



FISCAL YEAR 2024

City of San Marcos

BUDGET WORKSHOP #3

August 15, 2023

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
Council Strategic Planning and Visioning	January 26 – 27	✓
Budget Policy Workshop	February 23	✓
Budget Policy Adoption	March 21	✓
Budget Workshop #1	May 16	✓
Budget Workshop #2	June 29	✓
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 st & 2 nd Reading)	September 5 & 19	

PRELIMINARY
TAX ROLL:
APRIL 30th ✓

CERTIFIED
TAX ROLL:
JULY 25th ✓








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">1. Maintain 25% of recurring operating expenses2. 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">• FY23 CIP - \$1.2 million• FY24 Capital outlay - \$1.0 million• Future City Hall - \$2.8 million	
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 th Texas Legislature	



Revenues, continued






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

Fund	Policy Statement	Status
Electric and Water/Wastewater	Continue annual rate study to determine possible rate changes and the Citizen Utility Advisory Board will make recommendations to Council	
Electric	Explore identifying community-based charges separate from the electric utility rate component	
Stormwater	Continue using rate model to determine possible rate increases and/or structural changes	
Stormwater	Use General Fund's capacity to fund stormwater CIP to minimize rate adjustments	
Hotel Tax	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
General Fund	Identify funding for an increase in Municipal Court rent <ul style="list-style-type: none">Increased funding by \$200,000 to \$292,150	
General Fund	Continue to allocate funding for City Council's strategic goals - \$150,000	
General Fund	Continue to constrain the CIP to keep debt rate within limits of the debt model	
General Fund	Explore policies that will provide funding for one-time expenses and protect the City from revenue volatility	
General Fund and American Rescue Plan	Human Services Advisory Board funding: <ul style="list-style-type: none">General Fund - \$550,000American Rescue Plan - \$100,000	



