

**State of Texas
County of Bexar
City of San Antonio**



**DRAFT
Meeting Minutes
City Council Special Session**

City Hall Complex
114 W. Commerce
San Antonio, Texas 78205

Tuesday, May 27, 2014

9:00 AM

HBG Convention Center

The City Council of San Antonio convened in Room 103 of the Henry B. Gonzalez Convention Center with the following Councilmembers present:

Present: 11 - Castro, Bernal, Taylor, Viagran, Saldaña, Gonzales, Lopez, Medina, Nirenberg, Krier and Gallagher

1. City Council Budget Policy Goal Setting Session establishing budget policy direction that will guide the development of service priorities for the FY 2015 Proposed Budget and the FY 2016 Budget-Plan to include possible action on matters presented and discussed. [Sheryl Sculley, City Manager; Maria Villagomez, Director, Management and Budget]

Mayor Castro provided opening remarks and spoke of the City's Basic Obligations such as Infrastructure and Public Safety. He stated that it was important to continue to revitalize the Urban Core of the City.

City Manager Sheryl Sculley stated that they would utilize the City Council Priorities to prepare the Proposed Budget and mentioned the four major factors affecting the FY 2015 Budget: 1) Rising cost of Employee Healthcare; 2) Addressing Financial Policies to maintain the "AAA" Bond Rating; 3) Maintaining a healthy General Fund Ending Balance;

and 4) Addressing unfunded needs in the city. She introduced Facilitator, Ms. Tyler St. Clair.

Ms. St. Clair stated that the discussion today would help set priorities for the FY 2015 Budget and FY 2016 Budget Plan. She noted that the City Council would be asked to state their level of support for the recommended updates to the City Financial Policies.

Ben Gorzell presented the recommended updates to the City Financial Policies: 1) Increase General Fund Budgeted Financial Reserves from 9% to 10%; 2) Establish a 1% to 3% target for 2 Year Budget/Plan; 3) Manage Crowdout within General Fund, balance between Public Safety and Non Public Safety Budgets; 4) Manage Structural Balance in General Fund; 5) Moderately conservative revenue projections based on current economic conditions and historical trends; 6) Establish \$1 Million Contingency Reserve for General Fund and \$3 Million Contingency Reserve for Capital Budget; 7) Address Internal Service Fund Deficits within 3 to 5 years; and 8) Available Fund Balance Target of 15%.

Maria Villagomez outlined the 5-Year Financial Forecast for FY 2015 to FY 2019. She reported that the FY 2014 Projected Year-End Financial Position was \$44 Million better than at Budget Adoption. She highlighted the Employee Benefits Fund in which a \$16.1 Million deficit is projected by the end of FY 2014. She indicated that Uniform Claims were 16% above FY 2013 Actuals while Civilian Claims were 6% above FY 2013 Actuals. She stated that challenges still exist for FY 2015 noting a projected \$27-\$34 Million Deficit. She noted that the Expenditure Assumptions for FY 2015 included the Civilian Step Pay Plan and Civilian Performance Pay for Non-Step Pay Plan Employees. She mentioned that no Cost of Living Adjustment (COLA) Increases were included for Uniform or Civilian Employees.

Ms. Villagomez stated that the city currently provides Library Services to Bexar County Residents under the current Interlocal Agreement (ILA). She noted that the ILA expires in September 2014 and that 20% of Library Users are Bexar County Residents. She reported that the Bexar County Payment to the city is \$3.8 Million annually. She stated that Bexar County is proposing to reduce the payment to the city if they establish additional Biblio Tech Locations. She indicated that a reduction in payment from Bexar County would result in service reductions. She stated that the Library Director recommends a partnership with Bexar County for Digital Services that would eliminate the duplication of services. Additionally, he recommends that Bexar County Representation is provided on the Library Board and that the city negotiate the Bexar County Payment to reflect the full cost of services provided to Bexar County. She stated that the new ILA with Bexar County would be finalized in June 2014.

