FIVE YEAR
FINANCIAL FORECAST
FY 2017–2021

A CURRENT AND LONG-RANGE ASSESSMENT OF FINANCIAL CONDITIONS AND COSTS FOR CITY SERVICES

City of San Antonio, Texas

CITY OF SAN ANTONIO

Five Year Financial Forecast

Fiscal Year 2017-2021

PREPARED BY:

OFFICE OF MANAGEMENT AND BUDGET

MAY 11, 2016

CITY OF SAN ANTONIO
FIVE YEAR FINANCIAL FORECAST
FY 2017 – FY 2021

TABLE OF CONTENTS

DESCRIPTION	**PAGE**
GENERAL FUND FORECAST	
FORECAST OVERVIEW	1
FORECAST ASSUMPTIONS	2
FORECAST SCHEDULE	5
REVENUES	6
MANDATES & COMMITMENTS	14
FINANCIAL RESERVE FUNDS	15
HOTEL OCCUPANCY TAX-RELATED FUNDS FORECAST	19
DEVELOPMENT SERVICES FUND FORECAST	27
SOLID WASTE OPERATING & MAINTENANCE FUND FORECAST	35
ECONOMIC PERSPECTIVE & OUTLOOK	43

OVERVIEW AND SUMMARY

OVERVIEW AND SUMMARY

The Financial Forecast provides a current and long-range financial assessment addressing revenues, City services and programs, and financial reserve policies. The primary objective of the Forecast is to provide the City Council and the community with an early financial assessment and identify significant issues that need to be addressed in the budget development process.

The forecast information presented in this document combines projected resources, current service expenditures, and mandated expenditures to illustrate the financial impact to the General Fund, Development Services Fund, Hotel Occupancy Tax (HOT) Funds, and the Solid Waste Operating Fund. Recent revenue trends and economic assumptions (many of which can be found in the Economic Outlook section of this document) are used to develop these figures. Service expenditures required to sustain the current (FY 2016) level of services are used throughout the forecast period based in part on the rate of inflation. The net result of this combined data highlights the adjustments needed over the forecast period to maintain a balanced budget as required by State law. Many of the assumptions, projections, and cost estimates within this document are based on early and preliminary information that will be refined and adjusted as the FY 2017 Proposed Operating Budget is developed and presented to City Council on August 18, 2016.

GENERAL FUND

The forecasted General Fund for FY 2017 reflects a modest ending balance of $0.9 million. Additionally, the General Fund is structurally balanced in FY 2017 throughout the Forecast period.

During the forecast period, total General Fund revenue is expected to grow annually at rates ranging from 2.6% to 2.9%. The FY 2016 Revenue Estimate is approximately $11 million lower than the FY 2016 Adopted Budget, or an overall decrease of 1%. This decrease is primarily due to CPS revenue which is projected $9.6 million, or 2.9%, below budget. The rate of revenue growth projected in FY 2017 over the FY 2016 Budget is approximately 2.9%. Revenue growth beyond FY 2017 is forecasted at rates of 2.8% in FY 2018, 2.8% in FY 2019, 2.6% in FY 2020, and 2.6% in FY 2021.

The growth in expenditures over the forecast period is primarily due to increases in health care costs, contractual and inflationary increases and mandated operational costs associated with 2012 Bond Projects and other capital projects. The General Fund Forecast reflects the annual projected expenditures required to sustain the current Fiscal Year 2016 level of service.

These projections assume no new spending and include funding to support the Evergreen clause in the Collective Bargaining Agreements with Police and Fire with no additional positions for police and fire.

In the FY 2015 Adopted Budget, the City Council approved several financial policies. Consistent with these policies, the Five Year Financial Forecast maintains a General Fund Ending Balance at 15% of General Fund revenues every year of the forecast.

FORECAST METHODOLOGIES AND ASSUMPTIONS

REVENUES

Departments responsible for administering the services and/or collecting the associated revenues work with the Office of Management & Budget to develop revenue projections based on an analysis of various factors. These include historical trends, current economic conditions, projected economic activity, and known future factors such as contracts and inter-local agreements. Revenue projections do not include fee or rate increases and are based on current service levels.

EXPENDITURES

Expenditures assumed in the Forecast are based on the current service level, or funding needed to provide today's level of recurring City services. Fiscal Year 2016 budget estimates are based on an analysis of current fiscal year expenditure trends by using six months of actual expenditures to project estimated expenditure levels at the end of FY 2016. The FY 2017 base projection modifies current service costs for price changes and assumes the removal of one-time improvements and adds second year costs for improvements included in the FY 2016 Adopted Budget. Inflation rates are also used to project certain non-personal services expenditures derived from the San Antonio Consumer Price Index (CPI) projections for each year from 2017 through 2021 (See Economic Outlook section for more detail on CPI projections used).

Expenditures in the Forecast include funding for current contractual obligations, funding for the Evergreen Clause of the Police and Fire collective bargaining agreements, continuation of the civilian pay plan for step employees, performance-based pay for Civilian non-step employees, and operations and maintenance costs for the FY 2012 Bond Program projects, as well as other mandated expenditures. Mandated expenditures are described in more detail later in this document.

Additionally, funding for streets is assumed at $50 million in FY 2017 and throughout the forecast period. In FY 2016, street maintenance was budgeted at $64 million and included $14 million in one-time funding. Of the $14 million, $8.5 million was reserved in FY 2015 for a potential lump sum payment for Police and Fire, if the Collective Bargaining Agreements were settled. However, the Police Union ended negotiations in September 2015 and the reserved funds were reallocated to street maintenance. Another $5 million was funded through tax notes.

The City of San Antonio is financially strong and strives to provide high quality public services to the community while maintaining fiscal responsibility and affordability for taxpayers. As part of these efforts and per City Council policy direction, the forecast maintains budgeted financial reserves at 10% of General Fund revenues and maintains the Two-Year Budget Plan reserve of 5% of General Fund revenue. This total reserve of 15% achieves a structurally balanced General Fund through the forecast period assuming no new spending.

GENERAL FUND FORECAST

GENERAL FUND FORECAST

General Fund Forecast
($ in Millions)

	FY 2016 Budget	FY 2016 Estimate	FY 2017 Projection	FY 2018 Projection	FY 2019 Projection	FY 2020 Projection	FY 2021 Projection
RESOURCES							
Beginning Balance (Excluding Reserves)	$0.0	$3.8	$0.6	$0.9	$1.5	$4.4	$8.7
Use of Reserve for Two Year Balanced Budget Plan	63.9	63.9	55.0	56.4	58.0	59.6	61.1
Accouting adjustment	3.7	3.7					
CURRENT REVENUES							
Property Tax	$293.7	$293.7	$312.9	$325.5	$335.3	$345.3	$355.7
Sales Tax	274.6	267.4	276.7	286.4	296.4	306.8	317.5
CPS Energy	335.9	326.3	342.7	353.0	363.6	372.7	382.0
Other	192.4	198.3	195.6	194.7	196.2	198.1	200.1
TOTAL CURRENT REVENUES	1,096.7	1,085.6	1,128.0	1,159.6	1,191.5	1,223.0	1,255.3
TOTAL RESOURCES	**$1,164.3**	**$1,157.0**	**$1,183.6**	**$1,216.9**	**$1,251.0**	**$1,286.9**	**$1,325.2**
TOTAL EXPENDITURES	**$1,102.8**	**$1,094.9**	**$1,123.1**	**$1,154.3**	**$1,183.9**	**$1,213.8**	**$1,244.1**
FINANCIAL RESERVES/TWO-YEAR BALANCED BUDGET							
Budgeted Financial Reserves for 10% (Incremental)	6.4	6.4	3.2	3.2	3.2	3.1	3.2
Reserve for Two-Year Balanced Budget Plan	55.0	55.0	56.4	58.0	59.6	61.1	62.8
ENDING BALANCE	**$0.0**	**$0.6**	**$0.9**	**$1.5**	**$4.4**	**$8.7**	**$15.1**
BUDGETED RESERVES SUMMARY							
Budgeted Financial Reserves	109.6	109.6	112.8	116.0	119.1	122.3	125.5
Reserve for 2-year Balance Budget	55.0	55.0	56.4	58.0	59.6	61.1	62.8
Total Financial Reserves as % of Revenues	**15%**	**15%**	**15%**	**15%**	**15%**	**15%**	**15%**

GENERAL FUND REVENUES

Total FY 2016 General Fund revenue is anticipated to be $11 million, or 1.0%, below the FY 2016 Adopted Budget. Over the forecast period, these revenues are expected to increase at an average annual rate of 2.7%, with annual rates of change ranging from 2.9% in FY 2017 to 2.6% in both FY 2020 and FY 2021.

General Fund Forecast of Current Revenues
($ in Millions)

Revenue	FY 2016 Budget	FY 2016 Estimate	FY 2017 Projection	FY 2018 Projection	FY 2019 Projection	FY 2020 Projection	FY 2021 Projection
Current Property Tax	$ 293.7	$ 293.7	$ 312.9	$ 325.5	$ 335.3	$ 345.3	$ 355.7
City Sales Tax	274.6	267.4	276.7	286.4	296.4	306.8	317.5
CPS - Recurring	335.9	326.3	342.7	353.0	363.6	372.7	382.0
Business and Franchise Taxes	30.7	31.6	31.6	31.7	32.0	32.4	32.8
Liquor by the Drink Tax	7.7	8.2	8.3	8.4	8.6	8.7	8.8
Delinquent and Penalties	4.9	4.9	4.9	4.9	4.9	4.9	4.9
Licenses and Permits	8.3	8.5	8.6	8.8	8.9	9.1	9.1
San Antonio Water System	13.9	14.0	14.4	14.5	14.7	14.8	15.0
Other Agencies	8.0	8.2	7.5	7.2	7.0	7.0	7.0
Charges for Current Services	59.4	59.4	59.4	59.7	59.5	60.1	60.6
Fines	12.3	12.5	12.5	12.5	12.5	12.5	12.5
Miscellaneous Revenue	10.3	14.0	11.4	12.7	13.9	14.5	15.2
Transfers from Other Funds	37.0	37.1	37.1	34.1	34.1	34.1	34.1
Total Revenue	**$ 1,096.7**	**$ 1,085.6**	**$ 1,128.0**	**$ 1,159.6**	**$ 1,191.5**	**$ 1,223.0**	**$ 1,255.3**

CITY PUBLIC SERVICE ENERGY (CPS ENERGY)

Projected Annual Rates of Change for CPS Recurring Revenues

FY 2017[1]	FY 2018	FY 2019	FY 2020	FY 2021
2.0%	3.0%	3.0%	2.5%	2.5%

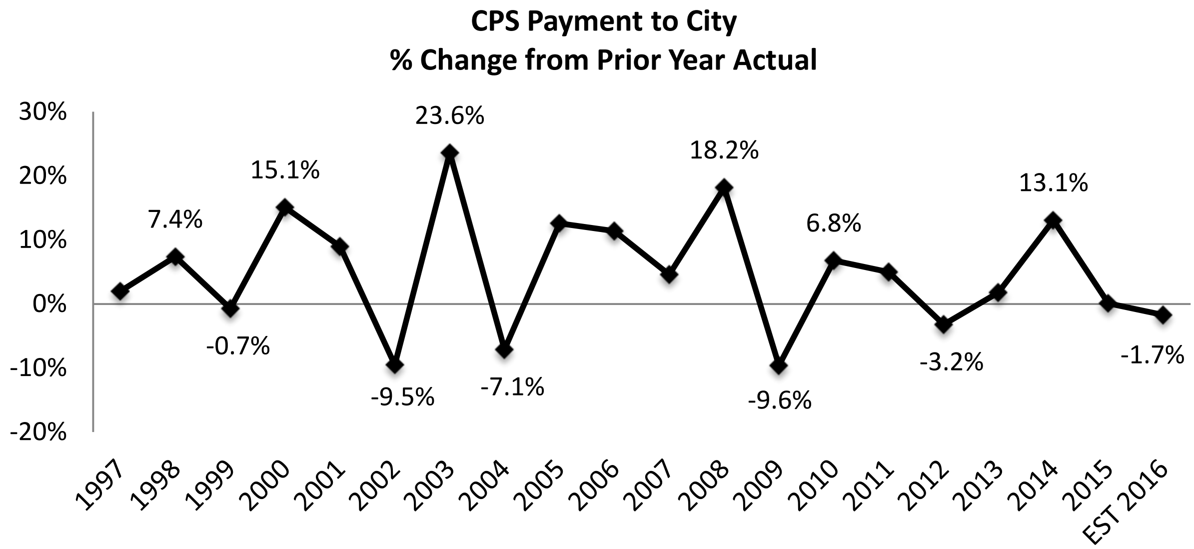
The City's payment from CPS Energy represents the largest source of revenue to the General Fund, accounting for 30.6% of the FY 2016 General Fund Adopted Budget. 14% of CPS Energy gas and electric gross revenue is paid to the City as a return on investment. The estimated revenue of $326.3 million for FY 2016 is $9.6 million lower than the $335.9 million budgeted in FY 2016 due to decreases in electric and natural gas revenue resulting from mild San Antonio weather throughout the winter and spring of FY 2016. One-time CPS revenues are not projected in the forecast.