Expenses, continued




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

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



Expenses, continued

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

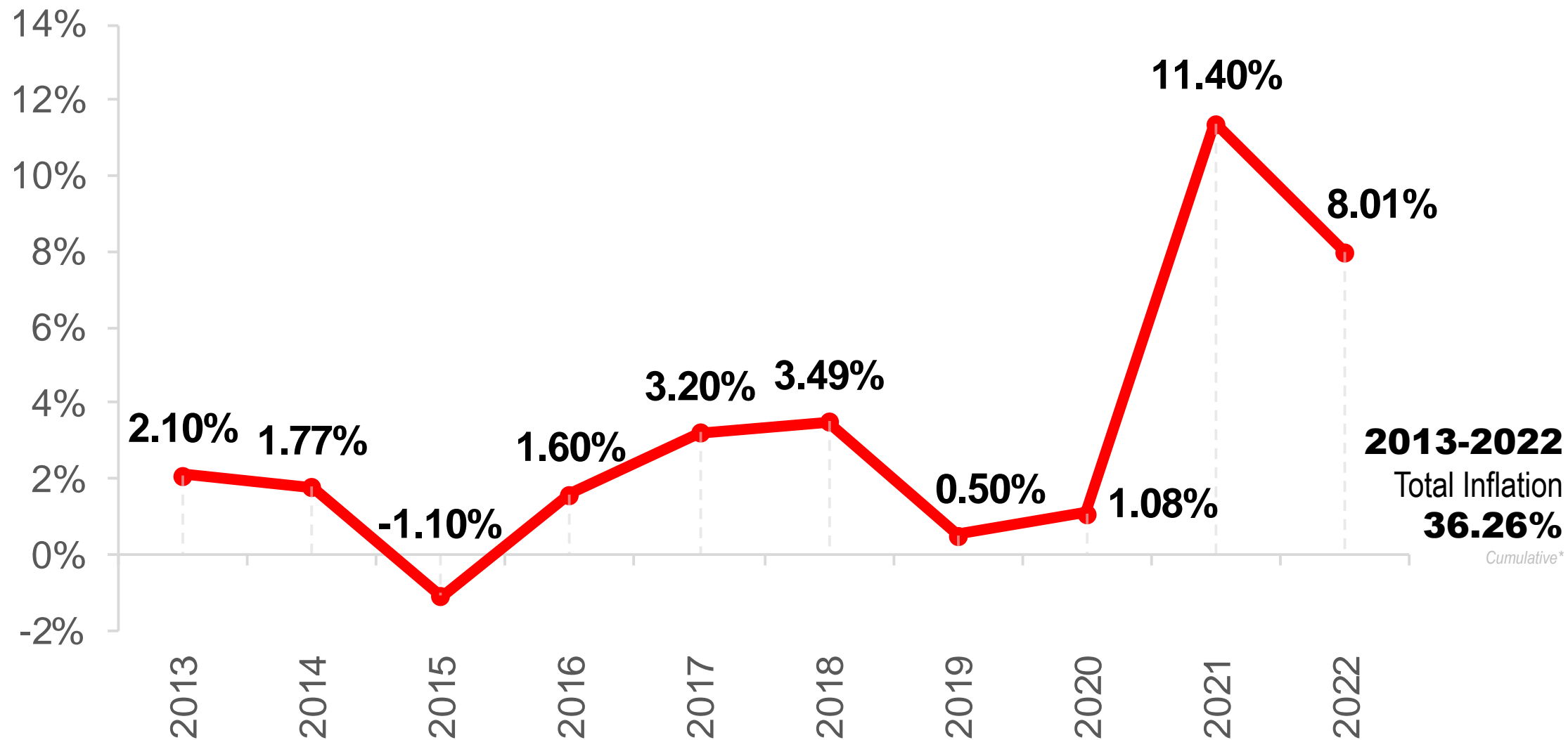
Fund	Policy Statement	Status
Hotel Tax	Budget up to \$500,000 for second half of wayfinding	
Hotel Tax	Funding for special programs based on capacity – funded at same levels as FY 2023	
Community Enhancement	Budget funds to address community enhancement items that come up during the fiscal year	



