FY 2022-2026

FIVE YEAR FINANCIAL FORECAST

A CURRENT AND LONG-RANGE ASSESSMENT OF FINANCIAL CONDITIONS AND COSTS FOR CITY SERVICES

CITY OF SAN ANTONIO

CITY OF SAN ANTONIO

Five Year Financial Forecast

Fiscal Year 2022-2026

PREPARED BY:

OFFICE OF MANAGEMENT AND BUDGET

May 12, 2021

CITY OF SAN ANTONIO
FIVE YEAR FINANCIAL FORECAST
FY 2022 – FY 2026

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OVERVIEW AND SUMMARY

OVERVIEW AND SUMMARY

The Five-Year Financial Forecast provides a current and long-range financial assessment addressing revenues, City services and programs, and financial reserve policies. The primary objective of the forecast is to provide the City Council and the community with an early financial assessment and to identify significant issues that need to be addressed in the budget development process. The forecast also forms the basis for the trial budget presented to City Council in June which provides potential options to address any projected shortfall in the budget.

The forecast information presented in this document combines projected resources, current service expenditures, and mandated expenditures to illustrate the financial impact to the General Fund, Development Services Fund, Hotel Occupancy Tax (HOT) Funds, and Airport Funds.

Recent revenue trends and economic assumptions (see the Economic Outlook & Perspective section of this document) influence forecasted revenues. Service expenditures required to sustain the current (FY 2021) level of services are used throughout the forecast period based in part on the rate of inflation. Where noted, reductions enacted in order to balance the budget due to the COVID-19 pandemic are assumed to be restored and permit department services to resume pre-pandemic levels. The net result of this combined data highlights the adjustments needed over the forecast period to maintain a balanced budget as required by State Law.

Many of the assumptions, projections, and cost estimates within this document are based on assumptions for an economic recovery. These projections vary between various industries within the local economy and some, such as the hospitality industry, remain uncertain to when they will recover to 2019 levels. These projections will be refined and adjusted as the FY 2022 Proposed Operating Budget is developed and presented to City Council on August 12, 2021.

IMPACT OF COVID-19

COVID-19 has caused an unprecedented economic disruption with the national unemployment rate rising to levels not seen since the Great Depression. This impact was acutely felt in San Antonio in terms of hotel and travel activity as well as the cancellation of major events including Fiesta San Antonio.

The forecast reflects recovery of revenues to pre-pandemic levels, on average, over a four-to-five-year period. The forecast does not assume any revenue replacement from other sources, such as the American Rescue Plan.

GENERAL FUND

The external factors described above were taken into consideration as the Five-Year Financial Forecast was developed. The forecasted General Fund for FY 2022 projects a positive ending balance of $9.9 million prior to any assumptions for additional Police uniform compensation. The forecast assumes restoration of $31 million in reductions planned for FY 2022 as part of the two-year budget plan adopted with the FY 2021 Budget.

During the forecast period, total General Fund revenue is expected to grow annually at rates ranging from 2.8% to 3.2%. The FY 2021 Revenue Estimate is approximately $424,000 higher than the FY 2021 Adopted Budget, or an overall increase less than 0.1%. This increase is primarily due to city sales tax outperforming projections. The rate of revenue growth projected in FY 2022 over the FY 2021 Adopted Budget is a 3.2% increase. Revenue growth beyond FY 2022 is forecasted at rates of 3.0% in FY 2023, 3.2% in FY 2024, 2.9% in FY 2025, and 2.8% in FY 2026.

The General Fund Forecast reflects the annual projected expenditures required to sustain the current Fiscal Year 2021 level of service as well as to restore reductions planned for FY 2022. The growth in expenditures over the forecast period is primarily due to increases in healthcare costs, contractual and inflationary increases, mandated operational costs associated with 2017 Bond Projects and other capital projects as well as the Collective Bargaining Agreements with Police and Fire.

The current service budget section shows the aggregate annual projected expenditures required to sustain the current FY 2021 level of services and projected ending balance/shortfall.

METHODOLOGIES AND ASSUMPTIONS

REVENUES

Departments responsible for administering the services and/or collecting the associated revenues work with the Office of Management & Budget to develop revenue projections based on an analysis of various factors. These include historical trends, current economic conditions, projected economic activity, and known future factors such as contracts and agreements.

These revenues are projected using the most up-to-date information, however the economic conditions for the remainder of FY 2021 and beyond include uncertainty and will be refined and updated as further information becomes available.

EXPENDITURES

Expenditures assumed in the Forecast are based on the current service levels. Year-end estimates for FY 2021 are based on an analysis of current fiscal year expenditure trends by using six months of actual expenditures to project estimated expenditure levels for the remaining six months. The FY 2022 base projection modifies current service costs for price changes, assumes the removal of one-time improvements and adds second year costs for improvements included in the FY 2021 Adopted Budget. Inflation rates are also used to project certain non-personal services expenditures derived from the San Antonio Consumer Price Index (CPI) projections for each year from 2022 through 2026 (See Economic Outlook & Perspective section for more detail on CPI projections used).

Expenditures in the Forecast include funding for current contractual obligations, funding for the Fire Collective Bargaining Agreement, operations and maintenance costs for the 2017 Bond Program projects, as well as other mandated expenditures. Mandated expenditures are described in more detail later in this document.

The City of San Antonio is financially strong and strives to provide high quality public services to the community while maintaining fiscal responsibility and affordability for taxpayers. As part of these efforts and per City Council policy direction, the forecast maintains budgeted financial reserves at 10% of General Fund revenues and maintains the Two-Year Budget Plan reserve of 5% of General Fund revenue.

GENERAL FUND FORECAST

GENERAL FUND FORECAST

General Fund Forecast
($ in Millions)

	FY 2021 Adopted	FY 2021 Estimate	FY 2022 Projection	FY 2023 Projection	FY 2024 Projection	FY 2025 Projection	FY 2026 Projection
RESOURCES							
Beginning Balance (Excluding Financial Reserves)	$0.0	$20.2	$24.9	$9.9	$0.0	$0.0	$0.0
Use of Reserve for Two Year Balanced Budget Plan	138.5	138.5	89.6	64.1	66.0	68.1	70.1
Reserve for COPS Grant	0.0	0.0	3.0	2.6	0.0	0.0	0.0
Accounting Adjustment	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CURRENT REVENUES							
Property Tax	$397.9	$397.9	$409.9	$422.2	$436.9	$452.2	$468.1
Sales Tax	295.4	306.7	319.0	331.7	343.3	355.3	366.0
CPS Energy	351.5	351.5	361.2	369.9	378.7	386.2	394.0
Other	196.6	185.8	191.4	196.7	203.5	208.5	214.1
TOTAL CURRENT REVENUES	$1,241.5	$1,241.9	$1,281.5	$1,320.4	$1,362.4	$1,402.3	$1,442.1
TOTAL RESOURCES	**$1,379.9**	**$1,400.6**	**$1,399.0**	**$1,397.0**	**$1,428.4**	**$1,470.5**	**$1,512.2**
CURRENT SERVICE EXPENDITURES	**1,287.3**	**1,283.1**	**1,282.9**	**1,314.5**	**1,338.2**	**1,359.2**	**1,374.4**
POLICY ISSUES							
Restoration of FY 2022 Reductions:							
Employee Furloughs/Street Maintenance			22.8	23.4	23.4	23.4	23.4
Other Reductions			9.0	9.0	9.0	9.0	9.0
Civilian Employee Compensation			6.2	12.4	18.7	25.0	31.3
TOTAL EXPENDITURES	**$ 1,287.3**	**$ 1,283.1**	**$ 1,320.8**	**$ 1,359.3**	**$ 1,389.3**	**$ 1,416.6**	**$ 1,438.1**
FINANCIAL RESERVES							
10% Financial Reserve Incremental	0.0	0.0	1.7	3.9	4.2	4.0	4.0
Reserve for 2-Year Balanced Budget Plan	89.6	89.6	64.1	66.0	68.1	70.1	72.1
Reserve for 2nd Year costs of amendments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reserve for SB 2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reserve for COPS Grant	3.0	3.0	2.6	0.0	0.0	0.0	0.0
ENDING BALANCE	**$ 0.0**	**$ 24.9**	**$ 9.9**	**$ (32.2)**	**$ (33.1)**	**$ (20.2)**	**$ (1.9)**
Potential Additional Expenditures							
Police Collective Bargaining Proposal			-	**5.9**	**12.0**	**18.1**	**24.4**
NET ENDING BALANCE AFTER ADDITIONAL EXPENSES			**$ 9.9**	**$ (38.1)**	**$ (45.1)**	**$ (38.3)**	**$ (26.3)**

GENERAL FUND REVENUES

Total FY 2022 General Fund revenue is anticipated to be $40.1 million, or 3.2%, above the FY 2021 Adopted Budget and 3.2% or $39.5 million above the FY 2021 Estimate. Over the forecast period, these revenues are expected to increase at an average annual rate of 3.0%, with annual rates of change ranging from 3.2% in FY 2022 to 2.8% in FY 2026.

General Fund Forecast of Current Revenues
($ in Millions)

Revenue		FY 2021 Revised	FY 2021 Estimate	FY 2022 Projection	FY 2023 Projection	FY 2024 Projection	FY 2025 Projection	FY 2026 Projection
Current Property Tax	$ 397.9	$ 397.9	$ 397.9	$ 409.9	$ 422.2	$ 436.9	$ 452.2	$ 468.1
City Sales Tax	295.4	295.4	306.7	319.0	331.7	343.3	355.3	366.0
CPS Energy	351.5	351.5	351.5	361.2	369.9	378.7	386.2	394.0
Business and Franchise Taxes	19.9	19.9	20.5	20.2	19.8	19.4	19.0	18.7
Liquor by the Drink Tax	9.0	9.0	8.4	10.1	10.6	11.2	11.8	12.4
Delinquent and Penalties	3.8	3.8	2.9	1.6	1.6	2.9	2.9	2.9
Licenses and Permits	8.8	8.8	8.7	9.1	9.2	9.3	9.4	9.6
San Antonio Water System	29.4	29.4	29.4	30.8	31.4	32.0	32.5	33.0
Other Agencies	4.9	4.9	5.7	5.7	5.7	5.8	5.8	5.8
Charges for Current Services	62.2	62.2	50.5	54.8	56.8	58.3	59.2	59.9
Fines	8.1	8.1	5.2	8.3	9.4	9.4	9.5	9.5
Miscellaneous Revenue	13.6	13.6	17.6	13.2	13.9	15.6	17.3	19.1
Transfers from Other Funds	36.8	36.8	36.8	37.8	38.4	39.6	41.1	43.1
Total Revenue	**$ 1,241.5**	**$ 1,241.5**	**$ 1,241.9**	**$ 1,281.5**	**$ 1,320.4**	**$ 1,362.4**	**$ 1,402.3**	**$ 1,442.1**

CURRENT PROPERTY TAX REVNEUE – MAINTENANCE & OPERATIONS

Projected Annual Rates of Change

FY 2022[1]	FY 2023	FY 2024	FY 2025	FY 2026
3.0%	3.0%	3.5%	3.5%	3.5%

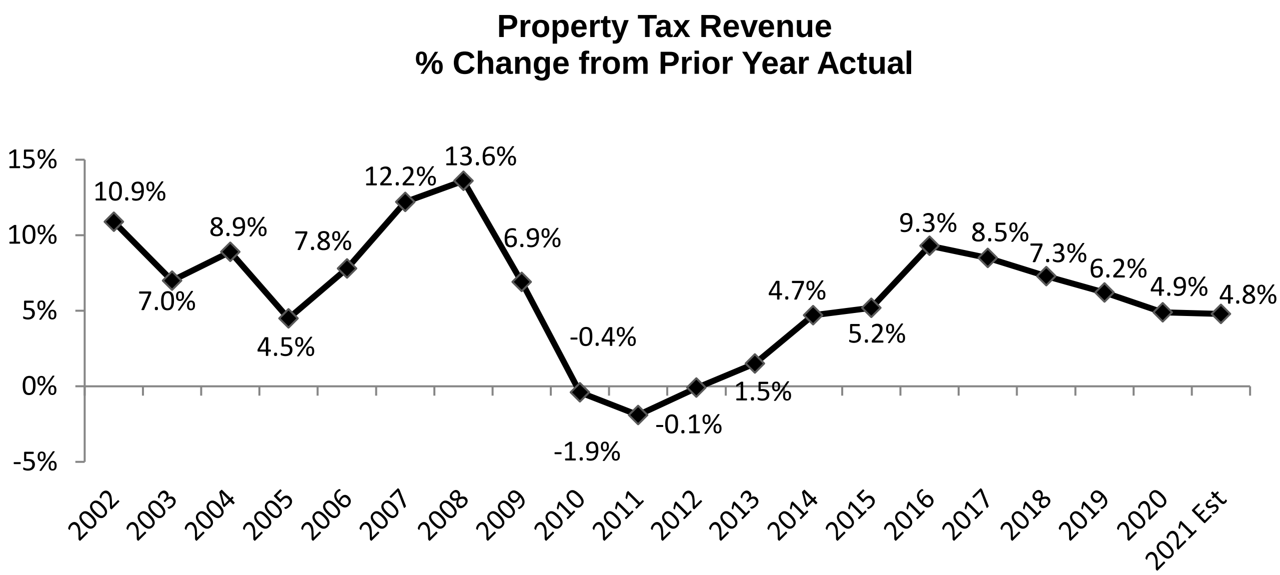
Property tax revenue is the largest revenue in the General Fund and accounts for 31% of the total FY 2021 General Fund Adopted Budget. This revenue category is comprised of current property tax revenues only. Additional property tax revenues collected by the City that are accounted for in the Other Resources category include delinquent property tax and revenues from penalties and interest on delinquent property tax. Property tax revenue is generated from the City's ad valorem tax rate levied against taxable values as determined by the Bexar Appraisal District and in conformance with State law. The FY 2022 projected property taxable value is based on preliminary data from the Bexar Appraisal District. The final Certified Property Tax Roll will be available by the end of July 2021.

