



City of San Marcos

Proposed Budget Public Hearing

Fiscal Year 2026

September 2, 2025

Fiscal Year 2026 Budget Calendar



BUDGET EVENT	DATE	DONE
Council Visioning & Strategic Planning Work Session	January 30 – 31	✓
Budget Policy Workshop	February 27	✓
Budget Policy Adoption	March 18	✓
Neighborhood Commission Presentation	April 16	✓
Budget Workshop & Preliminary CIP	May 20	✓
Budget Workshop	June 26	✓
Budget & Maximum Tax Rate Set	August 19	✓
Neighborhood Commission Presentation	August 20	✓
Public Hearings on Budget, Tax Rate & Fee Changes / CIP Submitted to Council	September 2	✓
Public Hearings on Budget and Tax Rate / Budget, Tax Rate & CIP Adoption	September 16	✓

PRELIMINARY
TAX ROLL: ✓
APRIL 30th



CERTIFIED
TAX ROLL: ✓
JULY 25th



We are
here

Fund Summary



Consolidated Fund Balance Statement FY 2026 Proposed Budget	FY 2026 <i>Beginning*</i> Fund Balance	FY 2026 PROPOSED Revenues	FY 2026 PROPOSED Expenses	FY 2026 <i>Ending</i> Fund Balance
General Fund	\$ 34,311,185	\$ 125,459,590	\$ 127,131,778	\$ 32,638,997
Electric Utility Fund	32,963,378	85,103,463	84,430,378	33,636,463
Water & Wastewater Utility Fund	32,942,474	77,004,022	76,066,884	33,879,612
Debt Service Fund	16,195,687	19,002,541	19,112,406	16,085,822
Health Insurance Fund	4,875,065	13,514,824	12,581,457	5,808,432
Stormwater Utility Fund	3,091,626	9,997,840	10,347,840	2,741,626
Tax Increment Financing	5,498,757	10,286,426	8,852,991	6,932,192
Resource Recovery Fund	3,765,751	8,753,438	8,381,833	4,137,356
Information Technology ISF	-	7,695,466	7,546,297	149,169
Hotel Occupancy Tax Fund	4,189,115	4,759,207	5,634,207	3,314,115
Transit Fund	693,947	4,722,760	4,872,760	543,947
All Other Funds	2,390,101	4,158,329	4,496,278	2,052,152
Community Enhancement Fund	754,346	1,304,696	1,002,323	1,056,719
Regional Airport Fund	138,027	937,305	882,503	192,829
ALL FUNDS	\$ 141,809,459	\$ 372,699,907	\$ 371,339,935	\$ 143,169,431

