



# **CITY OF SAN ANTONIO**

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## **FY2026 Budget Goal Setting Session**

**June 27, 2025**

# Agenda

1. Financial Update
2. Financial Policies
3. Results of Community Survey
4. Strategy to Balance FY 2026 and FY 2027
5. Mayor and City Council Discussion
6. City Manager Recap



# Overview

- Today's presentation will focus on FY25, FY26 and FY27
- Forecast presented in May projected deficits beginning in FY25
  - General Fund is not structurally balanced
- Revenues are still growing but slower than historical growth
- Expenses outpacing revenue growth
- Not unique to San Antonio, cities across Texas and U.S are facing same challenges
- Purpose for Goal Setting session is to obtain policy direction from City Council that will guide the preparation of upcoming budget





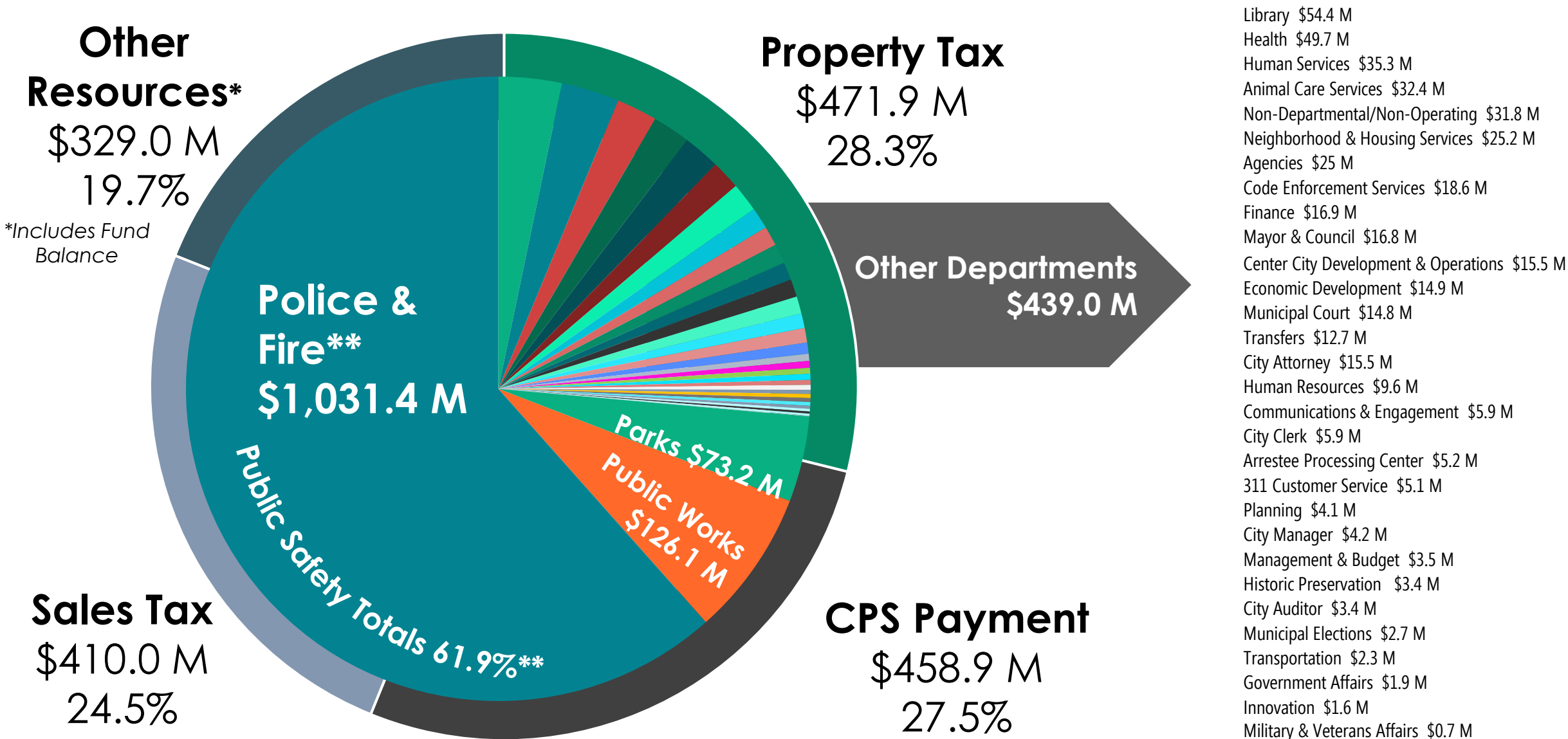
# **Financial Update**

**Presented by: Budget Director, Justina Tate**

# Financial Update

- Consumer confidence declined five consecutive months, however, May improved
- Federal Reserve kept interest rates unchanged in June
- Unemployment increased slightly in May to 3.7% (up from April 3.4%) but still remains low
- Uncertainty around continued Federal Funding for programs, initiatives, and infrastructure
- State legislative bills passed by State have negatively impacted property tax revenues and food/liquor license revenues

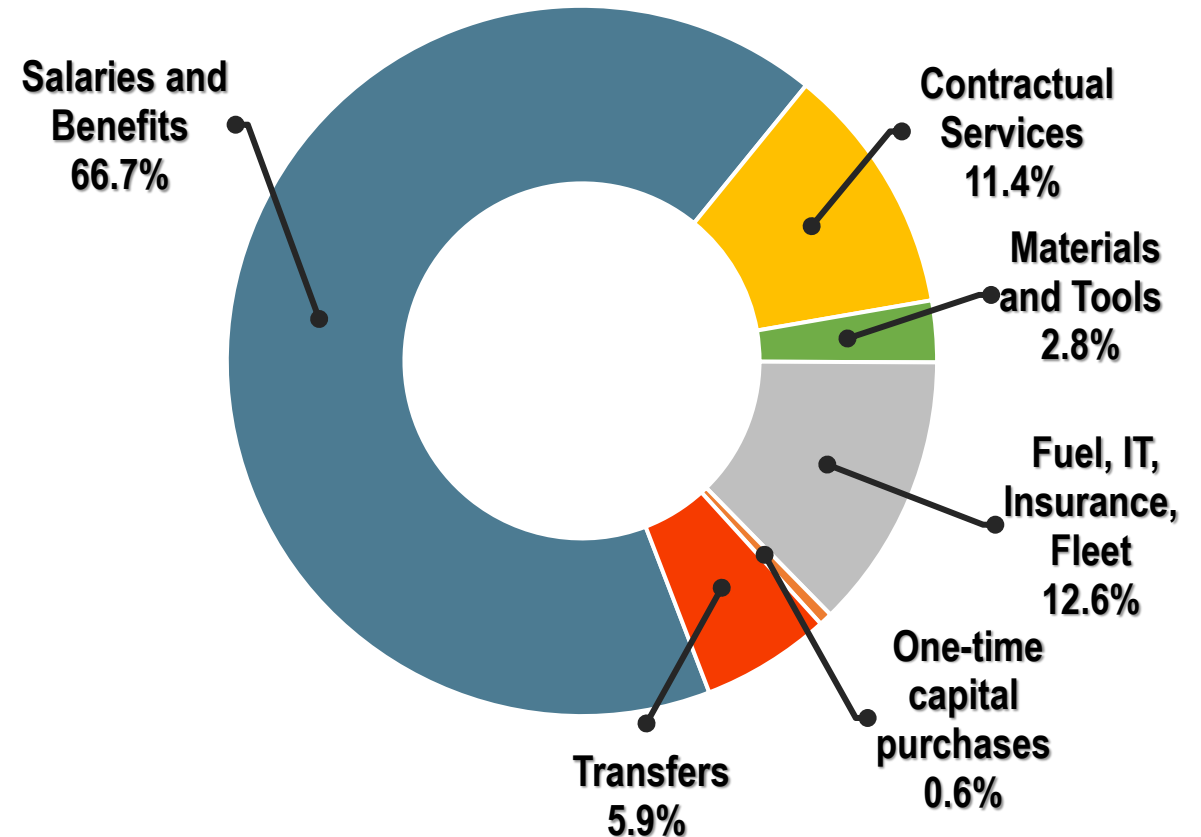
# FY 2025 General Fund Revised Budget: \$1.67 Billion



