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Credit ratings agency will re-examine city

By Josh Baugh

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Voters spoke. Now city officials are facing the possibility that credit ratings agencies will downgrade San Antonio's creditworthiness.

Fitch Ratings, one of the three major agencies that set credit ratings, said it plans to re-evaluate San Antonio after voters Nov. 6 approved two of three city charter amendments advanced by the firefighters

union. The city has maintained a top AAA rating from all three rating agencies for nine consecutive years.

Fitch, in a statement Wednesday, expressed concern about Proposition C, which allows the union to unilaterally declare an impasse in bargaining and take contract disputes to binding arbitration.

"Any time expenditure flexibility is materially affected, which we believe Proposition C does, we will

assess those changes and their impact to the city's credit quality," said Jose Acosta, a senior director at Fitch. "So, our upcoming review with the city will hopefully give us some insight into the city's strategy and how it plans to operate under the revised city charter and maintain its strong financial profile."

City Manager Sheryl Sculley said she expects to discuss the city's "overall revenue and expense picture" and the effect of the

charter revisions with Fitch in a pre-scheduled meeting next month.

"We will do everything in our power to address their concerns and maintain our AAA rating," she said.

Of the three charter amendments, voters rejected Proposition A, which would have made it much easier to challenge spending, tax and other decisions of the City Council at the ballot box. The two other amendments passed: Prop-

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osition C, dealing with binding arbitration, and Proposition B, which limits the salary and tenure of future city managers.

Fitch said Proposition C "is the most consequential in the near term." The statement noted that the city's five-year financial forecast assumes that firefighters' salaries and benefits will remain at current levels, an uncertain forecast in light of the charter amendment.

"Under the revised city charter, the unilateral ability for the union to call for binding arbitration before participating in any good-faith labor negotiations is likely to reduce the city's ability to control its expenditures," a Fitch release said.

The AAA rating, the highest of any major U.S. city, allows San Antonio to sell bonds at lower interest rates than municipalities with lower ratings. For taxpayers, that means more bond money can be spent on capital projects and less on interest. City officials have said a downgrade in San Antonio's credit rating would cost tens of millions of dollars annually, meaning more tax dollars would be spent on interest payments and less on actual projects.

"The agencies said all along all



Bob Owen / Staff photographer

City

Councilman Greg Brockhouse, the only city official to support the three propositions in the recent charter amendments election, said city executives need to "vigorously defend" San Antonio's ability to manage its affairs.

power, and that's also the reason why Prop C passed," he said. "Voters gave firefighters arbitration. Fitch doesn't lead this city. The residents made the decision."

He said city executives need to "vigorously defend" San Antonio's ability to manage its affairs and that Nirenberg and Sculley should drop the city's lawsuit against the union and negotiate a new contract. Firefighters haven't had raises since 2014, when their contract expired, and are working under an "evergreen clause" that keeps most of the expired agreement in place while a new

three amendments were concerning," Mayor Ron Nirenberg said in response to the Fitch release. "We will do everything we can within the limits prescribed by voters to allay their concerns, maintain our excellent credit rating, save taxpayers' money and continue moving San Antonio forward."

Councilman Greg Brockhouse, the only San Antonio official to support the three propositions, doubled down Wednesday, saying voters clearly voiced their opinion and that the city manager position needs to change.

"Too much pay and too much

that credit quality."

The agency also expressed concern about Proposition B. Under the measure, future city managers cannot serve more than eight years and cannot be paid more than 10 times what the city's lowest-paid full-time employee earns. At current pay levels, that works out to \$312,000.

Sculley collects a base salary of \$475,000, plus a performance bonus of up to \$100,000 a year. Her most recent bonus, for 2017, was \$75,000, bringing her total compensation to \$550,000.

Proposition B also requires a super majority vote — by more than two-thirds of council members — to appoint a new city manager.

Fitch said these restrictions "could affect the city's ability to attract the best-qualified applicants."

Acosta said the quality of a city's top executives is a key factor in a credit rating.

"Our assessment of management is always an important part of our reviews, and those are bound to change over time," he said. "So we would take into consideration the city's future ability to hire the best-qualified applicants to run such a large operation within those parameters."

Fitch is owned by Hearst Corp., the parent company of the San Antonio Express-News.