



Budget Policy Issues for FY 2020 Financial Policies

Presented by: Ben Gorzell, Jr.
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Purpose of Financial Policies

- Establish Policy Guidance on Financial Management
- Critical to Maintain Strong Financial Position
- Adapt to Changing Economic Conditions
- Allowed San Antonio to Perform Well Financially
- Cohesive Policies and Practices
- Contribute to the City's Credit Profile



Current Financial Policies

- General Fund
 - Manage Structural Balance
 - Maintain a Two Year Budget Plan
 - Maintain Public Safety Spending Below 66%
 - Maintain a Minimum Ending Balance of 15%
- Other
 - Contingency of \$1 Million in General Fund & \$3 Million in Capital Budget
 - Address Internal Fund Deficits within 3 to 5 Years



General Obligation Ratings

	Fitch	Moody's	S&P
Prime	AAA	Aaa	AAA
High grade	AA+	Aa1	AA+
	AA	Aa2	AA
	AA-	Aa3	AA-
Upper medium grade	A+	A1	A+
	A	A2	A
	A-	A3	A-
Lower medium grade	BBB+	Baa1	BBB+
	BBB	Baa2	BBB
	BBB-	Baa3	BBB-



City's Current Bond Ratings

General Obligation

- Moody's Investor's Services "Aaa"
- Standard & Poor's "AAA"
- Fitch Ratings "AA+"



Impact of Rating Downgrade

Cost of Potential Rating Downgrade Based on \$2.5 Billion	Gross Cost (\$ in Millions)
Downgrade from AAA to AA+ <i>(Drop of 1 level)</i>	\$17.5M to 37.5M
Downgrade from AAA to AA <i>(Drop of 2 levels)</i>	\$45M to 75M
Downgrade from AAA to AA- <i>(Drop of 3 levels)</i>	\$112.5M to 132.5M



Changed – Financial Parameters

- State Legislative Changes
 - SB 2 Property Tax Reform
 - Reduces Rollback Rate from 8% to 3.5%
 - Includes ability to carryforward unused capacity
 - Moody's Report Credit Negative
 - Fitch Report on SB 2
 - SB 1152 Compensation for Use of Public Rights-of Way
 - Projected \$7 Million reduction in General Fund base revenues



Changed – Financial Parameters

- November 2018 – Passage of Proposition C
 - Fire Union Unilateral Ability to Call for Binding Arbitration
 - Fitch cited as reason for downgrade from “AAA” to “AA+” December 2018



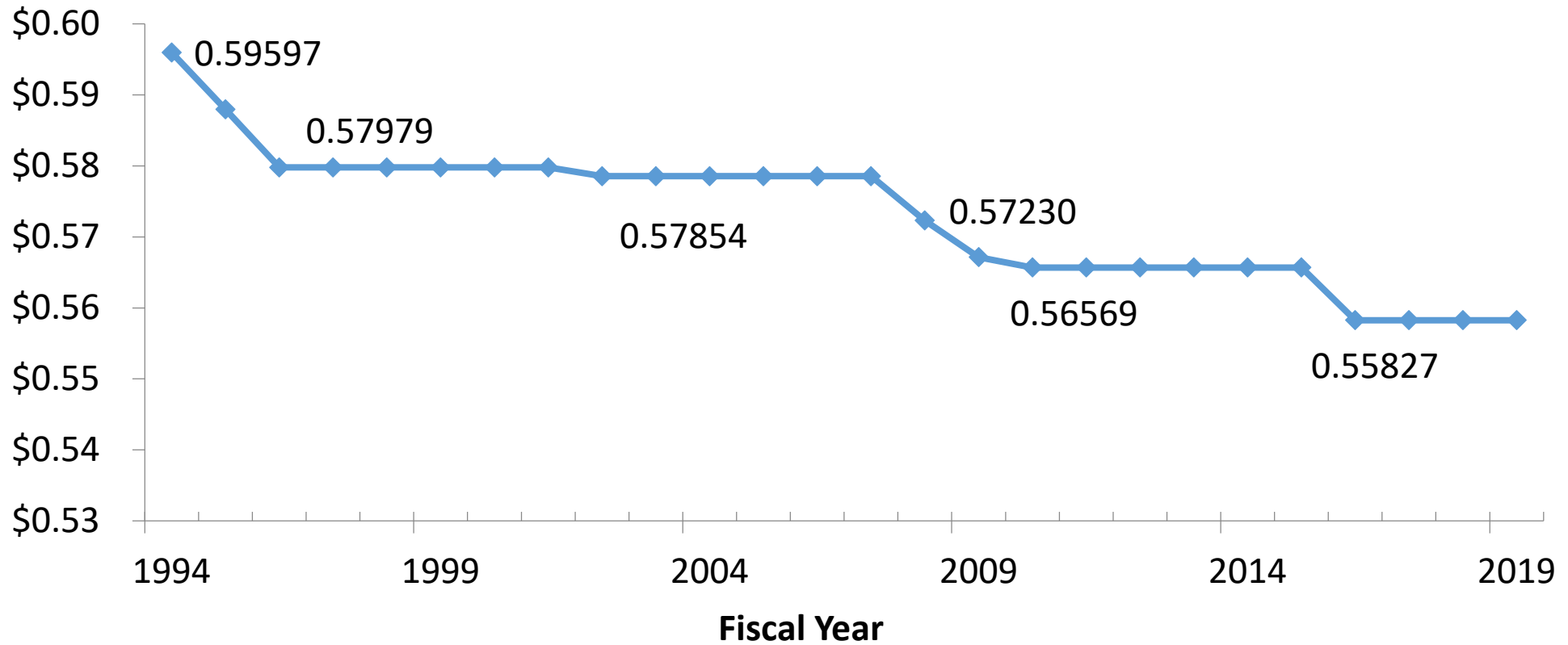
FY 2019 Tax Rate

■ M&O	\$0.34677	General Fund
■ Debt Service	\$0.21150	Debt Service Fund *
■ Total Tax Rate	\$0.55827	

