



Economic and Fiscal Impacts of Proposed Amendments to the City of San Antonio Charter

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Purpose of the Study

- Texas Local Government Code calls for a fiscal impact assessment of proposed City Charter changes.
- Study provides an analysis of the economic and fiscal impacts of the proposed amendments to the City charter.

Main impacts derived from uncertainty the amendments create

- Policy uncertainty lowers economic growth
 - Reduction in business investment and consumer spending
 - Macroeconomic uncertainty
 - Make recessions more severe and recoveries slower
- Uncertainty regarding management of budget and provision of public services exacerbates the reduction in growth
 - Affects quality of life issues related to City services
 - Weakens economic environment
 - Impedes economic development
- Impacts are persistent over time

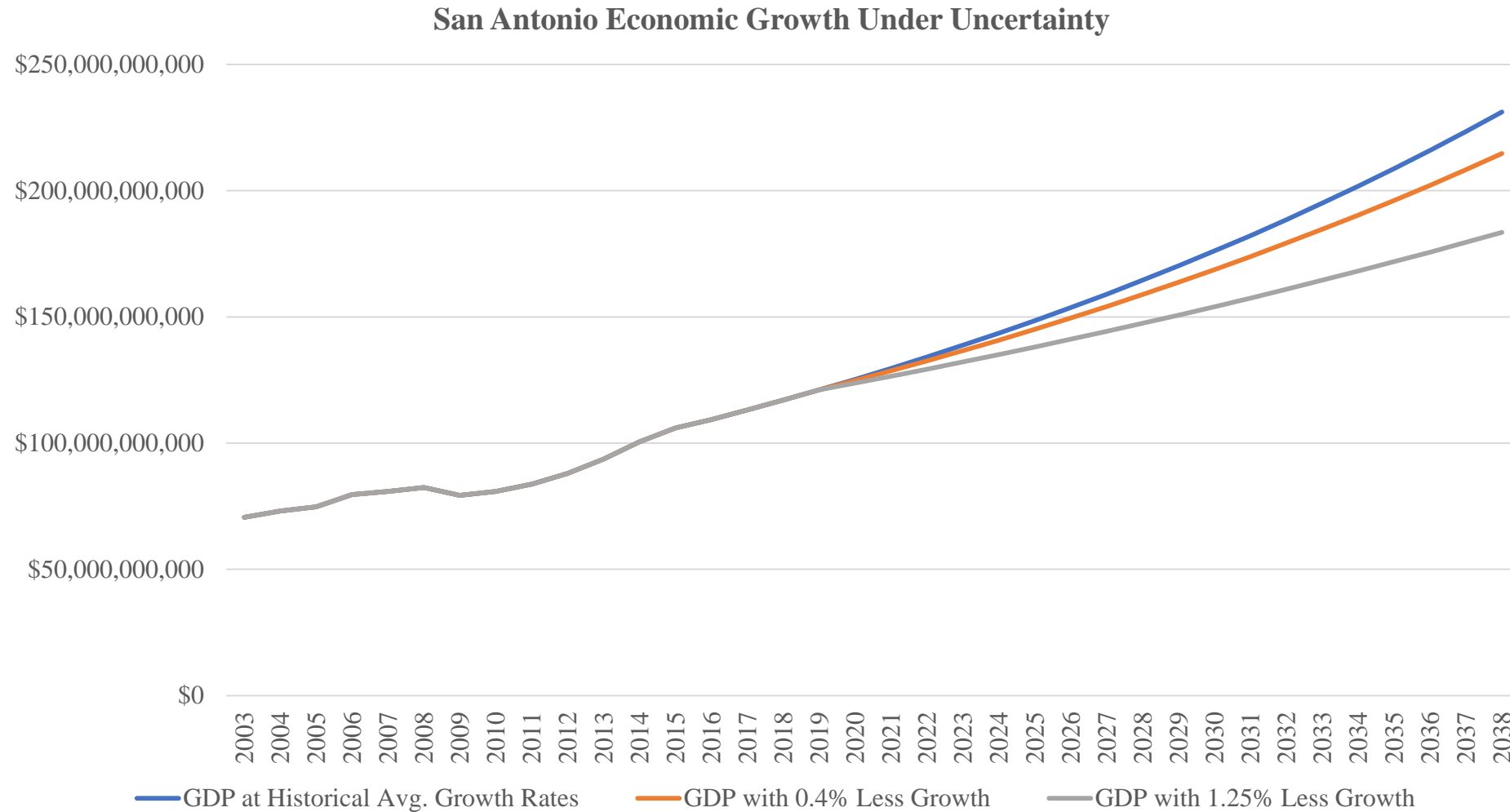
Impacts Measured

- Reductions in COSA revenues due to slower economic growth
- Crowding-out of non-public safety services
- Increased interest costs on debt due to lower bond rating
- Cost to administer elections
- Wage compression