The City of San Antonio has long recognized the need to provide senior citizens and disabled veterans with property tax relief. The property tax revenue projections used in the budget and over the forecast period are derived from the City's total assessed value less exemptions such as the City Homestead exemption, Over-65 and Disabled Residence Homestead and Disabled Veterans exemptions. City property taxes for the elderly and disabled are frozen and may not increase as long as the residence is maintained as a homestead by the owner. Additional tax

[1] Property Tax revenue is projected 3.0% above the FY 2021 Estimate and 3.0% above the FY 2021 Adopted Budget.

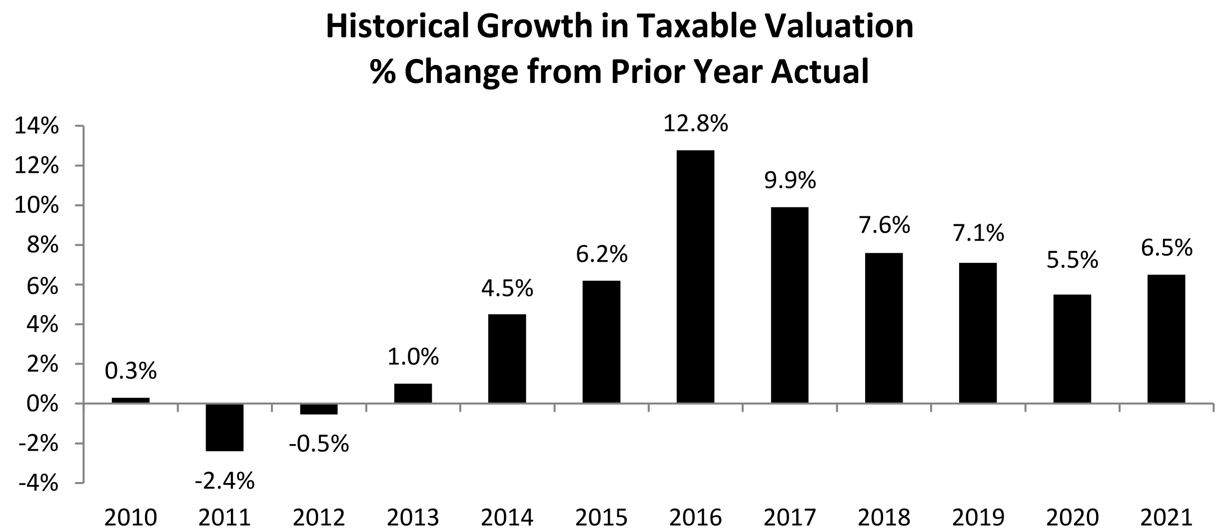
relief provided by the City includes Tax Abatement/Phase-Ins exemptions, Freeport exemptions, Historic Property exemptions, and the 10% limitation on Residence Homestead Taxable Valuation.

The revenue estimated to be generated in FY 2022 includes the current property tax rate of 55.827 cents per $100 of taxable valuation. The General Fund maintenance and operation portion is 34.677 cents with the remaining 21.150 cents used to support the City's debt service requirements. The revenue projected to be generated through the forecast period assumes no change in the City's Property Tax Rate. The City has not increased the property tax rate for twenty-eight years and has decreased it seven times over that same period.

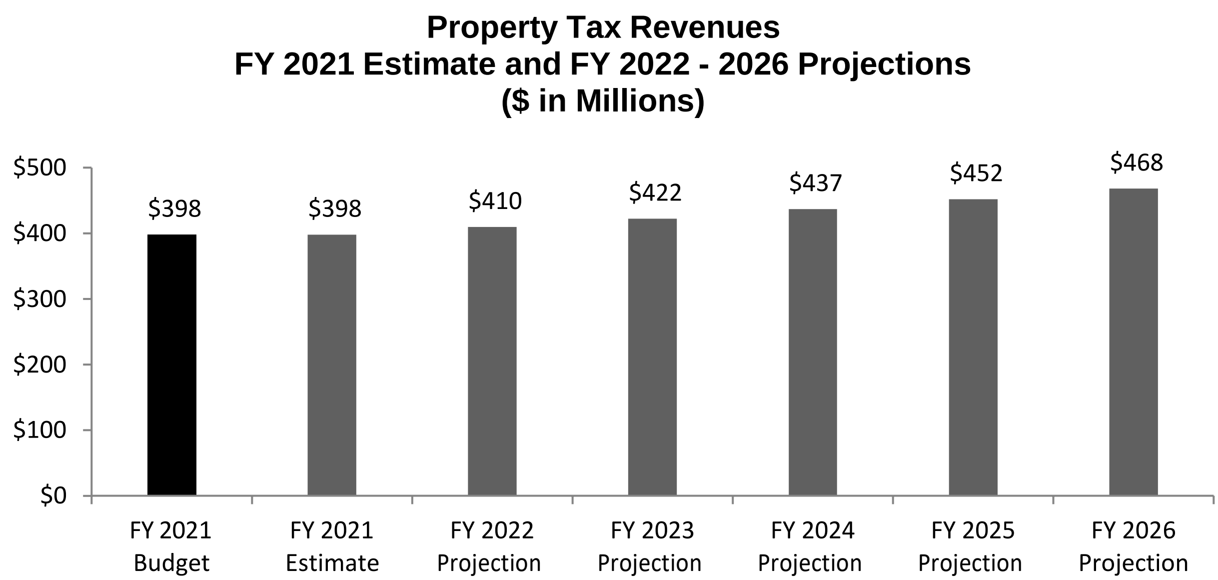


Taxable valuations are estimated to increase by 3.0% in FY 2022 as compared to the FY 2021 Adopted Budget. Thereafter, taxable valuations are projected to increase by 3.0% in FY 2023 and 3.5% in FY 2024, FY 2025, and FY 2026, respectively. These estimates are a result of projections of base value change and new property improvements.

Assessed Valuation Category	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Base	1.5%	1.5%	2.0%	2.0%	2.0%
New Improvements	1.5%	1.5%	1.5%	1.5%	1.5%
Total % Change - Taxable Value	3.0%	3.0%	3.5%	3.5%	3.5%



The projections in assessed valuations result in City property tax revenue projections throughout the forecast period and are represented in the following graph.



CITY PUBLIC SERVICE ENERGY (CPS ENERGY)

Projected Annual Rates of Change for CPS Recurring Revenues

FY 2022[2]	FY 2023	FY 2024	FY 2025	FY 2026
2.8%	2.4%	2.4%	2.0%	2.0%

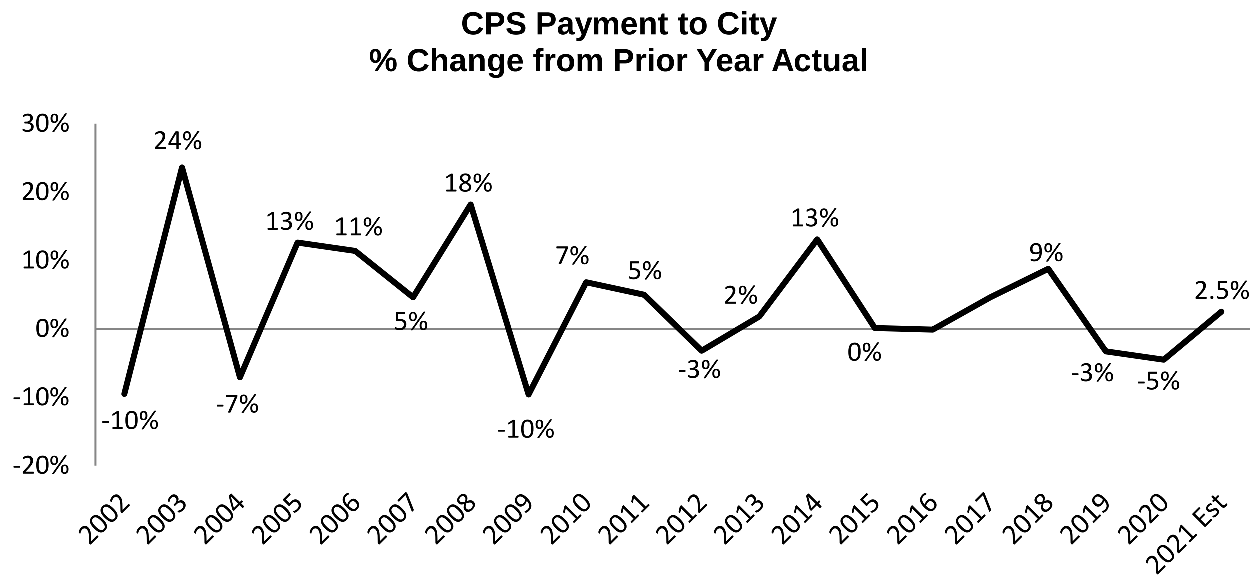
The City's payment from CPS Energy represents the second largest source of revenue to the General Fund, accounting for 28% of the FY 2021 General Fund Adopted Budget. CPS Energy pays the City 14% of gross revenue from gas and electric sales as a return on investment. The FY 2021 estimated revenue is projected at $351.5 million, which is the FY 2021 Adopted Budget. CPS revenues are estimated conservatively due to uncertainty in electric and natural gas revenue resulting from decreased sales as well as a higher allowance for doubtful accounts related to unpaid customer accounts due to COVID-19.

In February 2021, Texas experienced an unpredicted winter storm event during which the state's power grid and electricity generation capacity were severely taxed. During this storm event, millions of residents lost power and frozen natural gas wells caused the price of power to spike exponentially. As a result of this dramatic increase in cost, power generators and utilities around the state incurred large bills for gas supplies as well as from the power grid operator, the Electric Reliability Council of Texas (ERCOT). As of this publication, an assessment of the full financial impact to CPS Energy is ongoing and the forecast does not include any impact of the storm event to CPS rates or revenue projections.

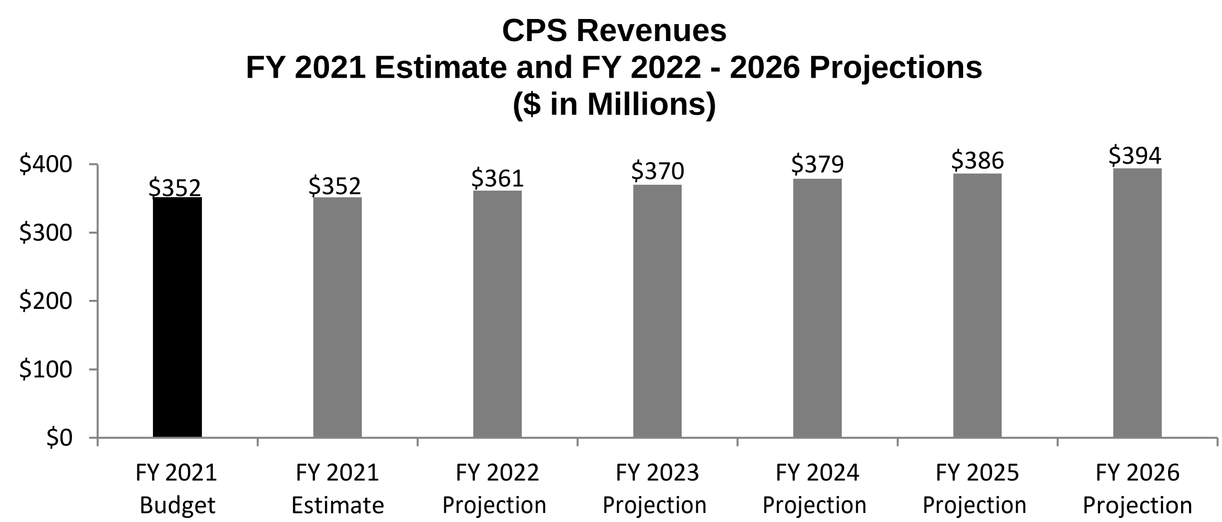
Accurately forecasting the CPS Energy payment revenue is challenged by a number of variables such as the weather, growth of the system, changes in per capita consumption, fuel prices, generation mix, off-system sales to the electric grid, and unscheduled maintenance on generation plants. Historically, instability in natural gas prices coupled with fluctuations in demand due to weather have been the primary causes of significant variances in the City's payment from CPS Energy from year to year.

[2] CPS revenue is projected 2.8% above the FY 2021 Estimate and 2.8% above the FY 2021 Adopted Budget.

