



City Financial Policies

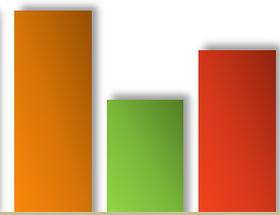
FY 2014 Six Plus Six Financial Report

FY 2015 to FY 2019 Five Year Forecast

Sheryl Sculley, City Manager
Ben Gorzell, Chief Financial Officer
María Villagómez, Budget Director

City Council "B" Session
May 14, 2014

Agenda



1. Financial Policies

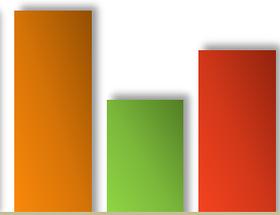
- Presented by Ben Gorzell,
Chief Financial Officer

2. FY 2014 Six Plus Six Financial Report, Mid-Year Budget Adjustment & FY 2015 to FY 2019 Five Year Financial Forecast

- Presented by María Villagómez,
Budget Director



Financial Policies



- Today's presentation provides City Council with recommended updates to financial policies
- Recommendations to be included in FY 2015 Budget



Municipal Bond Rating & Implications



- Municipal bonds issued to finance Capital Projects
- Interest amount paid on debt impacted by market conditions and credit analysis of major rating agencies:
 - Standard & Poor's
 - Fitch, and
 - Moody's



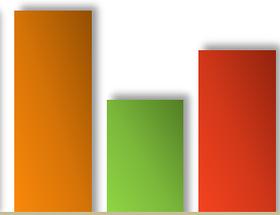
General Obligation Rating Agency Criteria



- Moody's and S&P revised rating criteria in 2013
 - more emphasis on City debt and pensions
 - more transparency and quantitative criteria
- Stricter criteria demonstrated by recent downgrades of cities like Phoenix, Chicago, and Indianapolis



City of San Antonio Bond Ratings



Current Ratings of City of San Antonio Debt

- General Obligation Debt: **AAA**
 - * *Moody's with Negative Outlook*
- Revenue and Other Bonds: **A1, A+ to AA, AA1**

	Fitch	Moody's*	S&P
Prime	AAA	Aaa	AAA
High grade	AA+	Aa1	AA+
	AA	Aa2	AA
	AA-	Aa3	AA-
Upper medium grade	A+	A1	A+
	A	A2	A
	A-	A3	A-
Lower medium grade	BBB+	Baa1	BBB+
	BBB	Baa2	BBB
	BBB-	Baa3	BBB-



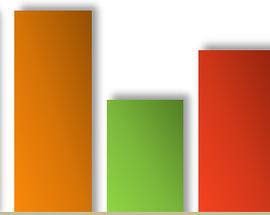
General Obligation Rating Agency Criteria



- While Moody's confirmed San Antonio's AAA GO Bond rating, the rating agency put the City on notice with negative outlook
 - Cited departure from credit fundamentals
 - Cited lower General Fund ending balance as a challenge to maintain current bond rating



General Obligation Ratings

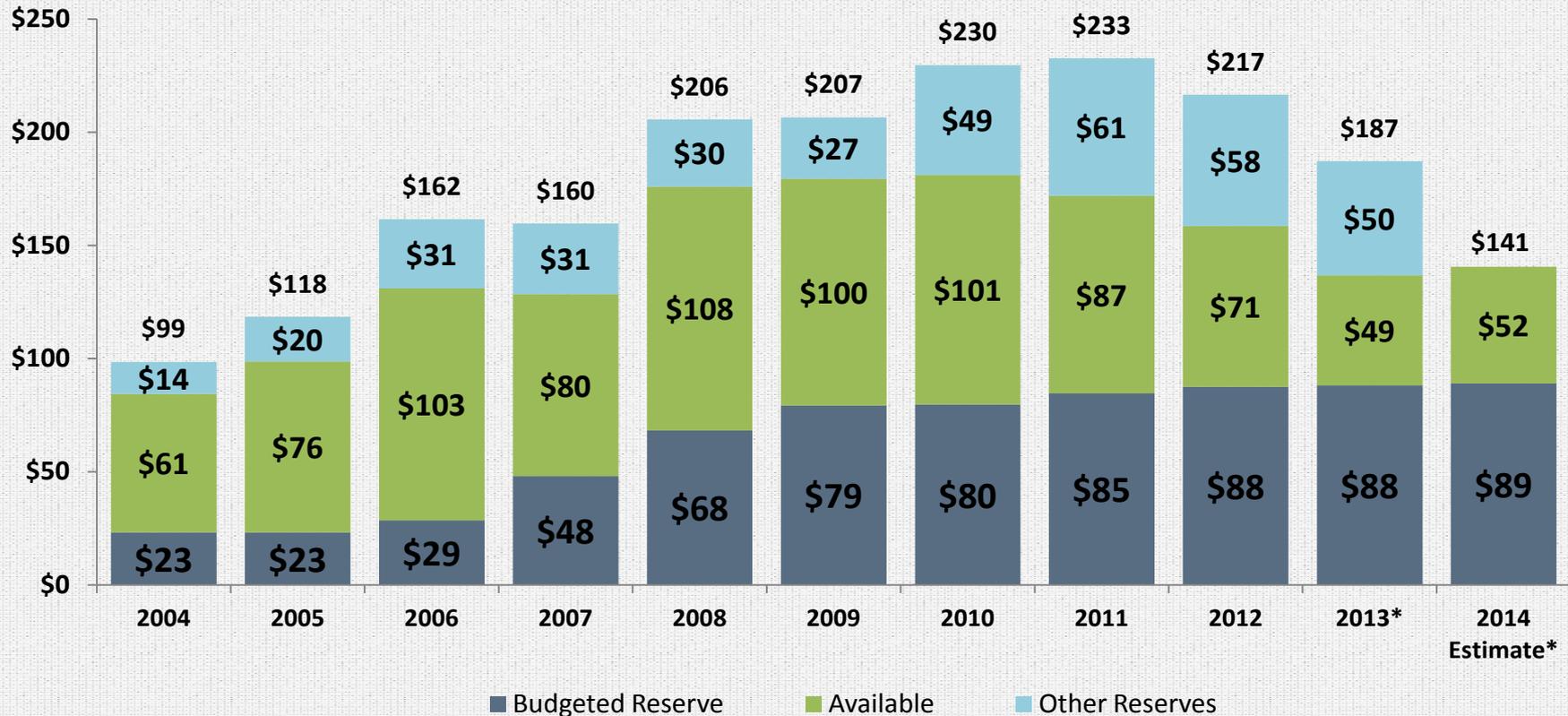


- San Antonio is only top-ten City to hold "AAA" GO Bond Rating
 - All 3 rating agencies
- If City's rating drops, capacity for new capital improvement decreases¹:
 - 1 level drop - \$6 to \$13 Million in Gross Cost
 - 2 levels drop - \$19 to \$26 Million in Gross Cost
 - 3 levels drop - \$38 to \$45 Million in Gross Cost

1) Impact of Rating Levels on \$1 Billion of Debt



General Fund – Fund Balance



* Unaudited.

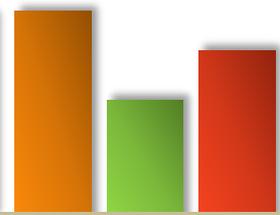
[1] For 2014, other reserves are not budgeted

[2] Other Reserves include Reserve for Encumbrances, Inventories of Materials and Supplies, Prepaids, and Designations.

[3] Beginning FY 2011, the City implemented GASB 54, which restructured financial reporting by adding certain funds (Parks Acquisition, Economic Development Incentive, Job Training, etc.) and removing the Public Education Government Channel fund.



