



Fiscal Year 2024

City of San Marcos

Budget Workshop #1

May 16, 2023

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Agenda

- Budget Development Timeline
- Economic Indicators
- General Fund Revenues
- FY 2024 Budget Considerations
- Capital Improvement Program

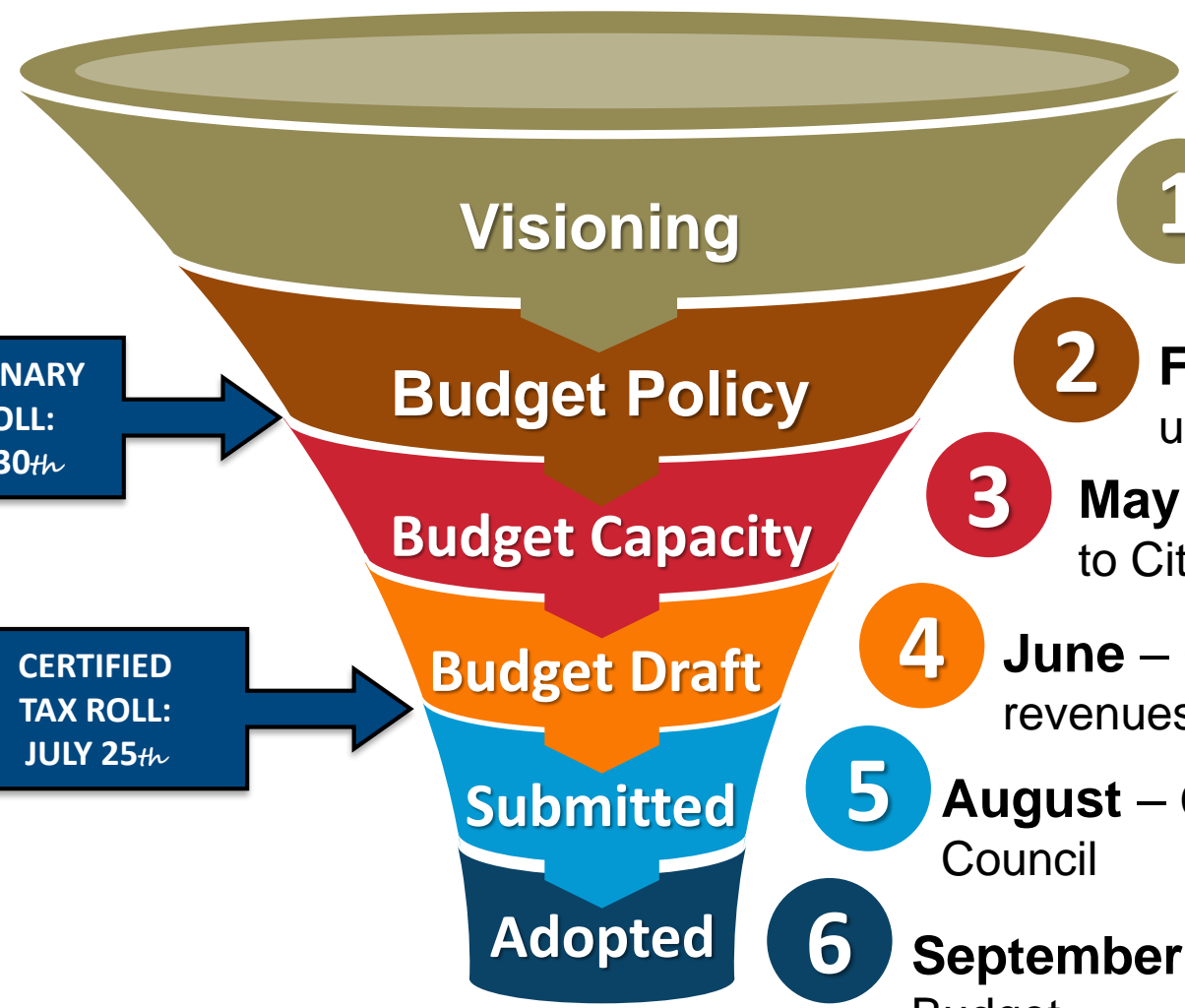


Budget Calendar

BUDGET EVENT	DATE	DONE
Council Strategic Planning and Visioning	January 26 – 27	✓
Budget Policy Workshop	February 23	✓
Budget Policy Adoption	March 21	✓
Budget Workshop #1	May 16	PRELIMINARY TAX ROLL: APRIL 30 th ✓
Budget Workshop #2	June 29	CERTIFIED TAX ROLL: JULY 25 th
Proposed Budget Submitted to Council	August 15	
Maximum Proposed Tax Rate Set	August 15	
Budget Workshop #3 and #4 (If needed)	August 15 & 17	
Public Hearings on Budget and Tax Rate	September 5 & 19	
Budget and Tax Rate Adoption (1 st & 2 nd Reading)	September 5 & 19	



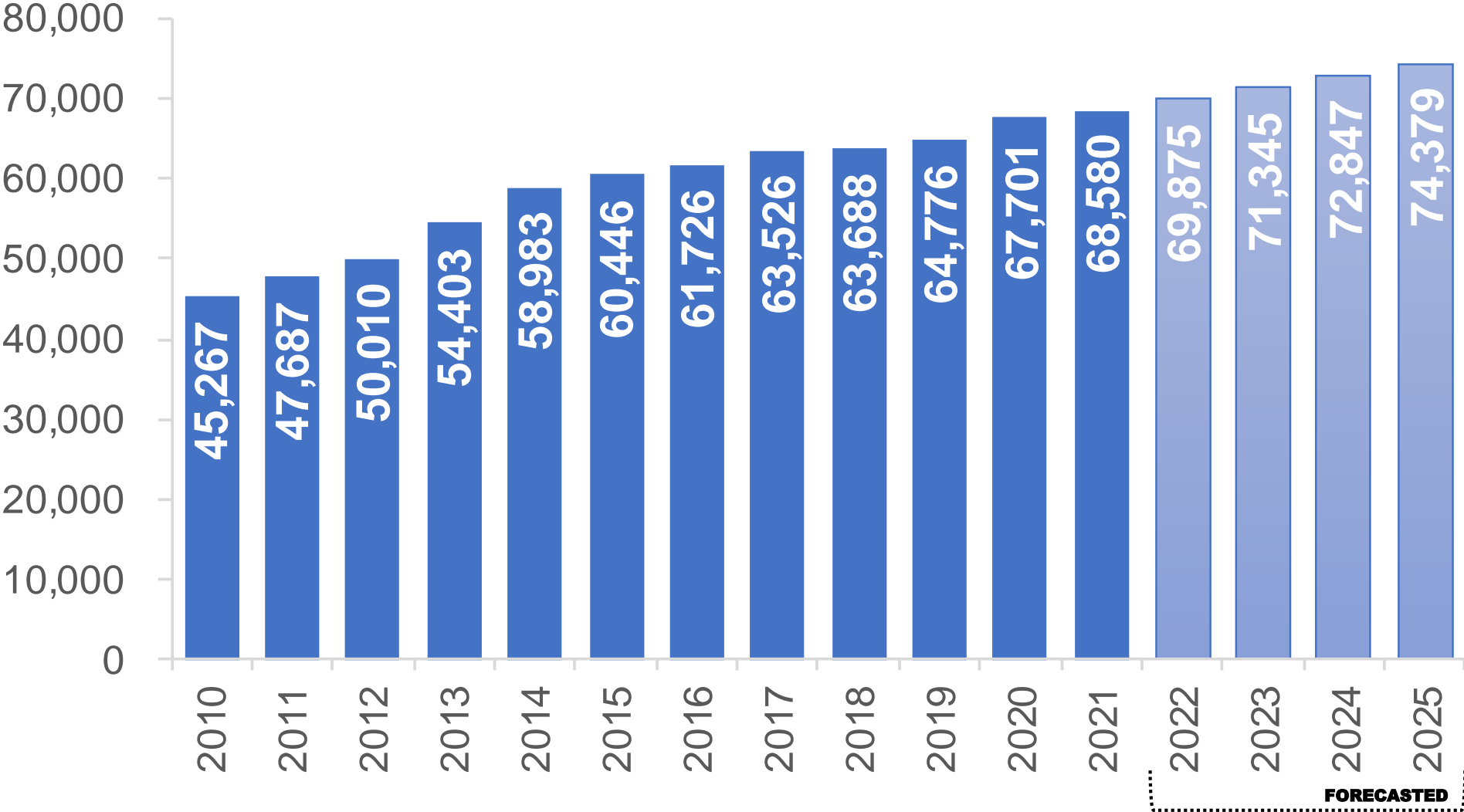
Budget Development Timeline



- 1 January** – City Council strategic planning
- 2 February** – City Council formulates policy statement used to develop budget
- 3 May** – City Manager delivers budget capacity and trends to City Council
- 4 June** – City Manager delivers draft budget programs, revenues, and expenses to City Council
- 5 August** – City Manager delivers proposed budget to City Council
- 6 September** – City Council considers adoption of the FY 2024 Budget



