

**State of Texas
County of Bexar
City of San Antonio**



**FINAL
Meeting Minutes
City Council B Session**

City Hall Complex
114 W. Commerce
San Antonio, Texas 78205

Wednesday, May 14, 2014

2:00 PM

Municipal Plaza Building

The City Council of San Antonio convened in the “B” Room of the Municipal Plaza Building at 2:00 pm with the following Councilmembers present: Bernal, Taylor, Viagran, Saldaña, Gonzales, Lopez, Medina, Nirenberg, Krier, Gallagher, and Mayor Castro.

1. Briefing and possible action on the following budget and financial updates: [Sheryl Sculley, City Manager; Maria Villagomez, Director, Management and Budget]
 - A. Briefing on the recommended proposed updates to the City's Financial Management Policies; and
 - B. FY 2014 Six Plus Six Financial Report (2nd Quarter Actuals with Annualized Projections), Mid Year Budget Adjustment Recommendations, and Five Year Financial Forecast.

City Manager Sheryl Sculley explained the presentations and noted that advertisements had been published in the Express News regarding the upcoming Community Budget Meetings.

Ben Gorzell presented recommended updates to the City's Financial Policies that would be included in the FY 2015 Budget. He stated that Municipal Bonds were issued to finance Capital Projects and that interest paid on debt was impacted by market conditions and credit

analysis of the three Major Bond Rating Agencies. He reported that while Moody's had confirmed San Antonio's "AAA" General Obligation Bond Rating, the Rating Agency put the city on notice with negative outlook. He mentioned that they cited a lower General Fund Ending Balance as a challenge to maintain the current bond rating. He stated that staff recommended the following updates to the City's Financial Policies: 1) Increase General Fund Budgeted Financial Reserves from 9% to 10%; 2) Establish a 1 to 3% target for 2-Year Budget/Plan; 3) Manage Crowdout within the General Fund, balance between Public Safety and Non-Public Safety Budgets; 4) Manage Structural Balance in the General Fund; 5) Moderately conservative revenue projections based on current economic conditions and historical trends; 6) Establish \$1 Million Contingency Reserve for General Fund and \$3 Million Contingency Reserve for Capital Budget; 7) Address Internal Service Fund Deficits within 3-5 years; and 8) Available Fund Balance Target of 15%.

Maria Villagomez presented the FY 2014 Six Plus Six Financial Report. She reported that the FY 2014 Projected Year-End Financial Position was \$44 Million better than at Budget Adoption. She indicated that almost half of this amount was due to one-time CPS Revenues. She explained that challenges still exist for FY 2015 noting a projected \$27-\$34 Million Deficit. She noted that the General Fund Departments were within budget with a few exceptions: 1) \$300,000 increase to Code Enforcement; 2) \$500,000 in additional Inner City Reinvestment Infill Policy (ICRIP) Waivers/Incentives; and 3) \$1.8 Million increase to Police Budget for additional overtime and less attrition. She stated that the Employee Benefit Fund was projected to have a \$16.1 Million deficit at the end of FY 2014. She indicated that FY 2014 Uniform Claims were 16% above the FY 2013 Actuals.

Ms. Villagomez presented the 5-Year General Fund Forecast. She reported that the forecast for Property Taxes maintained the current City Property Tax Rate of 56.56 cents. She stated that the Expenditure Assumptions in the Forecast Period reflect funding to provide today's level of City Services. She indicated that it also includes increases in Healthcare Costs for Uniform and Civilian Employees. She noted that the Civilian Step Pay Plan and Civilian Performance Pay for Non-Step Employees were included in the forecast. However, no Cost of Living Adjustment Increases were included for Uniform or Civilian Employees. She reported negative projected ending balances from FY 2015 through FY 2019 ranging from \$24.7 Million to \$44.4 Million. She highlighted the Development Services Fund and Hotel Occupancy Tax Funds. In regard to the Solid Waste Fund, she reported that the forecast supports current service, Variable Rate Pricing, and funding for the proposed new Northwest Service Center.