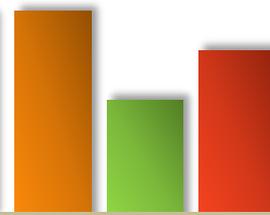
Recommended Updates



1. Increase General Fund Budgeted Financial Reserves from 9 to 10%
2. Establish a 1 to 3% target for 2 Year Budget/Plan
3. Manage Crowdout within General Fund, balance between Public Safety and Non Public Safety budgets



Recommended Updates



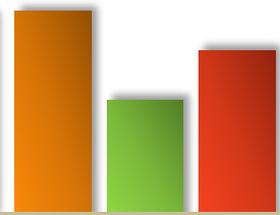
4. Manage Structural Balance in General Fund

- Align recurring revenues with recurring expenses
- Align one-time revenues with one-time expenses

5. Moderately conservative revenue projections based on current economic conditions and historical trends



Recommended Updates



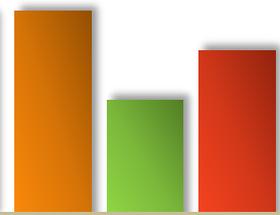
6. Establish \$1 Million contingency reserve for General Fund; and \$3 Million contingency reserve for capital budget
 - Use of these contingencies will be subject to City Council vote through an adopted ordinance
7. Address Internal Service Fund Deficits within 3 to 5 years
8. Available fund balance target of 15%



FY 2014 Six Plus Six Financial Report

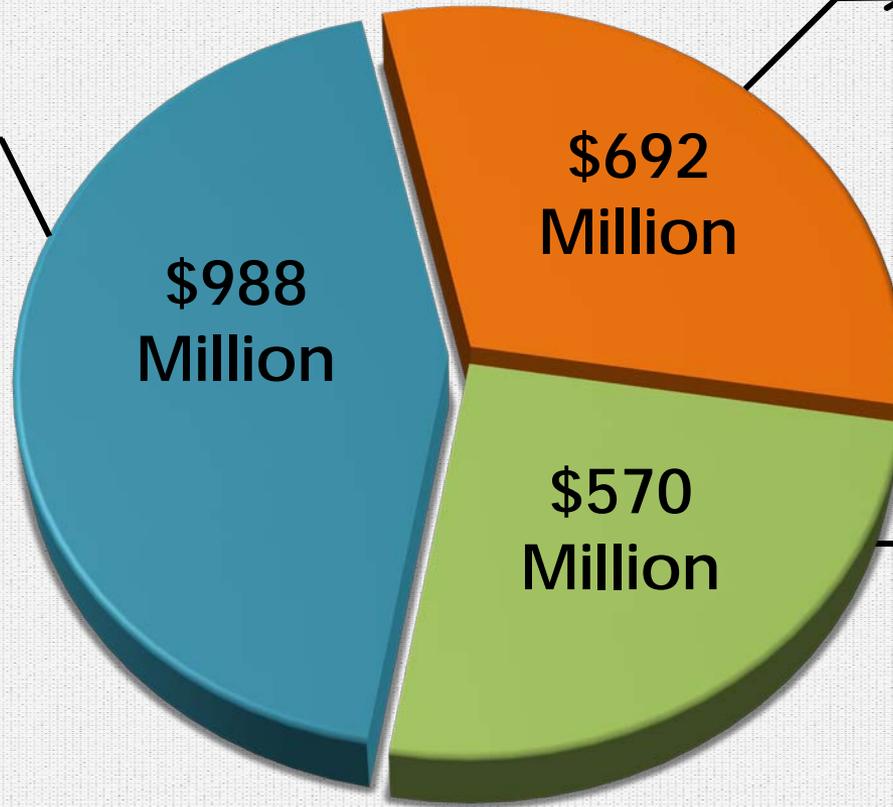


FY 2014 Adopted Budget



\$2.3 Billion Consolidated Budget

General Fund
Supports most basic City services: Police, Fire, Streets, Parks, Library, Code



Restricted Funds

- Airport Fund
- Development Services
- Hotel Occupancy Tax
- Solid Waste
- Storm Water

Capital Program

- 2012 bond projects
- Airport projects
- Convention Center Expansion



General Fund

Preparing for FY 2015 Budget

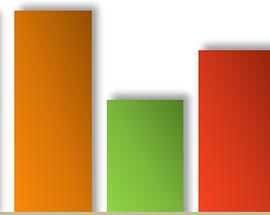


- FY 2014 projected year-end financial position is \$44 Million better than at budget adoption
 - Almost half due to one-time CPS revenues
- Challenges exist for FY 2015
 - Projected \$27 to \$34 Million deficit
 - Rising employee healthcare costs
 - Maintaining AAA bond rating
 - Unfunded needs (streets, parks, maintenance of city facilities)
 - Maintaining healthy ending balance



GENERAL FUND AVAILABLE RESOURCES DISTRIBUTED OVER MAJOR SPENDING AREAS

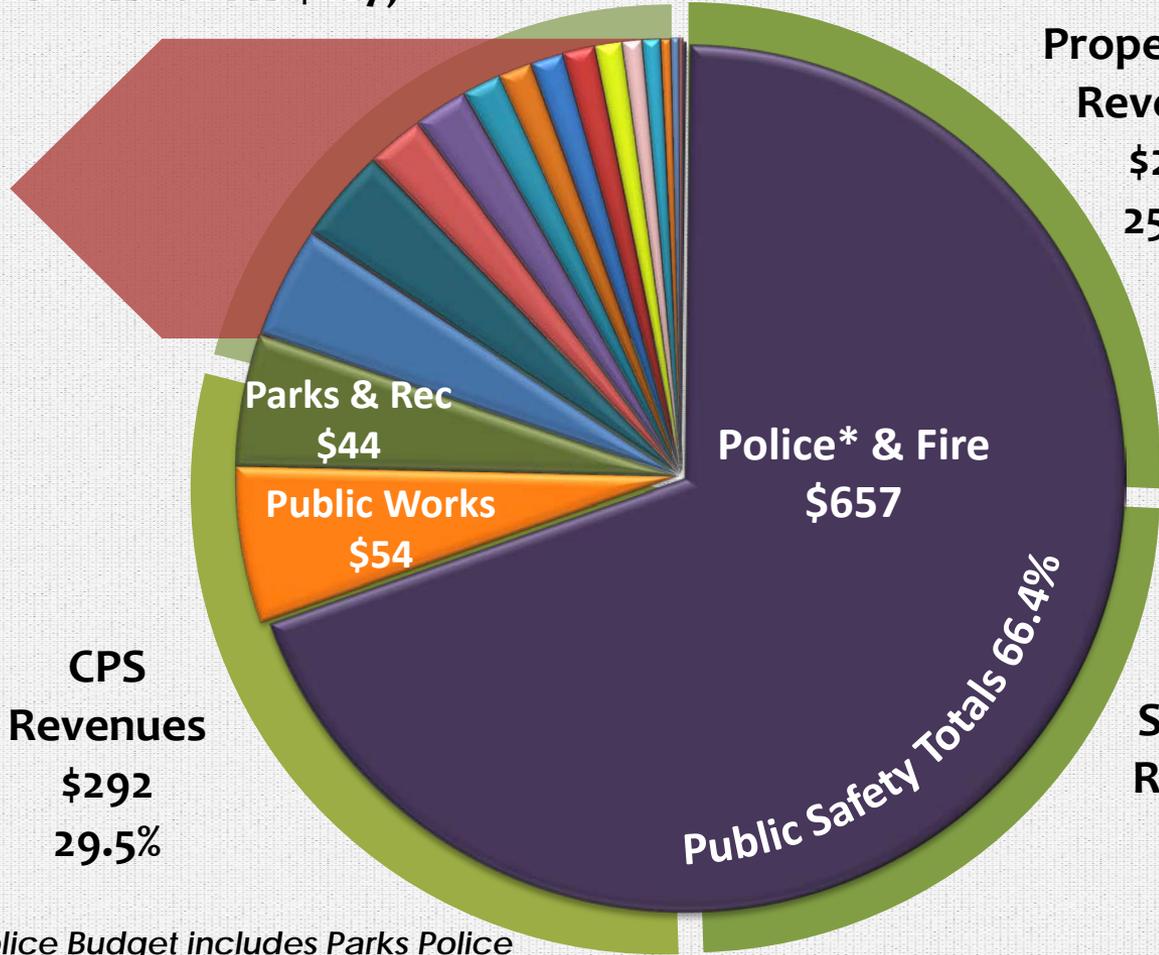
(\$ IN MILLIONS)



Other Operating Depts - \$233 Million

- Historic Preservation
- Center City Planning
- Economic Development
- One-Time Projects
- Downtown Operations
- Transfers
- Animal Care
- Health
- Code Enforcement
- Municipal Court Agencies
- Human Services
- Library
- Non-Departmental Administration:
 - *City Attorney
 - *City Clerk
 - *Human Resources
 - *Finance & Budget
 - *City Manager
 - *Mayor and Council

