



FY25 Budget Update & Five-Year Financial Forecast (FY2026 to FY 2030)

City Council “B” Session | May 7, 2025

Presented by Justina Tate, Budget Director

Agenda

- Economic Outlook
- FY 2025 Six Plus Six Budget Update
- Five-Year Financial Forecast
- Comprehensive Budget Review Update
- Next Steps in Budget Process



Economic and Financial Uncertainties

- U.S. economy contracted in first three months of 2025
 - U.S. Gross Domestic Product fell at annual rate of 0.3% in first quarter
- Consumer confidence declined for fifth consecutive month in April
- Federal Reserve likely to keep interest rate unchanged in coming months
- Uncertainty around continued Federal Funding for programs, initiatives, and infrastructure
- Finally, state legislative bills could have a negative impact on City revenues and limit ability to issue debt

FY25 Budget Update

Most major revenue sources seeing slower growth than projected through March 2025

- Property Tax
- Sales Tax
- Airport revenues
- Hotel Occupancy Tax
- Development Services



FY25 Budget Update

General Fund

Revenues are \$1.4 million below budget for first six months and projected \$9.7 million below budget or 0.6% by year-end primarily due to:

- Sales Tax is projected \$5.2 million below budget due to slower growth than anticipated
- Property Tax is projected \$9.8 million below budget due to higher than anticipated value loss, homestead exemptions, protests, and litigation & arbitration

FY25 Budget Update

Property Tax

- Budget is based on a 95% certified roll received in July
- Since that time additional exemptions and protests have been applied to taxable value

	FY25 Budget	FY25 Estimate	Variance	
Property Value	\$211.5 billion	\$209.2 billion	(\$2.2) billion	-1.0%
Less Exempted Value	50.8 billion	52.0 billion	1.2 billion	2.4%
Taxable Value	\$160.7 billion	\$157.3 billion	(\$3.4) billion	-2.1%
Property Tax Rate	\$0.54159	\$0.54159		
Net Levy*	\$790.3 million	\$774.2 million	(\$16.1) million	-2.0%
Allocation				
General Fund	\$481.7 million	\$471.9 million	(\$9.8) million	-2.0%
Debt Service Fund	\$308.6 million	\$302.3 million	(\$6.3) million	-2.0%

*Net of delinquencies and TIRZ collections

FY25 Budget Update

Property Tax – Value Loss

(\$ in Billions)		FY25
FY25 Adopted Budget – Taxable Value		\$160.7
Additional protests after certified roll		(0.9)
Additional litigation & arbitration after certified roll*		(1.3)
Growth in exemptions*		(1.2)
Total FY25 Estimate		\$157.3

* Represents actuals through April 2025 and projections through September 30, 2025

FY25 Budget Update

General Fund Revenues

Six Month Actuals

Revenue	6-month Budget	6-month Actuals	Variance
Property Tax	\$461.0	\$458.3	(\$2.7)
Sales Tax	205.0	202.2	(2.8)
CPS Revenues	213.1	218.2	5.1
CPS Capital Reserve	0	(4.6)	(4.6)
Other Revenue	131.3	134.9	3.6
Total	\$1,010.4	\$1,009.0	(\$1.4)

Six Plus Six Projections

Revenue	FY25 Budget	Projection	Variance
Property Tax	\$481.7	\$471.9	(\$9.8)
Sales Tax	415.2	410.0	(5.2)
CPS Revenues	455.0	481.0	26.0
CPS Capital Reserve	0	(22.1)	(22.1)
Other Revenue	269.7	271.1	1.4
Total	\$1,621.6	\$1,611.9	(\$9.7)

FY25 Budget Update

General Fund

- Overall departments' spending within budgeted amounts
- Estimates will continue to be refined in the upcoming months
- Revised projections will be presented on June 27 Budget Goal Setting Session

FY25 General Fund Change from Budget			
(\$ In Millions)	Budget	Estimate	Change
Beginning Balance	\$214.6	\$219.3	\$4.7
Total Revenues	1,621.6	1,611.9	(9.7)
Total Expenditures	1,672.3	1,669.7	2.6
Less Ending Balance for FY26 Budget			(\$2.4)

FY25 Budget Update

Other Funds

Six Month Actuals

Six Plus Six Projections

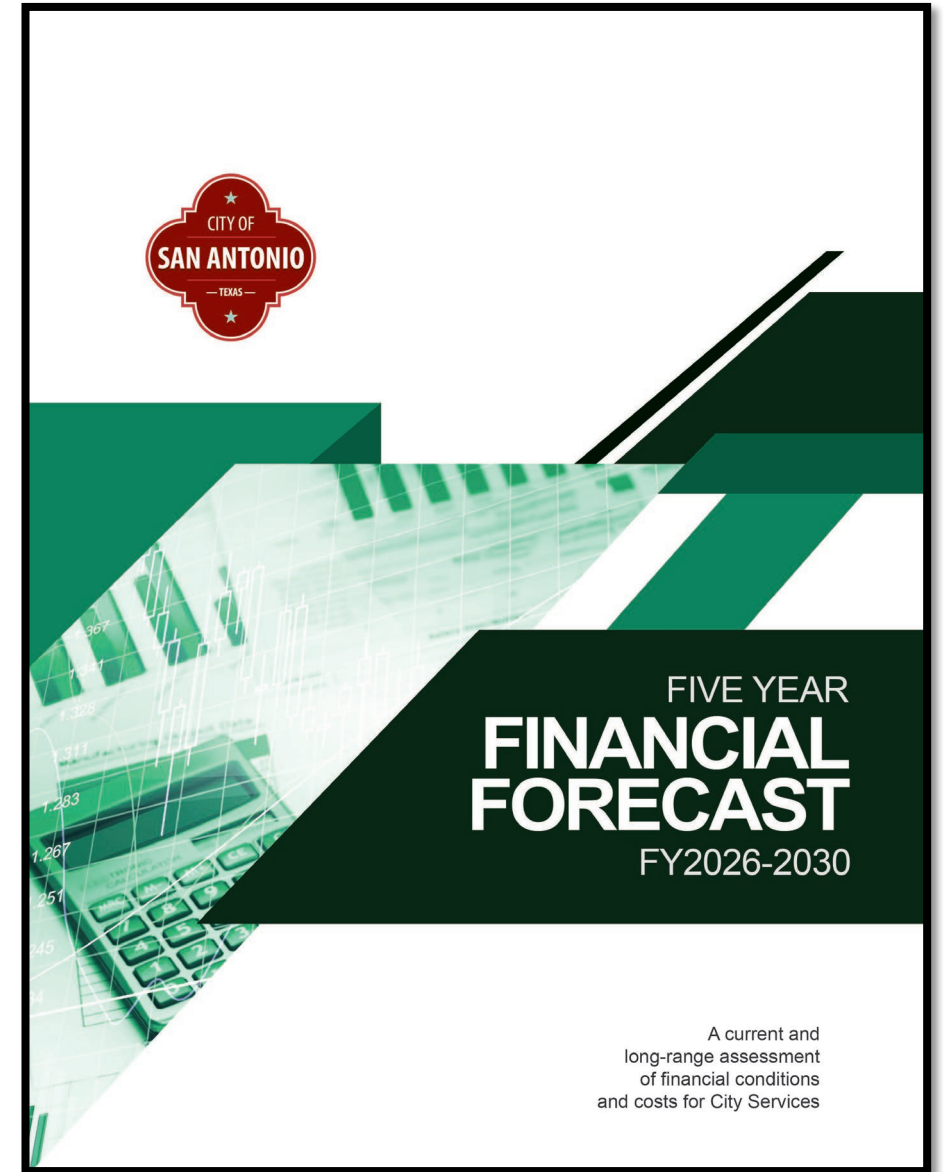
Revenue	6-month Budget	6-month Actuals	Variance		FY25 Budget	6+6 Projection	Variance
Hotel Occupancy Tax	\$53.6	\$52.6	(\$1.0)		\$113.0	\$110.6	(\$2.4)
Alamodome	9.1	8.8	(0.3)		21.7	20.9	(0.8)
Convention Center	9.7	10.2	0.5		24.7	25.8	1.1
Airport	81.2	80.3	(0.9)		165.7	161.3	(4.4)
Development Services	24.0	22.1	(1.9)		49.3	46.7	(2.6)
Solid Waste	79.1	80.3	1.2		158.7	161.0	2.3

