



FY 2023-2027



City of San Antonio

FY 2023 to FY 2027 Five Year Financial Forecast & FY 2023 Trial Budget

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

CITY OF SAN ANTONIO

Five Year Financial Forecast and Trial Budget

Fiscal Year 2023-2027



PREPARED BY:

OFFICE OF MANAGEMENT AND BUDGET

MAY 11, 2022

CITY OF SAN ANTONIO
FY 2023 – FY 2027 FIVE YEAR FINANCIAL
FORECAST AND TRIAL BUDGET

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OVERVIEW AND SUMMARY

OVERVIEW AND SUMMARY

The Five-Year Forecast and Trial Budget provides a preliminary allocation of resources for FY 2023, as well as, a current and long-range financial assessment addressing revenues, City services and programs, and financial reserve policies. The primary objective of this document is to provide the City Council and the community with an early financial assessment and to identify significant issues that need to be addressed in the budget development process. The General Fund section of this document provides an initial view of the FY 2023 Preliminary Allocation and the FY 2024 Budget Plan as well as a forecast for FY 2025 through FY 2027.

The Trial Budget does not reflect the FY 2023 Proposed Budget that will be presented to City Council in August. This will continue to be refined and updated as economic conditions change and City Council policy direction and community input is incorporated.

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

Recent revenue trends and economic assumptions (see the Economic Outlook & Perspective section of this document) influence forecasted revenues. Service expenditures, required to sustain the current (FY 2022) level of services, are used throughout the forecast period and incorporate the rate of inflation into expenses. The net result of this combined data highlights the adjustments needed over the forecast period to maintain a balanced budget as required by State Law.

Many of the assumptions, projections, and cost estimates within this document are based on assumptions for a continued economic recovery. These projections vary between various industries within the local economy and some, such as the hospitality industry, remain uncertain to when they will recover to 2019 levels. These projections will be refined and adjusted as the FY 2023 Proposed Operating Budget is developed and presented to City Council on August 11, 2022.

GENERAL FUND

The external factors described above were taken into consideration as the Five-Year Financial Forecast and Trial Budget were developed. The General Fund Trial Budget for FY 2023 projects a balanced budget with \$192 million reserved for budget reserves and the two-year budget plan.

During the forecast period, total General Fund revenue is expected to grow annually at rates ranging from 2.8% to 3.7% as compared to the FY 2022 Estimate. The FY 2022 Revenue Estimate is approximately \$74.1 million higher than the FY 2022 Adopted Budget, or an overall increase of 5.6%. This increase is primarily due to revenues which have recovered quicker than anticipated including sales tax, liquor by the drink tax, and revenues from river barge operations. In addition, the General Fund is expected to receive \$23.9 million in one-time CPS revenues as a result of the rising costs of fuel. The rate of revenue growth projected in FY 2023 over the FY 2022 Adopted Budget is a 9.6% increase. Revenue growth beyond FY 2023 is forecasted at rates of 2.9% in FY 2024, 3.0% in FY 2025, 2.8% in FY 2026, and 3.1% in FY 2027.

The General Fund Trial Budget and Forecast reflect the annual projected expenditures required to sustain the current Fiscal Year 2022 level of service. The growth in expenditures over the forecast period is primarily due to increases in civilian compensation, healthcare costs, contractual and inflationary increases, mandated operational costs associated with 2017 and 2022 Bond Projects and other capital projects as well as the Collective Bargaining Agreements with Police and the Fire. In addition, the FY 2023 Trial Budget incorporates potential recurring and one-time funded program improvements.

METHODOLOGIES AND ASSUMPTIONS

REVENUES

Departments responsible for administering the services and/or collecting the associated revenues work with the Office of Management & Budget to develop revenue projections based on an analysis of various factors. These include historical trends, current economic conditions, projected economic activity, and known future factors such as contracts and inter-local agreements.

These revenues are projected using the most up-to-date information, however the economic conditions for the remainder of FY 2022 and beyond include uncertainty and will be refined and updated as further information becomes available.

EXPENDITURES

Expenditures assumed in the Trial Budget and Forecast are based on the current service level. Year-end estimates for FY 2022 are based on an analysis of current fiscal year expenditure trends by using six months of actual expenditures to project estimated expenditure levels for the remaining six months. The FY 2023 base projection modifies current service costs for price changes, assumes the removal of one-time improvements and adds second year costs for improvements included in the FY 2022 Adopted Budget. Inflation rates are also used to project certain non-personnel services expenditures derived from the San Antonio Consumer Price Index (CPI) projections for each year from 2023 through 2027 (See Economic Outlook & Perspective section for more detail on CPI projections used).

Expenditures in the General Fund Trial Budget and Forecast include funding for current contractual obligations, funding for the Police and Fire Collective Bargaining Agreements, operations, and maintenance costs for the 2017 and 2022 Bond Program projects, as well as other mandated expenditures. Mandated expenditures and program improvements are described in more detail later in this document.

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

**GENERAL FUND
FORECAST &
TRIAL BUDGET**

INTRODUCTION

FY 2023 is the third year the City of San Antonio has presented a Trial Budget to the Mayor and the City Council and to the community. The Trial Budget is a step in the budget development process that was introduced in the FY 2021 Budget process, as staff prepared alternatives for City Council consideration to balance the budget during the COVID-19 pandemic. The process was useful for the City Council and staff to deliberate on alternatives to balance the budget, and the FY 2023 Budget Development Process continues with this practice.

This year, the focus of the Trial Budget is on civilian compensation, and continued recovery and support for the areas of the community most impacted by COVID-19. The Trial Budget will be used as a basis to build the FY 2023 Proposed Operating and Capital Budget which will be presented on August 11, 2022.

WHAT IS A TRIAL BUDGET?

The Trial Budget is a preliminary allocation of resources for the next fiscal year and serves as a beginning point of discussion leading to a more refined Proposed Budget in August. The Trial Budget is an important step in the Budget process that incorporates City Council policy direction received at the April 13, 2022 City Council Budget Goal Setting Session and allows for further input from the City Council and the community prior to the annual budget proposal.

The Trial Budget builds on the assumptions of the Five-Year Financial Forecast. The Trial Budget then presents programmatic options in the General Fund that require the deepest review during the budget process. While the forecast presents five-year projections, the Trial Budget narrows the scope to a two-year balanced budget plan. The remaining years, from FY 2025 to FY 2027, incorporate the preliminary programmatic changes made in FY 2023 and FY 2024 and illustrates the impact of those changes on the General Fund beyond FY 2024.

GENERAL FUND FORECAST

	FY 2022 Budget	FY 2022 Estimate	FY 2023 Trial Budget	FY 2024 Trial Budget	FY 2025 Projection	FY 2026 Projection	FY 2027 Projection
RESOURCES							
Beginning Balance (Excluding Reserves)		\$ 9.2	\$ 69.9				
Use of Reserve for Two Year Balanced Budget Plan	145.9	145.9	119.3	171.9	136.1	79.9	77.7
Use of Other Reserves	8.2	8.2	6.6	8.0			
Cares/ARPA	30.0	30.0	16.5	4.4	4.4		
Net Balance	\$ 184.1	\$ 193.3	\$ 212.3	\$ 184.3	\$ 140.5	\$ 79.9	\$ 77.7
CURRENT REVENUES							
Property Tax	410.4	410.4	436.6	458.5	479.1	493.5	508.3
Sales Tax	336.6	365.3	378.0	389.4	405.0	422.4	440.5
CPS Energy	361.2	372.4	386.8	391.8	401.6	404.6	408.5
CPS Energy One Time		23.9	11.7	10.6			
Other	192.8	203.2	212.1	216.3	225.0	233.0	244.0
TOTAL CURRENT REVENUES	\$ 1,300.9	\$ 1,375.1	\$ 1,425.3	\$ 1,466.5	\$ 1,510.7	\$ 1,553.4	\$ 1,601.3
TOTAL RESOURCES	1,485.0	1,568.4	1,637.6	1,650.8	1,651.2	1,633.3	1,679.0
CURRENT SERVICES EXPENSES	1,357.5	1,361.0	1,371.9	1,393.7	1,418.5	1,427.1	1,444.7
FINANCIAL RESERVES/TWO-YEAR BALANCED BUDGET							
Budgeted Financial Reserves for 10% (Incremental)	3.6	3.6	12.4	4.1	4.4	4.3	4.8
Reserve for Two-Year Balanced Budget Plan	119.3	119.3	171.9	136.1	79.9	77.7	80.1
Reserve for COPS Grant	2.6	2.6	3.0				
Reserve for Health Strategic Growth Plan	2.0	2.0	5.0				
Reserve for Liability Fund			10.0				
ENDING BALANCE	\$ 0.0	\$ 69.9	\$ 73.4	\$ 116.9	\$ 148.4	\$ 124.3	\$ 149.5
<i>Civilian Compensation</i>			23.2	36.7	50.4	62.4	74.7
<i>Collective Bargaining Agreements</i>			13.3	31.9	51.7	73.3	92.2
<i>Mandates</i>			8.0	15.3	19.0	22.6	25.2
<i>Improvements</i>			29.0	32.9	27.2	30.2	31.1
TOTAL			73.4	116.9	148.4	188.5	223.3
NET ENDING BALANCE			\$0.0	\$0.0	\$0.0	\$ (64.2)	\$ (73.8)
BUDGETED RESERVES SUMMARY							
Budgeted Financial Reserves	130.1	130.1	142.5	146.7	151.1	155.3	160.1
Reserve for 2-year Balance Budget	119.3	189.2	171.9	136.1	79.9	77.7	80.1
Total Financial Reserves as % of Current Revenues	19.2%	23.2%	22.1%	19.3%	15.3%	15.0%	15.0%

GENERAL FUND REVENUES

Total FY 2023 General Fund revenue is anticipated to be \$124.3 million, or 9.6%, above the FY 2022 Adopted Budget and 3.7% or \$50.2 million above the FY 2022 Estimate. Over the forecast period, these revenues are expected to increase at an average annual rate of 3.1%, with annual rates of change ranging from 3.7% in FY 2023 to 2.8% in FY 2026. The table below only includes recurring revenue sources and does not include funding received from the America Rescue Plan Act.

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

Revenue	FY 2022 Budget	FY 2022 Estimate	FY 2023 Trial Budget	FY 2024 Trial Budget	FY 2025 Projection	FY 2026 Projection	FY 2027 Projection
Current Property Tax	\$ 410.4	\$ 410.4	\$ 436.6	\$ 458.5	\$ 479.1	\$ 493.5	\$ 508.3
City Sales Tax	336.6	365.3	378.0	389.4	405.0	422.4	440.5
CPS Energy	361.2	372.4	386.8	391.8	401.6	404.6	408.5
CPS Energy One-Time		23.9	11.7	10.6			
Business and Franchise Taxes	20.1	19.5	18.8	18.1	18.1	18.1	18.1
Liquor by the Drink Tax	10.1	11.1	11.4	11.7	12.1	12.5	12.9
Delinquent and Penalties	1.6	3.8	3.8	3.8	3.8	3.8	3.8
Licenses and Permits	9.1	9.6	9.7	9.8	9.9	9.9	10.0
San Antonio Water System	30.8	30.8	31.4	32.0	32.5	33.0	33.5
Other Agencies	5.7	6.8	6.1	6.2	6.1	6.3	6.5
Charges for Current Services	54.6	58.5	62.9	63.8	69.5	74.7	82.8
Fines	8.3	6.5	6.6	6.7	6.7	6.7	6.7
Miscellaneous Revenue	13.9	18.0	18.8	21.8	22.9	23.7	24.6
Transfers from Other Funds	38.5	38.5	42.7	42.3	43.4	44.2	45.1
Total Revenue	\$ 1,300.9	\$ 1,375.1	\$ 1,425.3	\$ 1,466.5	\$ 1,510.7	\$ 1,553.4	\$ 1,601.3

CURRENT PROPERTY TAX REVENUE – MAINTENANCE & OPERATIONS

Projected Annual Rates of Change

FY 2023 ¹	FY 2024	FY 2025	FY 2026	FY 2027
6.4%	5.0%	4.5%	3.0%	3.0%

Property tax revenue is the largest revenue in the General Fund and accounts for 30% of the total FY 2022 General Fund Adopted Budget. This revenue category is comprised of current property tax revenues only. Additional property tax revenues collected by the City are accounted for in the Other Resources category which include delinquent property tax and revenues from penalties and interest on delinquent property tax. Property tax revenue is generated from the City's ad valorem tax rate levied against taxable values as determined by the Bexar Appraisal District and in conformance

¹ Property Tax revenue is projected 6.4% above the FY 2022 Estimate and the FY 2022 Adopted Budget.

with State law. The FY 2023 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 2022.

