



FIVE YEAR FINANCIAL FORECAST

FY 2012 – FY 2016

◆ City of San Antonio, Texas ◆

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

CITY OF SAN ANTONIO

Five Year Financial Forecast

Fiscal Year 2012-2016



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CITY OF SAN ANTONIO
FIVE YEAR FINANCIAL FORECAST
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OVERVIEW AND SUMMARY

OVERVIEW AND SUMMARY

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

The forecast information presented in this document combines projected resources, current service expenditures, and mandated expenditures to illustrate the financial impact to specific funds and their ending balances. Recent revenue trends and economic assumptions (many of which can be found in the Economic Outlook section of this document) are used to develop these figures. Current service expenditures required to sustain the current (FY 2011) level of services are used throughout the forecast period based in part on a modified rate of inflation. The net result of this combined data highlights the level of adjustments necessary over the forecast period to maintain a balanced budget as required by State Law. Many of the assumptions, projections, and cost estimates within this document are based on early and preliminary information and as such may change as the FY 2012 Proposed Operating Budget is developed and presented to City Council on August 11, 2011.

GENERAL FUND

During the forecast period, total General Fund revenue is expected to grow annually at rates ranging from 1.2% to 3.2%. The FY 2011 revenue forecast estimate is approximately \$21.8 million higher than the current year adopted budget, or an overall increase of 2.54%. The rate of revenue growth projected in FY 2012 over the FY 2011 Adopted Budget is 3.2%. Revenue growth beyond FY 2012 is forecasted at rates of 1.22% in FY 2013, 1.85% in FY 2014, 1.64% in FY 2015, and 1.98% in FY 2016.

Projections show that while revenue growth gradually increases over the forecast period, cost drivers over the forecast period continue to exceed revenue growth. This increased growth in expenditures over the forecast period is primarily due to Police and Fire collective bargaining contractual increases, increased costs for the City's civilian pay plan, and mandated operational costs associated with completed bond program projects. The General Fund Schedule contains two sections – the current service budget and a section highlighting additional expenditures and policy issues. The current service budget section shows the aggregate annual projected expenditures required to sustain the current FY 2011 level of services. The additional expenditures section provides budget scenarios for civilian employee cost of living adjustments and other service enhancements such as increases for economic development incentives, a summer youth employment program, and additional spay/neuter funds. These expenses will be considered and evaluated during the FY 2012 Budget Process and are shown in the schedule to provide estimated costs and the impact to the General Fund. The General Fund schedule also includes potential impacts to the City's Budget related to the recently adopted FY 2011 Federal Budget as well as Budget proposals for the FY 2012 Federal Budget and the State of Texas Biennial FY 2012/2013 Budget.

In FY 2011, the General Fund Ending Balance, which represents the difference between the City's total available resources and total expenditures is a positive \$36.2 million. However in FY 2012, the forecasted General Fund ending balance is negative \$19.9 million, which includes additional expenses and policy issues. Beyond FY 2012, negative ending balances continue through the forecast period.

In September 2010, the FY 2011 General Fund Budget was adopted by the Mayor and City Council. Included with the adopted budget was an FY 2012 Budget plan with a projected negative fund balance of \$37.1 million. Since the adoption of the FY 2011 Budget, several factors have impacted this projection bringing the FY 2012 negative ending balance from \$37.1 million to a newly projected negative ending balance of \$19.9 million.

FY 2012			
(\$ In Millions)	FY 2012 Budget Plan (Sept 2010)	FY 2012 Revised Projection (April 2011)	<i>Variance</i>
Beginning Balance	\$18.4	\$54.6	\$36.2
Total Revenues	876.9	887.1	10.2
Total Expenditures	948.2	950.2	2.0
Strategies to Reduce Deficit	15.7	0	15.7
Policy Issues/Additional Spending	0	11.4	11.4
Ending Balance	(\$37.2)	(\$19.9)	\$17.3

As of April 2011, the General Fund beginning balance in FY 2012 increased from \$18.4 million to \$54.6 million. This increase is a result of an FY 2010 Preliminary Actual Ending Balance above the FY 2010 Estimate of \$12 million, FY 2011 revenue projections above FY 2011 Budget by \$21.9 million, as well as savings in the FY 2011 Budget of \$2.4 million.

Total revenues for FY 2011 are higher than budgeted amounts by \$10.1 million primarily due to better than anticipated CPS and Sales Tax revenues. The FY 2012 Budget plan also now includes \$2 million in additional current service expenditures and \$11.4 million in spending and policy issues. The FY 2012 Revised Plan does not include \$15.7 million in potential strategies to reduce the FY 2012 deficit. These strategies will be evaluated as part of the FY 2012 Budget Development Process.

FORECAST METHODOLOGIES AND ASSUMPTIONS

REVENUES

Departments responsible for administering the services and/or collecting the associated revenues work with the Office of Management & Budget to develop revenue projections based on an analysis of various factors. These include historical trends, current economic conditions, projected economic activity, and known future factors such as contracts and interlocal agreements. In some cases, a regression analysis is utilized to project revenues that are impacted by economic factors. Revenue projections do not include fee or rate increases and are based on current service levels.

EXPENDITURES

Expenditures assumed in the Forecast are based on the current service level, or funding to provide today's level of recurring City services. Fiscal Year 2011 estimated budgets are based on an analysis of current fiscal year expenditure trends by using six months of actual expenditures to project estimated expenditure levels at the end of FY 2011. The FY 2012 base projection assumes the removal of the one-time improvements included in the FY 2011 Adopted Budget and costs annually modified for price changes. Inflation rates are also used to project certain non-personal services expenditures derived from the San Antonio Consumer Price Index (CPI) projections for each year from 2012 through 2016 (See Economic Outlook section for more detail on CPI projections used).

Expenditures in the Forecast include funding for Police and Fire collective bargaining agreements, implementation of the civilian pay plan, Five Year Infrastructure Management Program in FY 2012 and beyond, Parks Maintenance and Renovation Program, and includes adding to the financial reserve in FY 2013 to fully fund 50 police offers funded through a Federal Stimulus Grant. Mandated expenditures and commitments are also included in the projections. Adjustments to financial reserves are also included to maintain reserves at 9% of total appropriations. Adjusted ending balances in the Forecast take into account the impact of operating expenses, mandated costs, additional expenditures, and policy issues.

GENERAL FUND FORECAST

GENERAL FUND FORECAST

General Fund Forecast (\$ in Millions)

	FY 2011 Budget	FY 2011 Estimate	FY 2012 Projection	FY 2013 Projection	FY 2014 Projection	FY 2015 Projection	FY 2016 Projection
RESOURCES							
Beginning Balance (Excluding Reserves)	\$51.0	\$63.0	\$36.2	\$0.0	\$0.0	\$0.0	\$0.0
Use of Reserve for Two Year Balanced Budget Plan	\$38.3	\$38.3	\$18.4	\$0.0	\$0.0	\$0.0	\$0.0
Use of Reserve for 50 Police Officers	\$0.0	\$0.0	\$0.0	\$2.3	\$0.0	\$0.0	\$0.0
CURRENT REVENUES							
Property Tax	\$239.7	\$239.1	\$237.2	\$236.9	\$240.0	\$243.5	\$249.4
Sales Tax	188.1	195.3	197.3	201.2	206.2	212.4	219.9
CPS Energy	275.8	286.6	289.6	292.5	295.4	298.4	301.4
Other	155.9	160.3	163.0	167.2	172.9	175.3	177.3
TOTAL CURRENT REVENUES	\$859.5	\$881.3	\$887.1	\$897.8	\$914.5	\$929.6	\$948.0
TOTAL RESOURCES	\$948.8	\$982.6	\$941.7	\$900.1	\$914.5	\$929.6	\$948.0
EXPENDITURES							
Current Service	\$925.5	\$923.1	\$931.4	\$955.1	\$982.8	\$1,010.4	\$1,017.8
Mandated Service Delivery Costs (incremental)			2.2	2.8	2.1	0.2	0.2
Police Collective Bargaining (incremental)			7.1	7.6	7.2	-	-
Fire Collective Bargaining (incremental)			3.9	7.5	8.5	-	-
Civilian Pay Plan (incremental)			1.6	2.1	2.6	1.3	1.1
TOTAL EXPENDITURES	\$925.5	\$923.1	\$946.2	\$975.0	\$1,003.1	\$1,011.9	\$1,019.1
FINANCIAL RESERVES/TWO-YEAR BALANCED BUDGET							
Reserve for Federal Stimulus 50 Police Officers (cumulative)	\$1.3	\$1.3	\$2.3	\$0.0	\$0.0	\$0.0	\$0.0
Budgeted Financial Reserves for 9% (incremental)	\$3.6	\$3.6	\$1.7	\$2.6	\$2.5	\$0.8	\$0.6
Reserve for Two-Year Balanced Budget Plan	\$18.4	\$18.4	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
SUBTOTAL BALANCE - CURRENT SERVICE	\$0.0	\$36.2	(\$8.5)	(\$77.5)	(\$91.1)	(\$83.1)	(\$71.7)
ADDITIONAL BEGINNING BALANCE/SHORTFALL				(11.4)	(11.4)	(11.4)	(11.4)
ADDITIONAL EXPENDITURES/POLICY ISSUES (INCREMENTAL)							
Economic Development Incentive Fund (\$5 M Total)			5.00	-	-	-	-
Inner City Economic Development Incentives			2.00	-	-	-	-
Land Bank Acquisitions			1.50	-	-	-	-
Summer Youth Employment Program			0.25	-	-	-	-
Additional Free and Low-Cost Spay/Neuter Surgeries			0.25	-	-	-	-
Civilian Cost of Living Adjustment (every 1%)			1.50				
Additional Expenditures (incremental)	\$0.0	\$0.0	\$10.5	\$0.0	\$0.0	\$0.0	\$0.0
Budgeted Financial Reserves (incremental)			0.9	0.0	0.0	0.0	0.0
ADJUSTED ENDING BALANCE/(ADJUSTMENT REQUIRED)			(\$19.9)	(\$88.9)	(\$102.5)	(\$94.5)	(\$83.1)
ADJUSTED EXPENDITURE BASE			\$956.7	\$985.5	\$1,013.6	\$1,022.4	\$1,029.6
BUDGETED RESERVES SUMMARY							
Total Annual Budgeted Financial Reserves	\$83.4	\$83.4	\$86.1	\$88.7	\$91.2	\$92.0	\$92.7
Annual Budgeted Financial Reserves as a % of Appropriations	9%	9%	9%	9%	9%	9%	9%
POLICY ISSUES							
FY 2011 Federal Budget Reductions	\$0.6	\$4.7 to \$5.6	\$4.7 to \$5.6	\$4.7 to \$5.6	\$4.7 to \$5.6	\$4.7 to \$5.6	\$4.7 to \$5.6
FY 2012 President's Budget Proposal		\$25.2 to \$27.9	\$25.2 to \$27.9	\$25.2 to \$27.9	\$25.2 to \$27.9	\$25.2 to \$27.9	\$25.2 to \$27.9
FY 2012 State House Bill 1		\$9 to \$9.7	\$9 to \$9.7	\$9 to \$9.7	\$9 to \$9.7	\$9 to \$9.7	\$9 to \$9.7

GENERAL FUND FORECAST SCHEDULE EXPLANATION

BEGINNING BALANCE

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

CURRENT REVENUES

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

TOTAL RESOURCES

“Total Resources” is the sum of the Beginning Balance and Current Revenues.

CURRENT SERVICE

“Current Service” shows the aggregate annual projected expenditures required to sustain the current FY 2011 level of services throughout the forecast period.

MANDATED SERVICE DELIVERY COSTS

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

ENDING BALANCE / ADJUSTMENT REQUIRED

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

BUDGETED FINANCIAL RESERVES

“Budgeted Financial Reserves (Incremental)” is the incremental amount needed each year to maintain annual Budgeted Financial Reserves at nine percent of appropriations in FY 2011 and through FY 2016 respectively.

GENERAL FUND REVENUES

Total FY 2011 General Fund revenue is anticipated to be \$21.8 million, or 2.54%, above the FY 2011 Adopted Budget. Over the forecast period, these revenues are expected to increase at an average annual rate of 1.47%, with annual rates of change ranging from a low of 0.65% in FY 2012 (over the FY 2011 estimate) to a high of 1.97% in FY 2016 (over the FY 2015 projection).

General Fund Forecast of Current Revenues -\$ in Millions-

REVENUE	FY 2011 Budget	FY 2011 Estimate	FY 2012 Projection	FY 2013 Projection	FY 2014 Projection	FY 2015 Projection	FY 2016 Projection
CPS Energy	\$275.8	\$286.6	\$289.6	\$292.5	\$295.4	\$298.4	\$301.4
Current Property Tax	239.7	239.1	237.2	236.9	240.0	243.5	249.4
Property Taxes - Delinquent & Penalties	4.8	3.9	4.2	4.4	4.6	4.8	4.8
City Sales Tax	188.1	195.3	197.3	201.2	206.2	212.4	219.9
Charges for Current Services	43.9	46.3	47.7	48.9	50.2	51.4	52.9
Business and Franchise Taxes	29.7	31.0	31.0	31.0	31.2	31.3	31.3
Licenses and Permits	5.7	6.5	6.4	6.5	6.5	6.5	6.3
Transfers from Other Funds	24.2	24.2	24.1	24.2	24.2	24.2	24.2
Miscellaneous Revenue	9.9	9.9	10.6	12.9	16.4	16.8	17.0
Fines	14.8	15.0	15.0	15.0	15.0	15.0	15.0
San Antonio Water System	9.9	10.0	10.2	10.3	10.6	10.8	11.1
Liquor by the Drink Tax	5.6	5.9	6.0	6.0	6.1	6.2	6.3
Other Agencies	7.4	7.6	7.8	8.0	8.1	8.3	8.4
Total Revenue	\$859.5	\$881.3	\$887.1	\$897.8	\$914.5	\$929.6	\$948.0

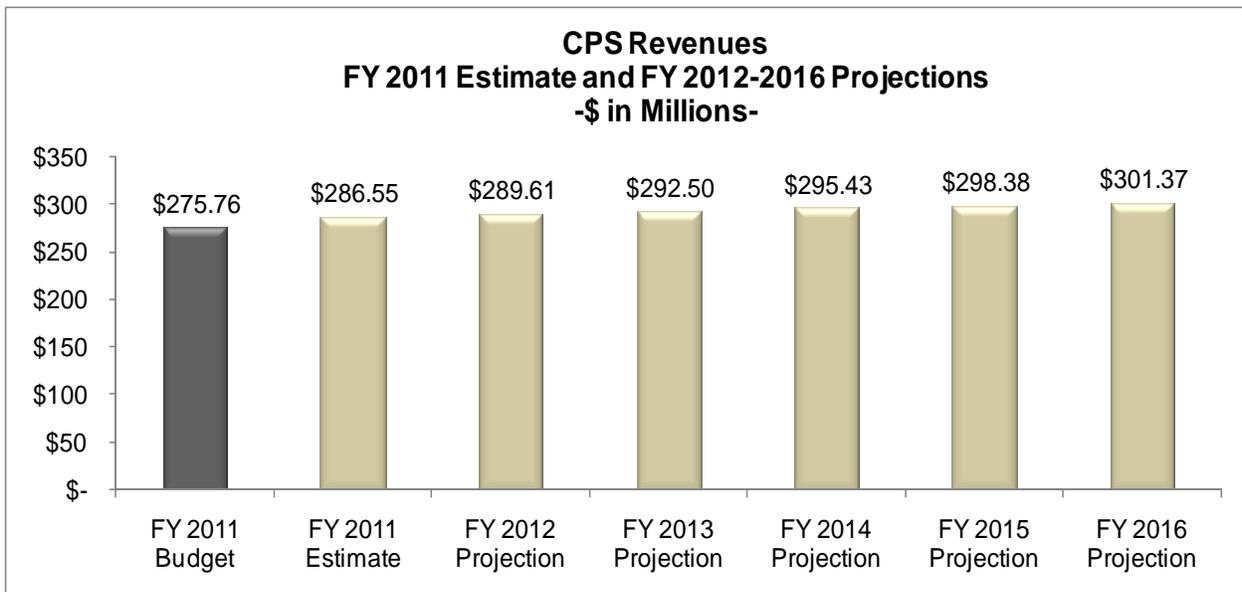
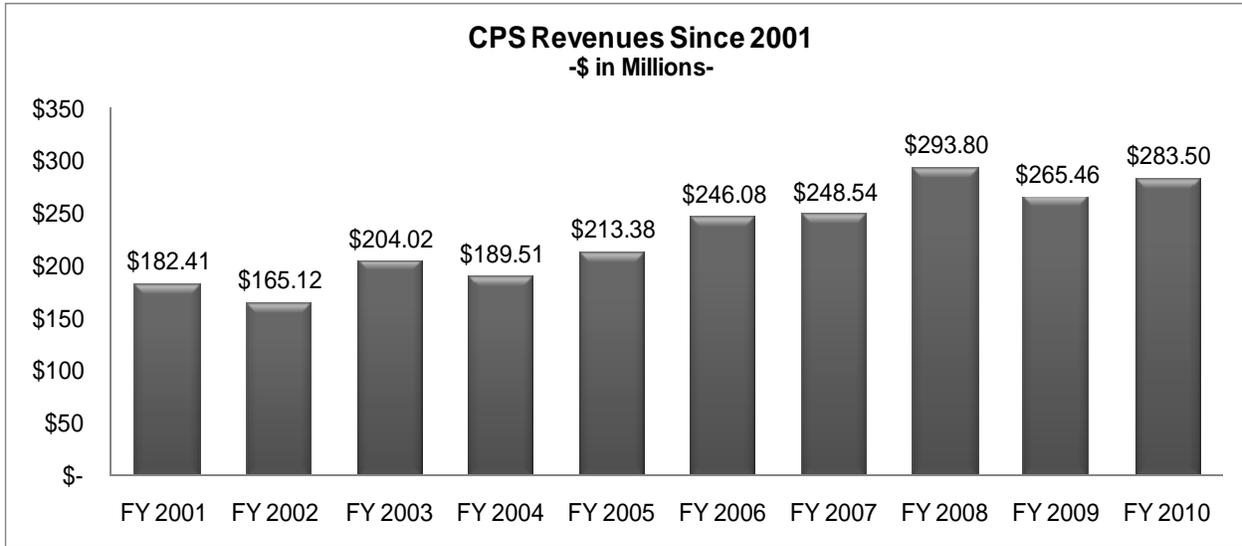
CITY PUBLIC SERVICE ENERGY (CPS ENERGY)

