

FIVE YEAR

FINANCIAL FORECAST

FY2025-2029

A current and long-range assessment of financial conditions and costs for City Services



CITY OF SAN ANTONIO

Five Year Financial Forecast

Fiscal Year 2025-2029



PREPARED BY:
OFFICE OF MANAGEMENT AND BUDGET

APRIL 17, 2024

CITY OF SAN ANTONIO FIVE YEAR FINANCIAL FORECAST FISCAL YEARS 2025-2029

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Overview and Summary

OVERVIEW AND SUMMARY

The Five-Year Financial Forecast provides a current and long-range financial assessment addressing revenues, City services and programs, and financial reserve policies. The primary objective of this document is to provide the City Council and the community with an early financial assessment and to identify significant issues that need to be addressed in the budget development process. The Five-Year Forecast is not a budget, it sets the framework for upcoming discussions on the annual budget development.

The forecast information presented in this document combines projected resources, current service expenditures, and mandated expenditures to illustrate the financial impact to the General Fund, Development Services Fund, Hotel Occupancy Tax (HOT) Funds, and Solid Waste Operating and Maintenance Fund.

Recent revenue trends and economic assumptions (see the Economic Outlook & Perspective section of this document) influence forecasted revenues. Service expenditures, required to sustain the current (FY 2024) level of services, are used throughout the forecast period and incorporate the rate of inflation into expenses. The net result of this combined data highlights the adjustments needed over the forecast period to maintain a balanced budget as required by State Law.

Many of the assumptions, projections, and cost estimates within this document are based on early and preliminary information that will be refined and adjusted as the FY 2025 Proposed Operating Budget is developed and presented to City Council on August 15, 2024.

GENERAL FUND

The external factors described above were taken into consideration as the Five-Year Financial Forecast was developed. The General Fund Financial Forecast for FY 2025 projects a balanced budget with \$153.7 million reserved for budgeted reserves and the two-year budget plan.

During the forecast period, total General Fund revenue is expected to grow annually at rates ranging from 3.5% to 3.8% as compared to the FY 2024 Estimate. The FY 2024 Revenue Estimate is approximately \$27.0 million higher than the FY 2024 Adopted Budget, or an overall increase of 1.8%. This increase is primarily caused by CPS Energy revenue due to a rate increase effective February 1 and higher than anticipated off system sales, as well as interest rates being better than projected. The rate of revenue growth projected in FY 2025 over the FY 2024 Adopted Budget is a 5.5% increase. Revenue growth beyond FY 2025 is forecasted at rates of 3.5% in FY 2026, 3.7% in FY 2027, 3.7% in FY 2028, and 3.8% in FY 2029.

The General Fund Forecast reflects the annual projected expenditures required to sustain the current Fiscal Year 2024 level of service. The growth in expenditures over the forecast period is due to fully funding initiatives added in FY 2024 Budget, mandated operational costs associated with 2022 Bond Projects and other capital projects as well as the Collective Bargaining Agreement with Police, and increases for contracts, healthcare and inflation.

METHODOLOGIES AND ASSUMPTIONS

REVENUES

Departments responsible for administering the services and/or collecting the associated revenues work with the Office of Management & Budget to develop revenue projections based on an analysis of various factors. These include historical trends, current economic conditions, projected economic activity, and known future factors such as contracts and inter-local agreements. These revenues are projected using the most up-to-date information, however the economic conditions for the remainder of FY 2024 and beyond include uncertainty and will be refined and updated as further information becomes available.

EXPENDITURES

Expenditures assumed in the Forecast are based on the current service level. Year-end estimates for FY 2024 are based on an analysis of current fiscal year expenditure trends by using six months of actual expenditures to project estimated expenditure levels for the remaining six months of the fiscal year. The FY 2025 base projection modifies current service costs for price changes, assumes the removal of one-time improvements and adds second year costs for improvements included in the FY 2024 Adopted Budget.

Expenditures in the General Fund Forecast include funding for the Police Collective Bargaining Agreement, increases to contracts and commodities, operations maintenance costs for 2022 Bond Program projects, as well as other mandated expenditures. Mandated expenditures and policy issues to be considered by the City Council are described in more detail later in this document.

The City of San Antonio is financially strong and strives to provide high quality public services to the community while maintaining fiscal responsibility and affordability for taxpayers. As part of these efforts and per City Council policy direction, the forecast maintains budgeted financial reserves at 10% of General Fund revenues and maintains the Two-Year Budget Plan reserve of at least 5% of General Fund revenue.



General Fund Forecast

GENERAL FUND FORECAST

General Fund Forecast
(\$ in Millions)

	FY 2024 Budget	FY 2024 Estimate	FY 2025 Projection	FY 2026 Projection	FY 2027 Projection	FY 2028 Projection	FY 2029 Projection
RESOURCES							
Beginning Balance (Excluding Reserves)	\$ -	\$ 5.7	\$ 37.4	\$ -	\$ -	\$ -	\$ -
Use of Reserve for Two Year Balanced Budget Plan	246.1	246.1	184.3	144.8	93.1	87.2	90.5
Accounting Adjustment		4.7					
Use of Other Reserves	15.6	15.6	9.3				
Net Balance	\$ 261.7	\$ 272.1	\$ 231.1	\$ 144.8	\$ 93.1	\$ 87.2	\$ 90.5
CURRENT REVENUES							
Property Tax	465.9	462.3	487.8	514.6	542.9	572.7	604.2
Sales Tax	411.6	411.6	428.0	445.1	462.9	481.5	500.7
CPS Energy	421.0	440.4	455.0	466.1	477.5	489.2	501.2
Other	246.4	257.6	258.7	256.2	261.0	266.0	271.9
TOTAL CURRENT REVENUES	\$ 1,544.9	\$ 1,571.9	\$ 1,629.5	\$ 1,682.0	\$ 1,744.3	\$ 1,809.4	\$ 1,878.0
TOTAL RESOURCES	\$ 1,806.6	\$ 1,844.1	\$ 1,860.5	\$ 1,826.9	\$ 1,837.5	\$ 1,896.6	\$ 1,968.5
TOTAL CURRENT SERVICE							
	1,602.5	1,602.5	1,674.4	1,670.6	1,709.8	1,738.9	1,774.8
<i>City's Fire Collective Bargaining Proposal</i>			6.8	16.1	25.7	35.8	46.3
<i>Civilian Compensation</i>			10.6	19.9	29.6	39.5	49.7
<i>Police - 260 Police Officers over four years</i>			6.3	15.5	26.4	37.3	42.2
<i>Fire enhancements to address medical calls</i>			1.3	2.5	2.6	2.7	2.7
<i>ACS - 2nd Year Costs of Strategic Plan Implementation</i>			3.9	3.9	3.9	3.9	3.9
TOTAL EXPENDITURES			\$ 1,703.3	\$ 1,728.5	\$ 1,798.0	\$ 1,858.1	\$ 1,919.6
FINANCIAL RESERVES/TWO-YEAR BALANCED BUDGET							
Budgeted Financial Reserves for 10% (Incremental)	10.5	10.5	8.9	5.3	6.2	6.5	6.9
Reserve for Two-Year Balanced Budget Plan	184.3	184.3	144.8	93.1	87.2	90.5	93.9
Reserve for Community Safety	3.5	3.5	3.5				
Reserve for Metro Health SA Forward	5.8	5.8					
ENDING BALANCE	\$ -	\$ 37.4	\$ -	\$ -	\$ (53.9)	\$ (58.4)	\$ (51.9)
BUDGETED RESERVES SUMMARY							
Budgeted Financial Reserves	154.0	154.0	162.9	168.2	174.4	180.9	187.8
Reserve for 2-year Balance Budget	184.3	221.8	144.8	93.1	87.2	90.5	93.9
Total Financial Reserves as % of Current Revenues	21.9%	23.9%	18.9%	15.5%	15.0%	15.0%	15.0%

GENERAL FUND REVENUES

Total FY 2025 General Fund revenue is anticipated to be \$1,629.5 million, which reflects \$84.6 million or 5.5%, above the FY 2024 Adopted Budget and 3.7% or \$57.5 million above the FY 2024 Estimate. Over the forecast period, revenues are expected to increase at an average annual rate of 4.0%, with annual rates of change ranging from 5.5% in FY 2025 as compared to the FY 2024 Adopted Budget to 3.8% in FY 2029. The table below includes recurring revenue sources.

General Fund Forecast of Current Revenues (\$ in Millions)

Revenue	FY 2024 Budget	FY 2024 Estimate	FY 2025 Projection	FY 2026 Projection	FY 2027 Projection	FY 2028 Projection	FY 2029 Projection
Current Property Tax	\$ 465.9	\$ 462.3	\$ 487.8	\$ 514.6	\$ 542.9	\$ 572.7	\$ 604.2
City Sales Tax	411.6	411.6	428.0	445.1	462.9	481.5	500.7
CPS Energy	421.0	440.4	455.0	466.1	477.5	489.2	501.2
Business and Franchise Taxes	17.7	16.4	15.5	14.7	13.9	13.2	12.7
Liquor by the Drink Tax	13.6	12.9	13.4	13.8	14.2	14.6	15.2
Delinquent and Penalties	7.4	7.4	7.4	7.4	7.4	7.4	7.4
Licenses and Permits	10.2	10.4	11.1	11.4	11.8	12.1	12.5
San Antonio Water System	33.2	34.5	34.6	35.7	36.7	37.8	38.9
Other Agencies	6.8	6.9	7.1	7.3	7.5	7.7	8.0
Charges for Current Services	70.6	70.9	75.1	77.9	79.5	81.2	82.8
Fines	9.2	10.1	10.3	10.6	10.9	11.3	11.6
Miscellaneous Revenue	28.1	38.5	33.7	29.4	29.9	30.4	31.4
Transfer from ARPA	4.4	4.4	4.4				
Transfers from Other Funds	45.2	45.2	46.1	48.0	49.2	50.3	51.4
Total Revenue	\$ 1,544.9	\$ 1,571.9	\$ 1,629.5	\$ 1,682.0	\$ 1,744.3	\$ 1,809.4	\$ 1,878.0

CURRENT PROPERTY TAX REVENUE – MAINTENANCE & OPERATIONS

Projected Annual Rates of Change

FY 2025 ¹	FY 2026	FY 2027	FY 2028	FY 2029
5.5%	5.5%	5.5%	5.5%	5.5%

Property tax revenue is the largest revenue source in the General Fund and accounts for 29% of the total FY 2024 General Fund Adopted Budget. This revenue category is comprised of current property tax revenues only. Additional property tax revenues collected by the City are accounted for in the Other Resources category which include delinquent property tax and revenues from penalties and interest on delinquent property tax. Property tax revenue is generated from the City’s ad valorem tax rate levied against taxable values as determined by the Bexar Appraisal

¹ Property Tax revenue is projected 5.5% above the FY 2024 Estimate and 4.7% above the FY 2024 Adopted Budget.

District and in conformance with State law. The final Certified Property Tax Roll will be available by the end of July 2024. The property tax revenue projections used over the forecast period are derived from the City’s total assessed value less property tax relief exemptions.

Property Tax Relief

The City of San Antonio has long recognized the need to provide property tax relief. Since FY 2020, the City has expanded the following property tax relief programs.