- Department expenses in these funds are within budgeted amounts

Five-Year Financial Forecast FY26 to FY30

Financial Forecast

- Forecast is an early financial outlook for City's major funds
- Sets framework for upcoming discussions on annual budget development
- Forecast **is not** a budget



General Fund Financial Forecast

- Forecast is not structurally balanced between FY26 to FY30 and has deficits
- Revenue growth is not keeping up with projected expenses
- To balance FY26 and FY27, spending cuts are needed to align expense growth with revenue growth

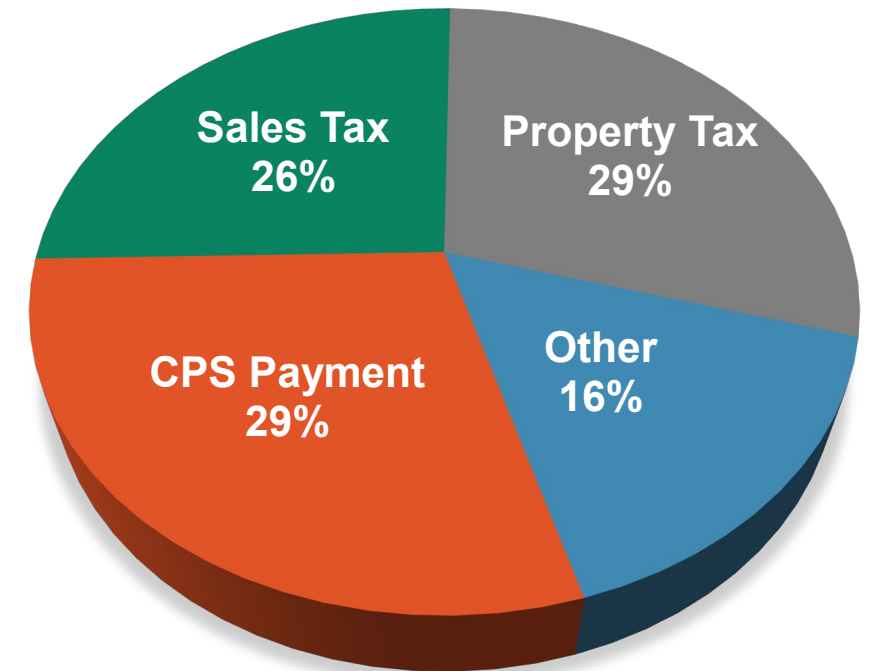


FY26 to FY30 Forecast

General Fund Operating Revenues

Category	FY25 Estimate	FY26 Projection	Increase	% Change
Property Tax	\$471.9	\$476.6	\$4.7	1.0%
Sales Tax	410.0	418.2	8.2	2.0%
CPS Revenue	481.0	499.4	18.4	3.8%
CPS – Capital Reserve	(22.1)	(19.3)	2.8	12.5%
Other	271.1	262.2	(8.9)	(3.3%)
Total	\$1,611.9	\$1,637.1	\$25.2	1.6%

FY26 General Fund Revenue Projection **\$1.6 Billion**



FY26 to FY30 Forecast Property Tax

- Bexar Appraisal District provided preliminary property values
 - Mid April Notice of Appraised Values Mailed
 - Preliminary Roll indicates no growth in Base Valuation after consideration of projected losses due to arbitration, litigation and exemptions
- Protests, appeals and exemptions are estimated to remain at high levels
- Forecast assumes a minimal increase in property tax revenue in FY26
- Update will be provided at Goal Setting Session on June 27