Projected Annual Rates of Change

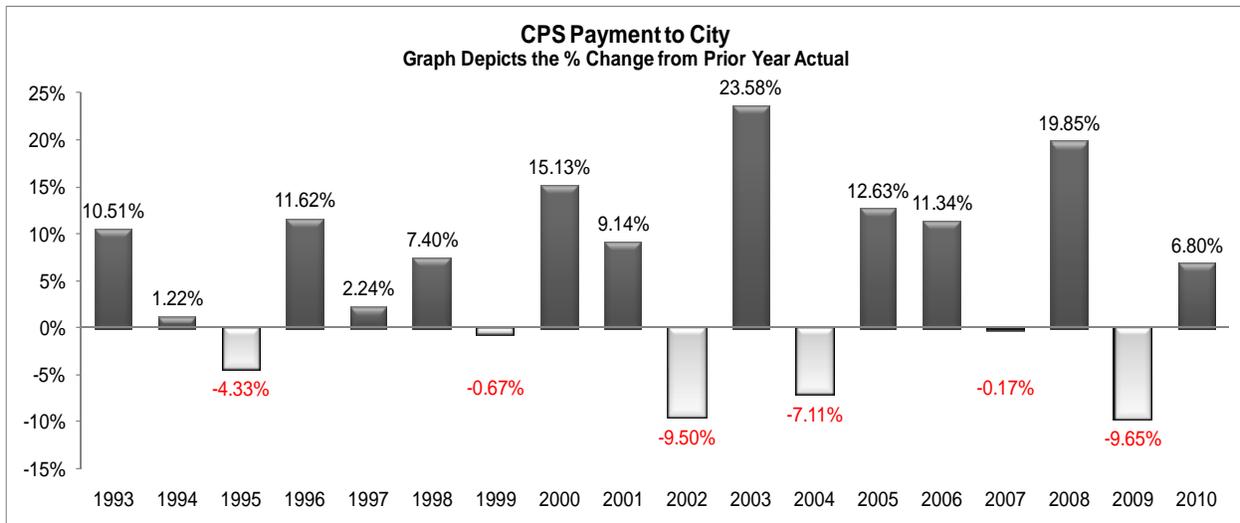
FY 2012: 5.00% FY 2013: 1.00% FY 2014: 1.00% FY 2015: 1.00% FY 2016: 1.00%

The City's payment from CPS Energy represents the largest source of revenue to the General Fund, accounting for 29.8% of the FY 2011 General Fund Budget. Fourteen percent of CPS Energy gas and electric gas revenue is paid to the City as a return on investment. The estimated revenue of \$286.6 million for FY 2011 is \$10.8 million, or 3.9%, higher than the original \$275.8 million budgeted in FY 2011 primarily due to increased fuel costs.

The forecast for FY 2012 of \$289.6 million is \$13.8 million, or 5.00%, higher than the FY 2011 Adopted Budget. The forecasted amounts for FY 2013 through FY 2016 are based on the FY 2012 Projection adjusted by an average conservative growth rate of 1.0% for FY 2013 through FY 2016.



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



To illustrate the fluctuations in demand, the above graph depicts the percent change in the City's annual payment from CPS Energy year over year. Fluctuations in demand, natural gas costs, and the other aforementioned factors result in the corresponding impacts to the City's total payment from CPS Energy. Electric and natural gas sales and natural gas costs in conjunction with the graph on City payment demonstrate the correlation between significant fluctuations in the City's payment from CPS Energy and these primary factors. Consequently, the City's projections of the payment from CPS Energy remain conservative. The projections over the five year period take into consideration factors such as a multi-year forecast outlook, managing the City's reliance on revenues from CPS Energy, and the current level of reserves within the City's General Fund.

CURRENT PROPERTY TAX REVENUE – MAINTENANCE & OPERATIONS

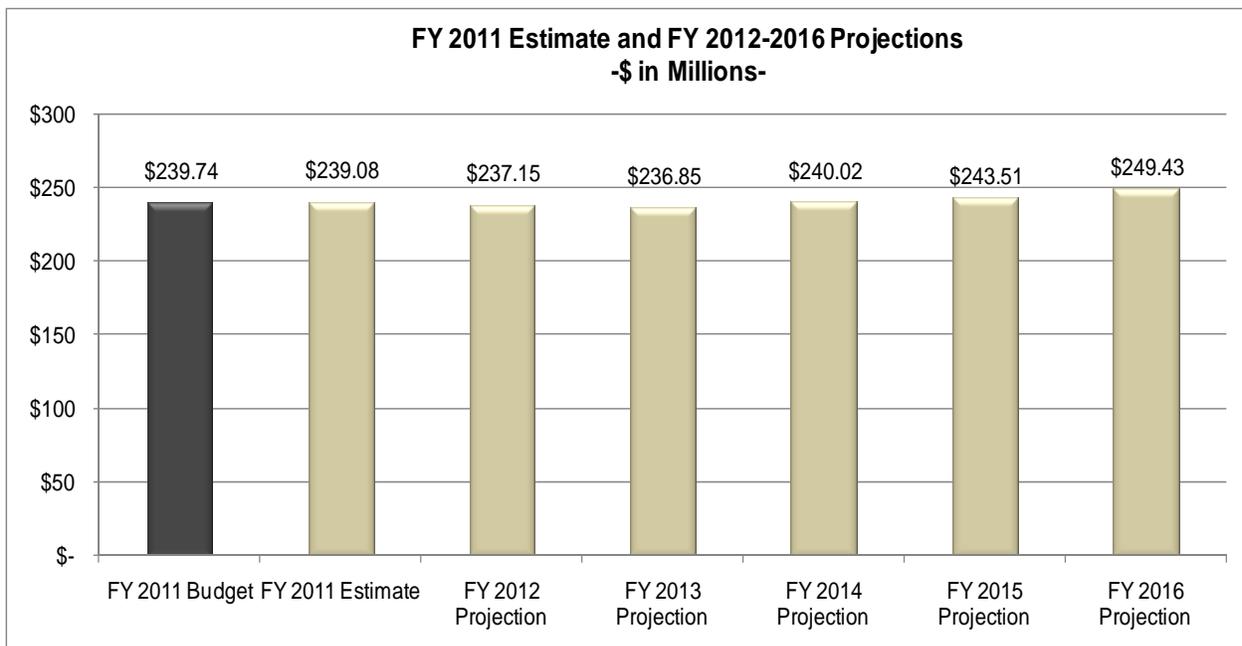
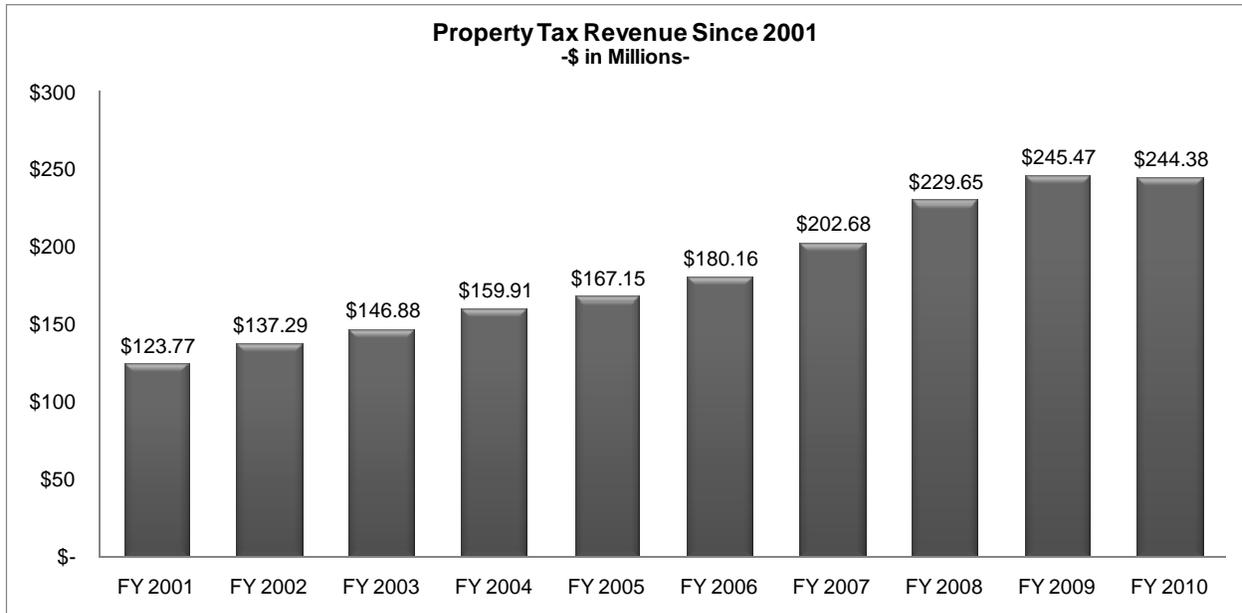
Projected Annual Rates of Change

FY 2012: -1.10% FY 2013: -0.10% FY 2014: 1.30% FY 2015: 1.50% FY 2016: 2.40%

Property Tax revenue accounts for 25.8% of the total FY 2011 General Fund Budget. This revenue category is comprised of Current Property Tax revenues only. Additional Property Tax revenues collected by the City accounted for in the Other Resources Category include delinquent property tax and revenues from penalties and interest on delinquent property taxes. Property tax revenue is generated from the City's ad valorem tax rate levied against taxable values as determined by Bexar Appraisal District and in conformance with State Law.

The Property Tax revenue projections used in the budget and over the Forecast period are derived from the City's total assessed value less exemptions such as the Over-65 and Disabled Residence Homestead and Disabled Veterans exemptions. City property taxes for the elderly and disabled are frozen and may not increase as long as the residence is maintained as a homestead by the owner. Additional tax relief provided by the City includes Tax Abatement/Phase-Ins exemptions, Freeport exemptions, Historic Property exemptions, and the 10% Residence Homestead limitation.

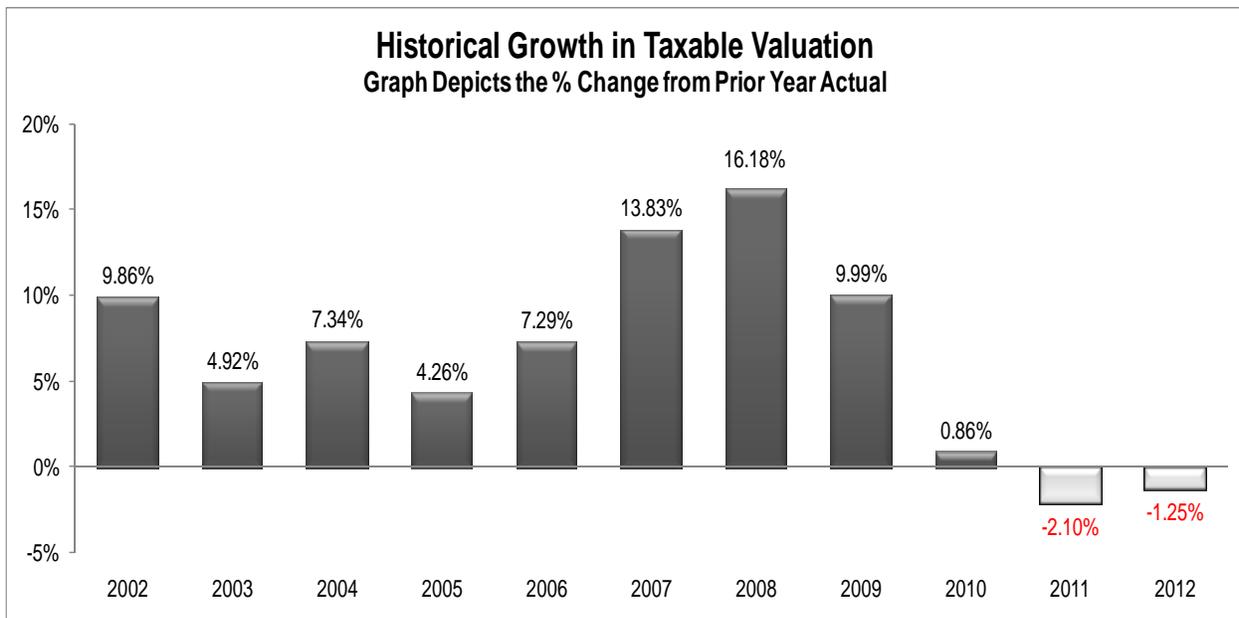
The revenue estimated to be generated in FY 2012 includes the current property tax rate of 56.569 cents per \$100 of taxable valuation. The General Fund maintenance and operation portion is 35.419 cents with the remaining 21.150 cents used to support the City's debt service requirements. The revenue projected to be generated through the forecast period beyond FY 2011 (FY 2012-FY 2016) assumes the property tax rate of 56.569 cents per \$100 of taxable valuation. The City has not increased the property tax rate for eighteen years and has decreased it six times over that same period. The estimated revenue of \$239.08 million for FY 2011 is nearly \$660,000 lower than the original \$239.74 million budgeted in FY 2011.



FY 2012 taxable valuations are estimated to decrease by 1.25% compared to the FY 2011 budget. Factors contributing to this decline include: record levels of residential foreclosures (17,048 in 2010), foreclosures represented 19.4% of all residential sales during calendar year 2010, commercial values continue to decline due to lack of sales at market value, new improvement/construction value is at the lowest level in sixteen years, and losses from litigation appeals either through mediation or the courts.

FY 2012 base valuations are estimated to decrease by \$1.694 billion or 2.37%. New improvements are estimated to add \$800 million or 1.12% in taxable value. FY 2013 total taxable valuations are estimated to be flat, FY 2014 taxable valuations are estimated to increase by 1.00%, and FY 2015 and FY 2016 are estimated to increase by 1.50% and 2.00% respectively. These estimates are a result of conservative projections of base value change, new property improvements, and annexations.

