



BUDGET SUMMARY

FISCAL YEAR 2019-2020

Adopted FY 2019/20 Budget

City of San Marcos, Texas

Budget Summary

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Core Values

INTEGRITY
Doing what is right regardless of circumstances is the foundation of our organization.

TEAMWORK
Professional collaboration based on respect, trust and accountability to achieve success for the organization, customers, and community.

PROFESSIONALISM
Choosing daily to be held to the highest standards of excellence and demonstrating passion and commitment to continuous improvement.

CUSTOMER EXPERIENCE
Consistently treating everyone the way we want to be treated and providing effective solutions in a courteous, respectful manner.

INNOVATION
Fostering an environment receptive to new ideas by encouraging creativity, inclusiveness, adaptability, and resourcefulness.

Strategic Initiatives



Downtown Vitality

- Create a revised downtown master plan
- Review and address underground electric ordinances
- Review and amend the downtown tax increment reinvestment zone (TIRZ) #5
- Complete the San Marcos River bike and pedestrian trail project
- Approve and implement the parking management plan



Workforce Development

- Coordinating community wide conversations for career development
- Identifying and developing local outreach opportunities
- Developing enhanced career training web content
- Developing GED, English language, and computer classes
- Identifying challenges and unmet needs in the business community



Workforce Housing

- Adopted updated affordable housing policy
- Formed housing task force
- Executed housing study contract
- Hired a housing coordinator
- Completed 13 CDBG housing rehabilitation projects



Multi Model Transportation

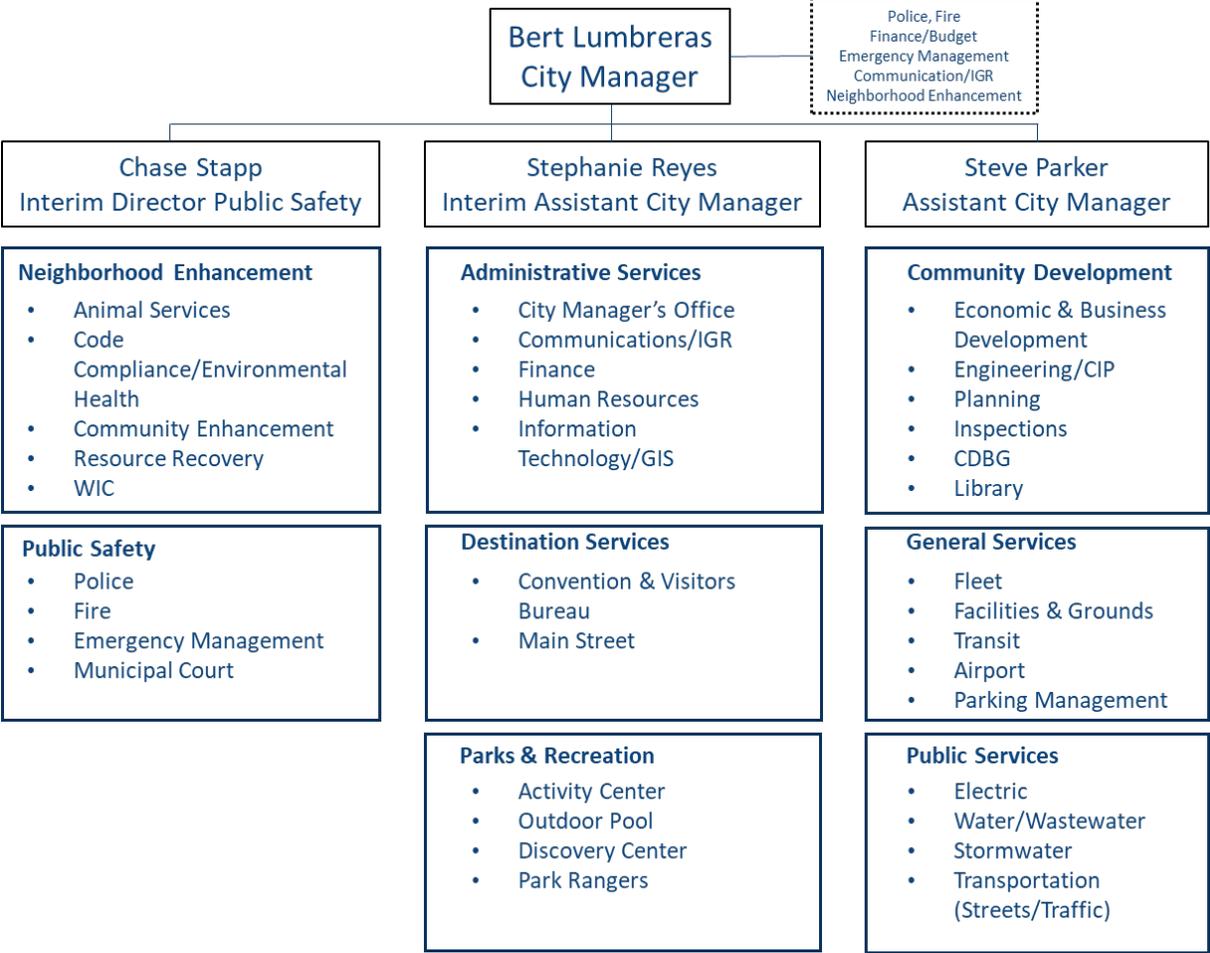
- Held 4 transit stakeholder meetings
- Executed CARTS interlocal agreement
- Completed coordinated transit plan (CTP) study phase I
- Passed direct recipient resolution
- Began CTP study phase II



