Five Year Financial Forecast

FY 2010 - FY 2014

City of San Antonio, Texas

A current and long-range assessment of financial conditions and costs for city services

CITY OF SAN ANTONIO

FIVE YEAR FINANCIAL FORECAST

FY 2010 – FY 2014

PREPARED BY:
OFFICE OF MANAGEMENT AND BUDGET

PETER HILL ZANONI, DIRECTOR
MARIA D. VILLAGOMEZ, CPA, ASSISTANT DIRECTOR

TISHA BALDERRAMA
ANA BRADSHAW
VALERIE CAMPBELL
RUBEN FLORES
JESÚS A. GARZA
JOEL JENKS
ZACHERY KUENTZ
RENÉE LAZAR
HEBER LEFGREN
RYAN LUCKETT
JIMMY MCKNIGHT
TODD SHERMAN
EDWARD TAPIA
JESSICA TREVIÑO
ROSE MARY TRISTAN
CHAD A. TUSTISON
TAD G. WILLE

April 29, 2009

CITY OF SAN ANTONIO

FIVE YEAR FINANCIAL FORECAST

FY 2010 – FY 2014

TABLE OF CONTENTS

GENERAL FUND FORECAST

INTRODUCTION

The first section of the General Fund Forecast provides projected revenues and expenditures for the fund. As discussed in the Economic Perspective & Outlook section of the forecast, the economic data and projections are incorporated into the strategy of developing General Fund revenue and expenditure projections over the next five years.

The first section in the General Fund Forecast includes a schedule forecasting the General Fund from FY 2010 through FY 2014. Next is a discussion of current year and projected General Fund revenues. Recent revenue trends and economic assumptions are used to develop these figures. Following the explanation of revenues is a presentation of base budget expenditures required to sustain the current (FY 2009) level of services throughout the forecast period. These projections are based in part on a modified rate of inflation. Concluding this section will be a discussion of mandated service delivery costs and General Fund Reserves.

General Fund Forecast

The forecast table on the following page combines projected General Fund resources, base budget expenditures, proposed reduction strategies, other added costs including reserve funds, and mandated expenditures to illustrate the financial impact to the General Fund ending balance. The net result of this schedule highlights the level of adjustments necessary over the forecast period to maintain a balanced budget as required by State Law.

General Fund Forecast Schedule
($ in Millions)

	FY 2009 Budget	FY 2009 Estimate	FY 2010 Projection	FY 2011 Projection	FY 2012 Projection	FY 2013 Projection	FY 2014 Projection
RESOURCES							
Beginning Balance (Excluding Reserves)	$63.55	$85.07	$0.00	$0.00	$0.00	$0.00	$0.00
Use of Reserve for Two Year Balanced Budget Plan	22.71	22.71	28.27	0.00	0.00	0.00	0.00
CURRENT REVENUES							
Property Taxes	245.25	243.06	247.30	252.74	258.39	265.25	272.17
Sales Tax	202.81	191.97	194.85	199.72	207.71	217.05	227.91
CPS Energy	288.86	254.39	251.05	257.59	264.72	269.95	275.28
Other	150.58	148.93	148.74	151.85	154.70	156.72	160.40
TOTAL CURRENT REVENUES	**$887.50**	**$838.35**	**$841.94**	**$861.90**	**$885.53**	**$908.91**	**$935.76**
TOTAL RESOURCES	**$973.76**	**$946.13**	**$870.21**	**$861.90**	**$885.53**	**$908.91**	**$935.76**
EXPENDITURES							
Base Budget	929.96	908.54	894.18	918.84	941.82	965.64	976.37
Mandated Service Delivery Costs (Incremental)	0.00	0.00	13.30	11.06	10.35	4.97	3.66
TOTAL EXPENDITURES	**$929.96**	**$908.54**	**907.48**	**$929.90**	**952.16**	**970.61**	**980.03**
FINANCIAL RESERVES/TWO YEAR BALANCED BUDGET							
Budgeted Financial Reserves (Incremental)	15.53	13.60	($0.10)	$2.02	$2.00	$1.66	$0.85
Reserve for Two Year Balanced Budget Plan	28.27	28.27	0.00	0.00	0.00	0.00	0.00
ENDING BALANCE / (ADJUSTMENT REQUIRED)	**$0.00**	**($4.28)**	**($37.17)**	**($70.02)**	**($68.63)**	**($63.36)**	**($45.12)**
RECOMMENDED FY 2009 MID-YEAR BUDGET ADJUSTMENTS							
Additional Beginning Balance			25.10				
FY 2009 Improvement Deferments/Reductions							
Defer One-time Contractual Street Maintenance		(14.00)					
Defer Street Pavement Marking Contract		(1.30)					
Defer Transfer to Economic Development Fund		(1.60)					
Reduce Utility Transfer to Solid Waste Fund		(7.00)					
FY 2009 Base Budget Reduction							
Mid-Year Budget Departmental Reductions		(3.05)	(2.48)	(2.48)	(2.48)	(2.48)	(2.48)
Subtotal Adjustments	**0.00**	**(26.95)**	**(2.48)**	**(2.48)**	**(2.48)**	**(2.48)**	**(2.48)**
ADJUSTED ENDING BALANCE / (ADJUSTMENT REQUIRED)	**0.00**	**22.67**	**(9.60)**	**(67.54)**	**(66.15)**	**(60.88)**	**(42.64)**
POLICY ISSUES (EMPLOYEE COMPENSATION /OTHER)							
Civilian COLA & Performance Pay One Year (FY 2010) - Cost for every 1%			2.04	2.04	2.04	2.04	2.04
Pay Plan Implementation Five Years (Steps) - Cumulative			1.94	8.22	10.09	11.85	13.36
Collective Bargaining Fire & Police Five Years - Cumulative - Cost for every 1%			3.60	7.24	10.91	14.66	18.41
Haven for Hope, Inc. - Operating Funding Request			0.88	1.00	1.00	1.00	1.00
Subtotal Policy Issues	**0.00**	**0.00**	**8.46**	**18.50**	**24.04**	**29.55**	**34.81**
Budgeted Financial Reserves (Incremental)	0.00	(2.43)	2.97	0.90	0.50	0.50	0.47
ADJUSTED ENDING BALANCE / (ADJUSTMENT REQUIRED)	**$0.00**	**$25.10**	**($21.03)**	**($86.94)**	**($90.69)**	**($90.93)**	**($77.92)**
ADJUSTED EXPENDITURE BASE	**$929.96**	**$881.58**	**$913.46**	**$945.92**	**$973.72**	**$997.68**	**$1,012.36**
BUDGETED RESERVES SUMMARY							
Total Annual Budgeted Financial Reserves	83.70	79.34	82.22	85.14	87.64	89.80	91.12
Annual Budgeted Financial Reserves as a % of Appropriations	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%

General Fund Forecast Schedule Explanation

- "Beginning Balance" reflects the amount of funds available for use at the beginning of the fiscal year. The balance is the result of the net prior year-end revenues-to-expenditures, except in years projected to have a negative ending balance. The Beginning Balance does not include the City's Financial Reserves.

- "Current Revenues" highlights the major sources of current revenue – Property Taxes, Sales Tax, CPS Energy, and all other sources, including fines and fees and other charges for current service.

- "Total Resources" is the sum of the Beginning Balance and Current Revenues.

- "Base Budget" shows the aggregate annual projected expenditures required to sustain the current FY 2009 level of services throughout the forecast period.

- "Mandated Service Delivery Costs (Incremental)" are the incremental recurring and one-time mandated expenditures required each year. These expenditures constitute a change to a current service budget in order to comply with a federal, state, or local law or ordinance, a contractual obligation, or the operation and maintenance requirement needed for a completed capital improvement project.

- "Ending Balance / (Adjustment Required)" represents the difference between Total Available Resources and Total Expenditures, but does not include the cumulative funds for the City's Budgeted Financial Reserves. A revenue and/or expenditure adjustment is required in those years when this balance is negative.

- "Budgeted Financial Reserves (Incremental)" is the incremental amount needed each year to maintain annual Budgeted Financial Reserves at nine percent of appropriations in 2009 and through 2014 respectively.

General Fund Forecast Financial Summary

The FY 2009 Budget strategy allows for the setting aside of $25.10 million to address FY 2010 Budget requirements. This strategy is achieved by saving $25.79 million in base budget expenditures resulting from a position freeze, fuel expenditure savings, costs saving from better managed health care program, and realized efficiencies.

The FY 2009 Estimate assumes $26.95 million in mid-year budget adjustments resulting from a deferment of FY2009 improvements, a reduced utility rebate transfer, and mid-year departmental budget reductions. Additionally, a $21.5 million larger-than-anticipated beginning balance adds to the available resources in FY 2009. These total available resources are offset by $49 million in less-than-projected revenues with a net result of a $25.10 million better-than-anticipated ending balance.

REVENUES

Included herein is a projection of revenue receipts for all General Fund revenues from the current fiscal year through the forecast period. The current year estimates are based primarily on current year activity while future projections are developed through various methods. Operating Departments responsible for administering the services and/or collecting the associated revenues work with the Office of Management & Budget to develop their revenue projections based on an analysis of factors to include historical trends, forecasted natural gas prices, projected economic and building activity, and known future factors such as contracts and interlocal agreements. A regression analysis is utilized to project those revenues that are impacted by economic factors. Sales Tax is projected using current year activity as the base and utilizing a blend of national and regional economic indicators (U.S. Consumer Price Index, San Antonio Gross Metro Product, and San Antonio Area Unemployment) to run the regression analysis. Revenue projections over the forecast period account for changes in activity and do not assume changes to rates. Specific rate changes or new revenue sources are addressed through the Budget Process.

General Fund Forecast of Current Revenues
($ in Millions)

	FY 2009 Budget	FY 2009 Estimate	FY 2010 Projections	FY 2011 Projections	FY 2012 Projections	FY 2013 Projections	FY 2014 Projections
Revenue							
CPS Energy	$288.9	$254.4	$251.1	$257.6	$264.7	$270.0	$275.3
Property Taxes - Current	245.3	243.1	247.3	252.7	258.4	265.3	272.2
Property Taxes - Delinquent & Penalties	4.6	3.7	4.7	4.8	4.9	5.1	5.2
City Sales Tax	202.8	192.0	194.8	199.7	207.7	217.1	227.9
Charges for Current Services	41.7	40.7	40.9	41.2	41.3	41.6	42.0
Business and Franchise Taxes	27.3	29.3	29.1	28.9	28.8	28.7	29.0
Licenses and Permits	6.1	5.7	5.5	5.4	5.4	5.5	5.6
Transfers from Other Funds	25.8	25.8	25.6	26.2	26.9	27.6	28.2
Miscellaneous Revenue	11.7	9.8	8.6	10.4	12.1	12.5	14.1
Fines	12.2	12.5	12.5	12.5	12.5	12.5	12.5
San Antonio Water System	9.9	9.9	10.2	10.3	10.5	10.6	10.8
Liquor by the Drink Tax	5.4	5.4	5.5	5.7	5.9	6.0	6.2
Other Agencies	6.0	6.2	6.1	6.3	6.4	6.6	6.7
Annexation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Revenue	**$887.5**	**$838.3**	**$841.9**	**$861.9**	**$885.5**	**$909.0**	**$935.8**
Change from Prior Year	**N/A**	**($49.2)**	**$3.6**	**$20.0**	**$23.6**	**$23.4**	**$26.8**
Percent Change from Prior Year	**N/A**	**-5.5%**	**0.4%**	**2.4%**	**2.7%**	**2.6%**	**2.9%**

As the table above indicates, total FY 2009 General Fund revenue is anticipated to be $49.2 million or 5.5% under FY 2009 budgeted levels. Over the forecast period, these revenues are expected to increase at an average annual rate of 2.2%, with annual rates of change ranging from a low of 0.4% in FY 2010 (over the FY 2009 Estimate) to a high of 2.9% in FY 2014 (over the FY 2013 Projection). Below is a description of General Fund revenue categories to include projected fiscal year rates of change, current year activity, and assumptions on future projections.

City Public Service Energy (CPS Energy) Payment to the City

Projected Annual Rates of Change
FY 2010: -1.31% FY 2011: 2.60% FY 2012: 2.77% FY 2013: 1.97% FY 2014: 1.98%

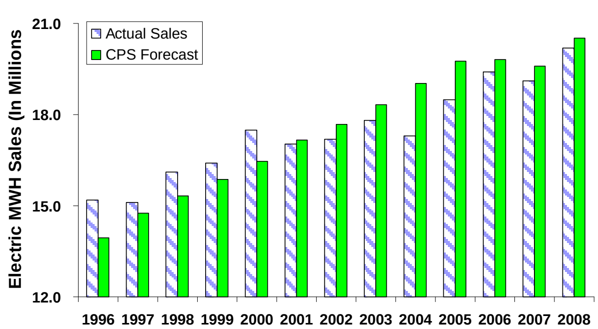
The City's payment from CPS Energy represents the largest source of revenue to the General Fund, accounting for 33% of Budgeted FY 2009 General Fund resources. Fourteen percent of CPS Energy gas and electric customer revenue is paid to the City as a return on investment. The estimated revenue of $254.4 million for FY 2009 is $34.5 million, or 11.93%, lower than the original $288.9 million budgeted in FY 2009 due to a milder than anticipated winter as well as lower than anticipated natural gas costs. Milder weather results in lower sales levels for both the electric and resale gas systems. CPS Energy projects that current economic conditions will negatively impact sales through fiscal year end. In addition, natural gas prices are down causing less electric system revenue, from electric generation and off-system sales, as well as less resale gas system revenue. The forecast for FY 2010 of $251.1 million is $3.33 million, or 1.31% lower than the FY 2009 Estimate. The forecasted amounts for FY 2011 through FY 2014 are based on the FY 2010 Projection adjusted by an average conservative growth rate of 2.33%.

The payment to the City from CPS Energy can fluctuate significantly from year to year. Revenue from CPS Energy is one of the most difficult to project due to a number of variables that can significantly impact CPS Energy revenues and consequently, the City's payment. Therefore, as has been the case for the past several years, the forecasted amount of $251.1 million for FY 2010 is conservative. City staff utilized the CPS Energy forecast as a basis for the development of the forecasted amount. CPS Energy forecasted demand (growth) assumptions were partially discounted and adjustments to forecasted natural gas prices were made. The resulting forecast assumes a normalized weather pattern, discounted forecasted demand, and does not assume continuation of conditions such as very high natural gas prices. The forecast was also developed with consideration for a multi-year forecast outlook, managing the City's reliance on revenues from CPS Energy, as well as the current level of reserves within the City's General Fund.

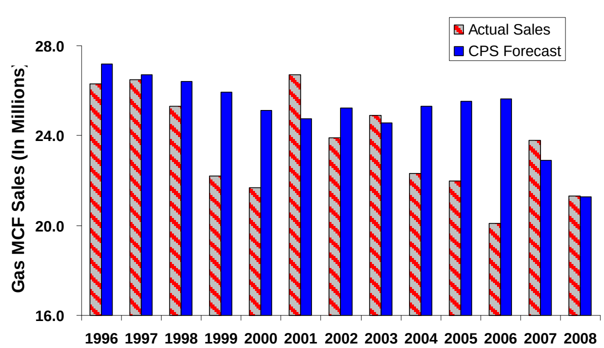
Accurately forecasting the CPS Energy payment revenue is challenged by a number of variables such as the weather, growth of the system, changes in per capita consumption, advances in technology, fuel prices, generation mix, and unscheduled maintenance on generation plants. For the past several years, instability in natural gas prices coupled with fluctuations in demand due to weather have resulted in significant variances in the City's payment from CPS Energy from year to year.

To illustrate the fluctuations in demand, the graphs below reflect CPS Energy's historical electric and gas sales (excluding off-system sales) as compared to forecast. CPS Energy's electric sales increased steadily from FY 1996 to FY 2001. While the electric system has continued to experience growth, electric sales have fluctuated to a greater degree from FY 2002 to FY 2005 primarily related to the weather. With respect to natural gas sales, actual sales fluctuate significantly from year to year largely due to dependence on the weather in the winter months.

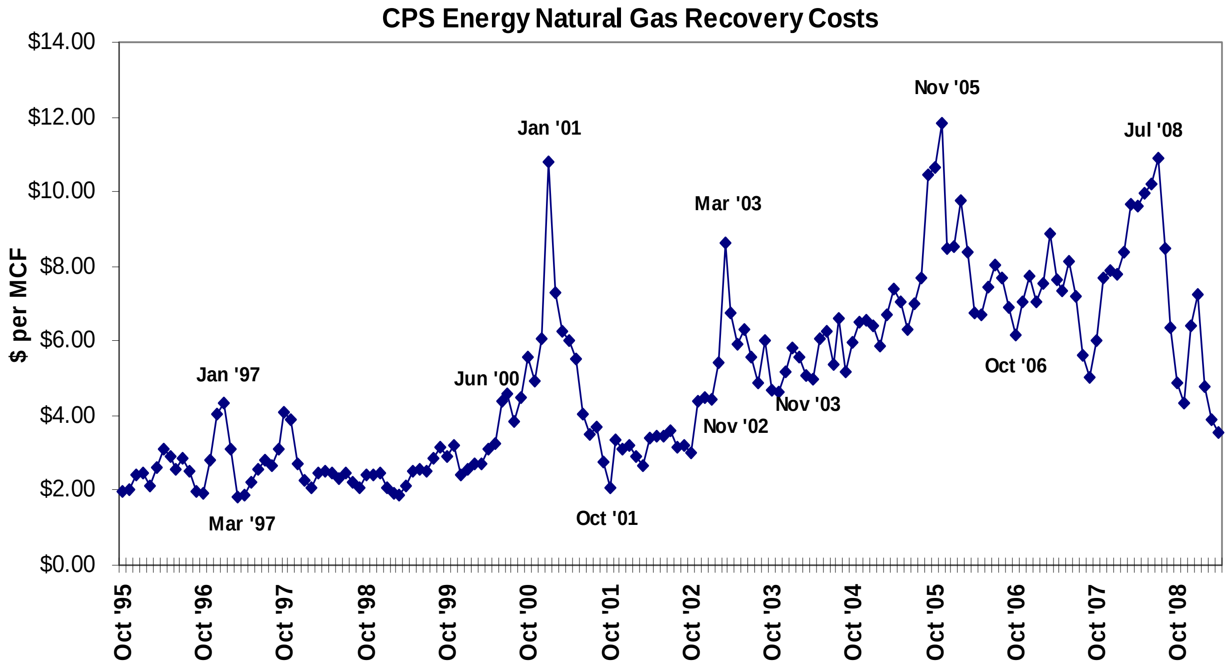
Electric Sales



Natural Gas Sales



Natural gas costs, which are a pass through to rate payers in CPS Energy's electric and gas rates, are a component of CPS Energy fuel costs and can also significantly affect the City's payment from CPS Energy. The following line graph reflects CPS Energy's historical natural gas prices recovered through its rates as a pass-through.



