

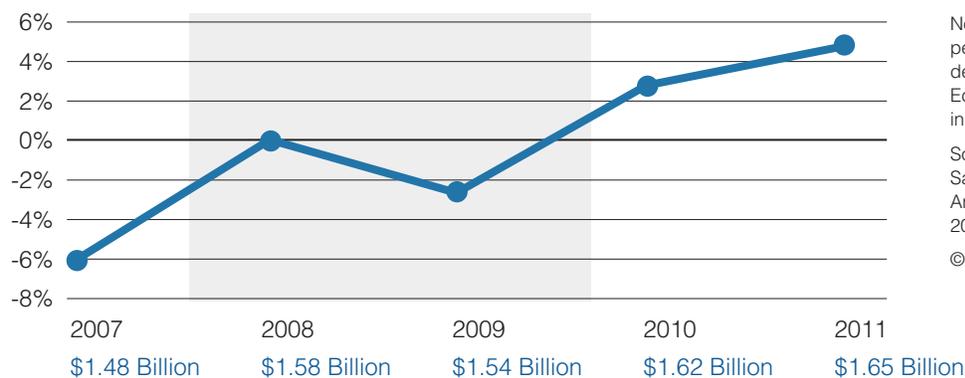
San Antonio

A post-recession revenue rebound allowed spending to grow without sacrificing reserves

San Antonio experienced a fiscal rebound after the Great Recession, as 2011 revenue exceeded its pre-downturn peak by 5 percent. (See Figure 1.) Growth in state aid, federal stimulus funds, and nontax sources—utility revenue and contributions—helped revenue bounce back from a small 2009 dip. That growth supported increased operating spending—including expenditures for public safety and social services and health—without compromising the city's well-funded reserves. San Antonio maintained its pension funding levels while also implementing plan changes to control future costs.¹

FIGURE 1

San Antonio Governmental Revenue, Percent Change From Pre-downturn Peak, 2007-11



Note: Shaded area indicates the period of the Great Recession as defined by the National Bureau of Economic Research. Amounts are in 2011 dollars.

Source: Pew calculations from San Antonio's Comprehensive Annual Financial Reports for fiscal 2007-11.

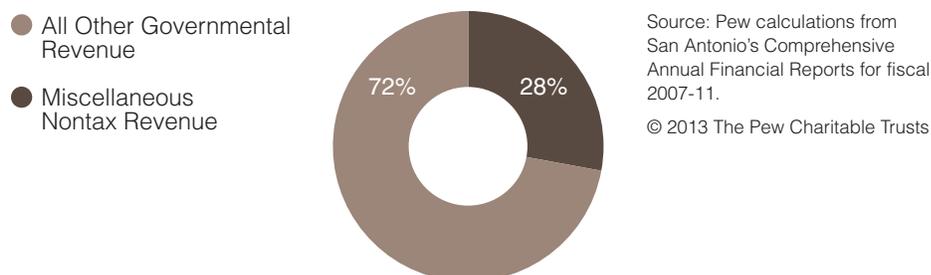
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Revenue from nontax sources and intergovernmental aid drove overall revenue growth

San Antonio's investment income from the nation's largest municipally owned energy utility was a key factor in its overall revenue growth. (See Figure 2.) Utility revenue grew from \$285 million in 2009 to \$310 million two years later, after adjusting for inflation. Contribution revenue more than tripled, from \$31 million to \$105 million, primarily because of the Convention Center Hotel Finance Corp., a local economic development entity. Aid from other governments grew from \$237 million in 2009 to \$308 million in 2011, in part because of increased grants from the American Recovery and Reinvestment Act.²

FIGURE 2

San Antonio Miscellaneous Nontax Revenue vs. Other Sources, 2011



San Antonio's property tax revenue, meanwhile, dipped from a high of \$420 million in 2009 to \$398 million in 2011, mainly due to declines in property valuations associated with the nationwide housing crisis.³ Charges for services also decreased \$30 million.⁴ But despite these revenue losses, total revenue increased \$116 million between 2009 and 2011.