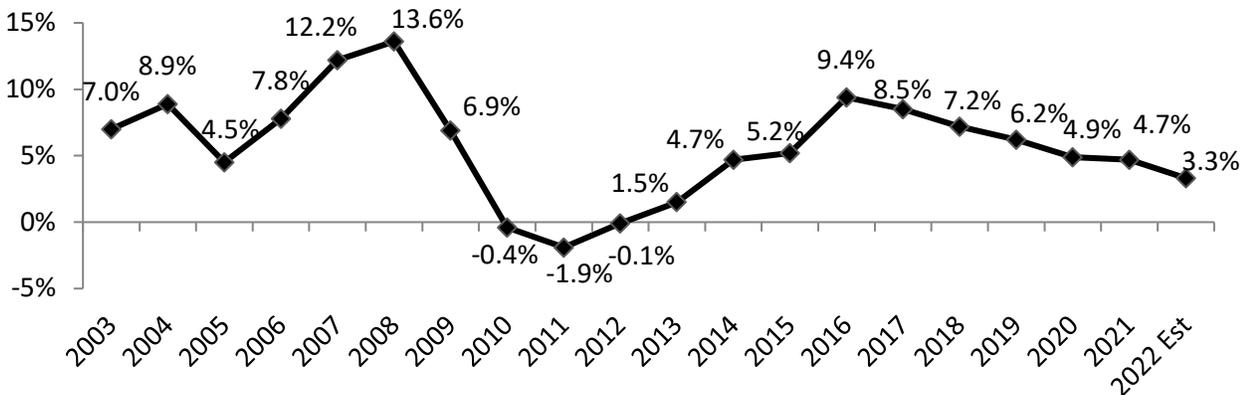
The City of San Antonio has long recognized the need to provide senior citizens and disabled veterans with property tax relief. The property tax revenue projections used in the trial budget and over the forecast period are derived from the City’s total assessed value less exemptions such as the City Homestead exemption, 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-In’s exemptions, Freeport exemptions, Historic Property exemptions, and the 10% limitation on Residence Homestead Taxable Valuation.

Property Tax Relief

The revenue estimated to be generated in FY 2023 includes a reduction in the current property tax rate. In 2019, the State passed legislation that limits the City’s property tax revenue growth to 3.5% on base values. As a result, the City’s property tax rate will decline from 55.827 to 54.504 which is equivalent to a 1.323 cent decline in the property tax. Additionally, the property tax revenue calculation for FY 2023 includes an increase in the City’s Homestead Exemption from 0.1% to 10% and increases the Exemption for Over 65 and Disabled from \$65,000 and \$12,500 respectively, to \$85,000.

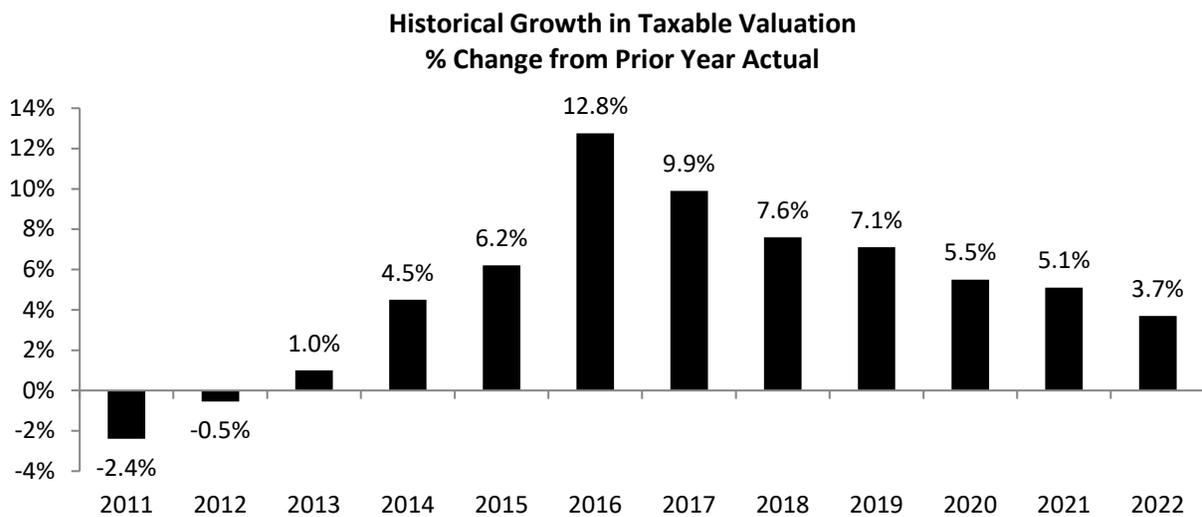
With these changes, the General Fund maintenance and operation portion is 33.354 cents with the remaining 21.150 cents used to support the City’s debt service requirements. The revenue projected to be generated through the forecast period assumes the City’s Property Tax Rate does not change after FY 2023.

**Property Tax Revenue
% Change from Prior Year Actual**

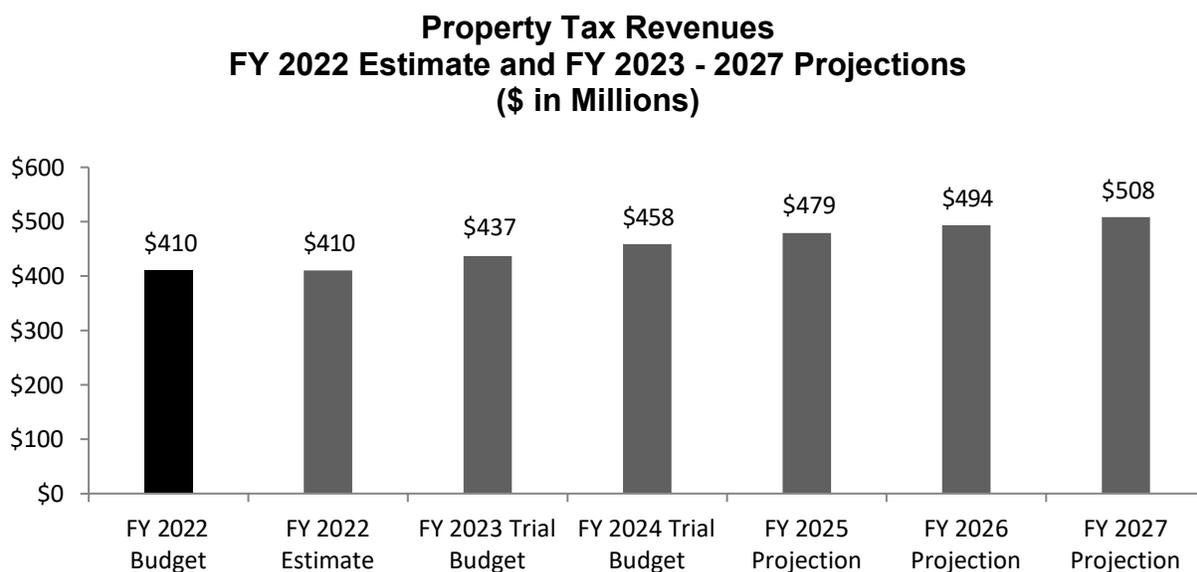


Taxable valuations are estimated to increase by 14.1% in FY 2023 as compared to the FY 2022 Adopted Budget. Thereafter, taxable valuations are projected to increase by 5.0% in FY 2024, 4.5% in FY 2025, and 3.0% in FY 2026, and FY 2027, respectively. These estimates are a result of projections of base value change and new property improvements.

Assessed Valuation Category	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Base	12.0%	3.5%	3.0%	2.0%	2.0%
New Improvements	2.1%	1.5%	1.5%	1.0%	1.0%
Total % Change - Taxable Value	14.1%	5.0%	4.5%	3.0%	3.0%



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



CITY PUBLIC SERVICE ENERGY (CPS ENERGY)

Projected Annual Rates of Change for CPS Recurring Revenues

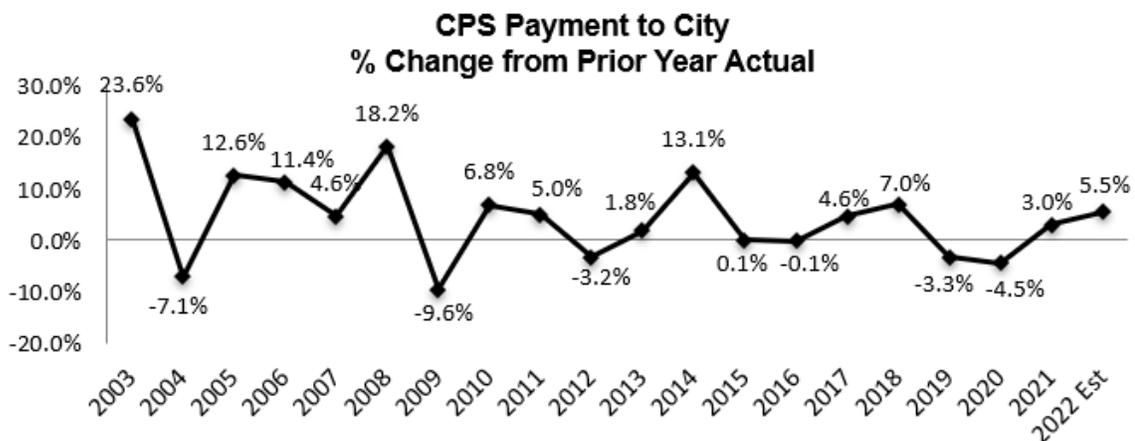
FY 2023 ²	FY 2024	FY 2025	FY 2026	FY 2027
3.9%	1.3%	2.5%	0.7%	1.0%

The City's payment from CPS Energy represents the second largest source of revenue to the General Fund, accounting for 27% of the FY 2022 General Fund Adopted Budget. 14% of CPS Energy gas and electric gross revenue is paid to the City as a return on investment. The FY 2022 estimated revenue is projected at \$372.4 million, which is \$11.2 million higher than the \$361.2 million in the FY 2022 Adopted Budget due the CPS rate adjustment that took effect on March 1, 2022.

Also included in the FY 2022 estimated revenues is one-time payments from CPS as electric and gas fuel adjustment factors have been significantly higher than projections due to rising fuel costs and weather driving gas sales above projections. It is estimated that one-time revenue collection will be \$23.9 million in FY 2022, \$11.7 million in FY 2023, and \$10.6 Million in FY 2024. The one-time revenue is not included in the table above.

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

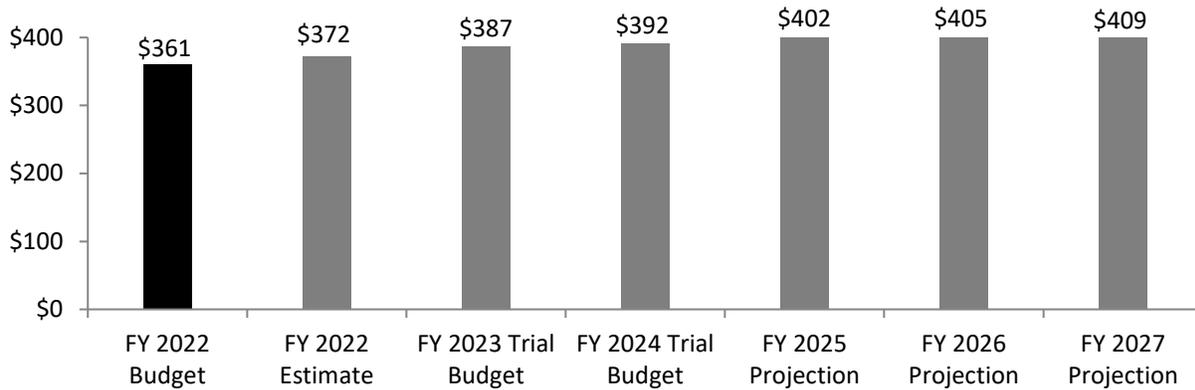
To further illustrate the year-to-year volatility, the graph below depicts the percent change in the City's annual payment from CPS Energy year-over-year.



² CPS revenue is projected 3.9% above the FY 2022 Estimate and 7.1% above the FY 2022 Adopted Budget.

As a result of this volatility, the City’s projections of the payment from CPS Energy remain conservative. The graph below reflects the projected CPS Energy revenues over the forecast period.

**CPS Revenues
FY 2022 Estimate and FY 2023 - 2027 Projections
(\$ in Millions)**



The base CPS revenue for FY 2023 is \$386.8 million which is 7.1 % higher than the FY 2022 Adopted Budget of \$361.2 million and \$14.4 million or 3.9% higher than the FY 2022 estimate. The base forecasted amounts beyond FY 2023 are estimated to grow an average of 2.0% annually. The one-time revenues are not included in the above chart.