*FY 2026 Beginning Fund Balance is an estimation of FY 2025 Ending Fund Balance



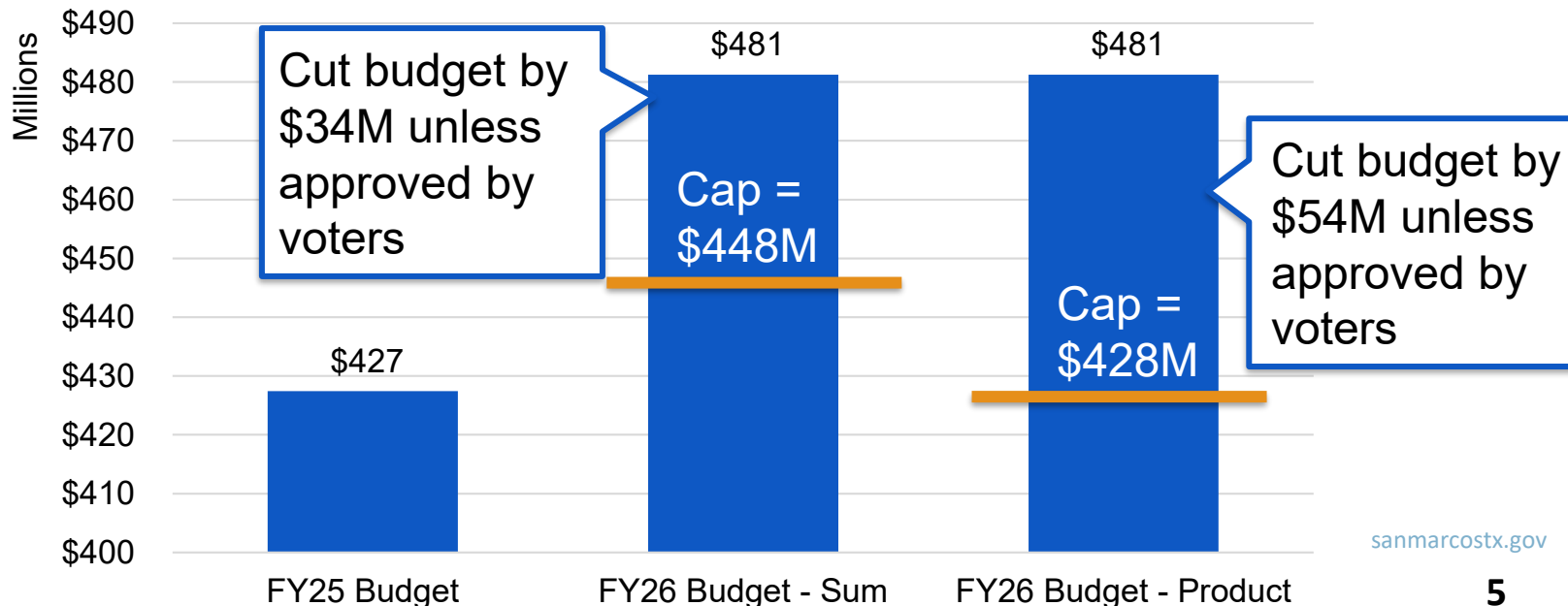
General Fund Essential Points

- Costs are growing much faster than the money coming in.
- The City's two main sources of income—sales tax and property tax—aren't keeping up with expenses.
- Sales tax for FY26 is expected to be lower than in FY23.
- Three properties purchased by Housing Finance Corporations would bring in \$629,000-this money is included in tax rate calculations but can't be spent until we know there will not be an appeal.
- For the second year in a row, the value of new development has only been enough to make up for declines in the value of existing properties.

Expenditure Cap Bills



- House Bill 73 and others would cap the city's yearly spending at last year's level or implement a limit tied to population and inflation—unless voters approve more. This could limit the City's ability to fund important services and infrastructure.



General Fund Considerations



The City depends on growth in sales and property tax revenue to:

- Build projects like fire stations, roads, and flood control systems. Funding for these projects has been reduced from \$20 million to \$10 million per year.
- Keep up with rising costs so services aren't reduced.
 - In FY25, departments kept budgets flat.
 - In FY26, departments together cut \$100,000 from their budgets.

This could be the last year the City can adjust the tax rate this much now that Senate Bill 10 has passed.

- If the voter-approval rate is reduced to 1% as currently amended, the rate would be 1.5¢ lower = \$1.4 million in revenue.

A tax rate of 67.69¢ would bring in an additional \$3.6 million in property taxes compared to the tax rate of 64.96¢.



On-Going Current and Future Needs	Amount	Federal Funding Expiring
Emergency Medical Services (EMS) Funding (pending study)	\$ 2,000,000	
Staffing for Engine #7 (Year 1 of 3)	743,623	
2 Cybersecurity Analysts	208,460	✓
1 Downtown Grounds Specialist	69,947	✓
Transit Federal funding expiring	350,000	✓
Citywide software allocation (Year 1 of 4)	250,000	
Intrusion Prevention System for IT	30,188	✓
Internet connection improvements at Police building	10,091	✓
Public Service Center Emergency Operations Data Services	7,711	✓
Chatbot tool for Communications	6,469	✓
Access to Candid Directory for Library	3,450	✓
Eviction Prevention Services	60,375	✓
Mental Health Clinician	60,375	✓
Diversion Beds (Evoke Wellness)	43,125	✓
Prevent a Litter Central Texas Partnership	38,813	✓
Total \$ 3,882,627		

With a tax rate of 67.69¢ a total of \$3,573,132 is available to fund current and future needs:

- \$2,252,465 is available for on-going needs
- \$1,320,667 is available for one-time needs

Critical Community Need

Pending award of SAFER grant

On-going staffing previously approved

On-going operations previously approved

Shift to HSAB funding process?



