



**FISCAL YEAR 2024**

**City of San Marcos**

# **BUDGET WORKSHOP #3**

August 15, 2023

[sanmarcostx.gov](http://sanmarcostx.gov)



# **FY 2024 Budget Workshop Agenda**

- **Introductory Remarks from City Manager**
- **Budget Development Timeline**
- **Budget Policy Statement**
- **General Fund and Major Special Revenue Funds**
  - Revenue Estimates
  - Cost Drivers
- **Enterprise Funds**
  - Revenue Estimates
  - Cost Drivers



# Budget Calendar

BUDGET EVENT	DATE	DONE
<del>Council Strategic Planning and Visioning</del>	<del>January 26 – 27</del>	<del>✓</del>
<del>Budget Policy Workshop</del>	<del>February 23</del>	<del>✓</del>
<del>Budget Policy Adoption</del>	<del>March 21</del>	<del>✓</del>
<del>Budget Workshop #1</del>	<del>May 16</del>	<del>✓</del>
<del>Budget Workshop #2</del>	<del>June 29</del>	<del>✓</del>
Budget Workshop #3 - Proposed Budget Submitted	August 15	
Maximum Proposed Tax Rate Set	August 15	
Neighborhood Commission Budget Presentation	August 16	
Budget Workshop #4 (If needed)	August 21	
Public Hearings on Budget and Tax Rate	September 5 & 19	
Budget and Tax Rate Adoption (1 <sup>st</sup> & 2 <sup>nd</sup> Reading)	September 5 & 19	

PRELIMINARY  
TAX ROLL:  
APRIL 30<sup>th</sup> ✓

CERTIFIED  
TAX ROLL:  
JULY 25<sup>th</sup> ✓








# Budget Policy Statement



# Fund Balance






 **Strategic Goal:** *Public Safety, Core Services, & Fiscal Excellence*

Fund	Policy Statement	Status
General Fund	<ol style="list-style-type: none"><li>1. Maintain 25% of recurring operating expenses</li><li>2. Use fund balance in excess of 25% for one-time expenses and direct remaining funds to future City Hall<ul style="list-style-type: none"><li>• FY23 CIP - \$1.2 million</li><li>• FY24 Capital outlay - \$1.0 million</li><li>• Future City Hall - \$2.8 million</li></ul></li></ol>	
Electric	Work towards 90 days of recurring operating expenses	
Water/Wastewater	Maintain 90 days of recurring operating expenses	
Stormwater	Work towards 90 days of recurring operating expenses	
All	Fund balance in excess of thresholds used for one-time expenses	



# Revenues






 **Strategic Goal:** *Public Safety, Core Services, & Fiscal Excellence*

Fund	Policy Statement	Status
General Fund	Property tax rate between the no-new-revenue and voter-approval tax rate with goal of not increasing the tax rate above the current rate	
General Fund	Continue budgeting revenues using historical trends as approved for the current fiscal year	
General Fund	Consider impact of American Rescue Plan funding	
General Fund	Revenue from alternative funding sources will be evaluated and proposed during budget process	
General Fund	Explore additional local property tax relief for residents following results of the 88 <sup>th</sup> Texas Legislature	



# Revenues, continued






 **Strategic Goal:** *Public Safety, Core Services, & Fiscal Excellence*

Fund	Policy Statement	Status
<b>Electric and Water/Wastewater</b>	Continue annual rate study to determine possible rate changes and the Citizen Utility Advisory Board will make recommendations to Council	
<b>Electric</b>	Explore identifying community-based charges separate from the electric utility rate component	
<b>Stormwater</b>	Continue using rate model to determine possible rate increases and/or structural changes	
<b>Stormwater</b>	Use General Fund's capacity to fund stormwater CIP to minimize rate adjustments	
<b>Hotel Tax</b>	Revenue budgeted based on conservative trends and the impact COVID-19 has had on the hospitality and tourism industry	



# Expenses

 **Strategic Goal:** *Public Safety, Core Services, & Fiscal Excellence*








Fund	Policy Statement	Status
All	Departments will follow a zero-based budget format and account for inflation	
All	Budgets must be justified and prioritized	
All	Complete a market-based classification and compensation study for staff and develop a compensation philosophy	
All	Increase personnel to support core services and City Council's strategic goals	
All	Enhance the grant program to maximize funding from other sources	





# Expenses, continued






 **Strategic Goal:** *Public Safety, Core Services, & Fiscal Excellence*

Fund	Policy Statement	Status
All	Transfers budgeted based on Cost Allocation Plan	
General Fund	Increase Police and Fire staffing levels based on capacity using a multiyear approach	
General Fund	Continue meet and confer negotiations	
General Fund	Family Justice Center maintained at \$45,000	
General Fund	Youth Services Coordinator maintained at \$50,000	
General Fund	Museum funding increased to \$125,000	
General Fund	Continue funding City hosted events in the combined amount of \$60,000 (Veterans Day, Summer Fest, etc.)	



# Expenses, continued





 **Strategic Goal:** *Public Safety, Core Services, & Fiscal Excellence*

Fund	Policy Statement	Status
<b>General Fund</b>	Identify funding for an increase in Municipal Court rent <ul style="list-style-type: none"><li>Increased funding by \$200,000 to \$292,150</li></ul>	
<b>General Fund</b>	Continue to allocate funding for City Council's strategic goals - \$150,000	
<b>General Fund</b>	Continue to constrain the CIP to keep debt rate within limits of the debt model	
<b>General Fund</b>	Explore policies that will provide funding for one-time expenses and protect the City from revenue volatility	
<b>General Fund and American Rescue Plan</b>	Human Services Advisory Board funding: <ul style="list-style-type: none"><li>General Fund - \$550,000</li><li>American Rescue Plan - \$100,000</li></ul>	



# Expenses, continued




 **Strategic Goal:** *Public Safety, Core Services, & Fiscal Excellence*

Fund	Policy Statement	Status
<b>General Fund and Transit</b>	Provide Transit operations funding later in the budget process: <ul style="list-style-type: none"><li>• FY23 General Fund Contribution - \$1,013,425</li><li>• FY24 General Fund Contribution - \$1,062,104</li></ul>	
<b>Hotel Tax</b>	Explore funding capacity for historical restoration and preservation - \$50,000 (General Fund - \$100,000)	
<b>Hotel Tax</b>	Evaluate capacity to increase the annual amount set aside for maintenance and repairs of conference center FY23 - \$10,000 FY24 - \$150,000	
<b>Hotel Tax</b>	Use hotel tax funding for City's branding and include community input - \$80,000	



# Expenses, continued

 **Strategic Goal:** *Public Safety, Core Services, & Fiscal Excellence*

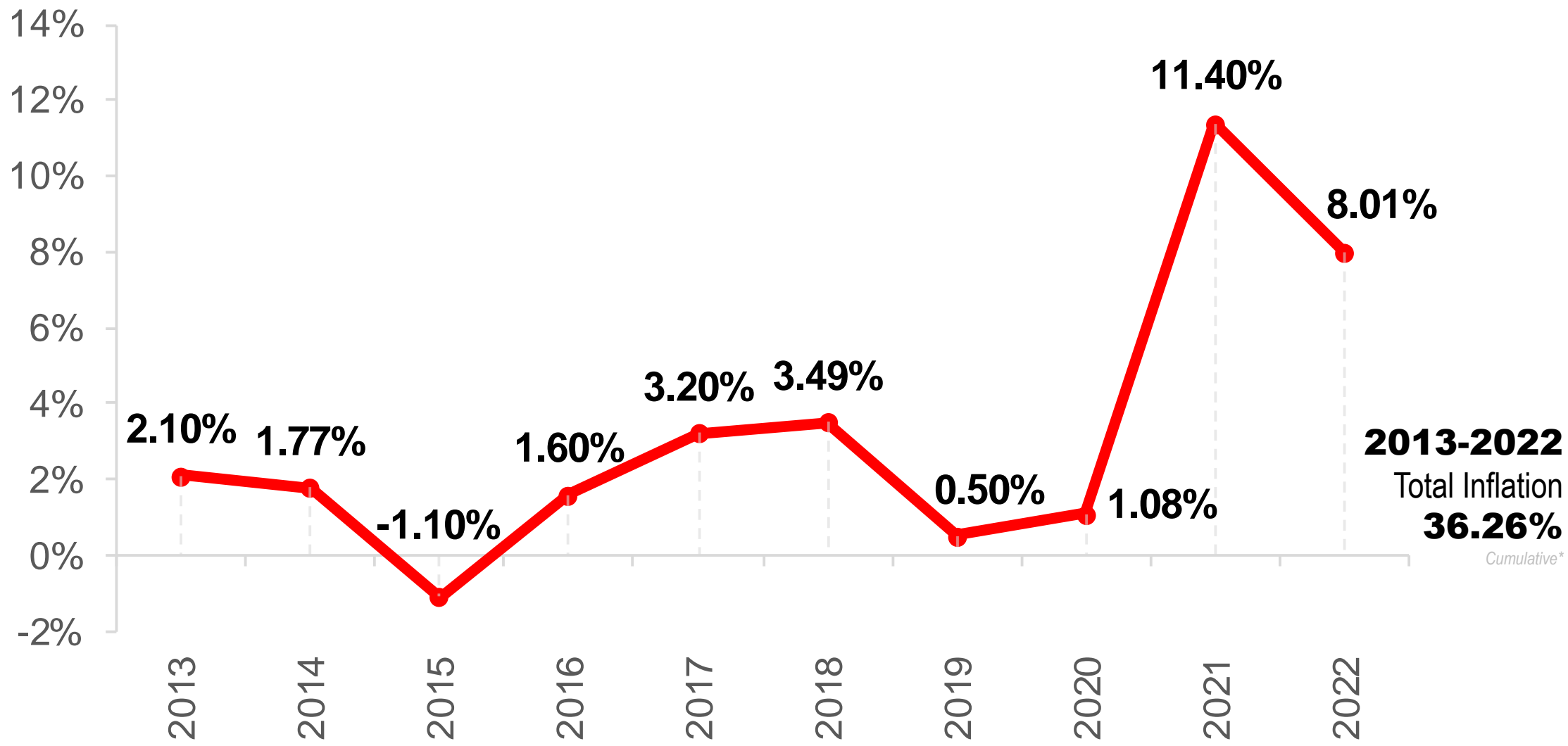
Fund	Policy Statement	Status
Hotel Tax	Budget up to \$500,000 for second half of wayfinding	
Hotel Tax	Funding for special programs based on capacity – funded at same levels as FY 2023	
Community Enhancement	Budget funds to address community enhancement items that come up during the fiscal year	



