Bexar County Long Range Financial Forecast

FY 1999-2000 through FY 2003-2004

A Long Range Financial Planning Document

Planning and Resource Management

July 27, 1999
**Bexar County Government Mission Statement**

“Our mission is to improve the quality of life for the people in Bexar County by providing services that are appropriate, effective and responsive in a fair and equitable manner.”

**Vision**

Bexar County government is committed to providing services with excellence! The people in Bexar County are our customers and we will treat them with dignity and respect; We will continuously strive to keep their trust and maintain our credibility; We will empower and support a competent, stable motivated workforce dedicated to excellence; We will be accountable to our customers and responsive to their needs; We will protect and preserve our diverse cultural heritage; We will explore innovative ideas and services; and, We will be accessible to all.

**Bexar County Goals**

- Provide quality services which are accessible to all
- Manage the public’s resources with efficiency and integrity
- Promote public safety and well being
- Encourage flexibility and accountability in all offices and departments
- Provide an equitable justice system that is responsive to the needs of the community
- Create an environment that encourages continuous improvement, innovation and communication in County operations
- Use technological solutions to improve operations
- Promote diversity in the workforce
- Value every employee and treat them with respect and fairness
- Develop a highly qualified, dedicated workforce
- Preserve the history and heritage of Bexar County
- Improve community relationships and communications
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EXCLUSIVE SUMMARY

July 27, 1999

TO THE HONORABLE COMMISSIONERS COURT
BEXAR COUNTY, TEXAS

Bexar County’s financial position continues to be exceptionally strong. In fact, the Long Range Financial Forecast (LRFF) for FY 1999-00 through FY 2003-04 in the General Fund reflects increases, when compared to last year’s forecast, in projected surpluses for each year throughout the forecast period. The forecast, however, does not include any new or expanded programs or infrastructure improvements beyond those already approved by the Commissioners Court. Likewise, the forecast assumes no adjustments to compensation. The forecast does, however, present a scenario to increase employee compensation and productivity within projected financial resources.

The forecast also addresses Debt Service Funds, as well as, includes a capacity analysis of the Flood Control Fund.

FORECAST PROCESS

The LRFF is part of a larger financial management system that provides an early assessment of the upcoming budget and provides a basis for making financial decisions
that will have a long term impact. The LRFF is not a prediction! Rather the LRFF provides projected end results based upon stipulated assumptions. Change the assumptions and you will change the projected end results.

**ECONOMIC TRENDS**

Economic trends can have profound affects on future County budgets and the County’s overall financial condition.

The economic forecast points to steady growth in Bexar County; however, the rate of expansion may be more moderate than in previous years. Mitigating factors to continued growth include projected steady but slower growth rates both nationally and within Texas. Economic uncertainty in Mexico due to the unknown outcome of the Presidential election and possible changes in economic policy will also affect Bexar County's economy. In addition, the Bexar County economy continues to not fully capitalize on growth opportunities within the Border Region and the I-35 Corridor. County leaders must consider regional strategies to grow to our economic potential.

**GENERAL FUND FORECAST**

This year’s LRFF continues to show improvement upon the financial strength demonstrated in previous years. As shown in the following graph, this year’s forecast projects surpluses in the General Fund each year throughout the forecast period beginning with a surplus of $8.5 million in FY 1999-00 which declines to $6.7 million in FY 2000-01 and then increases to $16.0 million in FY 2003-04. In comparison to last year’s forecast, FY 2002-03 (the last year of the forecast period) reflected a surplus of $3.9 million verses $16.0 million in this year’s forecast.
The LRFF assumes maintaining the existing level of service plus known mandated expenditures. Despite this strong financial picture, it should be noted that the County cannot increase the General Fund annual recurring expenditures beyond $2.6 million and still maintain a surplus in each year of the forecast period. The County may, however, expend the surplus in any forecast period year on one time expenditures since those expenditures would not require funding in future years. The Commissioners Court should take this into account when making funding decisions in the upcoming budget process.

**DEBT SERVICE FUNDS FORECAST**

Debt Service Funds are used to make principle and interest payments for outstanding debt. The funds are almost entirely supported by ad valorem property taxes and have first call in terms of the County’s available funds. In other words, debt service payments must be made prior to any other obligations of the County.
The LRFF indicates surpluses throughout the forecast period varying from $2.3 million in FY 1999-00 to $2.5 million by the end of the forecast period in FY 2003-04. The forecast includes the debt service expenses associated with the $52 million debt issued in April 1999. This debt included funding for the Year 2000 remediation project, a new medium-risk detention facility, a new radio system, and various capital projects for the County, as well as a significant refunding debt issuance. No future debt funding for capital projects, including the County’s Space Plan, is reflected in the succeeding graph. Financing strategies for the Space Plan continue to be considered.

![Debt Service Funds Forecast](image)

**FLOOD CONTROL FUND FORECAST**

River improvements and flood control projects within the San Antonio River basin result from the cumulative efforts of Bexar County, the City of San Antonio, the San Antonio River Authority (SARA), and the private sector. The County’s responsibility encompasses the infrastructure for the flood control portion of each project. The County’s funding for flood control projects is generated through the County’s flood control property tax.

The flood of October, 1998 damaged approximately 300 homes in seven neighborhoods of Bexar County. The County applied for $8.1 million in grant funding from the Federal
Emergency Management Agency. The grant funding required a local match of $2 million, of which approximately $1.4 million was approved to come from current available flood control funds.

There is currently $147.7 million in proposed improvements for the San Antonio River, $72.6 million of this total is the County’s share for flood control. A debt capacity analysis indicates that the existing flood control tax of 1.81 cents per $100 valuation would generate sufficient funds in today’s dollars over a ten-year period to fund $73.9 million in flood control projects for the County.

The City of San Antonio and/or the private sector have not yet fully committed to funding the total needed for the non-flood control portion, such as amenities and maintenance components, for these projects. If this commitment is not made soon, the Commissioners
Court may consider reducing the Flood Control Tax rate. This reduction could be used to fund our badly needed County infrastructure investments.

**STRATEGIC ISSUES**

In addition to presenting and analyzing financial and economic trends, the Long Range Financial Forecast serves as a planning document. The forecast provides a forum to address community and Countywide strategic issues facing the County and stimulate discussions regarding how County leaders can effectively manage the impact of these issues on the County’s financial future. The strategic issues this year are focused on Bexar County as an Employer and the need to change the County’s approach to the management of human resources to meet the County’s goal to develop a highly qualified, dedicated workforce. The Strategic Issues section also addresses challenges and opportunities regarding Technology Planning, Infrastructure Planning and Investment, Juvenile Justice System, and Adult Detention issues.

**BEXAR COUNTY AS AN EMPLOYER**

The forecast presents a human resource management philosophy that supports recruiting, developing, and retaining a workforce of professionals that possess an entrepreneurial spirit and which continually works to add value to the organization. This vision results as a response to County officials who continue to express dissatisfaction in their inability to hire, compensate and retain quality employees. The County demands a workforce of creative, dynamic public servants who are encouraged to think, offer ideas and question the status quo. To support a workforce of this caliber, deliberate steps must be taken to change the “corporate culture” and create an environment to attract high-quality individuals for employment. A more empowered workforce will result in enhanced productivity, improved customer service, and ultimately an increase in the level of services provided to the citizens.
If County officials desire to explore the practicality of pursuing the vision presented, resources could be made available to support a dynamic shift in personnel practices. Although the County has funded an average 3.25 percent increase in compensation over the past four years, the forecast over the next five years suggests if this trend were to continue, the funds required to maintain this level of investment will exceed the level of funds available in FY 2001-02.

Continued investment in the County’s workforce through compensation, training and development and technology enhancements will require an innovative funding approach. A scenario is presented that suggests that if existing vacant positions were eliminated, funding resources could be made available to fund a four-percent annual increase in salaries and benefits County-wide, as well as increased in investment in training and technology. The savings produced through reducing vacant positions and increasing
investment in employees and employee productivity could produce significant additional funding for employee-related initiatives. As the graph below illustrates, the scenario to identify funding for future investment in our employees is obtainable in a fiscally prudent manner.

**General Fund Forecast**

**Increased Employee Investment Scenario**

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**Technology Planning**

Movement toward a County workforce of fewer, more productive employees requires the provision of technology that best serves the unique business needs and processes of County offices and departments. The first step in this process is the completion of a technology plan, as recommended by MGT of America, Inc. in the FY 1997-98 performance review of Information Services.

Implementation of the technology plan will require significant annual investments in technology. Funding options should provide flexibility for individual offices and departments to acquire the needed technology enhancements, and empower them with the responsibility and accountability to ensure that the investments produce the desired
outcome for the County. Innovative approaches such as charge back systems and public-private competition are explored and suggest a changing role for the Information Services Department in the future.

The challenge of becoming Year 2000 ready is another technology related issue. The County has invested more than $8.5 million to make our systems Y2K ready. Despite this investment, more investment may be required for remediation of imbedded systems.

**INFRASTRUCTURE PLANNING AND INVESTMENT**

The County has not made a significant investment in its infrastructure in many years. The restoration of the exterior and interior of the historic Bexar County Courthouse is an issue that can no longer be postponed. The 76th Legislature created eight new courts for Bexar County, three county courts and five district courts, which will require space. Five of the courts become effective September 1, 1999 and the remaining three courts become effective next fiscal year. Accommodating these courts is only one component of a comprehensive $141 million space plan proposed for implementation over the next 10 years. To date, no funding has been identified for this plan.

Additional investment in infrastructure is also required to fund the implementation of the Bexar County Corrections Master Plan 1999 Update, including a 320-bed medium risk adult detention facility, as well as improvements to central booking, pre-trial and magistration functions and other enhancements in the County’s corrections system. Community initiatives such as the potential County involvement in the development of a new arena for the San Antonio Spurs may also require investment.

As the financial forecast indicates, the County has non-recurring funding capacity in the General Fund over the forecast period to fund one-time expenditures, such as infrastructure improvements. The Commissioners Court may have some opportunity to fund limited improvements to its infrastructure; however major investments would
require innovative approaches such as the creation of a Crime District to fund investments in corrections facilities and debt financing for other improvements. The County should continue to work to develop an effective financial strategy to fund capital improvements.

**JUVENILE JUSTICE SYSTEM**

Juvenile crime and resulting requirements placed upon the juvenile justice system present significant issues and financial challenges to Bexar County. Significant improvements to the detention, pre-trial and adjudication portions of the system in previous years have placed significant challenges on the post-adjudication and placement segments of the system. In some respects, the County has become a victim of its own success. As the backlog of over 2,500 cases has been eliminated, these cases are now moving through post adjudication and placement. As the graph below indicates, if the historical rate of increase continues in residential placement expenditures, the cost of these services will reach $36 million by the end of the forecast period in FY 2003-04.
In an effort to mitigate the costs of residential placement, the Juvenile Board and Commissioners Court have formed a Juvenile Task Force to examine issues related to residential placement. The Task Force has taken several actions to help the County reduce these costs in the current fiscal year. Long term strategies are also being developed to substantially contain these costs in future years.

**ADULT DETENTION ISSUES**

With 66 percent of all General Fund appropriations budgeted for criminal justice activities, the effective management of these functions is critical to the County’s financial future. Through the cooperation of the Judiciary, the Sheriff's Office, the Criminal District Attorney and Commissioners Court, the County continues to make great strides in managing its jail population. These cooperative efforts have lead to the adoption of an updated Bexar County Corrections Master Plan that relies on technology enhancements, such as voice verification, and improvements to the booking, magistration, and pre-trial services functions in order to manage the population in the detention centers, while enhancing community safety.

Improved management of population issues has resulted in a shift away from the need for the construction of a 1,320 bed, low-risk security Cagnon Road jail, to the preferred alternative of a 320 bed medium-risk detention facility adjacent to the existing jail. The Bexar County Capital Improvements Steering Committee is currently considering expanding this facility to 640 beds. The indefinite postponement of the Cagnon facility has saved the County $47.6 million in construction costs and $11 million in annual operational expenses. In comparison the 320 bed medium risk facility is estimated to cost between $10 and $15 million to construct with an estimated annual operational expense of $2.5 million per year.

An improved pre-trial process (central booking, magistration, and pre-trial services) is estimated to provide savings and revenue enhancements in the amount of $1.7 million per
year that can be used to offset the increased operational expense of the medium risk facility.

Through planning and monitoring of the County's approach to adult detention, the County has been highly successful in containing detention costs while meeting the security and detention needs of the community. The time has come, however, to move forward with the updated Bexar County Corrections Master Plan as proposed by the Sheriff and adopted by the Commissioners Court to continue to manage detention population levels (as shown in the graph below).

![Bexar County Jail Population](image)

**CONCLUSION**

This document contains a great deal of policy and financial information and forms the foundation for the budget preparation process. I will present a proposed budget to Commissioners Court in mid-August. The intent of the Long Range Financial Forecast is
to initiate Commissioners Court consideration of priorities for the upcoming budget and to alert the County of the financial constraints in the long term. Planning and Resource Management stands ready to assist the Court throughout this process.

I want to express my appreciation to the Commissioners Court, the elected and appointed officials and department heads, as well as the County employees for bringing about this outstanding financial position. Our strong position is the result of their hard work and improved productivity. Input was also received from the Executive Management Team consisting of representatives from various elected offices and departments. In addition, our financial advisors, Dain Rauscher Inc. and Estrada-Hinojosa and Company, Inc., helped in developing information for the LRFF. Special thanks goes to the Budget and Financial Services staff that prepared this forecast, as well as, the Management Services, Planning and Policies and Intergovernmental Services staff that helped draft this report and support the process.

Respectfully,

S. Marcus Jahns

Executive Director Planning and Resource Management /Budget Officer
INTRODUCTION

Beginning in FY 1993-94, the Planning and Resource Management Department has published an annual look five years into the financial future of Bexar County. The FY 1999-00 through FY 2003-04 Long Range Financial Forecast (LRFF) is the sixth edition of this planning document. The LRFF attempts to provide information to help decision-makers plan for the future financial needs of the County. The LRFF takes current expenditure levels, known cost increases, one-time expenses and inflation, and forecasts the effect of these factors on the County's financial condition five years into the future. The LRFF is a planning and financial management tool employed by the County to anticipate economic trends, strategic issues and financial conditions, which could impact the County within a five-year time frame. Anticipation of issues provides the Commissioners Court, other Elected Officials, Appointed Officials and Department Heads the opportunity to address issues in a proactive and strategic manner rather than attempting to manage crises once they have occurred. This becomes even more important as the County's strategic planning efforts progress.

FORECASTS DEFINED

Forecasts are not predictions! Forecasts are projected end results that may occur based upon stipulated assumptions...change the assumptions and the forecasted end results will change. The value of forecasts is that they allow policy makers the opportunity to anticipate problems and take corrective action thereby mitigating or preventing projected problems.

FORECAST FUNDS

The LRFF focuses on the General Fund, Debt Service Funds, and Flood Control Fund. Other operating funds, although important, are not incorporated into the LRFF because
they will not materially influence the County's overall financial condition over the next five years.

**ASSUMPTIONS**

As stated, the assumptions used to develop a forecast are key to the process. Different sets of assumptions will produce different forecast results. The specific assumptions regarding revenues and expenditures used to develop this LRFF are attached to the financial forecasts for each fund. The LRFF also assumes that the County will maintain a General Fund Balance equal to the current level as a reserve against revenue loss or a major calamity. Likewise, the LRFF assumes that the County will continue to maintain a fund balance in the Debt Service Funds equal to one half of the County's annual principal and interest payment on all outstanding debt. The assumptions are consistent with the Commissioners Court adoption of Countywide Financial Policies, which help facilitate sound financial management and to protect the County's favorable bond rating. The fund balance assumptions are more conservative than conventional financial forecasting practices but are deemed to be more realistic since reserve balances are as much of a financial requirement as other mandated allocations or expenditures. Fund balance policies serve to protect the County's AA bond rating, minimize interest expense on outstanding debt and allow the County to prudently plan future capital improvement programs financed through debt instruments. In addition, the actual proposed budget prepared annually by the Planning and Resource Management Department includes a fund balance equal to the current budgeted amount. Therefore, the fund balance assumptions in the forecast reflect actual County practices.

**FINANCIAL MANAGEMENT SYSTEM**

The LRFF is part of a larger comprehensive system of fiscal management processes. For existing and proposed County programs, the Financial Management System includes: strategic planning, new and existing programs; the LRFF, the budget preparation and development process; budget administration; accounting and reporting; performance measurement and performance review; financial auditing; and strategic planning.
STRATEGIC PLANNING

The LRFF is part of a larger comprehensive system of fiscal management processes. One of the most important components of the Bexar County financial management system is strategic planning. Strategic planning is a systematic way to manage changing conditions and create the best possible future. It is a creative and dynamic process for identifying and accomplishing the most important activities in view of strengths and weaknesses, threats and opportunities. It is important to note that strategic planning is an ongoing process, and that the process itself can have as much positive impact as the plan produced through the process. The County initiated strategic planning efforts during the late 1980s and early 1990s. These early efforts produced some successful results, and can be
considered the precursor of today's long range planning efforts. Currently, Bexar County is continuing its strategic planning efforts initiated in FY1996-97. The Planning and Policies Division is working to formalize a process to identify and analyze the challenges and opportunities facing the County. Collective understanding of issues will help focus County leadership on common goals and objectives. The process will enhance awareness of the increasing complexity of County government, and include an assessment of how limited resources can be maximized for the common good.