Other Resources \$207, 21.0%



Property Tax Revenues

\$254
25.7%

Police* & Fire
\$657

Public Safety Totals 66.4%

Sales Tax Revenues

\$235
23.8%

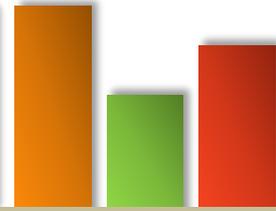
* Police Budget includes Parks Police



FY 2014 ADOPTED BUDGET: \$988 Million

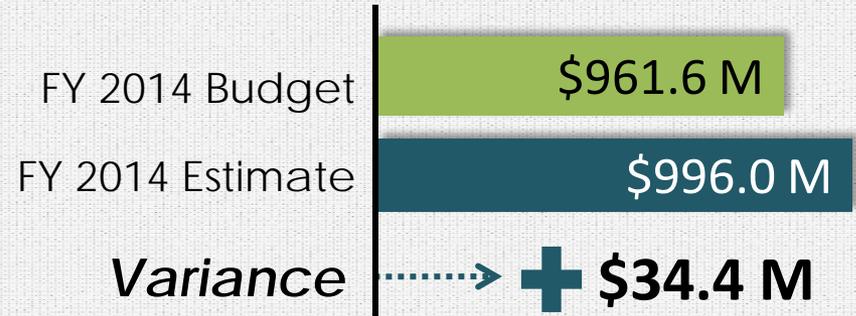
General Fund

FY 2014 2nd Quarter Financial Status

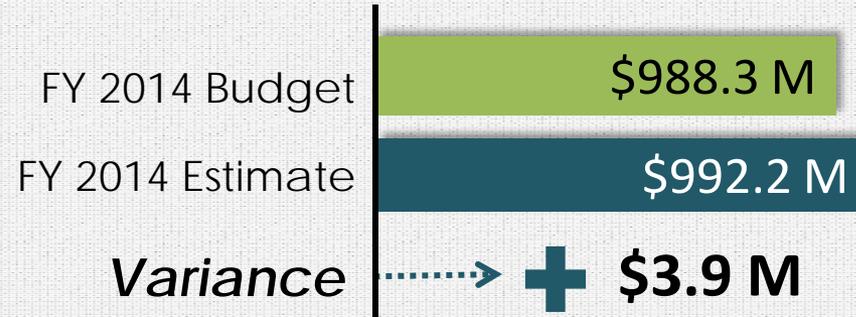


- Financial update for FY 2014 is positive; financial challenges exist for FY 2015
- \$34.4 Million or 3.6% in more revenue
- \$3.9 Million or 0.4% in more spending

FY 2014 REVENUE



FY 2014 EXPENSE

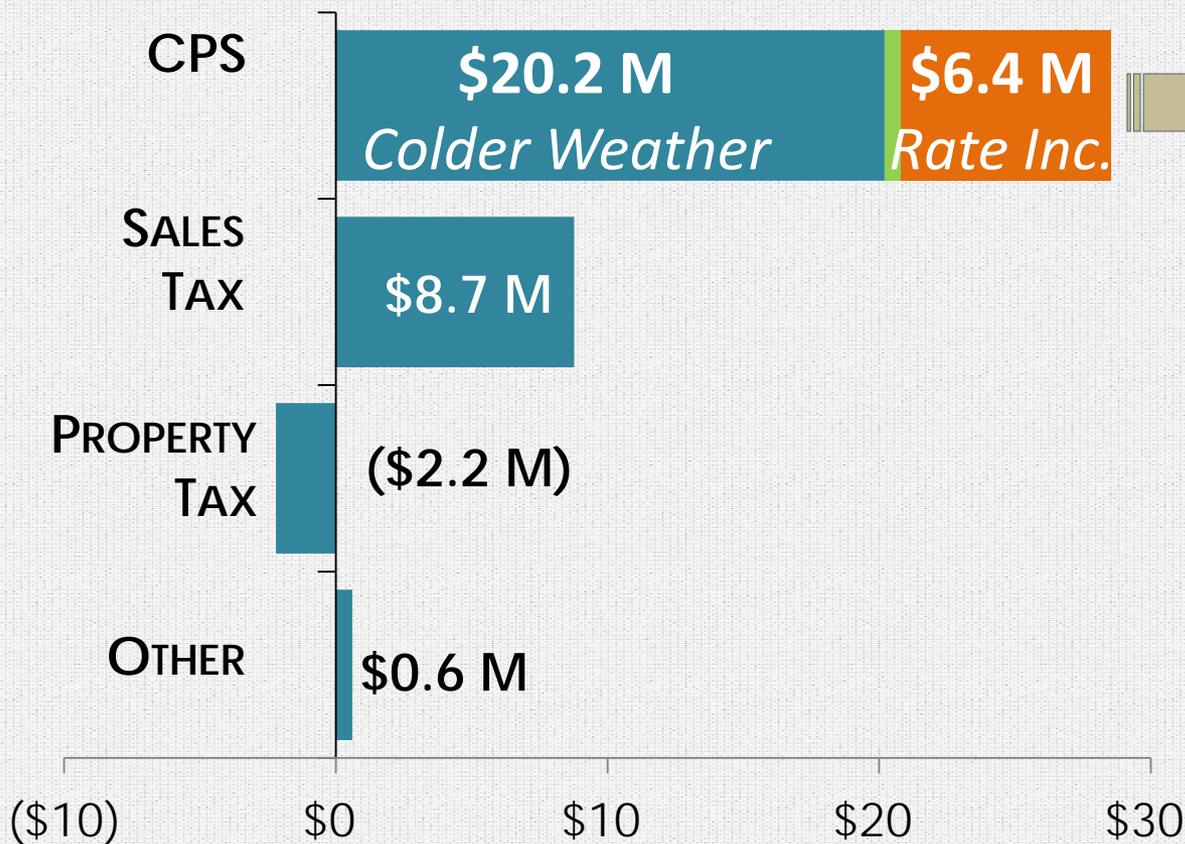


General Fund Revenues

FY 2014 Six Plus Six Projections



- Estimated \$34.4 Million in Additional Revenue

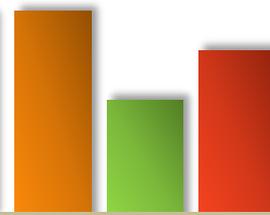


80% of \$34.4 Million attributable to unseasonably **cold weather** and **CPS rate increase**



General Fund Expenditures

FY 2014 Six Plus Six Projections



General Fund Departments are within budget with a few exceptions:

- \$300,000 increase to Code Enforcement
- \$500,000 in additional Inner City Reinvestment (ICRIP) waivers/incentives
- \$1.8 Million increase to Police Budget for additional overtime and less attrition

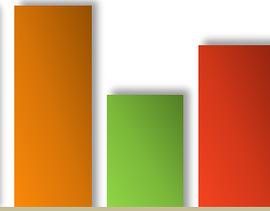


Elan Riverwalk Apartments



General Fund

FY 2014 2nd Quarter Financial Status



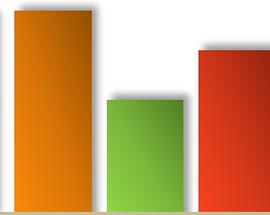
FY 2014

(\$ In Millions)	FY 2014 Budget	FY 2014 Projection	Variance
Beginning Balance	\$34.3	\$47.8	\$13.5
Total Revenues	961.6	996.0	34.4
Total Expenditures	988.3	992.2	(3.9)
Ending Balance	\$7.6 M	\$51.6 M	\$44.0

- **\$13.5 Million** in better FY 2013 ending balance
- **\$34.4 Million** in additional FY 2014 revenue
- **\$44.0 Million** ending balance recommended to be reserved for FY 2015 Budget



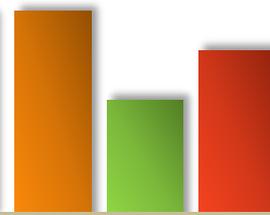
Employee Benefits Fund Healthcare Costs



- Employee Benefits Fund faces financial challenges
- \$10 Million deficit projected at budget adoption in September 2013
- With 6+6 Projection, FY 2014 ending fund balance deficit projected at \$16.1 Million



Employee Benefits Fund Healthcare Costs



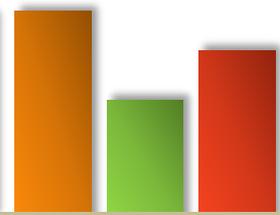
- FY 2014 2nd Quarter: \$4.6 Million over budget
- FY 2014 Projection: \$8.9 Million over budget
 - Uniform Claims:
 - 16% above FY 2013 actuals
 - Civilian Claims:
 - 6% above FY 2013 actuals



5-Year Forecast General Fund



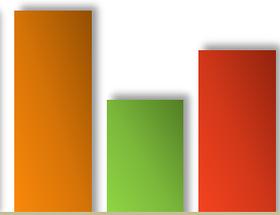
General Fund Forecast



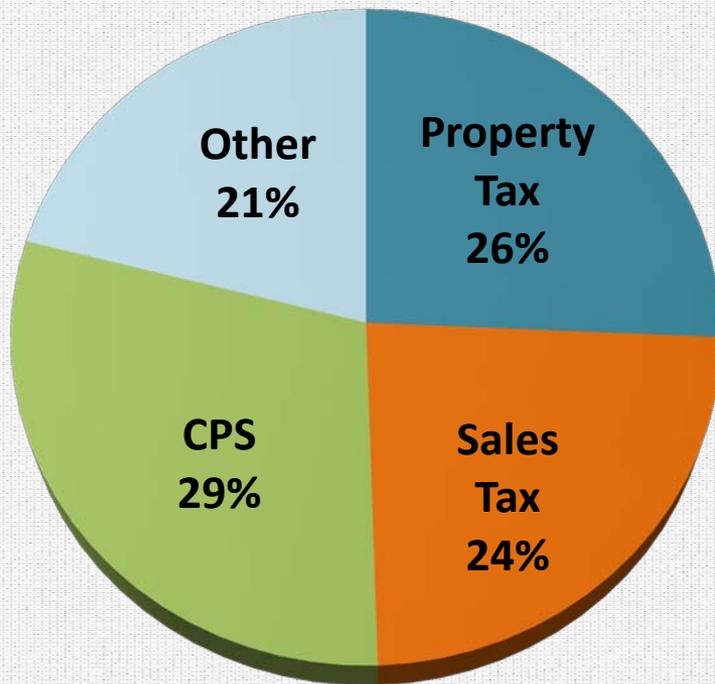
- \$27 to \$34 Million financial challenge projected for FY 2015
- Gap results from expenditures growing faster than revenues and less beginning balance
- General Fund revenue compounded annual growth during forecast projected at 2.6%; while expenditures projected to grow 3.1%



