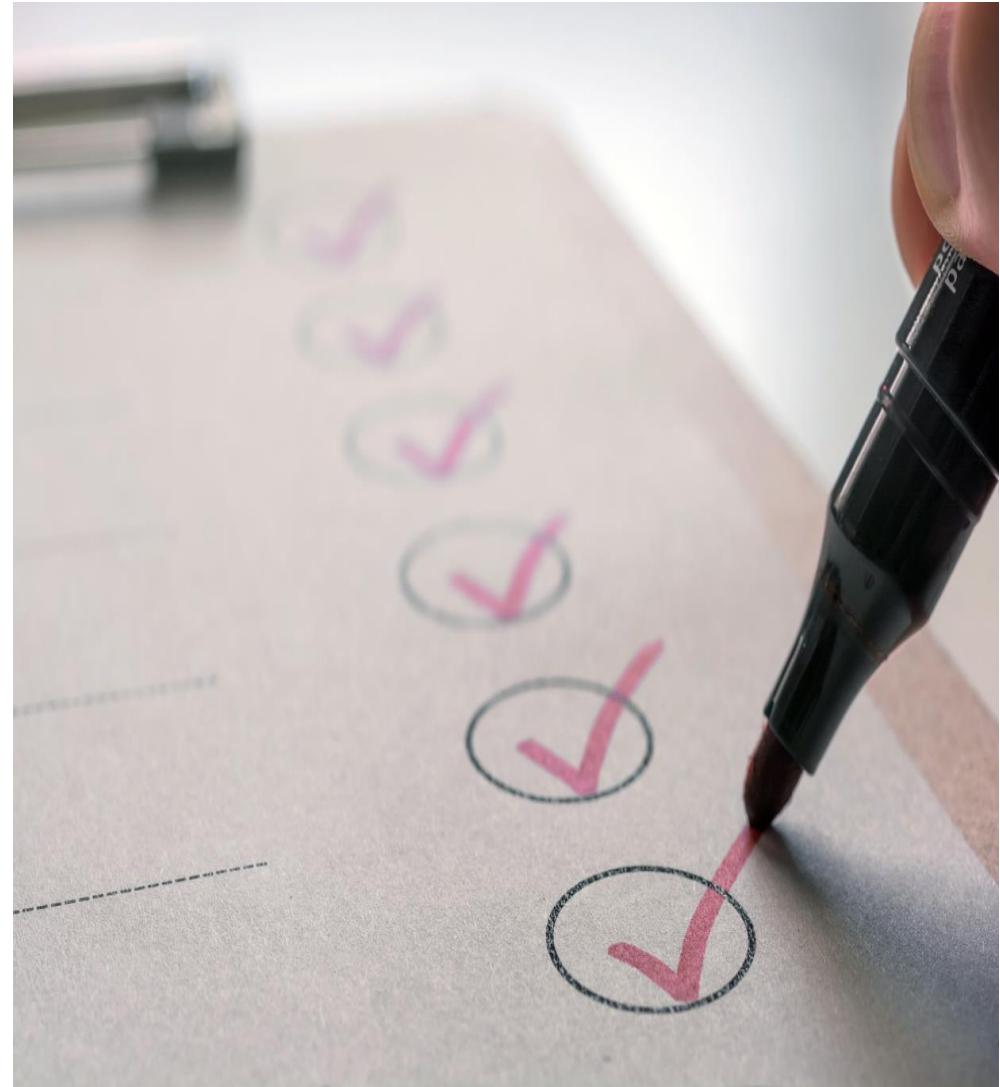


Agenda

- Economic Outlook
- FY 2026 Six Plus Six Budget Update
- Five-Year Financial Forecast
- Next Steps in Budget Process



Economic Update

United States

- Moderate growth, but higher uncertainty
 - US economic growth slowed to 0.5% in first quarter
 - US unemployment was 4.3% in March
- Geopolitical tensions
 - Conflict with Iran has pushed oil and gas prices higher
- Inflation has picked up with energy prices and tariffs major contributors
- Federal Reserve “hold and wait” to see how both the war with Iran and the impacts of new tariffs will have on economy

San Antonio

- Local unemployment for March is 4.0% slightly higher than last year
- Local labor market grew by 0.3% in March as compared to last year
- Residential permits projected to be down 23.5%
- Median home prices in San Antonio slightly lower than last year
- Homes are on the market longer

FY 2026 6+6 Budget Update

FY26 Budget Update

Most major revenue sources seeing slower growth than projected through March 2026

- Sales Tax growing at a slower pace
- Airport passenger activity is 4.5% lower than FY 2025 and 7.7% compared to budget
- Hotel Occupancy Tax revenue lower due to lower occupancy and average daily rates
- Building permit activity especially in residential continues to slow

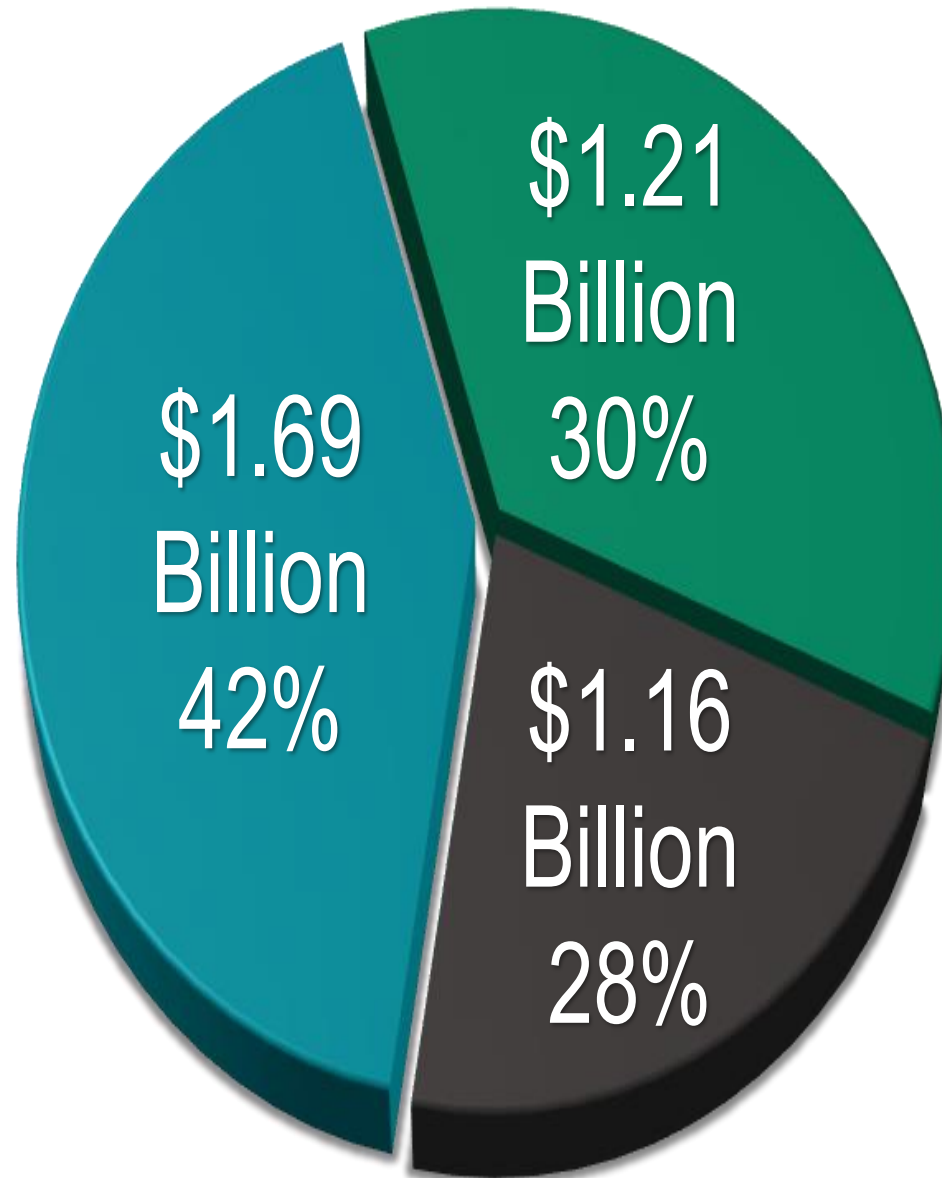


FY 2026 Adopted Budget

Total City Budget \$4.06 Billion

General Fund

Supports most basic City services: Police, Fire, Public Works, Parks, Library



Restricted Funds

- Airport Fund
- Development Services
- Hotel Occupancy Tax
- Solid Waste
- Grants

Capital Program

- 2022 bond projects
- Airport projects

FY26 Budget Update

General Fund

Revenues are \$21.5 million above budget for first six months and projected \$50.9 million above budget or 3.1% by year-end primarily due to:

- **Property Tax** revenue is \$1.0 million above budget
- **CPS Energy** revenue projected \$54.5 million above budget due to off system sales and warmer weather
- **Sales Tax** is projected to be \$2.6 million below budget due to slower growth
- **Other revenues** are projected to be \$2.0 million below budget

General Fund department expenses are projected to end year slightly below budget

FY26 Budget Update

General Fund Revenues

Six Month Actuals

Revenue (\$ in Millions)	6-month Budget	6-month Actuals	Variance
Property Tax	\$456.6	\$456.6	0.0
Sales Tax	205.9	204.7	(1.2)
CPS Revenues	225.0	246.5	21.5
Other Revenue	128.2	129.4	1.2
Total	\$1,015.7	\$1,037.2	\$21.5

