



Meeting Minutes
City Council

Thursday, February 22, 2018

3:00 PM

Large City Hall conference Room

Budget Policy Workshop

I. Call To Order

With a quorum present, the budget policy workshop meeting of the San Marcos City Council was called to order by Mayor Pro Tem Prewitt at 3:04 p.m. Thursday, February 22, 2018 in the City Hall Conference Room, 630 E. Hopkins, San Marcos, Texas 78666.

II. Roll Call

Mayor Thomaides was absent due to illness.

Present: 6 - Mayor Pro Tem Lisa Prewitt, Council Member Saul Gonzales, Deputy Mayor Pro Tem Scott Gregson, Council Member Melissa Derrick, Council Member Jane Hughson and Council Member Ed Mihalkanin

Absent: 1 - Mayor John Thomaides

1. Receive a Staff presentation and hold discussion regarding the Fiscal Year 2018-2019 Budget Policy and Strategic Initiatives for the City of San Marcos, and provide direction to the City Manager.

Bert Lumbreras, City Manager, provided the Council with an introduction and provided the goals of the budget policy workshop. He also explained how staff would be taking a holistic approach in reviewing department budget requests. He also provided the Council with an update that they would be holding a more in-depth conversation about debt at a future work session.

Steve Parker, Assistant City Manager, provided an introduction of Mr. Jon Hockenyous, President of TXP, Inc. Mr. Hockenyous provided the City Council with a 2018 Economic and Sales Tax Forecast for the City of San Marcos. His presentation is attached for the record.

Mr. Lumbreras provided the Council with a presentation of the Council's completed Strategic Initiatives. He reviewed the key priorities of Workforce Housing, Public Transit, Stormwater, Community Partners and City Facilities. Following discussion related to the priority of Workforce Housing staff was directed to schedule a Council Work Session on workforce housing in the

future. No other direction related to the Strategic Initiatives was provided. The presentation is attached for the record.

Council recessed at 5:05 p.m. for dinner and returned into open session at 5:45 p.m.

Mr. Lumbreras introduced the key policy considerations and assumptions for the 2018 budget policy. Heather Hurlbert, Director of Finance, provided the Council with the staff presentation. Mrs. Hurlbert reviewed general fund considerations, budget request considerations, and other fund considerations. Council requested that Staff research what our budget would look like if the property tax revenue cap were to pass at the Texas legislature.

Staff will provide the Council with the ratio of paid vs. unpaid interns that work for the City of San Marcos.

Mrs. Hurlbert provided the general fund revenue considerations and assumptions related to sales tax and property tax. She provided that they would like to assume zero growth for Outlet Mall collections and Sales Taxes, assume 4% growth in Best Buy collections and we will modify as trend indicates as we move through the budget process. Staff would like to assume 10% growth for initial modeling of property taxes and will have preliminary appraisals in April.

Mrs. Hurlbert provided a recommendation of an annual CPI increase of 2.12% for all General Fund fees and indicated that Staff will perform a cost of service study for Community Services and bring back a fee recommendation. She recommended continuing 8% City Owned Utility Franchise Fees for FY19 and to reduce it to 7% in FY20. Mrs. Hurlbert reviewed the initial expense assumptions: 4.5% increase for Police and Fire for the 4th year of the Meet and Confer agreement. 4.5% Merit and Cost of Living increase for non-civil service employees. 5% Health Insurance cost increase. The forecast does not include any new positions-additions will be evaluated through the departmental budget request process. Departmental operating budgets will remain flat with the exception of contractual obligations, fuel, telephone, utilities, and software maintenance. City Council does not wish to suspend the annual \$200K contribution to the economic development reserve. Council would like to consider redefining what these funds can be used for. Staff will compile all of the data related to all economic development incentives, and the lifespan left on those incentives, for the April 3 Work Session regarding debt.

Following discussion related to fund balance the Council would like to keep a

set percentage for general fund and water/wastewater fund balance at 25%. Council is willing to go down to 20% on the drainage fund balance. Following discussion regarding General Fund revenue, Council consensus was to maintain the current tax rate of 61.39 with a projected property assessment growth of 10%. Council also provided direction to Staff to conduct an analysis to look into Over 65 and Homestead exemptions and what revenue impacts they would have.

Council also provided consensus related to assuming zero growth for Outlet Mall collections and Sales Taxes, and assuming a 4% growth in Best Buy Sales Tax collections. Council also provided consensus to increase fees based on the annual CPI increase of 2.12% for all General Fund fees, and directed Staff to perform a cost of service study for Community Services and will bring back a fee recommendation.

Following discussion the Council provided consensus to pursue a goal of a 4.5% merit and cost of living mid-year increase for non-civil service employees if budget allows. The Council was not in favor of temporarily suspending the annual \$200K contribution to the economic development reserve, but may redefine what the funds can be used for. Council provided consensus to continue with the temporary increase of City-owned utility franchise fees at 8% with a reduction to 7% in FY2020.

Following discussion related to expenses the Council provided consensus to increase Social Services Funding to \$500,000 from \$450,000. Council agreed to allow the City Manager to make a recommendation related to funding structure and cycle for social services funding. Discussion was held regarding the creation of a Council committee, but there was not a consensus at this time. Following discussion the Council agreed to increase Museum funding to \$100,000 from \$75,000 and to cap each entity at \$25,000. Council agreed to allow the City Manager to review the structure and cycle of funding for the \$150,000 for Youth Initiatives and to consider making it outcome based.

Finally, Mrs. Hurlbert reviewed the Best Buy revenue for FY18, and the budget amendment to fund The Village request of \$432,000. She also provided the forecast for the City's portion in Quarter 2 through Quarter 4. No further direction was provided. The City Council will consider their budget policy statement on March 6, 2018.

III. Adjournment.

Mayor Pro Tem Prewitt adjourned the San Marcos City Council budget policy

workshop at 7:40 p.m.

Jamie Lee Case, City Clerk

John Thomaides, Mayor