# General Fund



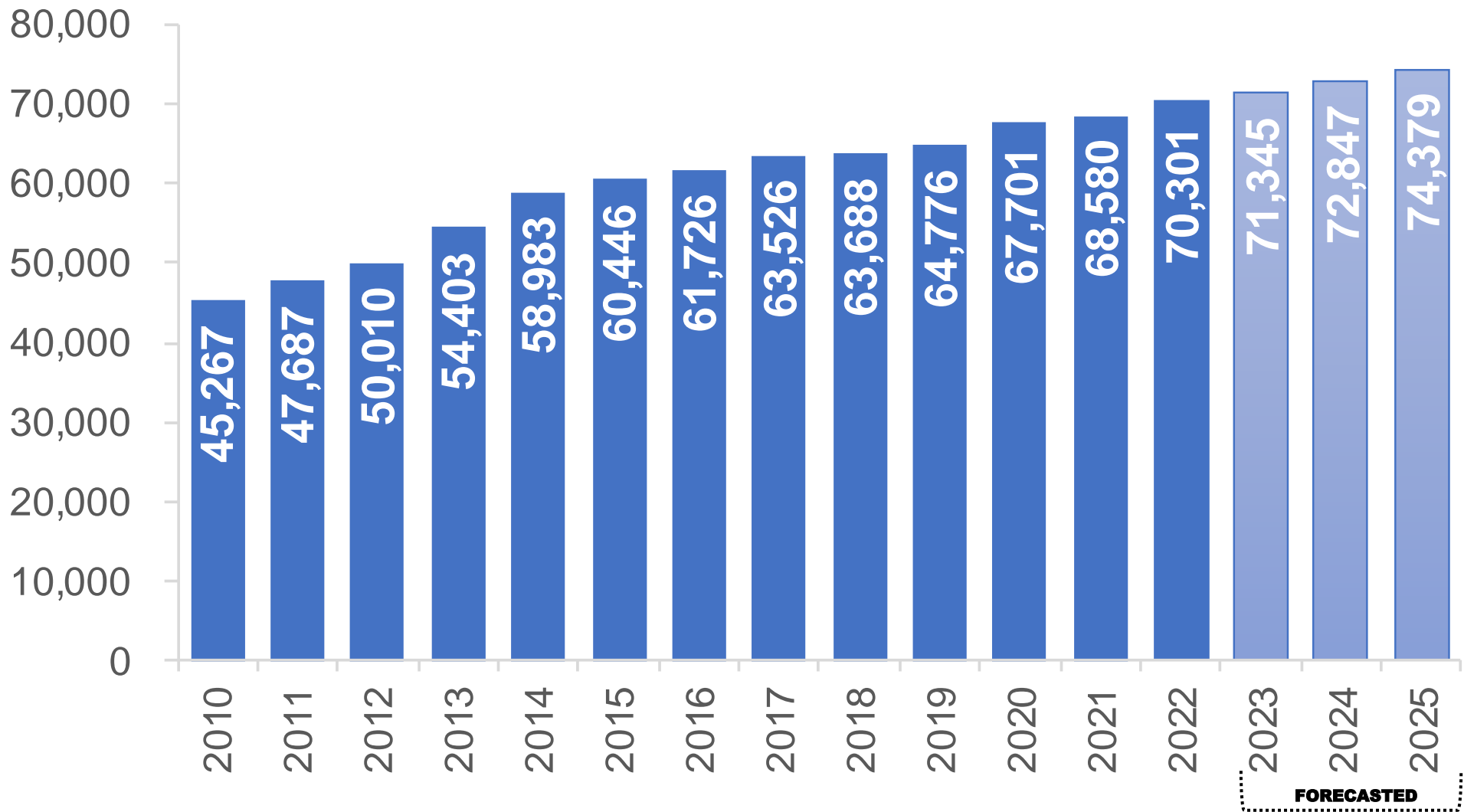
# Inflation – Municipal Cost Index



Source: American City & County – Year over year in October (October 2012 base year)

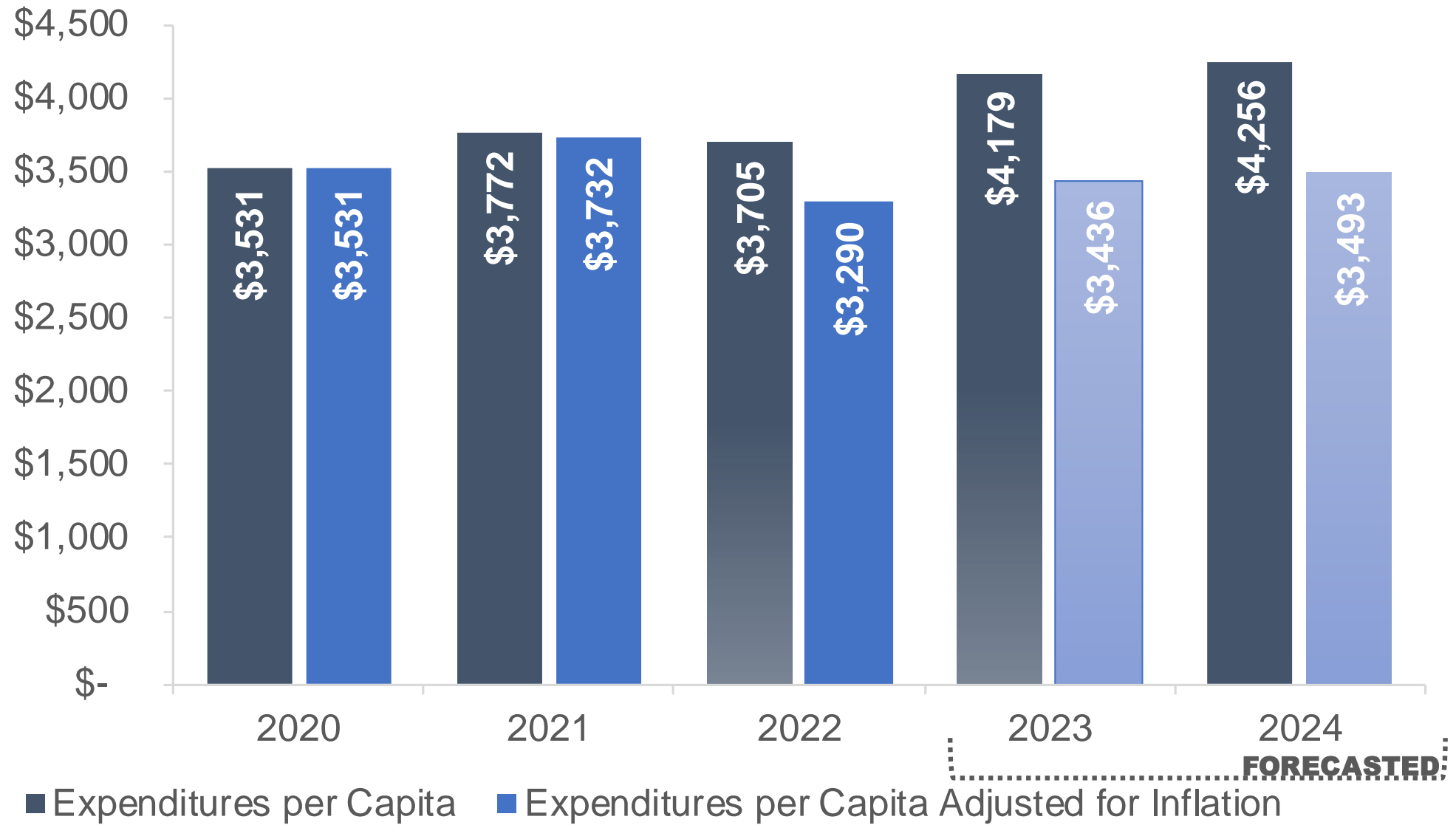


# City Population





# Expenditures per Capita



Source: U.S Census Bureau: Population Estimates Program (PEP) 2020 – 2022, **Forecasted 2023 – 2024**; American City & County – Inflation; Budget Documents