General Fund Revenues



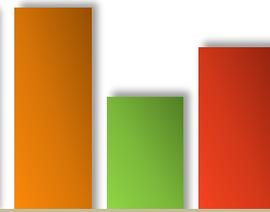
General Fund Revenues (\$ in Millions)



- \$996 Million total FY 2014 General Fund Revenue Estimate
 - \$976 Million in recurring revenue
 - \$20.1 Million in one-time CPS Revenues
- \$1,016 Million total FY 2015 General Fund Revenue Projection
 - 4.1% more than FY 2014 recurring revenue of \$976 Million
- Forecast reflects moderately conservative revenues



Property Tax Assumptions



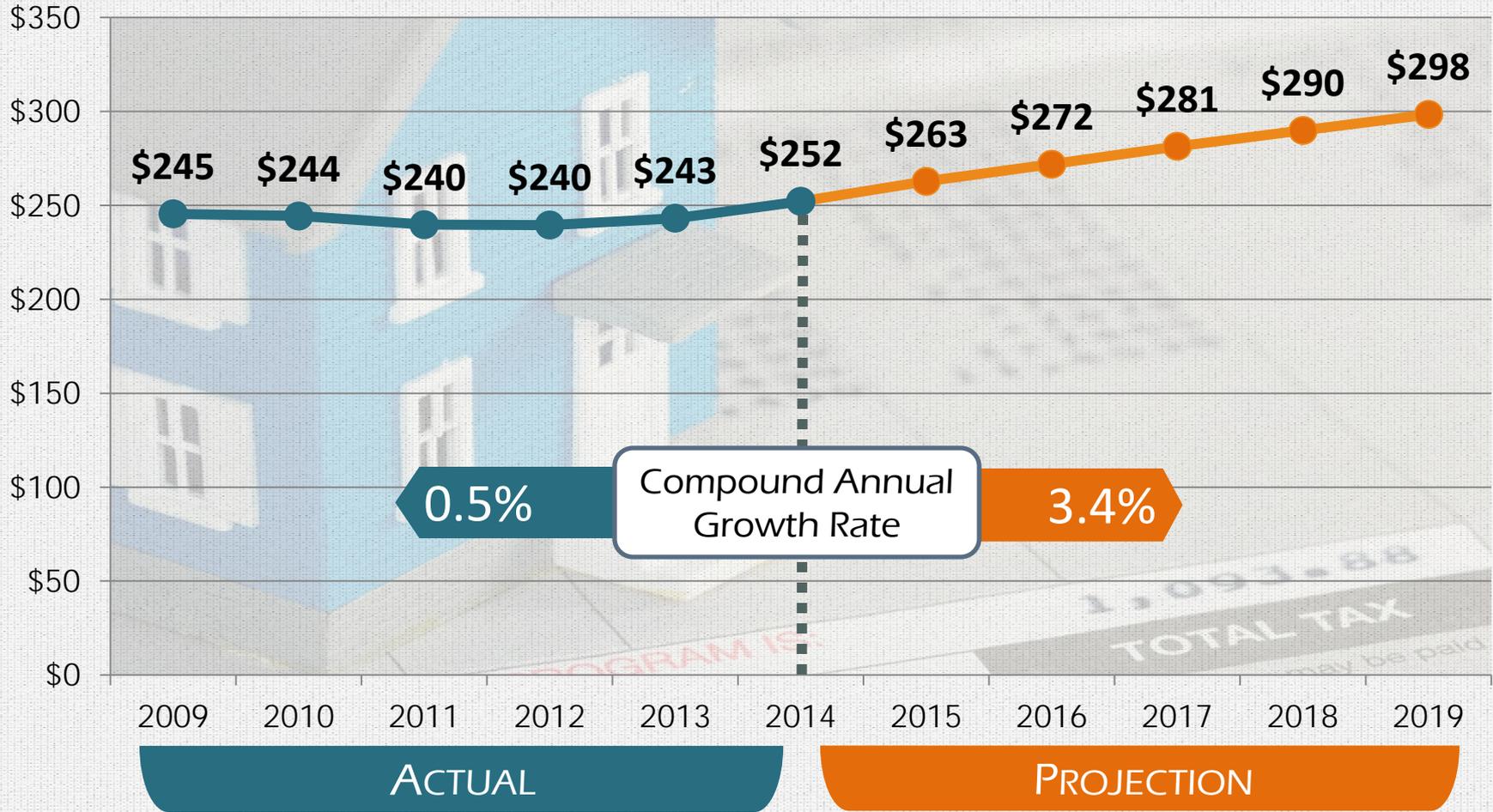
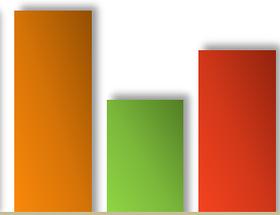
Projected Property Value Growth	FY 2014 Actual	FY 2015 Projection	FY 2016 Projection	FY 2017 Projection	FY 2018 Projection	FY 2019 Projection
Existing Values	3.2%	2.1%	1.0%	1.0%	1.0%	1.0%
New Values	1.5%	1.8%	2.5%	2.5%	2.0%	2.0%
Total Value Growth	4.7%	3.9%	3.5%	3.5%	3.0%	3.0%

- Forecast maintains current City property Tax Rate of 56.56 cents

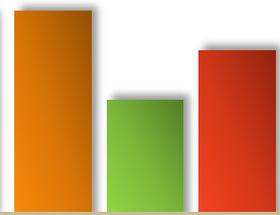


General Fund

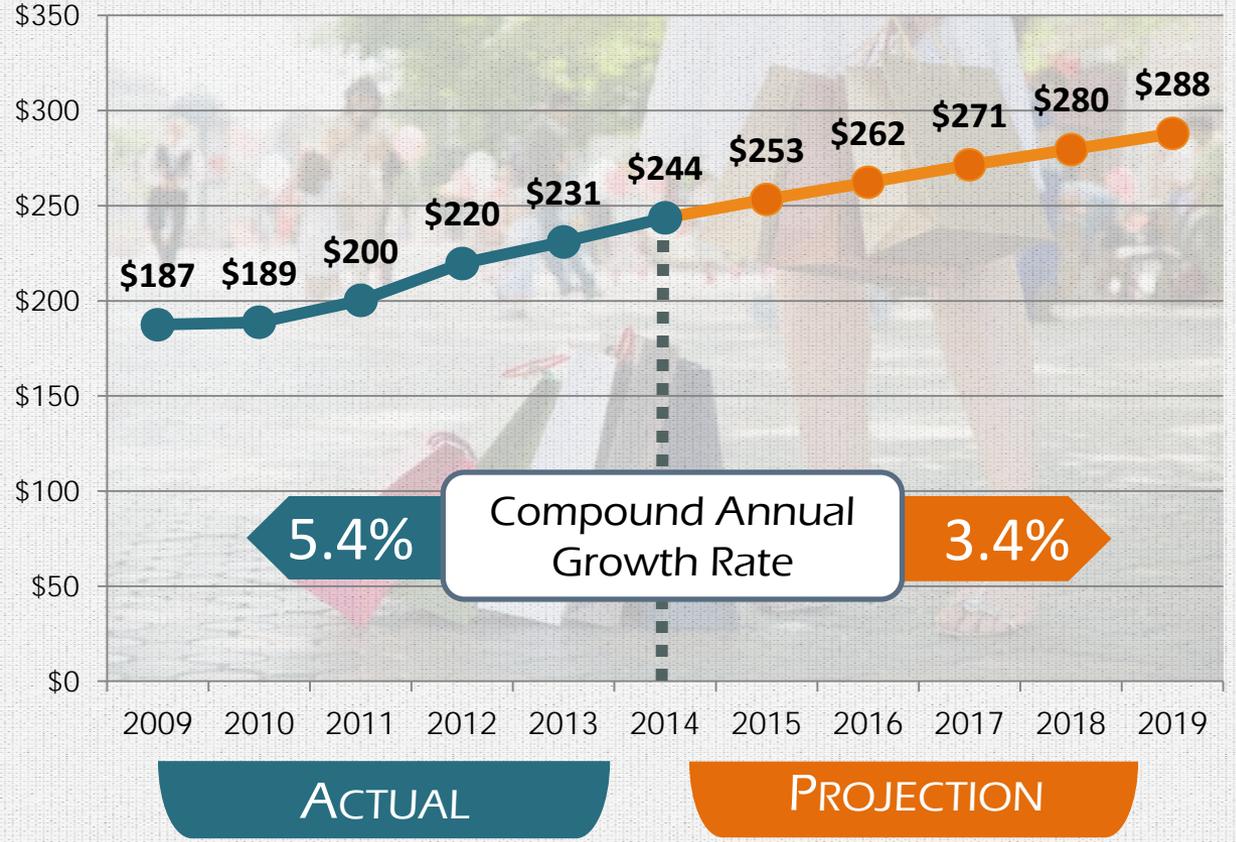
Property Tax Forecast (\$ in Millions)