Six Plus Six Projections

Revenue (\$ in Millions)	FY26 Budget	Projection	Variance
Property Tax	\$472.4	\$473.4	1.0
Sales Tax	419.2	416.6	(2.6)
CPS Revenues	504.4	558.9	54.5
Other Revenue	256.4	254.4	(2.0)
Total	\$1,652.4	\$1,703.3	\$50.9

FY26 Budget Update

General Fund

- Better ending balance of \$62.3 million from additional revenues and better beginning balance
- Overall departments' spending within budgeted amounts
- Estimates will continue to be refined in upcoming months
- Revised projections will be presented during June 17 Trial Budget "B" Session

FY26 General Fund Change from Budget			
(\$ In Millions)	Budget	Estimate	Change
Beginning Balance	\$215.6	\$224.5	\$8.9
Total Revenues	1,652.4	1,703.3	50.9
Total Expenditures	1,695.9	1,693.4	2.5
Additional Ending Balance for FY27 Budget			\$62.3

FY26 Budget Update

Other Funds

Six Month Actuals

Six Plus Six Projections

Revenue (\$ in Millions)	6-month Budget	6-month Actuals	Variance	FY26 Budget	6+6 Projection	Variance
Hotel Occupancy Tax	\$54.2	\$52.4	(\$1.8)	\$108.7	\$106.9	(\$1.8)
Alamodome	7.1	6.5	(0.6)	21.4	20.3	(1.1)
Convention Center	10.1	10.5	0.4	26.3	26.8	0.5
Airport	84.6	85.9	1.3	169.4	162.9	(6.5)
Development Services	20.5	22.1	1.6	41.6	42.1	0.5
Solid Waste	80.2	80.0	(0.2)	160.5	159.5	(1.0)

- Department expenses in these funds are within budgeted amounts

Employee Benefits Fund

Health Care Costs

- Employee Benefits Fund faces financial challenges
- Medical & pharmacy claims are cost drivers
- FY26 2nd Quarter: \$19.4 Million over budget
- FY26 Projection: \$45.4 Million over budget
 - Uniform Claims
 - 31% over FY26 Budget; and
 - 41.6% above FY25 Actuals
 - Civilian Claims
 - 10% over FY26 Budget; and
 - 16% above FY25 Actuals



Five-Year Financial Forecast FY27 to FY31

General Fund Financial Forecast

- Forecast is an early financial outlook for City's major funds, it **is not** a budget
- Sets framework for upcoming discussions on annual budget development
- Forecast is not structurally balanced and has deficits in FY28 to FY31
- Revenue growth is not keeping up with projected expenses
- Property Tax revenues have declined from newly enacted legislation and worsening housing market
- To balance FY28 through FY31, revenue changes and spending cuts are needed to align expense growth with revenue growth

CITY OF
SAN ANTONIO
— TEXAS —

FIVE YEAR
FINANCIAL
FORECAST

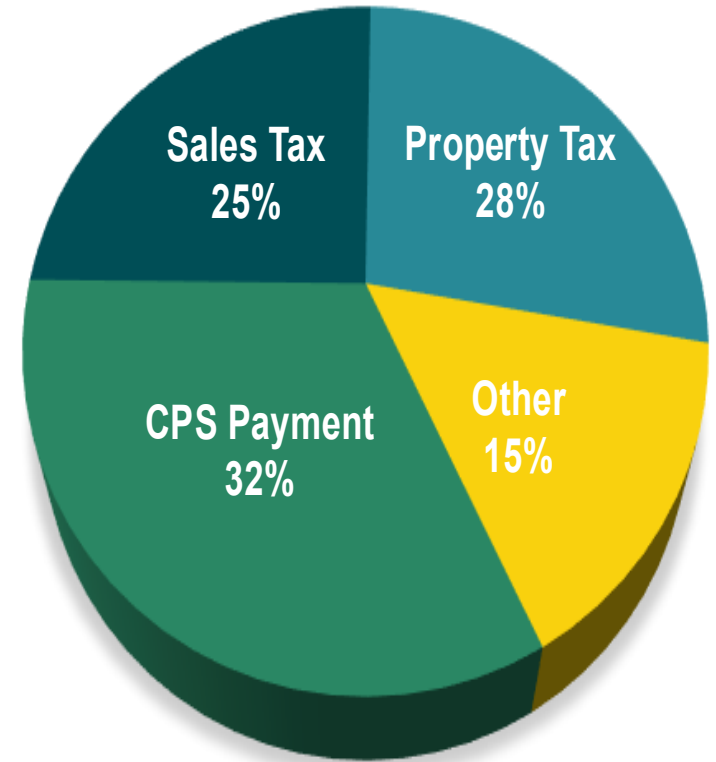
FY2027-2031

A current and long-range assessment of financial conditions and costs for City Services

FY27 to FY31 Forecast

General Fund Operating Revenues

FY27 General Fund
Revenue Projection **\$1.69 Billion**



Category (\$ in Millions)	FY26 Estimate	FY27 Projection	Increase/ Decrease)	% Change
Property Tax	\$473.4	\$465.2 ¹	(\$8.2)	(1.7%)
Sales Tax	416.7	425.0	8.3	2.0%
CPS Revenue	559.0	547.8	(11.2)	(2.0%)
Other ²	254.3	255.4	1.12	0.4%
Total	\$1,703.3	\$1,693.4	(\$9.9)	(0.6%)

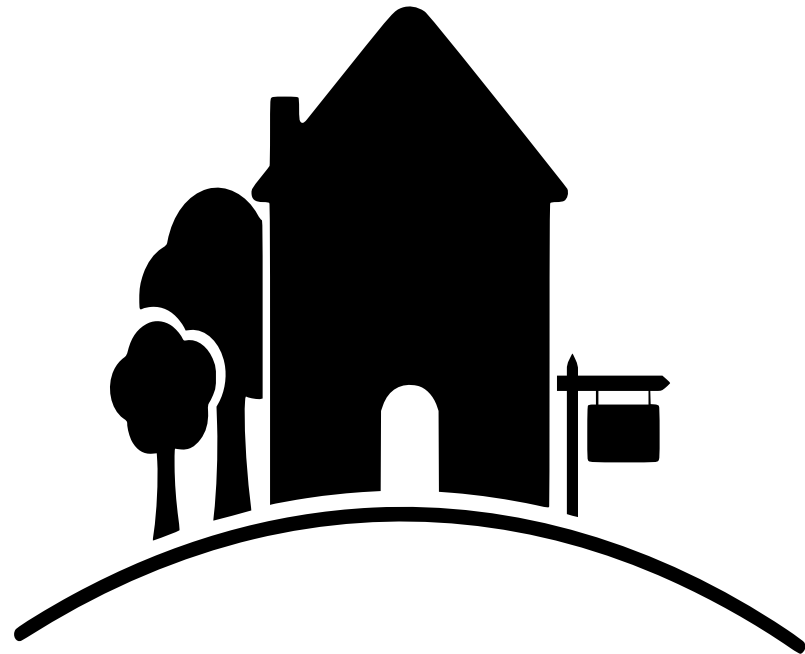
1. Assumes no change to property tax rate
2. Assumes implementing \$3.1 million in new revenues as part of FY 2027 Plan

FY27 to FY31 Forecast

Property Tax

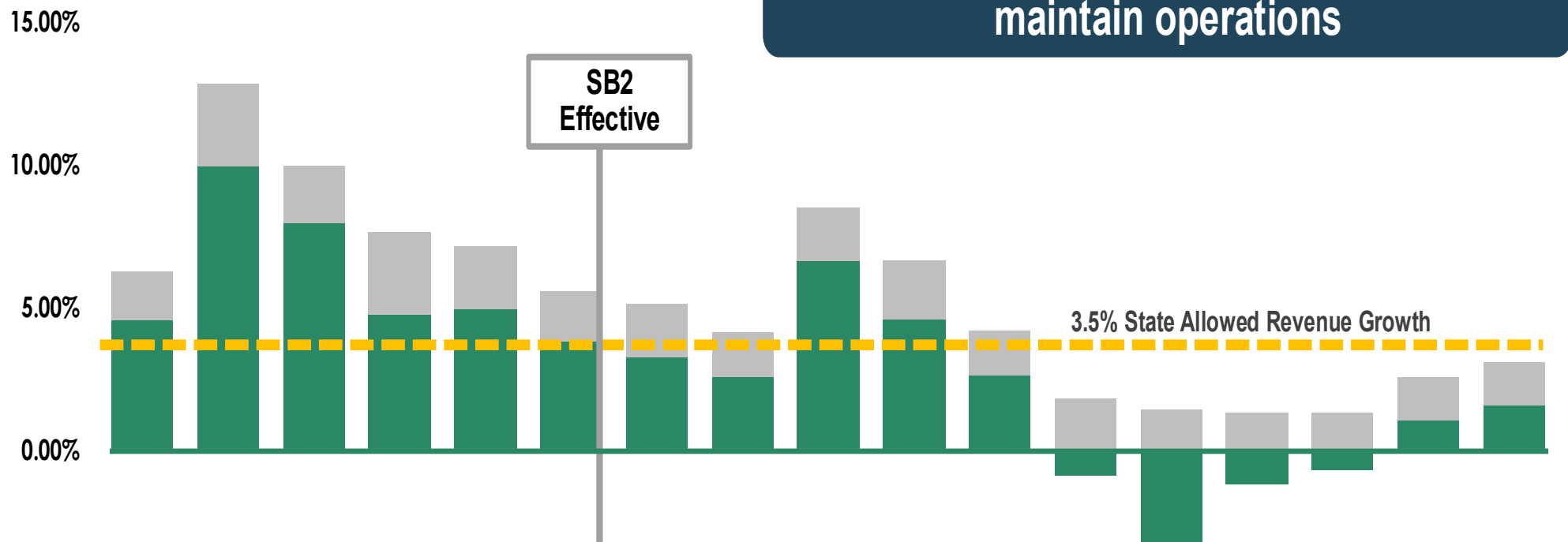
- Bexar Central Appraisal District provided preliminary property values
 - Staff projection includes assumptions for losses due to protest, litigation, and exemptions
- Base valuation is down
 - Housing market has worsened
 - Implementation of SB9
 - Exempts \$125,000 in business personal property