# General Fund

GENERAL FUND	FY 2022 ACTUALS	FY 2023 BUDGET	FY 2023 ESTIMATE	FY 2024 PROPOSED
Beginning Fund Balance	\$ 33,405,089	\$ 41,930,414	\$ 41,930,414	\$ 31,817,068
Revenues	\$ 93,722,016	\$ 98,436,746	\$ 100,478,172	\$ 111,351,806
Sales Tax	37,246,053	41,085,534	41,160,606	42,825,789
Property Tax	27,416,672	30,000,604	30,297,604	36,983,186
Other Revenue	29,059,291	27,350,608	29,019,962	31,542,831
Expenses	\$ 85,196,690	\$ 112,240,314	\$ 110,591,518	\$ 114,701,937
Personnel	56,151,381	69,274,285	65,154,102	76,009,259
Operating	23,882,418	30,802,662	33,274,049	32,831,953
One-time	5,162,892	12,163,367	12,163,367	5,860,725
Change in Fund Balance	\$ 8,525,325	\$ (13,803,568)	\$ (10,113,346)	\$ (3,350,131)
Ending Fund Balance	\$ 41,930,414	\$ 28,126,846	\$ 31,817,068	\$ 28,466,937

Fund Balance as a Percent 26.2%

Fund Balance Reserve Requirement at 25% \$ 27,210,303



# General Fund Major Revenue Changes

- Property taxes = \$7.0 million
- Sales taxes = \$1.7 million (revised budget)
  - \$3.3 million (original budget)
- Interest income = \$1.3 million
  - Directly related to increase in the federal funds rate



# General Fund Major Expense Changes

## **COST DRIVERS** – *Personnel*

 **Strategic Goal:** *Public Safety, Core Services, & Fiscal Excellence*

### **Public Safety Personnel Increase**

#### Police:

- Meet and Confer Contract Increase = \$734K
- +6.5 New Positions Added Mid-Year = \$400K
- +3 New Sworn Positions Proposed in FY24 = \$347K

#### Fire:

- Meet and Confer Contract Increase = \$879k
- +4 New Positions Added Mid-Year = \$160K
- +5 New Positions Requested in FY24 = \$387K



# Multi-Year Public Safety Sworn Staffing Plan

- FY23 Approved
  - FY23 Beginning: Added 4 Firefighters, 2 Fire Inspector-Investigators + 2 Police Officers
  - FY23 Mid-Year: Added 4 Firefighters + 2 Police Officers
- FY24 Proposed (Based on available revenue capacity)
  - FY24 Beginning: Add 4 Firefighters, 1 Fire Investigator + 3 Police Officers
  - FY24 Mid-Year: Add 4 Firefighters + 2 Police Officers
- FY25 Anticipated
  - Request additional Police Officer
  - Fire to apply for SAFER\* grants to increase required staffing

*\*SAFER stands for Staffing For Adequate Fire and Emergency Response*



# General Fund Major Expense Changes

## **COST DRIVERS** *Personnel continued...*


 **Strategic Goal:** *Public Safety, Core Services, & Fiscal Excellence*

### **General Employees Personnel Increase**

- Compensation study implementation = \$3.1 Million
- +3 New Positions Added Mid-Year = \$254K
- +11 New Positions Proposed in FY24 = \$1.9 Million



# List of 11 Proposed General Employees and 8 Proposed Police and Fire Employees

 **Strategic Goal:** *Public Safety, Core Services, & Fiscal Excellence*

## Public Safety

- Firefighters (4) **FIRE**
- Fire Investigator (1) **FIRE**
- Police Officers (3) **POLICE**
- Sergeant (1) **CITY MARSHAL**

## Communications

- Communications Specialist (1) *Public Safety Focus*

## Facility & Grounds

- Facility Project Manager (1)

## Development Services

- Deputy Chief Building Officer (1) **PLANNING**

## Support Services

- Administrative Assistant (1) **CITY CLERK**
- Construction Contracts Administrator (1) **FINANCE**
- Financial / Budget Analyst (1) **FINANCE**
- Application Administrator – ERP System (1) **IT**

## Engineering

- Senior Engineering Inspector (1)

## Neighborhood Services

- Animal Behaviorist (1) **ANIMAL SHELTER**
- Code Compliance Officer (1) **CODE**



# General Fund Major Expense Changes

## **COST DRIVERS** – *Capital Expenses*

 **Strategic Goal:** *Public Safety, Core Services, & Fiscal Excellence*

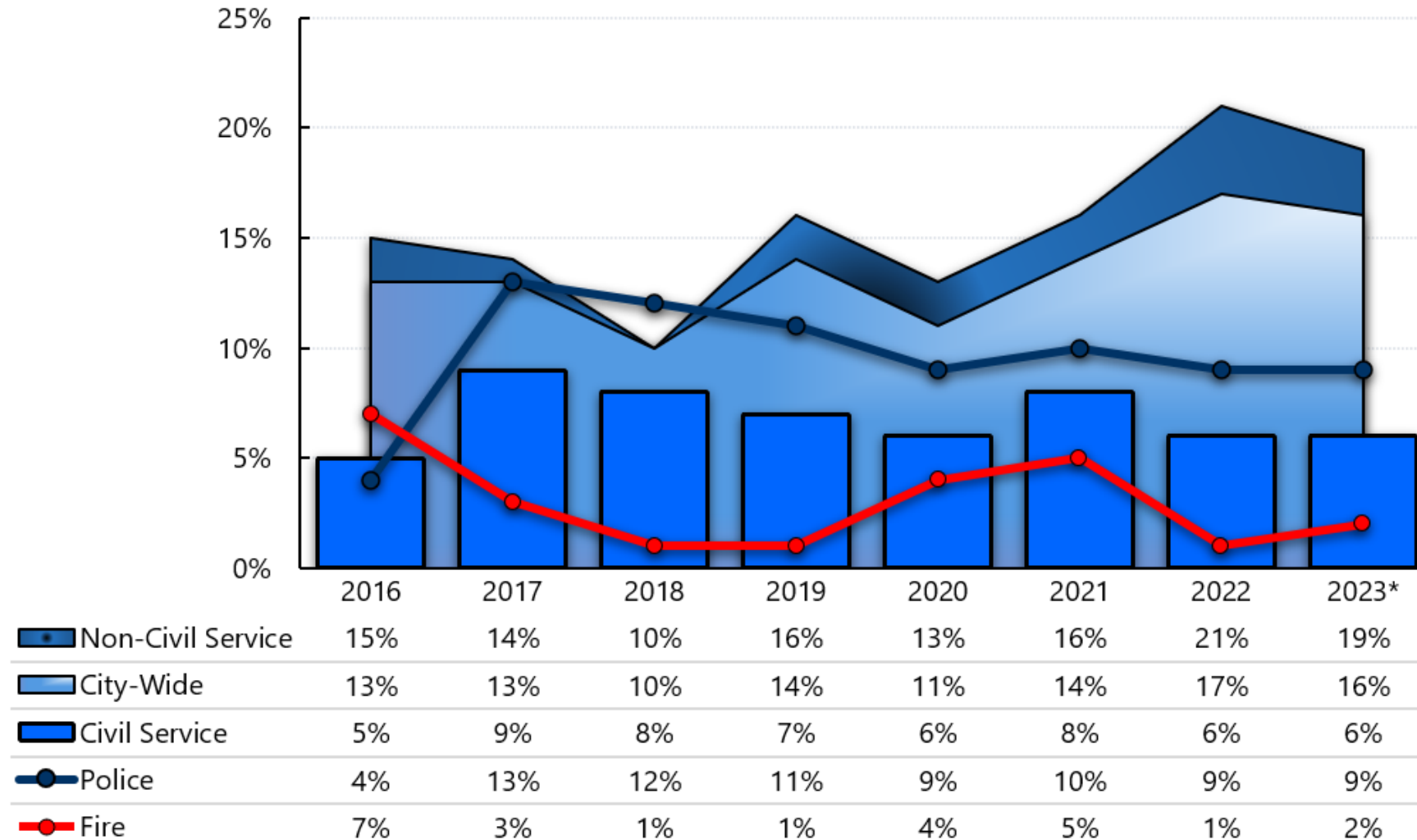
- Funding for future City Hall = \$2.8 million
- FY 2023 cash funded capital improvement projects = \$1.2 million
- FY 2024 capital outlay - \$1.0 million