Assessed Valuation Category	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Base	-2.37%	-1.25%	-0.50%	0.00%	0.00%
New Improvements	1.12%	1.25%	1.50%	1.50%	2.00%
Total % Change - Taxable Value	-1.25%	0.00%	1.00%	1.50%	2.00%



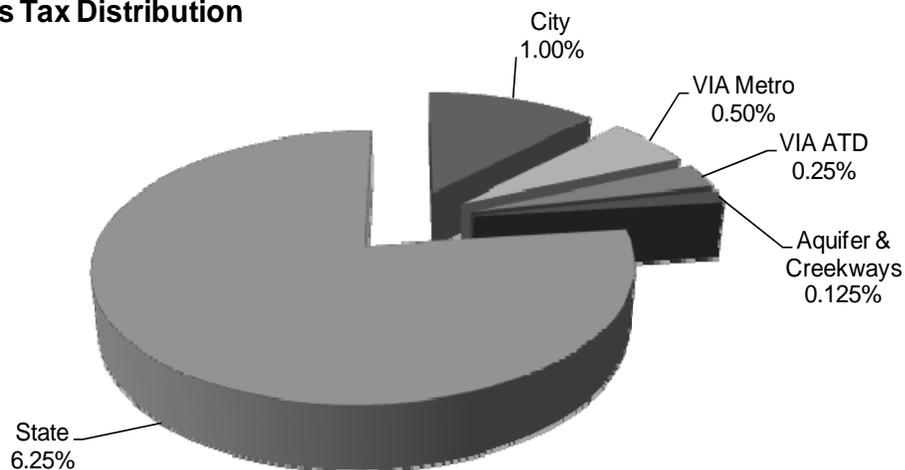
CITY SALES TAX REVENUE

Projected Annual Rates of Change

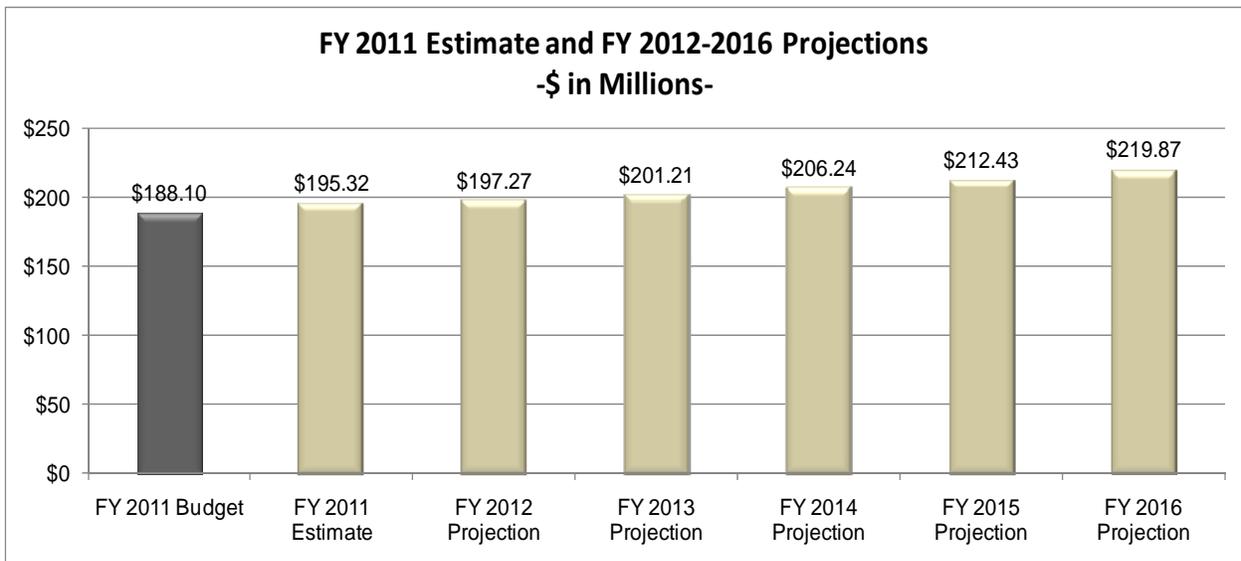
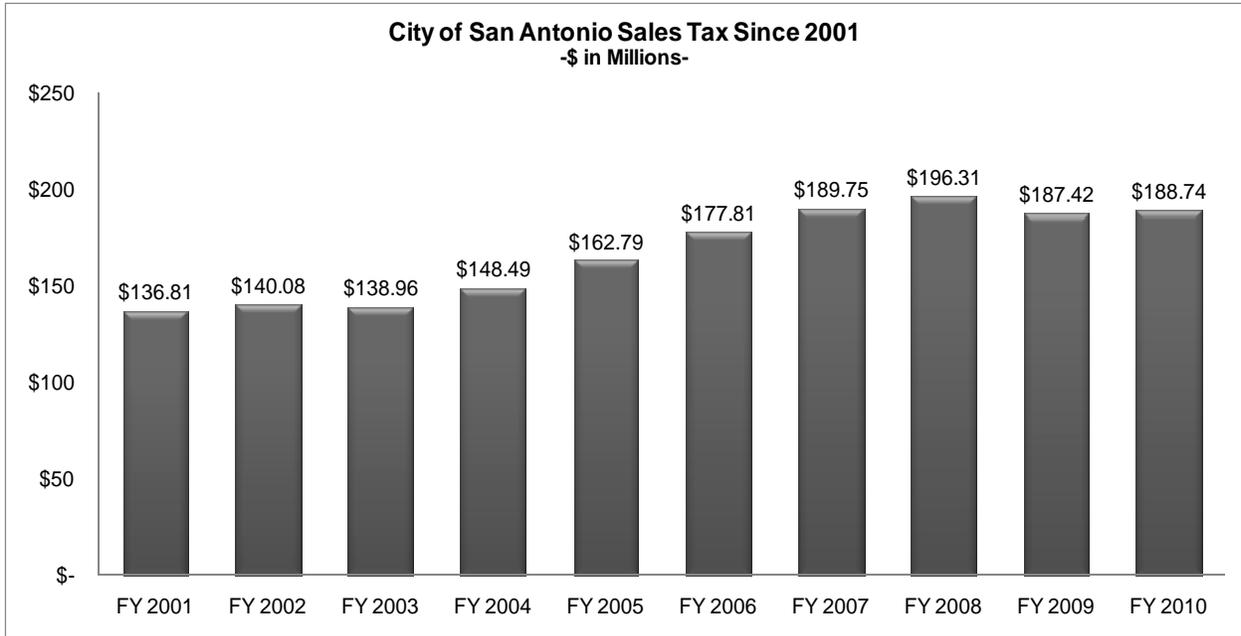
FY 2012: 4.89% FY 2013: 2.00% FY 2014: 2.50% FY 2015: 3.00% FY 2016: 3.50%

Sales tax revenue collected to support maintenance and operations for the General Fund within the FY 2011 Adopted Budget accounts for 21.9% of the FY 2011 General Fund Budget. San Antonio's current sales tax rate is 8.125%. Several entities receive percentages of all sales tax proceeds as summarized in the adjacent chart. Currently, one-eighth of a cent remains available before the State mandated cap of 8.25% is reached.

Sales Tax Distribution



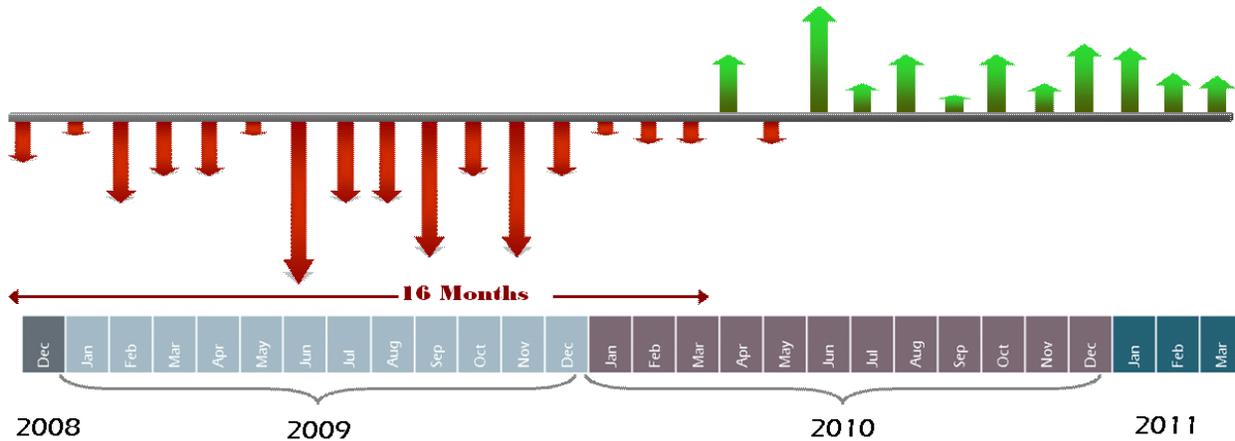
Actual sales tax collections for the current year are projected to be \$195.32 million. This amount is \$7.25 million or 3.85% more than the \$188.07 million budgeted in FY 2011 for Sales Tax revenue. General Fund Sales Tax revenues in FY 2012 are projected to increase by 4.85%. Beyond FY 2012, revenue levels from this source are expected to grow at an average rate of 2.75%. Future years' projections are based on a regression analysis utilizing U.S. Consumer Price Index, San Antonio Gross Metro Product, and San Antonio Area Unemployment. These estimates and the projections for the forecast period exclude the Sales Tax collected by the City for the Edwards Aquifer Protection and Parks Development & Expansion venues and the City's Advanced Transportation District. The following graph illustrates General Fund Sales Tax revenue growth over the last 10 years.



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

Prior to April 2010 sales tax revenue declined for 16 consecutive months. Since June of 2010 sales tax revenues have increased for 10 consecutive months. The following table depicts the monthly change in year over year actual sales tax revenue for the City of San Antonio.

Sales Tax Month over Month Yearly Change



CHARGES FOR CURRENT SERVICE

Projected Annual Rates of Change

FY 2012: 8.56% FY 2013: 2.52% FY 2014: 2.54% FY 2015: 2.58% FY 2016: 2.77%

This comprehensive category includes revenues related to recreation and culture such as the River Barge and Tower of America revenue contracts, Market Square lease revenues, and Library fines and fees; various general government service charges such as Municipal Court administrative fees associated with criminal cases tried in Municipal Court; Public Safety related revenues such as those generated by the City's wrecker service contract, EMS Ambulance Service fees, and alarm permit fees; and Health revenues generated by birth and death certificates. Actual revenues for the current year are projected to be at \$2.38 million or 5.42% above budgeted levels. Projected increases over the forecast period are based on estimated increases in demand or known changes in revenue contracts.

BUSINESS AND FRANCHISE TAXES

Projected Annual Rates of Change

FY 2012: 4.42% FY 2013: 0.23% FY 2014: 0.29% FY 2015: 0.24% FY 2016: 0.30%

The Business and Franchise Tax revenue category is primarily comprised of telecommunication providers' rights-of-way access line fees and cable television franchise fees. 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 (\$4.00) and each residential line (\$1.19). These fees change every July 1 and the adjustment is based on 1/2 of the current CPI. The new fees on July 1, 2011 will be \$4.04 for business lines and \$1.20 for residential lines. The forecast for FY 2012 of \$11.76 million is higher than the FY 2011 Budget. The forecasted amounts for FY 2013 through FY 2016 are based on the FY 2012 projection adjustment by a growth rate of 1.50% annually.

Revenue derived from Certified Telecommunications Providers (CTPs) has been declining based on a decrease in actual line counts as reported by CTPs on a quarterly basis to the Public Utility Commission of Texas. Other Cities throughout Texas, both large and small, are experiencing similar CTP revenue declines. The CTP estimated revenue for FY 2011 of \$15.15 million is \$500,000 or 3.23% lower than the FY 2011 budget amount of \$15.65 million.

SAN ANTONIO WATER SYSTEM (SAWS) PAYMENT

Projected Annual Rates of Change

FY 2012: 2.97% FY 2013: 1.50% FY 2014: 2.50% FY 2015: 2.50% FY 2016: 2.50%

The SAWS revenue payment to the City is based on 2.7% of SAWS' total projected revenue for each year of the Forecast period. This payment agreement was initiated in April 1992 when certain City of San Antonio water and waste water systems were consolidated into the San Antonio Water System. The estimated revenue for FY 2011 from SAWS is \$10.04 million. This is an increase of \$170,000 from the FY 2011 Budget of \$9.87 million. Projections for the forecast period are based on historical revenue experience of SAWS for each of its core businesses.

OTHER RESOURCES

Projected Annual Rates of Change

FY 2012: 2.38% FY 2013: 3.84% FY 2014: 5.05% FY 2015: 1.03% FY 2016: 0.27%

Other revenues received by the General Fund include delinquent and penalties from property taxes, licenses and permits, fines, liquor by the drink, interest earnings, transfer from other funds, and other miscellaneous revenue. Other resources for the current year are projected to be approximately \$73.02 million compared to the FY 2011 Budget of \$72.47 million. This \$550,000 increase is largely attributable to an increase in license and permits revenue. For FY 2012, total other General Fund revenue is expected to be \$74.18 million or 1.63% higher than the \$73.02 million estimated in FY 2011. In future years beyond FY 2012, other resources are projected to steadily increase by an average of 2.55%.

MANDATED EXPENDITURES AND COMMITMENTS

Mandates are defined as programs which the City is required to support as stipulated by Federal, State, or Local Law, contractual obligation, or in order to support operations and maintenance costs for completed capital improvement projects. Commitments include City expenses for grants received in connection with the American Recovery & Reinvestment Act.

The following table projects the cost requirements of mandated expenditures and commitments over the FY 2012 – FY 2016 forecast period and the impact to the General Fund. All expenditures shown are incremental and are sorted by Service Delivery Category.

Mandate Title	Funding	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
CAPITAL IMPROVEMENTS OPERATIONS & MAINTENANCE						
CAD/RMS Implementation and Maintenance	Recurring	534,239	0	0	0	0
Animal Care Services Adoption Center	Recurring	0	167,867	33,573	0	0
Mission Branch Library	Recurring	223,675	0	0	0	0
Mission Drive In Marquee Maintenance	One-Time	215,000	0	0	0	0
Parman Branch Library	Recurring	223,675	0	0	0	0
Park Acquisitions and Development (includes Hardberger)	One-Time	14,300	23,600	0	0	0
Park Acquisitions and Development (includes Hardberger)	Recurring	285,089	136,891	64,063	0	0
Parks Linear Greenway Program	One-Time	41,500	41,500	28,600	54,600	54,600
Parks Linear Greenway Program	Recurring	160,111	140,489	184,449	114,699	111,283
Public Safety Head Quarters and Public Safety Answering Point	Recurring	329,422	988,266	0	0	0
Subtotal		\$ 2,027,011	\$ 1,498,613	\$ 310,685	\$ 169,299	\$ 165,883
GRANT MATCH REQUIREMENT						
COPS CHRP Grant Match	Recurring	22,905	1,268,200	1,750,000	0	0
TxDOT DWI STEP Grant Cash Match	Recurring	200,000	0	0	0	0
Subtotal		\$ 222,905	\$ 1,268,200	\$ 1,750,000	\$ -	\$ -
Total One-Time Costs		270,800	65,100	28,600	54,600	54,600
Total Recurring Costs		1,979,116	2,701,713	2,032,085	114,699	111,283
Overall Mandate Total		\$ 2,249,916	\$ 2,766,813	\$ 2,060,685	\$ 169,299	\$ 165,883

CAPITAL IMPROVEMENTS OPERATIONS & MAINTENANCE

CAD/RMS IMPLEMENTATION AND MAINTENANCE

This mandate provides for the implementation, operations, and maintenance of the Computer Aided Dispatch (CAD) and Records Management System (RMS). The FY 2011 Budget included the majority of funding for the new system. The forecast includes the remaining amount of \$534,239 in FY 2012. The CAD/RMS improves the effectiveness of public safety services, allows for better sharing of information among neighboring jurisdictions, and coordinates responses to large emergencies.

ANIMAL CARE SERVICES ADOPTION/SPAY AND NEUTER FACILITY

This mandate provides for the general maintenance and operations of an Animal Care Services Adoption Center. The new Brackenridge Animal Care Adoption Facility will be centrally located and will provide an alternate service location for animal care related services to the main Animal Care Services Facility. The facility is anticipated to open for service in December 2012.

MISSION BRANCH LIBRARY (DISTRICT 3)

The new Mission Branch Library, located in District 3, opened for service on April 30, 2011. Partial funding was added in FY 2011 in the amount of \$868,222 to support the opening of the new branch. This mandate provides for the incremental costs to fully fund the general maintenance and operations of the Mission Branch Library in FY 2012. Funding for the construction of this library was made available through the voter-approved 2007 Bond Program.

MISSION DRIVE IN MARQUEE MAINTENANCE

This mandate provides for the security and maintenance oversight of the Mission Drive-in Marquee site adjacent to the new Mission Library.

PARMAN BRANCH LIBRARY (DISTRICT 9)

The new Parman Branch Library, located in District 9, will open for service on May 7, 2011. Partial funding was included in FY 2011 in the amount of \$856,638 to support the opening of the new branch. This mandate provides for the incremental costs to fully fund the general maintenance and operations of the Parman Branch Library in FY 2012. Funding for the construction of this library was made available through the voter-approved 2007 Bond Program.

PARKS ACQUISITION AND DEVELOPMENT

This mandate provides for the maintenance of new parkland and additional park components. During the forecast period (FY 2012 – FY 2016), the City anticipates acquiring additional components in 64 parks with approximately 192 new acres, and the new ecology center at Hardberger Park. In FY 2012, approximately 125 acres, 85 new components, and 1.75 miles of exercise trails will be added to the park inventory.

