

FY

2019-
2023

FY 2018 Six Plus Six Financial Report & FY 2019 –FY 2023 Five Year Financial Forecast

City Council “B” Session April 18, 2018

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Presentation Overview



6+6 Budget and Finance Report

Five Year Forecast

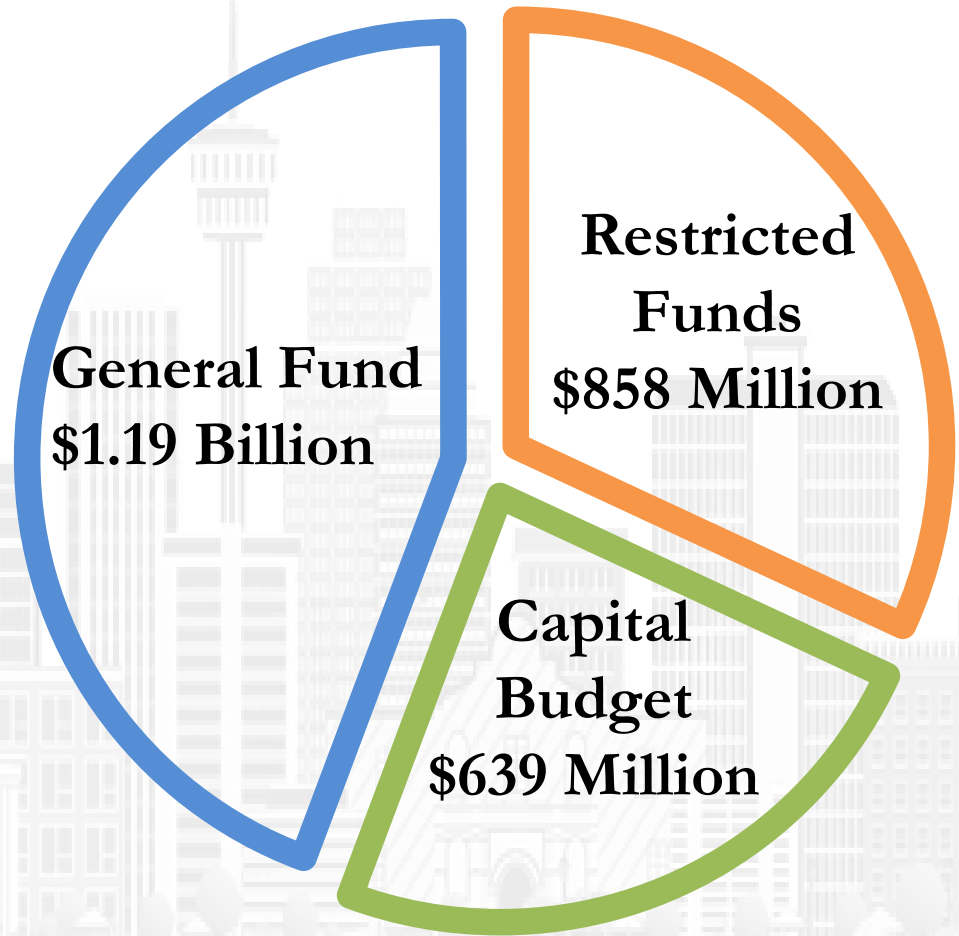
Mid-Year Budget Adjustment

FY 2018 Budget Initiative Status

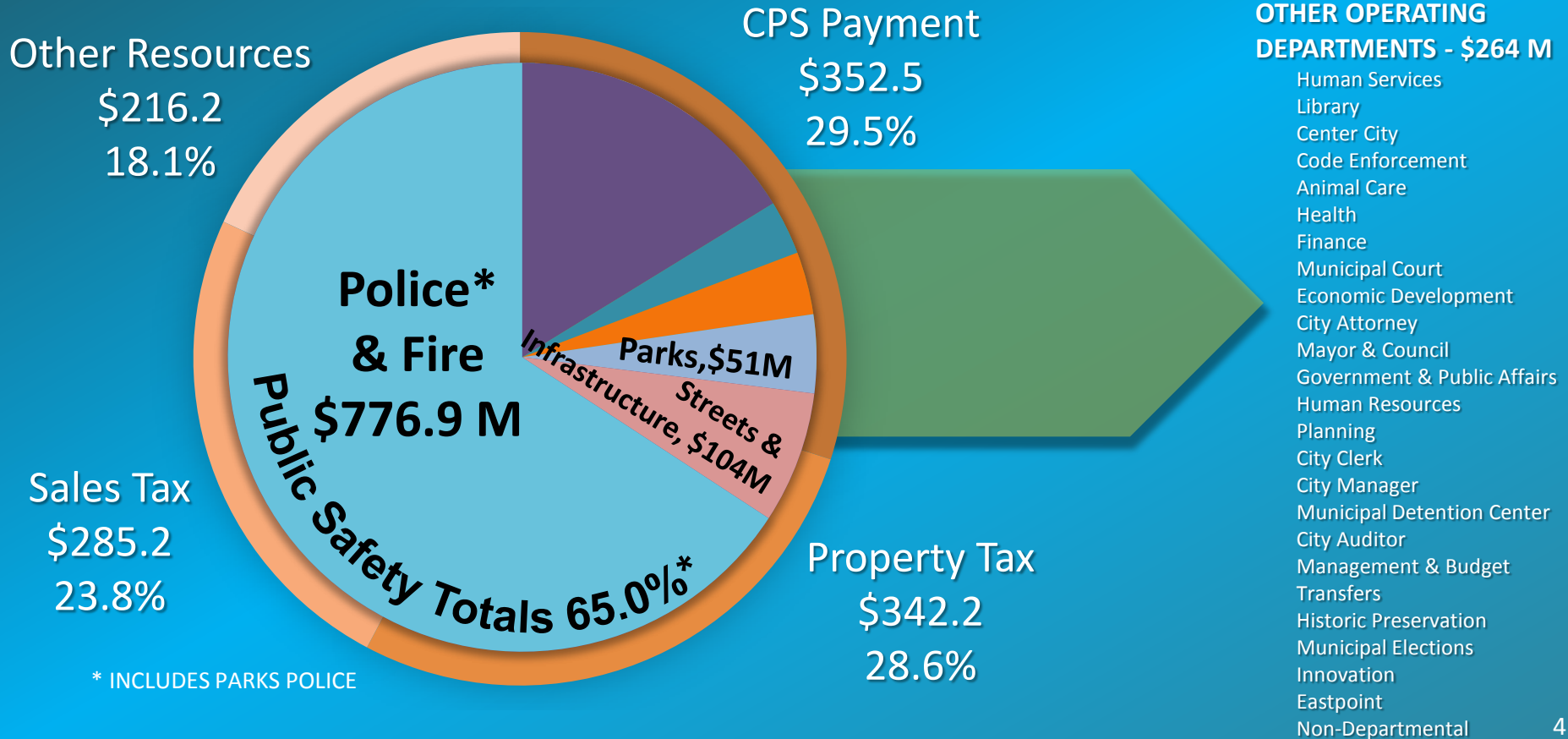
Homestead Exemption

FY 2018 Total City Budget

**\$2.7
Billion**



FY 2018 General Fund Budget: \$1.19B



General Fund FY 2018

2nd Quarter Results



**\$7.2 Million
Additional
Revenue**



**\$1.6 Million
less
Expense**

FY 2018 General Fund Property Tax Revenue



