

**STATE OF TEXAS
COUNTY OF BEXAR
CITY OF SAN ANTONIO**

A GOAL SETTING WORKSESSION OF THE CITY COUNCIL OF THE CITY OF SAN ANTONIO WAS HELD AT THE CENTRAL LIBRARY AUDITORIUM, TUESDAY, JUNE 25, 2013.

The San Antonio City Council convened in a Goal Setting Worksession at 9:00 am, Tuesday, **June 25, 2013**, at the Central Library Auditorium.

ROLL CALL

City Clerk, Leticia M. Vacek noted a quorum of the Council with the following present: Bernal, Taylor, Viagran, Saldaña, Gonzales, Lopez, Medina, Nirenberg, Chan, Soules, and Mayor Castro. **ABSENT:** None.

1. CITY COUNCIL BUDGET POLICY GOAL SETTING SESSION ESTABLISHING BUDGET POLICY DIRECTION THAT WILL GUIDE THE DEVELOPMENT OF SERVICE PRIORITIES FOR THE FY 2014 PROPOSED BUDGET AND THE FY 2015 BUDGET-PLAN TO INCLUDE POSSIBLE ACTION ON MATTERS PRESENTED AND DISCUSSED.

Mayor Castro provided opening remarks and thanked everyone for being present. He stated that the Budget Goal Setting Session would assist in prioritizing the goals of the City Council.

City Manager Sheryl Sculley presented an outline for the day and asked for policy direction from the City Council in developing the FY 2014 Proposed Budget and FY 2015 Budget Plan. She introduced Facilitator, Ms. Tyler St. Clair.

Ms. St. Clair highlighted the goals for the day that included reviewing data, identifying high priority goals, identifying the most preferred budget, and next steps. She asked the City Council to follow guidelines for success that include listening to everyone's ideas.

Mrs. Sculley reported that a \$35 to \$50 million gap was projected for the General Fund FY 2014. She highlighted the Civilian vs. Uniform Positions noting that over 1,300 Civilian Positions had been eliminated while 500 Police and Fire Uniform Positions were added. She noted the Legacy Costs of Health Care and Pension Benefits of Current Civilian and Uniform Employees, Future Retirees and Existing Retirees. She referenced a cumulative growth since FY 2006 of the Legacy Costs noting that Uniform Legacy Costs have increased 63.6%. She spoke of the Budgeted Financial Reserves that help increase the city's credit worthiness resulting in stronger credit ratings and lower interest costs. She stated that Budgeted Financial Reserves would be maintained at 9% of General Fund Appropriations. She reported that the City of San Antonio was the only large city with a AAA Rating from all three major rating agencies when comparing the top 10 US Largest Cities.

Mrs. Sculley also spoke of the city property tax rate which has decreased three times since FY 2006. She reported that the property tax rate has not changed from FY2011 to FY2013 which remains at a rate of 56.569. She noted that a 1-cent increase on the City's Property Tax Rate generates \$7 million

annually. She highlighted the Capital Project Budget Savings of \$34.6 million which is a one time revenue savings of the 2007 Bond Program; Storm Water Revenue Bonds; and closing Certificates of Obligation Funded Projects. She recommended allocating \$17.3 million in capital project savings for the City Council to allocate to new or existing capital projects. She indicated that \$17.3 million could partially offset the General Fund Financial Gap with \$8.65 million allocated toward Street Maintenance Projects in the General Fund in FY2014 and \$8.65 million reserved for Street Maintenance Projects in FY 2015. She added that they were currently reviewing Hotel Occupancy Tax (HOT) Funded Capital Projects and updating HOT Fund Bond Financing Proforma for potential available funds.

Budget Director Maria Villagomez presented the General Fund Beginning Balance from FY 2010 through FY 2014. She outlined the General Fund Forecast for FY 2014 through FY 2018 with negative ending balances ranging from -\$50 million to -\$78 million, respectively. She provided the General Fund All Revenues Forecast noting that revenues were projected to increase at a rate of 2.8%. She reported that the 5-Year Sales Tax was estimated to increase annually at a rate of 3.3%; the Property Tax was projected to increase at a rate of 2.9%; and CPS Energy Revenues were estimated to increase at 2.5%. She stated that expenditure assumptions reflect funding to provide today's level of recurring city services. She mentioned that General Fund All Expenses were projected to increase by 3%.

