



City of San Antonio

Agenda Memorandum

File Number:

Agenda Item Number: 24

Agenda Date: August 3, 2023

In Control: City Council A Session

DEPARTMENT: Finance Department

DEPARTMENT HEAD: Troy Elliott

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

Authorizing the issuance of Notes for Edwards Aquifer Protection Program

SUMMARY:

This Resolution authorizes the issuance of “City of San Antonio, Texas Municipal Facilities Corporation Contact Revenue Notes, Series 2023”; authorizes the execution of an Indenture of Trust and Purchase and Investment Letter; and approves other matters in connection therewith.

BACKGROUND INFORMATION:

The Edwards Aquifer provides San Antonio with an abundant and vital source of groundwater. It stretches across thousands of acres over several counties in South Central Texas. Roughly 70 percent of San Antonio’s water originates as recharge from counties located west of Bexar County. Rainfall enters the Edwards Aquifer through fractures, caves, sinkholes and other features and replenishes the Aquifer.

In May 2000, San Antonio voters approved a proposition which initiated the Edwards Aquifer Protection Program (EAPP) with funding from a portion of a 1/8-cent venue sales tax. The EAPP protects the Edwards Aquifer through the acquisition of property rights including fee simple purchases, conservation easements, and donations of land over the sensitive zones of the Edwards

Aquifer. Perpetual conservation easements benefit San Antonio residents by limiting the amount of increased impervious cover allowable on the protected properties in order to preserve the quantity and quality of water recharging in the Edwards Aquifer.

This initial proposition funded the EAPP at \$45 million and funding was approved by voters for continuation of the EAPP in the following amounts: \$90 million in 2005; \$90 million in 2010; and \$100 million in 2015. To date, the EAPP has protected 160,330 acres over the Edwards Aquifer recharge and contributing zones through purchase of property and negotiation of conservation easements.

On August 13, 2020, City Council approved an Ordinance which placed a proposition on the November 3, 2020, ballot for workforce training and higher education, effectively redirecting currently funded sales tax programs including the EAPP.

On September 17, 2020, City Council adopted an Ordinance which provided for the continuation of the land easement acquisition program in environmentally sensitive areas over the contributing and recharge zones of the Edwards Aquifer by authorizing the City's entering into a Programmatic and Financing Agreement (the "Agreement") with the City of San Antonio, Texas Municipal Facilities Corporation (the "Corporation").

The funding program provided under the Agreement is \$100 million (excluding interest costs, financing costs, and maintenance and support costs) which will be available over a ten-year period in approximately equal amounts issued through the Corporation. The funding is structured as short-term debt which will be callable and refunded into long term debt to be amortized over twenty to twenty-five years. To meet the legal requirements for the issuance of debt to fund the EAPP, a portion of the City's revenue payment from the San Antonio Water System ("SAWS") equal to the amount necessary to satisfy payment and security of the debt issued by the Corporation is being pledged by the City. The payment from SAWS is a City revenue and there is no coordination or approval required from SAWS for this proposed debt structure. Under the contract, the City, through its annually adopted budget, will utilize any lawfully available funds to transfer amounts sufficient to meet the Corporation's annual commitments or obligations for the EAPP. Program expenses such as costs for monitoring and assuring compliance with deed restrictions and conservation easements of acquired real property under the EAPP will be funded from the City's Operating Budget.

The Conservation Advisory Board (CAB) which was created in 2000, will continue to advise the City Council on the EAPP under the financing structure.

ISSUE:

The City of San Antonio, Texas Municipal Facilities Corporation Contact Revenue Notes, Series 2023 (the "Notes") are being issued to provide funding for land acquisitions for the EAPP under the Agreement. This issuance will provide funding for either, 1) \$20,000,000 for two years or 2) \$30,000,000 for three years, and structured as short-term tax notes with a four-year maturity. The Notes will be callable in either one or two years with the ability to be refunded into long term debt.

It is anticipated that bids on the Obligations will be received on July 26, 2023, and closing and delivery is planned for August 24, 2023.

On July 5, 2023, the City released a Request for Bid for a Placement Agent for the Obligations and selected SWBC Investment Services, LLC to serve as Placement Agent for this transaction. Since this transaction will be privately placed, the Placement Agent will receive the bids on behalf of the City. On July 26, 2023, bids for the Obligations are anticipated to be received and closing and delivery is planned for Thursday, August 24, 2023. The final results of the pricing and sale will be detailed in a memorandum which will be provided to City Council prior to Thursday, August 3, 2023.

The aforementioned transaction is consistent with the City's previous actions regarding the EAPP and the City's debt financings.

ALTERNATIVES:

The costs could be absorbed into the City's operating budget and/or the proposed projects could be deferred or canceled. However, this alternative is not budgeted and would negatively impact funding for other services and improvements or result in approved capital projects not being constructed.

FISCAL IMPACT:

Any costs pertaining to the proposed transaction will be paid for from the proceeds derived from the issuance and sale of such obligations. The debt service for the Notes will be paid from the General Fund.

RECOMMENDATION:

Staff recommends approval of this Resolution that authorizes the issuance of Notes for Edwards Aquifer Protection Program.