

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



**FINAL
Meeting Minutes
City Council B Session**

City Hall Complex
105 Main Plaza
San Antonio, Texas 78205

Wednesday, March 8, 2017

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 and noted the following Councilmembers present:

PRESENT: 10 - Mayor Taylor, Treviño, Warrick, Viagran, Saldaña, Gonzales, Lopez, Medina, Nirenberg, and Gallagher

ABSENT: 1 - Krier

Mrs. Vacek announced that Councilmember Krier was advocating for San Antonio in Austin.

1. Briefing regarding: A) potential State legislation regarding ad valorem tax revenue caps and B) “3 Plus 9”, the City’s FY 2017 Budget and Finance status for the first three months, updated estimates for revenues and expenditures for the remaining nine months, and the recommended FY 2018 Budget Calendar. [María Villagómez, Assistant City Manager; Justina Tate, Budget Director]

City Manager Sculley stated that Senate Bill (SB) 2 would impose a State Cap on the City’s Property Tax Revenue and the City’s Budget by reducing the Roll-Back Rate from 8% to 4%. She noted that this would negatively impact the current and future services funded by the City’s General Fund.

Ben Gorzell stated that House Bill (HB) 15 included language regarding Revenue Caps and that it was similar to SB 2 in that both had a financial impact. He noted that the legislation would change the process from a citizen petition to an automatic election should the city adopt a tax rate greater than the roll-back rate. He noted current State Law:

- Allowed local governments to capture growth on existing Property Tax Values subject to roll-back limits
- Empowered residents to petition election if local government exceeded the 8% roll-back rate
- Gave City Council flexibility in managing the City Property Tax Rate to respond to the needs of the community

Mr. Gorzell stated that properties that exist have taxable value assigned to them. He noted that new properties would be on the new tax roll each year and excluded from the current year calculation. He stated that the Mayor and City Council had the flexibility to manage the tax rate as the economy cycled up and down. He noted that the city would try to stimulate the economy by holding the tax rate at the current level. He noted that it would take the city much longer to recover and capture lost revenue which would put pressure on the General Fund. He reviewed the following challenges for the city with SB2:

- Comparison of total City Tax Levy growth to Median Household Income
- Percentage increase on the Total City Tax Levy did not compare to the increase in Median Household Income
- Impacted management of the City Tax Rate
- Impacted the ability to recover from an Economic Recession

Mr. Gorzell noted that the Property Tax Rate had not been increased in 24 years and had been lowered seven times. He stated that at times of high growth; the city would have to lower its tax rate in order to meet the 4% Roll-Back Rate. He reported that if a 4% Revenue Cap had been in place during the past decade; there would have been \$300 Million less revenue to the City and \$58 Million less to the General Fund in FY 2017. He stated that staff recommended opposing any legislation which would impose a stricter revenue cap.

Mayor Taylor asked of the status of SB 2. Carlos Contreras stated that SB2 was slated for a hearing on March 14, 2017.

Councilmember Saldaña asked if the tax rate of 8% had fluctuated in the past. Mr. Gorzell replied that the 8% Tax Rate had been in existence for decades. He noted that the legislature had attempted to reduce the cap several times over the past decade.

Councilmember Saldaña asked of the tax levy. Mr. Gorzell stated that the tax levy was the amount of money that the city collected from property taxes.

Councilmember Viagran stated that it was important to oppose SB2. She asked of the tax rate in other Texas Cities. Mr. Gorzell stated that the tax rate was 8% in all other cities in Texas and could be rolled-back to 4%.

Councilmember Gonzales asked if SB 2 would affect school funding. Mr. Gorzell replied that it would not affect funding to schools. Councilmember Gonzales asked if SB 2 would affect the 2017 Bond Program. Mrs. Sculley replied that SB2 would not directly affect the 2017 Bond Program but would indirectly impact the city's operating ability. Councilmember Gonzales asked of a marketing campaign for opposing SB2. Carlos Contreras replied that staff had been concentrating on efforts to educate the public, stakeholders and organizations and that staff would explore what could be accomplished in terms of mass communication.

Councilmember Treviño asked if operation and maintenance would be included in a Bond Service Package. Mrs. Sculley replied that only capital construction could be included in a bond service package.

Councilmember Nirenberg asked of the number of times in the last 10-15 years the city had exceeded the current roll-back rate. Mr. Gorzell stated that the city had exceeded the roll-back rate in 2006 and 2016 and was reduced to the roll-back rate. Councilmember Nirenberg suggested that the city consider an increase in the contingency fund.

Councilmember Lopez asked if anyone from the legislative team was willing to move forward with a compromise. Mr. Contreras stated that staff would take direction from the City Council and oppose SB2. Councilmember Lopez asked if SB2 would impact PreK4SA revenue or the Edwards Aquifer Protection Funding. Mr. Gorzell replied that SB2 would not impact sales tax revenue.

Councilmember Warrick asked of the benefit of SB2 to the state government and/or budget. Mr. Contreras stated that legislators would be able to claim a victory for property tax relief and that there would be no effect on the state revenue.

Councilmember Gallagher spoke of the need to educate the public on the effects of SB2 and how much of the property tax that the city received.

Councilmember Medina spoke of the importance of communicating the effects of SB2 to the public including Spanish speaking residents. He asked what the city was doing to

prepare for the effects if SB2 passes. Mrs. Sculley stated that deductions would have to be made and service delivery would have to be improved.