To further illustrate the year-to-year volatility, the graph below depicts the percent change in the City's annual payment from CPS Energy year-over-year.



As a result of this volatility, the City's projections of the payment from CPS Energy remain conservative. The graph below reflects the projected CPS Energy revenues over the forecast period.



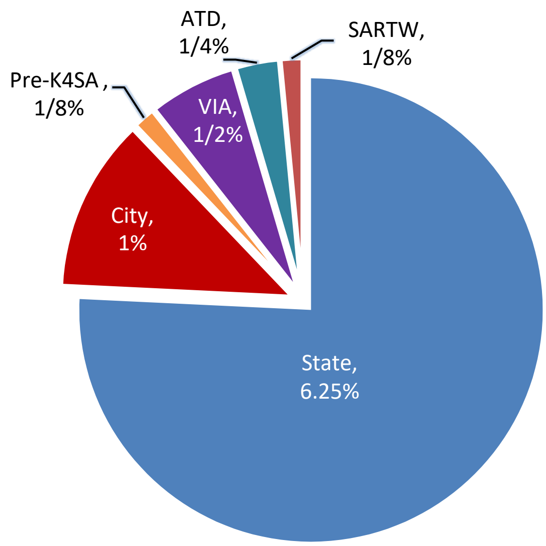
The forecasted budget for FY2022 is $361.2 million, or 2.8% higher than the FY 2021 Adopted Budget of $351.5 million, which is also the FY2021 estimate. The forecasted amounts for FY 2022 through FY 2026 grow an average of 2.3% annually.

CITY SALES TAX REVENUE

Projected Annual Rates of Change

FY 2022[3]	FY 2023	FY 2024	FY 2025	FY 2026
4.0%	4.0%	3.5%	3.5%	3.0%

Sales tax revenue collected to support maintenance and operations of services in the General Fund accounts for 24% of the FY 2021 General Fund Budget. San Antonio's current sales tax rate is 8.25%. Several entities receive percentages of all sales tax proceeds as summarized in the chart below.

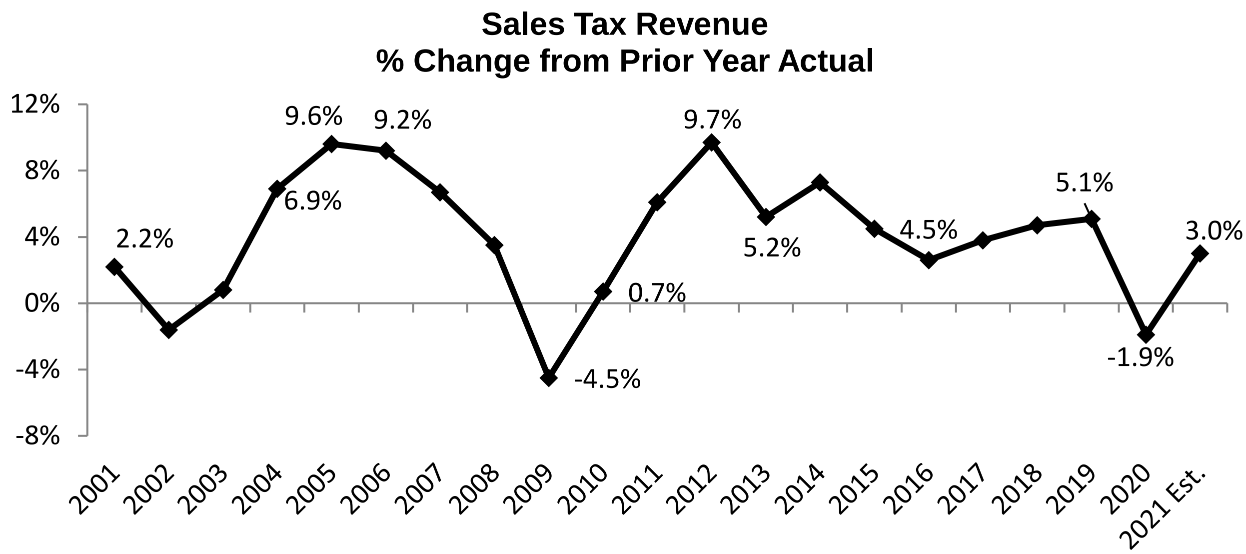


ATD: Advanced Transportation District
SARTW: SA Ready-to-Work

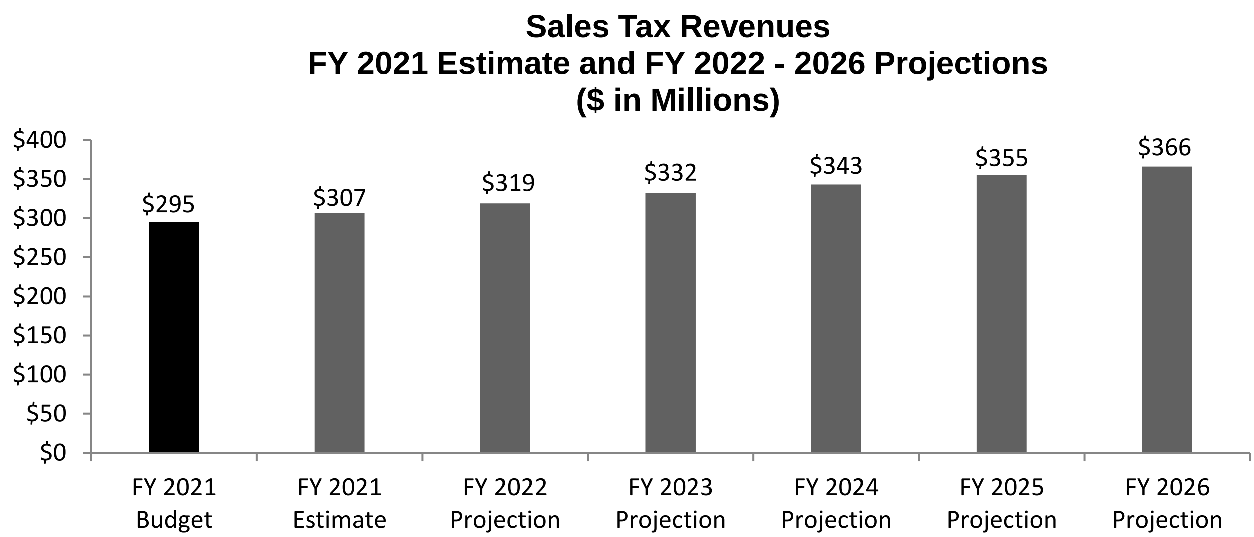
Actual sales tax collections for the current year are projected to be $306.7 million. This amount is 3.8% above the $295.4 million budgeted in FY 2021 for sales tax revenue. General Fund sales tax revenue in FY 2022 is projected to increase by 8.0% over the FY 2021 Adopted Budget and 4.0% above the FY 2021 Estimate. Beyond FY 2022, revenue levels from this source are expected to grow by 4.0% in FY 2023, 3.5% in FY 2024 and FY 2025, and 3.0% in FY 2026. Future years' projections are based on historical trends, retail sales, and assumptions for recovery from the COVID-19 pandemic.

These estimates and the projections for the forecast period exclude the sales tax collected by the City for Pre-K 4 SA, the City's Advanced Transportation District, and the recently voter-approved SA Ready-to-Work program as they are received and accounted for separately from the General Fund sales tax.

[3] Sales Tax revenue is projected 4.0% above the FY 2021 Estimate and 7.9% above the FY 2021 Adopted Budget.



Sales tax collections have a strong correlation to national and local economic conditions. As described in the Economic Perspective & Outlook section, both the local and national economies have grown over the past several years. The forecast reflects moderate growth for FY 2022 and FY 2023 before modest growth in FY 2024-2026. The projections in sales tax throughout the forecast period are shown in the following graph.



CHARGES FOR CURRENT SERVICE

Projected Annual Rates of Change

FY 2022[4]	FY 2023	FY 2024	FY 2025	FY 2026
8.5%	3.6%	2.6%	1.5%	1.2%

The Charges for Current Service category includes revenues related to recreation and culture such as the River Barge and Tower of the Americas revenue contracts and library fines and fees, various general government service charges such as Municipal Court administrative fees associated with criminal cases tried in Municipal Court, Public Safety related revenues such as those generated by EMS Ambulance Service fees and alarm renewal fees, and revenues generated by birth and death certificates. Revenues for the current year are projected to be $50.5 million, or $11.7 million below the Adopted Budget, due to lower revenues from River Barge fees, EMS Transports, and the discontinuance of the state wide EMS Supplemental Payment. The FY 2022 Projection is $54.8, or $7.4 Million below FY 2021 Adopted Budget. Projected annual rates of change over the forecast period are based on known changes in revenue contracts or estimated demand.

BUSINESS AND FRANCHISE TAXES

Projected Annual Rates of Change

FY 2022[5]	FY 2023	FY 2024	FY 2025	FY 2026
(1.6%)	(2.1%)	(1.9%)	(1.7%)	(1.5%)

The 86th Texas State Legislature passed SB1152 which reduced the revenue paid by companies that provide both cable and telecommunication services in the state. The law changed the statute such that a company providing both cable and telecom services would pay the City either the cable or telecommunication fee, depending on which was greater state-wide. FY 2021 reflects a full year fiscal impact of SB1152 which took effect January 1, 2020.

The Business and Franchise Tax revenue category is primarily comprised of telecommunication providers' rights-of-way access line fees and cable television franchise fees. The forecast for FY 2022 is $20.2 million, or $324,000 less than the FY 2021 Estimate. The forecasted amounts for FY 2022 through FY 2026 decrease at an average of 1.8% annually. Compensation from telecommunication providers is governed by state law and is comprised of a monthly fee of $4.40 for each business line and $1.33 for each residential line paid to the City on a quarterly basis. Revenue derived from telecommunication providers has been declining based on a decrease in actual line counts as reported on a quarterly basis to the Public Utility Commission of Texas. Other cities throughout Texas, both large and small, are experiencing similar revenue declines. The

[4] Charges for Current Service are projected 8.5% below the FY 2021 Estimate and 11.9% below the FY 2021 Adopted Budget.

[5] Business and Franchise Tax revenues are projected 1.6% below the FY 2021 Estimate and 1.5% above the FY 2021 Adopted Budget.

telecommunication provider forecast for FY 2022 is $7.5 million, which represents a $600K decrease from the FY 2021 estimate $8.1 million.

Compensation from cable/video providers for use of municipal rights-of-way is governed by state law. The cable/video providers are required to pay a quarterly franchise fee of 5.0% of gross revenues. The FY 2022 forecast for this revenue source is $10.0 million, which is slightly less as compared to the FY 2021 estimate of $10.2 million.

SAN ANTONIO WATER SYSTEM (SAWS) PAYMENT

Projected Annual Rates of Change

FY 2022[6]	FY 2023	FY 2024	FY 2025	FY 2026
4.8%	2.1%	1.7%	1.6%	1.6%

The SAWS payment to the City is based on 4.0% of SAWS' gross revenue for each year of the forecast period. The estimated revenue for FY 2021 from SAWS is $29.4 million which is also the FY 2021 Adopted Budget. The FY 2022 forecast for the SAWS payment is $30.8 million, which is 4.8% higher as compared to the FY 2021 estimate. This is due to a SAWS' projected sales recovery from COVID-19 and system growth. Projections for the forecast period are based on the current rate structure as approved by the City Council and grow an average of 2.4% annually.

OTHER RESOURCES

Projected Annual Rates of Change

FY 2022[7]	FY 2023	FY 2024	FY 2025	FY 2026
0.3%	3.6%	5.8%	4.2%	4.7%

Other revenues received by the General Fund include delinquent property tax, penalties and interest on delinquent tax, licenses and permits, fines, liquor by the drink, interest earnings, transfers from other funds, and other miscellaneous revenue. Other resources for the current year are projected to be approximately $85.3 million compared to the FY 2021 Adopted Budget of $85.1 million. This slight increase is due to an anticipated recovery in liquor by the drink revenues as visitor activity increases.

For FY 2022, total other General Fund revenue is expected to be $85.6 million, which is 0.6% above the FY 2021 Adopted Budget or $483,000 higher. This is due to lower interest income because of continued low interest rates as determined by the Federal Reserve and anticipated Municipal Court activity which has been declining for several years, even prior to the COVID-19 pandemic.

[6] SAWS revenues are projected 4.8% above the FY 2021 Estimate and 4.8% above the FY 2021 Adopted Budget.
[7] Other Resources are projected 0.3% above the FY 2021 Estimate and 0.6% above the FY 2021 Adopted Budget.

MANDATED EXPENDITURES AND COMMITMENTS

Mandates are defined as programs that the City is required to support by Federal, State, or Local Law, contractual obligation, or to support operations and maintenance costs for completed capital improvement projects.

The following table projects the cost requirements of mandated expenditures and commitments over the FY 2022 to FY 2026 forecast period and the impact to the General Fund. All expenditures shown are incremental.