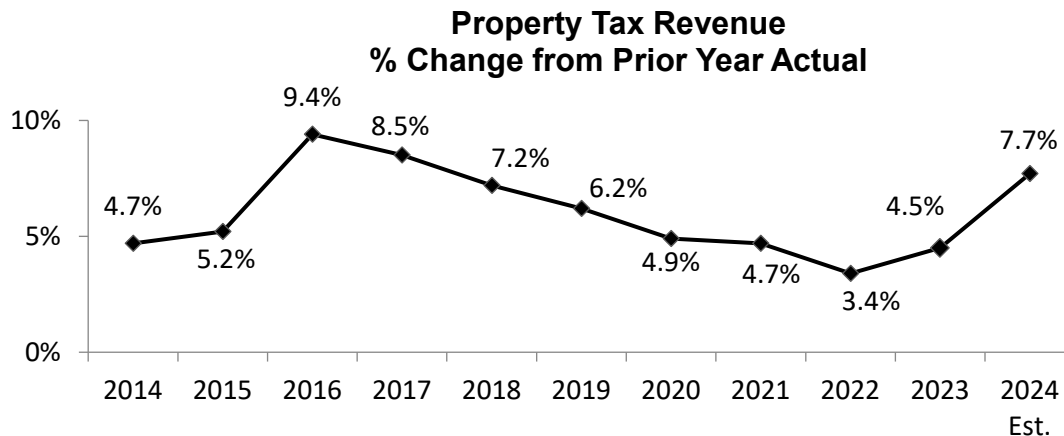
- Increased the Homestead Exemption to 20%, the maximum allowed under State law
- Increased the property tax exemption for persons aged 65 years or older to \$85,000
- Increased the property tax exemption for persons with disabilities to \$85,000
- Approved a property tax exemption for childcare centers in April 2024

Additionally, City property taxes for persons 65 years or older, or persons with disabilities are frozen and may not increase if the residence is maintained as a homestead by the owner. Additional tax relief provided by the City includes Tax Abatement/Phase-In’s exemptions, Freeport exemptions, and Historic Property exemptions. These exemptions are included in the Property Tax projections throughout the forecast.

Property Tax Revenue Forecast

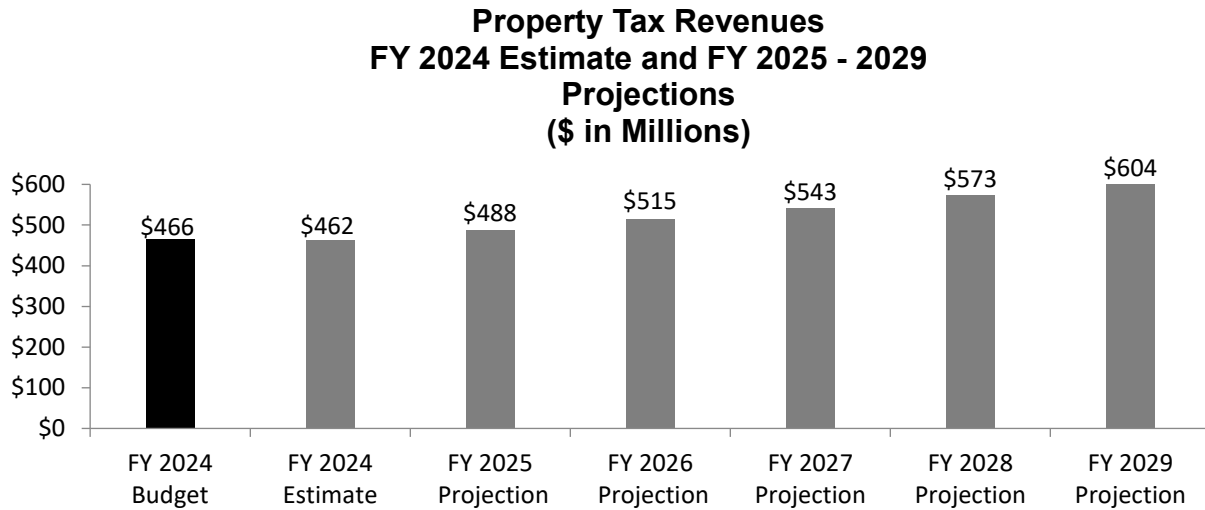
In 2019, the State passed legislation that limits the City’s base value property tax revenue growth to 3.5%. As part of this legislation, the City may use any unused increment rate from the previous years. However, the Five-Year Forecast does not incorporate the unused increment in FY 2025. The Property Tax revenue growth reflects the cap on base valuation growth and incorporates projected new improvements.

The General Fund maintenance and operation portion is 33.009 cents with the remaining 21.150 cents used to support the City’s debt service requirements. The revenue projected to be generated through the forecast period assumes the City’s Property Tax Rate does not change.



Taxable valuations are estimated to increase by 5.5% in FY 2025 as compared to the FY 2024 Adopted Budget which assumes a 3.5% growth in base values and 2.0% growth in new improvements. Thereafter, taxable valuations are projected to increase by 5.5% (3.5% on base values and 2.0% on new improvements) from FY 2026 through FY 2029.

The graph below reflects the projected Property Tax revenues over the forecast period.



CITY PUBLIC SERVICE ENERGY (CPS ENERGY)

Projected Rates of Change

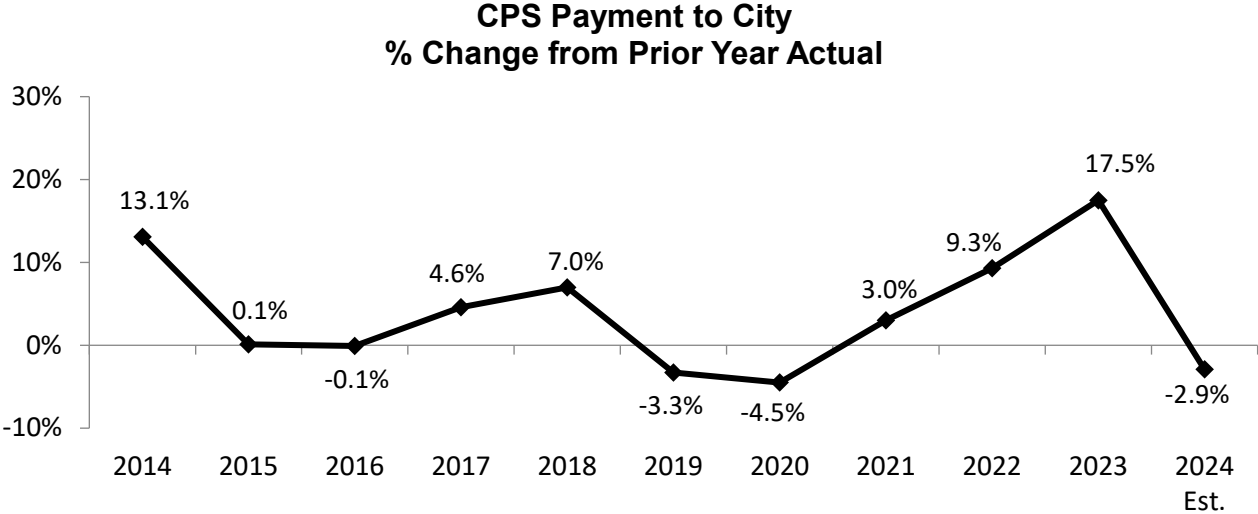
FY 2025 ²	FY 2026	FY 2027	FY 2028	FY 2029
3.3%	2.4%	2.4%	2.4%	2.4%

The City’s payment from CPS Energy represents the second largest source of revenue to the General Fund, accounting for 26.3% of the FY 2024 General Fund Adopted Budget. 14% of CPS Energy gas and electric gross revenue is paid to the City as a return on investment and payment in-lieu of taxes. The FY 2024 estimated revenue is projected at \$440.4 million, which is \$19.4 million higher than the \$421.0 million in the FY 2024 Adopted Budget.

Accurately forecasting the CPS Energy payment revenue is challenged by a number of variables such as the weather, growth of the system, changes in per capita consumption, fuel prices, generation mix, off-system sales to the electric grid, and unscheduled maintenance on generation plants. Historically, instability in natural gas prices coupled with fluctuations in demand due to weather have been the primary causes of significant variances in the City’s payment from CPS Energy from year to year.

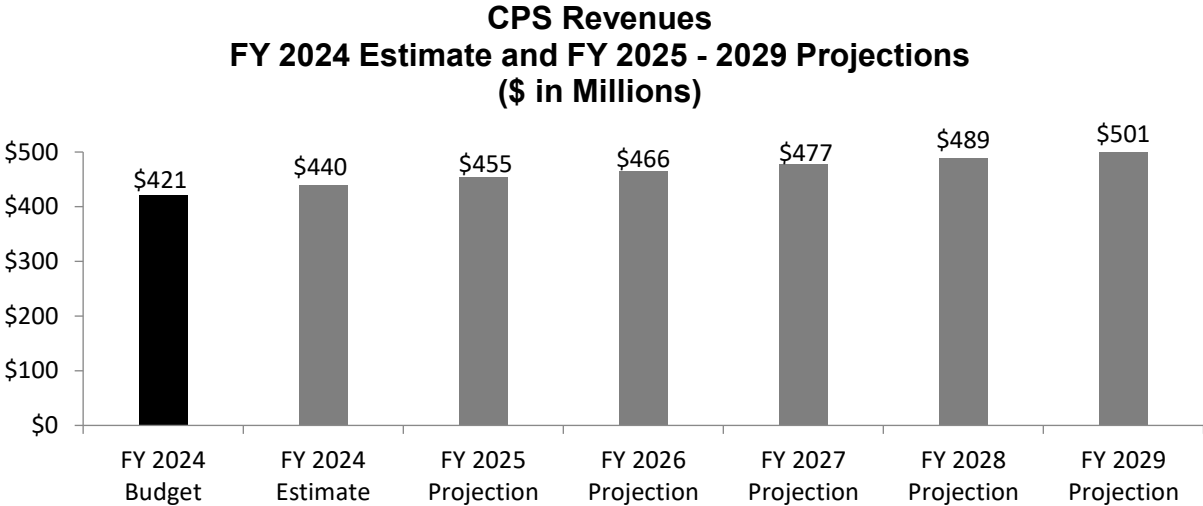
To further illustrate the year-to-year volatility, the graph below depicts the percent change in the City’s annual payment from CPS Energy year-over-year.

² CPS revenue is projected 3.3% above the FY 2024 Estimate and 8.1% above the FY 2024 Adopted Budget.



As a result of this volatility, the City’s projections of the payment from CPS Energy remain conservative.

The graph below reflects the projected CPS Energy revenues over the forecast period.