Taxable Value Growth	FY26 Budget	FY27 Proposed
Base Values	-0.9%	-3.54%
New Values	1.76%	1.41%
Total	0.86%	-2.13%
Property Tax Rate	\$0.54159	



FY27 to FY31 Forecast Property Values

Below the State allowed revenue growth to maintain operations



	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027*	2028	2029	2030	2031
Base	4.5%	9.9%	7.9%	4.7%	4.9%	3.8%	3.2%	2.5%	6.6%	4.5%	2.6%	(0.9%)	(3.5%)	(1.3%)	(0.8%)	1.0%	1.5%
New	1.7%	2.9%	2.0%	2.9%	2.2%	1.7%	1.9%	1.6%	1.9%	2.1%	1.6%	1.8%	1.4%	1.3%	1.3%	1.5%	1.5%
TTL	6.2%	12.8%	9.9%	7.6%	7.1%	5.5%	5.1%	4.1%	8.5%	6.6%	4.2%	0.9%	(2.1%)	0.0%	0.5%	2.5%	3.0%

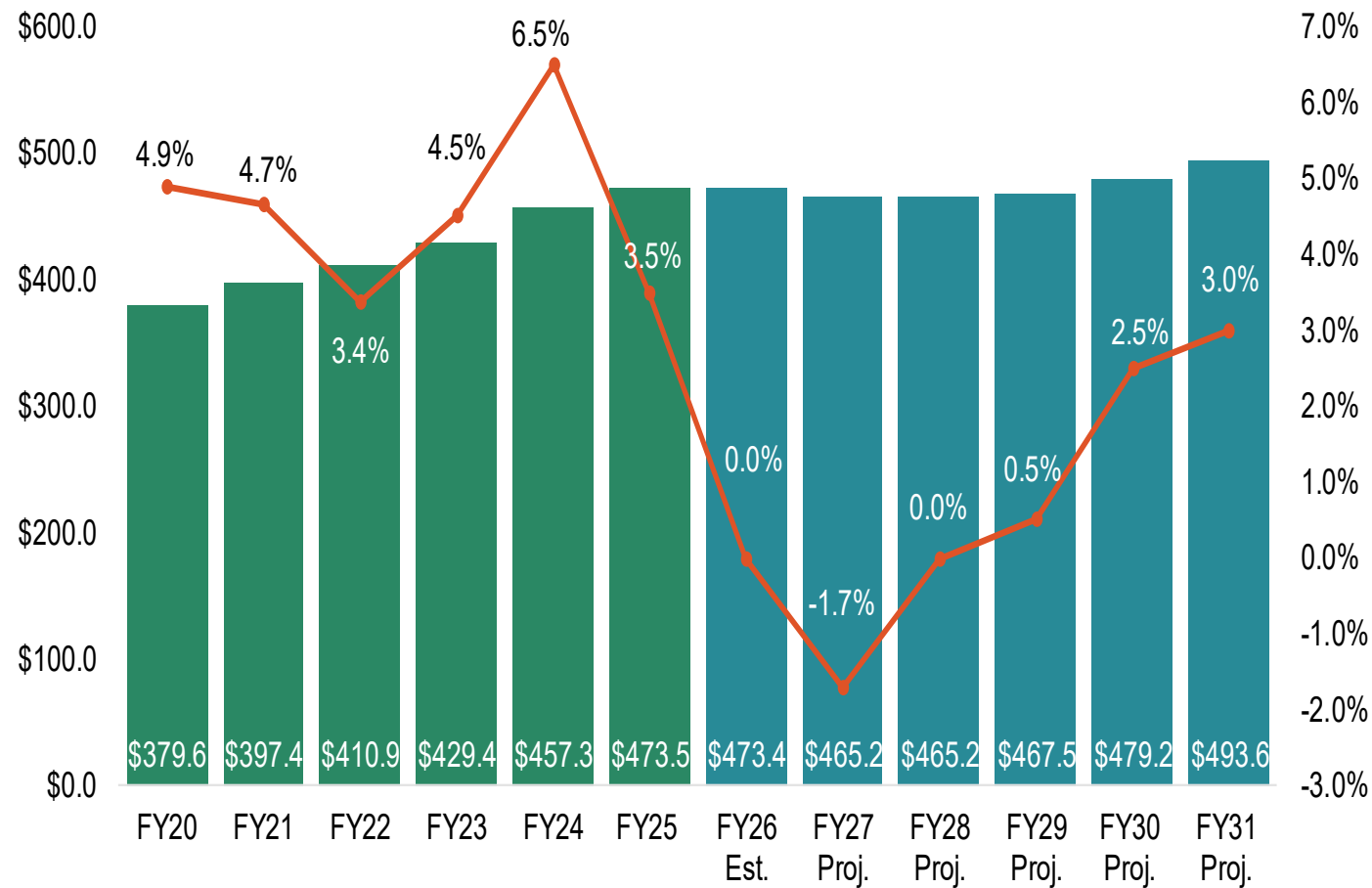
* Information based on preliminary data from the Bexar Central Appraisal District which will change through certification in July 2026.

FY27 to FY31 Forecast

Property Tax (\$ in Millions)

- FY27 anticipates 1.7% decline in property tax revenue
- FY28 to FY31 reflects minimal revenue growth
- Does not include property tax rate increase
- City could increase to State allowed rate of 3.5%
- Update will be provided at Trial Budget

Year over Year Property Tax Revenue Growth

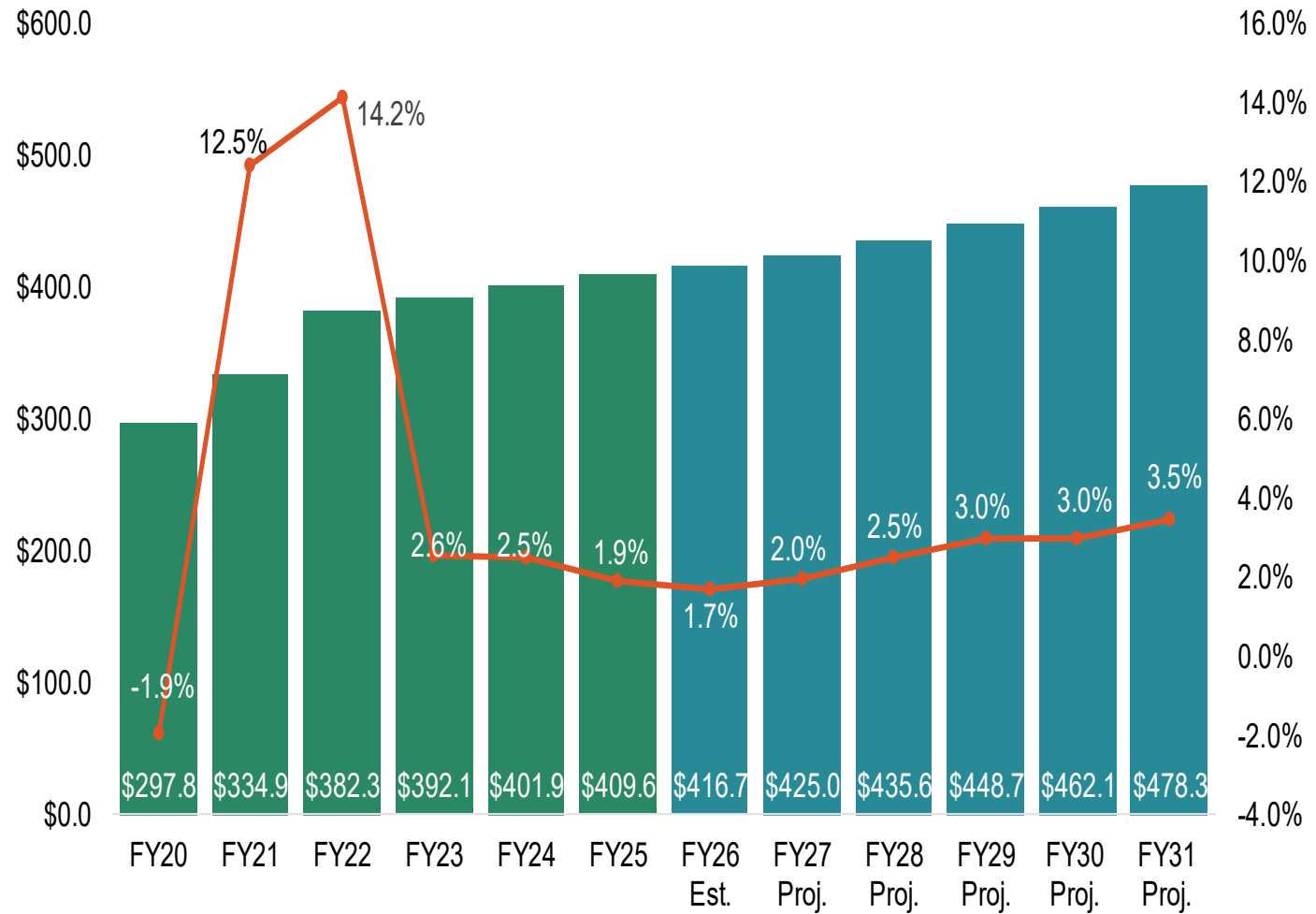


FY27 to FY31 Forecast

Sales Tax (\$ in Millions)

