



# City of San Antonio

## Legislation Details (With Text)

**File #:** 17-1974

**Type:** Staff Briefing - Without Ordinance

**In control:** City Council B Session

**On agenda:** 3/8/2017

**Title:** 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]

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:**

Date	Ver.	Action By	Action	Result
3/8/2017	1	City Council B Session		

**DEPARTMENT:** Office of Management and Budget

**DEPARTMENT HEAD:** Justina Tate

**COUNCIL DISTRICTS IMPACTED:** City Wide

**SUBJECT:** Potential Ad Valorem Property Tax Revenue Caps, FY 2017 Budget and Financial Status Report, & Recommended FY 2018 Budget Calendar

### SUMMARY:

During the Wednesday, March 8, 2016 City Council "B" Session, City Council will be provided with an informational briefing on: A) State legislation regarding the imposition of ad valorem tax revenue caps and B) the City's Fiscal Year (FY) 2017 Budget and Finance status for the first quarter (October through December), an update on the implementation status of FY 2017 Budget Initiatives, first quarter 24/7 Performance Measures results, and the recommended FY 2018 Budget Calendar.

### Potential Ad Valorem Property Tax Revenue Caps

During the 2017 State Legislative Session, bills have been filed in regard to changing the Texas Property Tax Code. Property taxes are a major source of revenue for the City and comprise 27.9% of the FY 2017 General Fund Budget. Information will be presented to the City Council regarding the potential impact of these bills on

the City's revenue source. This will include a briefing on legislation such as Senate Bill 2 which proposes reducing the Rollback Rate calculation from 8% down to 4%. This change would negatively impact the current and future services funded by the City's General Fund.

### **3 Plus 9 Budget and Finance Report for the First Quarter**

The budget and finance report will include updated estimates on revenues and expenditures for the remaining three quarters of the fiscal year (January through September). The "3 Plus 9" Budget & Finance report will focus on the City's General Fund and highlight several restricted funds within the Operating Budget. During this meeting, the recommended FY 2018 Budget Calendar will be reviewed with City Council.

### **BACKGROUND INFORMATION:**

On September 15, 2016, the City Council approved the FY 2017 Operating and Capital Budget. In an effort to keep City Council updated and informed on the City's FY 2017 Budget, a Budget and Financial Status Report will be presented to Council that focuses on the financial and operational performance for the first quarter (October through December) of the fiscal year and will provide updated estimates on revenues and expenditures for the remaining three quarters of the fiscal year (January through September). This financial management practice is one of several the City has in place. The City's financial management practices and policies include comprehensive long-term financial planning, financial reporting and monitoring, a two-year balanced budget approach guided by "structural balance", the mid-year budget adjustment, and contingency planning.

This presentation also will include a briefing on the FY 2018 Budget Calendar. The recommended FY 2018 Budget Calendar has been developed with the City Manager's guidance and direction and in accordance with the provisions of the City Charter, the Local Government Code, and the Property Tax Code.

### **ISSUE:**

During the March 8th City Council "B" Session, staff will review with City Council the potential impact of proposed State legislation regarding ad valorem property tax revenue caps as well as the first quarter financial status of the City's FY 2017 Budget.

### **Potential Ad Valorem Property Tax Revenue Caps**

State Law governs the manner in which municipalities calculate the property tax rate. Current law enables the City to adopt a property tax rate that generates Maintenance and Operation revenue up to 8% above the amount of revenue received in the prior year. If the City adopts a tax rate that exceeds the 8% limitation, citizens may petition for an election to roll-back the tax rate to the 8% limitation.

Under the proposed Senate Bill 2 legislation, the Rollback Rate calculation would be changed from 8% to 4%, additionally it would change the process from a citizen petition to an automatic election should the City adopt a tax rate greater than the Rollback Rate of 4%. This legislation would negatively impact the City's future General Fund budgets by imposing a strict revenue cap on future property tax revenue growth that is vital to fund ongoing and future basic city services in the General Fund.

Should the revenue cap legislation be enacted into law, the City's General Fund would be negatively impacted by limiting the amount of growth the City could realize in a given fiscal year to support basic City services such as Police, Fire, Street Maintenance, Parks, and Libraries.

### **3 Plus 9 Budget and Finance Report for the First Quarter**

The FY 2017 Budget and Financial Status Report provides the City Council with early financial updates and identifies any significant issues that may need to be addressed early on in the fiscal year. Specifically, the report will focus on the City's current and projected financial position, highlight the status of FY 2017 Budget initiatives, and results of the 24/7 Performance Measures. The presentation will focus primarily on the City's General Fund, Solid Waste Management Fund, Development Services Fund, and Hotel Occupancy Tax Fund.

In addition to the presentation of the quarterly report, staff will review the recommended FY 2018 Budget Calendar in detail with the Mayor and City Council during the March 8th City Council "B" Session. The FY 2018 Budget Calendar will be used for planning and development of the FY 2018 Annual Operating and Capital Budget. After receiving additional input from the Mayor and City Council during this briefing, the final FY 2018 Budget Calendar will be made available on City's webpage and government access channel (TVSA Channel 21).

#### **ALTERNATIVES:**

This item is for briefing purposes only.

#### **FISCAL IMPACT:**

This presentation is for informational purposes only.

#### **RECOMMENDATION:**

This presentation is for informational purposes only.