Ms. Villagomez highlighted the Unfunded Budget Requests which include \$47 million in unfunded requests from the City Council and Outside Agencies. She provided an overview of the City Facilities Maintenance Needs that total \$147.1 million. She spoke of the impact of Sequestration on the City's Grant Funded Programs noting that \$140 million of the \$150 million the city receives could be affected. She stated that the Budget would be presented to the City Council for adoption on September 12, 2013.

RECESSED

Mayor Castro recessed the Worksession at 10:06 am for a break.

RECONVENED

Mayor Castro reconvened the Worksession at 10:30 am.

Councilmember Soules stated that Capital and Operations should be looked at separately and asked if the debt capacity had been reached for capital. Ms. Villagomez replied that currently; there was no additional debt capacity. Councilmember Soules stated that they only had \$34 million in bond savings to work with on capital projects. He expressed concern with the great amount of unfunded requests and deferred maintenance. He stated that it was imperative to identify the most critical deferred maintenance. He noted that the first project in the 2012 Bond Program was the Market Street Realignment which came in over the estimated budget. He indicated that construction costs were escalating and asked if the \$34 million in 2007 Bond Program Savings should be used for the 2012 Bond Program.

Ms. St. Clair requested that the City Council identify five high priority goals that they would like for the city to fund in the FY 2014 Budget. She requested that Unfunded Requests from outside agencies and Councilmembers be included among the goals if they considered them to be high priorities. She

asked that each Councilmember state their goals and look for agreement to achieve general or majority agreement by the entire City Council. She added that all needed to avoid goals that are hot political issues not supported by the majority of the Council. She further explained that the Council would compile a collaborative list based on support from one another and she would ask for one goal from each Councilmember.

Councilmember Soules stated that the first goal is to accomplish a balanced budget without a tax increase. He requested that there be more investment in sidewalks and street repair through savings in other areas. Councilmember Taylor concurred that funding be increased for street maintenance funding. Councilmember Chan spoke of the need to increase funding for streets/sidewalks and the Infrastructure Maintenance Program (IMP). Councilmember Bernal stated that the focus be on streets and sidewalks based on need. Councilmember Saldaña spoke in support of creating Safe Routes to Schools. Mayor Castro stated that their focus be on infrastructure, drainage and neighborhoods. Councilmember Gonzales felt that the focus be on drainage needs. Councilmember Lopez spoke of the need to collaborate with other agencies and departments to leverage investments on drainage, streets and sidewalks. Councilmember Medina spoke in support of focusing funding on complete streets. Councilmember Viagran stated that the focus be to build and maintain a proactive streets and drainage improvement plan that would focus on rectifying flooding in older neighborhoods. Councilmember Nirenberg spoke in support of focusing on street improvements to deal with traffic congestion.

Councilmember Viagran spoke of the need to enhance and create a more efficient and productive Animal Care Services (ACS) Department with less obstacles and injury to the public. Councilmember Gonzales stated that eliminating the loose dogs and cats roaming neighborhoods should be looked at. Councilmember Bernal stated that he was supportive of adding personnel and equipment to the ACS Department. Councilmember Lopez spoke of the need to meet neighborhood expectations regarding animal care since there were different levels of concern in each of the Districts. Councilmember Taylor stated that there had been a lot of progress made within ACS in recent years, however; she did not want to lose sight of this as a concern in some areas.

Councilmember Lopez stated that there should be a mid/long range comprehensive growth strategy with indicators for annexation and transportation. Councilmember Saldaña requested that they conduct a study to identify a genuine plan for balanced growth. Councilmember Taylor asked of the forum to discuss long range planning goals. Councilmember Lopez noted that a Transportation Plan needs to be funded in conjunction with Bexar County, VIA Metropolitan Transit (VIA), and the Metropolitan Planning Organization (MPO). Councilmember Soules commented that last year; the City Council looked at Long Term Goals to include Annexation. Councilmember Gonzales stated that it was important to increase alternative forms of transportation to include walkability and cycling. Councilmember Taylor asked that the growth and annexation goals be separated from the transportation issue. Councilmember Soules concurred that the two should be separate goals. Councilmember Lopez also stated that annexation and transportation should be separate.

