



City of San Marcos

Workshop Agenda - Final City Council

Thursday, August 13, 2020

5:30 PM

Virtual Meeting

Budget Meeting

Due to COVID-19, and as long as the State Disaster Declaration is in effect, this will be a virtual meeting. To view the meeting please go to www.sanmarcostx.gov/videos or watch on Grande channel 16 or Spectrum channel 10.

I. Call To Order

II. Roll Call

PRESENTATIONS

1. Receive a Staff presentation and hold discussion regarding the Fiscal Year 2019-2020 Financial Update and preliminary Fiscal Year 2020-2021 Budget, and provide direction to Staff.

Attachments: [Proposed Budget Workshop Aug 13 2020.pdf](#)

III. Adjournment.

POSTED ON THURSDAY, AUGUST 6, 2020 @ 3:00PM

TAMMY K. COOK, INTERIM CITY CLERK

Notice of Assistance at the Public Meetings

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Legislation Text

File #: ID#20-483, **Version:** 1

AGENDA CAPTION:

Receive a Staff presentation and hold discussion regarding the Fiscal Year 2019-2020 Financial Update and preliminary Fiscal Year 2020-2021 Budget, and provide direction to Staff.

Meeting date: August 13, 2020

Department: Finance

Amount & Source of Funding

Funds Required: Click or tap here to enter text.

Account Number: Click or tap here to enter text.

Funds Available: Click or tap here to enter text.

Account Name: Click or tap here to enter text.

Fiscal Note:

Prior Council Action: Click or tap here to enter text.

City Council Strategic Initiative: [Please select from the dropdown menu below]

Choose an item.

Choose an item.

Choose an item.

Comprehensive Plan Element (s): [Please select the Plan element(s) and Goal # from dropdown menu below]

- Economic Development - Choose an item.
- Environment & Resource Protection - Choose an item.
- Land Use - Choose an item.
- Neighborhoods & Housing - Choose an item.
- Parks, Public Spaces & Facilities - Choose an item.
- Transportation - Choose an item.
- Not Applicable

Master Plan: [Please select the corresponding Master Plan from the dropdown menu below (if applicable)]

Choose an item.

Background Information:

Budget Workshops were held May 26 and June 30, 2020. This meeting will discuss direction and revisions from prior workshop for City Council to provide direction on FY2021 budget.

The budget process begins in the spring with formation of the Budget Policy. A preliminary budget is presented for discussion with City Council during workshops held on May 26 and June 30. Changes made during the workshops are incorporated in the Proposed Budget that is filed with the City Clerk prior to adoption.

Public hearings and further discussions are held in September and changes can be made to the budget until the adoption on September 15th.

Council Committee, Board/Commission Action:

Click or tap here to enter text.

Alternatives:

Click or tap here to enter text.

Recommendation:

Click or tap here to enter text.

FY 2020-21 BUDGET WORKSHOP

August 13, 2020



Agenda

- **General Fund**
- **Hotel Occupancy Fund**
- **Electric Fund**
- **Water/Wastewater Fund**
- **Stormwater Fund**
- **Capital Improvement Projects**

Seeking Council Direction

- **General Fund**
 - Property Tax Rate
 - Non-civil Service Merit/COLA Increase
 - Personnel additions
- **Enterprise Funds**
 - Water/Wastewater Rate Increase
 - Stormwater Rate Increase
 - Resource Recovery Increase
- **Capital Improvement Projects**
 - Year one of 10 year CIP

General Fund FY20 Revenue Recap

- **FY20 Original Budget Revenue: \$86.3M**
- **Projection as of April: \$78.7M, \$6.4M shortfall (after rebates)**
 - Pandemic outbreak, disaster declaration by federal, state, and local authorities
 - Businesses are required to close
 - Unemployment hits record levels
- **Projection as of June: \$82.4M, \$2M shortfall (after rebates)**
 - Received March sales tax. Results exceed projections. Large increase in economic development rebates
 - Businesses reopen
- **Projection as of Aug: \$90.9M, \$1.3M shortfall (after rebates)**
 - Received April sales tax. Continue to exceed projections. Much larger economic development rebates due to increased sales tax

