

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



**Meeting Minutes
City Council Budget Work Session**

Council Briefing Room
City Hall
100 Military Plaza
San Antonio, Texas 78205

2023 – 2025 Council Members

Mayor Ron Nirenberg
Dr. Sukh Kaur, Dist. 1 | Jalen McKee-Rodriguez, Dist. 2
Phyllis Viagran, Dist. 3 | Dr. Adriana Rocha Garcia, Dist. 4
Teri Castillo, Dist. 5 | Melissa Cabello Havrda, Dist. 6
Marina Alderete Gavito, Dist. 7 | Manny Pelaez, Dist. 8
John Courage, Dist. 9 | Marc Whyte, Dist. 10

Tuesday, September 17, 2024

2:00 PM

Council Briefing Room

The City Council convened a Budget Work Session in the Council Briefing Room beginning at 2:05 PM. City Clerk Debbie Racca-Sittre took the Roll Call noting a quorum with the following Council Members present:

PRESENT: 11 – Nirenberg, Kaur, McKee-Rodriguez, Viagran, Rocha Garcia, Castillo, Cabello Havrda, Alderete Gavito, Pelaez, Courage, Whyte

ABSENT: None

ITEMS

1. Staff presentation on potential amendments to the FY 2025 Proposed Operating and Capital Budget. [Erik Walsh, City Manager; Justina Tate, Director, Management & Budget]

City Manager Erik Walsh introduced Justina Tate, Director of the Office of Management and Budget who presented an update on the General Fund major revenues noting that the overall FY 2024 revenues would exceed projections by \$2.5 million and She recommended that the

additional revenues be used to reduce the cuts needed for FY 2026.

Chief Financial Officer Ben Gorzell reviewed the CPS Energy policies including that revenue from off-system sales would be capped at \$10 million annually with any City payment from off-system sales above \$10 million reserved in a CPS Energy Capital Reserve Fund with any shortfall in the City's payment base Budget at year-end deducted from the fund to determine the amount eligible to be transferred to CPS Energy for resiliency and reliability initiatives. He stated that the City payment of more than 10% over the City's adopted City payment base Budget (adopted budget plus 10%) allocated to the following authorized purposes based upon percentages to be determined by the City as follows: CPS Energy resiliency and reliability projects; and City's Resiliency Energy Efficiency and Sustainability Fund (REES).

Gorzell reported that the base payment from CPS Energy was projected to be \$9.4 million short of the estimated amount, however, off-system sales were anticipated to be \$40.6 million, of which, the City would retain \$10 million. He indicated that in accordance with the policy, the remaining \$30.6 million would be further reduced by \$9.4 million to make up for a shortfall in expected CPS Energy revenue for a balance of \$21.2 million which would be eligible to be transferred to CPS Energy to be finalized upon receipt of the September 2024 City payment. Gorzell suggested that the FY 2026 anticipated shortfall of \$5.7 million could be reduced from this \$21.2 million balance and this option would be discussed at B Session scheduled for November 2024 to provide an update to the City Council.

Deputy Chief Financial Officer Troy Elliott reported that the Board of Directors of the Bexar County Appraisal District (BCAD) recently considered changes to the annual reappraisal process and approved continuing with an Annual Appraisal Plan, and effective Tax Year 2025 (Fiscal Year 2026) protested values would freeze and roll forward into Tax Year 2026 which would affect the City's Fiscal Year 2027. He noted that the two-year freeze of protested values was expected to increase the number of protests received by BCAD, which would have a negative impact on future City property tax revenue, and cause taxable entities to be unable to calculate the exact impact based on information available today.

Tate mentioned that \$2.5 million in American Rescue Plan Act (ARPA) funding was available for allocation which did not include the City Council approved \$250,000 to Building Brighter Communities for relocation services related to the Soap Factory Apartment displacements as a result of the downtown Ballpark. She noted that a list of amendments (attached) was distributed that included which Councilmember(s) requested the amendment and the Budget impact for FY 2025 and FY 2026.

City Manager Walsh clarified that the City Council did not need to make decisions on CPS Energy Funding this week and could be decided after the September revenues were received which is why a B Session was recommended for November 2024. City Manager Walsh stated that feedback would be collected today regarding amendment and tomorrow's discussion would include staff recommended reallocations.