Mayor Castro requested that funding be focused on efforts to prepare, educate and retrain San Antonians to compete in the 21st Century World Economy. Councilmember Chan stated that was in-line with supporting economic development efforts. Councilmembers Taylor and Bernal concurred. Councilmember Saldaña spoke of the need to support economic development by ensuring a competent and educated workforce. Councilmember Nirenberg stated that efforts should be focused on job creation.

Councilmember Saldaña stated that there should be strategic investment to promote job growth in Aerospace and Manufacturing and specifically; Port San Antonio. Councilmember Chan stated that she was not focused on a particular industry but on Economic Development as a whole. She noted that the discussion was geared toward funding. Councilmember Soules added that he was supportive of Port San Antonio but concurred with Councilmember Chan that the discussion today was about funding. Councilmember Viagran mentioned that her request for Brooks City Base was within City Infrastructure to enhance Economic Development.

Councilmember Nirenberg spoke of the need to prioritize neighborhood safety by providing adequate resources for public safety departments. Councilmember Chan concurred that there should be adequate funding for public safety. Councilmember Lopez spoke of the need to empower Homeowner Associations to ensure two-way communication of emergency operations. Councilmember Medina stated that technology to improve emergency response times for First Responders be funded. Councilmember Taylor spoke of the different dynamics within districts regarding Homeowner and Neighborhood Associations.

Councilmember Bernal stated that funding for parks beyond simple maintenance to include improvement and repair be appropriated. Councilmember Soules asked that Parks Funding not be cut. Councilmember Gonzales requested that they increase accessibility to parks and open spaces for all members of the community that could include playscapes, walking trails, and shade. Councilmember Nirenberg stated that they should pay particular attention to park assets that have become regional destinations. Councilmember Saldaña stated that focus be directed to the expansion of pocket parks in the SPARK Format. Councilmember Chan spoke of improving funding to parks with a focus on the SPARK Program. Councilmember Taylor stated that increasing funding for parks in targeted revitalization areas be appropriated.

Councilmember Chan spoke in support of economic development efforts with increased focus on International Business to include trade, exports, and foreign investment. Councilmember Lopez stated that taking advantage of low hanging fruits in the Domestic and International sectors be reviewed. Councilmember Taylor stated that funding be maintained for International and Domestic Economic Development. Councilmember Soules stated that they should look at EB-5 Programs.

Councilmember Taylor stated that funding be appropriated for CHOICE Neighborhood Infrastructure and related improvements to include the Woodard Park Community Center. Councilmember Saldaña stated that he was supportive of CHOICE Program Efforts. Mayor Castro stated that funding be continued for revitalization and investment strategies in the Urban Core. Councilmember Chan requested that they continue efforts on infill projects and the Land Bank Program. Councilmember Lopez stated that he supports funding for Land Bank and Brownfields Projects. Councilmember Bernal stated that he was supportive of continuing to fund revitalization efforts in the urban core that would include the CHOICE Program. Councilmember Taylor spoke in support of increasing revitalization efforts to include the Land Bank Program. Councilmember Lopez asked to maintain the existing Land Bank Initiative and add other initiatives throughout the city.

Councilmember Medina stated that they should prioritize funding for the City's Senior Centers and Wellness Programs. Councilmember Viagran spoke of the need to create dynamic ways to use monies for Senior Centers and the delivery of services at those Centers. Councilmember Chan stated that funding be increased for Senior Transportation. Councilmember Gonzales spoke in support of

addressing quality of life issues for seniors. Councilmember Lopez stated that the gaps be funded in different parts of the city related to the Senior Centers.

RECESSED

Mayor Castro recessed the Worksession at 12:12 pm to break for lunch.

RECONVENED

Mayor Castro reconvened the Worksession at 12:55 pm.

