Five Year Financial Forecast

City of San Antonio ~ FY 2008 - FY 2012

A current and long-range assessment of financial conditions and costs for City service delivery plans

CITY OF SAN ANTONIO

FIVE YEAR FINANCIAL FORECAST

FY 2008 – FY 2012

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CITY OF SAN ANTONIO

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GENERAL FUND FORECAST

INTRODUCTION

Presented in this section is the forecast of revenues and expenditures for the General Fund. The economic data and projections discussed in the Economic Perspective & Outlook section of the Forecast are incorporated into the projection strategy of developing revenue and expenditures in the General Fund over the next five years.

The first section in the General Fund Forecast includes a schedule forecasting the General Fund from FY 2008 through FY 2012. Next is a discussion of current year and projected General Fund revenues. Recent revenue experience and economic assumptions are used to develop these figures. This section is followed by a presentation of base budget expenditures required to sustain the current (FY 2007) level of services throughout the Forecast period. These projections are based in part on a modified rate of inflation. Finally, this chapter ends with a discussion of Mandated Service Delivery Costs and General Fund Reserves.

General Fund Forecast

The forecast table on the following page combines projected General Fund resources, base budget expenditures, other added costs including reserve funds, and mandated expenditures to illustrate the financial impact to the General Fund ending balance. The net result of this schedule highlights the level of adjustments necessary over the forecast period to maintain a balanced budget as required by State law.

General Fund Forecast Schedule
($ in Millions)

	FY 2007 Budget	FY 2007 Estimate	FY 2008 Projection	FY 2009 Projection	FY 2010 Projection	FY 2011 Projection	FY 2012 Projection
RESOURCES							
Beginning Balance (Excluding Reserves)	$92.37	$103.87	$60.09	$12.48	$0.00	$0.00	$0.00
Reserve - 50 Additional Police Officers in FY 2008	0.00	0.00	2.40	0.00	0.00	0.00	0.00
Current Revenues							
CPS Energy	219.74	238.29	236.11	239.89	247.08	254.67	262.08
Additional CPS Energy Transfer	7.30	8.29	9.46	9.74	10.04	10.34	10.65
Property Taxes [Current, Delinquent & Penalties]	205.24	205.63	218.87	226.25	233.93	241.99	249.12
Sales Tax	180.80	186.21	193.83	201.64	209.83	217.53	225.49
Other	125.96	126.15	128.94	129.49	130.92	132.36	133.91
TOTAL REVENUES	**739.04**	**764.57**	**787.21**	**807.01**	**831.80**	**856.89**	**881.25**
TOTAL RESOURCES	**831.41**	**868.44**	**849.70**	**819.49**	**831.80**	**856.89**	**881.25**
EXPENDITURES							
Base Budget	788.09	785.95	825.67	853.48	883.91	914.54	941.69
Mandated Service Delivery Costs (Incremental)	0.00	0.00	4.15	2.35	4.05	3.62	1.22
50 Additional Police Officers (Incremental)	0.00	0.00	2.40	1.60	0.00	0.00	0.00
TOTAL EXPENDITURES	**788.09**	**785.95**	**832.22**	**857.43**	**887.96**	**918.16**	**942.91**
FINANCIAL RESERVES							
Contingency Fund (Incremental)	1.00	1.00	1.00	0.00	0.00	0.00	0.00
Budget Stabilization Reserve (Incremental)	15.00	15.00	0.00	0.00	5.70	5.90	6.10
Emergency Reserve (Incremental)	4.00	4.00	4.00	7.00	1.50	1.70	1.50
TOTAL RESERVES	**20.00**	**20.00**	**5.00**	**7.00**	**7.20**	**7.60**	**7.60**
ENDING BALANCE / ADJUSTMENT REQUIRED	***$23.33***	***$62.49***	***$12.48***	***($44.94)***	***($63.36)***	***($68.87)***	***($69.26)***
RESERVE - 50 ADDITIONAL POLICE OFFICERS IN F	2.40	2.40	0.00	0.00	0.00	0.00	0.00
USE OF BUDGET STABILIZATION RESERVE	0.00	0.00	0.00	15.00	0.00	5.70	5.90
REMAINING BALANCE	***$20.93***	***$60.09***	***$12.48***	***($29.94)***	***($63.36)***	***($63.17)***	***($63.36)***
RESERVES SUMMARY							
Contingency Fund	1.00	1.00	2.00	2.00	2.00	2.00	2.00
Budget Stabilization Reserve	15.00	15.00	15.00	0.00	5.70	5.90	6.10
Emergency Reserve	32.17	32.17	36.17	43.17	44.67	46.37	47.87

The General Fund Forecast Schedule is organized in the following manner:

- "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 Reserve for Revenue Loss, Budget Stabilization Reserve, or Contingency Funds.

- "Current Revenue" highlights the major sources of current revenue–CPS Energy, Property Taxes, and Sales Tax as well as all other sources, including fines and fees and other charges for current service.

- "Total Resources" is the sum of the Beginning Balance and Current Revenues.

- "Base Budget" shows the aggregate annual projected expenditures required to sustain the current FY 2007 level of services throughout the forecast period. In addition, it includes future Municipal Election costs and a potential employee compensation adjustment.

- "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.

- "Contingency Fund (Incremental)" reflects the incremental appropriation of funds that may be set aside to cover necessary expenditures that were unforeseen during the Budget Development Process.

- "Budget Stabilization Reserve (Incremental)" reflects the incremental amount of funding that may be set aside to help financially stabilize the General Fund in the event of significant revenue shortfalls and/or service delivery costs.

- "Emergency Reserve (Incremental)" reflects the incremental amount that may be set aside to provide services in case of a catastrophic event affecting revenues and/or service delivery costs.

- "Total Expenditures" is the sum of the Base Budget, Mandated Service Delivery Costs (Incremental), Contingency Fund (Incremental), Budget Stabilization Reserve (Incremental), Emergency Reserve (Incremental), and a reserve set aside for the funding of 50 additional police officers as outlined in the FY 2007 Adopted Budget.

- "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 Emergency Reserve, Budget Stabilization Reserve, or Contingency Fund. A revenue and/or expenditure adjustment is required in those years when this balance is negative.

- "Use of Stabilization Reserve" reflects the use of Budget Stabilization Reserve funds in years when the ending balance is negative and when Stabilization Reserve funds are available.

- "Remaining Balance after use of Stabilization Reserve" reflects the projected ending balance subsequent to the use of Budget Stabilization Reserves. Additional revenue and/or expenditure adjustments are required in those years when this balance is negative.

- "Contingency Fund" is the cumulative amount of funds that may be set aside each year of the Forecast period to cover necessary expenditures that were unforeseen during the Budget Development Process.

- "Budget Stabilization Reserve" is the cumulative amount of reserve funds that may be set aside to help financially stabilize the General Fund in the event of significant revenue shortfalls and/or service delivery costs.

- "Emergency Reserve" is the cumulative amount of reserve funds that may be set aside to provide services in case of a catastrophic event affecting revenues and/or service delivery costs.

REVENUES

Included herein is a projection of revenue receipts for all General Fund revenues from the current fiscal year through the Forecast period. The current year estimates are based primarily on current year activity while future projections are developed through various methods. Operating Departments responsible for administering the services and/or collecting the associated revenues work with the Office of Management & Budget to develop their revenue projections based on an analysis of factors to include historical trends, forecasted natural gas prices, projected economic and building activity, and known future factors such as contracts and interlocal agreements. A regression analysis is utilized to project those revenues that are impacted by economic factors. Sales Tax is projected using current year activity as the base and utilizing a blend of national and regional economic indicators (U.S. Consumer Price Index, San Antonio Gross Metro Product, and San Antonio Area Unemployment) to run the regression analysis. Revenue projections over the Forecast period account for changes in activity and do not assume changes to rates. Specific rate changes or new revenue sources are addressed through the Budget Process.

General Fund Forecast of Current Revenue
($ in Millions)

	FY 2007 Budget	FY 2007 Estimate	FY 2008 Projection	FY 2009 Projection	FY 2010 Projection	FY 2011 Projection	FY 2012 Projection
Revenue							
CPS Energy	$219.74	$238.29	$236.11	$239.89	$247.08	$254.67	$262.08
Additional CPS Energy Transfer	7.30	8.29	9.46	9.74	10.04	10.34	10.65
Property Taxes - Current	200.51	200.82	214.13	221.19	228.58	236.36	243.21
Property Taxes - Delinquent & Penalties	4.73	4.81	4.74	5.06	5.35	5.63	5.91
Sales Tax	180.80	186.21	193.83	201.64	209.83	217.53	225.49
Charges for Current Services	28.30	27.37	27.44	27.71	27.98	28.26	28.65
Business and Franchise Taxes	25.75	27.41	27.13	26.72	26.17	25.66	25.20
Licenses and Permits	5.35	5.42	5.96	5.54	5.63	5.71	5.86
Transfers from Other Funds	22.86	22.86	23.81	23.72	24.14	24.58	25.05
Miscellaneous Revenue	13.87	14.62	15.48	16.10	16.70	17.20	17.55
Fines	11.67	10.67	10.67	10.67	10.67	10.67	10.67
San Antonio Water System	8.52	9.20	9.43	9.57	9.71	9.86	10.00
Liquor by the Drink Tax	5.17	5.00	5.20	5.41	5.62	5.85	6.08
Other Agencies	3.38	3.60	3.82	4.05	4.30	4.57	4.85
Annexation	1.09	0.00	0.00	0.00	0.00	0.00	0.00
Total Revenue	**$739.04**	**$764.57**	**$787.21**	**$807.01**	**$831.80**	**$856.89**	**$881.25**
Increase from Prior Year	**N/A**	**$25.53**	**$22.64**	**$19.80**	**$24.79**	**$25.09**	**$24.36**
Percent Increase from Prior Year	**N/A**	**3.45%**	**2.96%**	**2.52%**	**3.07%**	**3.02%**	**2.84%**

As the table above indicates, total FY 2007 General Fund revenue is anticipated to be $25.53 million or 3.45% over FY 2007 budgeted levels. Over the Forecast period, these revenues are expected to increase at an average annual rate of 2.88%, with annual rates of change ranging from a low of 2.52% in FY 2009 (over the FY 2008 Projection) to a high of 3.07% in FY 2010 (over the FY 2009 Projection). Below is a description of General Fund revenue categories to include projected fiscal year rates of change, current year activity, and assumptions on future projections.

City Public Service Energy (CPS Energy) Payment to the City

Projected Annual Rates of Change
FY 2008: 0.91% FY 2009: 1.60% FY 2010: 3.00% FY 2011: 3.07% FY 2012: 2.91%

The City's payment from CPS Energy represents the largest source of revenue to the General Fund, accounting for 29.0% of Budgeted FY 2007 General Fund resources. Fourteen percent of CPS Energy gas and electric customer revenue is paid to the City as a return on investment. The estimated revenue of $238.29 million for FY 2007 is $18.55 million, or 8.44%, higher than the original $219.74 million budgeted in FY 2007. The forecast for FY 2008 of $236.11 million is $2.18 million, or 0.91% lower than the FY 2007 Estimate. The forecasted amounts for FY 2009 through

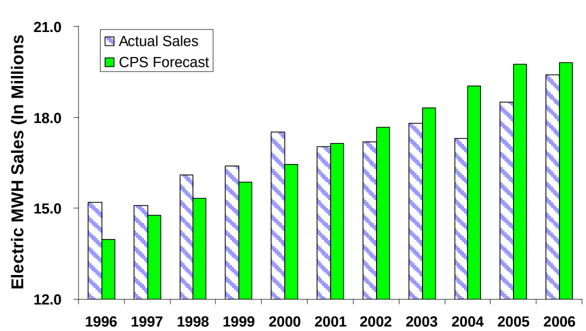
FY 2012 are based on the FY 2008 projection adjusted by a conservative growth rate of 3.00% annually.

The payment to the City from CPS Energy can fluctuate significantly from year to year. Revenue from CPS Energy is one of the most difficult to project due to a number of variables that can significantly impact CPS Energy revenues and consequently, the City's payment. Therefore, as has been the case for the past several years, the forecasted amount of $236.11 million for FY 2008 is conservative. City staff utilized the CPS Energy forecast as a basis for the development of the forecasted amount. CPS Energy forecasted demand (growth) assumptions were partially discounted and adjustments to forecasted natural gas prices were made. The resulting forecast assumes a normalized weather pattern, discounted forecasted demand, and does not assume continuation of conditions such as very high natural gas prices. The forecast was also developed with consideration for a multi-year forecast outlook, managing the City's reliance on revenues from CPS Energy, as well as the current level of reserves within the City's General Fund.

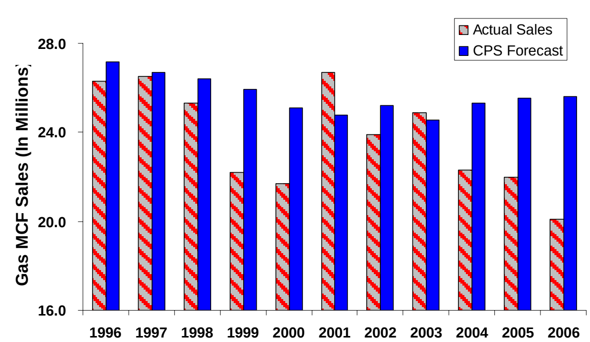
Accurately forecasting the CPS Energy payment revenue is challenged by a number of variables such as the weather, growth of the system, fuel prices, generation mix, and unscheduled maintenance on generation plants. For the past several years, instability in natural gas prices coupled with fluctuations 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 graphs below reflect CPS Energy's historical electric and gas sales (excluding off-system sales) as compared to forecast. CPS Energy's electric sales increased steadily from FY 1995 to FY 2001. While the electric system has continued to experience growth, electric sales have fluctuated to a greater degree from FY 2002 to FY 2005 primarily related to the weather. With respect to natural gas sales, actual sales have fluctuated significantly over the 10 year period largely dependent on the weather in the winter months.

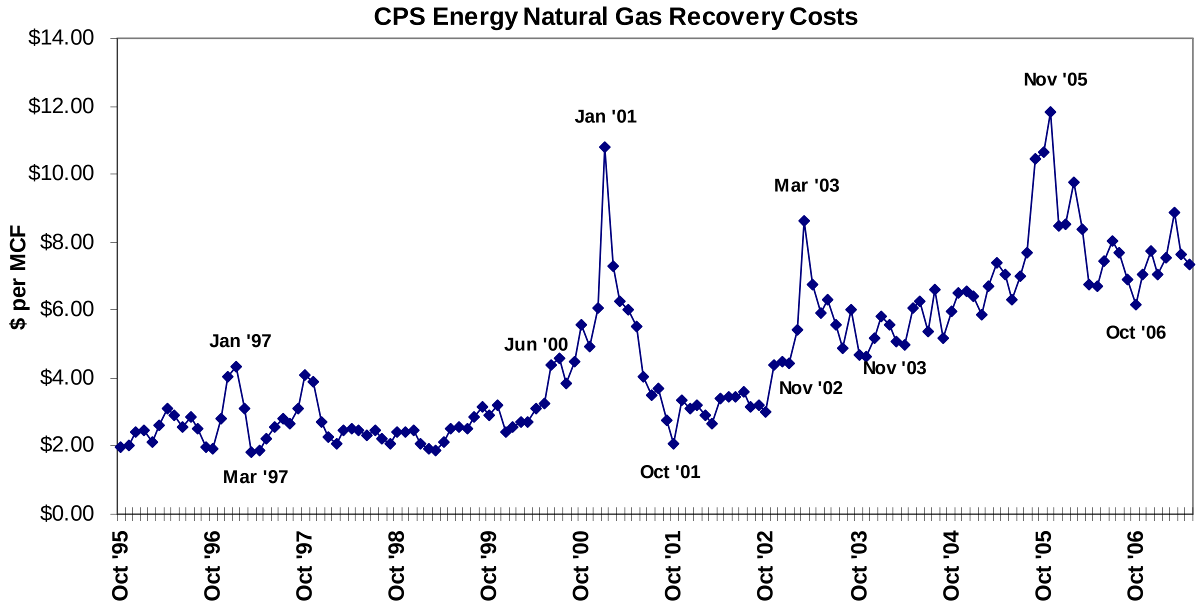
Electric Sales



Natural Gas Sales



Natural gas costs, which are a pass through to rate payers and CPS energy and gas rates, are a component of CPS Energy fuel costs and can also significantly affect the City's payment from CPS Energy. The following line graph reflects CPS Energy's historical natural gas prices recovered through its rates as a pass-through.