Public safety spending drove overall expenditure growth

The revenue growth from 2009 to 2011 allowed the city to boost operating spending by \$73 million. San Antonio reallocated funds to public safety, its largest spending area, which increased from \$518 million to \$556 million as the city added 75 police officers and 73 firefighters and emergency medical personnel.⁵

Spending on debt service also grew, rising \$27 million between 2009 and 2011. The budget for social services and health increased \$44 million, largely because of new sanitation service initiatives.⁶

Not all spending grew, however. Housing and economic development outlays decreased \$29 million, and public works and transportation expenditures dropped \$12 million, partially offsetting growth in other categories.

Managing the future: Pension changes and funding discipline have helped San Antonio manage long-term obligations

Demand for services, investment decisions, and revenue performance driven by economic activity and demographic changes will shape San Antonio's fiscal future. Long-term factors of financial health, which can be analyzed using the data available, are pensions and retiree health care obligations and reserve levels.

San Antonio emerged from the economic downturn on strong footing with well-funded reserves and pensions. The city had \$179 million in general fund reserves at the end of 2011, representing 20 percent of general fund revenue.⁷

Retiree health care liabilities were 33 percent funded in 2010, higher than in most other cities examined, and the city's pension liabilities were consistently funded above 85 percent from 2007 through 2010. San Antonio is one of many localities that participate in the Texas Municipal Retirement System cash balance plan for all city employees except police and firefighters. In 2010, the city eliminated the automatic cost-of-living increase for current retirees enrolled in the Texas system, reducing future pension liability.⁸

See Pew's 30-city interactive at pewstates.org/City-Fiscal-Conditions-Interactive for complete data.

Endnotes

1 See the full study methodology at pewstates.org/City-Fiscal-Methodology for a detailed explanation of the terms used in this profile and view the underlying data at pewstates.org/City-Fiscal-Conditions-Interactive.

2 City of San Antonio, *Comprehensive Annual Financial Report, Fiscal Year Ended September 30, 2009* (2009), 170, <http://www.sanantonio.gov/ir/cafr/FY%202009%20CAFR.pdf>; and City of San Antonio, *Comprehensive Annual Financial Report, Fiscal Year Ended September 30, 2010* (2010), 169, <http://www.sanantonio.gov/ir/cafr/2010%20CAFR%20-%20COMPLETED.pdf>.

3 City of San Antonio, *Five Year Financial Forecast, FY 2011–FY 2015* (2010), 5, <http://www.sanantonio.gov/Portals/0/Files/budget/FiveYearForecast/FY2011-2015-Forecast.pdf>.

4 The city identifies the following as examples of charges for services: “airport landing fees, solid waste collection and disposal fees, vacant lot clean up, and food establishment licenses.” City of San Antonio, *Comprehensive Annual Financial Report, Fiscal Year Ended September 30, 2011* (2011), 40, <http://www.sanantonio.gov/ir/cafr/FY%202011%20CAFR%20FINAL%20for%20Website.pdf>.

5 *Ibid.*, 266.

6 The city said its spending on sanitation increased \$12 million in 2011 primarily because of three grants received under the American Recovery and Reinvestment Act. Those grants were for the Weatherization Assistance Program, Energy Efficiency Block Grant, and the Retrofit Ramp Up Program. *Ibid.*, 6.

7 Pew also estimates the number of days that the city could continue to operate its general fund budget solely from reserve funds.

8 Moody's Investors Service, “Moody's Has Assigned a Aaa Rating to the City of San Antonio's [TX] \$171.795 Million General Improvement Bonds, Series 2012, \$27.46 Million Combination Tax and Revenue Certificates of Obligation, Series 2012 and \$18.105 Million Tax Notes, Series 2012,” new issue (July 26, 2012), https://www.moody.com/research/Moodys-has-assigned-a-Aaa-rating-to-the-City-of--PR_251766. For more information on and analysis of the state of retirement funding in the 30 cities, see The Pew Charitable Trusts, American cities project, *Cities Squeezed by Pension and Retiree Health Care Shortfalls*, issue brief (March 2013), http://www.pewstates.org/uploadedFiles/PCS_Assets/2013/Pew_city_pensions_brief.pdf.