General Fund Sales Tax Forecast (\$ in Millions)



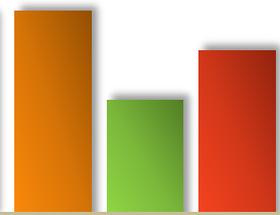
- FY 2014 Sales Tax Estimate is 5.5% higher than FY 2013



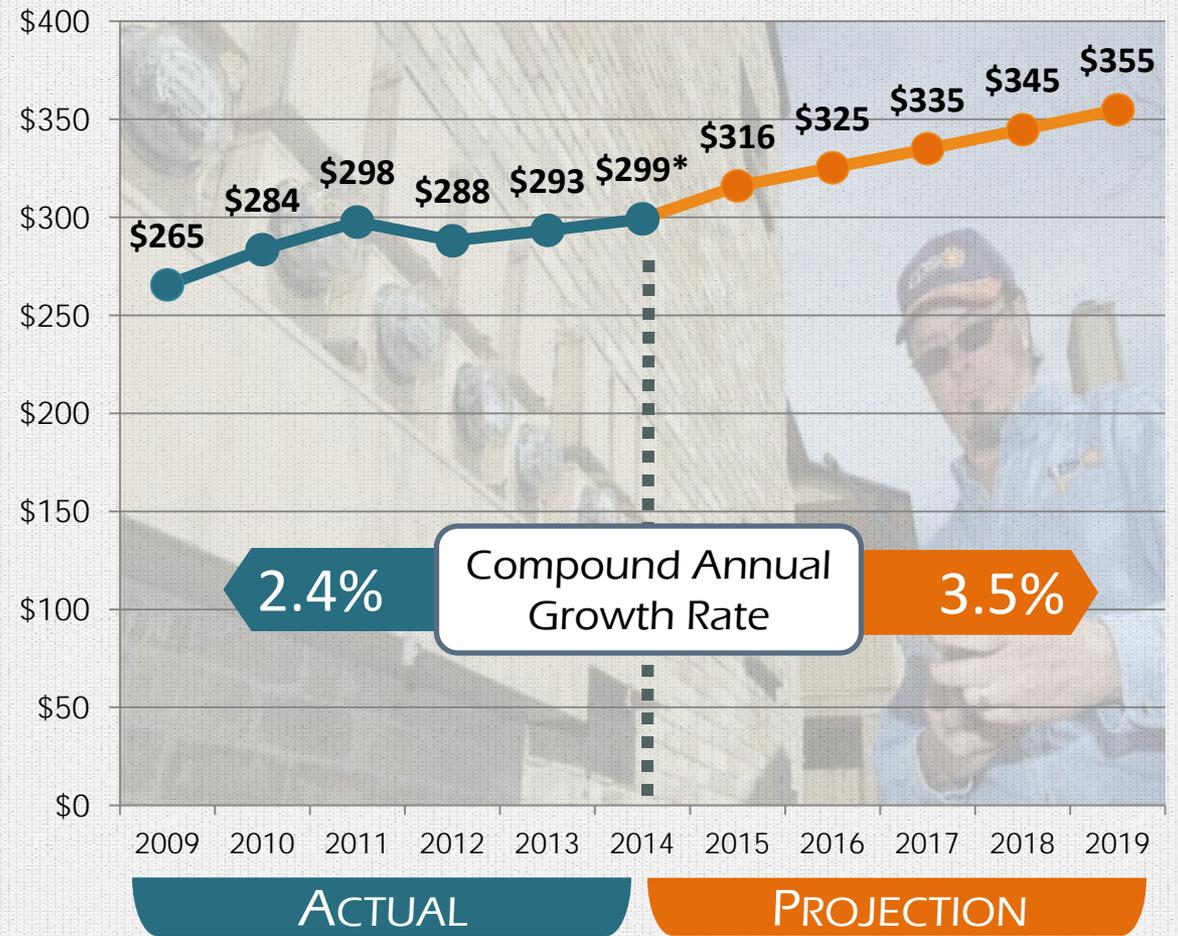
Sales Tax Projections	
FY 2015	4.0%
FY 2016	3.5%
FY 2017	3.5%
FY 2018	3.0%
FY 2019	3.0%



General Fund CPS Forecast (\$ in Millions)



- FY 2014 CPS Revenue Estimate is 2%* higher than FY 2013



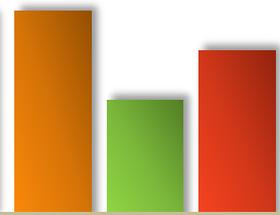
CPS Revenue Projections

FY 2015	5.6%
FY 2016	3.0%
FY 2017	3.0%
FY 2018	3.0%
FY 2019	3.0%

* Estimate net of \$20 Million of One-Time Revenue in FY 2014



Expenditure Assumptions in Forecast Period



- Reflects funding to provide today's level of City services
- Includes Increases in healthcare costs
 - Uniform employees:
 - 11% in FY 2015,
 - 10% in FY 2016,
 - 8% in FY 2017 to FY 2019
 - Civilian employees:
 - 7% every year of forecast



Expenditure Assumptions in Forecast Period



- Civilian Step Pay Plan included
- Civilian Performance Pay for Non-Step Pay Plan employees included
- Uniform Step, Longevity, and associated increases to Pension, Retiree Healthcare, Overtime and buyback included in forecast for Police and Fire employees
- No Cost of Living Adjustment increases included for Uniform or Civilian employees



Expenditure Assumptions in Forecast Period

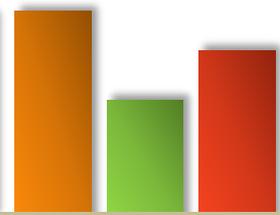


- Additional operating costs for completed 2012 Bond capital projects
 - District 5 and 10 Senior Centers
 - District 2 and 9 Libraries
 - District 3 Community Center
 - Fire Stations 18 and 30
 - Parks, Streets and Drainage Projects across the City
- Increases for on-going replacement of equipment, fuel, supplies, and contractual obligations

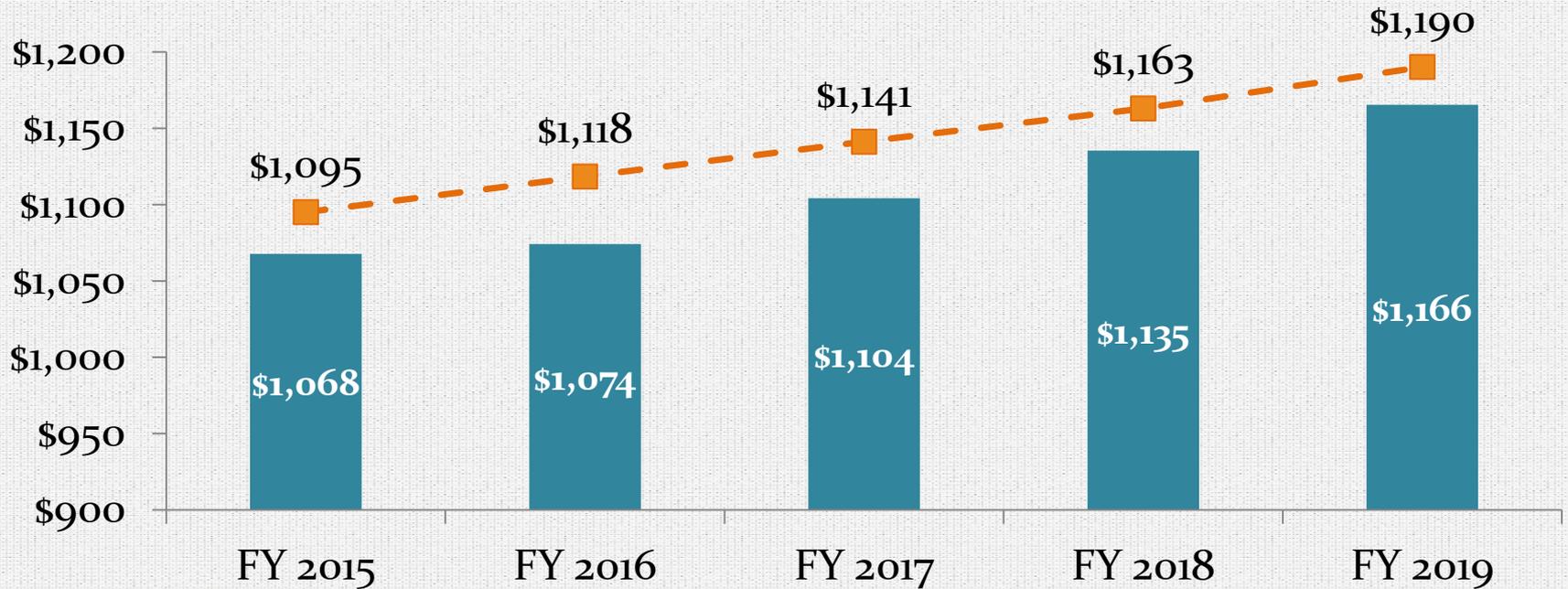


General Fund

5-Year Forecast (\$ in Millions)



