



City of San Marcos FY 202~~5~~⁴ Adopted Budget Policy Statement

I. FUND BALANCE

- General Fund: Maintain 25% of recurring operating expenses
 - Use fund balance in excess of 25% to be split between ~~for~~ non-recurring expenses and ~~direct remaining funds to~~ the future City Hall.
- Electric Utility Fund: Work towards Evaluate increasing the minimum fund balance requirement from 60 days of recurring operating expenses to 90 days of recurring operating expenses.
- Water/Wastewater Utility Fund: Maintain 90 days of recurring operating expenses.
- Stormwater Utility Fund: Maintain~~Work toward~~ 90 days of recurring operating expenses.
- ~~Electric Utility Fund: Evaluate increasing the minimum fund balance requirement from 60 days of recurring operating expenses to 90 days of recurring operating expenses.~~
- Resource Recovery Fund: Explore creating fund balance requirement to maintain 60 days of recurring operating expenses with leeway of implementation due to construction of new Resource Recovery facility.
- Transit Fund: Explore creating fund balance requirement to maintain 60 days of recurring operating expenses.
- Hotel Occupancy Tax Fund: Explore creating fund balance requirement to maintain 90 days of recurring operating expenses.
- Community Enhancement Fund: Explore creating fund balance requirement to maintain 60 days, while working towards 90 days, of recurring operating expenses.
- Fund balance in excess of established thresholds will be used to fund capital improvement projects (CIP) and/or other ~~one-time~~ non-recurring expenditures.

II. REVENUE

- Continue budgeting revenues using historical trends. Each revenue source will be independently evaluated to take into consideration recent changes impacting trends.
- For all utilities, continue incremental rate increase approach when rate increases are required.

- Develop a plan to regularly review fees. Impact fees will be revised based on master plan updates.

GENERAL FUND

- Property tax rate to be kept the same as the FY 2024 ~~between the no-new-revenue and voter approval tax rate with a goal of not increasing the tax rate above the FY 2023~~ adopted tax rate.
- Amend budget during fiscal year if revenue deviates from budget.
- ~~Continue budgeting revenues using historical trends as approved for FY 2023.~~
- Consider impact of American Rescue Plan (ARP) funding.
- Potential revenue from alternative funding sources including fees will be evaluated and proposed to Council during the budget process.
- ~~Explore additional local property tax relief for residents following the regular session of the 88th Texas Legislature. For the new exemption amount to be effective in the upcoming fiscal year, City Council must approve the new exemption before July 1 (Texas Tax Code, Section 11-13(n)).~~

WATER/WASTEWATER FUND

- ~~Continue annual rate study to determine possible rate increases and/or structure changes.~~
- Citizens Utility Advisory Board will make and present recommendations to Council related to rate structure and future rate adjustments.

ELECTRIC FUND

- ~~Continue annual rate study to determine possible rate increases and/or structure changes.~~
- Citizens Utility Advisory Board will make and present recommendations to Council related to rate structure and future rate adjustments.
- Explore identifying community-based charges separate from the electric utility rate component (i.e., customer assistance programs, service area street lighting, and energy efficiency programs).

STORMWATER MANAGEMENT FUND

- ~~Continue using the rate model to determine possible rate increases and minimize rate adjustments through use of the General Fund's capacity to fund capital improvement projects for stormwater management.~~

HOTEL OCCUPANCY TAX ~~MOTEL~~ FUND

- ~~Continue to budget revenues~~ Revenue budgeted based on conservative historical trends and the impact that COVID-19 has had on the hospitality and tourism industry.

AIRPORT FUND

- Research impact of using property tax and sales tax revenues generated at the airport for airport operations in FY 2026 and determine right time for implementation.