As illustrated in the graph, natural gas prices have become much more volatile since June 2000. Natural gas costs recovered by CPS Energy increased in June 2000 to $4.41 per MCF (Thousand Cubic Feet) and continued to rise reaching a high of $10.78 per MCF in January 2001. Subsequently, nine months later natural gas costs recovered fell to a low of $2.08 per MCF in October 2001 and remained under $4.00 per MCF until November 2002. Natural gas prices recovered by CPS Energy rose again to a high of $8.64 per MCF in March 2003, falling back to $4.63 in November 2003 and have continued to fluctuate upwards since that time to a high of $11.85 per MCF in November 2005. These natural gas costs are included in CPS Energy fuel costs which are passed on to ratepayers through the electric and gas rates. Such significant fluctuations can dramatically affect the City's payment from CPS Energy.

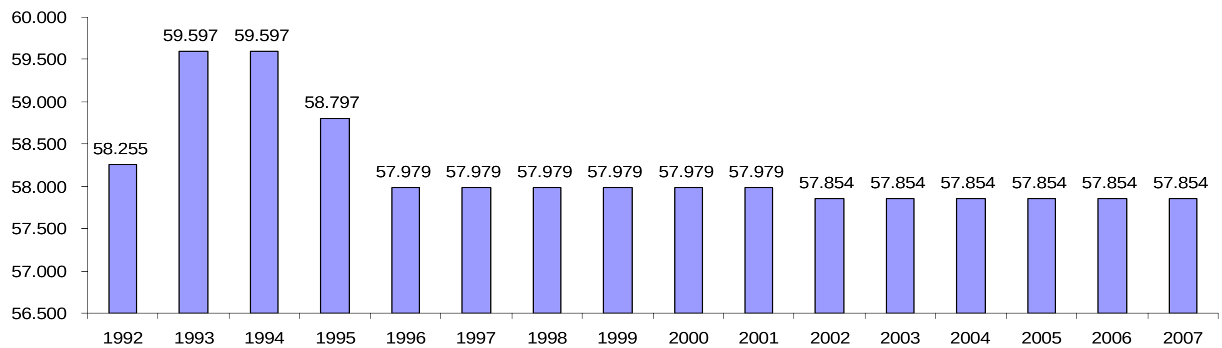
Fluctuations in demand, natural gas costs, and the other aforementioned factors result in the corresponding impacts to the City's total payment from CPS Energy. A review of the electric and natural gas sales and natural gas costs graphs in conjunction with the graph on City payment, demonstrate the correlation 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 do not assume continuation of conditions such as high natural gas prices, but do take into consideration other 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 2008: 6.63% FY 2009: 3.30% FY 2010: 3.34% FY 2011: 3.40% FY 2012: 2.90%

Property Tax revenue accounts for 25.0% of total Budgeted FY 2007 General Fund resources. This revenue category is comprised of Current Property Tax revenues only. Additional Property Tax revenues collected by the City 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, Disabled, and Disabled Veterans exemptions. 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 generated through the Forecast period assumes the current property tax rate of 57.854 cents per $100 of taxable valuation. The General Fund maintenance and operation portion is 36.704 cents with the remaining 21.150 cents used to support the City's debt service requirements.

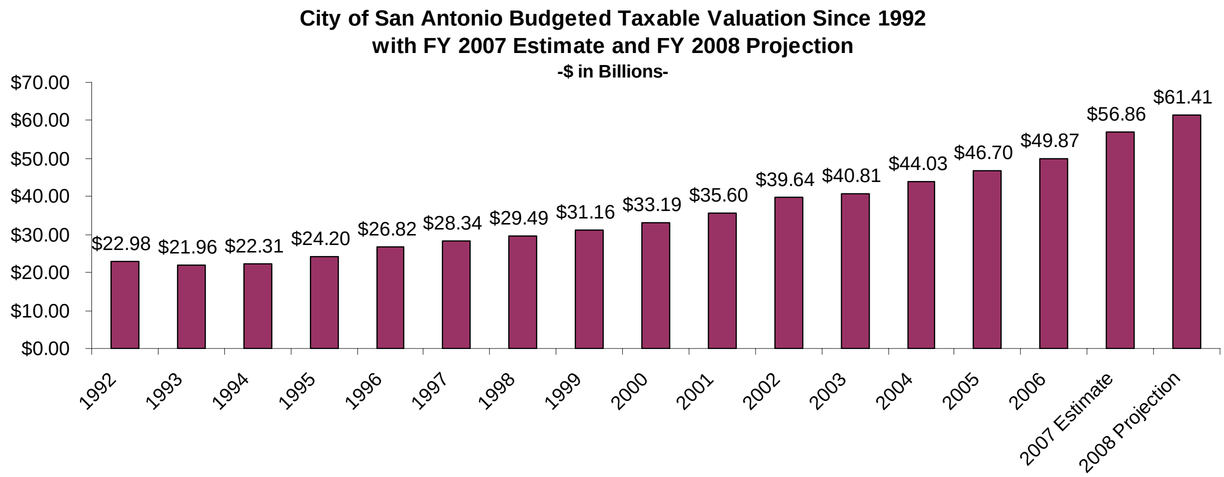
City of San Antonio Property Tax Rates Since 1992
-Cents per $100 Valuation-



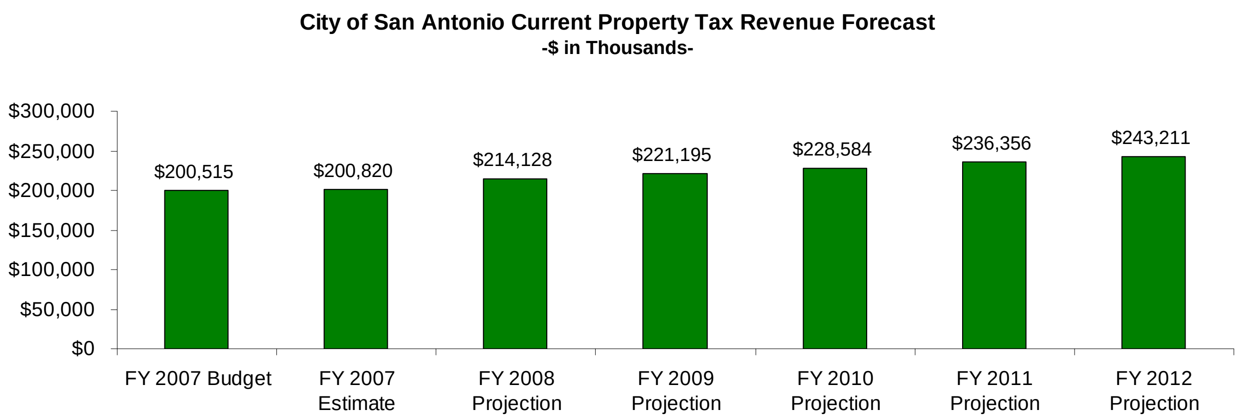
As the previous chart indicates, the City has not increased the property tax rate for fourteen years and has decreased it three times over that same period.

The projected growth in Property Tax revenue is based on anticipated growth in base taxable values, projected new property value improvements from major commercial developments and new residential growth, as well as annexations. Taxable valuations for FY 2007 are projected to increase by 0.15% from the original budget of $56.778 billion. The change in taxable value is due to final dispositions of appeals, mediation, litigation in District Court and filing of late residential exemption applications such as the Over-65 and Disabled Homestead exemptions, which can be filed up to one year in arrears.

Taxable valuations for FY 2008 are projected to increase by 8.00% over the FY 2007 Re-estimate of $56.862 billion. This reflects a 3.20% base value increase, a 4.05% increase from new improvements, and a 0.75% increase due to annexation. Taxable valuations are estimated to increase by 3.50% annually for FY 2009 through FY 2011 and by 3.00% in FY 2012. These projections are based on conservative estimates of base value growth, new property improvements, and annexations. The following chart details the City's adopted taxable value since 1992 and includes the re-estimated taxable value for FY 2007 and projected value for FY 2008 (based on Bexar Appraisal District's preliminary estimate as of April 13, 2007).



Based on the City's current Property Tax rate and the projected taxable valuations, the following graph illustrates the anticipated General Fund Current Property Tax revenue. It is projected that the General Fund will receive $200.82 million in FY 2007 or 0.15% more than the FY 2007 Budget. Based on the forecasted valuation growth, however, Current Property Tax revenue is projected to grow at an annual average of 4.02% over the Forecast period.

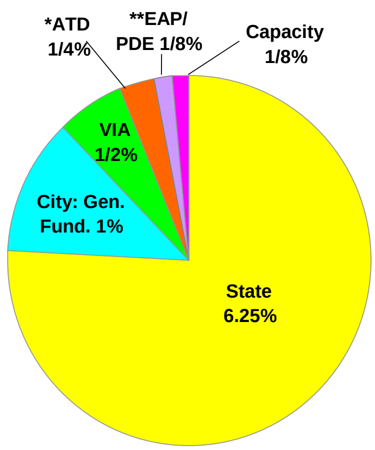


As briefly discussed above, the City's taxable value included in the forecast projections is net of all residential and commercial exemptions, special appraisals, and residence-homestead 10% limitations. In FY 2008, a total of 68,878 property owners are expected to qualify for the $65,000 Over-65 Residence Homestead exemption. The estimated impact of this exemption is $4.056 billion in taxable value loss equating to $23.5 million in property tax revenue that will be exempted in FY 2008, assuming no change in the current ad valorem tax rate of 57.854 cents per $100 of taxable valuation. During this same period, an estimated 9,555 disabled property owners will qualify for the $12,500 Disabled Residence Homestead exemption. The estimated impact of this exemption is $118.1 million in taxable value loss equating to $683,299 in property tax revenue that will be exempted in FY 2008, assuming no change in the current tax rate. Additionally, with the passage of Proposition 3 (Property Tax Freezes for Elderly and Disabled) on the May 7, 2005 ballot, the City will forego an additional $4.86 million in property tax revenue in FY 2008.

City Sales Tax Revenue

Projected Annual Rates of Change
FY 2008: 4.09% FY 2009: 4.03% FY 2010: 4.06% FY 2011: 3.67% FY 2012: 3.66%

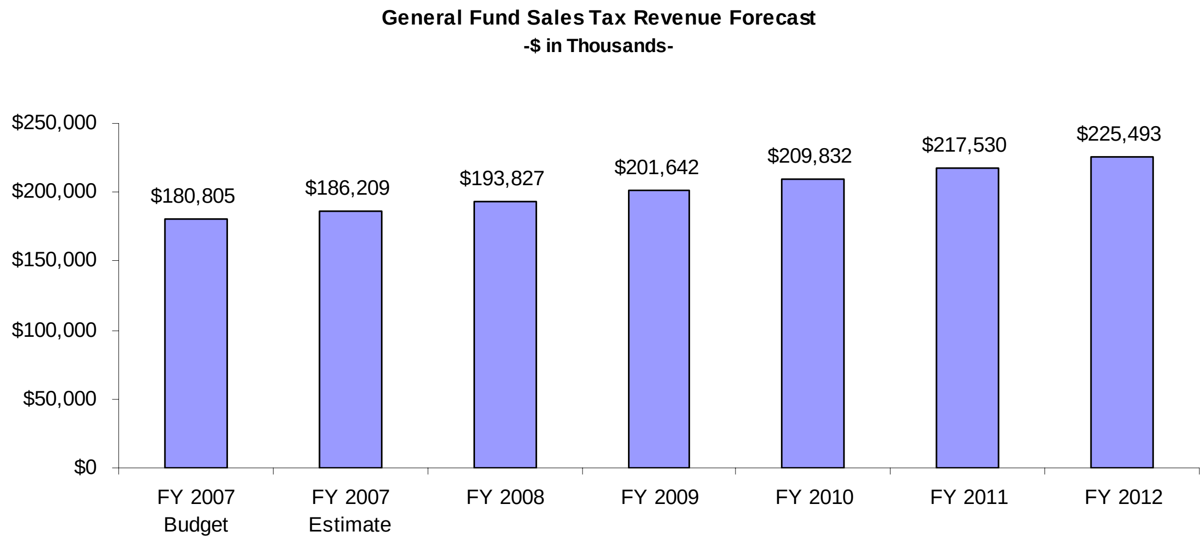
Sales tax revenue collected to support maintenance and operations for the General Fund within the FY 2007 Adopted Budget accounts for 23.0% of all Budgeted FY 2007 General Fund resources. San Antonio's current sales tax rate is 8.125%. Several entities receive percentages of all sales tax proceeds as summarized in the following chart. Currently, one-eighth of a cent remains available before the State mandated cap of 8.25% is reached.



ATD – Advanced Transportation District
EAP – Edwards Aquifer Protection
PDE – Parks Development & Expansion

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 are continuing to show signs of growth. Local economic conditions, such as the unemployment rate and economic output, are projected to exceed national trends for every year throughout the Forecast period.

Actual sales tax collections for the current year are projected to be at $186.21 million. This amount is $5.41 million or 2.99% more than the $180.80 million budgeted in FY 2007 for Sales Tax revenue. 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. General Fund Sales Tax revenues in FY 2008 are projected to increase by 4.09%. Across the Forecast period, revenue levels from this source are expected to grow at an annualized average rate of 3.90%. 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. The following graph illustrates General Fund Sales Tax revenue growth over the Forecast period compared to the FY 2007 Budget and Estimate.



Charges for Current Service

Projected Annual Rates of Change
FY 2008: 0.26% FY 2009: 0.98% FY 2010: 0.97% FY 2011: 1.00% FY 2012: 1.38%

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 and the vehicle impoundment storage fee; and Health revenues generated by birth and death certificates. Actual revenues for the current year are projected to be at $27.37 million or 3.29% below 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 2008: -1.02% FY 2009: -1.51% FY 2010: -2.06% FY 2011: -1.95% FY 2012: -1.79 %

The Business and Franchise Tax revenue category is primarily comprised of telecommunication providers' rights-of-way access line fees and cable television franchise fees. The former is governed by State Law and is a monthly fee paid to the City on a quarterly basis for each business line ($3.79) and each residential line ($1.13). The Cable television franchise fee revenue, governed by Federal and State law, is comprised of 5% of the cable company's gross revenue, excluding Internet Service revenue. FY 2008 forecasted revenue from the City's largest cable television provider, Time Warner Cable (TWC), is projected to be $10.50 million. This is 2.00% increase over the FY 2007 Estimate of $10.29 million.

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 FY 2008 forecasted CTP revenue of $15.28 million is $0.58 million or 3.65 % lower than the FY 2007 Estimate of $ 15.86 million.

Licenses and Permits

Projected Annual Rates of Change
FY 2008: 9.96% FY 2009: -7.05% FY 2010: 1.62% FY 2011: 1.42% FY 2012: 2.63%

The FY 2007 Adopted Licenses and Permits budget totals $5.35 million. Of this amount, $3.43 million is generated from Licenses. This revenue category includes Alcoholic Beverage licenses, Health licenses such as Food Establishment licenses, as well as professional and occupational licenses including downtown Peddler licenses and Pet Shop licenses. The Permits revenue category, totaling $1.92 million within the FY 2007 Adopted Budget, includes fees from Garage Sales permits, Alarm Fees permits, and Street Lane closures.

Licenses and Permits actual revenues for FY 2007 are projected to be at $5.42 million. This is $0.07 million or 1.31% above the FY 2007 Budget. The projected rates of annual growth over the Forecast period are based on modest growth in license revenue.