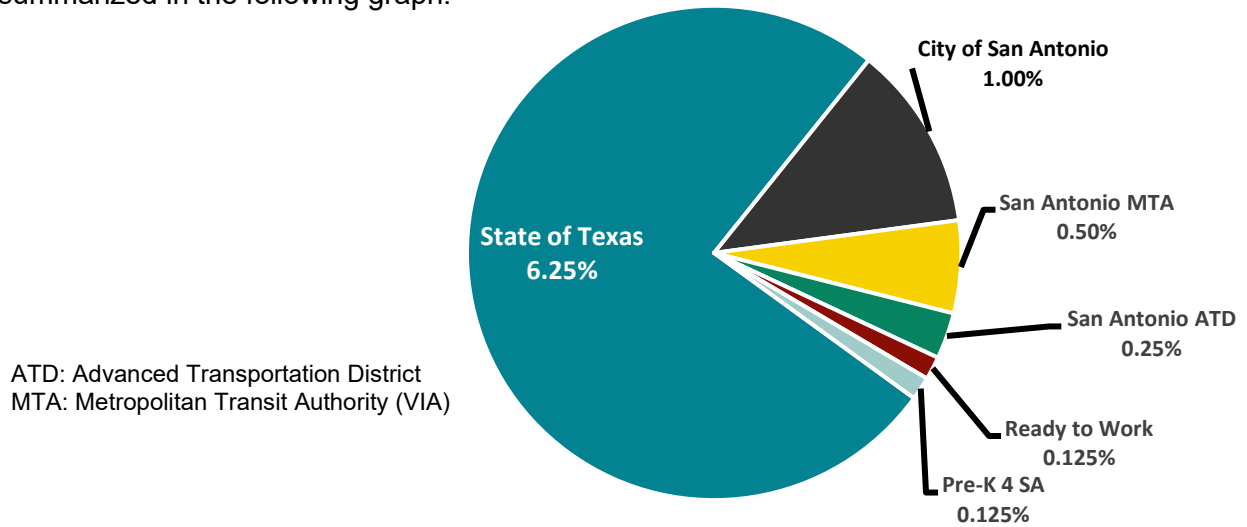


CITY SALES TAX REVENUE

Projected Rates of Change

FY 2025 ³	FY 2026	FY 2027	FY 2028	FY 2029
4.0%	4.0%	4.0%	4.0%	4.0%

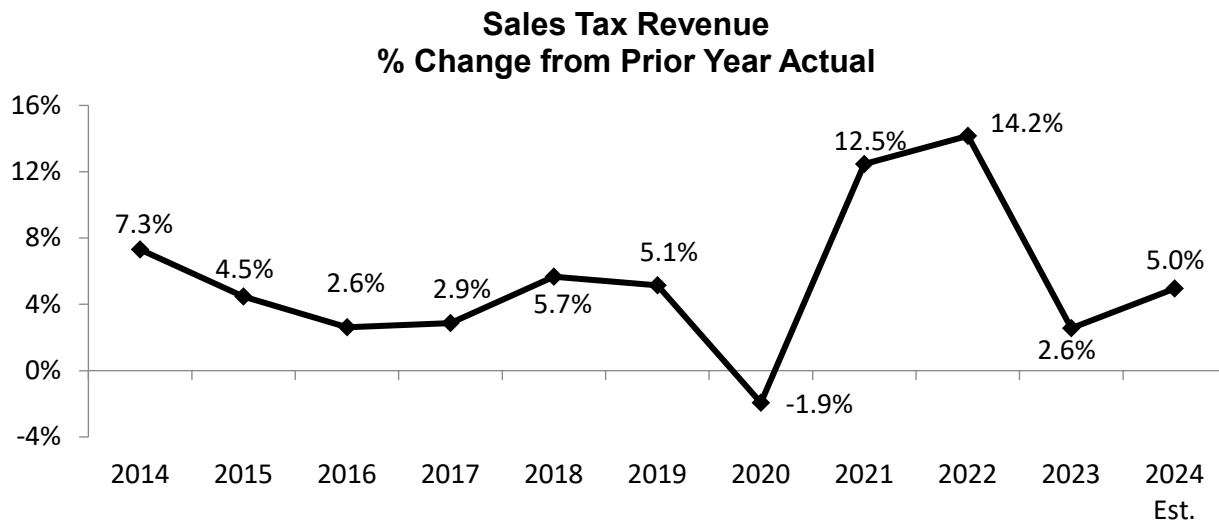
Sales tax revenue collected to support maintenance and operations of services in the General Fund accounts for 25.7% of the FY 2024 General Fund Adopted Budget. San Antonio’s current sales tax rate is 8.25%. Several entities receive percentages of all sales tax proceeds as summarized in the following graph.



³ Sales Tax revenue is projected 4.0% above the FY 2024 Estimate and 4.0% above the FY 2024 Adopted Budget.

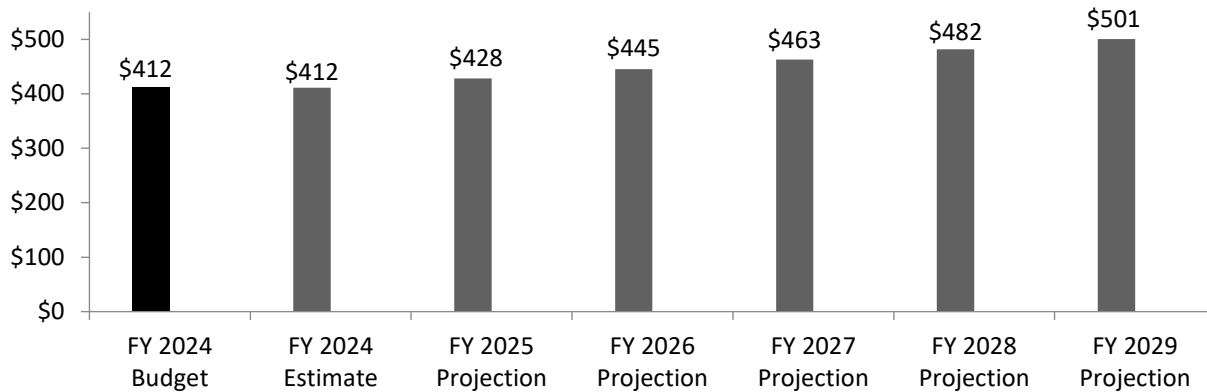
Actual sales tax collections for the current year are projected to be \$411.6 million which is equal to the amount budgeted in FY 2024 for sales tax revenue. General Fund sales tax revenue in FY 2025 is projected to increase by 4.0% over the FY 2024 Adopted Budget and the FY 2024 Estimate. Beyond FY 2025, revenue levels are expected to grow by 4.0% annually. Future years' projections are based on historical trends, retail sales, and projected employment and population growth.

These estimates and the projections for the forecast period exclude the sales tax collected by the City for Pre-K 4 SA, the City's Advanced Transportation District, and SA Ready-to-Work program as revenues are received and accounted for separately from the General Fund sales tax.



Sales tax collections have a strong correlation to national and local economic conditions. As described in the Economic Perspective & Outlook section, both the local and national economies have recovered from the pandemic and grown over the past several years. The Forecast reflects modest growth in FY 2025-2029. The projections in sales tax throughout the period are shown in the following graph.

**Sales Tax Revenues
FY 2024 Estimate and FY 2025 - 2029 Projections
(\$ in Millions)**



CHARGES FOR CURRENT SERVICE

Project Annual Rates

FY 2025 ⁴	FY 2026	FY 2027	FY 2028	FY 2029
6.0%	3.7%	2.1%	2.0%	2.1%

The Charges for Current Service category includes revenues related to recreation and culture such as the River Barge and Tower of the Americas. Additionally, this category includes library fines and fees, various general government service charges such as Municipal Court administrative fees associated with criminal cases tried in Municipal Court, Public Safety related revenues such as those generated by EMS Ambulance Service fees, alarm renewal fees, police towing contract, and revenues generated by birth and death certificates. Revenues for the current year are projected to be \$70.9 million, or \$240,000 above the Adopted Budget. The FY 2025 Projection is \$75.1 Million, or \$4.5 Million above the FY 2024 Adopted Budget. Projected annual rates of change over the forecast period are based on known changes in revenue contracts or estimated demand.

⁴ Charges for Current Service are projected 6.0% above the FY 2024 Estimate and 6.4% above the FY 2024 Adopted Budget.

BUSINESS AND FRANCHISE TAXES

Projected Annual Rates of Change

FY 2025 ⁵	FY 2026	FY 2027	FY 2028	FY 2029
(5.6%)	(5.6%)	(5.3%)	(4.7%)	(4.1%)

The Business and Franchise Tax revenue category is primarily comprised of telecommunication providers’ rights-of-way access line fees and cable television franchise fees. The projection for the telecommunication and cable fees in FY 2025 Budget is \$12 million, or (\$1.2) million less than the FY 2024 Estimate due to a decline in residential and commercial subscribers for telecommunication and cable. The forecasted amounts for FY 2025 through FY 2029 continue to decline due to projected loss of subscribers.

Revenue from telecommunication providers is governed by state law and is comprised of a monthly fee paid to the City on a quarterly basis for each business line \$4.75 and each residential line \$1.44. Revenue derived from telecommunication providers has been declining based on a decrease in actual line counts as reported on a quarterly basis to the Public Utility Commission of Texas. Other cities throughout Texas, both large and small, are experiencing similar revenue declines. The telecommunication provider projection for FY 2025 is \$4.7 million, which represents a \$643,000 decrease from the FY 2024 Estimate of \$5.3 million.

Revenue from cable/video providers for use of municipal rights-of-way is governed by state law. The cable/video providers are required to pay a quarterly franchise fee of 5.0% of gross revenues. The FY 2025 forecast for this revenue source is \$7.2 million, which is slightly less as compared to the FY 2024 estimate of \$7.8 million.

SAN ANTONIO WATER SYSTEM (SAWS) PAYMENT

Projected Annual Rates of Change

FY 2025 ⁶	FY 2026	FY 2027	FY 2028	FY 2029
0.3%	3.0%	3.0%	3.0%	3.0%

The SAWS payment to the City is based on 4.0% of SAWS’ gross revenue for each year of the forecast period. The estimated revenue for FY 2024 from SAWS is \$34.5 million. The FY 2025 projection for the SAWS payment is \$34.6 million, which is a 0.3% increase when compared to the FY 2024 estimate of \$34.5 million. Projections for the forecast period are based on the current rate structure as approved by the City Council and grow 3.0% annually.

⁵ Business and Franchise Tax revenues are projected (5.6%) below the FY 2024 Estimate and (12.0%) below the FY 2024 Adopted Budget.

⁶ SAWS revenues are projected to be 0.3% above the FY 2024 Estimate and 4.4% higher than the FY 2024 Adopted Budget

OTHER RESOURCES

Project Annual Rates of Changes

FY 2025⁷	FY 2026	FY 2027	FY 2028	FY 2029
(1.8%)	(0.8%)	2.3%	2.2%	2.7%

Other resources received by the General Fund include delinquent property tax, penalties and interest on delinquent tax, licenses and permits, fines, liquor by the drink, interest earnings, transfers from other funds, and other miscellaneous revenue. Other resources for the current year are projected to be approximately \$131.4 million compared to the FY 2024 Adopted Budget of \$120.6 million. This increase is attributable \$9.4 million in additional interest earnings as a result of higher interest rates than anticipated and \$917,000 in additional municipal court fines.

For FY 2025, total Other General Fund resources is expected to be \$129.0 million, which is 7.0% more than the FY 2024 Adopted Budget or \$8.4 million higher. This is due to higher than anticipated interest earnings due higher interest rates when compared to the FY 2024 Adopted Budget and continued recovery of municipal court fines.

⁷ Other Revenues are projected (1.8%) below the FY 2024 Estimate and 7.0% higher the FY 2024 Adopted Budget.

MANDATED EXPENDITURES AND COMMITMENTS

Mandates are defined as programs that the City is required to support by Federal, State, or Local Law, contractual obligation, or to support operations and maintenance costs for completed capital improvement projects.

The following table projects the cost requirements of mandated expenditures and commitments over the FY 2025 to FY 2029 forecast period and the impact to the General Fund. All expenditures shown are incremental.

Mandate Title	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
COLLECTIVE BARGAINING AGREEMENTS					
Police	\$ 12,865,473	\$ 14,155,367	\$ 7,778,493	\$ -	\$ -
Subtotal	\$ 12,865,473	\$ 14,155,367	\$ 7,778,493	\$ -	\$ -
2022 BOND PROGRAM					
Parks Development Operations and Maintenance	\$ 1,018,232	\$ 1,468,366	\$ 497,471	\$ 30,605	\$ -
Parks Linear Creekway Operations and Maintenance	-	1,363,179	1,551,658	292,785	209,973
Las Palmas Branch Library	48,741	16,246	-	-	-
Animal Care Veterinary Hospital	-	881,806	1,560,711	-	-
Carver Branch Library	-	360,639	67,379	-	-
District 1 Multi-Generational Center	-	74,694	817,573	-	-
District 3 Police Substation	-	-	3,684,913	1,947,083	-
Ella Austin Community Center	-	111,118	1,379,918	-	-
Subtotal	\$ 1,066,973	\$ 4,276,048	\$ 9,559,623	\$ 2,270,473	\$ 209,973
OTHER MANDATES					
2023 COPS Grant Match	\$ 1,265,213	\$ 1,339,064	\$ 1,732,673	\$ -	\$ -
High Volume Pet Partners Reimbursements	300,000	-	-	-	-
State Consultant Contracts	316,000	-	316,000	-	316,000
Subtotal	\$ 1,881,213	\$ 1,339,064	\$ 2,048,673	\$ -	\$ 316,000
Total Mandated Costs	\$ 15,813,659	\$ 19,770,479	\$ 19,386,789	\$ 2,270,473	\$ 525,973

UNIFORM COLLECTIVE BARGAINING AGREEMENTS

This mandate provides for funding of uniform employee compensation provisions contained in collective bargaining agreements (CBA) between the City and the San Antonio Police Officers Association (SAPOA). The CBA between the City and SAPOA expires September 30, 2026.