LINEAR GREENWAY DEVELOPMENT

This mandate provides for the maintenance of new trails located along Salado and Leon Creeks and the Medina and San Antonio Rivers. In FY 2012 to FY 2016, the City anticipates acquiring and developing 41 miles of additional trails and approximately 583 additional acres located throughout the City. These trails are purchased through the voter-approved 2005 and 2010 Sales Tax Venue Programs.

PUBLIC SAFETY HEADQUARTERS AND PUBLIC SAFETY ANSWERING POINT

This mandate provides for the operational and maintenance costs for the new Public Safety Headquarters and Public Safety Answering Point facilities. The anticipated expenses are net of the current cost to maintain the Nueva Police Central Station and the Fire Headquarters located at Auditorium Circle. The Public Safety Answering Point is anticipated to open in December 2011. The Public Safety Headquarters is scheduled to open by August 2012.

GRANT MATCH REQUIREMENTS & COMMITMENTS

TXDOT DWI (DRIVING WHILE INTOXICATED) STEP GRANT MATCH

This mandate provides grant match funding for the Texas Department of Transportation (TxDOT) DWI Selective Traffic Enforcement Program (STEP) designed to assist the Police Department increasing its DWI enforcement through overtime efforts of Traffic Officers.

COPS GRANT MATCH

As part of the American Recovery & Reinvestment Act of 2009, the City of San Antonio was awarded \$10.4 million over a three year period for the hiring of 50 Police Officers. The grant award began in July 2009 and will end June 2012. The FY 2010 and FY 2011 Budgets included funds to account for expenses not eligible under the grant award. The forecast includes an incremental amount of \$22,905 in FY 2012 for additional non-eligible expenses.

Additionally, the FY 2010 and FY 2011 Budgets set aside funds to help provide the full-year cost of the 50 Police Officers when Federal Stimulus funds are exhausted in FY 2013. The forecast reserves an additional \$1.0 million in FY 2012 and \$500,000 in FY 2013 (for a total of \$2.75 million). Applying this reserve in FY 2013 partially offsets the cost of the Police Officers in FY 2013 and leaves an incremental funding commitment of \$1.27 million which has been included in the forecast. Beginning in FY 2014, full funding for the 50 Police Officers will be provided by the City.

ADDITIONAL EXPENDITURE REQUESTS

The following paragraphs provide brief descriptions of potential additional expenditures to the General Fund that are not currently planned within the current service levels. These expenditures were included as one-time expenses in the FY 2011 Budget and are shown as budget scenarios for discussion and evaluation should the Mayor and City Council like to continue these projects in FY 2012.

ECONOMIC DEVELOPMENT INCENTIVE FUND

In order to attract, expand, and retain businesses, create new jobs, and stimulate development and investment across the City, \$5 million in additional expenditures could be added to the General Fund Budget to maintain the same level of funding as in FY 2011.

INNER CITY ECONOMIC DEVELOPMENT INCENTIVES

Funding could be added in the amount of \$2 million to the FY 2012 Budget to provide incentives to businesses and encourage investment in the downtown areas of the City of San Antonio. These funds would maintain the same level of funding for inner city economic development as in FY 2011.

LAND BANK ACQUISITIONS

\$1.5 million in FY 2012 funding could be allocated for the continuation of the land bank initiative funded in FY 2011. This would allow for the identification, acquisitions, and disposition of property. Funding would be intended to encourage redevelopment and revitalize central city neighborhoods. This additional funding in FY 2012 would keep expenditures for the program at FY 2011 funding levels.

SUMMER YOUTH EMPLOYMENT PROGRAM

\$250,000 in potential FY 2012 funding would provide additional resources for a summer youth employment program with the City of San Antonio. Participants would take part in a five to six week career exploration and employment experience and complete fifteen hours of job readiness training prior to employment. Each participant would receive a weekly stipend based on the number of hours they worked. This additional funding in FY 2012 would keep expenditures for the program at FY 2011 funding levels.

ADDITIONAL FREE AND LOW COST SPAY/NEUTER FUNDING

An additional \$250,000 could be added to the FY 2012 budget to support an additional 4,000 to 5,000 free and low-cost spay/neuter surgeries. This additional funding in FY 2012 would keep expenditures for the program at FY 2011 funding levels.

CIVILIAN COST OF LIVING ADJUSTMENT

This potential additional expenditure of \$1.5 million in the General Fund shows the impact of every 1% of a cost of living adjustment for City of San Antonio civilian employees.

FINANCIAL RESERVES FUNDS

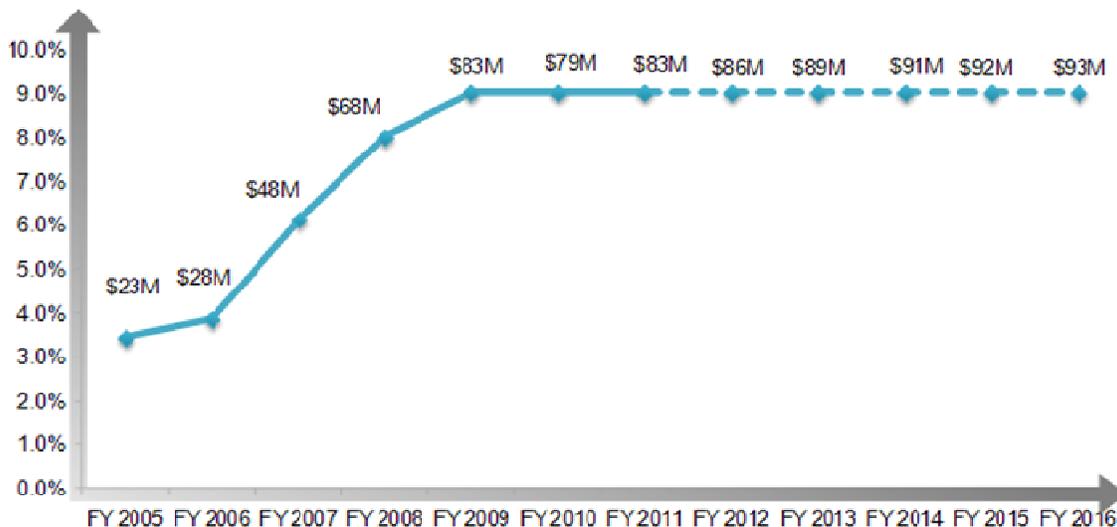
The establishment and maintenance of appropriate reserves within the General Fund is critical to prudent financial management. The Government Finance Officers Associations (GFOA) recommends that local governments, regardless of size, maintain a General Fund financial reserve amount of no less than one (8%) to two months (17%) of operating expenditures. GFOA also lists increased levels of reserves as a factor credit rating agencies use to determine a municipality's creditworthiness.

As illustrated in the graph below, financial reserve levels have increased from just under 4.0% in 2006 to 9.0% in 2011. This represents a total reserve amount of \$83.4 million in FY 2011. The Budgeted Financial Reserves will be utilized to meet one or more of the following events:

- Unforeseen operational or capital requirements which arise during the course of the fiscal year
- An unforeseen or extraordinary occurrence such as a natural disaster, catastrophic change in the City's financial position, or the occurrence of a similar event
- To assist the City in managing fluctuations in available General Fund resources from year to year in stabilizing the budget

The use of these funds will be authorized only after an analysis has been prepared by the City Manager and presented to the City Council that outlines the cost associated with the use of the financial reserve funds. The FY 2012 to FY 2016 Forecast recommends maintaining the reserve level of 9.0% of General Fund appropriations.

General Fund Financial Reserves



POLICY ISSUES

The following paragraphs include information regarding the potential costs of State and Federal Budget cuts and their impact to City services and budgets.

FEDERAL BUDGET

FY 2011 BUDGET

On April 15th, 2011 the Federal Government's FY 2011 Year-End Continuing Resolution negotiated by the White House and Congressional leaders was signed by President Obama (more than half-way through Fiscal Year 2011). This resolution contains spending cuts of \$38.5 billion and will provide funding to keep the federal government operating for the remainder of the fiscal year. As a result of the passage of the Continuing Resolution, several programs and services provided by the City of San Antonio will be impacted. Programs impacted include funding for the Women, Infants and Children's (WIC) Nutrition Program (7.0% funding decrease), State and Local Law Enforcement Grants (27.34% funding reduction), Community Services Block Grants (5.8% funding decrease), Community Development Block Grants (21.0% funding decrease), and HOME Investment Partnership Grants (11.5% funding reduction). The Federal Government's FY 2011 Year-End Continuing Resolution will reduce Federal Grants by \$4.7 to \$5.6 million in FY 2012.

FY 2012 BUDGET

President Obama released his Proposed FY 2012 Budget to Congress on Monday, February 14, 2011. According to the President's Proposed Budget, several San Antonio City services and programs will be impacted. Most notably, Community Development Block (CDBG) Grants are proposed to be reduced by 7.5%. In addition, the City's Community Services Block Grant (CSBG) and HOME Investment Partnership Grants would be impacted with proposed reductions of 50% and 9.5% respectively. Other programs impacted by the President's Proposed FY 2012 Budget include decreased funding for the City of San Antonio's Public Health Emergency Preparedness Grant (10% funding decrease), Preventative Health and Health Services Block Grant – Health Education (100% funding decrease), Asthma, Childhood Lead, Healthy Homes Grant (50% funding decrease), and Environmental Protection Agency – Air Monitoring (10% funding decrease). The total impact of the President's Proposed FY 2012 Budget to the City of San Antonio could range between \$25.2 million and \$27.9 million in FY 2012. The following table details the timeline for the FY 2012 Federal Budget Process:

Timeline	Event
February	President submits Budget to Congress
April – May	Congress holds hearings and develops Congressional Budget Resolution
May – Oct 1	Members of Congress set funding levels for all federal programs through appropriations process and legislation

FY 2012-2013 BIENNIAL TEXAS STATE BUDGET

The State of Texas estimates a \$27 billion budget gap for the State's Biennial FY 2012-2013 Budget. On Sunday April 3, 2011 the House passed HB 1, the appropriations bill for FY 2012 and FY 2013. This bill reflects a spending plan which is 12.3% less than FY 2010-2011 Biennial. Included in this bill are budget reductions that will reduce the City's resources by an estimated \$9 million to \$9.7 million annually. These proposals include reductions to programs such as the Auto Theft Prevention, Law Enforcement Officers' Standards & Education, Tobacco Community Coalition, Homelessness Programs, and State Library Grants, as well as Mixed Beverage Tax Reimbursement revenues received by the City. The following table details the timeline of events for the FY 2012-2013 Biennial Texas State Budget:

Timeline	Event
February	Appropriations Bill (Senate and House) introduced
February-April	House and Senate conduct hearings and take testimony
April-May	House and Senate each approve budgets and if they differ Conference Committee is appointed
May	Conference Committee reconciles House and Senate Budgets
May	House and Senate approve final budget*

*If not approved in May, subject to special called session in summer

HOTEL
OCCUPANCY TAX-
RELATED FUNDS

HOTEL OCCUPANCY TAX FUND

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

The following is the Financial Forecast for the Hotel Occupancy Tax Fund. It reflects projections for a five year period from FY 2012 through FY 2016. The Forecast also includes, as its starting point, the FY 2011 Adopted Budget and FY 2011 preliminary estimated projections.

Hotel Occupancy Tax Fund Forecast (\$ In Thousands)

	FY 2011 Budget	FY 2011 Estimate	FY 2012 Projection	FY 2013 Projection	FY 2014 Projection	FY 2015 Projection	FY 2016 Projection
RESOURCES							
Beginning Balance	\$5,214	\$6,699	\$6,100	\$2,143	\$0	\$0	\$0
Hotel Occupancy Tax	47,777	47,883	48,798	49,976	51,486	53,147	54,861
State Rebate Program	3,526	3,065	0	0	0	0	0
Interest Earnings	23	30	81	82	0	0	0
Miscellaneous Revenue	82	78	29	38	24	30	31
TOTAL RESOURCES	56,622	57,755	55,008	52,239	51,510	53,177	54,892
TRANSFERS							
Community & Visitor Facilities Fund (CVF)	16,049	15,947	16,882	16,691	16,942	17,524	17,493
Convention & Visitors Bureau Fund (CVB)	19,452	19,372	19,336	19,441	19,552	19,648	19,743
Cultural Affairs Fund (CAF)	7,167	7,167	7,320	7,496	7,723	7,972	8,229
Support for History and Preservation	7,167	7,182	7,320	7,496	7,723	7,972	8,229
Other Transfers	1,987	1,987	2,007	2,037	2,064	2,087	2,110
Facility Renewal & Improvement	0	0	0	0	0	0	0
Convention Center Capital Reserve	0	0	0	0	0	0	0
TOTAL TRANSFERS	51,822	51,655	52,865	53,161	54,004	55,203	55,804
ENDING BALANCE / ADJ. REQUIRED	\$4,800	\$6,100	\$2,143	(\$922)	(\$2,494)	(\$2,026)	(\$912)
POLICY ISSUES (EMPLOYEE COMPENSATION)							
Minus adjustment to beginning balance	0	0	0	184	0	0	0
Employee COLA- 1% for FY 2012	0	0	184	184	184	184	184
Subtotal Compensation	0	0	184	368	184	184	184
ADJUSTED ENDING BALANCE / (ADJ. REQUIRED)	\$4,800	\$6,100	\$1,959	(\$1,290)	(\$2,678)	(\$2,210)	(\$1,096)

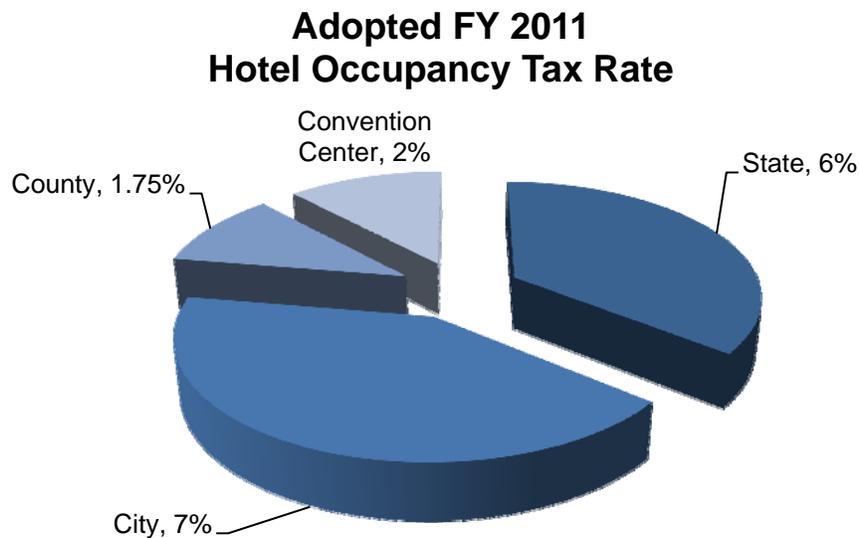
ANALYSIS OF REVENUES AND EXPENDITURES

The Hotel Occupancy Tax Fund Forecast table presents a comparison of projected annual revenues, current services expenditures, mandates, and balances over the forecast period.

As shown in the Hotel Occupancy Tax Fund Forecast, the Fund experiences shortfalls in the out-years between FY 2013 and FY 2016. Forecasted shortfalls are due to the growth rate of expenses outpacing the growth rate of revenues.

REVENUES

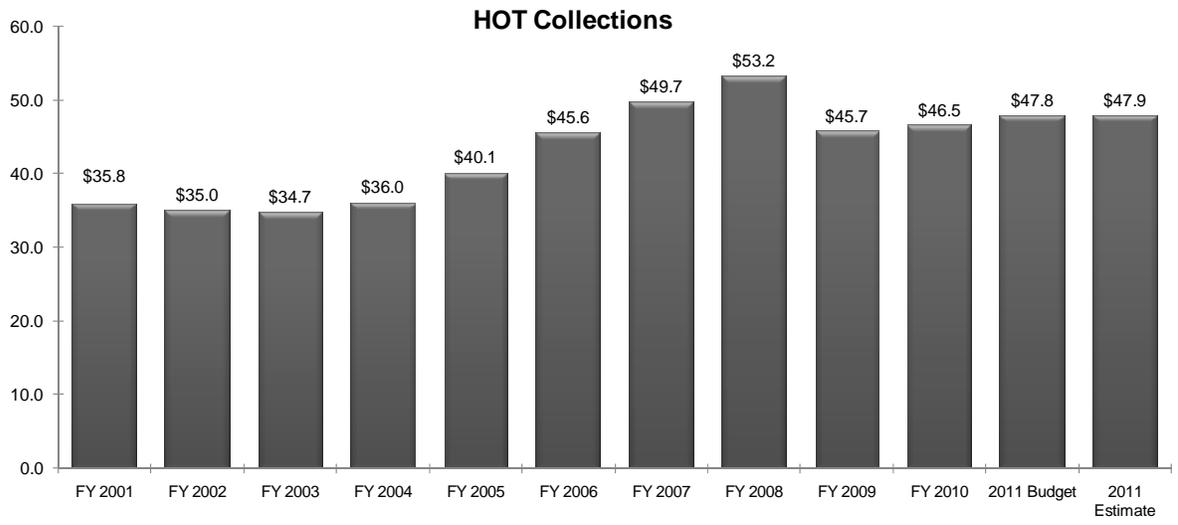
The current Hotel Occupancy Tax (HOT) rate of 16.75% levied on every room night charge is comprised of 6% for the State, 7% for the City, 2% for the Convention Center Expansion Debt Service, and 1.75% for Bexar County's Venue Tax Projects approved by voters in May 2008.