Revenue Transfers from Other Funds

Projected Annual Rates of Change
FY 2008: 4.16% FY 2009: -0.38% FY 2010: 1.77% FY 2011: 1.82% FY 2012: 1.91%

Authorized revenue transfers to the General Fund from other City funds are primarily based on charges for indirect costs. The City has an Indirect Cost Plan developed annually that uses a number of factors to determine the maximum recommended costs that can be assessed to Grant and Other Fund funds for General Fund central service support such as payroll, accounting, and legal services. An additional major source of revenue in this category is the Support for History and Preservation Transfer to the General Fund from the Hotel Occupancy Tax Fund. The General Fund receives 15.0% of Hotel/Motel Tax revenues to offset the General Fund's costs of maintaining tourist-related venues such as the Riverwalk. Because the rate of growth for the Transfers from Other Funds revenue source has varied from year to year, it is difficult to project this revenue source over the Forecast period with any consistency. With the exception of the Hotel/Motel Tax Fund, other transfer revenues are assumed to remain flat during the Forecast period.

Miscellaneous Revenue

Projected Annual Rates of Change
FY 2008: 5.88% FY 2009: 4.01% FY 2010: 3.73% FY 2011: 2.99% FY 2012: 2.03%

The Miscellaneous Revenue category includes revenues from interest earned on City revenue investments, the sale of City property including vehicles sold at auction, leases of City property, recovery of expenditures incurred by City forces on certain bond funded capital projects, capital programs administration charges, as well as grant-related recoveries. Current year revenues are projected to be approximately $14.62 million compared to the FY 2007 Budget of $13.87 million. This $0.75 million or 5.41% increase is largely attributable to significant impounded vehicle auction revenue, higher than anticipated interest on short-term investments, and increased recovery of expenditures. For FY 2008, total revenue in the Miscellaneous category is expected to be $0.86 million, or 5.88% higher than the $14.62 million Estimated in FY 2007. The higher revenue can largely be attributed to an anticipated increase on short-term money investments and increased vehicle auction revenue. Overall, Miscellaneous revenue growth is anticipated to increase at an average annual rate of 3.73%.

Municipal Court Fines

Projected Annual Rates of Change
FY 2008: 0.00% FY 2009: 0.00% FY 2010: 0.00% FY 2011: 0.00% FY 2012: 0.00%

Revenues in this category include fines for moving and parking violations and probation fees. In FY 2007, this source of revenue is expected to come in $1.00 million or 8.57% under budget. Because of the uncertainty of the factors involved and varied collections from year to year, it is difficult to project this revenue source with any consistency. As such, there is no projected growth for the forecast years.

San Antonio Water System (SAWS) Payment

Projected Annual Rates of Change
FY 2008: 2.50% FY 2009: 1.48% FY 2010: 1.46% FY 2011: 1.54% FY 2012: 1.42%

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 forecasted FY 2008 revenue from SAWS is $9.43 million. This is a increase of $0.23 million from the FY 2007 Estimate of $9.20 million. Projections for the Forecast period are based on historical revenue experience of SAWS for each of its core businesses.

Liquor by the Drink Tax Revenue

Projected Annual Rates of Change
FY 2008: 4.00% FY 2009: 4.04% FY 2010: 3.88% FY 2011: 4.09% FY 2012: 3.93%

The Liquor by the Drink Tax revenue source (or Mixed Beverage Tax) represents the City's portion of a 14.0% State tax imposed on gross receipts of the sale or service of mixed alcoholic and non-alcoholic beverages. This revenue source can be linked to the performance of the economy. A high correlation exists between this revenue source and various local economic indicators used to project future growth rates.

FY 2007 actual revenues are anticipated to come in 3.29%, or $0.17 million, less than the budgeted level. The forecast period amounts are based on conservative figures with an anticipated annualized growth rate of 4.00%.

Other Agencies' Revenue

Projected Annual Rates of Change
FY 2008: 6.11% FY 2009: 6.02% FY 2010: 6.17% FY 2011: 6.28% FY 2012: 6.13%

This category includes revenue primarily from interlocal agreements with Bexar County for health and library services provided to Bexar County residents not residing in the City of San Antonio. The level of contribution from Bexar County is set by agreement. Actual revenue received for FY 2007 is anticipated to be at $3.60 million. This amount is roughly $0.22 million over the budgeted levels due to increased revenues from Bexar County for Library Services from library circulation.

BASE BUDGET EXPENDITURES

This section of the Forecast projects expenditures based on current service levels. The FY 2007 estimated expenditures amount assumes that 99.9% of the expenditures approved in the FY 2007 Adopted Budget will be spent. The FY 2008 target assumes the removal of the one-time improvements included in the FY 2007 Adopted Budget and costs annually modified for price changes.

The inflation rates used to project specific non-personal services expenditures were derived from the national Consumer Price Index (CPI) projections for each year from 2008 through 2012. These rates and their underlying assumptions are described in the Economic Perspective & Outlook section of this document. Shown below are the assumed inflation rates for each year of the forecast period:

General Fund
CPI Projections

FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
2.21%	2.09%	2.14%	2.22%	2.32%

The following table represents the Base Budget projections for FY 2008 and throughout the forecast period. These projections include transfers to the Emergency Medical Services Fund, the Streets Maintenance and Improvement Fund, and the Animal Care Services Fund.

General Fund
Projected Base Budget Expenditures
($ in Millions)

FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
$832.22	$857.43	$887.96	$918.16	$942.91

GENERAL FUND MANDATED EXPENDITURES

The following section projects the cost requirements of mandated expenditures over the FY 2008 – FY 2012 forecast period and their impact to the General Fund. All expenditures shown are incremental and are sorted by Service Delivery Category.

Mandate Title	Funding	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Capital Improvements Operations & Maintenance						
2007-2012 Bond Program Operations and Maintenance	Recurring	$0	$0	$1,983,516	$2,078,000	$0
Edwards Aquifer Land Acquisition and Maintenance	One-Time	0	35,500	50,000	0	0
Edwards Aquifer Land Acquisition and Maintenance	Recurring	0	53,303	36,933	0	0
Emergency Operations Center Operations and Maintenance	Recurring	824,873	156,281	0	0	0
Igo Branch Library (Hausman)	Recurring	728,016	6,384	0	0	0
Main Plaza Maintenance	Recurring	285,290	32,532	0	0	0
Park Acquisition and Development Maintenance	One-Time	28,250	0	38,000	36,000	36,000
Park Acquisition and Development Maintenance	Recurring	270,915	16,774	135,282	88,296	44,906
Park Police Outer Districts	One-Time	60,326	4,322	47,360	4,322	4,322
Park Police Outer Districts	Recurring	206,273	49,502	97,865	49,502	49,502
Park Police Trails	One-Time	118,120	59,160	190,146	190,146	122,442
Park Police Trails	Recurring	105,425	84,938	309,538	306,503	205,967
Park Pool Maintenance	Recurring	118,000	0	0	0	0
Roosevelt / NEISD Branch Library	Recurring	0	602,712	0	0	0
Subtotal		**$2,745,488**	**$1,101,408**	**$2,888,640**	**$2,752,769**	**$463,139**
Contract Requirement						
Fire Longevity Pay	Recurring	$341,364	$302,067	$266,018	$0	$0
Police Longevity Pay	Recurring	628,716	575,400	725,762	658,075	554,791
Community Link Center Leases	Recurring	70,552	3,489	6,524	0	0
General Fund Leases	Recurring	0	15,289	5,457	28,353	4,315
History Center Portal - (Hertzberg Building)	Recurring	0	134,086	0	0	0
Library Software Maintenance	Recurring	75,807	0	0	0	0
Medical Examiner Office Services	Recurring	148,476	136,888	152,069	168,934	187,668
Comprehensive Nutrition Program Contract	Recurring	63,000	73,500	0	0	0
Subtotal		**$1,327,915**	**$1,240,719**	**$1,155,830**	**$855,362**	**$746,774**
Grant Match Requirement						
EMS Medical Special Operations Unit Training	Recurring	$53,466	$0	$0	$0	$0
DWI STEP Cash Match	Recurring	16,215	0	0	0	0
ReACT Grant Match (Auto Crime Prevention)	Recurring	11,671	7,285	7,536	14,195	13,589
Subtotal		**$81,352**	**$7,285**	**$7,536**	**$14,195**	**$13,589**
Total One-Time Costs		**206,696**	**98,982**	**325,506**	**230,468**	**162,764**
Total Recurring Costs		**3,948,059**	**2,250,430**	**3,726,500**	**3,391,858**	**1,060,738**
Overall Total		**$4,154,755**	**$2,349,412**	**$4,052,006**	**$3,622,326**	**$1,223,502**

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. The mandated expenditures summarized in the chart above are shown on the following page in greater detail.

Capital Improvements Operations & Maintenance

2007-2012 Bond Program Operations and Maintenance: On May 12, 2007, San Antonio voters approved a $550 Million Bond Program which included 151 projects designed to improve and enhance existing streets, bridges, sidewalks, drainage facilities, parks, athletics facilities, libraries, and public health centers. Operational impacts will occur from library projects (two new branch libraries) and from a variety of parks projects. Currently, it is estimated (in today's dollars) that the annual operating and maintenance impact once all library and park projects are completed will be just over $4 million. There will be minimal to no additional annual operating impact costs from street, bridge, sidewalk, drainage, and public health facility projects. City Council will be asked to approve a schedule designating which projects will be initiated in each of the years between 2007 through 2012.

Edwards Aquifer Land Acquisition and Maintenance: Proposition 1 passed in May 2005 provides for the acquisition of land over the Edwards Aquifer from sales tax funds. It is projected that 1,000 acres of undeveloped property will be acquired with these funds between FY 2008 and FY 2012. This mandate, totaling $88,803 in FY 2009, will provide funding for maintenance associated with these voter-approved property acquisitions. This mandate includes $35,500 in one-time costs in FY 2009 and a total cost of $86,933 in FY 2010.

Emergency Operations Center Operations and Maintenance: This mandate, totaling $824,873 in FY 2008, would provide for landscaping, building maintenance and security, utilities, and technology costs for the new Emergency Operations Center (EOC), a 2003 General Obligation Bond project. The EOC, located at Brooks City-Base, will house City, Bexar County, State, and Federal personnel to provide responsive actions in the event of a natural or man-made emergency or disaster. The incremental increase for this recurring mandate would total $156,281 in FY 2009. The City will be entering into a local agreement with Bexar County to share costs for operating the building.

Igo Branch Library: The new Igo Branch Library is currently under construction at 7938 W. Hausman Road and is projected to open in December 2007. Funding for the construction of the new branch library was included in the 1999 Bond Program. This mandate will provide funding for personnel and non-personnel costs necessary to operate the library. The cost for this mandate is $728,016 in FY 2008 with an incremental cost of $6,348 in FY 2009.

Main Plaza Maintenance: The City Council has authorized funds for the redevelopment of the Main Plaza. The park renovation will include fountain(s), landscaping, and an outdoor public restroom. The total cost of the mandate for FY 2008 is $285,290 with an incremental cost of $32,532 for the following year. Resources are being added to address maintenance operations.

Park Acquisition and Development Maintenance: This mandate, totaling $299,165 in FY 2008, will provide funding for maintenance and repair of park infrastructure improvements including trail maintenance, parking areas, fencing, concrete work, drinking fountain, and lighting repairs. There are an additional 1,147 acres that will be acquired in FY 2008, including 6.55 Greenway/Creekway miles. These acquisitions will require fabrication, installation, and continuous maintenance of signage, drinking fountains, trash receptacles, construction of portable toilet enclosures where required, portable toilet rental, property barriers, sanitation maintenance, and utility costs. This mandate includes $28,250 in FY 2008 for one-time costs and an incremental cost of $16,774 in FY 2009.

Park Police Outer Districts: This mandate, totaling $266,599 in FY 2008, will provide additional personnel and equipment which will be utilized to patrol new and expanded parkland and facilities located outside of San Antonio's downtown area. Many of these properties were acquired as part of the 2003 Bond Program. This mandate includes $60,326 in FY 2008 for one-time costs and an FY 2009 cost of $53,824.

Park Police Trails: This mandate, totaling $223,545 in FY 2008, will provide for the personnel and equipment to patrol improvements of an additional 2,684 acres of Parkland along Leon Creek, Salado Creek, and Medina River. These land purchases were funded through the 2000 Sales Tax Initiative and the 2003 Sales Tax Initiative. This mandate includes $118,120 in FY 2008 for one-time costs and an FY 2009 cost of $144,098 which includes an incremental cost of $21,356.

Park Pool Maintenance: This mandate, totaling $118,000 in FY 2008 will provide funding for the daily maintenance of the pools and ornamental fountains at the Japanese Tea Gardens as well as the Springtime Park Pool. Both of these rehabilitation projects were approved in the 2003 Bond Program.

Roosevelt/NISD Branch Library: A cooperative branch library with North East Independent School District (NEISD) will open at Roosevelt High School in January 2009. The Library Department will be responsible, under a service agreement with NEISD, for a portion of the operations and maintenance of the new branch library. The square footage of the Roosevelt Library will be 17,165 square feet. The hours being proposed for the library are 60 per week all year. The total projected recurring cost in FY 2009 for this mandate is $602,712. Final costs for each entity will be determined through a service agreement.

Contract Requirements

Fire Longevity Pay: This mandate provides funding to address increases in salary based upon years of service for all uniform personnel. The total cost in FY 2008 is $341,364 and the incremental cost for this mandate in FY 2009 would be $302,067.

Police Longevity Pay: This mandate provides funding to address increases in salary based upon years of service for all uniform personnel. The total cost in FY 2008 is $628,716 and the incremental cost for this mandate in FY 2009 would be $575,400.

Community Link Center Leases: This mandate addresses contractually required lease increases to five Community Link Service Centers. The five link centers include Valley View, South Park, Las Palmas, Naco-Perrin, and City Base Landing. The Community Link Service Centers serve as satellite offices offering multiple city services during extended hours of operation. Some of the primary services provided are birth/death certificates, police reports, and payment of municipal court fines. This mandate has a recurring cost of $70,552 in FY 2008 with an incremental cost of $3,489 in FY 2009.

General Fund Leases: This mandate would address the incremental increases for rent as stated in the lease agreements for space at the Docucon Building, Washington Place, and Rosa Verde for the Police Department. There is no incremental cost for FY 2008. However, this mandate will total $19,229 in FY 2009.

History Center Portal – Hertzberg Building: The City Council approved a lease agreement for the old Main Library Building (also known as the Hertzberg Building) to the National Western Art Foundation for the renovation and use of the building located at 210 W. Commerce, as well as adjacent City owned property on Market Street, to create a world-class western art museum and library history center. The San Antonio Public Library, under this lease agreement, will provide a History Center Portal using up to 5,000 square feet of dedicated space in the building. The operating term of the agreement is twenty-five years with three five-year renewals. This lease was approved on August 31, 2006. The Library is responsible for creating the 5,000 square foot History Center Portal and providing for the operations and maintenance of the Portal. To support the operations and maintenance of the History Center Portal, the total recurring cost for FY 2009 is $134,086.

Library Software Maintenance: On January 26, 2006, City Council approved a contract with Innovative Interfaces, Inc. for modules for the Library's Millennium automated system. This contract included an annual maintenance amount of $66,631. On March 8, 2007, City Council approved an agreement with 3M for a Radio Frequency Identification system (RFID). The RFID system supports inventory controls, theft detection, and self-checkout for the Library. This system includes an annual maintenance amount of $9,176. The total recurring cost of this mandate in FY 2008 is $75,807.

Medical Examiner Office Services: In 2006, the City entered into a one-year, Interlocal Agreement with Bexar County in which Bexar County would provide the City with forensic science services. The agreement included four, one-year automatic renewals. This mandate, totaling $148,476 in FY 2008, addresses the minimum guaranteed amount as based on the total amount of all fees invoiced to the City by the County for services rendered during the previous fiscal year. The incremental increase for FY 2009 is projected at $136,888.

Comprehensive Nutrition Program Contract: This mandate, totaling $63,000 in FY 2008, will provide for the contractual increase in the cost of meals served to the Comprehensive Nutrition Sites within the Community Initiatives Department. This contract with Selrico Services, Inc. was approved by City Council in April, 2005, and authorizes Selrico Services, Inc. to prepare and deliver meals to those Comprehensive Nutrition Sites. This mandate has an FY 2009 cost of $73,500.

Grant Match Requirements

EMS – Medical Special Operations Unit Training: Specialized training for the Medical Special Operations Unit (MSOU) was made possible through the Metropolitan Medical Response System (MMRS) Grant which provided awardees funding to enhance and maintain integrated, systematic preparedness for local response to weapons of mass destruction and large-scale multi-casualty events. As a provision to the grant, monthly training scenarios of events involving weapons of mass destruction and hazardous materials are required for personnel to maintain certification and preparedness levels. This mandate would address the training requirements for the MMRS Grant in FY 2008 and would cost $53,466.