2022 BOND PROGRAM

Animal Care Veterinary Hospital: This mandate funds operating expenses for a new 7,200 sq. ft. veterinary hospital including the renovation of the existing clinic and the replacement and expansion of other existing facilities.

Carver Branch Library Renovations: This mandate provides for maintenance and operation costs for the expanded Carver Branch Library which will be expanded by 10,770 sq. ft.

Las Palmas Branch Library Renovations: This mandate provides for a LEARN @ SAPL Adult Learning Center at the Las Palmas Branch Library.

District 1 Multi-Generational Center: This mandate provides for maintenance and operation costs for a new Multi-Generational Center located in District 1.

District 3 Police Substation: This mandate provides for maintenance and operation costs for the new substation to include 28 uniform and 7 civilian positions.

Ella Austin Community Center: This mandate provides for maintenance and operation costs for the renovated Ella Austin Community Center.

Parks Acquisition and Development: This mandate adds required staff and associated equipment, supplies, and services to support the dedicated maintenance of additional miles of creekway and multi-use trails funded by the 2022 Bond Program. During the forecast period, the City anticipates acquiring about 757 new amenities in approximately 50 locations and 36 new park acres to maintain.

Parks Linear Creekway Operations and Maintenance: This mandate funds operating expenses related to the completion of the Park Venue Sales Tax program which funds construction of hike and bike trails along San Antonio creeks. During the forecast period, the City anticipates developing 34.1 miles of additional greenway trails and acquiring approximately 780.7 acres.

OTHER MANDATES

2023 COPS Grant Match: This mandate adds funding to support 50 officers hired as part of the 2023 COPS Hiring Grant.

Animal Care Services High Volume Pet Partner (HVPP) Services: This mandate provides funding for a contractual rate increase from \$75 to \$150 per animal rescued from Animal Care Service by a partner agency operating at a City facility.

State Consultant Contracts: This mandate provides funding for State Consultant contracts to represent the City and its interests during the State Legislative Sessions scheduled for 2025, 2027, and 2029.

POLICY ISSUES

The following paragraphs provide brief descriptions of additional expenditures to the General Fund that are not included in the current level of service.

City's Fire Collective Bargaining Proposal

The City is currently in negotiations with the International Association of Fire Fighters Local 624 (IAFF). This policy issue includes the total cost of the City's current proposal which includes wage adjustments of 4.0% each year effective January 1, 2025.

Civilian Compensation

This policy issue sets aside funding to adjust civilian compensation each year of the Five-Year Financial Forecast.

Police - 260 Police Officers over four years

This continues the plan implemented in FY 2024 which would add 360 officers over five years to increase an officer's time on proactive calls. A total of 100 officers were added in the FY 2024 Adopted Budget. The cost of the additional 260 officers is included over the five years.

Fire Enhancements

This would add improvements to the Fire Department to address medical calls.

Animal Care Services (ACS) – 2nd Year Costs of the ACS Strategic Plan Implementation

This would add 43 positions to continue the implementation of the ACS Strategic Plan. This would add positions to address critical calls and increase the number of calls that are responded to from 64% to 100%, increase compliance of owners of dogs that are deemed dangerous and increase adoptions.

FINANCIAL RESERVES

The establishment and maintenance of appropriate reserves within the General Fund is critical to prudent financial management. Currently, the City holds a 'AAA' general obligation bond rating by two of the three major bond rating agencies - Standard & Poor's and Moody's and 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. San Antonio is the only major city with a population of more than one million to have an 'AAA' bond rating from any one of the major rating agencies.

Consistent with the financial policies adopted by City Council in the FY 2015 Budget, the financial forecast maintains at least a 15% General Fund ending balance every year of the forecast.

Hotel Occupancy Tax

Related Funds



CONVENTION, TOURISM, AND ENTERTAINMENT SERVICES

The Hotel Occupancy Tax (HOT) Fund accounts for revenues received from Hotel Occupancy Tax collections. The fund supports the City’s convention, tourism, and arts and cultural program through transfers to the Community and Visitor Facilities Fund (CVF) and the Arts & Culture Fund, as well as through a Destination Marketing Agreement with Visit San Antonio. The fund also supports various visitor-related activities including maintenance of the River Walk, Hemisfair and La Villita through a transfer to the General Fund under History and Preservation.

The following is the Five-Year Financial Forecast for the Hotel Occupancy Tax Fund. The Forecast includes as its starting point the current fiscal year budget and preliminary estimated projections for the fiscal year. The Forecast includes financial projections on revenues, expenditures, and ending balances.

Hotel Occupancy Tax (7%) Forecast **(\$ in Millions)**

	FY 2024 Budget	FY 2024 Estimate	FY 2025 Projection	FY 2026 Projection	FY 2027 Projection	FY 2028 Projection	FY 2029 Projection
Beginning Balance	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Net Balance	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
REVENUES							
7% Hotel Occupancy Tax	\$83.8	\$83.8	\$88.1	\$91.1	\$94.3	\$97.3	\$100.3
Grand Hyatt Ground Lease Revenues	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Interest Earnings	0.5	0.7	0.6	0.4	0.4	0.4	0.4
Delinquent HOT Tax	0.4	0.4	0.4	0.4	0.4	0.5	0.5
TOTAL REVENUES	\$85.1	\$85.3	\$89.6	\$92.5	\$95.7	\$98.6	\$101.7
TOTAL RESOURCES	\$85.1	\$85.3	\$89.6	\$92.5	\$95.7	\$98.6	\$101.7
TRANSFERS OUT							
Community & Visitor Facilities Fund	13.4	11.9	21.8	21.0	21.0	21.4	20.7
Visit San Antonio	27.6	27.6	28.4	29.2	30.1	30.9	31.8
Arts and Culture	11.8	11.8	12.2	12.6	12.9	13.3	13.6
History and Preservation	11.8	11.8	12.2	12.6	12.9	13.3	13.6
Transfer to Lease Payment Fund	17.6	19.3	12.0	14.1	15.7	16.6	18.9
Other Transfers	3.0	3.0	3.0	3.0	3.1	3.1	3.1
TOTAL TRANSFERS	\$85.1	\$85.3	\$89.6	\$92.5	\$95.7	\$98.6	\$101.7
NET ENDING BALANCE	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

ANALYSIS OF REVENUE VS EXPENDITURES

The Hotel Occupancy Tax Fund Forecast table presents a comparison of projected yearly revenues, current services expenditures, mandates, and projected balances over the forecast period. The ending balance reflects the difference between total available resources (the beginning balance plus operating revenues) and operating transfers.

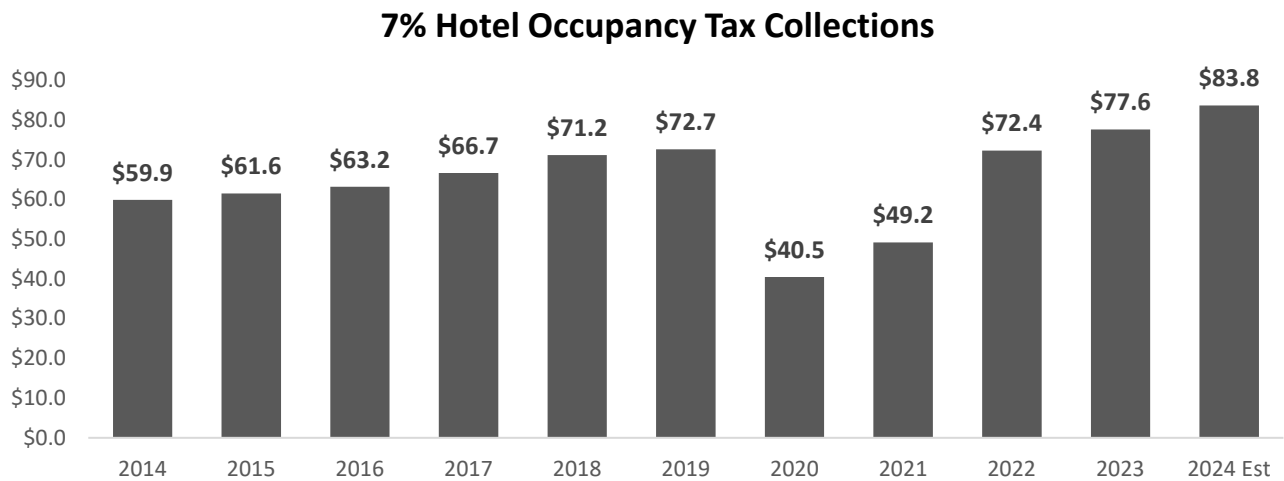
Revenues - The current Hotel Occupancy Tax (HOT) rate of 16.75% levied on every room night charge is comprised of 6% for the State, 7% for the City, 2% for the Convention Center Expansion Debt Service and future Convention Center Projects, and 1.75% for Bexar County’s Venue Tax Projects which were approved by voters in May 2008.

HOT revenue projections are based on an analysis of anticipated lodging demand, projected number of room nights sold, projected average daily room rates, estimated hotel room supply, and the projected inflation rate referenced in the Economic Perspective and Outlook section of the Forecast.

The hotel industry continues to improve; the City is anticipating that Hotel Occupancy Tax Collections for FY 2024 will be 7.9% higher than FY 2023 collections.

Based on these assumptions, 7% Hotel Occupancy Tax revenue is projected to be \$83.8 million in FY 2024 and \$88.1 million in FY 2025. The projected annual growth rates are 5.2% in FY 2025 as compared to the FY 2024 Estimate and on average 3.3% from FY 2026 – FY 2029.

The historical 7% HOT Collections graph below shows the 10-year history including the recovery period after COVID-19.



Expenditures – The City’s 7% HOT collections are used to support tourism, convention activities, and arts and cultural programs across the City. After the annual Convention Center debt service payment is made, the remaining net HOT collections are allocated for the operation and maintenance of the Convention Center and Alamodome, up to 15% of total Hotel Occupancy Tax revenues for arts, up to 15% for history and preservation, and up to 35% to fund the Destination Marketing Agreement with Visit San Antonio. The Texas State Tax Code requires that no more than 15% of City HOT revenue can fund arts and cultural programs, and a maximum of 15% can be used for history and preservation.

In FY 2013, City Council approved the issuance of debt for the Convention Center Expansion Project. The City utilizes the dedicated 2% Hotel Occupancy Tax, along with a portion of the 7% HOT, to make the required annual debt payments. The allocation of operating funding described above will be based on Hotel Occupancy Tax revenues net of the funding required for the debt service.

Expenditures in the forecast are based on current service levels. The forecasted expenses also include mandated expenditures, such as hosting obligations for booked conventions and sporting

Hotel Occupancy Tax Related Funds
FY 2025 – FY 2029 Five Year Financial Forecast

events, and inflation rates over the forecast period based on Consumer Price Index projections for the San Antonio Area. These rates and the underlying assumptions are described in the Economic Outlook and Perspective section.

