



# When Debt Meets Public Approval: Municipal Bond Elections in San Antonio, Texas

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*How do different financing mechanisms structure cities' decisions about investing in the future?*

**How do municipal bond elections affect infrastructure decisions in the case of San Antonio, Texas?**



# Key Findings

Public referenda on bond packages affect:

- The **size** of the bond package
- The **content** of the bond package
- The **administration** of the bond package

→ **Potential implications for growth management and closing the “infrastructure gap”**

# Presentation Outline


- Overview: Municipal Bonds in the U.S.
- Case Study: San Antonio, Texas
  - Demographic, political, and fiscal overview
  - Infrastructure needs
  - Municipal bond landscape
  - Fieldwork findings
  - Implications for growth management and closing the “infrastructure gap”
- Discussion & Moving Forward

# Overview: Municipal Bonds in the U.S.

- Borrowing instrument to finance growth and public works
- Different types of municipal bonds
  - General Obligation Bonds
  - Revenue Bonds
- Exempt from state and federal taxes
- States set rules about referenda, bond limits, etc.
  - Vary state by state
- Federal government sets rules about tax exemptions
- High credit ratings result in lower bond issuance costs

# History: Municipal Bonds in the U.S.

- First Municipal Bond issued in 1812: New York
- Began in early 19<sup>th</sup> century alongside rapid urban growth
- Widespread defaults and mismanagement led to increased rules
  - State oversight
  - Public referenda requirements
- American Recovery and Reinvestment Act of 2009
  - “Build America Bonds” end in 2011



➤ **Case Study:**  
**Municipal Bond Elections in**  
**San Antonio, Texas**

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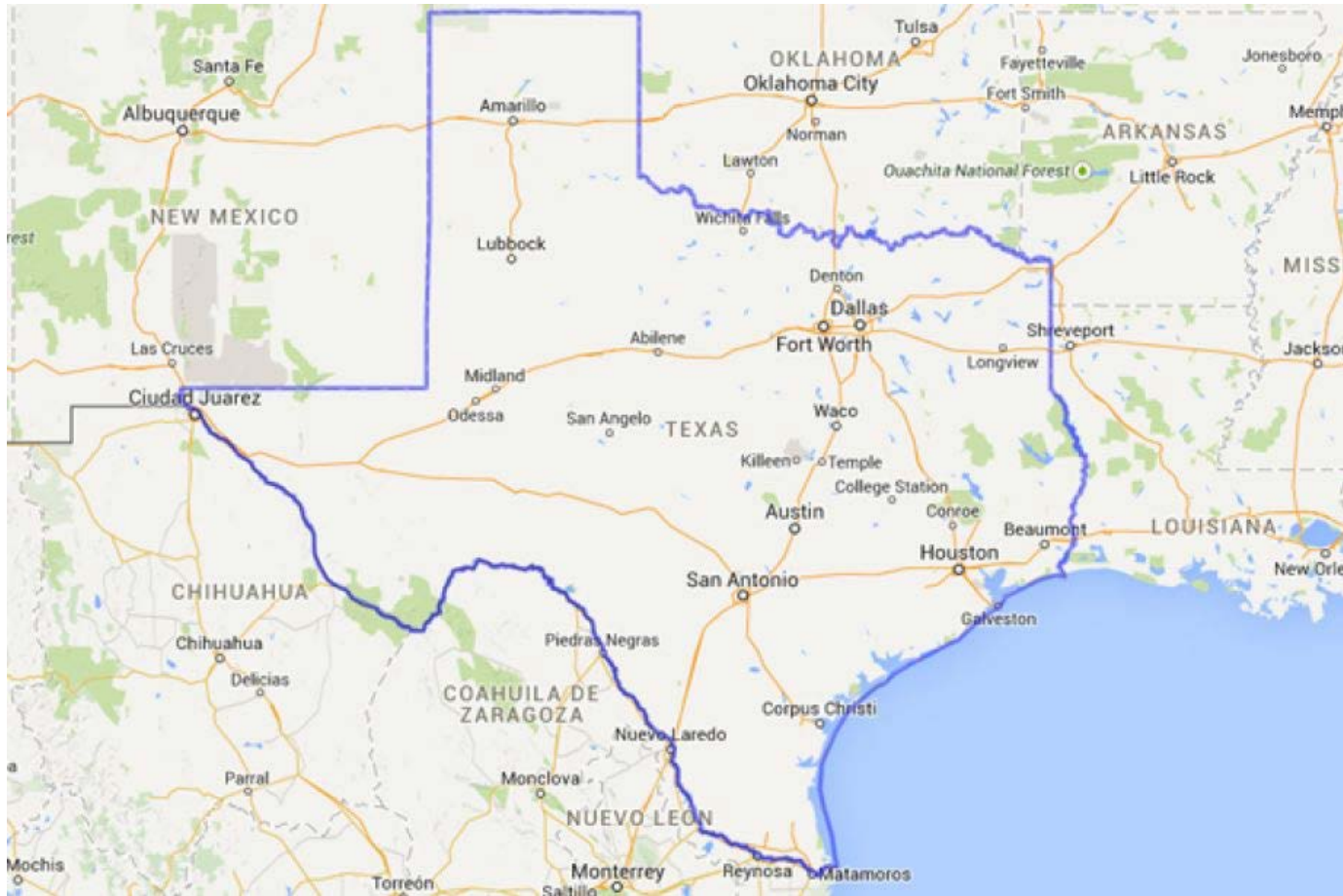
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# San Antonio, Texas