# General Employee Turnover & Vacancies

## City of San Marcos Vacancy Rate

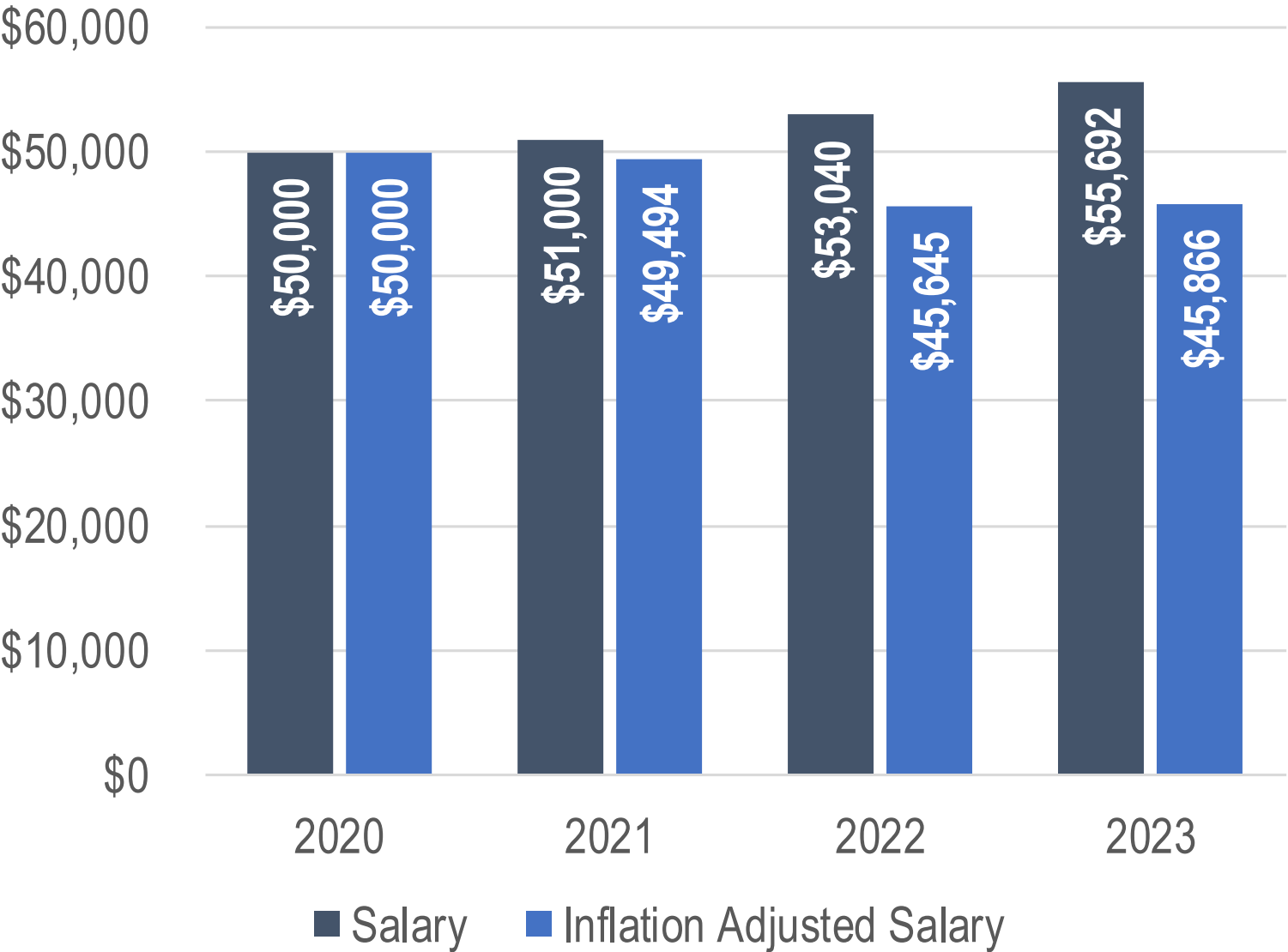
October 2016 - June 2023\*







# Impact of Inflation on Salary



Fiscal Year	COLA	CPI*	Salary	Inflation Adjusted Salary
2020			\$50,000	\$50,000
2021	2%	3%	\$51,000	\$49,494
2022	4%	13%	\$53,040	\$45,645
2023	5%	4%	\$55,692	\$45,866

Competitive pay cited as a key issue for why City employees stay or leave their employment with the City based upon the 2022 Employee Engagement Survey

Source: \*Bureau of Labor Statistics (CPI-U) – October 2019 Base Year



# General Fund Major Expense Changes

## OTHER COST DRIVERS – Operating

- Citywide Janitorial Services - \$519K
  - 🌀 **Strategic Goal:** *Public Safety, Core Services, & Fiscal Excellence*
- Municipal Court Lease – current lease \$92K and budgeting \$200K for new facility. May be overlap of lease terms.
  - 🌀 **Strategic Goal:** *Public Safety, Core Services, & Fiscal Excellence*
- Street Maintenance - \$267K
  - 🌀 **Strategic Goal:** *Mobility & Connectivity*
- Historic Preservation - \$100K
  - 🌀 **Strategic Goal:** *Quality of Life & Sense of Place*
- City Facility Maintenance - \$100K
  - 🌀 **Strategic Goal :** *Public Safety, Core Services, & Fiscal Excellence*
- Human Services Advisory Board - \$550K up from \$500K (ARPA \$100K)
  - 🌀 **Strategic Goal :** *Public Safety, Core Services, & Fiscal Excellence*



# **What is Not in the General Fund Budget?**

## **RECURRING – \$6.8 Million**

- New Personnel Requests
  - 63 requests for \$6.0 Million
- New Operational Requests
  - 8 requests for \$0.8 Million

## **NONRECURRING – \$1.1 Million**

- New Capital Requests
  - 19 requests for \$1.1 Million

## **TOTAL – \$7.9 Million**



# General Fund – Decision Points

- Repurposing the \$45,000 budgeted for the Family Justice Center
- Other direction for staff



*other*  
**GOVERNMENTAL OPERATING FUNDS**  
**Special Revenue Funds**



# Hotel Tax Fund

HOTEL OCCUPANCY TAX	FY 2022 ACTUALS	FY 2023 BUDGET	FY 2023 ESTIMATE	FY 2024 PROPOSED
Beginning Fund Balance	\$ 1,870,241	\$ 3,465,054	\$ 3,465,054	\$ 3,627,877
Revenues	\$ 4,749,897	\$ 4,369,418	\$ 5,272,281	\$ 4,964,188
Hotel & Venue Tax	4,571,082	4,210,700	5,085,936	4,708,215
General Fund Transfer	166,850	147,718	147,718	210,973
Other Revenue	11,965	11,000	38,627	45,000
Expenses	\$ 3,155,084	\$ 5,754,418	\$ 5,109,458	\$ 5,637,788
Personnel	893,330	1,043,990	969,030	1,236,246
Operating	2,261,754	4,487,928	3,917,928	3,490,542
One-time	-	222,500	222,500	911,000
Change in Fund Balance	\$ 1,594,813	\$ (1,385,000)	\$ 162,823	\$ (673,600)
Ending Fund Balance	\$ 3,465,054	\$ 2,080,054	\$ 3,627,877	\$ 2,954,277
Fund Balance as a Percent				62.5%
Fund Balance Reserve Requirement at 25%				\$ 1,181,697



# Hotel Tax Major Revenue Changes

- Hotel taxes = \$387K
- Venue tax (2% Conference Center) = \$110K



# Hotel Tax Major Expense Changes

🎯 Strategic Goal: *Quality of Life & Sense of Place* 🎯 Strategic Goal: *Economic Vitality*

## **Cost Drivers – Personnel**

- Compensation study implementation = \$72K
- New Position Proposed in FY24 = \$66K
- New Intern Proposed in FY24 = \$20K

## **Cost Drivers – Operating**

- Historical preservation = \$50K
- New City Branding Design Proposed = \$80K
- New Main St. Façade Grant and Art Grant Audit Proposed = \$45K
- Increase Facility Maintenance at Conference Center = \$140K

## **Cost Drivers – One-time**

- Wayfinding Second Phase = \$500K
- Refurbish Conference Center Cooling Tower = \$411K





# Hotel Tax Major Expense Changes

🎯 Strategic Goal: *Quality of Life & Sense of Place*

🎯 Strategic Goal: *Economic Vitality*

## **COST DRIVERS** *New Personnel Additions*

### **Convention and Visitor Bureau**

- Intern

### **Main Street**

- Administrative Assistant



# Hotel Tax Major Expense Changes

🌀 Strategic Goal: *Quality of Life & Sense of Place* 🌀 Strategic Goal: *Economic Vitality*