* Bond Program and Capital Budget

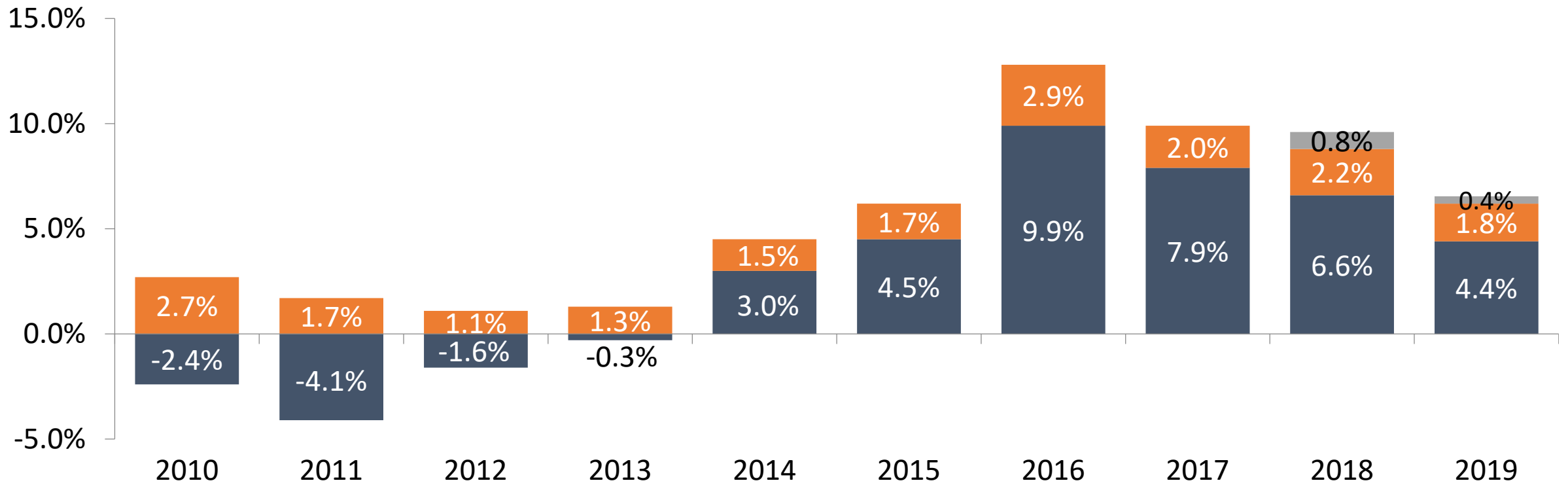


Historical Tax Rates





Property Tax - Taxable Valuation % Change from Prior Year



Actual Average Growth in Adopted Over Effective Tax Rate: 2.2%

Average Growth Based on 3.5% Rollback & Current Financial Policies: 1.6%

M&O Tax Levy on Total Taxable Value Including New Improvements (\$ in Millions)

Fiscal Year	M&O Tax Levy	Change Over Prior Year	% Change Over Prior Year
2009	\$245.5		
2010	\$244.4	-\$1.1	-0.4%
2011	\$239.8	-\$4.6	-1.9%
2012	\$239.5	-\$0.2	-0.1%
2013	\$243.1	\$3.6	1.5%
2014	\$254.5	\$11.4	4.7%
2015	\$267.7	\$13.2	5.2%
2016	\$292.9	\$25.2	9.4%
2017	\$317.7	\$24.8	8.5%
2018	\$340.7	\$23.0	7.2%
Budget 2019	\$361.9	\$21.2	6.2%

Actuals

Overall M&O Tax Levy grew by an average annual increase of 4.0%

From FY 2009 to FY 2014 M&O Tax Levy grew by 3.7% or an average annual increase of 0.8%

From FY 2014 to FY 2019 M&O Tax Levy grew by 42.2% or an average annual increase of 7.3%

Budget



Impact of SB 2 – Tax Rate

Fiscal Year	Base Value Growth	Actual Tax Rate	Tax Rate with 3.5% Rollback Rate
2015	4.5%	\$0.35419	\$0.35419
2016	9.9%	\$0.34677	\$0.34403
2017	7.9%	\$0.34677	\$0.33008
2018	6.6%	\$0.34677	\$0.32393
2019	4.4%	\$0.34677	\$0.31432



Proposed Update to Financial Policies

- Maintain Current Financial Policies
- Property Tax Rate Management
 - OPTION 1 - Annually adjust the General Fund M&O Property Tax Rate to the State imposed Rollback Rate of 3.5%
 - OPTION 2 – Annually review the impact of the State imposed 3.5% Property Tax Cap on service delivery and provide a recommendation on whether to adjust the Property Tax Rate



Proposed Update to Financial Policies

- Property Tax Rate Management (continued)
 - Analysis will take into consideration City Council priorities, service delivery, carryforward of property tax capacity from prior years, and impact to taxpayers



Proposed Update to Financial Policies

- Annually review Property Tax Relief with focus on homeowners
- Annually review and periodically adjust Fees and Charges to provide for cost recovery, inflation, and/or alignment with comparable charges



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