As illustrated in the graph, natural gas prices have become much more volatile since June 2000. Natural gas costs recovered by CPS Energy increased in June 2000 to $4.41 per MCF (Thousand Cubic Feet) and continued to rise reaching a high of $10.78 per MCF in January 2001. Subsequently, nine months later natural gas costs recovered fell to a low of $2.08 per MCF in October 2001 and remained under $4.00 per MCF until November 2002. Natural gas prices recovered by CPS Energy rose again to a high of $8.64 per MCF in March 2003, falling back to $4.63 in November 2003 and have continued to fluctuate upwards since that time to a high of $11.85 per MCF in November 2005. These natural gas costs are included in CPS Energy fuel costs which are passed on to ratepayers through the electric and gas rates. Such significant fluctuations can dramatically affect the City's payment from CPS Energy.

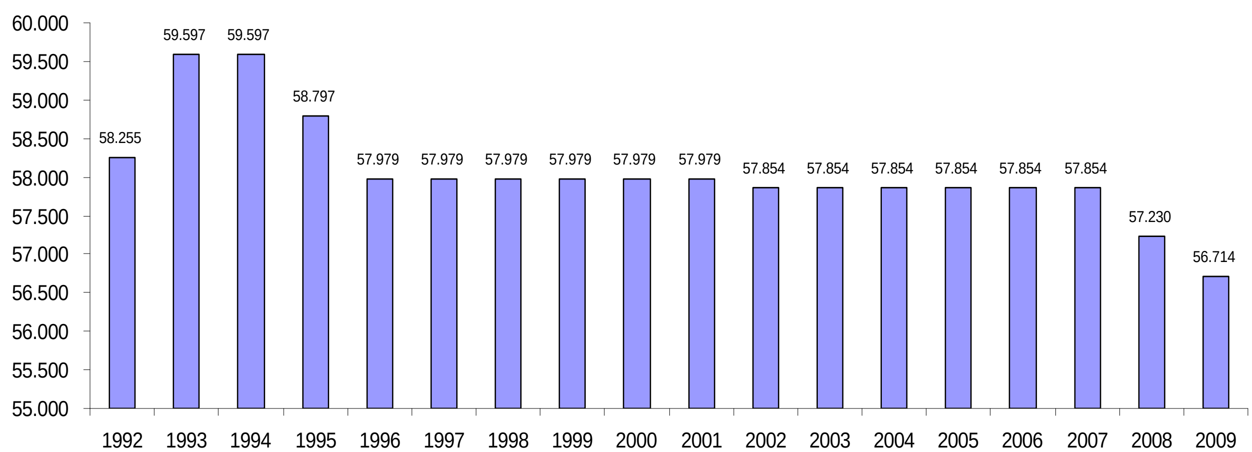
Fluctuations in demand, natural gas costs, and the other aforementioned factors result in the corresponding impacts to the City's total payment from CPS Energy. A review of the electric and natural gas sales and natural gas costs graphs in conjunction with the graph on City payment, demonstrate the correlation between significant fluctuations in the City's payment from CPS Energy and these primary factors. Consequently, the City's projections of the payment from CPS Energy remain conservative. The projections over the five year period do not assume continuation of conditions such as high natural gas prices, but take into consideration other factors such as a multi-year forecast outlook, managing the City's reliance on revenues from CPS Energy, and the current level of reserves within the City's General Fund.

Current Property Tax Revenue—Maintenance & Operations

Projected Annual Rates of Change
FY 2010: 1.75% FY 2011: 2.20% FY 2012: 2.24% FY 2013: 2.65% FY 2014: 2.61%

Property Tax revenue accounts for 27.6% of total Budgeted FY 2009 General Fund resources. This revenue category is comprised of Current Property Tax revenues only. Additional Property Tax revenues collected by the City include Delinquent Property Tax and revenues from penalties and interest on delinquent property taxes. Property Tax revenue is generated from the City's ad valorem tax rate levied against taxable values as determined by Bexar Appraisal District and in conformance with State Law. The property tax revenue projections used in the budget and over the Forecast period are derived from the City's total assessed value less exemptions such as the Over-65, Disabled, and Disabled Veterans exemptions. Additional tax relief provided by the City includes Tax Abatement/Phase-Ins exemptions, Freeport exemptions, Historic Property exemptions, and the 10% Residence Homestead limitation. The revenue estimated to be generated in FY 2009 includes the current property tax rate of 56.714 cents per $100 of taxable valuation. The General Fund maintenance and operation portion is 35.564 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 beyond FY 2009 (FY 2010-FY 2014) assumes a property tax rate of 56.514 cents per $100 of taxable valuation. The General Fund maintenance and operation portion is 35.364 cents with the remaining 21.150 cents used to support the City's debt service requirements.

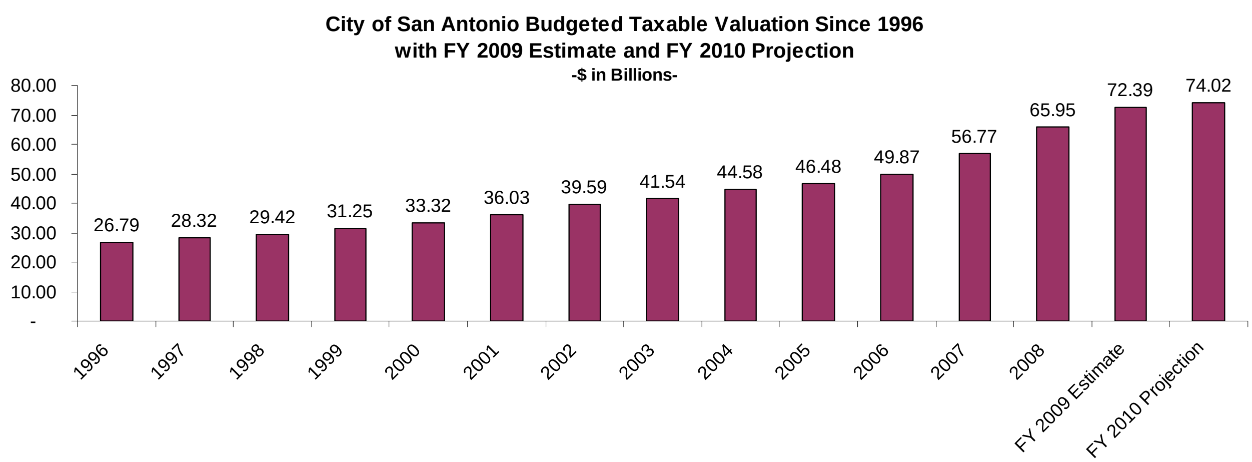
City of San Antonio Property Tax Rates Since 1992
-Cents per $100 Valuation-



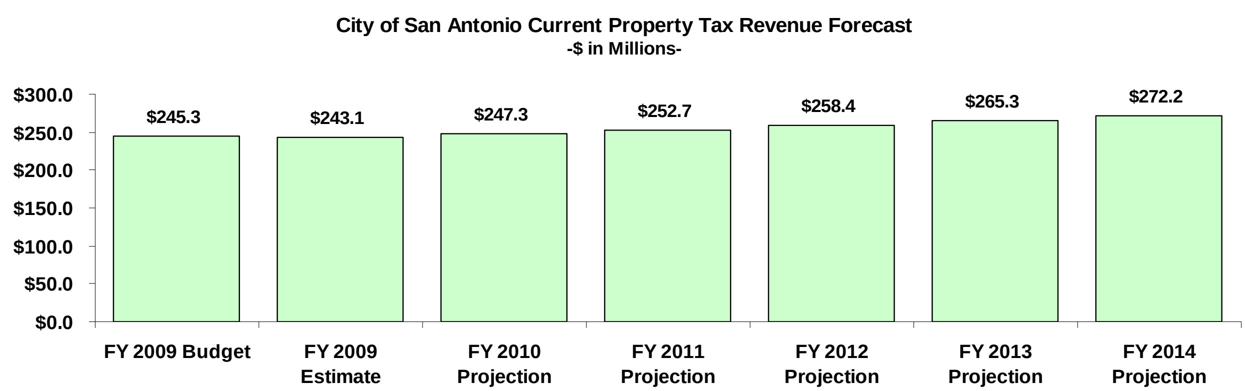
As the previous chart indicates, the City has not increased the property tax rate for sixteen years and has decreased it five times over that same period. Most recently, the FY 2009 Adopted Budget included a decrease in the total tax rate of $0.516 or 1/2 of a cent in recognition of the transfer of the City's Health Clinics (and their associated expense) to the University Health System as approved by City Council. In FY 2010, the tax rate is projected to be reduced by an additional two tenths of a cent as a result of the Health Clinic transfer. Final tax rate calculations will be determined in July of each fiscal year when the City receives its Certified Tax Roll from Bexar Appraisal District.

The projected growth in Property Tax revenue is based on anticipated growth in base taxable values, projected new property value improvements from major commercial developments and new residential growth, as well as annexations. Taxable valuations for FY 2009 are projected to decrease by 0.69% from the original budget of $72.892 billion. The change in taxable value is due to final dispositions of appeals, mediation, litigation in District Court, and filing of late residential exemption applications such as the Over-65 and Disabled Homestead exemptions, which can be filed up to one year in arrears.

Taxable valuations for FY 2010 are projected to increase by 2.25% over the FY 2009 Estimate of $72.392 billion. This reflects a 0.00% base value increase and a 2.25% increase from new improvements. FY 2011 and FY 2012 taxable valuations are estimated to increase by 2.50% while FY 2013 and FY 2014 are estimated to increase by 3.00%. These estimates account for increased valuations from conservative estimates of base value growth, new property improvements, and annexations. The following chart details the City's adopted taxable value since 1996 and includes the estimated taxable value for FY 2009 and projected value for FY 2010 (based on Bexar Appraisal District's preliminary estimate as of April 4, 2009).



Based on the City's current Property Tax rate and the projected taxable valuations, the following graph illustrates the anticipated General Fund Current Property Tax revenue. It is projected that the General Fund will receive $243.1 million in FY 2009 or 0.89% less than the FY 2009 Budget due to ongoing litigation of commercial real property values.



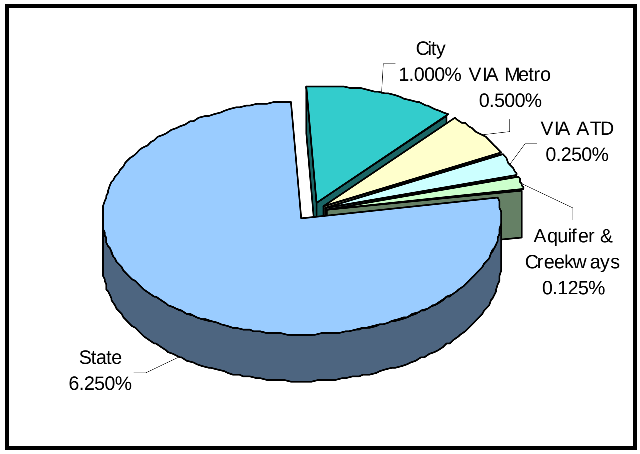
As briefly discussed above, the City's taxable value included in the forecast projections is net of all residential and commercial exemptions, special appraisals, and residence-homestead 10% limitations. In FY 2010, a total of 72,226 property owners are expected to qualify for the $65,000

Over-65 Residence Homestead exemption. The estimated impact of this exemption is $4.325 billion in taxable value loss equating to $24.420 million in property tax revenue that will be exempted in FY 2010, assuming no change in the current ad valorem tax rate of 56.714 cents per $100 of taxable valuation. During this same period, an estimated 10,156 disabled property owners will qualify for the $12,500 Disabled Residence Homestead exemption. The estimated impact of this exemption is $125.000 million in taxable value loss equating to $708,927 in property tax revenue that will be exempted in FY 2010, assuming no change in the current tax rate. Additionally, with the passage of Proposition 3 (Property Tax Freezes for Elderly and Disabled) on the May 7, 2005 ballot, the City will forego an additional $5.876 million in property tax revenue in FY 2010.

City Sales Tax Revenue

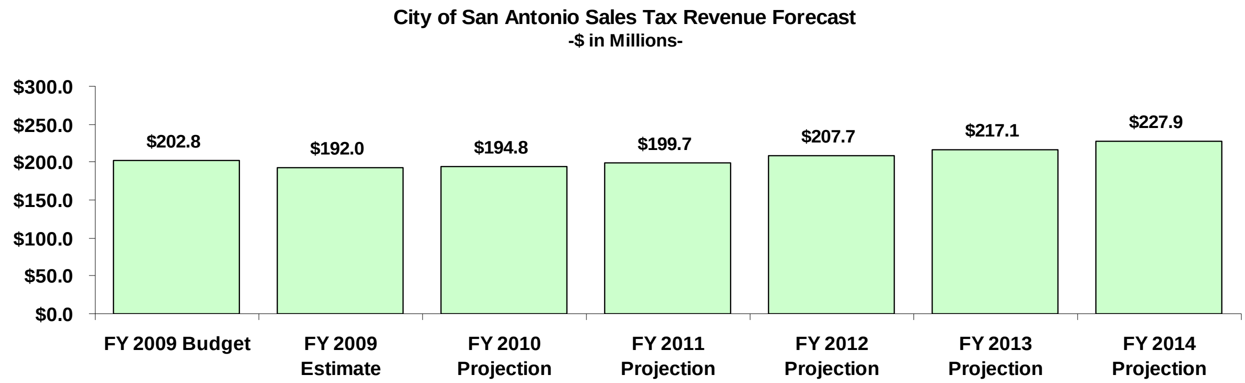
Projected Annual Rates of Change
FY 2010: 1.50% FY 2011: 2.50% FY 2012: 4.00% FY 2013: 4.50% FY 2014: 5.00%

Sales tax revenue collected to support maintenance and operations for the General Fund within the FY 2009 Adopted Budget accounts for 23.0% of all Budgeted FY 2009 General Fund resources. San Antonio's current sales tax rate is 8.125%. Several entities receive percentages of all sales tax proceeds as summarized in the adjacent chart. Currently, one-eighth of a cent remains available before the State mandated cap of 8.25% is reached.



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 shown signs of economic slowdown. Local economic conditions, such as the unemployment rate and economic output, are projected to perform slightly better than national trends for every year throughout the forecast period.

Actual sales tax collections for the current year are projected to be at $192.0 million. This amount is $10.8 million or 5.35% less than the $202.8 million budgeted in FY 2009 for Sales Tax revenue due to the economic slowdown seen throughout the country. These estimates and the projections for the forecast period exclude the sales tax collected by the City for the Edwards Aquifer Protection and Parks Development & Expansion venues, and the City's Advanced Transportation District. General Fund Sales Tax revenues in FY 2010 are projected to increase by 1.50%. Across the Forecast period, revenue levels from this source are expected to grow at an average rate of 3.50%. Future years' projections are based on a regression analysis utilizing U.S. Consumer Price Index, San Antonio Gross Metro Product, and San Antonio Area Unemployment. The following graph illustrates General Fund Sales Tax revenue growth over the forecast period compared to the FY 2009 Budget and Estimate.



Charges for Current Service

Projected Annual Rates of Change
FY 2010: 0.59% FY 2011: 0.73% FY 2012: 0.35% FY 2013: 0.57% FY 2014: 1.10%

This comprehensive category includes revenues related to recreation and culture such as the River Barge and Tower of America revenue contracts, Market Square lease revenues, and 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 the City's wrecker service contract and EMS Ambulance Service fees; and Health revenues generated by birth and death certificates. Actual revenues for the current year are projected to be at $40.7 million or 2.4% below budgeted levels. Projected increases over the forecast period are based on estimated increases in demand or known changes in revenue contracts.

Business and Franchise Taxes

Projected Annual Rates of Change
FY 2010: -0.49% FY 2011: -0.63% FY 2012: -0.52% FY 2013: -0.26% FY 2014: 0.98%

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 former is governed by State Law and is a monthly fee paid to the City on a quarterly basis for each business line ($3.92) and each residential line ($1.17). These fees change every July 1 and the adjustment is based on ½ of the current CPI. The new fees on July 1, 2009 will be $4.01 for business lines and $1.20 for residential lines. The estimated revenue for the City's largest cable television provider, Time Warner Cable (TWC), is estimated to be $10.5 million for FY 2009, or 3.5% lower than the original $10.9 million budgeted in FY 2009. The forecast for FY 2010 of $10.6 million is $0.10 million, or 1% higher than the FY 2009 Estimate. The forecasted amounts for FY 2011 through 2014 are based on the FY 2010 Projection adjustment by a growth rate of 1% annually.

Revenue derived from Certified Telecommunications Providers (CTPs) has been declining based on a decrease in actual line counts as reported by CTPs on a quarterly basis to the Public Utility Commission of Texas. Other Cities throughout Texas, both large and small, are experiencing similar CTP revenue declines. The CTP estimated revenue for FY 2009 of $16.122 million is $0.30 million or 1.84% lower than the FY 2008 actual of $16.425 million.

Licenses and Permits

Projected Annual Rates of Change
FY 2010: -4.15% FY 2011: -0.64% FY 2012: 0.13% FY 2013: 1.49% FY 2014: 1.49%

The FY 2009 Adopted Licenses and Permits budget totals $6.1 million. Of this amount, $3.8 million is generated from licenses. This revenue category includes Alcoholic Beverage licenses, Health licenses such as Food Establishment licenses, as well as professional and occupational licenses including downtown Peddler licenses and Pet Shop licenses. The Permits revenue category, totaling $2.3 million within the FY 2009 Adopted Budget, includes fees from Garage Sales permits, Alarm Fees permits, and Street Lane closures.

