

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



**Meeting Minutes
City Council B 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

Wednesday, April 17, 2024

2:00 PM

Council Briefing Room

The City Council convened a B Session meeting in the Council Briefing Room beginning at 2:03 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. Briefing on FY 2024 Six Plus Six Financial Report, Mid-Year Budget Adjustment, FY 2025 to FY 2029 Five-Year Financial Forecast, and ARPA Funded Programs. [María Villagómez, Deputy City Manager; Justina Tate, Director, Management and Budget; Gwen Estrada, ARPA Executive Officer]

City Manager Erik Walsh introduced the Item and noted that property and sales tax revenues were

below budget, but CPS Energy revenues were higher but overall, revenues and expenditures were slightly over budget. He stated that the presentation would include a staff recommendation for use of a one-time CPS Energy revenues above the budget. He noted that the revenue forecast was not a projection, but rather based on assumptions and known commitments.

City Manager Walsh reminded City Council that extensive cuts had been made in 2020 and 2021 and expansion occurred after the COVID-19 Pandemic due to Federal funding, but it was now time to contract the Budget incrementally to ensure that the City would not see large deficits in the future. Comprehensive budget reviews had been performed prior to 2020 and 2021 and were on hold until now and we were getting back to normal, and the FY 2025 Budget would include this intensive review, according to City Manager Walsh.

City Manager Walsh introduced the Director of the Office of Management and Budget (OMB) Justina Tate, who presented the FY 2024 Six plus Six Financial Report which was a second quarter financial report with end of year projections and included General Fund (GF), Solid Waste Fund (SWF), Hotel Occupancy Tax (HOT) and Development Services (DSF) Funds. Tate provided a full report to include all restricted funds.

Tate stated that the total FY 2024 Adopted Budget was \$3.7 billion with \$1.6 billion in General Fund, \$1.33 Billion (36%) in Restricted Funds, and \$798 million (21%) in the Capital Program. She noted that the General Fund was comprised of Property Tax Funds, CPS payments, Sales Tax, and user fees. Tate stated that property tax was \$3.6 million below budget and Sales Tax was \$5 million below budget. CPS Energy Revenue was \$18.5 million ahead of the budgeted amount and so was other revenue (\$7.4 million ahead). Tate compared FY 2023 actuals versus FY 2024 actuals for each fund.

Chief Financial Officer, Ben Gorzell, provided history and an overview of the proposed City policy on the City's payment from off system sales. Gorzell noted that during summer months the demand for power sometimes exceeded the availability of generation through the Texas electric grid managed by Electric Reliability Council of Texas (ERCOT). Because CPS Energy was an electricity producer, the utility was able to sell excess power to ERCOT in 2023 in the amount of \$27.7 million and Gorzell predicted that CPS Energy would have an opportunity for more off system sales. Gorzell cautioned that off system sales were very unpredictable and could not be relied upon for reoccurring expenses as there was no guarantee that off system sales revenues would be realized.

Gorzell reminded City Council that there was already a policy to take any off system sales that were \$10 million over the amount budgeted for the City's revenues. He noted that the proposed policy would be to take any funds over the \$10 million and send them to CPS Energy to be deposited into the Capital Reserve Fund (CRF) that could fund any shortfall in General Fund City payments and assist with mitigation of any future CPS Energy rate increase. Gorzell provided an overview of the FY 2024 payment projections which hit the \$10 million limit as of January 2024 which meant that any future off system sales would be considered under the new policy to go into the CPS CRF.

Tate stated that HOT revenues were projected to be at budget even though they were currently

\$500,000 below estimates. Convention Center Fund revenues were \$2 million higher than anticipated and Alamodome funds were projected to be \$700,000 short. Tate provided a report on restricted funds such as the Airport Fund, Solid Waste Fund and Development Services Fund.

Tate provided context to the General Fund growth before moving on to present the five-year forecast. She noted that \$1.3 billion in Federal funds were infused into the City's Budget through the CARES Act and ARPA. Tate warned that we would be unable to sustain the General Fund growth in the future and recommended slowing of spending in the General Fund to align with revenue and maintain structural balance with revenues and expenditures growing at the same pace.

Tate explained that the forecast was not a Budget, but rather, was an early financial outlook for the City's major funds and set the framework for upcoming discussions on annual Budget development. She indicated that the forecast included City Council priorities in FY 2024 and FY 2025 under the two-year Budget Plan.