City Population

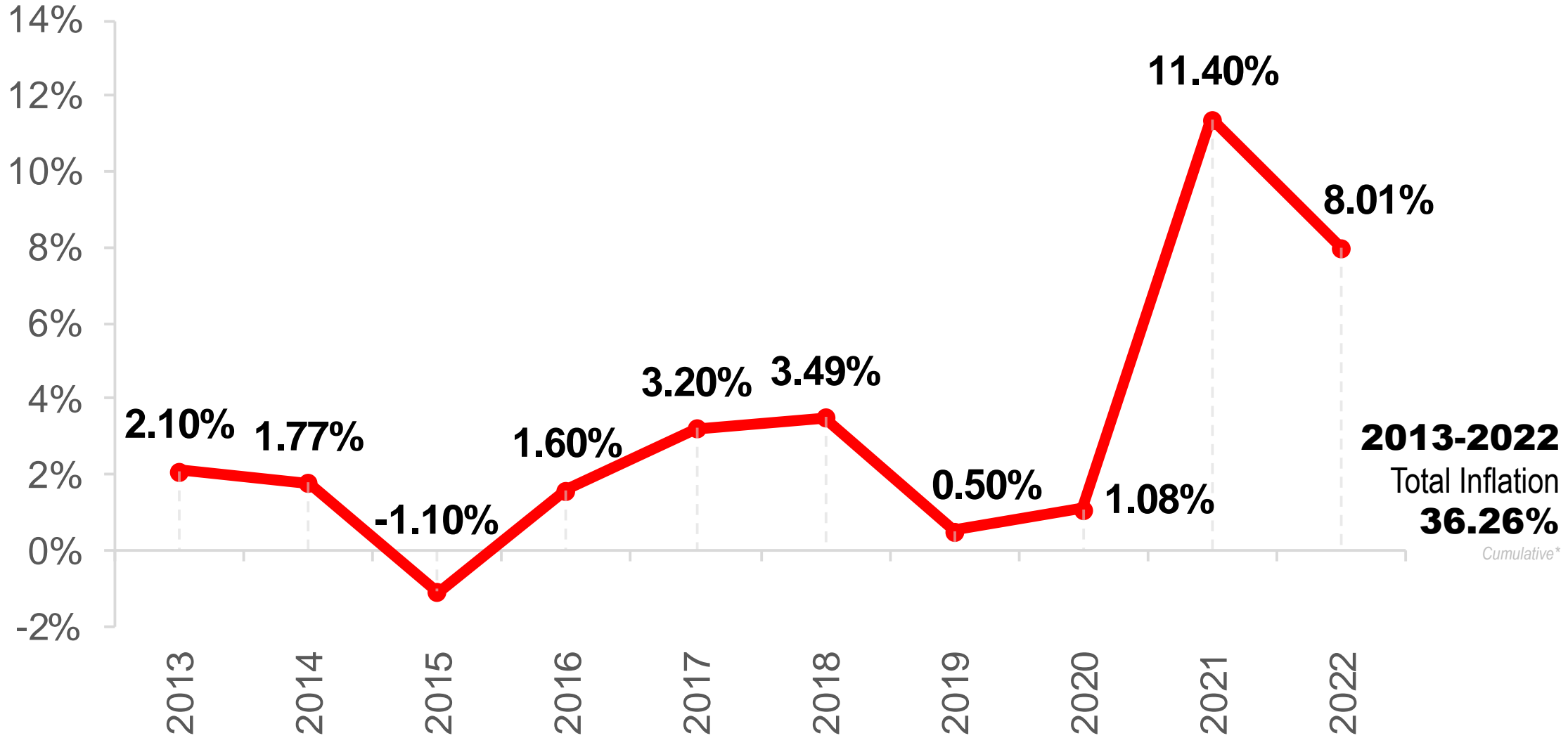


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Source: U.S Census Bureau: Population Estimates Program (PEP) 2010 – 2021; **Forecasted 2022 - 2025**



Inflation – Municipal Cost Index

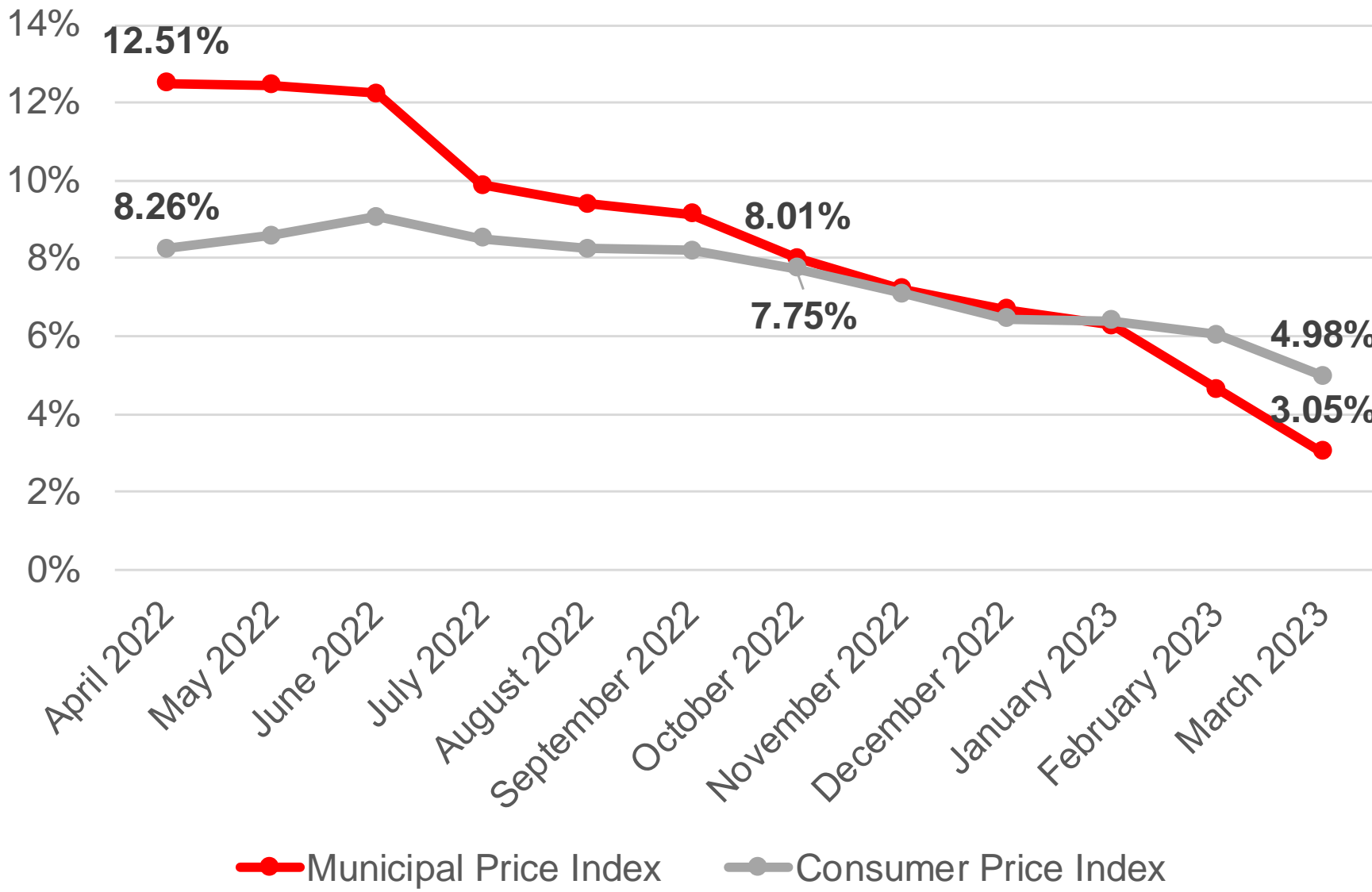


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Source: American City & County – Year over year in October (October 2012 base year)