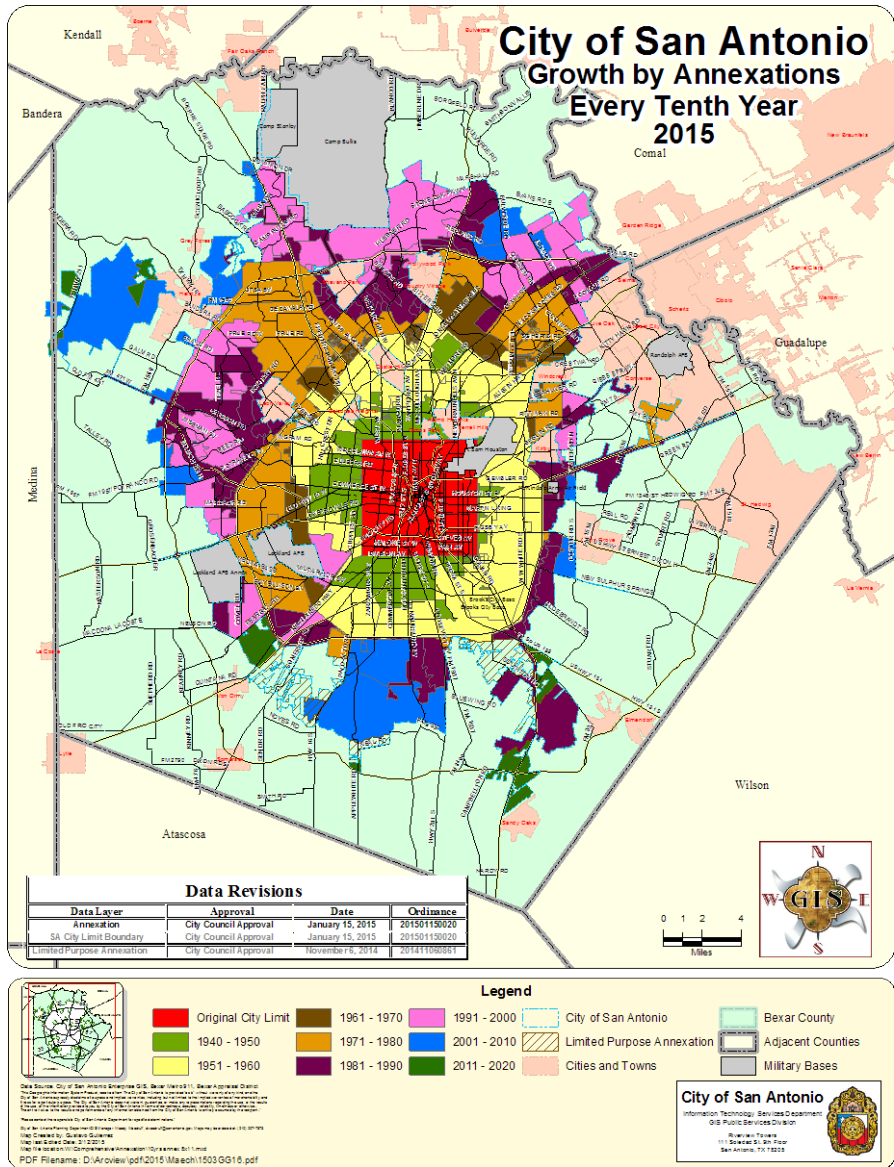
# San Antonio, TX: Background

- **Demographics**

- “Military City, U.S.A.”
- Mixed Economy
- Population= 1.4M+ and growing quickly
- Large Hispanic population

