



FY 2020 Budget Workshop

May 26, 2020 | City of San Marcos | Finance



Agenda



Economic Outlook



FY20 Financial Update



FY21 Preliminary Revenue



FY21 Balancing the Budget



Ten Year Proposed CIP



Next Steps

Seeking Council Direction



The work session will layout current economic outlook, revised FY20 financial update, and FY21 preliminary revenue assumptions.



Seeking Council direction on revenue assumptions and recommendations to address anticipated decline in revenues.

Economic Outlook

Economic Indicators



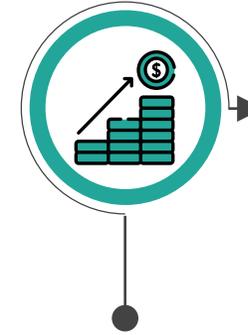
Unemployment
March 2019



Unemployment
March 2020



Unemployment
April 2020



Average Weekly Wages
Q3 2019

Federal	3.9%	4.5%	14.7%	\$1,093
Austin Area	2.7%	3.5%	12.2%*	\$1,235
Hays	2.7%	3.6%		\$815
Caldwell	3.4%	4.3%		\$746

Federal unemployment rate one month increase is largest since Great Depression. Unemployment rates are rapidly growing, the referenced federal unemployment is based on Bureau of Labor Statistics as of April 2020.

FY2020 Financial Update

FY20 Financial Strategy

Projected Sales Tax Revenue Shortfall



Phase I

Sales tax revenue
shortfall \$6.4M net
\$5.5M cost reductions
\$900K franchise fees



Phase II

\$8.0M net
\$6.4M Phase I +
\$1.6M fund balance



Phase III

> \$8.0M
Fund balance
Service level reductions
Ch380 agreements

Phase II & III options may need to be implemented to cover Phase I shortfall.

FY20 General Fund Update

Description	Revenue	Goal	Estimate
Phase I: Net Revenue Shortfall 20%	(\$6,400,000)		
Estimated cost reduction		\$5,500,000	\$4,644,086
Increase utility franchise fees from 7% to 8%		\$900,000	\$900,000
Phase I: Summary @ 20% Shortfall	(\$6,400,000)	\$6,400,000	\$5,544,086

- ❖ Fiscal YTD sales tax collected 66% of adopted budget as of March 2020
- ❖ Current projections estimate 20% revenue shortfall
- ❖ Employee Innovation Box under review and other possible reductions

FY20 General Fund - Cost Reductions

Description	Cost Reduction Goal	Cost Reduction Estimate
Managed Hiring Program	\$2,300,000	\$1,700,000
April '20 Merit/COLA delayed	500,000	500,000
Capital Outlay (non-essential)	500,000	500,000
Homebuyer Incentive & BIG Grant	50,000	50,000
Dues, Subscriptions, Supplies	200,000	112,855
Professional Development, Travel, Meals	250,000	233,917
Departmental Line Item Reductions*	475,000	322,314
Facility Repairs (non-critical)	225,000	225,000
Street overlay	1,000,000	1,000,000
Phase I: Estimated cost reductions	\$5,500,000	\$4,644,086
Variance from Goal		\$856,086

FY20 Other Funds Update

Description	Revenue	Goal	Estimate
Hotel Occupancy Tax revenue shortfall	(\$1,200,000)		
HOT program reductions – Tourism, advertising, marketing, art, salary savings		\$600,000	\$726,000
Variance from goal			\$474,000
Enterprise Fund revenue shortfall	(\$300,000)		
Offset by cost reductions		\$300,000	\$300,000

FY20 Phase I Variance

Proposed considerations to fund projected variances from Phase I revenue shortfall
General Fund \$856,000 | HOT Fund \$474,000