City Facilities

- Purchased portable building to house 30 staff members
- Relocated equipment to provide 22+ staff parking spots
- Hired Jacobs Engineering as city's project manager
- Included project control dashboard on city website
- Awarded contract for fire training master plan

Organizational Chart



Executive Summary

The City of San Marcos provides a comprehensive picture of the city's financial budget in the FY2019/20 Adopted Annual Budget Report. Detailed financial discussion and presentation can be found in the Annual Budget Report. This Budget Summary complements that information highlighting trends that shaped the budget.

FY2020 City Council Budget Policy decisions

Per City Charter, City Council adopted a Budget Policy in March 2019 providing the City Manager and staff direction on base budget assumptions. The following are the major policy items included in the city's adopted FY20 budget. Each of these items were discussed during City Council's public review sessions:

- General Fund's budgeted fund balance of \$18.2 million meets the 25 percent requirement as set by the city's Financial Policy. All other funds meet required fund balance levels
- The city maintains a property tax rate of 61.39 cents per \$100 of property valuation
- All department operating budgets held flat
- Utility franchise fee reduced to 7 percent (prior two fiscal years it was 8 percent)
- General Fund fees increased either according to fee policy guidelines or the 2018 calendar year CPI (consumer price index) which totaled 2.44 percent
- \$800 thousand appropriated to fund the new Meet and Confer agreement for civil service personnel
- \$715 thousand General Fund (\$105 thousand all other funds) appropriated for the citywide pay for performance and cost of living adjustment, through which employees may receive pay increases of 4 percent increase (up to the maximum of their salary range) effective April 1st
- \$5.5 million General Fund (\$2.2 million all other funds) appropriated for a 5 percent increase in the city's health insurance cost
- \$1.9 million General Fund use of Sales Tax revenue from the Best Buy Call Center appropriated for one-time expenses
- \$800 thousand (General Fund, Electric and Water/Wastewater Funds) accumulated balance for Economic Development allocated to special projects (Strategic Initiatives)
- Rate adjustments for utilities are included based on CUAB (Citizen Utility Advisory Board) recommendation (rate study performed by 3rd party consultants)

How the adopted budget will affect citizens' property tax rates

The FY20 property tax levy will be used to pay debt service on outstanding General Fund obligations and support General Fund maintenance and operations. Of the 61.39 cents per \$100 of valuation levied, 20.69 cents goes to debt payments and 40.7 cents goes to maintenance and operations. Operations include police and fire protection, parks operation and maintenance, activity center, library, animal services, road maintenance, traffic control, and other general governmental functions. General Fund

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obligations include certificate obligation bonds (COs) and voter approved general obligation bonds (GOs) used for the 2017 bond projects to renovate and expand the library, police headquarter renovations, two additional fire stations, and a fire training facility.

For FY20, the city's total property tax levy of \$23 million is an increase of \$3.6 million over the current tax year levy of \$19.6 million, of that \$815 thousand was revenue from new properties. The adopted property tax rate of 61.39 cents remains unchanged from the prior year tax. Total valuation of all property increased 11.7% or \$588 million from prior year. Existing property consists of \$5.4 billion and new property makes up \$132.8 million of total valuation.