General Fund FY20 Expenses & Going Forward

- **FY20 Expenditure Reductions**

- Personnel: \$1.8M
- Contract Services: \$610K
- Materials & Supplies: \$1.3M
- Capital Outlay: \$500K

- **Future Known Financial Constraints**

- It is the City's fiscal responsibility to ensure revenues can support recurring expenses as we approach known reductions in General Fund revenue in the coming years
- FY22: Comptroller ruling on internet sales tax collection to the point of destination (potential \$3M reduction after rebates)
- FY23: SB2 property tax cap at 3.5% (potential \$600K-\$1M reduction)

FY21 Budget Policy Direction

Maintain fund balance at 25%	<i>REDUCED TO 20% DUE TO PANDEMIC</i>
Tax rate not to exceed Voter Approval Rate	<i>ADOPTED SPECIAL TAXING UNIT CALCULATION of 8% GROWTH</i>
Zero based budgets for all department operating expenses	<i>COMPLETED</i>
Social services, museums, city hosted events fully funded	<i>INCLUDED</i>
Refinance TIRZ #2 Blanco Vista	<i>IN PROCESS</i>
Parks & Rec fees effective Sept 1 st	<i>POSTPONED TO JANUARY 1, 2021</i>
Development Services cost of service study FY20	<i>POSTPONED TO FY21</i>
Other fees increased by Consumer Price Index (CPI)	<i>INCLUDED</i>

FY21 Budget Policy Direction

Municipal Judge at full-time	<i>COMPLETED</i>
Merit, COLA, & health insurance adjustments	<i>MERIT & COLA PROPOSED INCREASE NO HEALTH INSURANCE INCREASE</i>
EMS expansion of service	<i>INCLUDED</i>
Youth services director (Community Action)	<i>INCLUDED</i>
CUAB recommended rate adjustments	<i>INCLUDED</i>

General Fund Revenue Assumptions

- Property tax rate @ 5% revenue increase. @ tax rate of 0.5930. This is \$700K less than a tax rate @ 7% revenue increase over prior year base. Appraised values are certified estimates.
- TIRZ #2 Blanco Vista zero contribution (was \$1.8M, 67% O&M \$1.2M), payoff developer, FY22 debt service
- Solid Waste Hauler revenue increased to 7% of sales

General Fund Revenue Assumptions

- Parks & Recreation Programs fee implementation Jan 1, 2021
- No fee increase to Development Services, cost of service study to kick off with cost recovery fees FY21
- All other fees increase 2.3% (CPI 2019)

General Fund Personnel Assumptions

- FY21 Civil Service Meet & Confer agreements funded
- FY21 Personnel at 2.5% Merit/COLA increase as of OCTOBER 1st
- FY21 Health insurance no increase
- Vacancies funded at 75%

General Fund Personnel Additions

- **Fire Dept – Station No.6, 3 captains, 1 firefighter \$317K (bond reserves)**
- **Reclass: Engineering – 2 reclass \$22K, IT – 3 reclass \$12K**
- **Community Enhancement – (Community Enhancement Fee) \$102K**
 - Horticultural Specialist
 - 2 x Community Enhancement Tech
- **Facilities – HVAC Service Tech, offset by \$60K reduction in O&M, \$75K**
- **Finance – Financial Analyst, offset by 50% of Grant accountant – grant funded, \$36K**

General Fund Expenditure Assumptions

- EMS expansion and contract increase, total \$1.6M (\$533K increase)
- Social Services funded: \$840K (HSAB, CASA, Community Action, HCWC, Family Justice Center, museums)
- City sponsored events: \$100K (Veterans, Summer Fest, Sights n Sounds)
- Capital Lease/Finance \$1.7M (fleet, equipment finance)
- Capital Outlay \$390K

Historical Tax Rate Summary

	FY18	FY19	FY20	FY21
Tax Rate per \$100	61.39	61.39	61.39	59.30
Total Appraisal	\$ 4,577M	\$ 5,062M	\$ 5,644M	\$6,272M
Total Levy	\$ 28.1M	\$ 31.1M	\$ 34.6M	\$38.0M
Debt Service %	41.6%	36.8%	33.7%	30.3%
Operations %	58.4%	63.2%	66.3%	69.7%

