

CITY OF ALAMO HEIGHTS  
CITY COUNCIL  
January 28, 2021

A workshop of the City Council of the City of Alamo Heights, Texas was held virtually at the Council Chambers, located at 6116 Broadway, San Antonio, Texas, at 8:30 a.m. on Thursday, January 28, 2021.

Present and composing a quorum through Zoom were:

Mayor Pro Tempore John Savage  
Councilmember Wes Sharples  
Councilmember Lawson Jessee  
Councilmember Blake M. Bonner

Also attending through Zoom were:

City Manager Buddy Kuhn  
Assistant City Manager/Community Development Services Director Nina Shealey  
Finance Director Robert Galindo  
Human Resources Manager Lori Harris  
Public Works Director Pat Sullivan  
Assistant to City Manager Jennifer Reyna

Absent:

Mayor Bobby Rosenthal  
Councilmember Lynda Billa Burke  
City Secretary Elsa T. Robles

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City Manager Buddy Kuhn opened the meeting at 8:45 a.m.

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*Item #1*      **Discussion regarding the Austin Highway/lower Broadway Improvement Project and timing for issuance of \$13.25 million in General Obligation Bonds**

City Manager Buddy Kuhn stated the workshop was to provide Council with helpful information and formulate direction for the reconstruction of Austin Highway/lower Broadway. Financial Advisor Anne Entrekin-Burger and Bond Counsel Tom Spurgeon were also present.

Mr. Kuhn stated there were a multitude of agencies that would be working together on this project. He and Assistant City Manager/Community Development Services Director Shealey started attending bi-weekly meetings with Texas Department of Transportation (TxDOT).

TxDOT provided project milestones:

- Environmental – Estimated completion fall 2021
- Final Parking configuration – March 2021
- Public Hearing – September 2021
- Begin Construction – March 2024 – estimated at 18 months

Mr. Kuhn shared TxDOT informed them of a creature/bug that lives below the surface in the Robber Barron Cave north of the City. He stated US Fish and Wildlife was carefully studying this creature and could delay the environmental completion for the project. Ms. Shealey added the City would need to work closely with TxDOT to form a conservation plan.

Mr. Kuhn reviewed the total project budget of \$31,628,500. He broke down current total funds committed of \$30,650,500:

TxDOT and The Alamo Area Metropolitan Planning Organization (MPO) committed a combined total of \$14M. This included project engineering, environmental, and project management. The City of Alamo Heights committed \$13.25M for storm water in voter approved General Obligation bonds and \$2.1M in Certificates of Obligation (CO) bonds for the water and sewer utility system. The San Antonio River Authority (SARA) committed \$1,300,500 for low impact design landscaping (LID). City of Alamo Heights is also responsible for \$978,000 in contingency fees as outlined in the bond education program.

Mr. Kuhn briefly reviewed funding costs stating minimal funds were allocated for landscaping. He and Councilmember Lawson Jessee had discussed the possibility of implementing a Public Improvement District (PID). If implemented this year, a portion of unreserved funds and other budget estimates, could conservatively add up to approximately \$4,000,000 by 09/30/2024. He stated \$978,000 would be earmarked for contingency as part of the overall budget. The remaining \$3,022,000 would be used for landscaping.

Mr. Kuhn briefly touched on the issuance of General Obligation (GO) debt and stated, generally when GO debt is sold, a percentage of the proceeds must be spent right away and 85% within 36 months. He commented selling debt now may not be a good idea and asked Bond Counsel Tom Spurgeon to elaborate.

Mr. Spurgeon agreed issuing tax exempt bonds have certain requirements. The proceeds must be spent within 3 years. He explained 5% must be spent within the first 6 months and the rest within the 36 months. He advised even though rates seemed attractive at this time, it wasn't an option because the required thresholds would not be met. Another option would be to issue taxable bonds. These do not have laws pertaining to timing requirements. He added that the City would have the same issue with the issuance of COs for the replacement of water and sewer lines. These also need to be spent within the 3 years.