Inflation – Year Over Year



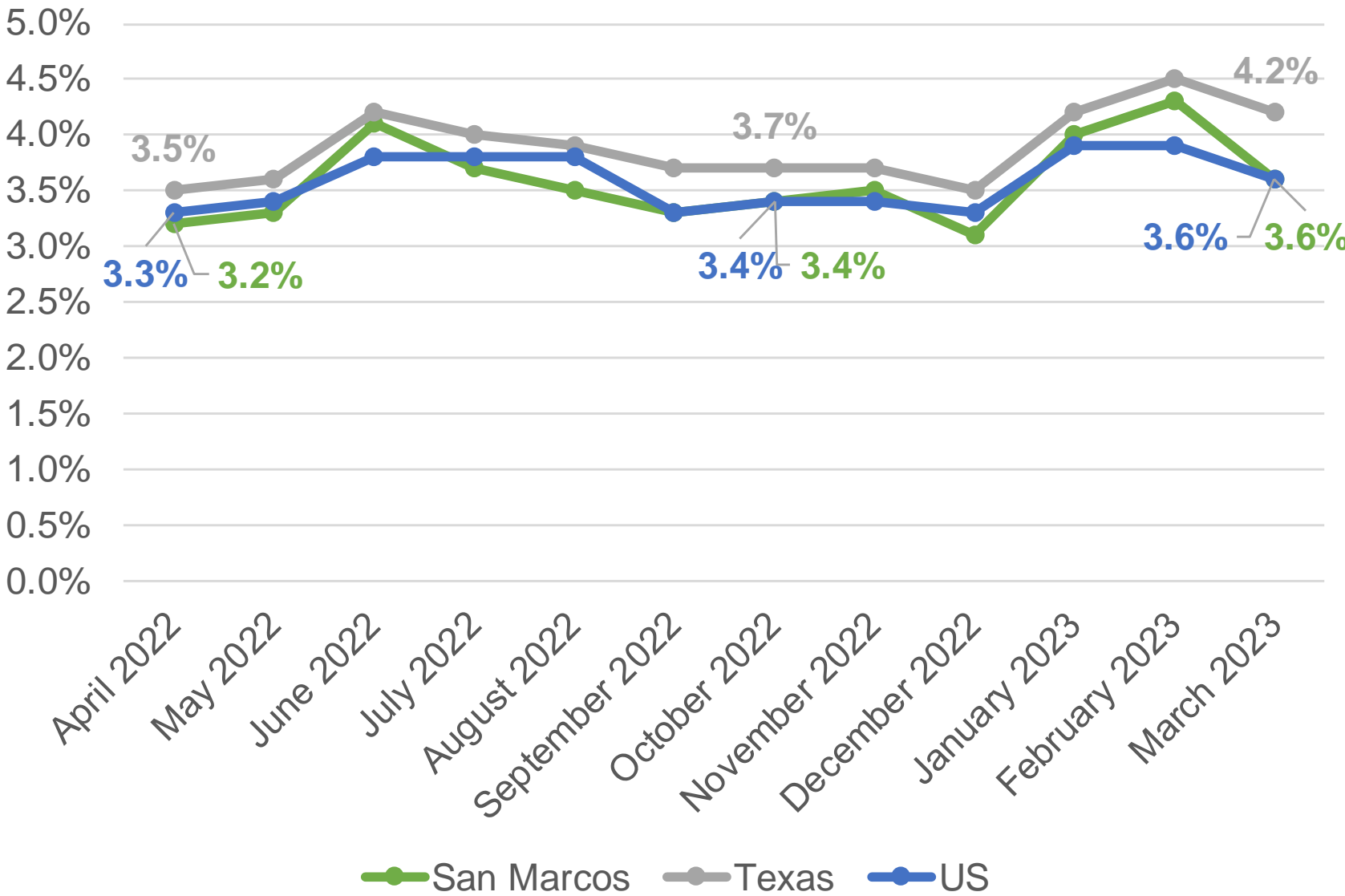
	Municipal Price Index	Consumer Price Index
April 2022	12.51%	8.26%
May 2022	12.45%	8.58%
June 2022	12.24%	9.06%
July 2022	9.89%	8.52%
August 2022	9.40%	8.26%
September 2022	9.14%	8.20%
October 2022	8.01%	7.75%
November 2022	7.21%	7.11%
December 2022	6.69%	6.45%
January 2023	6.27%	6.41%
February 2023	4.64%	6.04%
March 2023	3.05%	4.98%
Average	8.46%	7.47%

● Municipal Price Index
 ● Consumer Price Index

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Unemployment Rate

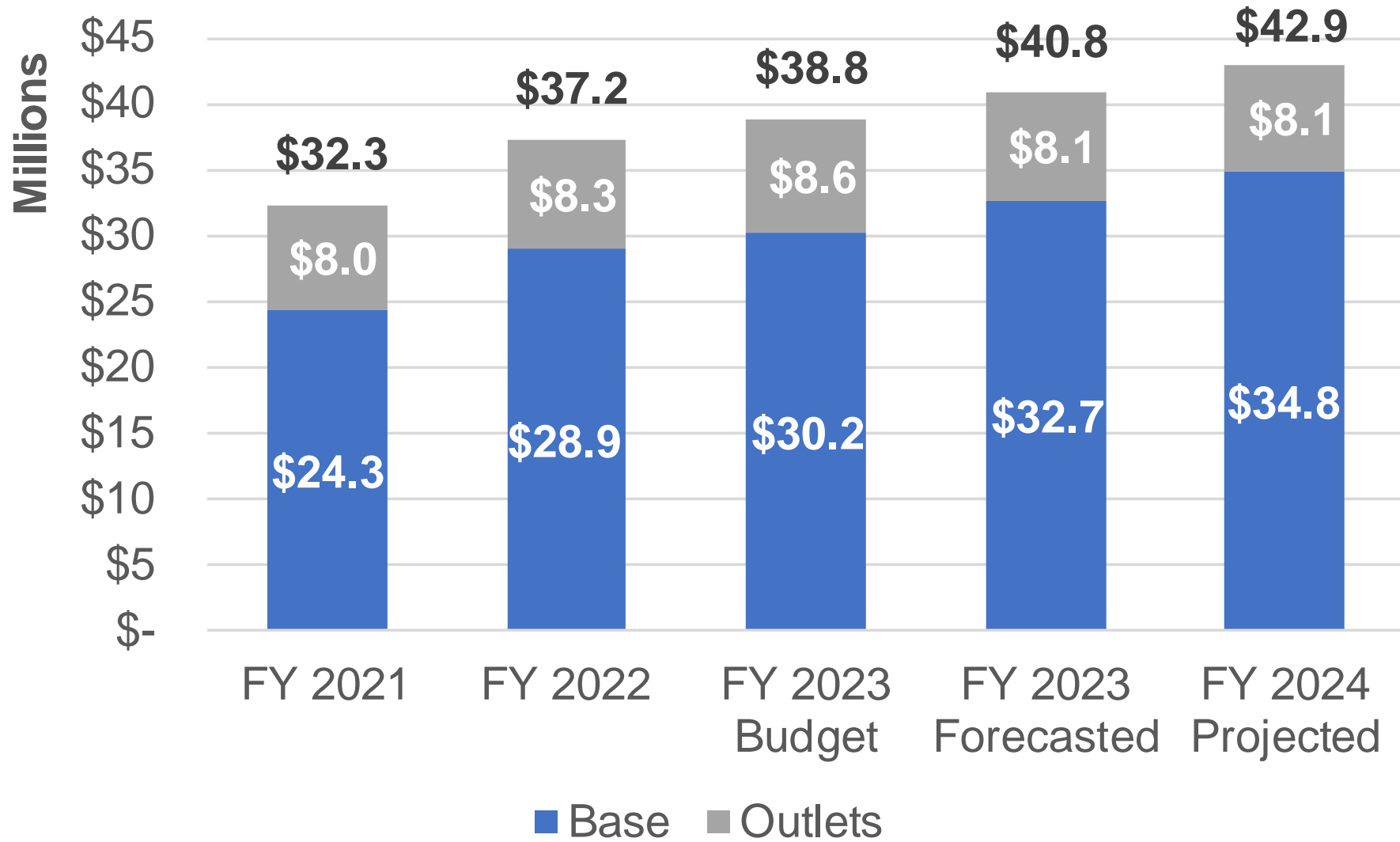


	San Marcos	Texas	US
April 2022	3.2%	3.5%	3.3%
May 2022	3.3%	3.6%	3.4%
June 2022	4.1%	4.2%	3.8%
July 2022	3.7%	4.0%	3.8%
August 2022	3.5%	3.9%	3.8%
September 2022	3.3%	3.7%	3.3%
October 2022	3.4%	3.7%	3.4%
November 2022	3.4%	3.7%	3.4%
December 2022	3.1%	3.5%	3.3%
January 2023	4.0%	4.2%	3.9%
February 2023	4.3%	4.5%	3.9%
March 2023	3.6%	4.2%	3.6%
Average	3.6%	3.9%	3.6%

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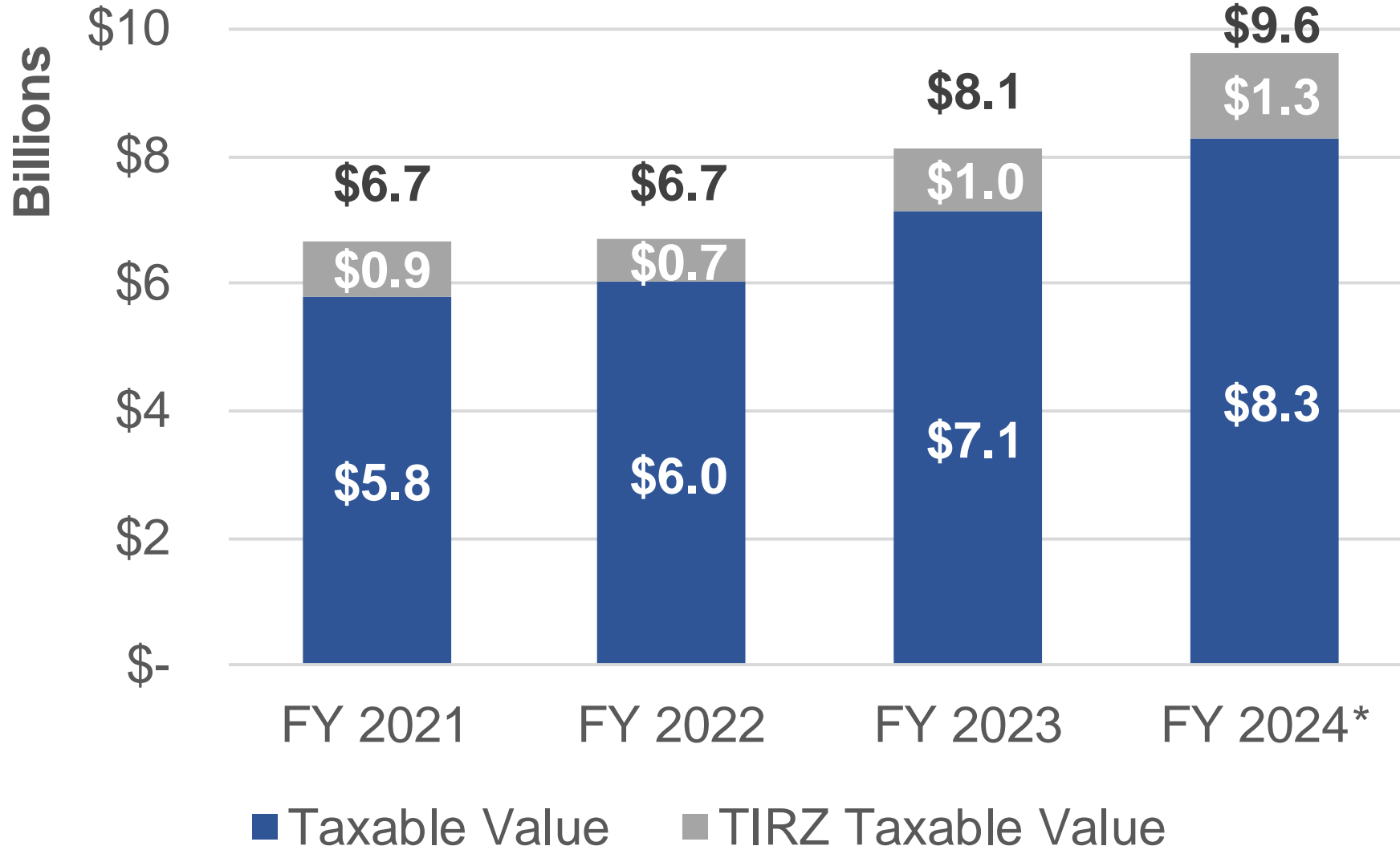