- Certified Tax Roll received from Bexar Appraisal District in July
- No deviation in the revenue received between Budget and Estimate

2nd Quarter

| | |
|----------|---------|
| Budget | \$320.8 |
| Actual | \$320.8 |
| Variance | \$0 |

FY 2018 Estimate

| | |
|----------|---------|
| Budget | \$342.2 |
| Estimate | \$342.2 |
| Variance | \$0 |

FY 2018 General Fund

Sales Tax Revenue (\$ in Millions)

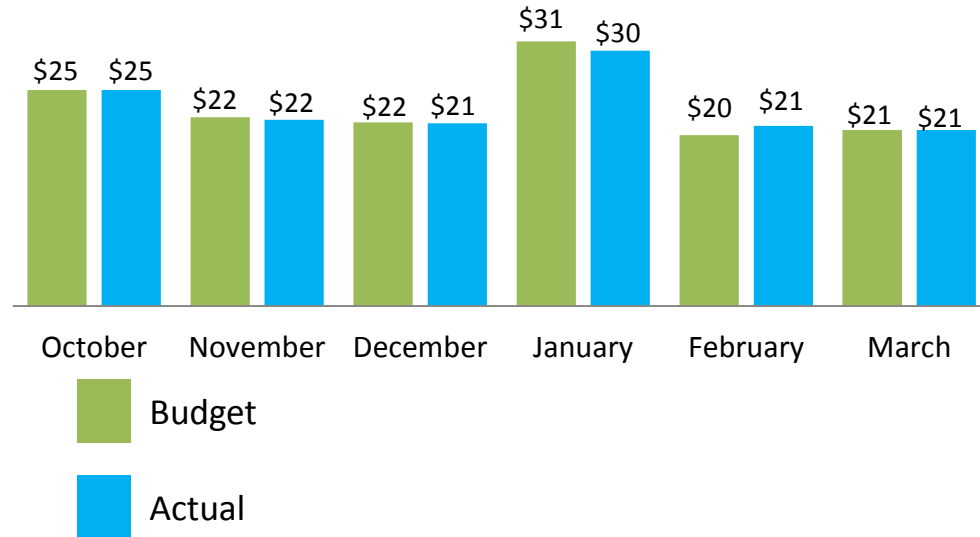


2nd Quarter

| | |
|----------|---------|
| Budget | \$140.5 |
| Actual | \$140.1 |
| Variance | (\$0.4) |

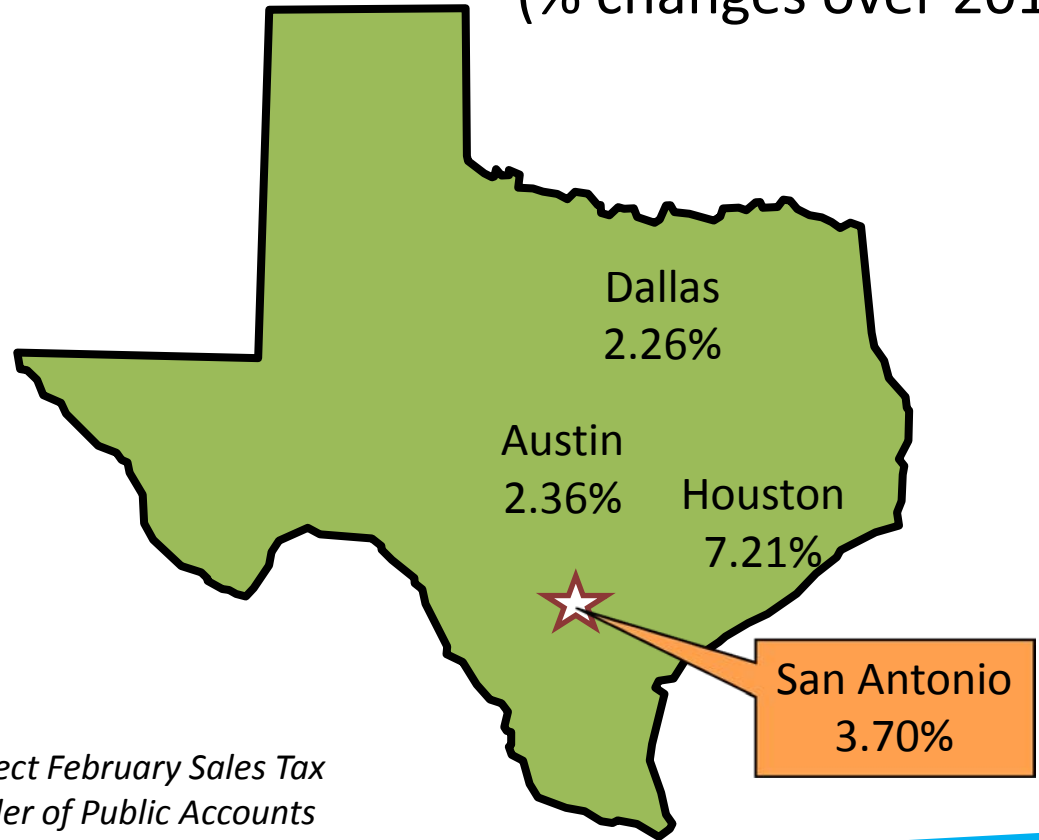
FY 2018 Estimate

| | |
|----------|---------|
| Budget | \$285.2 |
| Estimate | \$283.3 |
| Variance | (\$1.9) |



