

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



**DRAFT
Meeting Minutes
City Council B Session**

City Hall Complex
105 Main Plaza
San Antonio, Texas 78205

Wednesday, April 18, 2018

2:00 PM

Municipal Plaza Building

The City Council of San Antonio convened in the “B” Room of the Municipal Plaza Building. City Clerk Leticia Vacek took the Roll Call noting the following Councilmembers present:

PRESENT: 11 - Mayor Nirenberg, Treviño, Shaw, Viagran, Saldaña, Gonzales, Brockhouse, Sandoval, Pelaez, Courage, and Perry

1. A Briefing on the FY 2018 Six Plus Six Financial Report (2nd Quarter Actuals with Annualized Projections), Mid Year Budget Adjustment Recommendations, and Five Year Financial Forecast. [María Villagómez, Assistant City Manager; Justina Tate, Director, Management and Budget]

María Villagómez stated that the Fiscal Year 2018 City Budget totaled \$2.7 billion with \$858 million in Restricted Funds; \$639 million in the Capital Budget; and \$1.19 billion in the General Fund. She noted that the General Fund was comprised of four revenue sources: (1) \$352.5 million from CPS Payments; (2) \$342.2 million from Property Tax; (3) \$285.2 million from Sales Tax; and (4) \$216.2 million from other sources such as EMS Transport Fees, Telecommunication Fees, and SAWS Payments. She stated that the revenues provided support for Operating Departments including 65% dedicated to Public Safety. She noted Second Quarter General Fund results of \$7.2 million in additional revenue and \$1.6 million in lesser expenses over what was projected. She stated there was no deviation from

the revenue received from Property Tax between the Budget and the Estimate. She noted that Sales Tax Revenue for the Second Quarter was \$400,000 below Budget and Staff projected a \$1.9 million shortfall for FY 2018. She stated that San Antonio was second only to Houston in Sales Tax Revenues for the Calendar Year with 3.7% in growth. She noted that Second Quarter CPS Energy payments were \$200,000 above Budget with no estimated variance for FY 2018. She stated that Second Quarter revenues from other sources totaled \$7.4 million above Budget with an estimated FY 2018 variance of \$7.4 million above Budget. She noted that the combination of \$6 million in additional Ending Balance for FY 2017, \$5.5 million in additional revenue for FY 2018, and \$1.7 million in less expense in FY 2018 totaled \$13.2 million for the projected ending balance of FY 2018. She recommended reservation of the ending balance to assist with the FY 2019 Budget.

Mrs. Villagómez stated that the Financial Forecast was an early financial outlook for the City as the Budget Development Process begins for FY 2019 and served to initiate City Council Policy discussions. She noted that the Forecast was structurally balanced for the next five years with overall General Fund Revenues projected to increase by 2.8% and Expenditures expected to increase by 2.5% on average annually. She stated that Gross Property Tax Values were anticipated to increase an average of 5.53% for FY 2019, 4% for FY 2020, and 3% for FY 2021, 2022, and 2023. She noted that the City of San Antonio received 22% of Property Taxes with 48% going to K-12 Public School Districts and 30% to Bexar County, Community Colleges, San Antonio River Authority, and the University Health District. She reviewed the history of Property Tax Valuation changes for the previous 10 years averaging 5.8% in growth and an average of 3.7% growth projected for the next five years. She reviewed the history of Sales Tax changes for the previous 10 years averaging 3.8% in growth and an average of 3.4% growth projected for the next five years. She reviewed the history of CPS payments for the previous 10 years with an average of 3.7% growth and an average of 2.7% growth projected for the next five years. She stated that the General Fund Forecast was built under the following assumptions:

- Maintenance of current service levels
- Ending balance maintenance at a minimum of 15%
- Structural balance with revenues sufficient to cover expenditures
- Inclusion of Operations and Maintenance Costs for FY 2017 Bond Program and completed Capital Projects
- Employee pay increases and 1% Cost of Living Adjustments (COLA)
- Collective Bargaining Agreement with the Police Department and Evergreen Clause with the Fire Department
- Continuation of SA Tomorrow Implementation

Mrs. Villagómez noted the following one-time Council-approved expenditures that would be removed from the FY 2019 Budget unless policy direction indicated otherwise:

- Under 1 Roof (\$1 million)
- Lift-Fund (\$250,000)
- Let's Paint (\$400,000)
- Northeast Corridor (\$400,000)
- Alley Pilot Program (\$460,000)
- Project Quest (\$300,000)

Mrs. Villagómez stated that the assumptions led to a balanced Financial Forecast of equal projected resources and projected expenses. She noted that additional funds would be necessary to support policy directions such as increased Street Maintenance and additional Public Safety Personnel.