Ms. St. Clair asked the City Council to state their level of support for the Recommended Financial Policies.

Councilmember Lopez stated that he supported the Financial Policies as outlined and the changes recommended by staff. He noted the importance of supporting a good Fund Balance and Debt Management.

Councilmember Taylor stated that she was generally supportive of the recommended policies. She noted the importance of managing crowdout in order to provide all of the services the city is responsible for. She added that the city must protect its current financial status among the Bond Rating Agencies.

Councilmember Nirenberg stated that he was supportive of increasing the General Fund Budgeted Financial Reserves and managing Crowdout within the General Fund. He noted that he would like additional information on the Contingency Reserves and how non-used funds would be allocated.

Councilmember Viagran stated that she was overall supportive of the recommendations.

Councilmember Bernal stated that he was generally supportive of the recommendations but would like more information on the process for utilization of Contingency Funds.

Councilmember Saldaña expressed his support and asked of the recommendation to address Internal Service Fund Deficits within 3 to 5 years. Mr. Gorzell replied that the Employee Benefits Fund was the biggest challenge and that they would like to address it and other Internal Service Fund Deficits over a 3 to 5 year period. He stated that they would not set funds aside but would perform assessments and make changes to items such as Healthcare.

Mayor Castro stated that he was in general agreement with the recommendations and asked of the total amount that would be needed to increase the Financial Reserves from 9% to 10%. Mr. Gorzell replied that a total of \$10 Million more would be needed. Mayor Castro spoke in support of Managing Crowdout within the General Fund and asked of the recommendation of having an Available Fund Balance Target of 15%. Mr. Gorzell replied that the Bond Rating Agencies look for a Fund Balance of 15%.

Councilmember Krier asked of the continued projected deficits. Mrs. Sculley stated that revenue was not growing as fast as expenditures. Councilmember Krier stated that he strongly supported Mr. Gorzell's recommendations 1 through 6 but would like additional information on Items 7 and 8.

Councilmember Gonzales stated that she was generally supportive of the Financial Policies but was concerned with the details. She noted that there were still too many unanswered questions.

Councilmember Gallagher stated that he strongly supported the recommendations outlined by Mr. Gorzell and that it was important to Manage Crowdout within the General Fund.

Councilmember Medina stated that he was generally supportive of Mr. Gorzell's recommendations and asked of the best way to avoid large deficits year after year. Mrs. Sculley spoke of the challenges due to the growth in Healthcare Costs and noted the need to better manage costs. She noted the streamlined Purchasing and Hiring Practices that have been implemented.

Ms. St. Clair asked the City Councilmembers to individually identify five High Priority Goals that they would like for the City to fund when developing the FY 2015 Budget. She stated that they would discuss the goals to try and achieve a consensus after a short break.

RECESSED

Mayor Castro recessed the Worksession at 10:40 am for a break.

RECONVENED

Mayor Castro reconvened the Worksession at 10:55 am.

Ms. St. Clair called on each of the City Councilmembers to state their goal and look for agreement.

Councilmember Medina noted the need to fix more streets, curbs and sidewalks. All concurred with said goal and asked that addressing drainage be included. Councilmember Taylor asked that they expand financial capacity for streets and sidewalks. Councilmember Bernal spoke of the need to address streets that cannot be repaired within the Infrastructure Maintenance Program (IMP). Councilmember Viagran spoke of managing the process to review the streets that will be addressed. Mayor Castro noted that smaller neighborhood streets should also be addressed. Councilmember Lopez added that they should establish a baseline of basic services and determine the investments on a pre-determined plan. Councilmember Gonzales spoke of the need to address public safety. Councilmember Krier added that they should implement a 5-10 year plan to address 100% of needed maintenance for streets and sidewalks.

Councilmember Gallagher stated that they should strengthen Public Safety. Mayor Castro stated that they should maintain the city's commitment to Public Safety. Councilmember Saldaña asked that they maintain affordable Public Safety. Councilmember Medina

concluded on the need to maintain and strengthen Public Safety. Councilmember Lopez noted that they should resolve the Collective Bargaining Agreement expeditiously.

