



City of San Antonio

Agenda Memorandum

File Number:20-4464

Agenda Item Number: 4B.

Agenda Date: 8/6/2020

In Control: City Council A Session

DEPARTMENT: Office of Management & Budget

DEPARTMENT HEAD: Scott Huizenga

COUNCIL DISTRICTS IMPACTED: City Wide

SUBJECT:

Presentation of City's FY 2021 Proposed Annual Budget

SUMMARY:

On August 6, 2020, the City Manager will present the Proposed Fiscal Year (FY) 2021 Operating and Capital Budget to the Mayor and City Council as required by the City Charter. The City's fiscal year begins on October 1 and ends on September 30. Following this presentation, the City Council will consider two ordinances related to the FY 2021 Proposed Budget:

- A) An ordinance setting the City's proposed maintenance and operations tax rate at 34.677 cents per \$100 of taxable valuation and the City's proposed debt service tax rate at 21.150 cents per \$100 of taxable valuation as recommended in the FY 2021 Proposed Budget. There is no increase in the city's property tax rate, and;
- B) An ordinance setting the date, time, and place for two Budget Public Hearings and two Ad Valorem Tax Rate Public Hearings.

The FY 2021 Operating and Capital Budget, the Tax Year 2020 Ad Valorem City Property Tax Rate, and revenue adjustments are scheduled to be adopted by City Council on Thursday, September 17, 2020. By City Charter the City's budget must be adopted not later than September 27th.

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/March with key dates for each phase

of the budget process. The phases include (1) Five-Year Financial Forecast and FY 2021 Trial Budget, (2) public input before the budget is prepared, (3) City Council Budget Goal Setting Session, (4) Proposed Budget for the upcoming fiscal year, (5) City Council budget worksessions, and public input on the proposed budget, and (6) 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 27th of every year in accordance with the City Charter. On February 20, 2020, the City Council was provided with the FY 2020 First Quarter Financial Report and on May 6, 2020, the FY 2021 Budget Calendar. This calendar included the key dates for the five phases of the City of San Antonio budget development process.

Five Year Financial Forecast: On June 18, 2020, City Council was provided a briefing on the City's Five Year Financial Forecast covering Fiscal Year 2021 through Fiscal Year 2025.

FY 2021 Trial Budget: COVID-19 has caused an unprecedented economic disruption with the national unemployment rate rising to levels not seen since the Great Depression. As a result of the dramatic impact to the local economy, the City estimated significant revenue losses to the General Fund, Hotel Occupancy Tax Fund, Airport Fund, and other restricted funds. Financial challenges are expected in FY 2021 and the City Manager presented a Trial Budget to the City Council for the General Fund, Hotel Occupancy Tax, Airport Fund, Development Services Fund, and the Parking Fund. The Trial Budget provided City Council an opportunity to discuss potential reductions to the budget before the proposed budget is developed.

The Trial Budget was presented to City Council on June 18th and was discussed in detail during the June 26th City Council Goal Setting Session.

Community Input for the Preparation of the Budget Process: After the FY 2021 Trial Budget was presented to City Council, virtual Community Budget meetings were held with each City Council District to gather input from residents about the FY 2021 Trial Budget. Additionally, a budget survey was made available to the public through SASpeakUp.com. It closes on July 31. Survey results will be presented to the City Council and provided to the public following the close of the survey.

City Council Budget Goal Setting Session: On June 26, 2020 the City Council FY 2021 Budget Goal Setting Session was held at the Henry B Gonzalez Convention Center. The purpose of the Budget Goal Setting Session was to obtain feedback on the City's FY 2021 Trial Budget to guide the City Manager and staff in developing the FY 2021 Proposed Budget and the FY 2022 Budget-Plan. A report of the results of the City Council Goal Setting Session is available in the City's Website.