- **Politics**

- 10 Districts
- Council-manager government
- No party system for local politics
- “Home Rule”: limited State and County involvement



# San Antonio, Bexar County: City Growth and Annexation Map

# San Antonio: Infrastructure Landscape

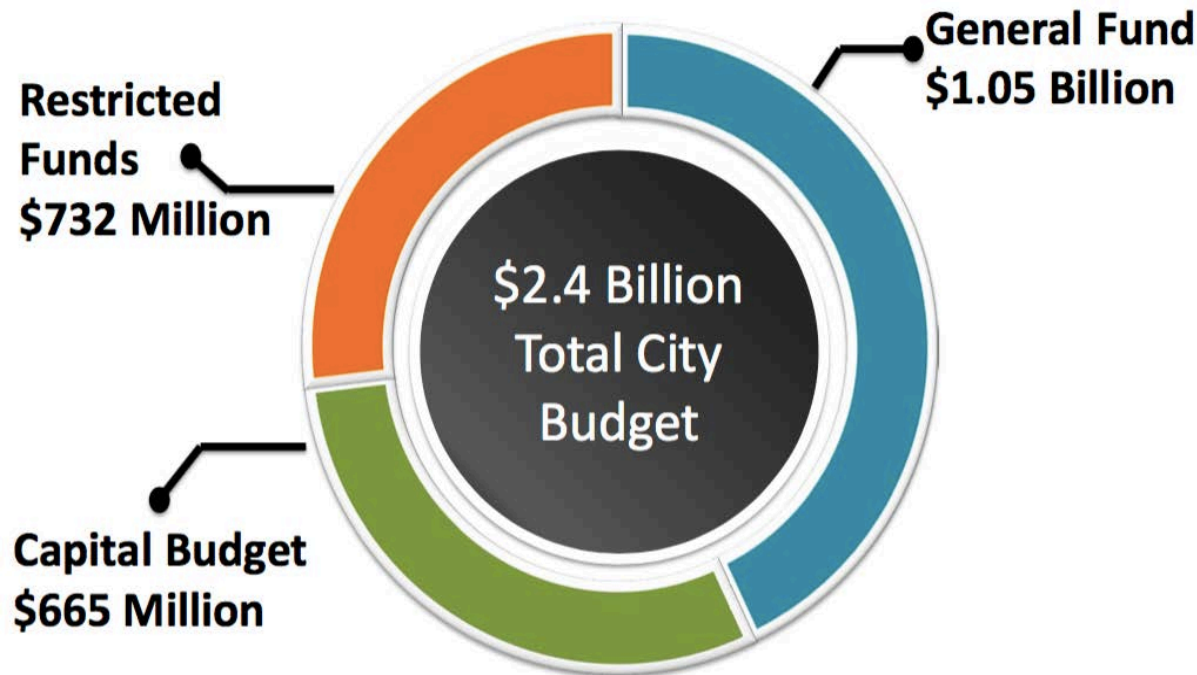
- Contained metro region; numerous annexations in 20<sup>th</sup> century
- Sprawling growth pattern common among North American cities (especially the Sunbelt)
  - A lot of roads, minimal transit
  - Missing sidewalks: 2177 miles of sidewalk gaps
  - Streets needing repair: 11% of streets (graded “F”) make up 64% of repair costs
  - Roads and sidewalk needs = \$2B+

# San Antonio: Infrastructure Landscape (con't)

- Stormwater and drainage infrastructure
    - “Flash Flood Alley”
    - No city-wide underground stormwater system
    - 600 “Special projects” needed → \$1.9B
  - Long-term investment plans & sustainability
    - History of developing long-term plans:
      - SA2020
      - SA Tomorrow
- But are they followed?