COMMUNITY AND VISITOR FACILITIES FUND

The Community and Visitor Facilities Fund accounts for revenues and expenditures generated from convention, tourism, sports, and entertainment related activities. The primary sources of revenue for the Convention and Sports Facilities Department are facility bookings, catering and concession commissions, reimbursable expenses, parking revenue, and various ticket fees from the Alamodome, Henry B. Gonzalez Convention Center, and Lila Cockrell Theatre. These revenues are expected to continue to grow in FY 2025 as event bookings and attendance continue to grow.

The following is the Financial Forecast for the Community and Visitor Facilities Fund:

Community and Visitor Facilities Fund
(\$ in Millions)

	FY 2024 Budget	FY 2024 Estimate	FY 2025 Projection	FY 2026 Projection	FY 2027 Projection	FY 2028 Projection	FY 2029 Projection
RESOURCES							
Beginning Balance	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Transfer from HOT 7% Tax Fund	13.4	11.9	21.8	21.0	21.0	21.4	20.7
Convention Center & Alamodome Revenues	38.7	40.0	43.1	43.2	44.8	45.4	47.3
Miscellaneous Revenues	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Transfer from ARPA	7.0	7.0	0.0	0.0	0.0	0.0	0.0
TOTAL RESOURCES	59.5	59.3	65.4	64.6	66.2	67.3	68.4
TOTAL EXPENSES	\$ 59.5	\$ 59.3	\$ 65.4	\$ 64.6	\$ 66.2	\$ 67.3	\$ 68.4
Net Ending Balance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

ARTS AND CULTURE FUND

The Arts & Culture Fund accounts for the operating expenditures of the Department of Arts & Culture as well as the contributions made to art and cultural agencies and individual artists. It is supported through a transfer from the Hotel Occupancy Tax Fund. The Forecast assumes the art funding budget increases in conjunction with the increase in Hotel Occupancy Tax Collections every year of the Forecast.

The following is the Financial Forecast for the Arts & Culture Fund:

Arts and Culture Fund (\$ in Millions)

	FY 2024 Budget	FY 2024 Estimate	FY 2025 Projection	FY 2026 Projection	FY 2027 Projection	FY 2028 Projection	FY 2029 Projection
RESOURCES							
Beginning Balance	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Transfer from HOT 7% Tax Fund	11.8	11.8	12.2	12.6	12.9	13.3	13.6
Capital Administrative Charges	0.7	0.7	0.8	0.8	0.8	0.8	0.8
Transfer from General Fund	0.1	0.1	0.1	0.1	0.1	0.1	0.1
TOTAL RESOURCES	\$ 12.6	\$ 12.5	\$ 13.0	\$ 13.4	\$ 13.7	\$ 14.1	\$ 14.5
TOTAL EXPENSES	\$ 12.6	\$ 12.5	\$ 13.0	\$ 13.4	\$ 13.7	\$ 14.1	\$ 14.5
Net Ending Balance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

Development Services



Fund

DEVELOPMENT SERVICES FUND

INTRODUCTION

The Development Services Fund was established in FY 2007 to account for revenues and expenditures generated from all development-related activities and to ensure development revenues are used to support development expenses. In addition to accounting for the revenues and expenses associated with the Development Services Department, the Fund collects revenue for the San Antonio Fire Department's Fire Prevention Division. This revenue is transferred to the General Fund to offset costs incurred to provide Fire Prevention services.

The Development Services Department is responsible for protecting the health, safety, and quality of life for the residents of San Antonio through regulation of land and building development. In addition, the Department seeks to provide an efficient and effective development process that supports City growth and economic development. This process includes consulting, educating, reviewing, permitting, inspecting, and granting authority to develop land and occupy buildings within the City. The Department is also responsible for master development plans, vested rights, subdivision mapping/parcel addressing, zoning administration, subdivision administration, building codes administration, landscaping, tree preservation, sign regulation, and development review of streets and traffic.

Since the development process involves review by other City departments and outside agencies, the Development Services Department seeks to facilitate the coordination of these reviews to provide quality customer service throughout the development process. The creation of the Development Services Fund has provided the following benefits to City departments and their customers:

- Greater trust by stakeholders and improved perception of the department
- Enhanced accountability by appropriately aligning revenues with expenses and responsively adjusting to economic trends

Establishment of the Fund has also allowed the City to expand or reduce staffing levels and resources when needed to (1) ensure a positive fund balance, (2) make continuous improvements in the cycle time for permitting, (3) ensure consistency and quality of plan review and inspections, and (4) enhance customer service.

FIVE YEAR FINANCIAL FORECAST

The Development Services Fund Five Year Financial Forecast represents a comparison of projected yearly revenues, expenditures, reserves, and balances in the Fund over the Forecast period. The Fund's ending balance reflects the beginning balance and operating revenues, less operating expenditures, transfers, and allocations for budgeted financial stabilization reserves.

Development Services Fund Forecast (\$ in Thousands)

	FY 2024 REVISED BUDGET	FY 2024 ESTIMATE	FY 2025 PROJECTION	FY 2026 PROJECTION	FY 2027 PROJECTION	FY 2028 PROJECTION	FY 2029 PROJECTION
AVAILABLE FUNDS							
Beginning Balance	\$ 23,837	22,731	19,899	18,179	16,424	15,136	13,461
REVENUES							
Development Services Revenues	\$ 46,809	46,601	47,657	48,709	49,904	51,226	52,668
Transfer from General Fund	2,953	2,953	3,125	3,148	3,171	3,195	3,220
<i>Total Revenues & Transfers</i>	<u>\$ 49,762</u>	<u>49,554</u>	<u>50,782</u>	<u>51,857</u>	<u>53,075</u>	<u>54,421</u>	<u>55,887</u>
TOTAL AVAILABLE FUNDS	<u>\$ 73,598</u>	<u>72,285</u>	<u>70,680</u>	<u>70,036</u>	<u>69,499</u>	<u>69,558</u>	<u>69,348</u>
BASE EXPENDITURES							
Operating Expenses	\$ 45,567	45,549	45,410	45,662	46,225	46,990	47,605
Policy Issues - Civilian Compensation			968	1,826	2,711	3,621	4,560
Transfers	6,821	6,838	6,124	6,123	5,428	5,485	5,542
<i>Total Expenditures</i>	<u>\$ 52,388</u>	<u>52,386</u>	<u>52,502</u>	<u>53,611</u>	<u>54,363</u>	<u>56,097</u>	<u>57,707</u>
GROSS ENDING BALANCE	<u>\$ 21,210</u>	<u>19,899</u>	<u>18,179</u>	<u>16,424</u>	<u>15,136</u>	<u>13,461</u>	<u>11,641</u>
Financial Stabilization Reserve	\$ 11,941	11,941	11,594	11,872	12,234	12,653	13,041
Reserve for Capital Projects	6,500	-	-	-	-	-	-
NET ENDING BALANCE	<u>\$ 2,770</u>	<u>7,958</u>	<u>6,584</u>	<u>4,552</u>	<u>2,903</u>	<u>808</u>	<u>(1,400)</u>

ANALYSIS OF REVENUES AND EXPENDITURES

Revenues – Total revenue for the current FY 2024 Estimate is projected to be approximately \$49.6 million, or \$0.2 million below the FY 2024 Adopted Budget. This negative variance is attributable to a decline in commercial related activity.

Development Services FY 2024 revenues are anticipated to be approximately \$4.3 million above the \$45.3 million in revenue collected in FY 2023. Additional growth is anticipated for all years in the forecast. Total combined revenues are forecasted to change by the following percentages over the forecast period:

FY 2025⁸	FY 2026	FY 2027	FY 2028	FY 2029
2.5%	2.1%	2.3%	2.5%	2.7%

Expenditures – Expenditures are based on the current service levels. The FY 2025 Development Services forecast includes funding for contractual services obligations, and funding for capital improvement upgrades to the Cliff Morton Development and Business Services Center. Inflationary adjustments were also made to certain line-items over the forecast period. These inflation rates were derived from the Consumer Price Index (CPI) projections for each year from FY 2025 through FY 2029. These rates and underlying assumptions are described in the Economic Outlook and Perspective section.

The establishment and maintenance of appropriate financial reserves within the Development Services Fund is critical to prudent financial management. Budgeted Financial Stabilization Reserves assist in smoothing fluctuations in available resources from year to year as a result of changes in development activity. The reserve for the Development Services Fund is forecasted from FY 2025 to FY 2029 at the sum of approximately three months of total annualized operating expenses less transfers.

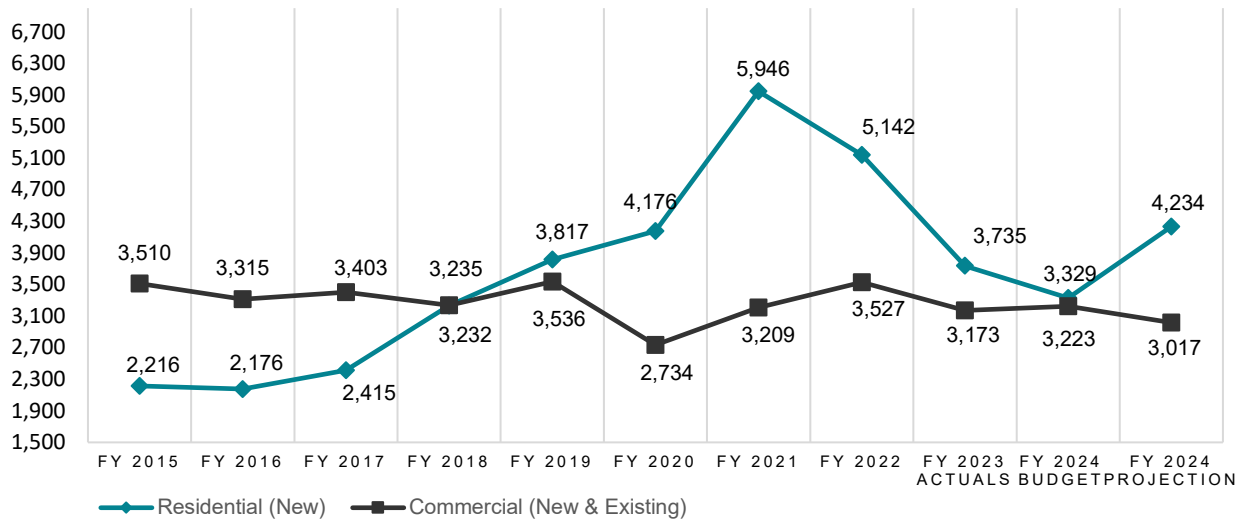
⁸ Development Services revenue is projected to be 2.5% above the FY 2024 Estimate and 2.1% above the FY 2024 Adopted Budget

PERMIT ACTIVITY

The following graph illustrates trends for building permit activity over time. Residential and commercial permitting grew moderately from FY 2015 to FY 2020 and sharply increased in FY 2021. Beginning in FY 2022, residential permitting started decreasing and was anticipated to continue decreasing through FY 2024. However, residential permitting is now anticipated to see a 13.4% increase over FY 2023 activity.

