

# DEBT MANAGEMENT PLAN



Presented by  
Chief Financial Officer Ben Gorzell Jr.  
August 12, 2015

# TYPES OF DEBT ISSUED

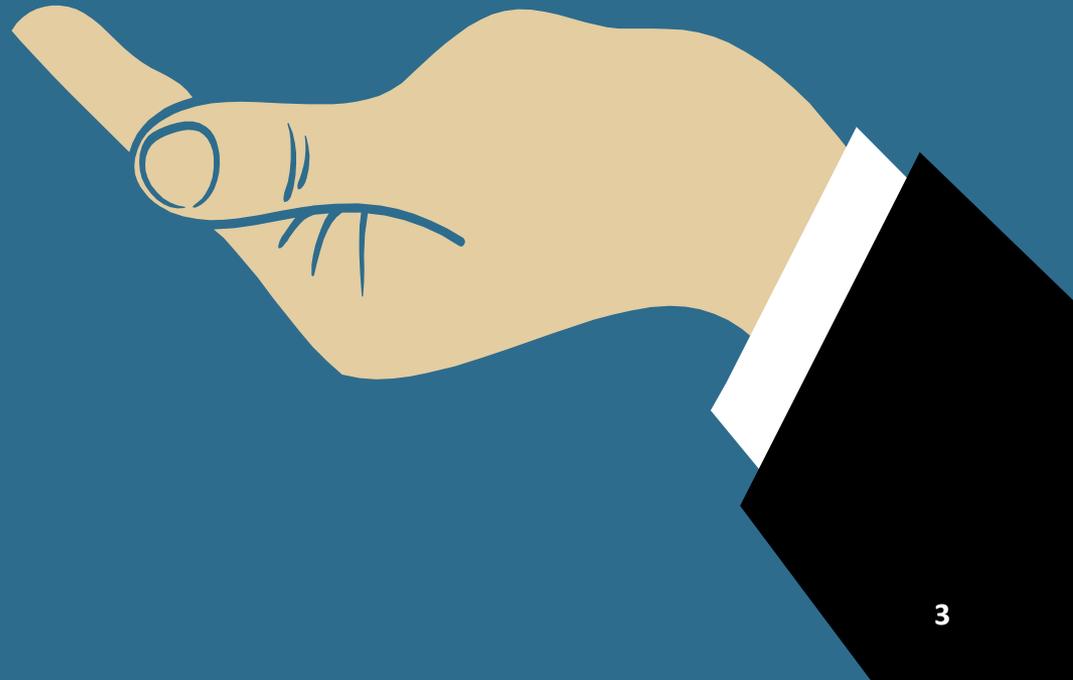
- General Obligation Bonds
- Certificates of Obligation
- Tax Notes
- Revenue Debt



# OUTSTANDING DEBT

\$2.8

Billion



# Ad Valorem Debt - Outstanding

**\$1.6  
Billion**

- General Obligation Bonds
- Certificates of Obligation
- Tax Notes
- Public Property Finance  
Certificates of Obligation

Effective Interest Rate: 3.3%  
Average Life: 8.69 years

# Ad Valorem Debt Limits



Should not exceed  
10% of total  
Assessed Valuation

***Ceiling: \$9.3 billion***

Property Taxes levied  
for debt must not  
exceed \$1.50 per \$100  
of assessed valuation

***City Current Debt Portion  
of Property Tax Rate:  
21 cents for every \$100  
valuation***

# Self-Supporting Debt Airport

**\$489  
Million**

- CONRAC
- Passenger Facility Charge
- Airport Operations

Effective Interest Rate: 4.5 to 5.6%  
Average Life: 10.7 to 21.1 years<sup>6</sup>

