



# City of San Antonio

## Agenda Memorandum

**File Number:**

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**Agenda Item Number:** 19

**Agenda Date:** November 21, 2024

**In Control:** City Council A Session

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**DEPARTMENT:** Finance Department

**DEPARTMENT HEAD:** Troy Elliott

**COUNCIL DISTRICTS IMPACTED:** Citywide

**SUBJECT:**

Public Facility Corporation Lease Revenue Refunding and Improvement Bonds (Convention Center Facilities Project) Defeasance

**SUMMARY:**

This Resolution of the City of San Antonio, Texas Public Facilities Corporation authorizes and provides for the defeasance or prepayment of certain outstanding lease revenue obligations in an amount up to \$75 million; authorizes the execution of an escrow agreement and any documents related thereto; and authorizes other necessary actions related thereto.

**BACKGROUND INFORMATION:**

On June 14, 2012, City Council approved a Resolution authorizing the creation of the City of San Antonio, Texas Public Facilities Corporation (the "Corporation") pursuant to Chapter 303 of the Local Government Code, to act on behalf of the City. The Corporation was created to effectuate the issuance of the 2012 PFC Bonds. The Board of Directors of the Corporation is comprised of the Mayor and City Council. The Corporation entered into a Lease Agreement with the City where the City is obligated to make "Lease Payments" to the Corporation, subject to annual appropriation by the City Council, equal to the debt service on the 2012 PFC Bonds. The City continues to be responsible for all maintenance and operations of the Convention Center without having to go

through the Corporation for approvals, oversight, etc. and no mortgage was granted to secure the 2012 PFC Bonds.

The City pledged any lawfully available revenues of the City to fund the annually appropriated Lease Payments to the Corporation which were used to pay debt service on the 2012 PFC Bonds and utilized Hotel Occupancy Tax (“HOT”) revenues to fund the annually appropriated Lease Payments to the Corporation.

On August 4, 2022, the City approved an Ordinance requesting the Corporation issue Refunding Lease Revenue and Improvement Bonds, Series 2022 (the “2022 PFC Bonds”) in an amount of \$292,880,000 to refund the 2012 PFC Bonds in the amount of \$273,503,642 and finance certain capital improvements in the amount of \$30,000,000 for the Convention Center Facilities.

#### **ISSUE:**

The amount of 2022 PFC Bonds currently outstanding is \$286.3 Million. The potential cash defeasance of a portion of the 2022 PFC Bonds in an amount up to \$75 million, along with a potential refunding of the currently outstanding 2012 PFC Bonds (which is being considered under a separate agenda item) is planned to create additional capacity for capital improvements at the Convention Center and the Alamodome. These transactions will be completed if market conditions are favorable and the goals of the City can be accomplished.

#### **ALTERNATIVES:**

The City could choose to not effectuate the potential cash defeasance or refunding to create additional capacity for capital improvements and look to defer improvements until other funding sources are identified or not proceed with the capital improvements.

#### **FISCAL IMPACT:**

The defeasance and any costs pertaining to the proposed transaction will be paid from the Convention Center Redemption and Capital Reserve Fund. Debt service for the PFC Bonds and any undefeased 2012 PFC Bonds is expected to continue to be paid from the HOT funds.

#### **RECOMMENDATION:**

Staff recommends approval of this Resolution requesting the defeasance of certain of its 2012 PFC Bonds in an amount up to \$75 million.