

# City of San Antonio



## AGENDA

### City Council Special Session

No in-person access for this meeting

**Wednesday, August 26, 2020**

**2:00 PM**

**Videoconference**

#### **ROLL CALL**

The City Council convened in a Special Session. Acting City Clerk Tina J. Flores took the Roll Call noting a quorum with the following Councilmembers present:

**PRESENT:** 11 - Mayor Nirenberg, Treviño, Andrews-Sullivan, Viagran, Rocha Garcia, Gonzales, Cabello Havrda, Sandoval, Pelaez, Courage, and Perry

1. Staff presentation of the FY 2021 Proposed Budget focusing on, but not limited to, the following City Departments or Initiatives: [Erik Walsh, City Manager; Scott Huizenga, Director, Management and Budget]

#### **A. Hotel Occupancy Tax**

Chief Financial Officer Ben Gorzell reported that the total Hotel Occupancy Tax (HOT) Rate was 16.75% and was allocated to: City: 7%; State: 2%; Convention Center Debt: 2%; and Bexar County: 1.75%. He stated that HOT revenue was allocated to supported four Departments: City Convention Facilities: 35%; Visit San Antonio: 35%; History Preservation: 15%; and the Arts: 15%.

Mr. Gorzell reported that the Convention Center operations typically provided funds sufficient to pay for bonds issued in 2005 to support the construction of the Convention Center hotel, the Grand Hyatt. He explained that revenues were pledged as security to those bonds and in the event the hotel could not generate enough income to pay for the bonds, 7% of the City's HOT and 2% of the Convention Center Hotel's HOT were pledged to cover debt service. He noted that prior to FY 2020, the Convention Center hotel never had a deficit.

Mr. Gorzell reported that the City used 100% of the 2% HOT collected in a typical year towards payment of the current outstanding balance of \$500 million in Convention Center debt. He stated that a portion of the City's 7% HOT was used to make up the balance needed to cover the debt service payment; thereafter, the remaining balance of the City's 7% HOT was referred to as the Net 7% HOT, and was allocated to Visit San Antonio, History Preservation, the Arts, and the Convention's Sports and Facilities group. He added that the Sports and Facilities group also received facility revenues from rental and concessions at both buildings to help supplement or augment their operating budgets for both facilities. He stated that any leftover funds would flow into the Redemption Fund and were used to cash

fund capital projects at the Alamodome and Convention Center and to diffuse some of the Convention Center debt as the call date drew closer. He noted that the tax flow structure in place was based on a financial policy adopted by City Council in 2012 in conjunction with the issuance of the bonds for the expansion of the Convention Center at that time.

Mr. Gorzell reported that the Convention Center and the Grand Hyatt were closed in March 2020 and it was projected that 2% of the Convention Center HOT and 7% of the City's HOT would be used to make the debt service payment. He stated that the four groups that received funding from the HOT would also be impacted and cash from the Redemption Fund was used to keep the reduced operations in place and funded. He added that projects were transferred to the property tax debt plan to provide further relief.

Mr. Gorzell reported that the FY 2020 estimated HOT revenue compared to the FY 2020 Adopted Budget was decreased by 46% due to COVID-19. He noted that for FY 2021, it was projected to increase slightly, but would still be 39% lower than the FY 2020 Adopted Budget. He stated that the \$51 million revenue loss in FY 2021 presented challenges in order to keep the HOT fund balanced. He added that the FY 2021 Proposed Budget would be allocated as follows: Convention & Sports Facilities: \$34.8 million; Visit San Antonio: \$15.1 million; Arts: \$8.9 million; and History & Preservation: \$6.5 million. He reported that 266 City employees were furloughed in April 2020, 90 were called back by June 2020, and the remaining 170 employees were offered job opportunities similar to their former positions and there were no layoffs.