Discussion continued on the Councilmember Goals. Councilmember Soules requested that Bond Savings be allocated toward deferred maintenance. He spoke of the importance of dedicating capital funding to repair Community Centers and City-Owned Facilities. Councilmember Chan stated that they should improve funding for maintenance of city facilities including Libraries, Parks and Community Centers. Councilmember Taylor stated that she would like to discuss a Deferred Maintenance Plan for all city facilities.

Councilmember Viagran spoke in support of infrastructure improvements for Brooks City Base to enhance economic development.

Councilmember Gonzales stated that they should focus on small businesses and job training. She spoke in support of installing traffic calming devices within neighborhoods.

Mayor Castro and Councilmember Saldaña stated that their priorities were reflected in the discussion.

Councilmember Nirenberg stated that they should continue to address Code Compliance Issues and Responsiveness. Councilmember Taylor stated that they should increase funding for neighborhood revitalization strategies including Code Compliance. Councilmember Soules requested that they add resources to Code Compliance; specifically to address Administrative Judge Issues. Councilmember Bernal spoke of including funding to address Code Compliance Issues after hours and on the weekends.

Councilmember Bernal noted that when he speaks of revitalization, that includes Downtown, Neighborhood Parks, and Hemisfair Park.

Councilmember Medina mentioned the need to prioritize flood control and drainage projects that protect homes, businesses and families.

Councilmember Viagran spoke in support of identifying money and revenue streams for enhancements to Stinson Airfield.

Mayor Castro stated that he believed that the priorities were a general consensus of the City Council.

Ms. St. Clair confirmed that all goals could not be funded but would give staff direction on the City Council Priorities. She asked the City Council to identify areas that they would consider for service or program reductions to guide staff in the preparation of the FY 2014 Budget.

Councilmember Taylor suggested looking at Delegate Agencies that do not meet their performance goals or contribute to a particular priority that the City Council has identified.

Councilmember Chan stated that they should reconsider Delegate Agency Funding and cut economic development incentives by 25%. She also suggested re-looking at CIMS Department Practices and reducing their costs by 30-50%.

Councilmember Bernal concurred with the reconsideration of Delegate Agency Funding. He spoke of the need to identify efficiencies and used the example of getting the best price for small infrastructure work and better coordination with other entities such as utilities. He added that departments should spend monies to further their core mission.

Councilmember Nirenberg spoke of looking at Delegate Agencies and requiring metrics for those with no accountability structure. He concurred that they should be more conservative with economic development incentives. He added that they should review the Fleet Study to identify efficiencies and savings.

Councilmember Saldaña stated that they should continue to consolidate city facilities and services such as Link Centers. He concurred with the need to implement metrics for Delegate Agencies and fund highly effective agencies.

Mayor Castro recommended the reduction of the City Council Project Funds of the Mayor and Council to \$15,000. He also recommended reductions in personnel and travel budgets. He spoke of creating efficiencies by shuttering or selling some city assets. He asked that staff review purchasing solutions and look at flexibility in purchasing strategies for savings. He spoke of the savings that had been achieved with regard to Consulting and Lobbying but noted a potential to share costs with other entities to save money.

Councilmember Gonzales stated that she was concerned when cutting services that affect District 5 which has many needs. She concurred with Mayor Castro regarding identifying efficiencies and improving administrative processes.

Councilmember Lopez spoke of the need to coordinate with other agencies and avoid duplication of services. He stated that they should take a closer look at funding of sports activities not related to Seniors and Children. He asked that they consider the return on investment on International Economic Development Efforts. He added that proposed goals that do not tie into the SA2020 Initiatives should be lower in the list of funding priorities.

Councilmember Viagran stated that they should review and reconsider consulting and contracting services in every department. She concurred that they should review Delegate Agency Funding to ensure they are meeting their metrics. She spoke of the potential for selling city assets that are no longer needed.

Councilmember Soules stated that they should review Delegate Agency Funding and cut consultants and studies. He concurred with Mayor Castro regarding purchasing solutions to get better pricing on goods and services. He asked that they look at the various Downtown Groups to consolidate for efficiencies. He spoke of the need to review Pension and Healthcare Benefits. He asked that they look

at things that they have allocated money toward and not spent such as the \$32 million for Streetcars to ensure that they are still priorities.