Texas Cities Sales Tax Revenues

2018 January to April
(% changes over 2017)



Note: April receipts reflect February Sales Tax
Source: Texas Comptroller of Public Accounts

FY 2018 General Fund

CPS Energy (\$ in Millions)

2nd Quarter Results

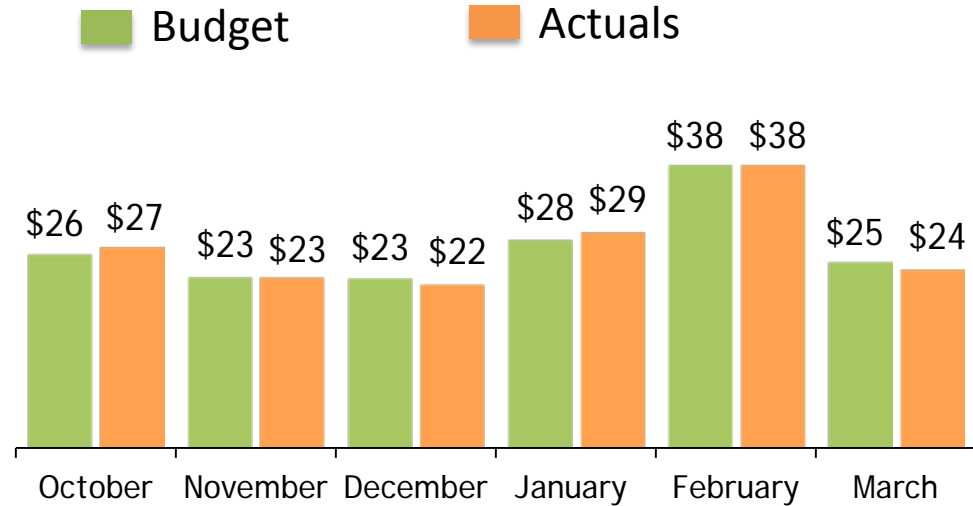


| | |
|--------------------------------|---------|
| Budget | \$163.1 |
| Actual (<i>Oct to March</i>) | \$163.3 |
| Variance | \$0.2 |

FY 2018 Estimate



| | |
|-----------------------------------|---------|
| Budget | \$352.5 |
| Projection (<i>Oct to Sept</i>) | \$352.5 |
| Variance | \$0 |

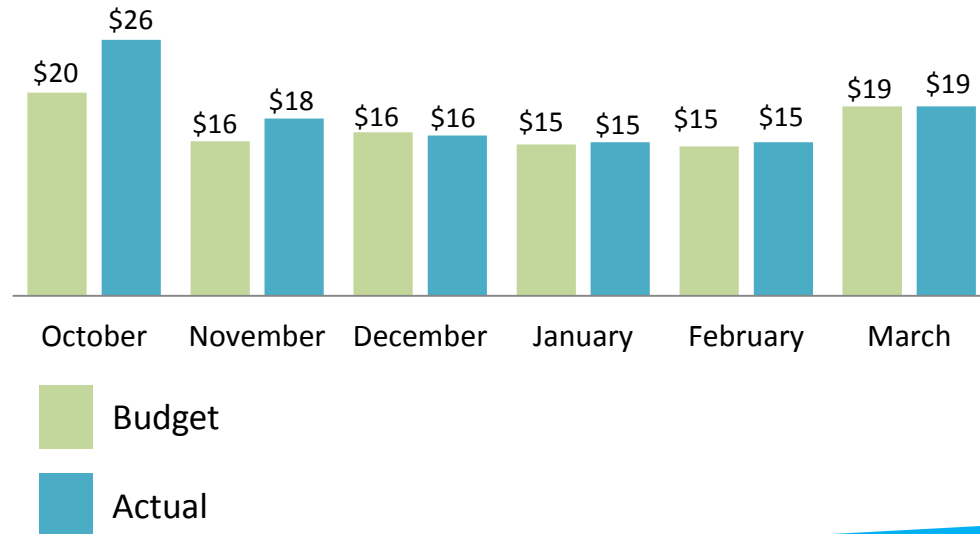


FY 2018 General Fund

Other Revenues (\$ in Millions)



| 2nd Quarter | | FY 2018 Estimate | |
|-------------|---------|------------------|---------|
| Budget | \$101.4 | Budget | \$202.6 |
| Actual | \$108.8 | Estimate | \$210.0 |
| Variance | \$7.4 | Variance | \$7.4 |



General Fund

FY 2018 Year End Projection (\$ in Millions)



\$6.0 M

Additional Ending
Balance for
FY 2017

\$5.5 M

More Revenue in
FY 2018

\$1.7 M

Less Expense in FY
2018

\$13.2 M

Better Ending
Balance for
FY 2018

The background of the top half of the slide features a repeating pattern of blue line-art icons on a solid blue background. These icons include briefcases, a calculator, a pencil, a gear, a wallet, a document with a checklist, a line graph, a dollar bill, and a pie chart. Some icons are accompanied by small 'x' or 'o' marks.

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FY 2019 – FY 2023

Five Year Financial Forecast



What is the Financial Forecast ?