DISCUSSION:

Mayor Nirenberg supported the excess off-system sales from CPS Energy helping with the

shortfall, but he recommended no changes in the policy of giving those revenues to CPS Energy for capital investments. Mayor Nirenberg supported amendments 1, 2, 6, 7, and 12.

Councilmember Rocha Garcia explained that the BCAD Board had negotiated a middle-ground compromise. She suggested saving some of the off-system sales from CPS Energy to make up for the potential shortfalls in property tax revenues due to the new BCAD policy of freezing taxes for those successful tax protests. Councilmember Rocha Garcia supported Amendment 2 allocating \$300,000 in ARPA Funding for the Center for Health Equity in South Texas (CHEST). City Manager Walsh requested involvement by Dr. Claude Jacob on the CHEST. Councilmember Rocha Garcia supported amendments 4, 5, 6, and 7.

Councilmember McKee-Rodriguez recommended that the CPS Energy surplus be utilized for any City shortfalls first and to mitigate future rate increases. He questioned why the Local Government Corporation (LGC) positions had not been put back automatically into the council district offices and suggested a policy surrounding this in the future.

Councilmember McKee-Rodriguez proposed expediting the process of using TIRZ 11 Funding to add programs to reduce and prevent crime such as midnight basketball, improvements to Mahnke Park, façade improvement, land banking, and a small business marketing internship program with the universities. He recommended using ARPA Funding to continue the Eastside Youth Content Creator Program for \$180,000. Finally, he requested a pilot program for the Pet Deposit CCR and the Horse-Drawn Carriage Industry. City Manager Walsh clarified that TIRZ projects were brought before the TIRZ Board and then were brought back to the City Council.

Councilmember Castillo recommended increasing the Neighborhood Access and Mobility Program (NAMP) Project Funds by \$100,000 per council district. She was hesitant to return money to CPS Energy when the City anticipated a shortfall. She recommended funding for tree maintenance to help residents and recommended a \$300,000 allocation to the Urban Tree Canopy non-profit. She supported amendments 1, 2, 4, 5, 9, and 15 and supported TIRZ 11 requests from Councilmember McKee-Rodriguez.

Councilmember Kaur recommended more Communications and Engagement (C&E) and requested \$300,000 to add a Customer Relationship Manager (CRM) Software solution to what C&E already used and connect the 3-1-1 profile to those requests. City Manager Walsh did not recommend setting aside more money for this as the Information Technology Proposed Budget already had projects that could be reprioritized to fund the request. Councilmember Kaur also supported the TIRZ 11 request, the Eastside Youth Content Creator Program, and the Urban Tree Canopy request. Councilmember Kaur supported funding amendments 1, 2, 3, and 15.

Councilmember Kaur requested clarification on revenues generated by the Alamodome and Convention Center. Deputy City Manager Villagomez stated that the revenues supported those buildings' operations and the Hotel Occupancy Tax (HOT) supplemented those funds. Councilmember Kaur requested \$500,000 to help pay Visit San Antonio membership dues for small businesses.

Councilmember Cabello Havrda supported funding for amendments 2, 3, and 5. She asked about

the funding for the Asian Resource Center (ARC). She supported TIRZ and the Eastside Youth Content Creator Program Funding.

Councilmember Alderete Gavito supported using the \$2.5 million recommended by Tate to shore up the FY 2026 Budget. She supported adding \$100,000 from NAMP to each council district as well as funding for the Urban Tree Canopy. Councilmember Alderete Gavito supported amendments 1, 2, 3, 4, 5, 6, 7, 8, and 10. She also supported Councilmember McKee-Rodriguez's TIRZ and the Eastside Youth Content Creator Program requests.

Councilmember Whyte supported using the \$2.5 million to offset deficits in FY 2026 as recommended by Tate. He supported adding \$100,000 NAMP to each council district. Councilmember Whyte supported amendments 3, 4, 8, 9, 10, and 16 and stressed the need for more Code Officers. He asserted that CPS Energy revenue excesses should be used to decrease rates.