RECESSED

Mayor Castro recessed the Worksession at 2:00 pm for a break.

RECONVENED

Mayor Castro reconvened the Worksession at 2:15 pm.

Maria Villagomez presented three Scenarios for Balancing the FY2014 Budget totaling \$50 million projected deficit. She stated that each of the three scenarios incorporate Budget Reductions with Minimal to No Impact to Service Delivery, Budget Reductions with Impact to Service Delivery which may include elimination of entire programs, Use of Sale Proceeds from the Zarzamora Service Center to fund Economic Development Activities and Use of a portion of Bond Savings as a one-time revenue source to fund some of the FY2014 Street Maintenance Projects. She indicated that one additional option included an Increase to Existing User Fees or adding new fees to partially offset the cost of providing the service while another option further included an increase in the Property Tax Rate. She provided examples of potential budget reductions with impact to service delivery to include a reduction in Delegate Agency Funding, Library Hours, and Parks Mowing Cycles. She reported that User Fees make up 5% of General Fund Revenues and include EMS Transport Fees, Parks & Recreation Fees, and High Water Rescue Fees.

Ms. St. Clair explained that at this time; the City Council would have the opportunity to ask questions. Councilmember Chan asked of the \$15 million in additional expenditures for FY 2014 listed as a portion of the budget deficit. Ms. Villagomez explained that \$7 million was for Economic Development; \$6 million for potential salary increases for civilians; \$500,000 for a November Charter Election; and \$1.5 million to maintain the Financial Reserves at 9%.

Councilmember Soules stated that he would like to see other Budget Scenarios based on the discussion today.

Councilmember Saldaña asked of the use of the Bond Savings. Ms. Villagomez replied that it would be used to fund the IMP.

Councilmember Nirenberg asked how the proceeds from the sale of the Zarzamora Service Center would be used. Ms. Villagomez replied that they would be used for Economic Development Incentives.

Councilmember Chan asked of the remaining \$35 million budget deficit. Ms. Villagomez responded that revenues were growing at a slower pace than expenses. She spoke of the increased operational costs and mandates due to collective bargaining.

Councilmember Soules asked of the City's Reserve Balance at this time. Mrs. Sculley stated that it was \$90 million or 9% of the budget.

Ms. St. Clair asked the City Council to express their preference for one of the scenarios or specific elements of the options.

Mayor Castro stated he was in agreement with the elements of Scenario B. He noted that he was not in favor of raising the property tax and does not have a problem with using the proceeds of the sale of the Zarzamora Service Center to balance the budget. He added that he would like to look at what could be reduced with minimal impact.

Councilmember Taylor stated that she needed additional information to be able to determine whether each of the scenarios were a realistic option. She asked how long they could continue to use the strategy of reducing services and increasing user fees in meeting needs as the population grows. She spoke of the need to have a long-term strategy due to the longer Council Terms and asked that staff go back and look at the Council's suggestions to cut the budget.

Councilmember Chan stated that she was opposed to a property tax increase and was also not in favor of moving capital money to fund operating expenses. She asked that Council Input be used to reduce expenses and stated that the city needed to live within its means. She preferred that proceeds from the sale of the Zarzamora Service Center be used to address deferred maintenance needs. She added that Bond Savings should be used for infrastructure needs before being added to the General Fund.

Councilmember Medina stated that he was against a property tax increase and could generally support Scenario B. He noted that he was interested in looking at every revenue stream available.

Councilmember Saldaña stated that nothing is off the table moving forward but Scenario B would be his inclination at this point.

Councilmember Nirenberg expressed his preference for Scenario B but noted concerns with the Bond Savings. He noted that proceeds from the sale of the Zarzamora Service Center were one-time funds that would not help in the long-term. He asked that user fees not unfairly affect portions of the population that are already economically stressed.

Councilmember Soules stated that he was not in favor of any of the three scenarios. He noted that Scenario B only added \$3 million in user fees and that he was opposed to using Bond Savings for operational expenses. He indicated that he would like to see deferred maintenance issues addressed before working on new projects.