Early financial outlook for the City as the budget development process begins for FY 2019



Initiates Council Policy discussions for budget



Financial Forecast is not a budget

General Fund Five Year Forecast

- Structurally Balanced
- Overall General Fund revenues projected to increase by 2.8% while expenditures projected to grow by 2.5% on average every year of forecast

Property Tax Value Growth

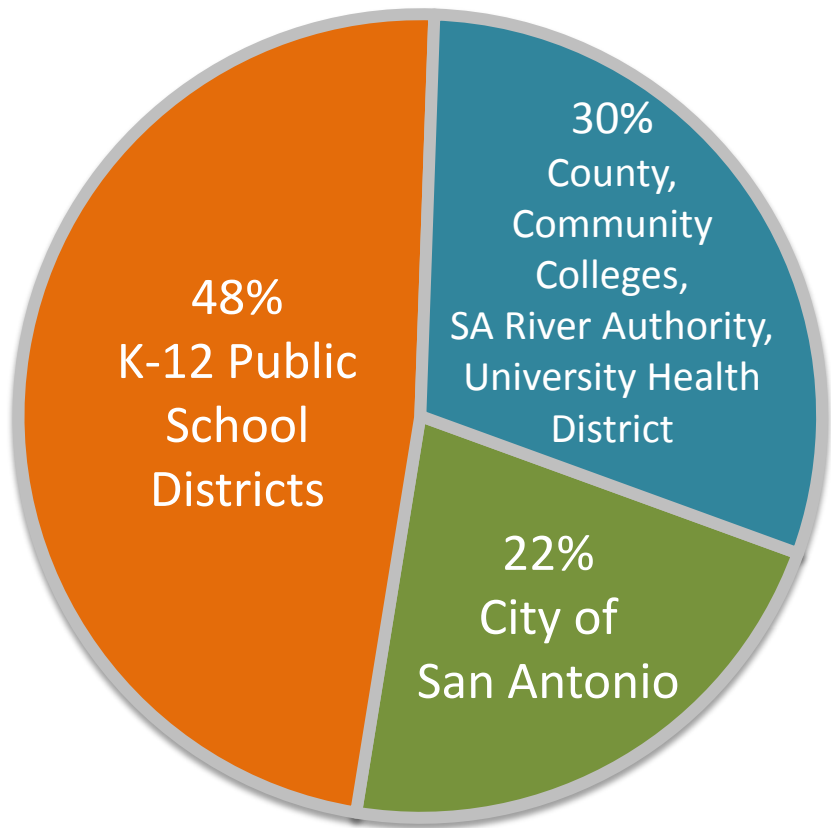


| Property Tax Value Growth | FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
|---------------------------|--------------------|---------|---------|---------|---------|
| Base Valuation | 3.53% | 2.5% | 1.5% | 1.5% | 1.5% |
| New Improvements | 1.8% | 1.5% | 1.5% | 1.5% | 1.5% |
| Annexation | 0.2% | 0% | 0% | 0% | 0% |
| Total | 5.53% ^a | 4.0% | 3.0% | 3.0% | 3.0% |

Note a: After appeals, protests, and corrections

City Property Tax rate of 55.83 cents per \$100 in valuation is maintained during the forecast period