Year over Year Sales Tax Revenue Growth

- FY27 projects growth of 2.0%
- FY28 to FY31 reflect moderate revenue growth between 2.0% and 3.5%

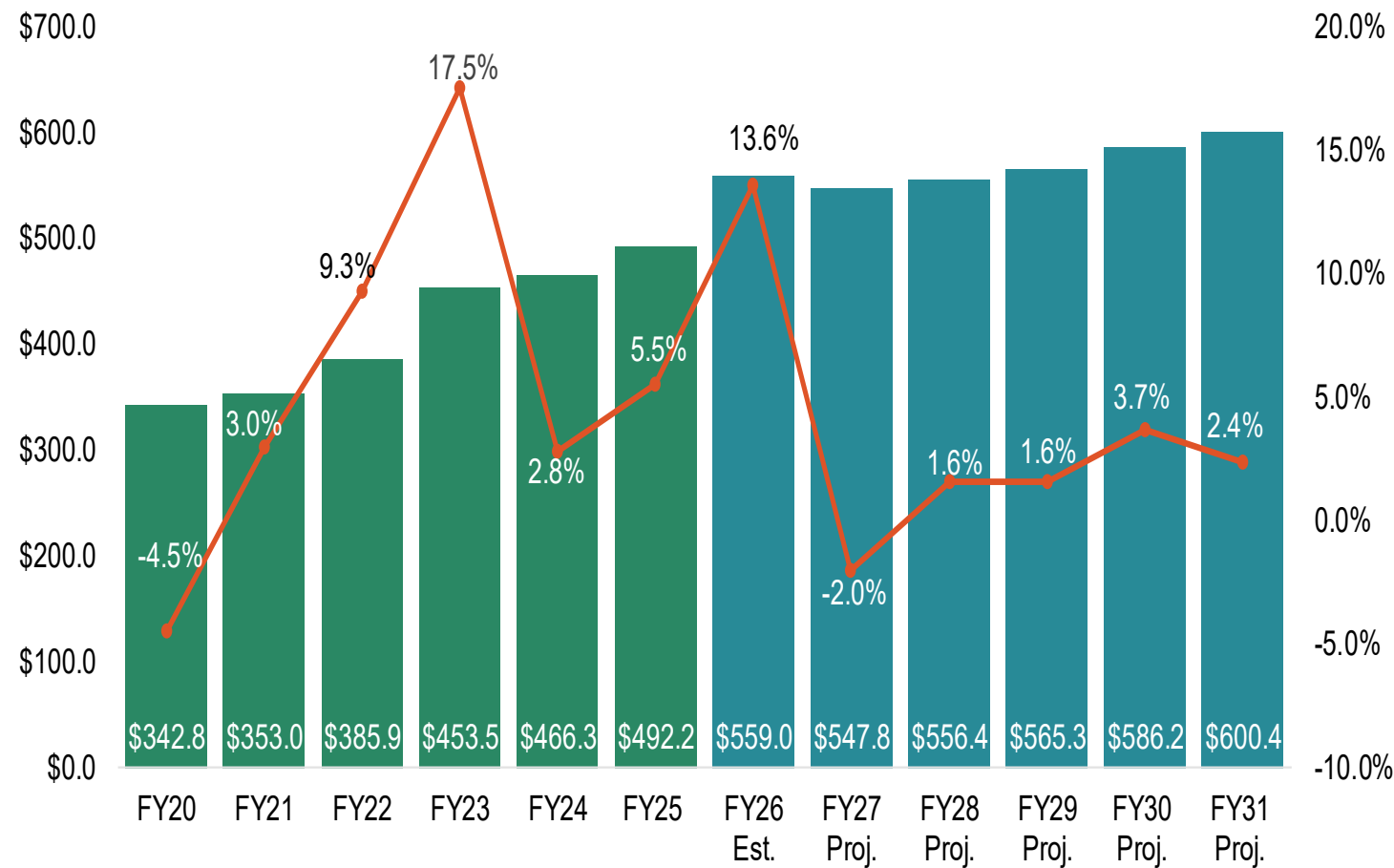


FY27 to FY31 Forecast

CPS Energy (\$ in Millions)

- Preliminary CPS payment projections reflect a 2.0% decline in FY27
- FY28 to FY31 reflect moderate growth
- Projection includes off system sales

Year over Year CPS Revenue Growth



FY27 to FY31 Forecast

CPS Energy

- Preliminary CPS payment projections reflect a 2.5% increase in FY27 Base Revenue
- Decrease in FY27 due to off system sales and other adjustments
- Off system sales not paid by City of San Antonio residents
- Base grows in outer years from large load projects coming on-line

CPS Projected Payment FY26 to FY31

(\$ in millions)	Base Payment	Off System Sales & Other Adjustments
FY26	\$485.8	\$73.1
FY27	497.8	49.9
FY28	508.5	47.9
FY29	522.1	43.3
FY30	541.1	45.2
FY31	554.8	45.6

FY27 to FY31 Forecast

General Fund Expenditure Assumptions

- Fully funds initiatives added in FY26
- Reflects funding to provide today's level of City Services
- Removes one-time expenses & adds operating costs for completed capital projects
- Includes projected increases for contracts, healthcare benefits, and inflation
- Funds Employee Compensation and benefits for Civilian, Police and Fire
- Does not include new improvements or changes to existing services
- Includes \$10.7 million in reductions as part of FY 2027 Plan
- Maintains General Fund Ending Balance at minimum of at least 15%

FY 27 to FY31 Forecast

General Fund Increase in Spending from FY26 Adopted

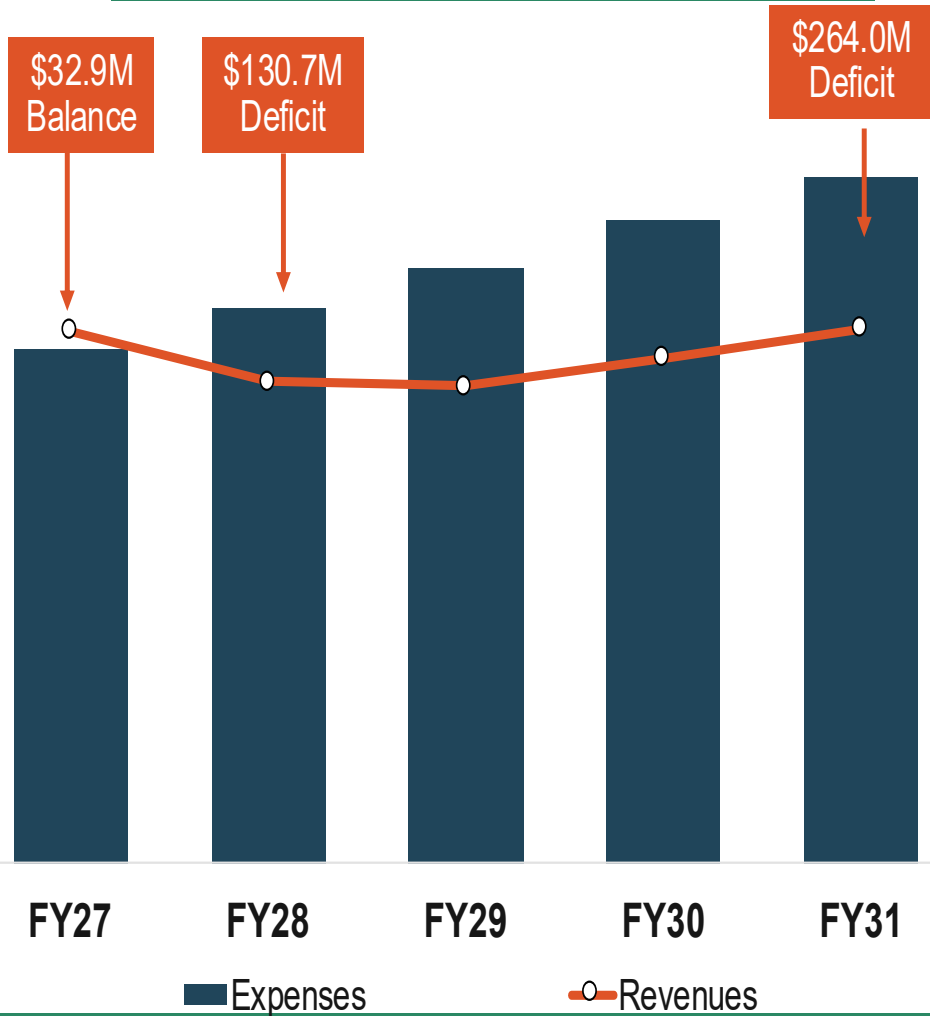
FY26 Adopted Budget (\$ in Millions)	\$1,695.9
Police & Fire CBA	39.0
Employee Health Care & Pension	31.8
Civilian Compensation	12.2
Mandated costs*	10.8
Support Services, Technology, Equipment, contractual and inflationary increases	20.4
Net for one-times, 2 nd year cost of improvements	3.2
Planned reductions for FY27	(10.7)
Total FY 2027 Projection	\$1,802.6

*Total mandated costs include operations and maintenance for 2022 Bond Projects completed in FY 2027 and General Fund match for grants

