

**CITY OF SAN ANTONIO
OFFICE OF THE CITY MANAGER**

TO: Mayor & City Council

FROM: Sheryl Sculley, City Manager 

COPY: Mayor & City Council; Executive Leadership Team;
Jaime Castillo, Interim Chief of Staff to the Mayor;
Chris Callanen, Assistant to City Council

DATE: May 30, 2014

SUBJECT: CITY COUNCIL GOAL-SETTING SESSION RESULTS REPORT.

This correspondence transmits the results of the City Council Goal Setting Session for the development of the FY 2015 Proposed Budget.

On May 27, the City Council Budget Goal Setting Session for the FY 2015 Budget was held at the Convention Center. The purpose of this work session was to obtain City Council policy direction for the development of the FY 2015 Budget and the FY 2016 Budget Plan.

The *San Antonio City Council Goal-Setting Session Report* was prepared by Tyler St. Clair (Session Facilitator) and highlights three key areas that were reviewed during the special session. These areas include the City's Financial Policies, Service Delivery Priority Goals, and Preferences on Budget Scenarios to balance the FY 2015 Budget.

The policy direction received at this session along with the community input received during the May Community Budget Meetings and Budget Input Box will be used to develop next year's budget. The Proposed Budget will be presented to the City Council on August 7.

ATTACHMENT

San Antonio City Council Policy Goal Setting Session Report



May 27, 2014
Convention Center Mission Room

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CITY FINANCIAL POLICIES

City Council Members were provided with an overview of recommended City Financial Policy Updates and the FY 2015 to FY 2019 Five Year Financial Forecast. Following the overview, Council Members were asked to individually state their level of support for the recommended Financial Policies. A summary of those comments is provided below.

Recommended City Financial Policy Updates

1. Increase General Fund Budgeted Financial Reserves from 9% to 10%
2. Establish a 1% to 3% target reserve for 2 Year Budget/Plan
3. Manage crowdout within General Fund; balance between Public Safety and Non Public Safety budgets
4. Manage structural balance in the General Fund
 - Align recurring revenues with recurring expenses
 - Align one-time revenues with one-time expenses
5. Project moderately conservative revenue projections based on current economic conditions and historical trends
6. Establish \$1 Million contingency reserve for General Fund and \$3 Million contingency reserve for capital budget
 - Use of these contingencies will be subject to City Council vote through an adopted ordinance
7. Address Internal Service Fund deficits within 3 to 5 years
8. Maintain an available fund balance target of 15%

Councilman Lopez: I have full support for the financial policies that have been outlined and the changes that staff recommends. We must make sure that we support good debt management and a good fund balance.



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Councilwoman Taylor: Overall I am generally supportive of the recommended policies. Managing the crowdout at this juncture is very important so that we can provide all the other services for which we are responsible. We must protect our current financial status among the rating agencies.

Councilman Nirenberg: I am absolutely supportive, in particular of moving our reserves from 9% to 10%. I have questions about Policy #6, including how that reserve would be used and what happens when the money is not used. But I am absolutely supportive and believe that [these policies] are a good move forward.

Councilwoman Viagran: I am supportive, particularly of Policies #3 and #4.

Councilman Bernal: I am generally supportive, but do need to have a better understanding of Policy #6 and what process we will go through in order to access those funds.

Councilman Saldaña: These are easy policies to support and Policies #4 and #5 appear to be best practices. The one that I do have a question about is Policy #7 and how that will be managed. I am supportive of the notion that we come to agreement about how big of a proportion public safety expenditures will be in the [General Fund] budget.

Mayor Castro: Generally I am in agreement that we assure that we build up our reserves and do not practice fiscal responsibility on an ad hoc basis. We do need to have formal financial policies in place, particularly Policy #2. I do agree that we need to manage crowdout. With regard to Policy #4, this seems like something that we have been trying to do for a long time but have not been as strict.