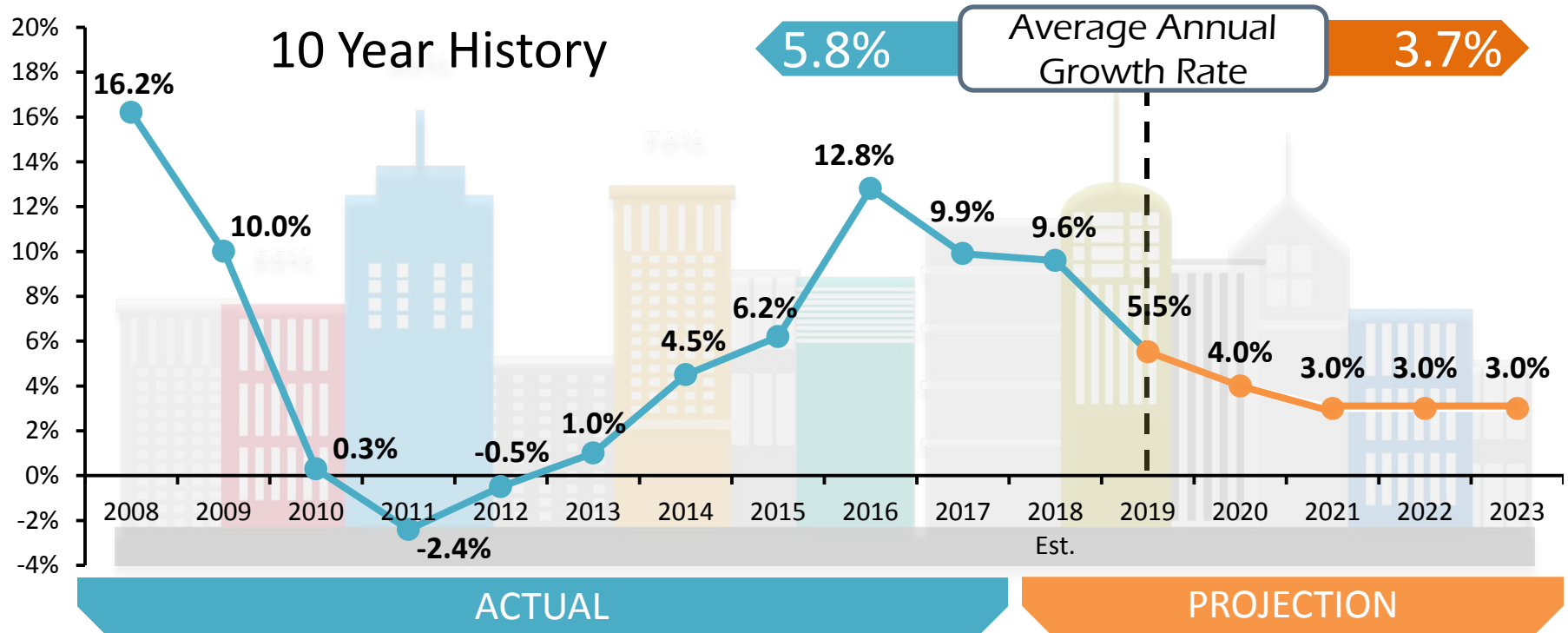
Distribution of Property Tax Bill



The City of San Antonio receives approximately 22% of the property tax bill

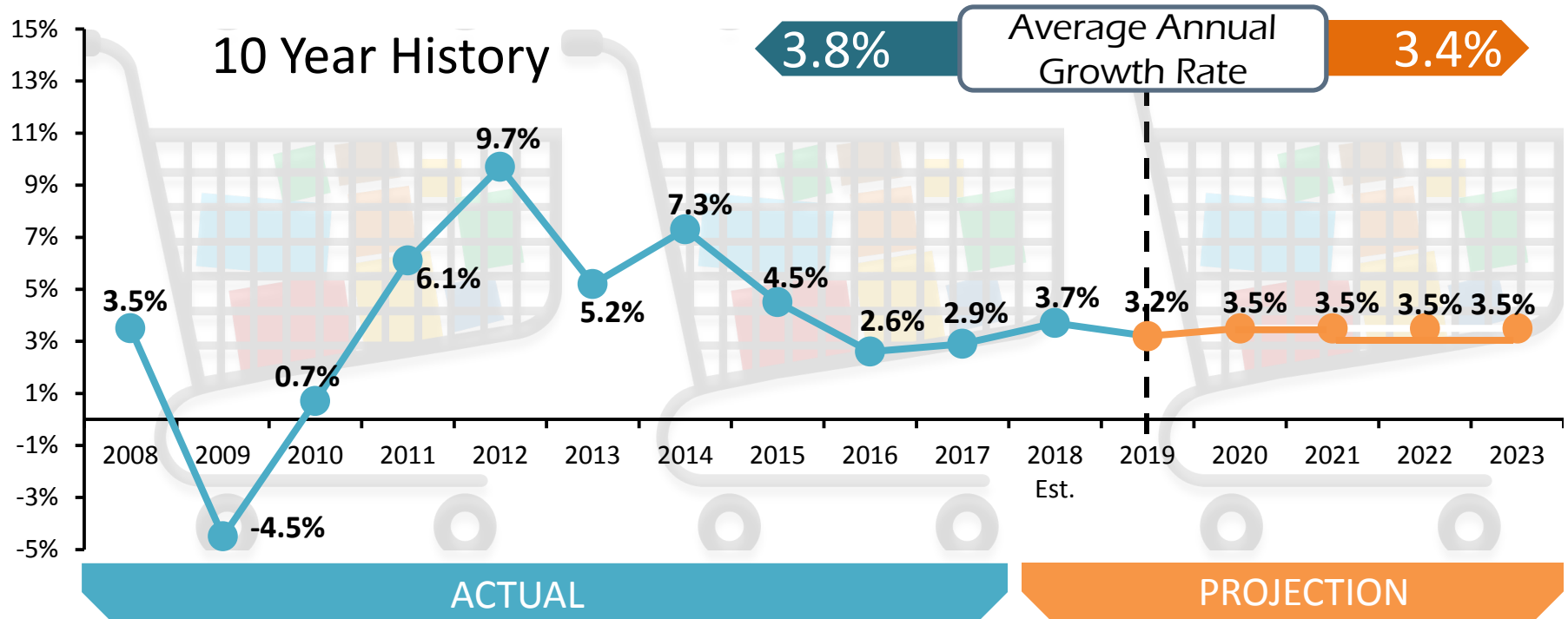
Property Tax – Taxable Valuation

% Change from Prior Year Actual

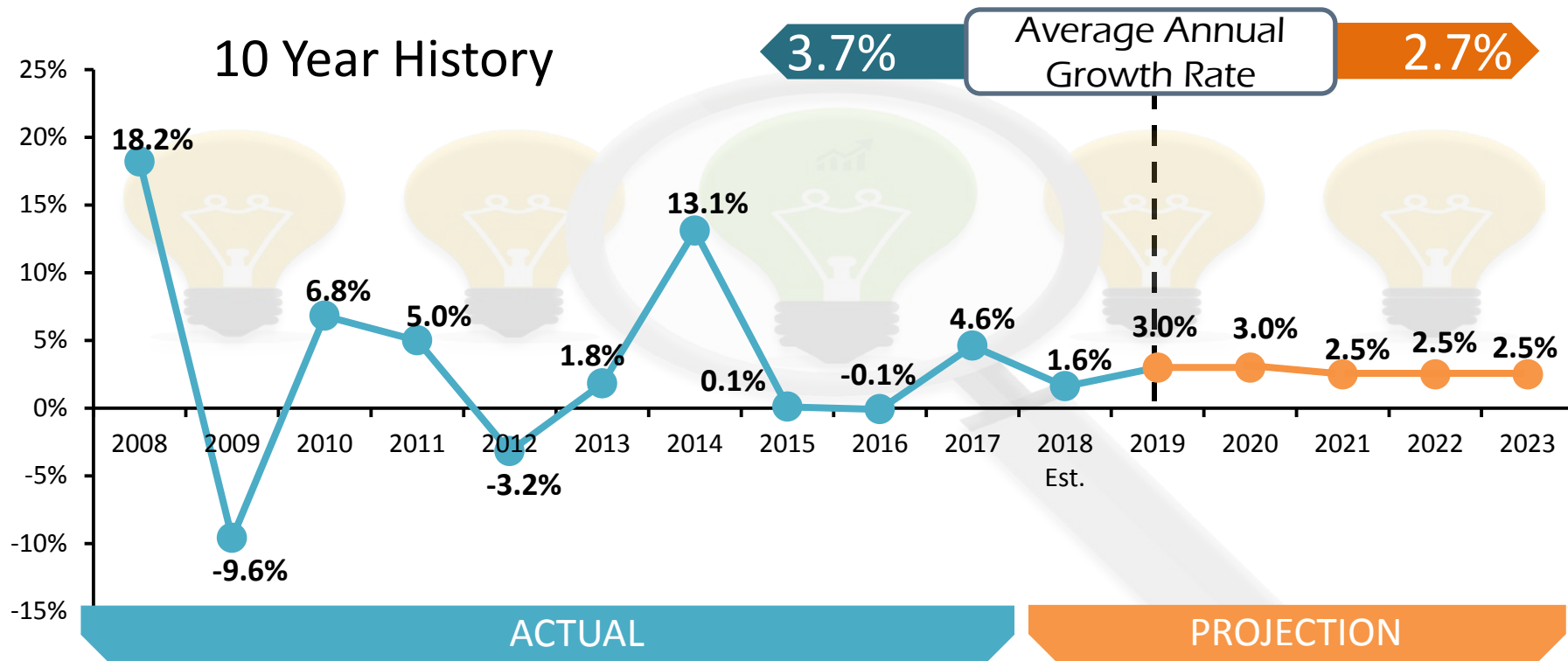


Sales Tax – % Change from Prior Year





Actual Collections



CPS Payment to City - % Change from Prior Year Actual Collections



General Fund Assumptions

-  Maintains current level of service
-  Maintains General Fund Ending Balance at a minimum of 15%
-  Structurally Balanced – Revenues sufficient to cover Expenditures
-  Includes Operations and Maintenance Costs for FY 2017 Bond Program and completed capital projects

General Fund Assumptions



Civilian Step Pay Plan Employees: 2% to 4% step increase, Entry Wage at \$15, 1% Cost of Living Adjustment



Civilian Professional and Managerial Employees: Performance Pay equivalent to 3% of wages, and 1% Cost of Living Adjustment



Reflects Collective Bargaining Agreement with Police and Evergreen for Fire



Continues SA Tomorrow Implementation

General Fund Remove One-Time Spending

| | | |
|---|---------------------|--------------------------------------|
| ✖ | Under 1 Roof | \$1 Million |
| ✖ | Lift-Fund | \$250,000 |
| ✖ | Let's Paint | \$400,000 |
| ✖ | Northeast Corridor | \$400,000 <i>(FY 2019 at \$100K)</i> |
| ✖ | Alley Pilot Program | \$460,000 |
| ✖ | Project Quest | \$300,000 <i>(FY 2019 at \$2.2M)</i> |

General Fund Five Year Financial Forecast

| (\$ in Millions) | FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Projected Resources ^a | \$1,299 | \$1,323 | \$1,359 | \$1,394 | \$1,431 |
| Projected Expenses ^b | 1,299 | 1,323 | 1,359 | 1,394 | 1,431 |
| <i>Balance</i> | <i>\$0</i> | <i>\$0</i> | <i>\$0</i> | <i>\$0</i> | <i>\$0</i> |
| Policy Issues | FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| <i>Streets – Achieve \$110 M Annually ^c</i> | <i>22.8</i> | <i>33.2</i> | <i>36.5</i> | <i>41.8</i> | <i>39.0</i> |
| <i>Police – 25 New Officers every year</i> | <i>0.3</i> | <i>3.1</i> | <i>6.0</i> | <i>9.2</i> | <i>12.5</i> |
| <i>Fire – 1 EMS Unit, 2 Ladders, & 42 New Firefighters</i> | <i>0.0</i> | <i>1.8</i> | <i>4.7</i> | <i>5.8</i> | <i>7.2</i> |
| <i>Adjustment required to fund policy issues</i> | <i>(\$23.2)</i> | <i>(\$38.1)</i> | <i>(\$47.2)</i> | <i>(\$56.8)</i> | <i>(\$58.7)</i> |

a: Includes Use of Reserves from Prior Fiscal Year

b: Includes Set Aside of Reserves for following Fiscal Year