In FY20 citizen tax bills will reflect 61.39 cents per \$100 of assessed property value. Based on this rate, an owner of a home value of \$100,000 will pay approximately \$613 in city property taxes. The Hays County appraisal district assesses the real property values used to calculate property tax bills.

How the adopted budget will affect staffing levels and compensation

- The FY20 budget includes \$822 thousand for a 4 percent non-civil service performance and cost of living increase.
- \$800 thousand is included to fund a new civil service agreement under the three year Meet & Confer agreement. The new agreement added additional pay grades (steps) to allow compensation growth within each rank
- Health insurance for all city employees is through self-funded claims pool. To insure adequate funding levels, the city and employee contribution increased by 5 percent over prior year resulting in additional \$462 thousand in expense to the city across all funds.
- The budget also includes an increase in the longevity benefit from \$4 to \$5 a month to move toward more competitive benefits for city employees.

Staffing Changes

The city's total headcount for FY20 is 850 which is an increase of 33 positions from the prior year adopted budget. The positions that were added were spread across all departments where needs had been identified.

General Fund – (18)

City Manager - Management assistant
Grant Administrator
Economic/Business Development Mgr
Video Technician
Watershed Engineer
Adoption Counselor
Shelter Technician

Police - Volunteer Program Coordinator
Police - Training/Compliance Coordinator
(2x) Part-time Police Officer
Paramedic Program
Procurement Specialist
Natural Area Maintenance Crew Leader
Natural Area Maintenance Worker

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Construction Technician
 Librarian I

GIS Analyst

Enterprise Funds – (15)

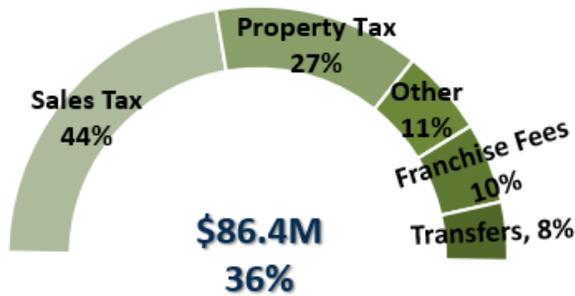
Water Quality Technician
 Water Distribution Crew Leader
 (3x) Water Distribution Equipment Operator 1
 (2x) Electric Line worker III-IV
 Electric Service Technician
 Transit Support Specialist

Electric GIS Technician
 Stormwater Crew Leader
 Stormwater Operator 2
 (2x) Stormwater Operator 1
 Stormwater Technician

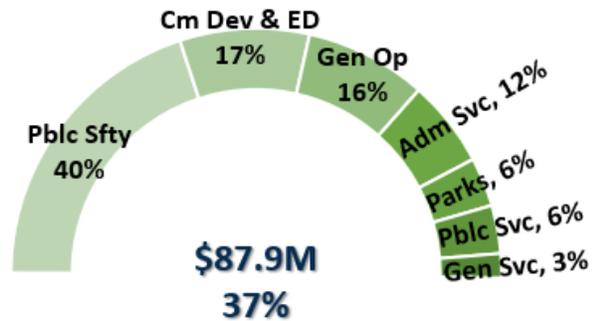
Fund Highlights

Total FY20 budget of \$239 million is made up of four major fund types: General Fund, Enterprise Funds, Special Revenue Funds, and Debt Service Fund.

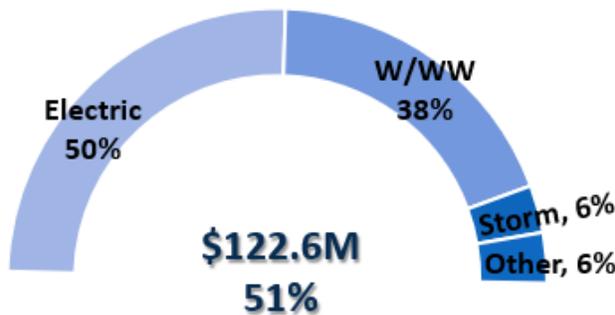
General Fund – Sources



General Fund - Uses



Enterprise Fund – Sources



Enterprise Fund - Uses



General Fund and Enterprise Funds make up over 85 percent of total sources and uses of the city budget. In addition to these major funds, Special Revenue has sources of \$11.4 million (5 percent) and Debt Service has \$17 million (7 percent).

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General Fund - Sources

The General Fund supports core services with the greatest potential for revenue fluctuations. Forecasted General Fund sources for FY20 are \$86.4 million, approximately \$6 million (7.5 percent) more than the FY19 adopted budget.