**LONG RANGE FINANCIAL FORECAST**

The financial projections and strategic issues identified in the forecast become the foundation for the development of the annual budget. They also serve as valuable input for developing long range strategies for Bexar County. The LRFF serves, not only as a foundation for the budget preparation process, but also as the initiation point of the Commissioners Court's review of the upcoming budget. By identifying projected shortfalls or surpluses in the succeeding fiscal year, the Commissioners Court and staff can begin to formulate budget strategies to deal with challenges and opportunities. The LRFF becomes a fiscal management tool to establish priorities, goals and objectives, and strategic policies to eliminate future financial difficulties, or to take advantage of opportunities.

**BUDGET PREPARATION**

The budget preparation process addresses both the operating and capital needs of the County. By anticipating future long range issues, the County can plan for the orderly addition of services and facilities to meet the needs and changing priorities of a growing metropolitan area at the lowest possible cost and within its ability to pay. The budget also provides offices and departments with a work program to carry out their missions. It provides the Planning and Resource Management Department and the County Auditor with a financial plan to ensure the County lives within its financial means. It serves as an important reference document that provides extensive information on the nature and scope of County operations and services. Finally, it contains performance measures that
assist offices and departments in assessing their overall workload, efficiency, and effectiveness in achieving their goals and objectives. The County’s capital improvement program process continues to establish the capital budget and five-year capital plan. The goals of this process are to: 1) focus on setting capital project priorities; 2) establish the most appropriate funding mechanism for each project; 3) begin a debt management program if appropriate; 4) develop an effective means to determine estimated project costs; and 5) determine the most efficient means of managing construction projects.

**BUDGET ADMINISTRATION**

The annual budget is both a financial and operating plan for the upcoming fiscal year. Unless the plan is managed to meet the proposed goals and objectives, priorities and intended results, it becomes a hopeless waste of effort.

To assist the Commissioners Court and staff in administering the fiscal plan and work program, the Budget and Financial Services Division prepares fiscal notes on each Commissioners Court action which may have financial implications. The purpose of fiscal notes is to assure that the County's work program is carried out within the available budgeted resources, and to assess future financial implications. The Budget and Financial Services Division also monitors monthly expenditures and encumbrance reports as well as revenue reports to assure that the County remains within the adopted budget. Regardless of the level of planning, unanticipated needs and changes in priorities will occur from time to time throughout the fiscal year. To accommodate these adjustments, budgetary transfers are required to meet the changed conditions. These transfers are processed by the Budget and Financial Services Division through the Commissioners Court. Once approved by a majority vote of the Court, the County Auditor enters the budgetary transfer in the County’s accounting records. In FY 1995-96, the County implemented a new financial accounting computer software system. As a result, the Commissioners Court adopted a higher level of budgetary control to give County offices and departments more flexibility in managing their budgets. The higher level of control has also reduced the bureaucracy of administering the budget while continuing to effectively manage expenditures.
ACCOUNTING AND REPORTING

The County Auditor prepares monthly financial reports which track revenue collections and office and departmental expenditures and encumbrances. These reports form the basis by which County departments and offices monitor and manage their budgets. These reports are also the mechanism by which the County Auditor and the Planning and Resource Management Department keep Commissioners Court informed regarding the County's financial condition. The County Auditor presents reports to Commissioners Court on a monthly basis.

PERFORMANCE MEASURES AND PERFORMANCE REVIEW

Just as the County's Financial Reporting System forms the basis for monitoring the financial objectives of the County, performance criteria form the basis for measuring the degree to which the County is meeting its operational and programmatic objectives. During the budget preparation process, each office and department develops measurement criteria for gauging their operational and programmatic objectives. Performance measures are of three types:

- **Workload/Output Measures** measure the amount of workload performed.
- **Efficiency Measures** measure the amount of work performed in relation to the resources committed to the effort - cost per unit of work performed.
- **Effectiveness Measures** (outcome measures) measure how well the organizational unit is meeting its mission, goals and objectives.

The Commissioners Court and Budget and Financial Services Division utilize these performance measures in evaluating office and departmental requests for future funding. Continual improvement is necessary to develop a performance measurement system that focuses the County's offices and departments on the quality and results of the services provided. To guide offices and departments toward this end, the Planning and Policies Division initiates an aggressive performance measures training program in FY 1997-98. The training has helped educate offices and departments in the creation, use and benefits
of performance measures. In addition, offices and departments are learning to develop systems to track and monitor data directly related to their efficiency and effectiveness in serving the public. By implementing performance measure training, offices and departments have become more familiar with the tools and techniques used in creating performance indicators that measure results in achieving County-wide goals and objectives. Appropriate performance measures are necessary to link the work of offices and departments to Countywide and office and department goals.

To improve service delivery and reduce costs consistent with the expanding demand for services, the Management Services Division continues to conduct and assist other offices and departments with performance reviews. These reviews for FY 1998-99 included the District Clerk Performance Review and the Justice of the Peace Courts Performance Review. Performance Reviews also included MGT of America’s performance review of the Planning and Resource Management Department.

**FINANCIAL AUDITING**

The County Auditor is responsible for preparation of the Comprehensive Annual Financial Report (CAFR). The CAFR and other financial statements are audited by the County's outside auditors, which are hired by and responsible to the Commissioners Court. The purpose of the financial audit is to ensure that the County's accounting and financial reporting system is in compliance with generally accepted accounting procedures, as well as all local, State and federal regulations and statutes.
ECONOMIC TRENDS

NATIONAL ECONOMIC OUTLOOK

FY 1998-99 marks the sixth year of expansion for the U.S. economy despite the adverse trade effects of the Asian and South American recessions. However, the rate of expansion for this fiscal year may produce more moderate growth rates than experienced in previous years. According to economists, the average American consumer is heavily indebted, and for the first time in decades consumers are spending more than their annual disposable income. This leads some economists to believe that a growth slowdown is inevitable. Growth, however, is still estimated to continue during the forecast period.

POPULATION GROWTH

The annual population growth for the United States is estimated slightly less than one percent, which adds some 2.5 million people every year. The Census Bureau estimates that the U.S. population will grow by fifty percent by the year 2050 to an estimated population of 392 million. This growth rate is notable for a developed nation because of the demands it places on the economy to provide jobs. Although population growth and the resulting expanded consumer markets are advantageous to business and industry, the economy must grow faster than the population in order to provide an increased standard of living. National policy makers will be faced with the challenge to grow the national and local economies to meet the demand for new jobs as well as provide additional services that this new population will require.

GROSS DOMESTIC PRODUCT

The overall forecast for the national economy, as in the previous years, continues to be one of steady moderate growth. Gross Domestic Product (GDP), the market value of all goods and services that have been bought for use during any given year, is forecasted to continue at an average annual rate of expansion of 2.7 percent during the forecast period.
GDP increased at an annual rate of 4.3 in the first quarter of 1999 according to the U.S. Department of Commerce's Bureau of Economic Analysis. The major contributors to the increase were personal consumption expenditures for services and inventory investments by business. The contributions of these components were partially offset by a decrease in exports and an increase in imports. As the international economy continues its recovery, this import/export trend may shift toward a more balanced level, with imports slowing and export growth picking up. This should help the U.S. economy achieve sustainable GDP growth rates in the future. One area of concern for the national economy remains the potential negative effect of the Year 2000 conversion problem. Although the total scope of the problem is not yet known, if the national or international economies are significantly effected, U.S. GDP growth could be negatively impacted. Notwithstanding this concern, within the forecast period, the U.S. GDP is forecasted to grow by $1.2 trillion dollars from $7.5 trillion to approximately $8.7 trillion.

**Interest Rates**

One of the key determinant factors in the U.S. economy’s future growth is interest rates. After a period of generally declining interest rates, earlier this summer economists were predicting that the Federal Reserve would begin a series of interest rate increases to respond to inflationary pressures in the economy. The Federal Reserve has repeatedly indicated that tight labor markets, coupled with historically high expenditure levels by U.S. consumers, could drive inflation rates higher. In fact, inflation remains largely in check, but is predicted to grow slowly in the future (see discussion below). Prior to the June 30th meeting, the financial markets were expecting as much as a one-half percent
increase by the Federal Reserve in the federal funds rate, a key benchmark that drives other interest rate increases or decreases, to be followed by further future increases. Increases in interest rates affect the County by raising the cost of borrowing money, and generally slowing economic growth. However, at the June 30th meeting, the Federal Reserve Open Market Committee raised rates only a quarter percentage point, and indicated that future rate increases might not be needed. This action by the Federal Reserve helped stabilize capital markets, which had anticipated a larger increase. If interest rates remain low, the national economy can continue to expand, providing an important stimulus for local economic growth as well.

INFLATION

Over the past five years, inflation has trended down from over three percent in 1995 to less than two percent in 1998. This low level of inflation is due largely to decreases in energy, food, and other commodity prices. According to City Public Service, "Inflation has declined below two percent because of falling commodity prices but is expected to return to the three percent range during the forecast period." The Federal Reserve reiterates this forecast by noting "Weaknesses abroad, combined with the rising dollar, have brought dollar prices of our basic commodities down sharply since 1996. Currently these prices are well below their levels of the early 1980s. The rising dollar and falling world commodity prices have combined to lower our inflation rate. This could be a temporary phenomenon, just as opposite movements in both the dollar and commodity prices in 1994 and 1995 turned out to be temporary. The
outlook for inflation in 2000 and beyond is far less certain, and will depend on whether monetary policy responds quickly to any perceived acceleration in underlying price inflation. Over time, the gap between price and wage inflation depends largely on domestic productivity growth, but the levels of all the indexes, both price and wage inflation indexes, depend mostly on domestic monetary policy.”

**EMPLOYMENT**

Currently, meeting the demand for the creation of new jobs has not proven to be difficult for business and industry. The United States is currently in a “tight labor” market. According to reports from the Federal Reserve districts, “Finding qualified workers has become difficult in several districts, and reports of faster wage increases were more widespread.” The U.S. jobless rate fell to 4.2 percent in February 1999 according to the Labor Department. This is the lowest rate since February 1970, when unemployment was also measured at 4.2 percent. Economists believe the job market has become so strong that the supply of available workers is dwindling rapidly. “We have finally started running into the brick wall of the tight labor market,” said Sung Won Sohn, economist at Wells Fargo Bank. Sohn continued, “That could be a harbinger of slower economic growth. A very low unemployment rate can curb economic business by limiting the ability of business to expand.”

In 1998, the services sector accounted for approximately 30 percent of all U.S. jobs. This is down one percent from the previous year. However, the service sector is still the largest
sector in the U.S. economy. The second largest was the trade sector at approximately 23 percent; this is also a reduction of one percent from the previous year. Together, the two sectors again combined for more than one of every two jobs in the nation. During 1998, the manufacturing sector grew by approximately 3.5 percent to its current level of 19 percent. Manufacturing improved in many parts of the nation during 1998 partly due to a surprising rebound in automobile sales, especially after settlement of the General Motors strike and furniture manufacturing displayed higher production as a result of a brisk home sales market.

As noted earlier, the jobless rate has fallen to its lowest level since the 1970’s. Prior year unemployment projections anticipated the rate to hover around the five percent range. Recent forecasts show the unemployment rate to remain just below the five percent mark going into the upcoming millennium. This is a decrease from approximately 7.5 percent of the U.S. labor force during the last recession, which occurred July 1990 through March 1991. Accordingly, unemployment is anticipated to rise slightly and to moderately fluctuate thereafter. At this point it is not anticipated to reach the 6 percent rate as was expected during last year’s LRFF. With the continuance of the tight labor markets, it is likely that unemployment will remain low during the forecast period.
ECONOMIC INDICATORS

The Leading Economics Indicator (L.E.I.) Index is designed to forecast economic activity six to nine months in advance. Last year's L.E.I. indicated a leveling of economic activity which indicated a slowdown in the national economy. That forecast did not actually develop as leading economic indicators grew from a reported 103.7 in 1997 to 105.4 in 1998. These updated forecasts show that the L.E.I. Series indicates continued growth through 1999.

According to Michael Boldin, senior economist with the Conference Board, a private research group, "Now almost eight years in length, [the increase in L.E.I.] is the second longest on record and we expect it to become the longest ever in early 2000."

In summary, even with 40 percent of the world's economies having fallen into recession, and a decline in international demand for U.S. exports, the U.S. economy has "weathered the storm," and appears poised to continue moderate growth during the forecast period as the international economic situation improves. Due to the tight labor markets experienced in the U.S. economy, as well as concerns regarding the affects of the Year 2000 problem, this growth is forecasted to slow moderately for the next few years. With inflation in check, low interest rates, and high employment, the U.S. economic outlook remains favorable, with significant potential for future growth hinging on the continued recovery of Asian and Latin American export markets.
TEXAS ECONOMIC OUTLOOK

Statewide exports, lower unemployment than the national average, and a more diverse economy since the days of cotton, cattle, and crude, are forecast to give Texas another five years of good economic performance. According to the State’s Comptroller Office, “The state economy will continue to grow throughout the next three years; and even though the rate of growth is expected to decelerate, it should consistently remain above the national growth rate.”

POPULATION

A key driving force for the state’s economy is the increase in our state’s population. Texas is predominantly an urban state, with 84.3 percent of its population living within metropolitan areas. Texas’ twenty-four metropolitan areas accounted for 90 percent of the population growth.

The Texas State Data Center at Texas A&M has projected the state population to reach 33.9 million by 2030. This is nearly double the 1990 population.

One of the fastest growing regions of the state is the Rio Grande Valley. From 1990 to 1998, Brownsville and McAllen experienced a combined population growth of 204,988, which is comparable to the population increase for the San Antonio Metropolitan Statistical Area (MSA) during the same period.
Since January 1990, Texas has added over two million non-farm jobs to its employment base, an increase of 30 percent. The largest percentage of employment in Texas is in the Service sector. The Service sector employs more than one of every four Texas workers, over 2.5 million people. The Trade sector follows as a close second. Both of these industry groups are anticipated to continue their current trends of growth. Additionally, while manufacturing jobs have decreased nationally, Texas has experienced a significant increase.

The only sector within the Texas economy to show a contracting rate of growth is in the Mining sector. This sector, which includes oil and gas extraction employment, is projected to decline by 4 percent through FY 2004-05. Further
evidence of this trend is provided by the fact that the Mining sector suffered a 6.8 percent decrease in employment from February 1998 to February 1999. Also, this employment sector was impacted by the decline in oil prices in 1998, when the benchmark west Texas "intermediate" crude bottomed out at $10.72 per barrel. Since that time, oil prices have begun to recover ($19.00 per barrel), which should help slow the rate of decline in employment in this sector.

According to the Texas Workforce Commission, the Texas unemployment rate dropped from 4.9 percent in February 1998 to 4.6 percent in May 1999. More than half of the state's metro areas posted declines in unemployment rates. "Among Texas' metropolitan areas, Bryan-College Station posted the lowest unemployment rate at 1.7 percent while McAllen-Edinburg-Mission had the highest, 17.2 percent."

**Exports**

One contributing factor to Texas' continued prosperity is its ability to export goods. Mexico is Texas' largest market for exports. Strong political, economic, and social relationships are considered important to the continued prosperity. The Legislative Budget Board projects exports to Mexico to continue at a 6 percent rate of expansion well into the year 2005. Exports should help boost transportation employment, as well as employment in manufacturing, which produces much of the merchandise exported to Mexico. In 1998, 38.2 percent of all Texas exports were to Mexico.

![Texas Exports to Mexico](chart)
Overall, Texas exports reached $86.9 billion in 1998, with Mexico accounting for over $30 billion of this total. This represents a growth rate of 3 percent over 1997 levels. The largest export gains continued to be led by Canada and Mexico, which together accounted for 53.7 percent of total 1998 Texas exports.

Texas has many high tech firms, including Dell Computer, Texas Instruments, and Compaq Computers, as well as others that have built billion dollar factories in Texas, such as Advanced Micro Devices, Samsung, Intel, and Motorola. Some of the maquiladora plants along the border also engage in electronics manufacturing, and many of these plants utilize parts and materials transported from and through Texas for assembly in Mexico.

**ECONOMIC INDICATORS**

In the near-term, the Texas Leading Economic Indicator series (L.E.I.) indicates a moderating growth trend (left). The slower growth rate in Texas is influenced by the forecasted slowing rate of growth in the national economy. The Texas growth rate should continue into next year, and then slow slightly later in the year. However, this slower growth does not mean low or no growth. Growth rates will continue to be positive. Instead, the slowing expansion should prove to be a hedge against labor market-driven inflationary pressures.
In summary, Texas should continue its economic expansion over the forecast period, albeit at a slower rate than that experienced in the last few years. With the national economy forecasted to be very stable, an increasing State population base, as well as growing integration with the expanding Mexican economy, the next five years should continue to provide important economic opportunities for the state.
**Mexico Economic Update**

This is the third year that the Bexar County Long Range Financial Forecast includes a Mexico Economic Outlook section in order to keep the County and regional leaders informed on factors which ultimately affect the our economy. Mexico shares a border of more than 2,000 miles with the Untied States and the economic progress and/or challenges of this neighboring country are of vital importance to the Bexar County economy. The following update and forecast continues to focus on important economic indicators that contribute to Mexico’s economy.

![Mexico Gross Domestic Product](chart)

Two important factors which affect Mexico’s economy are the value of the peso and oil prices.