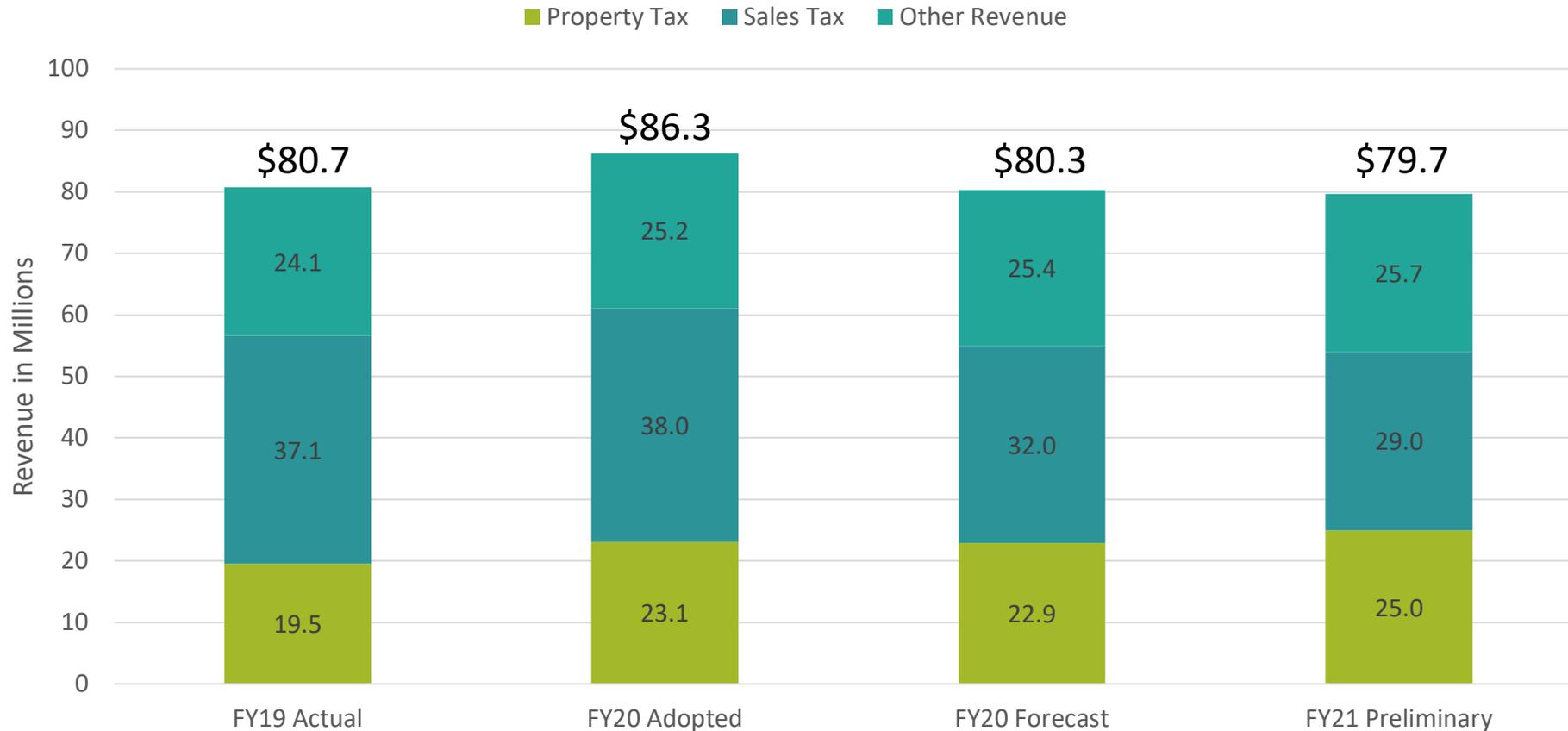


-  Reduce economic incentive payments \$4M
Remaining funds carry over to FY21
-  Use of General Fund - Fund Balance
-  General Fund - Service Level Reductions
-  HOT Fund - Service Level Reductions

FY2021 Preliminary Revenue



General Fund Revenue Trends



The gap from FY20 Adopted to FY21 Preliminary is \$6.6 million. Additional revenue will be needed to cover base expenditure increases. This funding gap will restrict current service levels if not recovered.

Property Tax



Appraised Values

Valuations are as of Jan. 2020. Preliminary values reflect an 8% increase over prior year.



Tax Rate

SB2 set cap on no-new revenue rate at 3.5%. Disaster declaration provides for 8% with council approval. Preliminary revenue calculated at 0.6139 (same rate as last year. No tax rate increase), 3.5% no-new revenue rate would reduce revenue ~\$1.5M



Delinquencies

Current economic conditions indicate an increase in delinquencies and protests. Current assumption is 5% as compared to prior years at 2%

Property Tax Rate Comparisons

Home Values	Annual Tax Bill @ 3.5% Tax Cap	Annual Tax Bill @ Same Tax Rate 0.6139	Difference in Annual Tax Bill
\$100,000	568.60	613.90	45.30
\$200,000	1,137.20	1,227.80	90.60
\$300,000	1,705.80	1,841.70	135.90

For tax year 2020 the average home value is \$236K. If the no-new revenue rate capped at 3.5% were adopted, the average homeowners tax bill would be reduced by ~ \$100. The impact to the General Fund would be a reduction of ~\$1.5M in revenue.