Mayor Taylor thanked staff for the presentation.

Mrs. Sculley stated that the position of the General Fund at this time was positive compared to what was forecasted for this time of the year. She noted that higher revenues and department expenditure savings have been observed. She noted that the Mid-Year Budget Review would include expenditures related to the storm damage in February 2017.

Justina Tate reported that the total budget for Fiscal Year 2017 was \$2.5 Billion. She noted that the total budget was comprised of the General Fund (\$1.14 Billion), Restricted Funds (\$824 Million), and the Capital Budget (\$585 Million). She stated that the General Fund was supported by: 1) Sales Tax (24%); 2) Property Tax (28%); 3) CPS Payment (30%); and 4) Other Resources (18%).

Ms. Tate provided an update on the first quarter financial results including budget initiatives, and outlined the FY 2018 Budget Calendar. She stated that the city was anticipating a \$13 Million better ending balance. She noted that this was comprised of: 1) \$7.1 Million in additional beginning balance for FY 2017; 2) \$2.0 Million in FY 2017 projected revenue favorable variance; and 3) \$3.9 Million in FY 2017 projected expenditure favorable variance. She stated that the city still faced challenges related to: 1) Potential revenue caps; 2) Requested City Council amendments not approved in September; and 3) Expenses related to Tornado Damage on February 19-20, 2017.

Ms. Tate reviewed the Hotel Occupancy Tax, Development Services Department, and Solid Waste Department Revenues and Expenses. She highlighted Budget Initiatives noting that Wi-Fi at 10 City Parks would be completed by June 2017. She stated that the FY 2018 Budget Calendar would be distributed to the City Council and posted for public notification by March 15, 2017. She stated that the General Fund financial position was slightly better than at the time of adoption but financial challenges exist for FY 2018. She stated that staff recommended reserving the better ending balance until the Mid-Year Review.

Mayor Taylor asked of the \$2.3 Million in department savings. Ms. Tate replied that this was comprised of personnel savings noting that Police, Municipal Court and Libraries had some of the largest savings in personnel. Mayor Taylor asked of the on impact service levels for citizens. Mrs. Sculley stated that they were seeking to fill the vacant positions. She noted that a class from the Police Academy graduated a week ago and another class would graduate in April 2017. She stated that the needed service was being filled with existing staff on an overtime basis. Mayor Taylor requested a listing of departments and the

vacant positions within each department.

Councilmember Saldaña asked of the savings related to the new overtime rules. Mr. Gorzell stated that funds were included in the Budget for the implementation of the overtime rules and since an injunction was placed on the overtime rules; those savings were realized. Councilmember Saldaña suggested setting aside funds to assist residents with Legal Aid Services.

Councilmember Treviño suggested setting aside funds to assist residents affected by the Tornadoes.

Councilmember Viagran asked of the difference between street infrastructure and street maintenance. Maria Villagómez stated that pothole repairs and minor street repairs were included in street maintenance.

Councilmember Warrick asked of the future of the Budget and if Property Tax Revenue would surpass City Public Service (CPS) Revenue. Mrs. Sculley replied that the Mid-Year Budget Review would be presented in May 2017 and Property Tax Revenue was not expected to surpass CPS Revenue.

Councilmember Lopez asked if the devaluation of the peso was calculated into the Budget. Mrs. Sculley stated that the forecast would be reduced to match the FY 2017 Budget.

Councilmember Gonzales expressed support for Councilmember Saldaña's request to set aside funds for Legal Aid Services to residents.

Mayor Taylor thanked staff for the presentation.

EXECUTIVE SESSION

Mayor Taylor recessed the meeting into Executive Session at 4:30 pm to discuss the following:

- A. Economic Development negotiations pursuant to Texas Government Code Sections 551.087 (economic development).
- B. The purchase, exchange, lease or value of real property pursuant to Texas Government Code Sections 551.072 (real property).

- C. Legal issues related to collective bargaining pursuant to Texas Government Code Section 551.071 (consultation with attorney).
- D. Litigation matters involving the City pursuant to Texas Government Code Section 551.071 (consultation with attorney).
- E. The appointment, evaluation and duties of public officers pursuant to Texas Government Code, Section 551.074 (personnel matters).

RECONVENED

Mayor Pro Tem Gallagher reconvened the meeting at 6:00 pm and announced that no action was taken in Executive Session.

CITIZENS TO BE HEARD

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

Mark Perez expressed concern with the businesses operating without the proper permits. He noted Code Violations at the Age Refinery Building and asked why city staff had not responded to his requests.

Nazirite Ruben Flores Perez referenced an article in the Express-News regarding dinosaurs and noted that they existed many years ago on Planet Earth. He spoke of Noah from The Bible and the heavy rains that drowned many animals.

Artman Bland stated that he was concerned with his brother's health due to issues he was having with his neighbors. He requested that the City of San Antonio provide emergency assistance for him.

Rhett Smith spoke of the Mayoral Debates and Forums that have occurred and expressed concern that he and several other candidates were excluded from participating. He stated that he was a Veteran and wanted his voice to be heard.

ADJOURNMENT

There being no further discussion, Mayor Pro Tem Gallagher adjourned the meeting at 6:17 pm.

APPROVED

IVY R. TAYLOR
MAYOR

ATTEST:

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