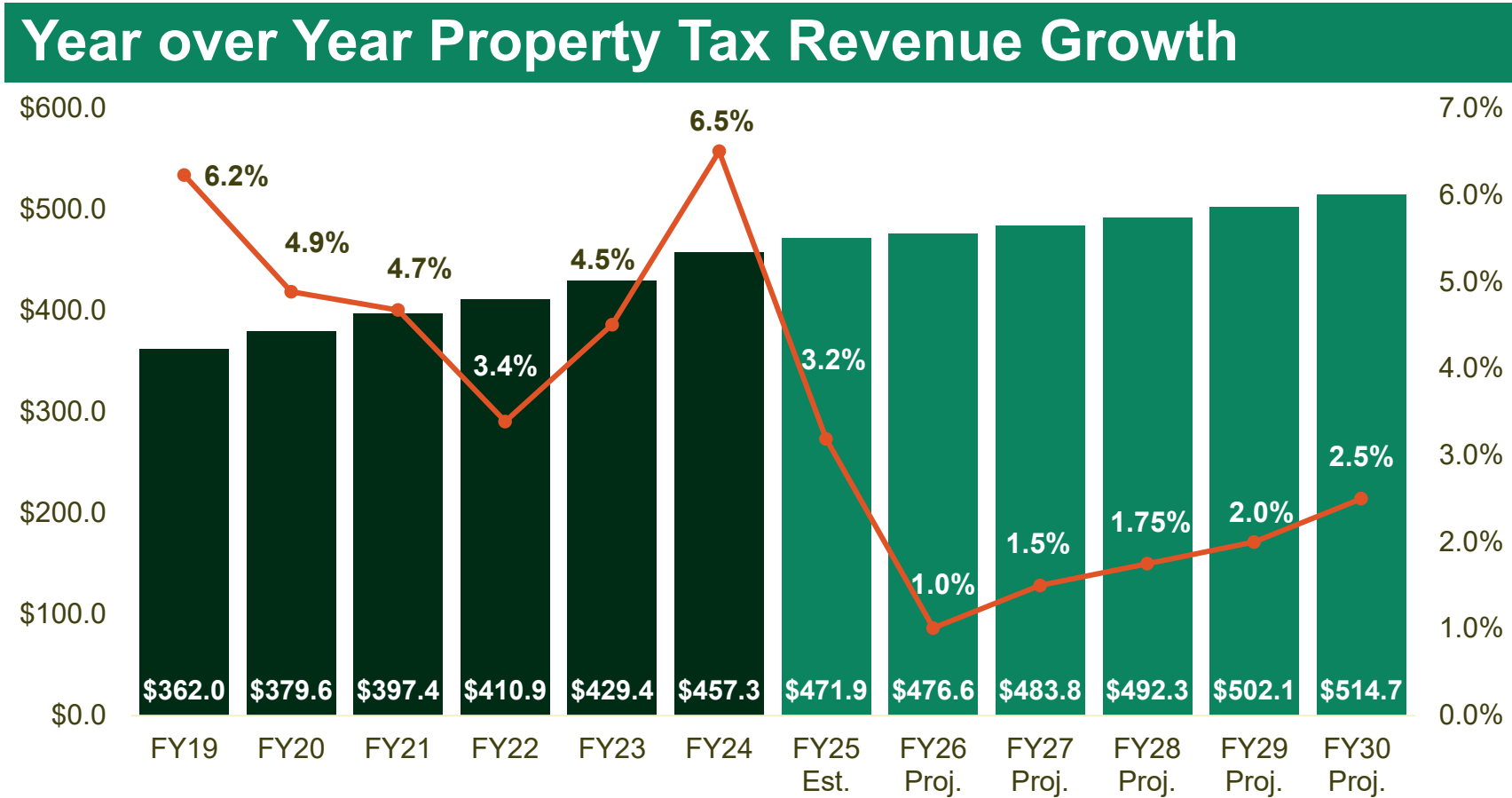
Taxable Value Growth	FY25 Budget	FY25 Estimate	FY26 Proposed
Base Values	4.98%	2.65%	0%
New Values	1.58%	1.58%	1.8%
Total	6.56%	4.23%	1.8%
Property Tax Rate	\$0.54159		



FY26 to FY30 Forecast

Property Tax

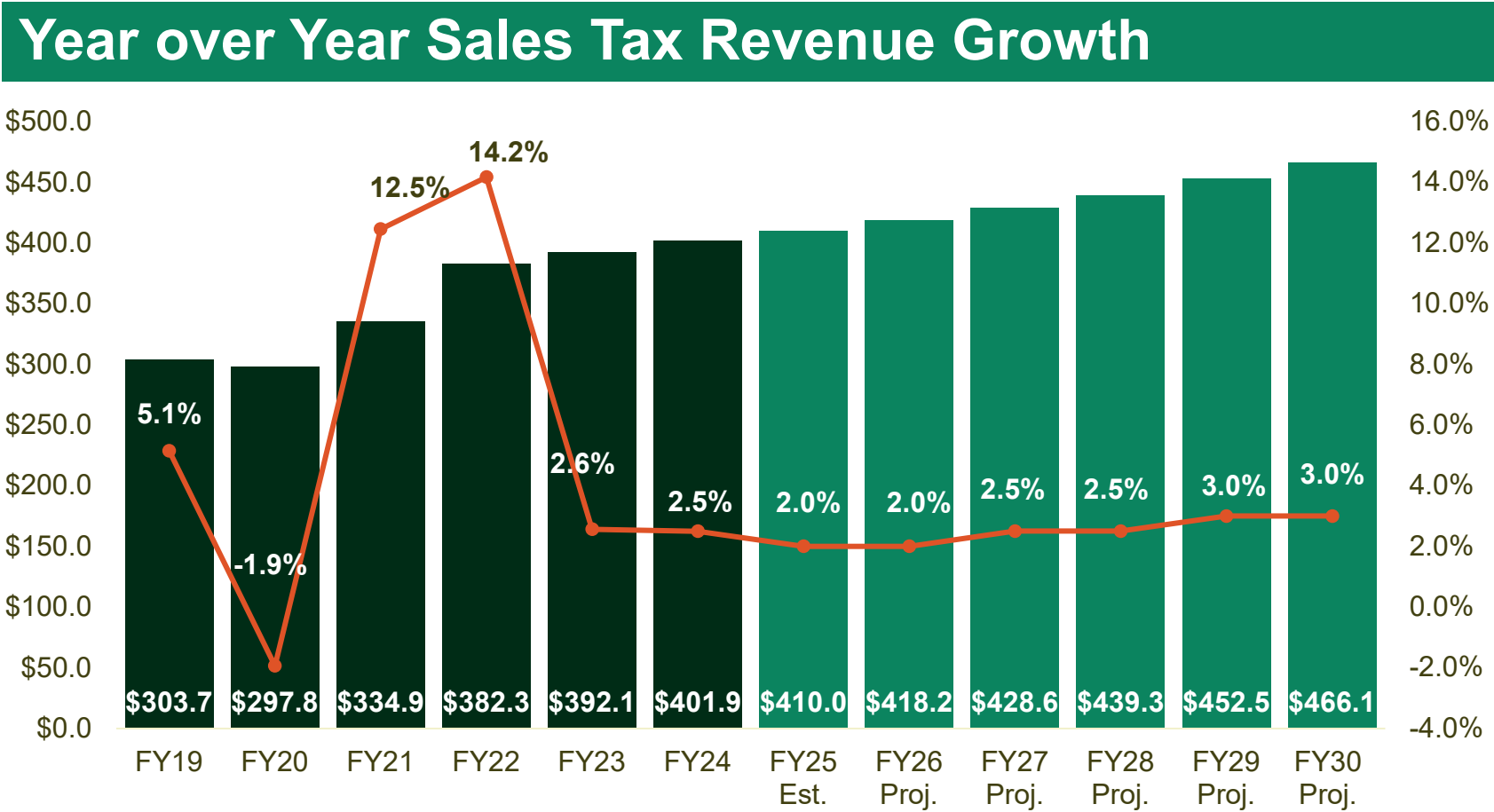
- FY26 anticipates 1% growth in property tax revenue
- FY27 to FY30 reflect low to moderate revenue growth
- Does not include property tax rate increase
- City could increase to State allowed rate of 3.5%