# Self-Supporting Debt

**\$550  
Million**

**Convention  
Center  
Expansion**

Effective Interest Rate: 4.0%  
Average Life: 19.8 years

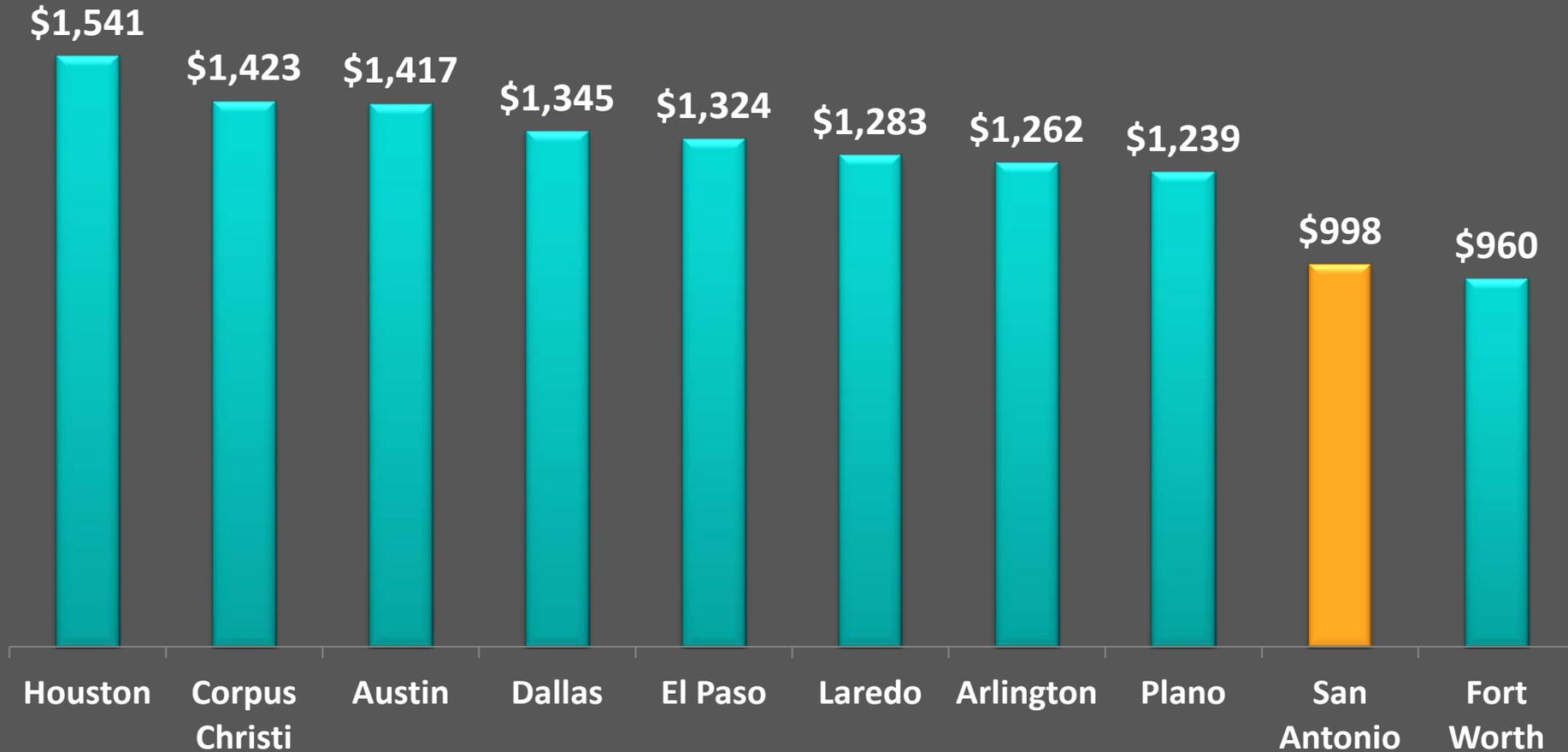
# Self-Supporting Debt Various

**\$142  
Million**

- Stormwater
- One Stop
- Public Safety  
Emergency Dispatch
- Starbright Toyota
- Frost Tower
- Taxable Revenue Notes

Effective Interest Rate: 1.7 to 4.9%  
Average Life: 1.5 to 15.9 years

# San Antonio one of the Lowest Ad Valorem Debt Per Capita in Texas



SOURCE: State Comptroller's Tell the Truth Texas website as of August 31, 2013.

# Bond Ratings

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

San Antonio is the only City with population of more than 1 million to receive a "AAA" General Obligation rating from all three rating agencies



Fitch  
Moody's  
S&P

On July 21<sup>st</sup> Moody's raised the City's outlook from negative to stable

# “AAA” BOND RATING REPORTS

- “Strong financial results guided by an experienced management team”
- “Financial Management includes multiyear budgeting and five year forecasting models”
- “City’s officials expect to keep public safety costs at no more than 66% of the general fund budget....with the expectation of realigning benefits with peer cities in the near future”

Moody's



# “AAA” BOND RATING REPORTS

**Fitch:** “The City’s recently enhanced reserve policies...two year budget strategy...are positive credit factors”

**Standard & Poors:** “Very strong management, with strong financial policies and practices”

“Very strong budgetary flexibility with an available fund balance in fiscal year 2014 of 17% of operational expenditures”