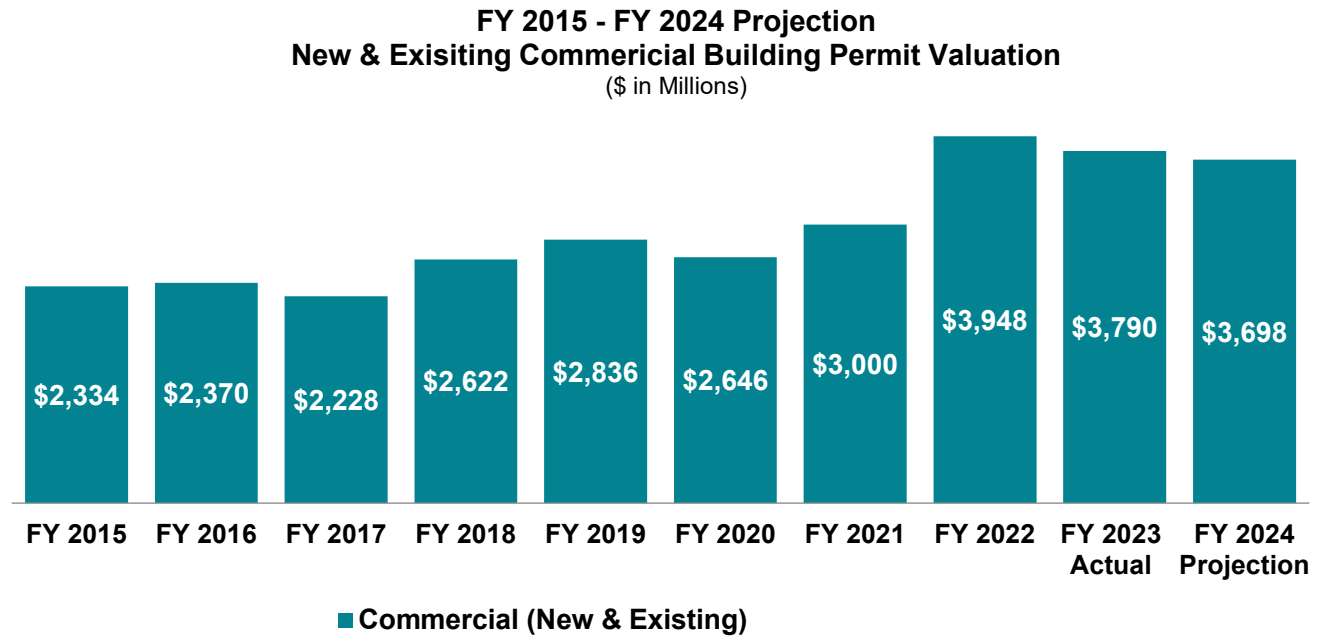
Since FY 2015, commercial permit activity has been more consistent year over year compared to the residential permit activity. By the end of FY 2024, commercial permits are expected to be down 4.9% compared to FY 2023 activity.

FY 2015 - FY 2024 Projection
New Residential & Commercial Building Permit Activity



PERMIT PROJECT VALUATION

The chart below highlights trends for total annual building permit valuation over time. Building permit project valuation provides an additional layer of information regarding construction activities around San Antonio. Higher annual project valuations suggest the construction of larger developments marked by increased size, scope, and/or complexity of the building projects involved. Commercial building projects are the primary driver for development activity in the City. At the close of FY 2024, it is anticipated that the New and Existing Commercial permit valuation will be below last year's valuation by 2.4%.



Solid Waste

-----● **Operating and
Maintenance Fund**

SOLID WASTE OPERATING AND MAINTENANCE FUND

The Solid Waste Operating and Maintenance Fund records revenues and expenditures for services provided by the Solid Waste Management Department (SWMD).

SWMD is composed of the following divisions: Garbage Collections, Recycling Collections, Organics Collections, Brush/Bulky Collections and City-wide Sanitation efforts such as: Drop-off Collections and dead animal collection, downtown litter basket collections, illegal dumping cleanups, and litter cleanup efforts. SWMD is also responsible for maintenance and repair of most heavy equipment for the City of San Antonio.

The Department has undertaken measures towards achieving several recycling and sustainability goals, as well as customer service performance goals. These goals include diverting waste collected by SWMD away from landfill disposal to either recycle the material, compost it, or utilize it in another beneficial way. In addition to measuring the diversion rate, the SWMD also measures waste diversion by capture rate. The capture rate is the percentage of recyclable or compostable material placed into the blue or green cart respectively divided by the total estimated amount of recycling and organics that is generated. Capture rate effectively measures how well the community is utilizing the blue, green, and brown carts and putting the proper items in each. Since the implementation of the Recycling Plan, the Department has increased the amount of materials recycled from 7% to 36%.

In FY 2022, a crew and equipment were added to the SWMD to address cleaning up homeless encampments. This crew was expanded in FY 2023 to two crews. In FY 2024, additional funding was added to increase homeless encampment abatements from 500 to 700. Through these efforts homeless encampment abatements have increased from approximately 225 in FY 2022 to over 700 projected for FY 2024. Illegal dumping cleanups have also increased from approximately 9,000 in FY 2022 to over 10,000 projected in FY 2024.

FIVE YEAR FINANCIAL FORECAST

The Solid Waste Operating and Maintenance Fund Five Year Financial Forecast represents a comparison of projected yearly revenues, expenditures, reserves, and balances in the Fund over the forecast period. The Fund's ending balance reflects the beginning balance and operating revenues, less operating expenditures, and transfers.

The forecast below illustrates the state of the fund without a rate increase. FY 2025 is balanced, and no fee increase is anticipated. However, a fee increase will be needed to address growth in expenses from labor costs, landfill and recycling fees, and inflationary increase in vehicle related costs.

Solid Waste Fund Five-Year Forecast
(\$ in Thousands)

	FY 2024 Budget	FY 2024 Estimate	FY 2025 Projection	FY 2026 Projection	FY 2027 Projection	FY 2028 Projection	FY 2029 Projection
AVAILABLE FUNDS							
Beginning Balance	\$ (926)	\$ (78)	\$ 1,610	\$ 1,264	\$ -	\$ -	\$ -
CURRENT REVENUES							
Solid Waste Fee	\$ 122,268	\$ 122,071	\$ 124,074	\$ 125,174	\$ 125,798	\$ 126,913	\$ 128,038
Environmental Fee	23,158	23,110	23,512	23,850	24,194	24,542	24,895
Recycling Revenue	3,175	3,410	7,246	7,494	7,751	8,016	8,291
Other Revenues	2,994	2,822	2,686	2,622	2,452	2,452	2,452
TOTAL CURRENT REVENUES	\$ 151,595	\$ 151,413	\$ 157,518	\$ 159,140	\$ 160,195	\$ 161,924	\$ 163,676
TOTAL RESOURCES	\$ 150,669	\$ 151,334	\$ 159,128	\$ 160,405	\$ 160,195	\$ 161,924	\$ 163,676
EXPENDITURES/RESERVES							
Base Service	\$ 148,758	\$ 149,724	\$ 156,353	\$ 159,166	\$ 164,577	\$ 168,920	\$ 172,588
Policy Issues-Civilian Compensation			1,511	2,852	4,233	5,655	7,120
TOTAL EXPENDITURES	\$ 148,758	\$ 149,724	\$ 157,864	\$ 162,018	\$ 168,809	\$ 174,575	\$ 179,708
ENDING BALANCE	\$ 1,911	\$ 1,610	\$ 1,264	\$ (1,613)	\$ (8,614)	\$ (12,652)	\$ (16,031)

REVENUES

Monthly Solid Waste Fees

There are two major sources of revenue for the Solid Waste fund. The primary source is the monthly solid waste fee assessed to customers' garbage cart, collected by CPS Energy. The solid waste fee is assessed to single-family households who receive the City's waste collection services. Although the SWMD provides several curbside collection services, the amount of the fee is based only on the garbage cart size.

The second major source of revenue is the Environmental fee, which is charged to all residential customers and commercial entities within the City. This fee is also collected by CPS Energy. Forecasted revenues are based on annual growth factors of 0.89% and 1.42% for solid waste and environmental customers, respectively, from FY 2025 through FY 2029.

Solid Waste Operating and Maintenance Fund

FY 2025 – FY 2029 Five Year Financial Forecast

FY 2019- FY 2024 Solid Waste Fee and Environmental Fee

Cart Size	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Small Cart	\$ 19.00	\$ 16.50	\$ 16.50	\$ 16.50	\$ 16.50	\$ 17.76
Medium Cart	\$ 21.00	\$ 20.50	\$ 20.50	\$ 20.50	\$ 20.50	\$ 22.76
Large Cart	\$ 29.00	\$ 28.50	\$ 28.50	\$ 28.50	\$ 28.50	\$ 33.25

FY 2024 is projected to end with a slight surplus ending balance of \$1.6 million and in FY 2025, the fund is projected to have a \$1.3 million ending balance. FY 2025 is balanced, and no fee increases are anticipated. In subsequent years, rate increases are needed to address increasing labor, disposal, and equipment costs.

EXPENDITURES

Expenditures assumed in the Forecast are based on a continuation of current service levels and includes inflationary increases. Inflationary increases in non-personal services expenditures were derived from the Consumer Price Index (CPI) projections for each year from FY 2025 through FY 2029. These rates and underlying assumptions are described in the Economic Outlook and Perspective section. Additionally, expenditures assume additional increases to civilian compensation, equipment related costs, cart fees, and disposal related cost.

Landfill Contract - The City has three contracts it uses for disposal of trash, bulky waste, dead animals, and other such waste. All waste materials are collected by City crews and disposed of in a landfill through these contracts. This is one of the more significant non-personnel expenses in the Solid Waste budget. These landfill contracts have been in place for almost 30 years and will expire at the end of FY 2025. These contracts will be replaced with new long-term contracts. The proposed new contracts will be in effect by FY 2026 and the anticipated costs for these services are included in the Solid Waste Five Year Forecast.

Recycling Contract - The City collects commingled recycling curbside from approximately 375,000 residential homes with automated collection trucks. All recycling material collected is delivered to the Material Recovery Facility owned by Republic Services, formerly ReCommunity. The material is sorted and sold by Republic Services. The contract will expire on July 31, 2024. With this contract expiring, the City Council authorized a contract with Balcones Resources, Inc. on April 7, 2022, to provide these recycling processing services beginning when the current contract expires and to continue for the next 15 years and two-months at a rate of \$97.00 per ton. As part of the agreement, the City will receive 75% of the revenues generated by the sale of the recyclable materials. The expense of the new recycling contract along with the revenues received from the sale are incorporated into the Solid Waste Operating and Maintenance Fund Five Year Forecast.

Economic Outlook &



Perspective

ECONOMIC OUTLOOK & PERSPECTIVE

OVERVIEW

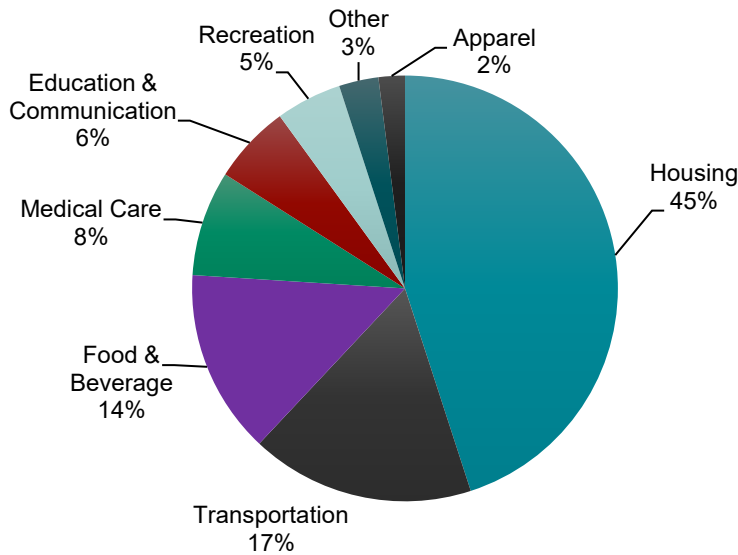
A forecast of the City’s finances recognizes that the City’s fiscal health is directly linked to the success of the local, national, and global economies. Considering this relationship, the fiscal projections provided in this document are based, in large part, upon an analysis of historical and available economic data and trends.