Sales Tax





Net Taxable Value

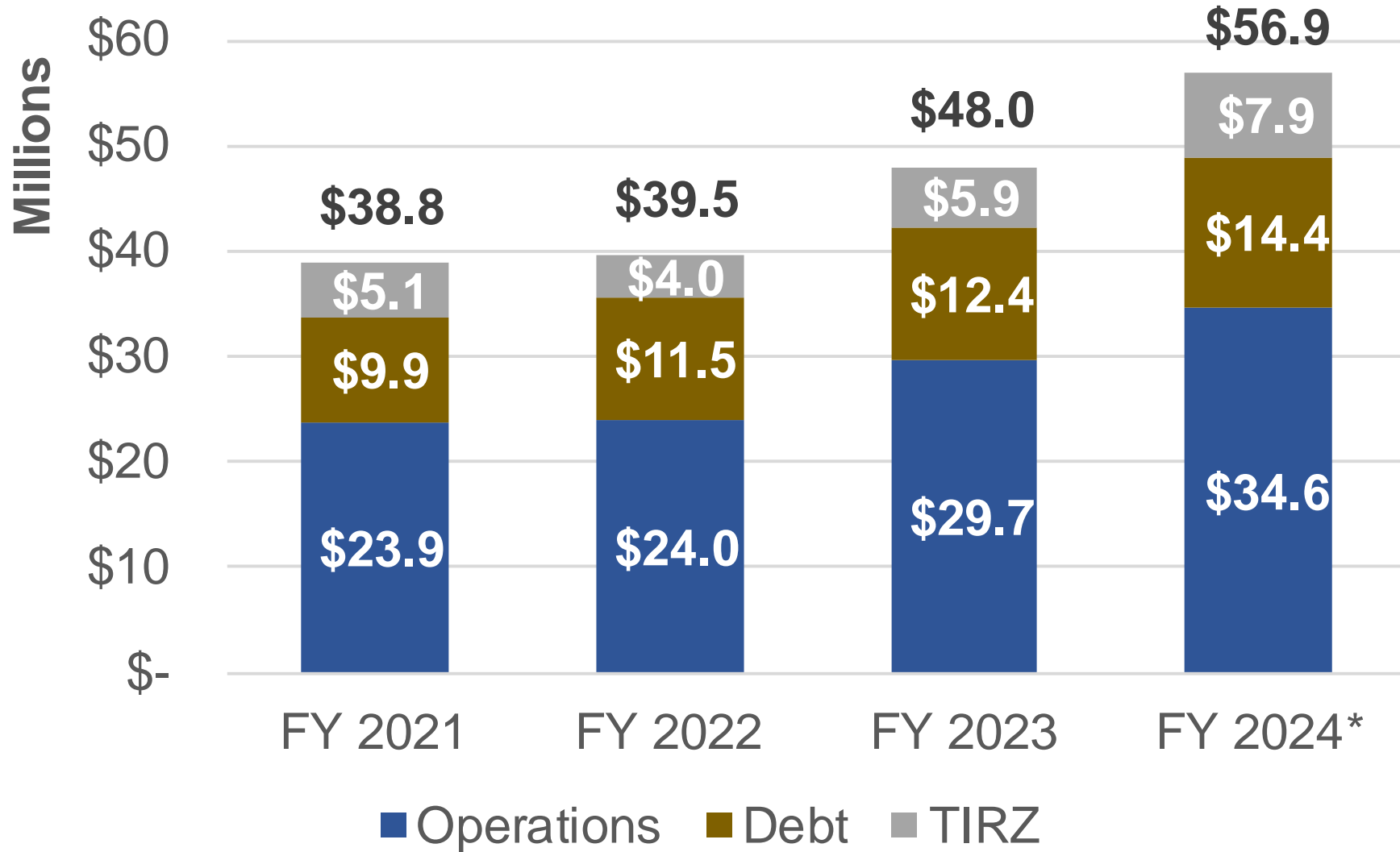


*Preliminary estimate

Source: Hays County Appraisal District: FY 2021-2023 Certified Values; FY2024 Preliminary Values



Property Tax Levy at 98%



*Preliminary estimate

Source: Hays County Appraisal District: FY 2021-2023 Certified Values; FY2024 Preliminary Values



New Taxable Value

Fiscal Year	New Property Taxable Value
2015	157,177,476
2016	98,488,142
2017	212,029,454
2018	158,675,562
2019	152,984,280
2020	144,200,676
2021	251,990,138
2022	237,424,536
2023	390,102,001
2024	646,846,932

Fiscal Year 2024 New Taxable Value		
Type	Count	Taxable Value
New Construction		
Residential	1,190	\$ 446,111,927
Commercial	10	39,902,156
Total New Construction	1,200	\$ 486,014,083
New Improvements		
Residential	61	\$ 2,537,070
Commercial	8	40,871,890
Total New Improvements	69	\$ 43,408,960
New Annexed Property	420	\$ 74,886,220
Other	249	\$ 42,537,669
Total New Taxable Value	1,938	\$ 646,846,932

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General Fund Revenues

	FY 2021 Actual	FY 2022 Actual	FY 2023 Budget	FY 2023 Forecast	FY 2024 Projection
Sales Tax (net of incentives)	\$ 37,608,387	\$ 37,549,217	\$ 38,806,195	\$ 40,801,910	\$ 42,926,832
Property Tax (net of TIRZ)	22,063,806	24,111,322	30,000,604	30,095,768	34,809,058
Franchise Fees	10,065,695	11,186,790	11,179,270	11,403,683	11,705,059
Transfers	6,419,264	8,900,578	7,027,208	7,027,208	6,968,625
Licenses & Permits	5,424,279	5,515,825	5,182,500	5,777,462	6,305,701
Other	2,432,816	2,524,501	2,483,108	2,549,439	2,588,859
Interest	51,297	183,696	190,000	1,414,272	1,531,000
Fines & Penalties	654,170	810,414	943,175	972,564	976,518
Charges for Services	670,854	784,148	888,000	940,835	968,312
Total	\$ 85,390,568	\$ 91,566,491	\$ 96,700,060	\$ 100,983,141	\$ 108,779,964



FY 2023 Overview

- General Fund revenues forecasted more than budget
 - Sales tax + \$2.0 million
 - Interest income + \$1.2 million
- Mid-year budget amendment
 - Public safety multiyear staffing plan
 - Engineering and Planning & Development positions
 - Diversity, Equity, & Inclusion Coordination position
 - Community Enhancement Horticulture position
 - City Hall office remodel and relocation
 - Citywide mowing and Janitorial contract
 - Conference Center parking lot



FY 2024 Revenue Considerations

- Increase in preliminary taxable valuations
 - Possible legislative changes that may impact property tax revenue
- Increase in sales taxes
- Full year of development services cost recovery fee adjustments that were implemented March 1, 2023
- Utility rate modeling in process
 - Preliminary results show rate adjustments will be needed



FY 2024 Expense Considerations

- Compensation study results due late FY 2023
 - 5% increase in personnel costs will be budgeted to begin implementation, may need more depending on results
- Implement meet and confer agreements
- Inflation seems to be on a downward trend, still up significantly over the past couple years
- Multiple personnel requests for core services
- Funding for one-time costs (capital outlay)
- Different approach to fleet replacement



Pause for Questions

- Pause for Questions on what has been presented so far
- If not, continue with FY 2024 CIP





City of San Marcos

FY 2024 Capital Improvement Plan

Shaun Condor, P.E.