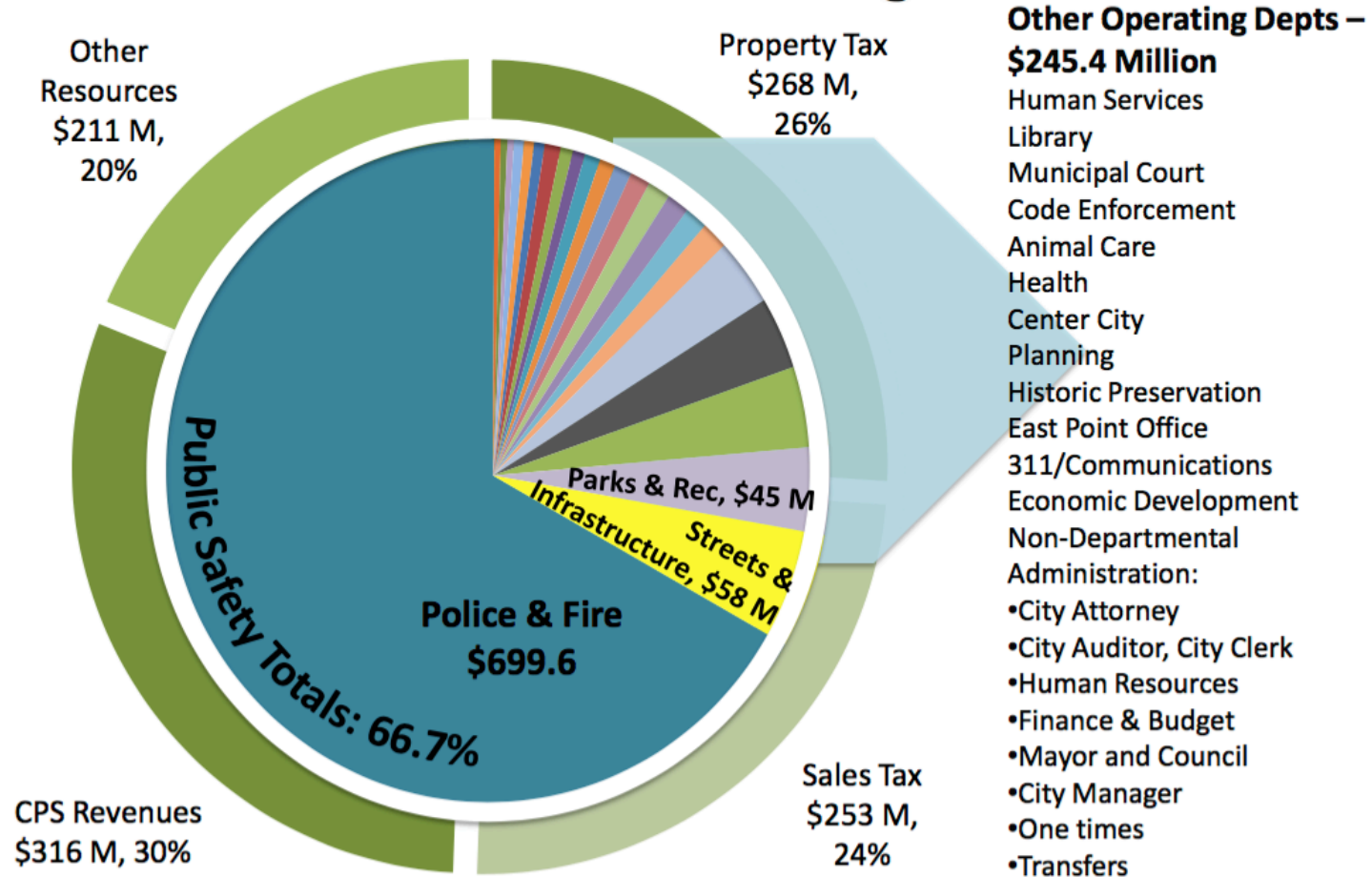
# San Antonio: Revenue Sources & Fiscal Capacity

## FY 2015 City Budget



Source: City of San Antonio. 2015. *FY 2015 Six Plus Six Financial Report and FY 2016 to FY 2020 Five Year Financial Forecast.*