#### B. Convention & Sports Facilities

Patricia Muzquiz reported that in a typical year, the Convention Center hosted 300 events and the Alamodome hosted 115 events. She reported that since March 2020, the Convention Center lost 167 events and the Alamodome lost 62 event days, for a combined revenue loss of \$17.5 million. She noted that of the 266 employees furloughed in April 2020, only 57 remained active to maintain mechanical systems and secure the buildings. She added that staff pivoted quickly to shift focus on the COVID-19 response and the Alamodome hosted numerous food drives, personal protection equipment (PPE) events, blood drives, housed the San Antonio Metro Health Contact Tracing Center, and served as the City's COVID-19 supply warehouse.

Ms. Muzquiz reported that protocols were established for the reopening plan of each facility, based on recommendations and guidelines from the Centers for Disease Control and Prevention (CDC), the Governor's Task Force on COVID-19, and Metro Health guidelines. She added that the Convention Center, Alamodome, and the Carver Center were appropriated \$1.2 million, \$1.4 million, and \$100,000, respectively, in CARES Act Funding to be retrofitted with safety measures, and 72 employees were recalled for the effort. She noted that 14 additional employees would return by October 1, 2020 to help service events still on the calendar for FY 2021.

Ms. Muzquiz reported that COVID-19 would continue to impact the Convention Center and the Alamodome with a projected 35% decrease in events for FY 2021. She stated that for the first quarter of FY 2021, the Convention Center had only 18 events scheduled and the Alamodome had only 103 event days scheduled. She noted that the department participated in a biorisk accreditation program and the facilities would be adjusted to accommodate for social distancing. She added that contactless kiosks, plexiglass, and UV disinfectant lighting on handrails were installed and when activity returned to the facilities, additional resources would be required to manage the events. She reported that 25 improvement projects were proposed for the Alamodome, and included the addition of 14 new suites at the South end and four new suites on the mezzanine level that were commitments made to the NCAA when the City bid for the 2025 Final Four.

Ms. Muzquiz reported that the FY 2019 Capital Improvement Budget for the department was \$14.3 million and would fund four projects: Replacement of the retractable seating at the Alamodome; replacement of 450,000 square feet of roofing; NCAA Final Four design improvements; and elevators and escalators at the Convention Center.

Ms. Muzquiz reported that the department would continue to utilize the facilities to support student job shadowing programs and ensure economic accessibility for students to the arts. She stated that the department's goals for FY 2021 included forming a department equity committee. She added that the department would continue to develop strategic partnerships with organizations that served lower income communities and communities of color and would expand marketing efforts for bilingual speakers in order to increase patron engagement.

### C. Arts & Culture

Debbie Racca Sittre reported that culture was the identity of a city that made it unique and interesting. She stated that as a result of reductions to HOT collections, the amount of funding for the Department of Arts and Culture was \$4.2 million below that of the FY 2020 Adopted Budget and the department received additional allocations from the General Fund: \$1.6 million, Workforce Development Fund: \$1 million, and the COVID-19 Community Recovery and Resiliency Plan: \$2.6 million. She added that CARES Act funding contributed \$2 million for art agencies and \$600,000 for individual artists that were normally not funded directly from the department.

Ms. Racca Sittre stated that art was a way for people to maintain a level of normalcy during COVID-19 and many agencies and artists had successfully pivoted to public art and substantial online content. She reported that the department had 20 authorized positions and 3 vacant positions that were now frozen; six of the 12 furloughed employees had returned to the department, with the remaining scheduled to return on October 1, 2020. She referenced a study by Dr Steve Nevins that revealed the Arts and Culture Sector of San Antonio was a \$4.8 billion industry that employed 26,000. She noted that local arts agencies spend approximately \$80 million locally and employed over 3,500 staff and independent contractors, to include business professionals, not just artists.

Ms. Racca Sittre reported on FY 2021 department budget reductions, as follows:

- Arts agencies reduction by \$1.7 million (20%)
- Cultural plan reduced from \$75,000 to \$25,000
- Sister Cities reduced from \$150,000 to \$75,000
- City galleries remain closed through June 2021 (\$259,000)
- Cancel department managed events and sponsorships for FY 2021 (\$240,000)
- Film and music events cancelled (\$142,000)
- Film incentive and film staff – not funded
- Redirect staff/hold vacancies

She stated that the department's goals for FY 2021 included the hiring of 10 agencies and partners for public art community engagement, implementation of 19 pilot projects for design enhancement, a month-long virtual and broadcast celebration of Hispanic heritage, and updating of agency culture equity policies and funding guidelines.