Ms. Villagomez highlighted the Mid-Year Budget Adjustment for the General Fund and Restricted Funds. These include program enhancements to the Summer Ambassador Program and an Adult Education Pilot Program at City Libraries. She stated that 16 new positions would be added to Development Services to review additional Commercial

Development Activity. She reported that \$500,000 would be added to the Convention and Visitors Bureau (CVB) for marketing and \$335,000 would be used for improvements at the Alamodome. She indicated that funds would be reallocated from completed capital projects to various projects.

Mayor Castro thanked staff for the presentation and asked of the "Other Reserves" reported on the General Fund–Fund Balance. Mr. Gorzell replied that they include reserve for Encumbrances, Inventories of Materials and Supplies, Prepaids, and Designations. He stated that the Bond Rating Agencies reviewed both the Available Funds and the Other Reserves. Mayor Castro stated that he was supportive of increasing the General Fund Budgeted Financial Reserves to 10%. He asked of the \$1 Million Contingency Reserve for the General Fund and \$3 Million for the Capital Budget. Mr. Gorzell replied that the funds would be set aside to address unforeseen issues. Mayor Castro asked of the optimal ending balance. Mr. Gorzell replied that staff was recommending an Available Fund Balance Target of 15%. Mayor Castro asked of the additional \$500,000 for Marketing. Casandra Matej replied that they had worked with the CVC Marketing Committee and that \$200,000 was identified for Digital Media for a Summer Campaign. She stated that \$250,000 would be used for Television Advertisements and \$50,000 for Leisure Video and Photography. Mayor Castro asked of the \$700,000 for turf replacement at the Alamodome. Mike Sawaya replied that the usable life for turf was five years and needed to be replaced. Mayor Castro encouraged residents to participate in the Community Budget Hearings.

Councilmember Saldaña asked when the city began adopting a 2-Year Budget/Plan and of the 1-3% target for the 2-Year Budget/Plan. Mr. Gorzell replied that this was implemented in 2008. Mrs. Sculley added that the Ending Balance and Reserve Fund was reviewed by the Bond Rating Agencies and that any Contingency Funds utilized would have to be approved by the City Council. Councilmember Saldaña asked of the recommendation to align one-time revenues with one-time expenses. Mr. Gorzell replied that any one-time revenues received such as higher than projected CPS Energy Revenues would only be spent on one-time expenses; not on recurring expenses such as salaries.

Councilmember Gallagher asked if the Streetcar Program was included within the Reserve Fund. Mrs. Sculley replied that it was built into the Financial Forecast and that the City Council had approved \$32 Million for the project. She stated that the city would issue debt and it would be paid for over the next 20 years. Mr. Gorzell added that it would become an operating expense of the General Fund after the debt was issued. Councilmember Gallagher asked of Variable Rate Pricing related to Solid Waste. Mr. McCary replied that the cost would be based on the size of the brown cart and that the goal was to have residents recycle more items. Councilmember Gallagher also asked of the \$500,000 increase in marketing. Ms. Matej stated that they would be spending \$200,000 in Digital Media for a Summer Campaign and estimated results of 66 Million additional consumer impressions

between May and August.

Councilmember Nirenberg thanked staff for the presentation and stated that the city has become very efficient in terms of Civilian Personnel. He stated that he was supportive of the increase in Financial Reserves and asked how Contingency Reserve Funds would be managed. Ms. Villagomez replied that any unused funds would be part of the ending balance for the next fiscal year. Councilmember Nirenberg asked of the Parks Environmental Fee. Ms. Villagomez replied that they were collecting funds as budgeted and said fee could only be used for Parks Activities.

Councilmember Viagran asked of the Property Tax Assumptions. Ms. Villagomez replied that they utilized the Certified Tax Roll provided by the Bexar Appraisal District in July of each year. She stated that they projected collecting \$2.2 Million less due to appeals and exemptions. Councilmember Viagran asked of the Mid-Year Budget Adjustment to the Six Year Capital Budget. Ms. Villagomez stated that funds would remain within Districts 7 and 8 Projects and that the Alameda Theatre Environmental Remediation Compliance was required by the Texas Commission on Environmental Quality (TCEQ).