Accurately forecasting the CPS Energy payment revenue is challenged by a number of variables such as the weather, growth of the system, changes in per capita consumption, fuel prices, generation mix, and unscheduled maintenance on generation plants.

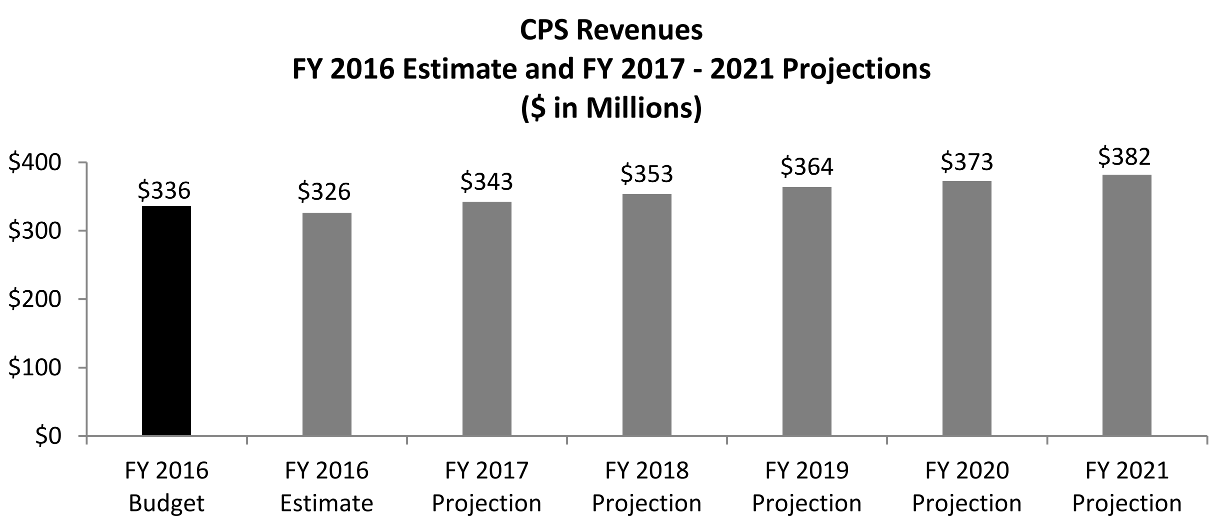
[1] CPS revenue is projected 5.0% above the FY 2016 Estimate and 2.0% above the FY 2016 Adopted Budget.

Historically, 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 further illustrate the fluctuations in demand, the graph below depicts the percent change in the City's annual payment from CPS Energy year-over-year.



In addition, natural gas cost and other fuel costs (i.e., solar, wind, coal, etc.) can result in significant fluctuations in the City's payment from CPS Energy. Consequently, the City's projections of the payment from CPS Energy remain conservative. The projections over the five-year period take into consideration 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.



The forecast for FY 2017 of $342.7 million is $6.8 million, or 2.0%, higher than the FY 2016 Adopted Budget and is $16.4 million, or 5.0%, higher than the FY 2016 Estimate.

The forecasted amounts for FY 2018 through FY 2021 are based on the FY 2017 Projection adjusted by an average growth rate of 2.8% for FY 2018 through FY 2021.

CURRENT PROPERTY TAX REVENUE – MAINTENANCE & OPERATIONS

Projected Annual Rates of Change

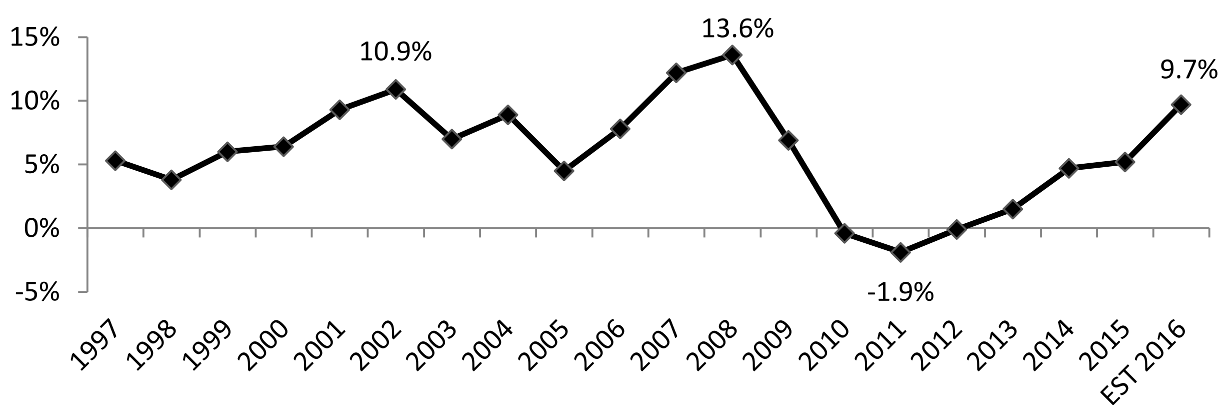
FY 2017[2]	FY 2018	FY 2019	FY 2020	FY 2021
6.5%	4.0%	3.0%	3.0%	3.0%

Property tax revenue accounts for 26.8% of the total FY 2016 General Fund Budget. This revenue category is comprised of current property tax revenues only. Additional property tax revenues collected by the City that are accounted for in the Other Resources category include delinquent property tax and revenues from penalties and interest on delinquent property tax. Property tax revenue is generated from the City's ad valorem tax rate levied against taxable values as determined by the Bexar Appraisal District and in conformance with State law. The FY 2017 projected property taxable value is based on preliminary data from the Bexar Appraisal District. The final Certified Property Tax Roll will be available by the end of July 2016.

The City of San Antonio has long recognized the need to provide senior citizens and disabled veterans with property tax relief. 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 and Disabled Residence Homestead and Disabled Veterans exemptions. City property taxes for the elderly and disabled are frozen and may not increase as long as the residence is maintained as a homestead by the owner. Additional tax relief provided by the City includes Tax Abatement/Phase-Ins exemptions, Freeport exemptions, Historic Property exemptions, and the 10% limitation on Residence Homestead Taxable Valuation.

The revenue estimated to be generated in FY 2016 includes the current property tax rate of 55.827 cents per $100 of taxable valuation. The General Fund maintenance and operation portion is 34.677 cents with the remaining 21.150 cents used to support the City's debt service requirements. The revenue projected to be generated through the forecast period assumes no change in the City's Property Tax Rate. The City has not increased the property tax rate for twenty-three years and has decreased it seven times over that same period.

Property Tax Revenue
% Change from Prior Year Actual

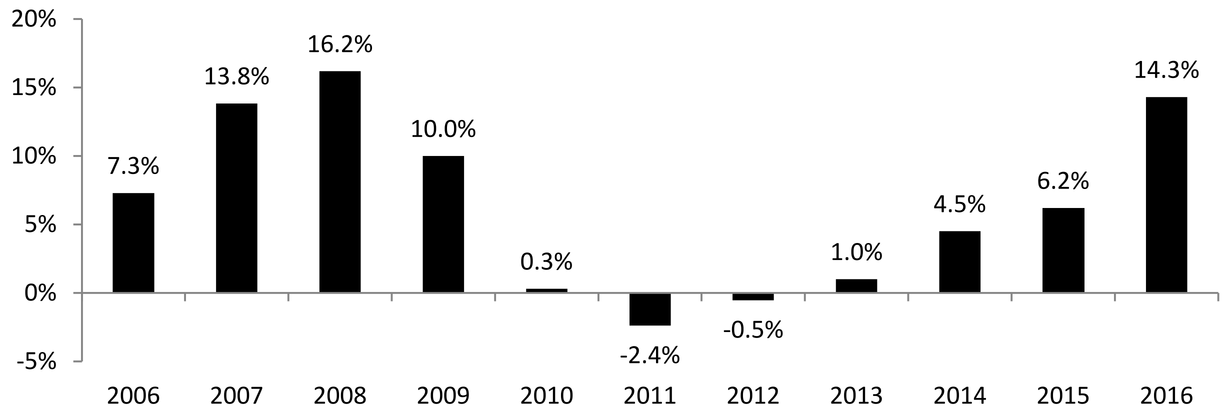


[2] Property Tax revenue is projected 6.5% above the FY 2016 Estimate and 6.5% above the FY 2016 Adopted Budget.

Taxable valuations are estimated to increase by 7.5% in FY 2017 as compared to the FY 2016 Adopted Budget. Thereafter, taxable valuations are projected to increase by 4.0% in FY 2018, and 3.0% from FY 2019 - FY 2021. These estimates are a result of projections of base value change and new property improvements.

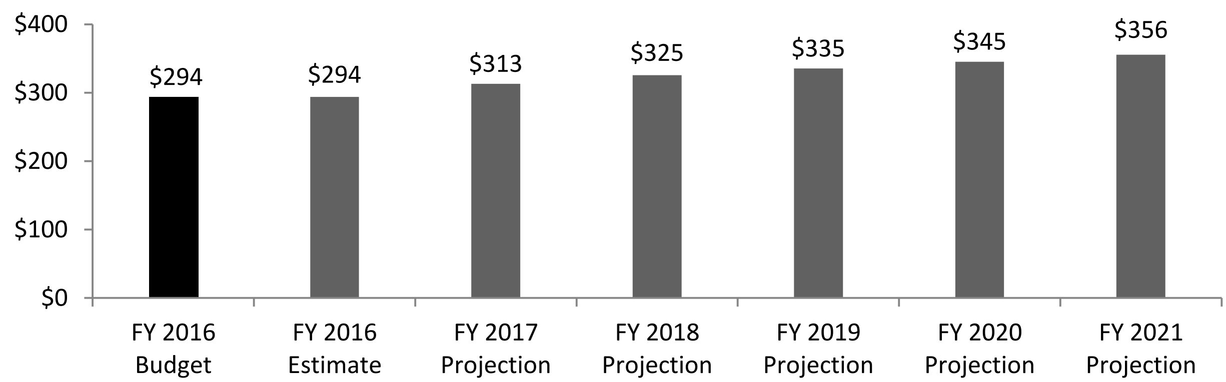
Assessed Valuation Category	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Base	5.46%	2.50%	1.50%	1.50%	1.50%
New Improvements	2.04%	1.50%	1.50%	1.50%	1.50%
Total % Change - Taxable Value	7.50%	4.00%	3.00%	3.00%	3.00%

Historical Growth in Taxable Valuation
% Change from Prior Year Actual



The projections in assessed valuations result in City property tax revenue projections throughout the forecast period and are represented in the following graph.

Property Tax Revenues
FY 2016 Estimate and FY 2017 - 2021 Projections
-$ in Millions-

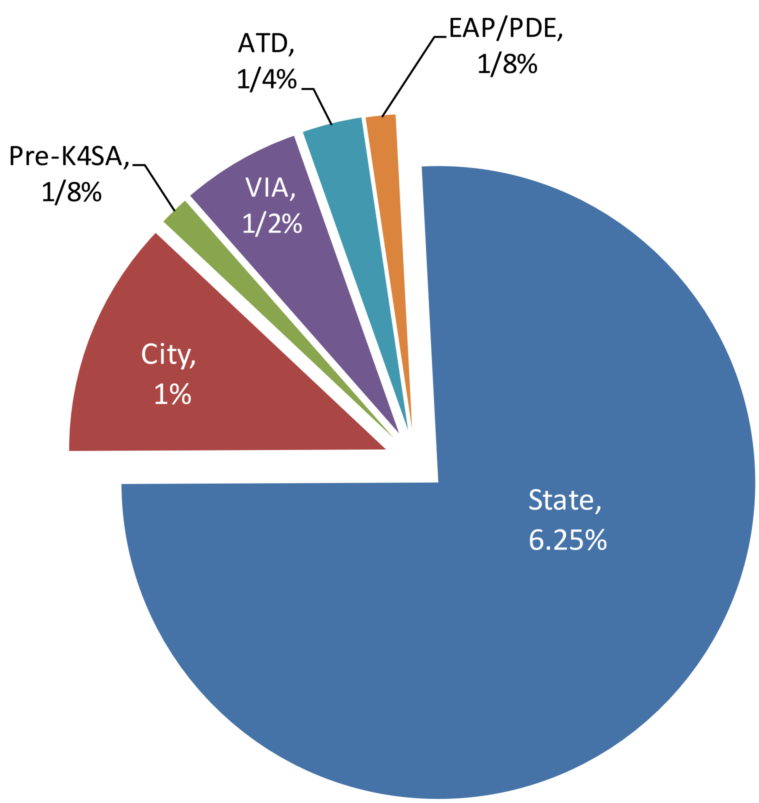


CITY SALES TAX REVENUE

Projected Annual Rates of Change

FY 2017[3]	FY 2018	FY 2019	FY 2020	FY 2021
0.8%	3.5%	3.5%	3.5%	3.5%

Sales tax revenue collected to support maintenance and operations of services in the General Fund accounts for 25.0% of the FY 2016 General Fund Budget. San Antonio's current sales tax rate is 8.25%. Several entities receive percentages of all sales tax proceeds as summarized in the chart below.