Sales Tax



Slow Rebound

Historical unemployment rates will restrict discretionary spending in base sales and outlet malls. The health and safety concern will also suppress spending behaviors.



Comptroller Ruling

Budget Policy decision to reduce \$1M in sales tax revenue has not been included in preliminary projections. See Proposal on slide 23.



Preliminary Projections

Sales tax reporting is delayed two months. April and May results will provide more detail for revenue projections.

Sales Tax Revenue Forecast



3.9% FY19 actuals exceeded budget

(15%) FY20 revised – the year began strong. Through March exceeded budget. Anticipate steep declines in April-June revenue

(9%) FY21 will see impacts of unemployment, reduced tourism & disposable income

10% FY22-23 anticipate employment to increase as more cash flows into the economy increasing sales tax revenue. Comptroller Ruling effective May 31st **will** change this projection

Other Revenue



City Franchise Fees

Budget Policy set utility fund transfers at 7%



User Fees

Recreational programs new fee structure effective Sept 1, 2020. Other fees increase by CPI 2.7%. Revenues held flat across all user fees as the economy rebounds.



Reimbursement from Other Fund

Indirect cost allocation has been evaluated. Declines in Electric & W/WW have been offset by increases from HOT, WIC, and Stormwater

Possible Revenue Options

FY2021 Proposed Funding Options

Below is a summary list of considerations to close the gap in revenue.

Description	Revenue Shortfall	Revenue Increase	Expense Decrease
Road Maintenance Fee		\$1.4M	
Downtown TIRZ		\$1.3M	
Incentive Rebates		\$4.5M	
Programs & Services			\$6.6M
	\$6.6M	\$7.2M	\$6.6M

*Fund Balance @ 1% of FY20 service levels adopted in budget would reduce revenue requirements ~ \$700K

To balance FY21 budget we must increase revenues or decrease expenditures. Non-personnel operating expenses have been reduced to minimum requirements at current services levels. Further reductions will reduce service levels. Lower fund balance requirements would decrease required revenue.

Road Maintenance Fee

Proposed Funding Source for Street Maintenance



FY19 total lane miles maintained 385,
20 FTEs in Streets Department



Total Streets FY20 Budget: \$3.4M

Personnel: \$1.4M, Operating: \$2M



Comparable cities have charge monthly:

Residential: Single Family: \$6.40-\$8.20 | Multi Family: \$6.10-\$6.83
Commercial: \$10 - \$263