Licenses and Permits actual revenues for FY 2009 are projected to be at $5.7 million. This amount is 7.2% below the FY 2009 Budget. The projected rates of annual growth in license revenue over the forecast period project declines in FY 2010 and FY 2011 and then modest growth in FY 2013 and FY 2014 as the economy begins to grow.

Revenue Transfers from Other Funds

Projected Annual Rates of Change
FY 2010: 0.79% FY 2011: 2.42% FY 2012: 2.47% FY 2013: 2.52% FY 2014: 2.20%

Authorized revenue transfers to the General Fund from other City funds are primarily based on charges for indirect costs. The City has an Indirect Cost Plan developed annually that uses a number of factors to determine the maximum recommended costs that can be assessed to Grant and Other Fund funds for General Fund central service support such as payroll, accounting, and legal services. An additional major source of revenue in this category is the Support for History and Preservation Transfer to the General Fund from the Hotel Occupancy Tax Fund. The General Fund receives 15.0% of Hotel/Motel Tax revenues to offset the General Fund's costs of maintaining tourist-related venues such as the River Walk. Because the rate of growth for the Transfers from Other Funds revenue source has varied from year to year, it is difficult to project this revenue source over the forecast period with any consistency.

Miscellaneous Revenue

Projected Annual Rates of Change
FY 2010: -11.94% FY 2011: 21.35% FY 2012: 15.61% FY 2013: 3.90% FY 2014: 12.92%

The Miscellaneous Revenue category includes revenues from interest earned on City revenue investments, the sale of City property including vehicles sold at auction, leases of City property, recovery of expenditures incurred by City forces on certain bond funded capital projects, capital programs administration charges, as well as grant-related recoveries. Current year revenues are projected to be approximately $9.8 million compared to the FY 2009 Budget of $11.7 million. This $1.9 million decrease is largely attributable to actual portfolio interest earnings from City investments being lower than projected earnings due to lower than anticipated interest rates. For FY 2010, total revenue in the Miscellaneous category is expected to be $1.2 million, or 11.94% lower than the $9.8 million estimated in FY 2009. The lower revenue can largely be attributed to an anticipated increase on short-term money investments.

Fines

Projected Annual Rates of Change
FY 2010: 0.01% FY 2011: 0.01% FY 2012: 0.01% FY 2013: 0.01% FY 2014: 0.01%

Revenues in this category include fines for moving and parking violations and probation fees. In FY 2009, this source of revenue is expected to come in $0.34 million or 2.8% over budget. Because of the uncertainty of the factors involved and varied collections from year to year, it is difficult to project this revenue source with any consistency. As such, there is a small projected growth of 0.01% for the forecast years.

San Antonio Water System (SAWS) Payment

Projected Annual Rates of Change
FY 2010: 2.50% FY 2011: 1.50% FY 2012: 1.50% FY 2013: 1.50% FY 2014: 1.50%

The SAWS revenue payment to the City is based on 2.7% of SAWS' total projected revenue for each year of the Forecast period. This payment agreement was initiated in April 1992 when certain City of San Antonio water and waste water systems were consolidated into the San Antonio Water System. The forecasted FY 2009 revenue from SAWS is $9.90 million. This is an increase of $0.02 million from the FY 2009 Budget of $9.88 million. Projections for the forecast period are based on historical revenue experience of SAWS for each of its core businesses.

Liquor by the Drink Tax Revenue

Projected Annual Rates of Change
FY 2010: 3.00% FY 2011: 3.00% FY 2012: 3.00% FY 2013: 3.00% FY 2014: 3.00%

The Liquor by the Drink Tax revenue source (or Mixed Beverage Tax) represents the City's portion of a 14.0% State tax imposed on gross receipts of the sale or service of mixed alcoholic and non-alcoholic beverages. This revenue source can be linked to the performance of the economy. A high correlation exists between this revenue source and various local economic indicators used to project future growth rates. The forecast period amounts are based on conservative figures with an anticipated annualized growth rate of 3.00%.

Other Agencies' Revenue

Projected Annual Rates of Change
FY 2010: -1.48% FY 2011: 2.15% FY 2012: 2.17% FY 2013: 2.17% FY 2014: 2.19%

This category includes revenue primarily from interlocal agreements with Bexar County for health and library services provided to Bexar County residents not residing in the City of San Antonio. The level of contribution from Bexar County is set by agreement. Actual revenue received for FY 2009 is anticipated to be at $6.24 million or $0.28 million over budgeted levels.

BASE BUDGET EXPENDITURES

The General Fund Forecast table shown in the General Fund Forecast section provides a summary of base budget expenditures for the FY 2009 Budget, the FY 2009 Estimate and projected expenditures from FY 2010 to FY 2014. The FY 2009 Budget was adopted in September 2008. The FY 2009 estimated budget is based on an analysis of current fiscal year General Fund expenditure trends by using six months of actual expenditures to project estimated expenditure levels at the end of FY 2009. The FY 2010 base assumes the removal of the one-time improvements included in the FY 2009 Adopted Budget and costs annually modified for price changes.

The inflation rates used to project specific non-personal services expenditures were derived from the San Antonio Consumer Price Index (CPI) projections for each year from 2010 through 2014. These rates and their underlying assumptions are described in the Economic Perspective & Outlook section of this document. Shown below are the assumed inflation rates for each year of the forecast period.

General Fund
CPI Projections

FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
1.59%	2.42%	2.47%	2.52%	2.20%

The following table represents the Base Budget projections for FY 2010 and throughout the forecast period. These projections include transfers to the Streets Maintenance and Improvement Fund and the Animal Care Services Fund.

General Fund
Projected Base Budget Expenditures
($ in Millions)

FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
$895.03	$918.94	$938.12	$953.03	$969.25

GENERAL FUND MANDATED EXPENDITURES AND COMMITMENTS

The following section projects the cost requirements of mandated expenditures and commitments over the FY 2010 – FY 2014 forecast period and their impact to the General Fund. All expenditures shown are incremental and are sorted by Service Delivery Category.

Mandate Title	Funding	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
CAPITAL IMPROVEMENTS OPERATIONS & MAINTENANCE						
Computer Aided Dispatch / Records Management System	One-Time	$ 388,859	$ 42,236	0	0	0
Computer Aided Dispatch / Records Management System	Recurring	2,792,793	1,598,905	1,229,771	0	0
New Fire Stations Operation & Maintenance (No. 51 & No. 52)	One-Time	1,071,608	183,342	367,236	0	0
New Fire Stations Operation & Maintenance (No. 51 & No. 52)	Recurring	1,250,672	523,053	1,510,760	463,613	0
Linear Creekway Security	One-Time	253,622	358,545	11,535	0	0
Linear Creekway Security	Recurring	340,535	636,894	200,125	10,800	0
Park Acquisition and Development Security & Maintenance	One-Time	120,507	39160	109,857	0	0
Park Acquisition and Development Security & Maintenance	Recurring	387,074	340,648	367,268	63,808	0
Voelcker Park Development	One-Time	0	10,000	40,375	0	0
Voelcker Park Development	Recurring	0	68,527	204,631	6,285	0
Hertzberg History Portal	Recurring	0	0	94,770	115,211	0
Mission Branch Library (District 3)	One-Time	136,529	0	0	0	0
Mission Branch Library (District 3)	Recurring	473,375	656,653	0	0	0
Stone Oak Branch Library (District 9)	One-Time	136,529	0	0	0	0
Stone Oak Branch Library (District 9)	Recurring	473,375	656,653	0	0	0
Roosevelt Branch Library	One-Time	25,398	0	0	0	0
Roosevelt Branch Library	Recurring	$ 858,178	0	0	0	0
Subtotal		**$ 8,709,053**	**$ 5,114,616**	**$ 4,136,328**	**$ 659,717**	**0**
CONTRACT REQUIREMENT						
Library Software Maintenance	Recurring	$ 203,407	$ 35,326	0	0	0
Medical Examiner Office Services	Recurring	318,801	263,830	300,024	341,184	387,991
Police & Fire Longevity Pay	Recurring	1,149,859	1,235,080	1,148,950	1,223,251	1,171,163
University of Texas Health Science Center Contract	Recurring	$ 204,218	0	0	0	0
Subtotal		**$ 1,876,285**	**$ 1,534,236**	**$ 1,448,974**	**$ 1,564,435**	**$ 1,559,154**
GRANT MATCH REQUIREMENT						
ReACT Grant Match (Auto Crime Prevention)	Recurring	$ 2,459	$ 2,533	$ 2,609	$ 2,688	$ 2,768
TXDOT DWI Selective Traffic Enforcement Prog. Grant Match	Recurring	16,215	83,785	200,000	0	0
Subtotal		**$ 18,674**	**$ 86,318**	**$ 202,609**	**$ 2,688**	**$ 2,768**
Total One-Time Costs		**$ 2,133,052**	**$ 633,283**	**$ 529,003**	**$ -**	**$ -**
Total Recurring Costs		**8,470,961**	**6,101,887**	**5,258,908**	**2,226,839**	**1,561,922**
Overall Mandate Total		**$ 10,604,012**	**$ 6,735,170**	**$ 5,787,911**	**$ 2,226,839**	**$ 1,561,922**

Commitment Title	Funding	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
AMERICAN RECOVERY & REINVESTMENT ACT						
COPS Hiring Recovery Program (100 Officers)	One-Time	$ 1,676,300	0	0	0	0
COPS Hiring Recovery Program (100 Officers)	Recurring	524,060	1,153,997	76,200	1,692,143	2,040,050
COPS Hiring Recovery Program (100 Officers) - Prefund	Recurring	500,000	2,000,000	2,000,000	1,000,000	0
Border Narcotics Grant (17 Officers, 4 Civilians)	Recurring	0	0	2,485,260	52,005	53,565
Mobile Computer Replacement Fund (JAG Grant)	Recurring	0	$ 1,166,667	0	0	0
Subtotal		**$ 2,700,360**	**$ 4,320,664**	**$ 4,561,460**	**$ 2,744,148**	**$ 2,093,615**
Total One-Time Costs		**$ 1,676,300**	**0**	**0**	**0**	**0**
Total Recurring Costs		**1,024,060**	**4,320,664**	**4,561,460**	**2,744,148**	**2,093,615**
Overall Commitment Total		**$ 2,700,360**	**$ 4,320,664**	**$ 4,561,460**	**$ 2,744,148**	**$ 2,093,615**

Mandates are defined as programs which the City is required to support as stipulated by Federal, State, or Local Law, contractual obligation, or in order to support operations and maintenance costs for completed capital improvement projects. Commitments include City expenses for grants received in connection with the American Recovery & Reinvestment Act. The mandated expenditures and commitments summarized in the chart above are shown on the following pages in greater detail.

CAPITAL IMPROVEMENTS OPERATIONS & MAINTENANCE

Computer Aided Dispatch System / Records Management System: This mandate, totaling $3,181,652 for FY 2010, would support the implementation, operations and maintenance of the Computer Aided Dispatch (CAD) and Records Management System (RMS) capital improvement project by providing funding for personnel, training, software and equipment costs. The CAD/RMS will improve the effectiveness of public safety services, allow for better sharing of information among neighboring jurisdictions, and coordinate responses to large emergencies. This mandate includes $388,859 in one-time costs in FY 2010 and a total cost of $1,641,141 in FY 2011.

New Fire Stations Operation & Maintenance: Consistent with the Capital Improvements Program, this mandate provides funding to address costs and capital needs for new Fire Stations No. 51 and No. 52. The total cost for FY 2010 would be $2,322,280 to include $1,071,608 in one-time costs. The forecast schedule for the mandated costs associated with these new fire stations may change as a result of actual fire station completion dates.

Linear Creekway Maintenance & Security: Proposition I and II passed in May 2005 provides for the acquisition of land over Edwards Aquifer from sales tax funds and acquisition and development of linear creeks including Leon, Salado Creeks and Medina River. New trail development anticipated in FY 2010 equals 12.8 miles with additional trail amenities and improvements. In FY 2011 new trail development equals a total of 4.9 miles. This mandate, totaling $340,535 in recurring costs and $253,622 in one-time expenses in FY 2010, provides funding for maintenance and security for these voted approved property acquisitions.

Park Acquisition and Development – Maintenance and Security: This mandate, totaling xx, provides funding for maintenance and security of park acquisitions and park infrastructure improvements totaling approximately 115 new acres of new parkland and associated park amenities.

Voelcker Park Development: This mandate includes $68,527 in recurring costs and $10,000 in one-time expenses for the development and maintenance of Voelcker Park for FY 2011. There is no fiscal impact associated with this mandate for FY 2010. Funding would provide for maintenance related expenses with an incremental increase of $245,006 in FY 2012.

Hertzberg History Portal: This mandate, totaling $94,770 in FY 2012, provides funding for a new 5,000 square foot facility in the Hertzberg Building which will be renovated to become the Western Arts Museum. City Council approved an agreement with the National Western Art Foundation to create a work-class western art museum and library history center. Construction is scheduled to begin in May 2011. The History Portal will be open 70 hours per week. There is no fiscal impact associated with this mandate for FY 2010 and FY 2011. To support continued operations and maintenance, this mandate includes an incremental cost of $115,211 for FY 2013.

Mission Branch Library (District 3): The 2007 Bond Program approved funding for the construction of a new library in District 3. Named the Mission Branch Library, this new facility will be 15,000 square feet or more and is projected to be completed and open for service in December 2010. This mandate, totaling $609,904 in FY 2010, would provide for general maintenance and operations at the new branch library. The incremental cost in FY 2011 would be $656,653.

Stone Oak Branch Library (District 9): The Stone Oak Branch Library is a new branch funded through 2007 GO Library Improvement Bonds and Certificates of Obligation. The branch will be 15,000 square feet or more and will open for service in December 2010. The cost for this mandate is $609,904 in FY 2010 with an incremental cost of $656,653 in FY 2011.

Roosevelt Branch Library: The Roosevelt Branch Library, a cooperative branch library with the North East Independent School District (NEISD), will be located within Roosevelt High School. The 17,000 square foot facility will open in October 2009 and will be available to the public with a schedule similar to other public branch libraries. This mandate includes $858,178 in recurring costs and $25,398 in one time costs for FY 2009. Final costs for each entity will be determined through a service agreement.

CONTRACT REQUIREMENTS

Library Software Maintenance: This mandate, totaling $203,407 for FY 2010, provides funding for software maintenance and licenses for Early Literacy Stations as well as maintenance for the Library's radio-frequency identification (RFID) system and Millennium-based operating system. The incremental increase in FY 2011 would be $35,326.

Medical Examiner Office Services: In 2006, the City entered into a one-year, Interlocal Agreement with Bexar County in which Bexar County would provide the City with forensic science services. The agreement included four, one-year automatic renewals. This mandate, totaling $318,801 in FY 2010, addresses the minimum guaranteed amount as based on the total amount of all fees invoiced to the City by the County for services rendered during the previous fiscal year. The incremental increase for FY 2011 is projected to be $263,830.

Police & Fire Longevity Pay: This mandate provides funding to address increases in salary based upon years of service for all uniform personnel. The total cost in FY 2010 is $1,149,859 and the incremental cost for this mandate in FY 2011 would be $1,235,080.

University of Texas Health Science Center Contract: The City entered into an Interlocal Agreement with the University of Texas Health Science Center (UTHSC) to provide EMT and Paramedic certification for San Antonio Fire Department personnel, as well as Medical Director and EMS system oversight services to the Fire Department’s Emergency Medical Services Division. The total cost in FY 2010 is $204,218.

GRANT MATCH REQUIREMENTS

ReACT Grant Match (Auto Crime Prevention): The Regional Auto Crimes Team (ReACT) Program was established to perform proactive programs such as conducting salvage inspections, surveillance of high auto theft and recovery areas, and holding auto theft prevention seminars with civil groups. The base cash match for this project is $590,455. This mandate, totaling $2,459, for FY 2010, would provide the additional cash match needed to address increases in salary based upon years of service for City personnel.

TxDOT DWI STEP Grant Match: The Texas Department of Transportation (TxDOT) DWI Selective Traffic Enforcement Program (STEP) program is designed to assist the City of San Antonio Police Department to increase its DWI enforcement through overtime efforts of Traffic Officers. FY 2010 will represent the eighth year that the City will participate in the STEP and would require a $16,215 cash match for FY 2010. The incremental increase for FY 2011 would be $83,785.

AMERICAN RECOVERY & REINVESTMENT ACT

COPS Hiring Recovery Program (100 Officers): As part of the American Recovery & Reinvestment Act of 2009, the Department of Justice allocated $1 billion nationwide for the hiring of additional career law enforcement officers. The COPS Hiring Recovery Program is a competitive grant program that provides funding directly to law enforcement agencies having primary law enforcement authority to create and preserve jobs and to increase their community policing capacity and crime-prevention efforts. Through this program, the City of San Antonio submitted a grant requesting funding for 100 Police Officers. The mandate figures listed below and in the preceding table are contingent upon the award amount from the Federal Government. The grant covers the majority of new Police Officers costs for a three-year period and requires the City to retain the Officers for 12 months beginning in year four. Starting in FY 2010, this mandate includes $1,676,300 in one-time equipment costs and $524,060 in recurring costs for non-eligible expenses. Additionally the forecast sets aside funds annually, starting with $500,000 in FY 2010, to prepare for the end of the grant period when the City will be required to fully fund the cost of the 100 Police Officers.

Border Narcotics Grant (17 Officers, 4 Civilians): As part of the American Recovery & Reinvestment Act of 2009, the Department of Justice has allocated nearly $30 million to local governments to provide assistance for law enforcement to combat criminal narcotics activity stemming from the Southern Border. As approved by City Council, San Antonio's competitive grant application requests 17 officers, four crime analysts, two canines and other resources to include patrol vehicles, surveillance technology and protective equipment. The mandate figures listed below and in the preceding table are contingent upon the award amount from the Federal Government. If the application is approved in full, the grant would provide full cost of personnel and equipment for a two-year period. This mandate, with a recurring cost of $2,485,260 in FY 2012, would provide the full-year costs associated with the end of this two year period.