General Fund



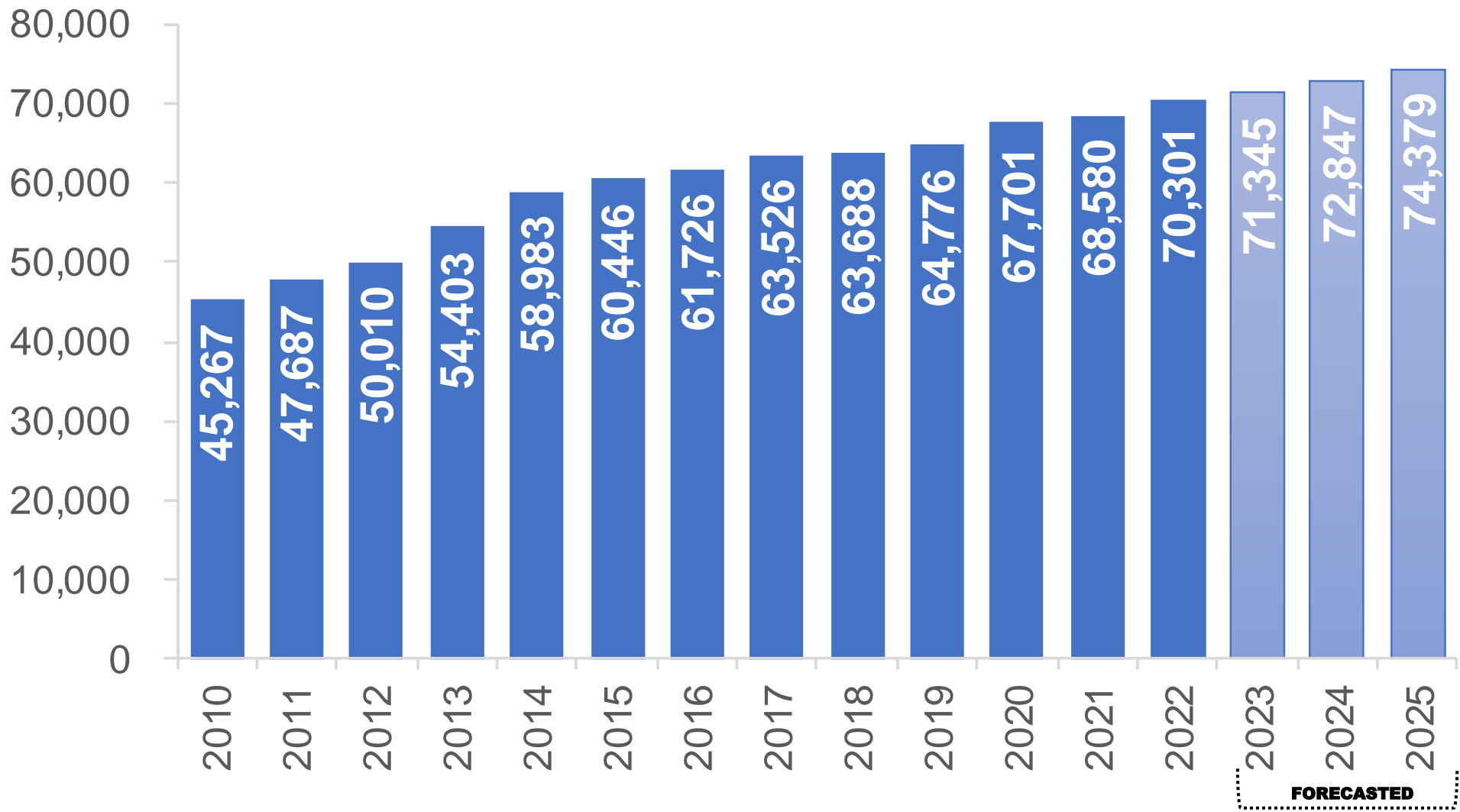
Inflation – Municipal Cost Index



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



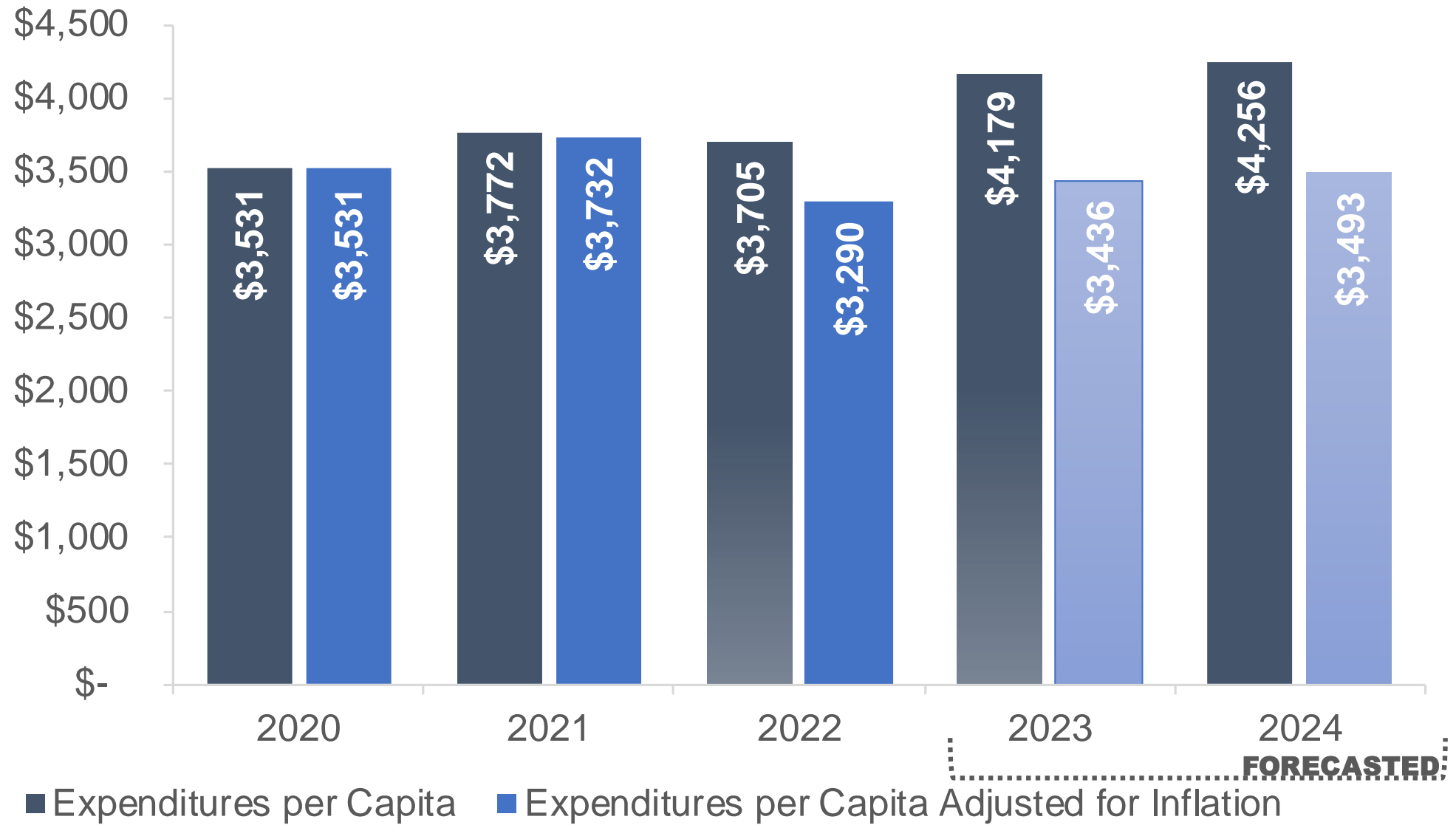
City Population



Source: U.S Census Bureau: Population Estimates Program (PEP) 2010 – 2022; **Forecasted 2023 - 2025**



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

REVISED

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	\$	34,438,861
Revenues		\$	93,722,016	\$	98,436,746	\$	100,529,465	\$	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		30,348,897		36,983,186
Other Revenue			29,059,291		27,350,608		29,019,962		31,542,831
Expenses		\$	85,196,690	\$	110,611,486	\$	108,021,018	\$	114,880,338
Personnel			56,151,381		67,276,480		65,154,102		76,009,259
Operating			23,882,418		31,171,639		30,591,386		33,078,802
One-time			5,162,892		12,163,367		12,275,530		5,792,277
Change in Fund Balance		\$	8,525,325	\$	(12,174,740)	\$	(7,491,553)	\$	(3,528,532)
Ending Fund Balance		\$	41,930,414	\$	29,755,674	\$	34,438,861	\$	30,910,329

Fund Balance as a Percent	28.3%
Fund Balance Reserve Requirement at 25%	\$ 27,272,015