According to Tate, the average growth of 5.5% was predicted for property tax, however, State Law limited the City's increases from property taxes and the City was expected to see the effects of the new law in FY 2025. Sales tax was projected at 4% annually, however they were not meeting expectations and CPS Energy revenues were predicted to increase but was a volatile revenue based on the weather and fuel prices, according to Tate. She stated that the forecast included the following assumptions: keeping today's service levels steady, removal of one-time, fully funded initiatives added in FY 2024, and mandated expenses as well as increases for contracts, healthcare benefits and inflation, and maintaining a General Fund ending balance of at least 15%.

Tate outlined mandated costs for bond projects expected to come online in FY 2025 through FY 2029 as well as five years for the police contract, 2023 COPS Grant, State Legislative Contracts, and high-volume pet partners. She provided a high-level overview of the General Fund five-year forecast which showed a balanced Budget against expenditures in FY 2025 and FY 2026, however a deficit of over \$50 million annually was projected for FY 2027-2029. Tate stated that OMB and the Office of Innovation planned to conduct internal reviews of departmental budgets, services, and processes in FY 2025.

Tate reported that Restricted Funds included SWF, Hotel Occupancy Taxes (HOT), and the Development Services Fund (DSF). Tate stated that SWF forecast assumptions reflected today's level of service, incorporated a new recycling contract and landfill contracts in FY 2025 and FY 2026, and included inflationary increases for commodities and services. She projected a FY 2025 ending balance of \$1.3 million assuming there were no fee increases, however, rate increases were needed to address increasing labor, disposal, and equipment costs in FY 2026 and beyond.

Tate reported that the total HOT rate in San Antonio was 16.7% and the City distributed its 7% share as follows: 35% for Convention Facilities, 35% for Visit San Antonio, 15% for Arts, and 15% for History and Preservation. Tate showed a slide indicating that the annual HOT revenues were expected to increase annually and had recovered from COVID-19 Pandemic lows in 2020 and 2021. The FY 2025 HOT projection was \$114.8 million in revenues and all funds were expected to be allocated without an ending balance with the fund growing annually.

Tate noted that the DSF forecast did not include any fee or rate increases and showed an ending balance in FY 2025 through FY 2028. Tate outlined the Budget process, timeline, and next steps which included City Council consideration of the FY 2024 Mid-Year Budget Adjustment on May 2, 2024, followed by the City Manager's presentation of the FY 2025 Trial Budget on May 8, 2024, budget survey and input received from May 2024 through June 2024, City Manager's presentation of the Proposed Budget on August 15, 2024, Budget Work Sessions and town halls, culminating in adoption of the FY 2025 Budget on September 19, 2024.

DISCUSSION:

Mayor Nirenberg requested that discussion be focused on the past year and mid-year adjustments. He cautioned the City Council that while CPS Energy was anticipating off system growth there was increasing demand for electricity due to more development and the potential for some plant generation coming off-line. Mayor Nirenberg suggested that the benefits of acquiring the new natural gas powered electric generation plants would offset the requirement to build new plants. He recommended that the City Council strongly consider the staff recommendation to create the new CPS CRF.

Mayor Nirenberg noted that Tate had characterized the forecast as a normalization coming off the substantial grants received from the Federal Government during and following the COVID-19 Pandemic. He asked whether the Budget survey would be different as a result of the change in projected revenues. City Manager Walsh stated that he would present the survey information at tomorrow's Goal Setting Work Session.

Councilmember Rocha Garcia asked about the extra equipment expense in the SWF. City Manager Walsh stated that the cost of maintaining and repairing the current equipment was over budget because the garbage trucks that the City ordered had not come in as expected so the department was repairing old equipment. She asked if SW rates needed to be increased annually and suggested an approach to raise rates only once every few years. City Manager Walsh stated that costs included vehicles, personnel, and disposal which included more efficiencies being analyzed.

Councilmember Rocha Garcia commented that the community still needed help with rent and utilities but the Federal funding that had provided this assistance would end. City Manager Walsh confirmed that the City could not replace those Federal funds and absorb all the costs.

Councilmember Rocha Garcia requested the total sales tax revenues and not just the incremental changes shown on the slides. She asked if the Emergency Medical System (EMS) Medical calls target, which had been exceeded, was due to the South Side hospital closing. City Manager Walsh committed to providing a map of locations attributed to the increase in calls.