FY26 to FY30 Forecast

Sales Tax

- Consumer confidence weakening
- FY26 projects growth of 2%
- FY27 to FY30 reflect moderate revenue growth



FY26 to FY30 Forecast

CPS Energy Off System Sales

- Forecast follows CPS Off System Sales Policy
- In FY24, \$25.9 million transferred to CPS consistent with City Council direction
- FY25 to FY30 projects between \$32.1 to \$18.9 million in off system sales
 - \$10 million: City revenues
 - Remainder to CPS Capital Reserve Fund

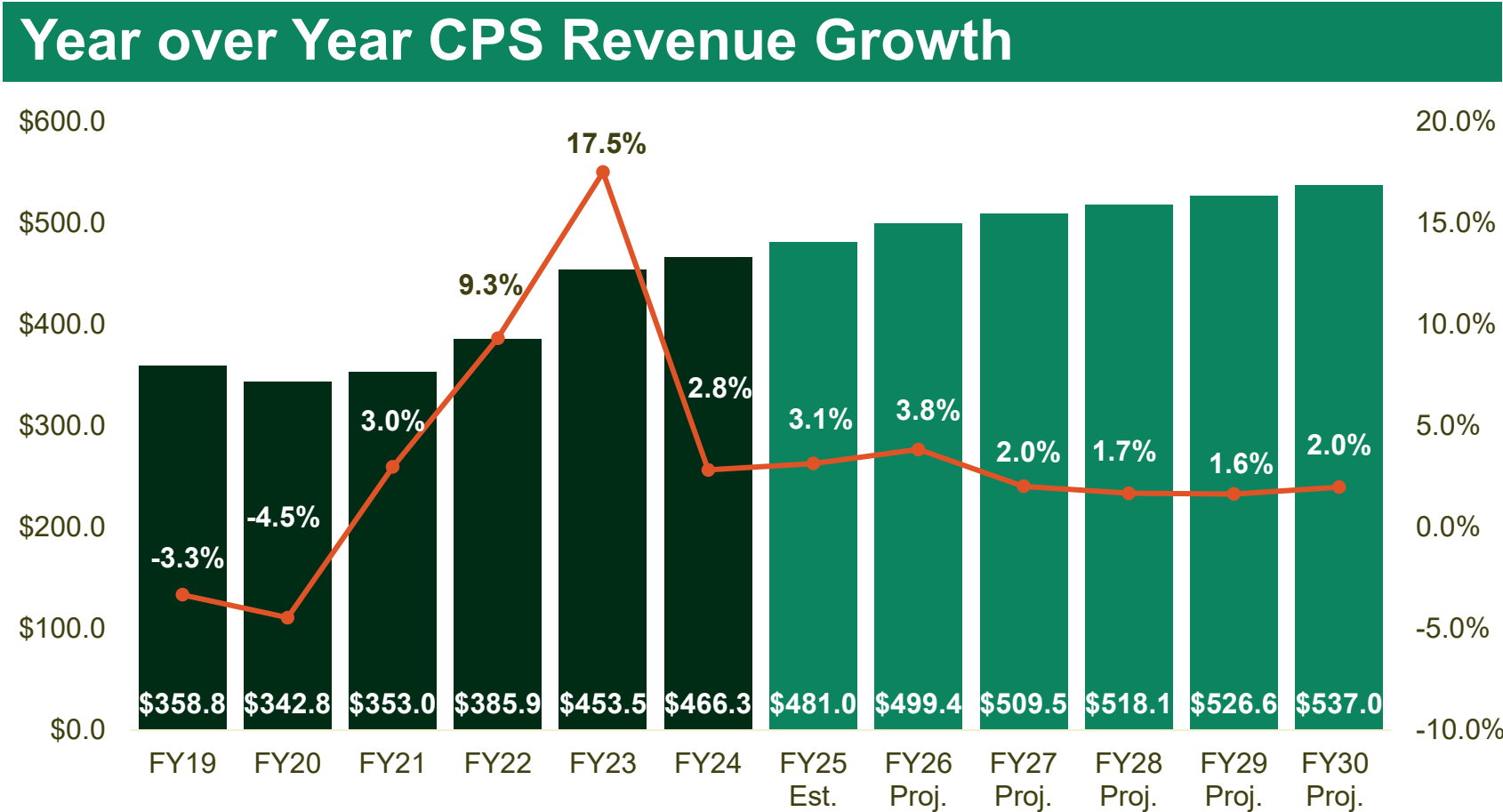
CPS Energy Payment 2025 Actuals

CPS Payment (\$ in millions)	Base Payment	Off System Sales	CRF (over \$10 M cap)
October	\$34.6	\$1.9	
November	34.4	1.5	
December	27.1	1.0	
January	43.6	4.4	
February	34.7	1.2	3.0
March	29.2		1.6
Total	\$203.6	\$10.0	\$4.6

FY26 to FY30 Forecast

CPS Energy

- Preliminary CPS payment projections reflect a 3.8% growth in FY26
- FY27 to FY30 reflect moderate growth
- Projection includes off system sales



FY26 to FY30 Forecast

General Fund Expenditure Assumptions

- Fully funds initiatives added in FY25
- Reflects funding to provide today's level of City Services
- Removes one-time expenses
- Includes projected increases for contracts, healthcare benefits, and inflation
- Increases to employee compensation consistent with Police (4%) and Fire (8%) Collective Bargaining Agreements, and civilian compensation (3%)
- Reflects new operating cost for completed capital projects
- No improvements are included in Five Year Forecast
- Maintains General Fund Ending Balance at minimum of at least 15%