Councilmember Gonzales requested that alternative forms of Transportation be funded. Mayor Castro stated that it was important for the City of San Antonio to be involved in Transportation and Mass Transit.

Councilmember Krier asked that a 10-Year Plan for existing Parks and future Park Acquisitions be developed and funded. Councilmember Nirenberg spoke of the need to update the 10-Year Parks Master Plan and restore funding to parks. Councilmember Medina requested that they expand and maximize current Park Space. Councilmember Lopez added that they should collaborate with Bexar County and the School Districts to assist with maintenance expenses.

Mayor Castro asked that the City's Investment in Education and Adult Literacy be enhanced. Councilmember Taylor spoke of continuing Pre-K 4 SA and using Pre-K 4 SA as a springboard to improve pre-school offerings citywide. She also noted the need to improve accreditation rates from the National Association for the Education of Young Children (NAEYC). Councilmember Gonzales stated that they should fund Libraries and educational opportunities. Councilmember Nirenberg noted that they should finish the realignment of the Human Services Department Funding in order to emphasize workforce pipeline investments such as Pre-K 4 SA. Councilmember Saldaña stated that out of school offerings and after school programming were very important. Councilmember Krier expressed support for funding of Libraries.

Councilmember Saldaña requested that they keep the Economic Development Toolbox equipped to compete with other cities. Councilmember Viagran stated that they should build upon job creation and economic competitiveness opportunities. Councilmember Nirenberg asked that they restore Economic Development cuts made last year and focus on three sectors: 1) Aerospace; 2) Medical; and 3) Technology. Councilmember Lopez requested that the city focus business development and economic development outreach to the most effective areas. Councilmember Gonzales stated that they should support economic development in the Downtown and Urban Areas. Councilmember Bernal requested to continue to fund the policies that are responsible for the city's upswing including economic development and housing. Councilmember Krier asked that a 5-year plan to address job recruitment and retention be funded. Councilmember Medina spoke of the need to focus workforce development efforts to attract higher paying jobs.

Councilmember Bernal requested to improve Animal Care Services and Code Compliance by making adjustments to personnel and structure to be more effective. Councilmember Viagran spoke of the need to review Code Enforcement Processes and fill gaps where

needed. She asked that they identify efficiency of processes within ACS. Councilmember Gallagher stated that they should grow ACS and strengthen Code Enforcement.

Councilmember Viagran asked that they maintain and find creative ways to build upon Senior Services. Councilmember Saldaña noted the challenges due to Senior Centers that had previously been closed. Councilmember Gallagher expressed concern that Seniors were being turned away and noted that they needed more capacity.

Councilmember Nirenberg spoke of the need to fund and complete the Comprehensive Plan which includes Transportation, Water, and Air Quality Policies. Councilmember Lopez asked to accelerate the collaboration with Regional Agencies related to Transportation, Water, and Air Quality.

Councilmember Taylor stated that it was important to have a Comprehensive Plan in place and that Neighborhood Revitalization Strategies should be expanded and funded. These should include vacant buildings, pedestrian lighting, and neighborhood parks. Councilmember Bernal requested that the Vacant Buildings Pilot Program be funded so that it works. Councilmember Viagran spoke in support of the Vacant Building Pilot Program, pedestrian lighting and neighborhood revitalization initiatives.

Councilmember Lopez stated that they should create a direct policy for utility partners to avoid surprises such as Rate and Fee Increases.

Ms. St. Clair asked if anyone had other goals that had not been discussed.

Mayor Castro spoke of the need to enhance investment in Urban Core Revitalization and address Gentrification. Councilmember Gallagher asked that the North East Corridor be included in same.

Councilmember Taylor stated that there should be successful implementation of the East Point and Promise Zone Comprehensive Neighborhood Revitalization Initiatives which will require additional Capital Investments.