FY21 Proposed Tax Rate Bill Impact

7% Tax Rate Scenario

5% Tax Rate Scenario

Proposed

Home Values	2019 Tax Rate 61.39	Tax Bill Tax Rate 60.59	Annual Savings	Monthly Savings
\$100K	\$614	\$606	\$8	\$0.66
\$200K	1,228	1,212	16	1.33
\$300K	1,842	1,818	24	2.00

Home Values	2019 Tax Rate 61.39	Tax Bill Tax Rate 59.30	Annual Savings	Monthly Savings
\$100K	\$614	\$593	\$21	\$1.75
\$200K	1,228	1,186	42	3.50
\$300K	1,842	1,779	63	5.25

* Lowering the property tax rate from 7% to 5% growth over No New Revenue Rate reduces General Fund revenue by \$700K.

General Fund Summary - Revenue

Revenue	FY19	FY20	FY21
Property Tax	\$19.5M	\$23.0M	\$25.5M
Sales Tax	\$37.1M	\$42.3M	\$39.0M
Other Revenue	\$24.1M	\$25.4M	\$26.5M
Total Revenue	\$80.8M	\$90.9M	\$91.1M

General Fund Summary: Expense

Operating Expense	FY19	FY20	FY21
Personnel	\$50.2M	\$52.7M	\$56.6M
Contract Services	\$7.2M	\$7.3M	\$7.8M
Materials & Supplies	\$4.5M	\$3.5M	\$4.9M
Other	\$5.8M	\$5.9M	\$6.3M
Total Operating Exp	\$67.9M	\$69.6M	\$75.7M
Non-Recurring Exp	FY19	FY20	FY21
Eco Dev / TIRZ	\$8.9M	\$16.4M	\$15.6M
Contract Services	\$7.2M	\$7.3M	\$7.8M
Capital Outlay & Other	\$2.8M	\$2.7M	\$3.0M
Total Non-Recurring Exp	\$11.8M	\$19.2M	\$18.7M

General Fund Summary: Fund Balance

Summary	FY19	FY20	FY21
Revenue	\$80.8M	\$90.9M	\$91.1M
Total Expenditures	\$79.7M	\$88.8M	\$94.4M
Fund Balance	\$17.2M	\$19.3M	\$16.0M
Fund Balance %	25.9%	28.2%	21.4%

Hotel Occupancy Fund

- Hotel/Motel revenue assumed 25% of FY19 actuals based on occupancy levels during pandemic
- Reduced one headcount to part-time
- Shared one full-time head count with General Fund to fill part-time vacancy

Hotel Occupancy Fund Summary

Summary	FY19	FY20	FY21
Revenue	\$4.2M	\$2.6M	\$3.0M
Total Expenditures	3.5M	3.0M	3.3M
Fund Balance	640K	530K	494K
Fund Balance %	31.8%	26.0%	22.5%
Use of Cash Reserves		200K	200K

ENTERPRISE FUNDS



Electric Fund

- **CUAB recommended no rate increase for FY21**
- **Personnel Additions: \$352,000**
 - Complex Meter Technician
 - Senior Electrical Engineer
 - Electrical Engineering Technician
 - Utility Financial Analyst
- **Operating Expense Additions: \$133,000**
 - Contract services, vehicles lease, professional development
- **Capital Outlay Additions: \$296,000**
 - Bucket Truck, transformer & substation test equipment

Electric Fund Summary

	FY19	FY20	FY21
Revenue	\$58.8M	\$62.3M	\$63.1M
Expenses	59.5M	62.5M	63.6M
Ending Fund Balance	10.9M	10.0M	9.5M
Debt Coverage	1.28	1.18	1.20
Ending Balance in Days of Operation	55	64	61

Water/Wastewater Fund

- **CUAB recommended rate increases in FY21:**
 - Water 5%
 - Wastewater 3%
- **Personnel Additions: \$180,000**
 - Water Collection – Crew Leader
 - Conservation – Irrigation Inspector
- **Operating Expense Additions: \$90,000**
 - Contract services, vehicles lease
- **Capital Outlay Additions: \$470,000**
 - SCADA system, tilt camera, maintenance Skid, jet/vacuum truck, hydro excavator