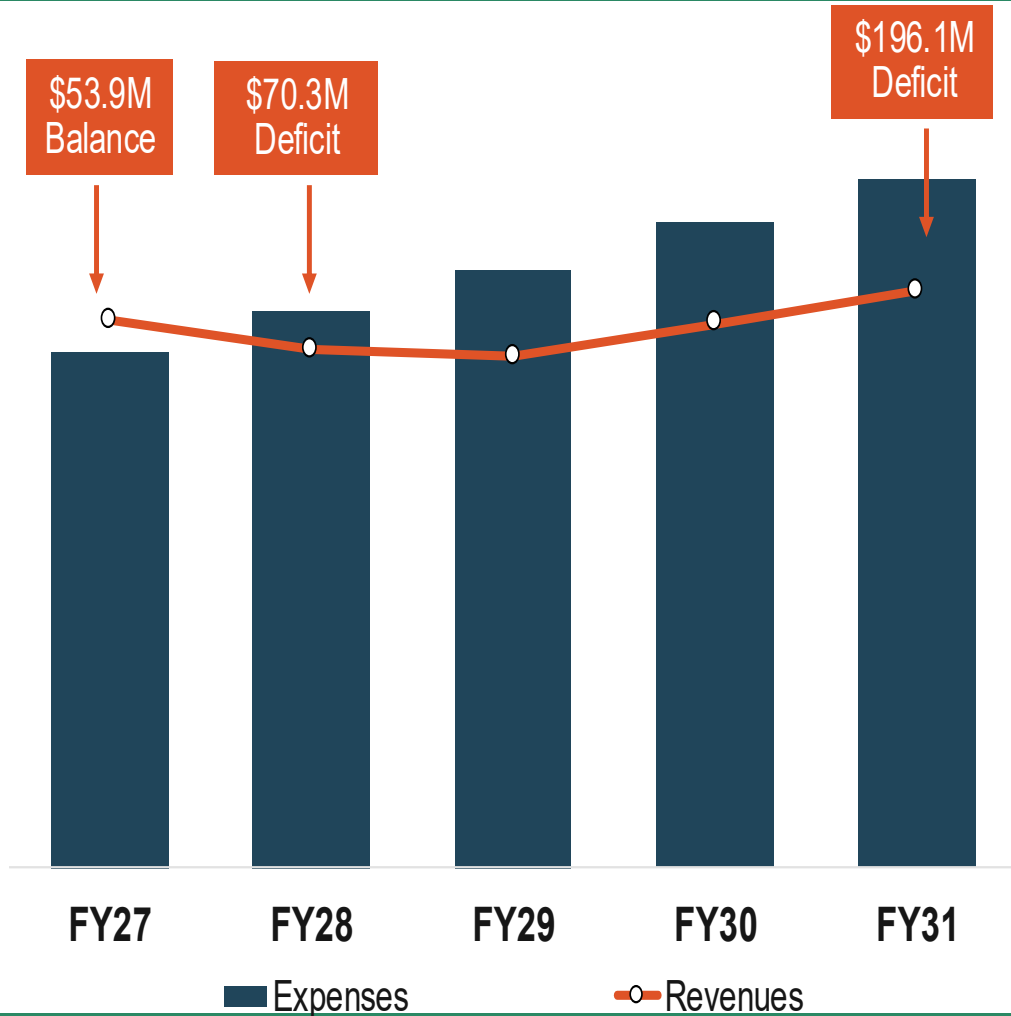
FY27 to FY31 Forecast

General Fund Five-Year Forecast

Maintains property tax rate



State allowed property tax revenue growth to maintain operations



FY27 to FY31 Forecast

General Fund Five-Year Forecast

Maintains Current Property Tax	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Projected Resources	\$1,924.3	\$1,834.1	\$1,826.1	\$1,876.5	\$1,927.0
Projected Expenses - Current Services	1,802.6	1,873.7	1,942.7	2,019.7	2,094.3
Financial Reserves	88.8	87.6	89.7	94.4	96.7
Balance	\$32.9	(\$130.7)	(\$206.4)	(\$237.6)	(\$264.0)

State Allowed Revenue Growth	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Projected Resources	\$1,949.0	\$1,894.8	\$1,885.6	\$1,943.3	\$1,998.9
Projected Expenses - Current Services	1,802.6	1,873.7	1,942.7	2,019.7	2,094.3
Financial Reserves	92.5	91.4	94.2	98.2	100.6
Balance	\$53.9	(\$70.3)	(\$151.3)	(\$174.6)	(\$196.1)

FY27 to FY31 Forecast

Structural Imbalance

- Revenues projected to decline by 0.6% in 2027 and grow on average 2.1% for outer years while expenses are projected to grow 6.3% in 2027 and 3.8% in outer years
- FY 2027 budget should narrow gap in growth between revenue and expense
- Strategies for discussions
 - Set property tax to state allowed property tax revenue growth rate
 - Adjust Fees and Charges
 - Reduce expenses through Targeted Reductions
 - To non-core, non-mandated services
 - Minimize impact to vulnerable populations

FY27 to FY31 Forecast

Scenarios to Balance Two Year Plan

\$ in Millions	Scenario 1		Scenario 2 Recommended	
	FY27	FY28	FY27	FY28
Projected Balance/(Deficit)	\$32.9	(\$130.7)	\$32.9	(\$130.7)
Use of Net Two Year Reserve		65.3		53.0
Increase to Property Tax Revenue (State allowed rate to maintain operations)			24.7	42.0
Department Reductions	65.3	65.4	35.0	35
Additional Ending Balance	\$65.3	\$0	\$59.7	\$0

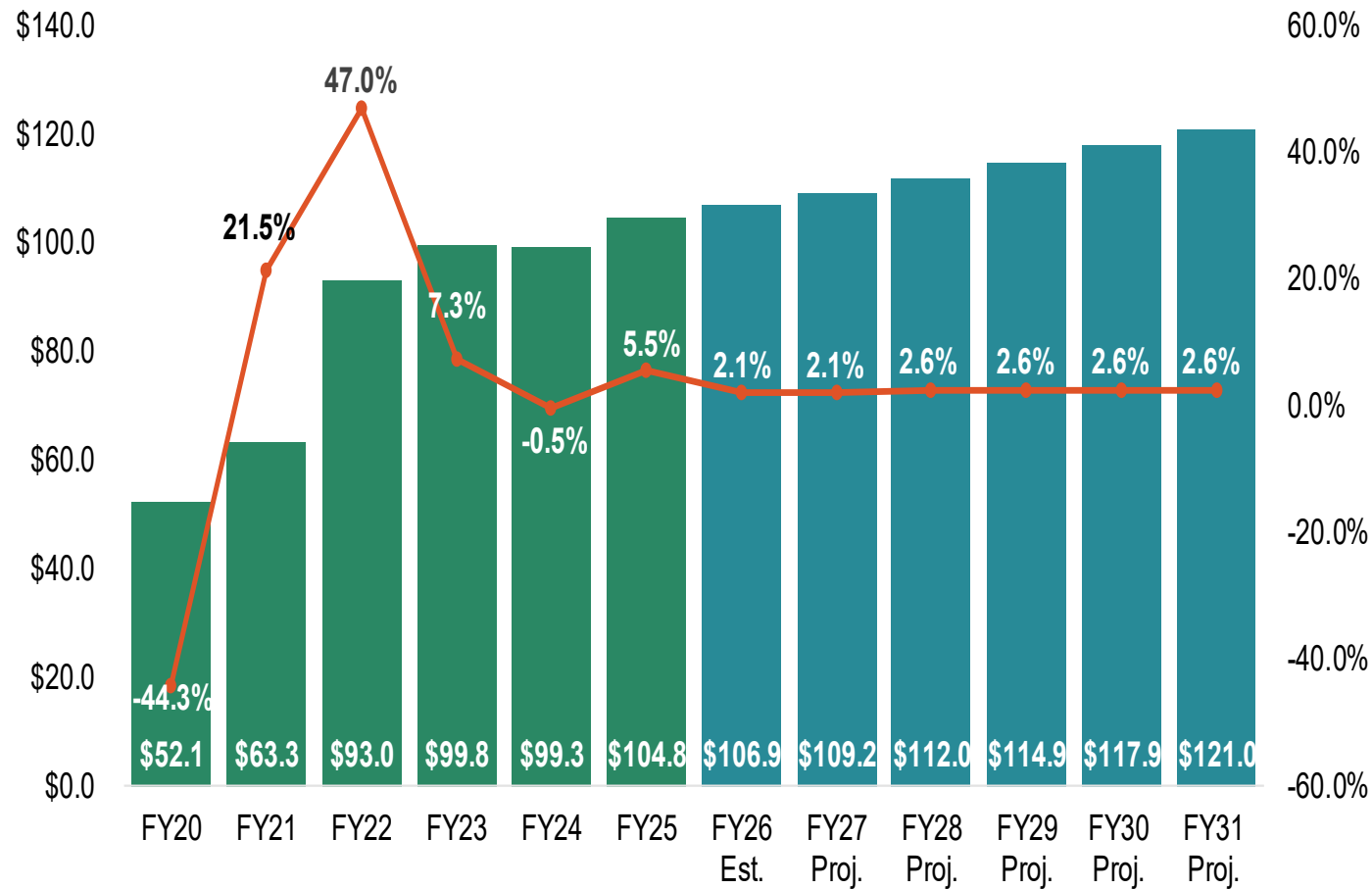
**Restricted Funds
Five-Year
Financial Forecast
FY27 to FY31**

FY27 to FY31 Forecast

Hotel Occupancy Tax

- Hotel Occupancy Tax (HOT) growth has slowed
- FY27 projects growth of 2.2% based on projected hotel occupancy and average daily rate
- FY28 to FY31 reflect moderate revenue growth
- Forecast is not structurally balanced