Director of Engineering & CIP

May 16, 2023



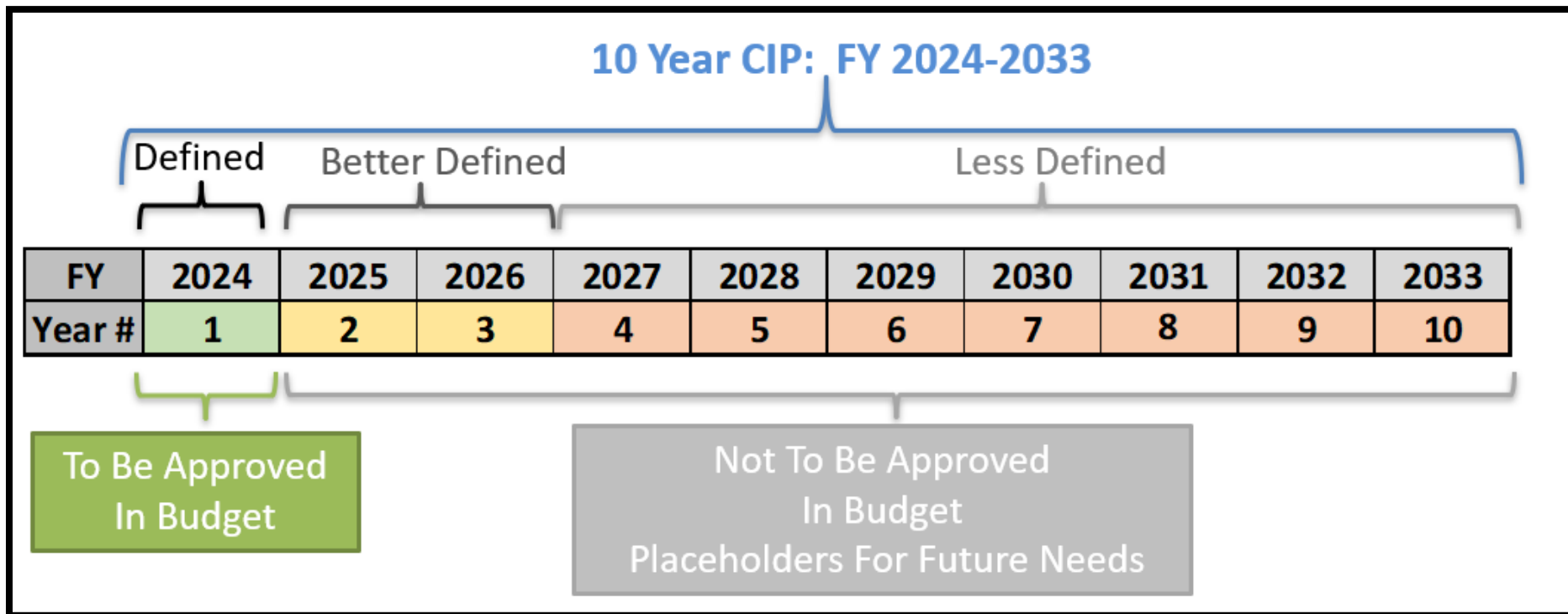
Capital Improvements Program

- Multi-year financial **planning tool** used to identify and plan for major capital projects
- Address growth, transportation, public safety, and utility infrastructure issues in conjunction with goals and priorities as determined by City Council.
- The adoption of the CIP and its **1st year of funding** coincides with the adoption of the budget and uses a ten-year projection
- Before requesting funding, all projects in year 1 are evaluated for:
 - Project Readiness
 - Staff Work Load
 - City Ability to Fund The Project



FY 2024-2033 CIP

- **Reminder:** FY 2024 CIP projects will be funded FY 2025 budget
- Annual General Fund limited to a 3 year average \pm \$10M
- Annual Stormwater Fund limited to a 3 year average \pm \$6M





CIP Funding Challenges

- Utility Debt Models
 - Our debt does not drop off until 2028/2029
 - Currently, rate increase are the only way to fund new debt & new operating costs
- Construction Cost
 - Typically, we use 5% increase each year.
 - With recent inflation, 7-10% increase each year per data
 - Estimates have used increases of 50% since 2019.
- Project Scopes
 - Project scopes are becoming more complex
 - Neighborhood projects are becoming more cost prohibitive



CIP Goals

- Change Messaging to Public
 - Start construction when funding is available
 - Should expect changes on timing
- Aggressively Pursue Grant/Alternate Funding for Projects
 - Timing of projects is dependent on grant funding
 - Only pursue grants valued at \$1M and above for CIP projects
 - Use impact fees/TIRZ funds as alternate funding sources
- Plan For Future Bond Election
 - Tax increase necessary to fund projects
 - CIP timing will be revised to reflect a potential bond election



Typical Life Cycle of a project

- Simple Project = \$200K - \$1M
 - 3 – 4 Year
- Complex Project = \$1M - \$10M
 - 5 – 7 Years
- Very Complex Project = \$10M +
 - 8-10 Years

Important Notes:

- Last Year Is For Construction
- We program “best case scenario”
- As challenges arise, construction funding is delayed until the project is ready

Year #	1	2	3	4	5	6	7	8	9	10
Simple Project		\$200,000	\$800,000							
Complex Project		\$1,000,000	\$1,000,000	\$5,000,000						
Very Complex Project		\$2,000,000		\$1,000,000		\$10,000,000				

