



City of San Antonio

Agenda Memorandum

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Agenda Item Number: 1.

Agenda Date: 8/26/2020

In Control: City Council Special Session

DEPARTMENT: Office of Management and Budget

DEPARTMENT HEAD: Scott Huizenga

COUNCIL DISTRICTS IMPACTED: City Wide

SUBJECT: City Council Worksession on the FY 2021 Proposed Budget

SUMMARY:

Staff presentation on the FY 2021 Proposed Budget focusing on, but not limited to, the following City policies and initiatives:

- A. Hotel Occupancy Tax
- B. Convention & Sports Facilities
- C. Arts & Culture
- D. Airport

BACKGROUND INFORMATION:

The FY 2021 Proposed Budget was presented to City Council on August 6, 2020. The budget is balanced as required by law and reflects the City's continued commitment to long-term recovery and resilience from the COVID-19 pandemic and to address the community's priorities including health and human services, workforce development, affordable housing, infrastructure, and violence prevention while also maintaining the City in a strong financial position.

The Proposed FY 2021 Consolidated Annual Budget, comprised of all funds, excluding transfers, totals \$2.9 billion. The General Fund budget is \$1.28 billion; restricted funds such as Airport, Development Services, Solid Waste, and Hotel Occupancy Tax total \$999 million; and the Capital Budget totals \$641 million.

Following the presentation of the proposed budget a series of City Council Budget Worksessions are scheduled from August 11 to September 16. At these sessions, City staff will review budget proposals with the Mayor and City Council in detail. The budget is scheduled to be adopted on September 17 for the City's fiscal year that begins on October 1.

ISSUE:

A budget worksession is scheduled for Wednesday, August 26 from 2:00 P.M. to 5:00 P.M. At this session, the City Council will be presented with the FY 2021 Proposed Budgets for the Hotel Occupancy Tax, Convention & Sports Facilities, Arts & Culture, and Airport departments.

Hotel Occupancy Tax

The current Hotel Occupancy Tax (HOT) rate of 16.75% is levied on eligible room nights. Every person owning, operating, managing or controlling any hotel shall collect the tax imposed, complete a Hotel Occupancy Tax Report and remit both to the City. Of this rate, 6% is remitted to the State, 1.75% to Bexar County, and 9% to the City of San Antonio.

The City of San Antonio's Hotel Occupancy Tax rate of 9% is comprised of a 7% general occupancy tax and an additional 2% for the Convention Center expansion. The 7% of the HOT Tax in FY 2021 is estimated at \$48 million and it supports the City's Convention & Sports Facilities, Visit San Antonio, Historic Preservation and Arts.

After the annual convention center expansion debt service payment is made, the remaining net HOT collections for FY 2021 are allocated to Visit San Antonio at 35% (\$15.1 million), to the Arts and Culture Fund at the maximum state allowed amount of 15% (\$6.5 million), and to the General Fund to support history and preservation at 15% (\$6.5 million), the remaining 35% (\$15.1 million) is allocated to the Community & Visitor Facilities Fund and other support activities as well as debt service for the convention center expansion project.

The FY 2021 Proposed Budget includes \$14.1 million in reductions to allocations for Visit San Antonio for history and preservation as a result of decreased HOT revenues. The detailed list of FY 2021 reductions is included in Attachment 1.

Convention & Sports Facilities

The Proposed FY 2021 Budget for the Convention & Sports Facilities includes funding from the General Fund and Restricted Funds to support the maintenance and operation of facilities including the Henry B. Gonzalez Convention Center, Alamodome, and Carver Community Cultural Center. Below is a summary of the funding and position counts that would be authorized by the FY 2021 Proposed Budget.

FUND	FY 2021 PROPOSED BUDGET	AUTHORIZED POSITIONS
Community & Visitor Facilities Fund	32,500,412	344
Community & Visitor Facilities Fund (Non-Departmental)	2,103,572	0
General Fund (Carver Community Cultural Center)	1,283,409	7
Carver Special Revenue Fund	500,200	7
Convention Center Lease Payment Fund	34,067,744	0
Capital Projects ¹	23,099,000	0
Total	\$93,554,337	358

¹\$23.1 million is the FY 2021 Capital Spending Plan for the Convention and Sports Facilities Department, including previously appropriated projects.