## Cost Drivers – Signature Events

- Continue to fund the successful events program established in the current fiscal year at same level of funding
- Event criteria:
  - Exclusive annual San Marcos event
  - Minimum attendance of 5,000 people
  - Minimum 50% of attendance must be out of town guests
  - Proven record of a successful event for three years
  - Must include paid marketing outside of San Marcos
  - Grant funding at up to 30% of allowable expenses
- Event names: Summer in the Park, Sacred Springs Powwow, Sights and Sounds of Christmas, and Mermaid Promenade and Faire



# Community Enhancement Fund

COMMUNITY ENHANCEMENT FUND	FY 2022 ACTUALS	FY 2023 BUDGET	FY 2023 ESTIMATE	FY 2024 PROPOSED
Beginning Fund Balance	\$ 804,042	\$ 731,846	\$ 731,846	\$ 381,002
Revenues	\$ 685,805	\$ 667,000	\$ 667,571	\$ 1,089,503
Community Enhancement Serv	652,133	667,000	667,571	1,089,503
Donations	33,672	-	-	-
Expenses	\$ 758,001	\$ 1,137,704	\$ 1,018,415	\$ 1,089,503
Personnel	298,320	367,744	342,930	443,663
Operating	459,681	757,460	662,985	645,840
One-time	-	12,500	12,500	-
Change in Fund Balance	\$ (72,196)	\$ (470,704)	\$ (350,844)	\$ -
Ending Fund Balance	\$ 731,846	\$ 261,142	\$ 381,002	\$ 381,002
Fund Balance as a Percent				35.0%
Fund Balance Reserve Requirement at 25%				\$ 272,376



# Community Enhancement Major Changes

## Revenues

- Community Enhancement Fee = 100% of revenue
  - Rate adjustment is needed
  - Increase in revenue from proposed rate adjustment and growth

## Cost Drivers – *Personnel*

- Compensation study implementation = \$25K



# Community Enhancement Rate History

	FY18	FY19	FY20	FY21	FY22	FY23	*FY24 PROPOSED
<b><u>Community Enhancement</u></b>							
Residential Rate	1.50	1.50 <i>0.0%</i>	1.50 <i>0.0%</i>	1.50 <i>0.0%</i>	1.50 <i>0.0%</i>	1.50 <i>0.0%</i>	2.50 <i>66.7%</i>
Commercial Rate	5.50	5.50 <i>0.0%</i>	5.50 <i>0.0%</i>	5.50 <i>0.0%</i>	5.50 <i>0.0%</i>	5.50 <i>0.0%</i>	6.50 <i>18.2%</i>



# Community Enhancement Fund

- Options to address the \$380K shortfall:
- Increase monthly fee by \$1 for residential and commercial accounts
  - Residential increase from \$1.50 to \$2.50 = \$386,538 more revenue
  - Commercial increase from \$5.50 to \$6.50 = \$21,520 more revenue
  - Total additional revenue from \$1 increase = \$408,058
- Cover the shortfall with the General Fund
- Combination of the two
- Discussion on possibility of using appraisal value as a basis for calculating the fee
  - To be legally defensible, fees must be proportionate to the benefit derived



# Special Revenue Funds – Decision Points

- Continue with the Signature Events program
- Community Enhancement shortfall options:
  - Adjust the Community Enhancement Fee by \$1 increasing Residential from \$1.50 to \$2.50 and Commercial from \$5.50 to \$6.50
  - Cover the shortfall in full or partially with the General Fund
- Other direction for staff



*other*

# **MAJOR OPERATING FUNDS**

## **Enterprise**





# Electric Utility

ELECTRIC UTILITY FUND	FY 2022 ACTUALS	FY 2023 BUDGET	FY 2023 ESTIMATE	FY 2024 PROPOSED
Beginning Fund Balance	\$ 14,222,675	\$ 13,892,861	\$ 13,892,861	\$ 12,302,059
Revenues	\$ 66,296,364	\$ 65,127,871	\$ 64,459,494	\$ 72,749,545
Electric Services	59,565,580	60,947,985	59,910,009	69,350,335
Other Revenue	6,730,784	4,179,886	4,549,485	3,399,210
Expenses	\$ 66,626,178	\$ 67,491,283	\$ 66,050,296	\$ 73,971,594
Personnel	6,115,920	8,283,928	6,872,941	8,684,169
Operating	51,564,217	50,479,541	50,449,541	57,118,093
Debt Service	5,135,693	6,311,583	6,311,583	6,946,357
One-time	3,810,348	2,416,231	2,416,231	1,222,975
Change in Fund Balance	\$ (329,814)	\$ (2,363,412)	\$ (1,590,802)	\$ (1,222,049)
Ending Fund Balance	\$ 13,892,861	\$ 11,529,449	\$ 12,302,059	\$ 11,080,010

Days of Cash on Hand 55

Fund Balance Reserve Requirement for 90 Days \$ 18,187,155



# Electric Utility Major Revenue Changes

- Electric services base rate
  - Citizen Utility Advisory Board received a presentation on July 27, 2023 on user rates for the electric system
  - Board voted unanimously for a minimum of a 5% rate adjustment to electric base rates
  - Board asked for a minimum of 5%, realizing the challenges to asking the community for a 10% rate adjustment to electric base rates
  - A 5% rate adjustment = 2% increase for the average monthly residential customer
  - A 10% rate adjustment = 3% for the average monthly residential customer

# FY24 Financial Status

- Current rates are not adequate to cover budgeted expenses for FY24.

Category (FY24 Budget)		FY24	Base Rate Revenue Increase			
		Current Rates	5%	10%	15%	20%
Estimated Base Rate Revenues	<i>a</i>	\$ 22,228,856	\$ 23,340,298	\$ 24,451,741	\$ 25,563,184	\$ 26,674,627
PCRf Revenues	<i>b</i>	44,613,440	44,613,440	44,613,440	44,613,440	44,613,440
Total Retail Revenues	<i>c = a + b</i>	66,842,296	67,953,739	69,065,181	70,176,624	71,288,067
Other Revenues	<i>d</i>	5,642,026	5,642,026	5,642,026	5,642,026	5,642,026
<b>Total Revenues at Current Rates</b>	<b><i>e = c + d</i></b>	<b>72,484,322</b>	<b>73,595,765</b>	<b>74,707,207</b>	<b>75,818,650</b>	<b>76,930,093</b>
Purchased Power (Recovered in PCRf)	<i>f</i>	44,613,440	44,613,440	44,613,440	44,613,440	44,613,440
O&M Expense	<i>g</i>	16,501,650	16,501,650	16,501,650	16,501,650	16,501,650
Transfers Out	<i>h</i>	2,008,000	2,008,000	2,008,000	2,008,000	2,008,000
Franchise Fee (8% of Base and PCRf Revenues)	<i>i</i>	5,347,384	5,436,299	5,525,215	5,614,130	5,703,045
<b>Total Expenses Excl. Debt Service</b>	<b><i>j = f + g + h + i</i></b>	<b>68,470,473</b>	<b>68,559,389</b>	<b>68,648,304</b>	<b>68,737,220</b>	<b>68,826,135</b>
<b>Available for Debt Service</b>	<b><i>k = e - j</i></b>	<b>4,013,849</b>	<b>5,036,376</b>	<b>6,058,903</b>	<b>7,081,431</b>	<b>8,103,958</b>
Debt Service	<i>l</i>	7,000,888	7,000,888	7,000,888	7,000,888	7,000,888
<b>Revenue (Deficiency)/Sufficiency</b>	<b><i>m = k - l</i></b>	<b>(2,987,040)</b>	<b>(1,964,512)</b>	<b>(941,985)</b>	<b>80,543</b>	<b>1,103,070</b>
<b>DSC Coverage</b>	<b><i>n = k / l</i></b>	<b>0.57</b>	<b>0.72</b>	<b>0.87</b>	<b>1.01</b>	<b>1.16</b>

# Proposed Rate Comparison

## Residential Electric Comparison

Utility	500 kWh	1,000 kWh	1,500 kWh
College Station (Oct. '22)	\$ 73.38	\$ 139.75	\$ 206.13
New Braunfels Utilities (Aug. '23)	78.62	137.24	195.86
Austin (Nov. '23)	67.81	126.94	195.33
Pedernales Electric Coop. (Oct. '23)	74.38	126.27	178.15
CPS (San Antonio, Mar. '22)	63.48	126.09	190.77
Bluebonnet Electric Coop. (Mar. '17)	70.49	118.48	166.47
Seguin (Oct. '22)	61.79	109.07	156.36
<b>San Marcos (Proposed)</b>	<b>59.43</b>	<b>108.10</b>	<b>156.77</b>
<b>San Marcos (Current)</b>	<b>58.20</b>	<b>106.15</b>	<b>154.10</b>