\*\*Includes Parks Police

# FY 2025 General Fund Expenditures Overview - \$1.6 Billion

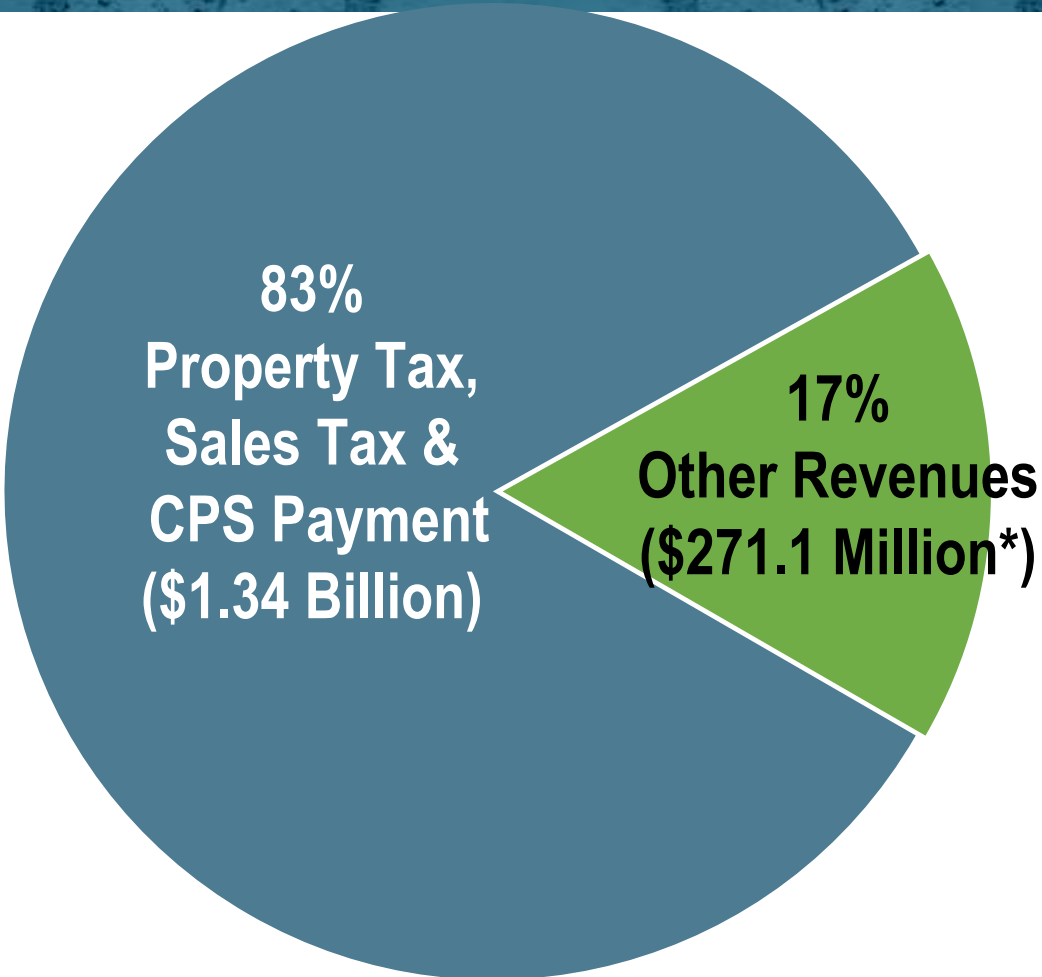
Expense Category	Amount (\$ in Millions)	%
Salaries and Benefits	\$1,112.8	66.7%
Contractual Services	190.8	11.4%
Materials and Tools	46.6	2.8%
Fuel, IT, Insurance, Fleet	210.1	12.6%
One-time capital purchases	10.7	0.6%
Transfers	98.7	5.9%
<b>Total</b>	<b>1,669.7</b>	<b>100.0%</b>





# FY 2025 General Fund Revenues

## Overview: \$1.6 Billion



Other General Fund Revenues FY25 Revised Budget	Amount (\$ in Millions)
EMS Transport Fees/Hazmat/Fire Prevention	\$42.6
Payment from SAWS	36.0
General Fund Overhead Charged to Restricted Funds & Grants	29.2
Alarm Fees/Towing/Impound	24.9
Interest Income	22.1
Telecom and Cable Tax	14.4
Riverbarge/Tower of Americas	13.5
Transfer from Other Funds	13.4
Liquor by the Drink Tax	12.8
Transfer from HOT - History and Preservation	12.2
Parks, Libraries, Health Charges, Birth Certificates, Passports, and Other	11.6
Municipal Court Fines	11.2
Licenses and Permits -(Alcohol and Food Licenses/permits)	8.7
Other (Leases of City Facilities, Recovery of Expense)	7.0
Property Tax – Delinquent/Penalty/Interest	5.5
Other Agencies	5.3
Sale of Surplus Property	0.8
<b>Total</b>	<b>\$271.1</b>

\*Does not include \$57.8 million Fund Balance



# FY25 Year-end Projections

## General Fund Revenues

Since May Forecast

- Sales tax slightly better
- Additional CPS revenue
- \$5 Million better than at forecast

\*Does not include  
\$57.8 million Fund  
Balance

Revenue (\$ in Millions)	May 6+6 Projection	June 8+4 Projection	Variance
Property Tax	\$471.9	\$471.9	0.0
Sales Tax	410.0	411.0	1.0
CPS Revenues	481.0	485.5	4.5
CPS Capital Reserve	(22.1)	(22.1)	0.0
Other Operating Revenue*	271.1	270.6	(0.5)
<b>Total</b>	<b>\$1,611.9</b>	<b>\$1,616.9</b>	<b>\$5.0</b>

# FY25 Budget Update

## General Fund

FY 25 Budget is balanced

- \$5 million in additional revenue
- \$3.1 million in less expense

\*Does not include reserves

FY25 General Fund Change from Forecast			
(\$ In Millions)	6+6 Projection	Updated Projection	Change
Beginning Balance	\$219.3	\$219.3	\$0.0
Total Revenues	1,611.9	1,616.9	5.0
Total Expenditures	1,669.7*	1,666.6	3.1
Ending Balance	(\$2.4)	\$5.8	\$8.1

# Financial Impact of State Legislative Changes

- \$5.6 million in less property tax revenue in FY27
  - HB9 exempts \$125,000 in business personal property, pending voter approval in November 2025
- \$1.9 million in less liquor/food permits and inspection revenue in FY 26
  - SB1008 prohibits a municipality to assess both a liquor and food license. Only one of the two can be assessed. Additionally, it establishes maximum amounts for inspection fees, permits, temporary retail establishments, and school food permits





# Trial Budget General Fund

## Trial Budget

- Based on updated revenues and expenditure projections
- FY25 is balanced
- FY26 and FY27 are not structurally balanced
- Deficits continue

	FY25	FY26	FY27
<b>Deficit at Forecast</b>	<b>(\$2.4)</b>	<b>(\$30.8)</b>	<b>(\$148.3)</b>
Change in Beginning Balance		\$8.1	
Change in Revenue	5.0	3.8	4.0
Change in Expense	3.1		
Impact of State Legislative Changes <sup>1</sup>		(1.9)	(7.5)
<b>Today's update</b>	<b>\$5.8</b>	<b>(\$20.8)</b>	<b>(\$151.8)</b>

1) Includes impact of HB9 to Property Tax Revenues in FY27 and impact of SB 1008 to Food/Liquor permits and inspection in FY26 and FY27





# **Financial Policies**

Presented by: Chief Financial Officer, Troy Elliott

# Purpose of Financial Policies

- Establish policy guidance on financial management
- Provides cohesive policies and practices
- Critical to maintain a strong financial position
- Flexibility/adapt to changing economic conditions
- Allows City to perform well financially
- Key element of City's excellent bond ratings



# Current Financial Policies

- Maintain a minimum General Fund ending balance of 15%
- Manage structural balance in the General Fund
- Maintain a Two-Year Budget Plan for the General Fund
- Annually review the impact of the State-imposed 3.5% Property Tax Cap on service delivery and provide a recommendation on whether to adjust Property Tax Rate
- Annually review property tax relief with a focus on homeowners
- Annually review and periodically adjust fees and charges to provide for cost recovery, consumer relief, and/or alignment with policy goals
- Maintain Public Safety spending below 66% of the General Fund
- Maintain \$3 Million contingency in Capital Budget
- Address Internal Fund deficits within three to five years



# CPS Related Financial Policies

Annually assess the City's payment from CPS Energy to determine the portion, if any, deemed to be unusual, out of the ordinary, and one-time in nature, and make recommendations for that amount taking into consideration factors such as the City's overall financial position, impact on service delivery, benefit to the community, and responsible ownership.

