# Five Year Financial Forecast

## FY 2011 – FY 2015

*City Of San Antonio, Texas*

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

*CITY OF SAN ANTONIO*

# Five Year Financial Forecast

## Fiscal Year 2011-2015

**PREPARED BY:**
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**May 12, 2010**

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# ***GENERAL FUND FORECAST***

# General Fund Five Year Financial Forecast Overview and Summary

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

The forecast information presented in this document combines projected resources, current service expenditures, and mandated expenditures to illustrate the financial impact to specific funds and their ending balances. Recent revenue trends and economic assumptions (many of which can be found in the Economic Outlook section of this document) are used to develop these figures. Current service expenditures required to sustain the current (FY 2010) level of services are used throughout the forecast period based in part on a modified rate of inflation. The net result of this combined data highlights the level of adjustments necessary over the forecast period to maintain a balanced budget as required by State Law. Many of the assumptions, projections, and cost estimates within this document are based on early and preliminary information and as such may change as the FY 2011 Proposed Operating Budget is developed and presented to City Council on August 12, 2010.

**General Fund.** During the forecast period, total General Fund revenue is expected to grow annually at rates ranging from 0.42% to 1.89%. The FY 2011 revenue forecast is approximately $3.59 million higher than the current year, an overall increase of 0.42%. The rate of revenue growth is forecast to be slightly higher in each of the following fiscal years, 0.60% in FY 2012, 0.90% in FY 2013, 1.83% in FY 2014, and 1.89% in FY 2015.

Projections show that while revenue growth gradually increases over the forecast period, cost drivers over the forecast period continue to exceed revenue growth. This increased growth in expenditures over the forecast period is due to mandated operational costs associated with completed bond program projects, Police and Fire collective bargaining contractual increases, and increased cost of employee health care. A section can also be found in the General Fund Schedule for additional expenditures not included in the Current Service Budget. This section provides budget scenarios for employee compensation and other service enhancements such as more Police Officers and Firefighters and increases for economic incentive programs. These expenses will be considered and evaluated during the FY 2011 Budget Process and are shown in the schedule to provide estimated costs and the impact to the General Fund.

In FY 2011, the General Fund Ending Balance / (Adjustment required), which represents the difference between the City's total available resources and total expenditures, is a positive $12.6 million, prior to any additional expenditures not included in the current service budget. If the additional enhancements are included, the General Fund Ending Balance ranges from negative $41 million to negative $68 million. These negative ending balances continue through the forecast period. In FY 2015, the General Fund Ending Balance ranges from negative $147 million to negative $160 million.

# Forecast Methodologies and Assumptions

## Revenues

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

## Expenditures

Expenditures assumed in the Forecast are based on the current service level. Fiscal Year 2010 estimated budgets are based on an analysis of current fiscal year expenditure trends by using six months of actual expenditures to project estimated expenditure levels at the end of FY 2010. The FY 2011 base assumes the removal of the one-time improvements included in the FY 2010 Adopted Budget and costs annually modified for price changes. Inflation rates are also used to project non-personal services expenditures derived from the San Antonio Consumer Price Index (CPI) projections for each year from 2011 through 2015 (See Economic Outlook section for more detail on CPI projections used). Mandated expenditures and commitments are included in the projections. Adjustments to financial reserves, based on best practices or current City policy, are also included. Adjusted ending balances in the Forecast take into account the full impact of all transfers and operating expenses, including employee compensation issues.

# General Fund Forecast

**General Fund Forecast Schedule**
**($ in Millions)**

| | FY 2010 Budget | FY 2010 Estimate | FY 2011 Projection | FY 2012 Projection | FY 2013 Projection | FY 2014 Projection | FY 2015 Projection |
|---|---|---|---|---|---|---|---|
| **RESOURCES** | | | | | | | |
| Beginning Balance (Excluding Reserves) | $53.67 | $72.04 | $34.20 | $12.42 | $0.00 | $0.00 | $0.00 |
| Use of Reserve for Two Year Balanced Budget Plan | 28.27 | $28.27 | 38.33 | 0.00 | 0.00 | 0.00 | 0.00 |
| **CURRENT REVENUES** | | | | | | | |
| Property Taxes | 244.47 | 245.64 | 238.65 | 237.75 | 239.06 | 242.39 | 245.90 |
| Sales Tax | 189.57 | 185.29 | 187.14 | 189.95 | 193.75 | 198.59 | 204.55 |
| CPS Energy * | 251.05 | 270.40 | 281.03 | 280.18 | 280.07 | 285.67 | 291.38 |
| Other | 159.07 | 156.15 | 154.26 | 158.33 | 161.13 | 163.38 | 165.03 |
| **TOTAL CURRENT REVENUES** | **$844.15** | **$857.48** | **$861.08** | **$866.21** | **$874.01** | **$890.03** | **$906.87** |
| **TOTAL RESOURCES** | **$926.08** | **$957.78** | **$933.60** | **$878.63** | **$874.01** | **$890.03** | **$906.87** |
| **EXPENDITURES** | | | | | | | |
| Current Service ** | 887.08 | 884.58 | 910.72 | 925.49 | 938.19 | 945.22 | 955.56 |
| Mandated Service Delivery Costs (incremental) | | | 7.44 | 3.76 | 2.46 | 1.01 | 0.95 |
| **TOTAL EXPENDITURES** | **$887.08** | **$884.58** | **$918.16** | **$929.25** | **$940.64** | **$946.23** | **$956.52** |
| **FINANCIAL RESERVES/TWO YEAR BALANCED BUDGET** | | | | | | | |
| Budgeted Financial Reserves (Incremental) | 0.68 | 0.68 | 3.02 | 1.00 | 1.03 | 0.50 | 0.93 |
| Reserve for Two Year Balanced Budget Plan | 38.33 | 38.33 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| **SUBTOTAL BALANCE - CURRENT SERVICE** | **$0.00** | **$34.20** | **$12.4** | **($51.6)** | **($67.7)** | **($56.7)** | **($50.6)** |
| **ADDITIONAL BEGINNING BALANCE/SHORTFALL (Net of One-Time Expenses)** | | | | (54 to 66) | (59 to 72) | (75 to 88) | (92 to 104) |
| **EMPLOYEE COMPENSATION** | | | | | | | |
| Police Collective Bargaining (proposed contract) | | | 4.85 | 7.05 | 7.58 | 7.17 | - |
| Fire Collective Bargaining (for every 2%) | | | 3.27 | 3.34 | 3.41 | 3.47 | - |
| Civilian Cost of Living Adjustment (for every 2%) *** | | | 2.98 | 3.04 | 3.10 | 3.16 | 3.23 |
| Civilian Pay Plan (full implementation FY 2013) | | | 2.56 | 4.50 | 2.16 | 2.51 | 1.25 |
| **Total Employee Compensation** (incremental) | **$0.00** | **$0.00** | **$13.7** | **$17.9** | **$16.2** | **$16.3** | **$4.5** |
| **ADDITIONAL EXPENDITURES** | | | | | | | |
| Police Officers - for every 25 new Officers | | | 2.30 | - | - | - | - |
| Firefighters - for every 25 new Firefighters | | | 2.00 | - | - | - | - |
| Street Maintenance (increment to match FY 2008 levels, $60.7 M) | | | 9.65 | - | - | - | - |
| Neighborhood Improvement Requests (street projects, sidewalks, quiet zones) | | | 2.5 to 5.0 | - | - | - | - |
| Comprehensive Senior Center - for every one new center | | | 0.40 | - | - | - | - |
| Code Enforcement - for every 5 new Officers | | | 0.36 | - | - | - | - |
| Animal Care - for every 4 new Officers | | | 0.24 | - | - | - | - |
| Animal Care - for additional Spay/Neuter Mobile Surgical Van *(one-time)* | | | 0.25 | - | - | - | - |
| City's Portion of VIA Street Car North/South & East/West Routes *(one-time)* | | | 8.0 to 20.0 | - | - | - | - |
| Economic Incentive Programs - Inner City Investment (land bank & fee waivers) | | | 5.0 to 10.0 | - | - | - | - |
| Economic Incentive Programs - Citywide Economic Development | | | 5.0 to 10.0 | - | - | - | - |
| **Additional Expenditures** (incremental) | **0.00** | **0.00** | **35.7 to 60.2** | **0.0** | **0.0** | **0.0** | **0.0** |
| **SUBTOTAL - ADDITIONAL EXPENDITURES** | **$0.00** | **$0.00** | **$49 to $74** | **$71 to $84** | **$75 to $88** | **$92 to $104** | **$96 to $109** |
| Budgeted Financial Reserves (incremental) | | | 4.4 to 6.6 | (0.2) to 0.9 | 1.5 to 1.5 | 1.5 to 1.5 | 0.4 to 0.4 |
| **ADJUSTED ENDING BALANCE / (ADJUSTMENT REQUIRED)** | **$0.00** | **$0.00** | **($41 to $68)** | **($124 to $136)** | **($144 to $157)** | **($150 to $162)** | **($147 to $160)** |
| **ADJUSTED EXPENDITURE BASE** | | | **968 to 992** | **988 to 1,001** | **1016 to 1,028** | **1,038 to 1,050** | **1,053 to 1,065** |
| **BUDGETED RESERVES SUMMARY** | | | | | | | |
| Total Annual Budgeted Financial Reserves | 79.8 | 79.8 | 87 to 89 | 89 to 90 | 91 to 93 | 93 to 95 | 95 to 96 |
| Annual Budgeted Financial Reserves as a % of Appropriations | 9.0% | 9.0% | 9.0% | 9.0% | 9.0% | 9.0% | 9.0% |

* Includes **potential one-time** revenues of $5.60 M in FY 2011 and FY 2012
** Includes additional $1.5 M for Haven for Hope for total funding of $5.5 M in FY 2011
*** A cost of living adjustment to retirees is included in the forecast

# General Fund Revenues

Total FY 2010 General Fund revenue is anticipated to be $13.3 million, or 1.58%, above FY 2010 budgeted levels. Over the forecast period, these revenues are expected to increase at an average annual rate of 1.13%, with annual rates of change ranging from a low of 0.42% in FY 2011 (over the FY 2010 estimate) to a high of 1.89% in FY 2015 (over the FY 2014 projection). The following is a description of major General Fund revenue categories to include projected fiscal year rates of change, current year activity, and assumptions on future projections.