# Proposed Rate Comparison

## Commercial Electric Comparison (5 kW)

Utility	500 kWh	1,000 kWh	1,500 kWh
College Station (Oct. '22)	\$ 86.25	\$ 163.50	\$ 343.20
New Braunfels Utilities (Aug. '23)	84.29	139.53	305.25
Pedernales Electric Coop. (Oct. '23)	86.17	134.84	280.84
Bluebonnet Electric Coop. (Mar. '17)	80.08	130.15	280.38
Austin (Nov. '23)	80.74	126.47	263.68
Seguin (Oct. '22)	79.27	123.54	256.35
CPS (San Antonio, Mar. '22)	62.44	121.98	269.02
<b>San Marcos (Proposed)</b>	<b>61.43</b>	<b>110.26</b>	<b>256.76</b>
<b>San Marcos (Current)</b>	<b>60.10</b>	<b>108.20</b>	<b>252.51</b>



# Electric Utility Rate History

	FY18	FY19	FY20	FY21	FY22	FY23	FY24 PROPOSED
<b><u>Electric - Residential</u></b>		0.0%	0.0%	0.0%	*5.0%	0.0%	5.0%
Minimum Charge	9.29	9.29	9.29	9.29	10.25	10.25	10.76
Cost per kWh	0.02080	0.02080	0.02080	0.02080	0.02885	0.02885	0.03029
<b><u>Electric - Small General</u></b>		0.0%	0.0%	0.0%	9.9%	0.0%	5.0%
Minimum Charge	10.92	10.92	10.92	10.92	12.00	12.00	12.60
Cost per kWh	0.02080	0.02080	0.02080	0.02080	0.02915	0.02915	0.03061
<b><u>Electric - Medium General</u></b>		0.0%	0.0%	0.0%	1.8%	0.0%	5.0%
Minimum Charge	49.14	49.14	49.14	49.14	50.00	50.00	52.50
Cost per kWh	0.01020	0.01020	0.01020	0.01020	0.0114	0.0114	0.01197
Cost per kW (Demand Threshold >50kW)	3.61	3.61	3.61	3.61	5.50	5.50	5.78
<b><u>Citizen Utility Advisory Board</u></b>							
Electric		0%	0%	0%	*5%	0%	5.0%

\*Actual amount between the rates is 10%; however, the wholesale rate was reduced at the same time equaling an overall rate adjustment of 5%



# Electric Utility Major Expense Changes

 **Strategic Goal:** *Public Safety, Core Services, & Fiscal Excellence*

## **Cost Drivers – Personnel**

- Compensation study implementation = \$504K
- New Position Proposed in FY24 = \$109K
  - Meter Data Specialist

## **Cost Drivers – One-time**

- Replacing +2 bucket trucks with 3-year lead time = \$715K

## **Cost Drivers – Debt Service**

- Estimated new debt service for FY 2023 CIP = \$640K



# Water-Wastewater Utility

WATER/WASTEWATER UTILITY FUND	FY 2022 ACTUALS	FY 2023 BUDGET	FY 2023 ESTIMATE	FY 2024 PROPOSED
Beginning Fund Balance	\$ 17,545,228	\$ 21,581,356	\$ 21,581,356	\$ 18,881,286
Revenues	\$ 59,889,453	\$ 57,798,515	\$ 55,830,451	\$ 63,256,984
Water & Wastewater Services	55,079,109	56,838,800	54,260,347	61,928,035
Other Revenue	4,810,344	959,715	1,570,104	1,328,949
Expenses	\$ 55,853,325	\$ 58,566,371	\$ 58,530,521	\$ 66,075,822
Personnel	5,273,548	7,000,547	6,078,228	8,991,201
Operating	28,924,740	28,620,645	29,507,114	32,663,901
Debt Service	17,977,568	21,107,879	21,107,879	20,786,489
One-time	3,677,469	1,837,300	1,837,300	3,634,231
Change in Fund Balance	\$ 54,615,905	\$ (767,856)	\$ (2,700,070)	\$ (2,818,838)
Ending Fund Balance	\$ 21,581,356	\$ 20,813,500	\$ 18,881,286	\$ 16,062,448

Days of Cash on Hand 93

Fund Balance Reserve Requirement for 90 Days \$ 15,610,398





# W/WW Utility Major Revenue Changes

- Water/Wastewater services
  - Citizen Utility Advisory Board received a presentation on July 27, 2023 on user rates for the water/wastewater system
  - Board voted unanimously for a 5% rate adjustment for water services
  - Board voted unanimously for a 5% rate adjustment for wastewater services

# FY24 Financial status

- Current revenues are insufficient to cover budgeted costs

Category (FY24 Budget)		Current Rates	Retail Revenue Increase			
			4%	5%	6%	7%
Estimated Base Rate Revenues	<i>a</i>	\$ 54,865,511	\$ 57,060,132	\$ 57,608,787	\$ 58,157,442	\$ 58,706,097
Other Revenues	<i>b</i>	5,127,525	5,127,525	5,127,525	5,127,525	5,127,525
<b>Total Revenues at Current Rates</b>	<b><i>c = a + b</i></b>	<b>59,993,036</b>	<b>62,187,657</b>	<b>62,736,312</b>	<b>63,284,967</b>	<b>63,833,622</b>
Supply Cost	<i>d</i>	2,111,969	2,111,969	2,111,969	2,111,969	2,111,969
O&M Expense	<i>e</i>	36,085,440	36,085,440	36,085,440	36,085,440	36,085,440
Transfers Out	<i>f</i>	25,000	25,000	25,000	25,000	25,000
Franchise Fee (8% of Base Revenues)	<i>g</i>	4,389,241	4,564,811	4,608,703	4,652,595	4,696,488
<b>Total Expenses Excl. Debt Service</b>	<b><i>h = d + e + f + g</i></b>	<b>42,611,650</b>	<b>42,787,219</b>	<b>42,831,112</b>	<b>42,875,004</b>	<b>42,918,897</b>
<b>Available for Debt Service</b>	<b><i>i = c - h</i></b>	<b>17,381,386</b>	<b>19,400,437</b>	<b>19,905,200</b>	<b>20,409,963</b>	<b>20,914,725</b>
Debt Service	<i>j</i>	20,810,597	20,810,597	20,810,597	20,810,597	20,810,597
<b>Revenue (Deficiency)/Sufficiency</b>	<b><i>k = i - j</i></b>	<b>(3,429,211)</b>	<b>(1,410,160)</b>	<b>(905,397)</b>	<b>(400,635)</b>	<b>104,128</b>
<b>DSC Coverage</b>	<b><i>l = h / j</i></b>	<b>0.84</b>	<b>0.93</b>	<b>0.96</b>	<b>0.98</b>	<b>1.01</b>

# Proposed Rate Comparison

Residential 5,000 Gallon User - 5/8" Meter

Utility	Water	Sewer	Total
Crystal Clear SUD (Nov. '23)	\$ 119.44	\$ 55.86	\$ 175.30
Pflugerville (Oct. '22)	52.60	57.00	109.60
Kyle (Oct. '22)	65.68	42.82	108.50
Buda (Oct. '22)	42.32	65.90	108.22
Hutto (Jan. '22)	50.88	56.96	107.84
<b>San Marcos (Proposed)</b>	<b>51.71</b>	<b>54.56</b>	<b>106.27</b>
<b>San Marcos (Current)</b>	<b>49.27</b>	<b>51.97</b>	<b>101.24</b>
New Braunfels (Aug. '23)	31.63	66.16	97.79
Austin (Nov. '22)	32.01	50.57	82.58
Georgetown (Oct. '22)	28.65	38.85	67.50
Round Rock (Feb. '22)	29.32	28.72	58.04

# Proposed Rate Comparison

Commercial 50,000 Gallon User - 1" Meter

Utility	Water	Sewer	Total
San Marcos (Proposed)	\$ 499.84	\$ 446.23	\$ 946.07
San Marcos (Current)	476.17	425.05	901.22
Buda (Oct. '22)	603.93	290.00	893.93
Crystal Clear SUD (Nov. '23)	656.66	194.37	851.03
Hutto (Jan. '22)	428.74	403.49	832.23
New Braunfels (Aug. '23)	359.25	451.45	810.70
Pflugerville (Oct. '22)	498.01	291.00	789.01
Austin (Nov. '22)	316.60	465.30	781.90
Kyle (Oct. '22)	520.60	259.27	779.87
Georgetown (Oct. '22)	180.70	226.25	406.95
Round Rock (Feb. '22)	176.32	179.32	355.64



# Water-Wastewater Utility Rate History

	FY18	FY19	FY20	FY21	FY22	FY23	FY24 PROPOSED
<b><u>Water - 5/8" to 3/4" Water Meter</u></b>		5.0%	5.0%	5.0%	5.0%	0.0%	5.0%
Minimum Charge	22.06	23.16	24.32	25.54	26.82	26.82	28.16
0 to 6,000	3.70	3.88	4.07	4.28	4.49	4.49	4.71
6,001 to 9,000	6.47	6.79	7.13	7.49	7.86	7.86	8.25
9,001 to 12,000	7.40	7.77	8.16	8.57	9.00	9.00	9.45
12,001 to 20,000	8.33	8.74	9.18	9.64	10.12	10.12	10.63
20,001 to 50,000	9.24	9.70	10.19	10.70	11.24	11.24	11.80
Over 50,000	11.09	11.64	12.22	12.84	13.48	13.48	14.15
<b><u>Wastewater - 5/8" to 3/4" Water Meter</u></b>		2.0%	3.0%	3.0%	3.0%	0.0%	5.0%
Minimum (up to 2,000)	25.01	25.51	26.28	27.07	27.88	27.88	29.27
over 2,000	7.21	7.36	7.58	7.81	8.03	8.03	8.43
<b><u>Citizen Utility Advisory Board Recommendations</u></b>							
Water		5%	5%	5%	5%	0%	5.0%
Wastewater		2%	3%	3%	3%	0%	5.0%