- **Base Budget** – Amount in excess of 10% over the City's adopted City payment base budget allocated to the following authorized purposes based upon percentages to be determined by the City:
  - CPS Energy resiliency and reliability projects
  - City's Resiliency Energy Efficiency and Sustainability Fund (REES)
- **Off-System Sales** – Capped at \$10 million annually with amount above \$10 million reserved in a CPS Energy Capital Reserve Fund with any shortfall in the City's payment base budget at year end deducted from the fund to determine the amount eligible to be transferred to CPS Energy for resiliency and reliability initiatives





# City Property Tax Rate

Presented by: Chief Financial Officer, Troy Elliott

# Key Statutory Provisions



All homesteads in Texas limited to 10% appraisal value increase per year

- This “Appraisal cap” ensures that homesteads have cap in place in the event market values significantly increase

In 2019, Senate Bill 2 reduced property tax Roll Back Rate (Voter Approval Rate) from 8% to 3.5% applicable to the Maintenance and Operations (M&O) portion of the Tax Rate

- This State allowed rate applies to base value growth only and does not apply to new improvements value
- City is allowed to go up to 3.5% - Recognition that property tax revenue growth is important to sustain municipal operations
- The City has the option to use previous year’s unused increment for Tax Rates adopted under the 3.5% State allowed rate



# 88<sup>th</sup> Legislative Session



On November 3, 2023, voters approved following constitutional amendments:

- **Texas Proposition 4** which temporarily limits all non-homestead real property valued at \$5 million or less to a 20% appraisal value increase per year.
  - Temporary term for appraisal cap is three years, starting in FY 2025
- **Texas Proposition 2** the Property Tax Exemption for Child-Care Facilities Amendment, as a local option exemption.
  - Authorizes a county or municipality to grant a property tax exemption to a qualifying Childcare facility

# 89<sup>th</sup> Legislative Session



- **HB 9** exempts \$125,000 of appraised value of tangible personal property up from the current exemption of \$2,500
  - Effective January 1, 2026, upon approval by voters
  - If passed, estimated decrease of \$5.6 million to General Fund Revenue for FY 2027
- **SB 973** prohibits the appraisal district board of directors from approving a reappraisal plan that prevents chief appraiser from appraising property as of January 1
  - Effective September 1, 2025



# Current City Property Tax Relief

FY 2023	FY 2024	FY 2025
<b>Homestead Exemption</b> 0.01%/\$5,000* to 10%	<b>Homestead Exemption</b> 10% to 20%	<b>Childcare Facility Exemption</b> 0% to 100%
<b>Over 65 Exemption</b> \$65,000 to \$85,000		
<b>Disabled Persons Exemption</b> \$12,500 to \$85,000		

A Tax Freeze applies to all Over-65 and Disabled Persons

\* Initial Homestead Exemption of .01% adopted for FY 2020

# City Property Tax Relief

Homestead  
Exemption  
20%

Child Care  
Facility  
Exemption  
100%

Over-65  
Exemption  
\$85,000

Disabled Persons  
Exemption  
\$85,000

Tax Freeze applies to  
all Over-65 and  
Disabled Persons

**\$157.3 Million  
Property Tax Relief  
(FY 2026 Preliminary)**

- ✓ \$80.0M Local Homestead Exemption
- ✓ \$49.4M Over Age 65 Exemption
- ✓ \$2.4M Disabled Persons Exemption
- ✓ \$1.0M Child Care Facility Exemption
- ✓ \$24.5M Tax Freeze

# Property Tax Rate

	FY 2022	FY 2023	FY 2024	FY 2025
M&O Tax Rate	\$0.34677	\$0.33011	\$0.33009*	\$0.33009
Debt Service Rate	\$0.21150	\$0.21150	\$0.21150	\$0.21150
Total Tax Rate	\$0.55827	\$0.54161	\$0.54159	\$0.54159

\*FY 2024 incorporated \$0.0098 of the \$0.01475 unused increment available from prior years

# Texas Truth-in-Taxation

## What is Truth-in-Taxation (TNT)?

Texas laws ensuring transparency in property tax increases by requiring public notice and potential voter approval for increases in Property tax rate

### Tax Rates in TNT Calculation:

- **No-New-Revenue Rate (NNR):** Designed to generate same Maintenance & Operating (M&O) revenue as prior year with adjustments
- **Voter-Approval Rate (VAR):** State allowed maximum rate (3.5% above NNR) allowed without voter approval (formerly rollback rate)
- **Unused Tax Increment:** Previous year's unused increment for Tax Rates adopted under 3.5% revenue cap



# Assumed Taxable Value Growth

	FY 2025	FY 2026	FY 2027
Base	2.67%	(0.15%)	(1.09%)
New Improvements	1.57%	1.75%	1.5%
Annexation	0.0%	0.05%	0.0%
Total	4.24%	1.65%	0.41%

Information based on preliminary data from the Bexar Appraisal District which will change through certification in July 2025

# Estimated Truth in Taxation Rates

Tax Rate	FY 2025 Current Rate	FY 2026 No new revenue rate	FY 2026 State allowed rate	FY 2026 Unused inc + State allowed rate
M&O	\$0.33009	\$0.32649	\$0.34256	\$0.34712
Debt Service	\$0.21150	\$0.21150	\$0.21150	\$0.21150
<b>Total</b>	<b>\$0.54159</b>	<b>\$0.53799</b>	<b>\$0.55406</b>	<b>\$0.55862</b>

FY 2027 includes an assumed growth in property tax rate up to state allowed 3.5%

Information based on preliminary data from the Bexar Appraisal District which will change through certification in July 2025

# Estimated Incremental Revenue from Property Tax Rate Options

Estimated Incremental Revenue	At Current Tax Rate	At State Allowed Tax Rate	At State allowed rate + unused inc.
FY 2026 (compared to Trial Budget)	\$0.0	\$17.3 Million	\$23.7 Million
FY 2027 (compared to Trial Budget)	\$0.0	\$35.8 Million	\$42.4 Million

Information based on preliminary data from the Bexar Appraisal District which will change through certification in July 2025



# Estimated Annual Impact on Homestead Tax Bill

Tax Bill (M&O Rate)	State allowed rate	State allowed rate + unused inc.
FY 2026*	\$57/year	\$67/year
FY 2027*	\$28/year	\$29/year

\* Impact to the Average General Residential Homestead Tax Bill for the Maintenance & Operations Tax Rate estimated for each fiscal year

Information based on preliminary data from the Bexar Appraisal District which will change through certification in July 2025

# Important Dates

January 1	Current year taxable values and exemptions are determined by the Bexar Appraisal District
April 1	Notices of Appraised Value mailed to property owners
May 15	Deadline to file a protest
July 25	City receives Certified Roll
September 18	City adopts Tax Rate
October 1	Property tax bills mailed
February 1	Unpaid taxes become delinquent



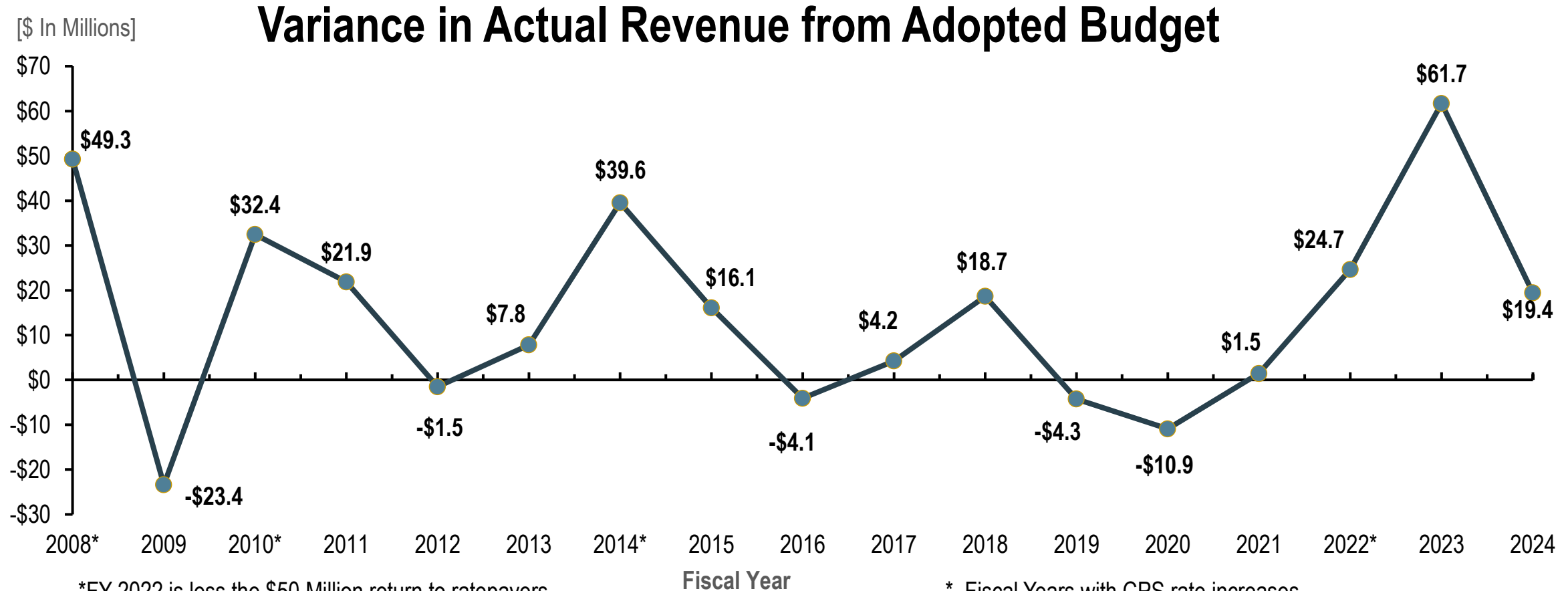
# CPS City Payment

Presented by:

Chief of Financial and Administrative Services, Ben Gorzell



# Financial Policies Update – City Payment: Adopted Budget vs. Actual



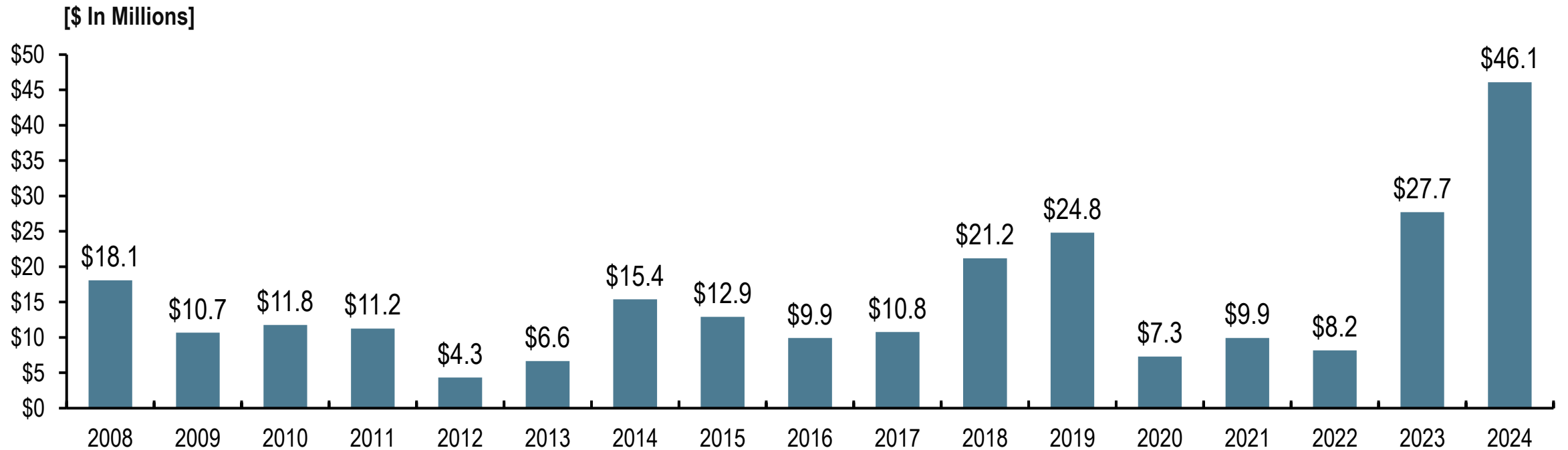
\*FY 2022 is less the \$50 Million return to ratepayers

\*\*FY 2024 is less the \$25.9 Million payment to CPS Energy based on City's Financial Policy

\* Fiscal Years with CPS rate increases

# Financial Policies Update – City Payment: Adopted Budget vs. Actual

## City Payment from Off - System Sales



# FY26 to FY27 Trial Budget

## CPS Energy Off System Sales

- In FY24, \$25.9 million transferred to CPS consistent with City Council direction
- FY25 to FY27 projects between \$32.1 to \$27.9 million in off system sales

Fiscal Year	Off System Sales	CRF (over \$10 M cap)
2025	\$10.0	\$22.1
2026	10.0	19.3
2027	10.0	17.9
<b>Total</b>	<b>\$30.0</b>	<b>\$59.3</b>

- In accordance with City financial policy, \$59.3 million is recommended to be reserved to assist in addressing current financial position

### CPS Energy Payment 2025 Actuals

CPS Payment (\$ in millions)	Base Payment	Off System Sales	CRF (over \$10 M cap)
October	\$34.6	\$1.9	
November	34.4	1.5	
December	27.1	1.0	
January	43.6	4.4	
February	34.7	1.2	3.0
March	29.2		1.6
April	31.3		2.8
May	36.3		2.6
<b>Total</b>	<b>\$271.2</b>	<b>\$10.0</b>	<b>\$10.0</b>





# Budget Survey Results

Presented by:

Communications Director, Alanna Reed

# Community Budget Survey

Independent Survey &  
SASpeakUp  
Surveys begin

**12 May**

**6 June**

Surveys closed

- Independent budget survey conducted by ETC
- SASpeakUp survey open to everyone
- Both surveys offered in English & Spanish

# Independent Survey Design

- Survey designed to identify priorities for investment
- Utilizes ETC Institute's Priority Investment Rating (PIR), a budget prioritization tool originally developed by ETC Institute for U.S. Army in 2005
- Tool used to help U.S. Army set priorities for capital improvements at Army installations based on importance soldiers and supported populations placed on services/ facilities and needs for these services/facilities and priorities



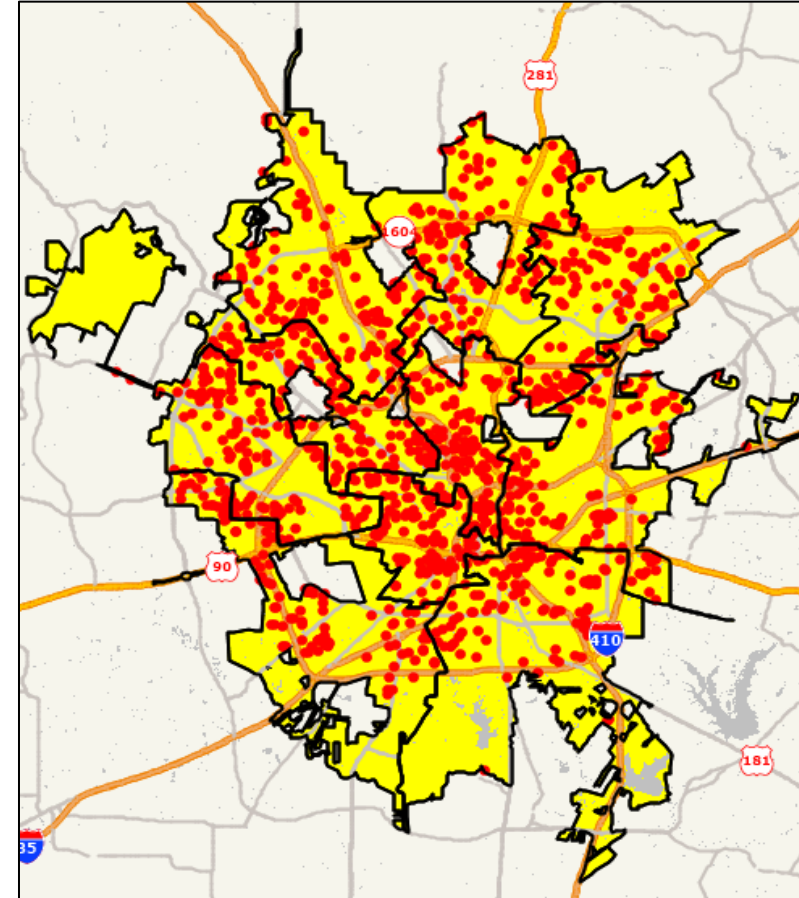
# Independent Survey Design

- Over the past 20 years, ETC Institute's PIR has been used by leaders in more than 550 local governments to set investment priorities for a wide range of local governmental services, programs, and facilities.
- ETC Institute's PIR helps leaders use input from residents to help set priorities based on (1) **importance** residents think city leaders should place on these services/facilities in budget and (2) **need** for these services/facilities:
  - 50% of the PIR score is from IMPORTANCE Rating (maximum of 100 points)
  - 50% of the PIR score is from NEEDS Rating (maximum of 100 points)

# Independent Budget Survey

- Third statistically valid survey conducted for City Trial Budget
- 1,199 total respondents with minimum of 100 surveys from each Council District
- Precision of at least  $\pm 2.83\%$  at 95% confidence level