c: Options for additional funding will be studied during the summer to include certificates of obligation and capital project balances.



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FY 2019 – FY 2023

Five Year Forecast

Development Services



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Development Services Fund

Revenues

2nd Quarter Results

| Budget | Actuals | Variance |
|--------|---------|----------|
| \$16.4 | \$16.5 | \$0.1 |

FY 2018 Estimate

| Budget | Estimate | Variance |
|--------|----------|----------|
| \$33.5 | \$33.7 | \$0.2 |

Expenses

2nd Quarter Results

| Budget | Actuals | Variance |
|--------|---------|----------|
| \$15.6 | \$15.5 | \$0.1 |

FY 2018 Estimate

| Budget | Estimate | Variance |
|--------|----------|----------|
| \$33.1 | \$32.8 | \$0.3 |

Development Services Fund

5-Year Forecast (\$ in Millions)

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
|--|--------------|--------------|--------------|--------------|--------------|
| Projected Resources (Includes Fund Balance) | \$36.1 | \$36.6 | \$37.2 | \$38.0 | \$38.8 |
| Projected Expenses (Includes amount added to Financial Reserves) | 34.8 | 35.5 | 36.1 | 36.9 | 37.8 |
| Net Ending Balance | \$1.3 | \$1.1 | \$1.1 | \$1.1 | \$1.0 |



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FY 2019 – FY 2023

Five Year Forecast

Hotel Occupancy Tax



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Hotel Occupancy Tax Fund

Revenues

2nd Quarter Results

| Budget | Actuals | Variance |
|--------|---------|----------|
| \$33.3 | \$33.0 | (\$0.3) |

FY 2018 Estimate

| Budget | Estimate | Variance |
|--------|----------|----------|
| \$68.9 | \$68.9 | \$0.0 |

Expenses

Departments supported by HOT tax within Budget



Convention Facilities*
\$49.8 Million



Visit SA
\$23.3 Million



Arts & Culture
\$10.7 Million

*Supported by Alamodome and Convention Center Revenues

Hotel Occupancy Tax 5-Year Forecast

(\$ in Millions)

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
|--|--------------|--------------|--------------|--------------|--------------|
| Hotel Occupancy Tax & Miscellaneous Revenues | \$71.0 | \$73.6 | \$76.1 | \$78.7 | \$81.4 |
| Projected Expenses | 71.0 | 73.6 | 76.1 | 78.7 | 81.4 |
| Net Ending Balance | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 |

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FY 2019 – FY 2023

Five Year Forecast

Solid Waste

A white calendar icon with a blue border, showing the number 18 in blue.

