



City of San Marcos

Meeting Minutes City Council

Tuesday, May 18, 2021

3:00 PM

Virtual Meeting

This meeting was held using conferencing software due to COVID-19 rules.

I. Call To Order

With a quorum present, the work session of the San Marcos City Council was called to order by Mayor Hughson at 3:03 p.m. Tuesday, May 18, 2021. The meeting was held online.

II. Roll Call

Present: 7 - Mayor Pro Tem Melissa Derrick, Mayor Jane Hughson, Council Member Maxfield Baker, Council Member Saul Gonzales, Deputy Mayor Pro Tem Shane Scott, Council Member Alyssa Garza and Council Member Mark Gleason

PRESENTATIONS

1. Receive a Staff presentation and hold discussion regarding the Hays Central Appraisal District's appraisal process, Tax Ceilings and Exemptions; and provide direction to the City Manager.

Bert Lumbreras, City Manager, reminded Council this property tax and exemption presentation was requested at the budget policy workshop that was held in February. The presentation will define tax ceilings and exemptions and what is currently in place in San Marcos. Mr. Lumbreras stated staff will provide an analysis of the effect these measures would have on the property tax bill for the average household along with the implications to the General Fund.

Mr. Lumbreras mentioned implementation of any additional exemptions would not be considered this upcoming fiscal year as the deadline to consider this type of change has passed. The earliest a change of this nature could take place is Fiscal Year 2023. Mr. Lumbreras stated Laura Raven, Chief Appraiser of the Hays Central Appraisal District, is present and is available to answer questions.

Marie Kalka, Finance Director provided the presentation this afternoon and discussed the following:

- Exemptions and tax ceilings – what they are and how they work

- **City's Current Exemptions**
- **City Comparison**
- **Tax Ceiling Analysis**
- **Scenarios**
- **Next steps**

After discussion Council provided consensus to increase the over 65 exemption by \$10,000 to \$35,000. This would save the homeowner \$59.30 annually and it would reduce the general fund by \$118K.

Council provided consensus to move forward with implementing a \$15K Homestead Exemption. This would save the homeowner \$88.95 annually and would reduce the general fund by \$559K

Council provided consensus to not move forward with a Senior Tax Ceiling. There will be no impact to Tax Year 2020 but as assessed values increase there would be incremental savings to homeowner. There will no impact to Tax Year 2020 but as assessed values increase there would be a reduction in revenue to the General Fund.

Council Member Baker suggested a staff member or contractor assist with navigating the appraisal protest process for their properties. Mayor Hughson mentioned the Hays CAD could consider providing a video on how to pull data from the HaysCAD.com website that could be presented to citizens to help assist with the process.

Council provided consensus to move forward and have staff to look into the library as a training site and to ensure the training is also in Spanish.

2. **Receive a Staff presentation and hold discussion regarding the Fiscal Year 2020-2021 Financial Update and preliminary Fiscal Year 2021-2022 Budget and CIP, and provide direction to Staff.**

Bert Lumbreras, City Manager, provided an update and stated the information provided is a financial update as the budget process for next year is initiated. Mr. Lumbreras stated given the uncertain economic future and lack of a certified tax roll, the presentation focuses on the current status and revenue projections. Staff will continue to develop the proposed budget and there will be additional opportunities over the next few months for Council to provide direction. Mr. Lumbreras mentioned as work continues on next year's budget, staff will remain committed to delivering core public services to the community, while also being mindful of population growth. The approach to the budget is very conservative, considering the ongoing economic uncertainty, revenue constraints, and the needs requested by departments. Mr. Lumbreras stated the City was awarded funding

as part of the American Rescue Plan and the guidelines for how the funds can be spent were just issued, so staff is working to understand allowable uses. A future agenda item will be scheduled to discuss this with Council, as specifics are not yet identified.

Marie Kalka, Finance Director, provided the presentation on the Fiscal Year 2020-2021 Financial Update. She stated the FY22 Fund Balance will maintain 20-25% for General Fund, 25% for Water/Wastewater and Stormwater and 60 days for Electric.