FY 26 Forecast

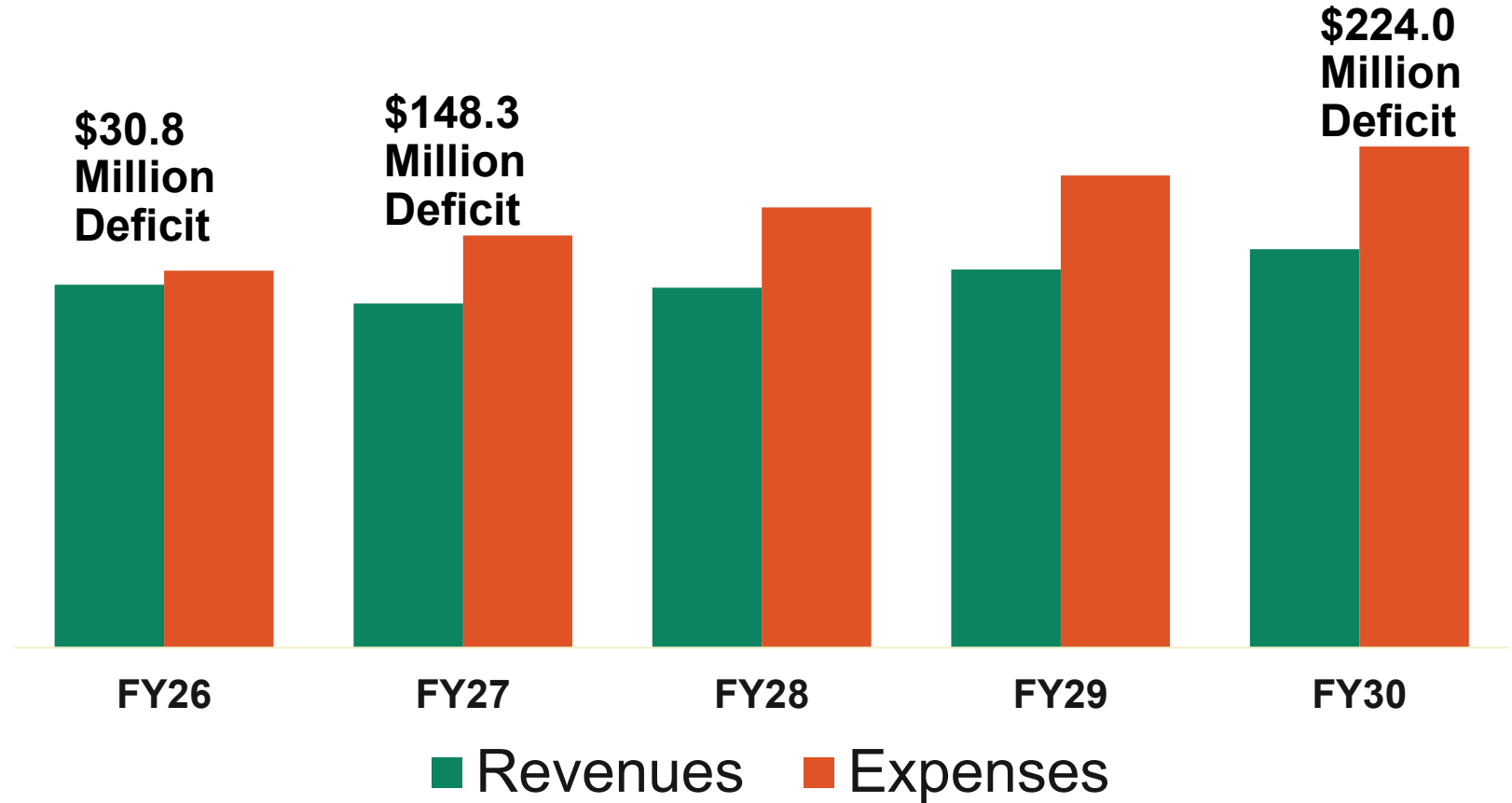
General Fund Increase in Spending from FY25 Adopted

FY25 Adopted Budget (\$ in Millions)	\$1,672.4
Police & Fire CBA	35.5
Civilian Compensation	9.4
Employee Health Care	8.7
Mandated costs*	9.2
Net decrease for one-times, 2 nd year cost of improvements	(0.4)
Total FY 2026 Projection	\$1,734.8

*Total mandated costs include operations and maintenance for 2022 Bond Projects completed in FY 2026 and General Fund match for grants