DWI STEP Cash Match: The Texas Department of Transportation (TxDOT) DWI Selective Traffic Enforcement Program (STEP) is designed to assist the City of San Antonio Police Department increase its DWI enforcement through overtime efforts of Traffic Officers. In FY 2008, TxDOT will be awarding an additional $300,000 to expand the grant program into a speed enforcement component. FY 2008 will represent the sixth year that the City will participate in the STEP and would require a $16,215 cash match. This mandate would provide the cash match for FY 2008 and assist in securing the $800,000 grant.

ReACT Grant Match (Auto Crime Prevention): The Regional Auto Crimes Team (ReACT) Program was established to perform proactive programs such as conducting salvage inspections, surveillance of high auto theft and recovery areas, and holding auto theft prevention seminars with civil groups. The base cash match for this project is $522,762. This mandate, totaling $11,671 for FY 2008, would provide the additional cash match needed to address the cost increase for City personnel costs and lease charges. The incremental increase for FY 2009 would total $7,285.

FINANCIAL RESERVES FUNDS

The establishment and maintenance of appropriate reserves within the General Fund is critical to prudent financial management. The FY 2007 Adopted Budget included the establishment of new reserves with targets for specific levels of funding for each. Following is a brief description of each reserve, general policy guidelines for their use, and their planned level of funding.

Contingency Reserve Fund

The Contingency Reserve Fund was established in the FY 2007 Adopted Budget. These funds would be available to be utilized throughout the year to meet unforeseen operational or capital requirements which arise during the course of the fiscal year. The use of these funds would 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 unanticipated expenditure.

The level of targeted funding annually for the contingency amount is 1% of the General Fund appropriations. On an annual basis, any unused contingency funds will become part of the unreserved fund balance. For FY 2007, a contingency in the amount of $1 Million was set aside. The FY 2008 base budget assumes a $1 Million transfer to the Contingency Fund, bringing the cumulative reserve to $2 Million, or 0.24% of General Fund appropriations. For the forecast period, it is projected that the Contingency Reserve Fund will be maintained at a level of $2 Million every year.

Contingency Reserve Fund
– Goal is 1% of Base Budget –
($ in Millions)

	FY 2007 Budget	FY 2007 Estimate	FY 2008 Projection	FY 2009 Projection	FY 2010 Projection	FY 2011 Projection	FY 2012 Projection
Contingency Fund - One Time Contribution	$1.00	$1.00	$1.00	$0.00	$0.00	$0.00	$0.00
Contingency Fund - Cumulative	**$0.00**	**$1.00**	**$2.00**	**$2.00**	**$2.00**	**$2.00**	**$2.00**
1% of Budget (in dollars)	$7.88	$7.86	$8.30	$8.56	$8.88	$9.18	$9.43
Contingency Fund as a % of base budget	0.13%	0.13%	0.24%	0.23%	0.23%	0.22%	0.21%

Emergency Reserve Fund

The City of San Antonio established a Reserve for Revenue Loss in FY 1989 (renamed Emergency Reserve Fund in FY 2007). The Reserve was created and maintained each year in order to ensure payment for critical City service deliveries. The City of San Antonio established a goal of maintaining an Emergency Reserve Fund at 5% of the total General Fund appropriations. The FY 2007 Adopted Budget included an increase in the Emergency Reserve Fund of $4.0 million resulting in a reserve equal to 4.1% of General Fund Appropriations.

The FY 2008 – FY 2012 Forecast recommends allocating substantial funding to the reserve to reach the 5% goal by FY 2009 and maintains this goal through FY 2012.

Emergency Reserve Fund
– Goal is 5% of Base Budget –
($ in Millions)

	FY 2007 Budget	FY 2007 Estimate	FY 2008 Projection	FY 2009 Projection	FY 2010 Projection	FY 2011 Projection	FY 2012 Projection
Emergency Reserve - One Time Contribution	$4.00	$4.00	$4.00	$7.00	$1.50	$1.70	$1.50
Emergency Reserve - Cumulative	**$32.17**	**$32.17**	**$36.17**	**$43.17**	**$44.67**	**$46.37**	**$47.87**
5% of Budget (in dollars)	$39.40	$39.30	$41.49	$42.79	$44.40	$45.91	$47.15
Emergency Reserve as a % of base budget	4.08%	4.09%	4.38%	5.06%	5.05%	5.07%	5.08%

The Emergency Reserve Fund should only be used in the event of 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. Funds should only be drawn from the reserve if absolutely necessary to address such an extreme occurrence. In the event reserve funds are utilized, the replenishment of these funds through the next Budget should be a priority.

Budget Stabilization Reserve Fund

As part of an effort to establish and maintain adequate levels of financial reserves, the FY 2007 Adopted Budget created a Budget Stabilization Fund to assist the City in smoothing fluctuations in available General Fund resources from year to year and stabilizing the budget. This fund is a mechanism to manage resources in the context of recurring and one-time, and as such, result in more continuity in service delivery levels.

In the FY 2007 Adopted Budget, $15 million was set aside to be utilized for FY 2008, which was projected to have a negative ending balance. Updated revenue and expenditure estimates show a positive projected ending balance in FY 2008. The $15 million set aside in FY 2007 would be utilized in FY 2009 to offset a portion of the year's negative ending balance.

Budget Stabilization Reserve Fund
– Goal is 5% of Base Budget –
($ in Millions)

	FY 2007 Budget	FY 2007 Estimate	FY 2008 Projection	FY 2009 Projection	FY 2010 Projection	FY 2011 Projection	FY 2012 Projection
Budget Stabilization - One Time Contribution	$15.00	$15.00	$0.00	$0.00	$5.70	$5.90	$6.10
Use of Stabilization Reserve	$0.00	$0.00	$0.00	$15.00	$0.00	$5.70	$5.90
Budget Stabilization - Cumulative	**$0.00**	**$15.00**	**$15.00**	**$0.00**	**$5.70**	**$5.90**	**$6.10**
3% of Budget (in dollars)	$23.64	$23.58	$24.89	$25.67	$26.64	$27.54	$28.29
Contingency Fund as a % of base budget	1.90%	1.91%	1.82%	0.00%	0.64%	0.65%	0.65%

In subsequent years, the Budget Stabilization Reserve will be funded with estimated one-time CPS revenues; however, these funds will be utilized to offset the projected deficit in the following fiscal year.

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 tourism through a transfer to the Community and Visitor Facilities Fund (CVF), the Convention and Visitors Bureau Fund (CVB) and the Cultural Affairs Fund. The fund also supports various visitor related activities such as maintenance of the Riverwalk, Hemisfair Park, and La Villita through a transfer of a portion of its HOT revenues to the General Fund under 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 2008 through FY 2012. The forecast includes as its starting point the current fiscal year budget and preliminary estimated projections for the fiscal year. The Forecast includes financial projections on revenues, expenditures, ending balances and reserves.

Hotel Occupancy Tax Fund Forecast
($ In Thousands)

	FY 2007 Budget	FY 2007 Estimate	FY 2008 Projection	FY 2009 Projection	FY 2010 Projection	FY 2011 Projection	FY 2012 Projection
RESOURCES							
Beginning Balance	$5,266	$12,204	$4,031	$1,148	$344	$306	$649
Hotel Occupancy Tax	47,138	50,488	53,133	56,161	58,969	61,918	65,014
Interest Earnings	526	1,280	1,303	1,336	1,370	1,404	1,439
TOTAL RESOURCES	**52,930**	**63,972**	**58,467**	**58,645**	**60,683**	**63,628**	**67,102**
TRANSFERS							
Community & Visitor Facilities Fund	17,332	16,416	16,660	16,523	17,526	17,639	18,066
Convention & Visitors Bureau Fund	16,564	16,561	19,258	20,222	21,038	22,226	23,268
Cultural Affairs Fund	6,712	6,671	7,608	8,059	8,477	8,916	9,377
Support for History and Preservation	7,071	7,573	7,970	8,424	8,845	9,288	9,752
Other Transfers	3,130	2,820	2,823	2,473	2,491	2,510	2,530
Renewal, Improvement & Contingency (Incremental)	1,500	7,500	1,000	1,000	1,000	1,000	1,000
Budget Stabilization Reserve (Incremental)	400	2,400	2,000	1,600	1,000	1,400	1,400
TOTAL TRANSFERS	**52,709**	**59,941**	**57,319**	**58,301**	**60,377**	**62,979**	**65,393**
ENDING BALANCE / ADJ. REQUIRED	***$221***	***$4,031***	***$1,148***	***$344***	***$306***	***$649***	***$1,709***
RESERVES SUMMARY							
Renewal, Improvement & Contingency (Cumulative)	1,500	7,500	8,500	9,500	10,500	11,500	12,500
Budget Stabilization Reserve (Cumulative)	400	2,400	4,400	6,000	7,000	8,400	9,800
Percentage of Two Month Reserve Funded	4.1%	24.5%	44.9%	61.2%	71.4%	85.7%	100.0%

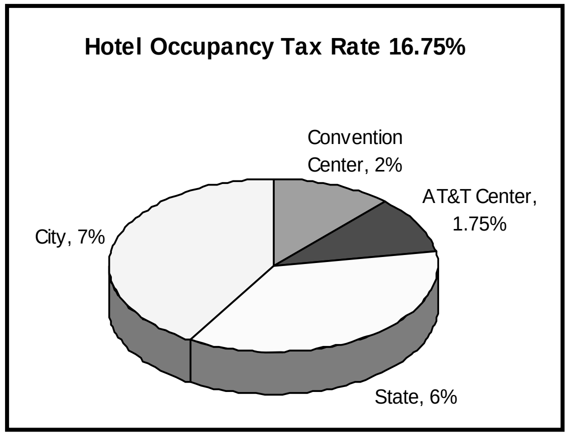
Analysis of Revenues vs. Expenditures

The Hotel Occupancy Tax Fund Forecast table presents a comparison of projected yearly revenue, projected current services expenditures, projected mandates and resulting projected balances in the Hotel Occupancy Tax Fund over the forecast period. The ending balance reflects the difference between beginning balance plus operating revenues and operating expenditures. One goal of the Hotel Occupancy Tax Fund is to achieve a reserve for revenue loss equal to $9.8 million within five years. This represents an estimated two months of operating expenses as a reserve against unforeseen disruptions in revenue flow and/or unanticipated price spikes.

As shown in the Hotel Occupancy Fund Forecast, there are no projected shortfalls in FY 2008 through FY 2012. However, it should be noted that the expenditures projections for the fund do not factor in any potential improvements in the calculation of required adjustments.

Revenues

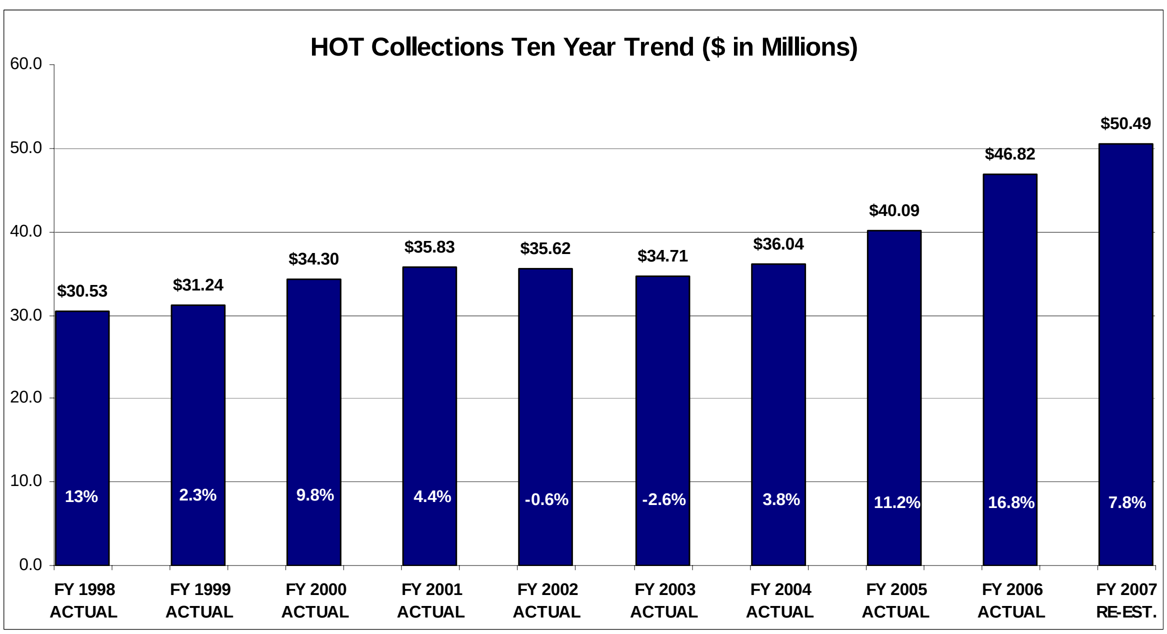
The current Hotel Occupancy Tax (HOT) rate of 16.75% levied on every room night charge is comprised of 6% for the State, 7% for the City, 2% for the Convention Center Expansion Debt Service and future Convention Center Projects and 1.75% for the AT&T Center arena.



HOT revenue projections are based upon an analysis of anticipated lodging demand, projected number of room nights sold, projected average daily room rates, estimated hotel room supply, and the projected inflation rate discussed in the Economic Perspective and Outlook section of the forecast.

HOT revenue is estimated to be $50.49 million for FY 2007, which is 7.8% higher than the FY 2006 actual collections. HOT revenues are projected to increase at annual rates of 5.2% (FY 2008), 5.7% (FY 2009), 5.0% (FY 2010), 5.0% (FY 2011) and 5.0% (FY 2012) during the forecast period years. The primary reason for the current year growth in HOT revenue is the continued strength in local convention business. Additionally, leisure travel continues to support the overall growth as San Antonio is the number one leisure destination in Texas according to the State of Texas Office of Economic Development and Tourism.

As the historical HOT Collections graph shows below, over the past ten years, the City's HOT Collections are estimated to increase 65%.



The dedicated 2% HOT collection of revenues for the Convention Center Expansion is recorded within a separate fund and is not reflected in HOT revenue projections within the Hotel Occupancy Tax Fund. However, should an event occur which would slow the collection of the 2% tax to the extent that the costs of the Convention Center Expansion debt could not be covered, such as the unlikely onset of a severe economic downturn, the City would be required to transfer up to 5.25%

of all HOT collections from the Hotel Occupancy Tax Fund to support the Convention Center Expansion shortfall. Such a transfer would only occur should the anticipated 2% dedicated tax revenue stream not produce the expected revenue amounts.

The primary sources of revenue for the Convention Sports and Entertainment Facilities Department are facility rentals, catering commissions, reimbursable expenses, parking revenue and various event-related fees from the Alamodome, Convention Center and Municipal Auditorium. Revenues for the facilities are based on event mix projections for each of the years in the forecast period.

The forecast for the Hotel Occupancy Tax Fund assumes a re-estimate of revenues for FY 2007 as the starting point.

Current Services Expenditures

This section of the Forecast projects expenditures based on the current services level. 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 FY 2008 Base Budget assumes the removal of the one-time improvements included in the FY 2007 Adopted Budget.

The inflation rates used to project non-personal services expenditures were derived from the national Consumer Price Index (CPI) projections for each year from 2008 through 2012. These rates and their underlying assumptions were described in the Economic Perspective and Outlook chapter. Shown below are the assumed inflation rates for each year of the forecast period:

FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
2.21%	2.09%	2.14%	2.22%	2.32%

Financial Reserve

The establishment and maintenance of an appropriate financial reserve within the Hotel Occupancy Tax Fund is critical to prudent financial management. This reserve will assist the departments who utilize Hotel Occupancy Tax dollars in smoothing fluctuations in available resources from year to year and stabilizing the budget. The FY 2008 - FY 2012 Forecast recommends a Budget Stabilization Reserve goal of two months of operating expenditures. It is anticipated, based on current revenue and expenditure projections that in FY 2012 the stabilization reserve goal will be attained.