Potential Rates: \$4 residential, \$6 commercial
Revenue: \$1.4M

Downtown TIRZ



Currently 70% contribution of property tax increased value over base year



FY21 estimated payment \$1.3M



Suspend FY21 contributions



Reduce FY22+ contributions 25%

Economic Development Incentive



Reduction of incentive rebates could balance short-term funding



Multi-year strategy would support minimum funding requirements



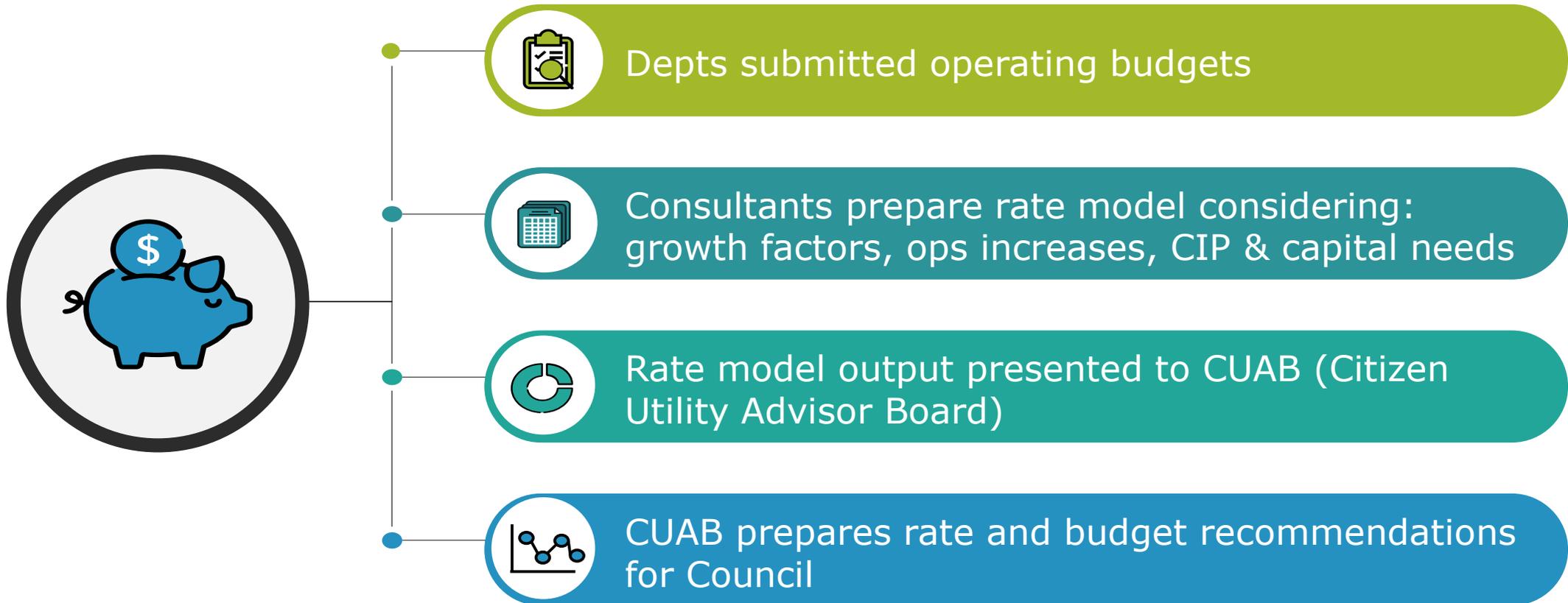
Funding for current programs, core services, and staffing levels



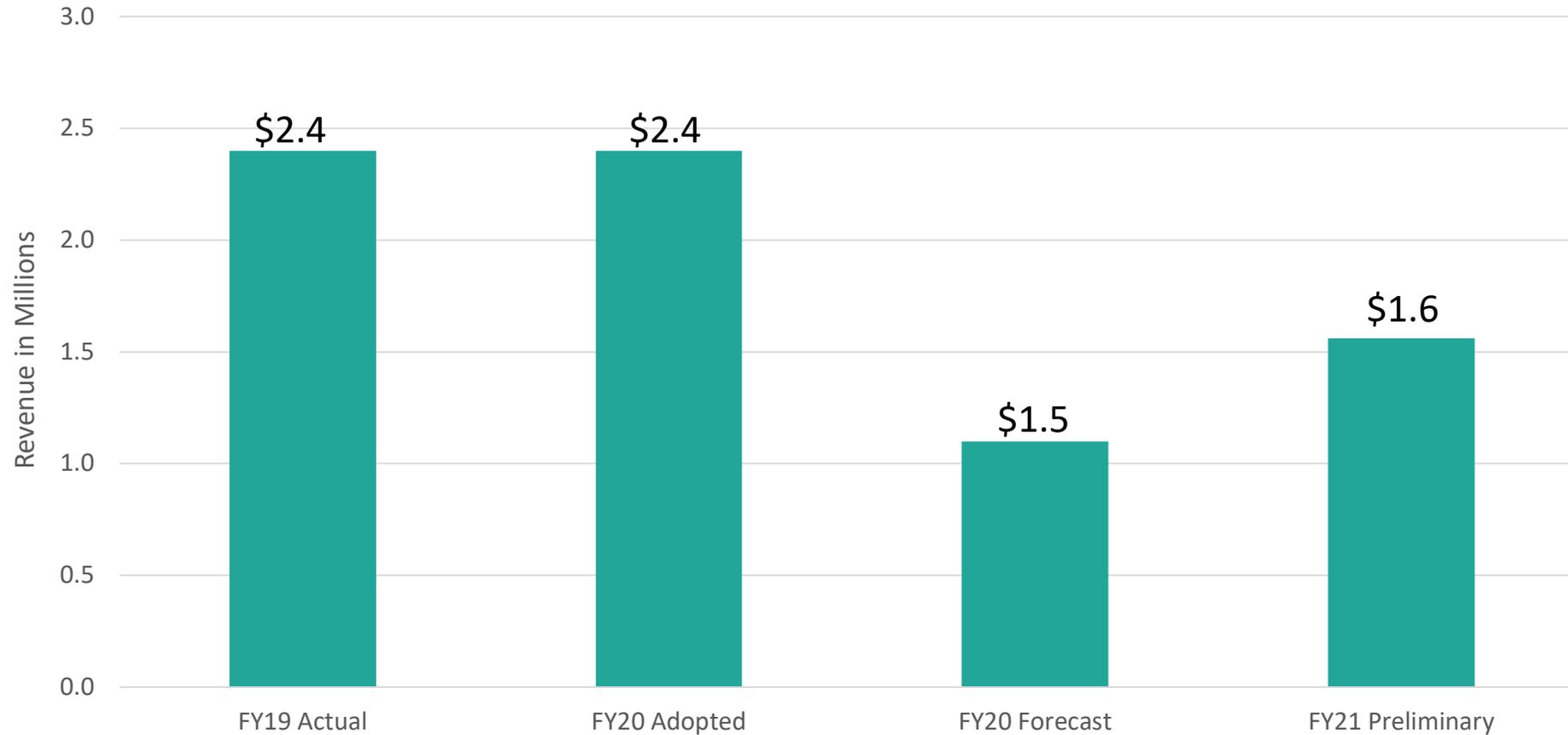
Beginning FY20 @ 50% ~\$4M,
FY21 @ 75% ~ \$6.6M, FY22+ TBD

