



City of San Antonio

Agenda Memorandum

File Number:

Agenda Item Number: 4

Agenda Date: August 15, 2024

In Control: City Council A Session

DEPARTMENT: Office of Management & Budget

DEPARTMENT HEAD: Justina Tate

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

Presentation of City's FY 2025 Proposed Annual Budget

SUMMARY:

Item 4: On August 15, 2024, the City Manager will present the Proposed Fiscal Year (FY) 2025 Operating and Capital Budget to the Mayor and City Council as required by the City Charter. Following this presentation, the City Council will consider the following ordinances related to the FY 2025 Proposed Budget:

Item 5: An ordinance setting the City's proposed maintenance and operations tax rate at 33.009 cents per \$100 of taxable valuation and the City's proposed debt service tax rate at 21.150 cents per \$100 of taxable valuation as recommended in the FY 2025 Proposed Budget, and;

Item 6: An ordinance setting the date, time, and place for two Budget Public Hearings and two Ad Valorem Tax Rate Public Hearings.

The FY 2025 Operating and Capital Budget, the Tax Year 2024 Ad Valorem City Property Tax Rate, and revenue adjustments are scheduled to be adopted by City Council on Thursday, September 19, 2024. By City Charter the City's budget must be adopted not later than September

27th.

BACKGROUND INFORMATION:

The City of San Antonio's fiscal year begins on October 1 and ends September 30. Each year, the City Manager transmits a budget development calendar to the City Council in February/March with key dates for each phase of the budget process. The phases include (1) Five-Year Financial Forecast (2) City Council Budget Goal Setting Session, (3) FY 2025 Trial Budget, (4) public input before the budget is prepared, (5) Proposed Budget for the upcoming fiscal year, (6) City Council budget worksessions, and public input meetings/public hearings on the proposed budget, and (7) adoption of the Budget for the next fiscal year. The Annual Operating and Capital Budget must be approved by the City Council not later than September 27th of every year in accordance with the City Charter. On February 14, 2024, the City Council was provided with the FY 2025 Budget Calendar. This calendar included the key dates for the seven phases of the City of San Antonio budget development process.

Five Year Financial Forecast: On April 17, 2024, City Council was provided a briefing on the City's Five-Year Financial Forecast covering Fiscal Year 2025 through Fiscal Year 2029. The forecast is intended to provide the City Council and the community with an early financial outlook for the City of San Antonio and to identify significant issues that need to be addressed in the budget development process. The Five-Year Financial Forecast focused on the General Fund, Hotel Occupancy Tax, Development Services, and Solid Waste Management funds.

City Council Budget Goal Setting Session: On April 18, 2024, the City Council FY 2025 Budget Goal Setting Session was held at the Henry B. Gonzalez Convention Center. The purpose of the Budget Goal Setting Session was to obtain City Council policy direction to guide the development of the upcoming fiscal year budget. Six policy focus areas were identified by City Council during the session: 1) Public Safety, 2) Infrastructure, 3) Homeless, 4) Employees, 5) Animal Care Services, 6) Housing, and 7) Small Businesses. City Council provided feedback that was utilized to prepare a FY 2025 Trial Budget that reflected the priorities of the City Council. A report of the results of the City Council Goal Setting Session is available in the City's Website.

Five Year Financial Forecast and FY 2025 Trial Budget: A Trial Budget was presented to the City Council for the General Fund and Solid Waste Management Fund on May 8, 2024. The Trial Budget is a step in the Budget Development Process that was introduced for the FY 2021 Budget Development Process as staff prepared alternatives to balance the budget in the midst of the COVID-19 pandemic for City Council consideration. The process was useful for the City Council and staff to deliberate on alternatives to balance the budget and the FY 2025 Budget Development Process continues with this practice.

The Trial Budget was developed based on input the City Council provided during the Goal Setting Session and reflected identified City Council priorities. It also provided City Council an opportunity to discuss potential improvements to the budget before the proposed budget was developed. The Trial Budget identified a \$10.6 Million shortfall over the two-year plan for the General Fund (FY2025 and FY2026).