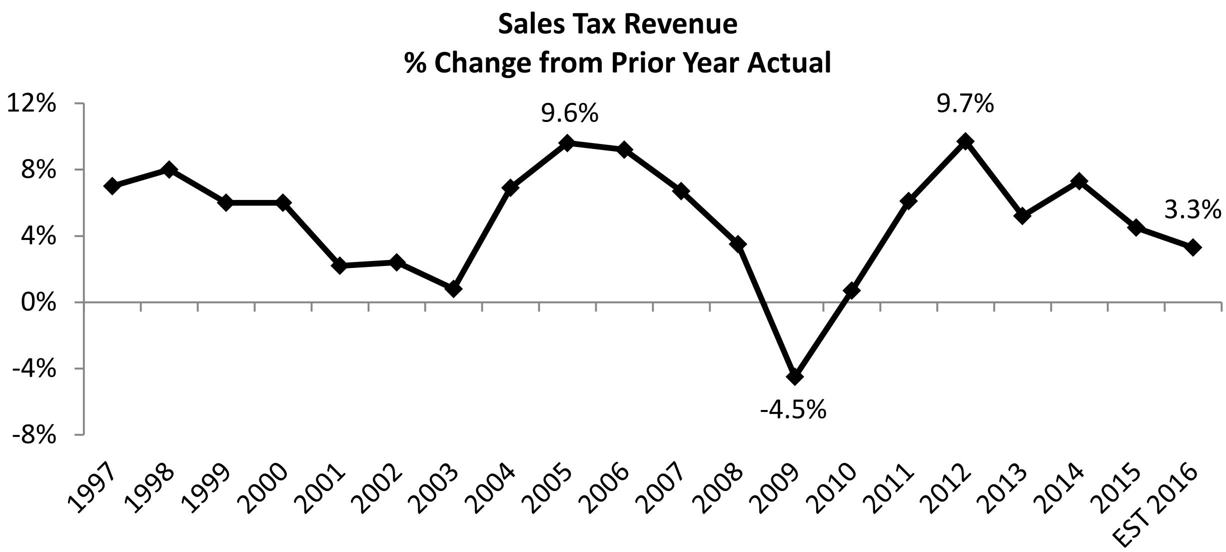


ATD: Advanced Transportation District
EAP: Edward Aquifer Protection
PDE: Parks Development & Expansion

Actual sales tax collections for the current year are projected to be $267.4 million. This amount is $7.2 million, or 2.6%, less than the $274.6 million budgeted in FY 2016 for sales tax revenue. General Fund sales tax revenue in FY 2017 is projected to increase by 0.8% over the FY 2016 Adopted Budget and 3.5% over the FY 2016 Estimate. Beyond FY 2017, revenue levels from this source are expected to grow at an average rate of 3.5%. Future years' projections are based on historical trends, retails sales, and projected employment and population growth.

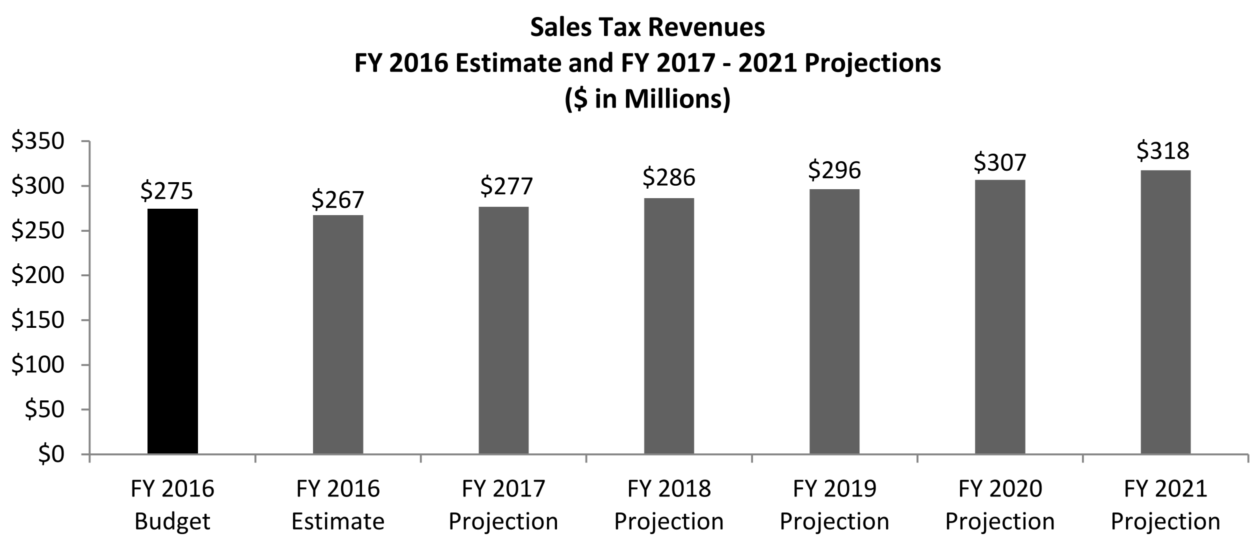
[3] Sales Tax revenue is projected 3.5% above the FY 2016 Estimate and 0.8% above the FY 2016 Adopted Budget.

These estimates and the projections for the forecast period exclude the sales tax collected by the City for Pre-K 4 SA, the Edwards Aquifer Protection and Parks Development & Expansion venues, and the City's Advanced Transportation District.



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 grown over the past several years. However, with the recent decline in oil prices, the growth in FY 2016 was slower than anticipated. Local economic measures such as the unemployment rate and employment growth rate have been stronger than national rates in recent years, and the local employment growth rate is projected to perform slightly better than the national trend for each year of the forecast period.

The projections in sales tax throughout the forecast period are shown in the following graph.



CHARGES FOR CURRENT SERVICE

Projected Annual Rates of Change

FY 2017[4]	FY 2018	FY 2019	FY 2020	FY 2021
-0.1%	0.5%	-0.3%	0.9%	0.9%

This comprehensive category includes revenues related to recreation and culture such as the River Barge and Tower of America revenue contracts, 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 EMS Ambulance Service fees and alarm permit fees; and revenues generated by birth and death certificates. Actual revenues for the current year are projected to be $59.4 million, or slightly above budget. Projected annual rates of change over the forecast period are based on known changes in revenue contracts or estimated demands, which include an estimated one-time increase in River Barge revenues in FY 2018 as San Antonio celebrates its tricentennial.

BUSINESS AND FRANCHISE TAXES

Projected Annual Rates of Change

FY 2017[5]	FY 2018	FY 2019	FY 2020	FY 2021
2.8%	0.6%	0.9%	1.1%	1.4%

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 forecast for FY 2017 is $31.6 million, which is comparable to the FY 2016 Estimate. The forecasted amounts for FY 2018 through FY 2021 grow at an average of 1.0% annually. Compensation from telecommunication providers is governed by state law and is comprised of a monthly fee paid to the City on a quarterly basis for each business line ($4.24) and each residential line ($1.28). These fees change every July 1 and the adjustment is based on ½ of the prior year's change in CPI. The new fees on July 1, 2016 will be $4.23 for business lines and $1.27 for residential lines. 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 forecast for FY 2017 is $14.0 million, which represents a $292,333 decrease from the FY 2016 Estimate of $14.3 million.

Compensation from cable/video providers for use of municipal rights-of-way is governed by state law. The cable/video providers are required to pay a quarterly franchise fee of 5.0% of gross revenues. The FY 2017 forecast for this revenue source of $15.5 million is $271,220 higher than the FY 2016 Estimate of $15.2 million.

---

[4] Charges for Current Service are projected 0.1% lower than the FY 2016 Estimate and 0.1% lower than the FY 2016 Adopted Budget.

[5] Business and Franchise Tax revenues are projected 0.1% lower than the FY 2016 Estimate and 2.8% above the FY 2016 Adopted Budget.

SAN ANTONIO WATER SYSTEM (SAWS) PAYMENT

Projected Annual Rates of Change

FY 2017 [6]	FY 2018	FY 2019	FY 2020	FY 2021
3.4%	1.1%	1.1%	1.1%	1.1%

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 projected revenue for FY 2017 from SAWS is $14.4 million. This is an increase of $0.5 million, or 3.4%, from the FY 2016 Adopted Budget of $13.9 million and $0.4 million, or 3.0%, from the FY 2016 Estimate of $14.0 million. The projected increase for FY 2017 is based on the current rate structure which was last adjusted January 1, 2016, increasing rates by an average of 7.5%. Projections for the forecast period are based on the current rate structure as approved by the City Council and SAWS' historical revenues for each of its core business units.

OTHER RESOURCES

Projected Annual Rates of Change

FY 2017 [7]	FY 2018	FY 2019	FY 2020	FY 2021
2.1%	-1.8%	1.4%	1.0%	0.9%

Other revenues received by the General Fund include delinquent property tax, penalties and interest on delinquent tax, licenses and permits, fines, liquor by the drink, interest earnings, transfers from other funds, and other miscellaneous revenue. Other resources for the current year are projected to be approximately $93.3 million compared to the FY 2016 Revised Budget of $88.4 million. This $4.9 million increase is largely attributable to the one-time sale of City properties, an increase in liquor by the drink revenue, and an increase in interest revenue resulting from an increase to interest rates during FY 2016.

For FY 2017, total other General Fund revenue is expected to be $90.3 million, which is 3.2% lower than the FY 2016 Estimate. Included in the projections for FY 2017 through FY 2019 is the decrease of revenues received from Bexar County in exchange for providing county residents access to the City's libraries. During this time period, revenues associated with providing library access are reduced by $300,000 each year through FY 2019. Additionally, the City receives revenues from Bexar County for providing animal care services. The County is currently working to develop its own animal care service facility and will no longer require the services from the City; therefore this payment from the County is not included in the forecast.

[6] SAWS revenues are projected 3.0% above the FY 2016 Estimate and 3.4% above the FY 2016 Adopted Budget.

[7] Other resources are projected 3.2% lower than the FY 2016 Estimate but 2.1% above than the FY 2016 Adopted Budget.

MANDATED EXPENDITURES AND COMMITMENTS

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.

The following table projects the cost requirements of mandated expenditures and commitments over the FY 2017 to FY 2021 forecast period and the impact to the General Fund. All expenditures shown are incremental.

Mandate Title	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
CAPITAL IMPROVEMENTS OPERATING & MAINTENANCE					
Parks Linear Greenway Program	$ 737,090	$ 1,033,570	$ 436,598	$ 494,429	$ 424,666
Parks Acquisition / Development	789,976	324,435	300,945	39,451	0
Council District 3 Senior Center	616,311	34,442	10,792	10,793	10,792
Subtotal	**$ 2,143,377**	**$ 1,392,447**	**$ 748,335**	**$ 544,673**	**$ 435,458**
OTHER MANDATES					
Other Mandates	1,075,286	202,295	266,014	121,247	127,309
Subtotal	$ 1,075,286	$ 202,295	$ 266,014	$ 121,247	$ 127,309
Total Mandated Costs	**$ 3,218,663**	**$ 1,594,742**	**$ 1,014,349**	**$ 665,920**	**$ 562,767**

PARKS LINEAR GREENWAY PROGRAM

This mandate provides for the maintenance and security of new creek way and multi-use trails acquired through the Sales Tax Venues. During the forecast period, the City anticipates development of 33.2 miles of additional greenway trails and acquisition of approximately 380 additional acres at various locations throughout the City.