LEGEND	Preliminary Work
	Design / Acquisitions / Permitting
	Construction



Capital Improvements Program Funding

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Stormwater Fund

- Stormwater Utility Fee

Electric Fund

- Electric Rates

Water/Wastewater Fund

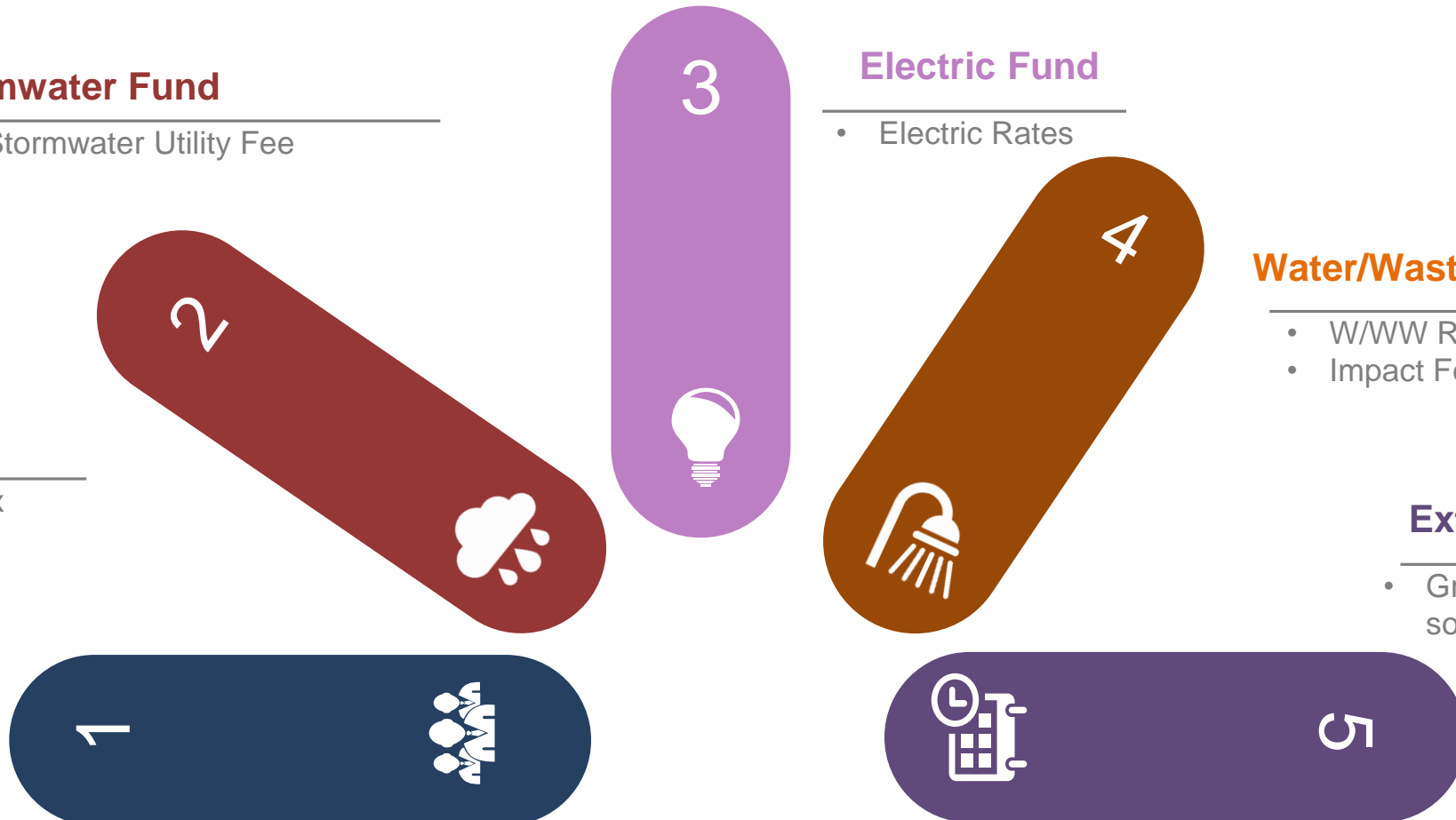
- W/WW Rates
- Impact Fees

General Fund

- Property & Sales Tax
- Licenses & Permits

External Funding

- Grants or outside sources

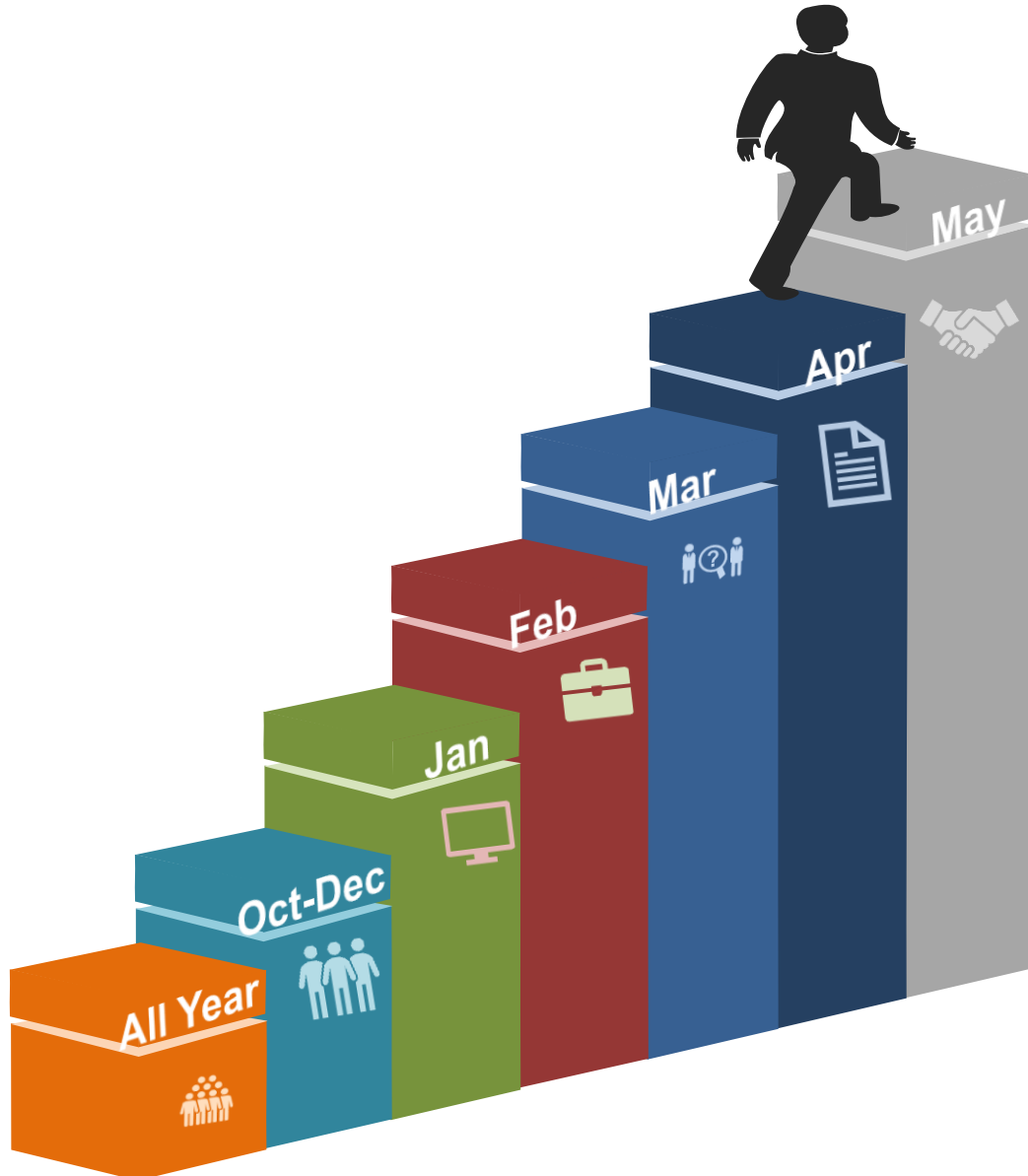


Funding Sources

City Funding Sources
External Sources



FY 24 CIP Process – Where are we?



- ✓ **New Projects: All Year**
Departments Submit New Project Requests
- ✓ **Department Review: Oct-Dec**
All Departments Review Comprehensive List of Projects
- ✓ **Workload Capacity: Jan**
Projects reviewed for timeline and workload capacity
- ✓ **Fund Constraints: Feb**
General at \$10M & Stormwater at \$6M
- ✓ **P&Z Review: Mar**
Discussion with P&Z Commission & Public Hearing
- ✓ **P&Z Recommendation: Apr**
Receive P&Z Recommendation for City Council
- **Recommendation to Council: May**
Present City Council with P&Z Recommendation

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Understanding the Spreadsheet

Category	Project ID	Project Name	Project Description	Comp Plan Goals	Strategic Initiative	Total Rank	Funding Source	Previously Approved Funding	2024	2025
Multi	20	Sunset Acres Subdivision Phase 3	Phase 3 of Sunset Acres Subdivision Improvements consists of waterline replacement along Patrica and storm drain improvements along Broadway, Parkdale, Lockwood, Candlelight, Del Sol and Patricia. Offsite flows from the creek as well from Sunset Acres will be conveyed to the proposed storm drainage system along IH 35 Northbound Frontage Road via newly installed storm drain system along Broadway and Ebony. In addition streets will be reconstructed to the current City standards.	ERPG204	Stormwater, Multi-Modal Transportation	5	General		\$	4,300,000
							Water		\$	2,000,000
							Wastewater		\$	500,000
							Stormwater		\$	5,700,000
Multi	525	Wallace Addition Subdivision	Wallace Addition Water & Wastewater project started with replacing existing aged and sagging wastewater and water lines. In 2018, Wallace Addition drainage improvements feasibility study was initiated to identify improvements required to mitigate flooding. Both on-site and off-site drainage improvements including curb inlets, storm trunk line, channel improvements and box culverts are recommended. On-site drainage improvements will be constructed with Wallace Addition Subdivision improvements project, while off-site improvements will be constructed as part of a separate project i.e. "Wallace Addition Off-site Drainage Improvements". Water and wastewater lines will be replaced and streets will be reconstructed with sidewalks within the neighborhood. Additional funding is required to replace water and wastewater lines, install new drainage system, and roadway reconstruction.	ERPG204 LUG105 LUG302	Stormwater, Multi-Modal Transportation	5	General	\$	1,000,000	
							Water	\$	600,000	
							Wastewater	\$	625,000	
							Stormwater	\$	600,000	

Grouped by Category
Multi = projects with more than one funding source.

Supporting Strategic Initiatives, Comp Plan Goals & Prioritization Ranking
**Ranking has been revised, 1-10 Scale

Shows funding needed by Source and Year



Understanding the Spreadsheet

Category	Project ID	Project Name	Project Description	Comp Plan Goals	Strategic Initiative	Total Rank	Funding Source	Previously Approved Funding	2024	2025
Multi	752	Downtown Alley Reconstruction Ph 2	Reconstruct the remaining Kissing Alley between Guadalupe and LBJ from Hutchison to University Dr, approx. 400 LF. The alley will be constructed in 2027, with possible concrete pavement. All utilities will be replaced and overhead electric and telecom will be converted to underground along Kissing Alley between Hutchison and University Dr including UG conversion along University Dr to the riser pole just northwest of University/LBJ intersection . Possible TIRZ funding. May include green infrastructure.	LUG105 TG205	Downtown Vitalization, Stormwater	10	General T			
							Water			
							Wastewater			
							Stormwater			
							Electric			
Multi	45	Downtown Reconstruction Ph. II - LBJ: Grove St. to Hopkins	Reconstruction to implement goals of Downtown Master Plan. Includes street, stormwater, water, wastewater, underground electric and telecom \$200k/\$1M (included in electric funding) as required. Proj # 37 - MLK/LBJ Intersection Traffic Signal & Crosswalk Improvements Design and installation of traffic signal and crosswalk will be completed with this project. Coordination with Fire Station #1 will be needed.	LUG105 LUG203	Downtown Vitalization, Stormwater, Multi-Modal Transportation	5	General T			
							Water			
							Wastewater			
							Stormwater			
							Electric			
Multi	691	Heritage Neighborhood Imps	Improvements on Viola, Serur, Browne, Burleson, Scott, Blanco, Rogers and Lindsey Streets. Replacement of old inadequate water lines to improve flows, system pressure and fire protection. Replacement AC and cast Iron pipes, non-operational valves and upgrade fire protection with additional hydrant locations. Drainage is needed and rehab of Wastewater lines.	ERPG204 ERPG101 LUG302	Stormwater	4	General			
							Water			
							Wastewater			
							Stormwater			
							Electric			
Multi	719	Hopkins Drainage and Wastewater Imps from Riverside to City Hall	Stormwater improvements per DMP# 40 and replace 6" sanitary sewer crossing with 8" at Hopkins and Riverside. Street lighting will be replaced along the drainage ditch and a 10ft sidewalk will be installed.	LUG105	Stormwater, Multi-Modal Transportation	6	General		\$ 200,000	
							Wastewater		\$ 200,000	
							Stormwater		\$ 60,000	
							Electric		\$ 100,000	
							General B	\$ 350,000		\$ 100,000
Multi	594	Hopkins Street Improvements Project from Moore to Guadalupe	Reconstruct street, water, wastewater, stormwater and electric infrastructure pursuant with complete streets ordinance on Hopkins Street from Moore St. to Guadalupe. Widen Comanche Street to add a dedicated Left turn lane onto Hopkins St. to improve safety and intersection capacity to alleviate the congestion. Modify the traffic signal to accommodate new geometry. Acquisition will be needed.	ERGP204 ERGP306 LUG105	Stormwater, Multi-Modal Transportation	5	General T	\$ 350,000		
							Water	\$ 130,000	\$ 200,000	
							Wastewater	\$ 130,000	\$ 200,000	
							Stormwater	\$ 100,000	\$ 100,000	
							Electric	\$ 450,000	\$ 500,000	
Multi	555	Highway 80 Utility Project	This project consists of constructing a new lift station with an initial firm pumping capacity of 1.25 MGD and a wet well capacity to handle the 2035 peak flow of 5.0 MGD. The proposed lift station will be located at Highway 80 and CR 102 and includes a 12-inch force main that discharges directly to the existing wastewater treatment facility. WWMP#11. Extend 12" water line from existing 30" along SH 80 to proposed lift station. WMP#16 includes	LUG105	Workforce Development	6	Water I	\$ 1,750,000	\$ 10,000,000	
							Wastewater I	\$ 9,000,000	\$ 15,000,000	