### D. Airport

Jesus Saenz reported that the San Antonio Airport System was an enterprise fund fully supported by tenant and passenger user fees and federal grants. He stated that the department projected a loss of \$33 million in operations and maintenance revenue due to low passenger activities that negatively impacted parking and concession revenues. He added that the department received \$112 million in CARES Act funding for FY 2020 and \$15.6 million was allocated to reduce expenses in alignment with decreased activities and revenues. He noted the following reductions: A hiring freeze for 39 positions; \$1.2 million; deferred maintenance: \$1.7 million; maintenance contract reductions: \$1.5 million; utility reductions: \$500,000; and operating and travel expenses: \$1.5 million.

Mr. Saenz reported that the department's proposed capital budget was \$42.6 million and included 65% from Federal and State grants and 35% from airport funds. He stated that the CARES Act funding was allocated to airfield improvement programs on the northeast sector of the airfield under construction and Texas Department of Transportation (TxDOT) funding was allocated for a new taxiway and a new master plan exercise focused on improved expansion. He added that Airport Funds were allocated to baggage handling system upgrades and an additional gate for Terminal B.

Mr. Saenz reported that the airport had 10.4 million passengers in FY 2019, and only 5.3 million passengers were estimated for FY 2020, due to COVID-19. He noted that the national 7-Day rolling average for passenger enplanements was six points ahead of the national average and passenger screenings continued to rise in a positive uptick. He stated that the airport had 26 nonstop destinations with a reduction of 10 markets due to COVID-19, and 36 markets with 11 markets that had not resumed due to COVID-19.

Mr. Saenz reported that safety was a top priority and the teams increased cleaning in high-touch areas throughout the day. He noted the installation of over 300 protective screens and 200 wall-mounted and standing hand sanitizer stations so that passengers could fly confidently. He stated that many FY 2020 accomplishments were completed over the past six months and included the Spurs Store, Boss Bagels, the Smoke Shack, and the newly remodeled Federal Inspection Service Facility that included biometrics to further enhance a touchless experience. He added that updated restroom facilities, sterile corridors, and a new parking offering with flyaway valet service offered a one of a kind parking option for passengers. He stated that the department's goals for FY 2021 included expanded collaboration with local groups and student programs to promote aviation careers, expansion of equity training for the entire aviation workforce of 421 team members, and the focus on small business contracting opportunities with the goal of increasing participation of minority and women-owned businesses in airport contracts. He reported that the airport received two signed Airline Use & Lease Agreements that would ensure airline rates and charges remained competitive and strengthened debt service coverage.

Councilmember Rocha Garcia requested a review of the Visit San Antonio Safety Video. She asked if the proposed arts Budget projections accounted for arts agencies that were unable to hold in-person events. Assistant City Manager Carlos Contreras reported that the Events Trust Fund required certain improvements to be made at the request of event organizers that are needed to recruit the specific improvements and stated he would provide further information. Ms. Racca Sittre reported that art agencies were asked to provide their performance plans and to transition in-person events to virtual events.

Councilmember Treviño noted that the aircraft gas pumps at Stinson Municipal Airport were very old and not up to par with other area airports, such as Castroville Municipal Airport. He requested further evaluation of capital improvement project proposals that would attract more general aviation aircraft users and generate more revenue. He requested an update on the D. Howard 500 aircraft that was to be donated to the City.

Councilmember Treviño noted that San Antonio was a UNESCO World Heritage City and it was an important time to invest in the arts to preserve and protect the City's cultural identity. He requested the allocation of additional CARES Act funding for the arts during the COVID-19 Pandemic and asked if Ms. Racca Sittre had been in communication with local artists who were struggling. He noted the City had over \$600 million in public works projects and requested local artist engagement in the design enhancement process for the various projects. Ms. Racca Sittre stated that SA Cares 4 Art funded \$600,000 in individual artist grants and the grants closely matched needs of the applicants; however, art agencies showed losses of \$9 million for the \$2 million available in funding.