- Revenues (Includes Use of Reserves from Prior Fiscal Year)
- Expenditures (Includes Set Aside of Reserves for Following Fiscal Year)



Projected Ending Balance	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
	(\$27.4)	(\$44.4)	(\$37.0)	(\$27.6)	(\$24.7)

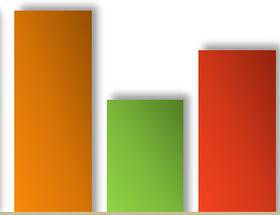


Six Plus Six & 5-Year Forecast Development Services Fund



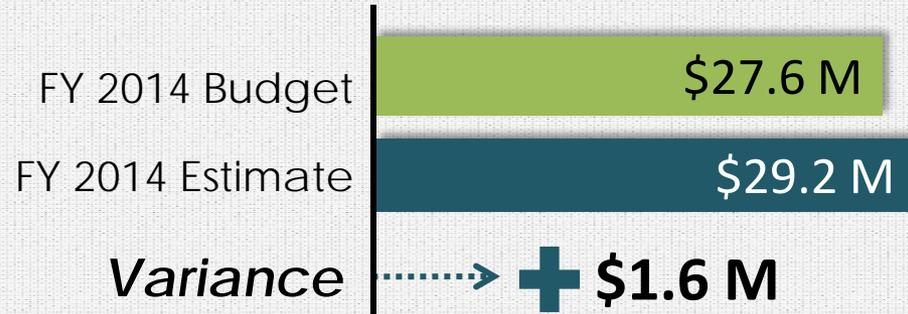
Development Services Fund

2nd Quarter Financial Status

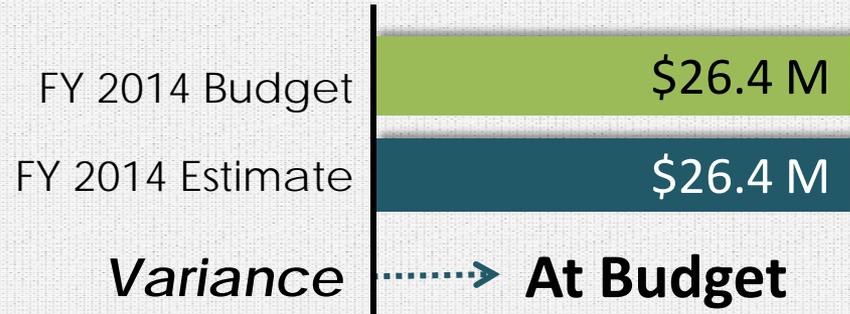


- More revenues due to increased valuation of commercial development
- Expenses at budget

REVENUE

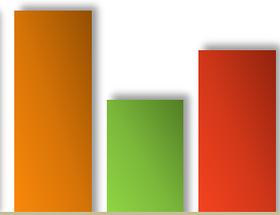


EXPENSE

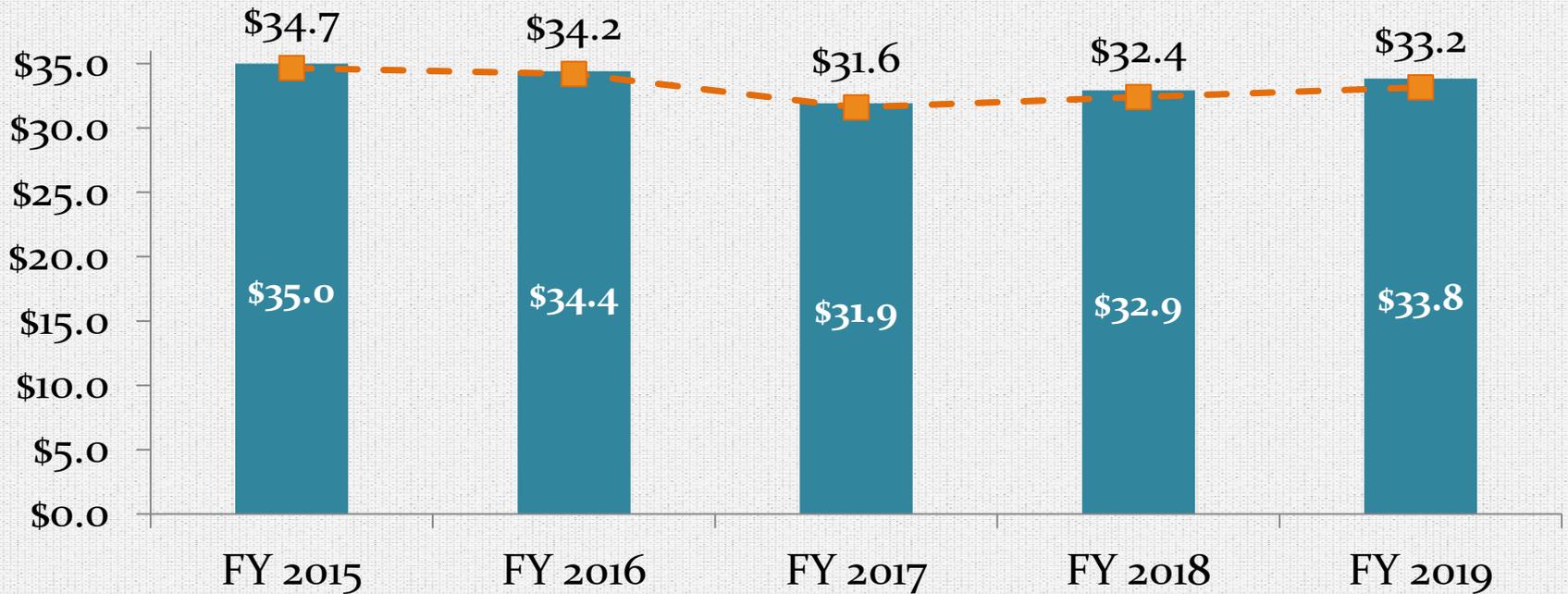


Development Services

5-Year Forecast (\$ in Millions)



- Revenues (Includes Fund Balance)
- Expenditures (Includes amount added to Financial Reserves)



Projected Ending Balance	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
	\$0.3	\$0.2	\$0.3	\$0.5	\$0.7

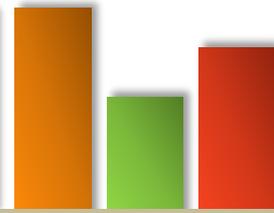


Six Plus Six & 5-Year Forecast Hotel Occupancy Tax Fund



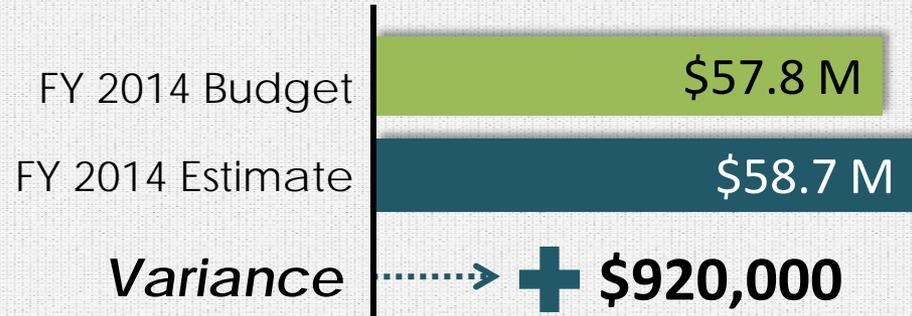
Hotel Occupancy Tax Fund (HOT)