PARKS ACQUISITION AND DEVELOPMENT

This mandate provides for maintenance and security of new facilities and park components. During the forecast period, the City anticipates acquiring about 125 additional components in approximately 6 parks, with approximately 1.1 miles of exercise trails and 288 new park acres to maintain. Park components include fitness stations, picnic units, shade structures, a dog park and a basketball court.

COUNCIL DISTRICT 3 SENIOR CENTER

This mandate provides for all operational costs at the new senior center in Council District 3 which is located at the Southside Lions Park. Expected opening date for the center is November, 2016.

OTHER MANDATES

These mandates provide for increases related to inter-local agreements, management agreements, and other contractual obligations.

FINANCIAL RESERVES

The establishment and maintenance of appropriate reserves within the General Fund is critical to prudent financial management. Currently, the City holds a 'AAA' general obligation bond rating by the three major bond rating agencies - Standard & Poor's, Fitch, and Moody's. The 'AAA' bond rating is the highest credit rating an organization can receive and it allows the City to pay the lowest possible interest rates in the market. San Antonio is the only major city with a population of more than one million to have an 'AAA' bond rating from any one of the major rating agencies.

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

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 Culture & Creative Development Fund. The fund also supports various visitor-related activities including 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 2017 through FY 2021. 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.

Hotel Occupancy Tax Fund Forecast
($ in Millions)

	FY 2016 Budget	FY 2016 Estimate	FY 2017 Projection	FY 2018 Projection	FY 2019 Projection	FY 2020 Projection	FY 2021 Projection
RESOURCES							
Beginning Balance	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Transfer from Redemption & Capital Reserve Fund	0.3	0.0	0.0	0.0	0.0	0.0	0.0
NET BALANCE	$0.3	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
REVENUES							
Hotel Occupancy Tax	$63.9	$63.6	$65.7	$67.9	$70.1	$72.3	$74.5
Miscellaneous	0.1	0.1	0.1	0.1	0.2	0.2	0.3
TOTAL REVENUES	$64.0	$63.7	$65.8	$68.0	$70.2	$72.4	$74.8
TOTAL RESOURCES	**$64.3**	**$63.7**	**$65.8**	**$68.0**	**$70.2**	**$72.4**	**$74.8**
TRANSFERS OUT							
Community & Visitor Facilities Fund (CVF)	$19.5	$19.7	$18.3	$19.2	$19.9	$19.7	$20.3
Convention & Visitors Bureau Fund (CVB)	21.3	21.2	21.7	22.2	22.7	23.2	23.6
Culture & Creative Development (DCCD)	9.3	9.3	9.7	9.9	10.1	10.4	10.7
Support for History and Preservation	9.3	9.3	9.7	9.9	10.1	10.4	10.7
Transfer - Hotel/Dome Impvt & Contingency Fund	0.0	0.0	0.0	0.5	1.0	1.0	1.0
Transfer to Redemption & Capital Reserve Fund	0.0	0.1	1.1	0.8	0.2	1.2	1.4
Transfer to Debt Service	1.8	1.0	2.2	2.6	3.0	3.4	3.8
Other Transfers	3.1	3.1	3.1	3.1	3.1	3.2	3.3
TOTAL TRANSFERS	**$64.3**	**$63.7**	**$65.8**	**$68.0**	**$70.2**	**$72.4**	**$74.8**

ANALYSIS OF REVENUE 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 over the forecast period. The ending balance reflects the difference between the beginning balance plus operating revenues and operating expenditures.

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.

The City's 7% HOT collection is used to support tourism and convention activities, as well as arts and cultural programming. It includes funding up to 15% for Arts, up to 15% for History and Preservation, Convention Facilities, and the Convention and Visitors Bureau. The 2% HOT can only be used to support expansion of the Convention Center facility. The Texas State Code requires that no more than 15% of City HOT revenue can go towards arts and cultural programs, and a maximum of 15% that can be used for history and preservation.

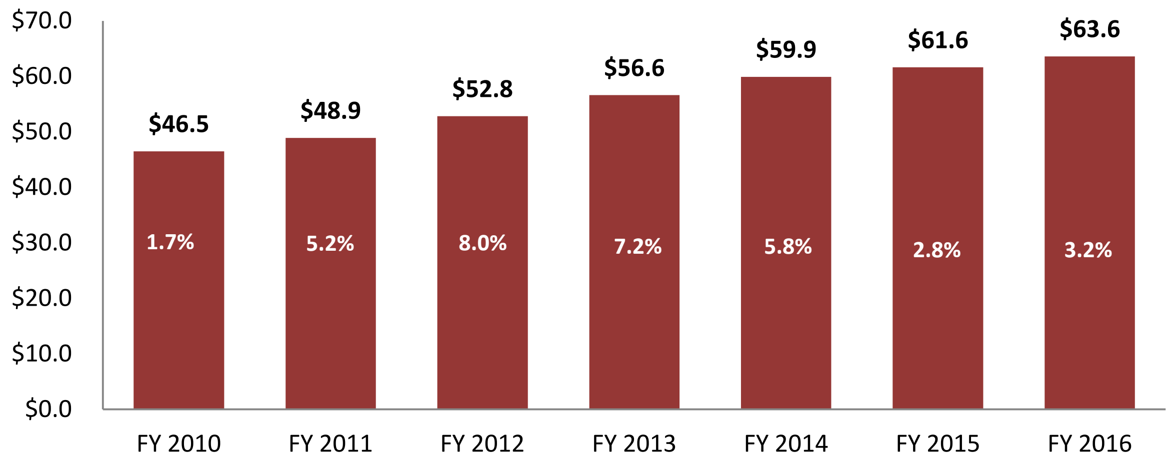
In FY 2012 City Council approved the issuance of debt for the Convention Center Expansion. The City will utilize all of its 2% Expansion HOT along with a portion of the incremental annual growth from the 7% HOT to make the required annual debt payment. The amount of 7% HOT required to be contributed towards debt payments will be applied first, leaving a Net 7% HOT which will be utilized for aforementioned operating categories. The allocation of up to 15% for Arts and History and Preservation will be applied to the Net 7% HOT.

HOT revenue is estimated to be $63.6 million for FY 2016, which is 0.4% lower than the FY 2016 Adopted Budget of $63.9 million. HOT revenues are projected to increase at annual rates of 3.4% (FY 2017), 3.3% (FY 2018), 3.2% (FY 2019), 3.1% (FY 2020) and 3.1% (FY 2021) during the Forecast period.

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 7% HOT Collections graph shows below, between FY 2010 and FY 2016, the City's 7% HOT Tax Collections grew 36.8%.

7% Hotel Occupancy Tax Collections
($ in Millions)



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% HOT to the extent that the costs of the Convention Center Debt Service could not be covered; 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 if the anticipated 2% dedicated tax revenue stream did not produce the expected revenue amounts. The Forecast for the Hotel Occupancy Tax Fund assumes the FY 2016 Estimate as the starting point for projecting future years' revenues.

Current Services Expenditures - Expenditures are based on the current services level and include anticipated mid-year adjustments within the HOT-supported departments. The current services level assumes that Arts and Cultural Agencies Funding and Support for History and Preservation will remain at 15% of HOT collections net of debt service payments related to the Convention Center Expansion. The expenditures also include mandated expenditures, such as hosting obligations for booked conventions and sporting events.

The inflation rates used to project certain non-personal services expenditures reflect the Consumer Price Index (CPI) projections for the San Antonio area. These rates and their underlying assumptions are described in the Economic Perspective and Outlook chapter. Shown below are the assumed inflation rates for each year of the Forecast period:

FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
2.65%	3.05%	2.94%	2.50%	2.35%

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. The primary sources of revenue for the Convention and Sports 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, and Lila Cockrell Theater. Revenues for the facilities are based on a combination of event mix projections, growth assumptions and service provider projections for each of the years in the Forecast period.

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

Community and Visitor Facilities Fund
($ In Millions)

	FY 2016 Budget	FY 2016 Estimate	FY 2017 Projection	FY 2018 Projection	FY 2019 Projection	FY 2020 Projection	FY 2021 Projection
RESOURCES							
Beginning Balance	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Convention Center Revenues	13.2	14.0	14.1	14.2	14.2	14.7	15.0
Alamodome Revenues	10.3	9.3	10.5	12.4	12.7	13.0	13.3
Miscellaneous Revenues	0.1	0.1	0.8	0.9	0.1	0.1	0.1
Transfer from HOT 2% Tax Fund	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Transfer from HOT 7% Tax Fund	19.5	19.7	18.3	19.1	19.9	19.7	20.3
TOTAL RESOURCES	**$43.2**	**$43.2**	**$43.8**	**$46.7**	**$47.1**	**$47.7**	**$48.8**
EXPENDITURES							
Base Budget	$43.2	$43.2	$40.8	$44.1	$44.7	$45.2	$46.2
Mandates (Incremental)	0.0	0.0	2.9	2.7	2.4	2.5	2.6
TOTAL EXPENDITURES	**$43.2**	**$43.2**	**$43.8**	**$46.7**	**$47.1**	**$47.7**	**$48.8**
NET ENDING BALANCE	***$0.0***	***$0.0***	***$0.0***	***$0.0***	***$0.0***	***$0.0***	***$0.0***

CONVENTION AND VISITORS BUREAU FUND

The Convention and Visitors Bureau Fund accounts for revenues and expenditures related to sales, marketing, and promotion of San Antonio as a premier leisure and convention destination. It is supplemented by 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
($ In Millions)

	FY 2016 Budget	FY 2016 Estimate	FY 2017 Projection	FY 2018 Projection	FY 2019 Projection	FY 2020 Projection	FY 2021 Projection
RESOURCES							
Beginning Balance	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Miscellaneous Revenues	0.3	0.3	0.4	0.4	0.4	0.4	0.4
Transfer from HOT 7% Tax Fund	21.3	21.2	21.7	22.2	22.7	23.2	23.6
TOTAL RESOURCES	**$21.6**	**$21.5**	**$22.0**	**$22.5**	**$23.0**	**$23.5**	**$24.0**
EXPENDITURES							
Base Budget	$21.6	$21.5	$22.0	$22.5	$23.0	$23.5	$24.0
TOTAL EXPENDITURES	**$21.6**	**$21.5**	**$22.0**	**$22.5**	**$23.0**	**$23.5**	**$24.0**
NET ENDING BALANCE	***$0.0***	***$0.0***	***$0.0***	***$0.0***	***$0.0***	***$0.0***	***$0.0***

CULTURE AND CREATIVE DEVELOPMENT FUND

The Culture and Creative Development Fund accounts for the operating expenditures of the Department of Culture and Creative Development as well as the contributions made to art and cultural agencies. It is supported through a transfer from the Hotel Occupancy Tax Fund. The Forecast assumes the art funding level at 15% of HOT budgeted collections every year of the forecast net of debt service payments related to the Convention Center Expansion.

The following is the Financial Forecast for the Culture and Creative Development Fund:

Culture and Creative Development Fund
($ in Millions)

	FY 2016 Budget	FY 2016 Estimate	FY 2017 Projection	FY 2018 Projection	FY 2019 Projection	FY 2020 Projection	FY 2021 Projection
RESOURCES							
Beginning Balance	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Transfer from General Fund (Luminaria)	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Transfer from HOT 7% Tax Fund	9.3	9.3	9.7	9.9	10.1	10.4	10.7
TOTAL RESOURCES	**$9.4**	**$9.4**	**$9.8**	**$9.9**	**$10.2**	**$10.4**	**$10.7**
EXPENDITURES							
Base Budget	$9.4	$9.4	$9.8	$9.9	$10.2	$10.4	$10.7
TOTAL EXPENDITURES	**$9.4**	**$9.4**	**$9.8**	**$9.9**	**$10.2**	**$10.4**	**$10.7**
NET ENDING BALANCE	***$0.0***	***$0.0***	***$0.0***	***$0.0***	***$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. In FY 2012 City Council approved the issuance of debt for the Convention Center Expansion. The funding for arts and cultural programs is equivalent to 15% of the HOT revenue collections net of debt service payments related to the Convention Center Expansion.