Brown Highlight
TIRZ Funding

White Highlight
Means Nothing

Gray Highlight
Means Nothing

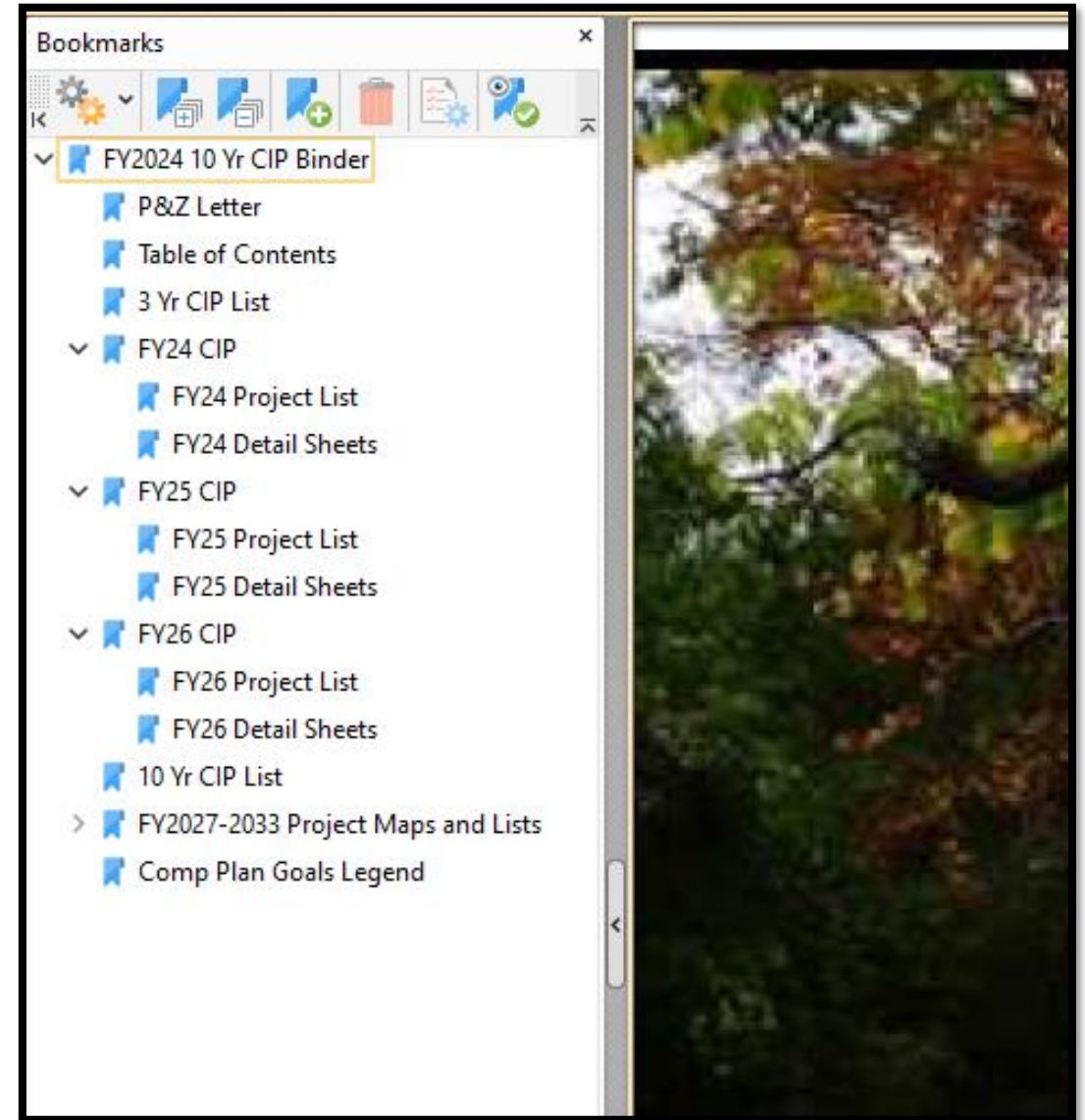
Blue Highlight
Potential Future Bond Projects

Pink Highlight
Impact Fee Eligible



Navigating the PDF

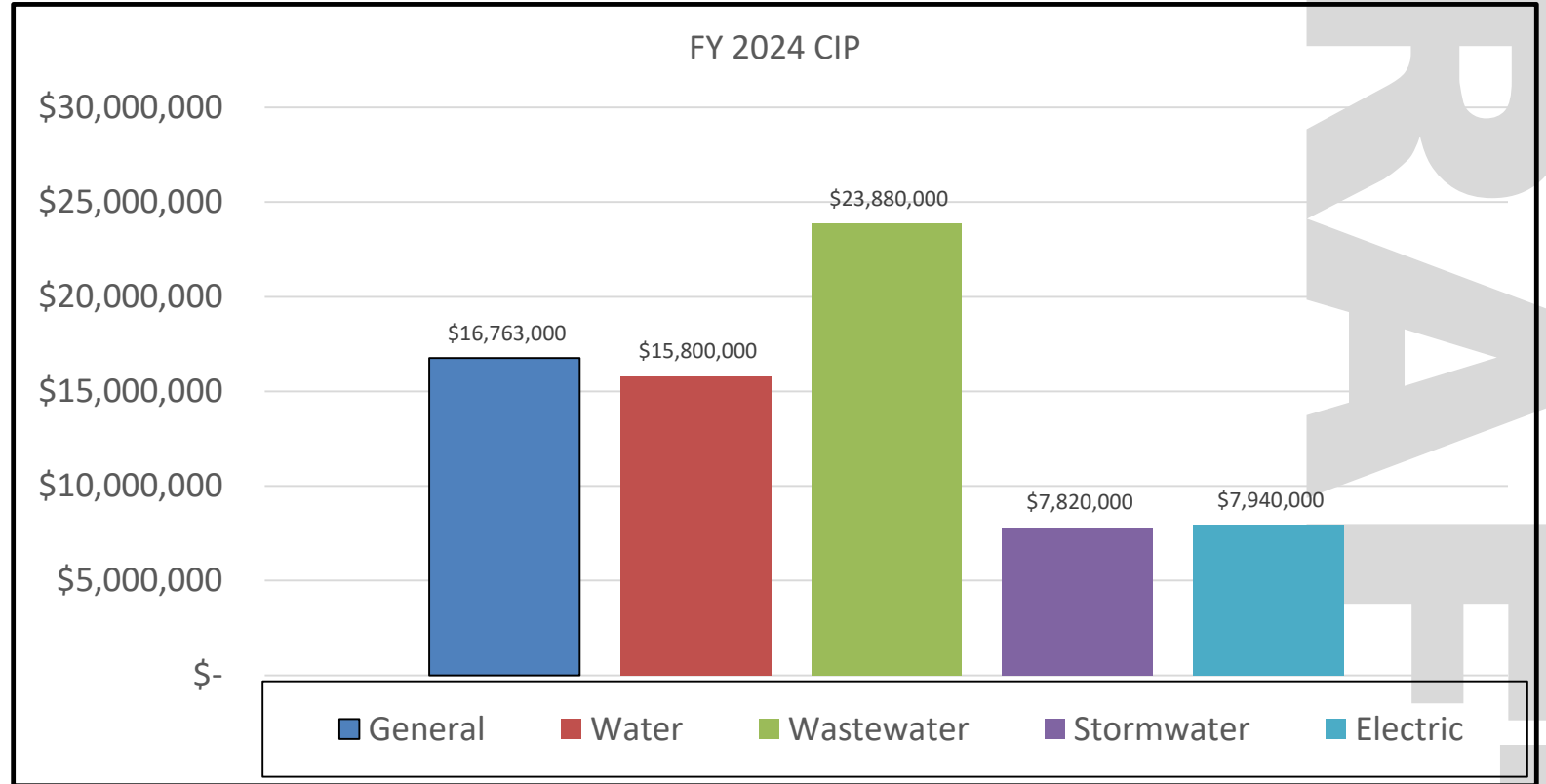
- Bookmarks feature is used
 - P&Z Recommendation
 - Table of Contents
 - 3 Year List
 - Details for next 3 years
 - Map
 - Project List
 - Detail Sheets
 - 10 Year List
 - Details for last 7 years
 - Map
 - Project List
 - Comprehensive Plan Goals