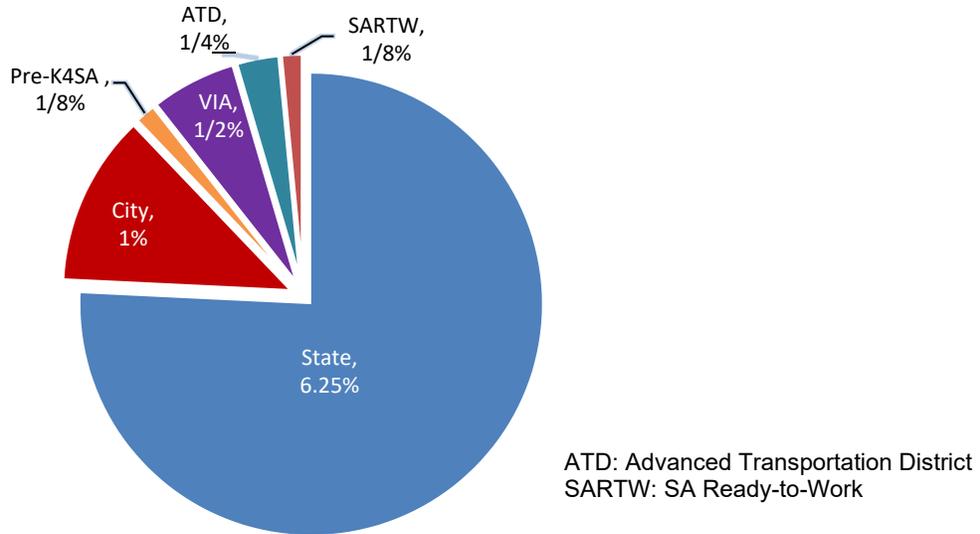
CITY SALES TAX REVENUE

Projected Annual Rates of Change

FY 2023 ³	FY 2024	FY 2025	FY 2026	FY 2027
3.5%	3.0%	4.0%	4.3%	4.3%

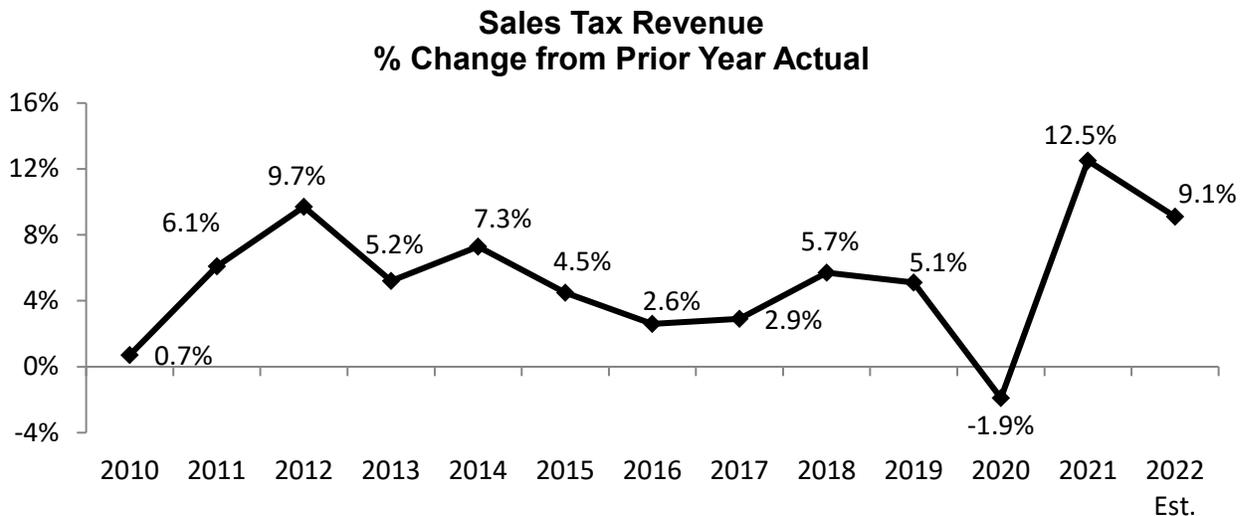
³ Sales Tax revenue is projected 3.5% above the FY 2022 Estimate and 12.3% above the FY 2022 Adopted Budget.

Sales tax revenue collected to support maintenance and operations of services in the General Fund accounts for 25% of the FY 2022 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.



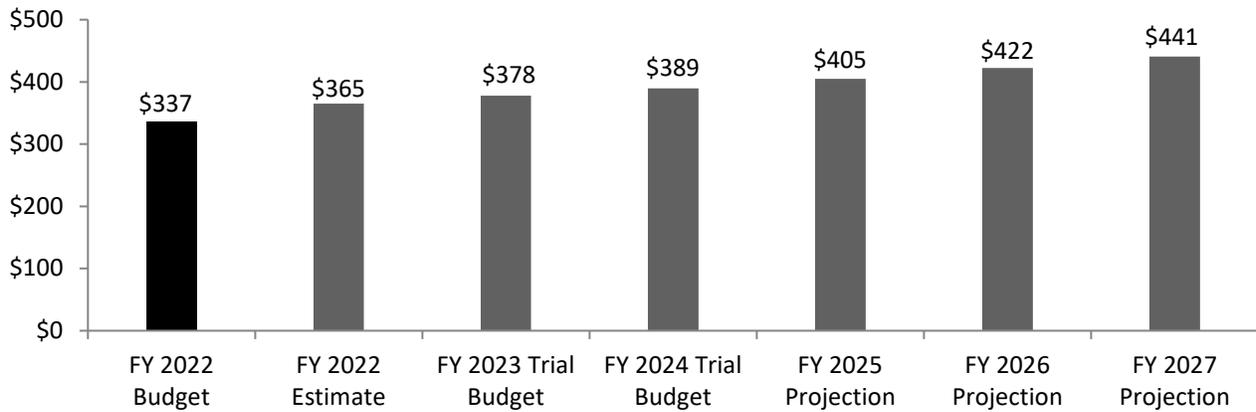
Actual sales tax collections for the current year are projected to be \$365.3 million. This amount is 8.5% above the \$336.6 million budgeted in FY 2022 for sales tax revenue. General Fund sales tax revenue in FY 2023 is projected to increase by 12.3% over the FY 2022 Adopted Budget and 3.5% above the FY 2022 Estimate. Beyond FY 2023, revenue levels from this source are expected to grow by an average of 3.8% annually. Future years' projections are based on historical trends, retail sales, and projected employment and population growth.

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



Sales tax collections have a strong correlation to national and local economic conditions. As described in the Economic Perspective & Outlook section, both the local and national economies have grown over the past several years. The trial budget and forecast reflect modest growth in FY 2023-2027. The projections in sales tax throughout the period are shown in the following graph.

**Sales Tax Revenues
FY 2022 Estimate and FY 2023 - 2027 Projections
(\$ in Millions)**



CHARGES FOR CURRENT SERVICE

Projected Annual Rates of Change

FY 2023 ⁴	FY 2024	FY 2025	FY 2026	FY 2027
7.7%	1.5%	8.9%	7.5%	10.8%

The Charges for Current Service category includes revenues related to recreation and culture such as the River Barge and Tower of the Americas 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 renewal fees, and revenues generated by birth and death certificates. Revenues for the current year are projected to be \$58.5 million, or \$3.9 million above the Adopted Budget, due to higher revenues from River Barge fees, EMS Transports, and Tower of Americas revenue contracts. The FY 2023 Projection is \$62.9, or \$8.3 Million above the FY 2022 Adopted Budget. Projected annual rates of change over the forecast period are based on known changes in revenue contracts or estimated demand.

⁴ Charges for Current Service are projected 7.7% above the FY 2022 Estimate and 15.3% above the FY 2022 Adopted Budget.

BUSINESS AND FRANCHISE TAXES

Projected Annual Rates of Change

FY 2023 ⁵	FY 2024	FY 2025	FY 2026	FY 2027
(3.8%)	(3.5%)	0%	0%	0%

The 86th Texas State Legislature passed SB1152 which reduced the revenue paid by companies that provide both cable and telecommunication services in the state. The law changed the statute such that a company providing both cable and telecom services would pay the City either the cable or telecommunication fee, depending on which was greater state-wide. SB1152 took effect on January 1, 2020.

The Business and Franchise Tax revenue category is primarily comprised of telecommunication providers' rights-of-way access line fees and cable television franchise fees. The projection for the FY 2023 Trial Budget is \$18.8 million, or \$0.7 million less than the FY 2022 Estimate. The forecasted amounts for FY 2023 and FY 2024 decline due to the loss of subscribers and FY 2025 through FY 2027 do not show any changes as the loss of subscribers begins to diminish. 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 \$4.40 and each residential line \$1.33. Revenue derived from telecommunication providers has been declining based on a decrease in actual line counts as reported on a quarterly basis to the Public Utility Commission of Texas. Other Cities throughout Texas, both large and small, are experiencing similar revenue declines. The telecommunication provider Trial Budget for FY 2023 is \$6.6 million, which represents a \$600,000 decrease from the FY 2022 estimate \$7.2 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 2023 forecast for this revenue source is \$9.4 million, which is slightly less as compared to the FY 2022 estimate of \$9.6 million.

⁵ Business and Franchise Tax revenues are projected (3.8%) below the FY 2022 Estimate and (7.2%) below the FY 2022 Adopted Budget.

SAN ANTONIO WATER SYSTEM (SAWS) PAYMENT

Projected Annual Rates of Change

FY 2023 ⁶	FY 2024	FY 2025	FY 2026	FY 2027
2.1%	1.7%	1.6%	1.6%	1.6%

The SAWS payment to the City is based on 4.0% of SAWS’ gross revenue for each year of the forecast period. The estimated revenue for FY 2022 from SAWS is \$30.8 million which is also the FY 2022 Adopted Budget. The FY 2023 Trial Budget for the SAWS payment is \$31.4 million, which is 2.1% higher as compared to the FY 2022 estimate of \$30.8 million. This is due to a SAWS’ projected system growth. Projections for the forecast period are based on the current rate structure as approved by the City Council and grow an average of 1.8% annually.

OTHER RESOURCES

Projected Annual Rates of Change

FY 2023 ⁷	FY 2024	FY 2025	FY 2026	FY 2027
4.8%	3.4%	2.5%	2.2%	2.2%

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 \$94.4 million compared to the FY 2022 Adopted Budget of \$87.2 million. This \$7.2 million increase is largely attributable to \$2.4 million in the sale of property due to higher vehicle auction proceeds, \$2.3 million in additional Delinquent and Penalty & Interest on Property Taxes, \$1.2 million in other agencies due to an agreement with Windcrest, and \$1.0 million in additional liquor by the drink revenue.

For FY 2023, total Other General Fund resources is expected to be \$98.9 million, which is 13.5% above the FY 2022 Adopted Budget or \$11.7 million higher. This is due to projected increases in interest earnings, transfers from other funds largely due to an increase in the transfer from Hotel Occupancy Funds for Historic Preservation, increases in penalties and interest on delinquent tax, and liquor by the drink.

⁶ SAWS revenues are projected 2.1% above the FY 2022 Estimate and FY 2022 Adopted Budget.

⁷ Other Resources are projected 4.8% above the FY 2022 Estimate and 13.5% above the FY 2022 Adopted Budget.

MANDATED EXPENDITURES AND COMMITMENTS

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

The following table projects the cost requirements of mandated expenditures and commitments over the FY 2023 to FY 2027 forecast period and the impact to the General Fund. All expenditures shown are incremental.