Art program funding is distributed on a competitive basis and is managed by the City's Department of Culture and Creative Development. There are six funding programs summarized as follows:

- Cultural Arts Operating Program
- Festivals and Community Celebrations Program
- stART Place Program
- Artist Re-Granting Program
- Technical & Economic Development Assistance Program

The Cultural Arts Operating Program provides support to arts and cultural agencies that have a budget of over $50,000 and meet a designated matching requirement. The Festivals and Community Celebrations Program encourages artistic presentations and performances at festivals and community celebrations with a clear and credible programmatic focus area of arts, culture, or heritage. The stART Place Program encourages partnerships between artists, artist collectives, and non-profit community based agencies to stimulate neighborhood vibrancy with arts and culture opportunities. Funding is specific to activities and neighborhoods. The Artist Re-Granting Program supports arts and non-profit organization that have a mission that includes providing financial support to local professional artists. The Technical and Economic Development Assistance Program supports the organizational stability, development, and professional growth of arts and cultural organizations and artists. All the programs are competitive with specific review committees providing input on the major focus areas of each program.

The FY 2017 to FY 2021 Forecast assumes the art funding level at 15% of HOT budgeted collections net of debt service payment for the Convention Center Expansion every year of the forecast.

DEVELOPMENT SERVICES FUND

DEVELOPMENT SERVICES FUND

INTRODUCTION

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

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

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

- Greater trust by stakeholders and improved perception of the department

- Enhanced accountability by appropriately aligning revenues with expenses and 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 fund balance, (2) make continuous improvements in the cycle time for permitting, (3) ensure consistency and quality of plan review and inspections, and (4) enhance customer service.

FIVE YEAR FINANCIAL FORECAST

Below is the Financial Forecast for the Development Services Fund. The Forecast reflects projections for a five year period from FY 2017 through FY 2021 and includes as its starting point the current fiscal year budget and preliminary estimated projections for the fiscal year. The Forecast includes financial projections for revenues, expenditures, ending balances, and reserves.

Development Services Fund Forecast
($ in Thousands)

	FY 2016 BUDGET	FY 2016 ESTIMATE	FY 2017 PROJECTION	FY 2018 PROJECTION	FY 2019 PROJECTION	FY 2020 PROJECTION	FY 2021 PROJECTION
AVAILABLE FUNDS							
Beginning Balance	**$1,698**	**$2,056**	**$213**	**$475**	**$544**	**$741**	**$718**
Accounting Adjustment	-	76	-	-	-	-	-
Use of Reserves	-	-	-	-	-	-	-
Net Balance	**$1,698**	**$2,132**	**$213**	**$475**	**$544**	**$741**	**$718**
REVENUES							
Development Services Revenues	28,553	28,608	29,252	30,015	30,818	31,548	32,298
Transfer from General Fund - ICRIP	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Total Revenues & Transfers	30,553	30,608	31,252	32,015	32,818	33,548	34,298
TOTAL AVAILABLE FUNDS	**$32,251**	**$32,740**	**$31,465**	**$32,490**	**$33,362**	**$34,289**	**$35,015**
APPROPRIATIONS							
Current Service	28,616	28,316	29,376	30,083	30,759	31,708	31,275
Transfer To Capital Projects	3,635	3,635	-	-	-	-	-
TOTAL APPROPRIATIONS	**$32,251**	**$31,951**	**$29,376**	**$30,083**	**$30,759**	**$31,708**	**$31,275**
GROSS ENDING BALANCE	**$0**	**$789**	**$2,089**	**$2,407**	**$2,604**	**$2,581**	**$3,740**
FY 2016 MID-YEAR IMPROVEMENT							
Add 2 Solar Positions	-	76	113	113	113	113	113
ADJUSTED GROSS ENDING BALANCE	**$0**	**$713**	**$1,975**	**$2,294**	**$2,491**	**$2,468**	**$3,627**
LESS: BUDGETED FINANCIAL RESERVES							
Budgeted Financial Reserves (Incremental Amt)	-	-	500	500	500	500	1,500
Reserve for Capital Projects (Incremental Amt)	-	500	1,000	1,250	1,250	1,250	1,250
NET ENDING BALANCE	**$0**	**$213**	**$475**	**$544**	**$741**	**$718**	**$877**
BUDGET RESERVE SUMMARY							
Budgeted Financial Reserves (Cumulative)	969	969	1,469	1,969	2,469	2,969	4,469
Reserve for Capital Projects (Cumulative)	-	500	1,500	2,750	4,000	5,250	6,500
Financial Reserve as % of Annual Operating Costs	4%	4%	6%	7%	9%	11%	16%

ANALYSIS OF REVENUES AND EXPENDITURES

Revenues – Through the first six months of the current fiscal year (October 2015 – March 2016), Development Services revenues, including transfers, are $16,376 above the 6-month planned amount. Total revenue for FY 2016 is projected to be approximately $55,000, or 0.2%, more than budgeted. Although the number of commercial permits (new and existing) is down 120 permits, or 7%, through March compared to the same period in FY 2015, average commercial project valuation is $766,000, up 15% from FY 2015. Average commercial project valuation is anticipated at year end to be 10% greater than FY 2015. Residential permitting has followed much the same trend in FY 2016, with average residential project valuations up year-to-date and projected up 2% from FY 2015 by year end.

Development Services operating revenues reflect conservative growth in out years. Departmental revenue-generating activities were identified as relating primarily to New or Existing Commercial Construction, New or Existing Residential Construction, or a combination thereof, and growth rates applied thereafter based upon such designation. Given the aforementioned revenue components and the growth rates assigned to each category, total revenues are projected to increase by the following amounts over the Forecast period:

FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
2.1%	2.4%	2.5%	2.2%	2.2%

Expenditures – This section of the Forecast projects expenditures based on the current service level, and includes expenditures related to the addition of two positions to address the increasing demand for solar permitting.

The inflation rates used to project non-personal services expenditures were derived from the Consumer Price Index (CPI) projections for each year from FY 2017 through FY 2021. These rates and their underlying assumptions are described in the Economic Outlook and Perspective section.

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

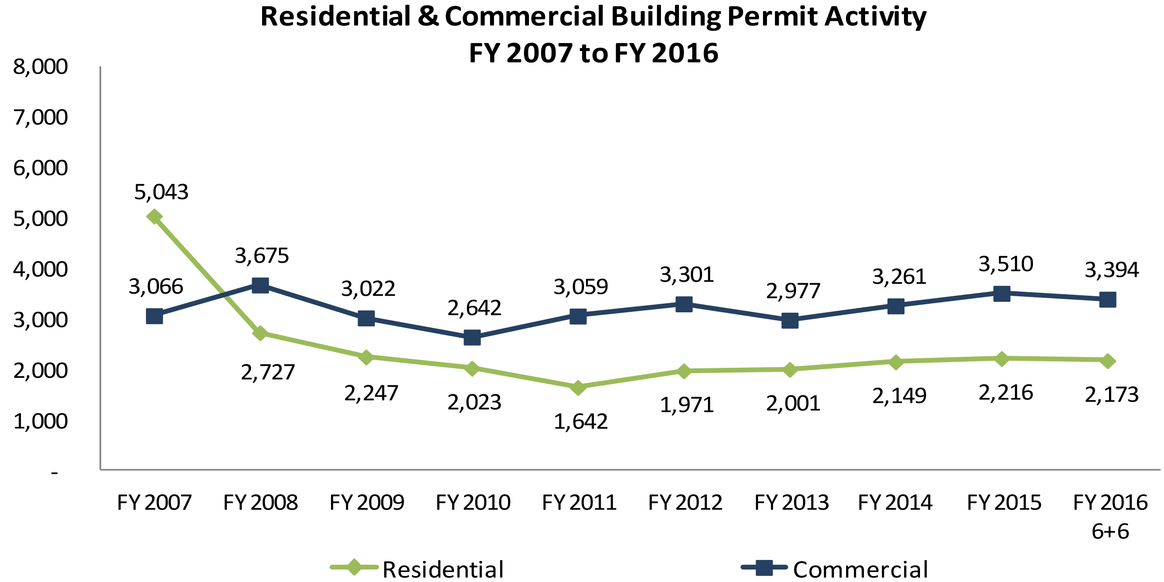
FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
2.65%	3.05%	2.94%	2.50%	2.35%

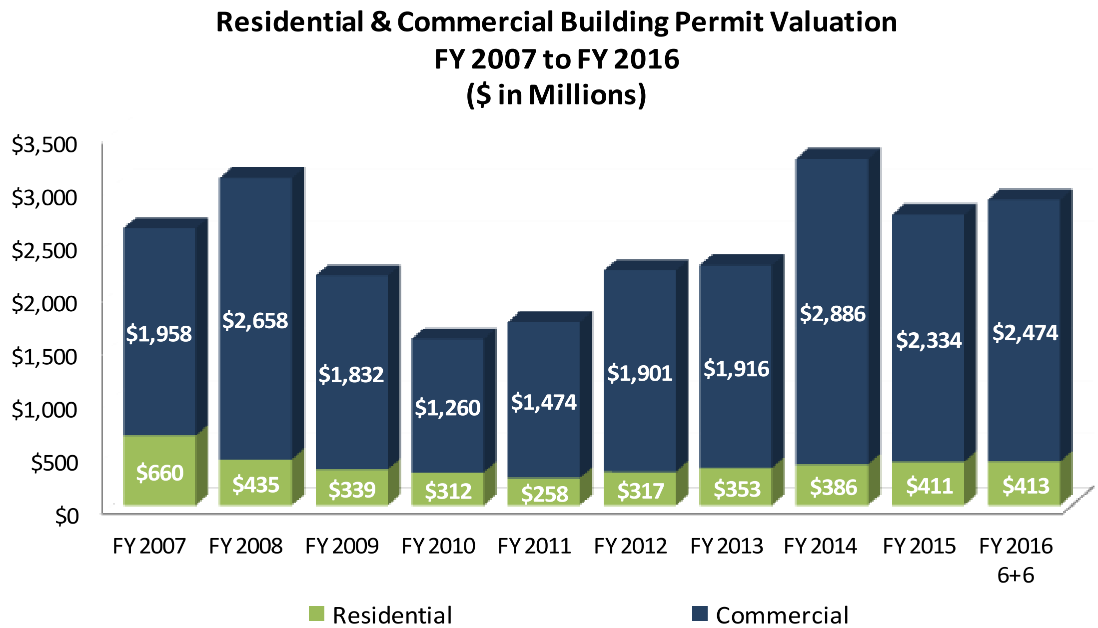
The Forecast also includes the continuation of the civilian pay plan for step employees and performance-based pay for Civilian non-step employees. Also included are the corresponding increases to both the Budgeted Financial Reserves and Reserve for Capital Projects. The Net Ending Balance takes into account the full impact of all transfers and operating expenses, including employee compensation issues and improvement requests.

The establishment and maintenance of appropriate financial reserves within the Development Services Fund is critical to prudent financial management. Budgeted Financial Reserves assist in smoothing fluctuations in available resources from year to year and stabilizing the budget. Additionally, in FY 2013, a reserve for replacement of the Hansen Permitting System was also established within the Fund.

This reserve, now more generally a Reserve for Capital Projects, allows funds to be set aside for substantial upcoming Development Services projects. In FY 2016 reserves were used to fund the development and implementation of a new permitting system and an employee parking lot expansion project near the One-Stop Building. During the Forecast period, Financial Reserves are projected to grow to 16% of operating expenditures, while the Reserve for Capital Projects would be used at a later date to fund a permanent multi-level parking structure for both customers and staff utilizing the One-Stop Building.

Permit Activity and Valuation - The following graphs illustrate trends for both building permit activity and project valuation. The number of residential permits, after a sharp decline in FY 2007, has grown moderately in recent years and is projected down only minimally, less than 2%, from FY 2015. The number of commercial (new and existing) permits has remained steadier over the last decade. Commercial permit activity in FY 2016, like residential, is projected below FY 2015 levels. However, as noted on the following page, project valuations remain strong.





Building permit project valuation is an indication not only of the number of permits issued, but also of the size, scope, and complexity of the projects involved. Since at least 2008 when residential valuation was in decline, valuation of commercial projects, both new and existing, has been the primary catalyst for permit-related revenues. In fact, FY 2014 valuation for commercial projects accounted for 88% of total permitting project valuation, compared to just 12% deriving from residential construction. FY 2014 was an historic year for commercial permits valuation and included four projects with valuations exceeding $60 million and 24 others exceeding $20 million. Included in these totals was the Henry B. Gonzalez Convention Center expansion, the largest project of FY 2014, with a building permit project valuation of $237 million.

Commercial permit valuation in FY 2016, though not anticipated to reach FY 2014 levels, is expected to reach its second highest level in the past eight years. Although commercial building permits are projected below FY 2015 levels, average commercial project valuation is projected up 10%. While FY 2016 is projected to have fewer projects, those projects are larger in scope than those in FY 2015.