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*

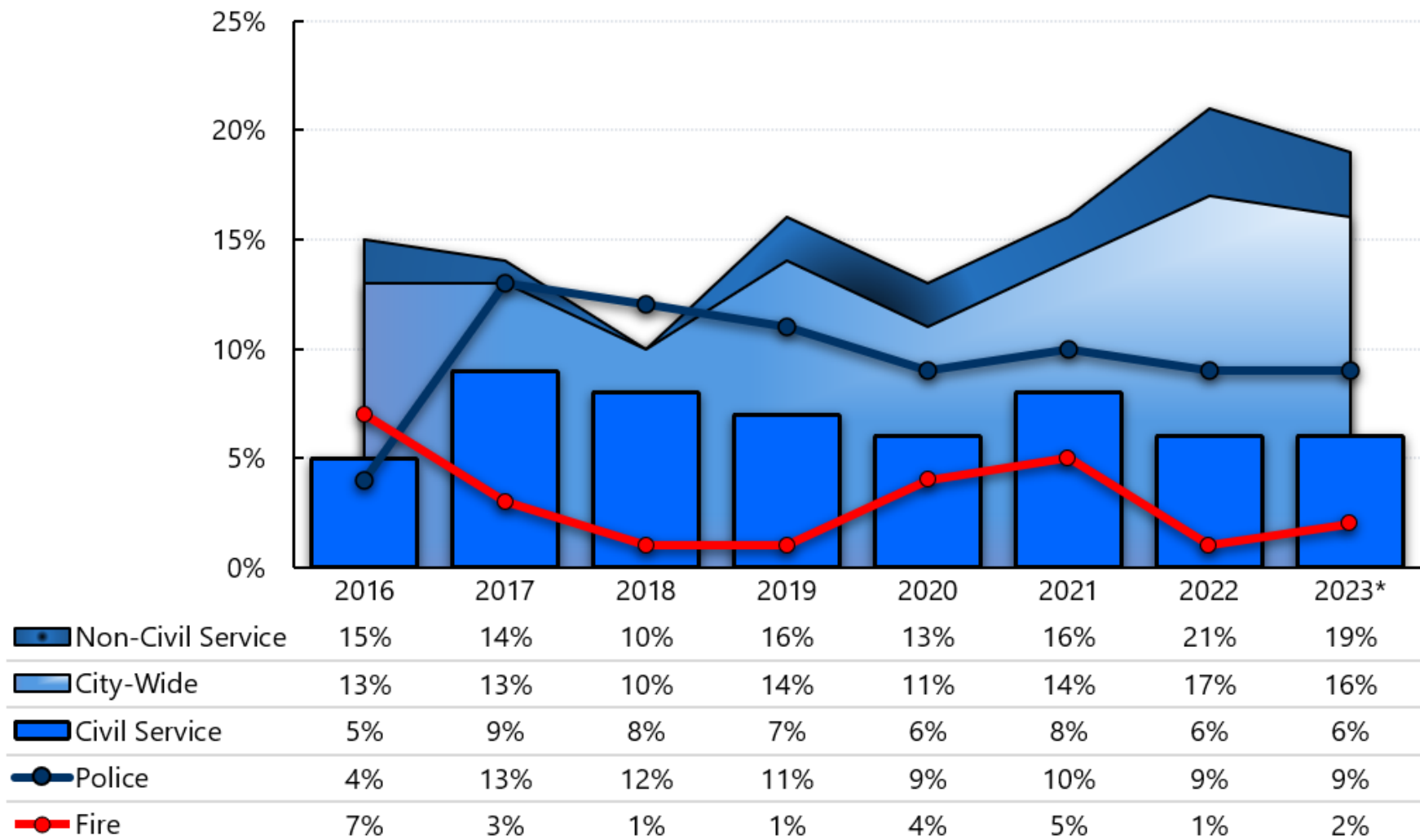
- Funding for future City Hall = \$2.8 million
- FY 2023 cash funded capital improvement projects = \$1.2 million
- FY 2024 capital outlay - \$1.0 million