Councilmember Krier asked if the Bond Rating Agencies were as rigorous with other cities compared to San Antonio. Mrs. Sculley stated that Bond Rating Agencies were becoming more scientific in their ratings. Mr. Gorzell added that it was very difficult to achieve and maintain a "AAA" Bond Rating. Councilmember Krier asked of the Property Tax Assumptions. Ms. Villagomez replied that the 2015 Assumptions were provided by the Bexar Appraisal District and the Final Certified Tax Roll would be provided in July. Councilmember Krier asked if the forecast assumed no significant increase in Street Maintenance Funds. Ms. Villagomez replied that Street Maintenance was projected at the current level. Councilmember Krier confirmed that Cost of Living Adjustments (COLA) were not included for Civilian Employees. Mrs. Sculley replied that COLAs were not included. Councilmember Krier noted concerns with the limited participation in the Organics Program. He asked of performance measures for the additional \$500,000 that would be spent on Marketing. Ms. Matej replied that it was difficult to quantify results but were in the process of finalizing a study for the Return on Investment.

Councilmember Bernal stated that other cities look toward San Antonio to re-market themselves and noted the natural amenities in the city.

Councilmember Gonzales requested that staff utilize block walking to publicize Community Budget Meetings and gather input. Ms. Villagomez replied that they could review that option.

Councilmember Lopez asked of the amount of debt incurred annually. Mr. Gorzell replied

that General Obligation Debt was between \$125-150 Million. Councilmember Lopez asked of targeted business investment travel, specifically into and from Mexico. Ms. Matej replied that there was a robust Mexico Plan and that the target was for Travel and Tourism. Councilmember Lopez stated that more discussion must be had regarding Economic Development Incentives and would like to do so during the budget process.

2. Staff presentation of the Pre-K 4 SA program FY 2015 Annual Operating Budget as adopted by the Early Childhood Education Development Corporation Board of Directors on April 28, 2014. [Peter Zanoni, Deputy City Manager; Kathleen Bruck, CEO, Pre-K 4 SA]

Peter Zanoni provided an overview of the Pre-K 4 SA FY 2015 Budget. He stated that Pre-K 4 SA was an Eight-Year Program fully self-supported by dedicated sales tax revenue. He highlighted the Four Education Centers that would be operational in the Fall. He outlined the FY 2015 Budget of \$36.5 Million and noted that it would be used to serve 1,500 children at the four Centers. He mentioned that there were 380 Authorized Staff and that \$2.2 Million would be used for Professional Development. He added that the FY 2015 Budget would be placed on the May 15, 2014 City Council Agenda for approval.

Councilmember Nirenberg asked if the city was on target for the opening of the two new Centers. Mr. Zanoni replied that they were on target to open in the Fall. Councilmember Nirenberg asked of the evaluation of the program. Dr. Kathy Bruck stated that the students were evaluated on an Anecdotal Assessment that was done by observation. Councilmember Nirenberg spoke of the importance of longitudinal evaluations past Third Grade and asked of the Professional Development. Dr. Bruck replied that they conducted workshops one Saturday per month and would provide them during the Summer Months. Councilmember Nirenberg expressed concern with the challenge in hosting a Voices for Children Event at UTSA. Dr. Bruck stated that they could utilize the Centers to host these events.

Councilmember Gallagher asked of the Annual Cost Per Student. Mr. Zanoni replied that it was \$12,000 per year. Councilmember Gallagher asked of Pre-K 4 SA compared to similar programs in other cities. Dr. Bruck replied that there was a great amount of national interest and that they had visitors from throughout the country.

Councilmember Krier noted the funding invested in Pre-K 4 SA and asked when results would be realized. Dr. Bruck replied that they would be looking at Kindergarten Readiness and hoped to get progress through the High School Graduation process.

Councilmember Viagran requested that Pre-K 4 SA Parents be encouraged to register to vote.

Mayor Castro thanked staff for the presentation and asked of the FY 2014 Budget. Mr. Zaroni replied that they would end the year slightly under budget. Mayor Castro asked of the marketing and outreach. Dr. Bruck reported that there had been a great increase in the marketing and outreach this year. She stated that they worked closely with the schools and had taken over the registration process. Mayor Castro thanked staff for their work on Pre-K 4 SA.