Residential permit valuation, like residential permit counts, has steadily grown since FY 2011 and is expected to be at its highest level since FY 2008. A similar level of valuation for both commercial and residential permitting is expected to continue into FY 2017.

SOLID WASTE OPERATING AND MAINTENANCE FUND

SOLID WASTE OPERATING AND MAINTENANCE FUND

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

SWMD is composed of several divisions: Solid Waste, Recycling, Brush, and Environmental Management. These divisions contribute to reaching the Department's operational goals and the goals detailed in the Recycling and Resource Recovery Plan. The Department is also responsible for maintenance and repair of heavy equipment for the City.

RECYCLING AND RESOURCE RECOVERY PLAN

In June 2010, City Council adopted a 10-Year Recycling and Resource Recovery Plan (Recycling Plan). On January 31, 2013, the Recycling Plan was revised to a multi-year Recycling Plan and adopted by City Council. The strategic goals outlined in the Recycling Plan are to ensure that all single-family and multi-family residents have access to convenient recycling programs, to improve recycling opportunities for businesses, and to recycle 60 percent of all residential curbside materials collected by SWMD by the year 2025.

The Department has undertaken a variety of initiatives in order to reach these goals. Since the adoption of the Recycling Plan, the Department has revamped the brush and bulky collection process to increase brush recycling, constructed and opened a new brush recycling center in the City's South Side, increased blue cart recycling outreach, increased recycling education to schools, opened four bulky drop off centers, and obtained City Council approval of an ordinance requiring multifamily complexes to provide recycling.

Since the implementation of the Recycling Plan, the Department has increased the amount of materials recycled from 7 percent to 31 percent. Currently, the Department is implementing the next major step to achieve 60% recycling, Pay As You Throw (PAYT).

FIVE-YEAR FINANCIAL FORECAST

The Financial Forecast for the Solid Waste Operating and Maintenance Fund reflects revenue and expenditure projections for a five year period from FY 2017 to FY 2021. As its starting point, the Forecast includes the budget and preliminary estimated projections for the current fiscal year.

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

	FY 2016 Budget	FY 2016 Estimated	FY 2017 Projection	FY 2018 Projection	FY 2019 Projection	FY 2020 Projection	FY 2021 Projection
RESOURCES							
Beginning Balance	$ 9,640	$ 12,561	$ 9,700	$ 1,852	$ 1,674	$ 2,625	$ 2,779
Use of Budgeted Reserve			-	2,500	-	-	-
CURRENT REVENUES							
Solid Waste Fee	$ 79,484	$ 79,950	$ 83,298	$ 92,646	$ 98,155	$ 96,434	$ 100,320
Environmental Fee	15,454	15,550	15,762	15,891	16,022	16,153	16,286
Recycling Revenue	3,285	2,761	2,771	2,959	3,264	4,166	4,874
Other Revenues	2,527	2,942	2,865	2,978	3,091	3,142	3,202
TOTAL CURRENT REVENUES	**$ 100,751**	**$ 101,203**	**$ 104,696**	**$ 114,475**	**$ 120,532**	**$ 119,895**	**$ 124,682**
TOTAL RESOURCES	**$ 110,391**	**$ 113,763**	**$ 114,396**	**$ 118,828**	**$ 122,206**	**$ 122,520**	**$ 127,461**
EXPENDITURES/RESERVES							
Base Service	$ 107,039	$ 104,066	$ 110,894	$ 114,973	$ 116,372	$ 115,406	$ 116,806
POLICY ISSUES							
Pay As You Throw			1,650	2,181	3,208	4,335	4,954
TOTAL EXPENDITURES	**$ 107,039**	**$ 104,066**	**$ 112,544**	**$ 117,154**	**$ 119,581**	**$ 119,741**	**$ 121,759**
Commitments	$ -	$ 3	$ -	$ -	$ -	$ -	$ -
Incremental Reserve			-	-	-	-	2,500
NET ENDING BALANCE	**$ 3,352**	**$ 9,700**	**$ 1,852**	**$ 1,674**	**$ 2,625**	**$ 2,779**	**$ 3,202**
BUDGETED RESERVE	$ 4,552	$ 4,552	$ 4,552	$ 2,052	$ 2,052	$ 2,052	$ 4,552

REVENUES

MONTHLY SOLID WASTE FEES

The primary source of revenue for the Solid Waste Fund is the monthly solid waste fee assessed to customers and billed and collected by CPS Energy. The solid waste fee is assessed to single-family residential households who receive waste collection services from the City. The second major source of revenue is the environmental fee which is charged to all residential customers and commercial entities within the City. This is also billed and collected by CPS Energy. Forecasted revenues are based on annual growth factors of 0.26% and 0.82% respectively for solid waste and environmental customers from FY 2017 through FY 2021, along with any proposed rate increases.

The following table is a five-year history of the total monthly rate (solid waste fee and environmental fee) per household associated with the Solid Waste Fund before PAYT implementation.

History of Total Monthly Rates per Household (Pre-PAYT)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Total Monthly Rate	$18.74	$19.43	$19.43	$19.93	$20.93
Rate Adjustment	$0.00	$0.69	$0.00	$0.50	$1.00

Beginning in FY 2016, the new garbage collection rates (Pay As You Throw) went into effect. Pricing is based on the size of the garbage cart. The rates are designed to provide funding for the additional personnel and equipment needed for PAYT conversion and to incentivize recycling behavior. The table below reflects the projected rates for PAYT customers. Customers in areas where Pay As You Throw is not available would continue to pay the regular monthly rate of $20.93 until all customers are incorporated into Pay As You Throw in the spring of 2017.

Total Monthly Rates for Pay As You Throw

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2010	FY 2021
Small Cart	$18.19	$18.19	$18.19	$17.69	$17.19	$16.69
Medium Cart	$18.69	$18.69	$19.69	$20.69	$21.69	$22.69
Large Cart	$19.94	$19.94	$23.19	$26.94	$30.69	$33.94
Small to Large Difference	$1.75	$1.75	$5.00	$9.25	$13.50	$17.25

EXPENDITURES

PAY AS YOU THROW

In FY 2016, SWMD began PAYT conversion. Conversion to PAYT will be a major driver in achieving the 60% residential recycling goal by 2025. PAYT includes education and outreach as well as enforcement as major components to the program. Residents will select from 3 garbage cart sizes, and rates will vary according to cart size. The larger a garbage (brown) cart a resident desires, the higher the assessed rate will be. The new rate structure will incentivize residents to divert more waste to the organics (green) and recycling (blue) carts. The rate structure will also create equity between solid waste customers by having customers who throw away less trash pay a lower rate. Also in FY 2016, the City transitioned away from a subscription-based Organics Recycling Program. The organics (green) cart is automatically available to customers on PAYT.

Residents that were subscribed to the Organics Recycling Program no longer paid the $3.00 per month subscription fee as of the beginning of FY 2016.

PAYT conversion will require high upfront costs to fund the acquisition of garbage carts and refuse trucks as well as personnel needed for the program. These high upfront costs will reduce the fund balance of the Solid Waste Fund in the early years of the forecast. As equipment is paid off and revenues grow because of PAYT rates increases, the fund balance will reach more optimal levels in the later years of the forecast.

The following two tables illustrate the planned PAYT conversion timeline and required resources. By the end of FY 2016, over half of solid waste customers will be on PAYT. PAYT conversion will be completed by mid FY 2017.

Pay As You Throw – Conversion Timeline

Fiscal Year	Phase	Timeline	Additional VRP Customers	Total VRP Customers
FY 2016	Initial Rollout 1	Oct 2015 – Mar 2016	72,200	72,220
	Initial Rollout 2	Apr 2016 – Sep 2016	117,800	190,000
FY 2017	Final Rollout	Oct 2016 – Apr 2017	159,850	349,850

Pay As You Throw– Additional Personnel, Carts, and Trucks

Input	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Carts	6,076	70,888	89,410	7,823	25,762
Personnel	33				
Trucks	1				

OTHER EXPENDITURES

Other expenditures assumed in the Forecast are based on a continuation of current service levels and includes inflationary increases. Inflationary increases in non-personal services expenditures were derived from the Consumer Price Index (CPI) projections for each year from 2017 through 2021. These rates and their underlying assumptions are described in the Economic Perspective and Outlook section. The FY 2017 base budget also assumes the removal of one-time improvements included in the FY 2016 Adopted Budget. Lastly, the forecast includes debt service for the new northwest service center on Leslie Road and replacement of the Southeast Service Center.

DEBT SERVICE FOR LESLIE ROAD SERVICE CENTER & SOUTHEAST SERVICE CENTER

Two new service centers for use by the SWMD and other City departments are currently planned to be built. One new service center is planned on the northwest portion of the city on Leslie Road. The second service center will replace the Southeast Service Center currently on the southeast portion of the City. The service centers would provide crew quarters, vehicle maintenance, truck and equipment parking, fueling, and wash areas.

The Leslie Road Service Center will cost $53.6 million including principal and interest of which SWMD will pay 50% of the cost through issuance of debt. The SWMD total will be $26.8 million paid over 20 years and payment will begin in FY 2017.The replacement of the Southeast Service Center including principal and interest will cost $59.07 million of which SWMD will pay 50% of the cost through issuance of debt. The SWMD total will be $29.5 million paid over 20 years and payment will begin in FY 2017. The table below shows the debt payments for the Solid Waste Fund.

SWMD Debt Payments by Fiscal Year for New Service Centers

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Leslie Road	244,375	993,559	1,368,063	1,368,281	1,367,263
Southeast Center	122,188	1,002,025	1,509,150	1,509,338	1,508,175
Total	366,563	1,995,584	2,877,213	2,877,619	2,875,438

ECONOMIC OUTLOOK & PERSPECTIVE

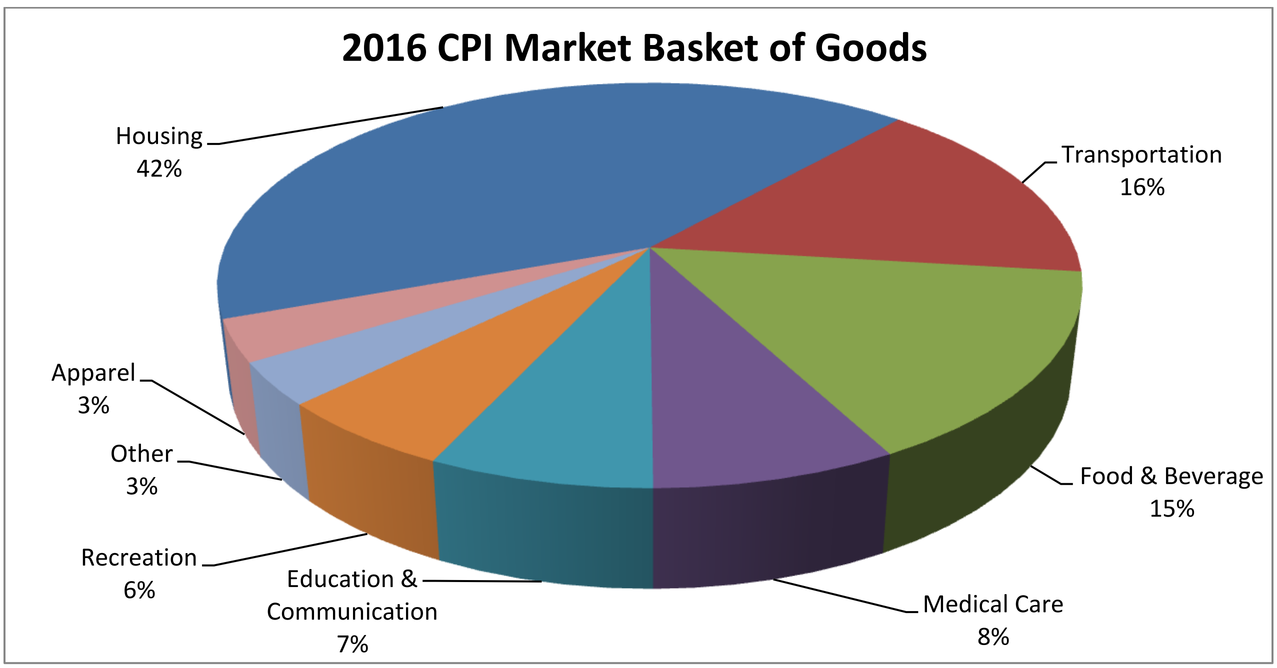
ECONOMIC OUTLOOK

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 in this section 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.