# W/WW Utility Major Expense Changes

🎯 **Strategic Goal:** *Public Safety, Core Services, & Fiscal Excellence*

🎯 **Strategic Goal:** *Environmental Protection*

## **Cost Drivers – Personnel**

- Compensation study implementation = \$514K
- New Positions Requested in FY24 +3 = \$500K
  - Senior Engineer, Collections Supervisor, Utility Controls Supervisor

## **Cost Drivers – Operating**

- Alliance Regional Water Authority contract = \$1.4 Million
- Surface water treatment plant contract = \$233K
- Canyon Regional Water Authority contract = \$175K
- Wastewater treatment plant contract = \$170K

## **Cost Drivers – One-time**

- Replacement of multiple vehicles and equipment = \$1.2 Million
- New Requests: equipment and infrastructure = \$2.4 Million



# Stormwater

STORMWATER UTILITY FUND	FY 2022 ACTUALS	FY 2023 BUDGET	FY 2023 ESTIMATE	FY 2024 PROPOSED
Beginning Fund Balance	\$ 1,011,792	\$ 1,524,355	\$ 1,524,355	\$ 1,689,510
Revenues	\$ 7,993,356	\$ 8,873,960	\$ 8,942,039	\$ 9,475,184
Stormwater Utility Fees	7,888,938	8,773,960	8,856,539	9,387,932
Other Revenue	104,417	100,000	85,500	87,252
Expenses	\$ 7,480,793	\$ 8,912,602	\$ 8,776,884	\$ 9,440,380
Personnel	1,152,539	1,547,542	1,453,324	1,772,204
Operating	2,396,475	3,029,359	2,987,859	3,327,961
Debt Service	3,871,829	4,335,701	4,335,701	4,340,215
One-time	59,950	-	-	-
Change in Fund Balance	\$ 512,563	\$ (38,642)	\$ 165,155	\$ 34,804
Ending Fund Balance	\$ 1,524,355	\$ 1,485,713	\$ 1,689,510	\$ 1,724,314
Days of Cash on Hand				66
Fund Balance Reserve Requirement for 90 Days				\$ 2,360,095



# Stormwater Major Changes

🎯 Strategic Goal: Public Safety, Core Services, & Fiscal Excellence

🎯 Strategic Goal: Environmental Protection

## Revenues

- Stormwater fees = \$614K
  - Increase in revenue from growth
  - No rate adjustment

## Cost Drivers – *Personnel*

- Compensation study implementation = \$99K
- New Position Proposed in FY24 = \$114K
  - Stormwater Supervisor





# Stormwater Utility Rate History

	FY18	FY19	FY20	FY21	FY22	FY23	*FY24 PROPOSED
<b><u>Stormwater</u></b>							
Small Residential	6.58	7.57 15.0%	7.57 0.0%	7.91 4.5%	8.59 8.6%	9.14 6.4%	9.14 0.0%
Typical Residential	10.52	12.10 15.0%	12.10 0.0%	12.89 6.5%	13.99 8.5%	14.90 6.5%	14.90 0.0%
Large Residential	12.05	13.86 15.0%	13.86 0.0%	18.83 35.9%	20.43 8.5%	21.77 6.6%	21.77 0.0%
Commerical (per ERU) *ERU - Equivalent Residential Unit	10.52	12.10 15.0%	12.10 0.0%	12.89 6.5%	13.99 8.5%	14.90 6.5%	14.90 0.0%



# What is Not in the Stormwater Budget?

## RECURRING – \$113K

- New Personnel Requests
  - 1 request for \$113K



# Resource Recovery Fund

RESOURCE RECOVERY FUND	FY 2022 ACTUALS	FY 2023 BUDGET	FY 2023 ESTIMATE	FY 2024 PROPOSED
Beginning Fund Balance	\$ 1,983,212	\$ 2,441,873	\$ 2,441,873	\$ 2,267,894
Revenues	\$ 6,146,310	\$ 7,086,735	\$ 6,903,390	\$ 7,243,073
Residential Garbage Collection	4,062,228	4,837,500	4,562,729	5,000,800
Recycling Collection Fee	1,884,156	2,083,500	1,945,786	2,014,273
Other Revenue	199,926	165,735	394,875	228,000
Expenses	\$ 5,687,649	\$ 7,339,914	\$ 7,077,369	\$ 7,243,073
Personnel	364,835	666,127	486,670	772,042
Operating	5,322,814	6,468,404	6,385,316	6,471,031
One-Time	-	205,383	205,383	-
Change in Fund Balance	\$ 458,661	\$ (253,179)	\$ (173,979)	\$ -
Ending Fund Balance	\$ 2,441,873	\$ 2,188,694	\$ 2,267,894	\$ 2,267,894

Days of Cash on Hand 113

Fund Balance Reserve Requirement for 90 Days \$ 1,810,768



# Resource Recovery Major Changes

🎯 **Strategic Goal:** *Public Safety, Core Services, & Fiscal Excellence*

🎯 **Strategic Goal:** *Environmental Protection*

## Revenues

- Rate adjustment proposed

## Cost Drivers – *Personnel*

- Compensation study implementation = \$47K

## Cost Drivers – *Operating*

- Solid waste residential contract = \$205K



# Resource Recovery Rate History

							*FY24
	FY18	FY19	FY20	FY21	FY22	FY23	PROPOSED
<b><u>Resource Recovery</u></b>							
Single family residential (65 gal trash cart)	24.35	25.16 3.3%	26.09 3.7%	26.87 3.0%	27.91 3.9%	28.80 3.2%	29.66 3.0%
- with 96 gal trash cart	27.35	28.16 3.0%	29.09 3.3%	29.87 2.7%	30.91 3.5%	33.80 9.3%	34.80 3.0%
Multifamily	7.07	7.39 4.5%	7.78 5.3%	8.01 3.0%	8.49 6.0%	8.79 3.5%	9.79 11.4%
Extra 96 gal trash cart	6.29	6.48 3.0%	6.85 5.7%	7.06 3.1%	7.34 4.0%	10.27 39.9%	11.27 9.7%
Extra 96 gal recycling cart/ green waste	5.99	6.17 3.0%	6.85 11.0%	7.06 3.1%	7.06 0.0%	7.27 3.0%	8.27 13.8%



# Utility Bill Comparison

## Estimated Monthly Impact of Proposed Rate & Fee Changes on a "Typical" Residential Ratepayer

SERVICE or FEE	FY 2022-23 MONTHLY RATE AVERAGE	FY 2023-24 MONTHLY RATE AVERAGE	MONTHLY DOLLAR CHANGE	TYPICAL RATEPAYER DEFINED AS:	
ELECTRIC	\$93.01	\$94.72	\$1.71	Average Consumption of 983 kWh	
WATER	\$56.47	\$59.29	\$2.82	Average Consumption of 4,800 Gallons	
WASTEWATER	\$48.26	\$50.67	\$2.41	Average Consumption of 4,788 Gallons	
STORMWATER	\$14.90	\$14.90	\$0.00	R2 Residential Property	
RESOURCE RECOVERY	\$28.80	\$29.66	\$0.86	Single-Family Solid Waste Collection / Recycling	
COMMUNITY ENHANCEMENT	\$1.50	\$2.50	\$1.00	Residential Property	
TOTAL MONTHLY IMPACT	\$242.94	\$251.75	\$8.81	COMBINED INCREASE OF:	3.6%



# Municipal Airport Fund

MUNICIPAL AIRPORT FUND	FY 2022 ACTUALS	FY 2023 BUDGET	FY 2023 ESTIMATE	FY 2024 PROPOSED
Beginning Fund Balance	\$ (16,606)	\$ 106,572	\$ 106,572	\$ 130,088
Revenues	\$ 847,984	\$ 767,013	\$ 789,327	\$ 851,387
Operating Revenue	847,984	767,013	789,327	851,387
Expenses	\$ 724,806	\$ 765,811	\$ 765,811	\$ 851,387
Contracted Services	579,500	589,280	589,280	679,280
Operating	145,306	156,332	156,332	172,107
One-Time	-	20,199	20,199	-
Change in Fund Balance	\$ 123,178	\$ 1,202	\$ 23,516	\$ -
Ending Fund Balance	\$ 106,572	\$ 107,774	\$ 130,088	\$ 130,088