The historical data and forecast projections in this section are provided by both government and private organizations. This section provides projections for the local and national economies, which support the fiscal projections presented in this report.

INFLATION

The Consumer Price Index (CPI), commonly referred to as the inflation rate, measures the average price change for a market basket of consumer goods and services. This basket of goods and services contains a wide array of items, ranging from groceries and motor fuel to club memberships and solid waste disposal services. The CPI does not, however, include investments such as stocks or real estate.

2023 CPI Market Basket of Goods

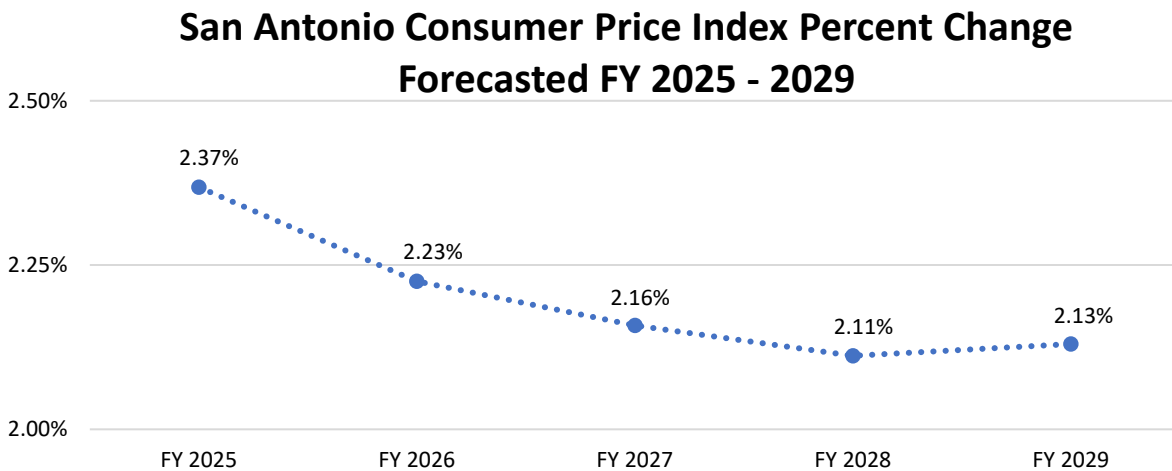


Source data: Bureau of Labor Statistics, U.S. Department of Labor, *The Economics Daily*, Consumer Price Index: 2023 In Review. Obtained March 2024.

The Bureau of Labor Statistics has classified each expenditure item in this basket of goods into more than 300 categories. Each one of these categories is cataloged into eight major groups, as shown in the figure above. For example, tuition, other school fees, and childcare is a category located in the Education & Communication group and makes up 5.64% of the total basket of goods in the 2023 index. In other words, in 2023 the cost of these items relative to the rest of the items in the basket cost the average American \$5.64 per \$100.

The CPI is used as the inflationary factor for specific non-personnel services expenditures to develop the City’s General Fund and other funds’ forecasts. This allows the City to plan for possible increases in certain commodities and other costs in the next five years by accounting for rising prices.

Additionally, the CPI serves as a cost-of-living index. With assistance from Moody’s Financial Services, the projections for CPI have been developed and modified to reflect the City’s budget cycle based on a fiscal year, which spans from October 1 to September 30.



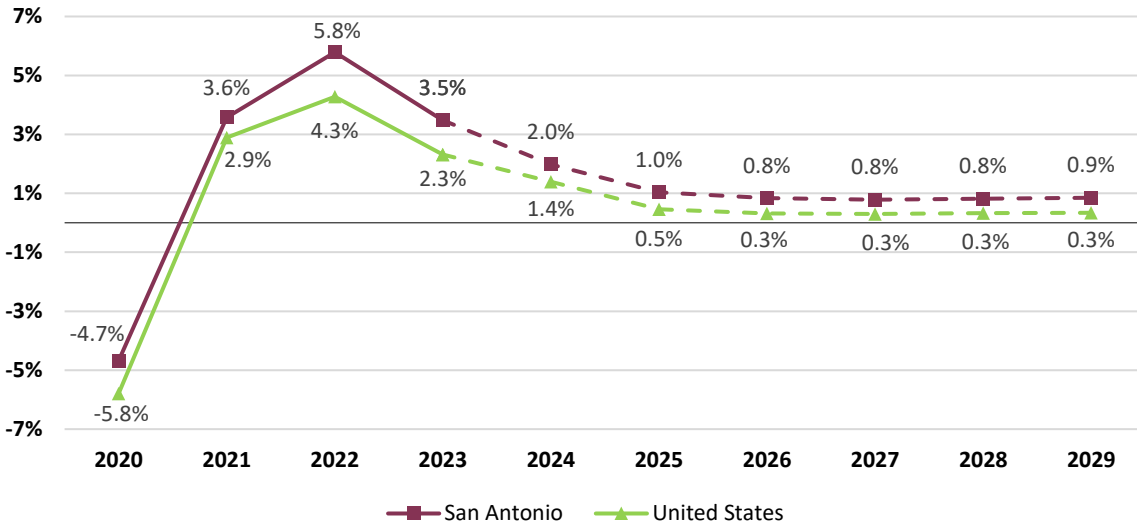
Source: Projection Data from Moody’s Analytics

SAN ANTONIO ECONOMY

Employment

Decreases in the total number of employed persons in a region can be attributed to either more job creation from within the area or the migration of jobs into the region to encourage employment in 2022. The figure below provides employment growth rate historical and projected data for San Antonio and the broader United States. The pronounced dip shown in the chart for 2020 is due to the worldwide pandemic, but 2022 showed a robust recovery. For 2024, the employment rate is projected to decrease by 2% in San Antonio and decrease by 1.4% nationally from 2023.

Employment Growth Rate San Antonio vs. United States

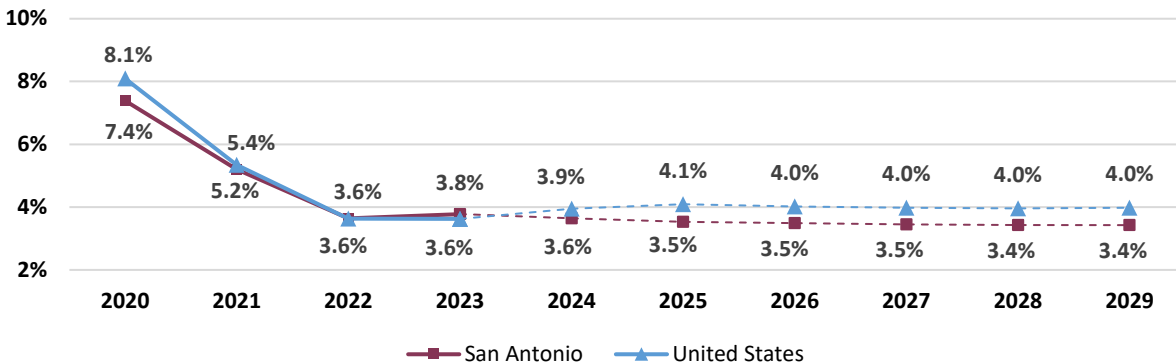


Source: Projection Data from Moody's Analytics

Unemployment

The unemployment rate represents the number of unemployed persons as a percent of the total labor force. An unemployed person is generally defined as someone aged 16 years or older who has been looking for employment for at least four weeks. Due to the COVID-19 pandemic, the national unemployment rate reached an average of 8.1% in 2020 and decreased to 3.6% in 2023. It is projected to slightly increase to 3.9% by the end of 2024. San Antonio's unemployment rate reached a record high average of 7.4% in 2020, also due to the COVID-19 pandemic, and is projected to reach 3.6% by the end of 2024 and continue to outperform the national unemployment rate over the next five years.

Unemployment Rate San Antonio vs. United States

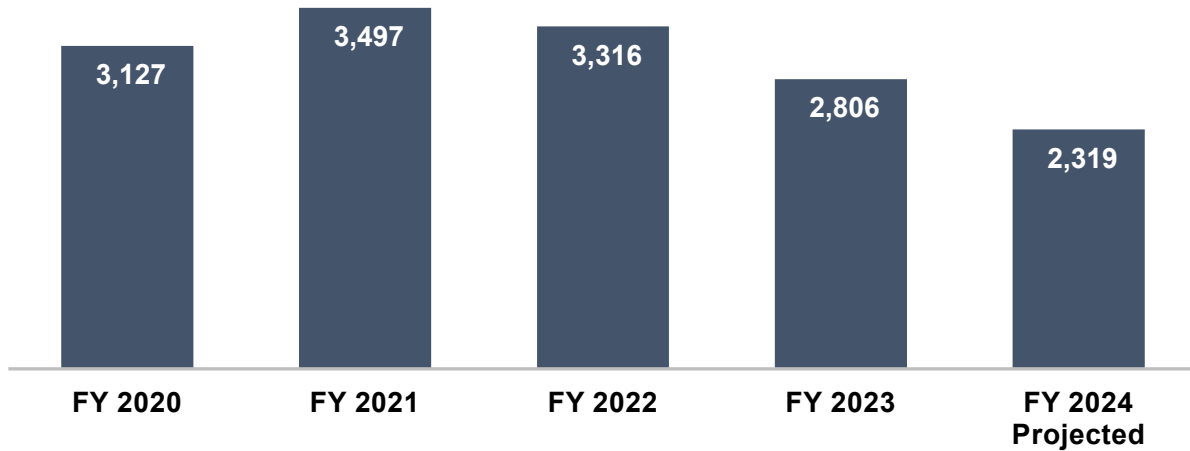


Source: Projection Data from Moody's Analytics

Housing

The housing market in San Antonio experienced an increase in average monthly home sales from FY 2020 to FY 2021, decreasing in FY 2022 and FY 2023. Average monthly home sales are projected to decrease through FY 2024.

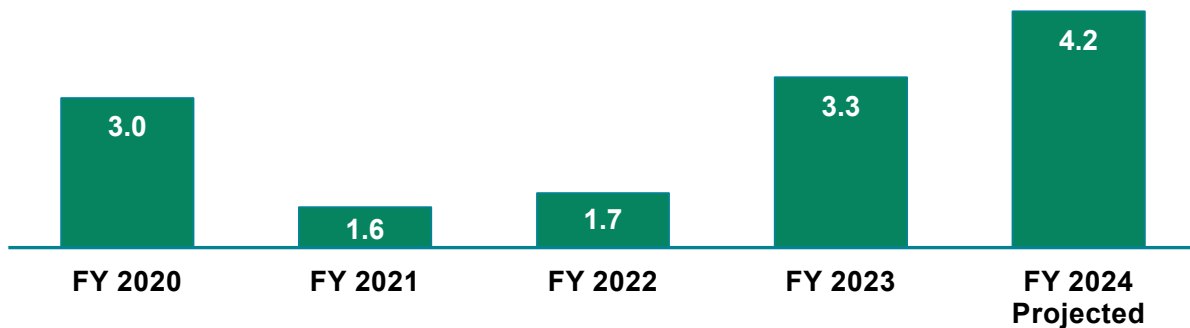
Average Monthly Home Sales



Source: Real Estate Center at Texas A&M University

Months in Inventory measures the amount of time it would take to sell the current housing inventory or supply if no other homes were added to the existing inventory. In FY 2020, homes spent an average of 3.0 months in inventory and experienced a substantial decrease in FY 2021 and FY 2022, before increasing in FY 2023. The current year projected average of 4.2 months in inventory is 27% higher than FY 2023.