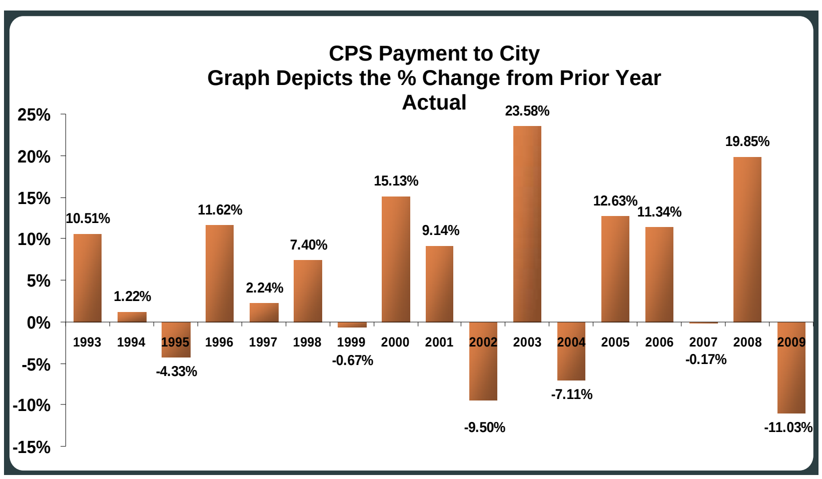
## City Public Service Energy (CPS Energy) Payment to the City

*Projected Annual Rates of Change*
FY 2011: 3.93% FY 2012: -0.30% FY 2013: -0.04% FY 2014: 2.00% FY 2015: 2.00%

The City's payment from CPS Energy represents the largest source of revenue to the General Fund, accounting for 28.3% of budgeted FY 2010 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 $270.4 million for FY 2010 is $19.3 million, or 7.7%, higher than the original $251.0 million budgeted in FY 2010. This increase is due a rate increase approved in March 2010 as well as higher than projected sales volume as a result of unseasonable weather coupled with higher than expected fuel prices.

The forecast for FY 2011 of $281.0 million is $10.6 million, or 3.93%, higher than the FY 2010 Estimate. CPS and Nuclear Innovation North America, or NINA, were involved in litigation regarding a project for the construction of new nuclear generation facilities. CPS and NINA reached a settlement to resolve their differences in the project resulting in a settlement. The City is anticipated to receive additional one-time revenue of $5.6 million in FY 2011 and $5.6 million in FY 2012 as a result. In FY 2011 there is also potential to receive $4.9 million of additional one-time revenue from CPS off-system sales. The forecasted amounts for FY 2012 through FY 2015 are based on the FY 2011 Projection adjusted by an average conservative growth rate of 1.5% for FY 2012 and 2% for FY 2013 through 2015.

Accurately forecasting the CPS Energy payment revenue is challenged by a number of variables such as the weather, growth of the system, changes in per capita consumption, advances in technology, 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 graph above depicts the percent change in the City's annual payment from CPS Energy year over year.

## Current Property Tax Revenue—Maintenance & Operations

*Current Property Tax Revenue Projected Annual Rates of Change*
FY 2011: -2.85% FY 2012: -0.37% FY 2013: 0.55% FY 2014: 1.40% FY 2015: 1.45%

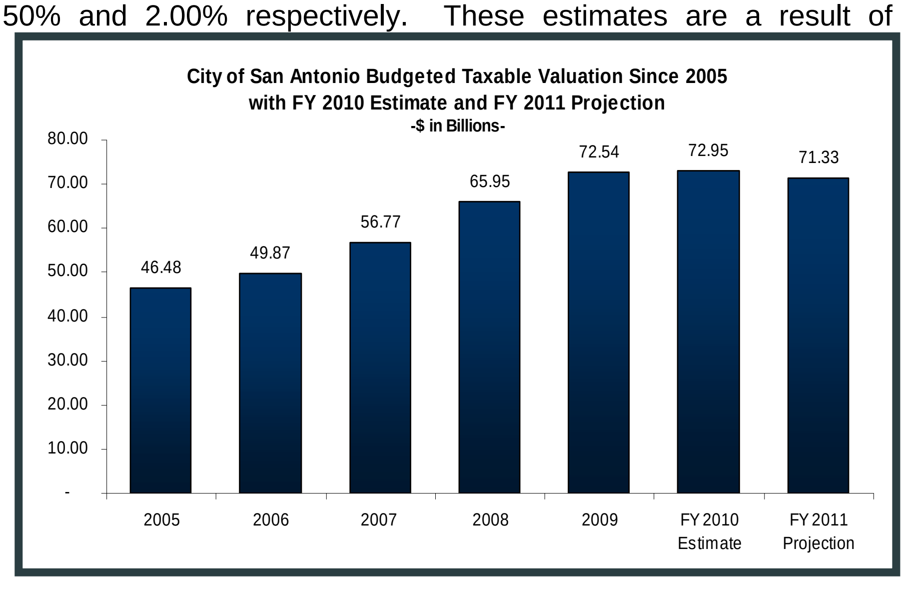
Property Tax revenue accounts for 27.6% of total budgeted FY 2010 General Fund resources. This revenue category is comprised of Current Property Tax revenues only. Additional Property Tax revenues collected by the City accounted for in the Other Resources Category include Delinquent Property Tax and revenues from penalties and interest on Delinquent Property Taxes. Property Tax revenue is generated from the City's ad valorem tax rate levied against taxable values as determined by Bexar Appraisal District and in conformance with State Law.

The Property Tax revenue projections used in the budget and over the Forecast period are derived from the City's total assessed value less exemptions such as the Over-65 and Disabled Residence Homestead and Disabled Veterans exemptions. Additional tax relief provided by the City includes Tax Abatement/Phase-Ins exemptions, Freeport exemptions, Historic Property exemptions, and the 10% Residence Homestead limitation.

The revenue estimated to be generated in FY 2011 includes the current property tax rate of 56.569 cents per $100 of taxable valuation. The General Fund maintenance and operation portion is 35.419 cents with the remaining 21.150 cents used to support the City's debt service requirements. The revenue projected to be generated through the forecast period beyond FY 2010 (FY 2011-FY 2015) assumes the property tax rate of 56.569 cents per $100 of taxable valuation. The City has not increased the property tax rate for seventeen years and has decreased it six times over that same period. Most recently, the FY 2010 Adopted Budget included a decrease in the total tax rate of $0.145 or 2/10 of a cent in recognition of the transfer of the City's Health Clinics (and their associated expense) to the University Health System as approved by City Council.

Due to the negative economic impact on the housing market, taxable valuations for FY 2011 are estimated to decrease by 2.22% compared to the FY 2010 estimate. Base valuations are estimated to decrease by $2.866 billion or 3.93%. New improvements are estimated to add $1.244 billion or 1.71% in taxable value. FY 2012 total taxable valuations are estimated to be flat, FY 2013 taxable valuations are estimated to increase by 1.00%, and FY 2014 and FY 2015 are estimated to increase by 1.50% and 2.00% respectively. These estimates are a result of conservative projections of base value change, new property improvements, and annexations.

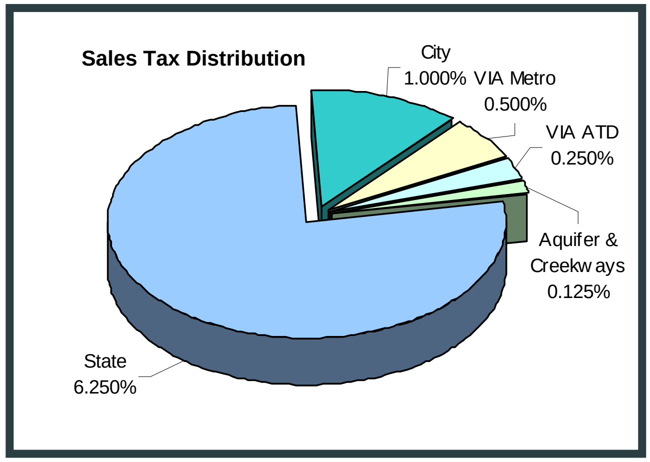
The adjacent chart details the City's adopted taxable value since 2005, the estimated taxable value for FY 2010, and projected value for FY 2011 (based on Bexar Appraisal District's preliminary estimate as of April 12, 2010).



## City Sales Tax Revenue

*Projected Annual Rates of Change*
FY 2011: 1.00% FY 2012: 1.50% FY 2013: 2.00% FY 2014: 2.50% FY 2015: 3.00%

Sales Tax revenue collected to support maintenance and operations for the General Fund within the FY 2010 Adopted Budget accounts for 21.4% of all budgeted FY 2010 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 adjacent chart. Currently, one-eighth of a cent remains available before the State mandated cap of 8.25% is reached.




Actual sales tax collections for the current year are projected to be $185.3 million. This amount is $4.3 million or 2.25% less than the $189.6 million budgeted in FY 2010 for Sales Tax revenue. The slow performing economy continues to impact San Antonio and local consumer spending remains weak, impacting sales tax collections. Through March of FY 2010, Sales Tax collections month over month/year over year has declined for 16 consecutive months. General Fund Sales Tax revenues in FY 2011 are projected to increase by 1.00%. Beyond FY 2011, revenue levels from this source are expected to grow at an average rate of 2.25%. 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.

## Other Resources

*Projected Annual Rates of Change*
FY 2011: -1.21% FY 2012: 2.64% FY 2013: 1.77% FY 2014: 1.39% FY 2015: 1.01%

Other revenues received by the General Fund include business and franchise taxes, delinquent and penalties from property taxes, licenses and permits, fines, liquor by the drink, interest earnings, and other miscellaneous revenue. Other resources for the current year are projected to be approximately $156.1 million compared to the FY 2010 Budget of $159.0 million. This $2.9 million decrease is largely attributable to lower than anticipated interest earnings as well as lower payments from San Antonio Water System (SAWS) revenues due to lower customer demand as a result of more than anticipated rainfall. For FY 2011, total other General Fund revenue is expected to be $154.3 million or -1.21% lower than the $156.1 million estimated in FY 2010. In future years beyond FY 2011, other resources are projected to steadily increase by an average of 1.70%.

# Mandated Expenditures and Commitments

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

The following table projects the cost requirements of mandated expenditures and commitments over the FY 2011 – FY 2015 forecast period and the impact to the General Fund. All expenditures shown are incremental and are sorted by Service Delivery Category.

| Mandate Title | FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|---|---|---|---|---|---|
| **CAPITAL IMPROVEMENTS OPERATIONS & MAINTENANCE** | | | | | |
| CAD/RMS Implementation and Maintenance | 3,161,854 | 766,682 | - | - | - |
| Fire Station No. 51 Completion | 344,430 | 65,360 | - | - | - |
| Parman Branch Library | 897,445 | 424,759 | - | - | - |
| Mission Branch Library | 907,846 | 426,839 | - | - | - |
| Hardberger Park Development | - | 117,123 | 71,411 | - | - |
| Parks Acquisition and Development | 231,598 | 147,063 | 24,593 | - | - |
| Linear Greenway Development | 64,754 | 78,736 | 119,953 | 39,279 | - |
| **Subtotal** | **$ 5,607,927** | **$2,026,562** | **$ 215,957** | **$ 39,279** | **$ -** |
| **CONTRACT REQUIREMENT** | | | | | |
| Police & Fire Longevity Pay | 349,033 | 508,431 | 846,582 | 967,976 | 948,645 |
| **Subtotal** | **$ 349,033** | **$ 508,431** | **$ 846,582** | **$ 967,976** | **$ 948,645** |
| **GRANT MATCH REQUIREMENT** | | | | | |
| COPS Grant Prefund | 1,000,000 | 1,000,000 | 500,000 | - | - |
| COPS Grant Requirement | 395,565 | 21,814 | 936,422 | - | - |
| TXDot DWI Step Grant Match | 83,785 | 200,000 | - | - | - |
| **Subtotal** | **$ 1,479,350** | **$1,221,814** | **$ 1,436,422** | **$ -** | **$ -** |
| **Overall Mandate Total** | **$ 7,436,310** | **$3,756,807** | **$ 2,498,961** | **$ 1,007,255** | **$ 948,645** |

## Capital Improvements Operations & Maintenance

**CAD/RMS Implementation and Maintenance:** This mandate provides for the implementation, operations, and maintenance of the Computer Aided Dispatch (CAD) and Records Management System (RMS). The CAD/RMS will improve the effectiveness of public safety services, allow for better sharing of information among neighboring jurisdictions, and coordinate responses to large emergencies.