# Airport Major Changes

🎯 Strategic Goal: **Economic Vitality**

🎯 Strategic Goal: **Mobility and Connectivity**

## Revenues

- Land and facility rent = \$38K
  - Fire Department and Kilo development area full-year lease
- Increase in rental fees = \$28K
- Fuel flow fees = \$15K

## Cost Drivers – *Operating*

- Airport management contract = \$90K





# What is Not in the Airport Budget?

🎯 Strategic Goal: **Economic Vitality**

🎯 Strategic Goal: **Mobility and Connectivity**

## NONRECURRING – \$100K

- New Capital Requests
  - 1 request for \$100K that will be prioritized with other General Fund requests



# Transit Fund

TRANSIT FUND	FY 2022 ACTUALS	FY 2023 BUDGET	FY 2023 ESTIMATE	FY 2024 PROPOSED
Beginning Fund Balance	\$ 103,453	\$ 418,170	\$ 418,170	\$ 566,309
Revenues	\$ 2,348,182	\$ 3,159,168	\$ 3,159,168	\$ 3,367,290
Operating Revenue	2,348,182	3,159,168	3,159,168	3,367,290
Expenses	\$ 2,033,465	\$ 3,164,168	\$ 3,011,029	\$ 3,367,290
Personnel	160,369	340,722	188,644	371,422
Contracted Services	1,840,006	2,308,160	2,308,160	2,434,105
Operating	33,090	87,552	87,552	138,215
One-Time; Non Recurring Expenses	-	427,734	426,673	423,548
Change in Fund Balance	\$ 314,717	\$ (5,000)	\$ 148,139	\$ -
Ending Fund Balance	\$ 418,170	\$ 413,170	\$ 566,309	\$ 566,309
Days of Cash on Hand				69
Fund Balance Reserve Requirement for 90 Days				\$ 735,936



# Transit Major Changes

 Strategic Goal: **Mobility and Connectivity**

## Revenues

- State transit funds - \$129K
- Federal transit funds - \$47K
- General Fund transfer - \$49K

## Cost Drivers – *Personnel*

- Compensation study implementation = \$21K

## Cost Drivers – *Operating*

- Capital Area Rural Transportation System (CARTS) operating contract = \$68K



# What is Not in the Transit Budget?

 **Strategic Goal: Mobility and Connectivity**

## RECURRING – \$276K

- New Personnel Requests
  - 1 request for \$90K
- New Operational Requests
  - 3 requests for \$186K



# Enterprise Funds – Decision Points

- Electric services base rate adjustment
  - A 5% rate adjustment = 2% increase for the average monthly residential customer
  - A 10% rate adjustment = 3% for the average monthly residential customer
- Water/Wastewater services rate adjustment
  - 5% rate adjustment for water and wastewater
- Resource Recovery rate adjustment
- Other direction for staff



# CAPITAL IMPROVEMENT PROGRAM (CIP)



# Process Improvement Moving Forward

- 10 Year CIP is exceeding funding capacity and not feasible to implement
- Will take a few years, but the goal is to:  
**Present a CIP that is feasible and realistic when looking past year 1.**
- How do we get there?
  - Work on debt strategy that helps guide CIP capacity
  - Transfer reoccurring cost to operating budget
  - Increase our focus on using Master Plans to justify project need
  - Continue to update and evaluate Project Rankings
    - Help determine if a project is a “want vs need”
    - Remove projects with low rankings to a “waiting list”
  - Continue to pursue grant funding
  - Continue to delay projects that are Bond Election candidates
- Implement a web-based CIP for easier identification of projects
- Made a few changes for FY 2024; but expect significant change for FY 25 CIP



# Changes to FY24 since May 2023

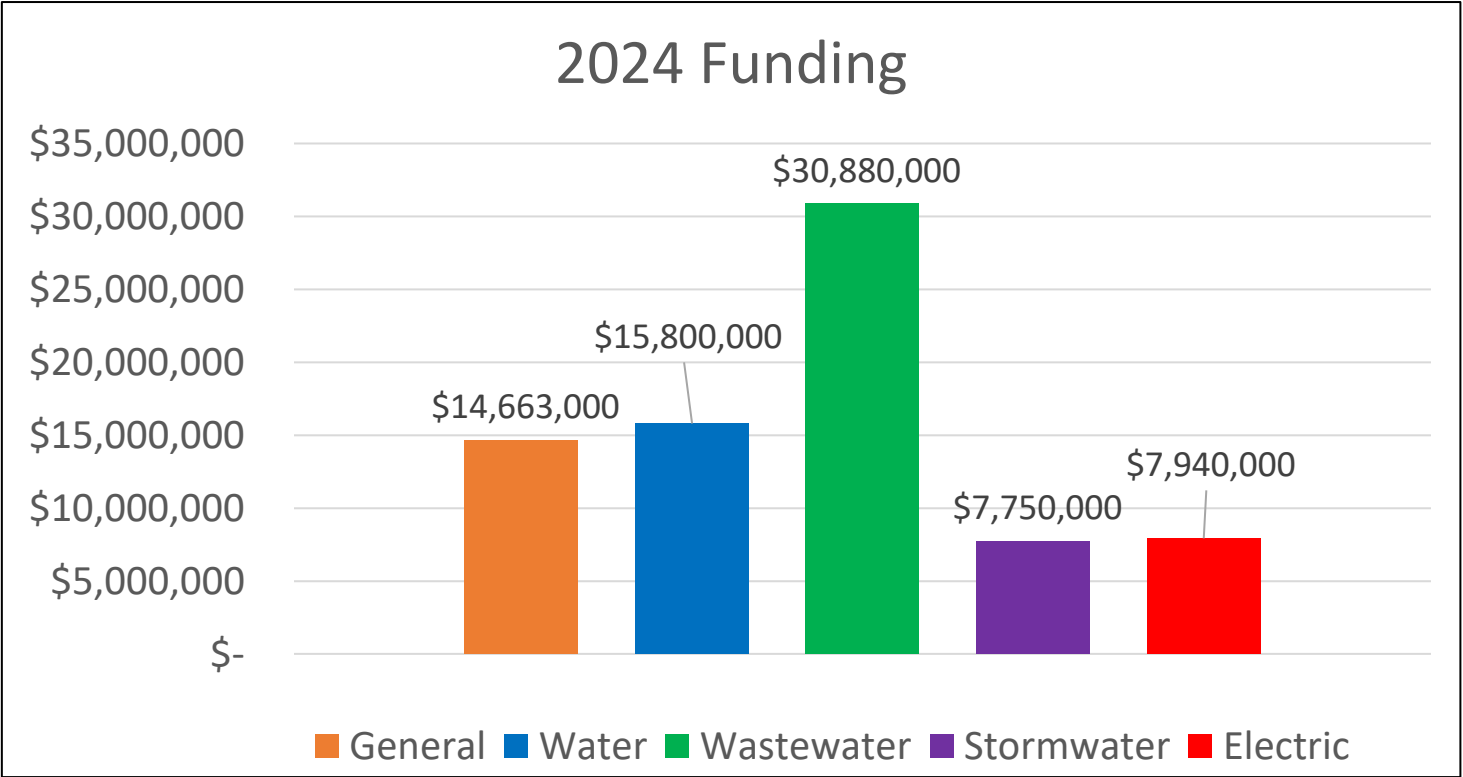
- **10 Year CIP Binder**
  - Digital copy is located on the Engineering & CIP webpage
  - Hardcopy is available at the Library and Engineering & CIP Dept office
- **Details of revisions are attached to the packet**
  - Updated rankings
  - Revised projects due to American Rescue Plan Funding
  - Increased funding
  - Decreased funding
  - Delayed projects





# FY 24 Recommended CIP Totals

Fund	May 2023	Revised Aug 2023
General	\$16,763,000	<b>\$14,663,000</b>
Water	\$15,800,000	<b>\$15,800,000</b>
Wastewater	\$23,880,00	<b>\$30,880,000</b>
Stormwater	\$7,820,000	<b>\$7,750,000</b>
Electric	\$7,940,000	<b>\$7,940,000</b>
Total All Funds	<b>\$72,203,000</b>	<b>\$77,033,000</b>





## Next Steps

- FY 2024 CIP will be submitted for approval with the Budget in September
- Continue to implement process improvement discussed in Visioning for FY 2025 CIP
  - Align CIP with the budget process
  - Change messaging to public on timing of projects
  - Aggressively pursue grant/alternate funding for projects
  - Plan for future bond election
  - Delay projects as feasible until debt falls off
  - Reduce scope of CIP projects to accommodate funding constraints



# Questions

- Location of CIP
  - <http://www.sanmarcostx.gov/366/10-Year-Capital-Improvements-Plan>
  - City Of San Marcos Webpage > Departments > Engineering > 10 Year Capital Improvements Program





# Thank You

**Stephanie Reyes**

**City Manager**

**Laurie Moyer**

**Assistant City Manager**

**Shaun Condor**

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**Finance Director/CFO**