Other Funds

Enterprise Funds



Hotel Occupancy Revenue Trends



Preliminary hotel occupancy tax is estimated at 35% reduction from FY2019 actuals. Operating budgets will need to be reduced accordingly. Recommendations will be brought back for consideration during the June budget workshop.

Council Direction



Tax Rate

- Maintain current tax rate @ 61.39 (does not exceed 8% disaster no-new revenue rate) OR
- Use 3.5% no-new revenue rate



Utility Franchise Fee

- Maintain 8% for utility franchise fees



Road Maintenance Fee

- Shall staff proceed with due diligence in preparing fee structure and processes



Fund Balance

- Reduce required fund balance to 20%



Downtown TIRZ

- Suspend FY21 payment OR
- Reduce FY21 contribution from 70% to 25% OR
- Reduce contribution permanently



Economic Development Incentives

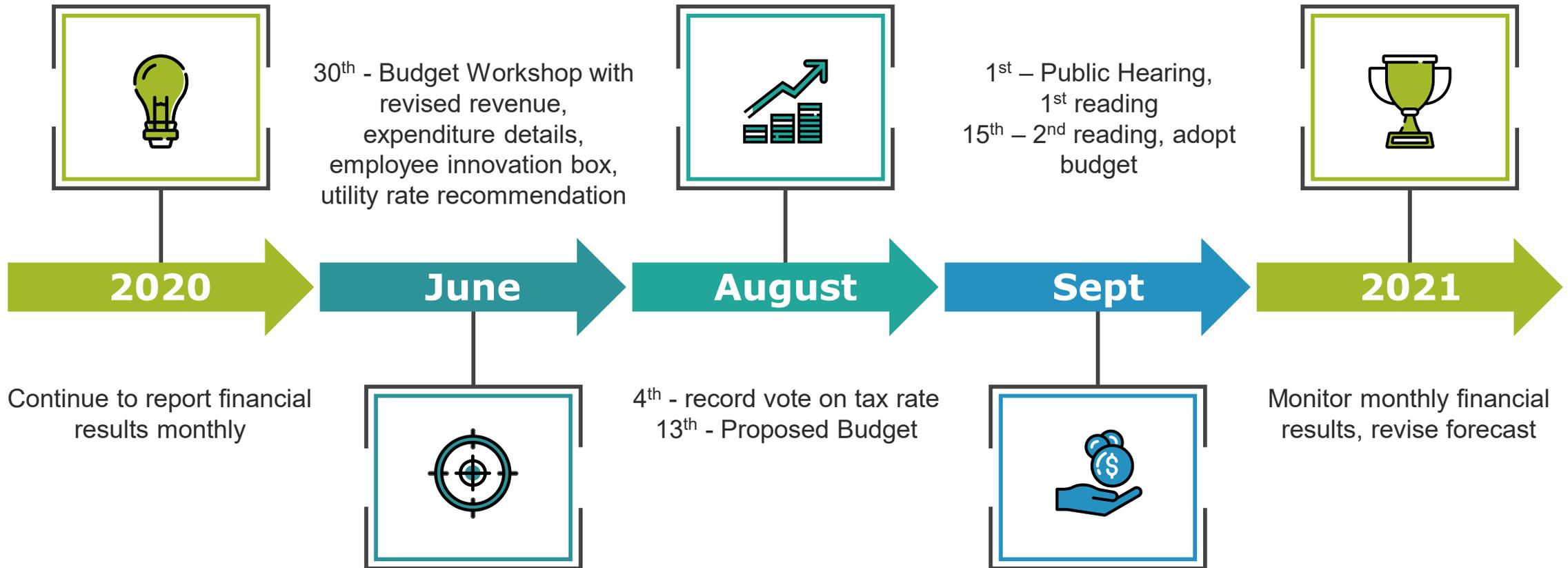
- Reduce FY20 rebates by 50%
- Reduce FY21 rebates by 75%



