031,000	36,817,441	91,213,559
Parks, Recreation and Open Space	87,150,000	39,060,888	48,089,112
Library, Museum and Cultural Arts Facilities	29,032,000	19,422,612	9,609,388
Public Safety Facilities	14,346,000	5,987,292	8,358,708
<b>Total</b>	<b>\$596,000,000</b>	<b>\$197,761,669</b>	<b>\$398,238,331</b>

# Ad Valorem Debt Management Plan

## Proposed Tax Rate FY 2014

General Fund	\$0.35419
Debt Service Fund	<u>0.21150</u>
Total Tax Rate	\$0.56569



# Ad Valorem Debt Management Plan

## Debt Service Fund Balance Drawdown

- Actual Fund Balance of \$58.6M as of September 30, 2012
- Projected Fund Balance of \$49.5M as of September 30, 2013
- Planned drawdown from FY 2013 through FY 2028 to a target balance of between \$25M - \$30M

# Ad Valorem Debt Management Plan

## Summary

- Positive Performance over Ad Valorem Debt Management Plan will be utilized to provide further flexibility
  - Early Redemption Program
  - Debt Restructuring; and/or
  - Additional Debt Issuances to Complement Program

City of San Antonio, Texas



# FY 2014 Proposed Budget Worksession

# Debt Management Plan

Presented by Ben Gorzell, Chief Financial Officer

September 4, 2013