Councilmember Pelaez noted his CCR to create a crisis nursery program and recommended investing \$100,000 to investigate gaps in services. He supported amendments 3, 4, 6, 7, 9, and the Eastside Content Creator and suggested doubling the allocation to \$360,000 to expand the program City-wide to all Title 1 schools. Councilmember Pelaez supported funding for the Urban Tree Canopy.

Councilmember Courage asked City Manager Walsh how he would pay for all of the requested amendments. City Manager Walsh stated that he would take feedback from today and recommend reallocations but wanted the City Council to help identify funding sources, reductions, or lower-priority programs.

Councilmember Courage noted there was still a deficit for FY 2026 and supported rolling over the \$2.5 million to help cover that anticipated shortfall. While he supported all the requests, Councilmember Courage was unsure how they would be funded especially the new requests that were not on the list such as NAMP and the Urban Tree Canopy. Councilmember Courage considered discussing the additional CPS Energy revenue in November 2024 but was concerned that the commitment had already been made to allocate these funds to CPS Energy infrastructure needs and the REES Fund when the City Council thought the City would not have deficits. He was worried about how to pay for everything. Councilmember Courage noted that CPS Energy received more in off-system sales than they had budgeted as the City was only getting 14% so CPS Energy was getting over \$200 million.

Councilmember Viagran recommended using off-system sales for amendments 1, 3, 5, 6, and 7, and using ARPA for 2 and 4. She wanted to help with CPS Energy rate increases but noted that there were significant needs City-wide, and this was the City's portion of those revenues. Councilmember Viagran recommended that each council district get the same budget allocation for staffing and constituent services. She expressed concern with the BCAD proposals and commented that off-system sales might be needed to make up shortfalls in property taxes. Councilmember Viagran supported \$100,000 for the Cesar Chavez March and suggested increasing revenues.

Mayor Nirenberg stated that there would be full conversations in November 2024 related to CPS

Energy and no matter what was done with these revenues, there would still be a need for a future rate increase to support their operations and infrastructure, however, the adopted policy to use off-system sales to help fund infrastructure could mitigate those future costs and help drive down future rate increases. He cautioned against trying to use CPS Energy revenues to compensate for future property tax losses as a result of BCAD policies. Mayor Nirenberg commented that NAMP had grown significantly and some council districts needed more NAMP Funds and asked if there was an overall balance. Tate stated that overall as of June 2024, the NAMP balance was \$4.4 million.

Mayor Nirenberg suggested redistribution of the NAMP balances to all the council districts suggesting that no more money needed to be added. Mayor Nirenberg supported the crisis nursery program and recommended collaboration between non-profits on the services.

Councilmember McKee-Rodriguez wanted to ensure there were no administrative costs coming out of the \$250,000 for Soap Factory Apartment residents. He commented that he used NAMP tactically and requested more money to be able to do big projects. Councilmember McKee-Rodriguez supported the Tree Canopy Project.

Councilmember Kaur commented that NAMP could be used for small requests to be responsive, noting that each council district was limited to eight requests per year and she requested to see the breakdown of those remaining funds. City Manager Walsh noted that there may be some requests not reflected in the \$4.4 million NAMP balance. Councilmember Kaur stated that while she supported equity, she felt NAMP was a way to quickly respond to resident's needs. Councilmember Kaur supported the crisis nursery program and funding for the philharmonic.

Councilmember Rocha Garcia did not propose to use off-system sales every year to compensate for the property tax issue, just this year to help mitigate the new BCAD policy impacts. She supported marketing internships for small businesses, midnight basketball, façade improvements and other TIRZ 11 requests. She supported the reallocation of NAMP Funding and suggested more collaboration between council districts for project needs. Councilmember Rocha Garcia supported funding for tree maintenance and the crisis nursery program.

Councilmember Alderete Gavito supported increasing NAMP.

Councilmember Castillo supported the crisis nursery funding and suggested tapping TIRZ for major/minor home rehabilitation. She felt that Council District 5 needed more NAMP Funding. Mayor Nirenberg recommended a policy discussion regarding NAMP.