Following the December 1994 devaluation of the peso, the Mexican GDP declined 6.2 percent in 1995, the largest single-year drop in more than fifty years. However, since that time, the Mexican economy has recovered, and just as importantly, Mexican consumers are recovering from sharply reduced purchasing power. Bexar County’s retail trade sector benefits from this recovery through increased spending by Mexican nationals. San Antonio’s upscale shopping malls and boutiques for years have been perennial destinations for Mexican shoppers during Christmas and Easter. According to the North Star Mall Marketing Director, 35 to 45 percent of its shoppers are Mexican nationals.

Currently, the peso/dollar exchange rate has remained remarkably strong, in part because the Banco de Mexico has implemented tighter management of exchange and interest rates. The *Consensus Economic Forecast* projects a weaker average exchange rate and a 3
percent increase in inflation rates.

County retailers are well aware that the peso/dollar exchange rate is a key factor in the health of the Bexar County economy.

Mexico's unemployment rate more than doubled during 1995, but decreased by mid 1997. In 1998, close to 760,000 new jobs were created as measured by the number of both permanent and urban workers registered with the Mexican Social Security System. Additionally, the average open unemployment rate of 3.2 percent for 1998 was the lowest figure since 1992.

The North American Free Trade Agreement (NAFTA) continues to be a key factor in boosting Mexican exports and raising the overall level of economic activity. As a result of low oil prices and a slowdown of
growth in the United States, it is expected that the growth rate of exports in 1999 will be more moderate than in 1998. However, this trend should change in the year 2000 if, as expected, global economic conditions improve.

Another key factor for Bexar County is that Mexico’s economy is still dependent on crude oil prices. Mexico’s economy is vulnerable to the changes in oil prices, and Bexar County’s local close economic relationship with Mexico will make Bexar County growth and expansion more vulnerable to changes in oil prices than the rest of the state. So, while cities such as Austin, Dallas, and Houston have taken important steps toward diversifying their economies, Bexar County’s strong links to Mexico increase our vulnerability to crude oil price swings. In 1998 the average price of the Mexican oil mix dropped from $15.50 per barrel (pb) to $11.50 pb. Should the price of oil drop to $10 pb or less in future years, it would weaken Mexico’s economy, according to Keith Phillips, an economist from the Federal Reserve Bank of Dallas, San Antonio Branch. This could cause a spiral effect, weakening the Bexar County economy as well.

Finally, the outlook for Mexico’s economy for 1999 is not rosy, nor is it bleak. During this, the final year of the Zedillo Administration, the economy is expected to grow at about the same average annual rate as the first five years. What the future holds for Mexico is more difficult to predict because of the unknown outcome of the Mexican presidential election, and any changes in economic policy that will follow. The outcome of the election and its impact on Mexico will affect Bexar County’s economy in the long run.
The Bexar County Regional Economic Outlook

According to a recent article in the San Antonio Business Journal, the largest growth in Texas employment and output for the next five years is projected to take place along the "NAFTA" Highway—the I-35 Corridor which includes Travis, Hays, Comal, Guadalupe, and Bexar counties. Bexar County is also located within a second, very distinct region, a 1,254 mile area encompassing 46 Texas counties. This region, the Border region, as well as the I-35 Corridor, will experience rapid population growth during the next five years. According to the Legislative Budget Board, the Border region will experience a 60 percent population growth by 2020. Travis County will see a 47 percent increase by 2020. Successfully capitalizing on this unique crossroads location will be one of the greatest challenges facing Bexar County and regional leaders in the upcoming years. How Bexar County utilizes this unique location will impact its trade, transportation, infrastructure, tourism, education, communications, and high-tech expansion over the next five years.

**POPULATION**

As suggested above, an important factor underlying any economy is the population base. A growing economy depends on a growing skilled work force to supply its demand for labor. The Bexar County population will grow at about 1.5 percent per year through the forecast period, reaching 1,521,600 by 2004. However, population growth alone is not sufficient to sustain economic prosperity. The challenge is to develop a high-wage economy. In order to maintain higher living
standards, the wage rate must grow at least as fast as the work force. If not, the standard of living drops. To support a high standard of living, regional economic leaders must balance pro-growth economic policies with the demand for high wage jobs. Community leaders, including the Mayor of San Antonio, County officials, community-based organizations such as Citizens Organized for Public Service, and others have recently begun an initiative, the Human Development Fund, to create better jobs and job skills in Bexar County. Efforts such as this will help to continue the local economy’s progress toward higher wages and living standards. (Refer to the “Bexar County as an Employer” segment of this forecast for more information on Bexar County wages.)

Bexar County is experiencing a slowing growth pattern that is very familiar to urban areas around the state and the nation. This pattern of “suburbanization” is projected to result in a Bexar County population growth rate of one percent a year by 2020. During this same period, however, surrounding counties, including eleven counties within the Alamo Area Council of Governments, are expected to experience greater growth rates. Comal and Guadalupe, two AACOG counties, are projected to grow 82 and 62 percent, respectively, by 2020, according to the Texas Water Development Board (TWDB). Other surrounding AACOG counties will experience population growth rates in excess of 20 percent over this period. According to the TWDB, by 2020 the counties that surround Bexar County will have a population of over 500,000, or approximately 20 percent of that predicted by the TWDB for Bexar County in 2020.

**EMPLOYMENT**

Affected by regional and national trends, the Bexar County economy continues to benefit from a stable national economy, as previously discussed, and will be affected by economic conditions in Mexico. With an unemployment rate at just below three percent, Bexar County is already below the State unemployment rate of 4.6 percent. This unemployment rate also exceeds the “full” employment rate of 96 percent (or four percent unemployment) as defined by economists for the nation as a whole. This low unemployment rate could portend increasing difficulty for local employers (including the County) in filling available jobs at current salary levels.
Further evidence of this robust employment market is provided by the fact that following the December 1994 peso devaluation, the Bexar County job growth rate has now stabilized at just over three percent annually.

Structurally, employment in the San Antonio MSA is similar to employment throughout the state, and is currently dominated by the Trade and Services sectors. These two sectors comprise more than one out of every two jobs in the region. The Health Services sector alone has increased 14 percent since 1996 and is expected to bring more high wage jobs to the region in the future. The Construction sector is thriving in San Antonio and, spurred by low interest rates, is projected to continue growing through 2006. Since most major highways coming from northern Mexico converge in Bexar County, one would expect that NAFTA would increase transportation employment in the San Antonio MSA. So far, this does not appear to be happening on a large scale, despite 75% of Mexican trade in Texas traveling I-35 through Bexar County.
Economic growth in the San Antonio MSA is anticipated to edge slightly above the statewide rate. The fastest growing sectors of the MSA economy through the forecast period are expected to be the health-care-driven services sector and the transportation, communications, and public utilities sector. Services are expected to increase 16 percent through 2004. Transportation, communications, and utilities are projected to grow by 11 percent by the end of 2004. Much of this growth is attributable to the relocation of telecommunications and telemarketing companies to this area. These high-tech communications jobs will bring higher wages to the Bexar County area. Wholesale and retail trades, the San Antonio MSA’s second-largest employment sector, will also experience double digit growth at 10 percent from 1999 to 2004. Government, currently the third largest sector, will grow more slowly at 6 percent by 2004.

**ECONOMIC INDICATORS**

Another indication of slowing, but steady growth is the San Antonio Leading Economic Indicator series (L.E.I.), produced by Texas Perspectives. This series attempts to measure the growth of the local economy six months in the future by measuring real tax collections, unemployment insurance claims, help-wanted advertising, local vehicle sales,
Construction remains a steady growth industry. The Bexar County housing market appears to be positioned for slow growth. The ratio of housing starts to months inventory indicates that the demand for new homes can continue to grow without causing over-supply problems. With continued job creation, low interest rates, and population growth, the annual demand for new homes, currently 6,000, is at market equilibrium. If key market conditions such as interest rates change, however, this equilibrium could shift, either increasing or decreasing the demand for new homes. Additionally, increased regulation of new construction over the Edwards Aquifer and the increased costs of environmental regulation could cause the price of new homes to move out of the affordable range for many Bexar County residents or shift housing growth to the eastern and southern counties.

The tourism industry continues to boost the local economy as well. With the Alamo, Sea World, Fiesta Texas, the Riverwalk, the Spurs, the Missions, the Alamodome, and the
construction of new convention facilities, all of which are or will be located in Bexar County, the area has become a world-class tourist destination. Currently, the community is exploring the possibility of constructing a new mid-size arena to house events that do not require the 35,000 and over seating capacity of the Alamodome. The construction of such a facility could contribute to the growing tourist industry which the State Comptroller’s Office claims will play a vital role in the growth of the region throughout 2020.

As Bexar County continues to develop its tourism infrastructure, it must also develop a transportation infrastructure capable of supporting the increased volume of traffic into and through the County. Given higher than anticipated post-NAFTA trade projections, traffic jams at border crossings and hours of delays along key trade routes may be negatively affecting tourism and trade in San Antonio. The *San Antonio Business Journal*, which has recommended the construction of a better San Antonio-Monterrey, Mexico transportation link, anticipates that development along the IH-35 Corridor will grow exponentially with the strengthening of the highway infrastructure. As evidence of this trend, plans are now under way for the construction of an alternate to I-35 between Bexar County and Austin, which is hoped to relieve some of the traffic congestion from existing highways. Additionally, the possibility of a light rail connection between Austin and San Antonio is being explored.

It is important in this regard that Bexar County successfully develop Kelly Airforce Base, which has recently been closed as a military installation. Privitization by companies such as Pratt and Whitney, MSQ Inspections, Inc., Rail Car America, Lockheed, and Boeing will result in the creation of over 3,000 jobs, many of which are high-skilled and high wage jobs. Just as important, the County has a unique opportunity to restructure Kelly into an international inland port facility and transportation hub. Strategically located near the junctions of I-37, I-35, and I-10, Kelly could become a trans-shipment hub for the entire South Texas - North Mexico economic region. This would have important diversification benefits for Bexar County, and allow for a more stable economic future. Clearly, business leaders will need to capitalize upon the transition of Kelly AFB if Bexar
County is to realize the increase in transportation employment that NAFTA and the expansion of the Mexican economy should spur.

Some other areas of concern remain for the Bexar County economy. Water remains, as it has for decades, an important constraint on local economic development. Following a year that saw record breaking daily high temperatures coupled with increasing pumping demands, it is becoming increasingly evident that water will be a primary factor in determining the County economy's future growth. As water resources are increasingly regulated, and rights to water sources outside of Bexar County are being purchased by other entities, the County can take an important leadership role for the community in initiating regional arrangements to help assure that the residents of the community have access to water resources during periods of short supply, as well as for economic development. The San Antonio Water System board's recent approval of two contracts to acquire water rights from the Simsboro Aquifer northeast of Bastrop is an example of continued efforts to secure water sources outside our community. Another weather-related problem with which Bexar County and surrounding counties have been plagued in the recent past is floods. This issue is discussed in detail in the Flood Control section of the Long Range Financial Forecast.

The education level of a community's residents is another important factor impacting the local economy. The challenges for Bexar County are to provide a high-skilled regional workforce and to become a regional hub by expanding commuter appeal. Bexar County is situated little more than an hour's drive from one of the major education centers of the Southwest: Austin. To become the major intellectual hub of an expanding Border region, the County must continue to provide diverse and accessible educational opportunities that will attract students from surrounding economic regions. With the UTSA, the UT Health Science Center, four campuses in the Alamo Community College District, and five other major private colleges, Bexar County is well postured to meet this challenge. Efforts to attract new students include the proposed expansion of the Texas A&M University system into San Antonio, local colleges' addition of customized curricula designed to meet regional students' needs, and international educational training programs offered by
area colleges to domestic and foreign businesses. Bexar County must continue to develop its workforce through education to remain competitive with its neighbor, Austin, and to draw consumers from the Border region. Education is also essential to the future of the high-tech industry in the San Antonio area.

In summary, the five year forecast points to steady economic growth in Bexar County. In order to capitalize fully on historic growth opportunities along the Border region and the I-35 Corridor, County decision makers should consider regional solutions to our economic challenges while working with economic decision makers in other communities. County leaders must also strive to maintain a highly skilled workforce by developing a high-wage economy. If successful, the actions of County leaders today will positively impact the economic future of Bexar County.
REVENUE AND EXPENDITURE FORECAST

This section provides forecasts of revenues and expenditures for the next five years for the General Fund, Debt Service Funds and the Flood Control Fund. Continuing the methodology developed in previous years' Long Range Financial Forecasts, the economic forecasts outlined earlier in this report are integrated into the revenue and expenditure forecasts provided in this section. As mentioned in the Economic Trends section, the economic environment for the next five years is forecast to remain relatively stable, with the U.S. economy appearing to have weathered the worst of the Asian economic crisis. This national economic growth should provide a stable local economic environment for Bexar County despite potential uncertainties in the stability of the bordering Mexican economy. A stable local environment is reflected in the revenue and expenditure forecasts that follow.

Of course, future action by Commissioners Court can greatly affect both County revenues and expenditures. Using the methodology of past years' forecasts, only actions or expenditures previously authorized by Commissioners Court are reflected in the revenue and expenditure forecasts. This methodology allows Commissioners Court to assess the future impact of decisions that have already been made. It is important to note that the LRFF is based on assumptions about future cost and revenue factors, and it is not intended to be a prediction of future financial decisions. For instance, no salary increases are assumed in the baseline forecast. This is not a prediction that there will be no salary increases, but instead reflects the central assumption of the forecast: no expenditure is included in the analysis until Commissioners Court takes action to authorize the expenditure.

Also, expenditure projections are based on estimates of what County offices and departments are expected to spend in the current fiscal year, not on the amount budgeted. Reflecting input provided by other offices and departments throughout the year, this
forecast of expenditures and revenues was developed to provide decision-makers a realistic basis from which to forecast the County’s future financial position.

**GENERAL FUND**

The General Fund is the largest fund within the Bexar County organization, and it provides for most functions of the County government. The General Fund includes funding for most of the basic operating services of the County, including the Judge and Commissioners, the Sheriff’s Office, the judicial system, Juvenile Office, Criminal District Attorney, the Tax Assessor-Collector, the County Clerk, District Clerk, Public Works, Infrastructure Services, Facilities Maintenance, the County Fire Marshal, Information Services, the Medical Examiner, the Crime Lab, Housing and Human Services, the County Auditor, and the County Purchasing Agent. Revenues into the General Fund include property taxes, licenses and permits, non-County adult inmate revenues, intergovernmental revenues, court costs and fines, motor vehicle fees, payments for collection of taxes for other governmental agencies, interest income, sales and refunds, and other revenues.

**REVENUES**

The following section outlines the growth assumptions used in forecasting General Fund revenues. Property tax revenue is assumed to grow by three percent in FY 1999-00, and two percent thereafter. The three percent growth for next fiscal year reflects the same rate as last year because, as discussed previously, economic growth, aided by low interest rates, will continue at approximately the same rate. The increase in property tax revenue also assumes that the County’s tax levy remains at the effective tax rate.

One issue of concern regarding ad valorem revenues is the relatively flat level of growth in commercial property values. According to the Bexar Appraisal District (BAD), pre-protest commercial property value rose from $10.9 billion in 1997 to $12.5 billion in 1998, an increase of over 14 percent. After protests, the commercial roll was valued at
only $11.6 billion, nearly $1 billion less than the pre-protest value. This billion-dollar reduction in taxable commercial property value represented a loss in revenue to the County of $3 million. The BAD cites several reasons for this high level of protest devaluation. These include the ability of commercial firms to hire professional legal representation for the protest process, market trends that may affect the final value, and the Bexar Appraisal District review process. Because of the Property Tax Code, a business need only provide a "sample of similar properties reasonably adjusted" to have its valuation adjusted. This uniformity requirement means that the lowest common denominator in commercial appraisals influences the pattern of adjustment. Lowering of taxable values is an issue that the County should monitor closely, as the impact of these decreased valuations negatively affects the County’s future revenues.

Interest income is forecast using City Public Service short-term interest rate projections. These rates are anticipated to remain fairly stable, slowly declining during the forecast period from 5.3 percent in FY 1999-00 to 5.2 percent in FY 2003-04. During the same period, inflation rates are also forecast to remain stable, from 2.8 percent in FY 1999-00 to 2.7 percent in FY 2003-04.

All other revenues are forecast based on historical rates of growth for each revenue type. Generally, revenues are forecast to continue to grow. Other Taxes, Licenses, and Permits revenues are forecast to grow at an annual rate of approximately 3.2 percent. Intergovernmental Revenue is forecast to increase from FY 1998-99 levels. This is due to a projected increase in funding from the Bureau of Justice Administration to offset the costs to the County of housing illegal criminal aliens in County detention facilities. In FY 1998-99, the County received about $100,000 for these costs (after applying for only $89,000). By way of comparison, Dallas County received over $1.8 million under this same program, and Tarrant County received $900,000. For FY 1999-00, the County is applying for $1.4 million in reimbursable costs. This funding is projected for FY 1999-00, but is not projected for future years, because of the uncertainty regarding the life of
the program. Other revenues within the Intergovernmental group are forecast to increase by 2.5 percent annually.

**Court Costs and Fines** base revenues are forecast to grow slowly, at 1.4 percent per year over the forecast period. However, under “Adjustments to Current Revenues”, nearly $1.7 million in annual revenue adjustments (by the end of the forecast period) are included. This adjustment to the base revenue forecast reflects anticipated collections associated with the eight new courts authorized by the Legislature. Expenses associated with these new courts, as well as lost revenues from the Auxiliary and Impact courts, are also included as adjustments to the base forecast. This revenue category could also be affected by the creation of the County’s new Collections Department. The Collections Department could enhance revenues from Court Costs and Fines.