Mobile Computer Replacement Fund (JAG Grant): As part of the American Recovery & Reinvestment Act of 2009, the Department of Justice has allocated nearly $2 billion nationwide to support local governments in a broad range of activities to prevent and control crime and improve the criminal justice system. The San Antonio Region, including Bexar County, City of San Antonio, Balcones Heights, Leon Valley, Universal City, and Live Oak, was allocated $4.2 million. As approved by City Council, San Antonio will use its allocation of $2.02 million to fund the replacement of Mobile Data Terminals (MDT). These specialized laptop computers are located in police vehicles and aid in communication with Central Dispatch. The recurring cost of this mandate in the amount of $1,166,667 would be set aside annually in an effort to prepare for the replacement of the MDTs at the end of its three-year life.

POLICY ISSUES

Policy Issues are highlighted below the adjusted ending balance after the recommended FY 2009 Mid-Year Budget Adjustment to illustrate more clearly the fiscal impact of increases in the cost of civilian and uniform employee compensation. Additional policy issues include operating such as Haven for Hope.

Employee compensation policy issues shown in the forecast illustrate the impact of adding 1% increase in FY 2010 for cost of living adjustment and performance pay for civilian employees as well as the cumulative impact of the Pay Plan Implementation for each year of the forecast period. Additionally, the policy issues show the cumulative impact of adding 1% compensation increase for fire and police collective bargaining for every year of the forecast.

FINANCIAL RESERVES FUNDS

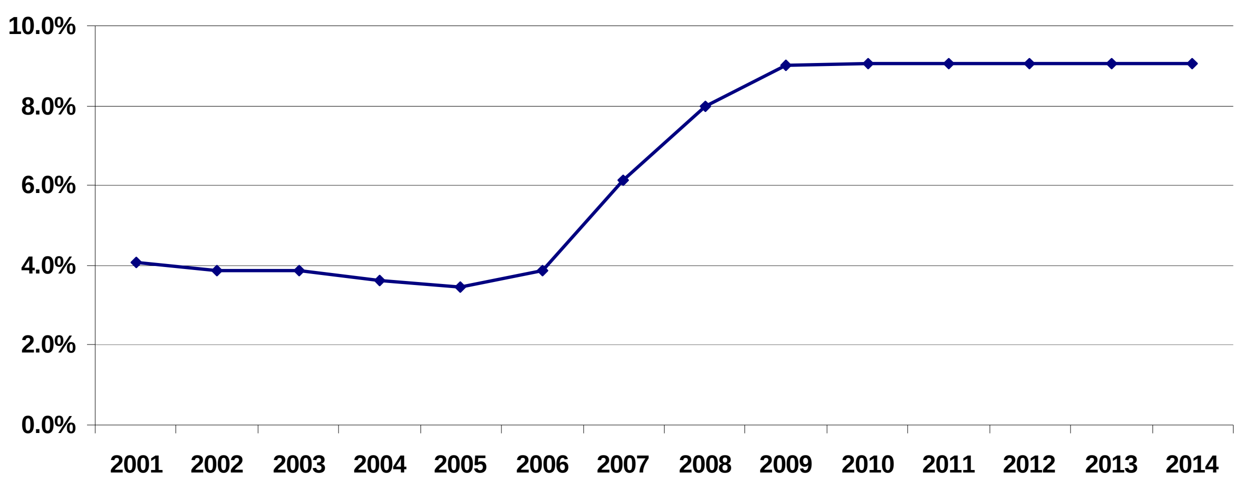
The establishment and maintenance of appropriate reserves within the General Fund is critical to prudent financial management. Financial reserves provide budgetary flexibility for unexpected events or emergencies, to withstand financial emergencies, and to protect the City from the usual unevenness in revenue-expenditure patterns.

The Government Finance Officers Associations (GFOA) recommends that local governments, regardless of size, maintain a General Fund financial reserve amount of no less than one (8%) to two months (17%) of operating expenditures. In addition to the benefits listed above, GFOA lists increased levels of reserves as one factor in credit rating agencies determining a municipality's creditworthiness.

As illustrated in the graph below, financial reserve levels have increased from just under 4.0% in 2006 to 9.0% in 2009. This represents a total reserve amount of $83.7 million. These Financial Reserves should only be used in the event of an unforeseen or extraordinary occurrence such as a natural disaster, catastrophic change in the City's financial position, or the occurrence of a similar event. Funds should only be drawn from the reserve if absolutely necessary to address such an extreme occurrence. In the event reserve funds are utilized, the replenishment of these funds through the next Budget should be a priority.

The FY 2010 – FY 2014 Forecast recommends maintaining a general fund reserve level of 9.0% of General Fund appropriations.

Annual Budgeted Financial Reserves as a % of Appropriations



HOTEL OCCUPANCY TAX-RELATED FUNDS

CONVENTION, TOURISM, AND ENTERTAINMENT SERVICES

Hotel Occupancy Tax Fund

The Hotel Occupancy Tax (HOT) Fund accounts for revenues received from Hotel Occupancy Tax Collections. The fund supports the City's convention and tourism activities through transfers to the Community and Visitor Facilities Fund (CVF), the Convention and Visitors Bureau Fund (CVB) and the Cultural Affairs Fund. The fund also supports various visitor related activities such as maintenance of the River Walk, HemisFair Park, and La Villita through a transfer of a portion of its HOT revenues to the General Fund under History and Preservation.

The following is the Financial Forecast for the Hotel Occupancy Tax Fund. It reflects projections for a five year period from FY 2010 through FY 2014. 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, ending balances and potential adjustments.

	FY 2009 Budget	FY 2009 Estimate	FY 2010 Projection	FY 2011 Projection	FY 2012 Projection	FY 2013 Projection	FY 2014 Projection
RESOURCES							
Beginning Balance	$7,734	$9,775	$1,053	$46	$0	$0	$0
Hotel Occupancy Tax	56,453	54,200	55,013	57,214	60,074	63,078	66,232
Interest Earnings	864	351	377	772	1,115	1,202	1,534
Miscellaneous Revenue	80	80	78	78	79	78	78
Use of Two-Year Balanced Budget Reserve	0	0	4,000	0	0	0	0
TOTAL RESOURCES	**65,131**	**64,406**	**60,521**	**58,110**	**61,268**	**64,358**	**67,844**
TRANSFERS							
Community & Visitor Facilities Fund (CVF)	17,738	16,827	20,087	19,363	19,714	19,930	19,435
Convention & Visitors Bureau Fund (CVB)	20,507	20,391	20,510	20,827	21,145	21,462	21,710
Cultural Affairs Fund (CAF)	8,466	8,410	8,250	8,506	8,935	9,386	9,859
Support for History and Preservation	8,468	8,130	8,252	8,507	8,936	9,387	9,860
Other Transfers	2,595	2,595	2,610	2,649	2,691	2,738	2,778
Medical Inflation- Cumulative	0	0	266	559	881	1,235	1,624
Facility Renewal & Improvement	3,000	3,000	500	750	1,000	1,250	1,500
Convention Center Capital Reserve	0	0	0	500	500	500	500
TOTAL TRANSFERS	**60,774**	**59,353**	**60,475**	**61,661**	**63,802**	**65,888**	**67,266**
Reserve for Two-Year Balanced Budget	4,000	4,000	0	0	0	0	0
ENDING BALANCE / ADJ. REQUIRED	***$357***	***$1,053***	***$46***	***($3,551)***	***($2,534)***	***($1,530)***	***$578***
RECOMMENDED FY 2009 MID YEAR ADJUSTMENTS							
Additional Beginning Balance			1,132	1,017	0	136	1,537
2% Departmental Budget Reductions		(1,132)					
Subtotal Adjustments	0	(1,132)	0	0	0	0	0
ADJUSTED ENDING BALANCE / (ADJ. REQUIRED)	***$357***	***$2,185***	***$1,178***	***($2,534)***	***($2,534)***	***($1,393)***	***$2,115***
POLICY ISSUES (DEPARTMENTAL FUNDING)							
Hold Transfer to CVF Fund at 0% Growth in FY 2011			0	(1,887)	0	0	0
Grow Transfer to CVF Fund at 3%			0	0	(2,607)	(2,873)	(2,876)
Hold Transfer to CVB Fund at 0% Growth for FY 2010 and 2011			(145)	(965)	0	0	0
Grow Transfer to CVB Fund at 3% instead of 3-yr Average			0	0	(967)	(958)	(847)
Hold Transfer to CAF Fund flat at 0% Growth in FY 2011			0	(332)	0	0	0
Grow Transfer to CAF at 3% instead of 5%			0	0	(513)	(709)	(919)
Subtotal Departmental Funding	**0**	**0**	**(145)**	**(3,184)**	**(4,087)**	**(4,540)**	**(4,642)**
ADJUSTED ENDING BALANCE / (ADJ. REQUIRED)	***$357***	***$2,185***	***$1,323***	***$650***	***$1,553***	***$3,147***	***$6,757***
POLICY ISSUES (EMPLOYEE COMPENSATION & BENEFITS)							
COLA & Performance Pay- One Year (FY 2010) (Cost for every 1%)			228	228	228	228	228
Pay Plan Implementation Five Years (Steps)-Cumulative			78	969	1,189	1,382	1,537
Subtotal Compensation & Benefits	**0**	**0**	**306**	**1,197**	**1,417**	**1,610**	**1,764**
ADJUSTED ENDING BALANCE / (ADJ. REQUIRED)	***$357***	***$2,185***	***$1,017***	***($547)***	***$136***	***$1,537***	***$4,993***

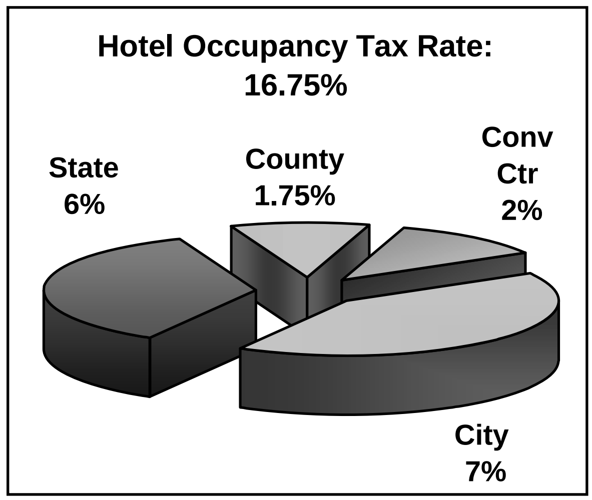
Analysis of Revenues vs. Expenditures

The Hotel Occupancy Tax Fund Forecast table presents a comparison of projected yearly revenues, projected current services expenditures, projected mandates and resulting projected balances in the Hotel Occupancy Tax Fund over the forecast period. The ending balance reflects the difference between the beginning balance plus operating revenues and operating expenditures. During the forecast period, the $4.0 million Reserve for Two-Year Balanced Budget will be expensed as necessary to cover shortfalls and maintain the solvency of the Fund.

As shown in the Hotel Occupancy Tax Fund Forecast, the Fund experiences shortfalls in the out-years between 2011 and 2013. The anticipated shortfalls are a result of the combination of an overall downturn in the economy resulting in a decreased growth rate of HOT collections along with the rising cost of commodities and inflation which increase the total expense to be incurred by HOT supported departments.

Revenues

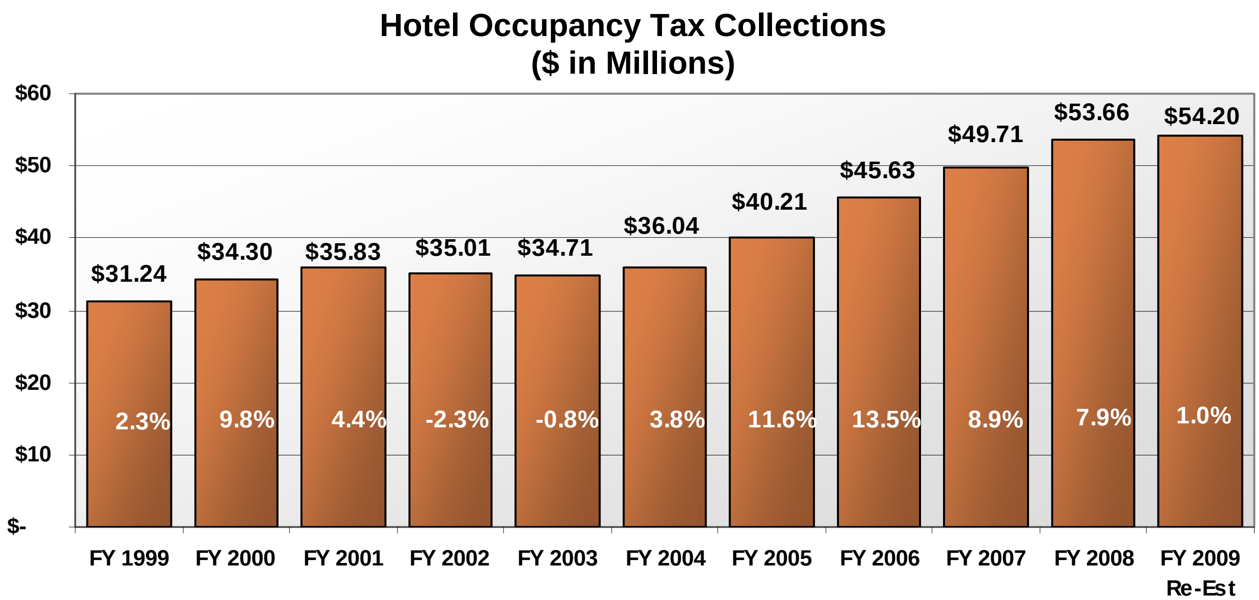
The current Hotel Occupancy Tax (HOT) rate of 16.75% levied on every room night charge is comprised of 6% for the State, 7% for the City, 2% for the Convention Center Expansion Debt Service and future Convention Center Projects, and 1.75% for Bexar County's Venue Tax Projects which were approved by voters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



HOT revenue projections are based upon 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 discussed in the Economic Perspective and Outlook section of the Forecast.

HOT revenue is estimated to be $54.2 million for FY 2009, which is 4.0% below the FY 2009 Adopted Budget of $56.4 million. HOT revenues are projected to increase at annual rates of 1.5% (FY 2010), 4.0% (FY 2011), 5.0% (FY 2012), 5.0% (FY 2013) and 5.0% (FY 2014) during the Forecast period years. The current year decline in HOT revenue is attributable to several factors including an overall decline in hotel occupancy levels, stagnant demand, as well as a drop in average daily hotel room rates. In particular, hotels in the Downtown area have felt the decline as the number of Convention Delegates has slowed with economic recession. San Antonio's position as one of Texas's top leisure destinations continues to be a source of support for the hotel industry as San Antonio remains home to the State's top two tourist attractions, the Alamo and the River Walk, according to the State of Texas Office of Economic Development and Tourism.

As the historical HOT Collections graph shows below, over the past ten years, the City's HOT Collections have increased 73%.



The dedicated 2% HOT revenue collections for the Convention Center Debt Service is recorded within a separate fund and is not reflected in HOT revenue projections within the Hotel Occupancy Tax Fund. However, should an event occur which would slow the collection of the 2% tax to the extent that the costs of the Convention Center Debt Service could not be covered, such as the unlikely onset of a severe economic downturn, the City would be required to transfer up to 5.25% of all HOT collections from the Hotel Occupancy Tax Fund to support the Convention Center Debt Service shortfall. Such a transfer would only occur should the anticipated 2% dedicated tax revenue stream not produce the expected revenue amounts.

The primary sources of revenue for the Convention, Sports, and Entertainment Facilities Department are facility rentals, catering and concession commissions, reimbursable expenses, parking revenue and various event-related fees from the Alamodome, Henry B. Gonzalez Convention Center, Lila Cockrell Theater, and Municipal Auditorium. Revenues for the facilities are based on event mix projections for each of the years in the Forecast period.

The Forecast for the Hotel Occupancy Tax Fund assumes a re-estimate of revenues for FY 2009 as the starting point.

Current Services Expenditures

This section of the Forecast projects expenditures based on the current services level. The current services level assumes that Arts and Cultural Agencies Funding and Support for History and Preservation will remain at 15% of HOT collections. The FY 2010 target assumes the removal of the one-time improvements included in the FY 2009 Adopted Budget.

The inflation rates used to project non-personal services expenditures were derived from the national Consumer Price Index (CPI) projections for each year from 2010 through 2014. These rates and their underlying assumptions were described in the Economic Perspective and Outlook chapter. Shown in the following table are the assumed inflation rates for each year of the Forecast period:

FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
1.59%	2.42%	2.47%	2.52%	2.20%

Included in the Current Services expenditure amounts are adjustments to assessments needed to sustain the City's Information Technology, Employee Benefits and Liability programs that are funded by the City's internal service funds.

Policy Issues

Convention Center Capital Reserve- In order to identify resources for future capital upgrades or additions to the Henry B Gonzalez Convention Center Complex, the forecast includes $500 thousand annually beginning in FY 2011 to fund a Convention Center Capital Reserve. The funds placed in the reserve are transferred from the gross HOT Revenue before any funding methodology is applied to include assigning the 15 percent allocations for Arts and History & Preservation.

Employee Compensation- Employee compensation policy issues shown in the forecast illustrate the impact of adding 1% increase in FY 2010 for cost of living adjustment (COLA) and performance pay for civilian employees as well as the cumulative impact of the Pay Plan Implementation for each year of the forecast period. The estimated cost to the HOT Fund for every 1% of COLA in FY 2010 is $228,000 annually. Over the five-year forecast period, the incremental costs to the HOT Fund for the Pay/Step Plans are as follows: $78,000 (FY 2010), $891,000 (FY 2011), $220,000 (FY 2012), $193,000 (FY 2013), and $155,000 (FY 2014).

Departmental Funding- HOT Department expenditure budgets have risen nearly 27 percent between FY 2006 and FY 2009 while HOT Collections have only grown 18 percent over the same time period. This growth in expenditures coupled with declining HOT and Convention Facility Revenues in the wake of the economic recession has created a structural imbalance within the Fund as exhibited in the Forecast Schedule.

In an effort to address the forecasted deficits, a workgroup comprised of representatives from the Convention & Visitors Bureau, Convention, Sports & Entertainment Facilities, Office of Cultural Affairs, Office of Management & Budget, Finance Department, and the City Manager's Office have worked to formulate a multi-year plan to restore the fund's solvency. This plan is based upon the following assumptions:

Community & Visitor Facilities Fund (CVF)- The CVF Fund's transfer from the HOT Fund for Fiscal Year 2010 will be equal to the Fund's total expense budget less the projected revenues for the Convention Center and Alamodome. This is designed to enable the Fund to accommodate uncontrollable increases in certain line items including labor and utilities. In FY 2011, the CVF's transfer will not grow net of the annual changes in the Fund's mandated Hosting Obligation Costs associated with pre-programmed conventions and meetings. Following FY 2011, the CVF Fund's transfer will grow by 3 percent annually* instead of by the current method of subsidizing the difference between the total expense budget and facility revenues.