Mandate Title	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
COLLECTIVE BARGAINING AGREEMENTS					
Fire	\$ 7,118,503	\$ 7,028,262	\$ 6,993,184	\$ 7,487,557	\$ 7,703,961
Police	6,200,805	11,602,124	12,806,822	14,085,629	11,205,268
Subtotal	\$ 13,319,308	\$ 18,630,386	\$ 19,800,006	\$ 21,573,186	\$ 18,909,229
2017 BOND PROGRAM					
Fire Station 24 Enhanced Squad	\$ 581,419	\$ 641,421	\$ 612	\$ 624	\$ 637
Hemisfair Civic Park	-	401,996	311,118	-	-
Heritage Park Community Center D4	956,466	301,945	13,195	13,854	14,547
Parks Maintenance & Security	867,400	789,805	158,014	13,100	-
St. Mary's Police Substation	2,858,812	2,352,349	-	-	-
Woodlawn Lake Park Multi-Generational Center	198,123	-	-	-	-
World Heritage Facility	-	687,385	478,772	-	-
Subtotal	\$ 5,462,220	\$ 5,174,901	\$ 961,711	\$ 27,578	\$ 15,184
2022 BOND PROGRAM					
Animal Care Veterinary Hospital	\$ -	\$ -	\$ -	\$ 980,124	\$ 833,884
Carver Branch & Central Library Renovation	191,370	-	-	91,007	241,522
District 1 Multi-Generational Center	-	-	-	776,577	1,097,330
District 3 Police Substation	-	2,858,812	2,352,349	-	-
Ella Austin Community Center	-	-	-	362,029	546,507
Parks Maintenance, Security, & Linear Creekways	-	158,064	1,032,489	1,398,724	600,353
Subtotal	\$ 191,370	\$ 3,016,876	\$ 3,384,838	\$ 3,608,461	\$ 3,319,596
OTHER MANDATES					
ACS Community Spay & Neuter Services & Vet Rate	\$ 475,822	\$ -	\$ -	\$ -	\$ -
Fire UT Health Contract	432,982	144,611	124,096	118,821	122,386
Parks Linear Creekway O&M	616,768	368,453	516,417	44,136	-
Parks Linear Creekway Security	-	235,748	236,870	329,606	-
2020 COPS Grant Match	475,457	784,242	-	-	-
State Consultant Contracts	316,000	-	316,000	-	316,000
Subtotal	\$ 2,317,029	\$ 1,533,054	\$ 1,193,383	\$ 492,563	\$ 438,386
Total Mandated Costs	\$ 21,289,927	\$ 28,355,217	\$ 25,339,938	\$ 25,701,788	\$ 22,682,395

UNIFORM COLLECTIVE BARGAINING AGREEMENTS

This mandate provides for funding of uniform employee compensation provisions contained in collective bargaining agreements (CBA) between the City and the San Antonio Police Officers Association (SAPOA) and the International Association of Fire Fighters, Local 624 (IAFF). The proposed CBA between the City and SAPOA would expire in FY 2026 and is scheduled to be considered by City Council for approval on May 12. The CBA between the City and IAFF runs through FY 2024. The forecast assumes evergreen provisions for longevity and step pay increases upon the conclusion of the CBAs.

2017 BOND PROGRAM

Fire Station 24 Enhanced Squad: This mandate adds a new squad at the new Fire Station 24 to include six firefighter positions and one enhanced squad vehicle and would become operational August 2022.

Hemisfair Civic Park: This mandate provides funding for staff, equipment, and supplies for the maintenance of Hemisfair Civic Park.

Heritage Park Community Center: This mandate provides for maintenance and operation costs for a new community center near the existing Heritage pool site.

Parks Maintenance & Security: This mandate adds required staff and associated equipment, supplies, and services to support the dedicated patrol, security, and maintenance of additional miles of creekway and multi-use trails funded by the 2017 Bond Program.

St. Mary's Police Substation: This mandate provides for maintenance and operation costs for the new substation to include 28 uniform and 7 civilian positions.

Woodlawn Lake Park Multi-Generational Center: This mandate provides for maintenance and operation costs for a new Multi-Generational Center at Woodlawn Lake Park.

World Heritage Facility: This mandate provides for maintenance and operation costs for a new World Heritage Facility that will serve as an orientation center and provide information on World Heritage as well as programming.

2022 BOND PROGRAM

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

Carver Branch and Central Library Renovations: This mandate provides for maintenance and operation costs for the expanded Carver Library which will be expanded by 10,770 sq. ft. as well as for maintenance and operation costs for the expansion of the Central Library's Texana Resource Center from 10,000 sq. ft to 20,000 sq. ft.

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

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

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

Parks Maintenance, Security, & Linear Creekways: This mandate adds required staff and associated equipment, supplies, and services to support the dedicated patrol, security, and maintenance of additional miles of creekway and multi-use trails funded by the 2022 Bond Program.

OTHER MANDATES

Animal Care Services Community Spay & Neuter Services and Veterinarian Rate Increases: This mandate provides funding for contractual rate increases for current ACS contracts that provide the community with Veterinary, Spay and Neuter services.

Fire UT Health Contract: This mandate adds funding for an increase to the University Health Science contract that provides the Fire Department with Emergency Medical Technician Basic and Paramedic training, EMS Medical Director services and EMS system oversight.

Parks Linear Creekway Operations and Maintenance: This mandate funds operating expenses related to the completion of the Park Venue Sales Tax program which funds construction of hike and bike trails along San Antonio creeks. .

Parks Linear Creekway Security: This mandate funds additional park police personnel related to additional park amenities and creekway trail miles.

2020 COPS Grant Match: This mandate adds funding to support 25 officers hired as part of the 2020 COPS Hiring Grant.

State Consultant Contracts: This mandate provides funding for State Consultant contracts to represent the City and its interests during the 88th State Legislative Session in 2023.

PROGRAM IMPROVEMENTS

Program improvements are additions of new equipment, personnel, or other expenditures aimed at improving the level of service or expanding services of the City. The FY 2023 General Fund Trial Budget includes program improvements as described in the sections below. The program improvements included in the FY 2023 Trial Budget address the City Council policy direction and input that was gathered during the City Council FY 2023 Budget Goal Setting Session held on April 13, 2022.

EMPLOYEE COMPENSATION

The FY 2023 Trial Budget and Proposed Budget will focus on employee benefits. The Trial Budget sets aside \$23 Million to address market salary adjustments, an across the board adjustment and potential adjustments to the pay plan. Additionally, as mentioned in the mandates, the Trial Budget includes wage increases for both Fire and Police.

FY 2023 Trial Budget – Employee Compensation		
Civilian Employees	Fire Uniform Employees	Police Uniform Employees
\$23 Million set aside to focus on market adjustments, across the board increase, and pay plan	2.5% Across-the-Board effective January 1 and 0.5% lump sum	3.5% Across-the-Board effective April 1

OTHER IMPROVEMENTS

The FY 2023 Trial Budget addresses the City Council priorities identified during the FY 2023 Goal Setting Session that was held on April 13, 2022. The following table summarizes the improvements included in the Trial Budget.

Program	FY 2023 Trial Budget	FY 2024 Trial Budget
Affordable Housing to maintain 2022 funding levels in the General Fund	\$4,400,000	\$4,400,000
Police – 75 New Officers (50 in 2023 with Grant & 25 more in 2024)	3,609,496	6,496,562
Fire – 27 New Firefighters (15 in 2023 for Ladder & 12 in 2024 for EMS)	1,310,313	3,010,658
Continue Homeless programs funded with CARES grants (9 positions)	1,320,203	1,320,203
ACS Adoptions and Clinic staff (11 positions)	554,837	631,761
Code Enforcement Officers (5 Officers)	438,241	337,321
Library Books and Digital Materials (increases amount to \$6.2M annually)	1,000,000	1,000,000
Seniors – OATS Program (maintain current FY 2022 funding)	500,000	500,000
Continuation of Edwards Aquifer acquisition program (debt funded)	350,000	740,000
Economic Development	2,982,287	2,982,287
Increase to NAMP Program from \$219,900 to \$450,000	2,301,000	2,301,000
Alamo Promise (increment for annual amount of \$2.7Million)	234,599	234,599
City Facility Maintenance and improvements	3,900,000	7,700,000
Update of Major Thoroughfare Plan	1,000,000	
Deductible for Roof Replacements damaged by 2021 Hail Storm ((\$7.4 M in insurance proceeds)	3,800,000	
Support for Public Works Streets & Sidewalk Program (6 positions)	395,823	414,120
Civilian positions for Fire Services & Logistics (5 positions)	250,792	306,906
City Clerk – Records, Accessibility and Accountability (4 positions)	239,312	264,891
Disability Status Report	70,000	
Military Spouse Fellowship Program	25,000	25,000
Innovation Research and Development League Projects	275,000	275,000
Total	\$28,956,903	\$32,940,308

Additional improvements based on City Council input, are further defined below.

Affordable Housing \$4.4 Million- The Trial Budget maintains the General Fund portion of the Affordable Housing Program at \$14 Million to provide for programs such as Under One Roof, Owner Occupied, Relocation and Minor Repair programs.

Police - \$3.6 Million: Funding in FY 2023 reflects a cash match for a grant that would add 50 police officers. The application for this grant will be brought to City Council for consideration on June 2022, if awarded the City will be notified in September 2022. The grant is for 3 years and the City would be required to match 25% of the grant and fully fund the officers after the grant period.

The FY 2024 Trial Budget reflects the addition of 25 new officers in addition to the grant match required for the 50 officers funded with a grant in FY 2023.

Fire - \$1.3 Million: The Trial Budget proposes 15 new uniform positions and equipment for an additional Ladder Truck Company in FY 2023.

The FY 2024 Trial Budget reflects the addition of 12 new uniform positions for one EMS Unit .

Homeless Programs \$1.3 Million- The Trial Budget proposes funding to continue funding 9 positions within Homeless Programs that are currently funded through the Coronavirus Aid, Relief, and Economic Security Act (CARES) grant. These programs include the Homeless Street Outreach Team, Homeless Connections Hotline and Diversion program. In addition, the Trial Budget includes funding for contracts with non-profit agencies to provide homeless outreach and operate the Homeless Hub and Shower.

Animal Care Services \$554,837- The Trial Budget proposes adding 11 positions in FY2023 to support daily operations and services rendered by the ACS Clinic and to enhance the Adoptions Program to increase adoptions rates. The FY 2024 Trail Budget reflects the annual recurring cost of adding the positions.

Code Enforcement \$438,241- The Trial Budget proposes an additional five Code Enforcement Officer positions in FY 2023 for a total of 13 for the Neighborhood Enhancement Team. The FY 2024 Trail Budget reflects the annual recurring cost of adding the positions.

Library \$1.0 Million- The Trial Budget increases funding for library book and material to a total of \$6.2 million annually. This would add over 35,000 items and decrease wait times months.

Seniors – OATS Program \$500,000 – The Trial Budget maintains the funding added in the FY 2022 budget to Older Adults Technology Services (OATS) program that helps connects seniors to digital technology services.

Edwards Aquifer Program \$350,000- The FY 2023 Trial Budget includes \$350,000 for debt service to continue the Edwards Aquifer program. In November 2020, the residents voted to reallocate the 1/8 cent sales tax that funded both the Edwards Aquifer program and Linear Creekway program to the SA Ready to Work program. The City will continue the Edward Aquifer program through issuance of debt. The FY 2024 Trial Budget increases the debt payments to \$740,000 annually.

Economic Development \$2.9 million – The Trial Budget restores \$2.9 million in economic development.

Increase NAMP Program \$2.3 million – The Trial Budget includes an increase to Neighborhood Access & Mobility Program (NAMP) funds from \$219,900 to \$450,000 per council district.

Increase AlamoPROMISE Contribution \$234,599 – The Trial Budget includes increasing the City’s contribution to AlamoPROMISE to \$2.7 million annually.

City Facility Maintenance and Improvements \$3.9 million – The FY 2023 Trial Budget proposes a one-time improvement of \$3.9 million for maintenance and improvements to City facilities. The FY 2024 Trial Budget includes \$7.7 million in one-time resources for city facility maintenance and improvements.

Update of Major Thoroughfare Plan \$1 million – The Trial Budget includes \$1 million of one- time funding to update the City’s Major Thoroughfare Plan

Roof Replacement Deductible \$3.8 million – The Trial Budget includes \$3.8 million of one- time funding to meet the City’s property insurance deductible for roof damage to City facilities from the May 2021 Hailstorm. The City is projected to receive approximately \$7.4 million in insurance proceeds (net of the deductible) to pay for damage to City facilities.

Public Works Staff Support for Streets and Sidewalks \$395,823 - The FY 2023 Trial Budget proposes six positions to support the delivery of the Street Maintenance and Sidewalk Programs. The FY 2024 Trail Budget reflects the annual recurring cost of adding the positions.

Fire Services and Logistics \$250,792 - The FY 2023 Trial Budget proposes 5 civilian positions to provide logistical support within the Fire department’s services division. The FY 2024 Trail Budget reflects the annual recurring cost of adding the positions.

City Clerk: Records, Accessibility and Accountability \$239,312- The FY 2023 Trial Budget proposes adding four positions for records accessibility and accountability to support improving the customer experience and to provide more accessible records at the Office of the City Clerk. The FY 2024 Trail Budget reflects the annual recurring cost of adding the positions.

Disability Status Report \$70,000 – The Trial Budget proposes one time funding for a Disability Status report.

Military Spouse Fellowship Program \$25,000 - The Trial Budget includes funding to support five fellowships for spouses of active duty military members for the Hiring Our Heroes’ Military Spouse Fellowship Program.

Innovation Research and Development League Projects \$275,000 – The Trial Budget proposes funding for R&D League Projects for the Office of Innovation to launch at least six new projects.

FINANCIAL RESERVES

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

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

**HOTEL OCCUPANCY TAX
RELATED FUNDS**

CONVENTION, TOURISM, AND ENTERTAINMENT SERVICES

The Hotel Occupancy Tax (HOT) Fund captures revenues and expenditures associated with Hotel Occupancy Tax collections. The fund supports tourism, convention activities, and arts and cultural programming across the City. This is done through transfers to the Community and Visitor Facilities Fund, Arts and Culture Fund, and an allocation of HOT to fund a Destination Marketing Agreement with Visit San Antonio.