2nd Quarter Financial Status

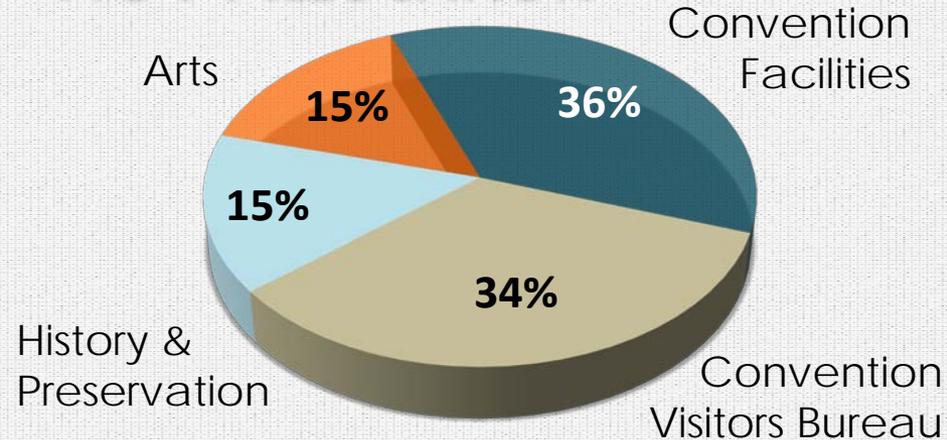


- HOT revenue higher attributable to growth in average daily rate over the first few months of the year
- Hotel Occupancy Tax Fund-Related expenditures within budget

HOT REVENUE

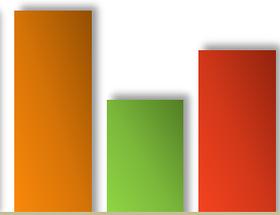


HOT ALLOCATION



Hotel Occupancy Tax

5-Year Forecast (\$in Millions)



■ HOT & Miscellaneous Revenues
 ■ Expenditures



Projected Ending Balance	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

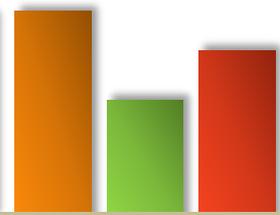


Six Plus Six & 5-Year Forecast Solid Waste Fund



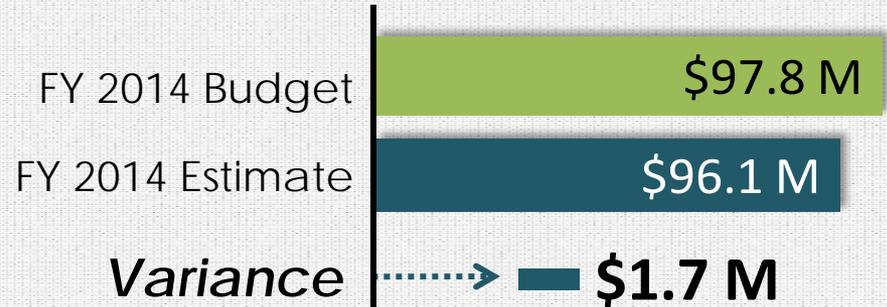
Solid Waste Fund

2nd Quarter Financial Status

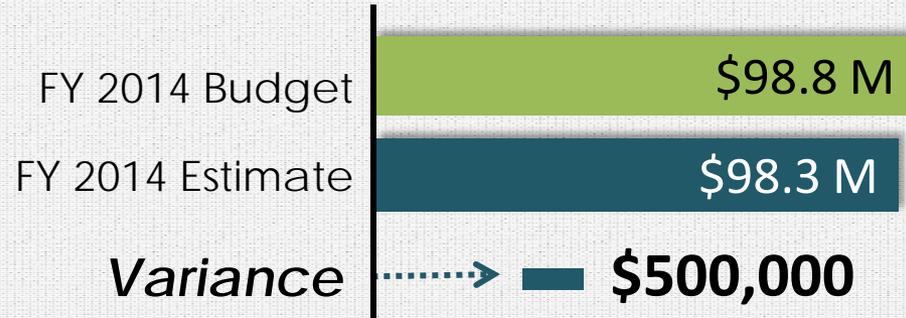


- Less revenues due to lower commodity recycling prices and less participation in organics program
- Expense reduction due to fewer carts being purchased and reduced marketing expenses

REVENUE*



EXPENSE

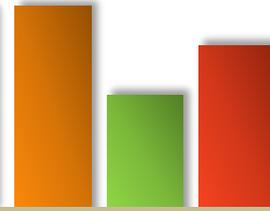


* Fund balance of \$4.2 million available



Solid Waste Fund

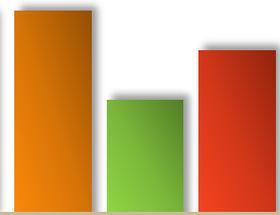
5-Year Forecast Assumptions



- Forecast supports current services, Variable Rate Pricing, and funding for proposed new Northwest Service Center
- Does not include funds for plastic bag outreach that would be recommended if a ban was enacted
- No added funding for commercial recycling activities at this time



Variable Rate Pricing



- To achieve 60% residential recycling rate, City Council approved plan requiring transition to Variable Rate Pricing (VRP)
- VRP encourages users to recycle as monthly rates are based on amount of landfill waste generated
- Cities in California, New York, and Michigan implemented VRP since the 1970's
- Cities in Texas such as Austin, Fort Worth, Denton and Plano have also implemented VRP



Solid Waste Fund

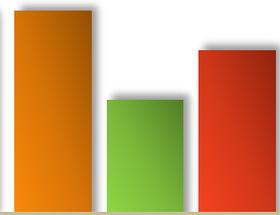
60% Recycling Plan



- Initial 60% recycling plan included across-the-City organics program over 3 years and introduce VRP in year 4
- Last year staff recommended and City Council approved a 3-year voluntary \$3 per month subscription program for organics
- Rollout assumed 35% subscription rate in FY 2014 and a self-supporting service fee
- Actual results are 18% participation and service fee is not resulting in self-supporting model



Recommendation



CURRENT 60% RECYCLING PLAN

Implementation Plan	2014	2015	2016	2017	2018	2019
Organics	X	X	X			
Variable Rate Pricing				X	X	X

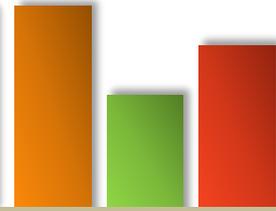
RECOMMENDED 60% RECYCLING PLAN

Implementation Plan	2014	2015	2016	2017	2018	2019
Organics	X	X				
Variable Rate Pricing			X	X	X	X



Solid Waste Fund

Projected Rates in Forecast Period



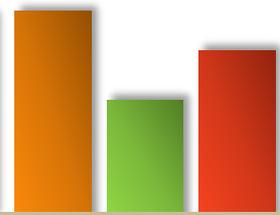
- Variable Rate Pricing would begin in FY 2016 and fully implemented by FY 2017
- Rates below apply to customers until the time Variable Rate Pricing is available at their residential location

Solid Waste Services Monthly Fees	FY 2014 Actual	FY 2015 Projection	FY 2016 Projection	FY 2017 Projection
Monthly Fee	\$19.93	\$20.93	\$21.68	\$21.93
Organics Fee	\$3.00	\$3.00		
Rate Increase		\$1.00	\$0.75	\$0.25



Solid Waste Fund

Variable Rate Pricing



3 carts offered to all customers
3 garbage cart size options

- All three carts can be different sizes but monthly rate based on garbage (brown) cart size



Organics

Recycling

Garbage

Rate	Small	Medium	Large
FY 2016	\$19.68	\$24.68	\$29.68
FY 2017	\$19.93	\$24.93	\$29.93