Councilmember Rocha Garcia recommended more spay/neuter events as it seemed this year's performance was lower than prior years. She noted that the Psychologist for the San Antonio Fire Department (SAFD) had not been selected. Deputy City Manager Maria Villagomez stated that they were under review with a second set of applicants for the Psychologist position.

Councilmember Rocha Garcia commented that the results for pavement markings were at 51% of plan.

Councilmember Whyte supported reinvesting CPS Energy revenues back into the utility company but still wanted a line item within the budget for CPS Energy to provide them a guaranteed amount such as \$5 million that was taken out before the \$10 million suggesting this would offset future rate hikes. Gorzell confirmed that the process of increasing CPS Energy rates required the utility to come before City Council with a request, however, the proposed policy was that the City would return the funding with an intent to mitigate rate increases. City Attorney Andy Segovia clarified that the City Council was not adopting any policy today.

Councilmember Whyte asked what the plan was to slow spending. City Manager Walsh stated that he was working on adjustments, redirections, and reductions but a lot of it depended on City Council priorities that would be discussed tomorrow. Councilmember Whyte commented that law enforcement and Firefighters needed to be prioritized over the next five years. He thanked the City Manager for comprehensive departmental budget reviews and hoped no one confused this with the Council Consideration Request (CCR) for Zero-Based Budgeting (ZBB).

Councilmember Alderete Gavito recommended planning for the Federal funding to end and supported Councilmember Whyte's request for ZBB and supported public safety and Animal Care Services. She asked Gorzell if the funding proposed for the off system sales excesses really would make a difference for CPS Energy or stave off a rate increase request. Gorzell replied that the goal was rate mitigation, and the plan would be to work with CPS Energy to make those funds as effective as possible relative to the rate case. City Manager Walsh suggested that this policy would set a higher level of transparency. Councilmember Alderete Gavito recommended a firmer commitment from CPS Energy.

Councilmember Viagran suggested that the CPS Energy revenue policy might need voter support and sustainability and resiliency as energy efficiency in the home was the best way to lower utility bills. Councilmember Viagran asked about internet service providers and suggested that the franchise fees be adjusted to promote more services on the South Side and expressed concern about the lack of hospitals on the South Side and recommended supplementing Meals on Wheels with any remaining ARPA funding. She suggested rightsizing SAPD.

Councilmember Viagran expressed concern that sales tax revenues were down and noted that this was significantly impacting small businesses suggesting that there might have been impacts from construction on Broadway, Gevers, and other streets. She warned that the deficit might continue to grow if we don't address our small business needs. Councilmember Viagran suggested that ZBB was an outdated concept and ultimately inequitable.

Councilmember Cabello Havrda was encouraged with the projections for the airport expansion which was a solid funding plan. She expressed support for prioritizing public safety including SAPD, SAFD and ACS. Councilmember Cabello Havrda requested clarification on the CPS Energy revenues and supported mitigating a rate increase. Gorzell explained that the base revenue was increased from \$421 million to \$430 million.

Councilmember Cabello Havrda asked why expenses for Convention Facilities were not showing a steady increase like the rest of the funds. Tate stated that the National Collegiate Athletics Association (NCAA) Basketball Final Four cost in 2026 was a one-time cost.

Councilmember Castillo was happy that investigations of dangerous dog bites was increasing and wanted to know where in the West Side ACS was seeing more calls. She also supported funding for Cassiano homes and recommended recalibration of the Senior Pilot Program for tax abatement to allow seniors with mortgages to qualify. Councilmember Castillo requested a status update on the new positions in the Good Neighbor Program. Deputy City Manager Villagomez stated that there were three new Data Analysts being interviewed.

Councilmember Castillo expressed concern that there was no guarantee that giving funds back to CPS Energy would mitigate a rate increase and recommended that CPS Energy provide a plan. City Manager Walsh stated that there needed to be an agreement developed with CPS Energy with City Council feedback. Segovia clarified that the City could detail how CPS Energy could use the money since it was the City's money. Councilmember Castillo supported increasing base pay for Firefighters.