Councilmember Bernal expressed support for funding the Sidewalks to Schools Program.

Ms. St. Clair presented an overview of the goals and discussion ensued on finalization of the goals. Ms. St. Clair noted that discussion would resume after the lunch break.

RECESSED

Mayor Castro recessed the Worksession at 12:20 pm to break for lunch.

RECONVENED

Mayor Castro reconvened the Worksession at 1:15 pm.

Ms. St. Clair provided an overview of the goal areas that had been identified: 1) Expand financial capacity for street maintenance, curbs, sidewalks, and address drainage. 2) Maintain and strengthen our commitment to public safety, which includes maintaining a structural and affordable balance in the budget. Develop a proposal to address the costs of public safety for this fiscal year and provide more information about further options to manage costs over the long term. 3) Expand and enhance neighborhood strategies including Animal Care, Code Enforcement, and Revitalization. 4) Enhance the city's investment in Education and Adult Literacy Efforts. 5) Keep current economic toolbox equipped in order to compete with other cities. 6) Develop and fund a multi-year plan for improvements in existing parks and park acquisitions, and analyze usage in order to make effective decisions. 7) Fund and complete the Comprehensive Plan, including Transportation Policy, Water Policy, Air Quality Policy and Public Space Planning.

Mayor Castro asked if Item 3 above encompassed revitalization of the Urban Core. Ms. St. Clair replied that it did. Mayor Castro stated that there was not enough information to make a decision on the percentage of the General Fund that Public Safety should encompass. He stated that he would like to compare San Antonio's Public Safety Budget to other cities. Mrs. Sculley asked if they could agree not to exceed the current percentage of spending on Public Safety. Mayor Castro stated that they should aim for that but still needed additional information. He noted that Public Safety should not be compromised.

Councilmember Saldaña stated that he agreed with the concept but also felt that more information was needed.

Councilmember Nirenberg stated that the public was concerned with the cuts to basic services such as parks and libraries so it was important to deal with crowdout. He asked for more information as to other cities and their percentages for Public Safety.

Councilmember Gallagher asked what the percentage of the budget that Public Safety accounted for five years ago. Mrs. Sculley stated that it was 60% of the General Fund Budget and had increased over the years.

Councilmember Taylor concurred that they should aim to keep the Public Safety Budget where it is but would like more information to make decisions for the future. She added that in order to expand financial capacity for the IMP, they must balance it out with other services.

Councilmember Gallagher asked of Libraries and where they were placed. Ms. St. Clair stated that it was listed under Education (Item 4).

Councilmember Bernal stated that approaches may be different to each of the items listed to expand and enhance neighborhood strategies. Councilmember Gonzales suggested taking out the revitalization portion and placing it under Economic Development or Capital Investment rather than maintenance. Councilmember Viagran noted that they should expand and enhance neighborhood strategies including Animal Care, Code Enforcement, and Revitalization. Councilmember Taylor stated that she concurred that the services were all related to neighborhoods and was supportive of the goal as listed.

Maria Villagomez presented three scenarios for Balancing the FY 2015 Budget noting that all scenarios would total \$27 to \$34 Million. She noted that Scenario A would align Uniform Benefits with Civilians which would save \$10-\$15 Million; Budget Reductions of \$9.6-\$11.6 Million; and raise the Property Tax Rate by 1 cent for a total of \$7.4 Million. She presented Scenario B which would also align Uniform Benefits with Civilians as well as increase the Property Tax Rate by 1 cent; however, it would reduce the amount of Budget Reductions to total \$6.6-\$8.6 Million and increase user fees by \$3 Million. She added that Scenario C would be the same as Scenario B but with no Property Tax Increase which would increase budget reductions to \$14-\$16 Million.

Councilmember Gallagher asked of the impact to the average home if Property Tax Rates were increased. Ms. Villagomez replied that it would be an annual impact of \$14.