**Fire Station No. 51 Completion:** This mandate provides for the operational costs associated with Fire Station No. 51. Although this new facility will not become operational until October 2011, the engine company and fire truck will become operational October 1, 2010 and will be housed in neighboring firefighting facilities.

**Mission Branch Library (District 3):** This mandate provides for the general maintenance and operations of the new Mission Branch Library located in District 3. The library is anticipated to open for service in spring 2011. This facility will have an interior space of 16,100 square feet with an outdoor space/amphitheater of 3,850 square feet.

**Parman Branch Library (District 9):** This mandate provides for the general maintenance and operations of the new Parman Branch Library located in District 9. The library is anticipated to open for service in spring 2011. This facility will have an interior space of 16,400 square feet with two courtyards totaling over 6,000 square feet.

**Hardberger Park Development Maintenance:** This mandate provides for the operations and maintenance of new improvements at Hardberger Park. These improvements include trails, playgrounds, a dog park, restrooms, basketball courts, picnic areas, and a parking area.

**Parks Acquisition and Development:** This mandate provides for the maintenance of new parkland and additional park components. In FY 2011-FY 2015, the City anticipates acquiring 79 new acres of parkland and installing 157 additional components in 31 parks, including restrooms, pavilions, lighting, and playgrounds.

**Linear Greenway Development:** This mandate provides for the maintenance of new trails located along Salado and Leon Creeks and the Medina River. In FY 2011-FY 2015, the City anticipates acquiring and developing 11 miles of additional trails located throughout the City. These trails are purchased through the 2005 voter-approved venue tax.

## Contract Requirements

**Police & Fire Longevity Pay:** This mandate provides funding to address increases in salary based upon years of service for all uniform personnel.

## Grant Match Requirements

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

**COPS Grant Prefund:** This mandate reserves funds for the fourth year costs associated with the 50 Police Officer positions added through the American Recovery & Reinvestment Act (Federal Stimulus Program).

**COPS Grant Requirement:** This mandate provides for costs not covered by the grant associated with the 50 Police Officer positions added through the American Recovery & Reinvestment Act (Federal Stimulus Program).

# Additional Expenditure Requests

The General Fund Forecast Schedule assumes current service levels with some additions. Included in the current service budget is an additional $1.5 million for Haven for Hope, Inc and Haven for Hope Service Providers for total funding of $5.5 million in FY 2011. A section can also be found in the General Fund Schedule for additional expenditures not included in the Current Service Budget. This section provides budget scenarios for employee compensation and other service enhancements such as more Police Officers and Firefighters and increases for economic incentive programs. These expenses will be considered and evaluated during the FY 2011 Budget Process and are shown in the schedule to provide estimated costs and the impact to the General Fund.

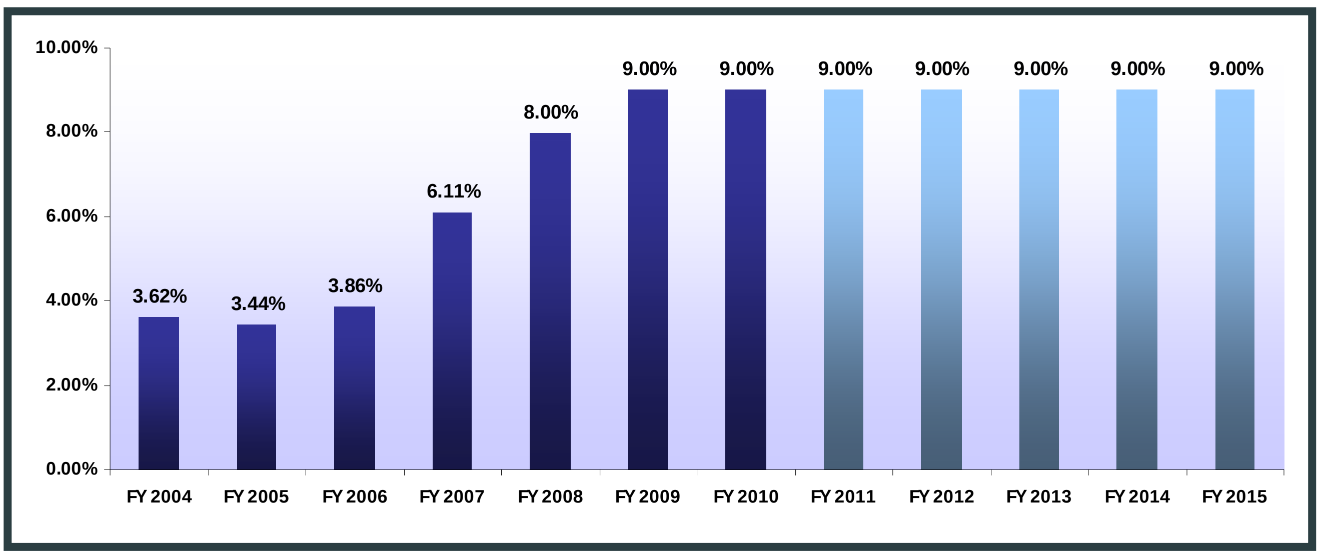
# Financial Reserves Funds

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

As illustrated in the graph below, financial reserve levels have increased from just under 4.0% in 2006 to 9.0% in 2010. This represents a total reserve amount of $79.84 million in FY 2010. These Financial Reserves 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 should be a priority in the following budget year.

The FY 2011 – FY 2015 Forecast recommends maintaining the reserve level of 9.0% of General Fund appropriations.

**Annual Budgeted Financial Reserves as a % of Appropriations**



# *HOTEL OCCUPANCY TAX-RELATED FUNDS*

# Convention, Tourism, and Entertainment Services

# Hotel Occupancy Tax Fund

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

The following is the Financial Forecast for the Hotel Occupancy Tax Fund. It reflects projections for a five year period from FY 2011 through FY 2015. The Forecast includes as its starting point the current fiscal year budget and preliminary estimated projections for the fiscal year, and financial projections on revenues, expenditures, ending balances and potential adjustments.

**Hotel Occupancy Tax Fund Forecast**
**($ In Thousands)**

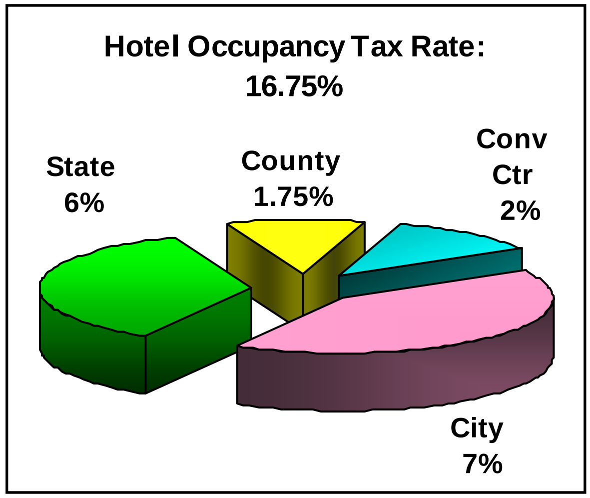
| | FY 2010 Budget | FY 2010 Estimate | FY 2011 Projection | FY 2012 Projection | FY 2013 Projection | FY 2014 Projection | FY 2015 Projection |
|---|---|---|---|---|---|---|---|
| **RESOURCES** | | | | | | | |
| Beginning Balance | $6,442 | $4,306 | $2,801 | $3,480 | $263 | $0 | $0 |
| Hotel Occupancy Tax | 53,303 | 46,993 | 47,777 | 48,830 | 50,246 | 51,861 | 53,501 |
| State Rebate Program | 890 | 3,844 | 4,737 | 876 | 0 | 0 | 0 |
| Transfer in from Contingency Fund | 0 | 643 | 0 | 0 | 0 | 0 | 0 |
| Interest Earnings | 391 | 30 | 150 | 347 | 462 | 483 | 481 |
| Miscellaneous Revenue | 78 | 78 | 82 | 84 | 87 | 84 | 85 |
| **TOTAL RESOURCES** | **61,103** | **55,894** | **55,547** | **53,617** | **51,058** | **52,428** | **54,067** |
| **TRANSFERS** | | | | | | | |
| Community & Visitor Facilities Fund (CVF) | 17,923 | 16,928 | 15,993 | 16,611 | 16,567 | 16,710 | 17,534 |
| Convention & Visitors Bureau Fund (CVB) | 19,965 | 18,964 | 19,188 | 19,291 | 19,402 | 19,511 | 19,625 |
| Cultural Affairs Fund (CAF) | 7,994 | 7,692 | 7,167 | 7,324 | 7,537 | 7,779 | 8,025 |
| Support for History and Preservation | 7,995 | 7,049 | 7,167 | 7,324 | 7,537 | 7,779 | 8,025 |
| Other Transfers | 2,558 | 2,460 | 2,552 | 2,804 | 3,053 | 3,077 | 3,098 |
| Facility Renewal & Improvement | 500 | 0 | 0 | 0 | 0 | 0 | 0 |
| Convention Center Capital Reserve | 390 | 0 | 0 | 0 | 0 | 0 | 0 |
| **TOTAL TRANSFERS** | **57,325** | **53,093** | **52,067** | **53,354** | **54,096** | **54,856** | **56,307** |
| ***ENDING BALANCE / ADJ. REQUIRED*** | ***$3,778*** | ***$2,801*** | ***$3,480*** | ***$263*** | ***($3,038)*** | ***($2,428)*** | ***($2,240)*** |
| **EMPLOYEE COMPENSATION** | | | | | | | |
| Minus Adjustment to Beginning Balance | | | 0 | 731 | 263 | 0 | 0 |
| Employee COLA- 2% per year (Cumulative) | | | 381 | 770 | 1,166 | 1,570 | 1,983 |
| Step Pay Plan Implementation- Cumulative | | | 350 | 779 | 1,033 | 1,296 | 1,415 |
| **Subtotal Compensation & Benefits** | **0** | **0** | **731** | **1,548** | **2,199** | **2,867** | **3,397** |
| ***ADJUSTED ENDING BALANCE / (ADJ. REQUIRED)*** | ***$3,778*** | ***$2,801*** | ***$2,749*** | ***($2,016)*** | ***($5,500)*** | ***($5,294)*** | ***($5,638)*** |

## Analysis of Revenues vs. Expenditures

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

As shown in the Hotel Occupancy Tax Fund Forecast, the Fund experiences shortfalls in the out-years between 2012 and 2015. The anticipated shortfalls are mostly the result of lower average daily hotel room rates and moderate growth rates for HOT collections for the forecast period. Additionally, increases in the costs of commodities and utilities have increased the total expense to be incurred by HOT supported departments.