Ms. Kalka stated the economy is beginning to show signs of recovery and she provided current local, state and national unemployment rates. She also provided the Consumer Price Index (CPI) which measures the price trend of consumer goods, provides an indicator of pricing pressures in the economy, provides a gauge of inflation, and can lead to changes in monetary policy.

Ms. Kalka provided a financial update related to Property Tax Revenue, Sales Tax Collections, and General Fund Revenues.

The following expectations for FY 21 were presented:

- Showing signs of economic recovery.
- Net sales tax revenues are expected to exceed conservatively budgeted figures.
- Salary savings has resulted in lower overall personnel costs.
- Reduction in professional development and travel costs related to pandemic response.
- Overall, FY 21 revenues are expected to equal or exceed expenses.

The following FY 22 Preliminary Budget Assumptions were presented:

Revenues

- Property tax increase based on value of new properties
- Sales tax increase on 'base' estimated on expected population increase; overall sales tax decrease due to Comptrollers ruling changing recognition of internet sales to point of delivery.
- Utility rate models are in progress
- Analyze development services cost recovery fees
- Consider raising other fees by CPI (2.7% - March 2021)

Expenses

- Increased facility costs – new public services facility
- Increased fuel costs
- Requests for additional personnel

- Restore funding for professional development
- 4% personnel adjustment under review
- Continued cost containment

The following FY 22 Expectations were presented:

- We are in the middle of the budget process, evaluating requests for new personnel, supplemental operating budget requests, capital outlay requests.
- With the expectation of reduced revenues in the general fund, requests that save overall costs (contracted services) or are potentially revenue generating will be given greater consideration, as well as positions which address public health and safety needs.
- Goal: Present a balanced budget, while maintaining our property tax rate. (Keeping in mind that the change in calculation of “rollback” or “voter approval” rate from 8% to 3.5% may limit our ability to do so in this high growth area.)

Ms. Kalka provided the Budget Timeline:

May

- 18 - Budget Work session
- Continue to compile information June
- 29 – Budget Workshop

July

- 25 – Certification of Tax Rolls August
- 3 - Take Record Vote on Tax Rate
- Set date of public hearing September
- Hold public hearing
- 21 - Adopt budget and tax rate

Laurie Moyer, Director of Engineering and CIP, provided the FY 2022 10-Year Capital Improvement Projects (CIP). She noted that the CIP is almost a year-round process. The process begins in October of each year. This year there was some uncertainty as we are coming out of the Covid-19 year. She stated that the staff is planning to complete projects that are necessary but do not want to overburden the city revenues with high-debt issuances. The Planning and Zoning Commission (PZC) provided their review last week.

The CIP includes the General Fund, Drainage or Stormwater Fund, Electric Fund, and Water/Wastewater Fund along with External Funding to include Grants or outside sources. Some projects are completed with a single source of funding, others are a combination.

Mrs. Moyer provided information on the 2022 CIP – General Funds:

- Revenue impacts of COVID & state legislative changes require new CIP debt projections
- Assumed 2022 General Fund CIP debt cap of < \$8 Million
- Affects both Multi & General Fund projects
- FY 22 Projects >\$750,000 = \$3.7 Million
 - #525 Wallace Addition Subdivision (Future Bond) – design
 - #704 Dunbar Utility Improvements – pavement reconstruction
 - #773 Fire Department Engine Replacement Station #1
 - #419 Sessom Academy Intersection – pavement reconstruction
- FY 22 Projects \$250,000 - \$750,000 = \$1.8 Million
 - #475 City Facilities HVAC Replacements
 - #169 City Parking Lot Replacements
 - #526 City Facilities Major Maintenance
 - #753 City Facilities Roof Repairs/Maintenance
 - #790 Transit Bus Replacement- \$440k (Grant Funded- excluded from total)
- FY 22 Remaining Projects <\$250,000 = \$2.2 Million
 - #740 River Parks ADA Restroom Improvements
 - #616 Cemetery Improvements
 - #725 Fire Station 1 Remodel
 - #743 Rio Vista/Dog Beach Repairs
 - #732 Animal Shelter
 - #464 Old RR12 – Future Bond Project
- Remaining 12 Projects not listed