EXECUTIVE SESSION

Mayor Castro recessed the meeting into Executive Session at 4:50 pm to discuss Item D:

- A. Discuss legal issues related to collective bargaining pursuant to Texas Government Code Section 551.071 (consultation with attorney).

ITEM A WAS NOT ADDRESSED.

- B. Deliberations regarding economic development negotiations and discuss related legal issues pursuant to Texas Government Code Sections 551.087 (economic development) and 551.071 (consultation with attorney).

ITEM B WAS NOT ADDRESSED.

- C. Deliberate the purchase, exchange, lease or value of real property and discuss related legal issues pursuant to Texas Government Code Sections 551.072 (real property) and 551.071 (consultation with attorney).

ITEM C WAS NOT ADDRESSED.

- D. Discuss legal issues related to Greater San Antonio Builders Association, et al v. City of San Antonio, pursuant to Texas Government Code Section 551.071 (consultation with attorney).

RECONVENED

Mayor Pro Tem Medina reconvened the meeting at 5:15 pm and announced that no action was taken in Executive Session. He addressed the Ceremonial Items.

CEREMONIALS

Mayor Pro Tem Medina presented a Proclamation to the Karate Kids of San Antonio-Just Say No! Program. Mr. Eli Guerra presented their 2014 Letter Writing Contest Winners. He noted that the program follows the example of the national initiative created by Former First Lady Nancy Reagan. He also noted that the City-Wide Contest invites students to write a letter in which they encourage their friends to "Just Say No" to drugs, alcohol and gangs.

Mayor Pro Tem Medina presented a Proclamation in recognition of National Historic Preservation Month that would be observed during the month of May 2014. It was noted that the theme for this year's celebration is "New Age of Preservation: Embark, Inspire, Engage."

The Martin Luther King Jr. Scholarship Committee, in conjunction with the MLK Commission, announced their 2014 Scholarship Recipients. It was noted that the scholarships are funded by local businesses and community groups, as well as contributions from City Councilmembers. Recipients received a \$2,000.00 award along with a certificate and commemorative medal.

CITIZENS TO BE HEARD

Mayor Pro Tem Medina called upon the individuals registered to speak.

Mark Perez expressed concern with public safety issues in the community to include businesses operating without the proper permits. He further expressed concern that Ordinances were not being enforced.

Nazirite Ruben Flores Perez spoke in support of Pre-K 4 SA but expressed concern that the children were being taught about Christmas Trees.

Nita Shaver spoke of concerns in Main Plaza noting that the area needed to be better maintained. She stated that it was important to clean up the area due to the upcoming Artist Show that would be occurring at the Cathedral.

Raymond Zavala expressed concern with the FY 2015 Budget and the funding provided to Haven for Hope and Animal Care Services. He stated that more money should be allocated to Seniors and spoke against the Streetcar Project.

Betty Eckert expressed concern with Seniors that do not have enough food and were in need of Transportation Assistance. She stated that she was opposed to the Streetcar Project.

R.L. Wagner spoke of his website and noted his poetry and tapestry work. He expressed concern with railroads in the Downtown Area and stated that there should be a rail system

to and from Austin. He noted the high cost of Artist License Fees in the Downtown Area.

Faris Hodge, Jr. submitted written testimony noting that it was time to pay the City Council a Living Wage. He expressed concern that the restrooms in El Mercado were not ADA Compliant. He highlighted the new kennels that would save more animals. He also noted the creation of 600 new jobs by Wal-Mart. He wrote of the growing cost of First Responder Benefits and indicated that Park Police and Airport Police should receive the same pay as San Antonio Police Officers. He requested that the Citizens to be Heard portion of City Council Meetings be broadcast on television.

ADJOURNMENT

There being no further discussion, Mayor Pro Tem Medina adjourned the meeting at 6:48 pm.

APPROVED



JULIÁN CASTRO
MAYOR

ATTEST:



LETICIA M. VACEK, TRMC/MMC
CITY CLERK