General Employee Turnover & Vacancies

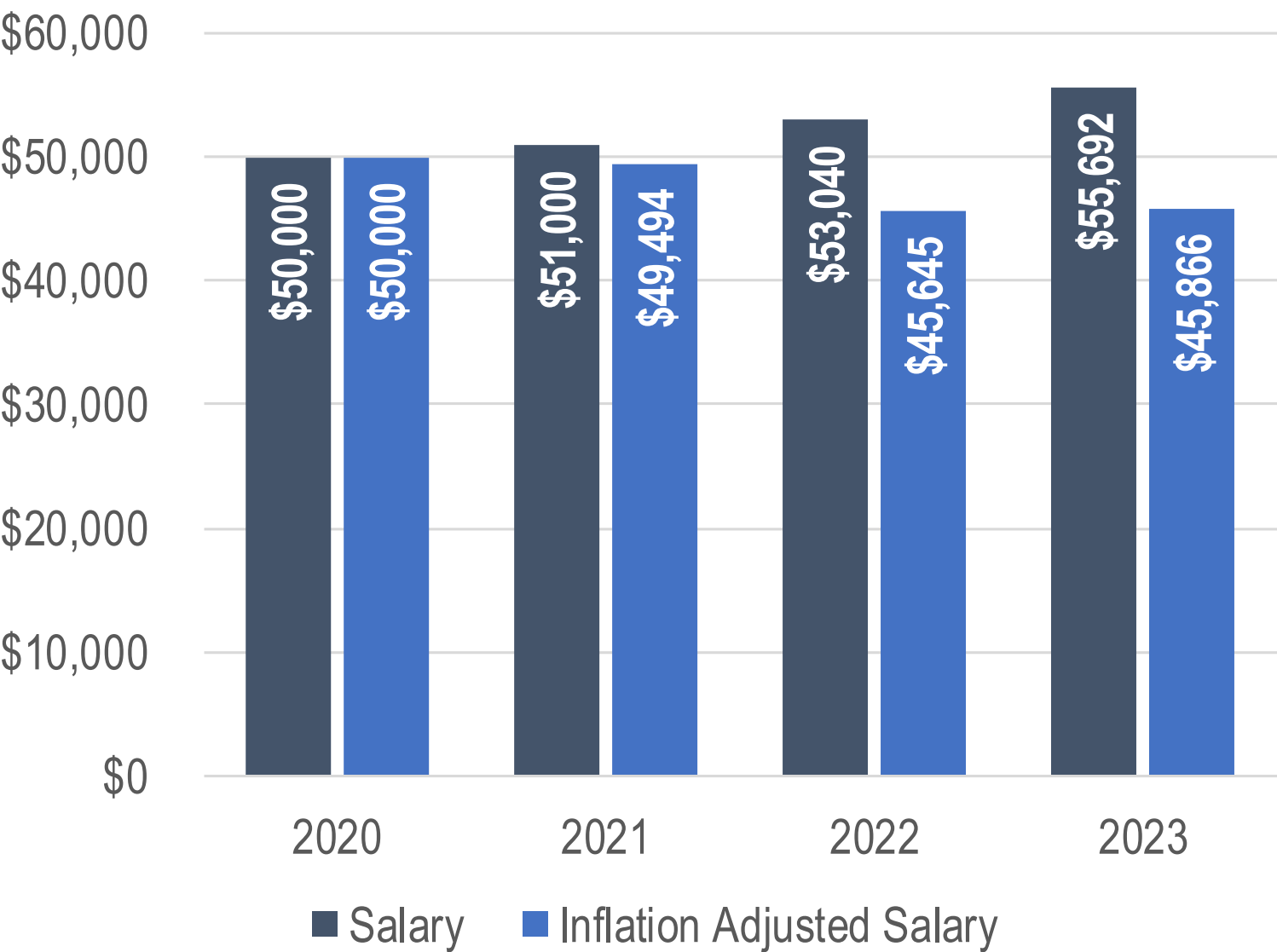
City of San Marcos Vacancy Rate

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
<u>Community Enhancement</u>							
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

REVISED

UTILITIES FUND - ELECTRIC		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	\$	73,934,172	
Personnel		6,115,920		8,283,928		6,872,941		8,684,169	
Operating		51,564,217		50,479,541		50,449,541		57,125,671	
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		1,177,975	
Change in Fund Balance	\$	(329,814)	\$	(2,363,412)	\$	(1,590,802)	\$	(1,184,627)	
Ending Fund Balance	\$	13,892,861	\$	11,529,449	\$	12,302,059	\$	11,117,432	