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. In order to increase efficiency, the Community and Visitor Facilities Fund combines the resources of the Convention Sports and Entertainment Facilities Department and International Affairs to fund the operations of the Alamodome, Convention Facilities, and the protocol unit of the International Affairs Department. It is funded primarily through revenues generated from the City's Sports, Entertainment and Convention Facilities as well as a transfer from the Hotel Occupancy Fund.

The Wolff Stadium had also been in the CVF Fund in prior years. However, currently and for FY 2008 and beyond, the Wolff Stadium will be managed by the Missions Baseball Club which will assume all operational expenses of the stadium. In exchange for control of the stadium, the Missions baseball team will pay $50,000 dollars annually in addition to the .50 cent per ticket Facility Access Fee. This revenue, which is expected to total $149,757 in FY 2007, is split evenly between two different funds, the Wolff Stadium Building Fund and the Facilities Renewal and Improvement Fund. These funds will be used to pay for future capital improvements to the facility.

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

Community and Visitor Facilities Fund Forecast
($ In Thousands)

	FY 2007 Budget	FY 2007 Estimate	FY 2008 Projection	FY 2009 Projection	FY 2010 Projection	FY 2011 Projection	FY 2012 Projection
RESOURCES							
Beginning Balance	$0	$0	$0	$0	$0	$0	$0
Alamodome Revenue	5,999	6,478	6,135	6,257	6,509	6,639	6,890
Convention Center Revenue	7,560	9,916	9,636	9,827	10,022	10,221	10,424
Other Revenue	1,037	388	363	364	366	367	367
Transfer from Hotel Occupancy Tax	17,332	16,416	16,660	16,523	17,526	17,639	18,066
TOTAL RESOURCES	**31,928**	**33,198**	**32,794**	**32,971**	**34,423**	**34,866**	**35,747**
EXPENDITURES							
Base Budget*	31,928	33,198	31,732	32,616	33,560	34,573	35,665
Mandates (Incremental)	0	0	1,062	355	863	293	82
TOTAL EXPENDITURES	**31,928**	**33,198**	**32,794**	**32,971**	**34,423**	**34,866**	**35,747**
ENDING BALANCE	***$0***	***$0***	***$0***	***$0***	***$0***	***$0***	***$0***

* Base Budget expenditures for Convention Facilities, Alamodome, International Affairs, and Non-Departmental. The Wolff Stadium is now managed by the Missions and it's associated in this forecast schedule.

Mandates

CVB Hosting Obligations This mandate will fund costs associated with the annual contractual obligations incurred to support major conventions, meetings and/or events. Every year the departments negotiate with various nationally prominent organizations to successfully ensure the selection of San Antonio as the destination for their annual meetings, conventions and/or special events. Some of the events currently planned for FY 2008 include the DARE, Church of God, Texas High School Coaches Association, and Texas Music Educators Association conventions. In FY 2008, these hosting obligations are estimated to be $483,750.

NCAA Event Hosting Obligations In the next two years the City of San Antonio will host two sporting events with the National Collegiate Athletic Association (NCAA) as well as another with the Big XII Conference. In December 2007, San Antonio will host the Big XII Football Championship with an expected one-time contribution of $125,000. In 2008 San Antonio will highlight the NCAA Men's Final Four Basketball Championship with an expected one-time contribution of $453,500 coming from the City. The Final Four and Big XII events bring total NCAA hosting obligations for FY 2008 to $578,500. Finally, the 2010 Women's Basketball Championship will also be hosted by San Antonio with a projected hosting obligation of $158,500. All of these costs are associated with contractual obligations to the NCAA and Big XII related to operating expenses including pipe and drape, electrical expenses, seating and signage for each event.

Community and Visitor Facilities Fund Mandates
-$ In Thousands-
-Expenditures Shown Incrementally-

Mandate Title	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Hosting Obligations (One-time)	$ 483,750	$ 354,750	$ 704,249	$ 292,895	$ 81,500
NCAA Hosting Obligations (One-time)	$ 578,500		$ 158,500		
TOTALS	**$ 1,062,250**	**$ 354,750**	**$ 862,749**	**$ 292,895**	**$ 81,500**

Policy Issues

Convention, Sports and Entertainment Facilities Studies The Convention, Sports and Entertainment Facilities Department is currently conducting two studies. The Convention Center Expansion Study will include recommendations for improvements which may be needed to maximize the facility's potential to host larger conventions and host multiple large conventions simultaneously. The second study will develop a model used to determine replacement schedules and funding needs for capital improvements/equipment and facility fixtures for the Convention Center, Alamodome, and Municipal Auditorium. This model will identify both our current funding needs and adjust future funding needs for depreciation, amortization, and inflation. Both studies will be completed by the end of the FY 2007.

Convention and Visitors Bureau Fund

The Convention and Visitors Bureau Fund accounts for revenues and expenditures generated in Marketing and Promotion of San Antonio as a premier leisure and convention destination. It is supported from revenues generated by the Convention and Visitors Bureau as well as a transfer from the Hotel Occupancy Tax Fund.

The following is the Financial Forecast for the Convention and Visitors Bureau Fund.

Convention and Visitors Bureau Fund Forecast
($ In Thousands)

	FY 2007 Budget	FY 2007 Estimate	FY 2008 Projection	FY 2009 Projection	FY 2010 Projection	FY 2011 Projection	FY 2012 Projection
RESOURCES							
Beginning Balance	$0	$0	$0	$0	$0	$0	$0
Current Revenue	140	132	127	131	133	134	134
Transfer from Hotel Occupancy Tax	16,564	16,561	19,258	20,222	21,038	22,226	23,268
TOTAL RESOURCES	**16,704**	**16,693**	**19,385**	**20,353**	**21,171**	**22,360**	**23,402**
EXPENDITURES							
Base Budget	16,704	16,693	19,385	20,353	21,171	22,360	23,402
TOTAL EXPENDITURES	**16,704**	**16,693**	**19,385**	**20,353**	**21,171**	**22,360**	**23,402**
ENDING BALANCE	***$0***	***$0***	***$0***	***$0***	***$0***	***$0***	***$0***

Cultural Affairs Fund

The Cultural Affairs Fund accounts for expenditures generated from the leadership, resources, and support for arts and cultural organizations and individual artists. The fund accounts for the operating expenditures of the Office of Cultural Affairs as well as the contributions made to art and cultural agencies. It is supported through a transfer from the Hotel Occupancy Tax Fund.

The following is the Financial Forecast for the Cultural Affairs Fund.

Cultural Affairs Fund Forecast
($ In Thousands)

	FY 2007 Budget	FY 2007 Estimate	FY 2008 Projection	FY 2009 Projection	FY 2010 Projection	FY 2011 Projection	FY 2012 Projection
RESOURCES							
Beginning Balance	$0	$0	$0	$0	$0	$0	$0
Transfer from Hotel Occupancy Tax	6,712	6,671	7,608	8,059	8,477	8,916	9,377
TOTAL RESOURCES	**6,712**	**6,671**	**7,608**	**8,059**	**8,477**	**8,916**	**9,377**
EXPENDITURES							
Office of Cultural Affairs Operating Budget	1,420	1,379	1,497	1,521	1,546	1,573	1,602
Contributions to Cultural Agencies (Base)	5,292	5,292	5,292	5,292	5,292	5,292	5,292
Funding to Maintain 15% to Arts (Cumulative)	0	0	819	1,246	1,639	2,051	2,483
TOTAL EXPENDITURES	**6,712**	**6,671**	**7,608**	**8,059**	**8,477**	**8,916**	**9,377**
ENDING BALANCE	***$0***	***$0***	***$0***	***$0***	***$0***	***$0***	***$0***

Policy Issues

Arts Funding Through HOT revenues, San Antonio is able to fund art and cultural programs and agencies across the City. The Texas State Tax Code requires that no 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.

Art program funding is distributed on a competitive basis and is managed by the City's Office of Cultural Affairs. There are seven funding programs summarized as follows:

- General Operating Program
- Project Funding Program
- Neighborhood Arts Program
- Deferred Maintenance and Capital Program
- Stabilization Program
- Incubator Program
- New Collaborations Program

The General Operating Program provides support to arts and cultural agencies that have a budget of over $50,000 and 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 smaller agencies with specific events or programs. The Neighborhood Arts Program encourages partnerships between arts and cultural organizations and neighborhood based groups. Funding is usually very specific to activities and neighborhoods. The Deferred Maintenance and Capital Program are for General Operating Program award recipients who reside in City-owned facilities or have a long term lease. The Stabilization Program is also for General Operating Program award recipients and addresses specific stabilization issues of an organization. The Incubator Program was developed specifically for small and emerging organizations that can benefit from an administrative capacity building program. The New Collaborations Program encourages the collaborations of art and cultural organizations that would produce new works or cultural activities. All the programs are competitive with specific review committees providing input on the major focus areas of each program.

The FY 2008 - FY 2012 Forecast assumes that the art funding level will remain at the 15% level approved in FY 2007. As seen in the following table, there are several components that make up City art funding. In addition to the department budget of the Office of Cultural Affairs and the Contributions to Cultural Agencies, funding is also provided through contractual agreements to the Majestic Theatre, San Antonio Symphony and the Carver Center. Additionally, Arts funding helps cover a portion of the indirect cost transfer to the General Fund as well as a transfer to pay for the services of a Planner II. In FY 2007, the City Council also agreed to use 4.25% of HOT collections for cultural agencies using City-owned facilities. This funding is a part of the overall 15% provided to Arts and Cultural Agencies.

Arts Funding Breakout ($ In Thousands)

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Cultural Affairs Department Budget	$ 1,418	$ 1,497	$ 1,521	$ 1,546	$ 1,573	$ 1,602
Contributions to Cultural Agencies	5,292	5,292	5,292	5,292	5,292	5,292
Majestic Liability Insurance	2	2	2	3	3	3
Contractual Obligations	194	194	194	194	194	194
General Fund Transfers	164	166	169	171	174	178
Funding to Maintain 15% of HOT to Arts		818	1,246	1,639	2,051	2,483
Arts Total	***$ 7,071***	***$ 7,970***	***$ 8,424***	***$ 8,845***	***$ 9,288***	***$ 9,752***
Percent of HOT	***15.00%***	***15.00%***	***15.00%***	***15.00%***	***15.00%***	***15.00%***

San Antonio Symphony The San Antonio Symphony was created in 1939 by conductor Max Reiter, former conductor of the symphony orchestra of Milan. The Symphony, which performs in the historic Majestic Theatre, is currently led by Larry Rachleff who has served as the group's music director since 2002.

Because of its importance to performing arts in the City, the San Antonio Symphony receives City funding in order to maintain financial viability. In FY 2003 and FY 2004, the Symphony received $352,000 from the Community & Visitor Facilities Fund. In FY 2005, the Symphony received $320,000 from the General Fund and $80,000 from the Aviation Fund for performing within Aviation Facilities. In FY 2006, the Symphony received $400,000 in the form of a one-time commitment from the City's General Fund.

In FY 2007, the Symphony received funding through a competitive process administered by the Office of Cultural Affairs. Because this funding occurs on a two year cycle, the Symphony will receive approximately the same amount of funding in FY 2008 that they received in FY 2007.

DEVELOPMENT & PLANNING SERVICES FUND

Introduction

The Development & Planning Services Fund was established in FY 2007 to account for revenues and expenditures generated from all development related activities and to ensure that development revenues are used to support development expenses. In order to increase efficiency, the Fund combines resources of both the Development Services and Planning & Community Development departments.

Both the Development Services and Planning & Community Development departments are responsible for protecting the health, safety, and quality of life of the citizens of San Antonio through regulation of land development, construction, and planning. In addition, the Departments seek to provide an efficient and effective development process that supports City growth and economic development. These processes include consulting, educating, reviewing, permitting, inspecting, and granting authority to develop land and occupy buildings within the City. More specifically, the Departments are responsible for master development plans, vested rights, subdivision mapping/parcel addressing, zoning administration, subdivision administration, building codes administration, landscaping, tree preservation, sign regulation, and development review of streets and traffic.

Since the development process involves review by other City departments and outside agencies, the Development Services and Planning & Community Development departments seek to facilitate the coordination of these reviews to provide quality customer service throughout the development process. The creation of the Development and Planning Services Fund provides many benefits to the Departments and their customers. Benefits generated by the creation of the Fund include:

- Greater trust by stakeholders and improved perception of the Departments by assuring that all fees paid to Development Services and Planning will be used to provide stakeholders service
- Enhanced accountability by appropriately aligning revenue with expenses
- More flexibility in responding to economic trends

Establishment of the Fund also allowed the City to add additional staff and resources when needed to (1) improve cycle time for permitting, (2) ensure consistency and quality of plan review and inspections, and (3) enhance customer service.

Five Year Financial Forecast

The following is the Financial Forecast for the Development & Planning Services Fund. It reflects projections for a five-year period from FY 2008 through FY 2012. The forecast includes as its starting point the current fiscal year budget and preliminary estimated projections for the fiscal year. The Forecast includes financial projections on revenues, expenditures, ending balances, and reserves.

Development & Planning Services Fund Forecast
($ In Thousands)

	FY 2007 Budget	FY 2007 Estimate	FY 2008 Projection	FY 2009 Projection	FY 2010 Projection	FY 2011 Projection	FY 2012 Projection
RESOURCES							
Beginning Balance	$0	$0	($2,998)	$0	$0	$0	$0
Current Revenue	31,050	24,966	30,481	30,510	30,476	30,446	30,420
TOTAL RESOURCES	**31,050**	**24,966**	**27,483**	**30,510**	**30,476**	**30,446**	**30,420**
EXPENDITURES							
Base Budget	29,820	29,819	31,285	32,111	32,953	33,820	34,719
Budget Stabilization Reserve (Incremental)	1,000	0	1,000	0	0	0	0
TOTAL EXPENDITURES	**30,820**	**29,819**	**32,286**	**32,111**	**32,953**	**33,821**	**34,719**
PROPOSED MIDYEAR ADJUSTMENT	0	1,855	0	0	0	0	0
ENDING BALANCE/ADJ. REQUIRED	***$230***	***($2,998)***	***($4,803)***	***($1,601)***	***($2,477)***	***($3,375)***	***($4,299)***
RESERVES SUMMARY							
Budget Stabilization Reserve (Cumulative)	$ 1,000	$0	$1,000	$1,000	$1,000	$1,000	$1,000

Analysis of Revenues and Expenditures

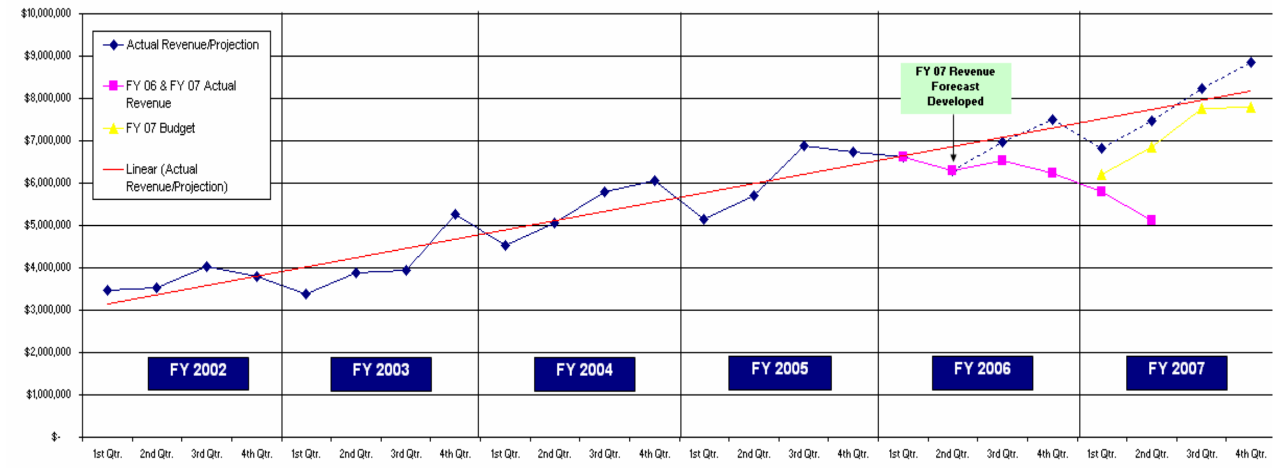
The Development & Planning Services Forecast represents a comparison of projected yearly revenue, projected current services expenditures and reserves, and resulting projected balances in the Development & Planning Services Fund over the forecast period. The forecast assumes current service delivery and methodologies. The remaining balance reflects the difference between the beginning balance and the operating revenues, less the operating expenditures and allocations for the Budget Stabilization Reserve.