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

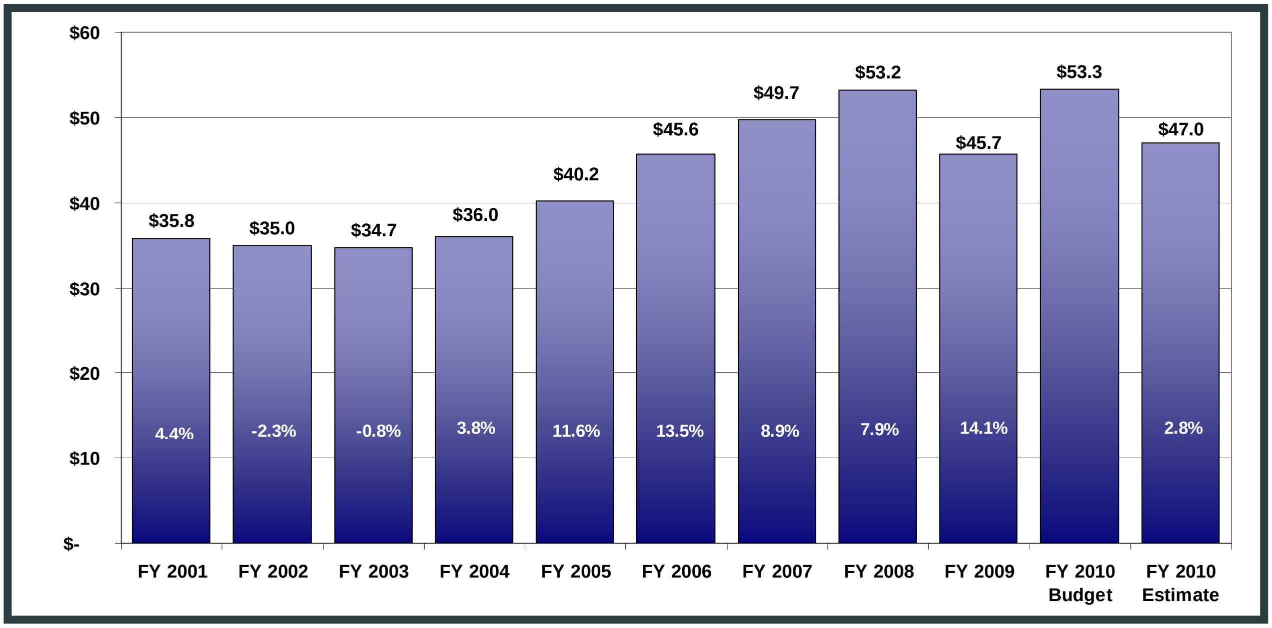



HOT revenue projections are based upon an analysis of anticipated lodging demand, projected number of room nights sold, projected average daily room rates, and projected revenue per available room.

HOT revenue is estimated to be $46.9 million for FY 2010, which is 12.0% below the FY 2010 Adopted Budget of $53.3 million. HOT revenues are projected to increase at annual rates of 1.7% (FY 2011), 2.2% (FY 2012), 2.9% (FY 2013), 3.2% (FY 2013) and 3.2% (FY 2014) during the Forecast period. The current decline in HOT revenue is attributable to a drop in Revenue Per Available Room (REVPAR). Specifically, a decline in room demand coupled with lower average daily hotel room rates. Average daily hotel room rates experienced a significant drop during FY 2009 and are not anticipated to rebound quickly. During the forecast period, room rates are anticipated to grow on average 1.5% annually. Despite recent trends, San Antonio's position as one of Texas's top leisure destinations continues to be a source of support for the hotel industry. According to the State of Texas Office of Economic Development and Tourism, San Antonio remains home to the State's top two tourist attractions - the Alamo and the River Walk.

As the historical HOT Collections graph shows below, between FY 2001 and FY 2008, the City's HOT Tax Collections grew 48.5%. Beginning in the 2nd Quarter of FY 2009, the Hospitality Industry began showing signs of weakness, and by the end of FY 2009, HOT Collections declined 14% from the prior year and 20% below the FY 2009 Adopted Budget. The FY 2010 Estimate reflects a 2.76% growth from the FY 2009 actual collections

**Hotel Occupancy Tax Collections**
**($ in Millions)**




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

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

Included in the Current Services expenditure amounts are adjustments to assessments needed to sustain the City's Information Technology, Employee Benefits, and Liability programs that are managed by the City's internal service funds.

## HOT Deficit Reduction Strategy

In an effort to maintain a balanced budget plan with declining HOT revenues, a strategic plan to maintain a positive fund balance was developed in FY 2010. This plan consists of reducing operating expenditures in the HOT supported departments, reduced transfer to the General Fund for History and Preservation activities –not to exceed 15% of HOT Collections– and the use of the State Major Events Trust Fund Program to assist in funding the cost of operations.

**Departmental Reductions** As part of the HOT Deficit Reduction Strategy, HOT-supported departments reduced spending by $2 million. Included in these reductions are decreases in funding for advertising, building maintenance, travel & training, and other programs. These reductions are assumed to be recurring for the duration of the forecast period

**State Major Events Trust Fund Program** With the 2009 Legislative Session, the Texas State Legislature amended the Sporting Events Trust Fund program, which provides municipalities the opportunity to seek State reimbursement of expenses related to hosting conventions and sporting events at a ration of 6.25/1 (86%/14%). Hosting obligations, operating expenses, and building improvements are eligible under the legislation for events that are determined to have a significant impact on tax revenues when held in Texas cities.

The City has identified reimbursable expenses related to hosting major convention groups during FY 2010 and FY 2011 totaling $16 million with a potential total reimbursement of $13.8 million. Of this amount, $8.6 million will used to support HOT departments operations and offset the HOT declining revenues. The remaining $5.2 million is being used to leverage capital projects in FY 2010 and FY 2011 that otherwise the HOT Fund could not support until future years.

**Employee Compensation** The Forecast Schedule includes a budget scenario that illustrates the cost to complete the implementation of the Step Pay plan for non-professional, non-managerial positions and an estimated Cost of Living Adjustment (COLA) for Civilian Employees of 2% every year of the forecast. This scenario is shown to illustrate the impact to the Hotel Occupancy Tax Fund and will be evaluated and discussed further during the FY 2011 Budget Process.

# Community and Visitor's Facility Fund

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

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

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

| | FY 2010 Budget | FY 2010 Estimate | FY 2011 Projection | FY 2012 Projection | FY 2013 Projection | FY 2014 Projection | FY 2015 Projection |
|---|---|---|---|---|---|---|---|
| **RESOURCES** | | | | | | | |
| Beginning Balance | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Alamodome Revenue | 6,075 | 6,382 | 6,752 | 6,881 | 7,074 | 7,273 | 7,478 |
| Convention Center Revenue | 10,536 | 10,029 | 10,328 | 10,394 | 10,606 | 10,822 | 11,042 |
| Municipal Auditorium Revenue | 525 | 589 | 265 | 0 | 0 | 0 | 0 |
| Other Revenue | 607 | 713 | 782 | 790 | 797 | 802 | 808 |
| Transfer from Hotel Occupancy Tax | 17,923 | 16,928 | 15,993 | 16,611 | 16,567 | 16,710 | 17,534 |
| **TOTAL RESOURCES** | **35,665** | **34,640** | **34,121** | **34,675** | **35,043** | **35,607** | **36,862** |
| **EXPENDITURES** | | | | | | | |
| Base Budget* | 35,665 | 34,640 | 32,780 | 33,121 | 33,882 | 34,605 | 35,344 |
| Mandates (Incremental) | 0 | 0 | 1,341 | 1,554 | 1,161 | 1,002 | 1,518 |
| **TOTAL EXPENDITURES** | **35,665** | **34,640** | **34,121** | **34,675** | **35,043** | **35,607** | **36,862** |
| ***ENDING BALANCE*** | ***$0*** | ***$0*** | ***$0*** | ***$0*** | ***$0*** | ***$0*** | ***$0*** |

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

In June 2008, the Municipal Auditorium was conveyed to the Bexar County Performing Arts Center Foundation. The City will continue to operate the facility until it closes in June 2011 for construction of a new performing arts center. This forecast assumes partial revenues and expense savings for FY 2011 (June-September) and a net operating cost savings of $464 thousand (12-months) for FY 2012 and beyond.

# Convention and Visitors Bureau Fund

The Convention and Visitors Bureau (CVB) Fund accounts for revenues and expenditures generated in Sales and Marketing of San Antonio as a premier leisure and convention destination. It is supported from revenues generated by the CVB 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 2010 Budget | FY 2010 Estimate | FY 2011 Projection | FY 2012 Projection | FY 2013 Projection | FY 2014 Projection | FY 2015 Projection |
|---|---|---|---|---|---|---|---|
| **RESOURCES** | | | | | | | |
| Beginning Balance | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Current Revenue | 169 | 169 | 198 | 203 | 207 | 211 | 215 |
| Transfer from Hotel Occupancy Tax | 19,965 | 18,964 | 19,188 | 19,291 | 19,402 | 19,511 | 19,626 |
| **TOTAL RESOURCES** | **20,134** | **19,133** | **19,386** | **19,494** | **19,609** | **19,722** | **19,841** |
| **EXPENDITURES** | | | | | | | |
| Base Budget | 20,134 | 19,133 | 19,386 | 19,494 | 19,609 | 19,722 | 19,841 |
| **TOTAL EXPENDITURES** | **20,134** | **19,133** | **19,386** | **19,494** | **19,609** | **19,722** | **19,841** |
| ***ENDING BALANCE*** | ***$0*** | ***$0*** | ***$0*** | ***$0*** | ***$0*** | ***$0*** | ***$0*** |

# Cultural Affairs Fund

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

**Cultural Affairs Fund Forecast**
**($ In Thousands)**

| | FY 2010 Budget | FY 2010 Estimate | FY 2011 Projection | FY 2012 Projection | FY 2013 Projection | FY 2014 Projection | FY 2015 Projection |
|---|---|---|---|---|---|---|---|
| **RESOURCES** | | | | | | | |
| Beginning Balance | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| Transfer from Hotel Occupancy Tax | 7,994 | 7,692 | 7,167 | 7,325 | 7,537 | 7,779 | 8,025 |
| **TOTAL RESOURCES** | **7,994** | **7,692** | **7,167** | **7,325** | **7,537** | **7,779** | **8,025** |
| **EXPENDITURES** | | | | | | | |
| Office of Cultural Affairs Operating Budget | 2,130 | 1,828 | 2,112 | 2,125 | 2,139 | 2,153 | 2,168 |
| Contributions to Cultural Agencies | 5,864 | 5,864 | 5,055 | 5,200 | 5,398 | 5,626 | 5,857 |
| **TOTAL EXPENDITURES** | **7,994** | **7,692** | **7,167** | **7,325** | **7,537** | **7,779** | **8,025** |
| **ENDING BALANCE** | **$0** | **$0** | **$0** | **$0** | **$0** | **$0** | **$0** |

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

Arts 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 is 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 collaboration of arts 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 2010 - FY 2015 Forecast assumes the art funding level at 15% of HOT budgeted collections every year of the forecast.