Convention & Visitors Bureau Fund (CVB)- The CVB's transfer from the HOT Tax will not increase above the FY 2009 Adopted Budget amount of $20.5 million for Fiscal Years 2010 and

2011. Following FY 2011, the CVB's transfer will grow by 3 percent annually* instead of its current funding mechanism which is tied to a revolving percentage of the HOT Revenues.

Cultural Affairs Fund (CAF) - The CAF's transfer from the HOT Tax will be set at the maximum amount of 15 percent of HOT Revenue for FY 2010. In FY 2011, this transfer will not increase, but will grow 3 percent annually* for Fiscal Years 2012-2014 instead of the projected growth in HOT Revenue that would be needed to maintain the CAF at the 15 percent cap.

**The 3 percent annual growth goal is derived from the 10-year average in the Consumer Price Index as determined by the Bureau of Labor Statistics*

Community and Visitor Facilities Fund

The Community and Visitor Facilities Fund (CVF) accounts for revenues and expenditures generated from convention, tourism, sports, and entertainment related activities. In order to increase efficiency, the Community and Visitor Facilities Fund combines the resources of the Convention, Sports, and Entertainment Facilities Department and International Affairs to fund the operations of the Alamodome, Convention Facilities, and the protocol unit of the International Affairs Department. It is funded primarily through revenues generated from the City's sports, entertainment and convention facilities as well as a transfer from the Hotel Occupancy Fund.

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

Community and Visitor Facilities Fund Forecast
($ In Thousands)

	FY 2009 Budget	FY 2009 Estimate	FY 2010 Projection	FY 2011 Projection	FY 2012 Projection	FY 2013 Projection	FY 2014 Projection
RESOURCES							
Beginning Balance	$0	$0	$0	$0	$0	$0	$0
Alamodome Revenue	5,554	5,329	6,120	6,236	6,410	6,590	6,776
Convention Center Revenue	10,564	10,670	9,019	9,239	9,513	9,984	10,479
Other Revenue	1,040	1,108	1,033	784	561	568	575
Transfer from Hotel Occupancy Tax	17,738	16,827	20,087	19,363	19,714	19,930	19,435
TOTAL RESOURCES	**34,895**	**33,935**	**36,258**	**35,621**	**36,198**	**37,072**	**37,265**
EXPENDITURES							
Base Budget*	34,895	33,935	34,354	34,725	35,405	36,057	36,512
Mandates (Incremental)	0	0	1,905	897	793	1,015	753
TOTAL EXPENDITURES	**34,895**	**33,935**	**36,258**	**35,622**	**36,198**	**37,072**	**37,265**
ENDING BALANCE	***$0***	***$0***	***$0***	***$0***	***$0***	***$0***	***$0***

* Base Budget expenditures for Convention, Sports & Entertainment Facilities , International Affairs, and Non-Departmental.

Mandates

CVB Hosting Obligations- This mandate will fund costs associated with the annual contractual obligations incurred to support major conventions, meetings and/or events. Every year the departments negotiate with various nationally prominent organizations to successfully ensure the selection of San Antonio as the destination for their annual meetings, conventions and/or special events. Some of the events currently planned for FY 2010 include the National League of Cities, Alcoholics Anonymous Quinquennial, and GameStop conventions. In FY 2010, these hosting obligations are estimated to be $1,482,458.

NCAA Event Hosting Obligations- In 2010 The City of San Antonio will play host to two National Collegiate Athletic Association (NCAA) events: the Women's Final Four Tournament and a Notre Dame Football Game. The hosting obligation for the Women's Final Four of $247,060 is associated with contractual obligations to the NCAA related to operating expenses including pipe and drape, electrical expenses, seating, and signage for the event. The hosting obligation associated with the Notre Dame Football Game is $125,000 and includes ticketing, operational staff, game officials, medical staff, and advertising for the event.

Bexar County Performing Arts Center- In the summer of FY 2010, the City will convey the Municipal Auditorium to the Bexar Country Performing Arts Center Foundation for construction of the new performing arts theater. As part of the Development Agreement between the City and the Foundation, the City will contribute $500 thousand annually for five-years to the project. This payment is anticipated to begin during FY 2011.

Community and Visitor Facilities Fund Mandates
-Expenditures Shown Incrementally-

Mandate Title	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
CVB Hosting Obligations (One-Time)	$ 1,482,458	$ 347,480	$ 242,510	$ 465,200	$ 203,125
NCAA Women's Final Four (One-Time)	$ 247,060	$0	$0	$0	$0
Notre Dame Football Game (One-Time)	$ 125,000	$0	$0	$0	$0
Bexar County Performing Arts Center (Recurring)	$0	$ 500,000	$0	$0	$0
TOTALS	**$ 1,854,518**	**$ 847,480**	**$ 242,510**	**$ 465,200**	**$ 203,125**

Convention and Visitors Bureau Fund

The Convention and Visitors Bureau Fund accounts for revenues and expenditures generated in Marketing and Promotion of San Antonio as a premier leisure and convention destination. It is supported from revenues generated by the Convention and Visitors Bureau as well as a transfer from the Hotel Occupancy Tax Fund.

The following is the Financial Forecast for the Convention and Visitors Bureau Fund.

Convention and Visitors Bureau Fund Forecast
($ In Thousands)

	FY 2009 Budget	FY 2009 Estimate	FY 2010 Projection	FY 2011 Projection	FY 2012 Projection	FY 2013 Projection	FY 2014 Projection
RESOURCES							
Beginning Balance	$0	$0	$0	$0	$0	$0	$0
Current Revenue	130	130	130	133	135	137	140
Transfer from Hotel Occupancy Tax	20,507	20,391	20,510	20,827	21,145	21,462	21,711
TOTAL RESOURCES	**20,637**	**20,521**	**20,640**	**20,960**	**21,280**	**21,599**	**21,851**
EXPENDITURES							
Base Budget	20,637	20,521	20,640	20,960	21,280	21,599	21,851
TOTAL EXPENDITURES	**20,637**	**20,521**	**20,640**	**20,960**	**21,280**	**21,599**	**21,851**
ENDING BALANCE	***$0***	***$0***	***$0***	***$0***	***$0***	***$0***	***$0***

Cultural Affairs Fund

The Cultural Affairs Fund accounts for expenditures generated from the leadership, resources, and support for arts and cultural organizations. The fund accounts for the operating expenditures of the Office of Cultural Affairs as well as the contributions made to art and cultural agencies. It is supported through a transfer from the Hotel Occupancy Tax Fund.

The following is the Financial Forecast for the Cultural Affairs Fund.

Cultural Affairs Fund Forecast
($ In Thousands)

	FY 2009 Budget	FY 2009 Estimate	FY 2010 Projection	FY 2011 Projection	FY 2012 Projection	FY 2013 Projection	FY 2014 Projection
RESOURCES							
Beginning Balance	$0	$0	$0	$0	$0	$0	$0
Transfer from Hotel Occupancy Tax	8,466	8,410	8,250	8,506	8,935	9,386	9,859
TOTAL RESOURCES	**8,466**	**8,410**	**8,250**	**8,506**	**8,935**	**9,386**	**9,859**
EXPENDITURES							
Office of Cultural Affairs Operating Budget	2,115	2,058	2,130	2,154	2,177	2,199	2,217
Contributions to Cultural Agencies (Base)	6,352	6,352	6,071	6,120	6,352	6,759	7,186
Funding to Maintain 15% to Arts (Incremental)	0	0	49	232	406	428	456
TOTAL EXPENDITURES	**8,466**	**8,410**	**8,250**	**8,506**	**8,935**	**9,386**	**9,859**
ENDING BALANCE	***$0***	***$0***	***$0***	***$0***	***$0***	***$0***	***$0***

Arts Funding Through HOT revenues, San Antonio is able to fund art and cultural programs and agencies across the City. The Texas State Tax Code requires that not more than 15% of City HOT revenue go towards arts and cultural programs. In FY 2007, the City Council approved an increase in funding to the maximum 15% allowed.

Art program funding is distributed on a competitive basis and is managed by the City's Office of Cultural Affairs. There are seven funding programs summarized as follows:

- General Operating Program
- Project Funding Program
- Neighborhood Arts Program
- Deferred Maintenance and Capital Program
- Stabilization Program
- Incubator Program
- New Collaborations Program

The General Operating Program provides support to arts and cultural agencies that have a budget of over $50,000 and meet a designated matching requirement. Whereas the General Operating Program has a two-year funding cycle, the Project Funding Program has a funding cycle of only one year and is intended to help smaller agencies with specific events or programs. The Neighborhood Arts Program encourages partnerships between arts and cultural organizations and neighborhood based groups. Funding is usually very specific to activities and neighborhoods. The Deferred Maintenance and Capital Program is for General Operating Program award recipients who reside in City-owned facilities or have a long term lease. The Stabilization Program is also for General Operating Program award recipients and addresses specific stabilization issues of an organization. The Incubator Program was developed specifically for small and emerging organizations that can benefit from an administrative capacity building program. The New Collaborations Program encourages the collaboration of arts and cultural organizations that would produce new works or cultural activities. All the programs are competitive with specific review committees providing input on the major focus areas of each program.

The FY 2010 - FY 2014 Forecast assumes that the art funding level will remain at the 15% level approved in FY 2007. As seen in the following table, there are several components that make up City art funding. In addition to the department budget of the Office of Cultural Affairs and the Contributions to Cultural Agencies, funding is also provided through contractual agreements to the Majestic Theatre, San Antonio Symphony and the Carver Center. Additionally, Arts funding helps cover a portion of the indirect cost transfer to the General Fund as well as a transfer to pay for the services of a Planner II. In FY 2007, the City Council also agreed to use 4.25% of HOT collections for cultural agencies using City-owned facilities. This funding is a part of the overall 15% provided to Arts and Cultural Agencies.

PLANNING & DEVELOPMENT SERVICES FUND

Planning & Development Services Fund

Introduction

The Planning & 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. The Fund includes expenses for Planning & Development Services, Office of Historic Preservation, and the San Antonio Fire Department's Fire Prevention Division.

The Planning & Development Services Department is responsible for protecting the health, safety, and quality of life for the residents of San Antonio through regulation of land development and construction. 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 Planning & Development Services Department seeks to facilitate the coordination of these reviews to provide quality customer service throughout the development process. The creation of the Planning & Development Services Fund provides the following benefits to City Departments and their customers:

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

Establishment of the Fund has also allowed the City to expand and reduce staffing levels and resources when needed to (1) ensure a positive balance department, (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.

Due to the revenue shortfalls in FY 2007 and FY 2008, expenditure reductions became necessary to assist in stabilizing the Fund. Beginning in February 2008, Planning & Development Services Department implemented a Deficit Reduction Plan aimed at reducing operating expenditures to eliminate the projected deficit by the conclusion of FY 2009. The Deficit Reduction Strategy was developed with the input of key stakeholders to ensure there were no decreases in customer service. Adjustments were made during FY 2008 and again during FY 2009 to decrease expenditures.

At the end of the first quarter of FY 2009, revenue projections continued to remain at below budgeted planned amounts. As a result, City Council enacted the 3+9 Budget Adjustment Action which amended FY 2009 Adopted Budget appropriations by $1,100,000 from $25,530,358 to $24,430,358. As a result, the Fund is projected to end FY 2009 with a positive ending balance.

Five Year Financial Forecast

Below is the Financial Forecast for the Planning & Development Services Department. The Forecast reflects projections for a five year period from FY 2010 through FY 2014 and 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, ending balances, and reserves.

Planning & Development Services Fund Forecast
($ In Thousands)

	FY 2009 Budget *	FY 2009 Estimate	FY 2010 Projection	FY 2011 Projection	FY 2012 Projection	FY 2013 Projection	FY 2014 Projection
RESOURCES							
Beginning Balance (Excluding Reserves)	($1,123)	($1,036)	$320	$1,289	$2,456	$3,137	$4,503
Current Revenue	25,649	25,400	25,800	25,944	26,078	26,324	26,819
TOTAL RESOURCES	**$24,526**	**$24,364**	**$26,120**	**$27,233**	**$28,534**	**$29,461**	**$31,322**
EXPENDITURES							
Base Budget	24,430	24,044	24,026	24,550	25,159	24,711	25,150
TOTAL EXPENDITURES	**$24,430**	**$24,044**	**$24,026**	**$24,550**	**$25,159**	**$24,711**	**$25,150**
FINANCIAL RESERVES							
Budgeted Financial Reserves (Incremental)	*$0*	*$0*	*$805*	*$227*	*$238*	*$247*	*$321*
ENDING BALANCE / ADJ. REQUIRED	***$96***	***$320***	***$1,289***	***$2,456***	***$3,137***	***$4,503***	***$5,851***
POLICY ISSUES (EMPLOYEE COMPENSATION)							
Adjustment for Beginning Balance				268	878	1,641	2,573
Employee COLA & Performance Pay - One Year (FY 2010) - Cost for every 1%			186	186	186	186	186
Pay Plan Implementation Five Years (Steps) - Cumulative			72	404	562	727	886
Subtotal Policy Issues	**$0**	**$0**	**$258**	**$590**	**$748**	**$913**	**$1,072**
Budgeted Financial Reserves (Incremental)			10	19	15	19	25
ADJUSTED ENDING BALANCE / ADJUSTMENT REQUIRED	***$96***	***$320***	***$1,021***	***$1,579***	***$1,496***	***$1,930***	***$2,181***
BUDGETED FINANCIAL RESERVES SUMMARY							
Total Annual Budgeted Financial Reserves	***$0***	***$0***	***$816***	***$1,062***	***$1,315***	***$1,581***	***$1,928***
Annual Budgeted Financial Reserves as a % of Appropriations	***0.0%***	***0.0%***	***4.0%***	***5.0%***	***6.0%***	***7.0%***	***8.3%***

* The FY 2009 Budget reflects the 3+9 Budget Adjustment Action (Ordinance 2009-02-19-0121) which reduced expenditures by $1,100,000. Original FY 2009 Appropriations were $ 25,530,357. Revenues were also reduced in accordance with the 3+9 Budget Adjustment Action (Ordinance 2009-02-19-0121) by $2,393,898. Original FY 2009 Revenue Budget was $28,049,904.

Analysis of Revenues and Expenditures

The Planning & Development Services Forecast represents a comparison of projected yearly revenue, current services expenditures and reserves, and balances in the Planning & Development Services Department over the forecast period. The forecast assumes current service delivery and methodologies. The forecast also calculates the added costs of policy issues such as Employee Cost of Living Adjustments and Performance Pay and the continued implementation of the Pay Plan as well as the impact of these policy issues on the Fund’s ending balance. The remaining balance reflects the difference between the beginning balance and the operating revenues, less the operating expenditures and allocations for the budget stabilization reserve.

Revenues

After revenue projections were decreased by approximately 14 percent during FY 2009 (to reflect an overall decrease in permit activity), development revenue collections for this fiscal year continue to be less than expected due to a decline in permit activity. Total revenue collections for FY 2009 are expected to fall short of revised budget projections by $248,818 or 1 percent. This is due to a decline in new residential building permits and new and existing commercial permits. Through the first six months of this fiscal year (October 2008-March 2009), new residential permitting declined by 23 percent compared to the same period in FY 2008 and is below the original FY 2009 budget projection by 15 percent. New and existing commercial permitting declined by 11 percent compared to the same period in FY 2008 and is below the original FY 2009 budget projection by 24 percent.

No growth in revenues for Planning & Development Services is projected in FY 2010; however minimal growth is projected for Fire Prevention-related revenues. A 1.2 percent growth in permitting activity or revenues is assumed in FY 2010. Beginning in FY 2011 through FY 2012, a one-half percent yearly increase in revenues from FY 2010 is assumed for Planning & Development Services. During the period of FY 2013 and FY 2014 revenues should increase by 1 percent and 2 percent respectively. This is projected to lead to an additional $1,019,208 in revenue.

Current Services Expenditures

This section of the Forecast projects expenditures based on the current service level. The FY 2010 Base Budget assumes the removal of the one-time improvements included in the FY 2009 Adopted Budget.

The inflation rates used to project non-personal services expenditures were derived from the national Consumer Price Index (CPI) projections for each year from FY 2010 through FY 2014. These rates and their underlying assumptions are described in the Economic Perspective and Outlook section.

Below are the assumed inflation rates for each year of the forecast period:

FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
1.59%	2.42%	2.47%	2.47%	2.20%

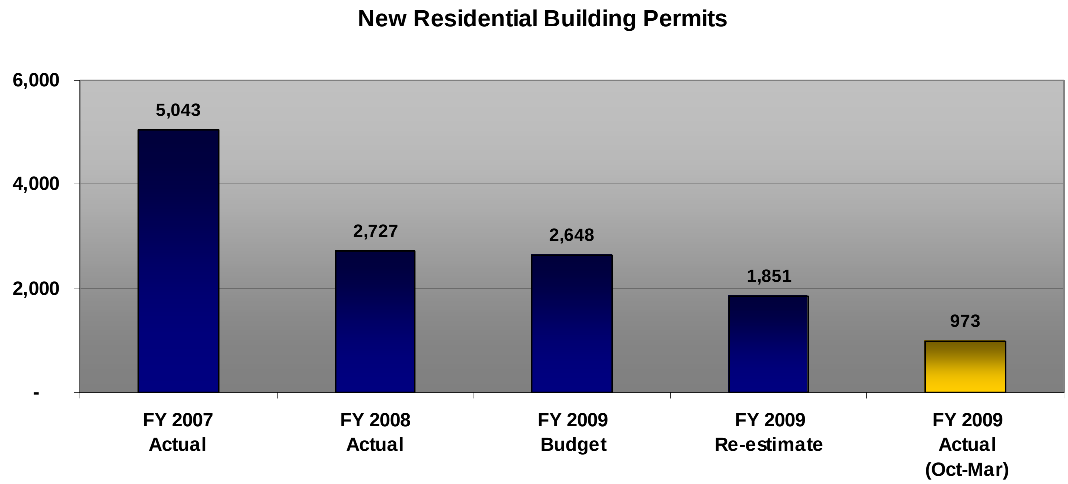
Employee compensation policy issues shown in the forecast illustrate the impact of adding 1% increase in FY 2010 for cost of living adjustment (COLA) and performance pay for civilian employees as well as the cumulative impact of the Pay Plan Implementation for each year of the forecast period. Also included are the corresponding increases to the Financial Reserve in order to maintain one month of operating funds. The Adjusted Ending Balance takes into account the full impact of all transfers and operating expenses, including Employee Compensation issues.