General Fund – Uses

The adopted FY20 General Fund uses budget is projected to be approximately \$87.9 million, \$7.3 million (9.1 percent) more than the FY19 adopted budget. In addition to the items added according to budget policy increases in contractual obligations and economic incentives, \$840 thousand in new recurring department expenses were added to the budget.

Enterprise Funds

Enterprise Funds account for the city's electric, water and wastewater, stormwater, resource recovery, transit, and the municipal airport. These funds are wholly supported by rates charged for services.

Electric Utility Fund – The Electric Utility Fund accounts for the transactions related to the city's operation, maintenance, and improvement of electric utility services. Projected sources of funding for the FY20 budget are \$62 million with fund balance of \$9.6 million (or 60 days of operation). Total Electric Utility Fund uses budget adopted for FY20 of \$62.9 million, increased \$46 thousand (less than one percent) from prior year adopted budget. Funding for \$1.3 million in new recurring and \$257.5 thousand for one-time uses was included in the operating budget.

Water/Wastewater Fund – The Water/Wastewater Fund accounts for the operating, maintenance, and improvement of the city's water/wastewater utility including production, distribution and wastewater collection and treatment system. Revenue requirements for Water/Wastewater Fund are impacted by contractual obligations with OMI and GBRA to operate the treatment plants, personnel, debt service, and capital expenditures. The funds sources are \$46.3 million with fund balance of \$10.7 million or 25%. Total Water/Wastewater Fund FY20 appropriated uses of \$45.6 million, increasing \$2.8 million (6.5 percent) from prior year adopted budget. Funding of \$448.3 thousand in recurring and \$525 thousand for one-time uses was added to operating budgets. Adopted rate adjustments in water were 5 percent and wastewater 3 percent with average citizen impact of \$3.95 monthly.

Stormwater Fund – The Stormwater Fund accounts for operations of the city's planning, engineering, construction, maintenance, improvement and reconstruction of drainage projects throughout the city. The funding sources for FY20 are \$6.9 million with projected fund balance of \$1.6 million or 25 percent. Total Stormwater Fund FY20 appropriated uses of \$6.8 million, increasing \$1.2 million (23 percent) from prior year adopted budget. Funding of \$351.8 thousand in recurring and \$330 thousand for one-time uses was added to operating budgets.

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Resource Recovery – The Resource Recovery Fund accounts for operations of the city’s residential solid waste collection, household hazardous waste disposal, bulky items, and brush collection. The sources are expected to be about \$4.8 million with a fund balance of \$1.4 million or 31.2 percent. Total FY20 appropriated uses of \$4.8 million, increasing \$354.7 thousand (8 percent) from prior year adopted budget. Resource Recovery Fund adopted a rate adjustment with an average citizen impact of \$0.98 monthly.

Transit Fund – The Transit Fund accounts for the operations of the city’s transit system. Effective October 1, 2019 the City of San Marcos became the direct recipient of federal and state funds to operate the local transit system for the community. The sources are projected to be \$2 million with fund balance of \$37 thousand. FY20 adopted uses are approximately \$1.9 million. With the expansion of the city’s management of the transit program the impact to uses of funds reflects a 208 percent increase over prior year adopted budget. Funding of \$60 thousand in recurring expenditures was added to the operating budget.

Municipal Airport Fund – The Municipal Airport Fund accounts for operations of the city’s airport with three runways, 60 acres of maintained parking ramps, and 38 hangars and shelters. The sources are estimated to be \$689 thousand with no anticipated transfer from the General Fund to cover the cost of operations.

Special Revenue Funds

The city accounts for sources earmarked for specific purposes by law or the adopted budget through Special Revenue Funds. There are eleven Special Revenue Funds: Hotel Occupancy Tax, Municipal Court (Technology Fee, Security Fee, Juvenile Fee, and Efficiency Fee), Seized Assets, TIRZ (#2, #3, #5, TRZ #1), CDBG Program, Cemetery Operations, and PEG Funds.

The **Hotel Occupancy Tax Fund** is special revenue fund for the hotel occupancy tax of 7 percent and venue tax of 2 percent. The fund currently has annual sources of \$3.9 million, and a projected fund balance of \$190 thousand. Projected uses for FY20 of \$2.6 million, increasing \$310 thousand (14 percent overall) over prior year adopted budget. In FY19 revenue projections reflected a decline due to lower average room rates. As a precaution, a budget reduction to operating funds of 15 percent (non-personnel reductions) were part of the adopted budget. The FY19 Hotel Occupancy Tax revenue exceeded revenue projections therefore the budget was amended to reinstate prior operating budgets. The budget levels for FY20 are based on the amended revenue and expenditure amounts.