Councilmember Gonzales noted that the department was once funded through the General Fund and asked if the department now received more funding through the HOT. Ms. Racca Sittre noted that the transition in funding occurred with a change in State law that allowed HOT to be used for art and added that the City embraced the change as a very stable source of funding for the arts at the time. City Manager Walsh stated that staff would provide a historical accounting of arts funding by source and over time.

Councilmember Gonzales asked if flying was a safe activity now that COVID-19 safety procedures and protocols were in place. She recommended that the department collaborate with marketing staff to develop an internal marketing plan to encourage visitors to fly to the City with confidence. Mr. Saenz referenced a recent report that stated a person had a better chance of being struck by lightning than catching COVID-19 while flying. He noted that many safety implementations were installed at the San Antonio Airport and the facilities were cleaned at all times. He added that the department instituted several programs to instill consumer confidence.

Councilmember Viagran recommended the implementation of new technology when marketing the reopening plan for the Convention Center as a world class facility. She asked if Big Bib Barbecue located at Stinson Municipal Airport was still open and noted it was an asset to the local community. She requested data on changes in flights and visitors at Stinson since March 2020. Mr. Saenz reported that Big Bib Barbecue was temporarily closed and staff was working with the restaurant operators regarding an re-opening plan. He reported that total passenger activities for Stinson were assessed daily and he would provide the data.

Councilmember Perry referenced the FY 2021 capital improvement projects proposed at the Convention Center facilities and the Alamodome and asked if any of the projects could be postponed for a year as a cost savings measure. He asked if the execution of any pending contracts could be delayed. He requested the total amount of all deferred projects. He requested quarterly reviews of the City Budget that would provide a comparison of estimated projections to actual amounts to allow for added flexibility in the mid-year Budget proposals. Ms. Muzquiz reported that the design work for the NCAA improvements was deferred for FY 2020 and recommended for funding for FY 2021. She noted that design work for the elevators and escalators at the Convention Center were deferred until a year in the future, to be determined. Mr. Gorzell stated he would provide further detail on deferred projects and their funding flow. City Manager Walsh stated that due to the uncertainty with COVID-19, the City would continue to provide quarterly financial updates, proposed reductions and planned reductions.

Councilmember Courage asked if discounts could be offered to local organizations to book events at the Convention Center. He noted that 1% of all the City's bond projects were allocated to the arts and asked how it was distributed. Ms. Muzquiz stated that staff has been working with Visit San Antonio to utilize the Convention Center in different ways and timing was a factor. Ms. Racca Sittre reported that 1% of capital projects was appropriated to public art. She stated that there was a team of six positions in the

Public Art Division, with two vacancies. She noted that there were 10 public art projects moving forward. She reported that the funds were pooled together and approximately \$1.5 million was spent on public art annually.

Councilmember Andrews-Sullivan asked if the department received funds from the BMI COVID-19 Relief Fund for music creators. Ms. Racca Sittre stated that no funds were dedicated for any music initiatives at this time and the department was not funded for any kind of music programming until FY 2021. She added that the department was collaborating with the Texas Music Office and music creators could be added to the City's music database and be available for hire for different events.

Councilmember Andrews-Sullivan noted that school music programs were cancelled due to COVID-19 and asked of any art initiatives that were available for youth during this time and requested a follow up on outreach. Ms. Racca Sittre reported that the department worked with youth serving arts organizations such as the Youth Orchestra and the San Antonio Children's Chorus and stated that they would collaborate with youth organizations for outreach and engagement to students across the community.

City Manager Walsh stated that staff would provide a status update on local hurricane evacuees. He noted that some evacuees arrived to the City on their own and others were transported here. He thanked Mr. Gorzell, Ms. Muzquiz, Mr. Saenz, and Ms. Racca Sittre for their dedication and hard work as they led their departments through many financial challenges and issues during COVID-19.

## **ADJOURNMENT**

There being no further discussion, Mayor Nirenberg adjourned the meeting at 4:14 pm.

**APPROVED**

**RON NIRENBERG**  
Mayor

Attest:

**TINA J. FLORES**  
Acting City Clerk