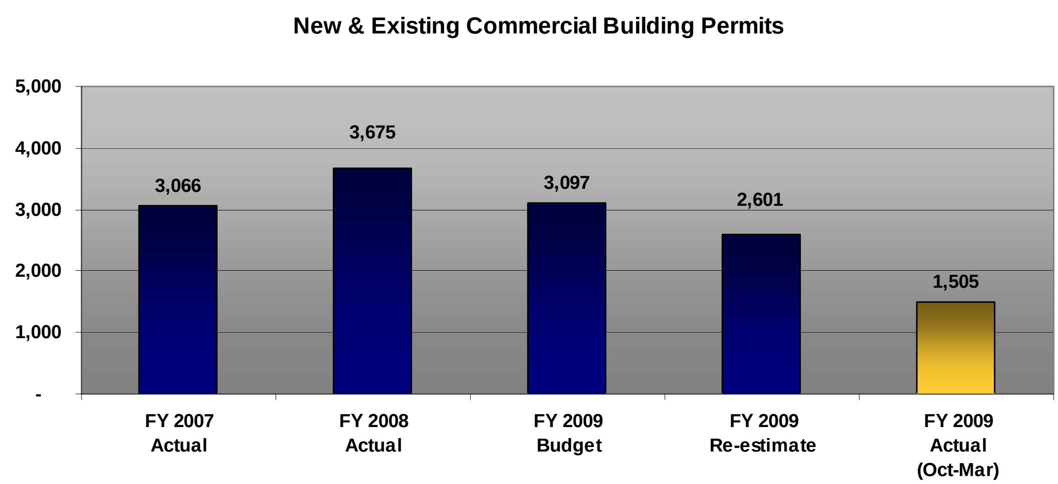
Financial Reserve

The establishment and maintenance of an appropriate financial reserve within the Planning & Development Services Fund is critical to prudent financial management. This reserve will assist in smoothing fluctuations in available resources from year to year and stabilizing the budget. The Budgeted Financial Reserves goal is 1 month of operating expenses (excluding transfers) and is achieved during the 5-Year Forecast period.

Permit Activity

The following graphs illustrate the decrease in total permitting activity that was realized in FY 2009. As noted above, decreases in permitting occurred in the areas of new residential permitting and new & existing commercial permitting. As housing inventories deplete, it is anticipated that new residential permitting activity will increase; however, it is too early to project when it will occur.





SOLID WASTE OPERATING AND MAINTENANCE FUND

Solid Waste Operating and Maintenance Fund

Introduction

The Solid Waste Operating and Maintenance Fund records all revenues and expenditures for services provided by the Solid Waste Management (SWM) Department. The Department consists of the Solid Waste Division, the Environmental Management Division, and the Office of Environmental Policy (OEP).

The Solid Waste Division focuses on providing weekly refuse and recycling collection services and semi-annual brush pick-up service. The Solid Waste Division is responsible for the collection of municipal solid waste generated from approximately 344,000 homes within the City of San Antonio. Of these homes, City crews service 330,000 and 14,000 are serviced by private contractors. Refuse disposal is currently provided through contractual agreements with two privately held area landfills and one city owned, privately operated, transfer station operation. All forecasted disposal costs assume continued expenditures to private disposal companies.

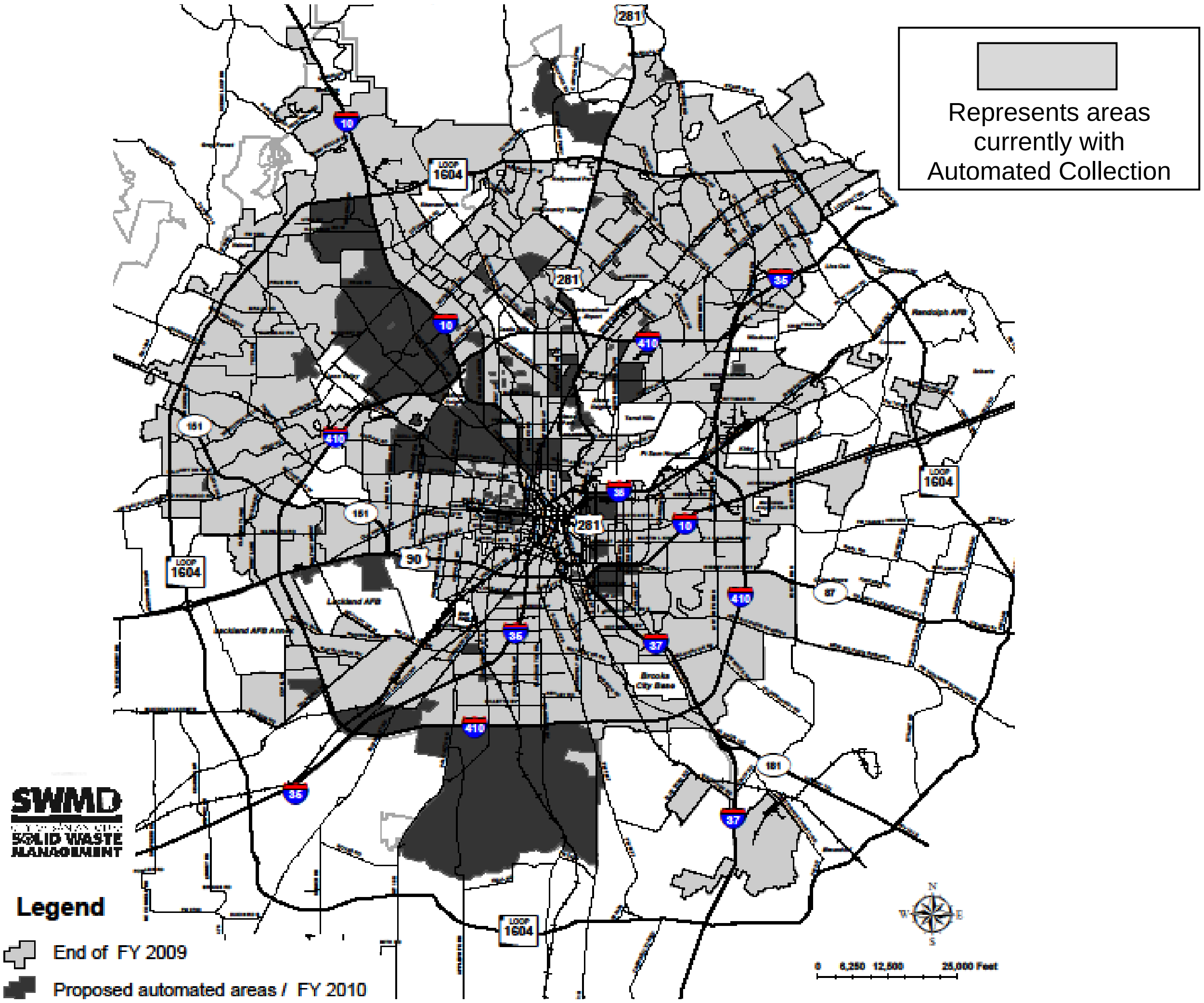
The Environmental Management Division maintains approximately 720 acres of closed City landfill areas and other sensitive, environmentally regulated areas. The division also manages a drop-off brush recycling center for brush mulching and a drop-off facility for household hazardous waste.

The Office of Environmental Policy was created during the FY 2008 Budget Process in an effort to address rising energy costs and increasing concerns about the long term impact of current levels of energy consumption. The OEP coordinates air quality and green building initiatives, collaborates with CPS and SAWS, develops incentives for environmental programs in partnership with other departments and agencies, and coordinates existing sustainable practices between City departments. Beyond increasing energy efficiency and lowering energy costs, the OEP boosts public awareness of environmental issues with the ultimate goal of improving the quality of life for City residents. In FY 2009, the OEP released a comprehensive sustainability plan for the City of San Antonio entitled, “Mission Verde.” The OEP, in partnership with CPS Energy, also received the U.S. Department of Energy Solar Cities Designation Award that will result in the creation of the “Solar San Antonio Plan 2015.” In FY 2010 and beyond, the OEP will continue to pursue the development of innovative, practical and wide-ranging environmental programs, city policies, and regulations sustaining community-wide quality of life and economic growth for city residents.

In FY 2010, the SWM Department will be in its final year of the automated conversion project. The citywide conversion from manual to automated solid waste collection will also incorporate fully automated recyclables collection. By the end of FY 2009, approximately 300,000 of the 344,000 homes will have been converted to automated collection. Below is the Department’s estimated home conversion schedule through the 3½ year conversion timeframe.

Route Conversion	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Estimate
Homes Converted	75,000	117,945	106,653	44,704
Cumulative Total	75,000	192,945	299,598	344,302

The following map shows the areas of the city that are currently fully automated for garbage and recycling collections.



Five-Year Financial Forecast

The following is the Financial Forecast for the Solid Waste Operating and Maintenance Fund. It reflects projections for a five-year period from FY 2010 through FY 2014. 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, ending balances, and reserves.

Solid Waste Operating and Maintenance Fund
($ In Thousands)

	FY 2009 Budget	FY 2009 Estimate	FY 2010 Projection	FY 2011 Projection	FY 2012 Projection	FY 2013 Projection	FY 2014 Projection
RESOURCES							
Beginning Balance (Excluding Reserves)	$6,694	$9,421	$6,815	$4,865	$2,380	$3,622	$5,597
Solid Waste Fees	79,446	79,515	80,335	84,257	88,249	92,737	97,092
Recycling	3,000	557	471	551	557	562	568
Other	12,209	6,166	1,713	1,784	1,854	1,888	1,990
TOTAL RESOURCES	**$101,349**	**$95,659**	**$89,334**	**$91,457**	**$93,040**	**$98,809**	**$105,247**
EXPENDITURES							
Base Budget	$100,197	$88,783	$82,223	$87,342	$87,923	$90,693	$95,052
Mandated Service Delivery Costs (Incremental)	0	0	1,749	1,097	1,402	1,319	1,513
TOTAL EXPENDITURES	**$100,197**	**$88,783**	**$83,972**	**$88,439**	**$89,325**	**$92,012**	**$96,565**
FINANCIAL RESERVES							
Budgeted Financial Reserves (Incremental)	$500	$61	$497	$638	$93	$1,200	$791
ENDING BALANCE	***$652***	***$6,815***	***$4,865***	***$2,380***	***$3,622***	***$5,597***	***$7,891***
POLICY ISSUES (EMPLOYEE COMPENSATION)							
Beginning Balance Adjustment				499	1,779	3,355	5,249
COLA & Performance Pay - One Year (FY 2010) - Cost for every 1%			197	197	197	197	197
Pay Plan Implementation Five Years (Steps) - Cumulative			276	1,011	1,288	1,565	1,817
Subtotal Policy Issues	**$0**	**$0**	**$ 473**	**$ 1,208**	**$ 1,485**	**$ 1,762**	**$ 2,014**
Budget Financial Reserve (Incremental)			26	72	92	132	167
ADJUSTED ENDING BALANCE	**$652**	**$6,815**	**$4,366**	**$601**	**$266**	**$348**	**$461**
BUDGETED RESERVES SUMMARY							
Total Annual Budgeted Financial Reserves	*$4,339*	*$3,900*	*$4,423*	*$5,134*	*$5,319*	*$6,651*	*$7,609*
Annual Budgeted Financial Reserves as a % of Operating Expenditures	*4.6%*	*4.6%*	*5.5%*	*6.0%*	*6.2%*	*7.5%*	*8.3%*

Financial Reserves Goal is 1 Month Operating Expense (8.3%)

Analysis of Revenues and Expenditures

The Solid Waste Operating and Maintenance Fund Forecast Table represents a comparison of projected yearly revenue, projected service expenditures and reserves, and the resulting projected balances in the Solid Waste Operating and Maintenance Fund over the forecast period. The Forecast reflects the 3½ year automated conversion schedule included within the FY 2009 Adopted Budget.

The remaining balance reflects the difference between the beginning balance and the operating revenues, less the operating expenditures and allocations for budgeted financial reserves. Increases in Solid Waste Fees are assumed in the five-year forecast.

The FY 2010 Proposed Budget will include analysis of FY 2010 proposed collection frequencies, automation implementation, service delivery methods, monthly service rates, growth routes, and private sector contracts. Changes in these factors may impact the projections in FY 2010 and throughout the forecasted period.

Revenues

The primary sources of revenue for the Solid Waste Operating and Maintenance Fund are the monthly fees assessed to customers and billed by CPS Energy (CPS). The Solid Waste and Brush Collection Fees are assessed to each residential household in the City for collection services. The Environmental Fee is charged to all customers and commercial entities. Forecasted revenues are based on an estimate reflecting a 1.00% average annual rate of growth in homes beginning in FY 2010 and continuing through each year of the forecast period. The Forecast assumes re-estimated revenues for FY 2009 as the starting point.

Below is a five-year history of the monthly rates associated with the Solid Waste Operating and Maintenance Fund.

History of Monthly Rate Fees

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Total Monthly Rate	**$12.21**	**$13.99**	**$15.99**	**$17.99**	**$18.74**

In order for the Solid Waste Operating and Maintenance Fund to maintain financial stability, fee increases are assumed beginning in FY 2011 and through the remaining forecasted period for fuel, labor, and other rising operational costs. No rate increases are anticipated in FY 2010 at this time. These estimated rate increases assumed in the Forecast are reflected in the following table:

FY 2010-2014 Financial Forecast Estimated Monthly Projected Adjustments

	FY 2009 Adopted	FY 2010 Projected	FY 2011 Projected	FY 2012 Projected	FY 2013 Projected	FY 2014 Projected
Total Monthly Rate	**$18.74**	**$18.74**	**$19.49**	**$20.24**	**$21.09**	**$21.89**
Net Increase Over Previous Year	**$0.75**	**$0.00**	**$0.75**	**$0.75**	**$0.85**	**$0.80**

In FY 2009, CPS revenues in the form of a one-time utility rebate of $10 million from the General Fund were budgeted to be transferred to the Solid Waste Operating and Maintenance Fund to defray the overall cost of the needed capital investment of the automated conversion program and thus reduce any rate increase required. After a transfer of $3 million from the initial $10 million one-time utility rebate transfer from the General Fund, no rate increase is anticipated in FY 2010 at this time.

The FY 2009 Adopted Budget included an Assistance Program for Seniors, Disabled, and Low Income Families. The Department allocated $1 million in FY 2009 towards the continuation of this program, administered through the Department of Community Initiatives.

Current Services Expenditures

The Forecast also projects expenditures using the adopted 3½ year automated conversion schedule and includes automated conversion service deliveries and methodologies. The FY 2010

Base Budget, however, assumes the removal of the one-time improvements included in the FY 2009 Adopted Budget.

Employee compensation policy issues shown in the forecast illustrate the impact of adding 1% increase in FY 2010 for cost of living adjustment (COLA) and performance pay for civilian employees as well as the cumulative impact of the Pay Plan Implementation for each year of the forecast period. Also included are the corresponding increases to the Financial Reserve in order to maintain one month of operating funds. The Adjusted Ending Balance takes into account the full impact of all transfers and operating expenses, including Employee Compensation issues.

The inflation rates used to project increases in non-personal services expenditures were derived from the national Consumer Price Index (CPI) projections for each year from 2010 through 2014. These rates and their underlying assumptions are described in the Economic Perspective and Outlook section.

Below are the assumed inflation rates for each year of the forecast period:

FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
1.59%	2.42%	2.47%	2.52%	2.20%

Financial Reserve

The establishment and maintenance of an appropriate financial reserve within the Solid Waste Operating and Maintenance Fund is critical to prudent financial management. This reserve would assist the Solid Waste Management Department in smoothing fluctuations in available resources from year to year and stabilizing the budget. The FY 2010 - FY 2014 Forecast recommends a Budgeted Financial Reserve goal large enough to cover one month (8.3%) of operating expenditures of the SWM Department. It is anticipated, based on current revenue and expenditure projections, that the financial reserve goal would be attained by FY 2014.

Mandates

The Mandates Table below summarizes the projected mandates for the Solid Waste Operating and Maintenance Fund. Each of the mandated increases in service costs will be detailed in the following pages. The mandated costs shown below are included in the forecast projections.

Mandate Title	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Collection Contracts (Recurring)	$173,338	$268,939	$338,909	$264,103	$231,919
Disposal Contracts (Recurring)	$1,024,525	556,103	770,926	739,545	940,315
Mo. Billing & Coll. Srvcs. (Recurring)	312,035	270,012	291,874	315,507	341,053
Mulch Removal (Recurring)	239,149	$2,434			
Totals	**$1,749,047**	**$1,097,488**	**1,401,709**	**$1,319,155**	**$1,513,287**

Solid Waste Private Sector Collection Contracts: Solid Waste collection contracts that the City holds with the private sector are scheduled for mandated price increases based on contract requirements. The SWM Department contracts with private sector companies to provide solid waste collection services. These contracts contain certain provisions calling for automatic fee increases in accordance with the Consumer Price Index (CPI). The City currently has three private sector solid waste collection areas with Waste Management Incorporated (WMI) serving the Stone Oak area and BFI Waste Services of Texas (BFI) serving the Heritage Northwest and Longs Creek areas. The three areas were annexed into the City of San Antonio under prior annexation plans. Dependant upon price efficiency, the City's procedure has been to either collect solid waste in the annexed areas or to contract with private contractors to collect on the City's behalf. The three collection contracts for these areas were awarded to WMI and BFI based on the determination that the cost of privatization was more efficient than the cost of the Solid Waste Department to provide the same service. The incremental cost for this mandate is $173,338 in FY 2010.