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

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

	FY 2022 Budget	FY 2022 Estimate	FY 2023 Projection	FY 2024 Projection	FY 2025 Projection	FY 2026 Projection	FY 2027 Projection
Beginning Balance	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Release of Reserve for Grand Hyatt Debt	0.9	1.4	0.0	0.0	0.0	0.0	0.0
Net Balance	\$0.9	\$1.4	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
REVENUES							
Hotel Occupancy Tax	\$55.3	\$66.9	\$78.7	\$81.8	\$85.1	\$88.5	\$92.1
American Rescue Plan Funds	35.6	23.0	6.5	5.6	0.6	0.0	0.0
Grand Hyatt Ground Lease Revenues	0.0	0.2	0.5	0.5	0.5	0.5	0.5
Interest Earnings & Miscellaneous Revenues	0.2	0.3	0.7	0.5	0.4	0.4	0.5
TOTAL REVENUES	\$91.1	\$90.4	\$86.3	\$88.4	\$86.6	\$89.5	\$93.0
TOTAL RESOURCES	\$92.0	\$91.8	\$86.3	\$88.4	\$86.6	\$89.5	\$93.0
TRANSFERS OUT							
Community & Visitor Facilities Fund	\$29.0	\$27.2	\$23.3	\$23.1	\$21.6	\$23.1	\$22.5
Visit San Antonio	17.7	17.7	25.9	26.8	27.8	28.9	29.6
Arts and Culture	7.6	7.6	11.1	11.5	11.9	12.4	12.7
History and Preservation	7.6	7.6	11.1	11.5	11.9	12.4	12.7
Alamodome Improvement Fund	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Convention Center Improvement Fund	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Operating Contingency Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Redemption & Capital Fund	19.7	19.7	0.0	0.0	0.0	0.0	0.0
Alamodome Debt Service	0.0	0.0	5.5	5.5	5.5	5.5	5.5
Lease Payment Fund	4.7	4.7	4.7	5.3	5.8	6.0	7.6
Other Transfers	2.8	5.3	2.7	2.7	2.7	2.8	2.8
TOTAL TRANSFERS	\$91.1	\$91.8	\$86.3	\$88.4	\$89.2	\$93.0	\$95.3
Gross Ending Balance	\$1.0	\$0.0	\$0.0	\$0.0	(\$2.6)	(\$3.6)	(\$2.3)
Reserve for Grand Hyatt Debt	\$1.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
NET ENDING BALANCE	\$0.0	\$0.0	\$0.0	\$0.0	(\$2.6)	(\$3.6)	(\$2.3)

ANALYSIS OF REVENUE VS EXPENDITURES

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

Revenues - The current Hotel Occupancy Tax rate of 16.75% is levied on eligible hotel room stays. Of this total, 6% goes to the State, 1.75% to Bexar County, 7% to the City, and 2% is reserved to meet the debt service requirements for the Henry B. Gonzalez Convention Center.

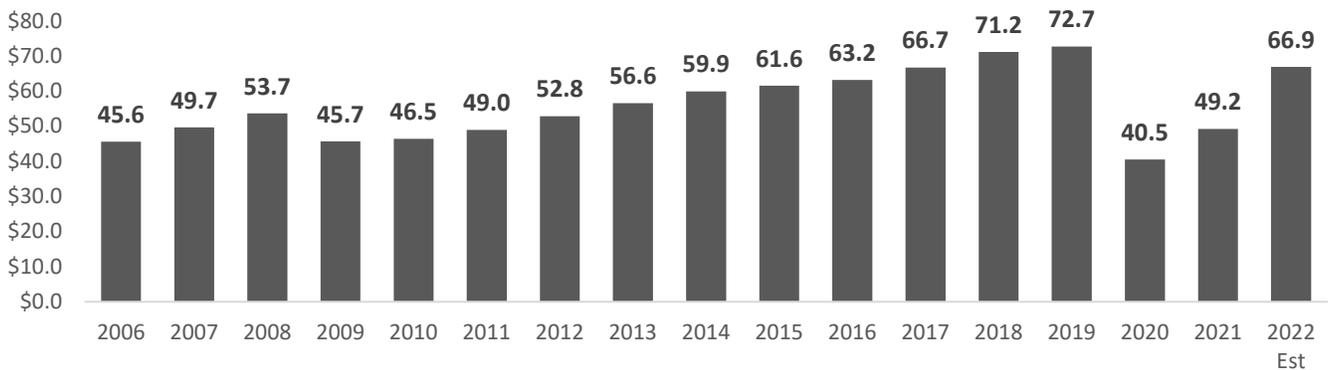
The hotel industry nationwide continues to be affected by the COVID-19 pandemic as average daily room rates and hotel occupancy levels remain below pre-pandemic levels. The timeline for these to return to 2019 levels and above remains uncertain, but the forecast assumes full recovery by FY 2023. Locally, San Antonio is well positioned for a recovery to its visitor industry given its location within the “Texas Triangle” making it an easy driving destination from Austin, Houston, and the Dallas-Fort Worth metroplex. San Antonio is also home to two of the state’s most popular tourist sites, The Alamo and the San Antonio River Walk.

The HOT Fund forecast was prepared with dual assumptions of short-term uncertainty as well as long-term recovery. While hotel and visitor activity for Spring 2022 indicate pent-up demand for leisure travel, which is projected to continue into the traditional summer tourism season, uncertainty remains for convention and other group business. HOT revenue projections were prepared in consultation with local industry experts and were based on an analysis of hotel activity trends since the start of the pandemic as well as convention and event bookings over the next five years.

Based on these assumptions, 7% Hotel Occupancy Tax revenue is projected to be \$78.7 million in FY 2023. The projected annual growth rates are 17.6% in FY 2023 and 4.0% in FY 2024 – FY 2027.

The historical 7% HOT Collections graph below shows both the unprecedented impact to revenues, and the recovery period after the most recent hotel revenue downturn in FY 2009.

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



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

In FY 2013, City Council approved the issuance of debt for the Convention Center Expansion Project. The City utilizes the dedicated 2% Hotel Occupancy Tax, along with a portion of the 7% HOT, to make the required annual debt payments. The allocation of operating funding described above will be based on Hotel Occupancy Tax revenues net of the funding required for the debt service. As Hotel Occupancy Tax revenues recover to pre-COVID-19 levels, it is anticipated that 7% HOT revenues will be required to contribute more to the debt service than in prior years over the five-year financial forecast period.

Expenditures in the forecast are based on current service levels, the Convention and Sports Facilities staff fully returned from deployment in FY 2022. The forecasted expenses also include mandated expenditures, such as hosting obligations for booked conventions and sporting events, and inflation rates over the forecast period based on Consumer Price Index projections for the San Antonio Area. These rates and their underlying assumptions are described in the Economic Outlook and Perspective section.

COMMUNITY AND VISITOR FACILITIES FUND

The Community and Visitor Facilities Fund accounts for revenues and expenditures generated from convention, tourism, sports, and entertainment related activities. The primary sources of revenue for the Convention and Sports Facilities Department are facility rentals, catering and concession commissions, reimbursable expenses, parking revenue, and various ticket fees from the Alamodome, Henry B. Gonzalez Convention Center, and Lila Cockrell Theatre. These revenues are expected to continue recovering in FY 2023 as event bookings and attendance return to pre-pandemic levels and attendance.

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

**Community and Visitor Facilities Fund
(\$ In Millions)**

	FY 2022 Budget	FY 2022 Estimate	FY 2023 Projection	FY 2024 Projection	FY 2025 Projection	FY 2026 Projection	FY 2027 Projection
RESOURCES							
Beginning Balance	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Transfer from HOT 7% Tax Fund	29.0	27.2	23.3	23.1	21.6	23.1	22.5
Convention Center and Alamodome Revenues	25.9	26.0	29.4	31.9	35.1	35.4	37.1
Other Revenues	0.3	0.4	0.4	0.4	0.4	0.4	0.4
TOTAL RESOURCES	\$55.2	\$53.6	\$53.1	\$55.4	\$57.1	\$58.9	\$60.0
TOTAL EXPENDITURES	\$55.2	\$53.6	\$53.1	\$55.4	\$57.1	\$58.9	\$60.0
Net Ending Balance	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

ARTS AND CULTURE FUND

The Arts & Culture Fund accounts for the operating expenditures of the Department of Arts & Culture as well as the contributions made to art and cultural agencies.

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

Arts and Culture Fund (\$ In Millions)

	FY 2022 Budget	FY 2022 Estimate	FY 2023 Projection	FY 2024 Projection	FY 2025 Projection	FY 2026 Projection	FY 2027 Projection
RESOURCES							
Beginning Balance	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Transfer from HOT 7% Tax	7.6	7.6	11.1	11.5	11.9	12.4	12.7
Transfer from ARPA Funding	2.7	2.7	0.0	0.0	0.0	0.0	0.0
Other Revenue	0.7	0.7	0.8	0.8	0.8	0.9	0.9
TOTAL RESOURCES	\$11.0	\$11.0	\$11.9	\$12.3	\$12.7	\$13.3	\$13.6
TOTAL EXPENDITURES	\$11.0	\$11.0	\$11.9	\$12.3	\$12.7	\$13.3	\$13.6
Net Ending Balance	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

The forecast assumes that funding for Arts and Culture will remain at 15% of HOT collections net of debt service payments related to the Convention Center Expansion. It is anticipated that all HOT funded operations expenses will return to pre-COVID-19 levels at the same pace as the overall Hotel Occupancy Tax revenues.

**DEVELOPMENT
SERVICES FUND**

DEVELOPMENT SERVICES FUND

INTRODUCTION

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

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

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

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

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

FIVE YEAR FINANCIAL FORECAST

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

Development Services Fund Forecast (\$ in Thousands)

	FY 2022 BUDGET	FY 2022 ESTIMATE	FY 2023 PROJECTION	FY 2024 PROJECTION	FY 2025 PROJECTION	FY 2026 PROJECTION	FY 2027 PROJECTION
AVAILABLE FUNDS							
Beginning Balance	\$ 15,243	17,616	\$ 19,728	\$ 17,689	\$ 14,514	\$ 13,785	\$ 12,400
REVENUES							
Development Services Revenues	\$ 39,671	\$ 44,238	\$ 45,399	\$ 46,611	\$ 47,290	\$ 48,216	\$ 49,208
Transfer from General Fund	483	483	483	483	483	483	483
<i>Total Revenues & Transfers</i>	<u>\$ 40,155</u>	<u>\$ 44,721</u>	<u>\$ 45,882</u>	<u>\$ 47,094</u>	<u>\$ 47,773</u>	<u>\$ 48,700</u>	<u>\$ 49,692</u>
TOTAL AVAILABLE FUNDS	<u>\$ 55,398</u>	<u>\$ 62,337</u>	<u>\$ 65,610</u>	<u>\$ 64,783</u>	<u>\$ 62,287</u>	<u>\$ 62,484</u>	<u>\$ 62,092</u>
BASE EXPENDITURES							
Operating Expenses	\$ 37,585	\$ 37,587	\$ 40,966	\$ 42,335	\$ 43,768	\$ 45,256	\$ 46,779
Transfers	4,898	5,022	6,955	7,934	4,734	4,828	4,918
<i>Total Appropriations</i>	<u>\$ 42,484</u>	<u>\$ 42,609</u>	<u>\$ 47,921</u>	<u>\$ 50,270</u>	<u>\$ 48,502</u>	<u>\$ 50,084</u>	<u>\$ 51,696</u>
GROSS ENDING BALANCE	<u>\$ 12,914</u>	<u>\$ 19,728</u>	<u>\$ 17,689</u>	<u>\$ 14,514</u>	<u>\$ 13,785</u>	<u>\$ 12,400</u>	<u>\$ 10,396</u>
Financial Stabilization Reserve	\$ 9,872	\$ 9,872	\$ 10,242	\$ 10,584	\$ 10,942	\$ 11,314	\$ 9,746
Reserve for Capital Projects	2,762	2,762	0	0	0	0	0
NET ENDING BALANCE	<u>\$ 280</u>	<u>\$ 7,094</u>	<u>\$ 7,448</u>	<u>\$ 3,930</u>	<u>\$ 2,843</u>	<u>\$ 1,086</u>	<u>\$ 650</u>

ANALYSIS OF REVENUES AND EXPENDITURES

Revenues – Total revenue for the current FY 2022 Estimate is projected to be approximately \$44.7 million, or \$4.6 million above the FY 2022 Adopted Budget. This positive variance is a result of new and existing commercial permits and valuations anticipated to be 24.6% and 20.3% above FY 2021 actuals.