HOT revenue projections are based upon an analysis of anticipated lodging demand which includes: projected number of room nights sold, projected average daily room rates, and projected revenue per available room.

HOT revenue is estimated to be \$47.9 million for FY 2011, which is 1.0% above the FY 2011 Adopted Budget of \$47.8 million. HOT revenues are projected to increase at annual rates of 1.9% (FY 2012), 2.4% (FY 2013), 3.0% (FY 2014), 3.2% (FY 2015) and 3.2% (FY 2016) during the Forecast period. San Antonio's position as one of Texas's top leisure destinations continues to be a source of support for the hotel industry. According to the State of Texas Office of Economic Development and Tourism, San Antonio remains home to the State's top tourist attraction - the Alamo.

As the following graph shows, between FY 2001 and FY 2008, the City's HOT Tax Collections grew 48.6%. Beginning in the 2nd Quarter of FY 2009, the Hospitality Industry began showing signs of weakness and by the end of FY 2009 HOT Collections declined 14% from the prior year. HOT collections in FY 2010 stayed flat, growing only 1.8% from FY 2009, and FY 2011 is projected to grow 3.0% from FY 2010.



The dedicated 2% HOT revenue collections for the Convention Center Debt Service is recorded within a separate fund and is not reflected in HOT revenue projections within the Hotel Occupancy Tax Fund.

CURRENT SERVICES EXPENDITURES

Expenditures are based on the current services level within the HOT-supported departments. The current services level assumes that Arts and Cultural Agencies Funding and Support for History and Preservation will remain at 15% of HOT collections – the maximum allowed by state law. Also included are mandated expenditures such as hosting obligations for booked conventions and sporting events.

The continuation of the Civilian Step Pay Plan for non-professional and non-managerial employees is included in the Forecast.

Also included are adjustments to assessments needed to sustain the City’s Information Technology, Employee Benefits, and Liability programs that are managed by the City’s Internal Service Funds.

STATE MAJOR EVENTS TRUST FUND PROGRAM

With the 2009 Legislative Session, the Texas State Legislature amended the Sporting and Major Events Trust Fund program, which provides municipalities the opportunity to seek State reimbursement of expenses related to hosting conventions and sporting events at a ratio of 6.25/1 (86%/14%). Hosting obligations, operating expenses, and building improvements are eligible under the legislation for events that are determined to have a significant impact on tax reimbursements when held in Texas cities. In FY 2011, the City estimates \$15.8 million in revenues from the State Major Events Trust Fund Program. Of that amount, \$3.0 million will be used to offset operating expenses and \$12.8 million will be used to leverage capital projects. The Five Year Forecast period (FY 2012-FY 2016) does not estimate any revenues from the program due to pending State Legislation regarding the continuation of this program.

CIVILIAN COST OF LIVING ADJUSTMENT

The Forecast Schedule includes a budget scenario that illustrates estimated Cost of Living Adjustment (COLA) for Civilian Employees of 1% for FY 2012. This scenario is shown to illustrate the impact to the Hotel Occupancy Tax Fund and will be evaluated and discussed further during the FY 2012 Budget Process.

COMMUNITY AND VISITOR FACILITIES FUND

The Community and Visitor Facilities Fund (CVF) accounts for revenues and expenditures generated from convention, tourism, sports, and entertainment related activities. The following is the Financial Forecast for the Community and Visitor Facilities Fund.

Community and Visitor Facilities Fund Forecast (\$ In Thousands)

	FY 2011 Budget	FY 2011 Estimate	FY 2012 Projection	FY 2013 Projection	FY 2014 Projection	FY 2015 Projection	FY 2016 Projection
RESOURCES							
Beginning Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0
REVENUES							
Alamodome Revenue	6,757	6,286	6,797	6,949	7,105	7,265	7,429
Convention Center Revenue	10,662	10,579	10,494	10,819	11,154	11,456	11,765
Municipal Auditorium Revenue	266	268	0	0	0	0	0
Other Revenue	807	813	822	829	835	840	842
Transfer from Hotel Occupancy Tax	16,049	15,947	16,882	16,691	16,942	17,524	17,493
TOTAL RESOURCES	35,541	33,893	34,995	35,288	36,036	37,085	37,529
EXPENDITURES							
Base Budget*	34,541	33,893	33,046	33,835	34,684	35,347	35,994
Mandates	0	0	1,949	1,453	1,352	1,738	1,535
TOTAL EXPENDITURES	34,541	33,893	34,995	35,288	36,036	37,085	37,529
ENDING BALANCE	\$0	\$0	\$0	\$0	\$0	\$0	\$0

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

The Convention, Sports, and Entertainment Facilities (CSEF) Department operates the Convention Center, Alamodome, and Municipal Auditorium. Revenue projections for the Convention Center reflect current bookings and anticipated facility usage over the forecast period. In addition the revenue projection includes forecasted commission revenues from contractual services including: catering, IT/AV Services, and other trade and equipment services.

Alamodome revenue projections reflect the anticipated event mix over the forecast period including such events as concerts, the 2011 Women's Division I Volleyball Championship, Dallas Cowboy Training Camp, and UTSA Roadrunner Football.

In June 2008, the Municipal Auditorium was conveyed to the Bexar County Performing Arts Center Foundation. The City will continue to operate the facility until it closes in June 2011 for construction of a new performing arts center. This forecast includes an annual contribution of \$500,000 to the Bexar County Performing Arts Center Foundation. This amount reflects the total net cost of operating this facility.

Mandates reflect CVB and CSEF Hosting Obligations for future events, the contribution to the Bexar County Performing Arts Center Foundation, and anticipated increases for Convention Center/Alamodome building maintenance contracts for added technology improvements.

CSEF Mandates	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
NCAA Hosting	215,000	0	0	0	0
Perf Arts Ctr	500,000	500,000	500,000	500,000	500,000
Bldg Maint Contracts	89,579	219,185	328,985	352,704	364,738
Total	804,579	719,185	828,985	852,704	864,738

CONVENTION AND VISITORS BUREAU FUND

The Convention and Visitors Bureau (CVB) Fund accounts for revenues and expenditures generated in Sales and Marketing of San Antonio as a premier leisure and convention destination. It is supported through a transfer from the Hotel Occupancy Tax Fund and from revenues generated by the CVB. The following is the Financial Forecast for the Convention and Visitors Bureau Fund.

Convention and Visitors Bureau Fund Forecast (\$ In Thousands)

	FY 2011 Budget	FY 2011 Estimate	FY 2012 Projection	FY 2013 Projection	FY 2014 Projection	FY 2015 Projection	FY 2016 Projection
RESOURCES							
Beginning Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0
REVENUE							
Current Revenue	169	169	180	193	196	199	202
Transfer from Hotel Occupancy Tax	19,452	19,372	19,336	19,441	19,552	19,648	19,743
TOTAL RESOURCES	19,621	19,541	19,516	19,634	19,748	19,847	19,945
EXPENDITURES							
Base Budget	19,621	19,541	19,516	19,634	19,748	19,847	19,945
TOTAL EXPENDITURES	19,621	19,541	19,516	19,634	19,748	19,847	19,945
ENDING BALANCE	\$0	\$0	\$0	\$0	\$0	\$0	\$0

CULTURAL AFFAIRS FUND

The Cultural Affairs Fund accounts for the operating expenditures of the Office of Cultural Affairs as well as the contributions made to Arts and Cultural agencies. It is supported through a transfer from the Hotel Occupancy Tax Fund. The Forecast assumes the maximum-allowed funding level at 15% of HOT budgeted collections every year of the forecast. The following is the Financial Forecast for the Cultural Affairs Fund:

Cultural Affairs Fund Forecast (\$ In Thousands)

	FY 2011 Budget	FY 2011 Estimate	FY 2012 Projection	FY 2013 Projection	FY 2014 Projection	FY 2015 Projection	FY 2016 Projection
RESOURCES							
Beginning Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Transfer from General Fund	50	50	50	50	50	50	50
Transfer from Hotel Occupancy Tax	7,167	7,167	7,320	7,496	7,723	7,972	8,229
TOTAL RESOURCES	7,217	7,217	7,370	7,546	7,773	8,022	8,279
EXPENDITURES							
Office of Cultural Affairs Operating Budget	2,113	2,113	24,105	2,121	2,138	2,152	2,166
Contributions to Cultural Agencies	5,104	5,104	5,265	5,425	5,635	5,870	6,113
TOTAL EXPENDITURES	7,217	7,217	29,370	7,546	7,773	8,022	8,279
ENDING BALANCE	\$0	\$0	\$0	\$0	\$0	\$0	\$0

ARTS FUNDING

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

Support for Arts & Cultural Agencies is awarded through a competitive Request for Proposal (RFP) process conducted every two years. Agencies seeking funding are required to submit an application detailing their proposed use of the funds being requested. The proposals are then scored according to a City Council-approved criteria list that includes such items as artistic merit, community involvement, and marketing and promotion plans. Following the scoring process, City staff prepares the recommended funding allocations based on the Agency proposal scores that are then presented to the Cultural Arts Board for their approval. Approved recommendations from Board are then presented to City Council for final approval as part of the Budget Adoption process.

Arts program funding is distributed on a competitive basis and is managed by the City's Office of Cultural Affairs. There are four funding programs: the General Operating Program, the Project Funding Program, the Community Arts Access Program, and the Technical & Economic Development Program.

The General Operating Program provides support to arts and cultural agencies that meet a designated matching requirement. Whereas the General Operating Program has a two-year funding cycle, the Project Funding Program has a funding cycle of only one year and is intended to help non-profit arts and social service agencies with specific arts events or programs. The Community Arts Access Program encourages partnerships between arts and cultural organizations, individual artists and neighborhood based groups. Funding is usually very specific to activities and neighborhoods. The Technical & Economic Development Incubator Program was developed primarily to assist small and emerging organizations and individual artists with administrative capacity building and career development. All the programs are competitive with specific review committees providing input on the major focus areas of each program.

The General Operations Funding process for FY 2012 is currently under way. Applications for funding will be accepted until May 13th. The Cultural Arts Board will announce preliminary funding rewards in late August.

DEVELOPMENT SERVICES FUND

DEVELOPMENT SERVICES FUND

The Development Services Enterprise Fund was established in FY 2007 to account for revenues and expenditures generated from all development-related activities and to ensure development revenues are used to support development expenses.

The Development Services Department is responsible for the regulation of land development and construction for the City of San Antonio. This 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 Development Services Department is also responsible for master development plans, neighborhood plans, rights determination, subdivision mapping/parcel addressing, zoning administration, subdivision administration, building codes administration, landscaping, tree preservation, sign regulation, and development review of streets and traffic along with major thoroughfare planning.

The FY 2011 Adopted Budget created a new City department within the Development Services Fund entitled the Planning and Community Development Department. The Planning and Community Development Department's primary responsibility is to improve the livability, economic vitality, and safety of San Antonio neighborhoods, corridors, and special districts. A total of 82 existing City staff positions were consolidated from six departments for the formation of this department. The re-directed staff came from the following: Development Services Department, Neighborhood Commercial Revitalization (NCR) unit, Tax Increment Financing (TIF) unit, and Ft. Sam Houston Community Development Office. Of the 82 staff positions, 23 are funded with the Development Services Fund and are supported by a transfer from the General Fund that covers 67% of the department's costs. With the addition of the Planning and Community Development Department, the Development Services Fund is comprised of three departments: the Development Services Department, the Historic Preservation Office, and Planning and Community Development.

Since the development process involves review by other City departments and outside agencies, the Development Services Fund departments seek to facilitate the coordination of these reviews to provide quality customer service throughout the development process.

Revenues for the Development Services Fund are dependent upon the state of the local economy as well as the housing industry. The Fund began to experience challenges in FY 2007 due to a decline in permitting activity and in revenue collection. In order to mitigate the loss in revenue, City Council approved fee adjustments in FY 2007 and FY 2008. In FY 2008 the housing market slowed and the local economy began to enter into a recession. Below is a summary of the Deficit Reduction Strategy implemented since FY 2008.

Defecit Reduction Summary	
Expenditure Reductions (FY 2008-FY 2010)	\$5.3 M
Positions Reduced	69
Positions Currently Frozen	23

The above deficit reduction strategy has enabled the fund to mitigate lost revenue associated with the decline in development activity and the fund achieved a positive ending balance for FY 2010. The Five Year Forecast a positive ending balance in each of the forecast years.

The following is the Financial Forecast for the Development Services Fund. The Forecast reflects projections for a five year period from FY 2012 through FY 2016 and includes as its starting point the current fiscal year budget and preliminary estimated projections for the fiscal year. The Forecast includes financial projections on revenues, expenditures, and ending balances.

Development Services Fund Forecast
(\$ In Thousands)

	FY 2011 Budget	FY 2011 Estimate	FY 2012 Projection	FY 2013 Projection	FY 2014 Projection	FY 2015 Projection	FY 2016 Projection
RESOURCES							
Beginning Balance	\$618	\$649	\$782	\$252	\$644	\$801	\$835
Current Revenues							
Development Services Revenues	21,422	19,680	19,698	19,822	20,041	20,245	20,450
Inner City Reinvestment / Infill Policy (ICRIP) Waivers Reimbursed by General Fund	250	1,000	1,000	1,000	1,000	1,000	1,000
Subtotal Development Services	21,672	20,680	20,698	20,822	21,041	21,245	21,450
Transfers from General Fund							
Planning & Community Development	1,114	1,114	1,541	1,565	1,587	1,607	1,627
Office of Historic Preservation	702	702	792	793	797	803	808
Current Revenue	23,488	22,496	23,031	23,180	23,425	23,655	23,885
TOTAL AVAILABLE RESOURCES	\$24,106	\$23,145	\$23,813	\$23,432	\$24,069	\$24,456	\$24,720
EXPENDITURES							
Development Services	17,090	16,508	17,263	17,598	17,974	18,389	18,689
Planning & Community Development	2,103	1,958	2,055	2,087	2,116	2,143	2,170
Office of Historic Preservation	791	790	792	792	797	803	808
Pay Plan -Incremental			121	177	229	117	99
Transfers Out	3,003	3,107	3,330	2,134	2,152	2,169	2,187
TOTAL EXPENDITURES	\$22,987	\$22,363	\$23,561	\$22,788	\$23,268	\$23,621	\$23,953
GROSS ENDING BALANCE	\$1,119	\$782	\$252	\$644	\$801	\$835	\$767
EMPLOYEE COMPENSATION							
Minus Adjustment for Prior Year Employee Compensation				130	260	390	520
Employee COLA - 1% for FY 2012			130	130	130	130	130
Subtotal Employee Compensation	\$0	\$0	\$130	\$260	\$390	\$520	\$650
ADJUSTED ENDING BALANCE / ADJ. REQ.	\$1,119	\$782	\$122	\$384	\$411	\$315	\$117

ANALYSIS OF REVENUES AND EXPENDITURES

REVENUES

At the end of the 2nd Quarter in FY 2011, new residential permitting activity experienced a 20% decrease compared to the end of the 2nd Quarter in FY 2010. New residential permitting activity is anticipated to decrease 37% in the second half of FY 2011 compared to the permitting activity in the last half originally budgeted (April-Sept). This will result in an annual decrease of 24% in residential permits compared to FY 2010.

New and existing commercial permitting activity through the 2nd Quarter realized a 13% increase compared to the budgeted permitting activity for the same period and a 19% increase compared to the 2nd Quarter in FY 2010. It is anticipated that commercial permitting activity will continue increasing in the last half of FY 2011 compared to the last half of FY 2010 (April-Sept) resulting in an annual

increase of 11% for FY 2011 over FY 2010. As a result of the average value of commercial permits being down, as well as lower than anticipated residential permitting activity, the Development Services Fund is estimating revenues for FY 2011 to be \$1.5 million below budgeted amounts.