Mandate Title	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
COLLECTIVE BARGAINING AGREEMENTS					
Police	$ 5,531,458	$ 1,418,848	$ 1,440,612	$ 1,462,811	$ 1,485,454
Fire	6,279,509	7,328,599	7,231,314	1,472,958	
Subtotal	**$ 11,810,967**	**$ 8,747,447**	**$ 8,671,925**	**$ 2,935,769**	**$ 1,485,454**
2017 BOND PROGRAM					
Heritage Park Community Center	$ -	$ 834,786	310,320	12,262	
Walker Ranch Senior Center	1,386,507	629,971	30,636	32,168	
World Heritage Facility	-	325,756			
Subtotal	**$ 1,386,507**	**$ 1,790,513**	**$ 340,956**	**$ 44,430**	**$ -**
OTHER MANDATES					
Parks Acquisition & Development	$ 722,079	$ 804,542	$ 169,505	$ 4,684	$
Parks Linear Creekway O&M	501,648	631,972	185,963	10,149	
Park Police Outer District/Creekways	306,914	649,237	118,320	118,120	
Senior Nutrition Program	665,263	38,924	129,913	123,019	134,478
Subtotal	**$ 2,195,904**	**$ 2,124,675**	**$ 603,701**	**$ 255,972**	**$ 134,478**
Total Mandated Costs	**$ 15,393,378**	**$ 12,662,635**	**$ 9,616,582**	**$ 3,236,171**	**$ 1,619,932**

UNIFORM COLLECTIVE BARGAINING AGREEMENTS

This mandate provides for funding of uniform employee compensation provisions contained in collective bargaining agreements (CBA) between the City and the San Antonio Police Officers Association (SAPOA) and the International Association of Fire Fighters, Local 624 (IAFF). The current CBA between the City and SAPOA expires in FY 2021 and the CBA between the City and IAFF runs through FY 2024. The forecast assumes evergreen provisions for longevity and step pay increases upon the conclusion of the CBAs.

2017 BOND PROGRAM

District 4 Heritage Park Community Center: This mandate provides for maintenance and operation costs for a new community center near the existing Heritage pool site.

District 9 Walker Ranch Senior Center: This mandate provides for maintenance and operation costs for the new District 9 Senior Center which will support senior and constituent services, meeting space, and other recreation services.

World Heritage Facility: This mandate provides for maintenance and operation costs for a new World Heritage Facility that will serve as an orientation center and provide information on World Heritage as well as programming.

OTHER MANDATES

Parks Acquisition & Development: This mandate funds maintenance and operation costs for park improvements including those funded by bond program and sales tax initiatives such as the HemisFair Civic Park and Claussen-Steubing Ranch Phase I.

Parks Linear Creekway O&M: This mandate funds operating expenses related to the completion of the Park Venue Sales Tax program which funds construction of hike and bike trails along San Antonio creeks.

Parks Police Outer District/Creekways: This mandate funds additional park police personnel related to additional park amenities and creekway trail miles.

Senior Nutrition Program: This mandate funds the anticipated increases for both the number of meals and the cost per meal needed to support San Antonio older adults as the population ages and for the opening of senior facilities such as the Walker Ranch center in District 9.

FINANCIAL RESERVES

The establishment and maintenance of appropriate reserves within the General Fund is critical to prudent financial management. Currently, the City holds a ‘AAA’ general obligation bond rating by two of the three major bond rating agencies, Standard & Poor’s and Moody’s, and AA+ from Fitch. The ‘AAA’ bond rating is the highest credit rating an organization can receive and it allows the City to pay the lowest possible interest rates in the market. San Antonio is the only major city with a population of more than one million to have an 'AAA' bond rating from any one of the major rating agencies.

The financial forecast maintains a 15% General Fund ending balance every year of the forecast which is consistent with the financial policies adopted by City Council in the FY 2015 Budget,

HOTEL OCCUPANCY TAX RELATED FUNDS

CONVENTION, TOURISM, AND ENTERTAINMENT SERVICES

The Hotel Occupancy Tax (HOT) Fund captures revenues and expenditures associated with Hotel Occupancy Tax collections. The fund supports tourism, convention activities, and arts and cultural programming across the City. This is done through transfers to the Community and Visitor Facilities Fund, Arts and Culture Fund, and an allocation of HOT to fund a Destination Marketing Agreement with Visit San Antonio.

The following is the Five-Year Financial Forecast for the Hotel Occupancy Tax Fund. The forecast includes as its starting point the current fiscal year budget and preliminary estimated projections for the fiscal year. The Forecast includes financial projections on revenues, expenditures, ending balances, and potential adjustments.

Hotel Occupancy Tax Fund Forecast
($ in Millions)

	FY 2021 Adopted	FY 2021 Revised	FY 2021 Estimate	FY 2022 Projection	FY 2023 Projection	FY 2024 Projection	FY 2025 Projection	FY 2026 Projection
Beginning Balance	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
REVENUES								
Hotel Occupancy Tax	$48.0	$48.0	$39.7	$49.1	$59.4	$65.6	$73.1	$77.0
State Rebate Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Use of Contingency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest Earnings & Miscellaneous Revenues	0.1	0.1	0.2	0.1	0.2	0.3	0.4	0.4
TOTAL REVENUES	$48.1	$48.1	$39.9	$49.2	$59.6	$65.9	$73.5	$77.4
TOTAL RESOURCES	**$48.1**	**$48.1**	**$39.9**	**$49.2**	**$59.6**	**$65.9**	**$73.5**	**$77.4**
TRANSFERS OUT								
Community & Visitor Facilities Fund	$12.2	$12.2	$13.0	26.9	30.1	24.6	23.6	24.3
Visit San Antonio	15.1	15.1	15.1	15.5	17.7	20.1	22.5	23.6
Arts & Culture	6.5	6.5	6.4	7.2	7.3	7.9	8.9	10.5
Support for History and Preservation	6.5	6.5	6.5	7.2	7.3	7.9	8.9	10.5
Transfer to CSF Improvt & Contingency Funds	0.0	0.0	0.0	2.0	2.0	2.0	2.0	2.0
Transfer to Debt Service	4.7	4.7	4.8	4.9	9.0	8.3	9.0	9.6
Other Transfers	3.1	3.1	3.1	3.1	3.2	3.2	3.2	3.3
TOTAL TRANSFERS	**$48.1**	**$48.1**	**$49.0**	**$66.8**	**$76.6**	**$74.0**	**$78.1**	**$83.8**
Ending Balance	**$0.0**	**$0.0**	**($9.1)**	**($17.6)**	**($17.0)**	**($8.1)**	**($4.7)**	**($6.4)**

ANALYSIS OF REVENUE VS EXPENDITURES

The Hotel Occupancy Tax Fund Forecast table presents a comparison of projected yearly revenues, current services expenditures, mandates, potential service reductions, and projected balances over the forecast period. The ending balance reflects the difference between total available resources (the beginning balance plus operating revenues) and operating expenditures.

Revenues - The current Hotel Occupancy Tax rate of 16.75% is levied on eligible hotel room stays. Of this total, 6% goes to the State, 1.75% to Bexar County, 7% to the City, and 2% is reserved to meet the debt service requirements for the Henry B. Gonzalez Convention Center.

The hotel industry nationwide continues to be affected by the COVID-19 pandemic as average daily room rates and hotel occupancy levels remain below pre-pandemic levels. The timeline for them to return to 2019 levels and above remains uncertain. Locally, San Antonio is well positioned for a recovery to its visitor industry given its location within the “Texas Triangle” making it an easy driving destination from Austin, Houston, and the Dallas-Fort Worth metroplex. San Antonio is also home to two of the state’s most popular tourist sites, The Alamo and the San Antonio River Walk.

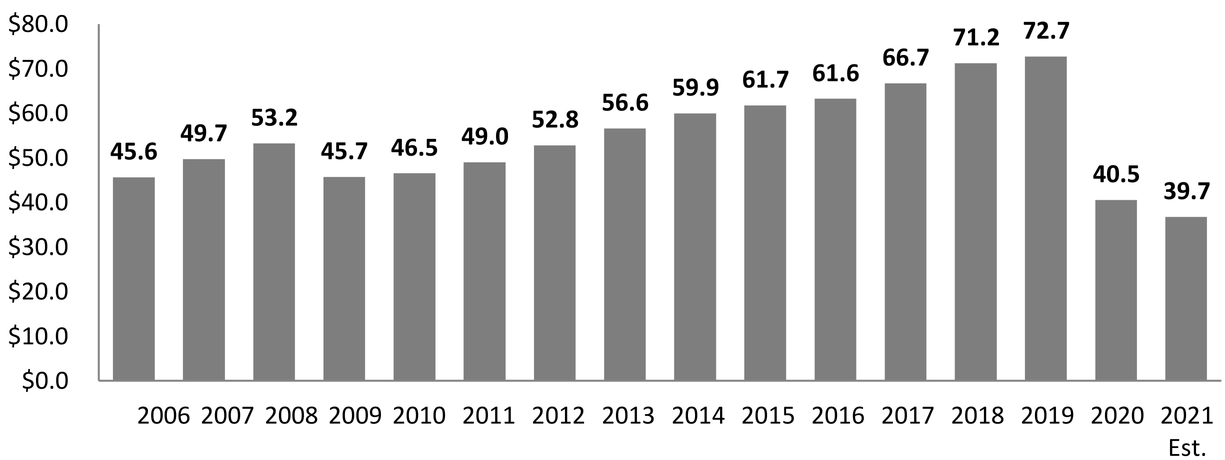
The HOT Fund forecast was prepared with dual assumptions of short-term uncertainty as well as long-term recovery. While hotel and visitor activity for Spring 2021 indicate pent-up demand for leisure travel, which is projected to continue into the traditional summer tourism season, uncertainty remains for convention and other group business. HOT revenue projections were prepared in consultation with local industry experts and were based on an analysis of hotel activity trends since the start of the pandemic as well as convention and event bookings over the next five years.

Based on these assumptions, 7% Hotel Occupancy Tax revenue is projected to be $49.1 million in FY 2022 with increases each year until revenue reaches pre-pandemic levels in FY 2025. The following illustrates the projected annual growth rates:

FY 2022: 23.7%
FY 2023: 20.8%
FY 2024: 10.5%
FY 2025: 11.3%
FY 2026: 5.3%

The historical 7% HOT Collections graph below shows both the unprecedented impact to revenues, and the recovery period after the most recent hotel revenue downturn in FY 2009.

7% Hotel Occupancy Tax Collections
($ in Millions)



Expenditures – The City’s 7% HOT collections are used to support tourism, convention activities, and arts and cultural programming across the City. The Hotel Occupancy Tax allocation includes funding for the operation and maintenance of the Convention Center and Alamodome, up to 15% of total Hotel Occupancy Tax revenues for arts, up to 15% for history and preservation, and up to 35% to fund the Destination Marketing Agreement with Visit San Antonio. The Texas State Tax

Code requires that no more than 15% of City HOT revenue can fund arts and cultural programs, and a maximum of 15% can be used for history and preservation.

In FY 2013, City Council approved the issuance of debt for the Convention Center Expansion Project. The City utilizes the dedicated 2% Hotel Occupancy Tax, along with a portion of the 7% HOT, to make the required annual debt payments. The allocation of operating funding described above will be based on Hotel Occupancy Tax revenues net of the funding required for the debt service. As Hotel Occupancy Tax revenues recover to pre-COVID-19 levels, it is anticipated that 7% HOT revenues will be required to contribute more to the debt service than in prior years over the five-year financial forecast period.

Expenditures in the forecast are based on current service levels and include a phased restoration of staff at the Convention & Sports Facilities department to pre-pandemic levels during FY 2022. The forecasted expenses also include mandated expenditures, such as hosting obligations for booked conventions and sporting events, and inflation rates over the forecast period based on Consumer Price Index projections for the San Antonio Area. These rates and their underlying assumptions are described in the Economic Outlook and Perspective section.

COMMUNITY AND VISITOR FACILITIES FUND

The Community and Visitor Facilities Fund (CVF) accounts for revenues and expenditures generated from convention, tourism, sports, and entertainment related activities. The primary sources of revenue for the Convention and Sports Facilities Department are facility rentals, catering and concession commissions, reimbursable expenses, parking revenue, and various ticket fees from the Alamodome, Henry B. Gonzalez Convention Center, and Lila Cockrell Theatre. These revenues are expected to recover beginning in FY 2022 as event bookings return to pre-pandemic levels and attendance is permitted to increase above levels enacted to limit the spread of COVID-19.

The following is the Financial Forecast for the Community and Visitor Facilities Fund:

Community and Visitor Facilities Fund
($ In Millions)

	FY 2021 Adopted	FY 2021 Revised	FY 2021 Estimate	FY 2022 Projection	FY 2023 Projection	FY 2024 Projection	FY 2025 Projection	FY 2026 Projection
RESOURCES								
Beginning Balance	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Transfer from HOT 7% Tax Fund	12.2	12.2	13.0	26.9	29.1	24.6	23.6	24.3
Transfer from General Fund	5.9	5.9	5.9	0.0	0.0	0.0	0.0	0.0
Convention Center and Alamodome Revenues	16.3	16.3	11.8	25.9	28.5	31.8	34.1	34.9
Other Revenues	0.3	0.3	0.2	0.3	0.3	0.3	0.3	0.3
TOTAL RESOURCES	**$34.7**	**$34.7**	**$30.9**	**$53.1**	**$57.9**	**$56.7**	**$58.0**	**$59.5**
TOTAL EXPENDITURES	**$34.7**	**$34.7**	**$30.9**	**$53.1**	**$57.8**	**$56.7**	**$58.0**	**$59.5**
Net Ending Balance	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.1**	**$0.0**	**$0.0**	**$0.0**

ARTS & CULTURE FUND

The Arts & Culture Fund accounts for the operating expenditures of the Department of Arts & Culture as well as the contributions made to art and cultural agencies.