Development Services operating revenues is anticipated to continue the growth seen in FY 2021 and FY 2022 into FY 2023 and 2024. However, growth is projected to slow down during FY 2025 through FY 2027. Total aggregate revenues are forecasted to change by the following percentages over the forecast period:

<u>FY 2023</u> ⁸	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>
14.26%	2.64%	1.44%	1.94%	2.04%

Expenditures – Expenditures are based on the current service levels. The FY 2023 Development Services forecast includes funding for civilian compensation adjustments, aligns credit card fees to account for the increase of eBusiness performed through Accela and adds funding for capital improvement upgrades to the Cliff Morton Development and Business Services Center to include: HVAC replacement, Security enhancements and other facility upgrades. Inflationary adjustments were also made to certain line-items over the forecast period. These inflation rates were derived from the Consumer Price Index (CPI) projections for each year from FY 2023 through FY 2027. 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:

<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>
2.80%	2.30%	2.30%	2.30%	2.20%

The Forecast includes the corresponding changes to the Budgeted Financial Stabilization Reserve. The Net Ending Balance accounts for the full impact of all transfers and operating expenses, including reductions to service, employee compensation issues, and necessary improvement requests.

The establishment and maintenance of appropriate financial reserves within the Development Services Fund is critical to prudent financial management. Budgeted Financial Stabilization Reserves assist in smoothing fluctuations in available resources from year to year and, as the name suggests, stabilizing the budget. The reserve for the Development Services Fund is forecasted from FY 2023 to FY 2027 at the sum of approximately three months of total annualized operating expenses less transfers.

⁸ Development Services revenue is projected to be 2.60% above the FY 2022 Estimate and 14.26% above the FY 2022 Adopted Budget.

**SOLID WASTE OPERATING
AND MAINTENANCE FUND**

SOLID WASTE OPERATING AND MAINTENANCE FUND

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

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

The Department has undertaken measures towards achieving several recycling and sustainability goals, as well as customer service performance goals. These goals include a diversion rate goal to divert 60% of the waste collected by SWMD away from landfill disposal to either recycle the material, compost it, or utilize it in another beneficial way. In addition to measuring the diversion rate, the SWMD also measures waste diversion by capture rate. The Capture Rate is the percentage of recyclable or compostable material placed into the blue or green cart respectively divided by the total material placed into the blue, green, and brown (garbage) carts. Capture Rate effectively measures how well the community is utilizing the blue, green and brown carts and putting the proper items in each.

The SWMD assists the business community through its ReWorksSA program. This program goes to the business community and helps them recycle or improve their recycling and sustainability efforts such as water conservation and energy conservation. Those businesses that successfully achieve high levels of sustainability efforts are certified and recognized by ReWorksSA and the City. The Pinnacle certification is ReWorksSA's highest and most prestigious level. It recognizes those businesses that not only recycle but also have other sustainability efforts including energy conservation, water conservation, sustainable procurement, etc.

Additional efforts to improve on these goals over the past decade includes the revamping of the brush and bulky collection process to increase brush recycling, opening an additional brush recycling center in the City's South Side, increasing blue cart recycling outreach, increasing recycling education to schools, opened four bulky drop off centers, introduced a Cart Downsizing program, 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% to 40%.

FIVE-YEAR FINANCIAL FORECAST

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

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

	FY 2022 Budget	FY 2022 Estimate	FY 2023 Projection	FY 2024 Projection	FY 2025 Projection	FY 2026 Projection	FY 2027 Projection
AVAILABLE FUNDS							
Beginning Balance	\$ 11,734	\$ 15,087	\$ 13,540	\$ 3,997	\$ -	\$ -	\$ -
Adjustment for Reserve							
CURRENT REVENUES							
Solid Waste Fee	\$ 109,298	\$ 109,786	\$ 111,339	\$ 112,341	\$ 113,352	\$ 114,373	\$ 115,403
Environmental Fee	13,289	13,039	13,332	13,542	13,755	13,972	14,191
Recycling Revenue	3,486	6,334	5,659	5,711	7,246	7,494	7,751
Other Revenues	3,462	4,809	4,966	5,136	5,210	5,262	5,319
TOTAL CURRENT REVENUES	\$ 129,535	\$ 133,968	\$ 135,296	\$ 136,730	\$ 139,564	\$ 141,100	\$ 142,664
TOTAL RESOURCES	\$ 141,268	\$ 149,054	\$ 148,836	\$ 140,727	\$ 139,564	\$ 141,100	\$ 142,664
EXPENDITURES/RESERVES							
Base Service	\$ 134,728	\$ 135,514	\$ 144,839	\$ 147,382	\$ 154,374	\$ 157,589	\$ 160,708
TOTAL EXPENDITURES	\$ 134,728	\$ 135,514	\$ 144,839	\$ 147,382	\$ 154,374	\$ 157,589	\$ 160,708
GROSS ENDING BALANCE	\$ 6,540	\$ 13,540	\$ 3,997	\$ (6,655)	\$ (14,810)	\$ (16,489)	\$ (18,044)
STABILIZATION RESERVE	\$ 5,264	\$ 5,264	\$ -				
NET ENDING BALANCE	\$ 1,277	\$ 8,276	\$ 3,997	\$ (6,655)	\$ (14,810)	\$ (16,489)	\$ (18,044)

REVENUES

MONTHLY SOLID WASTE FEES

There are two major sources of revenue for the Solid Waste fund. The primary source is the monthly solid waste fee assessed to customers and billed and collected by CPS Energy. The solid waste fee is assessed to single-family 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 fee is also billed and collected by CPS Energy. Forecasted revenues are based on annual growth factors of 0.92% and 1.56% for solid waste and environmental customers, respectively, from FY 2023 through FY 2027 along with any proposed rate increases.

FY 2022 is projected to end with a net ending balance of \$8.2 million and in FY 2023, a net ending balance of approximately \$4 Million is projected, but in FY 2024-2027 rate increases will be needed to keep the fund balanced. These fee changes will be a policy discussion as part of the development of the FY 2024 Budget process.

Total Monthly Rates by Cart Size

Carts	FY22	FY23 – FY27
Small	\$14.76	\$14.76
Medium	\$18.76	\$18.76
Large	\$26.76	\$26.76
Environmental Fee	\$1.74	\$1.74
<i>Small to Large Difference</i>	\$12.00	\$12.00

EXPENDITURES

Expenditures assumed in the Forecast are based on a continuation of current service levels and includes inflationary increases. Inflationary increases in non-personal services expenditures were derived from the Consumer Price Index (CPI) projections for each year from FY 2023 through FY 2027. Additionally, expenditures assume additional increases to civilian compensation, disposal and recycling fees, cart fees, and fuel.

**ECONOMIC
OUTLOOK &
PERSPECTIVE**

ECONOMIC OUTLOOK

OVERVIEW

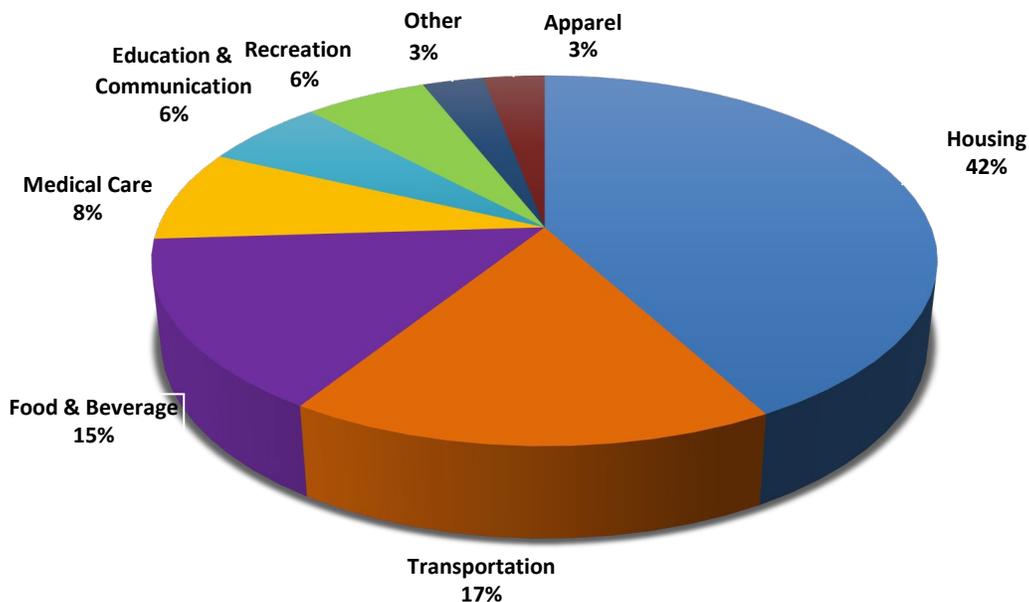
A forecast of the City's finances recognizes that the City's fiscal health is directly linked to the success of the local, national, and global economies. Considering this relationship, the fiscal projections provided in this document are based, in large part, upon an analysis of historical and available economic data and trends. The sudden and unprecedented disruption and financial damage of the coronavirus pandemic dramatically affected the overall economic health across the nation and in San Antonio. The pandemic caused many businesses and public gatherings to close statewide, reduced consumer spending, unemployment filings to hit all-time records, and significant repercussions on tourism and travel. After experiencing sharp declines in 2020 and an encouraging economic recovery through 2022, there is cautious optimism in the continuing recovery based on key economic indicators such as unemployment, inflation, and gross domestic product.

The historical data and forecast projections in this section are provided by both government and private organizations.

INFLATION

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

2021 CPI Market Basket of Goods



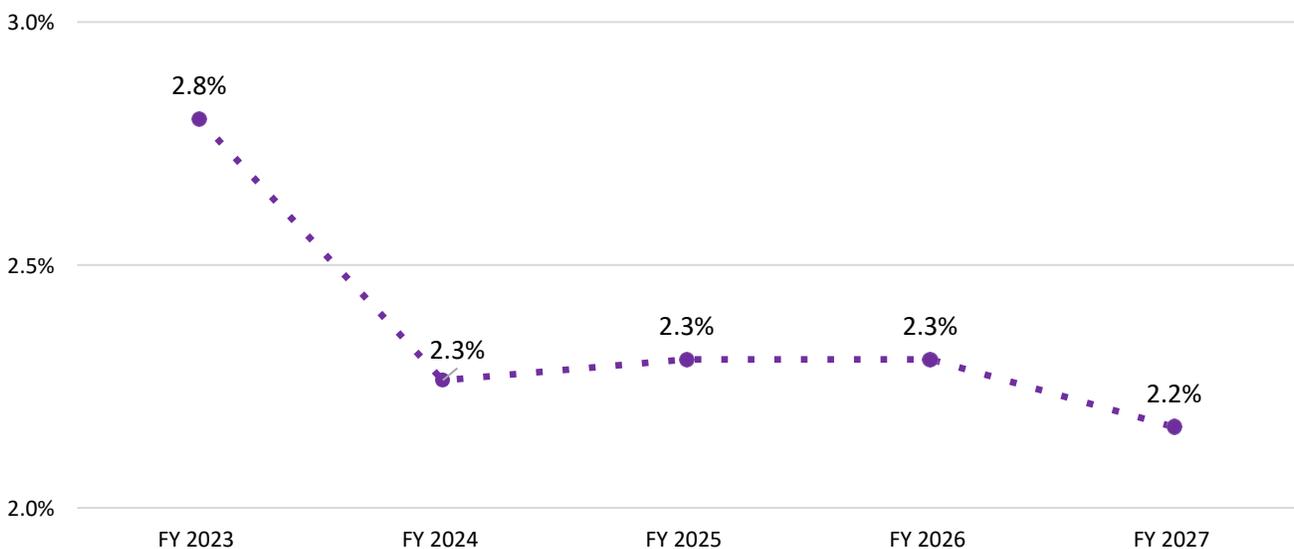
Source data: Bureau of Labor Statistics, U.S. Department of Labor, The Economics Daily, *Consumer Price Index: 2021 In Review*. Obtained April 2022.

The Bureau of Labor Statistics has classified each expenditure item in this basket of goods into more than 300 categories. Each one of these categories is cataloged into eight major groups, as shown in the figure above. For example, tuition, other school fees, and childcare is a category located in the education and communication group and makes up 6.49% of the total basket of goods in the 2021 index. In other words, in 2021 the cost of these items relative to the rest of the items in the basket cost the average American \$6.49 per \$100.