**Fees on Motor Vehicles** is forecast to grow slowly, at a 1.4 percent annual rate. The **Other Fees** category is forecast to grow at a 5.7 percent average annual rate, due largely to increases in recordings fees that are collected by the County.

Two particular items affecting growth are in the **Detention Board Fees** group. One is Work Release Fees. In FY 1997-98, the County increased the daily room and board charge to work release inmates from $5.00 per day to $7.50 per day. These collections should also be increased by the implementation of the Voice Verification System within the Sheriff’s Office. This system would increase the number of inmates in the work release program by approximately one hundred. The Sheriff’s Office estimates that this program should generate $202,895 per year in net additional revenues. Over the five year forecast period, work release revenues are forecast to increase by over nine percent per year. Additionally, the Governor signed into law a bill allowing Texas counties to charge inmates in county jails for misdemeanor offenses a daily cost recovery fee of up to $25 per day. This could result in revenue of over $1.1 million annually. Finally, the revenue growth assumptions for the Detention Board Bills group include the assumption that the County’s Texas Parole Violators facility operated by Wackenhut Corrections Corporation
remains in operation during the forecast period and continues to house non-County inmates.

**Commissions on Ad Valorem Taxes** collected by Bexar County for other entities are forecast to grow at 1.7 percent annually. **Revenue from the Use of Assets** is largely dominated by Interest on Investments and is forecast to decline slightly over the five-year period. This reflects the forecast that short-term investment rates will slightly decline over the forecast period.

**Sales, Refunds and Miscellaneous** revenues are forecast to grow at a 4.7 percent rate annually. The **Interfund Transfers** line item in FY 1998-99 shows a transfer from the Capital Reserve Fund of $2.4 million, and no transfers thereafter. This one-time transfer moved the remaining uncommitted funds from the Capital Reserve Fund to the General Fund.

In total, General Fund revenues are forecast to grow at a 1.9 percent rate per year during the forecast period. This growth rate is approximately one percent lower than the overall forecast inflation rate of between 2.8 and 2.7 percent. Many County revenues are fee-driven, and not dependent on general economic variables, such as inflation, interest rates, or economic growth. Ad valorem tax revenues, while related to the general level of economic growth, are also dependent on policies and procedures adopted by the Bexar Appraisal District and on appeals of appraisal values as discussed earlier. According to the Bexar Appraisal District, 65 percent of commercial valuation was protested, and eventually, the commercial appraised value was decreased to $11.6 billion, or over nine percent, because of these protests. In contrast, only 6.5 percent of residential appraised values were protested. This is of concern to Bexar County, because given its statutory dependence on ad valorem taxes, the County must continue to explore ways to better forecast and monitor ad valorem revenue trends.
**EXPENDITURES**

Continuing the method developed in previous years, this forecast of the General Fund’s current operating expenses is based on expenditure estimates developed by the Planning and Resource Management Department. The current operating expenses shown in this forecast are composed of costs projected to occur in the current fiscal year. Budgeted amounts are not used because they do not provide as accurate a forecast of costs actually expected to be incurred by the County. For instance, in FY 1998-99, General Fund operating expenses are budgeted at $171.8 million. As can be seen in the spreadsheets included in this document, expenditures for this year are estimated to be $165.1 million. Historically, some departments will not spend all the funds appropriated to them, while others may spend more than budgeted. By using estimated expenditures rather than budgeted appropriations, a more realistic projection of current and future years’ costs can be developed.

Once the expenditure estimates for this fiscal year were completed, these estimates became the base from which future years’ expenses were projected. First, projected future expenses were reduced to adjust for current year non-recurring expenses. Expenses were then increased to reflect full year funding for items that may have only required partial funding in this fiscal year.

The assumptions used in making expenditure projections for the forecast period of FY 1999-00 through FY 2003-04 are as follows:

- Salaries and related benefits and expenses remain at the current estimated amount of $116,518,138, with only a $400,000 adjustment to reflect full year funding of the cost of living increases authorized in FY 1998-99. This total estimated cost includes salaries, social security, health and life insurance, retirement, workers compensation, and other benefit costs. This is not a prediction that salaries and benefits will remain constant in the future. It is a
reflection of the fact that in any given year, the Commissioners Court may or may not approve adjustments to salaries and benefits and, as stated above, the forecast assumes no expense until Commissioners Court has taken action to authorize it.

- Staffing and operational costs for the new Medium Risk 320 Bed Adult Detention facility is included beginning in FY 2000-01. For estimation purposes, initial staffing costs of $2 million and other operational costs of $500,000 are assumed. Operational costs are estimated to increase at the forecast rate of inflation in each year, while staffing costs are held constant. Revenues that this facility will generate, including increased work release and inmate reimbursement revenues, are included in the “Revenue Adjustments” section of the General Fund Forecast, and are discussed above.

- The Year 2000 Project Office is assumed to operate through June 2000.

- The State Legislative session has resulted in the creation of eight new courts for Bexar County, including three County Courts-at-Law, one Criminal District Court, one Civil District Court, one Juvenile Court, and two District Courts of general jurisdiction. For the purposes of this forecast, it is assumed that the two District Courts of general jurisdiction will function as one civil court and one criminal court. The costs for these courts are included in the recurring expenditure section of the General Fund Forecast. The revenues for these courts are also included in the Revenue Adjustments section, discussed above. It should be noted that capital costs for these courts are included in the forecast expenses. If these capital costs were debt financed, this would reduce the total costs to the General Fund estimated here by over $600,000.

- Adjustments for non-recurring expenditures are also included. The FY 1998-99 Adopted Budget includes funding for investments of over $800,000 in
technology improvements for Bexar County. These one-time expenditures are not assumed to continue, although the Court could choose to fund other technology investments of a similar magnitude in upcoming years.

**FUND BALANCES**

The forecast assumes that the County will continue to maintain a General Fund balance at the current level of $15,049,937 established by Commissioners Court in FY 1998-99. This balance helps the County maintain its favorable bond rating. This fund balance may only be used when approved by a majority vote of the Commissioners Court, consistent with the Court's policy adopted in FY 1993-94.

**FORECAST ANALYSIS**

In the Tables 1 and 2 that follow, the five year General Fund projections are provided. The forecast shows that in FY 1998-99, the General Fund is estimated to have a year-end surplus of $10,204,246 over the target fund balance. This surplus results mainly from level forecast expenditures and a FY 1997-98 carry-forward balance to start FY 1998-99 of $13.8 million in excess of the target fund balance. As shown in the graph below, this amount decreases through FY 2000-01, to $6.7 million, with the forecast period closing with an ending balance of nearly $16.0 million in excess of the required fund balance. These projected surpluses reflect the benefit of the County's commitment to adhere to sound financial practices, such as utilizing one-time revenues only for one-time expenditures, and the adoption by Commissioners Court of the Bexar County Statement of Financial Policies.

It is important to note that these forecast surpluses do not include any increases in salaries or other personnel related expenses and benefits. If these expenses were increased, the forecast would change substantially. For instance, if the County were to budget and spend the full FY 1999-00 forecast surplus of $8,596,743 next year, the General Fund forecast would change from surplus in all five years to a shortfall of over $3 million in
FY 2000-01, and close the forecast period with a surplus of $6 million, compared to the current forecast of over $16 million. In fact, the County could only increase annual recurring expenses by $2.6 million (above and beyond the baseline-forecast levels) and still close each year above the target fund balance level. Any higher level of expenditure would result in the closing balance for one or more years ending below the target.

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fund balance. This indicates that despite having a closing balance in FY 1998-99 of over $10 million in excess of the target fund balance, almost half of these funds will be needed for expenses in future years, and thus should not be spent on recurring expenditures without additional revenue sources being identified first.

This also demonstrates the importance of spending one-time surpluses on non-recurring expenses. If surpluses were spent on recurring expenses such as salary increases, the General Fund would experience a $4 million shortfall by the end of the forecast period, or a change of $20 million in the fund forecast over the five year forecast period (see graph above).

The discussion above also points out that for Bexar County, a single revenue source and one major expenditure category have roughly equal magnitude and impact on County finances. Ad valorem revenues account for 66 percent ($109 million) of General Fund revenues; similarly, salary-related expenses account for 70 percent ($115 million) of all
General Fund expenditures. In other words, in general every penny of ad valorem revenue is needed to pay for employee salaries, and this $109 million still does not fully cover the costs of personnel related expenses. In effect, all non-personnel expenditures must be financed with other revenue sources.

This dependence on ad valorem taxes indicates that, to meet the future in a financially sound manner, the County will need to identify ways to increase the productivity of its human resources. This may entail investments in technology, training, recruitment and retention, as well as redesigning fundamental business processes to maximize the efficiency and productivity of every dollar spent on the County's most valuable and expensive resource, the human resource. These strategies are discussed in more detail in the Strategic Issues section of this forecast.

The County's dependence on the ad valorem tax also highlights the importance of adopting revenue enhancing processes and procedures. One such step initiated in FY 1998-99 was the establishment of the County Collections Department. If successful, this department could substantially improve County revenue collections, which would make additional funding available for other programs. Another possible source of additional revenues would be hiring a private sector firm to help the County collect on the tens of millions of dollars in uncollected receivables it is owed. Bexar County should continue to adopt innovative programs and processes in order to lessen its dependence on the ad valorem tax, which is highly volatile and difficult to predict.
### Table 1

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**REVENUE ADJUSTMENTS**
- Voice Verification Revenues
- New Courts Revenue
- Revenue Loss from Auxiliary/Impact Courts
- Inmate Reimbursement

**EXPENDITURE ADJUSTMENTS**
- Recurring Expenditures/Savings
- Full Year Funding for COLA Effective January 8, 1999
- Operating Costs for New Medium Risk 320 Bed Detention Facility
- Year 2000 Project Office Expenses
- New District and County Courts-at-Law
- Additional Expenses for Inmate Reimbursement Collections

Adjustments for One Time Expenditures in FY 1998-99
- Technology Investments in FY 1998-99
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<td>$191,227,690</td>
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<td>TOTAL OPERATING EXPENSES</td>
<td>$153,167,131</td>
<td>$165,925,631</td>
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<td>$15,049,937</td>
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<td>AMOUNT OVER/(UNDER) TARGET BALANCE</td>
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Table 2

**ASSUMPTIONS:**

**Revenue**
1. Property tax revenue increases 3 percent in FY 1999-00 and 2 percent annually for the remaining years.
2. Commission on Pay Phones increases at CPS Forecast Rate of inflation, 2.5 percent in FY 1999-00, and averages 2.7 percent thereafter.
3. Interest income forecast based on CPS's projections of short term interest rates (5.3 percent through FY 2002-03, and 5.2 percent FY 2003-04).
4. Forecasted amounts for all other revenue sources based on growth shown by actual historical trend for each type of revenue.
5. The Voice Verification Program generates net revenues of $202,895 beginning in FY 1999-00.
6. New Courts generate additional revenues of $600,728 in FY 1999-00, $1,464,099 in FY 2000-01, and $1,668,798 thereafter.
   - This revenue is phased in over a two-year period. However, revenue of $815,232 is lost from Auxillary/Impact Courts.
   - However, revenue of $815,232 is lost from Auxillary/Impact Courts.
7. The Inmate Reimbursement Program, working with the County Collections Department, generates revenues of $349,743 for first year, $878,505 the second year of operation, and $1,140,469 for each year there after.

**Expenses**
1. Salary and related expenses remain flat. This includes workers compensation claims and health insurance.
2. All other operating expenses increase at the rate CPS forecast rate of inflation.
3. Full year funding of COLA effective January 8, 1999 is included in the forecast.
4. The Medium Risk, 320 Bed Detention facility begins operation in FY 2000-01. Costs include $2,000,000 for staffing, and $500,000 for other operational/maintenance expenses, which grow 3 percent annually.
5. Funding for the Year 2000 Project office is included, through the June of FY 1999-00.
6. Eight new Courts are created; 3 County Courts-at-Law (9/1/99), 1 Juvenile Court (9/1/99), 2 Civil District Court (9/1/00 & 1/1/00), and 2 Criminal District Courts (9/1/99 & 9/1/00)
   - Costs for two full court build-outs are included, with renovation of utilized existing court space.
7. Funding for one time expenditures ($834,165) made in FY 1998-99 is not included in the forecast years' operating expenditures.

**Ending Fund Balance**
1. Maintain at the current level
DEBT SERVICE FUNDS

Debt Service Funds are used to make interest and principal payments for all outstanding Bexar County debt. Revenues from these funds come primarily from ad valorem taxes. In FY 1998-99, the Special Road and Bridge Fund began to contribute approximately $4.5 million annually to help retire debt service on County road bonds. Other sources of revenue include interest income and a transfer from the Parking Facilities Fund.

REVENUES

The assumptions used in projecting revenues for the Debt Service funds are as follows:

- Ad valorem tax revenues are assumed to increase by three percent in FY 1999-00, and two percent thereafter. These estimates are based on growth assumptions outlined in the Economic Trends section of this report, and are consistent with the assumptions regarding ad valorem growth in the General Fund Forecast above.

- Interest income is forecast using projections of short-term interest rates developed by City Public Service (CPS). CPS forecasts these rates to trend down during the forecast period, beginning at 5.3 percent in 1999 and ending at 5.2 percent in 2004.

- The Special Road and Bridge Fund will continue to pay debt service on County road bonds. This amount will be approximately $4.5 million annually through FY 2003-04. The following year, the required debt service on the remaining road bonds will drop by nearly one half, to $2.8 million, after which all currently issued debt for road construction will have been retired. It is important to note that if the Special Road and Bridge Fund does not continue to make this annual contribution, the annual $4.5 million in debt service will need to be financed from other revenue sources.
The Parking Facilities Fund will continue to make contributions to the Debt Service Funds in the annual amount of $150,000 throughout the forecast period. This funds debt service payments associated with the Justice Center Parking Garage.

**EXPENDITURES**

The expenditures for debt issues are contractual in nature. The County has not issued variable rate debt. Therefore, projecting the future required debt service payments is largely a matter of calculating the total of all scheduled payments for outstanding debt. One key assumption used in making the Debt Service Funds forecast is that no new debt is issued during the forecast period. Until additional debt issuance is approved by the Court, they are not included in the forecast.

Figure 3

![Debt Service Funds Forecast](image)

One product of these assumptions is that no future debt funding for capital projects is assumed, including funding for much of the County’s Space Plan which has identified over $141 million in new building projects. (For more information, refer to the
“Infrastructure Planning and Investment” segment of this report.) If the Court authorizes funding for this or other projects through the issuance of new debt, then these projections would substantially change.

As shown in Figure 3, the County will need to identify other financing strategies if it wishes to construct the projects identified in the Space Plan. One alternative would be to seek voter approval for the issuance of general obligation bonds to finance some or all of these projects. Assuming a 5.75 percent interest rate on 20-year bonds, the debt service costs of a $141 million issuance would be $12 million annually. This would equate to an increased ad valorem tax of $0.0314 per hundred of valuation, or an increase of almost nine percent over the current tax rate.

**FUND BALANCES**

In FY 1993-94, Commissioners Court adopted a policy to maintain a reserve of one half of the total annual debt service expense in the Debt Service Funds. As with the General Fund operating reserve, this balance is vital for maintaining of Bexar County’s strong bond rating. Therefore, the forecast shows this balance as required, just as the debt service payments themselves are required. Consistent with the approach used in the General Fund operating reserve, this is a conservative, realistic method of protecting the County’s long-term financial health. This prudent fiscal approach should be continued if the County wishes to improve its bond rating and lower its interest rate costs.

**FORECAST ANALYSIS**

As shown in Table 3, the Debt Service Funds are forecast to finish the forecast period with a surplus of $2,504,359 over the Target Fund Balance. With the operating expenses and current revenues forecast to remain in balance through FY 2003-04, the County should have sufficient revenue growth to cover annual expenses and to maintain at least a $2.3 million surplus throughout the forecast period. This $2.3 million surplus is largely the result of a one-time contribution to the Debt Service funds from the Adult and
Juvenile Detention Facilities Fund. These contributions act as a reserve for a future debt issuance.

It is important to note that this forecast assumes that no new debt will be issued; however, the County's $52 million sale of debt in April 1999, however, is included in the debt service expense projections. This debt issuance included $8.5 million for funding of the County's Year 2000 remediation project, $10 million for a new Medium Security 320 Bed Adult Detention facility, $12 million for various County capital projects, including $2.3 million for a County Records Management Center, and $22.3 million in refunding bonds. The refunding bond issuance helped the County defray debt service costs by reducing the annual interest payments for the refunded bonds, due to lower interest rates currently available to the County. The annual additional debt service expense related to these issue amounts to approximately $4 million per year.

The forecast's positive ending balances of the Debt Service Funds are highly dependent on the actual growth in ad valorem revenue. As mentioned above, if the forecast growth rates are not achieved, then the funds' ending surpluses will be substantially lower than projected.
### Table 3

#### DEBT SERVICE FUNDS

**FIVE YEAR FORECAST**

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<td>$28,997,415</td>
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Table 3

ASSUMPTIONS:

Revenue
1. Property tax revenue increases 3 percent in FY 1999-00 and 2 percent annually for the remaining years.
2. Interest income forecast based on CPS's projections of short term interest rates.
3. The Parking Fund continues its $150,000 annual contribution to debt service.
4. The Special Road and Bridge Fund continues to contribute approximately $4.5 million annually to retire debt on County road bonds.
FLOOD CONTROL FUND

The Flood Control Fund is used to account for revenue generated by the Bexar County Flood Control ad valorem tax. This analysis begins with a discussion of important issues relating to the use of the flood control tax, and concludes with an analysis of the Flood Control Fund financial forecast.

