



City of San Antonio

Agenda Memorandum

File Number:

Agenda Item Number: 25

Agenda Date: August 4, 2022

In Control: City Council A Session

DEPARTMENT: Finance Department

DEPARTMENT HEAD: Troy Elliott

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

Resolution for Issuance, Sale, and Delivery of City of San Antonio, Texas Public Facilities Corporation Lease Revenue Refunding and Improvement Bonds, Series 2022 (Convention Center Facilities Project) (the “2022 PFC Bonds”)

SUMMARY:

This resolution of the City of San Antonio, Texas Public Facilities Corporation authorizes the issuance, sale and delivery of up to \$620,000,000.00 in principal amount of City of San Antonio, Texas Public Facilities Corporation Lease Revenue Refunding and Improvement Bonds, Series 2022 (Convention Center Facilities Project) (the “2022 PFC Bonds”) for the purpose of refunding all or a portion of the Corporation’s Improvement and Refunding Lease Revenue Bonds, Series 2012 (Convention Center Refinancing and Expansion Project) (the “2012 PFC Bonds”), and financing improvements to the City’s Convention Center; approves the form and distribution of a preliminary official statement and a final official statement relating to the 2022 PFC Bonds; delegates authority to a pricing committee to select 2012 PFC Bonds to be refunded (the “Refunded Bonds”) and approve all final terms of the 2022 PFC Bonds; approves the form and execution of an Amended and Restated Trust Agreement, an Amended and Restated Lease Agreement, and a Purchase Contract in connection therewith; calls the Refunded Bonds for redemption; authorizes other necessary actions related thereto; and amends and replaces Resolution No. PFC 06-16-0001R approved on June 16, 2022, relating to essentially the same subject.

BACKGROUND INFORMATION:

This Resolution authorizes the issuance of the 2022 PFC Bonds in an amount up to \$620,000,000.00. Parameter sale authorization for the sale of the 2022 PFC Bonds will give the City Manager and Chief Financial Officer the flexibility to determine the maturities and principal amounts of the 2012 PFC Bonds to be refunded (“the “Refunded Bonds”) and establish the pricing terms on the 2022 PFC Bonds (with approval from a pricing committee made up of certain members of the Board of Directors of the Corporation) and the authority to sign the applicable Purchase Contract upon completion of the sale the 2022 PFC Bonds. This Resolution also amends and replaces Resolution No. PFC 06-16-0001R approved on June 16, 2022 (the “Original Resolution”), relating to essentially the same subject; the primary differences being this Resolution (i) allows for refunding of all or any portion of the outstanding 2012 PFC Bonds instead of only refunding all outstanding 2012 PFC Bonds, and (ii) approves an amendment and restatement of the existing Lease Agreement and Trust Agreement instead of extinguishing those Agreements and replacing them with entirely new Agreements with very similar terms and provisions.

With the recent volatility in the credit markets since the passage of the Original Resolution, certain maturities of the 2012 PFC Bonds are uneconomical to refund at this time; therefore, amending the Original Resolution provides flexibility to refund all or only a portion of the 2012 PFC Bonds for which the City and the Corporation can achieve debt service savings. Additionally, if not all 2012 PFC Bonds are refunded, Co-Bond Counsel to the City and the Corporation have advised that the 2022 PFC Bonds need to be issued as on a parity with the unrefunded 2012 PFC Bonds – as permitted by the terms of the original Trust Agreement. Also, once all outstanding 2012 PFC Bonds are eventually fully paid or defeased, the Amended and Restated Lease Agreement and Trust Agreement will allow the Alamodome and the Lila Cockrell Theatre to be components of the “Convention Center Facilities” (which currently only include the Convention Center) that are eligible for financing. This change will provide another future bond financing method for funding capital improvements at the Alamodome and the Lila Cockrell Theatre.

The City of San Antonio, Texas Public Facility Corporation Lease Revenue Refunding and Improvement Bonds, Series 2022 (the “2022 PFC Bonds”) are being issued in an amount up to \$620,000,000.00 to (i) refund of all or a portion of the Public Facility Corporation’s Improvement and Refunding Lease Revenue Bonds, Series 2012 (Convention Center Refinancing and Expansion Project) (the “2012 PFC Bonds”) in order to achieve debt service savings, (ii) finance up to \$55,000,000.00 of improvements to the City’s Convention Center, and (iii) pay costs of issuance.

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 HOT revenues to fund the annually appropriated Lease Payments to the Corporation. The proposed issuance of the 2022 PFC Bonds will follow this same funding mechanism which capitalizes on the City's strong bond ratings allowing for a lower overall cost of borrowing and gives the City greater flexibility to manage the debt under changing economic conditions.

The potential refunding of the currently outstanding 2012 PFC Bonds would be done for interest cost savings which is dependent upon financial market conditions. The City will not proceed with a refunding of the 2012 PFC Bonds unless financial market conditions are favorable to generating a prudent level of interest cost savings.

It is anticipated that the 2022 PFC Bonds will be sold the week of August 29, 2022 by an underwriting syndicate led by Piper Sandler & Co. as Senior Book Running Manager; Citigroup Global Markets, Inc. as Co-Senior-Manager; and SAMCO Capital Markets, Inc.; Drexel Hamilton, LLC; Samuel A. Ramirez & Co., Inc.; Morgan Stanley & Co., Inc.; Stifel, Nicolaus & Company Incorporated; and RBC Capital Markets as Co-Manager.

ISSUE:

The 2022 PFC Bonds are being issued to refund all or a portion of the 2012 PFC Bonds to achieve debt service savings (if market conditions are favorable) and finance up to \$55,000,000.00 of capital improvements for the Convention Center. These improvements include escalator/elevator replacement; mechanical, electrical, and plumbing upgrades.

ALTERNATIVES:

Even if market conditions are favorable to achieve a certain level of debt service savings, the City and the Corporation could choose not to refund all or a portion of the 2012 PFC Bonds and forego the interest cost savings of refunding such obligations at this time in anticipation of more favorable conditions in the future and could choose not to move forward with the proposed capital improvements to the Convention Center.

FISCAL IMPACT:

Any costs pertaining to the proposed transaction will be paid for from the proceeds derived from the issuance and sale of the 2022 PFC Bonds. Debt service for the 2022 PFC Bonds and any unrefunded 2012 PFC Bonds is expected to continue being paid from the Hotel Occupancy Tax funds. Funds are not encumbered.

RECOMMENDATION:

Staff recommends approval of this Resolution authorizing the issuance, sale, and delivery of the 2022 PFC Bonds.