Mrs. Villagómez stated that Second Quarter Results for Development Services Enterprise Fund Revenues showed a variance of \$100,000 with an estimated FY 2018 variance of \$200,000. She noted that the Expenses showed a variance of \$100,000 with an FY 2018 estimate of \$300,000. She stated that the Five Year Forecast was structurally balanced with positive Ending Balances and no intended fee increases. She noted that Second Quarter Results for the Hotel Occupancy Tax (HOT) Fund Revenues were \$300,000 less than budgeted but the FY 2018 estimate would be balanced. She stated that HOT Fund expenses included \$49.8 million for Convention Facilities, \$23.3 million for Visit SA, and \$10.7 million for Arts and Culture. She noted that the Five Year Forecast was balanced with net zero Ending Balances. She stated that the Second Quarter Results for the Solid Waste Enterprise Fund Revenues was \$1.5 million more than budgeted and the FY 2018 estimate was \$2.2 million more than budgeted. She noted that Expenses for the Second Quarter were \$200,000 more than budgeted and the FY 2018 estimate was \$100,000 less than budgeted. She stated that the forecast was based on Solid Waste Monthly Rate changes in which the 48-gallon cart would decrease, the 64-gallon cart would remain constant, and the 96-gallon cart would increase. She noted that the Five Year Forecast was balanced with positive Ending Balances.

Mrs. Villagómez recommended a Mid-Year Adjustment to the General Fund of \$26,370 to add two Sergeant Positions and improve the level of supervision in the Special Victims Unit. She highlighted three Budget Initiatives: (1) \$99 million across 1,200 projects for the Street Maintenance Program; (2) \$4 million for 42 new Police Officers; and (3) \$5.2 million for 43 new Firefighters and Emergency Medical Services Staff. She stated that the Goal-Setting Session for the FY 2019 Budget would occur May 30th, the Proposed Budget would be presented August 9th, Budget Work Sessions and Community Input would occur in August and September, and City Council would adopt the FY 2019 Budget on September 13th. She recommended reserving the FY 2018 better Ending Balance for FY 2019 in anticipation of potential Federal Budget cuts, Grant reductions, and State Property Tax

Revenue Caps.

Ben Gorzell stated that State Law mandated Homestead Exemptions for Disabled Veterans and Surviving Spouses at \$5,000 to 100% of Appraised Value based on disability; and for Armed Services and First Responder Surviving Spouses at 100% of Appraised Value. He noted that Homestead Value increases were limited to 10% annually. He stated that local Homestead Exemptions included \$65,000 for over-65 residents and Surviving Spouses; \$12,500 for disabled homeowners and Surviving Spouses; and a tax freeze on Homesteads for over-65 or disabled residents. He noted that the City would forego \$47 million in Property Tax Revenue for FY 2018 with 101,000 Senior and Disabled Homestead Exemptions and frozen City Property Tax payments; and 28,000 senior and disabled homeowners paying no City Property Tax.

Mr. Gorzell reviewed Local Homestead Exemptions allowed by State Law and noted that they must be applied to all Homesteads regardless of value; must be a percentage rather than a dollar amount; and are limited to up to 20% of Appraised Value with a minimum value of \$5,000. He provided an overview of Tax Rates and Local Homestead Exemptions compared to other Texas Cities. He reviewed the potential impact of Homestead Exemptions at 1%, 5%, 10%, and 20% and noted a total impact of up to \$45 million annually in foregone revenues between the General Fund and Debt Service. He provided examples of potential service cuts resulting from foregone revenues and noted reduced capacity for future Bond Programs. He stated that there were alternatives including Neighborhood Empowerment Zones or Legislative Changes to enhance flexibility in potential offerings to homeowners. He noted that the 2019 Legislative Session would likely consider Revenue Caps and Property Tax Rollbacks. He stated that caps would hinder the City's ability to recover from future recessions. He noted that the President's proposed Federal Budget would lead to losses of \$21.3 million in Grants affecting 90 City Positions.

Jeff Coyle stated that staff began the SA Speak Up Campaign in March 2018 to be run through May. He noted they had received 3,300 survey responses to date and several events had been held around the city to obtain responses. He stated they were trying to secure equal representation in responses across all Council Districts. He noted that the survey asked constituents whether they felt the proportion of spending across various areas should be maintained or modified.