Councilmember Taylor asked if the scenarios would only maintain the status quo. Ms. Villagomez confirmed that was correct and noted that no increases were included.

Councilmember Viagran asked if staff had a scenario without aligning Uniform Benefits with Civilians or a scenario with increasing the Property Tax Rate by more than 1 cent. Mrs. Sculley replied that the City Council could do any combination but had received direction to align Uniform Benefits with Civilians.

Councilmember Gallagher asked of the newest assessed valuations and if they had been taken into account. Mrs. Sculley responded yes.

Councilmember Nirenberg expressed concern with increasing user fees and stated that they disproportionately affect people. He noted that they should look at the scenarios long-term rather than closing a one-year gap.

Councilmember Lopez asked of the amount related to aligning Uniform Benefits with Civilians. Mrs. Sculley stated that the \$10-15 Million was a moderate estimate and the

amount had been determined by a Consultant.

Councilmember Krier stated that it was unacceptable to continue to have deficits every year. Councilmember Saldaña spoke to the deficit each year and stated that he felt it was helpful to maintain moderate revenue projections. Mrs. Sculley stated that they had been able to build the Financial Reserves and that the city was required by law to maintain a balanced budget.

Councilmember Nirenberg spoke of the challenges with unmanaged growth and stated that the Comprehensive Plan was very important to ensure a healthy community.

Ms. St. Clair asked each Councilmember for their Budget Scenario Preference.

Councilmember Lopez spoke in support of Scenario C noting that he did not want to increase the Property Tax Rate.

Councilmember Taylor expressed support for Scenario B and stated that she would like to review the user fees and would be open to increasing the Property Tax Rate.

Councilmember Gallagher stated that he was supportive of Scenario C noting concerns with the impact of increased fees and property taxes to individuals on fixed incomes.

Councilmember Nirenberg expressed support for Scenario B however; he did not like any of the options proposed. He noted that increasing user fees would disproportionately affect Seniors.

Councilmember Gonzales stated that she was inclined to support Scenario B for the reasons stated by Councilmembers Taylor and Nirenberg. She noted that vacant buildings did not contribute to the tax rolls and that it was important to address streets and sidewalks.

Councilmember Viagran stated that she initially supports Scenario C but would like to have more information on Scenario B. She noted concerns that other fees are already being increased such as SAWS and CPS Energy Rates.

Councilmember Medina stated that he was supportive of Scenario C as he was also concerned with the rate increases for CPS Energy and SAWS.

Councilmember Bernal noted that he was supportive of Scenario B however; Scenario C was not off the table.

Councilmember Krier stated that he strongly supported Scenario C as he did not want to

increase the Property Tax Rate.

Councilmember Saldaña spoke in support of Scenario B and noted that he would like to reduce the amount of recommended budget reductions.

Mayor Castro stated that he was not convinced that the Property Tax Rate should be increased and noted the importance of aligning Uniform Benefits with Civilians.

Ms. St. Clair summarized the discussions that had occurred throughout the day. Mrs. Sculley stated that they would work with the departments to reduce the budgets for FY 2015. She noted that the Proposed Budget would be presented to the City Council on August 7, 2014 and adopted by the full City Council on September 11, 2014.

Councilmember Taylor asked which Scenario staff would use to prepare the Proposed Budget. Mrs. Sculley stated that she did not have clear direction based on the discussion but a series of options would be presented. Councilmember Gallagher asked if there were any other income streams available to the city. Mrs. Sculley mentioned the Parks Fee that was implemented last year. She noted that when Propositions 1 and 2 are up for renewal; the City Council could direct those revenues to specific projects.

Mayor Castro thanked the Council for being active participants and stated that there would be additional opportunities to review departmental budgets.

ADJOURNMENT

There being no further discussion, Mayor Castro adjourned the meeting at 2:53 pm.

APPROVED

JULIÁN CASTRO
MAYOR

ATTEST:

LETICIA M. VACEK, TRMC/MMC
CITY CLERK