Councilman Krier: I would strongly support Policies #1 through #6. I would like to have a session where we have more information provided to us regarding Policies #7 and #8. Though I'm inclined to support them, I recognize that we do not have time to get into this discussion today.

Councilwoman Gonzales: I generally support these policies. On a scale of 1 to 5, I'd give them a "3." I'm very supportive of the great job that our City Manager has done; it's the details about which I'm concerned; I do feel that there are many unanswered questions.

Councilmember Gallagher: For the most part, I'm in strong support of most of these recommendations. If we fail to keep our bond rating, it can hurt us in a big way down the road. I believe that crowdout is something to be concerned about and must be managed. It is the big gorilla that we all have to be worried about; we must look at how we can try to protect ourselves and avoid crowdout.

Councilmember Medina: In general I'm supportive of these policies and they give us a good start. We need to ask ourselves, "How can we avoid [structural challenges] and best prepare for them?"



CITY COUNCIL POTENTIAL GOALS/SERVICE PRIORITIES

Council Members were asked to individually identify 5 high priority goals that they wish for the City to fund/address for the development of the FY 2015 Budget.

Members were then asked to state their goals and to look for agreement on them to achieve general or majority agreement on the goals supported by the entire Council.

This discussion resulted in 7 goals that were identified as highest priority for FY 2015.

Potential goals are identified in bold type and Council Members' individual contributions, along with discussion is bulleted below the goal in order to provide additional clarification regarding intent, content, or considerations. Please note that numbers DO NOT indicate priority or ranking and are for reference only.

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| 1 | <p>Expand financial capacity for street maintenance, curbs, sidewalks, and address drainage</p> <ul style="list-style-type: none"> • Establish a baseline of basic services and needs and determine how to make those investments based on a pre-determined plan • Determine the high priority areas and/or needs • The Infrastructure Master Plan (IMP) is not always the most effective way to address significant needs • Look at the streets review process and how it is managed • Bond Projects tend to focus on corridors and not necessarily on neighborhood streets • Consider whether to include street lighting • Address pedestrian safety • Implement and fund a 5 year plan to achieve 100% of needed City maintenance needs for sidewalks/drainage • Revisit "Sidewalks to Schools" program to put sidewalks near schools |
| 2 | <p>Maintain and strengthen our commitment to public safety, which includes maintaining a structural and affordable balance in the budget. Develop a proposal to address the costs of public safety for this fiscal year and provide more information about further options to manage costs over the long term.</p> <ul style="list-style-type: none"> • For preparation of the 2015 budget, look at options that will not compromise service coverage and response time while improving the structural imbalance between public safety services and non-public safety services • Stay within where we are now [without increasing costs,] but we will need more information to determine the appropriate benchmark |



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| | <ul style="list-style-type: none"> • Agree on what a healthy public service budget is for a comparable city • We all want to expand capacity for street maintenance and we must look at how to do this by looking at other parts of the City's budget; more funding needs to be directed to street improvements and this requires reductions in public safety costs • Residents are uncomfortable with our cutbacks on other services in order to fund public safety; we should hold the line this year and get more information and recommendations from staff on how to deal with this in the future • Maintain appropriate service levels for public safety without reducing other services • Maintain affordable public safety; should be able to add capacity if the City is growing; look at other ways to ensure that it is affordable • Maintain and find ways to strengthen police and fire services • Resolve the collective bargaining issue expeditiously (before the contracts expire on September 30, 2014) • Look at how other cities are protecting themselves, including programs such as SAFFE |
| 3 | <p>Expand and enhance neighborhood strategies including animal care, code enforcement, and revitalization (including both core service/maintenance needs and special initiatives)</p> <p>Core Service/Maintenance Needs:</p> <ul style="list-style-type: none"> • Make personnel adjustments to Code and Animal Care Services to maximize effectiveness (i.e. structural changes that may not require a lot more money) • Find process efficiencies in animal care services • Review code enforcement process to strengthen services and fill gaps where needed <p>Special Initiatives:</p> <ul style="list-style-type: none"> • Enhance investment in urban core revitalization to create a diverse and dynamic community (i.e. housing incentives, East Point, West Side, and ICRIP) • Successfully implement East Point and Promise Zone Comprehensive Neighborhood Revitalization (which requires capital investment) • Address pedestrian lighting and vacant buildings (i.e. fund empty building pilot) • Maintain and find creative ways to build upon senior services |
| 4 | <p>Enhance the City's investment in education and adult literacy efforts</p> <ul style="list-style-type: none"> • Continue Pre-K 4 SA and align efforts to enhance community Pre-K opportunities; use the infrastructure that we have in Pre-K as a springboard to improve pre-school offerings City-wide; improve accreditation rates from the National Association for the Education of Young Children (NAEYC) • Fund libraries and educational opportunities • Finish the realignment of human services department funding in order to emphasize workforce development pipeline investments, like Pre-K4SA (other human service agencies) • Out of school offerings and after school programming are very important |