FY26 to FY30 Forecast General Fund

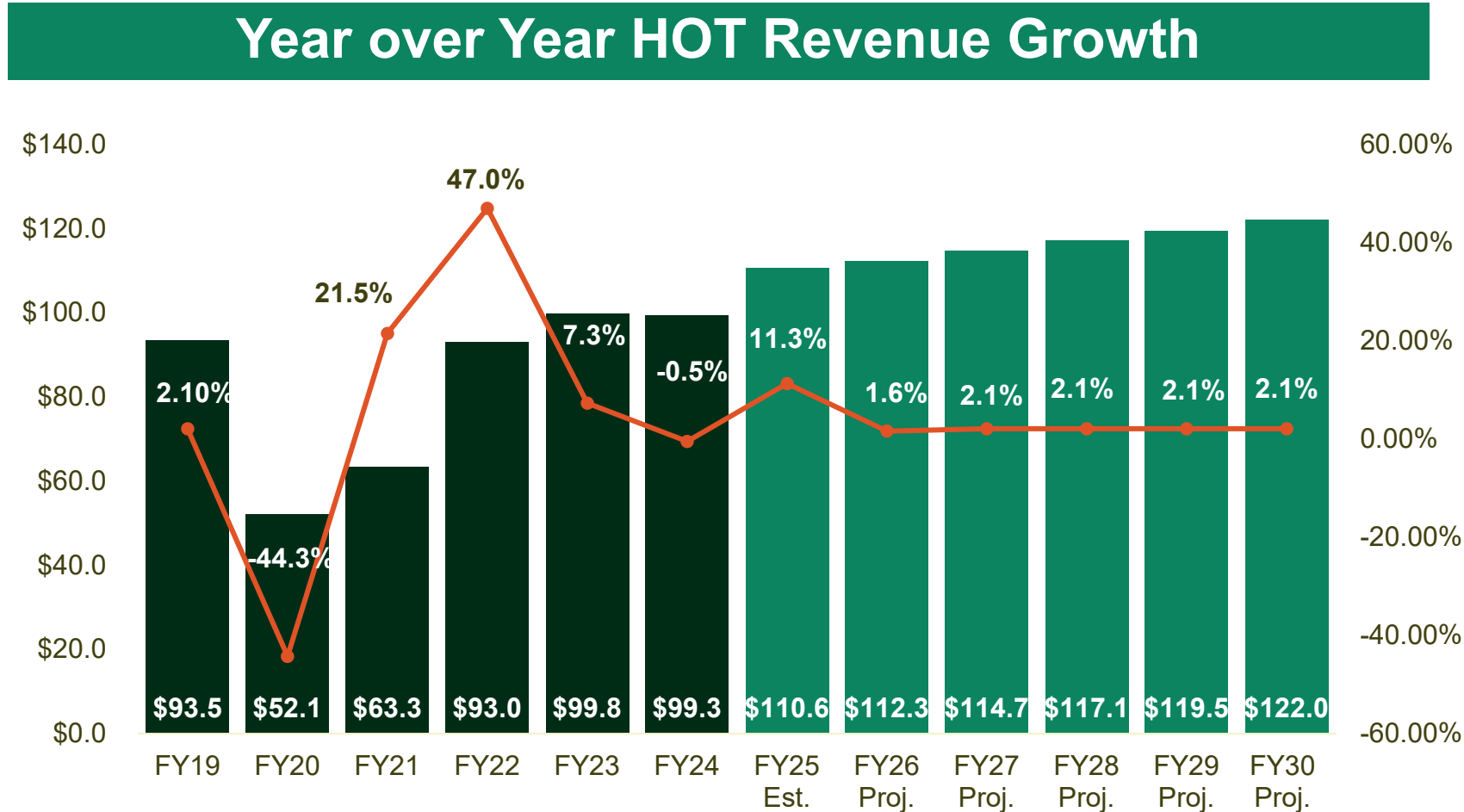
- 2.1% average annual revenue growth
- 3.6% average annual expense growth
- No property tax rate increase
- Maintains financial reserves at 15%



FY26 to FY30 Forecast

Hotel Occupancy Tax

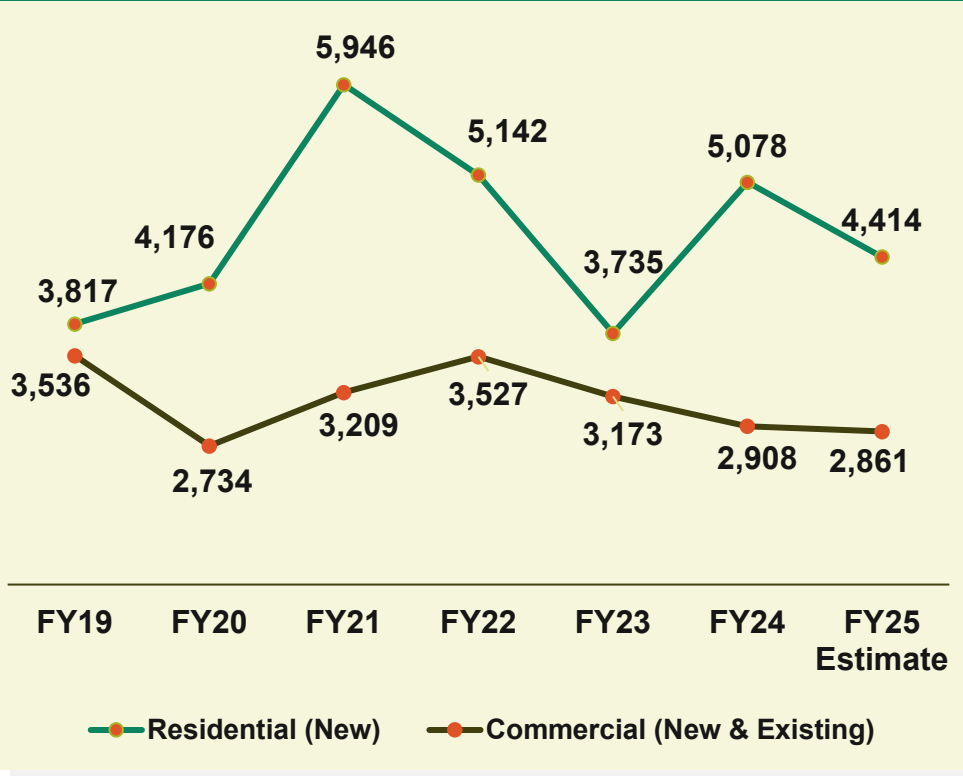
- Hotel Occupancy Tax (HOT) growth has weakened
- FY26 projects growth of 1.6% based on projected hotel occupancy and average daily rate
- FY27 to FY30 reflect moderate revenue growth
- Forecast is balanced