Community Input for the Preparation of the Budget Process: After the FY 2025 Trial Budget, the City contracted with a third-party vendor, the ETC Institute, Inc. to conduct a citywide, statistically valid community satisfaction and budget survey. The City's survey was administered to a random sample of 1,083 San Antonio residents city-wide by mail, internet, and phone (mobile and landlines) and email in both English and Spanish. At least 100 surveys were completed in each of the City's 10 council districts. The results of the survey were presented to City Council on June 20, 2024.

The top five budget priorities from City residents aligned with the City Council priorities identified during the Goal Setting Session. The top five budget priorities included: 1) Streets, 2) Homeless Encampment Cleanups, 3) Services to Assist the Homeless, 4) Sidewalks, and 5) Police Services. Information regarding this survey can be found on the City Website.

Proposed Budget: On August 15, 2024 the City Manager will present the FY 2025 Proposed Operating and Capital Budget to City Council. This budget was prepared in the month of July and incorporates the policy direction provided by the City Council from the Goal Setting Session, Trial Budget Presentation, and the statistically valid community satisfaction and budget survey.

City Council Budget Worksessions, public input meetings/public hearings on the proposed budget: After the budget is proposed on August 15, 2024, twelve city council budget worksessions are scheduled to present the proposed budget in detail to the City Council.

Following the budget presentation, eleven town halls (10 Council District Town Halls and one Youth Town Hall) will be held throughout the City between August 19 and August 31 to provide information to City residents about the proposed budget as well as obtain feedback. Additionally, the City will host two public hearings Wednesday, September 4 at 5:00 pm and Thursday, September 12 at 9:00 am in City Council Chambers.

Budget Adoption: The FY 2025 Budget is scheduled to be considered for approval by the City Council on September 19, 2024.

ISSUE:

On August 15, 2024, the City Manager will present the Proposed Fiscal Year (FY) 2025 Operating and Capital Budget to the Mayor and City Council. The City's fiscal year begins on October 1 and ends on September 30. Following this presentation, the City Council will consider an ordinance setting the proposed tax rate and an ordinance setting the date, time, and place for two Budget Public Hearings and two Ad Valorem Tax Rate Public Hearings.

This ordinance sets the proposed Maintenance and Operations tax rate at 33.009 cents per \$100 of taxable valuation and the proposed Debt Service tax rate at 21.150 cents per \$100 of taxable valuation as recommended in the FY 2025 Proposed Budget. Each year, City Council considers an ordinance which sets the Proposed City Ad Valorem Tax Rate for Maintenance and Operation (M&O) and the Debt. With the FY 2025 Budget development, the City Council will consider the Tax Rate for Tax Year 2024. Revenue collected during the Tax Year 2024, will be recognized in

the FY 2025 Budget as the City's Fiscal Year begins October 1, 2024. City Staff recommends City Council adopt an ordinance setting the proposed Ad Valorem Tax Rate for Tax Year 2024. The City's fiscal year begins on October 1 and ends on September 30.

Notice for the Proposed Budget, Tax Rate Public Hearings and Budget Town Halls will be posted in the Express-News. Announcements will also be published on the City's website site and promoted on the City's cable TV Channel 21 (TVSA).

The FY 2025 Operating and Capital Budget, the Tax Year 2024 Ad Valorem City Property Tax Rate, and revenue adjustments are scheduled to be adopted by City Council on Thursday, September 19, 2024. By City Charter the City's budget must be adopted not later than September 27th.

ALTERNATIVES:

By City Charter, the City's budget must be adopted not later than September 27th.

FISCAL IMPACT:

The FY 2025 Proposed Budget is balanced as required by the City Charter.

RECOMMENDATION:

The following two ordinances related to the FY 2025 Budget are recommended for approval:

Item 4: No action is required by City Council for the FY 2024 Proposed Budget presentation as it has been scheduled for presentation purposes only. The City Council is schedule to vote on the FY 2025 Budget on September 19.

Item 5: An ordinance setting the proposed Maintenance and Operations tax rate at 33.009 cents per \$100 of taxable valuation and the proposed Debt Service tax rate at 21.150 cents per \$100 of taxable valuation as recommended in the FY 2025 Proposed Budget, and;

Item 6: An ordinance setting the date, time, and place for two Budget Public Hearings and two Ad Valorem Tax Rate Public Hearing.