Service Level Reductions

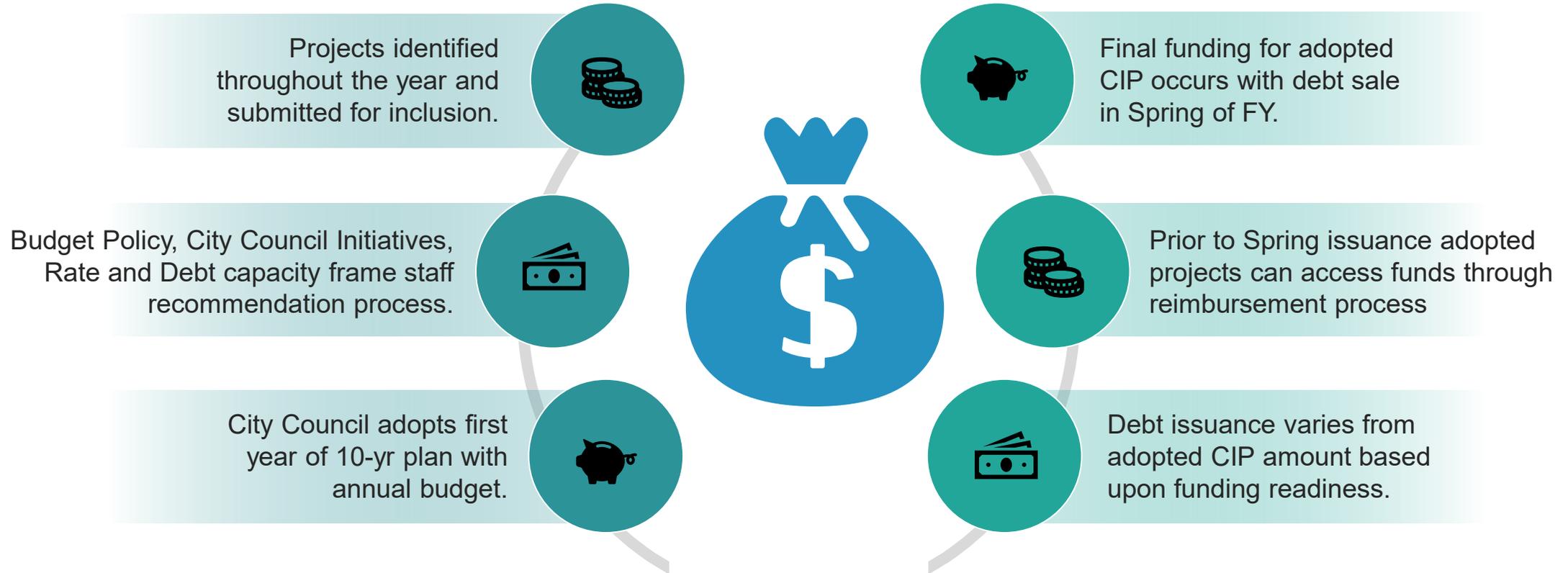
- Reduce current levels of service in FY21 with recommendations brought back in June workshop