# *PLANNING & DEVELOPMENT SERVICES FUND*

# Planning & Development Services Fund

## Introduction

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

The Planning & Development Services Department is responsible for the regulation of land development and construction for the City of San Antonio. The Department seeks to provide an efficient and effective development process that supports City growth and economic development. This process includes consulting, educating, reviewing, permitting, inspecting, and granting authority to develop land and occupy buildings within the City. The Department is also responsible for master development plans, neighborhood 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 along with major thoroughfare planning.

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

In FY 2007, the declining housing market began impacting the revenues in the Planning & Development Services Fund. Expenditure reductions were necessary to assist in stabilizing the Fund. Beginning in February 2008, the Department implemented a Deficit Reduction Plan aimed at reducing operating expenditures to eliminate the projected deficit by the conclusion of FY 2009. The Deficit Reduction Strategy was developed with the input of key stakeholders to ensure there were no decreases in customer service. Since FY 2008, 69 positions have been eliminated in the Planning & Development Services Department. In addition to these position reductions, in FY 2010 fourteen vacant positions were frozen with the adoption of the FY 2010 Budget in September 2009.

At the end of the first quarter of FY 2010, commercial and residential permitting activity declined further than projected. As a result, the Department developed a strategy to freeze 22 positions as they became vacant throughout FY 2010. It is anticipated that a total of 36 vacant positions will be frozen by the end of FY 2010.

## Five Year Financial Forecast

Below is the Financial Forecast for the Planning & Development Services Department. The Forecast reflects projections for a five year period from FY 2011 through FY 2015 and includes as its starting point the current fiscal year budget and preliminary estimated projections for the fiscal year. The Forecast includes financial projections on revenues, expenditures, and ending balances.

**Planning & Development Services Fund Forecast**
**($ In Thousands)**

| | FY 2010 Budget | FY 2010 Estimate | FY 2011 Projection | FY 2012 Projection | FY 2013 Projection | FY 2014 Projection | FY 2015 Projection |
|---|---|---|---|---|---|---|---|
| **RESOURCES** | | | | | | | |
| Beginning Balance (Excluding Reserves) | ($535) | ($291) | $0 | $544 | $1,328 | $2,887 | $4,315 |
| Current Revenue | $24,388 | $22,313 | $22,562 | $23,254 | $23,490 | $23,722 | $23,954 |
| **TOTAL RESOURCES** | **$23,853** | **$22,022** | **$22,562** | **$23,797** | **$24,817** | **$26,610** | **$28,269** |
| **EXPENDITURES** | | | | | | | |
| Current Service | 23,218 | 22,222 | 22,018 | 22,470 | 21,930 | 22,295 | 22,685 |
| **TOTAL EXPENDITURES** | **$23,218** | **$22,222** | **$22,018** | **$22,470** | **$21,930** | **$22,295** | **$22,685** |
| ***GROSS ENDING BALANCE / ADJ. REQ.*** | ***$635*** | ***($200)*** | ***$544*** | ***$1,328*** | ***$2,887*** | ***$4,315*** | ***$5,584*** |
| **EMPLOYEE COMPENSATION** | | | | | | | |
| Minus Adjustment for Prior Year Employee Compensation | | | | 333 | 1,061 | 2,215 | 3,850 |
| Employee COLA - 2% per year | | | 239 | 483 | 732 | 986 | 1,245 |
| Pay Plan Implementation Five Years (Steps) - Cumulative | | | 94 | 245 | 422 | 649 | 762 |
| **Subtotal Employee Compensation** | **$0** | **$0** | **$333** | **$1,061** | **$2,215** | **$3,850** | **$5,857** |
| ***GROSS ENDING BALANCE / ADJ. REQ.*** | ***$635*** | ***($200)*** | ***$211*** | ***$267*** | ***$673*** | ***$465*** | ***($273)*** |

## Analysis of Revenues and Expenditures

**Revenues.** At the end of the 2nd Quarter in FY 2010, residential permitting activity realized a 5% decrease compared to budgeted permitting activity for the same period of time. Residential permitting activity is anticipated to increase in the last quarter of FY 2010 (June-Sept) resulting in an annual increase of 1.7% in more permits than budgeted. Commercial permitting activity through the 2nd Quarter realized a 24% decrease compared to the budgeted permitting activity for the same period and a 23% decrease compared to the 2nd Quarter in FY 2009. It is anticipated that commercial permitting activity will increase in the last quarter of the fiscal year 2010 (June-Sept) resulting in an annual decrease of 12% for FY 2010. As a result of lower than anticipated commercial permitting activity, the Department is estimating a $1.8 million revenue shortfall for fiscal year 2010.

In order to mitigate the projected revenue shortfall, the Department developed a reduction strategy that includes freezing 22 vacant positions throughout FY 2010.

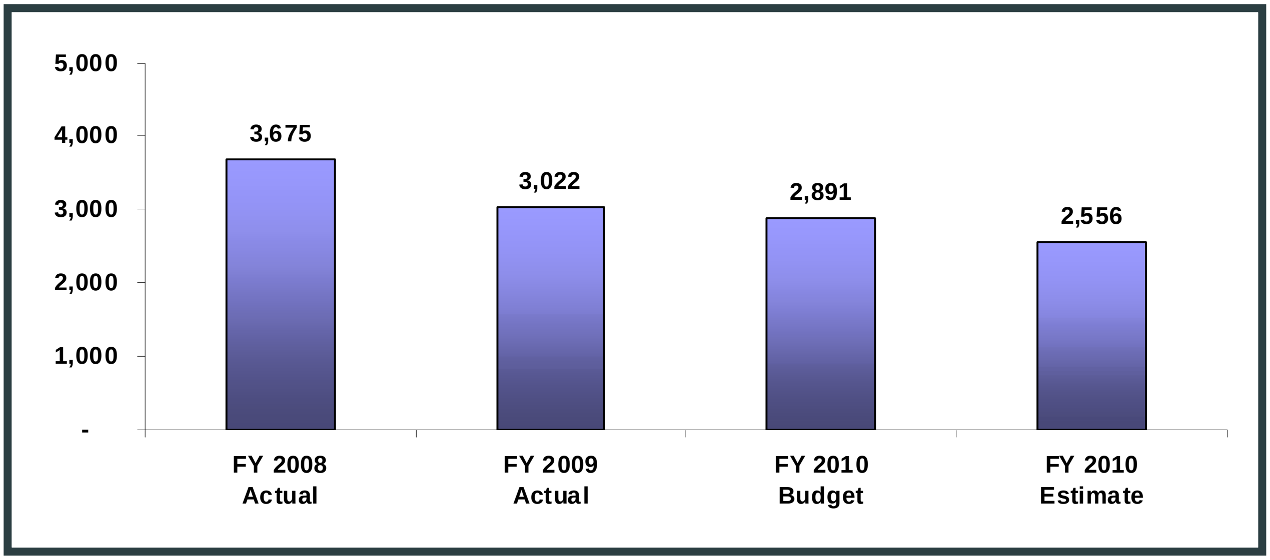
Permitting activity for FY 2011 is estimated to remain flat when compared to FY 2010. No growth in revenues is projected in FY 2011. Conservative revenue increases commensurate with conservative growth in permitting activity are anticipated to begin in FY 2012. A ½ of a percent growth in revenues is projected in FY 2012. Beginning in FY 2013 through FY 2015, a 1% annual revenue increase is anticipated.

**Current Services Expenditures.** This section of the Forecast projects expenditures based on current service levels. Increases in health care costs, liability insurance and workers' compensation are included in the Forecast. Some commodities and certain expenditures such as fuel and utilities are estimated to increase based on projected inflation rates.

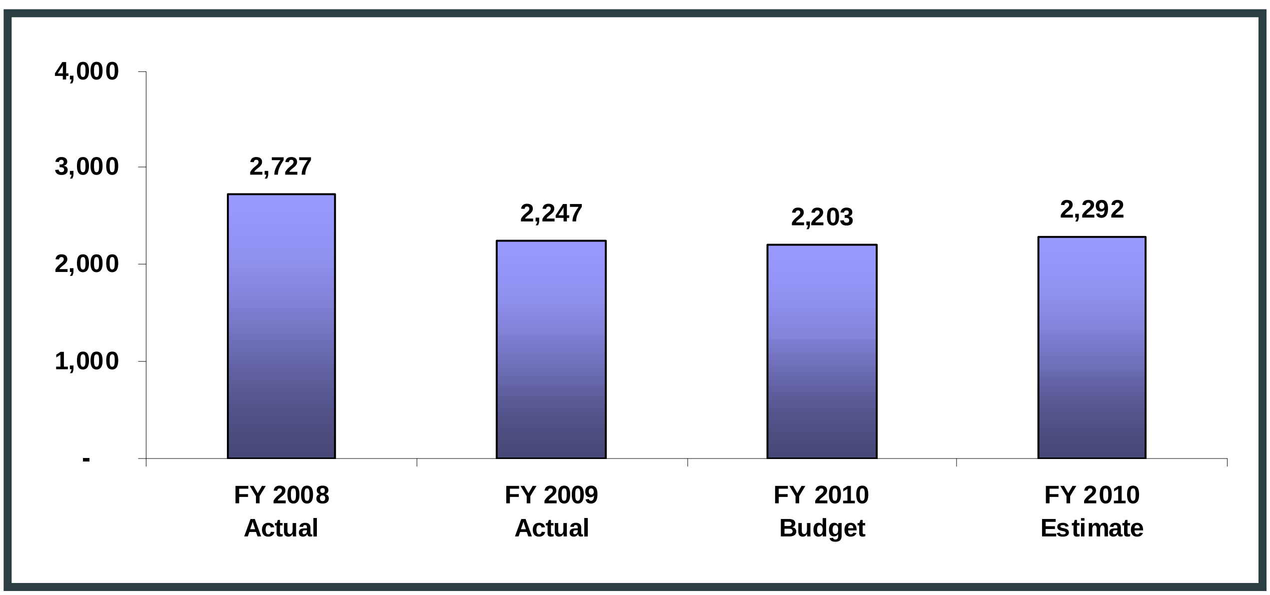
**Employee Compensation. Employee Compensation** The Forecast Schedule includes a budget scenario that illustrates the cost to complete the implementation of the Step Pay plan for non-professional, non-managerial positions and an estimated Cost of Living Adjustment (COLA) for Civilian Employees of 2% every year of the forecast. This scenario is shown to illustrate the impact to the Planning and Development Services Fund and will be evaluated and discussed further during the FY 2011 Budget Process.