Expiration of Contracts: Escalating costs in fuel, labor, and equipment costs within the last several years have negatively impacted private solid waste contractors. During the latter part of FY 2005, rates for their services began to increase dramatically as contractors attempted to recover their costs. However, due to the City's efforts in converting to automated collection, private sector rates have been kept to a modest level.

The SWM Department recently entered into a new contract with BFI to service the Heritage and Longs Creek areas. Service under the new contract began on January 1, 2009 and will expire on December, 31, 2011. The current contract with WMI that services the Stone Oak area is set to expire on December 31, 2009. Currently the SWM Department contracts for collection services for approximately 14,000 homes.

Solid Waste Private Sector Garbage Collection Services
Expiration Dates

Contracted Company	Contracted Area	Homes	Current Rates	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
BFI	Heritage & Longs Creek	10,396	$15.99	Rate increases to 16.79	Rate Increases to 17.62	Contract ends 12/31/2011		
WMI	Stone Oak	4,062	$12.03	Contract ends 12/31/2009				

Disposal Contracts: The SWM Department contracts with companies providing for refuse disposal. The Department currently has disposal contracts with Waste Management (WMI), Allied Waste Industries (AWI), and Texas Disposal Systems Landfill, Inc. (TDSL). Disposal contracts are scheduled for mandated price increases in accordance with the Consumer Price Index (CPI). The incremental cost for this mandate will be $1,024,525 in FY 2010.

The following table describes the disposal contracts in more detail.

Disposal Contracts

Company Ownership	Landfill Name	Term	Contract Beginning Date	Contract Ending Date
WMI	Covel Gardens Landfill	30 yrs	1995	2025
AWI	Tessman Landfill	20 yrs + seven one yr extensions	1998	2018
TDSL	Starcrest Transfer Station	32 yrs + five one yr extensions	1993	2025

Increases to the Billing and Collection Expense: The fees for collection services currently provided by CPS Energy associated with the monthly billing and collection of the Solid Waste, Brush and Environmental Fees are scheduled for a mandated increase based on contract renewal requirements. All collection costs increased based on the Consumer Price Index (CPI) and to offset postage rate increases set by the U.S. Postal Service. The incremental cost of this mandate is projected to be $312,035 in FY 2010.

Mulch Removal Mandate: The 80th session of the Texas Legislature enacted House Bill 2541 in order to safeguard mulch and compost processing facilities against fires, such as what occurred in Helotes, Texas in December 2006. The new regulations are scheduled to take effect on September 9, 2009. The law requires the SWM Department to expand its capability to transport and process brush and mulch materials. The incremental cost of this mandate is $239,149 for FY 2010. These funds will be used for the resources needed to transport and process the additional brush and mulch materials.

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. In light of this relationship, the fiscal projections provided in this document are based, in large part, upon an analysis of historical and current economic trends. The historical data and forecast projections are provided by government and private organizations. This section provides projections for the local and national economies, which support the fiscal projections presented in this document.

Comparing national and local economic data offers a broader picture of San Antonio's performance in relation to the United States as a whole. This allows policy makers the ability to plan for and execute short and long term programs and projects while taking into account potential threats or upsurges on the national front.

Throughout the Economic Perspective and Outlook section, San Antonio is frequently referred to as a Metropolitan Statistical Area (MSA). The general concept of a metropolitan area is that of a large population nucleus, together with adjacent communities, having a high degree of social and economic integration with that core. The U.S. Office of Management of Budget (OMB) has defined the San Antonio Metropolitan Statistical Area as the conglomeration of the following counties: Atascosa, Bandera, Bexar, Comal, Guadalupe, Kendall, Medina, and Wilson.

EXECUTIVE SUMMARY

At the time of the previous forecast, there was still considerable debate as to whether or not the U.S. economy had entered into a recession. The most common definition of a recession is two consecutive quarters of declining gross domestic product (GDP). The third and fourth quarters of 2008 both experienced declines in GDP. Thus, even those few who were holding out for this evidence are now confessing that the U.S. economy is in recession and has been since December 2007. While the forecast varies, as always, it appears that the consensus among economists is that the national economy will start to show some signs of recovery at the end of 2009, which would make this the longest recession since the Great Depression.

Not only is this one of the longest recessions in our nation's history, it is also one of the deepest. The standard measure of how the economy is doing is growth in real GDP. By this indicator, the economy contracted by 6.3% in the fourth quarter of 2008. Further declines in GDP are expected at least through the first half of 2009. U.S. unemployment has skyrocketed to 8.5% as of February. According to the U.S. Bureau of Labor Statistics, 5.1 million jobs have been lost since the beginning of the recession with 3.3 million of those being lost in the past five months. If marginally attached workers, including discouraged workers, plus those who are working part-time for economic reasons are included, the national unemployment rate jumps to 15.6%.

The housing market, whose collapse started the economy on its downward spiral, continues to decline. According to the National Association of Realtors, inventories remain high at 9.6 months as of January 2009, and home prices continue to fall with a decline of 14.8% in January 2009 compared to January 2008.

While the national economy has retreated into a long and deep recession, the San Antonio economy has not been quite as negatively impacted by the bursting of the housing bubble and the collapse of the credit and financial markets. San Antonio's unemployment rate continues to increase, but stands at a relatively low 5.9% as of February. Based on the business cycle index, an index of coincident economic activity published by the Federal Reserve Bank of Dallas, the San Antonio economy continues to experience a low level of growth, even as the Texas economy has dipped into recession. Additionally, growth in a couple of other major metropolitan economies in Texas has turned negative. For instance, in the six months from June to December 2008, this index for San Antonio grew by 1.30% on an annualized basis. However, overall growth is slowing in San Antonio.

Thus, the San Antonio economy has been somewhat resistant to the downward pull of the national and global recession with a lag of approximately one year from when the U.S. economy went into recession. Growth in the local economy continues to slow and should follow this pattern for most of 2009. However, the delay in San Antonio feeling the effects of the recession does not mean the local economy will lag in its recovery. It is reasonable to expect that as the U.S. economy starts to turn around, growth in the San Antonio will start to pickup almost simultaneously.

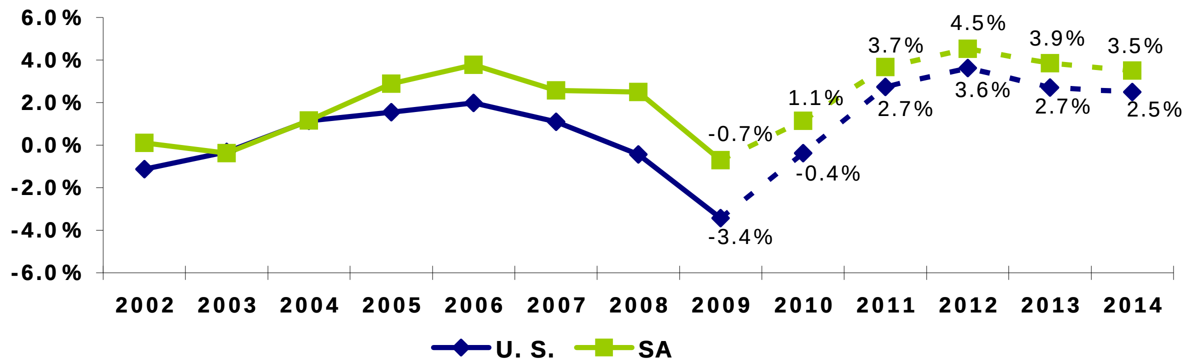
(Executive Summary developed by Steve Nivin, Ph.D. Director and Chief Economist, SABÉR Institute)

The following sections provide further analysis to these and other key trends and indicators, including historical and projected estimates through 2014. They are organized by three main categories: Employment & Income, Production & Inflation, and the San Antonio Economy. The Employment & Income section includes Employment Growth, the Unemployment Rate and Income statistics. The Production & Inflation section includes national economic factors such as Gross Domestic Product (GDP), Gross Metro Product (GMP), and the Consumer Price Index (CPI). The final section provides an overview of San Antonio's economy, population, housing trends, hotel activity, and airport activity.

EMPLOYMENT & INCOME

Increases in the total number employed in a particular region can be attributed to either job creation from within the area or the migration of jobs to the region. The figure below provides historical data on San Antonio's **employment growth** rate compared to the national level along with projections from 2009 through 2014.

San Antonio MSA vs. US - Employment Growth Rate
Actual Thorugh 2008 / Projections Through 2014

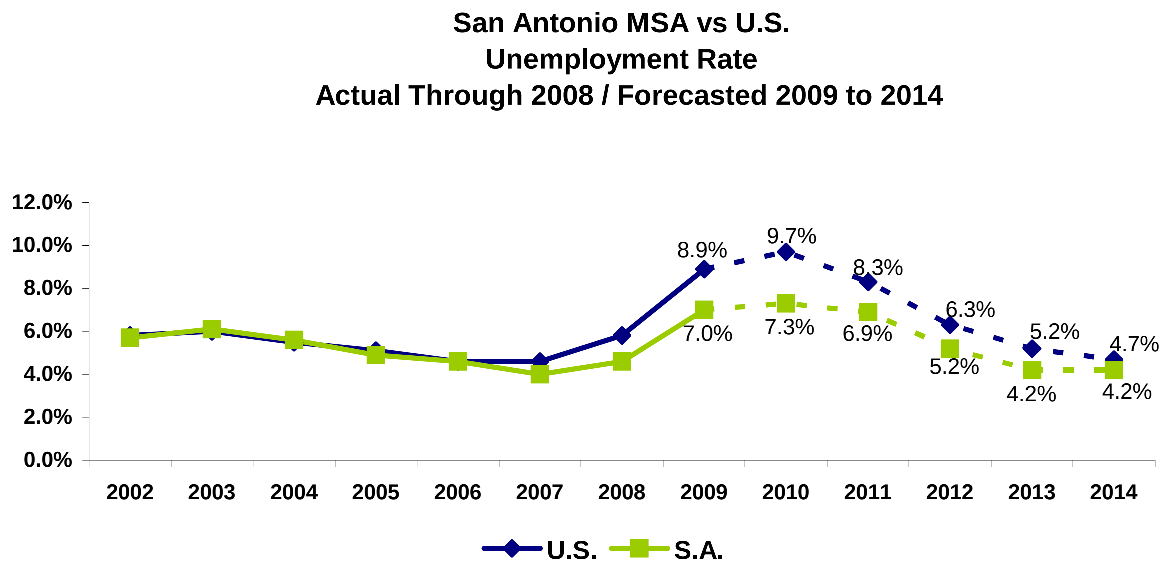


Source: Actual data from U.S. Bureau of Labor Statistics. Projections from Moody's Economy.com

Between 2007 and 2008, San Antonio added approximately 18,800 jobs or 2.2 percent. Moody's forecasting services anticipates a drop in total employment of 0.7%, or 6,000 jobs, in 2009 with upticks of 1.1% for 2010 and 3.7% for 2011 as ongoing military expansion projects come online. San Antonio (MSA) ranks 15th out of 392 Metropolitan Statistical Areas in long-term employment growth largely due to the low cost of doing business.

The **unemployment rate** represents the number of unemployed persons as a percent of the labor force. An unemployed person is defined as someone who is 16 years and older and has been looking for employment for at least four weeks. The national unemployment rate steadily decreased from 2003 to 2007. Since January 2008, the seasonally adjusted rate has risen to an estimated 5.8 percent for 2008. This upward movement in unemployment is expected to continue through 2010, reaching a peak level of 7.3 percent.

Between 2002 and 2006, San Antonio's unemployment rate closely mirrored the national rate. Both peaked at about 6 percent in 2003 and slowly decreased to 4.6 percent in 2006. While the national unemployment rate held flat at 4.6 percent in 2007, San Antonio saw its rate decrease further to 4.1%. This trend reversed in 2008 and, in the forecast period, San Antonio's unemployment is anticipated to reach a height of 7.3 percent in 2010, well below the national unemployment rate which expected to reach nearly ten percent for the same period. This upward movement in the unemployment rate for San Antonio is expected to crest in 2010 before declining to 4.2 percent in 2014.

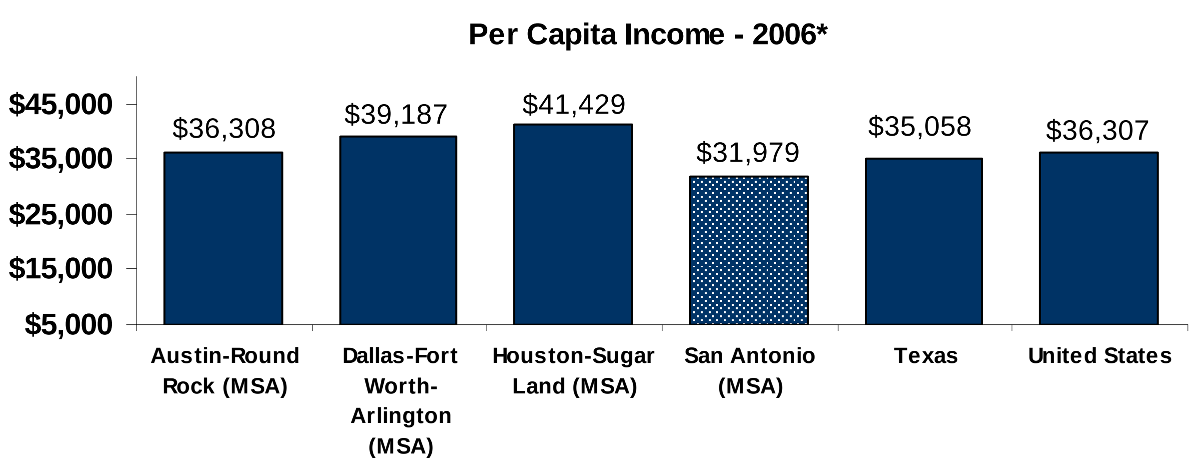


Source: Actual data from U.S. Bureau of Labor Statistics. Projections from Moody's Economy.com

Per capita income measures the total personal income of an area divided by the total population of that area. Total personal income can include, but is not limited to, salary and wages, investment and retirement plans as well as government transfers such as social security payouts and unemployment compensation.

Per capita income data can vary from one source to another. National and local per capita income data shown in this document has been obtained from the U.S. Bureau of Economic Analysis (BEA). The U.S. Census Bureau also reports per capita income and will usually be less than the BEA data in that BEA includes income "in-kind", income received by non-profit institutions and Medicare payments. In addition, the Bureau of Economic Analysis income series is estimated largely on the basis of data from administrative records of business and governmental records whereas the Census Bureau data is obtained from household surveys.

San Antonio has historically had a low per capita income relative to other Texas cities. The following chart compares San Antonio's per capita income to other Texas metropolitan areas.

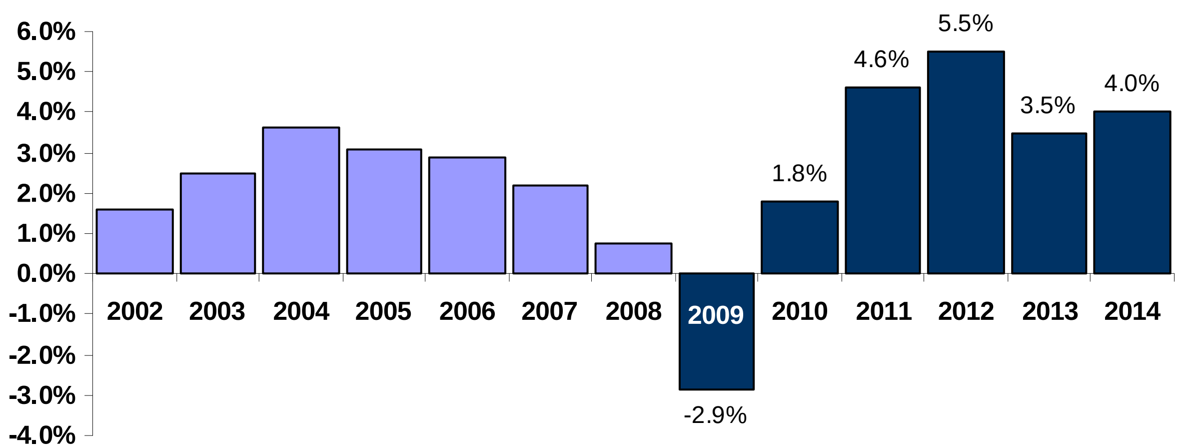


*Source: Bureau of Economic Analysis, Department of Commerce; *2006 is the latest available preliminary estimate, BEA will release their report for 2007 Per Capita Income in September 2009*

PRODUCTION & INFLATION

The growth in **Gross Domestic Product** (GDP) is considered an accurate measure of the country's overall economic condition. GDP measures the market value of all final goods and services produced by land, labor and capital in the United States. Declining growth has occurred since 2004 and is estimated to shrink 2.9 percent in 2009. The figure below illustrates GDP growth rate from 2002 to 2008 and shows the projection for growth beyond 2009 through 2014.

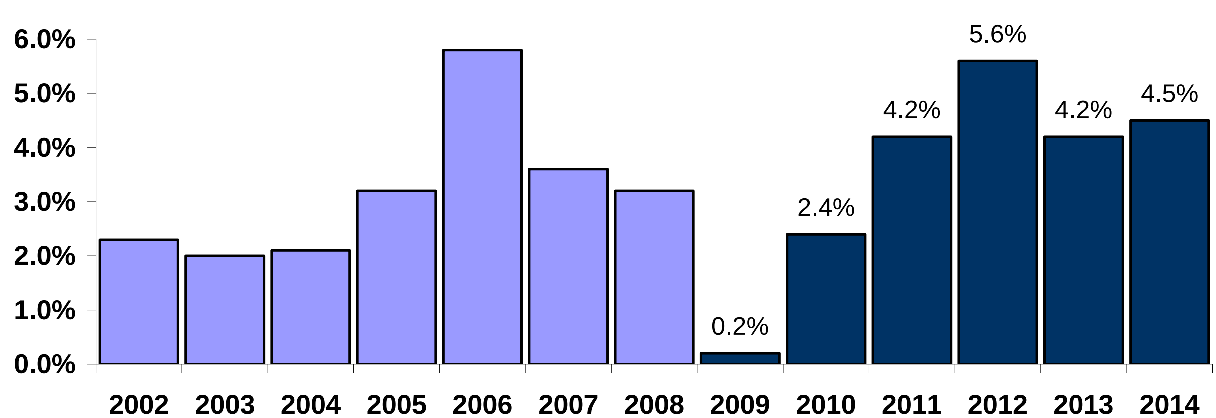
Gross Domestic Product - % Change
Actual Through 2008/Forecasted 2009 to 2014



Source: Actual Data from U.S. Bureau of Economic Analysis. Projections from Moody's Economy.com

The **Gross Metro Product** (GMP), similar to GDP, is the value added in production by the labor and capital of a particular metropolitan area. Moody's Financial Services measures GMP as the sum of the costs incurred and incomes earned in the production of goods and services. As shown in the figure below, San Antonio (MSA) GMP will continue to fluctuate through the forecast period.