Councilmember Courage recommended that funding come from CPS revenue that was higher than usual, noting that policies were set at a time when the City Council did not think the City would experience a decrease in sales or property tax revenues. Councilmember Courage agreed that a 4% increase for city employees was a worthy cause, but we could not afford to go into deficit. He supported using the remaining ARPA funding for youth which could be reviewed by the City Council Community Health Committee. Councilmember Courage suggested holding off on some of the amendments until November 2024 to see what the CPS Energy revenues came about suggesting that \$10 million might not make much difference to CPS Energy and they would still request a rate hike.

Councilmember Whyte agreed that all the requests were worthwhile, he did not want to abandon the CPS Energy policy to mitigate rate hikes.

Councilmember Viagran noted that the City's payment for off-system sales above \$10 million could cover shortfalls and asserted that the Budget amendments constituted a shortfall and asserted that these were real needs. She supported the reallocation of the remaining NAMP balances to complete projects with shortfalls, noting that Council District 3 had more F streets and more sidewalk gaps than any other council district.

City Manager Walsh requested suggestions for reallocations to cover amendments.

Mayor Nirenberg suggested that infrastructure requests within the amendments could be funded by NAMP and commented that he heard consensus. Councilmember Alderete Gavito stated that the NAMP call for projects was open until September 28, 2024. City Manager Walsh noted that the Mayor proposed a concept of using balances at the end of FY 2024. Mayor Nirenberg asked if there was a balance left last fiscal year and he did not think \$4.4 million could be spent in a week.

Councilmember Viagran recommended the reallocation of excess NAMP Funds.

Councilmember McKee-Rodriguez looked at the opportunity to cut positions that had been vacant for a long time. Villagomez stated that the vacancy list had been provided; City Manager Walsh reminded the City Council that there was a turnover target budgeted for vacancies.

Councilmember Rocha Garcia commented that the CPS Energy policy included making recommendations for the use of excess funding based on service levels to the community, the City's overall financial position, and responsible ownership of the utility. Gorzell stated that the policies he described today fell under that overall policy but were more specific to help manage volatility in the energy markets. City Manager Walsh noted that the recommendation was to make up for the shortfall in the base revenues expected for FY 2024. Councilmember Rocha Garcia suggested that CPS Energy revenues from off-system sales could also help support the expected FY 2026 shortfall and would be within our policy. City Manager Walsh and Gorzell agreed.

Councilmember Courage stated that he thought the policy was that if the City was short in its Budget, then CPS Energy revenues could make it up, however, he realized now that it meant shoring up a shortfall in the CPS Energy revenue projections for the City.

City Manager Walsh suggested that the conversation about CPS Energy revenues should occur in November 2024 but cautioned that one-time funding should not be used to solve or address service issues on top of what was already going to happen in future budget years like the \$8 million projected gap in FY 2026.

Councilmember Kaur asked if the Right-of-Way Special Revenue Fund could be used for NAMP and the Urban Tree Canopy Fund could be used to trim trees. City Manager Walsh would check and staff would try to get a memorandum before the meeting tomorrow. Councilmember McKee-Rodriguez requested updated information on delegate agency funding.

Mayor Nirenberg noted that there was no further discussion.

EXECUTIVE SESSION

Mayor Nirenberg recessed the meeting into Executive Session at 3:53 p.m. to discuss any of the following:

- A. Economic development negotiations pursuant to Texas Government Code Section 551.087 (economic development).
- B. The purchase, exchange, lease or value of real property pursuant to Texas Government Code Section 551.072 (real property).
- C. Legal issues related to litigation involving the City pursuant to Texas Government Code Section 551.071 (consultation with attorney).
- D. Legal issues relating to emergency preparedness pursuant to Texas Government Code Section 551.071 (consultation with attorney).
- E. Legal issues related to collective bargaining pursuant to Texas Government Code Section 551.071 (consultation with attorney).

Mayor Nirenberg reconvened the meeting in Open Session at 5:00 p.m. and announced that no official action had been taken in Executive Session.

ADJOURNMENT

There being no further discussion, the meeting was adjourned at 5:00 p.m.

Approved

**Ron Nirenberg
Mayor**

**Debbie Racca-Sittre
City Clerk**