The following is the Financial Forecast for the Arts & Culture Fund:

Arts and Culture Fund
($ In Millions)

	FY 2021 Adopted	FY 2021 Revised	FY 2021 Estimate	FY 2022 Projection	FY 2023 Projection	FY 2024 Projection	FY 2025 Projection	FY 2026 Projection
RESOURCES								
Beginning Balance	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Transfer from HOT 7% Tax	6.5	6.5	6.4	7.2	7.3	7.9	8.9	10.5
Other Revenue	2.4	2.4	2.4	0.7	0.7	0.7	0.7	0.7
TOTAL RESOURCES	**$8.9**	**$8.9**	**$8.8**	**$7.9**	**$8.0**	**$8.6**	**$9.6**	**$11.2**
TOTAL EXPENDITURES	**$8.9**	**$8.9**	**$8.8**	**$7.9**	**$8.0**	**$8.6**	**$9.6**	**$11.2**
Net Ending Balance	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**

The forecast assumes that funding for Arts and Culture will remain at 15% of HOT collections net of debt service payments related to the Convention Center Expansion. It is anticipated that all HOT funded operations expenses will return to pre-COVID-19 levels at the same pace as the overall Hotel Occupancy Tax revenues.

DEVELOPMENT SERVICES FUND

DEVELOPMENT SERVICES FUND

INTRODUCTION

The Development Services Fund was established in FY 2007 to account for revenues and expenditures generated from all development-related activities and to ensure development revenues are used to support development expenses. In addition to accounting for the revenues and expenses associated with the Development Services Department, the fund collects revenue for the San Antonio Fire Department's Fire Prevention Division. This revenue is transferred to the General Fund to offset costs incurred to provide Fire Prevention services.

The Development Services Department is responsible for protecting the health, safety, and quality of life for the residents of San Antonio through regulation of land and building development. In addition, the department seeks to provide an efficient and effective development process that supports City growth and economic development. This process includes consulting, educating, reviewing, permitting, inspecting, and granting authority to develop land and occupy buildings within the City. The department is also responsible for master development plans, vested rights, subdivision mapping/parcel addressing, zoning administration, subdivision administration, building codes administration, landscaping, tree preservation, sign regulation, and development review of streets and traffic.

Since the development process involves review by other City departments and outside agencies, the Development Services Department seeks to facilitate the coordination of these reviews to provide quality customer service throughout the development process. The creation of the Development Services Fund has provided the following benefits to City departments and their customers:

- Greater trust by stakeholders and improved perception of the department
- Enhanced accountability by appropriately aligning revenues with expenses and responsively adjusting to economic trends

Establishment of the fund has also allowed the City to expand or reduce staffing levels and resources when needed to (1) ensure a positive fund balance, (2) make continuous improvements in the cycle time for permitting, (3) ensure consistency and quality of plan review and inspections, and (4) enhance customer service.

FIVE YEAR FINANCIAL FORECAST

The Development Services Fund Five Year Financial Forecast represents a comparison of projected yearly revenues, expenditures, reserves, and balances in the fund over the forecast period. The fund's ending balance reflects the beginning balance and operating revenues, less operating expenditures, transfers, and allocations for budgeted financial stabilization reserves.

Development Services Fund Forecast
($ in Thousands)

	FY 2021 ADOPTED BUDGET	FY 2021 ESTIMATE	FY 2022 PROJECTION	FY 2023 PROJECTION	FY 2024 PROJECTION	FY 2025 PROJECTION	FY 2026 PROJECTION
AVAILABLE FUNDS							
Beginning Balance	$ 8,993	$ 11,963	$ 14,649	$ 14,493	$ 13,667	$ 13,644	$ 13,453
Use of Reserves	-	-	-	-	-	-	-
Net Balance	$ 8,993	$ 11,963	$ 14,649	$ 14,493	$ 13,667	$ 13,644	$ 13,453
REVENUES							
Development Services Revenues	$ 31,446	$ 38,595	$ 36,713	$ 37,904	$ 38,736	$ 39,899	$ 40,866
Transfer from General Fund - ICRIP	250	246	2,500	2,500	2,500	2,500	2,500
Total Revenues & Transfers	$ 31,696	$ 38,841	$ 39,213	$ 40,404	$ 41,236	$ 42,399	$ 43,366
TOTAL AVAILABLE FUNDS	$ 40,689	$ 50,804	$ 53,862	$ 54,897	$ 54,903	$ 56,043	$ 56,820
BASE EXPENDITURES							
Operating Expenses	$ 31,168	$ 32,232	$ 34,545	$ 35,565	$ 36,747	$ 37,975	$ 39,247
Transfers	4,040	3,922	4,824	5,665	4,512	4,615	4,641
Total Appropriations	$ 35,209	$ 36,155	$ 39,369	$ 41,230	$ 41,259	$ 42,590	$ 43,888
GROSS ENDING BALANCE	$ 5,481	$ 14,649	$ 14,493	$ 13,667	$ 13,644	$ 13,453	$ 12,932
Financial Stabilization Reserve	$ 5,195	$ 8,058	$ 8,636	$ 8,891	$ 9,187	$ 9,494	$ 9,812
NET ENDING BALANCE	$ 286	$ 6,591	$ 5,857	$ 4,776	$ 4,457	$ 3,960	$ 3,120

ANALYSIS OF REVENUES AND EXPENDITURES

Revenues – Total revenue for the current FY 2021 Estimate is projected to be approximately $38.8 million, or $7.1 million above the FY 2021 Adopted Budget. What was originally projected to be a heavy down year in the development community, as a result of the impact of COVID-19, has unexpectedly shown resilience as new residential permits are estimated to be 17% above FY 2020 actuals.

Development Services operating revenues are reflecting growth from the projected FY 2021 year-end estimate to FY 2024 then a downward trend from FY 2025 through FY 2026. Total aggregate revenues are forecasted to change by the following percentages over the forecast period:

FY 2022[1]	FY 2023	FY 2024	FY 2025	FY 2026
0.96%	3.04%	2.06%	2.82%	2.28%

[1] Development Services revenue is projected in FY 2022 to be 23.7% above FY 2021 Adopted Budget and 0.96% above FY 2021 Estimate.

Expenditures – Expenditures are based on the current service levels. The forecast assumes inflationary adjustments to certain line items over the forecast period. These inflation rates were derived from the Consumer Price Index (CPI) projections for each year from FY 2022 through FY 2026. These rates and their underlying assumptions are described in the *Economic Outlook and Perspective* section.

Below are the assumed inflation rates for each fiscal year of the forecast period:

FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
2.7%	2.8%	2.5%	2.4%	2.3%

In light of strong permitting and inspections activity, there are no reductions included as part of the FY 2022 Forecast. The forecast includes the corresponding changes to the Budgeted Financial Stabilization Reserve. The Net Ending Balance accounts for the full impact of all transfers and operating expenses, including reductions to services, changes to employee compensation, and necessary improvement requests.

The establishment and maintenance of appropriate financial reserves within the Development Services Fund is critical to prudent financial management. Budgeted Financial Stabilization Reserves assist in smoothing fluctuations in available resources from year to year and, as the name suggests, stabilizing the budget. The reserve for the Development Services Fund is forecasted from FY 2022 to FY 2026 at the sum of three months of total annualized operating expenses less transfers.

AIRPORT

AIRPORT DEPARTMENT

The Aviation Department manages the City's two airports, San Antonio International Airport and Stinson Municipal Airport, which provide both commercial and general aviation services. Departmental responsibilities include airport operations, facility maintenance, vehicle and fleet maintenance, planning and development of airport facilities, airport security, fire protection, financial, property and procurement administration, and marketing and community affairs including air service and economic development.

The department manages three enterprise funds: the Airport Operating & Maintenance Fund, Passenger Facility Change (PFC) Fund, and the Customer Facility Charge (CFC) Fund.

The Airport Operating and Maintenance Fund is an enterprise fund governed by federal Law established to record all revenues and expenditures associated with the operation and maintenance of the San Antonio International Airport and Stinson Municipal Airport facilities. Fees and rent are paid by airlines, concessions and passengers to provide for operation, maintenance, and required debt service for outstanding bonds. The Aviation Bond Ordinance governs transfers to and from the Airport Capital Improvement Funds and prohibits any transfer to the Airport Capital Improvement Funds that would reduce the Restricted Reserve balance to less than three months of operation and maintenance expenses.

The Passenger Facility Charge (PFC) Revenue Fund is an enterprise fund established to account for Passenger Facility Charges imposed on each passenger enplaned. The revenues pay for capital expenses and debt service associated with the preservation, enhancement, safety, security, or noise reduction for the San Antonio International Airport. The first priority on the use of the funds is debt service for the PFC bonds. The remaining balance, less reserves, is transferred to the PFC Capital Improvement Fund for capital projects.

The Customer Facility Charge (CFC) Revenue Fund was established to account for Customer Facility Charges imposed on customers renting cars at the San Antonio International Airport. The revenues pay for capital expenses and debt service associated with the design and construction of the Consolidated Rental Facility at the Airport.

FIVE YEAR FINANCIAL FORECAST

The Financial Forecast for the Airport Operating and Maintenance Fund, PFC Revenue Fund, and CFC Revenue Fund reflects revenue and expenditure projections from FY 2022 to FY 2026. As shown below, the forecast begins with the budget and preliminary projections for the current fiscal year.

Airport Operating and Maintenance Fund Forecast
($ in Thousands)

	FY 2021 Budget	FY 2021 Estimate	FY 2022 Projection	FY 2023 Projection	FY 2024 Projection	FY 2025 Projection	FY 2026 Projection
AVAILABLE FUNDS							
Beginning Balance	**$ 17,841**	**$ 17,386**	**$ 17,362**	**$ 20,499**	**$ 20,826**	**$ 21,611**	**$ 22,432**
Net Balance	**$ 17,841**	**$ 17,386**	**$ 17,362**	**$ 20,499**	**$ 20,826**	**$ 21,611**	**$ 22,432**
REVENUES							
Airline Revenues	$ 39,622	$ 32,396	$ 41,628	$ 46,054	$ 48,235	$ 50,172	$ 52,449
Non- Airline Revenues	36,003	39,059	54,884	63,140	64,103	65,012	66,055
Transfers from Other Funds	15,579	15,579	10,252	0	0	0	0
Total Revenues & Transfers	**$ 91,204**	**$ 87,034**	**$ 106,764**	**$ 109,194**	**$ 112,338**	**$ 115,184**	**$ 118,504**
Transfer of Airline Credits from Capital Improvement Fund	$ 3,514	$ 3,514	$ 0	$ 0	$ 0	$ 0	$ 0
TOTAL AVAILABLE FUNDS	**$ 112,559**	**$ 107,933**	**$ 124,126**	**$ 129,693**	**$ 133,164**	**$ 136,796**	**$ 140,936**
BASE EXPENDITURES							
Operating Expenses	$ 69,507	$ 67,591	$ 80,113	$ 81,400	$ 84,517	$ 87,779	$ 91,186
Transfers	25,210	22,981	23,514	27,466	27,035	26,584	26,461
Total Appropriations	**$ 94,718**	**$ 90,571**	**$ 103,627**	**$ 108,866**	**$ 111,553**	**$ 114,363**	**$ 117,647**
GROSS ENDING BALANCE	**$ 17,841**	**$ 17,362**	**$ 20,499**	**$ 20,826**	**$ 21,611**	**$ 22,432**	**$ 23,290**
RESTRICTED RESERVE	**$ 17,841**	**$ 17,362**	**$ 20,499**	**$ 20,826**	**$ 21,611**	**$ 22,432**	**$ 23,290**
NET ENDING BALANCE	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**

Passenger Facility Charge
($ in Thousands)

	FY 2021 Budget	FY 2021 Estimate	FY 2022 Projection	FY 2023 Projection	FY 2024 Projection	FY 2025 Projection	FY 2026 Projection
AVAILABLE FUNDS							
Beginning Balance	**$ 0**	**$ (4,628)**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**
Net Balance	**$ 0**	**$ (4,628)**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**
REVENUES							
Passenger Facility Charges	$ 9,367	$ 9,367	$ 17,580	$ 20,740	$ 20,948	$ 21,157	$ 21,369
Transfers from CARES	6,500	8,162	0	0	0	0	0
Transfer from PFC Pay Go	0	2,205	0	0	0	0	0
Total Revenues & Transfers	**$ 15,867**	**$ 19,735**	**$ 17,580**	**$ 20,740**	**$ 20,948**	**$ 21,157**	**$ 21,369**
TOTAL AVAILABLE FUNDS	**$ 15,867**	**$ 15,107**	**$ 17,580**	**$ 20,740**	**$ 20,948**	**$ 21,157**	**$ 21,369**
BASE EXPENDITURES							
PFC Capital Improvement Fund	$ 758	$ 0	$ 2,479	$ 5,616	$ 5,827	$ 6,042	$ 6,239
Debt Transfers	15,109	15,107	15,101	15,125	15,121	15,115	15,129
Total Appropriations	**$ 15,867**	**$ 15,107**	**$ 17,580**	**$ 20,740**	**$ 20,948**	**$ 21,157**	**$ 21,369**
GROSS ENDING BALANCE	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**