# BOND RATINGS

	Fitch	Moody's	S&P
General Obligation Debt	"AAA"	"Aaa"	"AAA"



# BOND RATINGS - AIRPORT

	Fitch	Moody's	S&P
Airport	"A+"	"A1"	"A+"
Passenger Facility Charge <sup>1</sup>	"A"	"A2"	"A"
Customer Facility Charge Revenue Bonds	"BBB+"	"A3"	"A-"

<sup>1</sup> On July 14<sup>th</sup> S&P upgraded the City's rating on PFC debt from "A-" to "A"

# BOND RATINGS (SELF-SUPPORTING DEBT)

	Fitch	Moody's	S&P
Stormwater	"AA"	"Aa2"	"AA+"
Contract Revenue Bonds - Starbright (Toyota)	"AA+"	"Aa1"	"AA+"
One Stop	"AA+"	"Aa1"	"AA+"
Public Safety Emergency Dispatch Center	"AA+"	"Aa1"	"AA+"
Convention Center Expansion	"AA"	"Aa2"	"AA+"

# VALUE OF "AAA"

## Projected Financial Impact of Rating Levels on \$1 Billion of Debt

<b>Cost of Potential Rating Downgrade (\$ in Millions)</b>	<b>Gross Cost</b>	<b>Present Value Cost</b>
<b>Downgrade from AAA to AA+</b> <i>(Drop of 1 level)</i>	<b>\$6.4 to 12.9</b>	<b>\$4.6 to 9.2</b>
<b>Downgrade from AAA to AA</b> <i>(Drop of 2 levels)</i>	<b>\$19.3 to 25.7</b>	<b>\$13.8 to 18.4</b>
<b>Downgrade from AAA to AA-</b> <i>(Drop of 3 levels)</i>	<b>\$38.4 to 44.8</b>	<b>\$27.6 to 32.2</b>

# FY 2015 New Issuances & Refundings



**\$540.2 Million**

- 2014 Refunding
- 2015 Bonds, Certificates of Obligation, and Tax Notes
- CONRAC
- Airport
- Frost Tower

# Recent Bond Refunding Results

Since April 2012:

- 8 Refundings
- Total Gross Savings of \$84.6 million
- Net Present Value Savings of \$59.1 million



# AD VALOREM DEBT MANAGEMENT PLAN



# ASSUMPTIONS

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
<b>Net Taxable Assessed Value Growth Rate</b>	14.3%	6.5%	4.0%	3.0%	
<b>Debt Service Tax Rate</b>	\$0.2115				
<b>Tax Collections</b>	98%				
<b>Interest Rate</b>	6.0%	6.5%			

## Debt Service Fund Balance Drawdown

- Projected Fund Balance of \$42.2M as of September 30, 2015
- Planned drawdown from FY 2015 through FY 2028 to a target balance of between \$20M - \$25M

# AD VALOREM DEBT MANAGEMENT PLAN PLANNED ISSUANCES

<b>(\$ in Millions)</b>	<b>Total Authorization</b>	<b>Issued</b>	<b>Unissued</b>
<b>2012 GO Bond Program *</b>	<b>\$596</b>	<b>\$538</b>	<b>\$54</b>
<b>2012-2016 CO</b>	<b>\$228</b>	<b>\$122</b>	<b>\$106</b>
<b>2012-2016 Tax Notes</b>	<b>\$77</b>	<b>\$48</b>	<b>\$29</b>

\* Bond authorization reduced by \$4,000,000 due to savings.

# AD VALOREM DEBT MANAGEMENT PLAN

## PLANNED ISSUANCES

<b>Program - (\$ in Millions)</b>	<b>Total Authorization</b>
<b>2017 Planned GO Bond Program</b>	<b>\$750</b>
<b>2022 Planned GO Bond Program</b>	<b>\$750</b>
<b>2017-2026 CO</b>	<b>\$300</b>
<b>2017-2026 Tax Notes</b>	<b>\$210</b>