Over the forecast period, permitting activity for FY 2012 is estimated to remain flat when compared to FY 2011. No growth in revenues is projected in FY 2012. Fiscal Years 2013 to 2016 are projected to experience conservative revenue growth. For FY 2013 revenues are projected to increase 0.5% and FY 2014 to FY 2016 are projected to realize a 1% annual growth.

INNER CITY REINVESTMENT/INFILL POLICY (ICRIP)

In February 2010, as an attempt to promote growth and development in the city center and targeted areas, the City established the Inner City Reinvestment / Infill Policy (ICRIP). ICRIP facilitates development within the inner-city by issuing policy goals such as increasing new development on vacant lots, redevelopment of underused buildings and sites, rehabilitation, upgrades, and adaptive reuses of existing buildings, improvement of maintenance at existing building sites and increased business recruitment and assistance. Projects certified to meet ICRIP criteria are eligible to have certain fees related to Development Services waived under ICRIP policy.

The FY 2011 Adopted Budget included a \$250,000 transfer from the General Fund in order to reimburse Development Services for fees waived under the ICRIP policy. However, due to higher than anticipated participation, the FY 2011 Estimate projects an additional \$750,000 in reimbursements from the General Fund to augment the \$250,000 original budget for a total of \$1 million transfer from the General Fund in order to support ICRIP incentives.

CURRENT SERVICES EXPENDITURES

This section of the Forecast projects expenditures based on current service levels. Increases in health care costs, liability insurance, workers' compensation and the cost to complete the implementation of the Civilian Step Pay plan for non-professional, non-managerial positions are included in the Forecast. Some commodities and certain expenditures such as fuel and utilities are estimated to increase based on projected inflation rates.

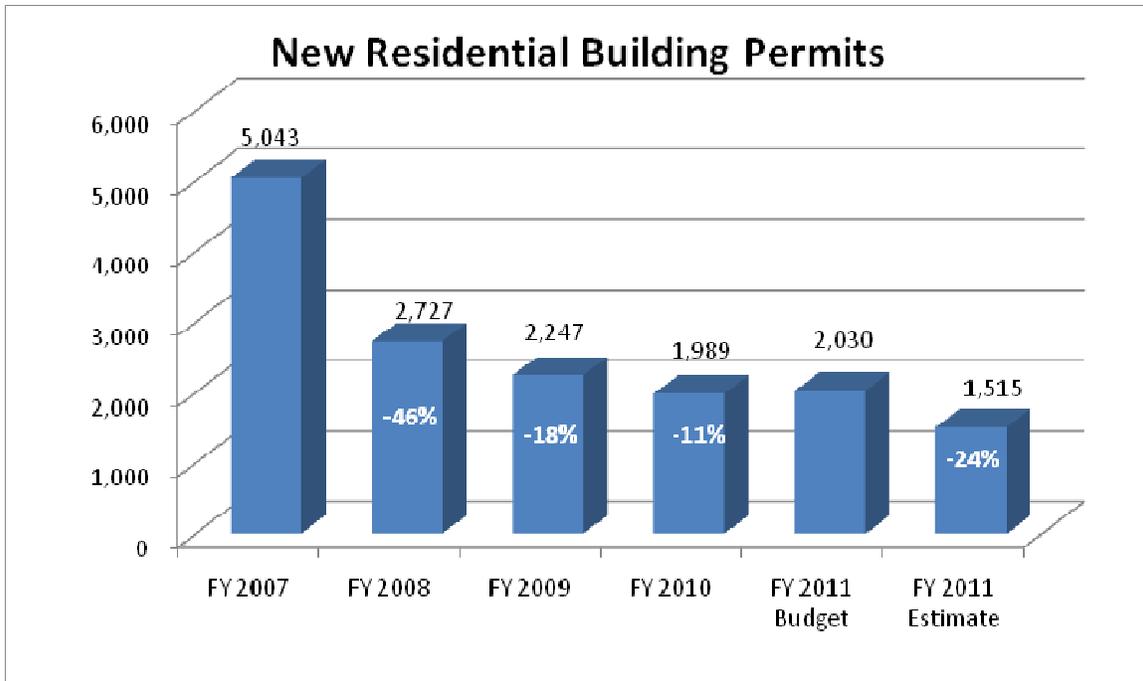
The Forecast also assumes maintaining 23 frozen positions in the Development Services Fund for the duration of the forecast period, consistent with the Deficit Reduction Strategy.

CIVILIAN COST OF LIVING ADJUSTMENT

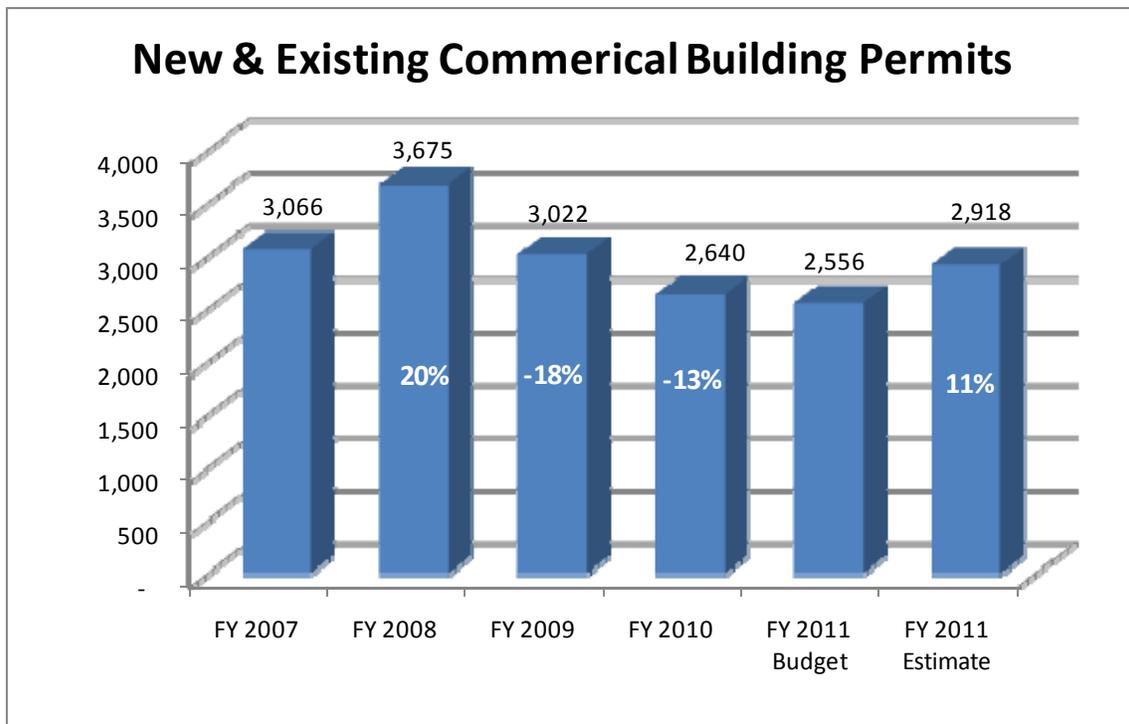
The Forecast Schedule includes a budget scenario that illustrates an estimated Cost of Living Adjustment (COLA) for Civilian Employees of 1% for FY 2012. This scenario is shown to illustrate the impact to the Development Services Fund and will be evaluated and discussed further during the FY 2012 Budget Process.

PERMIT ACTIVITY

The following graphs illustrate total permitting activity since FY 2007. New Residential Building Permits have decreased by 70% since FY 2007. The FY 2011 Estimate projects a 25% decrease from the FY 2011 Adopted Budget; 24% as compared to FY 2010. The forecast projects no growth in 2012 and a very conservative increase of 1% from FY 2013 to FY 2016.



New and Existing Commercial Building Permits have decreased by 5% since FY 2007. The FY 2011 estimate projects a 14% increase from the 2011 Adopted Budget; 11% as compared to FY 2010.



**SOLID WASTE
OPERATING AND
MAINTENANCE
FUND**

SOLID WASTE OPERATING AND MAINTENANCE FUND

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

The Solid Waste Management Department is composed of the Solid Waste Division and the Environmental Management Division. The Solid Waste Division is responsible for the collection and disposal of municipal solid waste generated from approximately 337,500 homes within the City of San Antonio. The Division provides weekly refuse and recycling collection services as well as brush collection service two times a year and bulky collection one time a year. Of the 337,500 homes, City crews service 327,000 while approximately 10,500 are serviced by a private contractor.

Refuse disposal is currently provided through contractual agreements with two privately-held area landfills and one City-owned, privately-operated transfer station. Recycled materials collected through the City's residential recycling program are processed through a contractual agreement with a privately-held area material recovery facility. This facility sorts and markets the recycled materials for sale on the open commodities market, the net revenues of which are shared with the City.

The Environmental Management Division maintains approximately 720 acres of closed City landfill areas and other sensitive, environmentally regulated areas. The Division also manages a drop-off brush recycling center for brush mulching and two drop-off facilities for household hazardous waste (one permanent site and one seasonal site). The Division is currently constructing a new drop-off brush recycling center on the southwest quadrant of the City with an anticipated opening of December 2011.

The Office of Environmental Policy was created in FY 2008 to coordinate the City organization's sustainability efforts. This work culminated in FY 2010 with City Council adoption of the Mission Verde Sustainability Plan, a comprehensive strategy to establish sustainable policies and programs that benefit the environment, economy, and community. The OEP facilitates multiple organizational and citywide efforts to implement the Mission Verde objectives.

In June 2010, City Council formally adopted the 10-Year Recycling and Resource Recovery Plan, representing a major shift in the services and programs provided by the Department. The strategic goals in the "Pathway to Zero Waste" Plan are to ensure that all single-family and multi-family residents have access to convenient recycling programs, to improve recycling opportunities for businesses and schools, and to recycle 60 percent of all material collected by the City's Solid Waste Management Department. In addition to current services, the SWMD is continuing to develop and implement programs to bring the City closer to the goals outlined in the 10-Year Recycling Plan. These additional programs, described in the following sections, will have a significant impact on revenues and expenditures in the Solid Waste Operating and Maintenance Fund.

FIVE-YEAR FINANCIAL FORECAST

The Financial Forecast for the Solid Waste Operating and Maintenance Fund reflects revenue and expenditure projections for a five year from FY 2012 to FY 2016. The Forecast includes, as its starting point, the current fiscal year budget and preliminary estimated projections for the fiscal year.

Solid Waste Operating & Maintenance Fund (\$ in Thousands)

	FY 2011 Budget	FY 2011 Estimated	FY 2012 Projection	FY2013 Projection	FY 2014 Projection	FY 2015 Projection	FY 2016 Projection
RESOURCES							
Beginning Balance (Excluding Reserves)	\$ 9,527	\$ 8,121	\$ 1,045	\$ 1,134	\$ 512	\$ 814	\$ 1,070
Current Revenues							
Solid Waste Fees (Includes Fee Increases)	\$ 79,371	\$ 79,532	\$ 84,825	\$ 89,352	\$ 98,533	\$ 103,704	\$ 104,741
Recycling Revenue	3,813	3,964	3,994	4,128	4,296	4,468	4,655
Other Revenues	1,682	2,324	2,277	2,371	2,462	2,469	2,424
TOTAL CURRENT RESOURCES	\$ 84,866	\$ 85,820	\$ 91,096	\$ 95,851	\$ 105,291	\$ 110,641	\$ 111,820
TOTAL RESOURCES	\$ 94,393	\$ 93,941	\$ 92,141	\$ 96,985	\$ 105,803	\$ 111,455	\$ 112,890
EXPENDITURES							
Base Service	\$ 94,393	\$ 92,896	\$ 84,129	\$ 90,049	\$ 96,288	\$ 105,943	\$ 105,900
Pay Plan Implementation (Incremental)			266	371	513	277	245
Mandated Service Delivery Costs (Incremental)			653	501	458	352	353
POLICY OPTIONS							
Second Bulky Collection (Incremental)			3,755	1,259	141	136	116
Organics Recycling Program (Incremental)			2,204	4,017	7,181	3,411	0
TOTAL EXPENDITURES	\$ 94,393	\$ 92,896	\$ 91,007	\$ 96,197	\$ 104,581	\$ 110,119	\$ 106,614
FINANCIAL RESERVES							
Budgeted Financial Reserves (Incremental)				\$ 276	\$ 408	\$ 266	
ENDING BALANCE	\$0	\$ 1,045	\$ 1,134	\$ 512	\$ 814	\$ 1,070	\$ 6,276
EMPLOYEE COMPENSATION							
Minus Beginning Balance Adjustment				\$ 193	\$ 386	\$ 579	\$ 772
Civilian Cost of Living Adjustment (Every 1%)			193	193	193	193	193
Budgeted Financial Reserve (Incremental)			\$ 10	\$ 10	\$ 10	\$ 10	\$ 10
ADJUSTED ENDING BALANCE	\$0	\$1,045	\$931	\$116	\$225	\$288	\$5,301
BUDGETED RESERVES SUMMARY							
Total Annual Budgeted Financial Reserves	\$ 4,345	\$ 4,345	\$ 4,355	\$ 4,640	\$ 5,058	\$ 5,334	\$ 5,344
Reserves as a % of Appropriations	5%	5%	5%	5%	5%	5%	5%

REVENUES

The primary sources of revenue for the Solid Waste Operating and Maintenance Fund are the monthly Solid Waste fees assessed to customers and billed by CPS Energy (CPSE). The Solid Waste Processing Fee is assessed to each residential household in the City for municipal waste collection services. The Environmental Fee is charged to all customers and commercial entities. Forecasted revenues are based on an annual growth factor of 0.5% in the number of homes during FY 2012 and FY 2013 and a growth factor of 1.0% from FY 2014 through FY 2016 along with any estimated rate increases.

Below is a five-year history of the total monthly rate per household associated with the Solid Waste Operating and Maintenance Fund.

History of Monthly Rate per Household

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Total Monthly Rate	\$15.99	\$17.99	\$18.74	\$18.74	\$18.74

Fee increases are included in the Forecast beginning in FY 2012. These increases would be necessary to support the addition of a second bulky waste collection as well as continued implementation of the Organics Recovery Program, which was initiated in the FY 2011 Budget with the development phase beginning in August 2011. The estimated rate increases assumed in the Forecast are reflected in the following table:

FY 2012- FY 2016 Projected Monthly Rate Adjustments

	FY 2011 Adopted	FY 2012 Projected	FY 2013 Projected	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected
Total Monthly Rate	\$18.74	\$19.99	\$20.99	\$22.99	\$23.99	\$23.99
<i>Increase Over Previous Year</i>	\$0.00	\$1.25	\$1.00	\$2.00	\$1.00	\$0.00

Another source of revenue for the Solid Waste Operating and Maintenance Fund is the sale of recycled commodities. Growth in recycling revenue is based on customer growth as well as increased tonnage. Tonnage is estimated to increase by 3%-4% each year as the City improves its recycling efforts and moves closer to its 10-year goal of achieving a 60% residential recycling rate. The Forecast anticipates a constant aggregate price for recycled commodities of \$41.50 per ton; however, pricing is market-driven and may fluctuate based on economic conditions.

CURRENT SERVICES EXPENDITURES

Expenditures assumed in the Forecast are based on a continuation of current service levels as well as increases for policy options, including the second bulky waste collection and the Organics Recovery Program. The FY 2012 Base Budget also assumes the removal of one-time improvements included in the FY 2011 Adopted Budget.

The inflation rates used to project increases in non-personal services expenditures were derived from the national Consumer Price Index (CPI) projections for each year from 2012 through 2016. These rates and their underlying assumptions are described in the Economic Perspective and Outlook section.

POLICY OPTIONS

Beyond current services, the Forecast also includes policy options for City Council consideration. This section provides a budget scenario that illustrates an estimated Cost of Living Adjustment (COLA) for civilian employees of 1% for FY 2012. This scenario is shown to illustrate the impact to the Solid Waste Fund and will be evaluated and discussed further during the FY 2012 Budget Process.

Additional policy options include a second bulky waste collection and continued implementation of the Organics Recovery Program, both of which are further discussed below.

SECOND BULKY WASTE COLLECTION

Based on feedback received from City Council, the Forecast includes the cost of adding a second bulky waste collection, which would provide residents with two brush and two bulky collections annually. Currently, SWMD collects curbside brush twice per year and bulky items once per year. The current brush and bulky collection program was initiated February 2011 in an effort to increase the recycling of brush.

The following timeline illustrates the impact that the additional bulky item collection will have on the citywide brush and bulky collection schedule.