Customer Facility Charge
($ in Thousands)

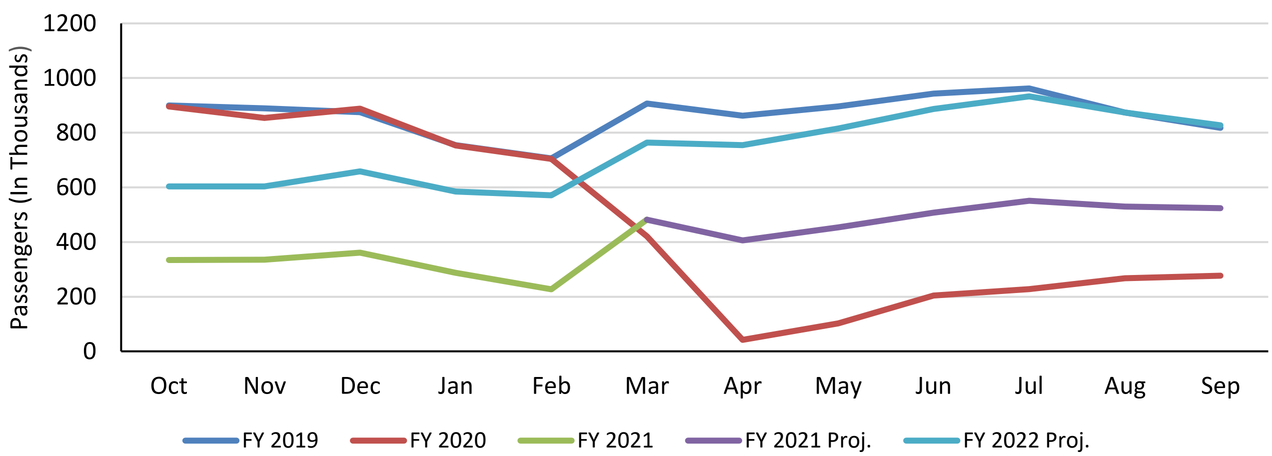
	FY 2021 Budget	FY 2021 Estimate	FY 2022 Projection	FY 2023 Projection	FY 2024 Projection	FY 2025 Projection	FY 2026 Projection
AVAILABLE FUNDS							
Beginning Balance	$ 0	$ 502	$ 0	$ 0	$ 0	$ 0	$ 0
Net Balance	$ 0	$ 502	$ 0	$ 0	$ 0	$ 0	$ 0
REVENUES							
Customer Facility Charge	$ 6,245	$ 7,856	$ 11,720	$ 13,827	$ 13,965	$ 14,105	$ 14,246
Transfers from CFC Surplus	4,465	2,287	0	0	0	0	0
Total Revenues & Transfers	$ 10,709	$ 10,143	$ 11,720	$ 13,827	$ 13,965	$ 14,105	$ 14,246
TOTAL AVAILABLE FUNDS	$ 10,709	$ 10,645	$ 11,720	$ 13,827	$ 13,965	$ 14,105	$ 14,246
BASE EXPENDITURES							
Administrative Trustee Cost	$ 25	$ 25	$ 25	$ 25	$ 25	$ 25	$ 25
Transfer to CFC Surplus	0	0	817	2,692	2,611	2,488	2,241
Debt Transfers	10,684	10,620	10,878	11,110	11,329	11,591	11,980
Total Appropriations	$ 10,709	$ 10,645	$ 11,720	$ 13,827	$ 13,965	$ 14,105	$ 14,246
GROSS ENDING BALANCE	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0

Total passengers

During FY 2019, the San Antonio International Airport experienced record passenger growth totaling 10.4 million passengers for the year. Passenger counts through February 2020 remained robust, but the COVID-19 pandemic impacted airport traffic beginning in March 2020. As a result, FY 2020 ended with 5.6 million passengers representing a 46.0 percent decrease from FY 2019 total passengers.

Passenger traffic in FY 2021 continued at this slower pace with passenger growth and began to recover in March 2021. FY 2021 total passengers is estimated to be 5.0 million, representing a 11.4 percent decrease from FY 2020 total passengers. FY 2022 is projected to continue this recovery ending the year at 8.9 million total passengers, or 77.7 percent higher than FY 2021. The following chart illustrates the FY 2019 through FY 2022 total passengers at the International Airport.

FY 2019 – FY 2022 Total Passengers



AIRPORT REVENUE

The decrease and subsequent recovery of total passengers is reflected in the five year financial forecast revenues across all funds. In FY 2022, the Airport Operating & Maintenance Fund is estimated to receive $106.8 million in revenue.

Airline Revenue

Airline revenue includes rates and charges collected from airlines for landing fees, terminal building rentals, passenger loading bridge/baggage handling system usage, gate use charges, and ramp/remain overnight fees. Rates and charges are updated annually based on expenses incurred by the San Antonio International Airport and reconciled at year end after the City's Comprehensive Annual Financial Report is published.

Airline revenue in FY 2022 is projected to increase by 5.0 percent from the FY 2021 Adopted Budget. As the airline industry continues to recover from the COVID-19 pandemic, airline revenue is anticipated to reach pre-COVID-19 levels by FY 2023.

Non-Airline Revenue

The Airport system also collects revenue from non-airline sources such as parking fees, concession contracts, property leases from non-airline users, and fuel usage from general aviation aircraft.

Non-airline revenue in FY 2022 is projected to increase by 52.4 percent from the FY 2021 Adopted Budget. In FY 2020, due to the COVID-19 pandemic, concession revenue fell below a contracted revenue threshold for three consecutive months that triggered a contract provision that waived the concession minimum annual guarantee (MAG). This waiver continued into FY 2021 and is currently projected to continue through FY 2022.

Federal Recovery Grant Funds

Beginning in FY 2020, the airport has been awarded over $89 million in federal relief grant funds due to the COVID-19 pandemic. The forecast recognizes $32.9 million as received through FY 2021 with an additional $10.3 million to be received in FY 2022. All other federal relief funds are still in the planning stages and are not included in the five year financial forecast.

Federal Recovery Grant Fund	Awarded Amount	Expires
Coronavirus Aid, Relief, and Economic Security Act (CARES)	$39,738,109	June 2024
Coronavirus Aid, Relief, and Economic Security Act (CRRSA)	11,217,729	March 2025
American Recovery Plan Act (ARPA)*	38,290,000	4 years from date of acceptance
Total Awards	**$89,245,838**	

*Estimated Award

AIRPORT EXPENDITURES

The FY 2021 Adopted Budget reduced $3.2 million in operating expenses that have been restored in the five year financial forecast.

FY 2021 Reductions Reversed in Forecast	**FY 2021 Reduction Amount**
Reduce Airline Incentives and Promotional Programs	$1,662,209
Delay Building Maintenance	980,761
Reduce Credit Card Fees and Various Commodity Purchases	538,441
Total	**$3,181,411**

The FY 2022 Forecast also assumes three mandated expenditures.

Proposed Mandated Expenditures	**FY 2022 Amount**	**Recurring**
Redirect Airline Revenue Credit to Expense*	$2,689,503	$2,689,503
Routes America Conference	820,000	0
Upgrade Airport Security Requirements	982,760	0
Total Proposed Mandated Expenditures	**$3,672,263**	**$2,689,503**

*Recurring amount will be adjusted based on annual rates and charges calculation of Airline Revenues.

ECONOMIC OUTLOOK & PERSPECTIVE

ECONOMIC OUTLOOK

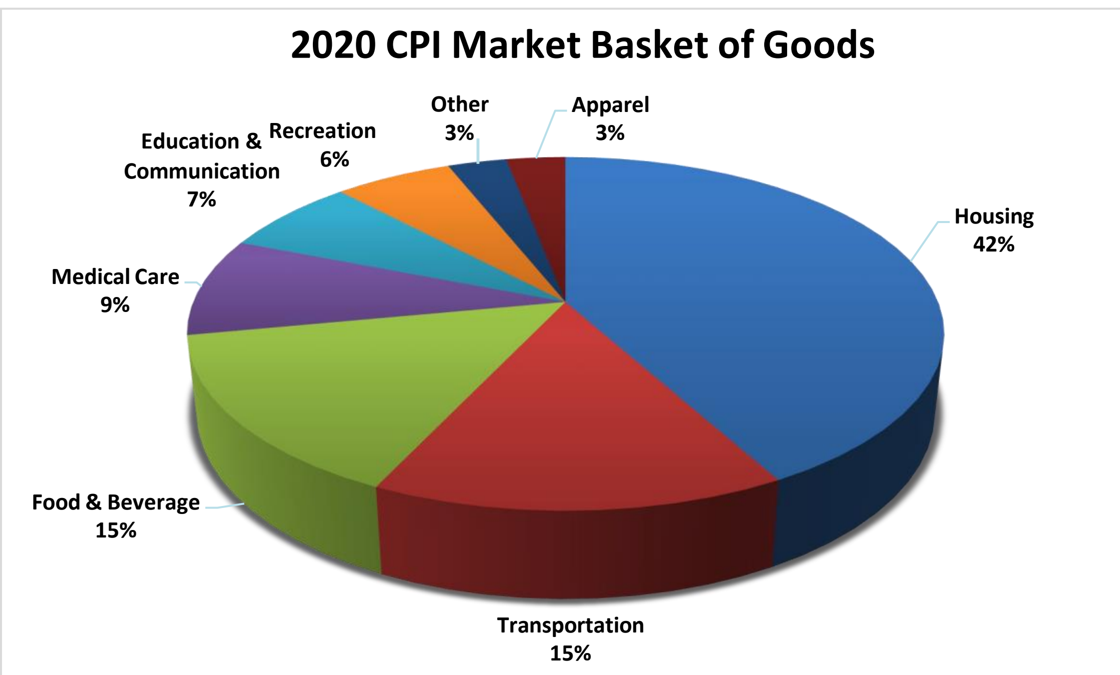
OVERVIEW

A forecast of the City's finances recognizes that the City's fiscal health is directly linked to the success of the local, national, and global economies. Considering this relationship, the fiscal projections provided in this document are based, in large part, upon an analysis of historical and available economic data and trends. The sudden and unprecedented disruption and financial damage of the coronavirus pandemic dramatically affected the overall economic health across the nation and in San Antonio. The pandemic caused many businesses and public gatherings to close statewide, reduced consumer spending, unemployment filings to hit all-time records, and significant repercussions on tourism and travel. After experiencing sharp declines in 2020, there is a cautious positive outlook on economic recovery through 2021 based on key economic indicators such as unemployment, inflation, and gross domestic product.

The historical data and forecast projections in this section are provided by both government and private organizations.

INFLATION

The **Consumer Price Index** (CPI), commonly referred to as the inflation rate, measures the average price change for a market basket of consumer goods and services. This basket of goods and services contains a wide array of items, ranging from groceries and motor fuel to club memberships and solid waste disposal services. The CPI does not, however, include investments such as stocks or real estate.

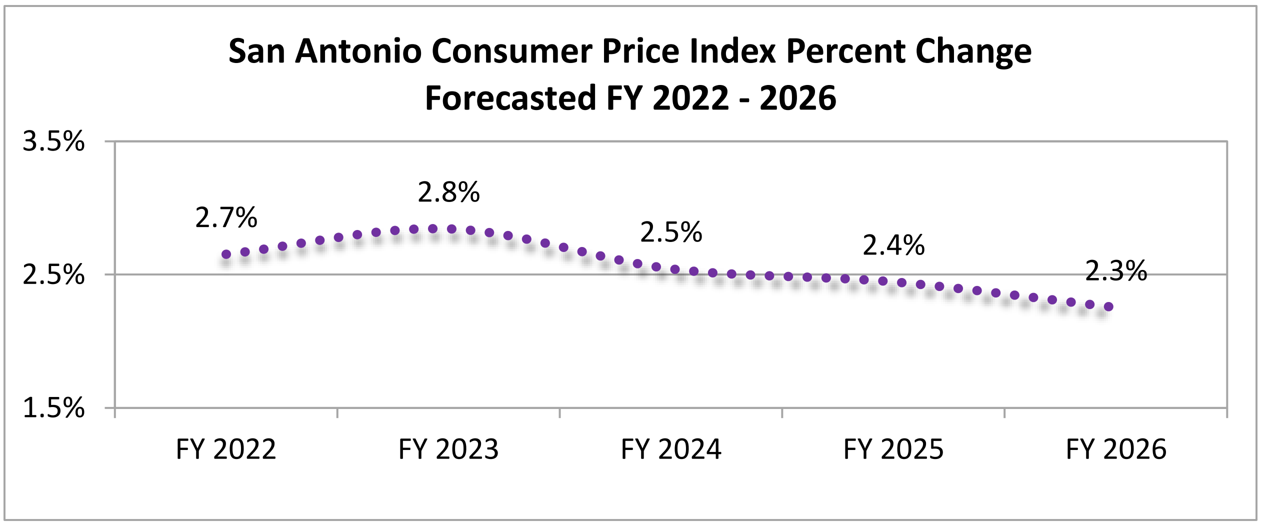


Source data: Bureau of Labor Statistics, U.S. Department of Labor, The Economics Daily, *Consumer Price Index: 2020 In Review*. Obtained February 2021.