# AD VALOREM DEBT MANAGEMENT PLAN ADDED CAPACITY

\$62.7 M in  
Certificates of  
Obligation in  
FY2016

- Streets and Sidewalks
- Parks
- Fire Stations

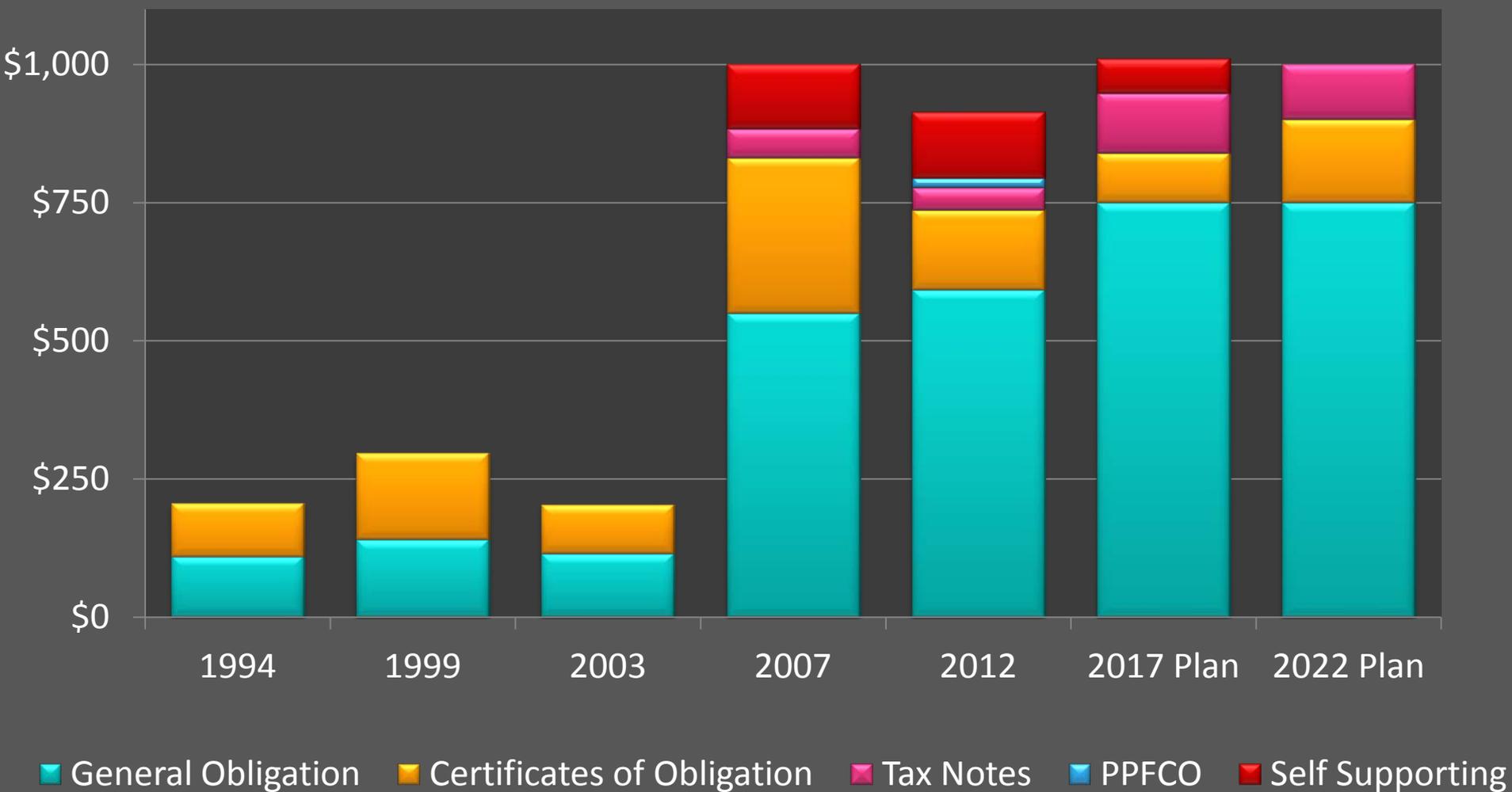
\$23.9 M in  
Tax Notes in  
FY2016

- Streets
- Technology
- Fire Stations
- Police Equipment
- Facilities Maintenance

\$15 M in Tax  
Notes each year  
from FY 2017 to  
2026

- Streets
- Technology

# AD VALOREM DEBT MANAGEMENT PLAN ACTUAL & POTENTIAL ISSUANCES (\$ IN MILLIONS)



# FUTURE PROPOSED BOND ISSUANCES

## Fall 2015

- Passenger Facility Charge and Subordinate Lien Airport System Revenue Refunding Bonds, Series 2015

## Summer 2016

- \$54 M General Obligation Improvements Bonds
- \$106 M Certificates of Obligation
- \$29 M Tax Notes



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