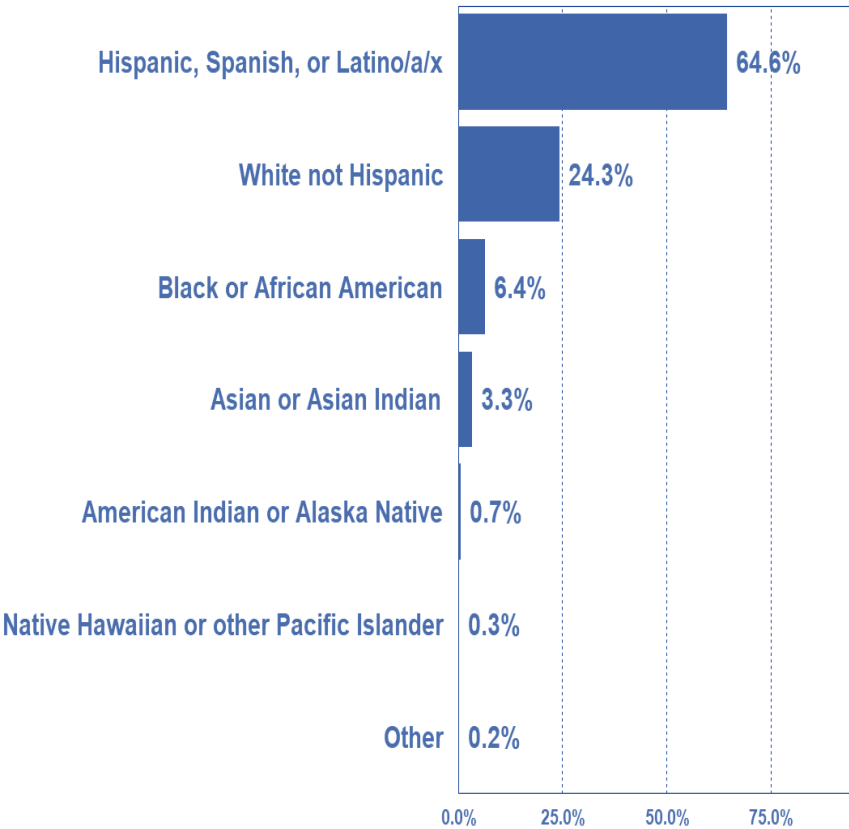
Council District	Surveys Completed
1	128
2	122
3	105
4	112
5	106
6	118
7	126
8	126
9	129
10	127
<b>TOTALS</b>	<b>1199</b>



# Demographics

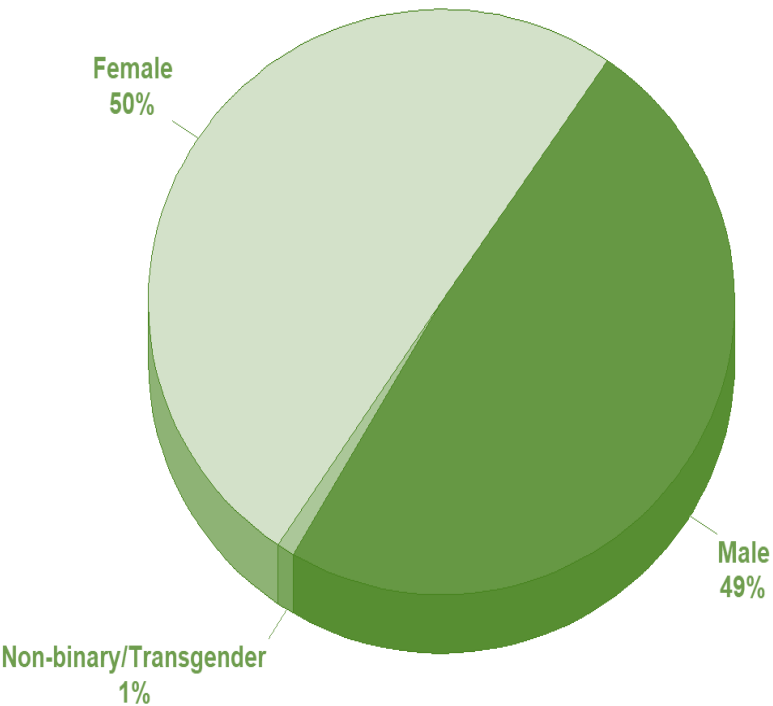
## Race/Ethnicity

by percentage of respondents (multiple selections were allowed)



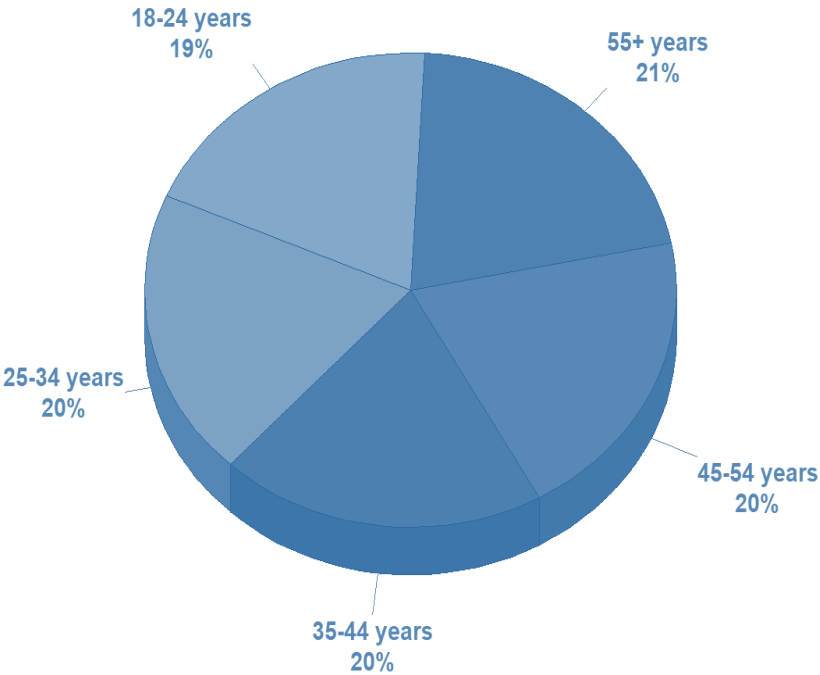
## Gender

by percentage of respondents (excluding "not provided")