The FY 2021 Proposed Capital Budget includes a total of \$23.1 million to fund facility improvements to the Alamodome as part of the City’s commitment to prepare for the NCAA Men’s Final Four in 2025.

The FY 2021 Proposed Budget includes \$12.5 million in department reductions, to include \$11.3 million in reduced expenses from redeploying employees to vacancies in other City departments and freezing vacancies, and \$1.1 million in reduced expenses associated with fewer projected events at the Alamodome and Convention Center, such as temporary staffing, traffic barricades, disposal services and building maintenance. The FY 2021 Proposed Budget also includes \$1.7 million for Visit San Antonio Hosting Obligations to support major conventions, meetings and/or events. The detailed list of FY 2021 reductions and mandates is included in Attachment 2.

To offset the impact of revenue losses due to fewer events, the FY 2021 Proposed Budget includes a \$5.9 million transfer from the General Fund to the Community and Visitor Facilities Fund.

Arts & Culture

The Proposed FY 2021 Budget for the Department of Arts & Culture includes funding from the General Fund and Restricted Funds. Below is a summary of the funding and position counts that would be authorized by the FY 2021 Proposed Budget.

FUND	FY 2021 PROPOSED BUDGET	AUTHORIZED POSITIONS
Arts & Culture Fund	8,138,396	13
Public Art San Antonio	770,371	6
SA Film Commission (Community & Visitor Facilities Fund)	41,185	1
Total	\$8,949,952	20

The FY 2021 Proposed Budget maintains funding for Arts & Culture at 15% of Hotel Occupancy Tax (net of debt service transfers for the Convention Center Expansion Project). The FY 2021 Proposed Budget provides a one-time transfer of \$1.6 million from the General Fund Workforce Development Agencies, supports delegate Arts Agencies, and offsets the impact of Hotel Occupancy Tax revenue losses on the San Antonio arts community. FY 2021 represents year three of the three-year arts agency funding cycle.

Attachment 3 includes a schedule with the programming reductions as well as funding recommendations for Arts Agencies in FY 2021.

Airport

The table below reflects the budget allocation within the FY 2021 Proposed Budget for the Airport Department.

FUND	FY 2021 PROPOSED BUDGET	AUTHORIZED POSITIONS
Airport Operating & Maintenance Fund	\$94,717,575	499
Passenger Facility Charge Fund	15,866,955	0
Customer Facility Charge Fund	10,709,444	0
Capital Projects	42,601,544	0
Total	\$163,895,518	499

The FY 2021 Proposed Budget includes \$94.7 million to operate the City's two airports, San Antonio International Airport and Stinson Municipal Airport.

During FY 2019, the Airport experienced record passenger growth totaling 10.4 million passengers for the year. Passenger counts through February 2020 remained robust, but the effects of the COVID-19 pandemic began to severely impact Airport traffic in March 2020. As a result of COVID-19, FY 2020 total passengers are estimated to be 5.3 million, representing a 49% decrease from FY 2019 total passengers. The FY 2021 total passengers are estimated to be 4.7 million, representing a 11% decrease from FY 2020 total passengers.

As a result of the decrease in the total passengers, the Airport Operations and Maintenance, Passenger Facility Charges, and Customer Facility Charges Funds will realize a reduction in revenues of \$33.8 Million. With the use of CARES Act funding, as well as the actions to mitigate revenue loss, the funds remain balanced.

ALTERNATIVES:

This item is a scheduled worksession for the FY 2021 Proposed Budget.

FISCAL IMPACT:

This presentation provides a briefing on the major initiatives within the Airport, Convention & Sports Facilities, and Arts & Culture departments. The FY 2021 Budget is scheduled to be adopted by City Council on September 17, 2021.

RECOMMENDATION:

This item is a worksession for discussion of the FY 2021 Proposed Budget and is for briefing purposes only.