Proposed Budget: On August 6, 2020 the City Manager will present the FY 2021 Proposed Operating and Capital Budget to City Council. This budget was prepared in the month of July and incorporates the policy direction provided by the City Council on June 26th and the community input provided through the SASpeakUp Campaign.

City Council Budget Worksessions, public input meetings/public hearings on the proposed budget: After the budget is proposed on August 6, 2020, several city council budget worksessions are scheduled to present the proposed budget in detail to the City Council. A schedule of budget worksessions is included in Attachment I. Following the presentation of the proposed budget, the City will seek input from residents through virtual events and a survey in August. Two public hearings will be hosted on Wednesday, September 2 at 5:00 pm and Thursday, September 10 at 9:00 am in City Council Chambers.

Budget Adoption: The FY 2021 Budget is scheduled to be approved by the City Council on September 17, 2020.

ISSUE:

On August 6, 2020, the City Manager will present the Proposed Fiscal Year (FY) 2021 Operating and Capital Budget. Following this presentation, the City Council will consider an ordinance setting the proposed tax rate and an ordinance setting the date, time, and place for two Budget Public Hearings and two Ad Valorem Tax Rate Public Hearings.

An ordinance setting the proposed Maintenance and Operations tax rate at 34.677 cents per \$100 of taxable valuation and the proposed Debt Service tax rate at 21.150 cents per \$100 of taxable valuation as recommended in the FY 2021 Proposed Budget. Each year, City Council considers an ordinance which sets the Proposed City Ad Valorem Tax Rate for Maintenance and Operation (M&O) and the Debt. With the FY 2021 Budget development, the City Council will consider the Tax Rate for Tax Year 2020. Revenue collected during the Tax Year 2020, will be recognized in the FY 2021 Budget as the City's Fiscal Year begins October 1, 2020.

City Staff recommends City Council adopt an ordinance setting the proposed Ad Valorem Tax Rate for Tax Year 2020. There is no recommended City Property Tax Rate increase included in the FY 2021 Budget.

- A) An ordinance setting the Date, Time, and Place for the Proposed Budget and Tax Rate Public Hearings. A City Property Tax Rate Public Hearing is required by State Law because the Proposed Ad Valorem Tax Rate for Tax Year 2020 exceeds the Effective Tax Rate. While there is no recommended Property Tax Rate increase included in the FY 2021 Budget, the amount of revenue estimated to be collected from Property Tax in FY 2021 is higher than the amount generated in FY 2020.
- B) Consistent with the requirements of the City Charter and State Law, City staff recommends City Council hold two Public Hearings on the FY 2021 Proposed Budget. The hearings would take place on Wednesday, September 2 and Thursday, September 10 in the City Council Chambers immediately following the Tax Year 2020 Proposed Ad Valorem City Tax Rate Public Hearings.

Notice for the Proposed Budget, Tax Rate Public Hearings and Budget Open Houses will be posted in the Express-News. Announcements will also be published on the City's website site and promoted on the City's cable TV Channel 21 (TVSA).

The FY 2021 Operating and Capital Budget, the Tax Year 2020 Ad Valorem City Property Tax Rate, and revenue adjustments are scheduled to be adopted by City Council on Thursday, September 17, 2020. By City Charter the City's budget must be adopted not later than September 27th.

FISCAL IMPACT:

The FY 2021 Proposed Budget is balanced as required by the City Charter.

RECOMMENDATION:

The following two ordinances related to the FY 2021 Budget are recommended for approval:

- A) An ordinance setting the proposed Maintenance and Operations tax rate at 34.677 cents per \$100 of taxable valuation and the proposed Debt Service tax rate at 21.150 cents per \$100 of taxable valuation as recommended in the FY 2021 Proposed Budget, and;

B) An ordinance setting the date, time, and place for two Budget Public Hearings and two Ad Valorem Tax Rate Public Hearings.

No action is required by City Council for the FY 2021 Proposed Budget presentation as it has been scheduled for presentation purposes only. The City Council is scheduled to vote on the FY 2021 Budget on September 17.