CIP Totals by Fund

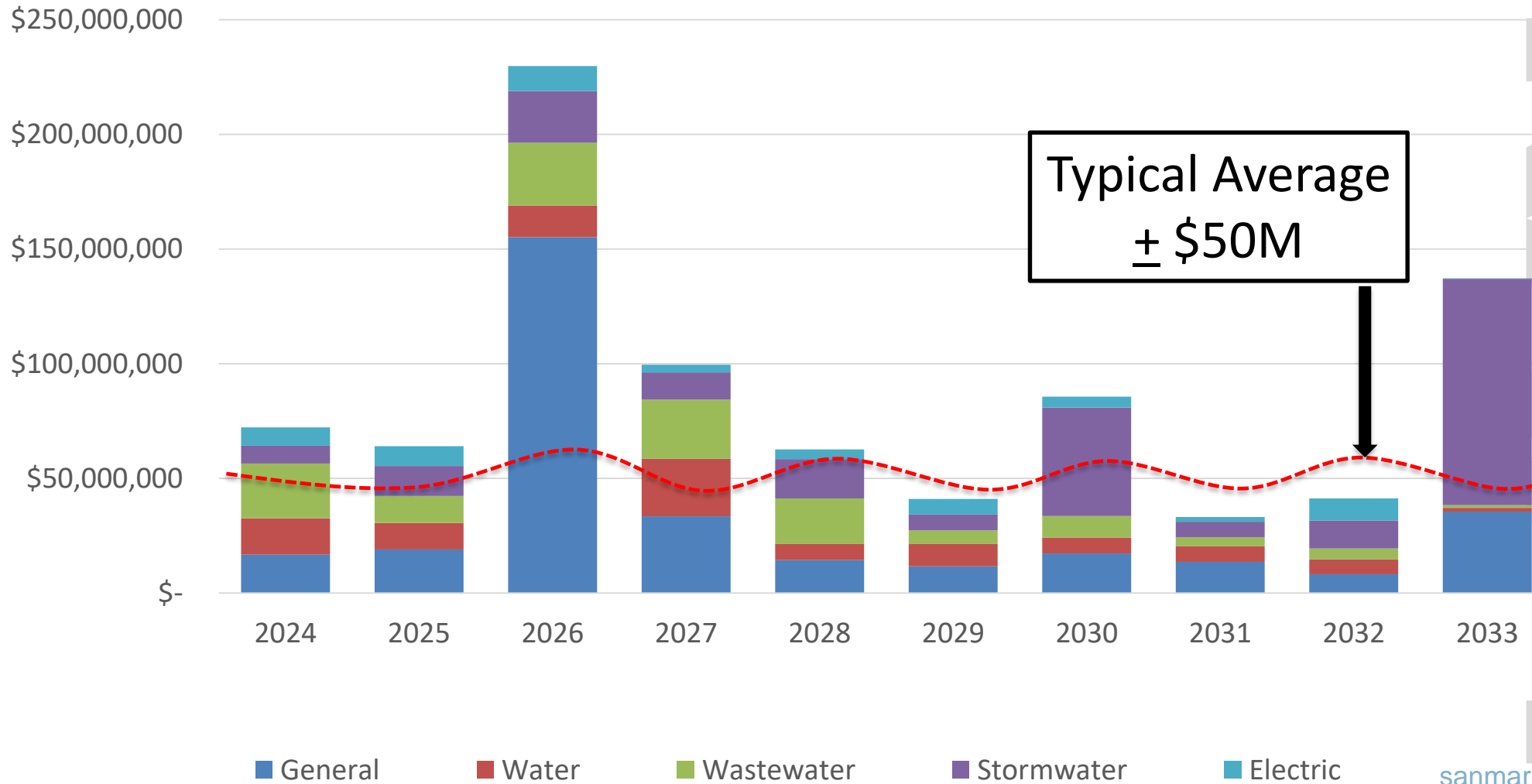
General	\$	16,763,000
Water	\$	15,800,000
Wastewater	\$	23,880,000
Stormwater	\$	7,820,000
Electric	\$	7,940,000
Total	\$	72,203,000





CIP Totals by Year

CIP 2024-2033 Funding





General Fund

- Significant FY2024 Projects Identified
 - Fire Station #3 Remodel ~ \$3.0M
 - Airport DOL Land Acquisition ~ \$3.0M
 - Fire Department Replacement Truck (52-631) ~ \$1.6M
 - Bishop Street Improvements ~ 1.5M
 - City Facility Major Maintenance & Improvements ~ \$1.25M
 - UPRR Quiet Zone - Uhland Rd. Quad Gates ~ 1.0M
- Debt Model
 - General Fund limited to a 3 year average + \$10M
 - Bond Election required to support several CIP in FY 2026 and beyond



Water/Wastewater Fund

- Significant FY2024 Projects Identified
 - Highway 80 Utility Project ~ \$25.0M
 - Bishop Street Improvements ~ 3.0M
 - Wastewater Treatment Improvement (or 2nd Plant) ~ \$3.0M
 - Sunset Acres Subdivision Phase 1 (Broadway WW Main) ~ \$1.5M
- Debt Model
 - We gain no debt capacity until 2028
 - No increase was requested in FY 2023, despite data recommending an increase
 - Rate increase for FY24 is anticipated to cover basic operations & existing debt service
 - **Note:** Staff is working on potential water sales help provide additional debt capacity



Stormwater Fund

- Significant FY2024 Projects Identified
 - Bishop Street Improvements ~ 6.5 M
- Debt Model
 - We gain no debt capacity until 2028
 - Cannot support more than \pm \$6M average moving forwarded without a 6.5% rate increase each year
 - For FY 2023 - FY 2025 Debt Sale
 - **General Funds will be used to fund Stormwater Projects**
 - Will help reduce the proposed rate increases on Stormwater rates during this time period
 - Preliminary data suggests no rate increase is anticipated for FY 2024



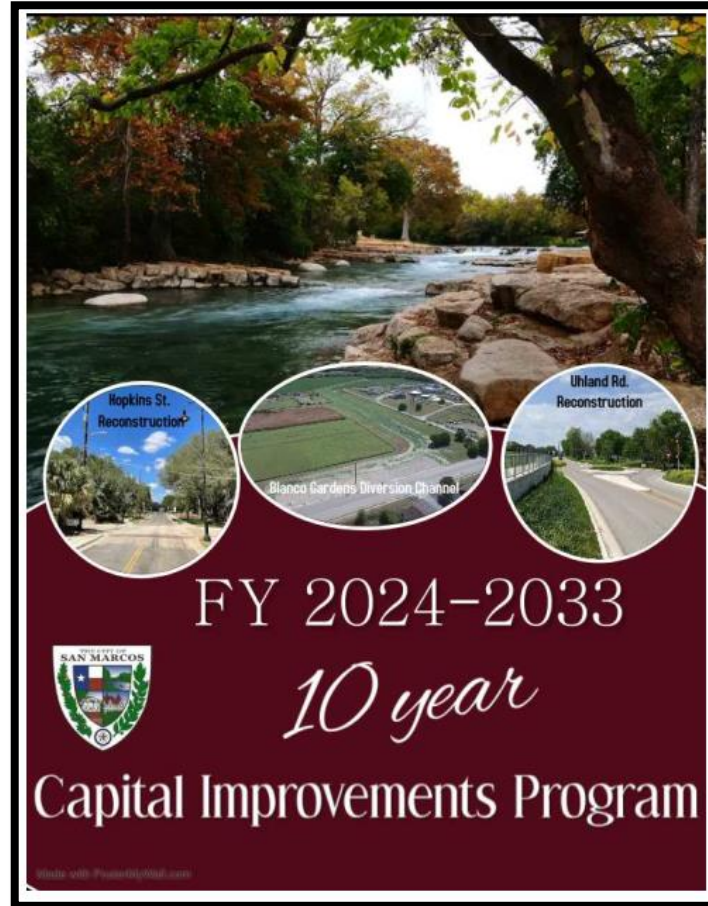
Electric Fund

- Significant FY2024 Projects Identified
 - Sunset Acres Underground Conversion ~ 3.5M
 - Hilltop T1 Transformer Replacement ~ \$2.0M
 - Redwood 320 Reconductor ~ \$1.5M
- Debt Model
 - We gain no debt capacity until 2029
 - Rate increase for FY24 is anticipated to cover basic operations & existing debt services
 - Increased rates in FY 2022 for the first time in 8 years
 - No increase was requested in FY 2023, despite data recommending an increase
 - Growth has been primarily in residential, not large commercial where revenues are greater



P&Z Recommendation & Response

- Recommends CIP to Council with no amendments



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Next Steps

May - Aug – City Council Budget Workshops

Sept - Budget Adoption by City Council including
the FY24 CIP Projects

To Be Determined - Future Bond
Election Discussion



Questions

- Location of CIP
 - <http://www.sanmarcostx.gov/366/10-Year-Capital-Improvements-Plan>
 - City Of San Marcos Webpage > Departments > Engineering > 10 Year Capital Improvements Program