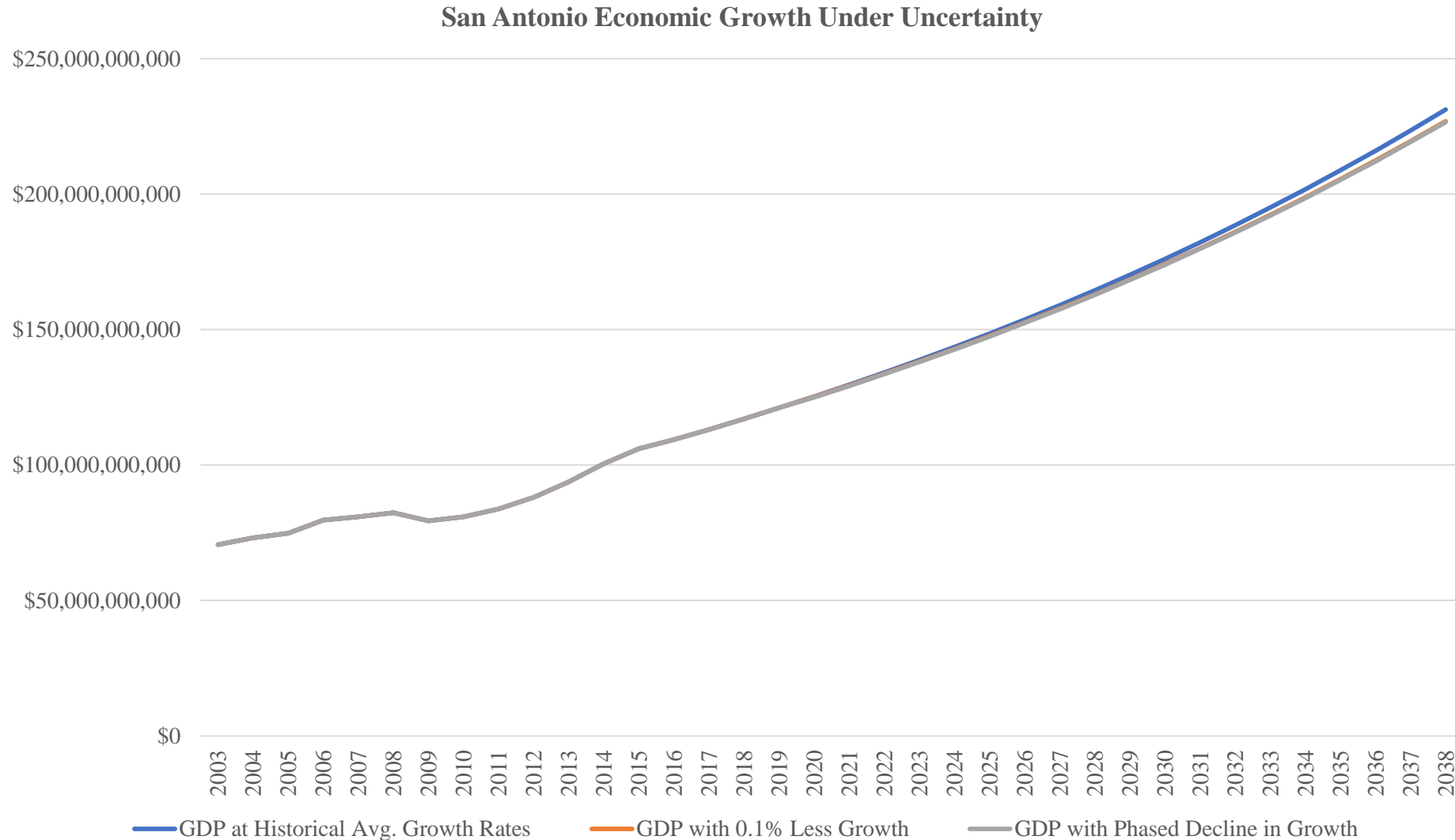
Methodology

- Growth scenarios are based on an extensive review of academic research.
- Compared the projected growth in San Antonio GDP assuming no slowing in growth to projected growth under 4 different scenarios:
 - 1.25% slower growth
 - 0.4% slower growth
 - 0.1% slower growth
 - Phased slower growth
- Assumed impacts would not begin until 2020.

Growth Scenarios Analyzed: 0.4% and 1.25% Reduction in Growth



Growth Scenarios Analyzed: 0.1% and Phased Reduction in Growth



Revenues will decline as economic growth slows.

Effects of Slower Economic Growth on Revenues		
	General Fund Revenues	
	<u>Average Annual Reduction</u>	<u>Cumulative Reduction</u>
0.1% Lower Economic Growth	\$17,671,604	\$353,432,081
Phased Lower Economic Growth	\$20,022,533	\$400,450,656
0.4% Lower Economic Growth	\$68,384,162	\$1,367,683,234
1.25% Lower Economic Growth	\$202,072,384	\$4,041,447,680
	Total Revenues	
	<u>Average Annual Reduction</u>	<u>Cumulative Reduction</u>
0.1% Lower Economic Growth	\$30,614,941	\$612,298,827
Phased Lower Economic Growth	\$34,687,777	\$693,755,549
0.4% Lower Economic Growth	\$118,471,255	\$2,369,425,091
1.25% Lower Economic Growth	\$350,077,682	\$7,001,553,649