A midyear increase to development fees in May 2007 is assumed in the five-year forecast. This proposed midyear increase will be presented to City Council during a City Council “A” Session on May 17th. The proposed fee increases are needed to reduce the anticipated shortfall in FY 2007 and the following years. Even with the proposed midyear increase in fees a shortfall is still projected in FY 2007 and will continue throughout the forecast period if additional revenue and/or expenditure adjustments are not made. The FY 2008 Proposed Budget will include analysis of additional development fee increases and expenditure adjustments. This analysis will develop recommendations that will address the projected shortfall in FY 2008 and in the forecasted period.

Revenues

Development revenue collections for this fiscal year are less than expected due to a decline in permitting activity. Total revenue collections in FY 2007 are projected to decline 13 percent from FY 2006 largely due to a projected 18 percent decline in total new residential permits. However, the department's service costs are also higher this year. As a reminder, the FY 2007 Adopted Budget included service enhancements for the Fund that were in excess of $2.3 million.

Development & Planning Services Fund Revenue Analysis



The graph above indicates revenues from activities that are currently below where a five-year trend projection would place them. Due to this slowdown in permitting activity and the correlating loss in revenue, the Development & Planning Fund is expecting a $4.8 million shortfall by the end of FY 2008.

In order to respond to current development economic trends and to maintain financial stability, mid-year fee adjustments are planned in May 2007 and in the FY 2008 Budget. For the FY 2008 Proposed Budget, an analysis of options will be conducted to evaluate possible fee increases and/or service changes to align revenues with their service delivery costs.

Current Services Expenditures

This section of the Forecast projects expenditures based on the current service level. The FY 2008 Base Budget assumes the removal of the one-time improvements included in the FY 2007 Adopted Budget.

The inflation rates used to project non-personal services expenditures were derived from the national Consumer Price Index (CPI) projections for each year from FY 2008 through FY 2012. These rates and their underlying assumptions are described in the Economic Perspective and Outlook section.

Shown below are the assumed inflation rates for each year of the forecast period:

FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
2.21%	2.09%	2.14%	2.22%	2.32%

Due to the unanticipated loss in development revenue in FY 2007, expenditure adjustments are currently being addressed and monitored. However, initial feedback from key stakeholders in San Antonio's development community indicates that they do not support a reduction in service delivery.

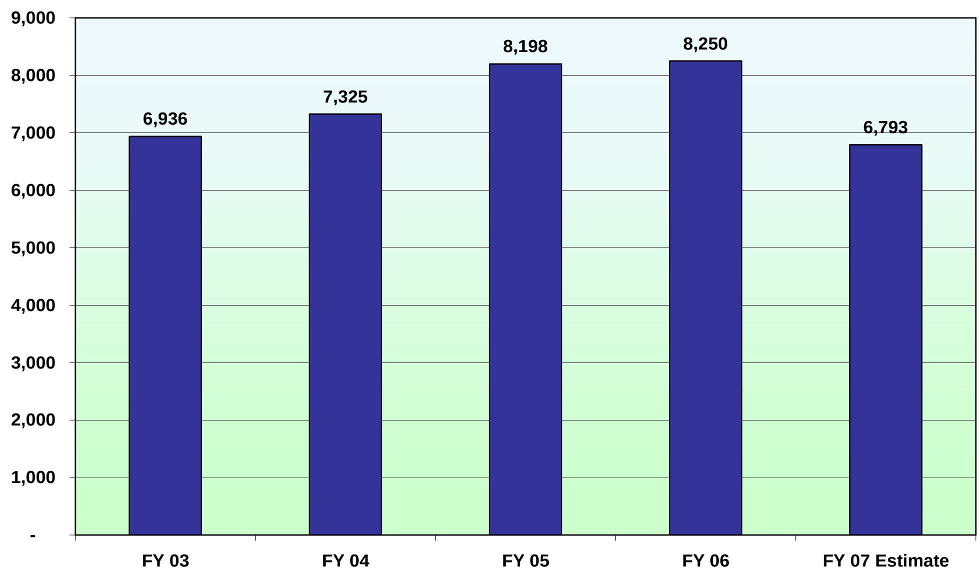
Financial Reserve

The establishment and maintenance of an appropriate financial reserve within the Development Services Fund is critical to prudent financial management. This reserve will assist Development Services Department in smoothing fluctuations in available resources from year to year and in stabilizing the budget. The FY 2008 - FY 2012 Forecast recommends a $1 Million Budget Stabilization Reserve goal in FY 2008. The level of contribution to the reserve fund will be evaluated during the FY 2008 Budget Development process.

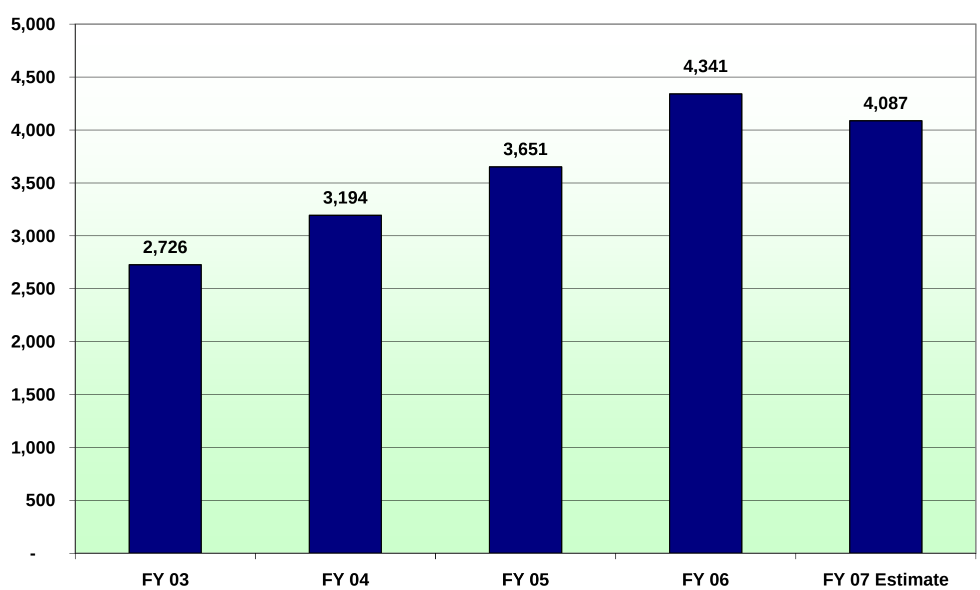
Permit Activity

Finally, the following graphs show a historical trend for commercial and residential permits as well as the permit projection for the current fiscal year. In the residential area, there is currently a projected 18 percent decrease from FY 2006. In the commercial area, there is currently a projected 6 percent decrease from FY 2006.

New Residential Plans Submitted



Commercial Plans New/Existing



ENVIRONMENTAL SERVICES FUND

Introduction

The Environmental Services Fund records all revenues and expenditures for services provided by the Environmental Services Department. The Environmental Services Department consists of the Solid Waste and the Environmental Management Divisions.

The Solid Waste Division focuses on providing weekly refuse and recycling collection services and semi-annual brush pick-up service. The Solid Waste Division is responsible for the collection of municipal solid waste generated from approximately 339,000 homes within the City of San Antonio. Of these homes, 325,000 are serviced by City crews and 14,000 are serviced by private contractors. Refuse disposal is currently provided through contractual agreements with two privately held area landfills and one city owned, privately operated, transfer station operation. All forecasted disposal costs assume private expenditures.

The Environmental Management Division provides environmental site assessments of City construction projects and property acquisitions and maintains approximately 720 acres of closed City landfill areas and other sensitive, environmentally regulated areas. The division also manages a drop-off facility and operations for brush mulching and a drop-off facility for household hazardous waste. Additionally, the Environmental Management Division is responsible for the City's compliance with the Federal Clean Air Act, the State's Energy Conservation Bill (SB5) and the implementation and promotion of environmental sustainability, such as the City's Green Building Resolution and other "green" initiatives to conserve natural resources.

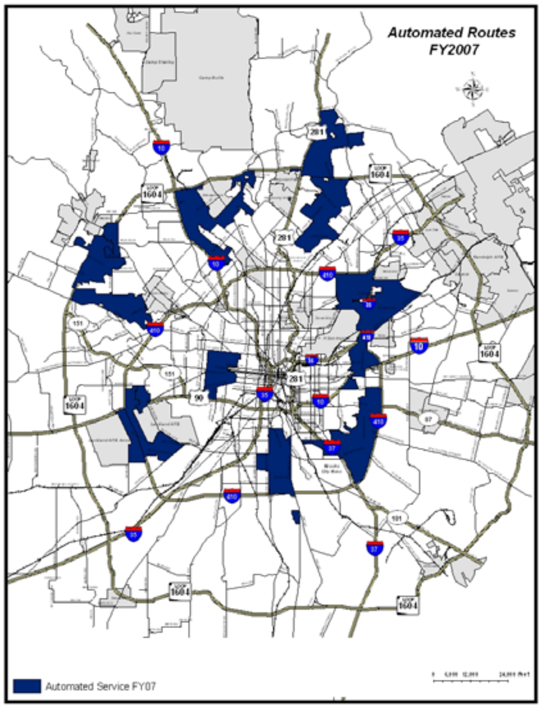
In FY 2007, the Environmental Services Department planned and implemented many major City initiatives. The largest of these included the implementation of an accelerated 3½ year conversion timeframe from manual to automated solid waste collection. This program enhancement also incorporated fully automated recyclables collection within the same conversion schedule of 3½ years. Currently, 75,000 of the Department's 339,000 homes have been converted to automated collection. Below can be found the Departments estimated home conversion schedule through the 3½ year conversion timeframe.

Home Conversion Schedule

	FY 2007	FY 2008	FY 2009	FY 2010
Route Conversion	**Actual**	**Estimate**	**Estimate**	**Estimate**
Homes Converted (approximate)	75,000	88,000	92,000	24,000

The following map shows the areas of the city that are currently fully automated for garbage and recycling collections.

Current Automated Recycling and Collection Routes



Five Year Financial Forecast

The following is the Financial Forecast for the Environmental Services Fund. It reflects projections for a five year period from FY 2008 through FY 2012. The forecast includes as its starting point the current fiscal year budget and preliminary estimated projections for the fiscal year. The Forecast includes financial projections on revenues, expenditures, ending balances, and reserves.

Environmental Services Fund Forecast
($ In Thousands)

	FY 2007 Budget	FY 2007 Estimate	FY 2008 Projection	FY 2009 Projection	FY 2010 Projection	FY 2011 Projection	FY 2012 Projection
RESOURCES							
Beginning Balance	($2,426)	($1,222)	$2,007	$1,171	$1,200	$163	$450
Current Revenue	77,307	77,678	83,105	85,803	89,345	92,129	94,289
TOTAL RESOURCES	**74,881**	**76,456**	**85,112**	**86,974**	**90,545**	**92,292**	**94,739**
EXPENDITURES							
Base Budget	72,199	72,275	81,631	84,323	88,984	90,580	89,978
Mandates (Incremental)	0	0	1,560	964	771	735	685
Budget Stabilization Reserve (Incremental)	1,000	2,174	750	487	627	527	0
TOTAL EXPENDITURES	**$73,199**	**$74,449**	**$83,941**	**$85,774**	**$90,382**	**$91,842**	**$90,663**
ENDING BALANCE/ ADJ. REQUIRED	***$1,682***	***$2,007***	***$1,171***	***$1,200***	***$163***	***$450***	***$4,076***
RESERVES SUMMARY							
Budget Stabilization Reserve (Cumulative)	$1,000	$2,174	$2,924	$3,411	$4,039	$4,566	$4,566

Analysis of Revenues and Expenditures

The Environmental Services Forecast Table represents a comparison of projected yearly revenue, projected services expenditures and reserves, and the resulting projected balances in the Environmental Services Fund over the forecast period. The forecast reflects the continuation of the 3 ½ year automated conversion schedule included within the FY 2007 Adopted Budget.

The remaining balance reflects the difference between the beginning balance and the operating revenues, less the operating expenditures and allocations for the Budget Stabilization Reserve. Increases in fees to include the Solid Waste Fee, Brush Fee, and the Automated Conversion Fee are assumed in the five-year forecast.

The FY 2008 Proposed Budget will include analysis of FY 2008 proposed collection frequencies, automation implementation, service delivery methods, rate analysis, growth routes, and private sector contracts. This analysis may impact the projections in FY 2008 and throughout the forecasted period.

Revenues

The primary sources of revenue for the Environmental Services Fund are the Solid Waste Fee, the Brush Fee, the Environmental Fee, and the Automated Conversion Fee. These fees are assessed to customers monthly and billed by CPS Energy (CPS). The Solid Waste and Brush Collection Fees are assessed to each residential household in the City for collection services. The Environmental Fee is charged to all customers and commercial entities. Forecasted revenues are based on an estimate reflecting a 1.50% average annual rate of growth in homes beginning in FY 2008 and continuing through each year of the forecast period. The forecast assumes re-estimated revenues for FY 2007 as the starting point.

Below is a five year history of the monthly rates associated with the Environmental Services Fund. Note that the Conversion fee reflects in FY 2007 a $10 million CPS Utility Rebate that was adopted in the FY 2007 Budget. This rebate allowed rate payers to save $2.52 monthly in their overall bill.

History of Monthly Rate Fees

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Solid Waste Fee	$9.71	$9.71	$9.71	$10.16	$11.42
Brush Collection Fee	1.20	1.20	1.20	2.53	2.53
Environmental Fee	1.30	1.30	1.30	1.30	1.30
Conversion Fee	0.00	0.00	0.00	0.00	0.74
Total	$12.21	$12.21	$12.21	$13.99	$15.99

In order for the Environmental Services Fund to maintain financial stability, fee increases are assumed throughout the forecasted period for fuel, labor, and other rising operational costs. These estimated rate increases assumed in the Forecast are reflected in the following table:

FY 2008-2012 Financial Forecast Estimated Monthly Projected Adjustments (Incremental)

Monthly Fees	FY 2007 Adopted	FY 2008 Projected	FY 2009 Projected	FY 2010 Projected	FY 2011 Projected	FY 2012 Projected
Solid Waste, Brush, & Environmental Fees	$ 15.25	$ 16.49	$ 18.09	$ 20.14	$ 20.81	$ 21.29
Gross Conversion Fee	$ 3.26	$ 2.74	$ 1.50	0	0	0
SubTotal	**$ 18.51**	**$ 19.23**	**$ 19.59**	**$ 20.14**	**$ 20.81**	**$ 21.29**
Conversion Fee Adjustment - CPS Utility Rebate	$ (2.52)	$ (1.24)	0	0	0	0
Total Monthly Fee	**$ 15.99**	**$ 17.99**	**$ 19.59**	**$ 20.14**	**$ 20.81**	**$ 21.29**

Analysis	FY 2007 Adopted	FY 2008 Projected	FY 2009 Projected	FY 2010 Projected	FY 2011 Projected	FY 2012 Projected
Monthly Increase	$ 2.00	$ 2.00	$ 1.60	$ 0.55	$ 0.67	$ 0.48
% Change	14%	13%	9%	3%	3%	2%
Net Conversion Fee with CPS Utility Rebate	$ 0.74	$ 1.50	$ 1.50	0	0	0
CPS Utitlity Rebate Amount	$10 Million	$5 Million	0	0	0	0

The FY 2007 Adopted Budget included a new monthly Conversion Fee of $0.74 which will be adjusted to $1.50 for FY 2008 and FY 2009. In FY 2007, CPS revenues in the form of a one-time utility rebate of $10 million from the General Fund was transferred to the Environmental Services Fund to defray the overall cost of the needed capital investment and thus reduce the Conversion Fee required. This Forecast also assumes a one-time CPS utility rebate transfer from the General Fund of $5 million in FY 2008 to keep the incremental conversion fee rate increase to $0.76. The Conversion Fee is planned to be phased out in FY 2010; however, as daily operational costs continue to increase, the Solid Waste Fee component of residents' monthly bill is projected to continue to increase through FY 2012.