Mr. Kuhn informed Council that an Advance Funding Agreement (AFA) would have to be finalized with TxDOT within the next 60 days. The AFA required Council approval and financially binds the City to the project; however, this would not be sufficient for arbitrage. As a requirement, all proceeds from GO debt and CO debt must be transferred to TxDOT 60 days before the project begins.

Ms. Anne Entrekin-Burger, Financial Advisor, Hilltop Securities, reviewed the analysis between interest rates pertaining to tax-exempt bonds and taxable bonds. She agreed with Mr. Spurgeon that taxable bonds are not subject to the same standards as tax-exempt bonds. She found the City would be better off doing taxable bonds due to current historically low interest rates. Even though interest rates may change by the time the City decides to issue bonds, there are no expectations in this market that rates will change one way or the other. The difference between tax-exempt and taxable bonds are that tax-exempt holders want premium bonds which will be sold for a higher than market coupon rate and have an opportunity for refunding. Taxable bonds have different buyers and are sold at par, but offer no opportunity for refunding.

Mayor Pro Tem John Savage stated it seemed like an opportunity to go ahead and issue taxable bonds, but wondered if there was a downside to doing this sooner than later. Ms. Entrekin-Burger advised the only downside would be the lack of opportunity to refund, but the City would be locking in a very low taxable interest rate which is projected not to cost any more than doing a tax-exempt bond issue. Mayor Pro Tem Savage added the lack of ability to refund may have very little value in the future. Ms. Entrekin-Burger agreed it was a potential opportunity but not a definitive opportunity.

Mr. Kuhn asked about restrictions on investments or proceeds. Mr. Spurgeon stated proceeds could be invested at an unrestricted yield in accordance to federal tax laws. These could also be used to offset debt service costs. There are no restrictions for taxable debt. He added the cost of issuance would come out of the par amount not the bond proceeds.

Ms. Entrekin-Burger agreed there would be a small premium and stated the City could save on cost of issuance if the GO and CO taxable bonds were issued together. She advised the City should consider issuing bonds in August after Bexar County sends the certified taxable assessed valuation. This would help structure the principal payment for the first year and ensure it's exactly a 2% increase. She suggested targeting the August time-frame, but maintain flexibility, should interest rates start to change. Analysis updates can be provided as often as necessary. She added the City's current AAA rating provides a favorable analysis. She advised the City should not go below 30% on the fund balance.

Finance Director Robert Galindo, explained he had estimated the fund balance up to FY2023 and found using \$2M from the fund balance would leave the balance at 35% which aligns with the City's policy. He stated there was currently more than 50% allocated in the fund balance. After this year's audit, more funds will be added if Council decides to reallocate funds from the fund balance to the general fund.

Mr. Spurgeon noted the City may not have to contribute \$13.25M to TxDOT as anticipated. He stated the proposition language is broad, and allows extra proceeds not being sent to TxDOT, to be used for the project landscaping.

Mr. Galindo stated the City had been audited three years ago for the 2007 bond issuance and was concerned regarding IRS requirements if audited again. Mr. Spurgeon stated this would be a factor if the City opted to issue tax-exempt bonds instead of taxable bonds.

Mr. Kuhn suggested providing an updated analysis every other month during a Council meeting. Ms. Entrekin-Burger stated she would have an analysis prepared for the March 8<sup>th</sup> Council meeting and every other month after.

Ms. Shealey updated Council on the Public Improvement District (PID) policy. She stated City Attorney Frank Garza had reviewed a draft of the policy for accuracy in reference to state law. A PID policy will establish guidelines for any interested parties looking to create a PID. She added the community would have to submit a petition with required signatures along with an improvement plan outlining estimated costs for improvements. In this case, it would be improvements on landscaping. She estimated a policy would be in place in the next couple of months and PID by the end of the fiscal year. Once petitioners submit the application, it would take a couple of months for analysis and City Council approval. Councilmember Jessee added local property owners on Broadway would need to initiate the petition for the PID.