FLOOD CONTROL ISSUES

In accordance with contractual arrangements and statutory requirements, the County forwards revenue from the flood control tax to the San Antonio River Authority to pay for construction, operation and maintenance of flood control projects. These projects represent a major infrastructure improvement that requires careful planning and extensive cooperation among various entities. The four partners in the planning of flood control improvements include the County, the City of San Antonio (City), the San Antonio River Authority (SARA) and the private sector. Each entity has various responsibilities and interests in these flood projects. The County, by virtue of its fiduciary responsibility for the flood control tax, is responsible for funding the flood control portion; in fact, by statute the flood control tax can only be used to fund actual flood control infrastructure. Enhancements to flood control projects, such as sidewalks, landscaping, lighting and other elements, that do not provide a direct flood control benefit must be funded through other sources such as the City of San Antonio or the private sector.

The City is also responsible for maintenance and operation of various portions of the San Antonio River, including the downtown Riverwalk and other sections of the river located within the City limits. SARA is responsible for the engineering, project management, and selective operation and maintenance of flood control improvements and projects. The private sector, which views river improvement projects as a necessity to improve the economic development opportunities along various portions of the river, is seen as an
additional funding resource for proposed projects. All four partners must work together to make the flood control projects successful. The County is in an excellent position to lead these groups to that successful end.

- Bexar County has been involved in local flood control issues since 1951 when voters authorized the County to collect property taxes of 15 cents per $100 valuation for flood control purposes. Since that time, the County has collected a tax for flood control and transferred the revenue to SARA to engineer, design and construct County flood control projects to protect the life and property of local residents. For FY 1998-99, the tax rate for flood control is $.0181 and produced over $7 million in Bexar County revenue for SARA to complete ongoing flood control projects and operate and maintain completed projects.

Over the last several years, the County, the City and SARA have participated in a community planning process for a program of proposed San Antonio River improvements. Following a series of planning studies conducted by various organizations in the early 1990's, the County, City and SARA sponsored a joint study by the engineering firm of Freese and Nichols, which was completed in September 1997. The study evaluated proposed improvement along the San Antonio River, from Josephine Street south to Espada Dam, to determine which components of the improvements would result in a flood control benefit and which would be considered amenities. The Freese and Nichols study estimated the cost for the flood control improvements to be $47 million of a total estimated project cost including amenities of $78 million in 1997 construction dollars.

Since the completion of the Freese and Nichols study, community planning activities have increased. A series of public meetings and a design workshop were conducted in the summer of 1998 and involved various stakeholders in the projects. Following the
public meetings, the Commissioners Court initiated an effort to establish a forum for on-going public input on plans for the improvements.

A Committee of Six comprised of elected officials from Commissioners Court, City Council and SARA was formed to set policy direction for a San Antonio River Oversight Committee (ROC). The 22-member ROC was created in December 1998 to:

- advise the County, City and SARA on the planning, design, project management, construction, construction phasing and funding for the development of flood control and amenity improvements on the San Antonio River;
- provide an open and representative public forum which encourages citizen input into all stages of the planning, development and implementation of the projects;
- and encourage and promote community involvement and consensus in the projects.

Committee membership is representative of the various interests within the project area including residential, business, conservationist, tourism and civic concerns. A professional facilitator has been hired by the County to support and staff the committee. Since its creation, the ROC has reviewed the previous studies and is working to develop a consensus approach for the development of flood control and amenity improvements to the San Antonio River. As part of their approach, the ROC expanded the original scope of the project area both north and south. The project limits currently include the San Antonio River extend from Hildebrand Road (at Brackenridge Park) south to Espada Mission.
The ROC will make recommendations to the County, City, and SARA regarding design considerations for the improvement projects and phasing for the projects' design and construction. From these recommendations, funding strategies will be developed.

The community planning activity has also generated interest from private sector supporters who may provide funding for additional project investment. The private sector interest has generated the desire for a continuous hike and bike trail the entire length of the San Antonio River. A continuous connection from Brackenridge Park, through downtown, to the historic Mission Trail would promote the development of the San Antonio River as a linear park through the center of the community.

The expansion of the project scope increased the total estimated cost of the project from the original Freese and Nichols estimate of $78 million to $102 million (without inflation and contingencies). Of the $102 million, $50 million is identified as flood control, and $52 million is identified as amenities. The total estimate rises to more than $148 million ($73 million for flood control projects and $75 million for amenities) when inflation and contingencies are factored into the costs.

In addition to the San Antonio River projects, flood control projects in other watersheds which experienced flooding in October 1998 are being proposed. Prioritization of the highest and best use for limited flood control funds is a continual challenge for the County.

In May 1999, the Commissioners Court passed a resolution supporting the development of flood control improvements for the San Antonio River through a commitment of $73 million in revenue generated from the current 1.81 cent per $100 property valuation flood control tax over the next 10 years. The funding commitment was made contingent upon
securing commitments from the City of San Antonio and other public and private sector sources toward funding the estimated $75 million in non-flood control components of the identified improvement projects. This condition is in place because the Commissioners Court has consistently stated its support to proceed on projects in all sections of the project area simultaneously. This approach stems from a desire to have all project funding committed, for both flood and amenity components, so that an entire project can be completed in total—from design through construction—rather than moving a project forward incrementally, and delaying its completion.

Currently, SARA and Bexar County are negotiating a new contract to address all aspects of the proposed flood control projects. Issues being discussed include recognition that the County’s actual tax collection rate of 97 percent exceeds the current contract’s stipulated 90 percent collection rate. Using the 90 percent collection rate to set the flood control tax rate results in a higher tax rate than actually required to fund SARA’s debt payments and operating expenses on County flood control projects. In addition, the County and SARA are working to improve communication and reporting between the two entities. Bexar County will also have more involvement in the financial and project management decisions regarding the flood control projects. The County is working to improve SARA’s accountability for actual dollars spent on the operation of flood control projects.

Concurrent with these contract discussions, the County, City of San Antonio and SARA are negotiating a new contract for maintenance of flood control and river improvement projects. Maintenance of the river includes the on-going maintenance of proposed improvements and is the responsibility of the City of San Antonio. SARA and Bexar County will, as a result of the new contract, have more involvement in this maintenance effort particularly through inspections, review and approval of repairs and replacement of flood control facilities. This cooperative approach will result in better service to the
citizens, more effective flood control, and lasting economic development and recreational opportunities along an improved San Antonio River.

In addition to funding the proposed improvements to the San Antonio River, the flood control tax is also seen as the source for Bexar County's local match to a proposed property buy-back program following the October 1998 flood. The flood damaged approximately 300 properties in seven neighborhoods in Bexar County. In March 1999, the Commissioners Court approved a grant application to the Federal Emergency Management Agency (FEMA) for $8.1 million to acquire identified properties which were located in the 100-year flood plain and sustained damage valued at more than 50 percent of the structural value. Implementation of the buy-back program was made contingent on the award of funding from FEMA. The buy-back program, as presented in the FEMA grant application, requires approximately $2 million in a local match. Approximately $1.4 million of this local match has been identified as available from currently uncommitted revenue in the flood control fund. As part of the agreement for using flood control funds for the buy-back program, SARA will administer the buy-back program for the County. Initially, it was anticipated that implementation of the buy-back program would begin during the summer of 1999. Notice on the award of grant funding from FEMA has been delayed until the fall.

The County has committed to funding the flood control portions of these projects. As shown in the analysis, the County will have sufficient capacity in the current flood control ad valorem tax rate of 1.81 cents per $100 valuation to fund $73 million in flood control projects. This is sufficient to fund the flood control portion of all three sections, based on inflated construction dollars. However, the City and the private sector have not yet committed the required funding level for the non-flood control portion of these projects. These commitments are vital to moving the projects forward. The County must continue to play a strong leadership role in the flood control issue so that these projects can move forward and meet the needs of Bexar County citizens.
## SAN ANTONIO RIVER PROJECTS - COST SUMMARY (TABLE 4)

<table>
<thead>
<tr>
<th>PROJECT AREA</th>
<th>FLOOD CONTROL COSTS</th>
<th>AMENITIES</th>
<th>TOTAL INFLATION &amp; CONTINGENCIES</th>
<th>AJUSTED TOTAL PROJECT COST</th>
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</thead>
<tbody>
<tr>
<td>SOUTH SECTION</td>
<td>$26,652,000</td>
<td>$22,318,000</td>
<td>$48,970,000</td>
<td>$72,774,548</td>
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<tr>
<td>Alamo Street to Espada Mission</td>
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<tr>
<td>DOWNTOWN SECTION</td>
<td>$10,031,000</td>
<td>7,187,000</td>
<td>17,218,000</td>
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<tr>
<td>E. Houston Street to Lexington</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>including repairs and hike and bike trail</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NORTH SECTION</td>
<td>$13,878,000</td>
<td>22,714,000</td>
<td>36,592,000</td>
<td>52,122,709</td>
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<tr>
<td>Hildebrand to Lexington</td>
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<td></td>
<td></td>
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<tr>
<td>SUB-TOTAL (Minus inflation and contingencies)</td>
<td>$50,561,000</td>
<td>$52,219,000</td>
<td>$102,780,000</td>
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<tr>
<td>ANTICIPATED INFLATION AND CONTINGENCIES</td>
<td>$22,049,308</td>
<td>$22,870,692</td>
<td>$44,920,000</td>
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<tr>
<td>TOTAL</td>
<td>$72,610,308</td>
<td>$75,089,692</td>
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<td>$147,700,000</td>
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</table>

Source: San Antonio River Authority and private sector representatives
FLOOD CONTROL FUND FINANCIAL FORECAST

REVENUES

The Flood Control Fund is entirely supported through ad valorem tax revenue. All tax receipts into this fund are paid to SARA for flood control projects. The revenue projections for the fund assume that ad valorem property tax revenues grow by four percent per year for FY 1999-00 through FY 2002-03 and three percent for FY 2003-04. This revenue growth estimate is also based on the assumption that Commissioners Court maintains its policy of holding the flood control tax rate at the current level of $0.0181 per $100 of valuation.

EXPENDITURES

No new debt issuance is assumed in the forecast. In keeping with the methodology used throughout this forecast, no new expenses are assumed until authorized by the Court. As a consequence, SARA's debt service requirements remain at approximately $6.5 million throughout the forecast period. Any new projects could have an important impact on this forecast. Payments for operations and maintenance are projected to remain constant throughout the forecast period.

FORECAST ANALYSIS

As the following Flood Control Fund Forecast table shows, in FY 1998-99, the ending fund balance in the Flood Control Fund is estimated to be $481,725. By FY 2003-04, the forecast surplus in the Flood Control Fund is projected to be $7,638,065. This results mainly because SARA's debt service requirements are projected to remain relatively flat, while tax revenue into the fund is projected to grow at approximately four percent per year for FY 1999-00 through FY 2002-03 and three percent for FY 2003-04. Of course, if the growth rate of the ad valorem tax should decrease, then this forecast surplus might not materialize. As shown earlier in this discussion, by holding the Flood Control Tax
level at the current rate, and assuming that projected property tax revenue growth occurs, the Flood Control Fund should generate sufficient funds to service approximately $73 million in additional debt issues over the next ten years.

Figure 4
### Table 5

<table>
<thead>
<tr>
<th></th>
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<tr>
<td>Beginning Balance</td>
<td>$430,125</td>
<td>$42,004</td>
<td>$523,729</td>
<td>$1,310,837</td>
<td>$2,414,649</td>
<td>$3,845,231</td>
<td>$5,616,005</td>
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<td>Total Current Revenue</td>
<td>$7,040,904</td>
<td>$7,312,156</td>
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<td>Total Available Funds</td>
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<td>Total Expenses</td>
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<tr>
<td>Total Payments to SARA</td>
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<td>Principle &amp; Interest</td>
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<td>$6,567,534</td>
<td>$6,555,016</td>
<td>$6,544,599</td>
<td>$6,533,414</td>
<td>$6,538,754</td>
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<tr>
<td>Operations &amp; Maintenance</td>
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<td>$250,000</td>
<td>$250,000</td>
<td>$250,000</td>
<td>$250,000</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>$7,429,025</td>
<td>$6,830,431</td>
<td>$6,817,534</td>
<td>$6,805,016</td>
<td>$6,794,599</td>
<td>$6,783,414</td>
<td>$6,788,754</td>
</tr>
<tr>
<td>Projected Ending Balance</td>
<td>$42,004</td>
<td>$523,729</td>
<td>$1,310,837</td>
<td>$2,414,649</td>
<td>$3,845,231</td>
<td>$5,616,005</td>
<td>$7,638,065</td>
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<tr>
<td>Target Ending Balance</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Amount Over/(Under) Target Balance</td>
<td>$42,004</td>
<td>$523,729</td>
<td>$1,310,837</td>
<td>$2,414,649</td>
<td>$3,845,231</td>
<td>$5,616,005</td>
<td>$7,638,065</td>
</tr>
<tr>
<td>Funds Available For Future Debt</td>
<td>$42,004</td>
<td>$481,725</td>
<td>$787,108</td>
<td>$1,103,812</td>
<td>$1,430,582</td>
<td>$1,770,774</td>
<td>$2,022,060</td>
</tr>
</tbody>
</table>

Revenue Assumptions:

Flood Control Tax revenues increase four percent per year through FY 2002-03, and three percent for FY 2003-04.

Expenditure Assumptions:

No New Additional Debt is Issued. Operations & Maintenance Expenses Remain Constant.
**BEAR COUNTY AS AN EMPLOYER**

"Bexar County will value every employee and treat them with respect and fairness; Bexar County will promote diversity in the workforce; Bexar County will develop a highly qualified, dedicated workforce."

—Excerpted from Bexar County Goals

In the last three Long Range Financial Forecast documents, the issue of Bexar County as an Employer has been discussed at length. During this same period, the adoption of the Countywide human resources goals as listed above, has brought even more focus on the value of the employees to the future success of the County. In fact, over these past few years, the County has made a significant investment in employees through: evaluation of the classification and compensation of almost every County job category; institutionalizing a performance pay program; approving periodic across the board salary increases; establishing a tuition reimbursement program; creating an employee development program; and implementing many other initiatives which promote the investment in and development of the County’s human resources.

The County has taken other notable steps toward modernizing its approach to managing human resources. As recently as 1995, the reorganization of departments reporting to Commissioners Court was designed to empower employees by eliminating levels of management and encouraging decision making at lower levels of the organization. However, it is imperative that human resource initiatives not continue simply because they appear to be good ideas, rather they must result in actual improvements in the quality and productivity of the County’s workforce. In addition, these initiatives must begin to be evaluated and managed with a more strategic focus. Although Planning and Resource Management has brought forth many of the initiatives aimed at improving the County’s approach to human resource management, an analysis of whether these programs are yielding the desired result has not been accomplished. In an effort to continually evaluate and improve the County’s human resource management efforts, this
forecast document will serve as a forum to begin discussions of a Countywide philosophy toward the management of human resources.

*What kind of employer does Bexar County want to be?* This question was first asked as part of a Countywide strategic planning process. A realistic answer to this question must be developed from a strategic perspective with the involvement and “buy-in” of the County leadership of all offices and departments. It should also embody an overall philosophy or approach toward creating and retaining the dedicated, quality workforce advocated in the County’s mission statement. Through conducting numerous performance reviews and special studies of various offices and departments, Planning and Resource Management has observed the County’s best and worst personnel practices. Based on these observations, it appears that the County could benefit greatly by establishing a human resource management philosophy which supports recruiting, developing, and retaining a workforce of professionals who possess an entrepreneurial spirit and continually work to add value to the organization. This vision demands a workforce of creative, dynamic public servants who are encouraged to think, offer ideas and question the status quo. To support this vision, deliberate steps must be taken to change the “corporate culture” and create an environment that can and will develop and support a workforce of this caliber.

The County must first set a standard for the quality of individuals to recruit, then create a job classification and compensation system that encourages these employees to strive to continuously improve themselves and the organization. This environment does not come without investment. The County must attract this type of individual, develop training programs that promote innovation and initiative, and provide the appropriate tools for employees to produce the desired level of services.

It is very easy to ask, why change? After all, some may believe that County employees are just government workers and many do not really expect government employees to be of the highest caliber. The prevailing belief by many citizens is that government provides
lower wages, but predictable work hours and civil service employment protection. These
same citizens in turn have a very low expectation of the quality and concern government
employees have toward the performance of their work. A more empowered,
entrepreneurial workforce throughout the County can change these perceptions and result
in enhanced productivity, improved customer service, and, ultimately, an increase in the
level of services provided to the citizens.

To achieve this vision, County offices and departments should commit to the
development of a Countywide human resource management plan. County officials
should be invited and encouraged to continue discussions to define the kind of employer
Bexar County should be. From the numerous requests for reclassifications and waivers to
existing personnel rules presented by offices and departments and the generally expressed
dissatisfaction with the ability to recruit, develop, pay adequately and retain quality
employees, current personnel practices are neither effective nor fiscally sound.

Facts and observations regarding the current state of the County’s workforce, described
below, support the need to change the County’s approach to human resource
management. This discussion also offers a funding scenario so that, if County officials
concur with the vision for the development of the County’s workforce, the resources
could be made available to support a dynamic shift in personnel practices.