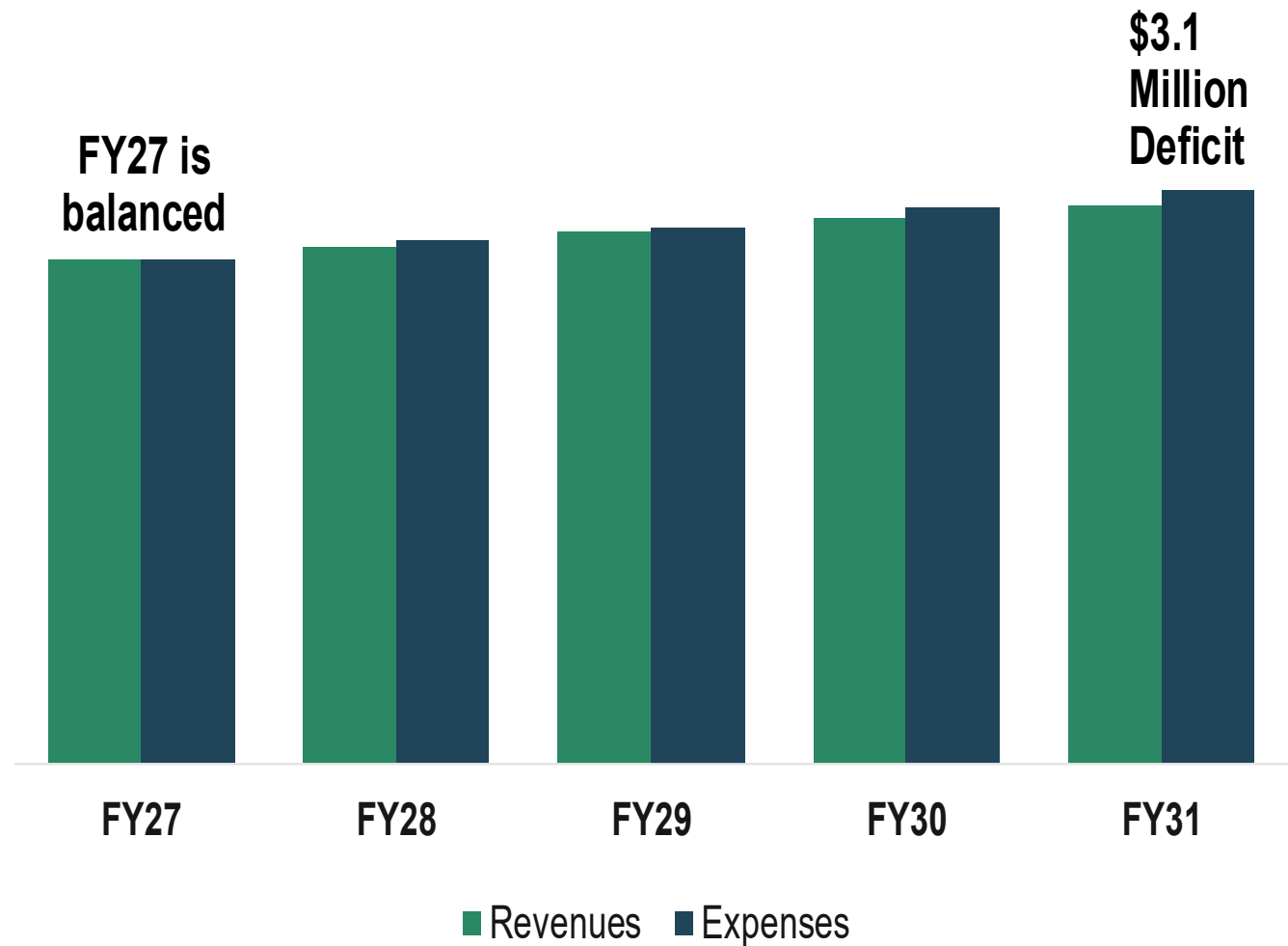
Year over Year HOTA Revenue Growth



FY27 to FY31 Forecast

Hotel Occupancy Tax

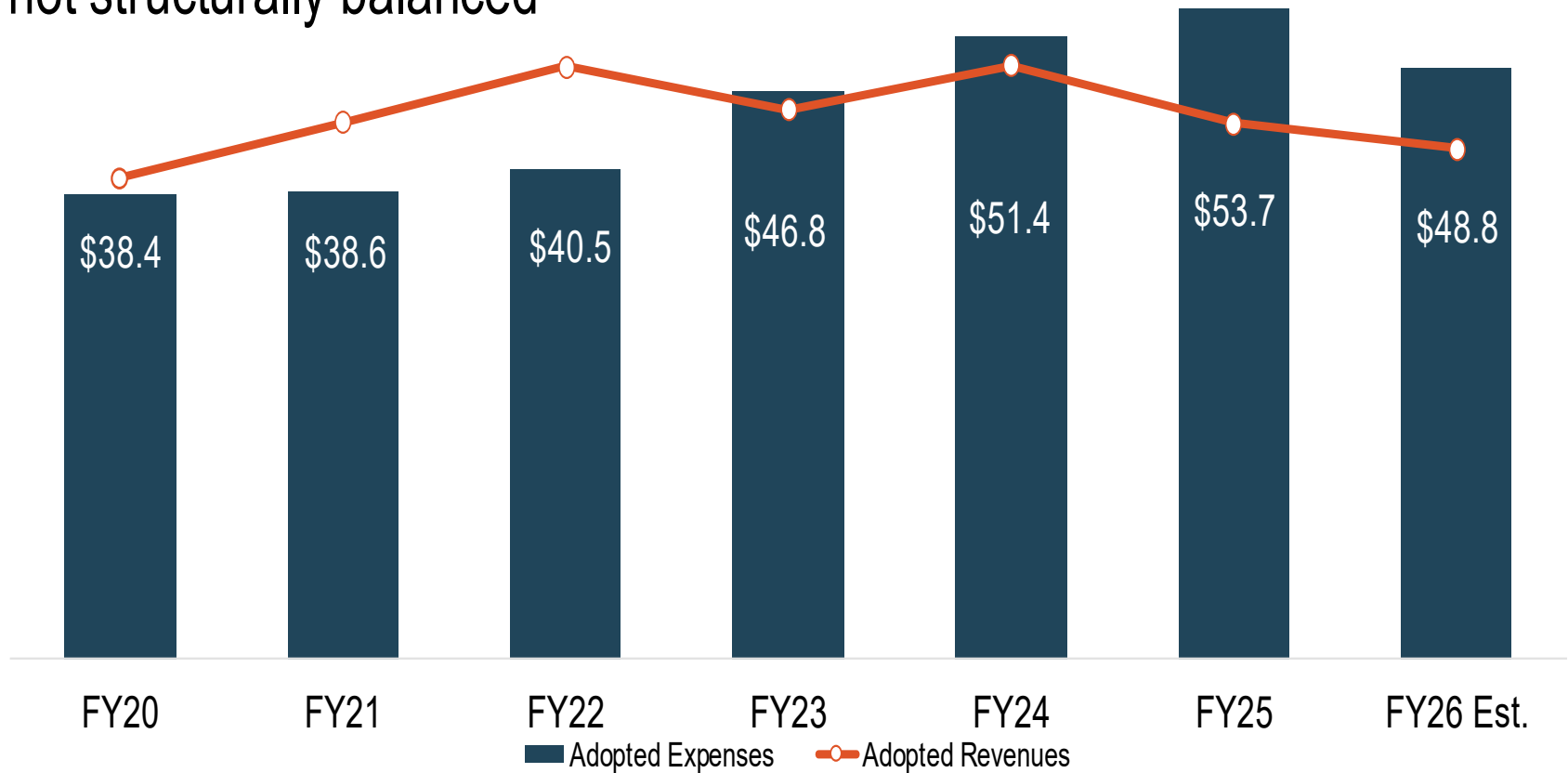
- 2.5% average annual revenue growth
- VSA, Arts & Culture, and History & Preservation funding grows in alignment with HOT revenue growth



FY27 to FY31 Forecast

Development Services

- No Fee Adjustments since FY 2008
- Expenses have grown by \$10.4 Million since FY 2020 due to employee compensation, technology, and building and equipment costs
- Fund is not structurally balanced