Mr. Kuhn thanked Mr. Spurgeon and Ms. Entrekin-Burger for attending the workshop and providing their feedback on the project. They left the meeting at 9:42 a.m.

Mr. Kuhn continued and stated the PID would have to be created this year to ensure funds could be collected next year. He added Ms. Shealey had conducted several analyses and explained the decision was to establish the PID at .15¢ /\$100. He expressed the importance of getting the PID established soon and reiterated the property owners needed to petition the City, the City does not petition the property owners.

Councilmember Jessee wondered if a property owner should be appointed to lead the petition for the PID. Ms. Shealey stated it was not a requirement, but it would be wise to have someone promote the benefits of a PID to undecided property owners. She suggested having a separate meeting in the future to draft guidelines.

Mr. Kuhn asked Mr. Galindo to address the estimated landscaping budget. Mr. Galindo explained including the PID at .15¢ and transfers from the General Fund at the end of FY2023, estimated available funds would be \$1.7M and \$2M ending FY2024. He noted transfers will start at the end of this year, beginning with \$600,000. However; if this fiscal year turns out to be better than forecasted, the amount could be more.

Mr. Kuhn updated Council on project landscaping. He stated cost estimates for Overland, landscape architect, was \$200,000 with \$25,000 budgeted this fiscal year. Staff was still reviewing and negotiating options to cut costs. He added that \$75,000 had also been budgeted this fiscal year for engineering services.

Mr. Kuhn informed Council the City had asked for Request for Qualifications (RFQs) for engineering services. Seven (7) submittals were received. A selection committee formed by himself, Ms. Shealey, Councilmember Jessee, and Public Works Director Pat Sullivan were reviewing and scoring the submittals. The committee set an internal deadline for February 10<sup>th</sup> to finalize scores. If the Council opted to interview the firms, this could also be arranged. Once a firm is selected, it will be presented to Council for approval around March 8<sup>th</sup> or sooner.

Mr. Sullivan shared concerns regarding the water main. He noted it was shallow and he needed to ensure the integrity of the system knowing there would be wear and tear during construction. He plans to locate all shut down valves ahead of time and replace those that need it.

Mr. Kuhn addressed the underground storm water culvert and the best way to tie into it. He noted by eliminating one of the two proposed 8x12 box culverts and using it in conjunction with the existing system, the city could realize a cost savings due to only needing 2500 linear feet of new culvert instead of 5000 liner feet. He recognized construction will be a major interruption for businesses and residents on Broadway and Patterson Avenues.

In reference to community engagement, Mr. Kuhn mentioned creating a dedicated website or link on the City's current website to educate business owners regarding the project. Councilman Wes Sharples supported the idea of a dedicated website. It would help to advise business owners of project updates, lane closures, timeline updates, and impacts to the businesses during construction.

Mr. Kuhn spoke on additional administrative actions. He reiterated the importance of executing an Advanced Funding Agreement (AFA) with TxDOT. This agreement required Council's approval as it financially binds the City to the project. TxDOT will offer a "turnback program" which references the COAH will assume ownership and maintenance of Broadway. This does not include Austin Hwy since TxDOT will maintain ownership. Mr. Kuhn shared his concern was asking Council to take back Broadway not knowing the outcome of the project. TxDOT offered to include language in the agreement stating the City will take back Broadway providing all project conditions are met. Mr. Sullivan suggested to let TxDOT manage the warranty at the end of the project.

Councilmember Jessee stated he was considering reaching out to Bexar County as a monetary partner for this project and suggested staff do the same. Mr. Kuhn stated Bexar County had started a study to partner with the COAH for \$8M, but it had not been budgeted. Councilmember Jessee asked Mr. Kuhn to follow-up with Bexar County Manager David Smith.

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With no further business, the meeting adjourned at 10:29 a.m.

  
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Elsa T. Robles, TRMC  
City Secretary

  
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Bobby Rosenthal  
Mayor