Budget Timeline & Next Steps



Ten Year CIP

Capital Improvement Plan Process



“Business as Usual” vs. “Lean & Mean” Summary

FY21 CIP	Business as Usual Totals	Lean & Mean Totals	Difference
General Fund:	\$6,239,000	\$4,485,000	-\$1,754,000
Water Fund:	\$44,526,575	\$44,526,575	\$0
Wastewater Fund:	\$9,534,000	\$9,454,000	-\$80,000
Stormwater Fund:	\$9,560,000	\$9,560,000	\$0
Electric Fund:	\$10,065,421	\$10,065,421	\$0

Key Considerations in "Lean & Mean"



General Fund already considerably constrained.



Significant amount of construction underway or beginning.



Funding for priority projects



Reviewing existing funds for potential reallocation for further reductions

General Fund Projects Removed/Revised

General Fund FY21 CIP	Action	Amount
#614 – Downtown Property Acquisition	Removed	\$224,000
#69 – Fiber Optic Infrastructure Expansions	Removed	\$80,000
#736 – Boy Scout Hut Stabilization	Pushed to FY22	\$50,000
#475 – City Facility HVAC Replacement	Reduced by 50%	\$250,000
#169 – City Facility Parking Lots	Reduced by 50%	\$125,000
#753 – City Facility Roof Replacements	Reduced by 50%	\$250,000
#526 – City Facility Major Maintenance/Repairs	Reduced by 50%	\$250,000
#732 – Animal Shelter Long Term Imps	Pushed to FY22	\$75,000
#616 – Cemetery Improvements	Pushed to FY22	\$225,000
#756 – Open Space Development Plan	Pushed to FY22	\$100,000
#703 – Traffic Signal Synchronization and Improvement Proj.	Removed	\$125,000
Estimated cost reductions		\$1,754,000

2021 Strategic Initiative Funding

Downtown Vitalization

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

Stormwater

- Hills of Hays
- IH-35 Utility Relocations (Sunset DS Imp)
- Sessom/Academy Intersection Imps.
- Castle Forrest Channel
- Downtown Alley Reconstruction (TIRZ)

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-Modal Transportation

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

P&Z Recommendation Response

Project	P&Z Recommendation	Staff Response
#650 – Sessom Shared Use Path	Expedite to within the 3 yr. plan	Complex project over multi years FY24/27/29, >\$3M
#464 – Old RR 12 – Craddock to Holland	Expedite to 2021	Hopkins req'd for detour route, FY23 for const.
#464 – Old RR 12 – Craddock to Holland	Include on-street buffered bike lanes, separated sidewalks, not widening the road and pedestrian crossings at the Franklin Intersection.	Yes -5' w/ 2' buffer, no – issues, only @ intersection for bike & turn lanes, no - 2018 ped study
#419 – Sessom/Academy Intersection Imp	Create road diet to encourage safety improvements	Under evaluation for lane reduct. & buf. bike lanes
#480 – Hopkins Sidewalk CM Allen to Thorpe	Support improved sidewalks and encourage safety improvements through a road diet to support bike infrastructure.	July 2020 bid opening with TxDOT approval of bid docs
#594 – Hopkins St. Imp Moore to Guadalupe	Include complete street improvements and no widening of the road	Yes
#629 – IH 35 Utility Relocations	Support pedestrian bike improvements to promote better east-west connectivity across IH 35. Do not include diverging diamond type intersections.	TxDOT project, does not include diverging diamond intersections, sidewalks along frontage, SH123 and San Marcos River
#712 – Downtown Pedestrian Safety Comfort Improvements	Support of project, highlight its importance	No change – will remain in FY21
#681 – Hills of Hays	Support of project, highlight its importance	No change – FY21 Construction funding
#732 – Animal Shelter	Support of project, highlight its importance	\$400K FY20 funding for immediate needs
#8 – Fire Station Airport	Move project up to 2021 or 2022	Currently in FY22/23 as a potential bond project
#739 – Dunbar Education Building	Move project up to 2021 with complete funding	FY20 funds differed. Potential CBDG project
New – Old RR12 Blanco to Holland	Create a new project for road, pedestrian and bicycle improvements in this area to be included within the 10 year CIP	Will be scoped and added to the FY 2022-2031 CIP

Thank You



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