Crowding-out of non-public safety services results as general fund revenues decline and public safety expenses increase.

Public Safety Expenses in Relation to General Fund Revenues Under Different Growth Scenarios				
<u>Growth Scenario</u>	Percent of General Fund Revenues in 2038		Crowding-Out of Non-Public Safety Services	
	<u>2021</u>	<u>2038</u>	<u>2021</u>	<u>2038</u>
0.4% Lower Economic Growth	66%	89%	\$5,445,308	\$488,356,433
1.25% Lower Economic Growth	68%	104%	\$19,294,634	\$693,295,841
0.1% Lower Economic Growth	66%	84%	\$518,364	\$408,259,076
Phased Lower Economic Growth	66%	84%	\$1,751,890	\$410,422,496

Uncertainty will negatively affect bond rating and increase interest costs.

Increased Interest Costs due to Lower Bond Rating on the Issuance of \$2.5B in Debt (Source: FTN Municipal Advisors and Hilltop Securities, Inc.)		
	Low	High
1 Level Drop (AA+)	\$17,500,000	\$37,500,000
2 Level Drop (AA)	\$45,000,000	\$75,000,000
3 Level Drop (AA-)	\$112,500,000	\$132,500,000

Cumulative Impacts

- Impacts to the City of San Antonio in the range of \$382.3 million to \$4.2 billion over twenty years.
- Plus, crowding out of non-public safety expenditures in the range of \$408.3 million to \$693.3 million by 2038.