Water/Wastewater Fund Summary

	FY19	FY20	FY21
Revenue	\$40.8M	\$46.0M	\$50.7M
Expenses	40.5M	45.3M	50.8M
Ending Fund Balance	13.2M	11.1M	10.9M
Weather Stabilization Reserve	2.8M	2.9M	3.7M
Debt Coverage	1.28	1.3	1.6
Potential Rate Adjustment	5% W 3% WW	5% W 3% WW	5% W 3% WW

Stormwater Fund

- **Recommended rate increase in FY21: 6.5%**
- **Indirect Cost Allocation revised, total impact \$1.1M increase**
- **Capital Outlay Additions: \$81,000**
 - Street sweeper, dump truck, track hoe

Stormwater Fund Summary

	FY19	FY20	FY21
Revenue	\$5.7M	\$6.0M	\$7.2M
Expenses	5.1M	6.6M	7.3M
Ending Fund Balance	1.6M	1.5M	1.9M
Fund Balance %	32.8%	23.9%	26.6%
Use of Cash Reserves		500K	500K

CAPITAL IMPROVEMENT PROJECTS



Capital Improvement Plan Process

- Projects identified throughout the year and submitted for inclusion.
- Budget Policy, City Council Initiatives, Rate and Debt capacity frame staff recommendation process.
- City Council adopts first year of 10-yr plan with annual budget.
- Final funding for adopted CIP occurs with debt sale in Spring of FY.
- Prior to Spring issuance adopted projects can access funds through reimbursement process
- Debt issuance varies from adopted CIP amount based upon funding readiness.

FY 21 Recommended CIP Totals

- General Fund = \$11.8 Million
- Water/Wastewater Fund = \$19.1 Million*
- Stormwater Fund = \$10.1 Million
- Electric Fund = \$10.1 Million

* Does not include Alliance Regional Water Authority participation

2021 Strategic Initiative Funding

- **Downtown Vitalization**

- Downtown Pedestrian Safety & Comfort Improvements (TIRZ)
- Downtown Alley Reconstruction (TIRZ)
- Downtown Property Acquisition (TIRZ)

- **Stormwater**

- Hills of Hays
- IH-35 Improvements (Sunset DS Imp)
- Sessom/Academy Intersection Imps.

2021 Strategic Initiative Funding Continued

- **City Facilities**

- City Facilities HVAC Replacement
- City Facility Parking Lots
- City Facility Roof Replacements
- City Facility Major Maintenance/Repair
- HHW New Facility (Solid Waste)
- Police Department Renovations
- Airport Ramp Grant (match)

- **Multi-Model Transportation**

- Sessom/Academy Intersection Improvements
- IH-35 Improvements (SH123)
- Downtown Pedestrian Safety & Comfort Improvements (TIRZ)

FY 21 General Fund & Other Projects

- **Bond Projects - \$4.5M**

- Fire Station #6 – High Point/Trace

- **Tax Increment Reinvestment Zone**

- Funded - \$2.3M**

- Downtown Alley Reconstruction Phase 1
- Downtown Pedestrian Safety & Comfort Imp

- **Resource Recovery - \$500K:**

- Household Hazardous Facility

- **General - \$4.5M**

- Disaster Recovery
- IH-35 Improvements
- Network Infrastructure
- Sessom Academy Imp.
- Airport RAMP
- Fire Engine Replacement
- City Facilities
- River Parks Plan
- Police Department Renovations
- Public Safety Video Technology

Moving Forward

- **Analyze CIP Funds**
 - Savings to defer future debt needs
- **Refine Future CIP Years**
 - Align with multi-year strategies for General Fund limitation and Stormwater rate direction.
- **Pursue Alternative Funding**
 - Grants and partnerships to leverage City funds.
 - Potential future bond election

Council Direction Needed

- **General Fund**
 - Property Tax Rate
 - Non-civil Service Merit/COLA Increase
 - Personnel additions
- **Enterprise Funds**
 - Water/Wastewater Rate Increase
 - Stormwater Rate Increase
 - Resource Recovery Increase
- **Capital Improvement Projects**
 - Year one of 10 year CIP

Budget Timeline

- **Sept 1st**
 - Vote to set proposed tax rate
 - 1st public hearing on proposed budget, CIP, and utility rates
- **Sept 15th**
 - Public hearing on tax rate
 - 2nd public hearing on proposed budget, CIP, and utility rates
 - Vote to adopt budget, ratify tax roll, set tax rate