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

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

San Antonio Consumer Price Index Percent Change Forecasted FY 2023 - 2027



Source: Projection Data from Moody’s Analytics

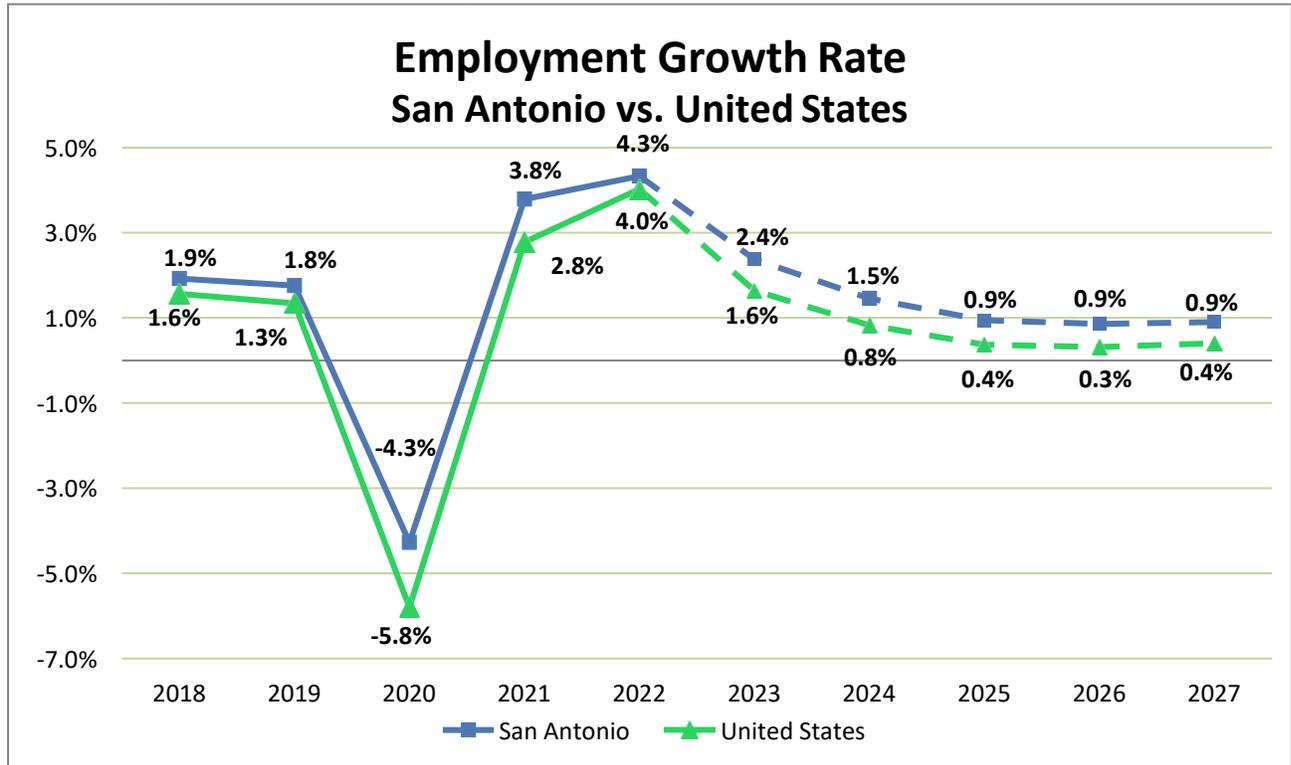
SAN ANTONIO ECONOMY

EMPLOYMENT

Increases in the total number employed persons in a 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 broader United States. The

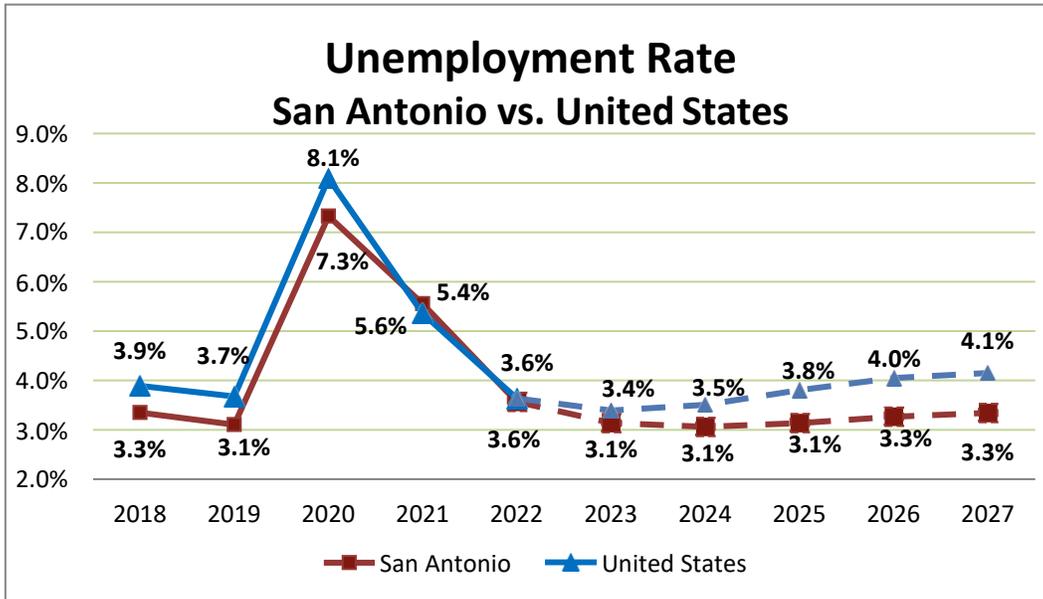
pronounced dip shown in the chart for 2020 is due to the worldwide pandemic, but 2022 encouragingly shows a robust recovery. For 2022, the employment rate is projected to increase by .5% in San Antonio and increase by 1.2% nationally from 2021, reflecting a continued economic rebound as more people receive COVID-19 vaccines and businesses hire. Locally, certain industries in the San Antonio economy, such as the hospitality industry, are projected to return to pre-pandemic levels in FY 2023.

Source: Projection Data from Moody's Analytics



UNEMPLOYMENT

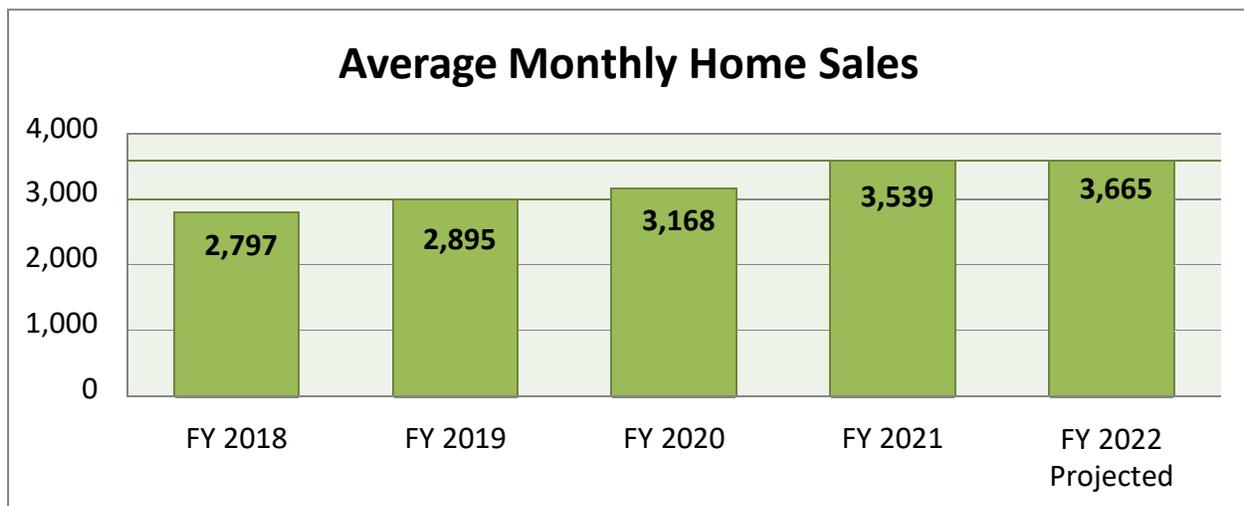
The unemployment rate represents the number of unemployed persons as a percent of the total labor force. An unemployed person is generally defined as someone aged 16 years or older who has been looking for employment for at least four weeks. Due to the COVID-19 pandemic, the national unemployment rate reached an average of 8.1% in 2020. Since then, it has declined from its peak and is projected to further fall to 3.6% by the end of the 2022. San Antonio's unemployment rate reached a record high average of 7.3% in 2020, also due to the COVID-19 pandemic, and is projected to reach 3.6% by the end of 2022 and continue to outperform the national unemployment rate over the next five years.



Source: Projection Data from Moody's Analytics

HOUSING

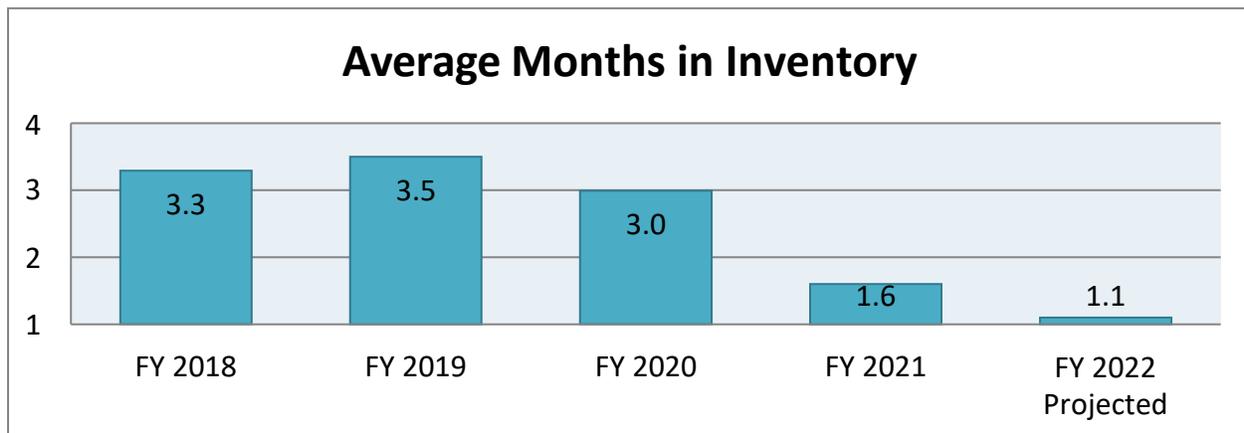
The housing market in San Antonio has experienced a rapid increase in average monthly home sales as well as median housing prices from FY 2018 to FY 2022. Over that same period, the average month in inventory is projected to see a substantial decrease. Average monthly home sales and median housing prices are projected to continue rising through FY 2022 as demand for housing increases.



Source: Real Estate Center at Texas A&M University

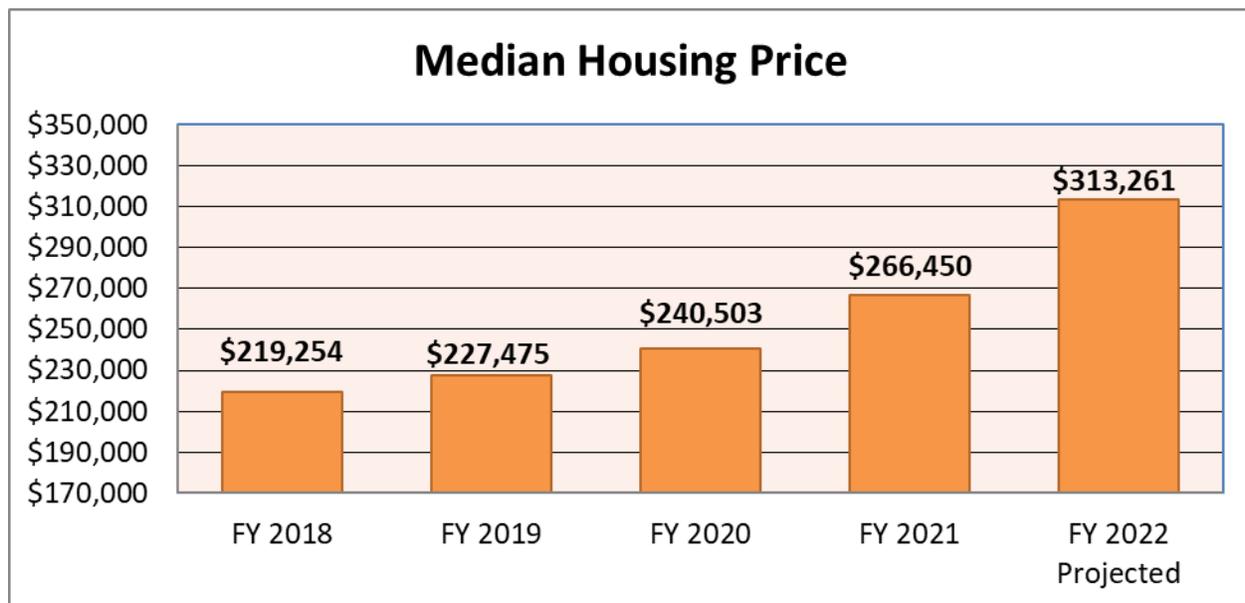
Months in Inventory measures the amount of time it would take to sell the current housing inventory or supply if no other homes were added to the existing inventory. In FY 2018, homes spent an average of 3.3 months in inventory. From October 2021 to October 2022 (FY 2022), the average month in inventory is projected to decline to 1.6 months, a decrease of 51% from FY 2018 and lower than FY 2021's total average.