Councilmember Bernal stated that he was not comfortable with Scenario C and was leaning toward Scenario B. He noted that user fees should be on the table but property taxes should not be increased. He added that the IMP was one program that they were not willing to reduce and that the 5-Year Plan must remain on schedule.

Councilmember Viagran stated that she felt comfortable with what had been expressed and asked that staff give more information regarding the elements in Scenario B. She asked staff to look at user fees that had not been recently increased.

Councilmember Lopez stated that Scenario B was most likely to yield a balance but there would not be enough funding to do everything the Council would like to do. He noted that there should be a concise communication plan to the public and employees so that all could be Ambassadors on the issues.

Councilmember Gonzales stated that none of the options were great but she was leaning toward Scenario C. She expressed concern with properties that are not maintained and the long-term effects of same.

Councilmember Taylor added that even though the scenarios presented would only maintain the current level of services; she would entertain the potential to fund unfunded projects.

Councilmember Soules stated that \$8 million of the Bond Savings would be used to replace Public Works Funding and was not comfortable with same.

Councilmember Bernal stated that although all may not agree on how the Bond Savings would be used; it was a legal use of the funds. Mrs. Sculley clarified that the Council could use the \$8 million however they would like.

Ms. St. Clair asked each Councilmember to state their priorities if they were able to fund any of the unfunded budget requests.

Mayor Castro recommended that funds be used for CHOICE, HPARC, and The Witte Museum. He asked that the Council further discuss the Economic Development Infrastructure projects at Brooks City Base and the Port Authority.

Councilmember Saldaña asked that Port San Antonio requests be presented during a B Session to better understand their needs. He stated that strategic investment in Port San Antonio was critical because of the Aerospace Industry.

Councilmember Chan stated that she would like to use Bond Savings to pay down Debt and increase capacity.

Councilmember Soules stated that there was \$17 million left in capacity and half of it would be spent on the IMP under each of the three scenarios. He recommended using the funds to address Deferred Maintenance or Saved for potential overruns in the 2012 Bond Program.

Councilmember Bernal stated that the Council be thoughtful about Deferred Maintenance. He noted that Brooks City Base, Port Authority, HPARC, The Witte Museum, and CHOICE Program were city-wide issues. He stated that he was supportive of Sidewalks Around Schools to ensure that children can get to school safely.

Councilmember Nirenberg stated that he would develop criteria for prioritizing the projects that include: 1) Are there committed matching funds that can be attached to the project. 2) What is the economic impact of the asset. 3) Is it clearly a capital project or deferred maintenance need. He noted that he felt The Witte Museum and UTSA Boulevard Projects met those criteria.

Councilmember Taylor stated that the CHOICE Program was a citywide project that would leverage funding from the US Department of Housing and Urban Development. She noted her support for The Witte Museum. She stated that was supportive of HPARC but would like to better understand the need for the increased funding. She noted that the Port Authority and Brooks City Base had a big impact but should be funded long-term possibly through Bond Funds.

Councilmember Viagran concurred with Councilmember Taylor regarding having a long-term strategy for moving forward with important projects such as Port San Antonio, IMP, Land Bank, and the CHOICE Program.

Councilmember Lopez noted his support for the Child Safe Program which is city-wide and was not funded last year. He stated that The Children's Museum and Land Bank were bite-sized pieces that could potentially be managed. He added that the Transportation Study was very important.

Councilmember Gonzales concurred with Councilmember Nirenberg regarding the criteria to fund projects and expressed support for projects focused on bringing jobs to the city.

NEXT STEPS

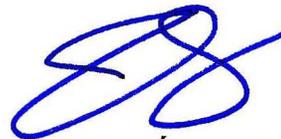
Ms. St. Clair provided an overview of the day and stated that she would summarize the comments and submit to the City Council. She noted that next steps would include the City Manager presenting a balanced budget proposal reflecting the Council's Priorities.

Mayor Castro stated that it was helpful to outline priorities since this would be a challenging budget process. He thanked everyone for their input and participation.

ADJOURNMENT

There being no further discussion, Mayor Castro adjourned the Goal Setting Worksession at 4:15 pm.

APPROVED



JULIÁN CASTRO
MAYOR

Attest:



LÉTICIA M. VACEK, TRMC/MMC
City Clerk