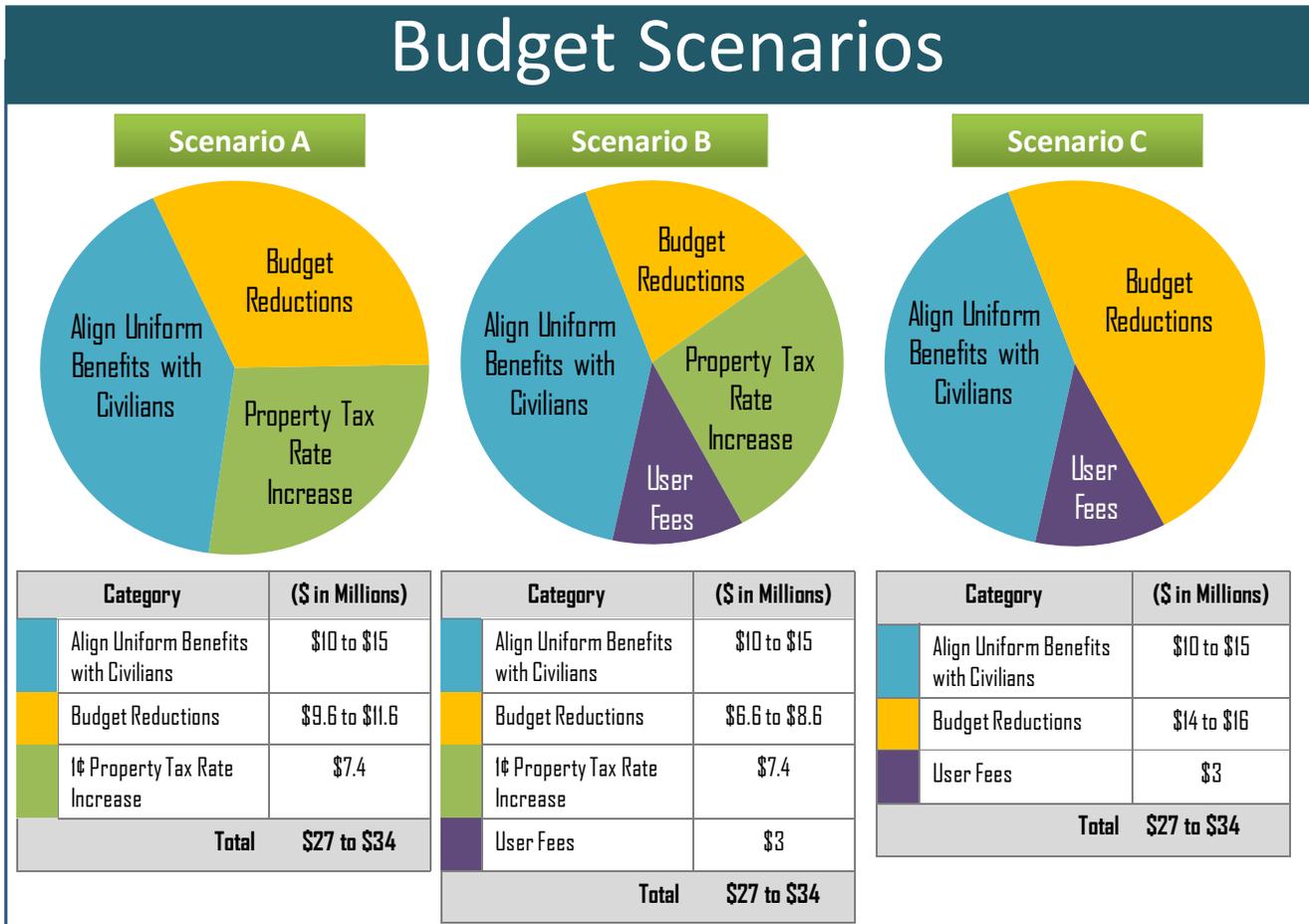
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| 5 | <p>Keep current economic toolbox equipped in order to compete with other cities</p> <ul style="list-style-type: none">• Build upon job creation and economic competitiveness opportunities• Restore the economic development cuts that were made last year; focus on 3 sectors: aerospace, medical, and technology• Focus our business development and economic development outreach to the most effective areas with a focus on both domestic and international; go to the low hanging fruit• Support economic development in the downtown and urban area• Continue to fund the policies that are responsible for the City's upswing, including economic development and housing• Fund a 5 year plan to address job recruitment and job retention• Focus our workforce development efforts to attract higher paying jobs |
| 6 | <p>Develop and fund a multi-year plan for improvements in existing parks and for park acquisitions and analyze usage in order to make effective decisions</p> <ul style="list-style-type: none">• Restore funding to the Parks Department; update the Parks Master Plan from 2006; make sure that we do our part annually to provide O&M through park acquisition. Parks help enhance our quality of life and we need to deal with crowdfout in order to have those funds available.• Do an analysis of who uses the parks; focus on usage and not just maintenance; do a better job of figuring out why the City's less used parks are underutilized and what it would take for people to use them more• Expand park space and maximize our current park space• Collaborate with Bexar County and school districts (i.e. SPARK Parks) to assist with maintenance expenses• Providing parks is a core service of the City and we need to maintain our parks• Ensure that we address the smaller parks in neighborhoods• There are also issues with over-utilization and needs that should be addressed |
| 7 | <p>Fund and complete our Comprehensive Plan, including transportation policy, water policy, air quality policy, and public space planning</p> <ul style="list-style-type: none">• Need a Comprehensive Plan that provides structure over time for long term planning• Accelerate the cooperation with regional partners as it relates to comprehensive planning and policy issues• Fund alternative means of transportation (i.e. mass transit and bike lanes)• Provide more direct policy direction to our utility partners to avoid surprises such as rate and fee increases |