In FY 1997-98, a planning group of Countywide representatives distributed an employee
satisfaction survey to over 3,800 Bexar County employees. The most often expressed
area of dissatisfaction from employees was their salary. In focus group sessions
conducted after the survey, the employees cited salary as the number one reason they
would seek employment outside Bexar County government. A perception of low wages
exists, and is supported by the fact that the average County employee salary is $26,956,
below the average wage in Bexar County of $28,964 (Texas Workforce Commission).
This perception of low wages also exists even though the average wage of a Bexar
County General Fund employee has increased by an average of 3.25 percent each year
since FY 1994-95, which is nearly 30 percent faster growth than the rate of inflation during the same period. The focus group participants also indicated that they felt there were not enough advancement or promotional opportunities available. Figure 5 indicates the distribution of salaries in the Bexar County organization.

As shown in Figure 5, 76 percent of full-time County employees earn less than $30,000 annually and nearly nine out of ten employees earn less than $40,000. This pattern of compensation may help explain why the focus group participants expressed concerns regarding wages and advancement opportunities.

One effect of this compensation pattern can be measured through turnover. Last year the County began collecting and reporting data as part of the International City/County Management Association (ICMA) benchmarking project. In the 1996-97 comparative data report, Bexar County government had the highest turnover rate of all 42 reporting jurisdictions, with a turnover rate of 15.6 percent. The 1997-98 data submitted by the County, although not yet reported by ICMA, confirms the deteriorating turnover rate. It
should be noted that direct comparisons between Bexar County and other participants are made difficult by possible differences in the way this data is reported. However, the City of San Antonio, which recruits from the same labor market as Bexar County, reported a turnover rate in 1996-97 of 7.2 percent, less than half that of the County. This last-place ranking indicates that other government entities seem to be more successful at conveying their commitment to employees than Bexar County (see Figure 6).

If Bexar County is to continue to function in a high turnover environment, it must be able to replace lost employees quickly, which means that the organization cannot be as selective in recruiting replacements. Recruitment efforts are geared more toward filling vacancies than creating a sustainable workforce of the kind of high quality, entrepreneurial employees described above as necessary to move the County forward efficiently and effectively. In a high turnover environment, entry-level jobs are structured to allow applicants with little or no training to enter the County’s workforce.

Many high turnover industries gear recruitment efforts to minimally qualified individuals and invest large amounts in mandatory training programs that teach standardized methodologies and operational procedures. This is seen locally to a great extent in the hospitality and telecommunications industries. Employees are trained to use “tried and true” approaches to their work and are not usually encouraged to be innovative.

Over the years, Bexar County has relied on a high turnover rate to generate savings, but the trend is changing. The tight labor market, as discussed in the Economic Trends section of this forecast, is making recruitment extremely difficult. What the County is currently experiencing is that the high turnover level in some offices and departments is contributing to less productivity. This is because, at any given time, a significant portion of the staff is newly hired or recently promoted. Because of this inefficiency, and also because of high turnover rates, more positions must be dedicated to each important function.
Figure 6: Employee Turnover Rate per 100 Full-time Employees
(42 Governmental Entities Reporting)
Source: International City/County Management Association

<table>
<thead>
<tr>
<th>Location</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dallas, TX</td>
<td>1.1</td>
</tr>
<tr>
<td>Cincinnati, OH</td>
<td>2.6</td>
</tr>
<tr>
<td>Seattle, WA</td>
<td>3.6</td>
</tr>
<tr>
<td>Dakota County, MN</td>
<td>3.7</td>
</tr>
<tr>
<td>Portland, OR</td>
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</tr>
<tr>
<td>Dayton, OH</td>
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</tr>
<tr>
<td>Santa Barbara County, CA</td>
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</tr>
<tr>
<td>Calgary, AB</td>
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<tr>
<td>Sacramento, CA</td>
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</tr>
<tr>
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<tr>
<td>Fullerton, CA</td>
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<tr>
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<tr>
<td>Bellevue, WA</td>
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</tr>
<tr>
<td>Santa Rosa, CA</td>
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<tr>
<td>Phoenix, AZ</td>
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<tr>
<td>Oklahoma City, OK</td>
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<tr>
<td>Clark County, NV</td>
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<tr>
<td>Hennepin County, MN</td>
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<tr>
<td>Tucson, AZ</td>
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<tr>
<td>Pomona, CA</td>
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<tr>
<td>San Antonio, TX</td>
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<tr>
<td>Forth Worth, TX</td>
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<tr>
<td>Prince William County, VA</td>
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<td>Tempe, AZ</td>
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<tr>
<td>Houston, TX</td>
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<td>Coral Springs, FL</td>
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<td>Richmond, VA</td>
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<tr>
<td>Wichita, KS</td>
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<tr>
<td>Arlington, TX</td>
<td>9.5</td>
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<tr>
<td>San Bernardino, CA</td>
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<td>Lubbock, TX</td>
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<tr>
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<td>Bexar County, TX</td>
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</table>
As an example, seven clerks may be optimal for a particular office, but eight might be budgeted to compensate for turnover and training "down-time." This practice of redundant staffing, while necessary in the current County employment environment, can be difficult for County officials to justify to a public already skeptical of government efficiency.

Additionally, because 70 percent of the County's expenses are related to personnel, salary increases become increasingly expensive as the work force grows. Since 1995, Bexar County has increased salaries through a performance pay program. In FY 1997-98, three percent of the total salary budget, or $3.3 million was budgeted for salary increases. This year, two percent of the total salary budget or $1.04 million was budgeted for performance pay and an additional 2.25 percent of the salary budget or $1.3 million was budgeted for an across the board cost of living increase (effective January 1, 1999), and $2.3 million was budgeted for Law Enforcement salary increases. In large part, the strong economy has contributed to an increase in property tax revenues which has provided sufficient funds for the past increases in compensation. Even though the financial forecast may indicate a continuation of a strong economy, other County priorities for infrastructure improvements, additional adult detention facilities, and technology enhancements are competing for these additional revenues. Looking at a straight projection of the impact of a 3.25 percent increase in salaries over the next five years, as illustrated in Figure 7, funds required exceed funds available in FY 2001-02, with the forecast period closing in a deficit of approximately $4 million. The changing environment and the potential of funding being diverted from other County priorities is real and significant. In order to continue a program of annual investment in employee compensation, the County must explore other funding options.
To move effectively into the future and meet the citizens' demands for services within available funds, Bexar County needs to change its attitude and approach toward employment and employees. The County could seek to offer above-market wages at all levels of employment in order to attract the best trained employees the labor market has to offer. Naturally, this would have profound fiscal consequences in an organization that already spends nearly 70 percent of its revenues on personnel related expenses. But employees may accept entry-level wages in exchange for more frequent opportunities for advancement. These advancement opportunities would signal to employees that the County values their service and will invest in retaining them. The County could also indicate its commitment to its employees by increasing its investments in technology, continuous training, and workforce development to help them maximize their potential. It could increase retention rates by offering systematic promotional opportunities, based on a combination of seniority, meritorious performance, and competitive promotional opportunities.
testing. Above all, by changing the way the County manages its human resources, the County could put into action the three goals listed at the beginning of this discussion.

Of course, such a change in philosophy could become very expensive. If, for example, salary levels in the General Fund were increased five percent per year, the annual cost would exceed $6 million. This would result in a shortfall of $16.5 million, assuming the County continues its current methods of operation.

These dollar impacts assume that the County retains the current number of authorized positions. However, if an improved County workforce of entrepreneurial employees were empowered to improve business practices, supplied with state of the art technology, and supported through continuous training, a more efficient workforce would result. If the workforce is more efficient, then it follows that fewer employees would be needed to deliver the same level of services to the citizens. No doubt, an increase in personnel expense would result from re-designing the County’s pay plans such that they would provide greater opportunities for advancement (based on merit, tenure, and testing). However, streamlining the organizational design and eliminating unneeded, vacated positions could partially offset this increase. In this regard, the County’s own high turnover rate could be beneficial in reducing no longer needed, redundant staffing levels.

Hypothetically, if vacated positions were eliminated, and the savings were used to provide funding for these raises, the County could minimize the cost impact of having better paid, entrepreneurial employees. For example, the March 31, 1999 payroll indicated 209 open positions in the County, or approximately six percent of the total number of positions authorized. These same open positions equated to $7 million in annual payroll, or roughly the amount needed to fund a five-percent annual increase in salaries and benefits Countywide. By way of illustration, a 20 percent increase in average General Fund salaries over a five-year period equates to 500 authorized positions in the General Fund or 14 percent of the total number of positions.
To prevent a reduction in the level of service, however, these position reductions would need to be accompanied by much higher levels of County investment in employee productivity. Significant increases in funding for technology enhancements and continuous workforce development would also be necessary to provide a smaller workforce with the tools necessary to provide the desired services. Investments in technology improvements must, however, be measured in increased productivity for employees. This productivity increase would allow for fewer employees to accomplish the same amount of work. Additionally, technological improvements could dramatically increase customer service and public access to government services. However, in order to be effective, this increase in technology investment must be preceded by the development of a Countywide technology plan, discussed in the next section (Technology Planning) which plots the direction for technological investment in the future.

Funding must also be made available annually to invest in workforce implementation and targeted training activities. The development of a workforce development plan would need to specifically identify and design training programs to support the skills and abilities required for the newly structured workforce including technology training so that employees can maximize the productivity opportunities technology investments provide.

This discussion is not intended to cause alarm regarding the loss of current vacant positions. It merely is an illustration to demonstrate that funding could be made available to improve salaries, enhance technology, and train the workforce by taking a fresh look at the management of human resources. This idea is not simply suggesting fewer employees, it is advocating better, more productive employees.

By implementing these strategies, the County could make funding available for increased human resources investments. As Figure 8 shows, even if coupled with a $2 million per year investment in technology and a $1 million per year investment in workforce development and training program, the County could raise average salaries to over $31,000 by the end of the five year period. Figure 8 shows that, financially, this increase
in starting salaries for the average General Fund employee could be accomplished in a fiscally sound manner. It is important to note that in order to be successful, offices and departments will need to agree that these goals and methods are acceptable. If offices and departments do not agree, then it is unlikely that the plan could be successfully implemented.

As mentioned at the beginning of this section, this segment of the forecast is presented to stimulate discussion regarding improvements to Bexar County's human resource management practices, increased employee productivity, and preservation of the County's strong financial position. The details of these changes would require a concerted strategic planning effort involving County leadership and employees. As the County contemplates changes in the budgeting and financial management processes, it seems prudent to involve discussions of the type of workforce required to implement the flexibility and discretion promoted through these changes. The benefits of such a change in philosophy could be profound. The County would be able to demonstrate to the citizens its fiscally responsible handling of their resources, show its employees in dramatic fashion its commitment to their well-being and growth, and maintain or improve the current delivery of services to County residents.
TECHNOLOGY PLANNING

Technology, when used effectively, provides an important tool in helping improve the efficiency and effectiveness of County operations. To the extent that it permits County employees to do well the jobs they were hired to perform, technology can also increase employee satisfaction and morale. If the County moves toward the model of fewer, more productive employees, the provision of technology that best serves the often unique business needs and processes of County offices and departments becomes critical. Several key factors must be put in place to ensure that the County invests in technology wisely and effectively.

The single most important factor needed for the County to use technology efficiently and effectively is a short- and long-term technology plan (as recommended by MGT of America, Inc. in the FY 1997-98 Information Services performance review). Since technology is a critical tool for making employees more efficient, the technology plan must be developed in conjunction with the County’s redesigned human resource management plan discussed in the previous section. The plan must also incorporate the County’s policy and direction in several major areas.

For instance, the plan must address whether the County will invest in and use state-of-the-art technology, recognizing that state-of-the-art changes rapidly in today’s hardware and software environment. This decision will drive a second critical decision regarding how often the County will replace computer equipment. If the County decides to keep up with new technology as it becomes available, replacement would have to occur often. The technology plan must also address the evaluation of business practices prior to implementing new technology. The long-term portion of the plan must address whether the County will move to a client-server-based system or remain more mainframe dependent, as is its current business practice.
Another critical component of a technology plan involves the provision of mainframe programming services. An issue identified by the County concerns the prioritization of programming requests, both from the perspective of Information Services and from the offices and departments. Information Services has cited the difficulty of setting programming priorities among the various offices and departments, trying, for example, to decide if Juvenile Detention’s highest priority request is more critical than the Sheriff’s Office highest priority request. The offices and departments have also complained about the length of time it takes to get programming completed. Currently, a significant backlog of programming requests exists, partially due to the demands of Year 2000 readiness.

As stated above, the County’s technology plan must include the evaluation of business processes and practices prior to investments in technology to ensure that those processes and practices are as efficient as possible and that the technological solution meets the business need appropriately. This is particularly true in terms of mainframe programming. The County began moving toward a business analysis approach with the creation of Business Analyst positions in the Information Services Department. These employees are responsible for working with offices and departments to understand and document their current business practices and to make recommendations for improvements. This activity must occur prior to the development of any hardware or software technology solutions. Effective use of the Business Analysts also has the benefit of allowing Information Services programmers to focus on writing code. The County’s programmers have individual subject matter expertise in various programs. Freeing them to effectively use that expertise benefits all offices and departments in need of mainframe programming. It also serves as a model for how the County can best analyze and direct its human resource skill sets and, in so doing, increase employee satisfaction.

Implementation of the technology plan will require significant annual investments in technology. It will be critical to balance the need and desire for state-of-the-art
technology with fiscal considerations. Thus, any technology plan will require a funding source and mechanism. The funding plan should provide individual offices and departments with the flexibility to acquire the technology they need. The plan should place the responsibility and accountability for the success of the technology investment with offices and departments. One approach that satisfies these goals is implementation of a charge back system for the Information Services function (also recommended by MGT in the Information Services performance review). Basically, in a charge back system, offices and departments would “purchase” their information technology needs. The charge back system would incorporate all aspects of Information Services such as hardware, software, programming, telecommunications, radio communications, and mainframe usage. Offices and departments would not only “purchase” the actual products such as personal computers and mainframe programming, they would also “purchase” such things as installation services, repair services and mainframe time. Information Services would develop rates for all their services. These rates should fully recover Information Service’s costs. Offices and departments could then compare these rates to those available in the private sector and purchase the services from the least cost vendor – either Information Services or an outside contractor. This charge back system also encourages excellence in customer service because it provides offices and departments a choice in service providers. Information Services would be challenged to become the best both in terms of customer service and low cost.

Another potential funding mechanism involves creation of a technology replacement fund similar to the County’s Vehicle Replacement Fund. Current and projected future costs of the technology plan could be assessed annually through the budget process. Funds would then be set aside each year in a separate fund in anticipation of future expenses. For example, if the technology plan called for replacement of each County personal computer every three years, one-third of the cost of a personal computer would be contributed to the replacement fund each year. Then, in the third year, the full cost of the computer is available. This mechanism is consistent with the approach described above in which offices and departments purchase all information technology needs because each office
and department would contribute the replacement cost of their equipment into the fund. The integrity of the charge back system is maintained. In addition, the cost of the equipment is spread out evenly over several years.

A cost/benefit analysis needs to be completed before any major investments in technology occur. This analysis would include a determination of the County's return on that investment, particularly in terms of increased employee productivity. The technology, to be cost effective, must result in the need for fewer man-hours to complete the same business process or offer the opportunity to expand services cost effectively. This evaluation could look at a multi-year period to determine the value of the technology investment.

The County faces another important technology related issue: the challenge of becoming Year 2000 (Y2K) ready. In FY 1997-98, the County implemented an aggressive plan to become Year 2000 ready. A total of $8.5 million is budgeted to address all Y2K issues. Outside firms have been engaged to remediate many of the mainframe programs. In-house staff currently is completing remediation of much of the criminal justice system mainframe programs. A firm has been hired to do independent validation and verification of the Y2K mainframe code modifications. In-house staff completed an assessment of all computer hardware to determine its' Y2K readiness. Subsequently, an outside firm was engaged to verify that readiness status. Another firm is currently inventorying and evaluating all embedded systems to determine their Y2K readiness, to prioritize the equipment in need of replacement, and to assist offices and departments in the replacement process. A firm has also been engaged to assess the County's risk and Y2K readiness for personal computer individual desk top applications. Finally, all offices and departments have been individually tasked, with the help of outside consultants, to develop contingency plans in the unlikely event that some computer system failures occur.
Despite all this effort, some residual issues of Y2K readiness may remain after January 1, 2000. In addition, some of the County's trading partners may not be Y2K ready which could have a significant impact on County operations. The County must prepare for this possibility. Y2K failures could also impact the economy. Even a 5 percent business failure rate nationwide as a result of Y2K issues would have a dulling effect on the nation economy which could affect the local economy. This could, in turn, impact County revenues. This issue is also addressed in the Economic Trends section of this document. The County must have plans in place to deal with any problems that may occur.