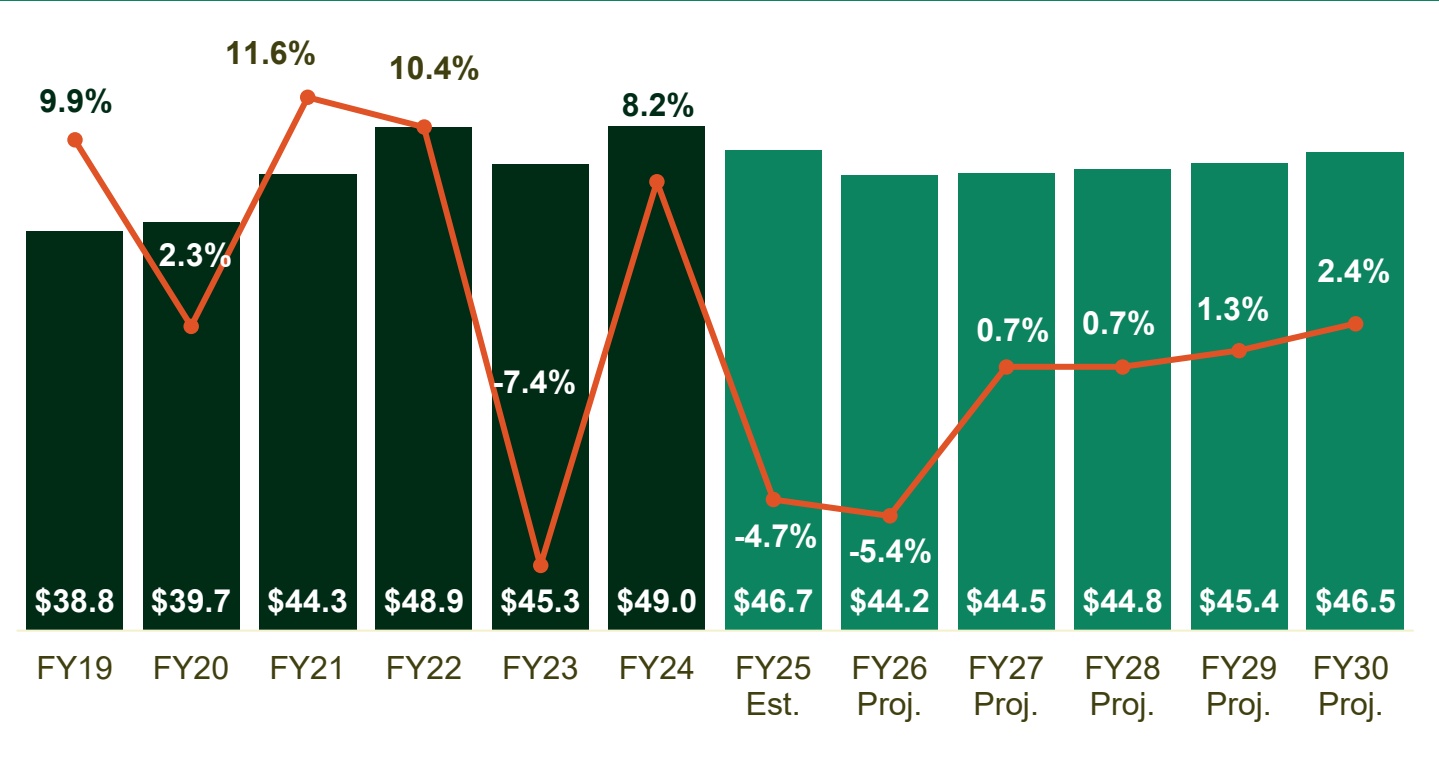
FY26 to FY30 Forecast Development Services

Permit activity for commercial and residential permits has slowed down

Permit Activity

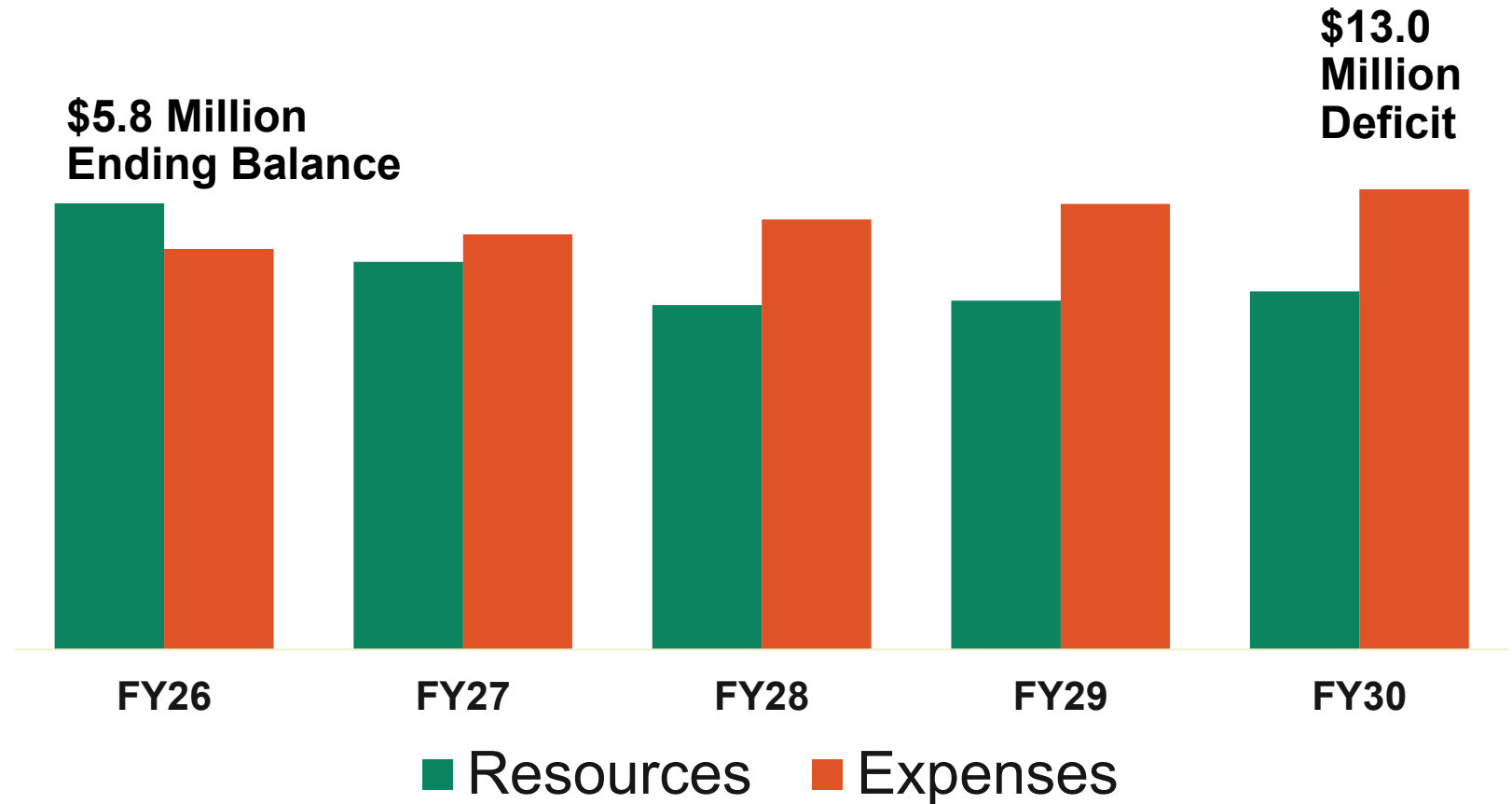


Revenues



FY26 to FY30 Forecast Development Services

- Revenues expected to decline in FY26 and slow growth between FY27 and FY30
- 2.0% average annual expense growth
- Forecast does not assume fee increases
- Forecast is not structurally balanced