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Solid Waste Fund

Revenues

2nd Quarter Results

| Budget | Actuals | Variance |
|--------|---------|----------|
| \$58.0 | \$59.5 | \$1.5 |

FY 2018 Estimate

| Budget | Estimate | Variance |
|---------|----------|----------|
| \$117.0 | \$119.2 | \$2.2 |

Expenses




2nd Quarter Results

| Budget | Actuals | Variance |
|--------|---------|----------|
| \$56.6 | \$56.4 | \$0.2 |

FY 2018 Estimate

| Budget | Estimate | Variance |
|---------|----------|----------|
| \$119.0 | \$119.1 | (\$0.1) |

Solid Waste Monthly Rate

| | 2018 <i>Current</i> | 2019 <i>Projected</i> | 2020 <i>Projected</i> | 2021 <i>Projected</i> | 2022 <i>Projected</i> | 2023 <i>Projected</i> |
|---|------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|  | \$19.93 | \$19.43 | \$18.93 | \$18.43 | \$17.93 | \$17.93 |
|  | \$21.93 | \$21.93 | \$21.93 | \$21.93 | \$21.93 | \$21.93 |
|  | \$24.68 | \$29.43 | \$32.68 | \$35.93 | \$39.18 | \$39.18 |

Solid Waste Fund 5-Year Forecast

(\$ in millions)

| | FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
|--|--------------|--------------|--------------|--------------|--------------|
| Projected Resources (Includes Fund Balance) | \$135.8 | \$140.2 | \$140.9 | \$135.2 | \$131.0 |
| Projected Expenses (Includes amount added to Financial Reserves) | 129.1 | 132.3 | 133.2 | 132.0 | 130.2 |
| Net Ending Balance | \$6.7 | \$7.9 | \$7.7 | \$3.2 | \$0.8 |

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Mid – Year Adjustment

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General Fund – Mid Year Adjustment



- Adds two Sergeant Positions – Effective May 1
- Improve supervisory span of control in Special Victims Unit
- Total Costs: \$26,370

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Budget Initiatives



\$99 M Street Maintenance Program: 1,192 Projects





\$4 Million
Police Improvements
42 New Officers

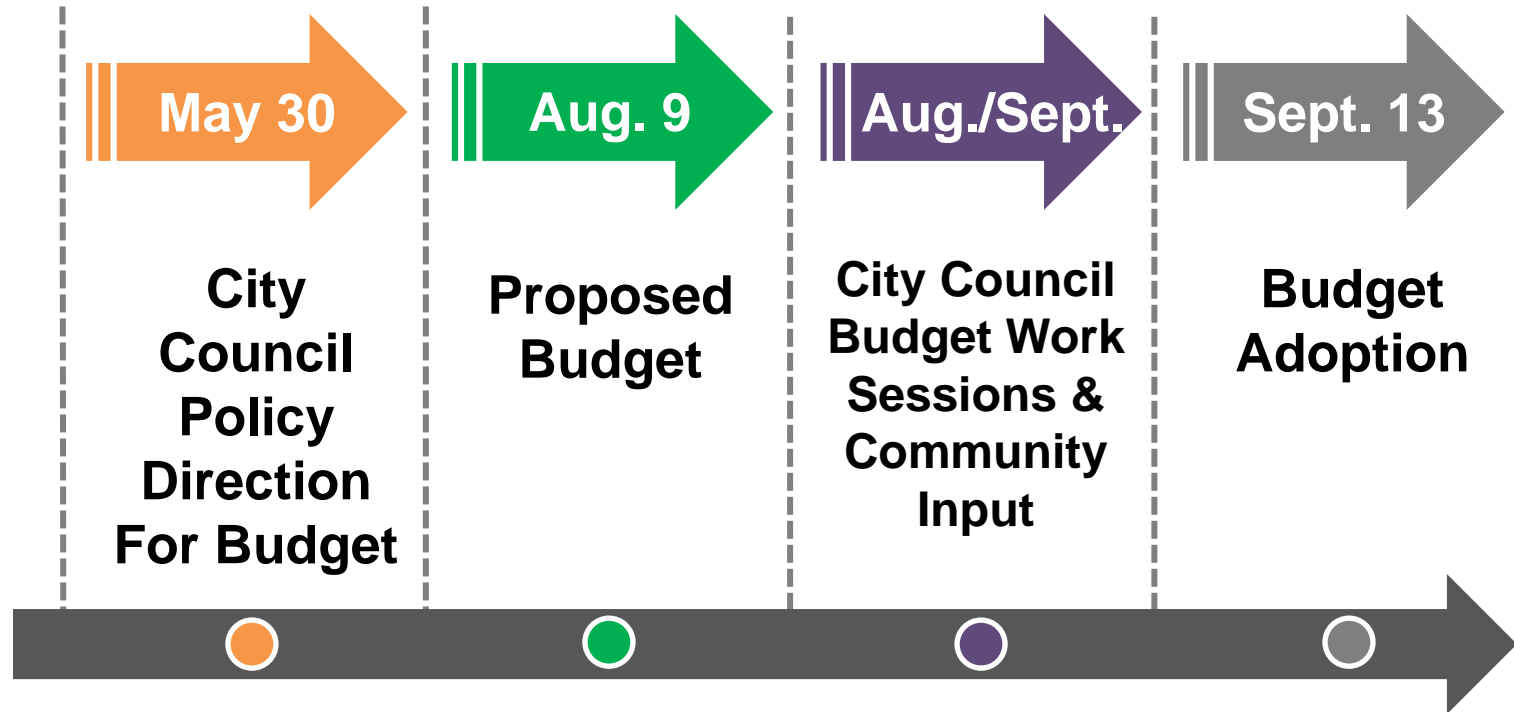
- Three Academy Classes
 - 111 current cadets
 - Includes 25 COPS grant officers
- 2 more classes scheduled of 100 cadets
- 8 SAFFE Officers assigned to East and West
- 4 Park Police
 - 2 Completed Training
 - 2 Started Training
- 2 Airport Police begin training in Spring