Average Months in Inventory

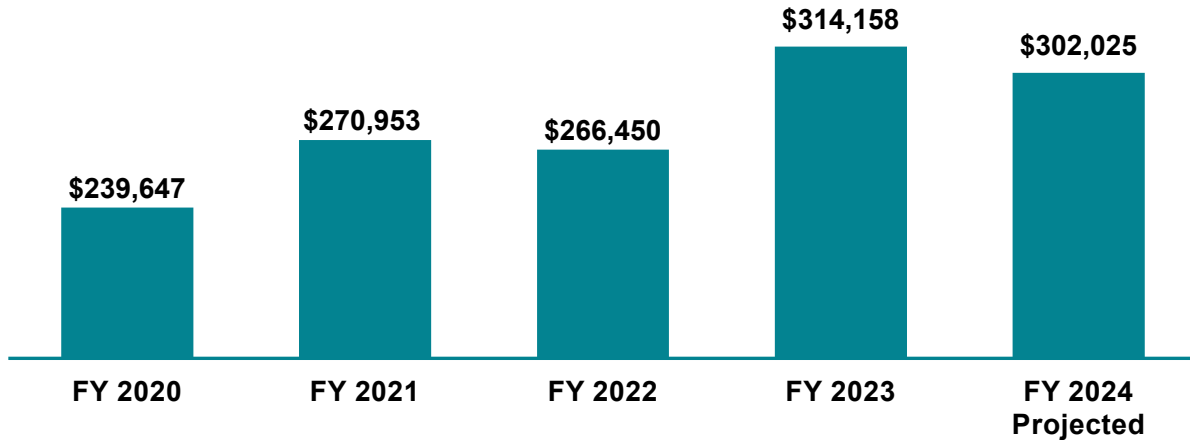


Source: Real Estate Center at Texas A&M University

Median Housing Price is the midpoint price of home sales in each year at which half the homes are sold above this price and half the homes are sold below this price. The median housing price

has seen increases between FY 2020 to FY 2023. However, the median housing price is projected to decrease in FY 2024 by 3.8% as compared to FY 2023.

Median Housing Price

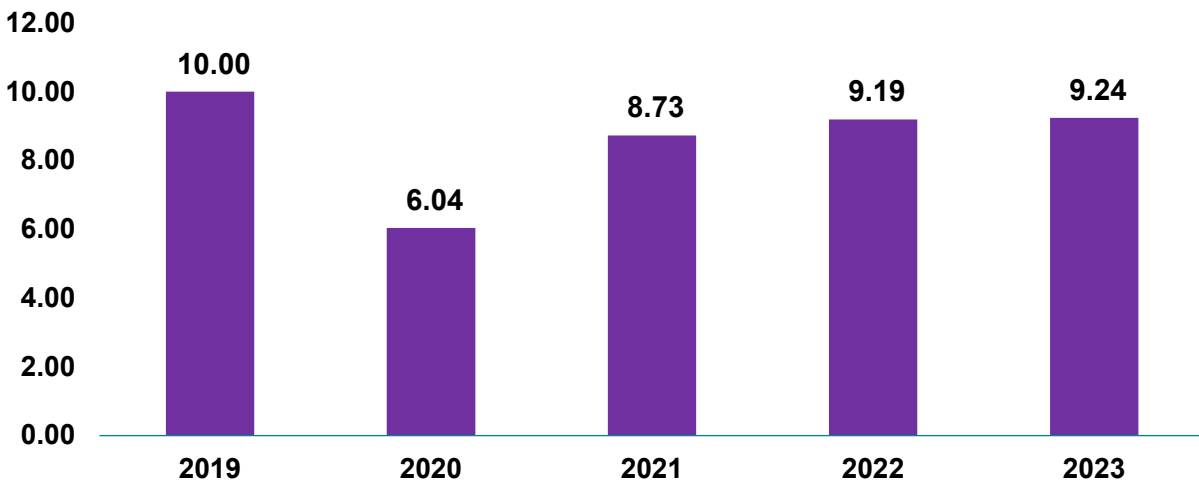


Source: Real Estate Center at Texas A&M University

Hospitality Industry

The San Antonio hospitality industry continues to be one of the top leisure/convention cities in the country and benefits from being located within driving distance from Dallas, Houston, and other Texas cities. Annual Hotel Room Demand is defined as the number of rooms sold or rented, excluding complimentary rooms. Industry data on the San Antonio market show 2023 hotel room demand increased by .5%, or about 0.46 million rooms, over the previous year.

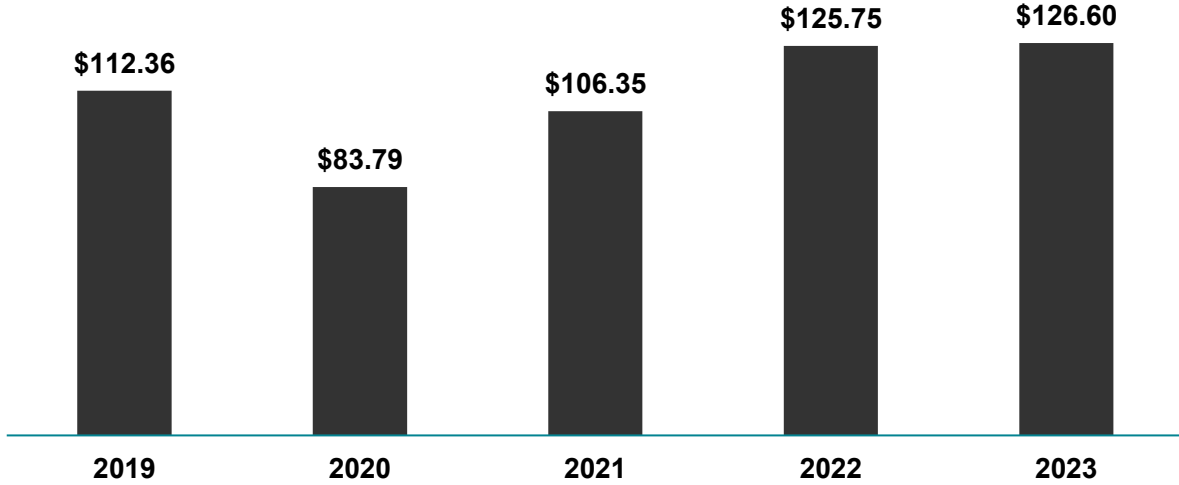
Annual Hotel Room Demand in San Antonio (In Millions)



Hospitality Data Source: 2024 CoStar Group. Data obtained from Smith Travel Research based on hotels in San Antonio Market reports dated February 2024-2029.

Average Daily Rate (ADR) is the average price of a single room night in San Antonio. The ADR metric is indicative of the hospitality industry’s health and is influenced by the supply of hotel rooms. San Antonio’s 2023 ADR increased 0.7% above the 2022 rate to \$126.60 per night for a single room.

Average Daily Room Rate (City-Level)

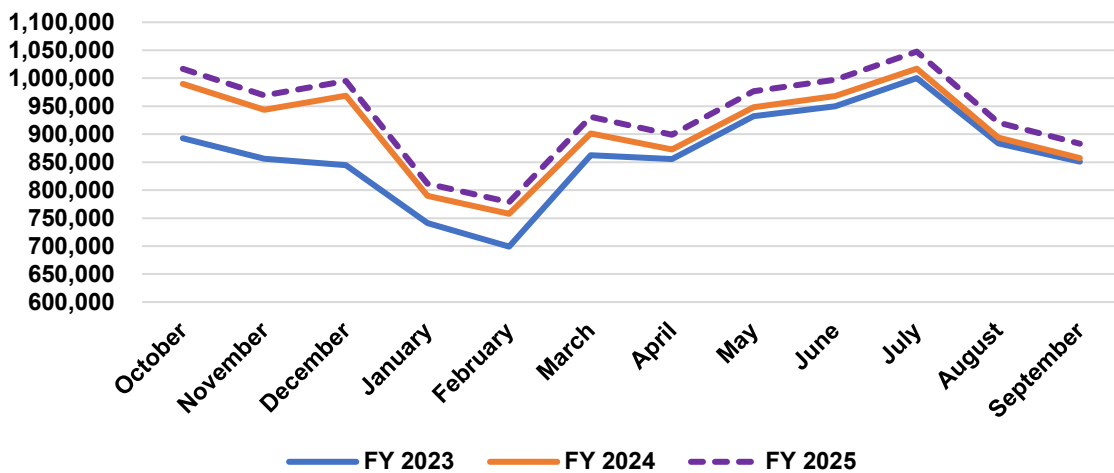


Hospitality Data Source: 2024 CoStar Group. Data obtained from Smith Travel Research based on hotels in San Antonio Market reports dated February 2024-2029.

Airline Industry

San Antonio International Airport is the only commercial service airport serving the City and the San Antonio metropolitan area. It is projected that in FY 2024, a total of 10.9 million passengers will be passing through the San Antonio Airport, which is a 5.2% increase from FY 2023. In FY 2025, Airport anticipates over 11 million passengers, a 2.9% increase from FY 2024.

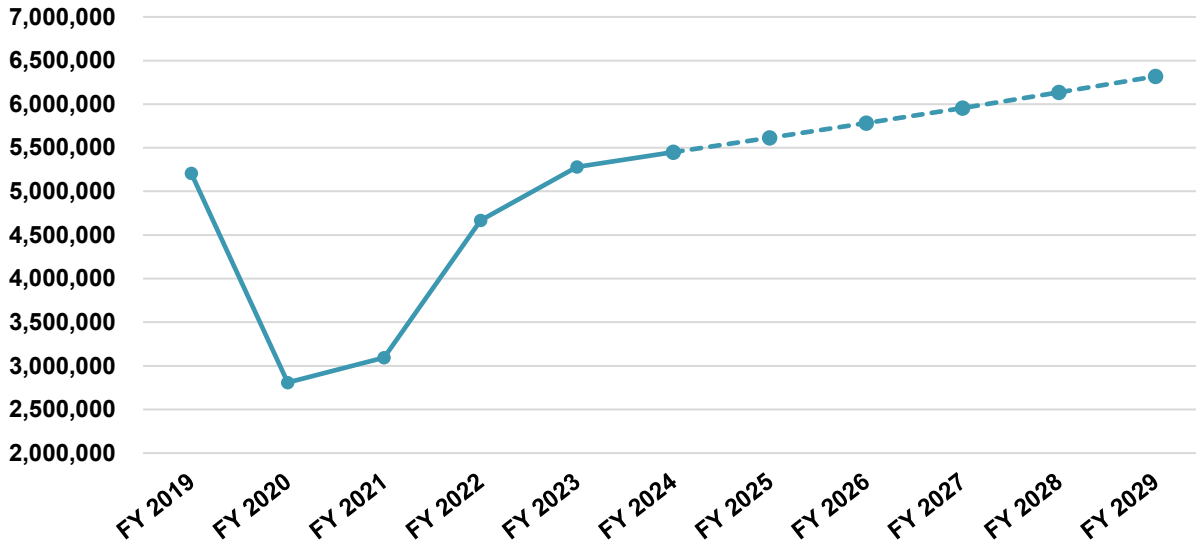
Total Passengers (with projections)



Source: Aviation Department, City of San Antonio

Enplanements are defined as the act or process of boarding a departing aircraft. Enplanements are a standard metric indicative of the airline industry’s financial wellbeing. The chart below reflects enplanement activity at the San Antonio Airport over the last five years and its projected growth over the next six years. San Antonio’s Airport saw a significant decline in FY 2020 but has since rebounded, exceeding FY 2019 totals by 71,763, or 1.4%. Enplanements are projected to grow by 3.0% from FY 2024 to FY 2025 and by 3.0% each year from FY 2026 to FY 2029.

Total San Antonio Enplanements (with projected growth rates)



Source: Aviation Department, City of San Antonio