INFLATION

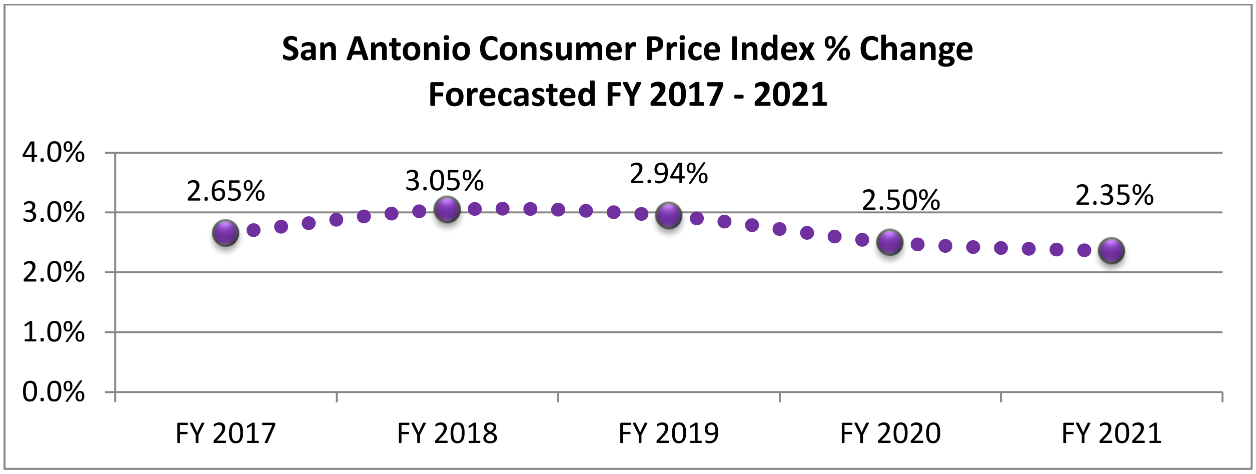
The Consumer Price Index (CPI), commonly referred to as the inflation rate, measures the average price change for a market basket of consumer goods and services. This basket of goods contains a wide array of items, ranging from food and gasoline to college tuition and medical supplies. The CPI does not, 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 figure above. For example, prescription drugs are a category located in the medical care grouping and makes up 1.4% of the total basket of goods in the 2016 index.

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

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

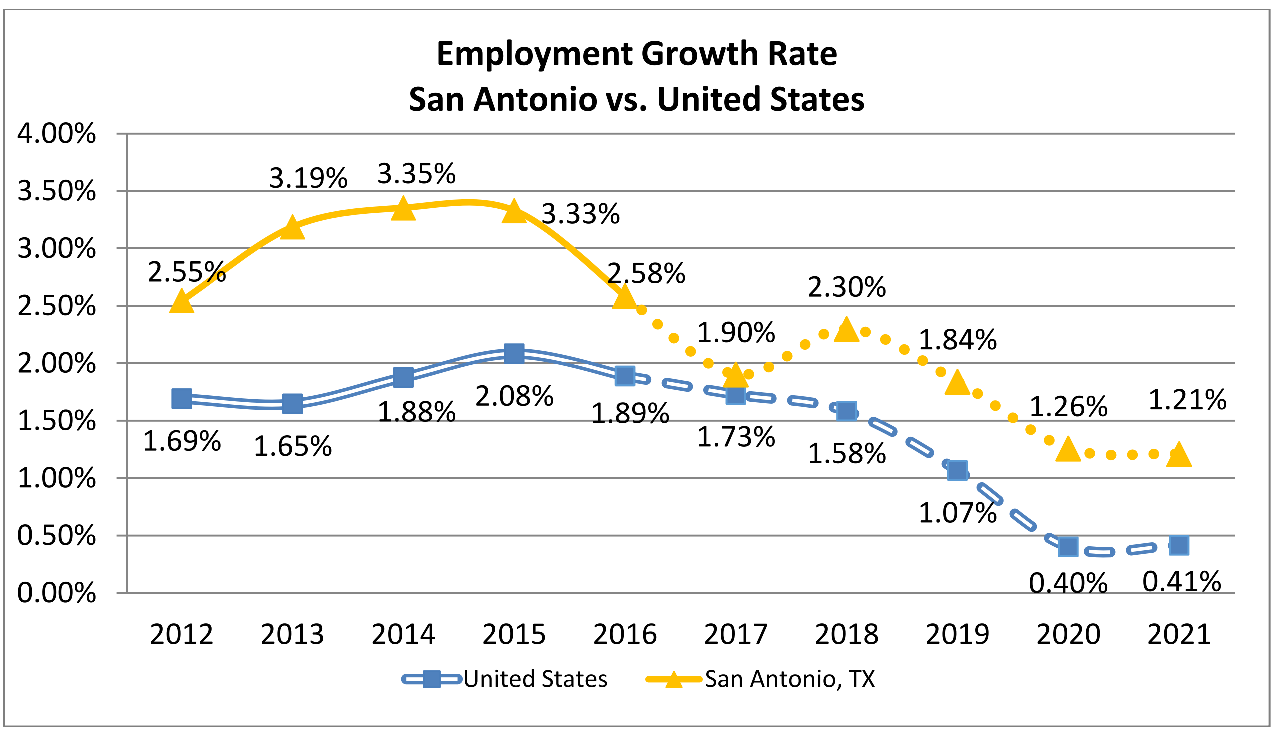


Source: Projection Data from Moody's Economy.com

SAN ANTONIO ECONOMY

EMPLOYMENT

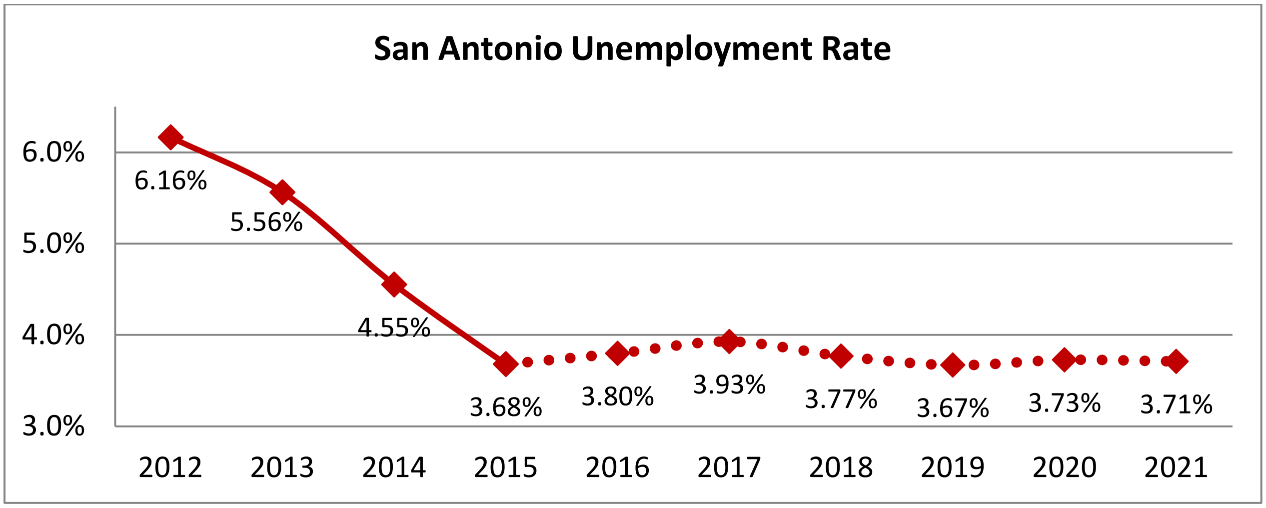
Increases in the total number employed persons in a particular region can be attributed to either job creation from within the area or the migration of jobs into the region. The figure below provides employment growth rate historical and projected data for San Antonio and the United States.



Source: Projection Data from Moody's Economy.com

UNEMPLOYMENT

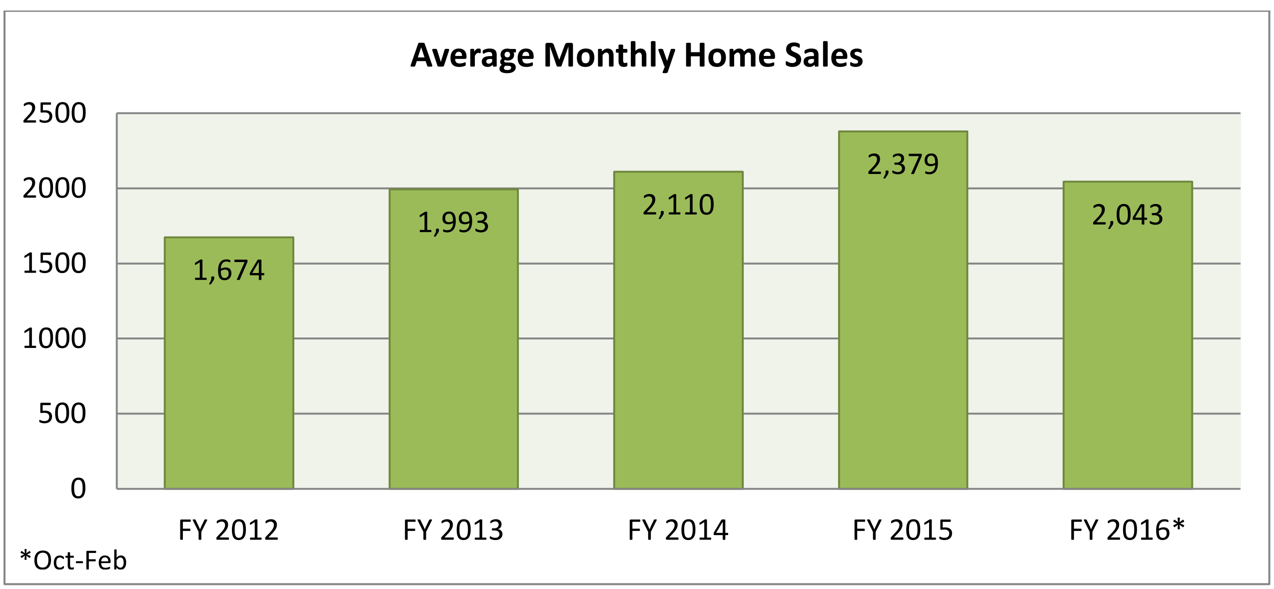
The Unemployment Rate represents the number of unemployed persons as a percent of the labor force. An unemployed person is defined as someone aged 16 years or older who has been looking for employment for at least four weeks. The national Unemployment Rate has steadily decreased from 6.2% in 2012 to 3.7% by the end of 2015. The City of San Antonio's Unemployment Rate has remained below the national average each of the past five years.



Source: Projection Data from Moody's Economy.com

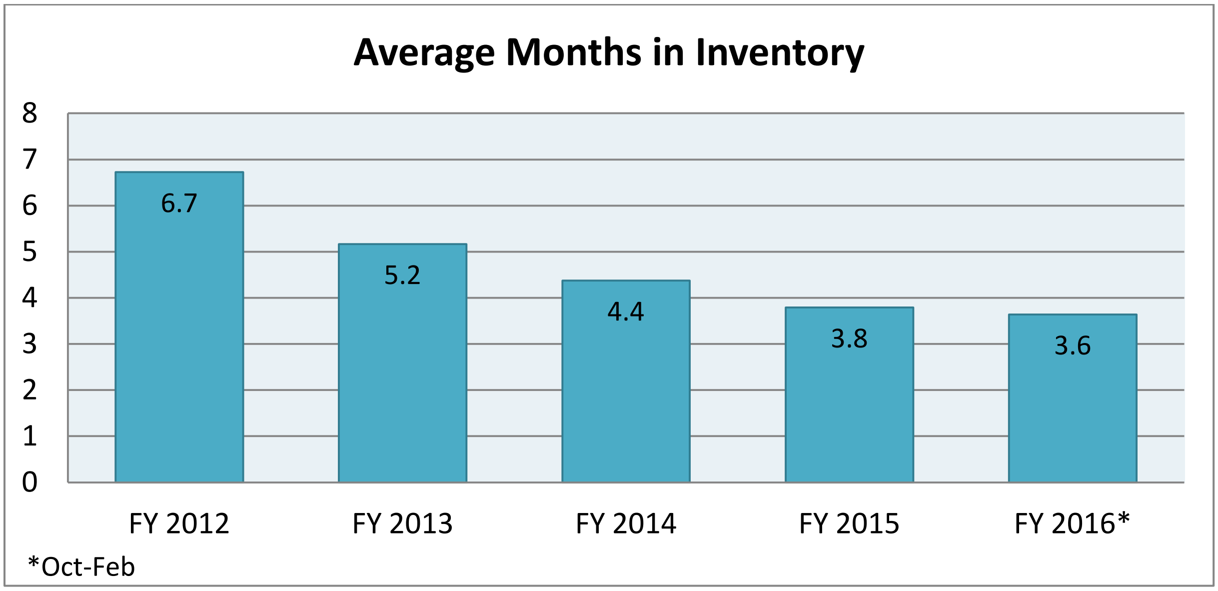
HOUSING

The Housing Market in San Antonio has continued its recovery from recession levels, with Average Monthly Home Sales and the Median Housing Price steadily rising from 2012 to 2016, while Average Months in Inventory steadily decreased over that same period. Current fiscal year data suggest the housing market in San Antonio may be leveling out across the same three indicators.