Days of Cash on Hand 55

Fund Balance Reserve Requirement for 90 Days \$ 18,189,049



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
Total Revenues at Current Rates	<i>e = c + d</i>	72,484,322	73,595,765	74,707,207	75,818,650	76,930,093
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
Total Expenses Excl. Debt Service	<i>j = f + g + h + i</i>	68,470,473	68,559,389	68,648,304	68,737,220	68,826,135
Available for Debt Service	<i>k = e - j</i>	4,013,849	5,036,376	6,058,903	7,081,431	8,103,958
Debt Service	<i>l</i>	7,000,888	7,000,888	7,000,888	7,000,888	7,000,888
Revenue (Deficiency)/Sufficiency	<i>m = k - l</i>	(2,987,040)	(1,964,512)	(941,985)	80,543	1,103,070
DSC Coverage	<i>n = k / l</i>	0.57	0.72	0.87	1.01	1.16

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
San Marcos (Proposed)	59.43	108.10	156.77
San Marcos (Current)	58.20	106.15	154.10

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
San Marcos (Proposed)	61.43	110.26	256.76
San Marcos (Current)	60.10	108.20	252.51



Electric Utility Rate History

	FY18	FY19	FY20	FY21	FY22	FY23	FY24 PROPOSED
<u>Electric - Residential</u>		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
<u>Electric - Small General</u>		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
<u>Electric - Medium General</u>		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
<u>Citizen Utility Advisory Board</u>							
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

REVISED

UTILITIES FUND - WATER / WASTEWATER		FY 2022 ACTUALS		FY 2023 BUDGET		FY 2023 ESTIMATE		FY 2024 PROPOSED	
Beginning Fund Balance		18,041,104	\$	21,581,357	\$	21,581,357	\$	18,881,287	
Revenues		\$ 56,133,089	\$	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		1,053,980		959,715		1,570,104		1,328,949	
Expenses		\$ 52,592,836	\$	58,566,371	\$	58,530,521	\$	65,200,822	
Personnel		5,273,548		7,000,547	\$	6,078,228	\$	8,991,201	
Operating		25,664,251		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		2,759,231	
Change in Fund Balance		\$ 3,540,253	\$	(767,856)	\$	(2,700,070)	\$	(1,943,838)	
Ending Fund Balance		\$ 21,581,357	\$	20,813,501	\$	18,881,287	\$	16,937,449	
Days of Cash on Hand									98
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
Total Revenues at Current Rates	<i>c = a + b</i>	59,993,036	62,187,657	62,736,312	63,284,967	63,833,622
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
Total Expenses Excl. Debt Service	<i>h = d + e + f + g</i>	42,611,650	42,787,219	42,831,112	42,875,004	42,918,897
Available for Debt Service	<i>i = c - h</i>	17,381,386	19,400,437	19,905,200	20,409,963	20,914,725
Debt Service	<i>j</i>	20,810,597	20,810,597	20,810,597	20,810,597	20,810,597
Revenue (Deficiency)/Sufficiency	<i>k = i - j</i>	(3,429,211)	(1,410,160)	(905,397)	(400,635)	104,128
DSC Coverage	<i>l = h / j</i>	0.84	0.93	0.96	0.98	1.01

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
San Marcos (Proposed)	51.71	54.56	106.27
San Marcos (Current)	49.27	51.97	101.24
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
<u>Water - 5/8" to 3/4" Water Meter</u>		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
<u>Wastewater - 5/8" to 3/4" Water Meter</u>		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
<u>Citizen Utility Advisory Board Recommendations</u>							
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
<u>Stormwater</u>							
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
<u>Resource Recovery</u>							
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