# FY 2015 General Fund Budget - \$1 Billion



Source: City of San Antonio. 2015. *FY 2015 Six Plus Six Financial Report and FY 2016 to FY 2020 Five Year Financial Forecast.*

**FY 2015 – FY 2020 Capital Program by Revenue Source**  
 (\$ in Thousands)

Revenue Source	FY 2015 Amount	FY 2015 – FY 2020 Amount	Percentage
2007 G.O. Bonds	\$30,149	\$32,349	2.5%
2012 G.O. Bonds	229,734	429,166	33.5%
Aviation Funding	80,103	260,602	20.4%
Certificates Of Obligation	62,087	183,828	14.4%
Grant Funding	2,200	2,200	0.2%
Hotel Occupancy Tax Fund	149,300	214,260	16.8%
Other	104,694	149,833	11.7%
Storm Water Revenue Bonds	6,309	6,402	0.5%
<b>Total FY 2015 Program</b>	<b>\$664,576</b>	<b>\$1,278,640</b>	<b>100.0%</b>

Source: City of San Antonio. *Adopted Annual Operating & Capital Budget FY2015.*

# History of Bond Elections in San Antonio

- Rapid growth spurs major bond issues in the 1920s
- Tension in 1930s-1950s, bond measures overturned
  - Political divisions and fragmentation
  - Annexation politics
  - Race
- 1955-1977: Good Government League (GGL) political coalition able to get bond measures passed, but serves “a limited set of public purposes”  
(H. Sanders 1990)





➤ *How to craft proposals to get majority voter support while keeping taxes as modest as possible?*

(H. Sanders 1990)

- Tension between those who benefit from growth and those who fear the cost
- Consensus hard to achieve

# 2012 & 2017 Bond Packages

- 2012 Bond Package: \$596 Million
- 2017 Bond Package: Estimated \$750+ Million

Proposition	Category	Amount (\$ in millions)
1	Streets, Bridges & Sidewalks Improvements	\$338
2	Drainage & Flood Control Improvements	128
3	Parks, Recreation, & Open Space Improvements	87
4	Library, Museum, & Cultural Arts Facilities Improvements	29
5	Public Safety Facilities Improvements	14
	<b>Total Bond Program</b>	<b>\$596</b>

Source: City of San Antonio. *Adopted Annual Operating & Capital Budget FY2015.*

# 2012 & 2017 Bond Packages (con't)

- Types of projects
  - Approximately 80% goes to streets and drainage
  - 20 year life cycle needed to qualify
  - Fixed: items in package not subject to change
  - Based on needs of community
- Guiding principles
  - Rough Proportionality: “Bond projects will support rough proportionality throughout the City.”

# 2012 & 2017 Bond Packages (con't)

- Process
  - 5 year package proposals
  - Items (“Propositions”) voted on separately
  - Oversight
  - Community involvement
  - Ongoing





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# Findings

## Public referenda affects:

### → The size of the bond


- Depends on property tax allowance
- Continued growth necessary to sustain
- Annexation remains topic of debate

### → The contents of the bond package

- Uncontroversial items: streets and drainage
- Housing, transit unlikely to be included
- Geographical distribution: equitable vs. fair?

### → The administration of the bond

- Citizens committees
- Timely project completion



➤ *“Those basics are still what everyone thinks about and we need to take care of them. This is a politically sensitive time. We want to make sure people know we’re spending money wisely. Let’s stay with the basics. Let’s not go with the projects that make us happy, but with projects that we need.”*

*– Councilor Gallagher, March 30, 2016 Council “B” Session*



# What does this mean for the City's ability to manage growth and address the infrastructure gap?

- Large-scale, controversial projects likely avoided in favor of “safe” infrastructure projects
  - Status quo growth patterns preserved
  - Sustainability concerns
  - Allocations not necessarily needs-based
- Limited commitment to long-term plans
- Higher levels of government still relied upon
- Pro: Strong venue for citizen oversight

# Questions Moving Forward

- San Antonio: To what extent an exception, to what extent the norm?
- Comparing with Canadian cities: Is issuing debt still as “political”?
- (Why) are cities more hesitant to impose budget deficits than infrastructure “deficits”?
- Do different types of debt have different political dynamics?
- What are the implications of low electoral turnout rates?



➤ **Thank you!**

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