	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEPT	OCT	NOV	DEC	JAN
Current Service	BRUSH COLLECTION 1				BULKY 1 (SOUTH)		BRUSH COLLECTION 2				BULKY 1 (NORTH)	
Proposed Service	BRUSH COLLECTION 1			BULKY COLLECTION 1			BRUSH COLLECTION 2			BULKY COLLECTION 2		

The second bulky collection will also impact the cost of personnel, equipment, fuel, maintenance and repair, and disposal costs. By increasing the number of annual collections from three to four, the Department will require nine additional Brush Crews, including twenty-seven personnel, nine grapple trucks, and eighteen tractor-trailers. These additional costs are included in the Forecast. Operations are anticipated to begin February 2012, contingent upon ordering equipment in June 2011.

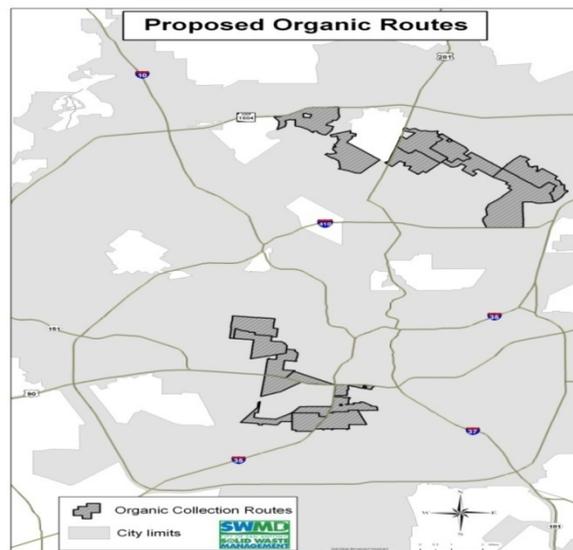
ORGANICS RECOVERY PROGRAM

The Organics Recovery Program will allow residents to recycle yard waste and trimmings, food scraps, shredded and soiled paper, and other organic materials in a separate cart, and will consist of a weekly collection on the same day as garbage collection. It is estimated that approximately 90,000 tons of organic material will be recycled annually after the program expands citywide, nearly doubling the City's recycling rate.

The program will be implemented in 4 phases, the first of which begins in FY 2011 and includes 30,000 homes. The following chart shows the planned implementation schedule, and the number of additional carts and collection trucks required to implement the program.

Organics Recycling	FY 2011	FY 2012	FY 2013	FY 2014
Homes Per Year	30,000	100,000	100,000	114,300
Cumulative Homes	30,000	130,000	230,000	344,300
Collection Carts (Incremental)	31,500	105,000	105,000	120,015
Collection Trucks (Incremental)	0	9	15	27

The Organics Recovery Program represents a significant change in how residents of San Antonio dispose of organic materials. As such, SWMD expects to conduct a significant marketing and public outreach campaign to educate residents. The first 30,000 households to be included in Phase I of the program are shown in the following map.



MANDATED EXPENDITURES

The following table summarizes the projected mandates for the Solid Waste Operating and Maintenance Fund. Each of the mandated increases in service costs are detailed in the following pages.

Mandate	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Nelson Road Brush Facility	\$329,493	\$77,062	\$56,705	\$6,646	\$6,779
Collection Contracts	66,552	21,372	0	0	0
Disposal Contracts	192,076	282,040	268,292	226,791	222,383
Monthly Billing Services	64,682	120,757	132,694	119,018	123,481
TOTAL	\$652,803	\$501,231	\$457,691	\$352,455	\$352,643

NELSON ROAD BRUSH FACILITY

The FY 2011 Budget included resources for an additional brush recycling facility - the Nelson Road Brush Recycling Center. This site will provide the same services and operations as the City's Bitters Road Brush Recycling Facility, giving customers on the south and west sides of the City a more convenient location to dispose of clean brush. Additionally, this will allow City brush collection crews on the south and west side to realize efficiencies by having closer access to a brush facility, as crews will benefit from a reduction in the time and mileage spent hauling materials. The incremental cost of this mandate is projected to be \$329,493 in FY 2012.

SOLID WASTE PRIVATE SECTOR COLLECTION CONTRACTS

The Solid Waste Management Department contracts with a private sector waste collection company to provide collection services for approximately 10,500 residents. This contract contains a provision calling for automatic fee increases in accordance with the Consumer Price Index (CPI). The Forecast includes mandated price increases based on contract requirements. The City contracts with Allied Waste, Inc. (AWI) to service the areas of Heritage Northwest and Longs Creek. This contract will terminate in December 2012. At that time, the Department will begin providing collection services to these areas, based on the determination that it would be less expensive for the City to provide these services.

Solid Waste Private Sector Garbage & Recycling Collection Services

Company	Contracted Area	Homes	Current Rates	FY 2012	FY 2013
AWI	Heritage & Longs Creek	10,500	\$17.62	\$18.05 (Projected)	Contract ends 12/31/2012

DISPOSAL CONTRACTS

The Solid Waste Management Department also contracts with landfill operators providing refuse disposal. The Department currently has disposal contracts with Waste Management (WMI), Allied Waste Industries (AWI), and Texas Disposal Systems Landfill, Inc. (TDSL). Disposal contracts are scheduled for mandated price increases in accordance with the Consumer Price Index (CPI). The incremental cost for this mandate is \$192,076 in FY 2012. The following table describes the disposal contracts in more detail.

Disposal Contracts

Company Ownership	Landfill Name	Term	Contract Start Date	Contract End Date
WMI	Covel Gardens Landfill	30 years	1995	2025
AWI	Tessman Landfill	20 years (seven 1 year extensions)	1998	2018
TDSL	Starcrest Transfer Station	32 years (five 1 year extensions)	1993	2016*

**In FY 2011, the City initiated a five-year contract termination period with TDSL.*

INCREASES TO BILLING AND COLLECTION EXPENSE

The fees for billing and collection services provided by CPS Energy are projected to increase during the Forecast period. Projected cost increases are based on the Consumer Price Index (CPI) and increases in postage rates set by the U.S. Postal Service. The incremental cost of this mandate is projected to be \$64,682 in FY 2012.

FINANCIAL RESERVES

The establishment and maintenance of an appropriate financial reserve within the Solid Waste Operating and Maintenance Fund is critical to prudent financial management. This reserve would assist the Solid Waste Management Department in smoothing fluctuations in available resources from year to year and stabilizing the budget. The FY 2012 - FY 2016 Forecast recommends a Budgeted Financial Reserve in an amount equal to 5% of annual operating expenditures.

ECONOMIC OUTLOOK & PERSPECTIVE

ECONOMIC OUTLOOK

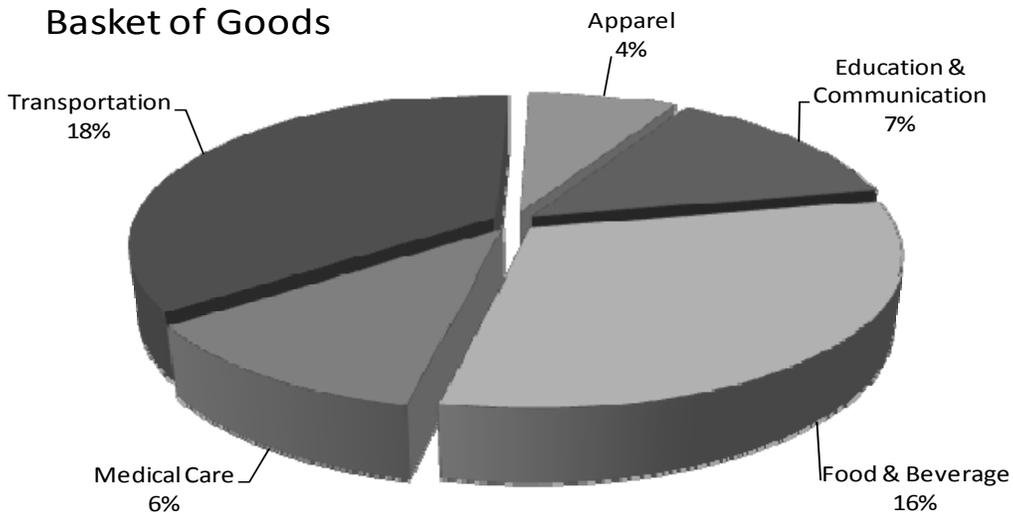
OVERVIEW

A forecast of the City's finances recognizes that the City's fiscal health is directly linked to the success of the local, national, and global economies. In light of this relationship, the fiscal projections provided in this document are based, in large part, upon an analysis of historical and current economic trends. The historical data and forecast projections are provided by government and private organizations. This section provides projections for the local and national economies, which support the fiscal projections presented in this document. This allows policy makers the ability to plan for and execute short and long term programs and projects while taking into account potential threats or upsurges on the national front.

INFLATION

The Consumer Price Index (CPI) commonly referred to as the inflation rate, measures the average price change for a market basket of consumer goods and services. This basket of goods contains a wide array of items, ranging from food and gasoline to college tuition and medical supplies. The CPI does not, however, include investments such as stocks or real estate.

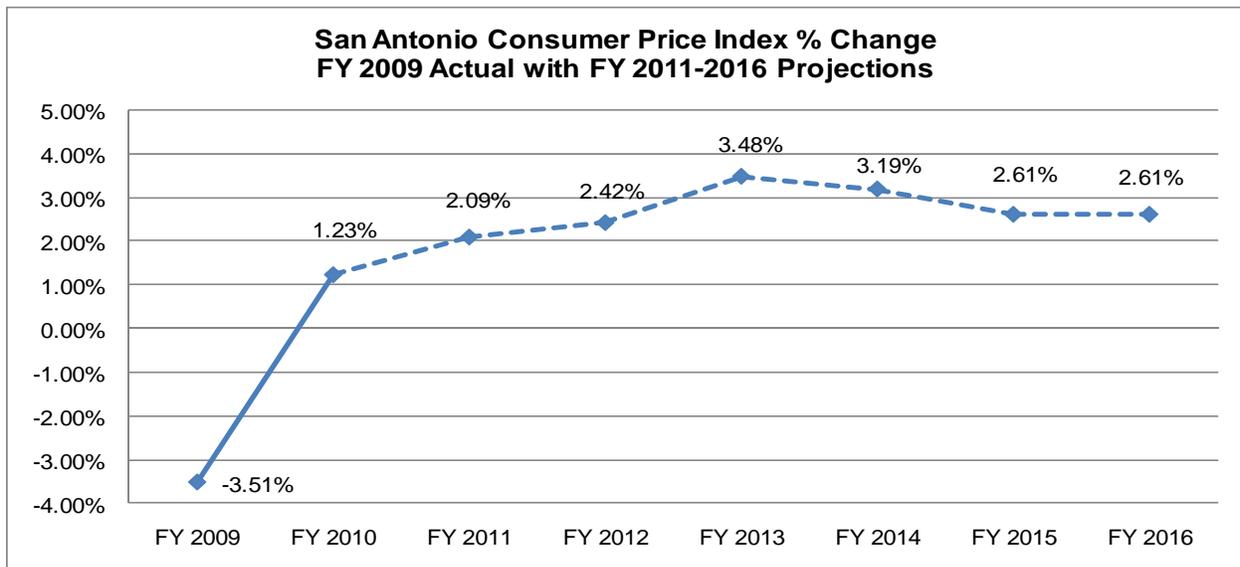
**Consumer Price Index
Basket of Goods**



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

The Consumer Price Index is used as the inflationary factor for specific non-personnel services expenditures in the development of the General Fund and other funds based budget forecasts.

This allows the City to plan for possible increases in certain commodities and other costs in the next five years by taking into account rising prices. Additionally, CPI also serves as a cost of living index. With assistance from Moody's Financial Services and St. Mary's University's SABER Institute, the projections for CPI have been developed and modified to reflect the City's budget cycle based on a fiscal year from October 1 to September 30.

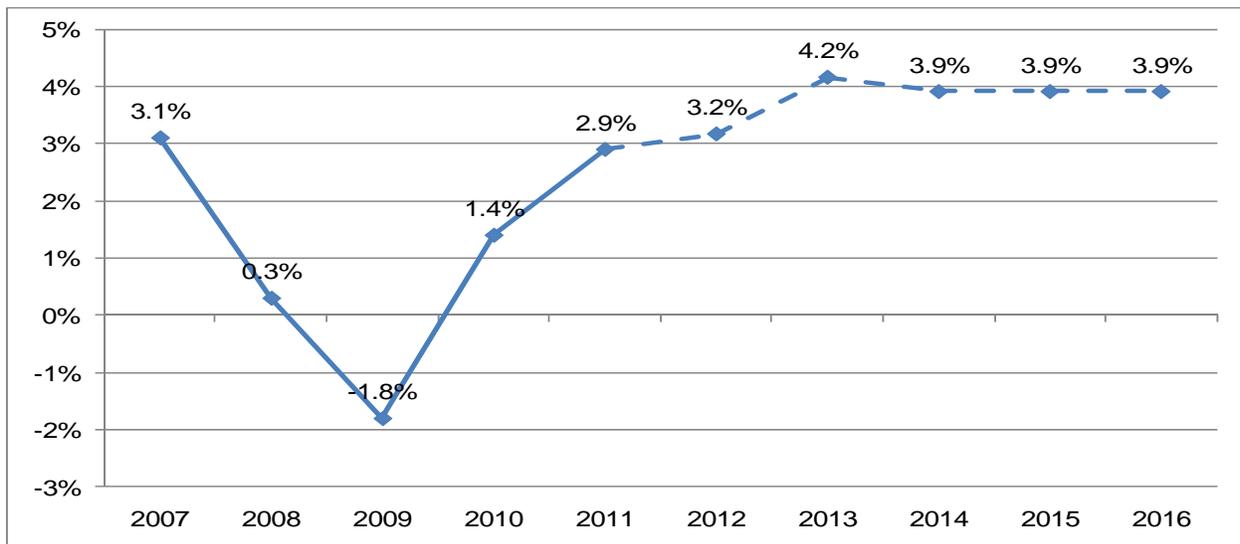


Source: Actual and Projection Data from Moody's Economy.com

SAN ANTONIO ECONOMY

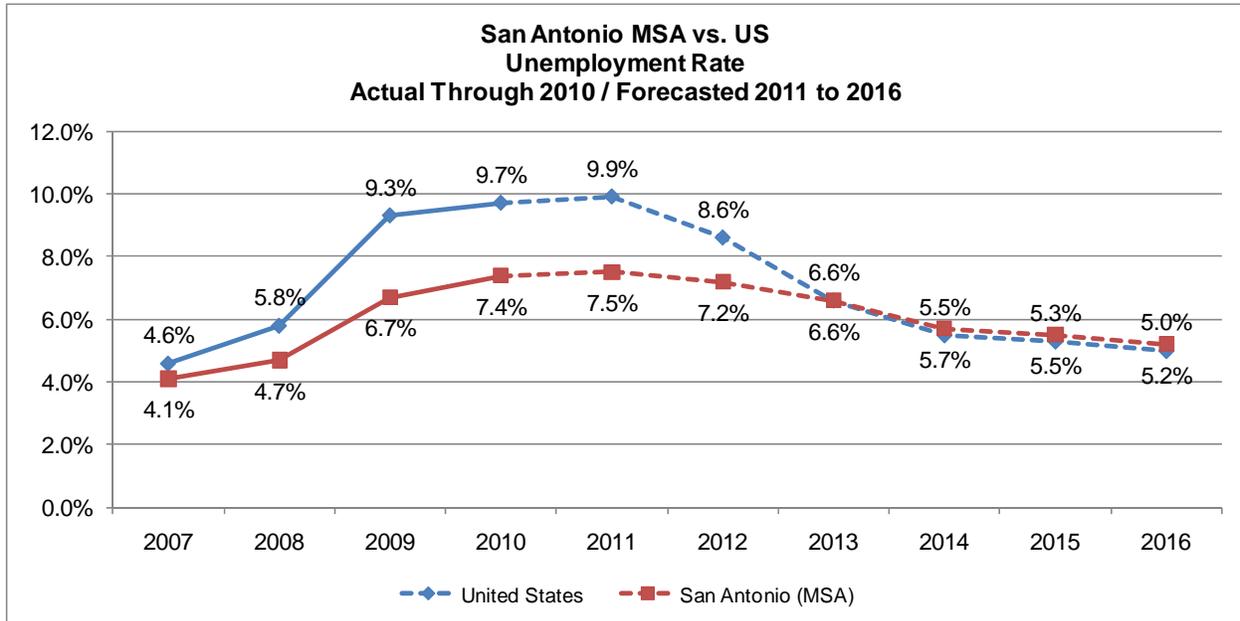
EMPLOYMENT

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



UNEMPLOYMENT

The Unemployment Rate represents the number of unemployed persons as a percent of the labor force. An unemployed person is defined as someone who is 16 years and older and has been looking for employment for at least four weeks. The national unemployment rate has steadily increased in the United States since 2007. The City of San Antonio unemployment has risen as well, but is holding steady just over 7%, which is well below the national average of over 9%. It is expected that the unemployment rate will remain lower than the national average until sometime later this decade, when both rates are expected to return to pre-recession levels.



