

TO: Board of Directors
FROM: Executive Committee
SUBJECT: Amending City Charter language to include permanent public improvements for any other public purpose.



STATUS: APPROVED

DATE: April 29, 2021

RECOMMENDATION:

The San Antonio Chamber of Commerce supports Proposition A, amending the City of San Antonio charter language to allow for flexibility in bond projects, including funding for affordable housing, economic development, and other capital projects. The City charter language currently reads “public works”. Proposition A would allow use of bond money for “public purpose.” Proposition A is on the May 2021 ballot.

BACKGROUND:

On February 3, 2021, the City of San Antonio announced a proposal to amend current city charter language to expend eligibility of projects qualified for city bond issuance.

On February 11, 2021, the San Antonio City Council voted 10-1 to place Proposition A on the May 1, 2021 Municipal Election ballot. The measure will allow the City to seek voter approval to amend current City charter language to allow the City to issue bonds for permanent public improvements or any other public purpose, not prohibited by the Texas Constitution or the general laws of the state of Texas, to include affordable housing and economic development programs in scope and breadth as determined by ordinance of the City Council following an election on the matter. Language to allow such flexibility existed in the City charter prior to 1997.

If Proposition A is passed, all bond projects must be approved by voters. The San Antonio City Council would vote to include such bond projects on the ballot, only after several months of public input.

CURRENT CITY CHARTER PROGRAM

Current City charter language allows the City of San Antonio to use funds raised by bond issuance for “public works”. This means the funds are restricted and can only be used for major capital investments having a public purpose, such as streets, drainage, public safety facilities, flood control as well as quality of life enhancements related to libraries, parks, community recreation, cultural facilities, and elimination of slum and blight. The City charter language does not currently allow flexibility to include affordable housing or economic development projects.

General Obligation Bonds are backed by the full faith and credit of the City of San Antonio, which means that the City is obligated to pay back the bonds plus interest by pledging its ad valorem taxing power. Several factors go into determining the size of a bond program. The City analyzes current and projected property valuations, aligns that with City charter and Texas constitutional limits on public debt, and considers the importance of maintaining the City's 'AAA' bond ratings as well as funding citizen and staff recommended projects throughout the community.

Bond elections can be called at any time, though, generally they are called every five years, and residents can vote whether the City can issue bonds to fund certain projects. Most recently, voters approved issuing bonds in 2017. The next time residents will have an opportunity to vote on bond projects will be in 2022.

GOOD FISCAL MANAGEMENT

San Antonio's bond ratings are among the highest of any major city in the United States. The ratings enable the City to borrow at the lowest-possible interest rates, which save millions of dollars for residents each year. On July 31, 2019, the City of San Antonio's credit ratings were reaffirmed by all three major rating agencies, citing the City's "*very strong management with strong financial policies and practices*" among other achievements. The City has achieved a AAA general obligation bond rating by Standard & Poor's (S&P) and Moody's Investors Service (Moody's) for the tenth consecutive year. Fitch Ratings has also affirmed their 'AA+' rating. The City's ability to maintain a AAA bond rating demonstrates its prudent fiscal stewardship of tax dollars and approach centered on sound investment.

REASONS TO SUPPORT PROPOSITION A:

- The COVID-19 pandemic has highlighted the need for both affordable housing and continued investment in economic development projects. The expansion of city charter language to include affordable housing and economic development projects as eligible for funding through bonds will help assist and drive the economic recovery of our city.
- The ability to directly participate in affordable housing and economic development projects could greatly enhance the City's ability to create jobs and stimulate the local economy.
- San Antonio is currently the only major Texas city that restricts bond money to public works. This proposed change does not limit the City Council's ability to review Bond Projects the way they are currently reviewed, it simply expands the types of projects that are eligible for consideration.
- If voters do not approve amending the current City charter language to expand bond projects eligibility on the May 2021 ballot, they will not be presented with

this option again until the November 2022 General Election, and the City of San Antonio will not see any benefits of this added flexibility until November of 2027.

IMPLEMENTATION:

The San Antonio Chamber of Commerce will help support Proposition A up until the May 1, 2021 Election. The Chamber will take a proactive approach to communicate this position to the business community, the media, and other Chamber members through the publication in *The Chamber Today*.

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