During the FY 2008 Proposed Budget Process, additional analysis of options will be conducted to evaluate the preferred recommendation of rate increases and/or service changes to align revenues with service delivery costs.

Current Services Expenditures

The Forecast also projects expenditures using the adopted 3 ½ year automated conversion schedule and includes automated conversion service deliveries and methodologies. The FY 2008 Base Budget, however, assumes the removal of the one-time improvements included in the FY 2007 Adopted Budget.

The inflation rates used to project non-personal services expenditures were derived from the national Consumer Price Index (CPI) projections for each year from 2008 through 2012. These rates and their underlying assumptions are described in the Economic Perspective and Outlook section.

Shown below are the assumed inflation rates for each year of the forecast period:

FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
2.21%	2.09%	2.14%	2.22%	2.32%

Financial Reserve

The establishment and maintenance of an appropriate financial reserve within the Environmental Services Fund is critical to prudent financial management. This reserve will assist the Environmental Services Department in smoothing fluctuations in available resources from year to year and stabilizing the budget. The FY 2008 - FY 2012 Forecast recommends a Budget Stabilization Reserve goal of 5 percent of operating expenditures. It is anticipated based on current revenue and expenditure projections that the stabilization reserve goal will be attained in FY 2011.

Mandates

The Mandates Table below summarizes the projected mandates for the Environmental Services Fund. Each of the mandated increases in service costs will be detailed in the following pages. The mandated costs shown below are included in the Five Year Forecast Projections.

Environmental Services Fund Mandates
-Expenditures Shown Incrementally-
($ In Thousands)

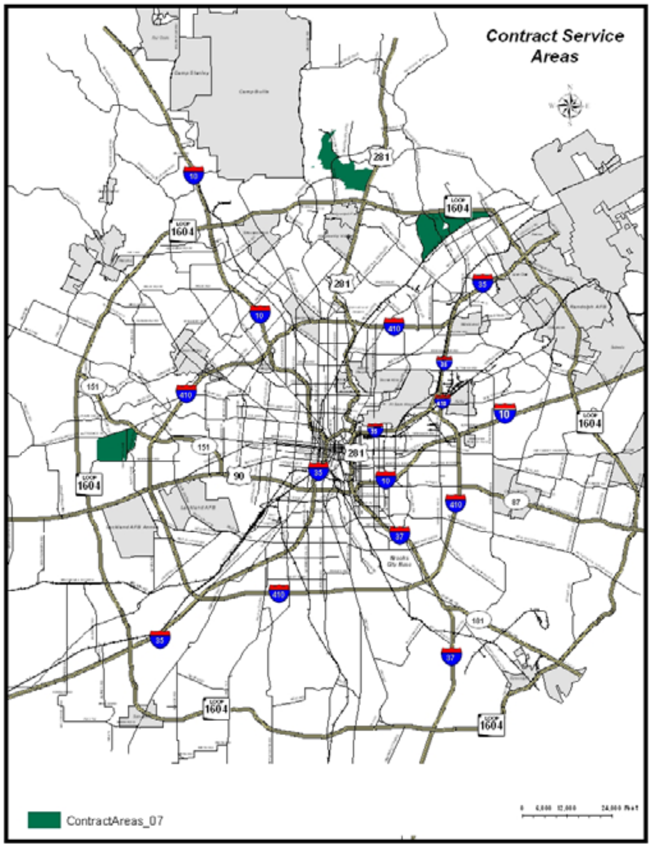
Mandate Title	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Collection Contracts (Recurring)	$79	$12	$0	$0	$0
Disposal Contracts (Recurring)	1,145	507	564	489	506
Mo. Billing & Coll. Srvcs. (Recurring)	336	445	207	246	179
TOTALS:	**$1,560**	**$964**	**$771**	**$735**	**$685**

Solid Waste Private Sector Collection Contract Increases

Solid Waste collection contracts that the City holds with the private sector are scheduled for mandated price increases based on contract requirements. The Environmental Services Department contracts with private sector companies to provide solid waste collection services. These contracts contain certain provisions calling for automatic fee increases in accordance with the Consumer Price Index (CPI). The City currently has three private sector solid waste collection contracts with Waste Management Incorporated (WMI). The Contract Areas Map indicates the three City areas that are serviced by WMI. The three areas were annexed into the City of San Antonio under prior annexation plans. Dependant upon price efficiency, the City's procedure has been to either collect solid waste in the annexed areas or to contract with private contractors to collect on the City's behalf. The three collection contracts for these areas were awarded to WMI based on the determination that the cost of privatization was more efficient than the cost of the Environmental Services Department to provide the same service.

The three collection contracts are estimated to increase due to inflation set forth by the CPI in the amount of $79,475 in FY 2008.

Contract Service Areas



Expiration of Contracts

Escalating costs in fuel, labor, and equipment costs within the last twelve months have negatively impacted private solid waste contractors. During the latter part of FY 2005, rates for their services began to increase dramatically as contractors attempted to recover their costs.

As shown in the table below, in FY 2008 two contracts will expire on December 31, 2007. These contracts represent approximately 14,000 homes. The Environmental Services Department is preparing for the expiration of these contracts by issuing a Request for Bid (RFB) early this summer in anticipation of potential contractors' increases. Once all Bids have been submitted, the Department will then determine whether it can provide services at a lower cost than the submitted bids.

Solid Waste Private Sector Garbage Collection Services
Expiration Dates

Contracted Company	Contracted Areas	Homes	Current Contracted Rates (Monthly per Household)	Expiration Dates				
				FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
WMI	Heritage	4,940	9.98	31-Dec-07				
WMI	Longs Creek	5,383	9.51	31-Dec-07				
WMI	Stone Oak	3,624	11.21			31-Dec-09		

Disposal Contract Increases

Disposal contracts are scheduled for mandated price increases based on contract requirements. The Environmental Services Department contracts with companies providing for refuse disposal and these contracts contain certain provisions calling for automatic fee increases in accordance with the Consumer Price Index (CPI). The Environmental Services Department currently has disposal contracts with Waste Management (WMI), Allied Waste/Browning Ferris Industries (BFI), and Texas Disposal Systems Landfill, Inc. (TDSL). The incremental cost for these mandated increases is $1,145,807 in FY 2008.

The following table describes the disposal contracts in more detail.

Disposal Contracts

Company Ownership	Landfill Name	Term	Contract Beginning Date	Contract Ending Date
WMI	Covel Gardens Landfill	30 yrs	1995	2025
BFI	Tessman Landfill	20 yrs + seven one yr extensions	1998	2018
TDSL	Starcrest Transfer Station	32 yrs + five one yr extensions	1993	2025

Increases to the Billing and Collection Expense

The fees for collection services currently provided by CPS Energy associated with the monthly billing and collection of the Solid Waste, Brush and Environmental Fees are scheduled for a mandated increase based on contract renewal requirements. All collection costs will increase based on the Consumer Price Index (CPI) and to offset postage rate increases set by the U.S. Postal Service. The total cost of this mandate is $335,696 in FY 2008.

ECONOMIC PERSPECTIVE & 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 governmental and private organizations. This section provides projections for the local and national economies, which support the fiscal projections presented in this document.

Comparing national and local economic data offers a broader picture of San Antonio's performance in relation to the United States as a whole. 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. Comparing the micro and macro economies shows that while San Antonio leads in certain economic indicators, it lags behind in others. According to the U.S. Bureau of Economic Analysis, San Antonio is ranked 176th in Per Capita Income out of 361 Metropolitan Statistical Areas (MSA) and falls below the national average. However, San Antonio has steadily grown closer to the national average and finds itself just below the national unemployment rate for the current year as well as for the forecast period. San Antonio also boasts low living and business costs, currently at 94 and 87 percent respectively of the national average.

The following sections give further analysis to these and other key trends and indicators. They are organized by three main categories: Employment, Production & Inflation, and the San Antonio Economy. The Employment section includes Per Capita Income, Employment, and Unemployment figures. The Production & Inflation section includes national economic factors such as Gross Domestic Product (GDP), Consumer Price Index (CPI), and Municipal Cost Index (MCI). The final section provides an overview of San Antonio's economy, including local economic indicators such as population, Housing Price Index (HPI), building activity, hotel room nights sold, and enplanements.

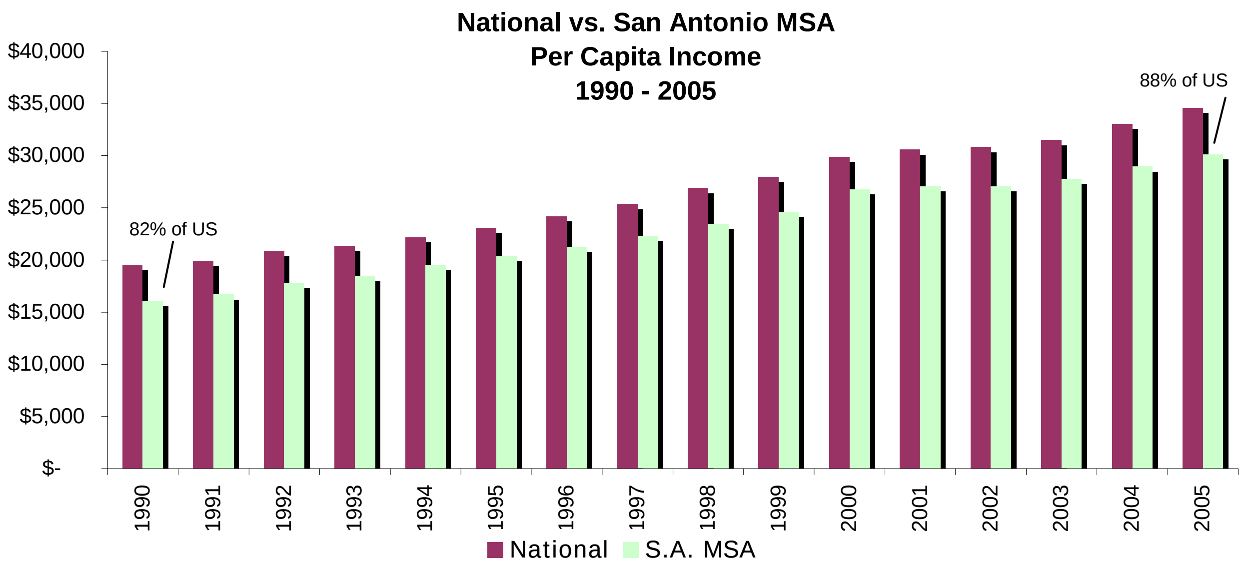
Throughout the Economic Perspective and Outlook section, San Antonio is frequently referred to as a Metropolitan Statistical Area (MSA). The general concept of a metropolitan area is that of a large population nucleus, together with adjacent communities, having a high degree of social and economic integration with that core. The U.S. Office of Management of Budget (OMB) has defined the San Antonio Metropolitan Statistical Area as the conglomeration of the following counties: Atascosa, Bandera, Bexar, Comal, Guadalupe, Kendall, Medina, and Wilson.

Employment

Employment indicators such as **Per Capita Income** are important in determining the overall economic health of a region and its relation to the macro economy. Per capita income measures the total personal income of an area divided by the total population of that area. Total personal income can include, but is not limited to, salary and wages, investment and retirement plans as well as government transfers such as social security payouts and unemployment compensation.

Per Capita Income data can vary from one source to another. National and local per capita income data shown in this document has been obtained from the U.S. Bureau of Economic Analysis (BEA). The American Community Survey from the U.S. Census Bureau also reports per capita income and will usually be less than the BEA data in that the BEA includes income "in-kind", income received by non-profit institutions and Medicare payments. In addition, the Bureau of Economic Analysis income series is estimated largely on the basis of data from administrative records of business and governmental records whereas the Census Bureau data is obtained from household surveys.

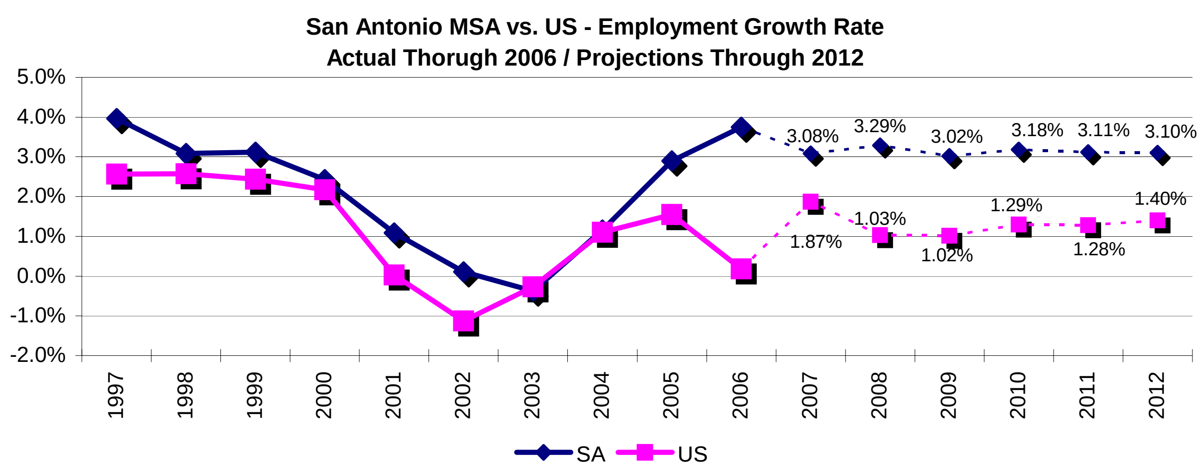
The following chart compares the San Antonio Metropolitan Statistical Area (MSA) per capita income growth to national per capita income growth. The figure below provides this comparison from 1990 to 2005 (2005 is the latest year that national and local per capita income data is available from the U.S. Bureau of Economic Analysis). The chart illustrates that the local per capita income increase has remained close to the national level and as a percentage has come closer to the national average over the years. In 1990, San Antonio's per capita income was $16,037 compared to the national per capita income of $19,477. By 2005, the local per capita income was $30,393 compared to $34,471 at the national level.



Source: U.S. Bureau of Economic Analysis

As a percentage, San Antonio's average per capita income in 1990 was 82 percent of the national per capita income. In 2005, however, San Antonio's average per capita income was 88 percent of the national average, indicating the City's steadily increasing approach to the national level.

Increases in the total number 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 on the next page provides an analysis of the past history of San Antonio MSA employment growth rate compared to the national level along with projections from 2007 through 2012.



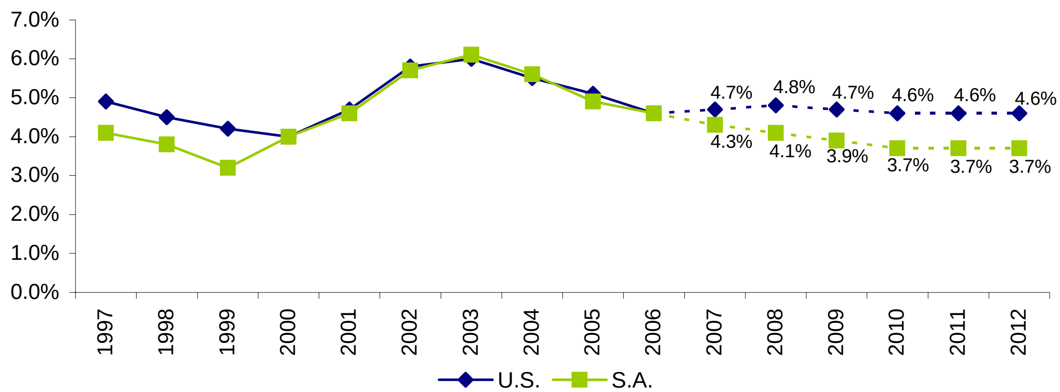
Source: Actual data from U.S. Bureau of Labor Statistics. Projections from Moody's Economy.com

Since 2004, San Antonio has seen increased employment numbers and has continued to outpace the national economy as a whole with an increase of 22,000 jobs or 2.89 percent in 2005 and an increase of 29,300 jobs or 3.75 percent in 2006. Moody's forecasting services anticipate that robust local employment growth will continue through the next few years including employment growth rates of 3.08 percent in 2007 and 3.29 percent in 2008. According to Moody's, San Antonio (MSA) ranks 13th out of 387 Metropolitan Statistical Areas in employment growth.