Source: Actual and projected data from Moody's Economy.com

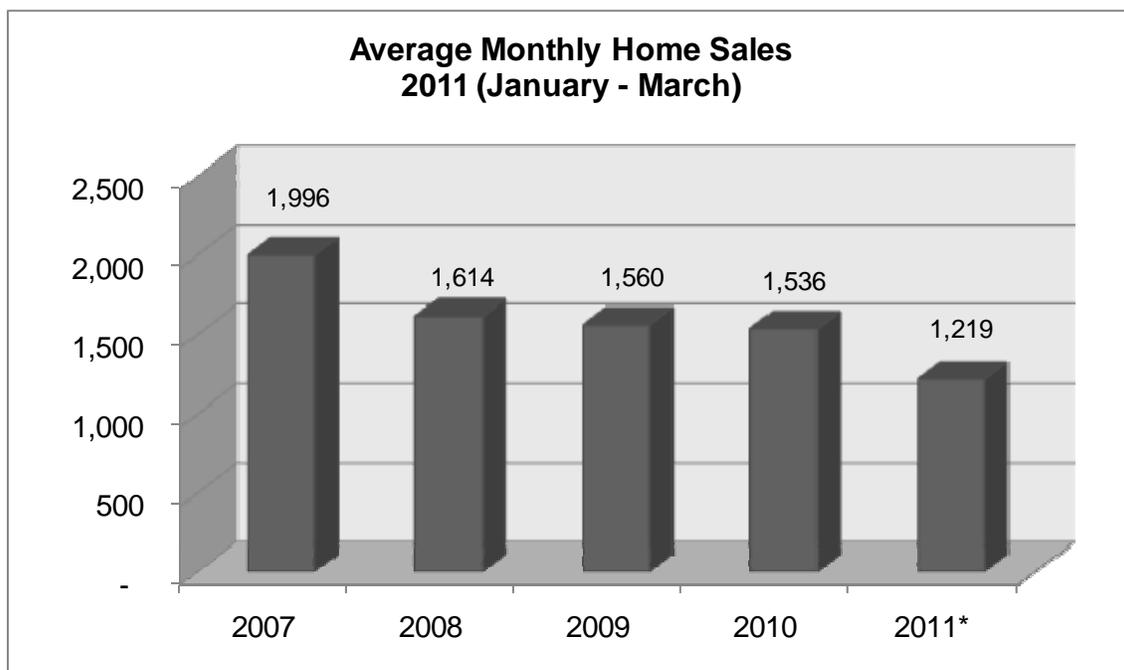
POPULATION

According to population data from the U.S. Census Bureau, the City of San Antonio is the seventh largest city in the United States and the second largest in Texas behind Houston. San Antonio's population has steadily increased approximately 20% every 10 years since 1980. Moody's Financial Services forecasts the population of the San Antonio Metropolitan Statistical Area (MSA) will grow at a rate of 2.1% over the next three years before leveling off to 2.0% for the remainder of the forecast period.

Rank	City	Total Population
1	New York, NY	8,175,133
2	Los Angeles, CA	3,792,621
3	Chicago, IL	2,695,598
4	Houston, TX	2,099,451
5	Philadelphia, PA	1,526,006
6	Phoenix, AZ	1,445,632
7	San Antonio, TX	1,327,407
8	San Diego, CA	1,307,402
9	Dallas, TX	1,197,816
10	San Jose, CA	945,942

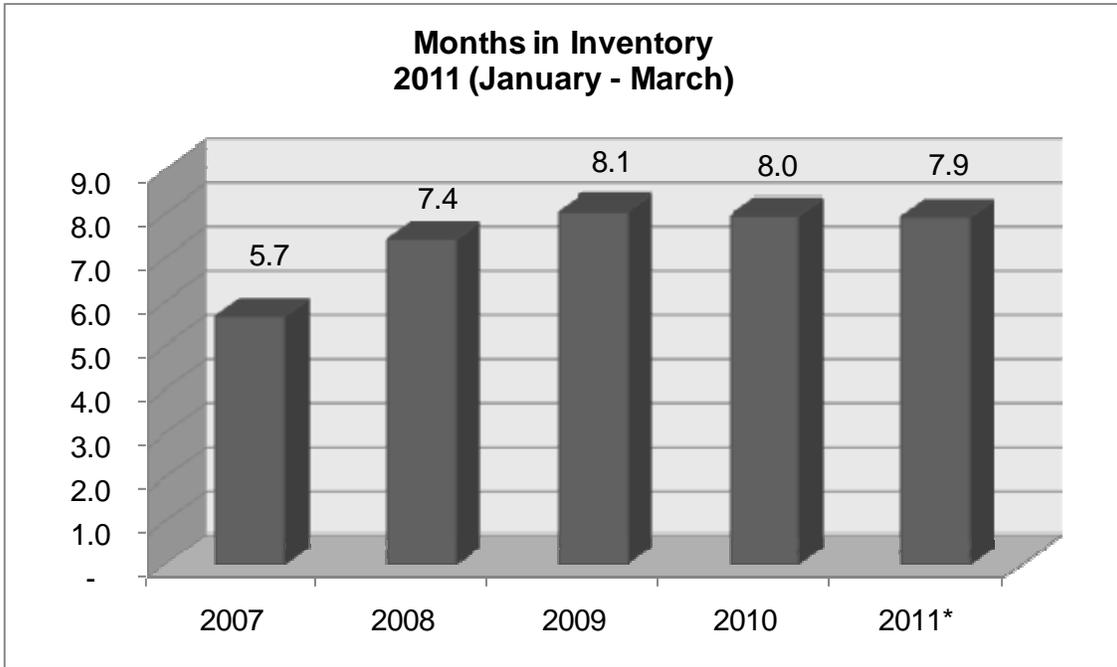
HOUSING

The Housing Market in San Antonio is beginning to recover, but is still adversely impacted by the national housing market and overall economy. A surge in home sales in the beginning of FY 2010 is mostly attributed to home-buyer incentives offered by the Federal government, which expired April 30, 2010.



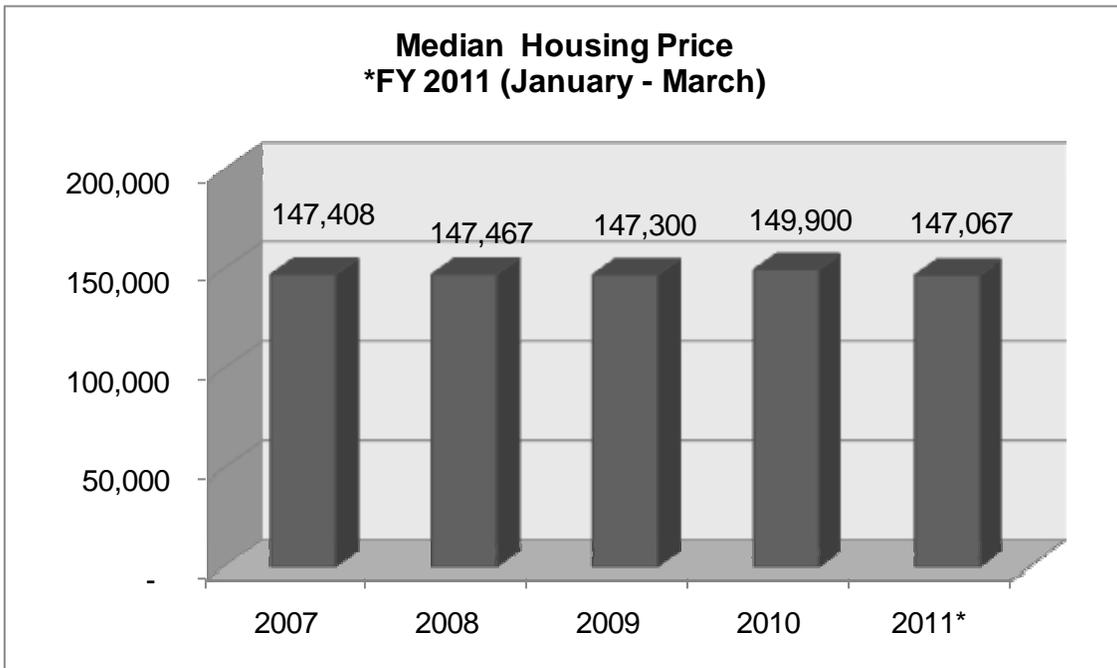
Source: Real Estate Center at Texas A&M University

Months in Inventory measures the amount of time it would take to sell the current housing inventory or supply if no other homes were added to the current inventory. The San Antonio housing market has seen this number increase steadily between 2007 and 2009 and appears to have reduced slightly in 2010 and the first few months of 2011. The current average is 7.9 months in inventory, compared to 8.0 last year, and 5.7 in 2007.



Source: Real Estate Center at Texas A&M University

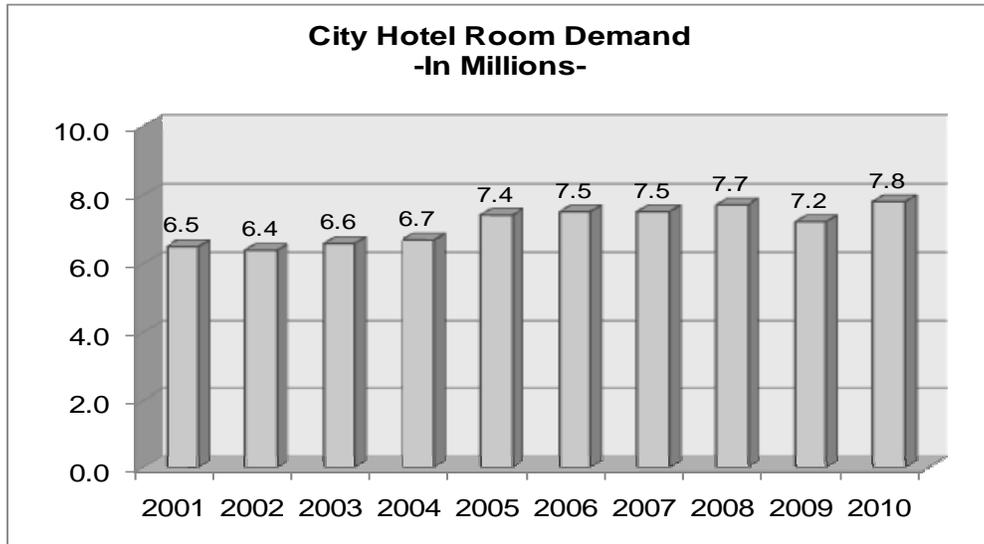
Median Housing Price is the price at which half the homes sold above the price and half the homes sold below the price - the midpoint price of home sales in each year. The median prices for home transactions have slipped in FY 2011. This will have an adverse impact on property tax revenues for some time.



Source: Real Estate Center at Texas A&M University

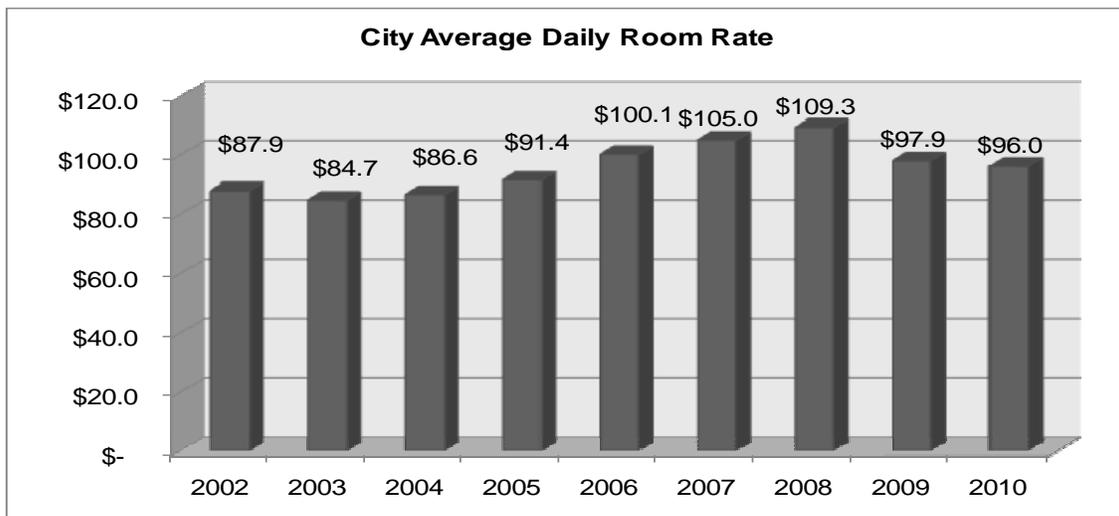
HOSPITALITY INDUSTRY

Despite the national economic challenges, the San Antonio hospitality industry continues to be one of the top leisure/convention cities in the country and benefits from visitors within driving distance from Dallas, Houston, and other Texas cities. During 2010, hotel room demand increased 8.4% and hotel room revenue increased 6.3% compared to 2009. San Antonio experienced a continued increase of new hotel openings and a negative 1.9% decrease in average daily rate.



Source: Data obtained from Smith Travel Research based on hotels in San Antonio Market reports dated March 2007, February 2009 and January 2011.

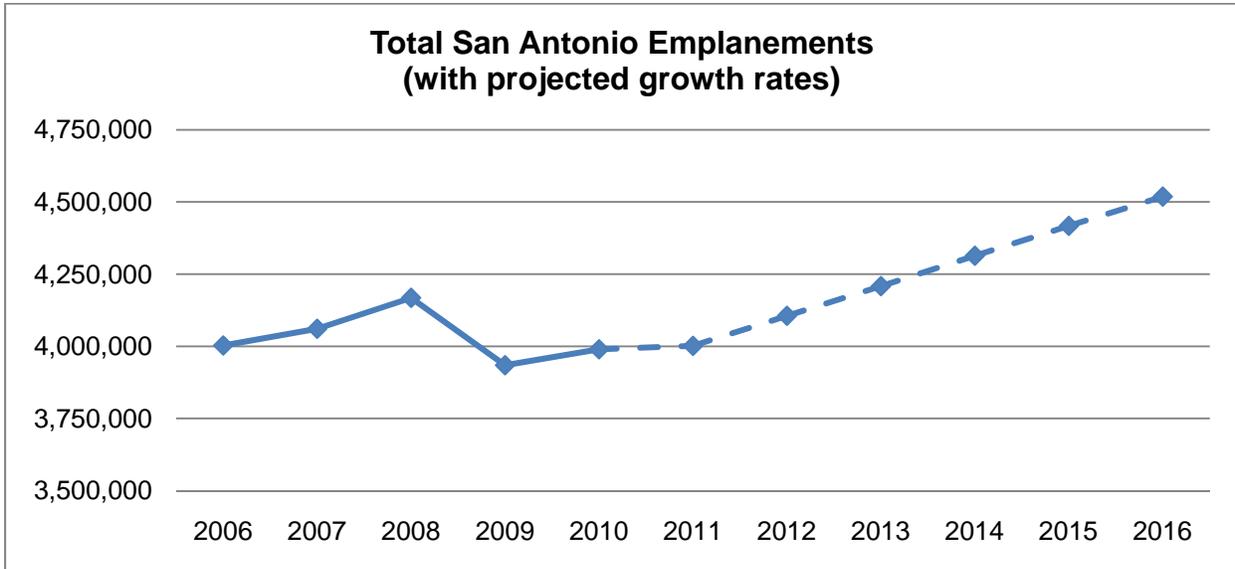
Average Daily Room Rate (ADR) is the average price of a room night in San Antonio. ADR is indicative of the hospitality industry's health, and is also adversely affected by the supply of hotel rooms, which has been increasing in San Antonio over the last five years.



Source: Data obtained from Smith Travel Research based on hotels in San Antonio Market reports dated March 2007, February 2009 and January 2011.

ENPLANEMENTS

San Antonio's International Airport is the only commercial service airport serving the City and the San Antonio metropolitan area. A strong local economy along with a significantly improved airline industry had resulted in substantial growth at the airport in the last few years. From 2003 through 2008 the number of passengers traveling to San Antonio by air increased 19% but dropped off during the 2009 due to deteriorating economic conditions. Total enplanements for 2010 increased by 1.4% to 4.0 million, but are projected to stay flat in 2011 (0.3%) and grow throughout the forecast period.



Source: Aviation Department