The County should also consider whether opportunities will exist in the post-Y2K environment that would benefit the County. Currently, much of the country's information resources – human and equipment – are occupied with Y2K issues. Supply and demand often determines price. It is possible that after Y2K issues are resolved, the balance of supply and demand will shift to where supply will exceed demand. This could result in lower costs for technology. In developing a short and long term technology plan, the County should pay careful attention to this potential opportunity and be prepared to take advantage if it occurs.
In the 1890's, the voters of Bexar County chose to impose a series of taxes on themselves and to raise $621,000 to construct what was then one of the largest, most modern courthouses in the State. This vote was a symbol of the citizens’ faith in the future of their community, and also of their commitment to investing in the infrastructure needed to move Bexar County into the new century, the 20th century. Their investment has benefited the citizens of Bexar County for over 100 years. Now, as the 20th century draws to a close, the County is completing another assessment of its infrastructure needs. To meet the demands of this rapidly growing community, Bexar County contracted with the Saldana/PGAL Team to develop a space plan to identify and program the County’s space needs through 2007.

The consultant was charged with recommending cost-effective solutions to manage short and long-term space requirements and to support efficient operations. The consultants surveyed the space needs of County offices and departments and proposed nearly doubling the existing square footage of office space to meet identified needs. The plan recommends construction or renovation of space at a cost of more than $141 million over the next 10 years.

Over the next 10 years, the space plan proposes the renovation of existing space for 16 additional courts in the Bexar County Courthouse and 12 new courts in the Justice Center. In the 76th Legislative Session, eight new courts were created for Bexar County. Five of these courts (three County Courts and two District Courts) become effective September 1, 1999; one District Court becomes effective on January 1, 2000; and two District Courts become effective September 1, 2000. All but one of the newly created courts are to be housed in either the Courthouse or Justice Center. Initially, temporary courts will be created in existing space located in the Courthouse and Justice Center.
Permanent space is being planned in conjunction with the implementation of other space plan recommendations.

The plan also proposes the addition of a new 250,000 square foot building, adjacent to the existing Justice Center, to accommodate the space needs of other County offices and departments. A new 180,000 square foot building is also proposed to house adult probation and the Sheriff’s Office administration functions. Other highlights of the space plan recommendations include:

- Building an additional County parking garage
- Renovating the Frank Tejeda Juvenile Court Building and adding a new Juvenile Probation building.
- Creating four satellite offices to house the offices of the Justices of the Peace, the Constables, the Tax Office, and the County Clerk and to bring the County services provided by these offices directly to the citizens
- Renovating the existing Vista Verde Building and the Courthouse Annex
- Converting the administrative space in Adult Detention Center to inmate beds
- Relocating the Sheriff’s Office Academy to County property on Southton Road

Currently, the Capital Improvement Program Steering Committee (CIP) is reviewing the space plan recommendations to determine the priority these recommendations should receive against other County capital improvement projects.

Other capital projects include more than $40 million in improvements to the circa 1890 Bexar County Courthouse interior and exterior to include modernization of the facilities, compliance with building codes (including fire and safety codes), improved accessibility, and historic restoration activities. Technological advancements to enhance
communications, customer service and productivity are also necessary to make County facilities more efficient. These projects have the added benefits of improving employees’ perception of their work environment and meeting citizen demand for more accessible services.

In addition to the projects mentioned above, the Bexar County Corrections Master Plan 1999 Update, approved by the Commissioners Court, recommends the addition or renovation of space to support efficiencies in the booking, processing and detention of inmates. The Master Plan calls for the initiation of final design and construction of a 320-bed medium risk detention center on a site adjacent to the existing Adult Detention Center. The design for the facility is underway, and $10 million is currently budgeted toward the project. The CIP Committee is currently evaluating alternatives to allow the County to increase the number of beds in this facility in the future. This could significantly increase the cost of this facility. The plan also recommends proceeding with the space programming for a central booking facility to complement efficiency enhancements proposed for the County’s pre-trial process. The cost of the central booking facility is unknown; however, it is anticipated to pay for itself through additional revenues and cost savings.

Funding for the space plan recommendations and the proposals in the Bexar County Corrections Master Plan 1999 Update must be reviewed comprehensively with other County capital investment requirements. An important issue concerning financing future County infrastructure is the limited debt capacity. At the current tax rate, the County’s debt capacity is an estimated $4 million over the next 5 years. This will not meet all the County’s infrastructure needs if these needs are debt financed.

Other financing sources are available and should be considered. The Bexar County Courthouse is in need of internal and external repair. A portion of the Courthouse Renovation identified in the Space Plan could be funded through the State Courthouse Renovation Project grant funds. In order to be eligible, the County must develop a
comprehensive plan for the project. The County should expedite this process because of competition for funds from other counties will be great. It is our understanding that the funds will be allocated on a first-come, first-serve basis.

One mechanism for financing some of the law enforcement/judicial space needs could be the establishment of a Crime District. With Bexar County voter approval of up to a ½ cent sales tax, that district could generate as much as $55 million, of which could be used to support some of the County’s law enforcement, detention, and judicial projects and space needs. Examples include the Central Booking/Magistration Facility, the Medium Risk Adult Detention Center Expansion, and a new Adult Probation/Sheriff’s Office Building (Space Plan). By raising alternative funds, the County frees debt capacity for additional projects and helps limit property tax increases by reducing the amount of funding needed from that revenue source.

Additional demands for infrastructure investment include the acquisition and or construction of a Records Management Facility. The need for a records management center has been identified for over a decade and bond funds in the amount of $2.3 million have been available since 1998-99. The County’s inability to secure an acceptable location for the facility in the recent past has caused dedicated funds in the Record Management Center to be reprogrammed. A comprehensive plan for current and future records management is needed which integrates technological solutions with the storage and retrieval of paper records. Technological instruments could eventually lessen the demand for space; however, an immediate need for space to store records exists. Record storage consumes valuable space in the Courthouse, the Justice Center, and other office buildings which is needed to support the creation of courts and other related functions.

The demand for County resources is ever-changing. Issues relating to the improvements to County infrastructure are constant and must compete for funding with other County and community priorities.
A new initiative in the community is the potential involvement in the development of an arena for the San Antonio Spurs. Since the fall of 1998, the City, County, school districts, and other entities have been examining the viability of a combination of public and private financing for a new Spurs arena. According to the Spurs, the Alamodome's configuration makes it difficult for the team to generate sufficient revenues to remain competitive in the current National Basketball Association (NBA) market, where player salaries can exceed $10 million per year. The Spurs have requested that the community join with them in a collaborative effort to fund a new arena that would enhance their revenue-generating opportunities. Two potential sites are under consideration at this time: the Joe and Harry Freeman Coliseum, and a site adjacent to the Alamodome. The final financing plan for such an arena could involve a combination of public and private sector resources (including a contribution from the Spurs). Although the financing options currently being considered might not directly affect the County's property tax rate or debt capacity, the need for voter approval of the arena could well affect the County’s ability to seek voter approval for funds for the Space Plan and other infrastructure needs.

With nearly $1 billion in bonds having been approved by the voters in the past year for several school districts, as well as the City of San Antonio’s $150 million bond package, the County could encounter more difficulty in attaining voter approval for a potential bond package. In addition, other community needs have been identified which may require voter approval of increased sales (or other) taxes. One example is the Mayor of San Antonio’s “Human Development – Better Jobs” initiative which proposes to use a sales tax increase to pay for job training and education improvements in the community. With so many identified community needs, the County will need to weigh carefully the effects of its participation in the Spurs arena financing election, taking into account its own infrastructure-funding requirements in the process.
Professionals who work with juvenile criminal offenders recognize that most of the offenders begin their criminal "careers" by committing truancy, violating City codes, or committing Class C Misdemeanors. It has been reported that 56 percent of all juveniles prosecuted for truancy will recidivate by committing greater offenses at some point in their adolescence. Bexar County, in conjunction with local school districts, participates in programs designed to prevent juveniles from engaging in delinquent behavior before they enter the juvenile justice system. The County also addresses juvenile delinquency after a juvenile has committed a punishable offense and has entered the criminal justice system. Nevertheless, fewer County resources are allocated to the prevention of juvenile crime than to the adjudication of the juvenile offender. This segment of the Long Range Financial Forecast takes a holistic look at the Bexar County juvenile crime problem, at how it is being addressed, and at the fiscal impact of the juvenile justice system on the County.

One way to reduce costs associated with juvenile crime is to prevent juvenile offenders from entering the criminal justice system. Within the past two years, Bexar County and local school districts have joined efforts to curb juvenile crime by taking a more proactive stand against truancy. Bexar County Constables, who are community-based law enforcement entities, work closely with local school administrators in the Absent Student Assistance Program (ASAP). Each day, schools participating in ASAP forward to Constables' offices lists of students reported for unexcused absences. These lists, which contain the students' last-known address, are categorized by zip code and are distributed to a Deputy Constable. The Deputy then visits the address of each unexcused student, delivers a warning letter, and asks the parent/guardian if she/he was aware of the unexcused absence. The Deputy then informs the guardian that failure to compel attendance is a crime, as is failure to attend. Through ASAP, the County and local school
districts work in tandem to identify at-risk students and to reduce delinquency, resulting in savings to the County for every juvenile kept out of the justice system.

School districts are often the agencies through which many juveniles enter the juvenile justice system. As a result, several local school districts have developed Zero Tolerance policies and are filing truancy cases and Class C Misdemeanors in the Justice of the Peace Courts. Because of these policies, truancy and Class C filings in the Justice Courts have increased significantly. Three Bexar County Justices of the Peace have implemented pro-active measures to deter truancy and to reduce the increasing caseload generated by these policies. Precincts 1, 2, and 5 are staffed with personnel who work closely with local schools, juvenile offenders, and their parents/guardians to reduce recidivism and to prevent offenders from committing more serious offenses. Through community service restitution, educational classes aimed at deterring juvenile crime, and fines, staff strives to reduce recidivism. Grant funding is currently being sought to continue and expand these efforts.

Although prevention is the goal of the ASAP and Zero Tolerance programs, each goes into effect after the juvenile has committed delinquent activity. Those juveniles who continue to offend, or whose offenses become more severe, face possible adjudication in the Bexar County Juvenile Courts.

Juveniles enter the juvenile justice system after being charged with or arrested for delinquent conduct or conduct indicating need for supervision. The Juvenile Justice Outcomes chart on the following page illustrates the flow of juveniles through the Bexar County juvenile justice system. Upon being charged with or arrested for delinquent conduct or conduct indicating a need for supervision, the juvenile is either detained in the Mission Road Juvenile Detention Center or released to a parent or guardian. After being reviewed by juvenile probation and district attorney staff, the juvenile’s criminal case is prepared for diversion, drug court, adjudication, or dismissal. The following segment of this forecast discusses sanction options available in Bexar County.
SANCTION ANALYSIS

DIVERSION

Diversion, or deferred adjudication, is primarily offered to first-time juvenile misdemeanor offenders who volunteer for a six-month program of classes, group work, and community service restitution. Upon successful completion of the program, juveniles’ cases are closed with no adjudication in the Juvenile Courts.

DRUG COURT

The combined effort of the Juvenile Court, the Criminal District Attorney’s Office, and Juvenile Probation aims to counter the high recidivism rate among first- and second-time juvenile offenders involved in illicit drugs. The Drug Court, presided over by Referees, provides immediate and continuing judicial supervision over juvenile offenders with substance abuse problems. Through deferred adjudication, the program establishes immediate accountability on the juvenile’s part.

ADJUDICATION

Juveniles charged with or arrested for felony offenses or the more serious misdemeanors and juvenile repeat offenders do not qualify for deferred alternatives. These juveniles face adjudication. During adjudication in Juvenile Court, a juvenile is assigned a sanction level. Seven sanction levels are established in the Texas Family Code for the purpose of categorizing the type and severity of the delinquent conduct committed by the juvenile. These “progressive” sanction levels were created to:

- ensure that juvenile offenders face uniform and consistent consequences and punishments that correspond to the seriousness of each offender’s current offense, prior delinquent history, special treatment or training needs, and effectiveness of prior interventions;
- balance public protection and rehabilitation while holding juvenile offenders accountable;
- permit flexibility to the extent allowed by law in the decisions made in relation to the juvenile offender;
- consider the juvenile offender's circumstances; and
- improve juvenile justice planning and resource allocation by ensuring uniform and consistent reporting of disposition decisions at all levels. (Family Code, §59.001)

The seven levels are hierarchically organized, with level one reflecting the less serious "child in need of supervision" offenses, such as run away or truancy, and level seven reflecting the most serious offense of capital felony. The Juvenile Court has discretion in assigning sanction levels. It may deviate up or down based upon factors such as the juvenile's family structure, previous criminal history, and psychological needs. Upon finding that the charges brought against a juvenile are true, the Court assigns sanctions, which are discussed below in detail.

**Texas Youth Commission**

Sanction level 6 offenders are placed in the Texas Youth Commission (TYC), the juvenile correction agency responsible for serving violent and seriously delinquent youth committed to the State's custody. It operates secure institutions and community-based residential halfway house programs, and provides parole supervision for youth upon their release to the community. TYC offers four basic treatment programs: correctional therapy, education, work, and discipline training. It also offers specialized treatment programs for sex offenders, chemically dependent youth, youth with severe emotional disturbances, and offenders with mental retardation.
MISSION ROAD JUVENILE DETENTION CENTER

The Mission Road Juvenile Detention Center is a short-term holding facility in which youths, ages 10 to 17, who have allegedly engaged in delinquent conduct, are held pending the disposition phase of the court hearing. Youth detained in the facility are charged with serious offenses and are viewed as a potential threat to the community. The facility also houses adjudicated juvenile offenders who are awaiting placement or transfer to other facilities. The Detention Center cares for the needs of the children by providing medical, food, counseling, hygiene, and recreational services. A year-round education program is maintained in the Center through efforts of Bexar County and the San Antonio Independent School District.

RESIDENTIAL PLACEMENT

The Juvenile Court may require a juvenile at sanction level five to participate as a condition of probation for not less than six months or more than nine months in a highly structured residential program that emphasizes discipline, accountability, physical fitness, and productive work. The program requires the juvenile to make restitution or perform appropriate community service restitution. A probation officer is required to monitor the juvenile closely. After release, the juvenile will continue on probation for six to twelve months. Juvenile offenders who meet the following criteria may be sentenced to Residential Placement:

1) felony or misdemeanor referrals;
2) non-violent offenders;
3) special education or learning disabled offenders;
4) chronic truants or runaways; and
5) juveniles in need of vocational training/independent living skills.
When the Court orders a juvenile into residential placement, juvenile probation staff work in conjunction with Youth for Tomorrow, a contracted “level of care” agency, which evaluates and categorizes juveniles according to their needs. Youth for Tomorrow continues to provide service by re-evaluating the juveniles and determining whether they are eligible for re-categorization. Below is a discussion of the levels of care provided to juveniles:

**Level I:** The caregivers provide a routine home environment with guidance and supervision to meet the needs of the juvenile in all developmental and/or environmental areas. There may be transient difficulties, “everyday” worries, and occasional misbehavior, but the juvenile would be regarded as a “normal” child; responds to “normal” discipline.

**Level II:** Provide services designated to improve the child’s functioning.*

**Level III:** Provide structure and a higher level of supervision. Formalized behavior programs and therapeutic interventions are implemented by professional and paraprofessional staff under the direct supervision of professional staff. *

**Level IV:** Provide physical environment in which most activities are therapeutically designed to meet the social, emotional, and educational needs of each child.*

**Level V:** Provide a highly structured program to improve functions or maintenance of children with severe emotional or behavior disorders with moderate to severe risk of causing harm. Provide on-call medical, psychiatric, and nursing services 24-hours a day. Provide recreational services through an individualized recreational plan designed by the interdisciplinary team composed of professionals appropriate to the type of
care. To ensure 24-hour programmatic consistency, educational services are coordinated with the child's treatment plan. Provide interdisciplinary team composed of professionals which is required to develop, review, and supervise the treatment plans. Provide awake night staff which is required for 24-hour supervision.

**Level VI:** Provide a highly structured program to improve functions or maintenance of children with very severe impairment(s), disability(ies), or need(s), consistently unable or unwilling to cooperate in own care. May be severely aggressive or exhibit self-destructive behavior or may be grossly impaired in reality testing, communication, cognition, affect, or personal hygiene. May present severe to critical risk of causing serious harm to self or others. Needs constant supervision (24-hour care) with maximum staffing, in a highly structured setting.

*Levels II, III, and IV above also include the following service: Arrangement of routine medical and dental services determined through an agreement between care giver and the placing agency. Provide structured recreational activities and leisure time activities. Provide access to free, appropriate public education and related services through the local public school district and within guidelines set by state and federal law.*

**SOUTHTON**

In 1997, Bexar County opened the Bexar County Secure Juvenile Residential Correctional Treatment at Southton Road. Under contract with Children's Comprehensive Services at a per diem of $99 per day per juvenile plus the actual cost of all utilities, this residential placement facility has a capacity of 96 detainees. With a General Fund budget of $2,531,148, this facility is the largest single operational expense in the Juvenile Detention FY 1998-99 Adopted Budget. In addition to the Southton Road facility, the County contracts with
approximately twenty other providers for additional residential placement beds. Bexar County currently has no contracts for services at levels one or two. Costs associated with these placements increase as the juveniles’ supervision and program needs increase.

Several factors are considered by Juvenile Probation staff when determining the placement facility appropriate for each juvenile: 1) the type of service provided by the facility, 2) the per diem, 3) available bed space, 4) location, 5) the required length of stay, 6) family intervention needs, and 7) after-care components of the juvenile’s sanction. Residential Placement staff compiles a “Residential Placement Package” consisting of a recommendation of the level of care requested, the juvenile’s psychological records, school records, and prior criminal history. Packages are forwarded to at least four residential placement providers. Each provider is given an opportunity to report whether it has services appropriate for the juvenile. After a location has been chosen, the juvenile is transported to the facility and is monitored by Juvenile Probation staff throughout the placement term. All of the services associated with residential placement are provided at significant, and increasing, cost to the County.