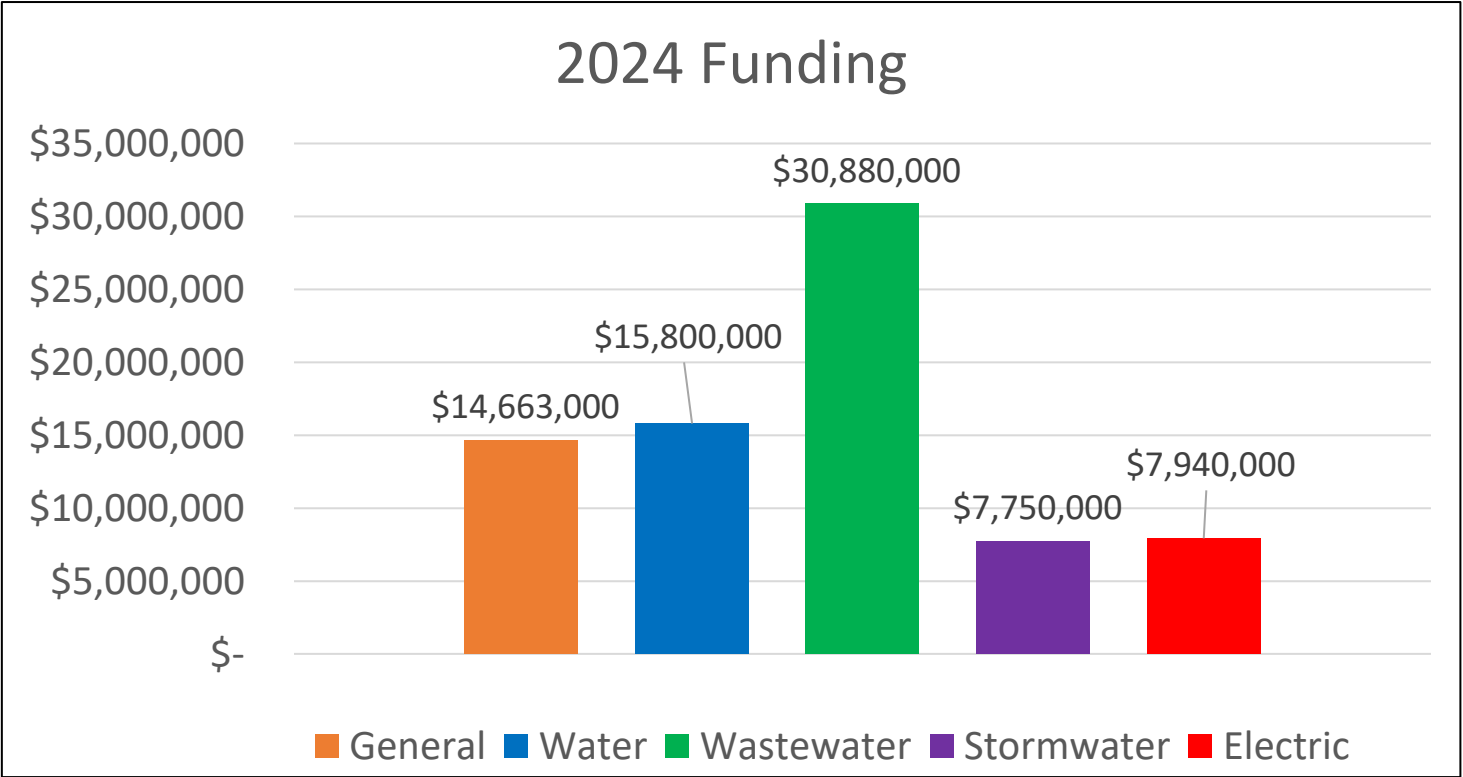
Changes to FY24 since May 2023

- **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	\$14,663,000
Water	\$15,800,000	\$15,800,000
Wastewater	\$23,880,00	\$30,880,000
Stormwater	\$7,820,000	\$7,750,000
Electric	\$7,940,000	\$7,940,000
Total All Funds	\$72,203,000	\$77,033,000





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

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