



City of San Antonio

Agenda Memorandum

File Number:19-4716

Agenda Item Number: 1.

Agenda Date: 6/13/2019

In Control: City Council Special Meeting

DEPARTMENT: Office of Management and Budget

DEPARTMENT HEAD: Justina Tate

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

Budget Policy Issues Discussion FY 2020 Budget

SUMMARY:

On June 12 and June 13, 2019, the City Council will be presented with information on several topics in preparation for the June 21, 2019 City Council Budget Goal Setting Session for the FY 2020 Budget.

These sessions are an added opportunity for City Council to be briefed on upcoming budget policy issues in advance of the Budget Goal Setting Session. This will allow time between these sessions and June 21, to provide any additional information to the City Council requested. By adding these two sessions to the budget calendar, the City Council will have time to deliberate and to provide direction to the City Manager regarding service delivery priorities and financial policies that will guide the preparation of a balanced Fiscal Year 2020 Proposed Budget.

During the last State legislative session, several bills were passed that significantly impact the City's revenue outlook. SB 1152 was passed and will change the compensation the City receives for use of the public right-of-way from telecommunication and cable companies. The impact is estimated to be a reduction in base revenue to the City of approximately \$7.3 million annually beginning on September 1, 2019. More significantly, SB2 passed and will lower the current property tax rollback rate from 8% to 3.5% with a three year carryforward.

These events have drastically altered the financial parameters that the City has historically operated within. As such, staff will present recommended financial policies for consideration that focus on addressing these new

parameters.

Financial Policies: Financial policies establish policy guidance on the financial management of the organization and are critical to maintaining a strong financial position through flexibility to adapt to changing economic conditions. Financial policies coupled with strong financial management and sound financial policies and practices have allowed the City of San Antonio to be well positioned financially. Collectively, these financial policies and practices also contribute to the credit profile for the organization. The City's strong credit profile has been recognized by the three major rating agencies. San Antonio holds a 'AAA' general bond rating from Standard & Poor's and Moody's and a 'AA+' from Fitch. The 'AAA' bond rating is the highest credit rating an organization can receive and it allows the City to pay the lowest possible interest rates in the market. For FY 2019, the financial policies adopted through the Budget Process include:

- Manage structural balance in the General Fund
- Maintain a Two Year Budget Plan for the General Fund
- Maintain Public Safety spending below 66% of the General Fund
- Maintain a minimum General Fund ending balance of 15% of General Fund Revenues
- Maintain a \$1 Million contingency in the General Fund and \$3 Million in the Capital Budget
- Address Internal Services deficits within 3 to 5 years

BACKGROUND INFORMATION:

The City of San Antonio's fiscal year begins on October 1, and ends September 30. Each year the City Manager transmits a budget development calendar to the City Council in February with key dates for each phase of the budget process. The phases include (1) Five-Year Financial Forecast and public input before the budget is prepared, (2) City Council Budget Goal Setting Session, (3) Proposed Budget for the upcoming fiscal year, (4) City Council budget worksessions, and public input meetings/public hearings on the proposed budget, and (5) adoption of the Budget for the next fiscal year. The Annual Operating and Capital Budget must be approved by the City Council not later than September 27 of every year in accordance with the City Charter.

Five Year Financial Forecast: On May 8, 2019, City Council was provided a briefing on the FY 2019 Six Plus Six Budget and Financial Status Report as well as the City's Five Year Financial Forecast covering Fiscal Year 2020 through Fiscal Year 2024. During this presentation, several policy issues were presented to City Council as discussion topics in preparation for the FY 2020 Budget Development.

City Council Budget Goal Setting Session: On June 21, 2019, the City Council FY 2020 Budget Goal Setting Session will be held at the Henry B Gonzalez Convention Center, Cantilever Room from 9:00 am to 5:00 pm. The purpose of the Budget Goal Setting Session is to obtain City Council policy direction that will guide the City Manager and staff in developing the FY 2020 Proposed Budget and the FY 2021 Budget-Plan. The anticipated outcome of this session is to establish City Council service delivery priorities and direction on potential general fund revenue increases and/or expenditure reductions that will be utilized by staff to prepare a balanced Fiscal Year 2020 Proposed Annual Operating and Capital Budget.

Proposed Budget: On August 8, 2019 the City Manager will present the FY 2020 Proposed Operating and Capital Budget to City Council. This budget will be prepared from June to July and will incorporate the policy direction provided by the City Council on June 21 and the community input provided through the SASpeakUp

Campaign.

Budget Adoption: After the Budget is proposed on August 8, 2019, the City Council will have an opportunity to review the budget in detail at several worksessions between August 12 to September 11, 2019. Community Input Sessions for the public to comment on the budget will be held during the same period. The Budget is scheduled to be approved on September 12, 2019.

ISSUE:

The purpose of the June 12, 2019 and June 13, 2019 sessions is to provide the City Council with information on several topics in preparation for the June 21, 2019 City Council Budget Goal Setting Session.

ALTERNATIVES:

This item is for briefing purposes only.

FISCAL IMPACT:

This item is for briefing purposes only.