Councilmember Kaur requested that the reports be provided to the City Council more in advance. City Manager Walsh stated that he could not commit to providing the information earlier. Councilmember Kaur recommended getting assurances in writing from CPS Energy to ensure that the most vulnerable ratepayers were taken care of. Councilmember Kaur requested information on the property tax forecast assumptions. Elliott stated that every year, the City's revenue increase from property taxes was capped at 3.5% annually and about 2% of the increase was attributed to improvements; the assumptions also included new development and growth projections.

Councilmember Kaur asked how the 7% HOT was distributed. Tate explained that the debt was taken off the top of the 7% and the remaining funds were allocated at 15% each for Arts and Historic Preservation as set by State Law, and 35% each for Convention Facilities and VSA set by City policy.

Councilmember Kaur noted that within the FY 2024 24/7 Performance Measure Report, the percentage of completion was calculated differently for each initiative noting that most of the programs were going very well. City Manager Walsh requested one-on-one feedback on the 24/7 Performance Measure Report as he was open to making improvements to the report. Councilmember Kaur requested prioritization of shade in parks before the summertime and recommended that the City Council be involved in scheduling infrastructure and bond projects.

Councilmember Courage noted that the City Council reviewed the Budget in two-year cycles and asked if the City had used reserves in the past few years expressing concern that reserves would need to be used in FY 2027 or later. Tate stated that the two-year reserve was used in FY 2023 and FY 2024 but the City never utilized the 15% reserve in our policy. City Manager Walsh clarified that he would keep the 15% reserve to ensure the financial health of the City.

Councilmember Courage noted that all of the Federal funds to assist with rental and utility assistance as well as small business had been spent. Tate stated that the General Fund would continue to fund housing, homeless, SA Forward Plan for health, domestic violence, and SA CORE. City Manager Walsh offered to provide the City Council with a full report on assumptions in the forecast that continued with the General Fund after the Federal funding ran out.

Councilmember Courage stated that \$17 million was anticipated in revenue over the budget and this could go up to \$27 million by the end of the year but he wondered when those revenues would be planned. Tate explained that additional revenues would fall into reserves until the City Council set the next fiscal year Budget. Councilmember Courage suggested that the \$17 million could be spent at mid-year. City Manager Walsh clarified that the money was already built into the FY 2025 forecast and he did not recommend allocating or spending that money now.

Councilmember McKee-Rodriguez assumed that we could be more supportive of the Firefighters and noted that the Animal Care Services adoptions and staffing had not met their goals, but he was hopeful there would be more clinics and wanted assurance that the new spay/neuter facility would be prioritized for additional funding at mid-year in case there was a shortfall.

Councilmember McKee-Rodriguez looked forward to the insulin cost-share program and was excited to see a new senior center project moving forward, and the Office of Integrated Community Safety was on track. He recommended that more attention be given to cemeteries and spoke in support of a Cemetery Master Plan. He recommended 24-hour coverage for the San Antonio Community Outreach and Resiliency (SA CORE) Team.

Councilmember McKee-Rodriguez outlined the accomplishments made using the Neighborhood Accessibility & Mobility Program (NAMP) and City Council Project Funds (CCPF). He requested a community organization resiliency hub in Council District 2. He asserted that the Tree Mitigation Fund balance was favorable because five developments had paid over \$300,000 each and asked why the City was approving so many variances and removing so many trees.

Councilmember McKee-Rodriguez supported covering shortfalls with the excess CPS Energy revenues and he noted that some of the funding could support one-time expenses for SAFD facilities. He preferred that the City decide how the CPS Energy funding would be used as there was a trust deficit with CPS Energy.

Councilmember Whyte asked if voter approval was needed for the new CPS Energy Policy. Segovia clarified that the City Council could decide what to do with the money and whether it went back to CPS Energy. Councilmember Whyte agreed that there was a trust deficit with CPS Energy.

Mayor Nirenberg commented that the City was falling behind in its recycling goal and asked what measures would be taken to update or improve that goal. City Manager Walsh admitted that it was an old goal but there was a new recycling contract which could help make progress. Nirenberg recommended a review of peer cities or inclusion in the community survey.

EXECUTIVE SESSION

Mayor Nirenberg recessed the meeting into Executive Session at 4:08 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 5:49 p.m. and stated that no official action had been taken in Executive Session.

ADJOURNMENT

There being no further discussion, the meeting was adjourned at 5:49 p.m.

Approved

**Ron Nirenberg
Mayor**

**Debbie Racca-Sittre
City Clerk**