Mayor Nirenberg noted that constituents would expect maintenance of service delivery regardless of Federal and State cuts and spoke of the importance of utilizing the Equity Assessment Tool in the budgeting process. He expressed support for maintenance of a Reserve Balance and asked of potential immediate impacts from Federal and State cuts. Mr. Coyle replied that the State Level would impact General Fund Revenue and the Federal Level would impact Domestic Spending Programs for low-income communities. Mayor

Nirenberg asked of the status of the Bond Program. Mike Frisbie replied that projects were on or ahead of schedule.

Councilmember Viagran expressed support for pursuing Legislative Changes to increase flexibility in appraisal processes and exemptions. She asked if residents benefiting from Home Improvement Programs were adequately informed of the possibility of increased appraisals. Peter Zanoni replied that information regarding potential increases was not provided to homeowners but could be explained in the future. Councilmember Viagran asked if State Legislature changes to Right-of-Way Fees impacted the City Budget. Mr. Gorzell replied that the impact was minimal but trends indicated future reductions in revenue from traditional landlines and cable. Councilmember Viagran asked of the status of the Capital Budget. Mrs. Villagómez replied that the Capital Program was being delivered on Budget and positive Ending Balances could be reprogrammed following project completion. Councilmember Viagran expressed the importance of clarifying the distribution of the Property Tax Bills for constituents and asked for more options to provide relief to homeowners. She asked that the Equity Lens be included in General Fund assumptions and for a Police Substation in District 3 to provide service for growing areas.

Councilmember Courage asked if funding to support VIA was included in the projections. Mrs. Sculley replied that it was incorporated in the base budget based on City Council direction. Councilmember Courage asked how much the City received from the Federal Government for local programs and services. Mrs. Villagómez replied that Federal Grants totaled \$124 million annually in Direct and Pass-through Funds. Councilmember Courage asked how much was received from the State for local programs and services. Justina Tate replied that State Grants totaled \$15 million in Direct Funds. Councilmember Courage stated that he did not support a City Homestead Exemption because of recent and potential tax and service cuts at the State and Federal Levels.

Councilmember Perry asked of the current percentage of savings available. Mrs. Villagómez replied that the Ending Balance goal was 15% and was currently at 15.3%. Councilmember Perry asked why Taxable Valuation of properties was not projected to increase more dramatically. Mr. Gorzell replied that forecasts were prepared conservatively to insulate against recession and other unforeseen losses. Councilmember Perry asked of the average Homestead Value in San Antonio. Mr. Gorzell replied that it was \$168,000. Councilmember Perry noted increased local fees from multiple sources and expressed concern that taxpayer income was not increasing adequately with same. He asked that the FY 2019 Budget remain at the FY 2018 level and surpluses be utilized to offer Property Tax relief.

Councilmember Pelaez commended staff for their success in managing the Budget effectively. He expressed concern that the Office of Equity was not being funded adequately and noted his support for providing Property Tax relief through changes at the County

Level.

Councilmember Gonzales asked if the General Fund assumptions would eliminate Home Improvement Programs subject to one-time spending approval. Mrs. Villagómez replied that the expenditures could be continued based on policy direction from the City Council. Councilmember Gonzales expressed concern with minimal increases to HOT Revenue and Visit San Antonio's proportion of the budget. Mr. Gorzell stated that Visit San Antonio was investigating creation of a Tourism Public Improvement District (TPID) to generate additional revenue, increase marketing, and maintain or grow HOT Revenue. Councilmember Gonzales expressed support for the proposed increases in Public Safety Personnel and spoke in support of dense development to slow the growth of service costs.

Councilmember Brockhouse expressed support for a Homestead Exemption and for cutting Non-Core Services.

Councilmember Saldaña expressed concern that potential value of Homestead Exemption returns to taxpayers did not justify the ultimate loss to revenues and resulting service cuts and did not provide relief to those who needed it most. He asked that staff examine whether existing Disabled Exemptions were sufficient and being utilized by all eligible and requested additional Police Officers for the Mental Health Unit.

Councilmember Sandoval spoke in support of educating constituents to contest their appraisals and of a Legislative Agenda pursuing greater flexibility in tax relief options instead of a blanket Homestead Exemption. She asked how SA Speak Up affected the Budget Process. Mr. Coyle replied that constituent priorities had led to increases in areas such as Street Maintenance and Public Safety. Councilmember Sandoval expressed support for a \$15 an hour Minimum Wage for City Employees, increases for Street Maintenance, continued public education regarding Solid Waste Fees, and additional Police Officers for the Mental Health Unit. She asked for increased focus on Public Health Programs in Budget Work Sessions and asked for increased funding for Street Maintenance in District 7 based on disparities in the 2017-2022 Bond Program.