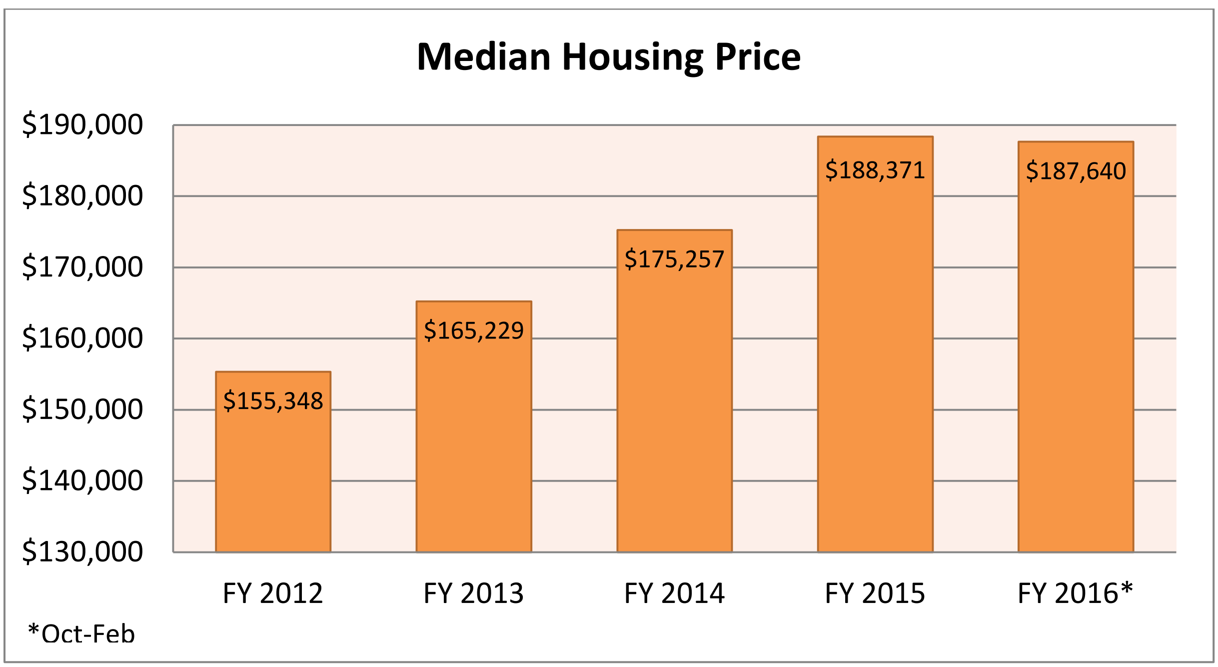
Source: Real Estate Center at Texas A&M University

Months in Inventory measures the amount of time it would take to sell the current housing inventory or supply if no other homes were added to the current inventory. Like the rest of the country, the San Antonio housing market saw this number increase steadily between FY 2007 and FY 2009, however it has steadily decreased since FY 2010. The current average is slightly less than last year's at 3.6 months in inventory.



Source: Real Estate Center at Texas A&M University

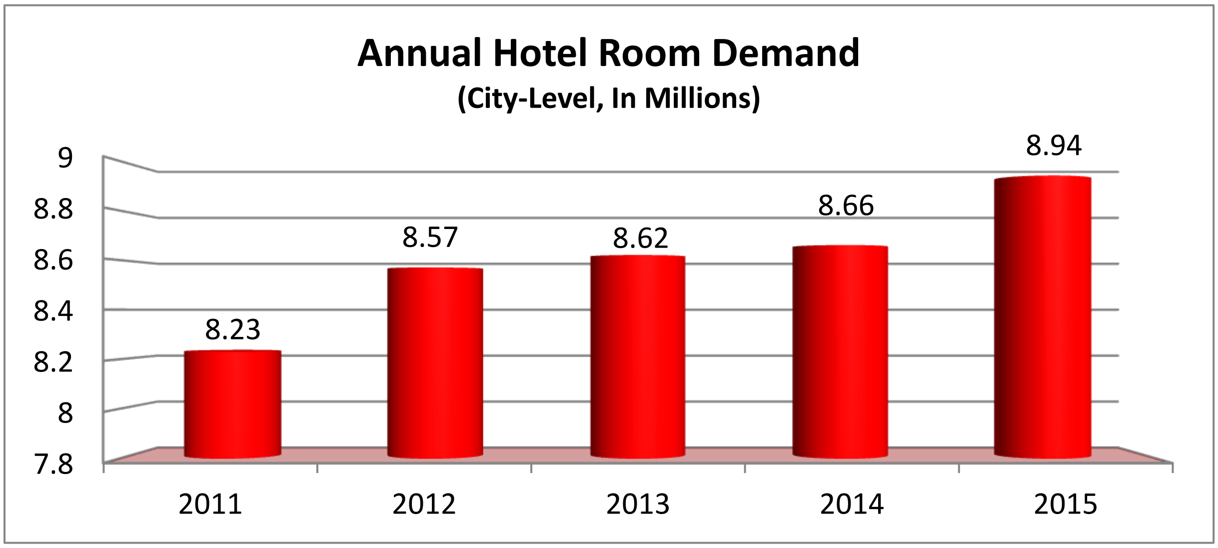
Median Housing Price is the midpoint price of home sales in each year at which half the homes are sold above this price and half the homes are sold below this. The median prices for home sales increased each of the past three years, with a 7.5% increase from 2014 to 2015.



Source: Real Estate Center at Texas A&M University

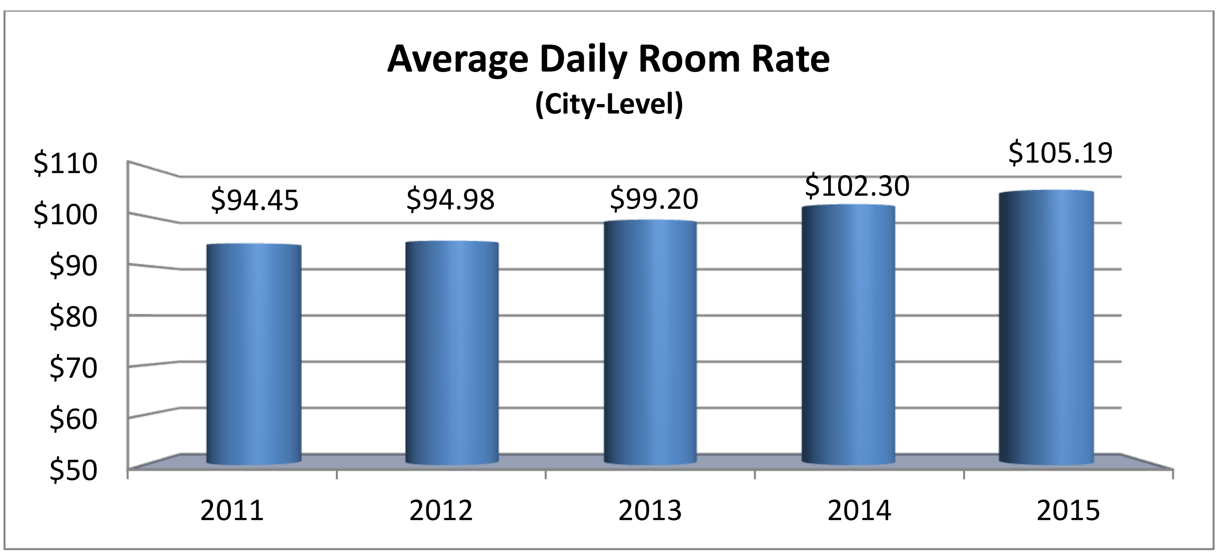
HOSPITALITY INDUSTRY

Despite national economic challenges, the San Antonio hospitality industry continues to be one of the top leisure/convention cities in the country and benefits from being located within driving distance from Dallas, Houston, and other Texas cities. Hotel Room Demand has increased each year since 2010, tallying an increase in annual demand for over 1.16 million additional rooms during that period.



Source: Data obtained from Smith Travel Research based on hotels in San Antonio Market reports dated February 2012, March 2013, March 2014, February 2015, and February 2016

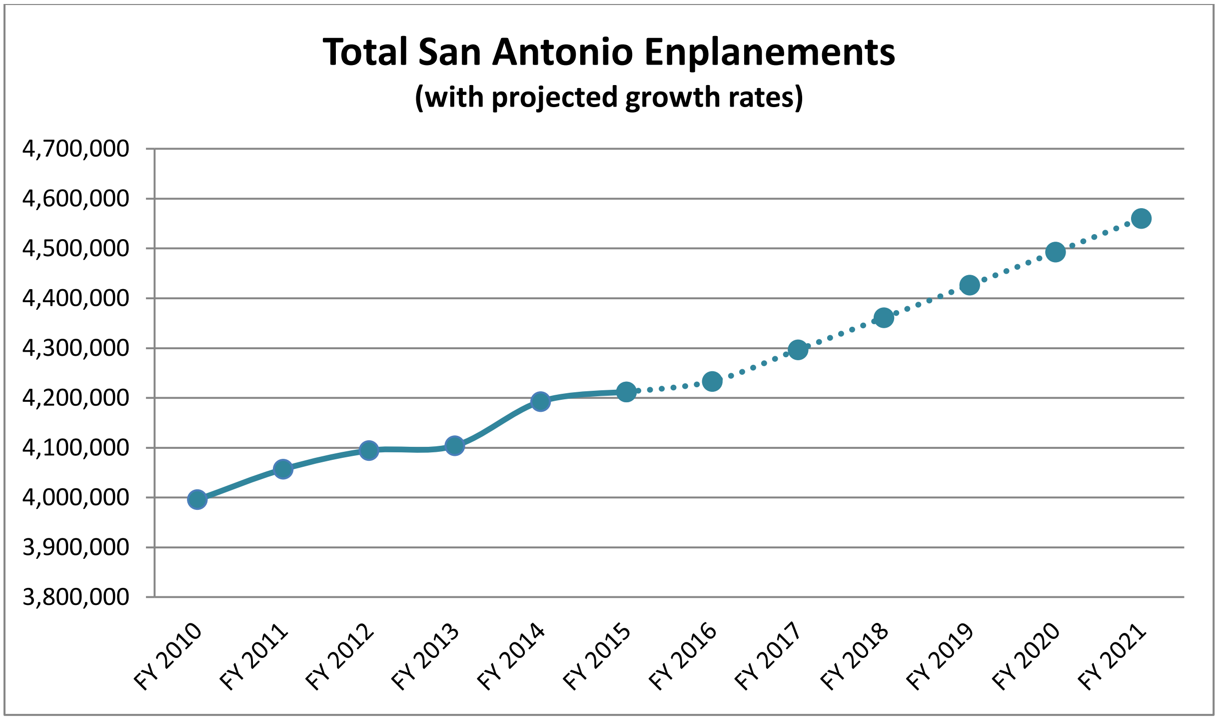
Average Daily Room Rate (ADR) is the average price of a room night in San Antonio. ADR is indicative of the hospitality industry's health, and is also affected by the supply of hotel rooms. San Antonio's ADR saw marginal growth in 2015, rising 2.8% above the 2014 rate to $105.19 per night.



Source: Data obtained from Smith Travel Research based on hotels in San Antonio Market reports dated February 2012, March 2013, March 2014, February 2015, and February 2016.

ENPLANEMENTS

San Antonio 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 has resulted in substantial growth at the airport in the last decade. From FY 2008 through FY 2009 the number of passengers traveling to San Antonio by air dropped off due to deteriorating economic conditions. However, since FY 2009 total enplanements have increased by 7.1% and are projected to grow 1.5% annually each year from FY 2017-2021.



Source: Aviation Department, City of San Antonio