How Staff is Responding

To help reduce expenses:

- Implemented managed hiring program.
- Maintain or reduce operational expenses.
- Review staffing to see if work can be done more efficiently with fewer people as attrition occurs.
- Update the vehicle leasing study to ensure the program is still cost-effective based on current interest rates.
- Review the take-home vehicle policy to see if changes are needed.
- Review how vehicles are assigned across departments to use them better and lower costs.

Major Takeaways



- Service delivery and infrastructure costs are outpacing the City's ability to pay for them.
- Setting the tax rate at 67.69¢ will better position the City to address current and future needs.
 - With the EMS service delivery model changing, it is unknown what the total impact will be (estimating \$2 million)
 - Previously approved expenses for expiring federal funding of \$1.1 million
- This may be the final year the City has this level of flexibility to adjust the tax rate with passed/pending state legislation.
 - There is a compounding effect in the rate set for FY26 on future years (higher rate set now = more capacity in future)

Tax Rate Comparison for Average Homestead



	FY 2025	FY 2026	Difference
Average Assessed Value	\$ 365,297	\$ 347,398	\$ (17,900)
Homestead Exemption	<u>\$ (15,000)</u>	<u>\$ (15,000)</u>	<u>\$ -</u>
Taxable Value	\$ 350,297	\$ 332,398	\$ (17,900)
Tax Rate	60.30¢	67.69¢	7.39¢
Annual Tax Bill*	\$ 2,112.29	\$ 2,250.00	\$ 137.71
Monthly Cost	\$ 176.02	\$ 187.50	\$ 11.48

Annual Savings:

Homestead Exemption	\$ 90	\$ 102	\$ -
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*Taxable Value / 100 x Tax Rate = City Taxes Paid

Source: FY 25 (Hays Central Appraisal District - Certified Roll);

sanmarcostx.gov

FY 26 = FY 25 values reduced by 4.9% (Zillow Single-Family Home Value Index – values between 35-65% range)

Utility Bill Comparison



Estimated Monthly Impact of Proposed Rate & Fee Changes on a "Typical" Residential Ratepayer

SERVICE or FEE	FY 2024-25 MONTHLY RATE AVERAGE	FY 2025-26 MONTHLY RATE AVERAGE	MONTHLY DOLLAR CHANGE	TYPICAL RATEPAYER DEFINED AS:
ELECTRIC	\$115.63	\$120.69	\$5.06	Average Consumption of 983 kWh
WATER	\$53.33	\$59.06	\$5.73	Average Consumption of 4,800 Gallons
WASTEWATER	\$55.41	\$60.79	\$5.38	Average Consumption of 4,788 Gallons
STORMWATER	\$14.90	\$14.90	\$0.00	R2 Residential Property
RESOURCE RECOVERY	\$30.95	\$31.26	\$0.31	Single-Family Solid Waste Collection / Recycling
COMMUNITY ENHANCEMENT	\$2.35	\$2.35	\$0.00	Residential Property
TOTAL MONTHLY IMPACT	\$272.57	\$289.05	\$16.48	COMBINED INCREASE OF: 6.0%

Next Steps



September 16

- Hold second public hearing on budget and tax rate
- Hold a public hearing on the Fiscal Year 2026 Fee Schedule
- Vote to adopt the Fiscal Year 2026 Budget
- Ratify the property tax revenue increase
- Set the tax rate



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Thank You