Councilmember Treviño stated that 8,200 homeowners utilized the Disabled Exemption and noted his support for Neighborhood Empowerment Zones rather than a blanket Homestead Exemption. He asked for increased data sharing and continued funding for Home Improvement Programs.

Mrs. Sculley stated that previous years' accumulated revenues were utilized to add Uniformed Personnel, Fire Stations, an Emergency Operations Center, a 9-1-1 Call Center, Public Safety Headquarters, a Fire Logistics Facility, new Libraries, Senior Centers, and Park Land.

Mayor Nirenberg stated that the Annual Budget was a direct response to public input regarding how to spend public money. He thanked staff for the presentation.

EXECUTIVE SESSION

Mayor Nirenberg recessed the meeting into Executive Session at 5:16 pm to discuss the following:

- A. Economic development negotiations pursuant to Texas Government Code Section 551.087 (economic development).
- B. The purchase, exchange, lease or value of real property pursuant to Texas Government Code Section 551.072 (real property).
- C. Litigation related to opioid manufacturers, distributors, and promoters pursuant to Texas Government Code Section 551.071 (consultation with attorney).

RECONVENED

Mayor Nirenberg reconvened the meeting at 5:45 pm and announced that no action was taken in Executive Session. He stated that the Executive Session would continue the following day after the Business Portion of the City Council Meeting. He addressed the Ceremonial Items.

CEREMONIALS

Mayor Nirenberg presented a Proclamation in recognition of El Rey Feo LXX (70), Ken Flores, who will represent the LULAC Scholarship Committee during Fiesta 2018. He noted that the mission of the Committee is to financially support the aspirations of deserving High School Seniors to obtain a college education. El Rey Feo, the "Ugly King," presented his Official Fiesta Medal to Mayor Nirenberg and the City Council.

Mayor Nirenberg presented a Proclamation in recognition of the 70th Anniversary of the Fiesta Flambeau Parade to be held on Saturday, April 28, 2018. He noted that this year's theme was "Three Centuries...One City" with H-E-B serving as Grand Marshal and Bill Miller BBQ as Honorary Grand Marshal. The Flambeau is one of the premier events of Fiesta and is known as America's largest illuminated night parade.

Mayor Nirenberg presented a Proclamation to the Centro San Antonio Ambassadors. The Ambassadors presented the 2018 Centro San Antonio Fiesta Medal to Mayor Nirenberg and

the City Council. Mayor Nirenberg noted that the Ambassadors help accommodate the growing residential population through their efforts in the Public Improvement District to position Downtown San Antonio as a premier destination.

Mayor Nirenberg presented a Proclamation in recognition of San Antonio Police Memorial Day which will be held on May 4, 2018, to honor the 59 Members who have lost their lives in the line of duty. It was noted that since 1961, the President of the United States has proclaimed May 15th as Peace Officer Memorial Day and the week in which it falls as National Police Week.

Mayor Nirenberg exited the meeting at this time and Mayor Pro Tem Gonzales presided.

CITIZENS TO BE HEARD

Mayor Pro Tem Gonzales called upon the citizens registered to speak.

Lamar Henry spoke of the History of the Alamo and asked that the Cenotaph be restored without modifications or movement to another site.

Krystal Ross spoke of the importance of honoring History and asked that the Cenotaph remain in place.

Brandon Burkhart read comments he received from Texans requesting that the Cenotaph remain in place.

Keri Hillyer spoke of the History of the Cenotaph and asked that it remain in place.

Forrest Byas spoke in support of moving the Cenotaph to the 1836 Main Gate of the Alamo to give it prominence.

Matthew Pina spoke of the History of the Alamo and asked that the Cenotaph remain in place.

Charisma Villarreal asked that the Cenotaph remain in place to honor Veterans.

Nazirite Ruben Flores Perez spoke of Immigration and Biblical Teachings on legal obedience.

Ed Ocampo spoke of community illnesses and expressed concern with ground contamination and poisoning. He noted concern with transparency in the San Antonio Housing Authority.

Rick Briscoe asked that the Cenotaph remain in place to honor History.

RECESSED

There being no further discussion, Mayor Pro Tem Gonzales recessed the meeting at 7:02 pm.

APPROVED

RON NIRENBERG
MAYOR

ATTEST:

LETICIA M. VACEK, TRMC/CMC/MMC
CITY CLERK