



Citizens Utility Advisory Board

Chairperson: *Ms. Isabella Crosby*

Members: *Ms. Elizabeth Trevino Amaya, Ms. Liz Dobbins, Mr. Paul Jensen, Mr. Glenn Tanner, Councilmember Shane Scott (ex-officio)*

August 4, 2023

The Honorable Mayor Jane Hughson and Members of the City Council
630 East Hopkins Street
San Marcos, Texas 78666

RE: Citizens Utility Advisory Board's Utility Rate Adjustment Recommendations

Dear Honorable Mayor Hughson and Members of Council:

The Citizens Utility Advisory Board ("CUAB") received presentations and materials related to the FY2024 budget and rate modeling, including proposed user rate increases in electric, water, and wastewater utility services.

Information was presented at the July 27th, 2023, CUAB meeting related to user rates for electric, water, and wastewater utility services. CUAB reviewed the rate model presented by City staff and consultant, discussed the proposed FY2024 budget, and by a unanimous vote, recommend approval of (i) a minimum 5% rate adjustment for electric base rates (ii) a 5% rate adjustment for water service, and (iii) a 5% rate adjustment for wastewater service.

The electric rate adjustment is only the second since 2014. CUAB recommends a minimum increase of 5% to the electric base rate, realizing the challenges to the community of asking for a 10% increase. However, a 10% base rate increase would only result in a net percent increase of 3.2% for the average monthly residential customer. The higher increase would benefit the City, as well as the customer, both in the short and long term, by (i) limiting the impact on reserve balances (ii) allowing for the electric fund to work towards increasing the debt service coverage for the forecasted year, targeting a financially low-risk outlook for debt issuances, and meeting bond covenant requirements, and (iii) reducing the rate increase burden placed on customers in future years.

The water rate adjustment is consistent with the multi-year plan comprised of small periodic adjustments recommended by CUAB to City Council beginning in FY15. This steady approach benefits City utility customers by ensuring adequate funding levels to recover adequate utility costs, continuing a high level of service delivery, and achieving future water supply security, while minimizing the financial impact on customers.

We sincerely appreciate the opportunity to serve our community and respectfully request you consider adoption of these recommendations.

Sincerely,

San Marcos Citizens Utility Advisory Board*



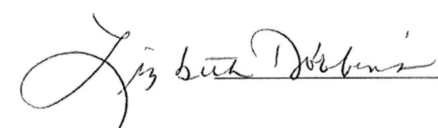
M. Isabella Crosby



Elizabeth Trevino-Amaya



Paul Jensen



Lizbeth Dobbins



Glenn Tanner

(Absent from the 7/27/2023 meeting)

Councilmember Shane Scott

**The Citizens Utility Advisory Board consists of 5 voting members, with a City Council Member appointed as a non-voting, ex-officio member. A majority of the voting membership of the board members constitute a quorum.*