The Municipal Court special revenue funds accounts for the specific use of funding across four funds.

- **Municipal Court Technology Fund** currently has sources of \$25 thousand, uses of \$5 thousand, and a projected fund balance of \$218 thousand. The revenues collected are legally restricted for making technological enhancements to the Municipal Court, which

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may include computer systems, networks, hardware, software, imaging systems, electronic kiosks, electronic ticket writers or docket management systems

- **Municipal Court Security Fee Fund** currently has sources of \$18.5 thousand, uses of \$87 thousand, and a projected fund balance of \$47.3 thousand. This fund was established to help enhance security within municipal courts. This sole use of this fund is to enhance security within the court operations
- **Municipal Juvenile Fee Fund** has sources of \$36 thousand, uses of \$28 thousand, and a fund balance of \$65.5 thousand. The use of this fund is to fund the Juvenile Case Manager position, which is now being budgeted as a full-time position and funded equally by the General Fund and the Juvenile Fee
- **Municipal Court Efficiency Fee Fund** has sources of \$4 thousand, uses of \$20 thousand, and a projected fund balance of \$4.9 thousand

The **Seized Assets Fund** currently has sources of \$5 thousand, uses of \$5 thousand, and a projected fund balance of \$126 thousand. This fund, established in 2001, provides budgeting and accountability for revenues collected from the sale of forfeited and seized assets. Revenues from these seized assets are used to fund one-time expenses and projects including technology and equipment in our Police Department. The use of these funds must be approved by City Council.

The TIRZ Funds collectively has sources of \$5.1 million with a projected fund balance of \$3.3 million.

- **Tax Increment Reinvestment Zone #2 Blanco Vista Development Fund** was established in 2010. This fund collects the property tax growth increment from the City and Hays County which is specifically restricted for the repayment of the cost to construct the Yarrington Road Overpass. The restricted property tax revenues are estimated to be \$1.5 million.
- **Tax Increment Reinvestment Zone #3 Conference Center Fund** was established in 2010. This fund collects property tax growth increment from the City and Hays County which is specifically restricted for the repayment of debt related to the building of the City of San Marcos Conference Center. The restricted property tax revenues are estimated to be \$198 thousand.
- **Tax Increment Reinvestment Zone #4 Kissing Tree Development Fund** was established in 2011. This fund collects property tax revenues from the City and Hays County which is specifically restricted for the repayment of improvements made by the developer for Kissing Tree. The restricted property tax revenues are estimated to be \$341 thousand.
- **Tax Increment Reinvestment Zone #5 Downtown Fund** was established in 2012. This fund collects property tax growth increment from the City and Hays County which is the dedicated source of sustainable funding for downtown improvements in support of the adopted Downtown Master Plan. The restricted property tax revenues are estimated to be \$1 million.

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- **Transportation Reinvestment Zone #1 Loop 110 Fund** was established in 2013. This fund collects property tax growth increment which is specifically restricted for the construction of Loop 110. The restricted property tax revenues are estimated to be \$2 million.

In fiscal year 1994, the United States Department of Housing and Urban Development designated the City of San Marcos as an Entitlement City for the Community Development Block Grant (CDBG). The program is designed to eliminate slum and blight conditions and to serve the needs of low to moderate-income residents. The **CDBG Program Fund** has sources of \$680 thousand with a projected fund balance of \$0.

The **WIC Program Fund** currently has sources of \$2 million with fund balance of \$0. The Women, Infants and Children Program provides nutritional food supplements, nutritional counseling, clinical assessments, and education to pregnant women, breast-feeding mothers, infants and children up to five years of age. The City of San Marcos operates a five-county regional WIC program that is funded through the Texas Department of Health and Human Services and the United States Department of Agriculture.

The **Cemetery Operations Fund** has sources of \$252 thousand with a fund balance of \$3.6 thousand. This fund provides for maintenance and upkeep of the historic San Marcos City Cemetery.

The **PEG Funds** (Public Education Grant) is a special revenue fund earmarked for technical equipment used to broadcast public meetings and announcements. This fund has sources of \$97 thousand.