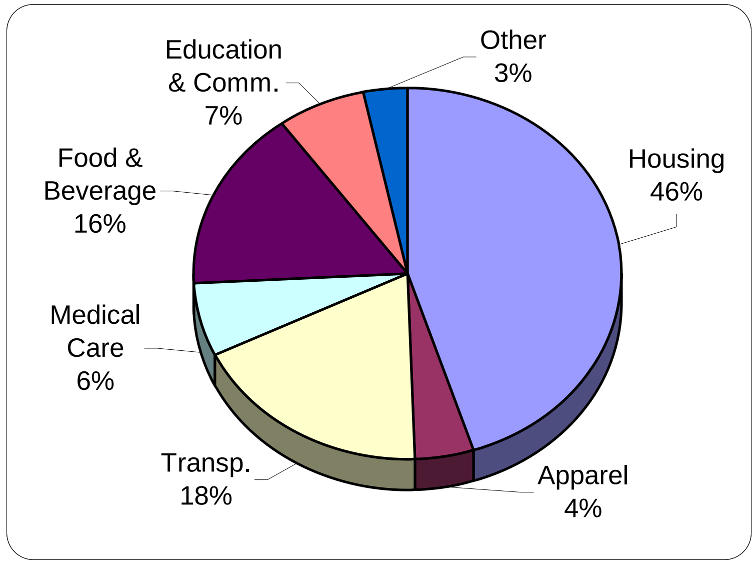
San Antonio (MSA) Gross Metro Product - % Change
Actual Through 2007/Forecasted 2008 to 2013



Source: Actual Data and projections from Moody's Economy.com

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 contains a wide array of items, ranging from food and gasoline to college tuition and medical supplies. The CPI does not, however, include investments such as stocks or real estate.

The Bureau of Labor Statistics has classified each expenditure item in this basket of goods into more than 200 categories. Each one of these categories is cataloged into eight major groups, as shown in the adjacent figure. For example, gasoline is listed under the transportation category and makes up 5.2% of the basket of goods.

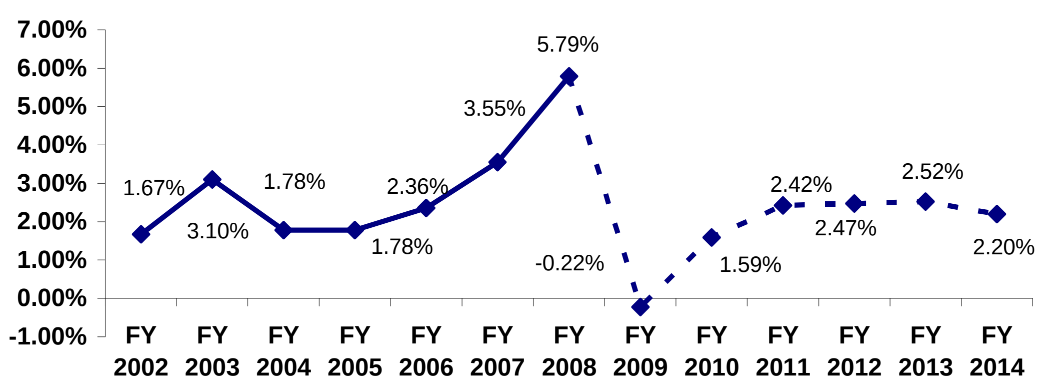


Since 1998, the price of the market basket of consumer goods and services has increased a cumulative amount of about 26 percent. This means that $100 in 1998 has the same purchasing power as approximately $132 in 2008. Between 1998 and 2008, CPI has increased on average by 2.7%.

The Consumer Price Index is used as the inflationary factor for specific non-personnel services expenditures in the development of the General Fund and other funds based budget forecasts. This allows the City to plan for possible increases in certain commodities and other costs in the next five years by taking into account rising prices. Additionally, CPI also serves as a cost of living index. With assistance from Moody's Financial Services and St. Mary's University's SABER Institute, the projections for CPI have been developed and modified to reflect the City's budget cycle based on a fiscal year from October 1 to September 30.

The figure below shows San Antonio's growth of inflation based on San Antonio's fiscal year (October 1 – Sept 30) from 2002 to 2007 and projections beyond 2008 and throughout the forecast period.

Consumer Price Index Percent Change
Actual Through FY 2008 / Forecasted FY 2009 to FY 2014



Source: Actual Data from U.S. Bureau of Labor Statistics have been modified to reflect City of San Antonio's Fiscal Year. Projections were developed in coordination Moody's Financial Services and Dr. Steven Nivin of St. Mary's University's SABER Institute.

Figures from the Bureau of Labor Statistics illustrate that the national CPI levels in late 2007 and for the duration of 2008 rose significantly lead by a spike in fuel prices. This trend reversed drastically in 2009 with CPI anticipated to end the year at a negative 0.22%. As shown in the preceding graph, research done by the Dr. Steven Nivin of St. Mary's University's SABER Institute indicates an anticipated an increase in consumer prices in conjunction with a 2010 recovery:

> With the current slack in the economy and gas prices plummeting from their record highs, deflation has been and continues to be a concern of some economists. Recently, however, price levels have stabilized and even increased a bit with the consumer price index increasing 0.4% in February and 0.3% in January. In fact, with all of the money being pumped into the economy, it may start to recover in earnest possibly leading to rapidly rising inflation.

The CPI used in the Five Year Forecast is summarized in the following table.

CPI - Based on Fiscal Year

FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
1.59%	2.42%	2.47%	2.52%	2.20%

SAN ANTONIO ECONOMY

The following section provides information specifically relative to the San Antonio economy, including population, housing, hotel activity and airport activity.

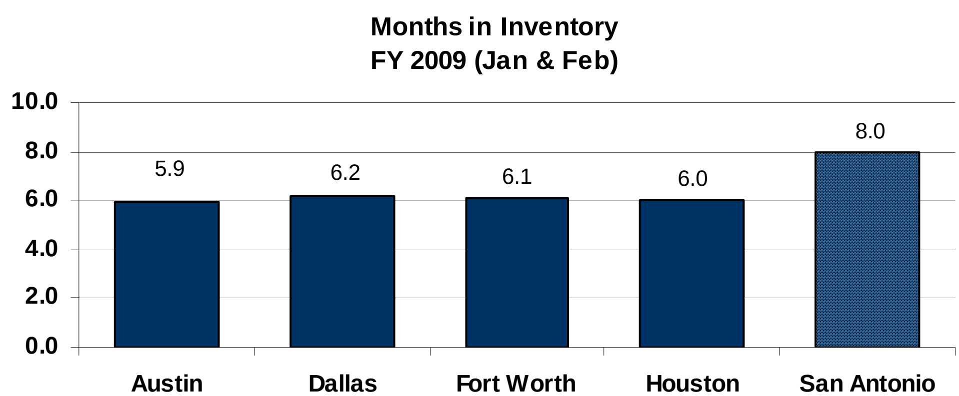
Population

According to population data from the U.S. Census Bureau, The City of San Antonio is the seventh largest city in the United States and the second largest in Texas behind Houston. Moody's Financial Services forecasts the population of the San Antonio MSA to grow at a rate of 2.13% over the next three years before leveling off to just under 2.0% for the remainder of the forecast period.

Housing

The housing market in San Antonio is being pulled down by the malaise in the national housing market and the overall economy. However, it is doing much better than housing markets in many other metropolitan areas throughout the country. While home sales continue to plummet in San Antonio, inventory stands at only 7.8 months as of January and prices remain relatively steady. However, home sales are trending downward with a decline of 2.47%[1] in January 2009 compared to the same period last year. This compares very well to the 30-50% declines in home prices many areas throughout the country have experienced.

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 current inventory. San Antonio has steadily seen this number increase since February 2008 when the months in inventory stood at 6.4 months compared to its current February 2009 figure of 8.2 months. This represents an increase of 28% over the same time last year. Comparatively, the months in inventory for the U.S. in February were at 9.6 months, according to data provided by the National Association of Realtors.

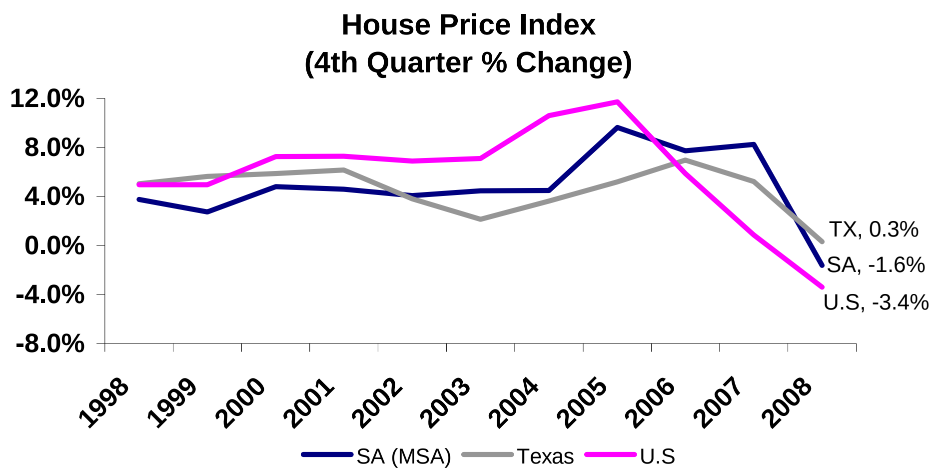


Source: Real Estate Center at Texas A&M University

The **House Price Index** (HPI) measures average price changes in repeat sales or refinancings on the same single-family homes. The measure is designed to capture changes in the value of single-family homes in the United States as a whole, in various regions of the country, and in the individual states. The HPI is compiled and published by the Office of Federal Housing Enterprise Oversight (OFHEO) using data provided by Fannie Mae and Freddie Mac.

[1] Measured on a four-month moving average basis. Data is from the Texas A&M Real Estate Center and is based on MLS data.

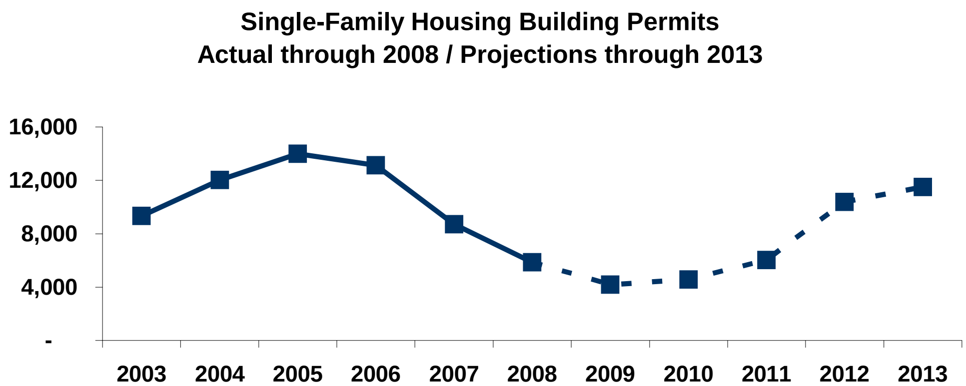
As illustrated in the figure below, San Antonio followed the US into negative territory in the Housing Price Index in the fourth quarter of 2008 with local home prices declining 1.6 percent over one year ago. While home prices in San Antonio continue to be lower the national level, San Antonio still lags behind other Texas cities such as Austin (4.4%), Houston (3.7%), Dallas (1.9%), and Fort Worth (1.2%). San Antonio's HPI means that a house with an initial value of $100,000 at year-end 2007 might expect an end of year 2008 value of $98,400. The actual value will depend on the local real estate market, house condition, age, and other factors.



Source: Office of Federal Housing Enterprise Oversight (OFHEO)

According to the Real Estate Center at Texas A&M University and available MLS Residential Housing Activity, the median house price in San Antonio in 2008 was $147,932. Since the beginning of 2009, however, prices continue to fluctuate with January ($144,800) and February ($143,300) illustrating the continued uncertainty in the market.

An additional measure of residential housing activity is the number of **single-family permits** issued. As shown in the following graph, San Antonio has seen a decline in the number of building permits issued for single-family housing. Since the same time frame last year (February 2008), the number of permits issued has dropped from 481 to 334 or 44 percent.

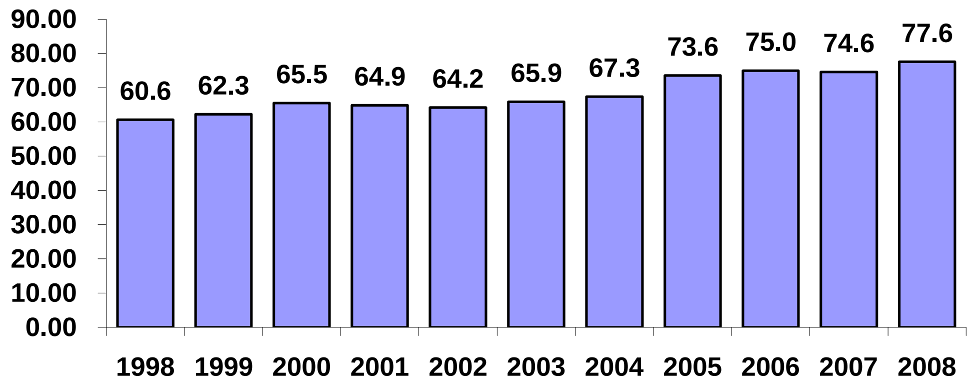


Source: Real Estate Center at Texas A&M University. Projections from Moody's Economy.com

Hospitality Industry

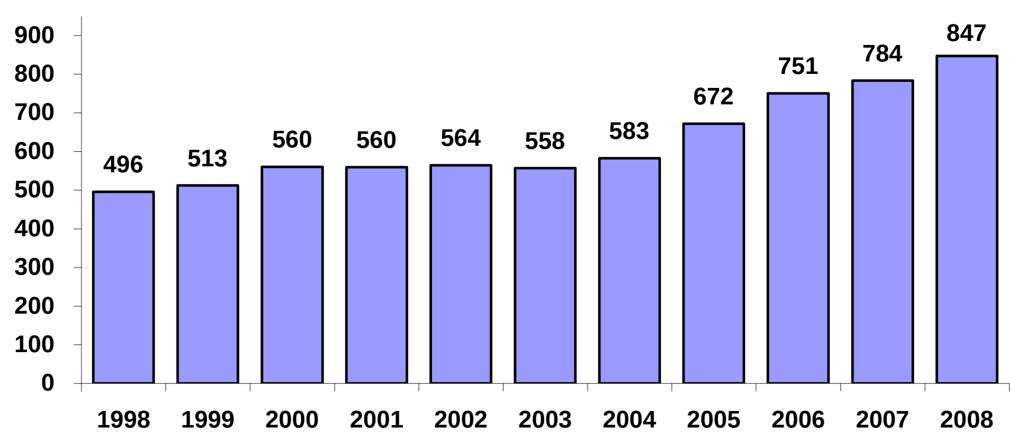
San Antonio's hospitality industry continues to benefit from the City's appeal as a leisure destination within driving distance to Dallas, Houston, and other Texas cities. In 2008, the industry had the advantage of a robust event calendar including the NCAA Men's Final Four Tournament and the opening of several new hotels which contributed to an 8% growth in hotel revenue from 2007 and a 4% growth in room nights sold from 2007. This indicates a continued strong demand for hotel room nights in San Antonio.

Hotel Room Demand (City Level)
(In Millions)



Source: Data obtained from Smith Travel Research based on hotels in San Antonio Market reports dated March 2007 and February 2009

Hotel Room Revenues (City Level)
(In Millions)

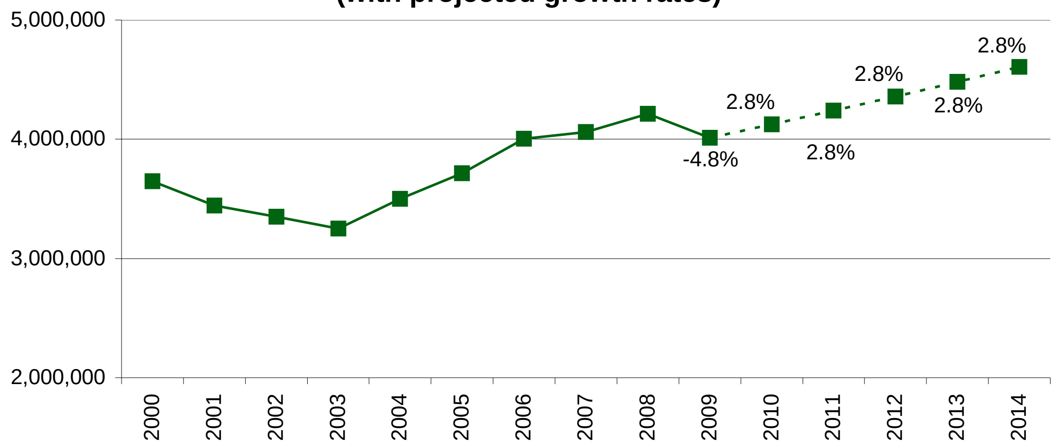


Source: Data obtained from Smith Travel Research based on hotels in San Antonio Market reports dated March 2007 and February 2009

Enplanements

San Antonio's International Airport is the only commercial service airport serving the City and the San Antonio metropolitan area. A strong local economy along with a significantly improved airline industry had resulted in substantial growth at the airport in the last few years. From 2003 through 2006 the number of enplaned passengers increased 23 percent but has dropped off during the current year due to deteriorating economic conditions. Total enplanements for 2009 are anticipated to decline 4.8 percent before steadily rebounding during the duration of the forecast period as demand increases and capital projects are completed bringing newer terminals online.

Total San Antonio Enplanements
(with projected growth rates)



Source: Aviation Department