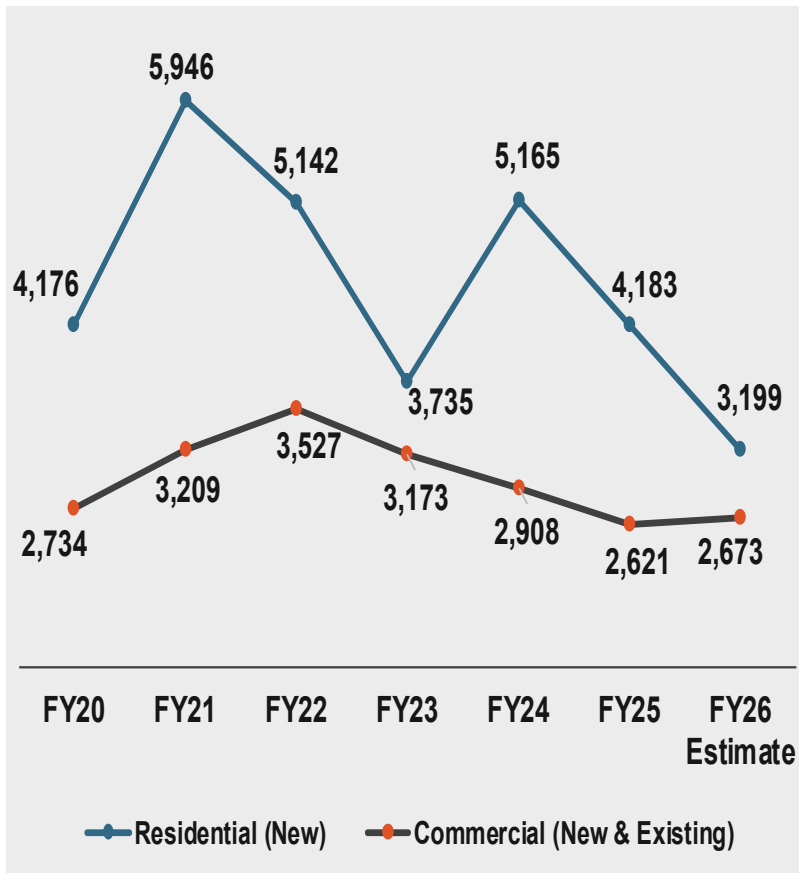


FY27 to FY31 Forecast

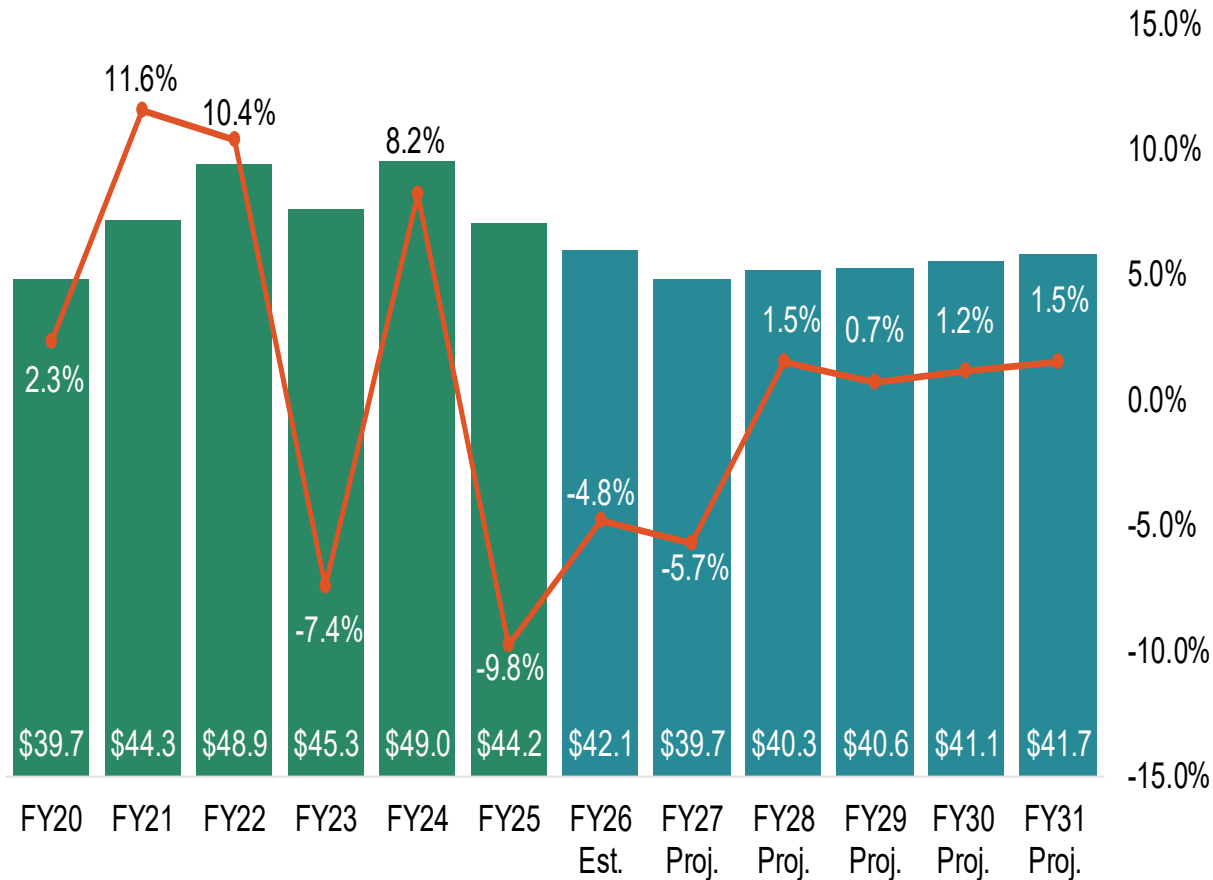
Development Services

Permit activity for commercial and residential permits has slowed

Permit Activity



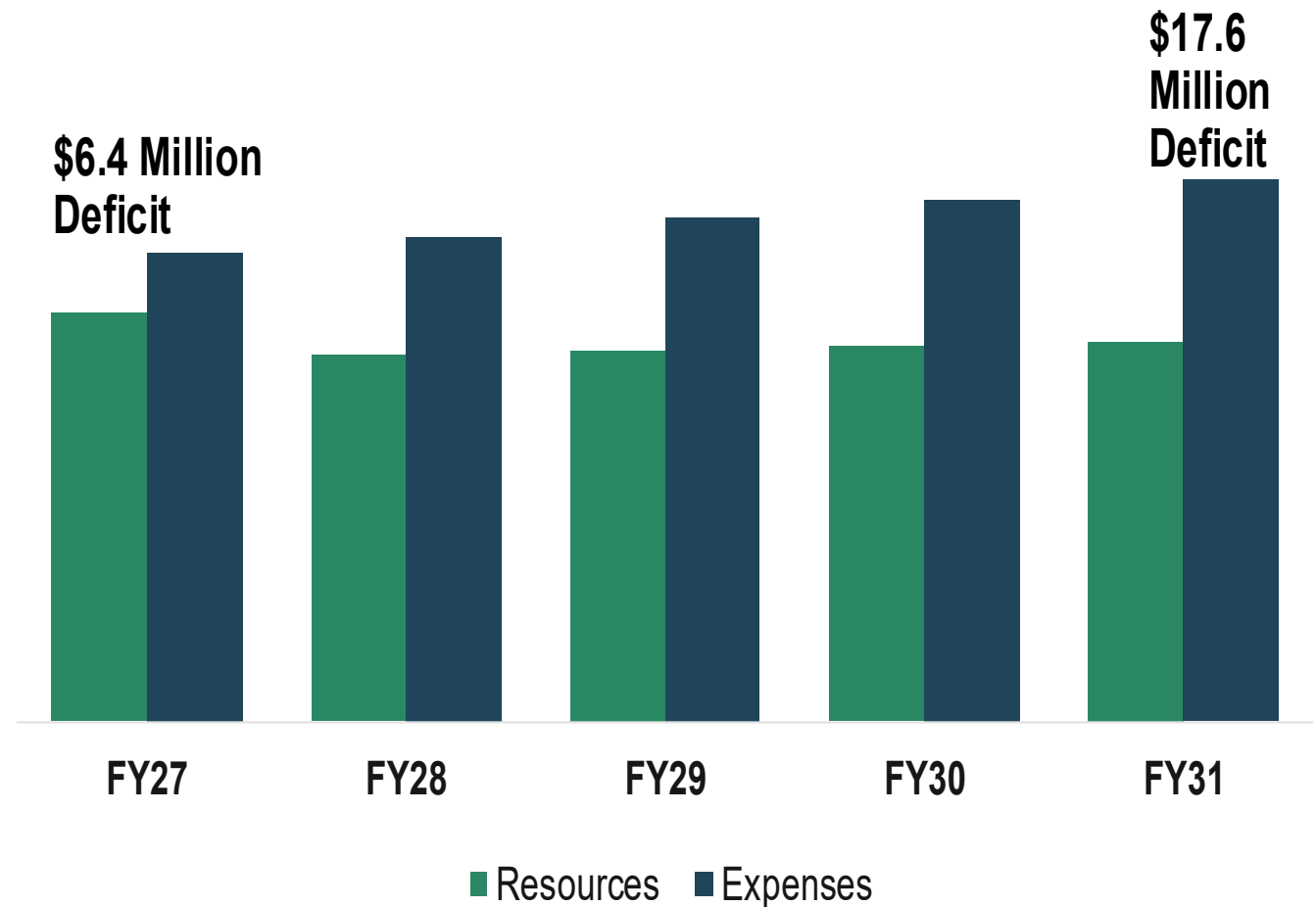
Revenues



FY27 to FY31 Forecast

Development Services

- Revenues expected to decline in FY27 and slow growth between FY28 and FY31
- 3.8% average annual expense growth
- Forecast does not assume fee increases
- Forecast is not structurally balanced