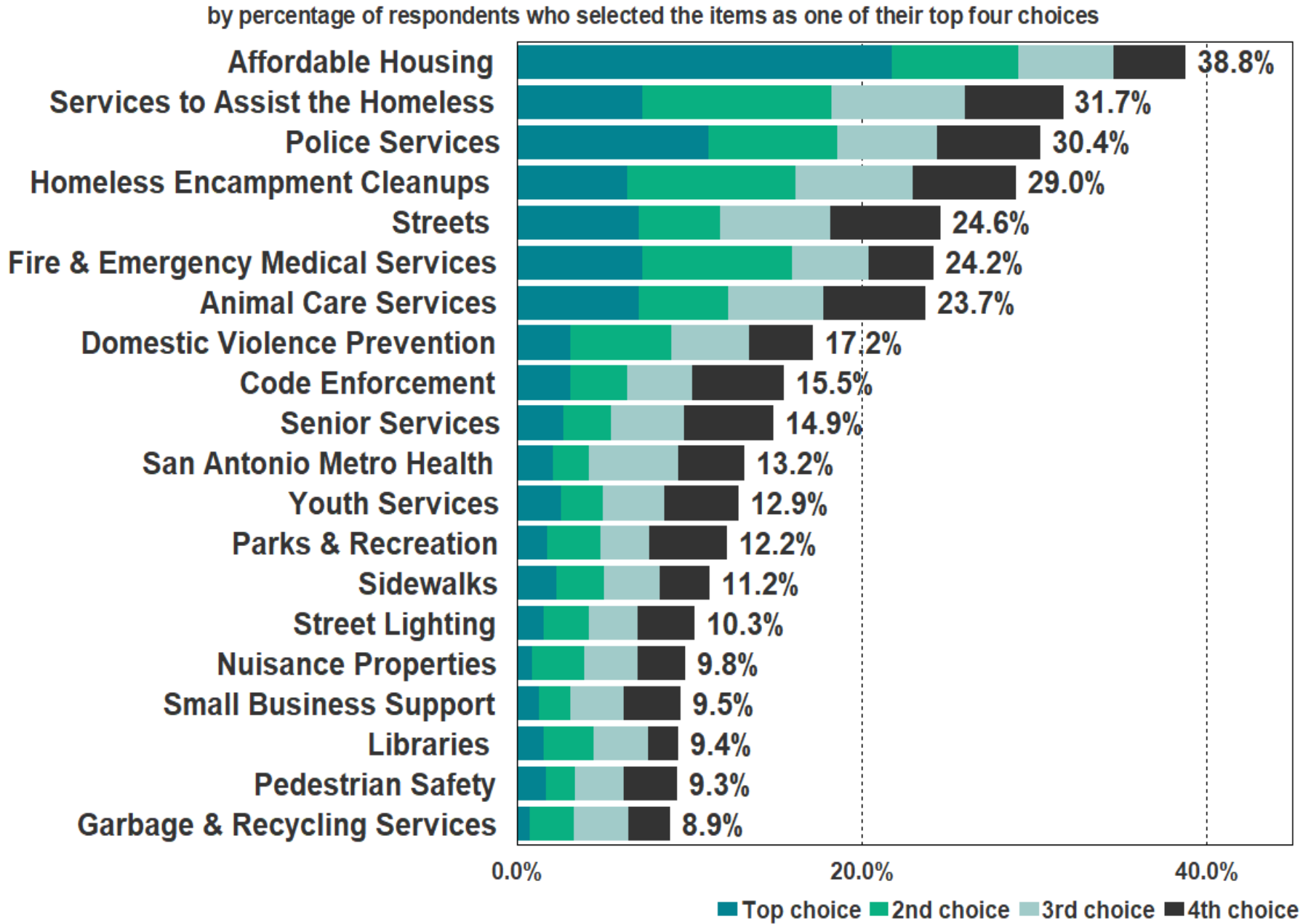
## Age of Respondent

by percentage of respondents (excluding "not provided")



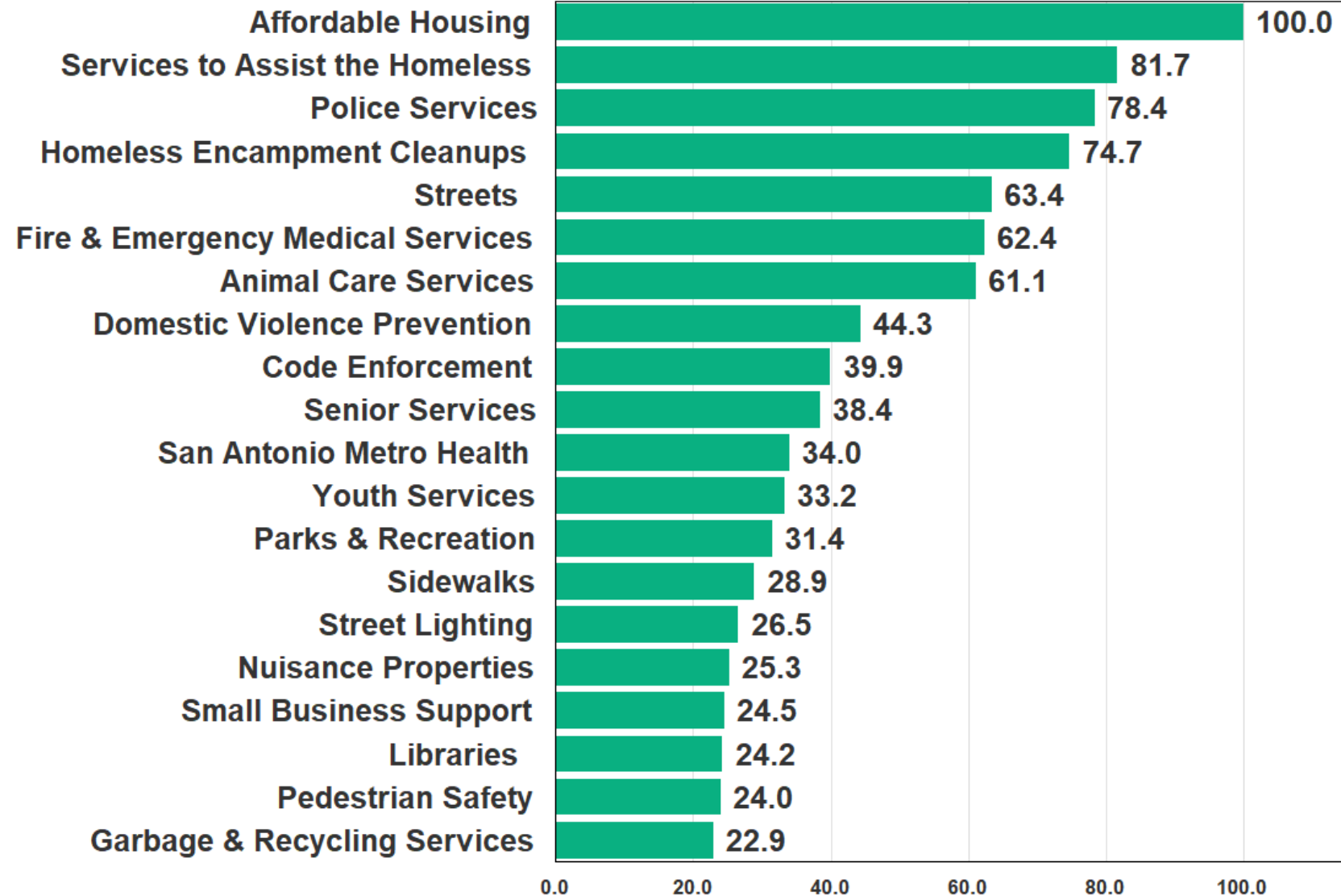


# Service Priorities

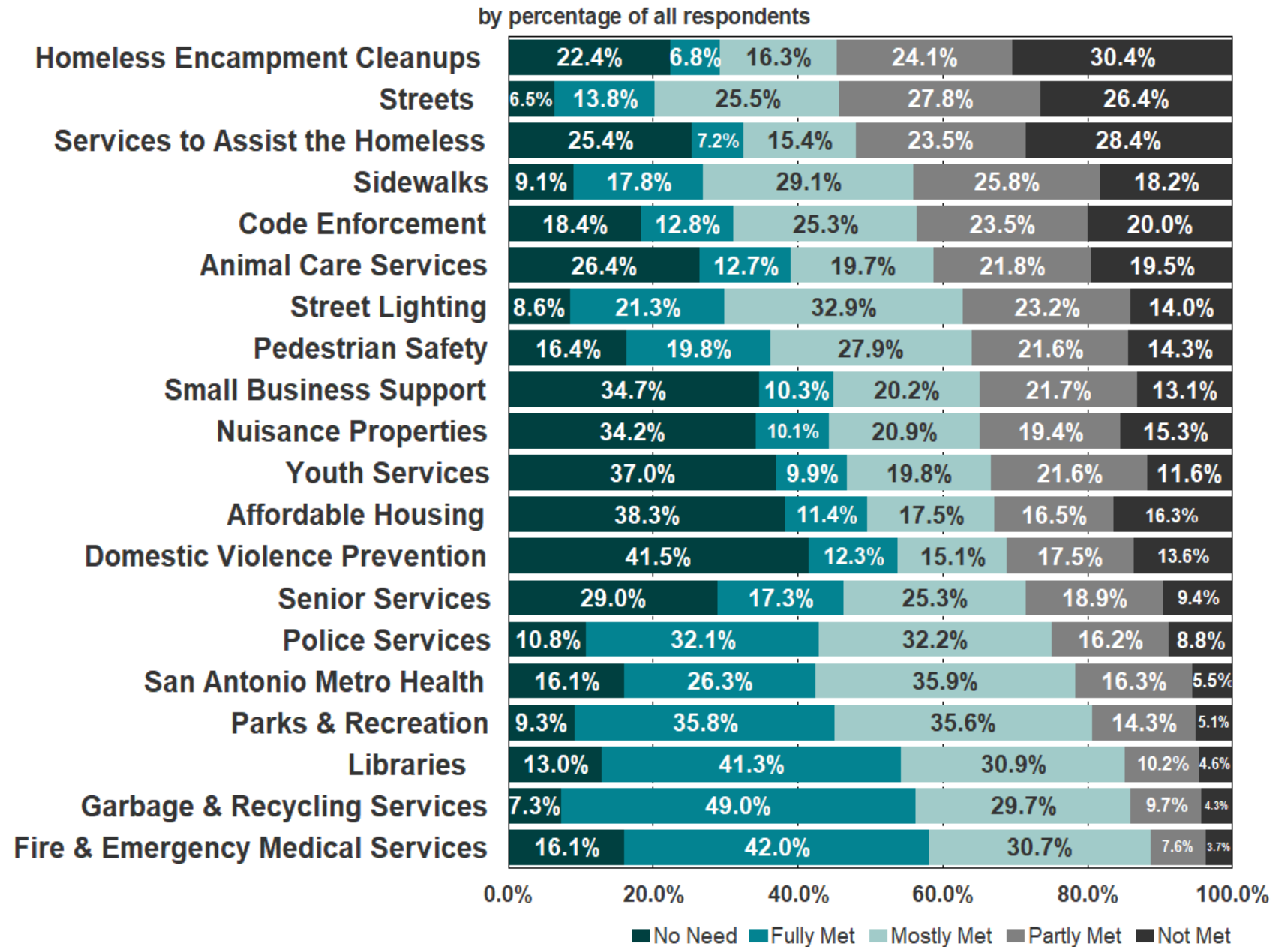


# Importance Rating

The rating for the item rated as the most important=100  
The rating of all other items reflects the relative level of importance for each item compared to the item rated as the most important