SAN ANTONIO BUDGET SCENARIO PREFERENCES

Council Members were presented with information regarding possible budget scenarios that could be used to prepare the City's FY 2015 Budget. Three scenarios were discussed and brief questions and answers ensued. Council Members were then asked to express an individual preference for one of the scenarios below.



Council Member Input on Budget Scenarios

Please identify the Budget Scenario (A, B, or C) that you would prefer to close the City's funding gap and to guide the City's budget preparation for FY 2015.

Councilman Lopez: I prefer Scenario C. This is the only one that has any merit. Please accelerate our work on collective bargaining to make sure we have that adjustment. All of us would like to get out of these deficits. The State has slashed transportation and education funding and this has affected us. We must be as tight as we can [in projecting expenditures and revenues] though we do try to be conservative in our estimates.

Councilwoman Taylor: I support Scenario B. The caveat is that we need to look at the user



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fees to address issue of disproportionate impact. I was open to looking at the property tax last year. Based on citizen comments, they are interested in increasing the budget. I encourage Council to look at some of these issues as investments versus expenditures as some of them will strengthen our financial position if we manage them successfully. Make short-term investments, which will require increases, so that down the road, city councils [of the future] can reap the investments (i.e. long term investments in education) With planning, we can insure better management.

Councilman Gallagher: I support Scenario C. It is essential to look at those areas where we can find reductions. I'm concerned that tax assessments have gone up and we've increased SAWs rates and I'm concerned that people can't afford these increases.

Councilman Nirenberg: This shows how vitally important the alignment of healthcare benefits is in that all of these scenarios include it. We have to move forward as a community to do this as expeditiously as possible. It throws us off if we don't address this [the alignment of uniform benefits with civilian benefits.] People are tired of having library services cut, of having their streets falling apart. We don't like any of the scenarios and any one of these scenarios would affect our residents. On the subject of a property tax increase, many of our seniors on fixed incomes would not be touched by a property tax increase.

I'm more afraid that the user fees are going to disproportionately affect seniors. We need to keep all of our options on the table. I would like to see how the user fees affect specific areas. We are left with a stark choice: What can we cut that is not necessary? My residents do not want their park fees increased, their library hours reduced, etc. I support Scenario B, because we do want to keep all of our options on the table. I would like to be able to tell residents that we are going to put everything on the table and assess what is most fair.

Councilwoman Gonzales: I'm inclined to support Scenario B for the reasons that Councilmembers Taylor and Nirenberg stated - we do want to keep all of our options open. Look at the initiatives on how we assess property and issues of vacant buildings and tax revenues accrued (pilot program,) etc. We do have to take care of our sidewalks to ensure the safety of our citizens and must find ways to fund these important priorities. It is not pleasant to look at a tax increase; it is unpleasant and difficult to do. The pilot program may shed some light on the way that we collect property taxes so that it doesn't affect our citizens disproportionately.

Council Viagran: One of the things that is very difficult, as mentioned by Councilman Gallagher, is that we are already looking at increases in other fees (i.e. SAWs). I initially support Scenario C, but I would like to have more information on Scenario B. The issues brought up by Councilwoman Gonzales suggest that we may get a more comprehensive look at property taxes collected by the City.

Councilman Medina: I support Scenario C. Rate increases such as those by SAWS mean that I cannot support another scenario at this point.

Councilman Bernal: I would have to select Scenario B but am not sure that Scenario C is off



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the table. If we could manage this more collectively, do more planning, and use more imagination and creativity, then perhaps we could get to Scenario C.

Councilman Krier: I strongly support Scenario C. If our best assessment of the future is budget deficits over the next 5 years, then we need to wrestle with a better way to do this. It also underscores the fact that we have got to cap certain costs that we know will consume the entire budget. We have to have the very best police and fire that we can afford. If it has gone from 66% to 67%, that suggests that in 5 years, we will be in the low 70s and facing some real painful cuts or tax increases.

Councilman Saldaña: The long term issue is that we have a structural deficit and need to get on [deal with] the blue section of the chart, which is aligning the uniform healthcare benefits with those of civilians. We hear [from citizens] that we want to have things, whether it is code enforcement or animal care. I support Scenario B. We should reduce the budget reductions box (the yellow part of the chart) to be as small as possible because we hear that citizens want services. We should make our budget reductions as small as possible.

Mayor Castro: I admire the work of the staff to help us with the budget. Based on the numbers that I've seen, I'm not convinced that we need to raise the property tax. I hope that we can [balance the budget] without doing that. Each of the scenarios requires the alignment of healthcare benefits between uniform employees and civilians and that is very important to address.

NEXT STEPS

1. City staff will take the Policy Direction received from City Council in developing the FY 2015 Proposed Budget as well as the input from the community budget meetings and the budget input box.
2. The City Manager will present a balanced budget to the City Council on August 7, 2014.
3. Following the Proposed Budget, there will be several worksessions with the City Council to review the budget in detail. Citywide budget community meetings and budget hearings will be held to obtain input from the community on the proposed budget.
4. The FY 2015 Budget is scheduled to be adopted on September 11.