*FY27 includes beginning balance

FY27 to FY31 Forecast

Development Services

Potential Strategies to Balance Budget

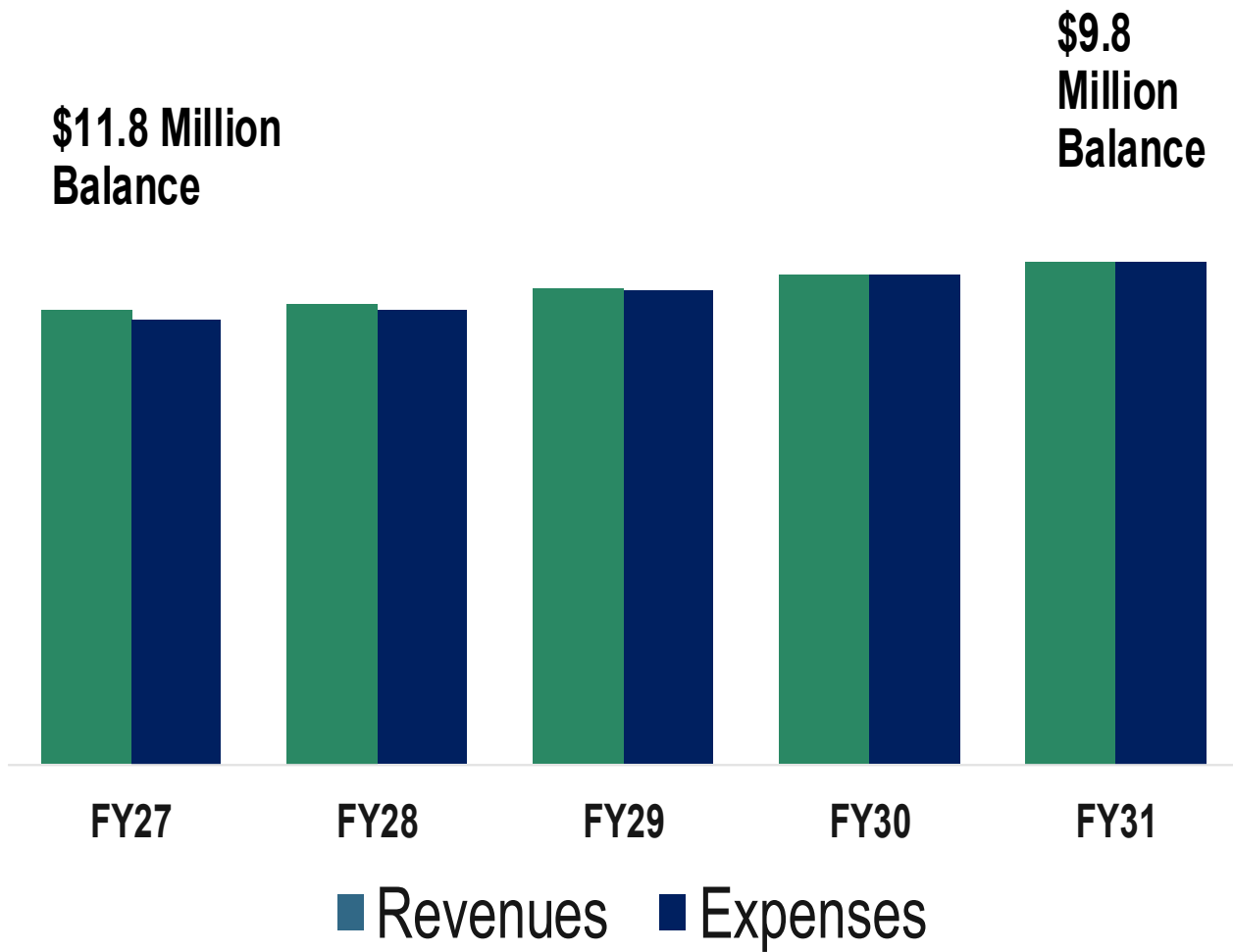
- Targeted fee adjustments to development services fee
 - Started discussion with stakeholder groups in April
 - Continue presentations to Boards in May and June
- Targeted reductions which could impact services to customers
 - Forecast maintains hold over 40 positions vacant



FY27 to FY31 Forecast

Solid Waste Management

- 3.7% average annual expense growth
- Forecast assumes fee increases annually
- Forecast is structurally balanced with Financial Stabilization Reserve
- Rate increases included each year of forecast
 - 50 cents to \$1.00 on all carts
- Environmental Fee increase FY27 and FY28
 - 25 cents each year



*FY27 includes beginning balance

FY27 to FY31 Forecast

Summary

- General Fund is not structurally balanced
- Will need to reduce spending in FY27 and FY28, to align revenue and expense growth
- Trial Budget in June will present updated revenue assumptions based on additional data and reduction target for FY27 and FY28



FY26 Budget Update

Mid-Year Budget Adjustment

- On Thursday, May 14, City Council will consider FY 2026 Mid-Year Budget Adjustment
- Adjustment will right-size revenues and expenses reflected in 6+6 Financial Report
- Taxpayer Impact Statement will be considered by City Council on May 14



FY26 Budget Update

Taxpayer Impact Statement

- Taxpayer Impact Statement will be considered by City Council on May 14
- Includes Property Tax and other fees
- To be published as part of Annual Budget Process

City of San Antonio Taxpayer Impact Statement

Estimated Annual Impact of Approved Rate and Fee Changes on a "Typical" Residential Ratepayer

Service or Fee	Fiscal Year 2025 Yearly Rate	Fiscal Year 2026 Approved Rate	Annual Dollar Change	Typical Ratepayer Defined as:
Property Tax Bill	\$849.27	\$866.54	\$17.27	Median homestead taxable value of \$156,810 for FY 2025 and \$160,000 for FY 2026
Solid Waste Fee	\$369.00	\$369.00	\$0.0	Residential customer using a 96-gallon cart
Environmental Fee	\$36.00	\$36.00	\$0.0	Per residential customer
Parks Environmental Fee	\$18.00	\$24.00	\$6.00	Per residential customer
Drainage Utility Fee	\$59.28	\$59.28	\$0.0	Residential customer with impervious area between 2,750 and 4,220 square feet
TOTAL YEARLY IMPACT	\$1,331.55	\$1,354.82	\$23.27	1.7% increase

HOMESTEAD EXEMPTIONS

A homestead exemption is a legal provision that can help you pay less taxes on your home. If you own and occupy your home, you may be eligible for the general homestead exemption, the age 65 or older exemption, or the disabled persons exemption offered by the City of San Antonio. Additional state-mandated exemptions are also available for disabled veterans, and some surviving spouses.

General Residence Homestead Exemption

The City of San Antonio offers the maximum allowable general homestead exemption of 20% of the assessed value of qualifying homes. In order to qualify for this exemption, the property must be owned and occupied as the owner's principal residence.

Over 65 and Disabled Persons Homestead Exemption

The City of San Antonio offers an additional exemption to homeowners aged 65 or older and to disabled homeowners that exempts an additional \$85,000 of the assessed value of their homes from taxation by the City. Property owners already receiving a general homestead exemption who turn 65 are not required to apply for this exemption if accurate birthday information is already included in the appraisal district records.

Applying for Homestead Exemptions

To learn more about whether you may qualify for these or other homestead exemptions, and to apply for these exemptions, please contact or visit the website of the Bexar Appraisal District:

- [Homestead Exemption – How to Apply – Bexar Appraisal District](#)

FY26 Budget Update

Medicaid 1115 Waiver Reserves

- Medicaid 1115 Waiver started in FY 2013
- Federal funds used for services such as oral health, violence prevention, disease prevention and control programs, and diabetes
- Over past months, have taken a deep dive into programs funded through reserves
- As a result, additional reserves identified to allow certain 1115 Waiver programs to continue without moving to General Fund
- Develop recommendation to be presented as part of FY27 Proposed Budget

Next Steps in Budget Process

May

6 *Six Plus Six Report & Forecast*

14 *Mid-Year Adjustment*

Taxpayer Impact Statement

22 *Budget Goal Setting & Community Budget Survey*

August

13 *Proposed Budget*

18, 19, 25, 26, *Budget Worksessions*

Community Input

17 *Trial Budget*

June

1,2, 8, 9, 15, & 16 *Budget Worksessions*

17 *Budget Adoption*

September

Comprehensive Budget Reviews – Status Update

FY26 Comprehensive Budget Review Update

Background

- City Manager reinstated the Comprehensive Budget Review (CBR) process in FY 2025
- CBR structure is systematic, data-driven and collaborative
- CBR goals are cost-savings, time-savings and performance improvement
- Innovation and Budget Office collaborating with five City departments:
 - Police
 - Fire
 - Library
 - Municipal Court
 - Human Resources

FY26 Comprehensive Budget Review (CBR) Update

Process Overview

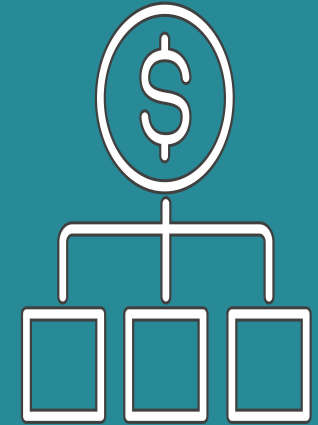
- Review of overall department budget/personnel growth, organizational structure analysis, comparative city research
- Review of department's programs/services to determine what is required by City Charter, State or Federal Law/Constitution or Voter-approved Bond/Referendum
- Select a set of programs or services for in-depth reviews
 1. Budget Analysis including requiring departments to justify services and associated costs and cost-benefit analysis
 2. Review goals, metrics and outcomes

FY26 Comprehensive Budget Review (CBR) Update

Process Overview

- Five large General Fund departments comprehensively reviewed in FY26
- From the comprehensive review, 23 areas identified for deeper analysis with 13 estimated for completion this year

	Fire	Police	Municipal Court	Library	Human Resources
FY 26	<ul style="list-style-type: none"> • Overtime • Fire Prevention Fees • Investigators 	<ul style="list-style-type: none"> • Quality of Life Calls & Alternative Response • E-citation 	<ul style="list-style-type: none"> • Information Desk • Technology Services Duplication • Collections Process 	<ul style="list-style-type: none"> • Branch Staffing Analysis • Support Staffing Analysis 	<ul style="list-style-type: none"> • Claims Analysis • Support Staffing Analysis • Program Evaluation
FY 27	<ul style="list-style-type: none"> • Civilian Support for Admin work • Administrative Overtime 	<ul style="list-style-type: none"> • Overtime • Performance Mgmt • Patrol Time Mgmt • Equipment Analysis • Support/Admin Analysis 	<ul style="list-style-type: none"> • Case Management Optimization • E-citation • Magistration Services 		



FY26 Six Plus Six Report & Five Year Financial Forecast (FY2027 to FY2031)



City Council “B” Session | May 6, 2026

Presented by Alfredo Martinez, Interim Budget Director