Mrs. Moyer provided information on the 2022 CIP – Stormwater Funds:

- New rate structure initiated last year – rate model update
 - Council direction to limit annual rate increases to 6.5%
 - Debt limit < \$6 Million
 - FY 22 Projects >\$500,000 = \$4.6 Million
 - Sunset Acres Subdivision – regional detention construction
 - Castle Forest Channel – construction
 - River Ridge Stormwater – design & acquisition
 - Wallace Addition Subdivision (Future bond project) – design
 - Remaining projects <\$500,000 = \$620,000
- #183 Bishop Street, #210 Stormwater Imp, #618 Various Drainage

Mrs. Moyer provided information on the 2022 CIP – Water & WasteWater Funds:

- Maintain/reduce CIP amounts assumed in last year rate study
- Reduces potential rate impacts with new water supply improvements coming on-line

- **Projects >\$750,000 = \$17.3 Million**
- #741 ARWA Delivery Imp - construction**
- #788 Blanco Vista EST - construction**
- #419 Sessom Academy Improvements - construction**
- #414 Hwy 21 Water - construction**
- #556 Comanche Pump Station Imp - construction**
- #704 Dunbar Utility Improvements – construction**
- #563 Linda Lane Improvements – construction**
- #707 Sessom Creek Imp. Phase 2 - construction**
- #427 Main Lift Station Replacement – design**
- #780 Weatherization & Performance Hardening – design/const.**
- **Remaining Projects Approximately \$4.9 Million**

Mrs. Moyer provided information on the on 2022 CIP – Electric Funds:

- **Coordination of work with other CIP projects**
- **Overhead to underground conversions**
- **Improvements to distribution reliability**
- **Projects >\$750,000 = \$4.5 Million**
- #760 CA-30 Circuit Creation**
- #563 Linda Drive Improvements**
- #749 Underground Electric conversions**
- **Projects \$350,000 - \$750,000 = \$1.5 Million**
- #770 Zone 1 Pole Replacement**
- #644 Sunset Acres Subdivision**
- #783 Lime Kiln Underground Conversion**
- **Remaining projects approximately \$1.3 Million**

The CIP Fund Totals were presented as follows:

General Fund: \$7,725,500

Water Fund: \$19,750,000

Wastewater Fund: \$7,600,000

Stormwater Fund: \$5,220,000

Electric Fund: \$7,315,500

Total: \$47,611,000.00

The Planning and Zoning Commission provided the following recommendations:

- **Project #45 (Downtown Reconstruction Ph. II 25 - LBJ: Grove St. to Hopkins) – continue bike lane on LBJ Dr. from MLK Dr. to Hopkins St. where feasible.**

- **Project #96 (Hwy 123 Improvements) – add a shared use lane instead of just rebuilt sidewalks.**

- **Project #169 (City Facility Parking Lots) – postpone to another year.**
- **Project #520 (Airport – Runway 17-35 Extension) – not be delayed any further.**
- **Project #525 (Wallace Addition Subdivision) – should not be included as a bond project. It should be part of the CIP Program.**
- **Project #563 (Linda Dr. Improvements) – implement striping between the curbs to create pedestrian and bicycle shared path infrastructure.**
- **Project #594 (Hopkins Street Improvements Project from Moore to Guadalupe) – create either a bike lane, or shared use path on Comanche St. from San Antonio St. to Hutchison St.**

Changes since Planning and Zoning Recommendations were made:

- **General Fund**
- **Removed #655 – Activity Center Splash Pad- Will put in a future new request at a different location**
- **Reduced #740 River Parks ADA Restrooms – split funding over 3 years**
- **Deferred #656 – Spray pads East/West sides – 2 years until location can be established**
- **Added #786 – Police Dept Driving Track – Not part of bond (\$160K)**
- **Added #789 – Airport Compatibility/Hazard Zoning – Master Plan request (\$50K)**
- **Water Fund**
- **Added # 788 - Blanco Vista Elevated Storage Tank (\$5.1M)**
- **Added #741 – ARWA Delivery Imps (\$2M)**

Mrs. Moyer provided information related to future CIP Projects:

- **General & Stormwater fund debt capacity limitations**
- **Potential bond projects have been identified in the 2020, 2021 and 2022 10-year CIP plans.**

- **Council direction for substantially designed projects to avoid significant project changes after approval**
- **CIP funding constraints limit full design and final property acquisitions prior to bond approval**
- **Goal to have project pool have reached at least 30% design status**

Mrs. Moyer CIP discussed the projects currently identified for a future Bond Election. She noted that in the future, we would have a 30% design completed before we place an item on a ballot. She noted that the PZC recommended that improvements to the Wallace Addition not be placed on a bond ballot.

Council held discussion and asked questions to Staff.

Mayor Hughson asked if guidance is needed regarding the recommendations from the Planning and Zoning Commission. Mrs. Moyer stated these recommendations do not have an impact to the budget but these can be discussed at a future workshop. A decision on project #169- City Facility Parking Lots must be made before the next adoption of the CIP. This can be discussed at the next budget workshop.

Council Member Gonzales inquired about the cost difference of the two fire stations? Les Stephens, Fire Chief, stated one is a Neighborhood Fire Station and the other is an Airport Fire Station. Different Specs would be required of the Airport Station as they must house aircraft rescue firefighting vehicles, which are much larger. They must answer to flight line as well as structural responses out of the front. It is also a much larger station.

Mayor Pro Tem Derrick inquired about transit improvements utilizing grant funding and if this is associated with Texas State University. Ms. Moyer stated this is different, it was for replacement of existing buses. Mayor Pro Tem Derrick asked if the Hills of Hays drainage project is on track? Ms. Moyer stated it is expected to start this fiscal year. Mayor Pro Tem Derrick asked about the bike lanes on Hopkins Street. Ms. Moyer stated the recommendation from the Planning and Zoning Commission is for intersection improvements on Comanche Street and Hopkins with the route going down to San Antonio Street but she will verify.

Council Member Baker inquired about fiber optic infrastructure expansions. Is this aimed at having our own fiber option owned utility? Ms. Moyer responded this is for City network facilities and will have the IT director discuss more on the expansion.

Council Member Baker and Mayor Hughson directed staff to place a discussion on a future agenda regarding the fiber optic expansion.

EXECUTIVE SESSION

- 3. Executive Session in accordance with: Sec. §551.074 of the Texas Government Code: Personnel Matters: to discuss the duties and responsibilities of a Public Official, to wit: City Council Members**

A motion was made by Council Member Baker, seconded by Deputy Mayor Pro Tem Scott, to enter into Executive Session at 5:10 p.m. The motion carried by the following vote:

For: 7 - Mayor Pro Tem Derrick, Mayor Hughson, Council Member Baker, Council Member Gonzales, Deputy Mayor Pro Tem Scott, Council Member Garza and Council Member Gleason

Against: 0

III. Adjournment.

Executive Session concluded at 5:43 p.m.

A motion was made by Council Member Baker, seconded by Council Member Gonzales, to adjourn the work session of the City Council at 5:47 p.m. The motion carried by the following vote:

For: 6 - Mayor Hughson, Council Member Baker, Council Member Gonzales, Deputy Mayor Pro Tem Scott, Council Member Garza and Council Member Gleason

Against: 0

Absent: 1 - Mayor Pro Tem Derrick

Tammy K. Cook, Interim City Clerk

Jane Hughson, Mayor