The **unemployment rate** represents the number of unemployed persons as a percent of the labor force. The level of national unemployment has steadily decreased since 2003, when unemployment reached 6.0 percent. Since then, the national unemployment rate has decreased to 4.9 percent in 2005 and 4.6 percent in 2006.

Local unemployment has closely mirrored the national unemployment rate, peaking at 6.1 percent in 2003. Since then, however, local unemployment has steadily decreased to 4.6 percent in 2006. As the national economy improves and as automobile, financial and other supporting industries come on line, the local unemployment rate is expected to stabilize between 4.3 and 3.7 percent in the forecast years.

San Antonio MSA vs U.S.
Actual Through 2006 / Forecasted 2007 to 2012

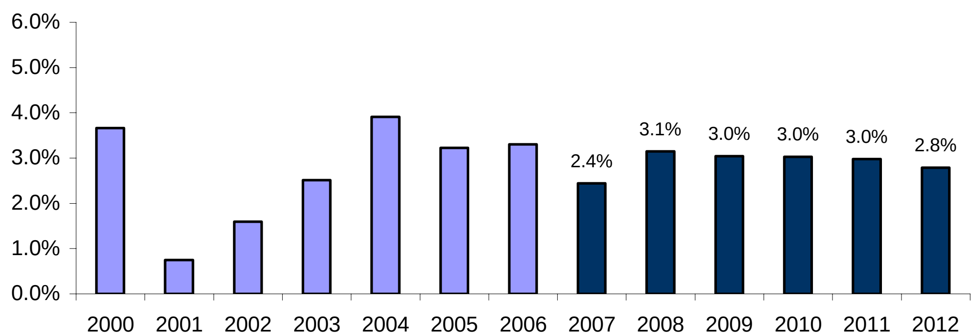


Source: Actual data from U.S. Bureau of Labor Statistics. Projections from Moody's Economy.com

Production & Inflation

The **Gross Domestic Product** (GDP) measures the market value of all final goods and services produced by land, labor and capital in the United States. The figure below tracks GDP growth from 2000 to 2006 and shows the projection for growth beyond 2007 through 2012.

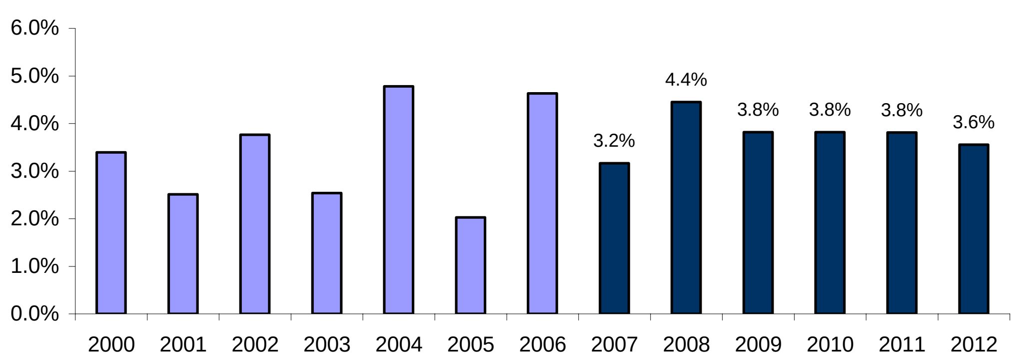
U.S. Gross Domestic Product (GDP) Percent Change
Actual Through 2006/Forecasted 2007 to 2012



Source: Actual Data from U.S. Bureau of Economic Analysis. Projections from Moody's Economy.com

The **Gross Metro Product** (GMP), similar to GDP, is the value added in production by the labor and capital of a particular metropolitan area. Moody's measures GMP as the sum of the costs incurred and incomes earned in the production of goods and services. As shown in the figure below, San Antonio (MSA) GMP will continue to fluctuate through the forecast period.

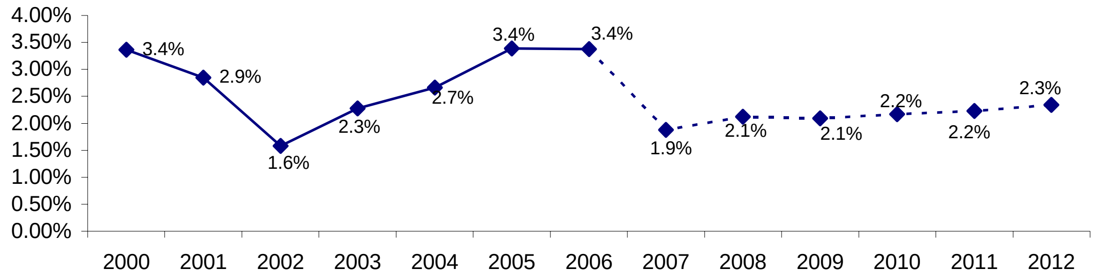
San Antonio Gross Metro Product (GMP) Percent Change
Actual Through 2006/Forecasted 2007 to 2012



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

The change in the **Consumer Price Index** (CPI), commonly referred to as the inflation rate, measures the average price change in major consumer expenditure groups based on the calendar year. The figure below shows the growth of inflation from 2000 to 2006 and projections beyond 2007 and through the forecast period based on the calendar year.

U.S. Consumer Price Index Percent Change
Actual Through 2006 / Forecasted 2007 to 2012



Source: Actual Data from U.S. Bureau of Labor Statistics. Projections from Moody's Economy.com. Based on Calendar Year.

Overall, inflation is set to recede, barring any major natural disaster or international turmoil that would affect energy prices (energy makes up 8.69 percent of CPI).

Additionally, as described in the General Fund Forecast section, the Consumer Price Index is used as the inflationary factor for specific non-personal services expenditures in the development of the General Fund and other funds base budget forecast. The projections for CPI have been modified to reflect the City's budget cycle based on a fiscal year from October 1 to September 30. The chart above reflects the CPI based on a calendar year while the CPI used to forecast a portion of the General Fund's expenditures is summarized in the following table.

CPI Based on Fiscal Year

FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
2.21%	2.09%	2.14%	2.22%	2.32%

San Antonio Economy

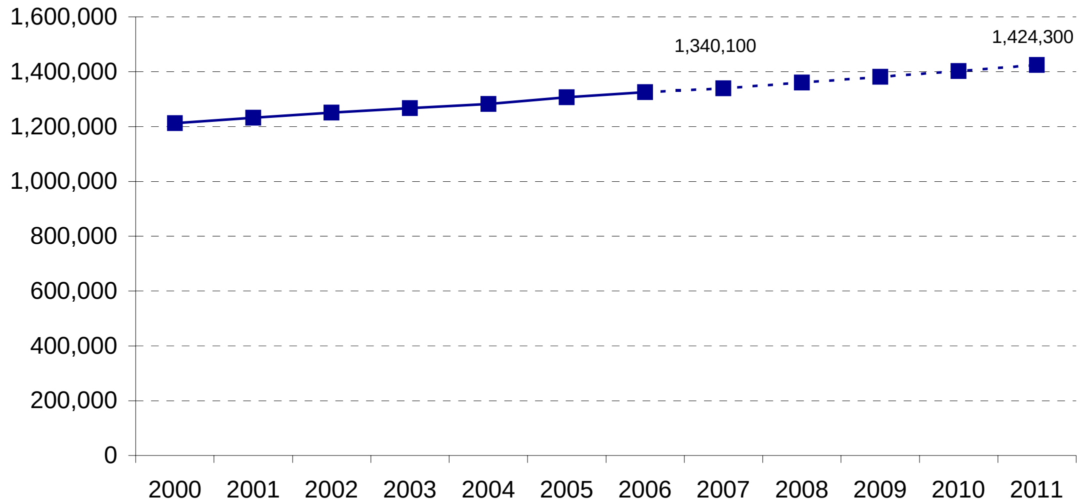
The following information provides key statistical data specific to the City of San Antonio which can be used to gauge the City's current and future economic conditions. These measures include the following:

- Population & Growth
- Housing Price Index (HPI)
- Room Nights Sold
- Enplanements

Population & Growth

The City of San Antonio is the seventh largest city in the United States and the second largest in Texas. With a projected population in 2006 of 1,325,700, the City has experienced steady growth over the past several decades. From 1990 to 1999, the City of San Antonio experienced an average growth rate of 2.6 percent in its population. Since 2000 however, growth has slowed, averaging just over 1.5 percent, which looks to continue steadily though the projection period.

San Antonio Population Growth & Projections
Actual Through 2006 / Forecasted 2007 to 2011

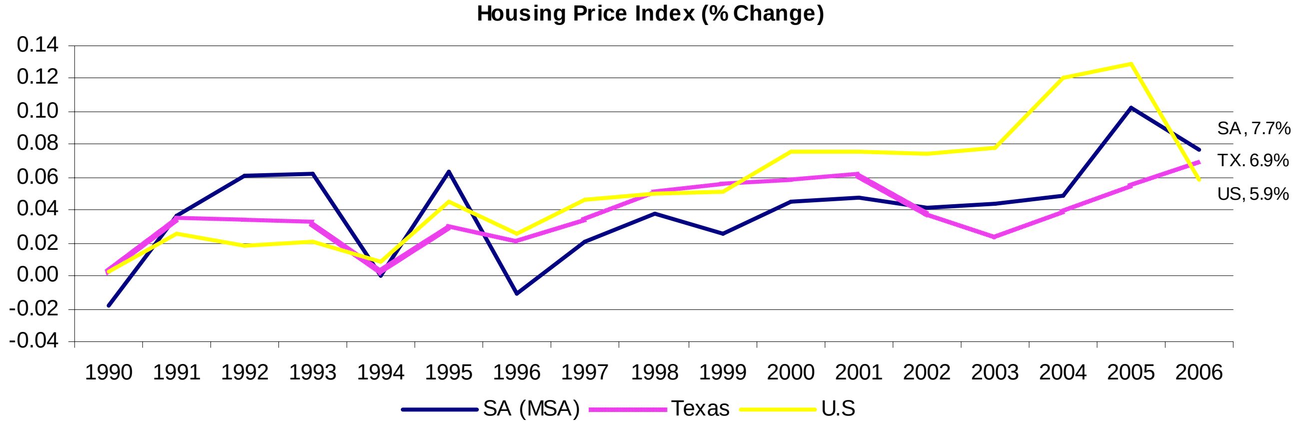


Source: Actual figures and Projections from City of San Antonio Planning Department

House Price Index (HPI)

The **House Price Index** (HPI) is a measure designed to capture changes in the value of single-family homes in the United States as a whole, in various regions of the country, and in the individual states and the District of Columbia. The HPI serves as a timely, accurate indicator of house price trends at various geographic levels as well as an analytical tool for determining changes in the rates of mortgage defaults, prepayments and housing affordability in specific geographic areas. The HPI is compiled and published by the Office of Federal Housing Enterprise Oversight (OFHEO) using data provided by Fannie Mae and Freddie Mac.

As illustrated in the figure below, San Antonio surpassed Texas and the US in the Housing Price Index rate change from 2005 to 2006. San Antonio is one of Texas' fastest growing housing markets (7.7%), with house prices increasing more rapidly than Corpus Christi (5.41%), Dallas (4.11%), Fort Worth (4.9%) and Houston (6.73%). San Antonio's HPI means that a house with an initial value of $100,000 at year-end 2005 might expect an end of year 2006 value of $107,700. The actual value will depend on the local real estate market, house condition, age, and other factors.

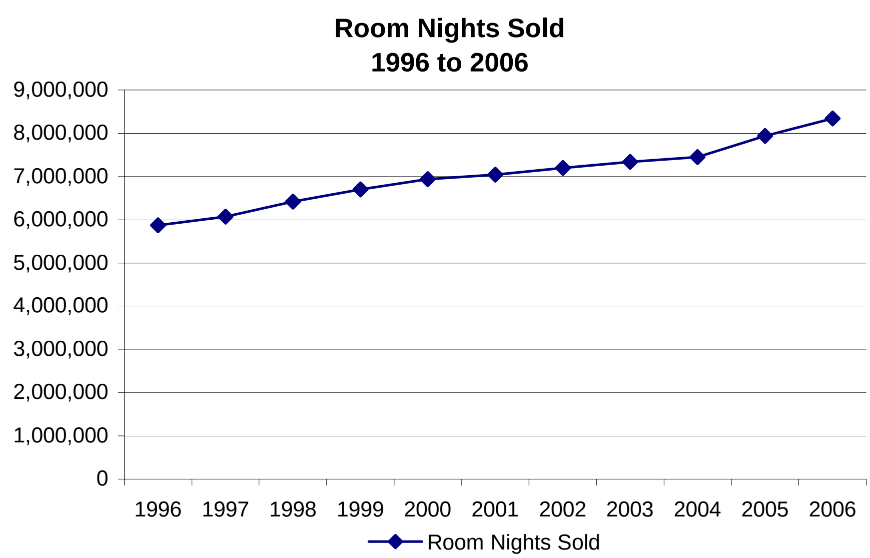


Source: Office of Federal Housing Enterprise Oversight (OFHEO)

Room Nights Sold

Since 1996, San Antonio has seen a strong annual growth rate in room nights sold, averaging 3.5 percent.

Fiscal Year	Room Nights Sold	Percent Change
Sep-1996	5,867,962	2.2%
Sep-1997	6,072,127	3.5%
Sep-1998	6,423,539	5.8%
Sep-1999	6,701,885	4.3%
Sep-2000	6,941,228	3.6%
Sep-2001	7,045,151	1.5%
Sep-2002	7,194,993	2.1%
Sep-2003	7,338,554	2.0%
Sep-2004	7,448,109	1.5%
Sep-2005	7,936,372	6.6%
Sep-2006	8,336,899	5.0%



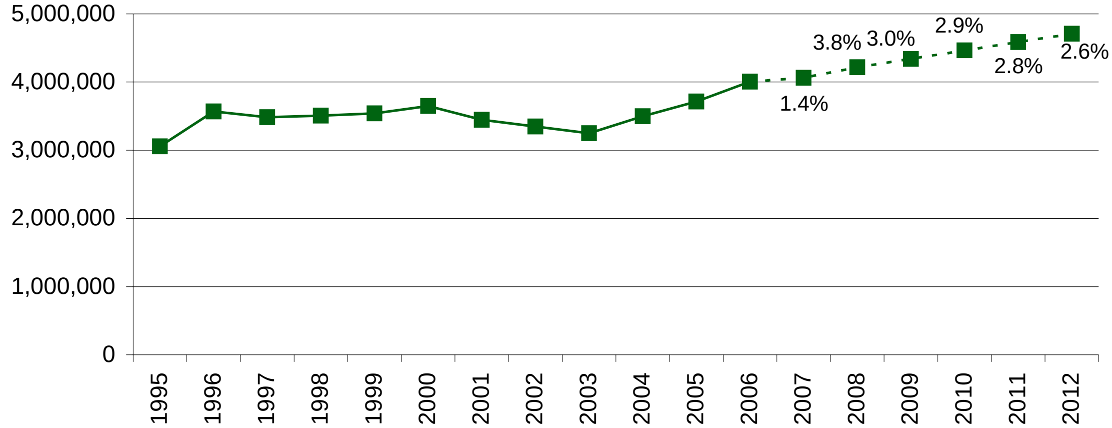
Source: Data obtained from Smith Travel Research based on hotels in San Antonio Market report dated March 21, 2007

Enplanements

San Antonio's International Airport is the only commercial service airport serving the City and the San Antonio metropolitan area. Based on 2005 airport data, the Airports Council International ("ACI") ranked the San Antonio International Airport 52nd in the nation in terms of total passengers served, 57th in the nation in terms of aircraft operations and 42nd for total air cargo processed.

A strong local economy along with a significantly improved airline industry has resulted in substantial growth at the airport in the last few years. From 2003 through 2006 the number of enplaned passengers increased 23 percent and the airport is projected to maintain steady growth into the future.

Total San Antonio Enplanements (with projected growth rates)



Source: Aviation Department