**Permit Activity.** The following graphs illustrate the decrease in total permitting activity that was realized in FY 2010. As noted, decreases in permitting occurred in new & existing commercial permitting. As housing inventories deplete, it is anticipated that new residential permitting activity will increase; however, it is too early to project when that will occur.

**New & Existing Commercial Building Permits**




**New Residential Building Permits**



# *SOLID WASTE OPERATING AND MAINTENANCE FUND*

# Solid Waste Operating and Maintenance Fund

## Introduction

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

The Solid Waste Management Department provides automated weekly refuse and recycling collection services and semi-annual brush pick-up service to approximately 340,000 homes within the City of San Antonio. Of these homes, City crews service 330,000 and 10,000 are serviced by a private contractor. Refuse disposal is currently provided through contractual agreements with two privately held area landfills and one City-owned, privately operated, transfer station operation. All forecasted disposal costs assume continued expenditures to private disposal companies.

Additional services provided by the Solid Waste Management Department include maintenance of approximately 720 acres of closed City landfill areas and other sensitive, environmentally regulated areas. The Department also manages a drop-off brush recycling center for brush mulching and two drop-off facilities for household hazardous waste.

Included in the Solid Waste Operating and Maintenance Fund is the Office of Environmental Policy that was created in FY 2008. This Office coordinates air quality and green building initiatives, collaborates with CPS and SAWS, develops incentives for environmental programs in partnership with other departments and agencies, and coordinates existing sustainable practices between City departments. Beyond increasing energy efficiency and lowering energy costs, the Office of Environmental Policy boosts public awareness of environmental issues with the ultimate goal of improving the quality of life for City residents.

In March 2010, the Solid Waste Management Department completed its automated conversion program. The City-wide conversion from manual to automated solid waste collection also included the automated collection of recyclables. The City has already realized many of the benefits from automated collection, such as a reduction in workers' compensation claims, increased recycling tonnage, and efficiencies resulting in personnel reductions.

## Five-Year Financial Forecast

The following is the financial forecast for the Solid Waste Operating and Maintenance Fund. It reflects projections for a five-year period from FY 2011 through FY 2015. The Forecast includes, as its starting point, the current fiscal year budget and preliminary estimated projections for the fiscal year. The Forecast also includes financial projections on revenues, expenditures, ending balances, and reserves.

**Solid Waste Operating and Maintenance Fund**
**($ In Thousands)**

| | FY 2010 Budget | FY 2010 Estimate | FY 2011 Projection | FY 2012 Projection | FY 2013 Projection | FY 2014 Projection | FY 2015 Projection |
|---|---|---|---|---|---|---|---|
| **RESOURCES** | | | | | | | |
| Beginning Balance (Including Reserves) | $9,253 | $8,239 | $12,674 | $13,354 | $13,739 | $13,558 | $12,412 |
| **Current Revenues** | | | | | | | |
| Solid Waste Fees | 79,241 | 79,301 | 79,370 | 80,163 | 80,965 | 81,774 | 82,592 |
| Recycling | 198 | 2,844 | 2,178 | 2,250 | 2,312 | 2,382 | 2,454 |
| Other | 1,786 | 1,737 | 1,710 | 1,878 | 1,978 | 2,001 | 2,003 |
| **TOTAL CURRENT RESOURCES** | **81,225** | **83,882** | **83,258** | **84,292** | **85,255** | **86,157** | **87,049** |
| **TOTAL RESOURCES** | **90,478** | **92,122** | **95,932** | **97,646** | **98,994** | **99,715** | **99,461** |
| **EXPENDITURES** | | | | | | | |
| Current Service | $84,268 | $79,447 | $81,848 | $83,209 | $84,726 | $86,588 | $85,533 |
| Mandated Service Delivery Costs (Incremental) | | | 730 | 698 | 710 | 715 | 710 |
| **TOTAL EXPENDITURES** | **$84,268** | **$79,447** | **$82,578** | **$83,907** | **$85,436** | **$87,303** | **$86,244** |
| Budgeted Financial Reserve | $4,345 | $4,345 | $6,525 | $6,612 | $6,715 | $6,846 | $6,753 |
| **ENDING BALANCE** | **1,865** | **8,329** | **6,829** | **7,127** | **6,843** | **5,566** | **6,464** |
| **EMPLOYEE COMPENSATION** | | | | | | | |
| Minus Beginning Balance Adjustment | | | | 585 | 1,931 | 4,059 | 7,106 |
| COLA - Cost for 2% Every Year - Cumulative | | | 362 | 732 | 1,109 | 1,494 | 1,886 |
| Step Pay Plan Implementation - Cumulative | | | 223 | 614 | 1,019 | 1,554 | 1,841 |
| **Subtotal Policy Issues** | **$0** | **$0** | **$ 585** | **$ 1,346** | **$ 2,129** | **$ 3,047** | **$ 3,727** |
| Budget Financial Reserve (Incremental) | | | 49 | 112 | 177 | 254 | 311 |
| **ADJUSTED ENDING BALANCE** | **$1,865** | **$8,329** | **$6,195** | **$5,085** | **$2,607** | **($1,794)** | **(4,680)** |

## Analysis of Revenues and Expenditures

**Revenues.** The primary sources of revenue for the Solid Waste Operating and Maintenance Fund are the Solid Waste and Brush Collection Fees assessed to each residential household in the City for collection services and the Environmental Fee charged to all customers and commercial entities. Forecasted revenues are based on an estimated 1% annual rate of growth in the number of homes beginning in FY 2011 and continuing through each year of the forecast period.

The current monthly rate assessed to solid waste customers is $18.74, the Forecast does not project any rate increase during the forecast period.

**Current Services Expenditures.** This section of the Forecast projects expenditures based on current service levels. Increases in healthcare costs, liability insurance and workers' compensation are included in the Forecast. Some commodities and certain expenditures such as motor fuel and utilities are estimated to increase based on projected inflation rates.

**Employee Compensation**. The Forecast Schedule includes a budget scenario that illustrates the cost to complete the implementation of the Step Pay plan for non-professional, non-managerial positions and an estimated Cost of Living Adjustment (COLA) for Civilian Employees of 2% every year of the forecast. This scenario is shown to illustrate the impact to the Solid Waste Operating and Maintenance Fund and will be evaluated and discussed further during the FY 2011 Budget Process.

Also included are the corresponding increases to the Financial Reserve in order to maintain one month of operating cost as a budgeted financial reserve. The Adjusted Ending Balance takes into account the full impact of all transfers and operating expenses, including Employee Compensation issues.

**Budgeted Financial Reserve.** The establishment and maintenance of an appropriate financial reserve within the Solid Waste Operating and Maintenance Fund is critical to prudent financial management. This reserve would assist the Solid Waste Management Department in smoothing fluctuations in available resources from year to year and stabilizing the budget. The FY 2011 - FY 2015 Forecast recommends a Budgeted Financial Reserve in an amount equal to one month of operating expenditures (8.3%).

**Mandates.** The Forecast includes mandated costs associated with increases in landfill cost contracts, private collection contracts, and solid waste fee billing services. The mandated costs shown below are included in the forecast projections.

| Mandate Title | FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|---|---|---|---|---|---|
| Collection Contracts | $0.00 | $103,300 | $96,893 | $88,466 | $83,942 |
| Disposal Contracts | $509,529 | $345,250 | $345,009 | $338,978 | $317,235 |
| Solid Waste Fee Billing & Collection Services | $220,279 | $249,182 | $267,781 | $287,768 | $309,247 |
| **Totals** | **$729,808** | **$697,732** | **$709,683** | **$715,212** | **$710,424** |

**Solid Waste Private Sector Collection Contracts.** The Sold Waste Management Department contracts with private sector companies to provide solid waste collection services. These contracts contain certain provisions calling for automatic fee increases based on contract requirements. The City currently contracts with BFI Waste Services of Texas for solid waste collection in the Heritage Northwest and Longs Creek areas. This contract is scheduled to expire in December 2011.

**Disposal Contracts.** The SWM Department also contracts with landfill operators providing refuse disposal. The Department currently has disposal contracts with Waste Management (WMI), Allied Waste Industries (AWI), and Texas Disposal Systems Landfill, Inc. (TDSL). Disposal contracts are scheduled for mandated price increases in accordance with the Consumer Price Index (CPI).

**Increases to the Billing and Collection Expense.** The fees for billing and collection services provided by CPS Energy are projected to increase during the Forecast period. Cost increases are based on the Consumer Price Index (CPI) and increases in postage rates set by the U.S. Postal Service.

# *ECONOMIC OUTLOOK & PERSPECTIVE*

# ECONOMIC OUTLOOK

## Overview

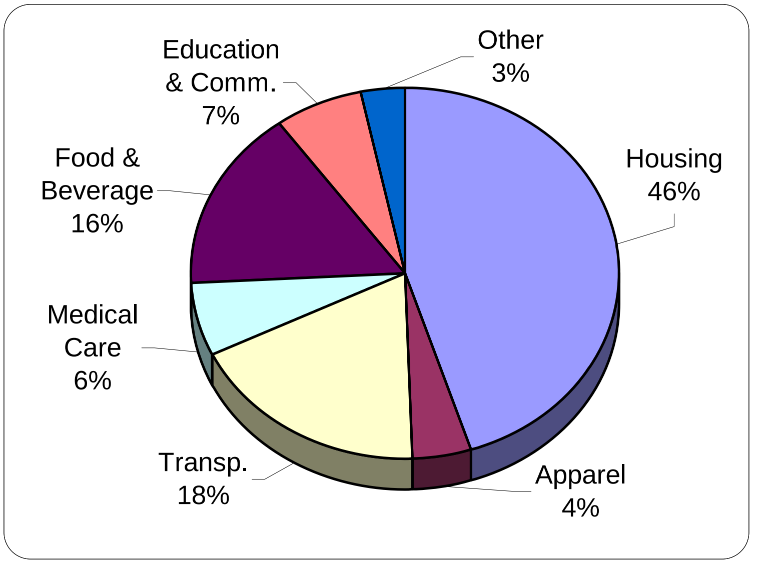
A forecast of the City's finances recognizes that the City's fiscal health is directly linked to the success of the local, national, and global economies. In light of this relationship, the fiscal projections provided in this document are based, in large part, upon an analysis of historical and current economic trends. The historical data and forecast projections are provided by government and private organizations. This section provides projections for the local and national economies, which support the fiscal projections presented in this document.

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.