In conjunction with the FY 1998-99 budget process, the Bexar County Juvenile Probation Department developed alternatives to residential placement both to reduce the costs of residential placement and to reduce the need of removing juveniles from their families. These alternatives--day treatment, partial hospitalization, and in-home services--are discussed below along with other sanction types appropriate for adjudicated juvenile offenders.

**BEXAR FOUNDATION/FOSTER CARE**

This option provides therapeutic foster care for younger juveniles with demonstrable conduct problems. It is also a transitional placement for juveniles whose family structure is not supportive of the juvenile’s return home. Placement
in the Bexar Foundation is comparable to residential placement and is categorized at care levels three and four.

**Day Treatment**

This sentencing option meets the needs of a growing population of adjudicated juvenile offenders for whom neither intensive probation nor traditional outpatient therapy is appropriate. An alternative to residential placement, it is designed for offenders between ages 10 and 17 who have conduct disorders and whose supportive family would benefit from family counseling. Day treatment is also designed to prevent recidivism in individuals who are being re-integrated into the community after completing residential treatment.

**Partial Hospitalization**

Partial hospitalization is an alternative to residential placement for adjudicated offenders between ages 10 and 17 who are certified as mentally ill and require intensive psychiatric treatment. Although the complexity of these juvenile’s disorders generally prevents them from responding well to traditional outpatient therapy, they are able to utilize support systems within their families and the community. Partial hospitalization is a solution to two needs exhibited by Bexar County juvenile offenders: 1) it provides a less restrictive alternative to acute care or long-term residential placement; and 2) it provides a transitional setting to accommodate the return to home of an offender who has completed acute care treatment or level five or six residential placement.

**In-Home Services (Family Preservation)**

This three to six month option is considered most appropriate for juveniles who have conduct disorders and whose family situation is in a state of crisis. Therapists visit the juveniles and their families three to four hours each week to work on life skills and to offer individual and family counseling. Twenty-one
families currently receive assistance under this program, which is an alternative to residential placement. The number of families in this program is kept relatively low so that individual attention can be given to the offenders, their siblings, and their parents. The goals are to prevent the juvenile from re-offending and to deter siblings from starting criminal behavior.

**INTENSIVE SUPERVISED PROBATION**

At sanction level four, the juvenile court may require a child to participate as a condition of probation for not less than three months in a highly intensive and regimented program that emphasizes discipline, physical fitness, social responsibility, and productive work. The juvenile is responsible for making restitution to the victim or for performing community service restitution appropriate to the nature and degree of harm caused. A probation officer is required to monitor the juvenile closely. This sanction is assigned for second-degree felony conduct.

**PROBATION**

A Juvenile Court may place an adjudicated juvenile on probation for any period of time, except that probation may not continue after the juvenile’s 18th birthday. The court may permit a juvenile given probation to live at home or may place the child in a suitable foster home, in a suitable public or private institution, or in an intermediate sanction facility.

**ELECTRONIC MONITORING**

Electronic monitors are used to deter delinquent behavior primarily when juveniles are awaiting court proceedings. Electronic monitoring is also used as an alternative to detention.
FISCAL ANALYSIS: RESIDENTIAL PLACEMENT

All programs offered by the Bexar County Juvenile Department, impact the level of services (and resources) provided by the County. Within the Juvenile Detention budget, there have been significant cost increases over the past two fiscal years due to the opening of the Bexar County Secure Juvenile Residential Correctional Treatment at Southton Road and the costs associated with the operation of additional beds at the Mission Road Juvenile Detention Facility. The Southton Road Facilities expenditures for FY 1997-98 comprised 35 percent of the total expenditures for Juvenile Detention. In FY 1998-99 it is anticipated to comprise 33 percent of estimated expenditures.

Within the Juvenile Probation budget, expenditures are expected to increase during FY 1998-99 after a decrease from FY 1996-97. The previous fiscal year’s decrease was a result of lower residential placement expenditures due to the operation of the Southton Road Facility and the acceptance of Title IV-E reimbursements by the County. The Residential Child Care Services line item has been and continues to be the single largest expenditure within the Juvenile Probation budget.
The General Fund contributions charted above are based specifically on the Residential Child Care Services line item of the Juvenile Probation budget. This line item expenses funds for outside contracted service facilities for residential placement. When the County's grant contribution and contract cost for the Southton Road Facility are included, the County's General Fund contributions are significantly higher. Based on historical fluctuations received from the Federal Government (Title IV-E reimbursement program) as well as the opening of the Southton Road Facility. During FY 1996-97, higher than expected General Fund expenditures occurred due to delayed Federal reimbursement payments on Title IV-E eligible activities and higher than projected placements in contract facilities. General Fund contributions were reduced in FY 1997-98 due to the payment of the delayed Title IV-E funds and the opening of the Southton Road Facility that occurred in that same fiscal year. During FY 1998-99, a backlog of juveniles awaiting placement were ordered into the system, accounting for the higher than anticipated expenses. Operational concerns associated with the Southton Road Facility resulted in increased placements into contracted residential placement facilities, at an increased cost to the County in FY 1998-99.
percentage increases, the trend for total Residential Placement costs exhibits dramatic increases during the forecast period.

This graph shows projected costs of residential services (including Southton and County grant match contributions) if the historical rate of increase continues. This projection of Residential Placement costs uses the annual average increase of 48 percent that the County has experienced over the past five years, and shows what the effect of that continuing rate of increase would be on residential costs. As shown, if residential costs continue to increase at historical rates, the cost of these services would exceed $36 million by the end of the forecast period. Clearly, the County must address rapidly increasing residential expenditures before they reach these projected levels.

In an effort to mitigate the costs of residential placement, the Juvenile Board and Commissioners Court have formed a Juvenile Task Force to examine issues related to residential placement. The Task Force has already taken several actions to help the County address these costs. The District Judges who hear juvenile cases have begun a process to re-examine every youth placed into residential placement, in order to determine whether these juveniles have substantially completed their treatment, and can be released earlier than originally scheduled. Additionally, at the request of the Task Force, Commissioners Court expanded the responsibilities of the Bexar County Jail Population Monitor to include monitoring juveniles in detention and residential placement. The Task Force is also examining methods of funding future years’
residential costs, including asking the State, which is currently shifting fiscal responsibility to the counties, to more equitably share the burden of these costs with Bexar County. The County is also looking to other local entities, such as school districts, the City of San Antonio, and others, to help pay for some of the costs associated with juvenile justice issues. Finally, the Task Force is working to develop methods for managing the costs of residential services in the future, as well as working toward an agreed-upon method for budgeting for these expenses.

As the County looks to the future, it will be increasingly important to analyze the entire range of post-adjudication outcomes in the Juvenile Justice System. To fully understand cost factors in one area (such as residential placement), it is critical to know what is occurring in other areas (Southton, TYC placements, probation, etc). Only when the system is viewed in its entirety can the County appropriately plan for all its post-adjudication expenses. One important step towards understanding this system as a whole is the proposed Joint Study on the Juvenile Post Adjudication System. Currently, Planning and Resource Management and the Juvenile Department are working to identify issues for the study to address. In order to manage the future costs and effectiveness of this system, this study should be undertaken and completed as soon as possible, so that any recommended changes can be implemented without unnecessary delays. The study should also incorporate cost-effective approaches identified by other counties nationwide in the ICMA benchmarking project.

Further, it is crucial that juvenile justice planning and resource allocation become collaborative functions within Bexar County government as whole. Employee needs, technology issues, County space requirements, adult and juvenile detention issues, and other Bexar County needs must be addressed – and understood – holistically. As juvenile costs increase, the services discussed in the Long-Range Financial Forecast must continue to be monitored to ensure that they are utilized effectively and efficiently and that they meet the identified needs for which they were designed.
ADULT DETENTION ISSUES

As in previous years, the issue of adult detention facilities remains a key challenge for the County. With 66 percent of all General Fund appropriations budgeted for criminal justice activities, the efficient management of the County’s adult detention system is crucial to manage the funds provided by the citizens for the operation of County government. And as the State prison system again nears its capacity, the County will need to continue to seek creative and effective methods to maximize the use of its own detention facilities. The following discussion outlines the activities and initiatives the County is undertaking in order to optimize the efficiency of the existing detention infrastructure, as well as plan for future detention needs.

As the graph below indicates, the County has made great strides in managing its jail population. In 1994, the jail population exceeded 4,200 inmates. Since 1995, through cooperation between members of the judiciary, the Sheriff’s Office, Criminal District Attorney, and Commissioners Court, the County has maintained its jail population levels near or below the 3,600-inmate capacity of its detention system. Continuing this effort, in FY 1998-99 an effort between elected officials operating the Criminal Justice System and Commissioners Court has culminated in the drafting and adoption of the Bexar County Corrections Master Plan 1999 Update. One major feature of this updated master plan is a proposal by the Sheriff’s Office for the introduction of new technology by allowing monitoring of work release prisoners by voice verification rather than housing them in jail beds.
Additionally, the Sheriff's Office and Commissioners Court are working together to design and construct the Jail Annex expansion, as well as looking at ways to maximize the downtown detention operation rather than building detention facilities at a remote County site. The District Attorney has also taken a lead in developing a central booking, pre-trial and magistration system as part of the Master Plan.

In 1993, the Corrections Master Plan prepared by Farbstein and Associates recommended consideration of three adult detention projects that would increase the jail system bed capacity to over 4,800. Those projects were to renovate the Main Jail, to increasing the number of high security beds and expanding medical space; constructing a 320-bed addition to the Jail Annex for work release inmates; and constructing a new 1,320 bed low-risk jail (now known as the Cagnon Road Jail). During 1993, the jail population was increasing significantly. The opening of the 782 bed Jail Annex and the addition of over 1,000 double bunks in the Main Jail did not keep pace with the backlog of prison-bound inmates in the jail. This backlog was created largely by the lack of prison capacity at the State level. This lack of capacity meant that the State could not house its prisoners in its own, over-crowded facilities. Therefore, counties were forced to house many of these inmates. By the summer of 1994, the jail system housed over 4,200 inmates. The State began building new prisons to double its capacity, and in 1995 started to receive the backlog of prison-bound inmates. By 1996, the County jail population had dropped to about 2,600 - well below the capacity of over 3,600. At that time, the County began examining the November 1993 plan for new adult detention facilities to determine whether that plan remained viable, given that the inmate population levels had changed significantly from the original projections.

As a result of the re-examination of the 1993 Corrections Master Plan, construction of the work release facility was delayed in order to provide funding for needed juvenile detention facilities. Based on current population projections, the beds are not needed within the current planning horizon. Also, in 1999 the County commissioned a study by an outside consulting firm, Chinn and Associates, to examine the County's future adult
detention population levels. This report and a similar study conducted by the Texas Criminal Justice System (TCJS) both indicate a need for beds in the medium and high security level range, not the low-risk level (as was proposed for Cagnon Road) or work release. Since it has now been determined that the County's future bed space needs will be for medium and high risk inmates, the Cagnon Road facility, which was approved and designed as a low-risk facility, will not meet the County's needs. Increasing the security level of the facility could also impact the community around the Cagnon Road site. Also, the prospect of operating such a facility ten miles south of the current Adult Detention complex may prove to be logistically difficult.

On April 20th, 1999, as a result of the CIP process, Commissioners Court issued the 1999 Update of the 1993 Bexar County Corrections Master Plan for the Adult Detention System. The update addresses how to proceed with jail construction projects and incorporates innovative measures brought forward by the Sheriff's Office, District Attorney, architects and planners, and others in the County criminal justice system, particularly those involved with the pretrial system. Two living units in the Main Jail were converted from medium risk to high risk during the FY 1997-98 Comal Street renovation project. The Main Jail Master Control and Lock Project that is currently underway will maintain security capability at the Main Jail to meet the needs through the year 2003. Medium security beds will be added by a 320-bed expansion of the Jail Annex as proposed in the Bexar County Corrections Master Plan. (This is the facility that was originally programmed for work release inmates as suggested in the 1993 Farbstein and Associates report.)

It has been determined that this facility can operate efficiently and effectively as a medium risk facility for several reasons. Re-programming the facility from work release to medium risk will require some design upgrades to harden the facility. These can be accomplished within the existing footprint and schematic design for the building. It can share kitchen and laundry facilities within the existing Jail Annex and Main Jail. The command staff already in place at the Jail Annex can also supervise the staff for the
additional beds. Additionally, the facility will also have the flexibility to operate in conjunction with the existing Annex and/or to be attached, but operate separate from it (through configuration of doorways).

The medium risk beds represent a cost-effective approach to meeting the County's detention bed requirements for the next five years, and depending on the final approved design plan, this facility could be expanded to house a total of 640 medium security beds. From an operational perspective, the beds will work well in conjunction with the existing Jail Annex. From a fiscal perspective, the medium risk expansion originally had a $10 million design and construction budget and was estimated to cost $2 million annually to operate. By comparison, the 1,320 bed Cagnon Road Jail was estimated to cost $47.6 million to construct and $11 million annually to operate. In March 1999, Bexar County issued $10 million in general obligation bonds to fund construction of the 320-bed facility. However, if additional beds are constructed and/or shelled-out, additional funding could be necessary.

The voice verification work release program brought forward by the Sheriff's Office and included in the 1999 Master Plan Update will allow work release inmates to graduate to this program based on their behavior in a traditional work release environment. These inmates will be closely monitored by the Sheriff's Office to ensure their compliance with the requirements of the voice verification program. These inmates will be in the Sheriff's custody but will not sleep in the detention centers. The system has the ability to monitor and track individuals throughout the day or night, even though they may be authorized to leave their permanent residence. According to the Sheriff's Office, the system has the potential to generate net revenue of approximately $250,000 within the first year. The cost to the County for this program is $37 per inmate per month.

The County also has other programs and efforts in place to help manage the adult detention population levels in the short- and long-term. Bexar County currently employs a Detention Populations Monitor to troubleshoot day-to-day case processing through the
criminal justice system, from filings to detention to release. This individual actively seeks the cooperation of State and local agencies and officials to ensure the timely flow of paperwork. This allows inmates to move through the judicial process as expeditiously as possible, while protecting the rights of the accused. In addition, the Detention Population Monitor works with the State to make sure that it meets its obligation to house its prisoners, rather than housing them at County facilities. This effort has focused mainly on paper-ready State prisoners and technical parole violators. The County is also examining the space programming study recommendations to provide the Sheriff’s Office Administration and Training Academy with space outside the main jail. The space currently occupied by the Training Academy could then be converted to detention space.

Through the redesigned pre-trial system, the County can manage jail populations and reduce the projected number of beds needed in both the short- and long-term through “one-stop” magistration, pre-trial services and central booking. In May 1998, the Planning and Resource Management Department presented the preliminary findings of its Bexar County Pre-trial Process Performance Review. This review focused on four key areas of concern: the magistration process; the booking and identification process; the pre-trial release and bond process; and the collection process.

Potential savings and revenue enhancements were identified through the redesign of the four processes. The main savings are generated by freeing detention beds through aggressive use of alternatives to incarceration, such as electronic monitoring, and also by improving the identification and bond process. Revenue is also generated from bond supervision fees paid by defendants. Under the current system, every defendant is booked into the Adult Detention Center, regardless of whether they will make bond. By streamlining the pre-trial bond process, the County can help ensure that only those who are not going to receive bond within 72 hours occupy detention beds. It is estimated that the County could free as many as 135 to 145 jail beds per day by improving the pre-trial process. The total dollar amount of savings and revenue enhancements identified is approximately $1.7 million per year.
The Master Plan calls for the assignment of the Pre-trial System project concept and functional relationship design to architects for square foot requirements, initial facility design, site evaluation/selection and cost analysis. In addition, the use of closed-circuit video cameras is being studied to help mitigate the need for additional detention space. The cost of the pre-trial redesign project is currently unknown pending completion of the design study cited above.

Other opportunities may also exist to partner with the private sector. Currently Wackenhut Corrections Corporation (WCC), a private jail operation company, operates the County-owned Laredo Street Facility. This facility is rated at 634 beds, and houses Federal inmates as well as some State of Texas parole violators. If necessary, the County may again utilize these beds to house County inmates in peak demand periods. The County could also contract with WCC to build and operate facilities to house State inmates.

Additionally, the County is looking for methods to increase system efficiencies by exploring technology involving computer and communication systems that have the potential to link the various criminal justice facilities and operations. These links may include linking plea courts to jail cells, and attorneys to visitations. MagISTRATION could occur through video technology while detainees are still in their cells, thereby reducing staff-intensive movements. Ultimately, if additional building space becomes necessary in the future, the County may explore the expansion of the downtown Adult Detention Center around the existing facility.

As stated, the County is currently evaluating the medium risk Jail Annex facility expansion. The original plan called for a 320-bed facility. The site will accommodate a two-story, 640-bed facility. An opportunity may exist to develop a downtown detention facility compound, if the railroad vacates the tracks between the two current detention centers. The County should continue to plan strategically to maintain the flexibility to make the best use of the downtown detention facilities complex.
In summary, as the discussion above highlights, these efforts by the County to maximize the effectiveness of our current detention facilities, coupled with an updated Corrections Master Plan to help address the future detention needs, are important steps toward insuring the public safety of citizens. By continuing these and other efforts to utilize our resources, the County can demonstrate to the citizens its commitment to providing an effective and efficient criminal justice system.
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