\$5.2 Million 43 New Firefighters/EMS

- 1 Training Officer for Airport hired in January
- Med Unit 32 to go on-line in July 2018
- Ladder 18 to go on-line in July 2018
- 26 firefighters for Medic and Ladder Units in January 2018 Academy Class



Next Steps in FY 2019 Budget Process



Conclusion

- Today, General Fund financial position is slightly better than at budget adoption; recommend reserving better ending balance for FY 2019 Budget
- Uncertainty in Federal Budget and potential grant eliminations/reductions
- Potential State Property Tax Revenue Caps

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Homestead Exemption

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Property Tax Code: Homestead Exemptions

- Mandated
 - Disabled Veteran & Surviving Spouse: \$5K – 100% of appraised value
 - Armed Services & First Responder Surviving Spouse: 100% of appraised value
 - Homestead value limited to 10% increase per year
- Local Options
 - Over-65 & Surviving Spouse: \$65,000
 - Disabled homeowners and Surviving Spouse: \$12,500
 - In 2005, City established a limitation, or tax freeze on homestead of persons over 65 years of age or disabled

City Tax Relief

\$47 Million

101,000 seniors &
disabled homestead
exemptions & frozen city
tax payments

28,000 senior and disabled homeowners
pay **\$0** City Property Tax in FY 2018

Consideration of Additional Local Homestead Exemption

- ☒ Applies to all Homesteads regardless of value
- ☒ May not be adopted as a dollar amount, only as a percentage
- ☒ Limit of up to 20% of appraised value with a minimum of \$5K

Tax Rates and Local Option Exemptions

| Jurisdiction | Assessed Valuation (\$ In Billions) | FY 2018 Rate | Local Homestead | Over 65 Exemption | Disabled Exemption | Senior Tax Freeze |
|--------------------|-------------------------------------|----------------|-----------------|-------------------|--------------------|-------------------|
| Houston | \$231.13 | 0.58642 | 20% | 160,000 | 160,000 | N |
| Austin | \$138.78 | 0.44180 | 8% | 85,500 | 85,500 | N |
| Dallas | \$118.32 | 0.78420 | 20% | 95,000 | 95,000 | N |
| San Antonio | \$107.59 | 0.55827 | 0 | 65,000 | 12,500 | Y |
| Fort Worth | \$60.95 | 0.83500 | 20% | 40,000 | 40,000 | Y |
| El Paso | \$34.10 | 0.75966 | 1% | 40,000 | 40,000 | N |
| Corpus Christi | \$20.31 | 0.60626 | 10% | 50,000 | 50,000 | Y |

Tax Rates and Local Option Exemptions

Tax Savings with local Homestead Exemption

| Value of Homestead | Average Tax Bill | \$5,000 Exemption | 5% Exemption | 10% Exemption | 20% Exemption |
|--------------------|------------------|-------------------|--------------|---------------|---------------|
| \$100,000 | \$2,436 | \$27.91 | \$27.91 | \$55.83 | \$111.65 |
| 200,000 | 5,251 | 27.91 | 55.83 | 111.65 | 223.31 |
| 300,000 | 8,066 | 27.91 | 83.74 | 167.48 | 334.96 |
| 500,000 | 13,696 | 27.91 | 139.57 | 279.14 | 558.27 |

Budget Impact

| | | | | |
|------------------------|--------------------|---------------------|-------------------|---------------------|
| Impact to General Fund | \$3,760,405 | \$7,113,180 | \$13,816,935 | \$27,431,122 |
| Impact to Debt Service | 2,293,525 | 4,338,431 | 8,427,148 | 16,730,635 |
| Total Impact | \$6,053,930 | \$11,451,611 | 22,244,083 | \$44,161,757 |

\$5,000
Homestead
Exemption

\$3.8 Million
Impact to
General Fund

What \$3.8 Million Funds today:

- 100% of Neighborhood Services and Innovation combined
- 33% of Economic Development
- 26% of Animal Care Services
- 25% of Code Enforcement
- 20% of Delegate Agencies
- 9% of Library Budget
- 4% of Street Maintenance
- 38 Police Officers
- 36 Fire Fighters

\$5,000
Homestead
Exemption

\$2.3 Million
Impact to
Debt Service

Less capacity in future
bond programs

Other Property Tax Based Programs

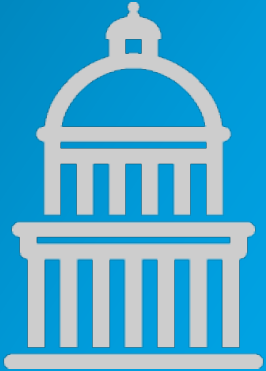


Neighborhood
Empowerment Zones



Seek Legislative Changes
in 2019

State Budget



2019 Legislative Session will likely include consideration of revenue cap legislation



Governor Abbott's Recent Tax Proposal reduces property tax rollback rate from 8% to 2.5%

Governor Abbott's Recent Tax Proposal

- Increases above 2.5% cap can be used only for public safety compensation and critical infrastructure, and requires a vote
- Prohibits State from imposing future unfunded mandates on local government
- Requires a 2/3 supermajority vote by City Council to approve issuance of new local debt (General Obligation Bonds)
- Restricts the use of Certificates of Obligation to infrastructure projects related to natural disasters

Federal Budget



| Grant (\$ in Millions) | Annual Amount | City Positions |
|---|------------------|-------------------|
| Eliminates Community Development Block Grant | \$11.6 | 33 |
| Eliminates HOME Investment Partnership Program | 4.8 | 8 |
| Reduces funding for public health programs funded through CDC and EPA | 2.4 | 23 |
| Eliminates Community Services Block Grant | 2.0 | 26 |
| Reduces Supplemental Nutrition Program for Women, Infants, and Children (WIC) by 5.9% | 0.5 | 0 |
| Total | \$21.3 | 90 |



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