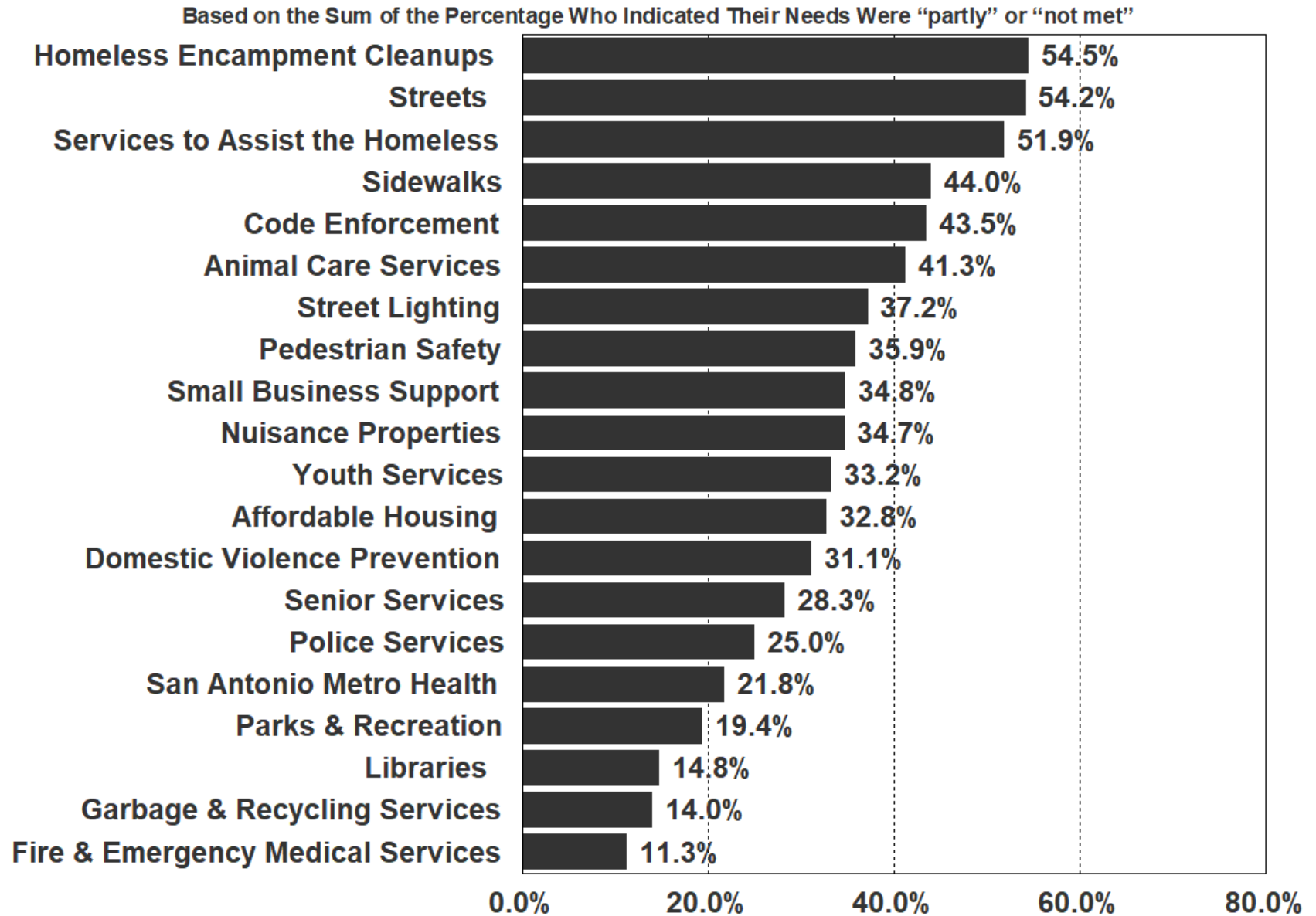


# How well needs are currently met

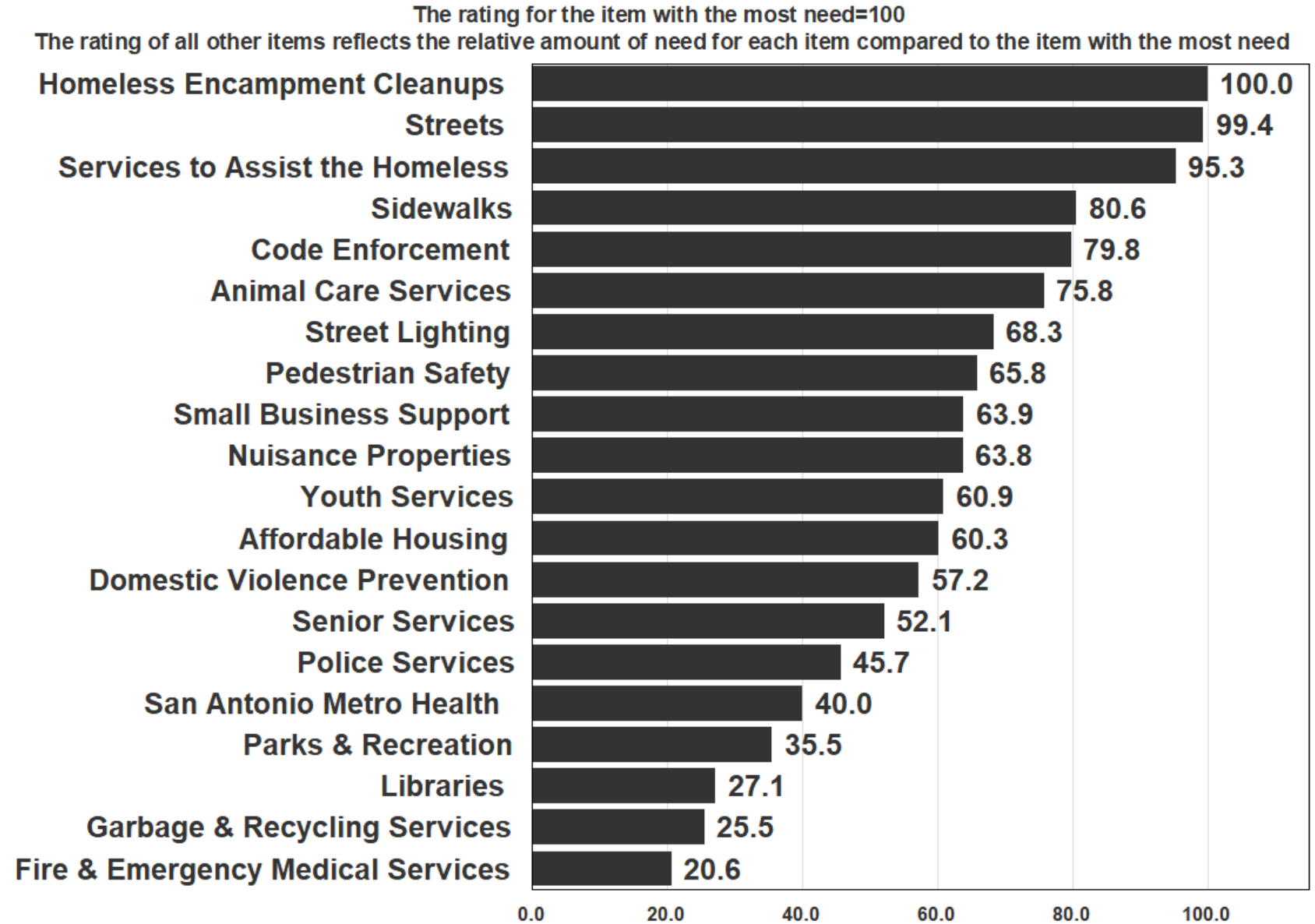




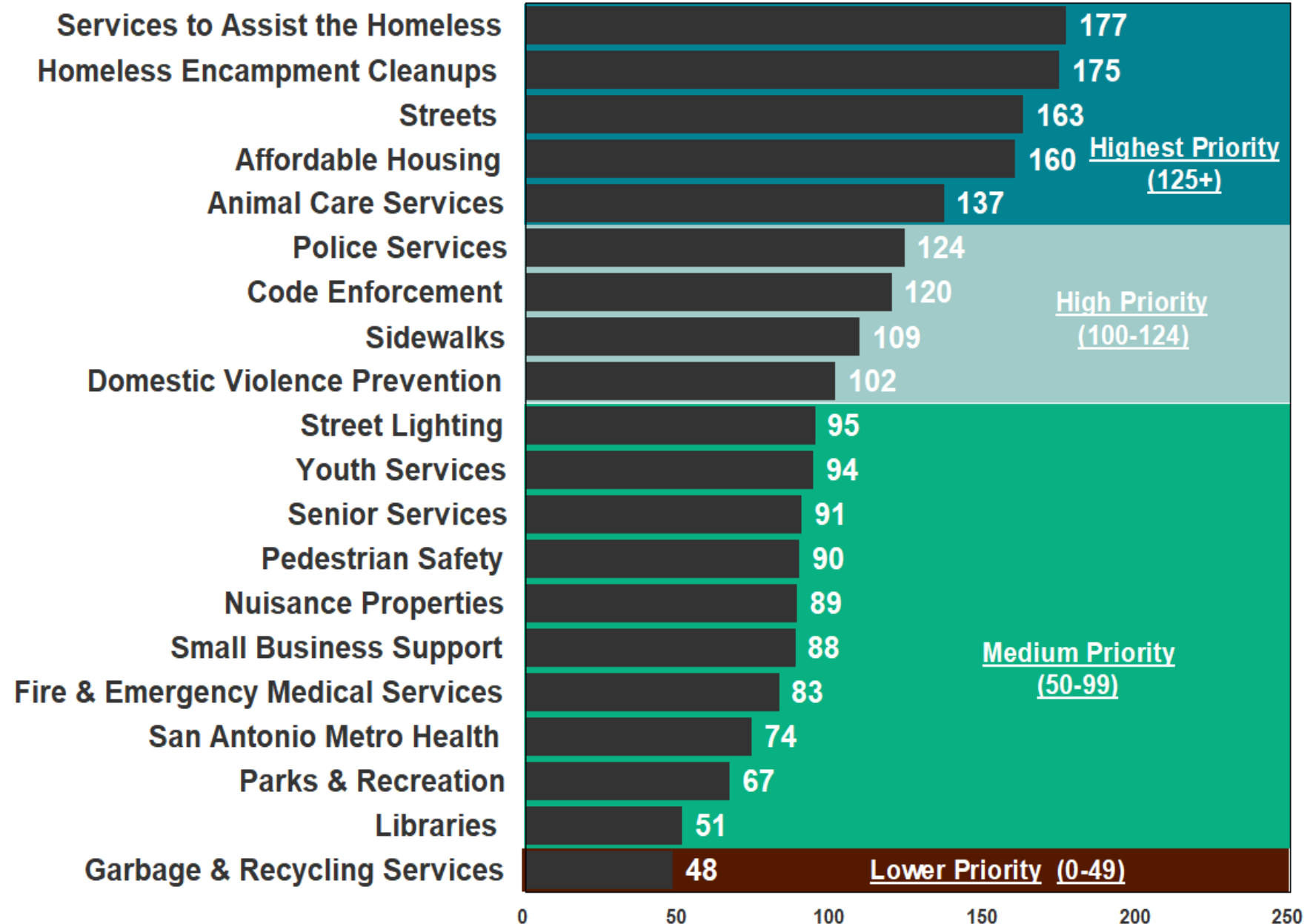
# Greatest Needs



# Needs Rating



# Priority Investment Rating



# Priority Investment Ratings by Council District

City Service	Citywide	1	2	3	4	5	6	7	8	9	10
Services to Assist the Homeless (outreach, shelter, housing)	1	3	4	2	1	2	1	1	1	1	2
Homeless Encampment Cleanups	2	1	1	1	2	1	4	3	3	2	3
Streets	3	4	2	3	5	6	2	4	4	3	1
Affordable Housing	4	2	3	5	3	3	3	2	2	6	5
Animal Care Services	5	5	5	4	4	4	6	7	5	5	8



# Top Priority Services

## Independent Survey

- Services to assist the Homeless
- Homeless Encampment Cleanups
- Streets
- Affordable Housing
- Animal Care Services

## SA SpeakUp

- Affordable Housing
- Police Services
- Fire and EMS
- Services to assist the Homeless
- Animal Care Services



# **Strategy to Balance FY26 Budget & FY27 Plan**

Presented by:

City Manager, Erik Walsh

# Structural Imbalance in the General Fund

- Revenues are projected to grow at 1% in FY26 while expenses are growing at 3.5%, resulting in a structural imbalance of \$97.4 Million

## Recommendations

- FY26 budget should narrow gap between revenue and expense
- Review and update our financial policies in the fall
- Consider new hybrid budget methodology