*FY26 and FY27 include beginning balance

FY26 to FY30 Forecast Summary

- General Fund is not structurally balanced
- Will need to reduce spending in FY26 and FY27, to align revenue and expense growth
- Manage FY25 by slowing spending and making strategic reductions in departments now
- Trial Budget in June will present updated revenue assumptions based on additional data and reduction target for FY26 and FY27
- Additional detailed work with CPS on revenues is on-going and will provide an update in June

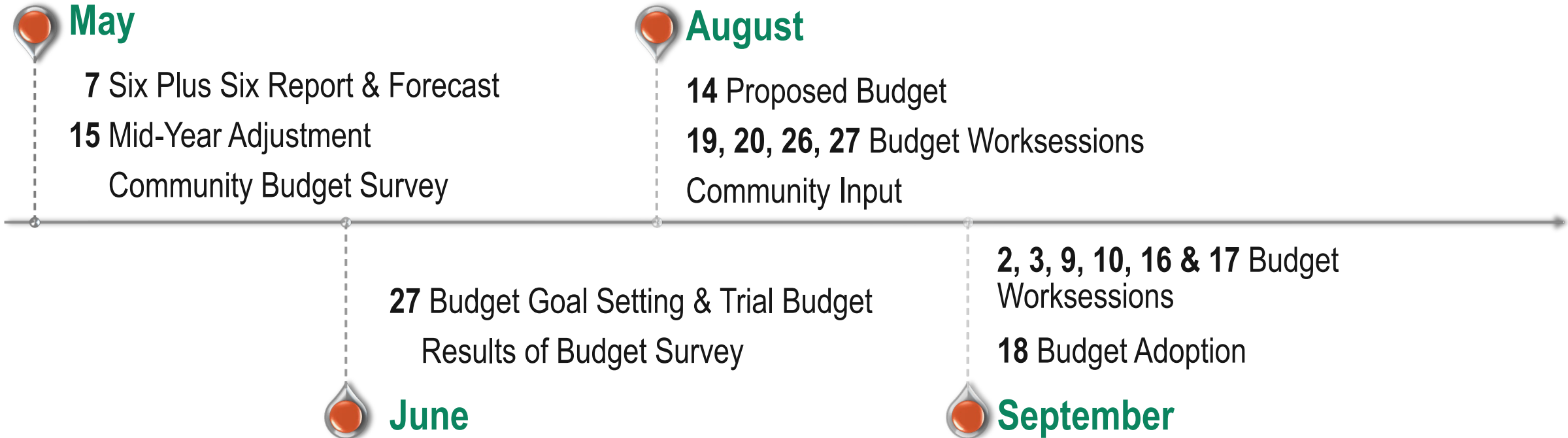
FY 2025 Budget Update

Mid-Year Budget Adjustment

- On Thursday, May 15, City Council will consider FY 2025 Mid-Year Budget Adjustment
- Adjustment will right-size revenues and expenses reflected in 6+6 Financial Report



Next Steps in Budget Process



Comprehensive Budget Reviews – Status Update

FY25 Comprehensive Budget Review Update

Background

- The City Manager reinstated the Comprehensive Budget Review (CBR) process in FY 2025
- CBR structure is systematic, data-driven and collaborative
- CBR goals are cost-savings, time-savings and performance improvement
- Innovation and Budget Office collaborated with four City departments:
 - Parks and Recreation
 - Metro Health
 - Human Services
 - Public Works

FY25 Comprehensive Budget Review (CBR) Update

Process Overview

- Review of overall department budget growth since 2019 and comparative city research
- Review of department's programs/services to determine what is explicitly required by City Charter, State or Federal Law, and those approved by City Ordinance
- Analysis of organizational and human resources
- Select a set of programs or services for in-depth reviews
 1. Budget Analysis including requiring departments to justify services and associated costs and cost-benefit analysis
 2. Review Performance Metrics

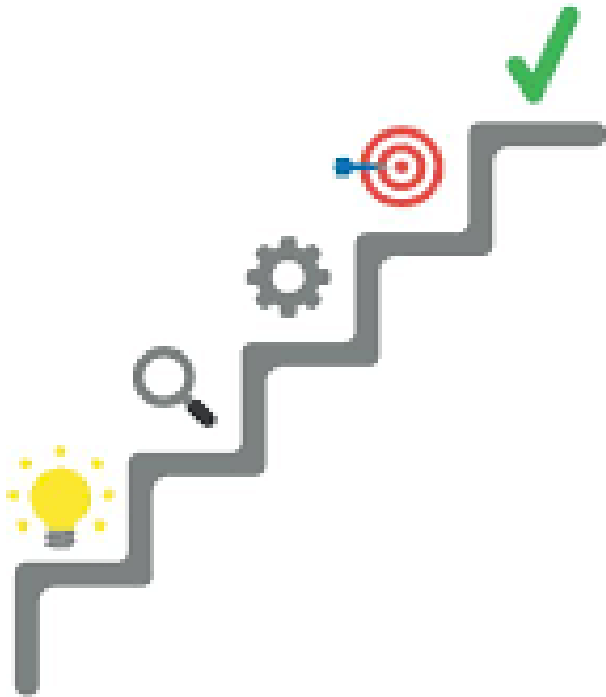
FY25 Comprehensive Budget Review (CBR) Update

Programs/Services under review

Public Works	Parks & Recreation	Metro Health	Human Services
<ul style="list-style-type: none">• Project Management including cost estimating, communication and inspections• Street Maintenance• Traffic Engineering Studies	<ul style="list-style-type: none">• Parks Operations and Maintenance• Parks and Community Centers Programming	<ul style="list-style-type: none">• SA Forward program & initiatives• Chronic disease prevention• Youth Programs• Leased facilities	<ul style="list-style-type: none">• Delegate Agencies• Homeless Services• Utility Assistance• Youth Programs• Part-time nutrition centers

FY25 Comprehensive Budget Review (CBR) Update

Status & Next Steps



- Opportunities for process improvement and more effective resource allocation are being identified for implementation in FY26
- Recommendations to include cost reductions will be included in the Proposed FY26 budget on August 14



FY25 Budget Update & Five Year Financial Forecast (FY2026 to FY 2030)

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