The Bureau of Labor Statistics has classified each expenditure item in this basket of goods into more than 300 categories. Each one of these categories is cataloged into eight major groups, as shown in the figure above. For example, tuition, other school fees, and childcare is a category located in the education and communication group and makes up 2.91% of the total basket of goods in the 2020 index. In other words, in 2020 the cost of these items relative to the rest of the items in the basket cost the average American $2.91 per $100.

The CPI is used as the inflationary factor for specific non-personnel services expenditures to develop the City's General Fund and other funds' forecasts. This allows the City to plan for possible increases in certain commodities and other costs in the next five years by accounting for rising prices.

Additionally, the CPI serves as a cost-of-living index. With assistance from Moody's Financial Services, the projections for CPI have been developed and modified to reflect the City's budget cycle based on a fiscal year, which spans from October 1 to September 30.

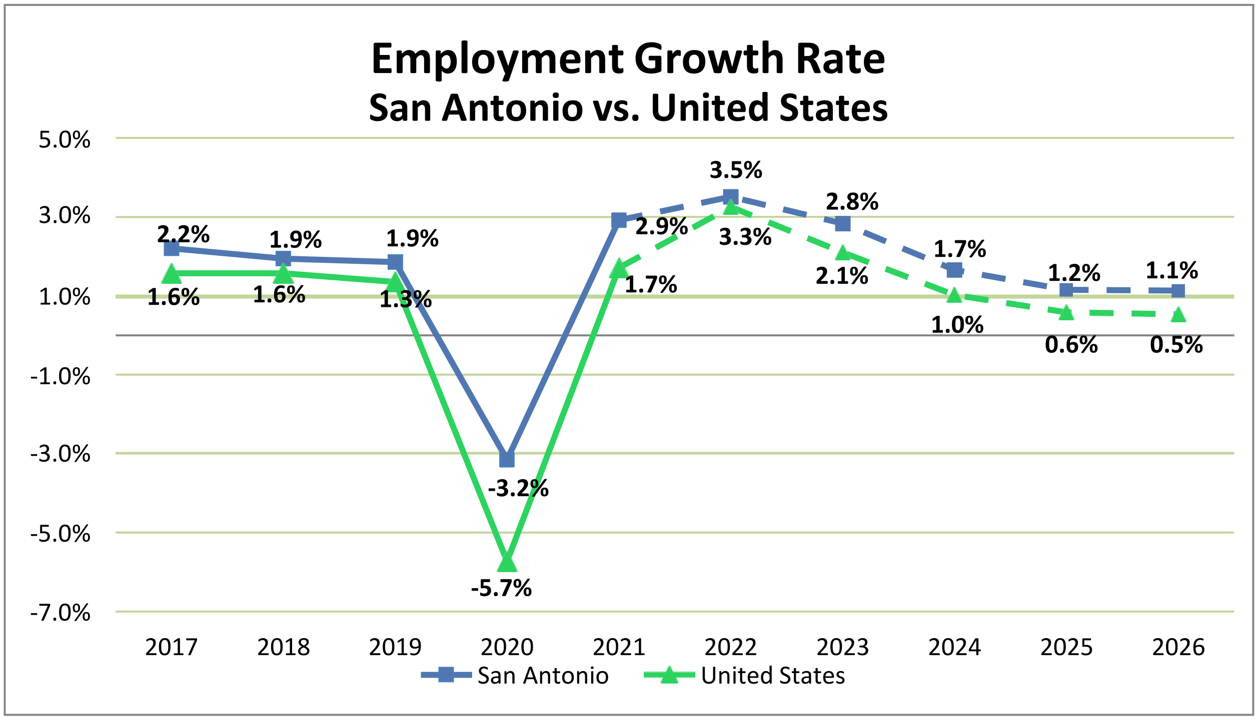


Source: Projection Data from Moody's Analytics

SAN ANTONIO ECONOMY

EMPLOYMENT

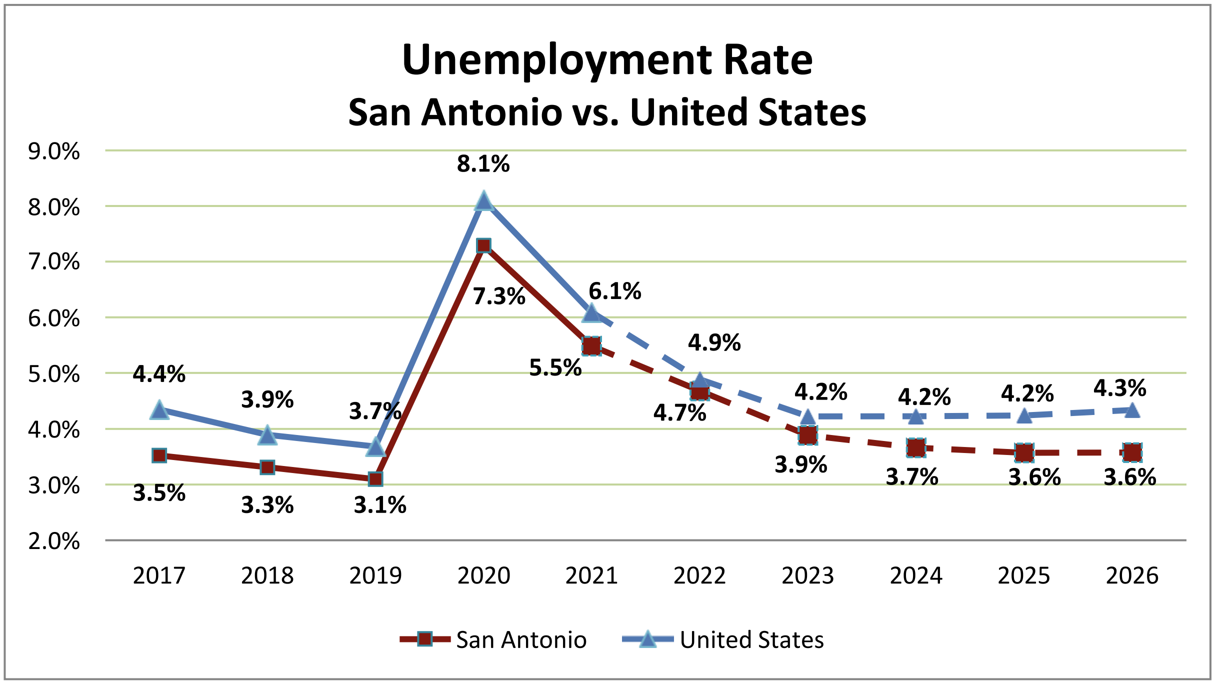
Increases in the total number employed persons in a region can be attributed to either job creation from within the area or the migration of jobs into the region. The figure below provides historical and projected employment growth rate data for San Antonio and the United States. The pronounced dip shown in the chart for 2020 reflects the economic impact and resulting job losses due to the COVID-19 pandemic. For 2021, the employment rate is projected to increase by 6.1% in San Antonio and increase by 7.4% nationally, reflecting an anticipated economic rebound as more people receive COVID-19 vaccines. Locally, certain industries in the San Antonio economy, such as the hospitality industry, remain uncertain on how long the recovery will take to return to pre-pandemic levels.



Source: Projection Data from Moody's Analytics

UNEMPLOYMENT

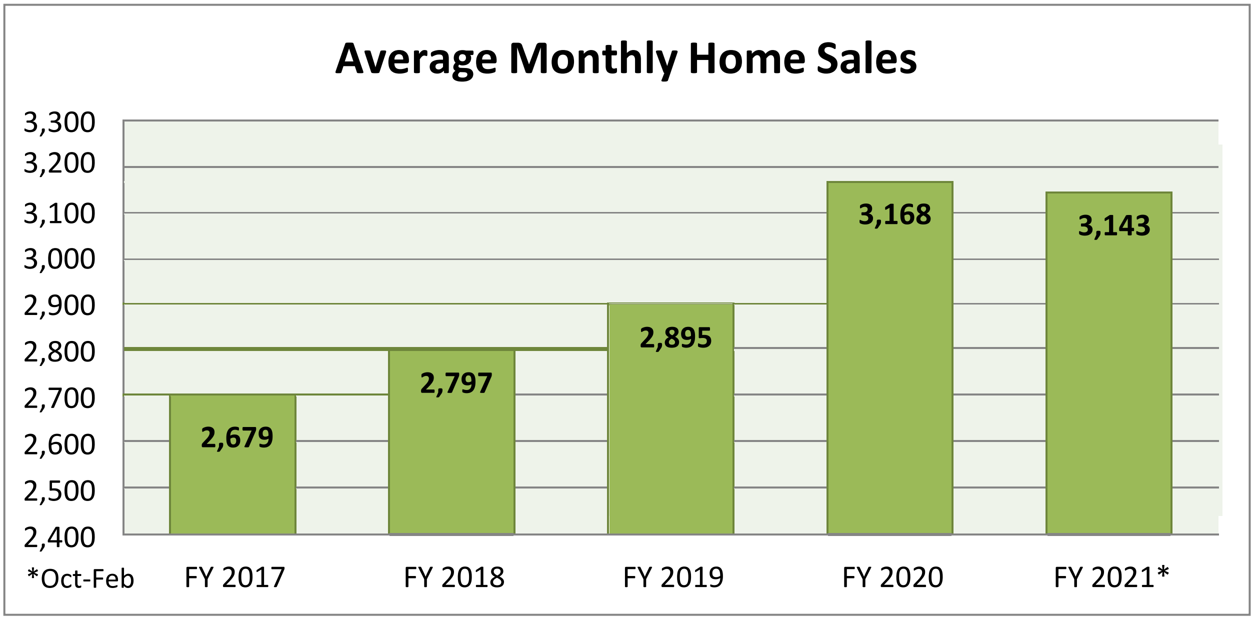
The unemployment rate represents the number of unemployed persons as a percent of the total labor force. An unemployed person is generally defined as someone aged 16 years or older who has been looking for employment for at least four weeks. Due to the COVID-19 pandemic, the national unemployment rate reached an average of 8.1% in 2020. Since then, it has declined from its peak and is projected to further fall to 6.1% by the end of the 2021. San Antonio's unemployment rate reached a record high average of 7.3% in 2020, also due to the COVID-19 pandemic, and is projected to decline to 5.5% by the end of 2021 and continue to outperform the national unemployment rate over the next five years.



Source: Projection Data from Moody's Analytics

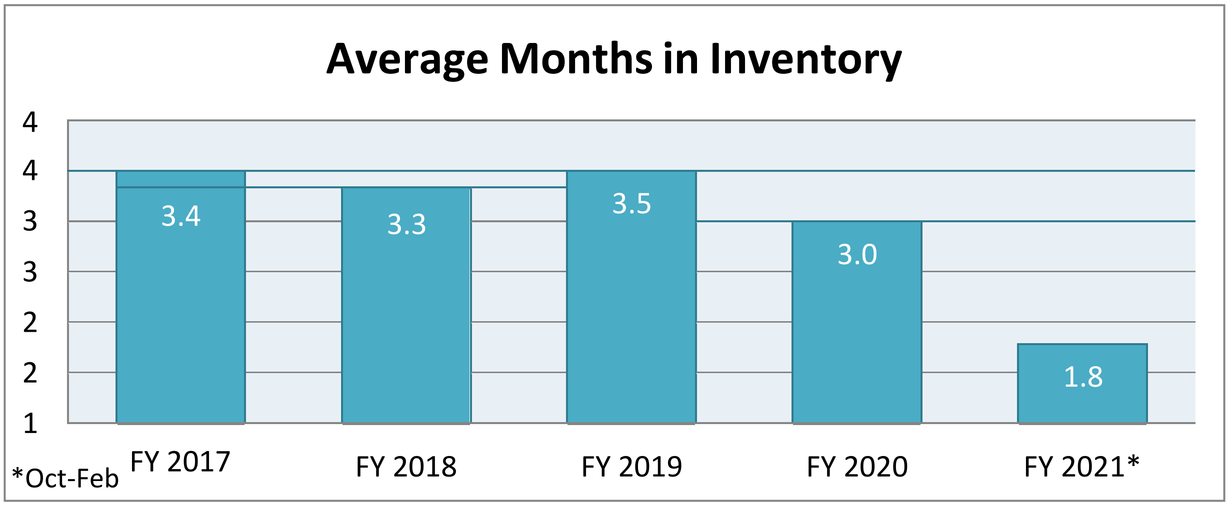
HOUSING

The housing market in San Antonio has seen a steady increase in average monthly home sales as well as median housing prices from 2017 to 2020. Over that same period, the average months in inventory fluctuated. Average monthly home sales and median housing prices are projected to continue rising through FY 2021 as single-family residential construction remains strong in San Antonio.