48 gallons



64 gallons

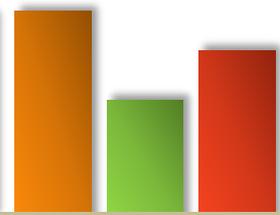


96 gallons



Solid Waste Fund

60% Residential Recycling by 2025



STEPS TO ACHIEVING 60%

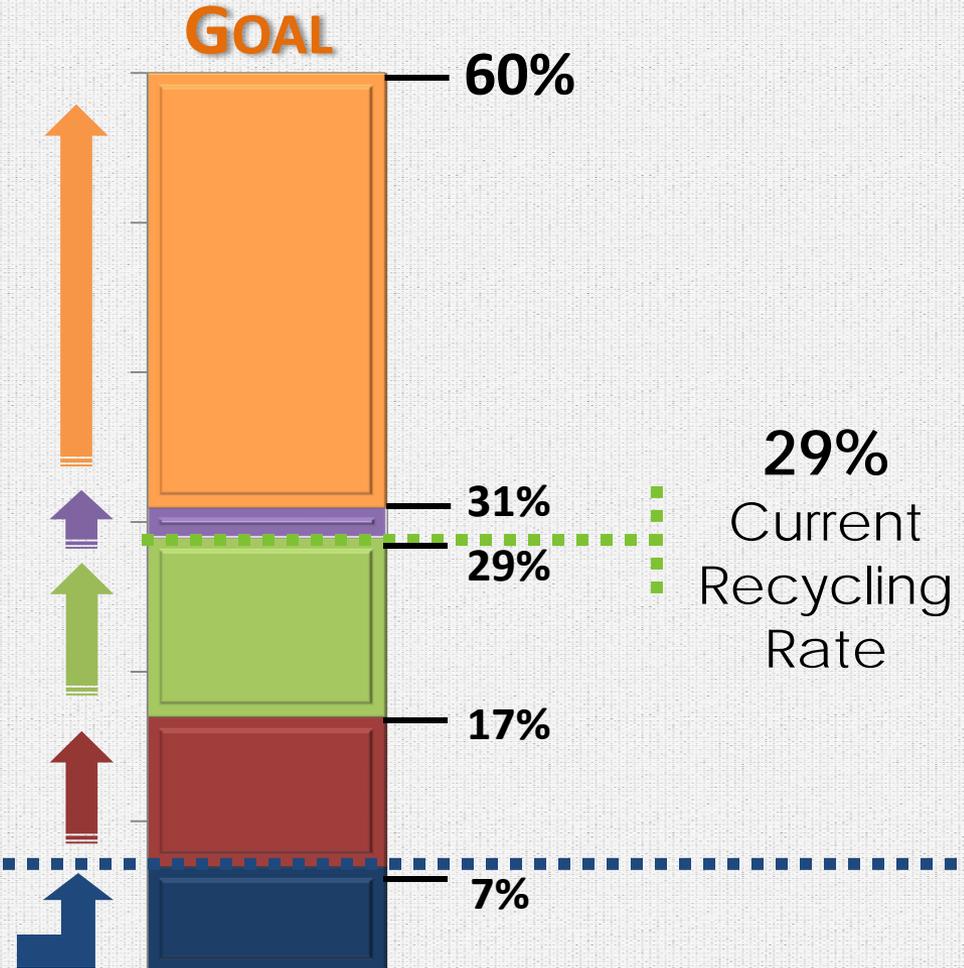
✓ Variable Rate Pricing
(3 Cart System) 2016 to 2025 +29%

✓ Education & Outreach
2010 to 2025 +2%

✓ Brush & Bulky Revamp
2011 to 2012 +12%

✓ Blue Cart Recycling
2007 to 2010 +10%

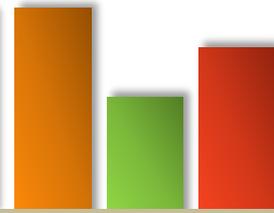
Starting Baseline -2006 7%



Mid-Year Budget Adjustment



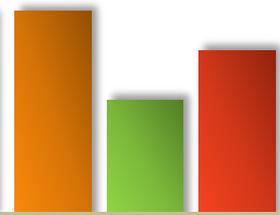
FY 2014 Mid-Year Adjustment



- Mid-Year Adjustment recommended to FY 2014 Budget
- Operating adjustments based on actual activity seen in first six months of fiscal year and future projections
 - General Fund and Restricted Funds



FY 2014 Recommended Mid-Year Budget Adjustment – General Fund



- FY 2014 Mid-Year Budget Adjustment Ordinance considered during May 15 City Council “A” Session resulting in revised FY 2014 Budget

General Fund	FY 2014 Budget	FY 2014 Estimate	Mid-Year Adjustment
Revenues	\$961.6	\$996.0	\$34.4 ↑
Expenditure	\$988.3	\$992.2	\$3.9 ↑



FY 2014 Recommended Mid-Year Budget Adjustment – General Fund

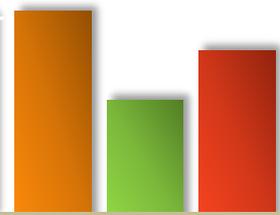


Program Enhancements - \$416,000

- \$210,000 to augment the Summer Ambassador Program
 - ✓ Funding will double the number of internship opportunities from 60 to 120
- \$206,000 for an Adult Education Pilot Program at City Libraries
 - ✓ Adds 2 positions



FY 2014 Recommended Mid-Year Budget Adjustment – Development Services

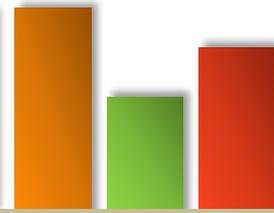


- Revenues adjusted to reflect stronger commercial development activity
- Authorizes 16 new positions to review additional commercial development activity
- Positions will improve cycle time for permitting and inspections and reduce customer wait time

Development Services (\$ in Millions)	FY 2014 Budget	FY 2014 Estimate	Mid-Year Adjustment
Revenues	\$27.6	\$29.2	\$1.6 ↑
Expenditure	\$25.7	\$26.4	\$0.7 ↑



FY 2014 Recommended Mid-Year Budget Adjustment – HOT Fund

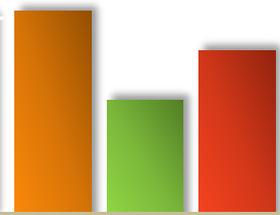


- Revenues adjusted to reflect better Hotel Occupancy Tax collections
- Appropriations increase by \$835,000
 - ✓ \$500,000 for additional marketing
 - ✓ \$335,000 for improvements at the Alamodome in preparation for potential NCAA sporting events

HOT Related Funds (\$ in Millions)	FY 2014 Budget	FY 2014 Estimate	Mid-Year Adjustment
HOT (Tax) Revenue	\$57.8	\$58.7	\$0.9 ↑
Convention & Visitors Expense	\$19.7	\$20.2	\$0.5 ↑
Community & Visitors Fac Expense	\$37.0	\$37.3	\$0.3 ↑



FY 2014 Recommended Mid-Year Budget Adjustment – Employee Benefits Fund

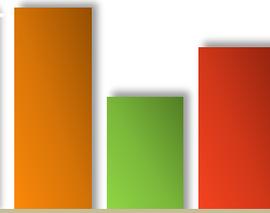


- More expense to reflect higher costs of Healthcare claims
 - ✓ Uniform Claims at 16% above FY 2013 actuals
 - ✓ Civilian Claims at 6% above FY 2013 actuals

Employee Benefits Fund (\$ in Millions)	FY 2014 Budget	FY 2014 Estimate	Mid-Year Adjustment
Expenditure	\$117.5	\$126.4	\$8.9 ↑



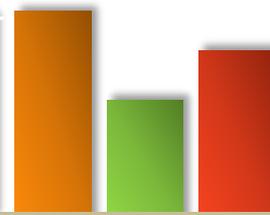
FY 2014 Recommended Mid-Year Budget Adjustment – Six Year Capital Budget



- Re-allocates funds from completed capital projects to the following projects:
 - \$390,000 - Alameda Theatre Environmental Remediation Compliance
 - \$300,000 - Closure of Water Well on 600 Block of Main Street
 - \$200,000 - Zarzamora, Brady, Ceralvo Intersections Projects
 - Funds re-allocated from completed CD7 projects
 - ✓ \$255,000 - Thunderbird Hills Park Improvements - New Playground and Pavilion
 - ✓ \$300,000 CD7 Infrastructure Improvements
 - Funds re-allocated from completed CD8 projects
 - ✓ \$500,000 De Zavala (UPRR to Lockhill Selma) Preconstruction Services



FY 2014 Recommended Mid-Year Budget Adjustment – Six Year Capital Budget



- Appropriation of Hotel Occupancy Tax Funds in the amount of \$1.03 Million

\$700,000 for replacement of Turf at Alamodome



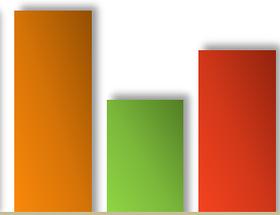
\$335,000 for renovations at Visitor Information Center



Next Steps in Budget Process



FY 2015 Budget Development-Next Steps



- May 19 to May 22: Community Budget Hearings
- All meetings begin at 6:30 pm

NORTHWEST

Monday, May 19
Alicia Treviño Lopez
Senior Center

SOUTHWEST

Tuesday, May 20
St. Bonaventure
Catholic Church

NORTH CENTRAL

Tuesday, May 20
University United
Methodist Church

NORTHEAST

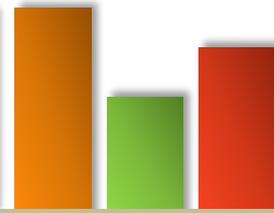
Wednesday, May 21
Northeast Service
Center Toolyard

CENTRAL

Thursday, May 22
TriPoint
Grantham Center



FY 2015 Budget Development-Next Steps



- May 27: City Council Budget Goal Setting Session at the Convention Center
- June and July: Budget Preparation – Departments asked to prioritize operations and provide options to reduce budgets
- August 7: City Manager presents Proposed Budget
- August to September: Budget Work Sessions and Community Meetings
- September 11: City Council approves FY 2015 Budget





City Financial Policies

FY 2014 Six Plus Six Financial Report FY 2015 to FY 2019 Five Year Forecast

Sheryl Sculley, City Manager
Ben Gorzell, Chief Financial Officer
María Villagómez, Budget Director

City Council "B" Session
May 14, 2014