## Inflation

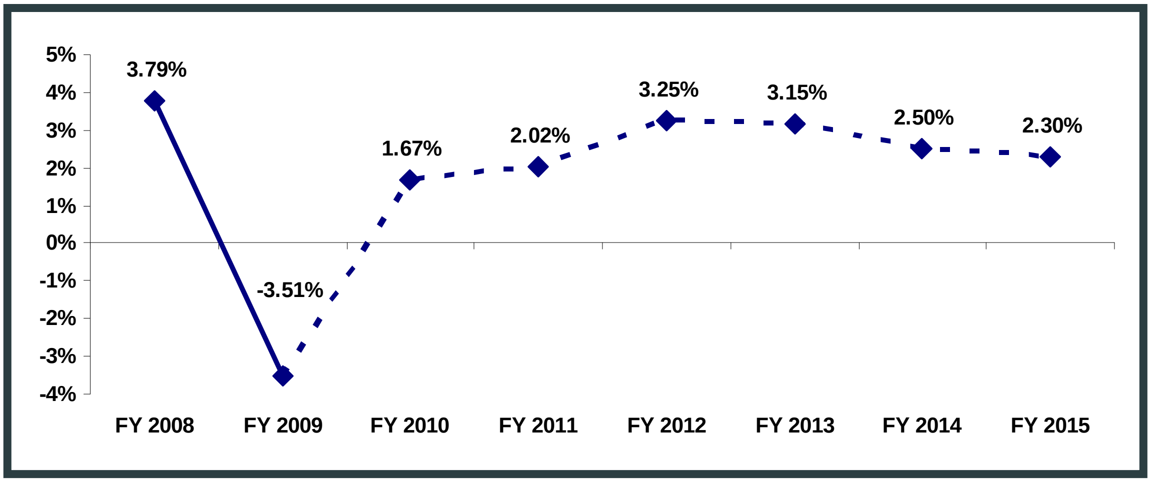
The **Consumer Price Index** (CPI), commonly referred to as the inflation rate, measures the average price change for a market basket of consumer goods and services. This basket of goods contains a wide array of items, ranging from food and gasoline to college tuition and medical supplies. The CPI does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

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




The Consumer Price Index is used as the inflationary factor for specific non-personnel services expenditures in the development of the General Fund and other funds based budget forecasts. This allows the City to plan for possible increases in certain commodities and other costs in the next five years by taking into account rising prices. Additionally, CPI also serves as a cost of living index. With assistance from Moody's Financial Services and St. Mary's University's SABER Institute, the projections for CPI have been developed and modified to reflect the City's budget cycle based on a fiscal year from October 1 to September 30.

**San Antonio Consumer Price Index Percent Change**
**Actual Through FY 2009 / Forecasted FY 2010 to FY 2015**

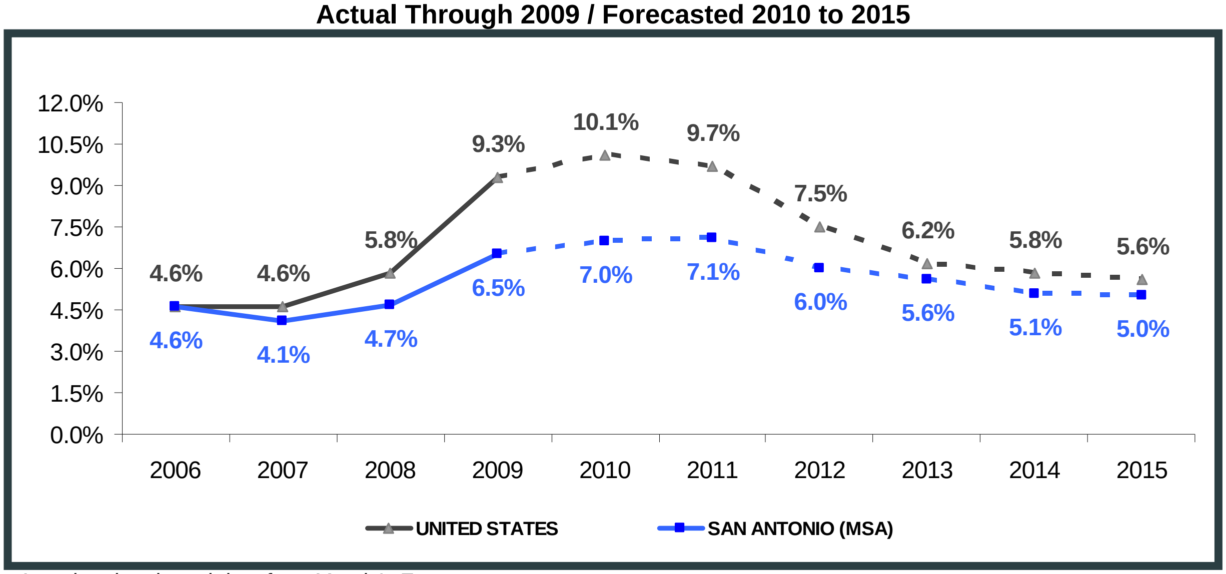



*Source: Actual Data from Moody's Economy.com have been modified to reflect City of San Antonio's Fiscal Year. Projections were developed in coordination Moody's Financial Services and Dr. Steven Nivin of St. Mary's University's SABER Institute.*

## Unemployment

The **Unemployment Rate** represents the number of unemployed persons as a percent of the labor force. An unemployed person is defined as someone who is 16 years and older and has been looking for employment for at least four weeks. The national unemployment rate has steadily increased in the United States since 2007. The City of San Antonio unemployment has risen as well, but is holding steady just over 7%, which is well below the national average of over 10%. It is expected that the unemployment rate will remain lower than the national average until sometime later this decade, when both rates are expected to return to pre-recession levels.

**San Antonio MSA vs. US**
**Unemployment Rate**
**Actual Through 2009 / Forecasted 2010 to 2015**




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

## San Antonio Economy

The following section provides information specifically relative to the San Antonio economy, including population, housing, hotel activity and airport activity.

**Population**

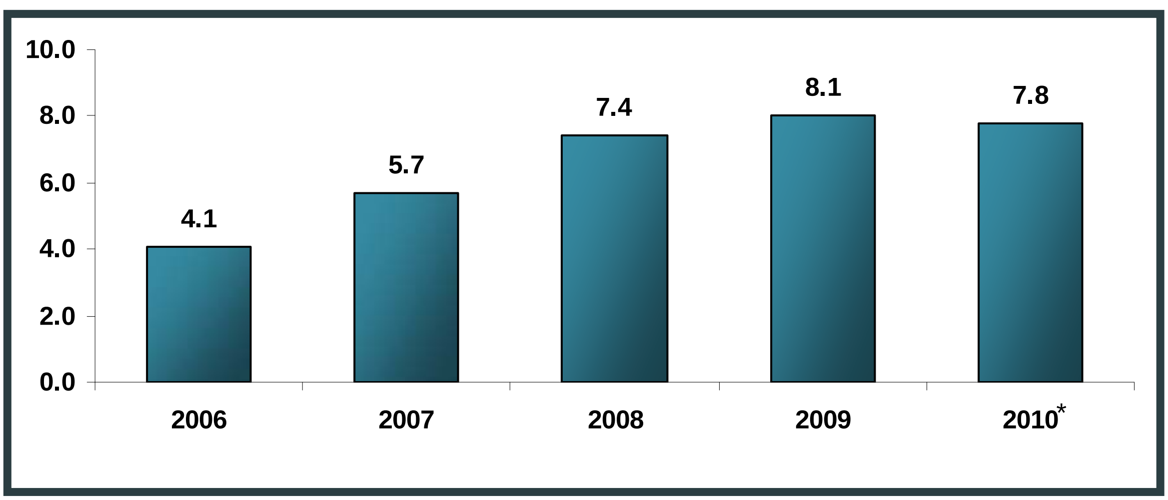
According to population data from the U.S. Census Bureau, the City of San Antonio is the seventh largest city in the United States and the second largest in Texas behind Houston. Moody's Financial Services forecasts the population of the San Antonio Metropolitan Statistical Area (MSA) will grow at a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

**Housing**

The Housing Market in San Antonio is beginning to recover, but is still adversely impacted by the national housing market and overall economy. Sales data indicates a surge in home sales in early FY 2010, mostly attributed to home-buyer incentives offered by the Federal government, which expired April 30, 2010. The median prices for home transactions have slipped in FY 2010 and are similar to home prices in FY 2006. This will have a negative impact on property tax revenues for some time.

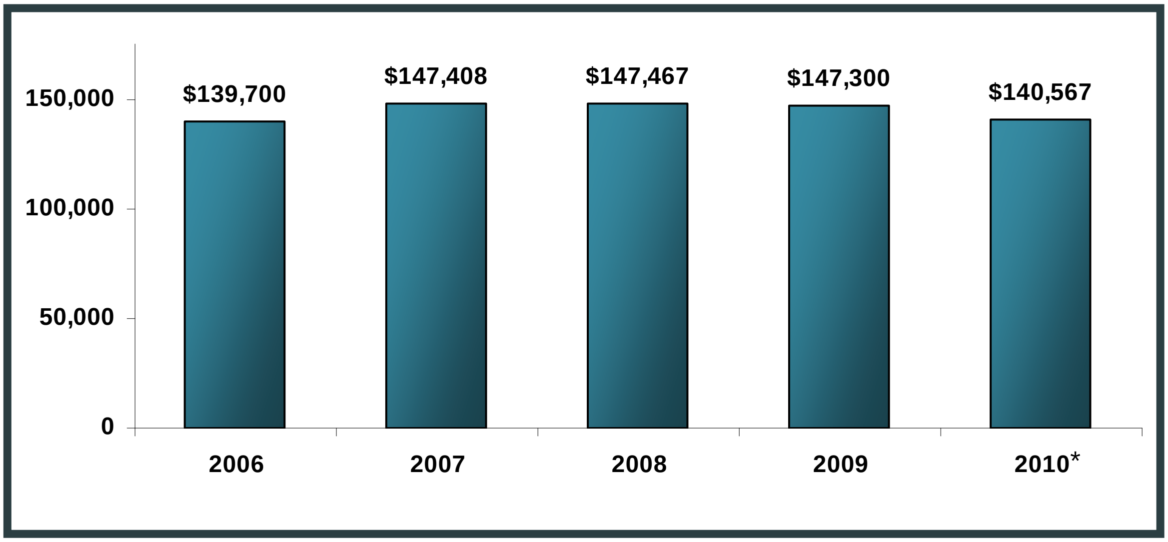
Months in Inventory measures the amount of time it would take to sell the current housing inventory or supply if no other homes were added to the current inventory. The San Antonio housing market has seen this number increase since steadily between 2006 and 2009 and appears to have reduced slightly in the first few months of 2010. The current average is 7.8 months in inventory, compared to 8.1 last year, and 4.1 in 2006.