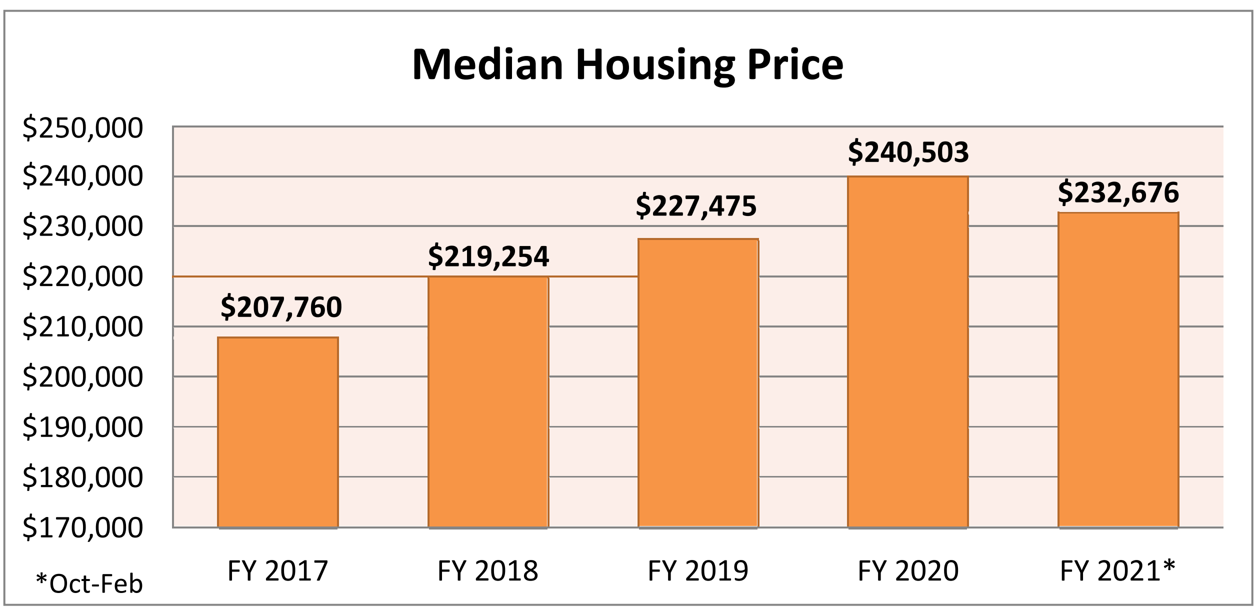
Source: Real Estate Center at Texas A&M University

Months in Inventory measures the amount of time it would take to sell the current housing inventory or supply if no other homes were added to the existing inventory. In FY 2017, homes spent an average of 3.4 months in inventory. From October 2020 to February 2021 (FY 2021), the average months in inventory was 1.8 months, a decrease of 47% from FY 2017 and lower than FY 2020's total average. Looking ahead, FY 2021's year-end projection is 2.9 months, which would result in a total decrease of 15% from FY 2017.



Source: Real Estate Center at Texas A&M University

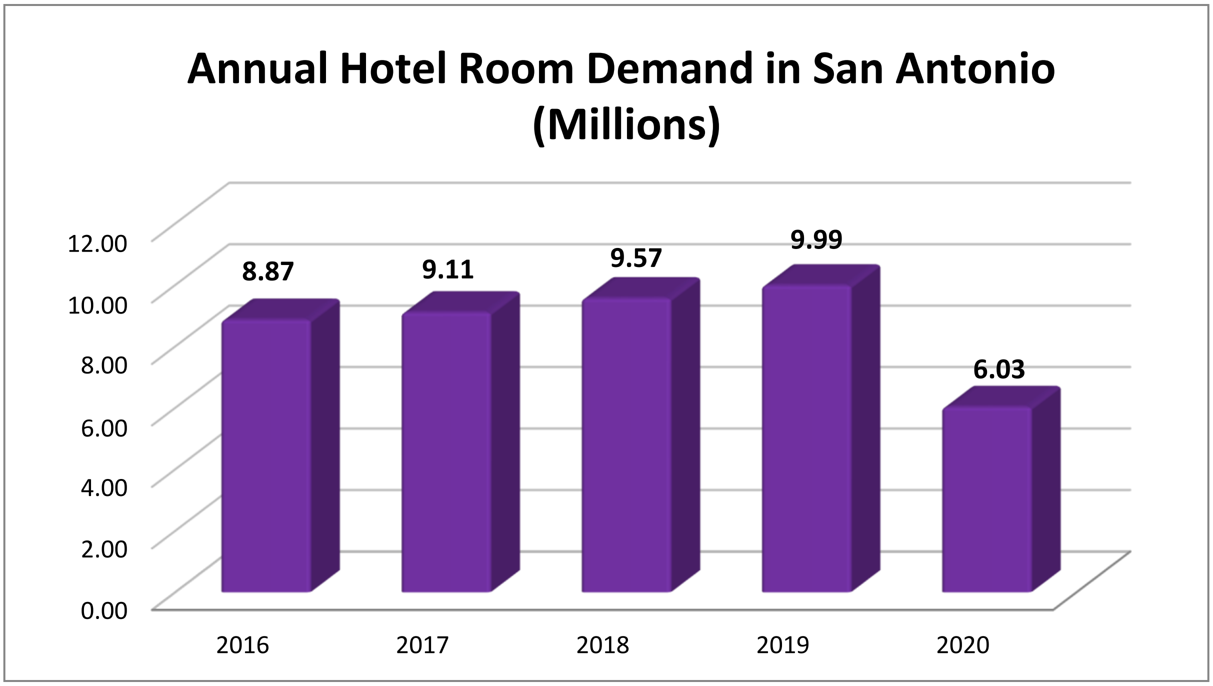
Median Housing Price is the midpoint price of home sales in each year at which half the homes are sold above this price and half the homes are sold below this price. From FY 2017 to FY 2020, San Antonio experienced an average annual increase of $10,793, or 5.1%, in median housing prices year-over-year. Median housing prices in FY 2021 are projected to reach a midpoint price of $252,705, which would result in an increase of 22% from FY 2017.



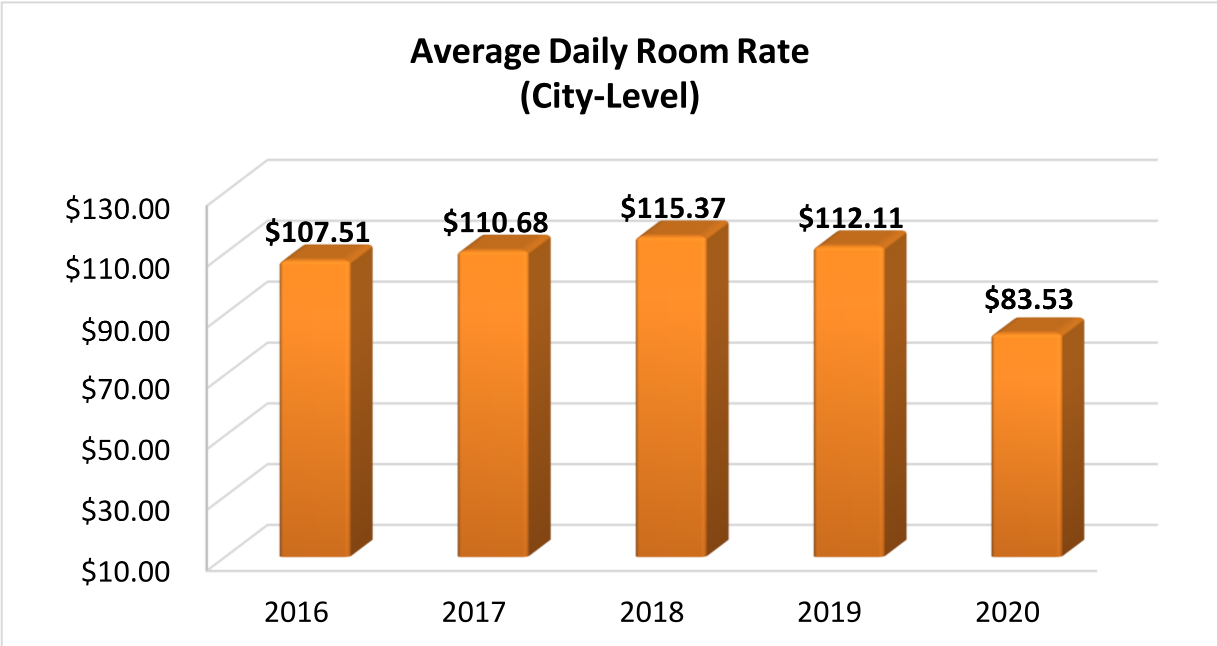
Source: Real Estate Center at Texas A&M University

HOSPITALITY INDUSTRY

The San Antonio hospitality industry continues to be one of the top leisure/convention cities in the country and benefits from being located within driving distance from Dallas, Houston, and other Texas cities. **Annual Hotel Room Demand** is defined as the number of rooms sold or rented, excluding complimentary rooms. Industry data on the San Antonio market show 2020 hotel room demand decreased by 40%, or about four million rooms, over the previous year.



Average Daily Rate (ADR) is the average price of a single room night in San Antonio. The ADR metric is indicative of the hospitality industry's health and is influenced by the supply of hotel rooms. San Antonio's ADR saw a reduction in 2020, decreasing 25.5% below the 2019 rate to $83.53 per night for a single room.

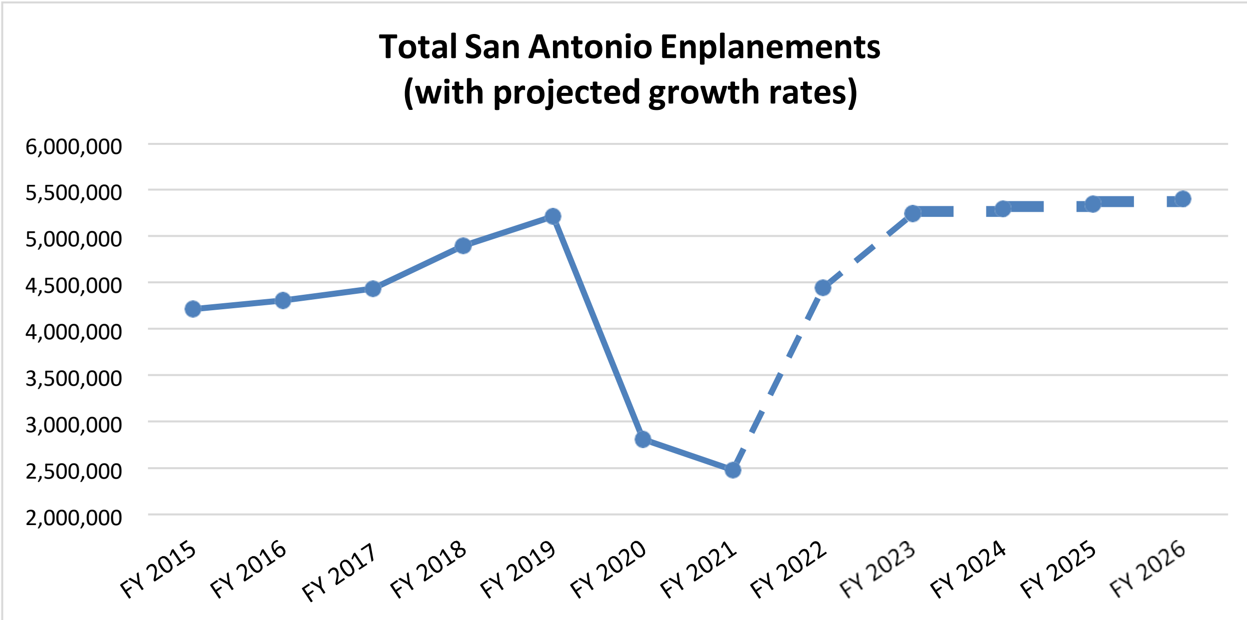


Hospitality Data Source: 2021 STR, Inc. Data obtained from Smith Travel Research based on hotels in San Antonio Market reports dated February 2016-2021.

AIRLINE INDUSTRY

San Antonio International Airport is the only commercial service airport serving the City and the San Antonio metropolitan area. Like other major city airports, the San Antonio International Airport experienced a major decline in travel due to the COVID-19 pandemic in FY 2020. In comparison, the total passenger count in April 2020 was 42,118 while the projected passenger count in April 2021 is 406,168, an increase of 864%. While there has been a steady increase in travel in FY 2021, the year end projection of 4,997,134 total passengers will be 11.4% less than FY 2020's total passenger count. As people become more comfortable with traveling again and COVID-19 safety measures continue to relax, the San Antonio International Airport anticipates FY 2022's total passenger count to reach 8,878,586, 58% more than FY 2020's 5,637,150 total passenger count.

Enplanements are defined as the act or process of boarding a departing aircraft. Enplanements are a standard metric indicative of the airline industry's financial wellbeing. The chart below reflects enplanement activity at the San Antonio Airport over the last six years and its projected growth over the next six years. San Antonio's Airport saw a significant decline in 2020 continuing into FY 2021, decreasing by 52% from FY 2019. Still, enplanements are projected to grow by 79% from FY 2021 to FY 2022 and by an average of 5% from FY 2022 to FY 2026.



Source: Aviation Department, City of San Antonio