THE BOND BUYER

Bexar County, Texas, on track for $500 million hospital expansion

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Bexar County Hospital District, Texas, expects to complete a $500 million expansion of University Hospital by 2022 with no additional debt issuance, officials said.

The district issued $286 million of general obligation bonds for the project in 2018 and expects adequate cash flow to pay for the rest.

An architects' rendering shows the planned University Hospital expansion in San Antonio.

Planning for the project began in 2017 when officials reported that a 2014 expansion of the hospital serving women and children fell short of demand for services at San Antonio’s public hospital.

In April 2018, the district issued the $284 million of general obligation bonds to finance the new tower on its main campus. The project, which includes a heart and vascular institute and endoscopy facility, will add about 300 beds, but also open capacity around campus for general acute-care patients.

In January, the district refunding $206 million of 2009B bonds for savings.

The district is also preparing to launch a $100 million Epic Information Technology system in spring 2020 that will be financed through cash flow.

“We anticipate pressure on unrestricted reserve growth over the coming years and expect some decline leading up to the tower's launch in late 2022 once bond funds are exhausted,” S&P Global Ratings analyst Patrick Zagar wrote in a July 22 report that affirmed the district’s AA rating and stable outlook. “However, we believe district leadership has a proven ability to execute on large-scale capital projects and we also believe BCHD can manage these projects at the current rating given its strong operating liquidity and robust annual cash flow.”

Following the Series 2019 refunding, the district has $865.8 million in outstanding fixed-rated obligations. Annual debt service ranges between $57 million and $66 million (fiscal 2020) through fiscal 2037 before dropping to $45 million and then below $20 million in fiscal 2041 through maturity in 2048.

“Long term liabilities and fixed costs will remain low and very affordable for the district,” Moody’s Investors Service analyst Sarah Jensen wrote in a Jan. 19 report that affirmed the district’s Aa1 rating and stable outlook. “Despite slow principal amortization, the district's debt burden will gradually fall given no plans to issue debt.”

The hospital is reviewing construction companies in preparation for groundbreaking this year on the 12-story tower.