**Months in Inventory**
**FY 2010 (January-March)**



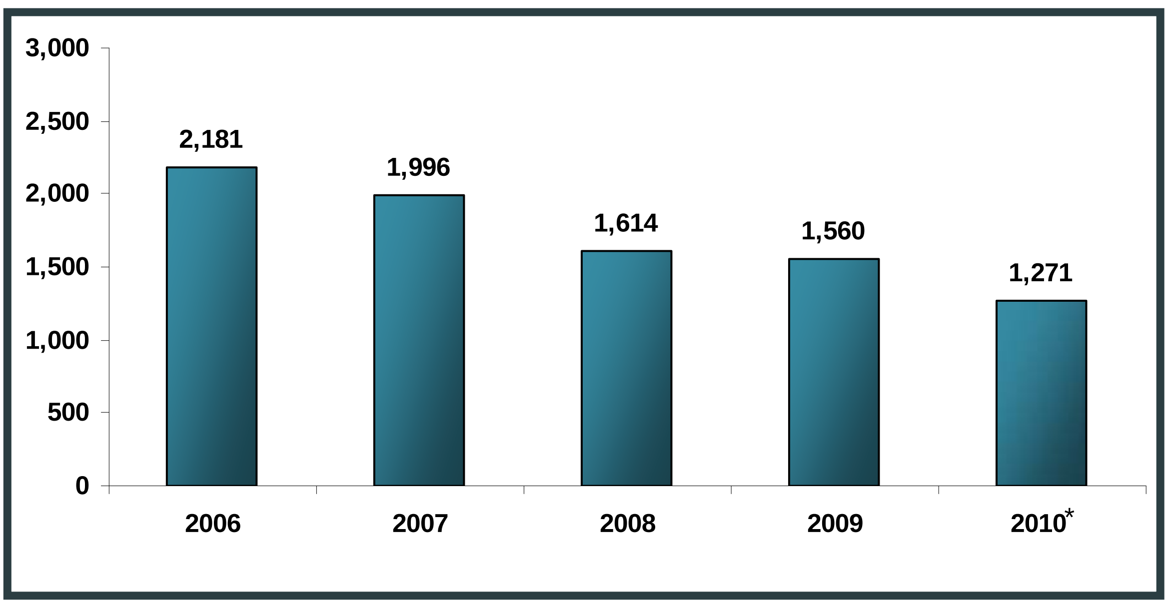

*Source: Real Estate Center at Texas A&M University*
**Actual data for January through March 2010*

## Median Housing Price
**FY 2010 (January-March)**




*Source: Real Estate Center at Texas A&M University*
**Actual data for January through March 2010*

## Home Sales
**FY 2010 (January-March)**



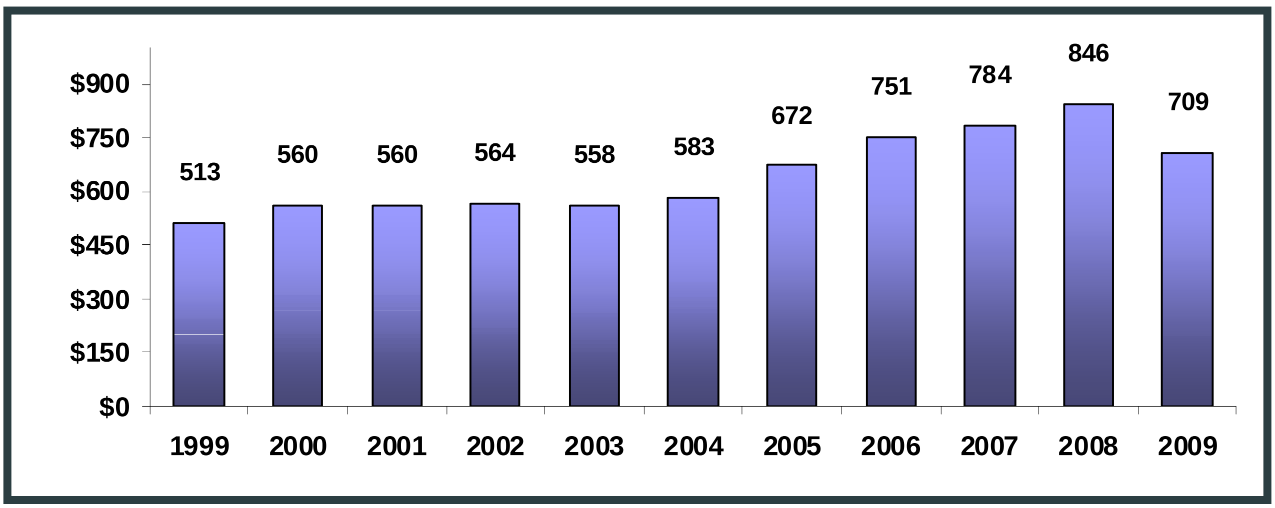

*Source: Real Estate Center at Texas A&M University*
**Actual sales for January through March 2010*

## Hospitality and Tourism

Despite national economic challenges, the San Antonio hospitality industry continues to be one of the top leisure/convention cities in the country and benefits from visitors within driving distance from Dallas, Houston, and other Texas cities.

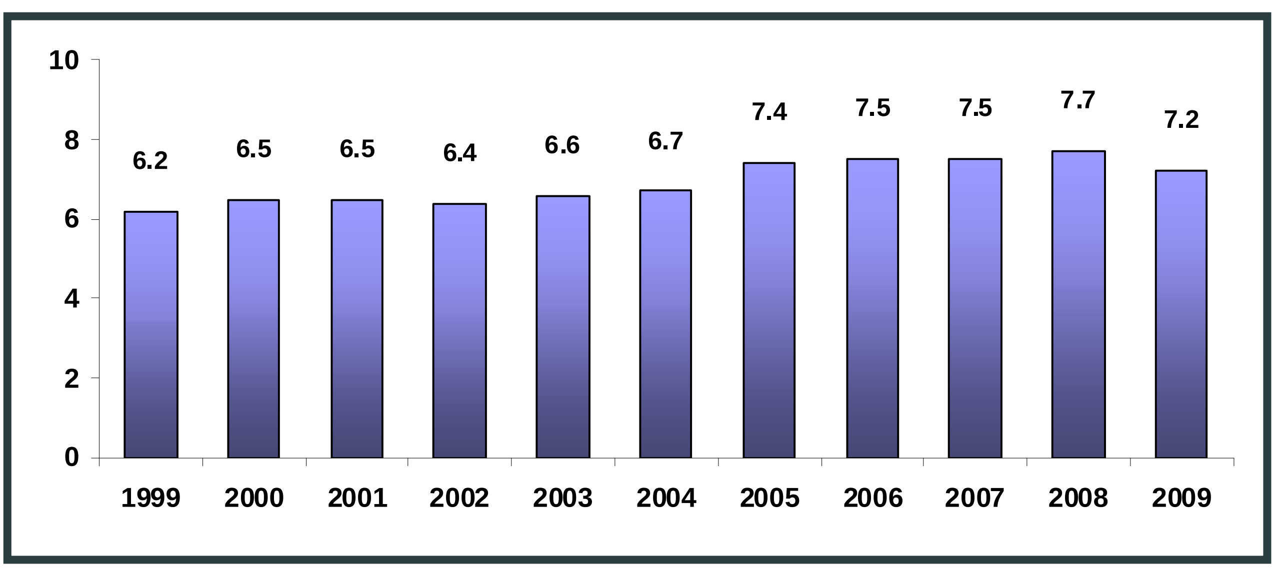
During 2009, hotel room demand decreased 6.2% and hotel room revenue decreased 16.2% compared to 2008. This was in large part the result of a continued increase of new hotel openings and a 10.6% decrease in average daily rate.

**Hotel Room Revenues (City Level)**
**(In Millions)**




*Source: Data obtained from Smith Travel Research based on hotels in San Antonio Market reports dated February 2009 and January 2010*

**Hotel Room Demand (City Level)**
**(In Millions)**

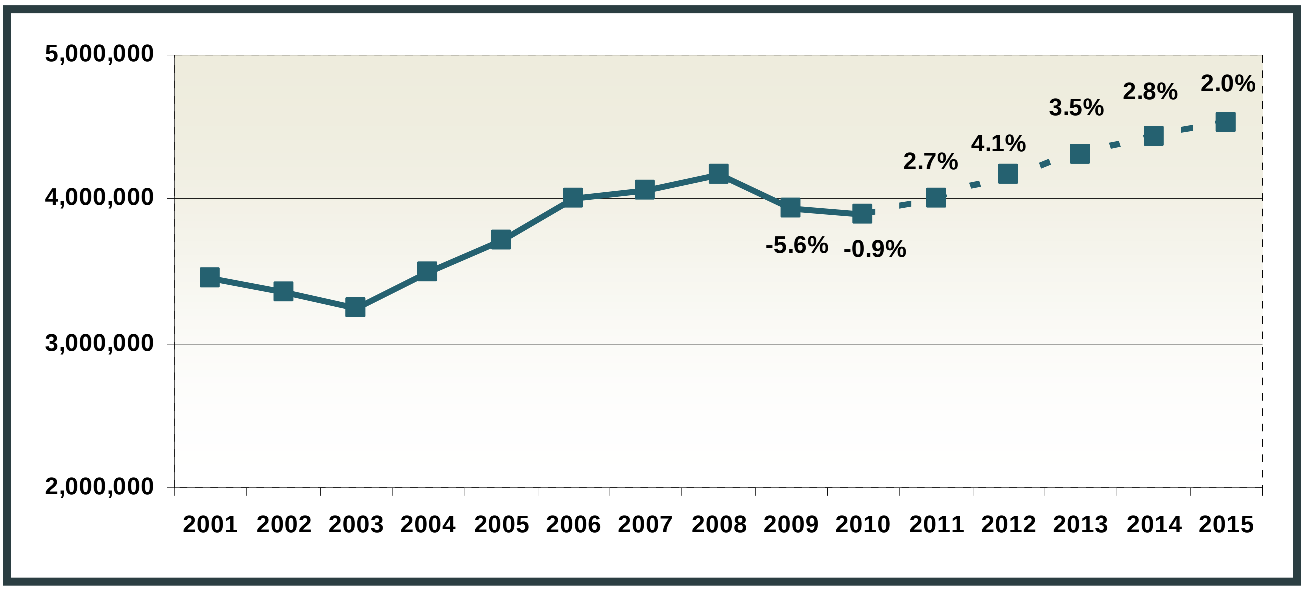



*Source: Data obtained from Smith Travel Research based on hotels in San Antonio Market reports dated February 2009 and January 2010*

## Enplanements

San Antonio's International Airport is the only commercial service airport serving the City and the San Antonio metropolitan area. A strong local economy along with a significantly improved airline industry had resulted in substantial growth at the airport in the last few years. From 2003 through 2008 the number of passengers traveling to San Antonio by air increased 19% but has dropped off during the past year due to deteriorating economic conditions. Total enplanements for 2009 declined 5.6% but are expected to show a decline of 0.9% for 2010 before steadily rebounding during the duration of the forecast period as demand increases and capital projects are completed bringing newer terminals online.

**Total San Antonio Enplanements**
**(with projected growth rates)**




*Source: Aviation Department*

CITY OF SAN ANTONIO, TEXAS