Looking ahead, FY 2022's year-end projection is 1.1 months, which would result in a total decrease of 67% from FY 2018.



Source: Real Estate Center at Texas A&M University

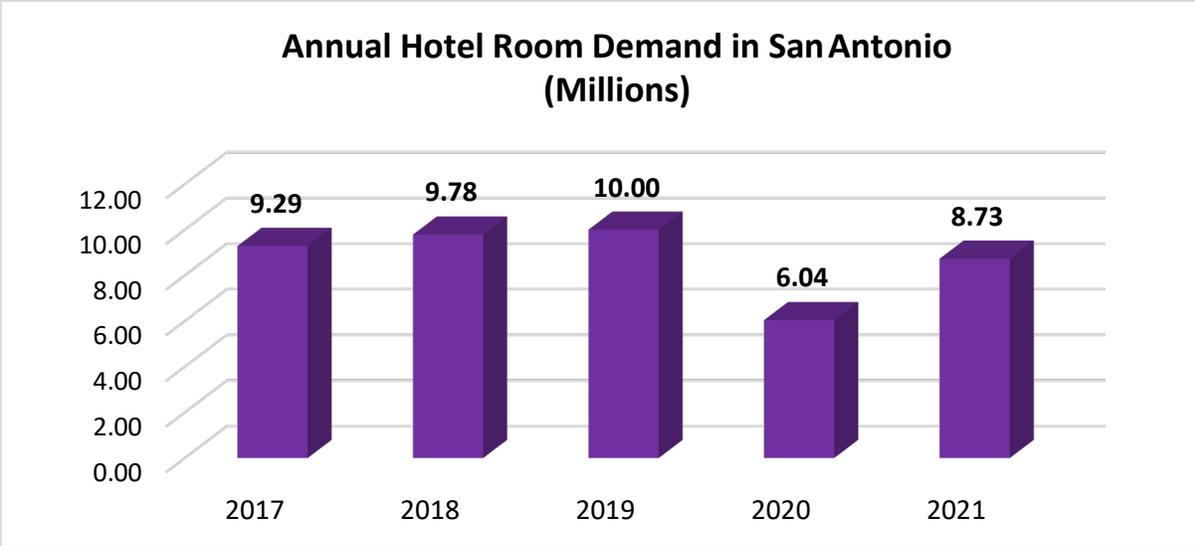
Median Housing Price is the midpoint price of home sales in each year at which half the homes are sold above this price and half the homes are sold below this price. From FY 2018 to FY 2021, San Antonio experienced an average annual increase of 21.5% or \$47,196, in median housing prices year-over-year. Median housing prices in FY 2022 are projected to reach a price of \$313,261, which would result in an increase of 42.8% from FY 2018.



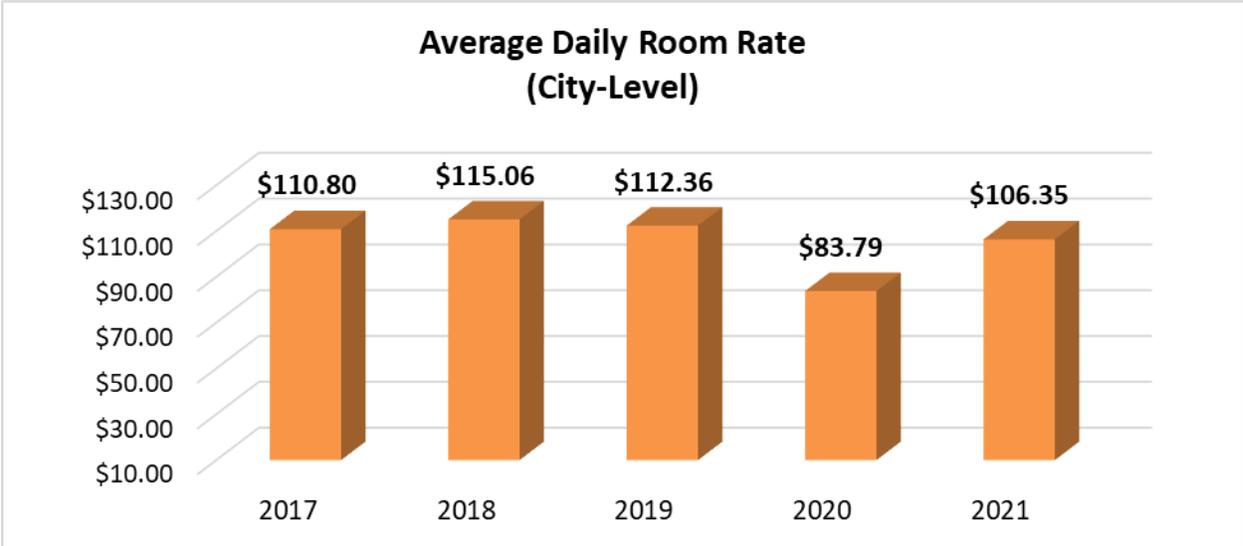
Source: Real Estate Center at Texas A&M University

HOSPITALITY INDUSTRY

The San Antonio hospitality industry continues to be one of the top leisure/convention cities in the country and benefits from being located within driving distance from Dallas, Houston, and other Texas cities. **Annual Hotel Room Demand** is defined as the number of rooms sold or rented, excluding complimentary rooms. Industry data on the San Antonio market show 2021 hotel room demand increased by 44.6%, or about 2.7 million rooms, over the previous year.



Average Daily Rate (ADR) is the average price of a single room night in San Antonio. The ADR metric is indicative of the hospitality industry’s health and is influenced by the supply of hotel rooms. San Antonio’s 2021 ADR increased 26.9% above the 2020 rate to \$106.35 per night for a single room.



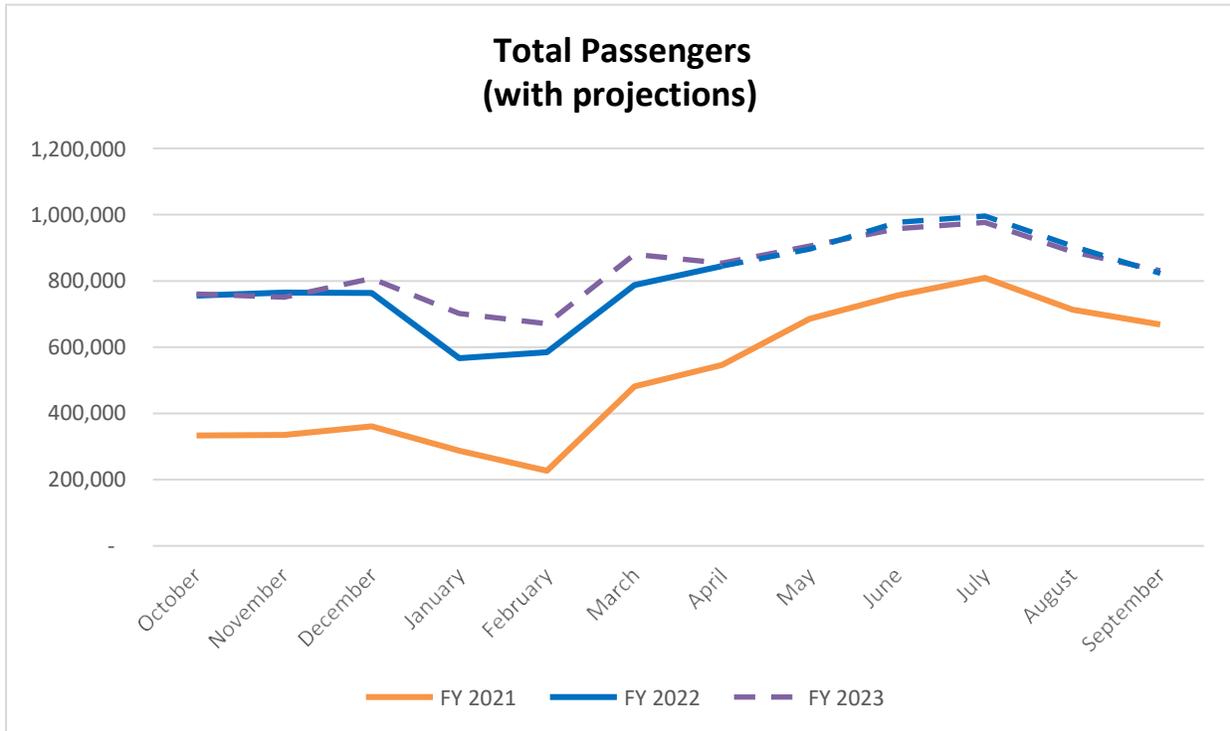
Hospitality Data Source: 2022 STR, Inc. Data obtained from Smith Travel Research based on hotels in San Antonio Market reports dated February 2017-2022.

AIRLINE INDUSTRY

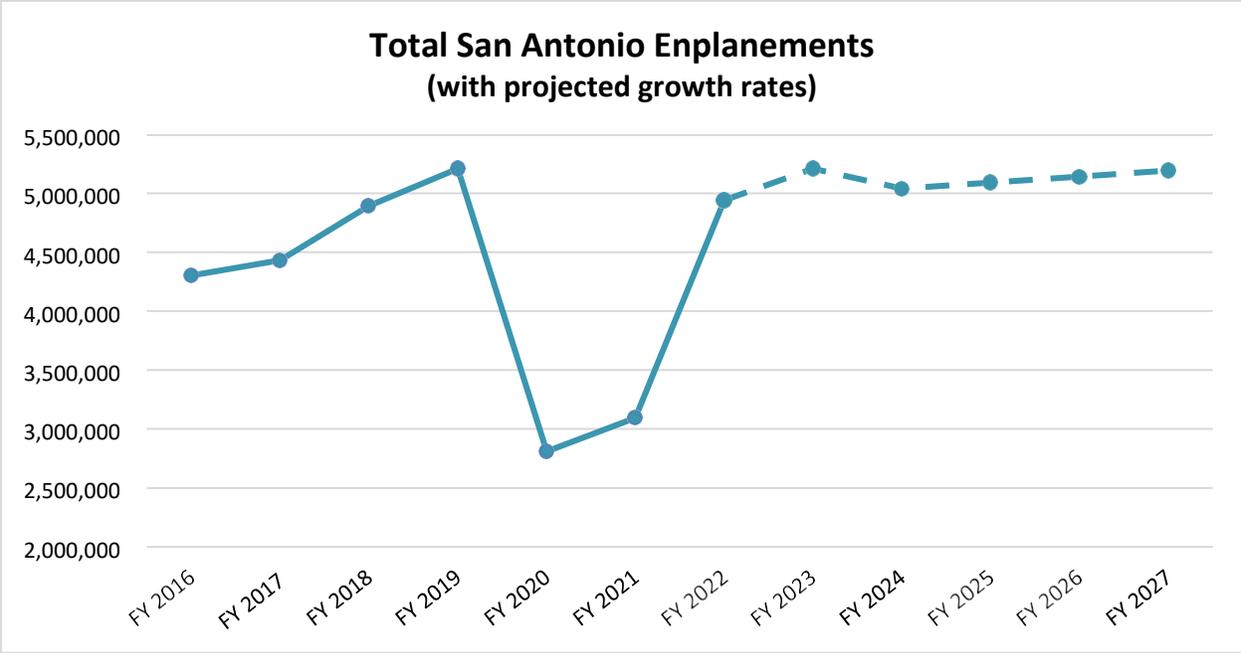
San Antonio International Airport is the only commercial service airport serving the City and the San Antonio metropolitan area. Like other major city airports, the San Antonio International Airport experienced a major decline in travel due to the COVID-19 pandemic in FY 2020. For comparison,

in April 2020, the total passenger count was 42,118, but the projected total passenger count for April 2022 is 844,658, an increase of 1905% from 2020. When compared to the year before the pandemic began, 2019, the projected total passengers for April 2022 are only 2% lower. There has been a steady increase in travel in FY 2022. It is projected that 9,661,456 total passengers will be passing through the San Antonio Airport, which is a 55.7% increase from FY 2021. In FY 2023, 10,388,945 total passengers are expected, a 7.5% increase from FY 2022 and on par with the total amount of passengers in FY 2019.

Source: Aviation Department, City of San Antonio



Enplanements are defined as the act or process of boarding a departing aircraft. Enplanements are a standard metric indicative of the airline industry’s financial wellbeing. The chart below reflects enplanement activity at the San Antonio Airport over the last six years and its projected growth over the next six years. San Antonio’s Airport saw a significant decline in FY 2020 but has since rebounded in FY 2022 and is projected to be at FY 2019 levels by FY 2023. Enplanements are projected to grow by 5.4% from FY 2022 to FY 2023 and by an average of 1.8% from FY 2023 to FY 2027 as enplanements return to pre-COVID levels.



Source: Aviation Department, City of San Antonio