# Balancing FY26 Budget & FY27 Plan

## **Guiding Principles**

- Fund core/mandated services
- Minimize impact to vulnerable populations
- Minimize long-term risks as a result of changes in the budget

## **Strategies for discussion**

- Reduce expense
- CPS Revenue financial policy
- Adjust Fees and Charges
- Property Tax Financial Policy

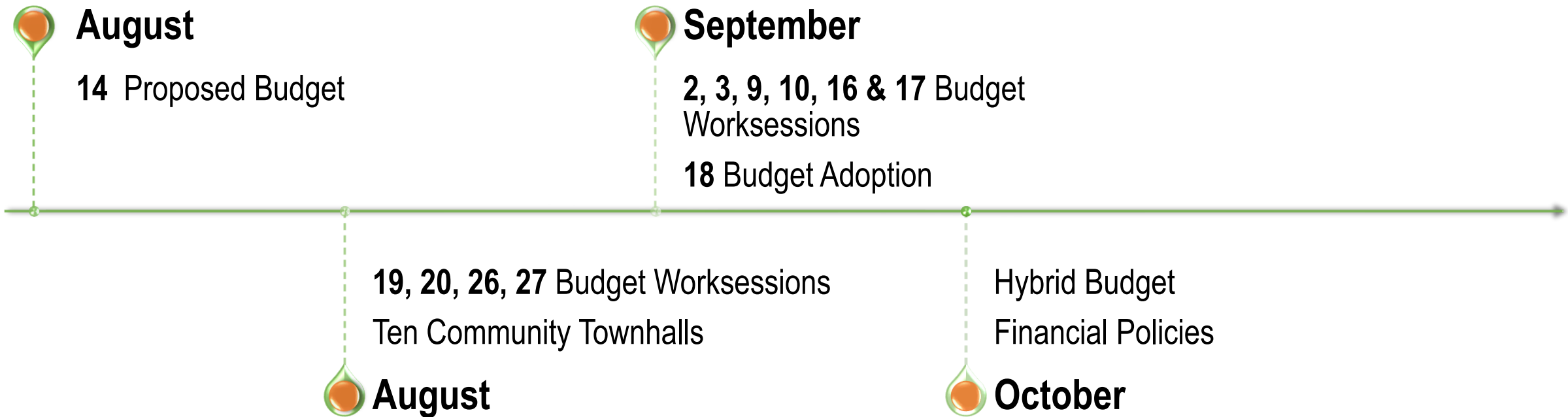


# Alternative Scenarios to Balance FY26 Budget & FY27 Plan

\$ in Millions	Scenario 1		Scenario 2		Scenario 3	
	FY26	FY27	FY26	FY27	FY26	FY27
<b>Trial Budget Deficit</b>	<b>(\$20.8)</b>	<b>(\$151.8)</b>	<b>(\$20.8)</b>	<b>(\$151.8)</b>	<b>(\$20.8)</b>	<b>(\$151.8)</b>
Use of Two-Year Reserve		\$24.20		\$11.20		\$25.90
Department Reductions/CBRs*	45.00	127.60	30.00	79.30	21.00	22.20
Financial Policy on CPS City payment (Reserve 3 years for FY27)				59.30		59.30
Increase Fees and Charges			2.00	2.00	2.00	2.00
Increase to Property Tax Revenue (State allowed rate + unused inc.)					23.70	42.40
<b>Balance/Two-Year Reserve</b>	<b>\$24.20</b>	<b>\$0.00</b>	<b>\$11.20</b>	<b>\$0.00</b>	<b>\$25.90</b>	<b>\$0.00</b>

\* Comprehensive Budget Reviews

# Key Dates in the Budget Process





# Mayor and City Council Discussion



# **CITY OF SAN ANTONIO**

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## **FY2026 Budget Goal Setting Session**

**June 27, 2025**