III. EXPENDITURES

- Departments will follow a zero-based budget format factoring in necessary Consumer Price Indexes as appropriate by industry. All budgets must be justified and ranked by priority.
- If capacity allows, continue investment in staff by implementing employee pay for performance and benefits that support the Employee Compensation Philosophy, evaluating recruitment and retention strategies, and increasing personnel to adequately support core services and City Council's strategic goals.
- ~~Complete a market-based classification and compensation study for staff and develop a compensation philosophy. Fund recommendations from the study over multiple fiscal years. FY 2024 budget will include an increase of 5% of FY 2023 personnel costs to fund the first phase of the compensation study results. The compensation philosophy is an expected outcome from the classification and compensation study.~~
- Health insurance will be evaluated and presented to Council during the budget process based on plan needs. Staff anticipates any additional funding needed is included as part of the 3-5% increase in personnel costs stated above.
- ~~Increase personnel to adequately support core services and City Council's strategic goals.~~
- Enhance City's grant program to maximize funding from other sources.

GENERAL FUND

- Given available capacity, create budget based on priority list developed during City Council's Visioning:
 - Priority A's:
 - Increase Police and Fire staffing to recommended staffing levels based on available capacity and using a multi-year approach.

- Mental health diversion
- Municipal Court relocation
- Employee Benefits/Merit/Compensation Plan
- Cybersecurity (IT Security Analyst working with Utilities)
- Priority B's:
 - Parks Maintenance
 - Expand Eviction Services with Texas Rio Grande Legal Aid
 - Diversity, Equity, and Inclusion efforts
- Priority C's:
 - Partnership with PALS (Pet Prevent a Litter of Central Texas)
 - Single Use Container Ban Enforcement
 - Downtown Staffing
- ~~Continue meet and confer negotiations.~~
- Focus Human Services Advisory Board and Community Development Block Grant allocations toward meeting City Council's strategic goals. Funding levels to be determined later in the budget process.
- Move one manager position from Community Development Block Grant funding to the General Fund.
- ~~Continue funding Social Services programs, including mental health programs, as follows with the goal to supplement with assistance of grant funds with less reliance on General Fund dollars:~~
 - ~~Human Services Advisory Board~~
 - ~~General Fund \$550,000~~
 - ~~American Rescue Plan Act \$100,000~~
 - ~~Explore using Community Development Block Grant funding~~
 - ~~Family Justice Center funding maintained at \$45,000.~~
 - ~~Youth Services Coordinator (Community Action) funding maintained at \$50,000.~~
- Museum funding maintained at~~increased to~~ \$125,000.
- Continue funding City hosted events in the combined amount of \$60,000 for all events (Veterans Day, Summer Fest Fireworks, and Arts Commission Special Events).
- Transit operations funding requests to be presented later in the budget process.
- Continue using ARP funding to meet community needs.
- Animal Shelter will continue with current goal of higher live outcome rate with continued funding from all partner agencies.
- Continue to allocate funding for City Council's strategic goals.
- Use General Fund capacity for stormwater capital improvement projects.
- Continue to constrain the capital improvement program (CIP) to keep the debt rate within limits established in the City's debt model and -if capacity

allows, explore increasing the debt service component of the tax rate by 1%.

- Explore policies that will provide funding for non-recurring expenses while protecting the City from revenue volatility.
- ~~Identify funding for an increase in Municipal Court rent.~~

WATER/WASTEWATER FUND

- Utility fund transfers to the General Fund budgeted at amount determined by Cost Allocation Plan.

ELECTRIC UTILITY FUND

- Utility fund transfers to the General Fund budgeted at amount determined by Cost Allocation Plan.

HOTEL OCCUPANCY TAX~~MOTEL~~ FUND

- ~~Funding for special programs will be evaluated based on revenue projections.~~
- ~~Signature events may receive 30% of the qualifying budget for the event. The criteria to be a signature event include:~~
 - ~~Must be an exclusive San Marcos annual event.~~
 - ~~Minimum attendance of 5,000 people with at least 50% of those in attendance being out of town guests.~~
 - ~~Proven record of being a successful event for three years.~~
 - ~~A minimum of 15% of the awarded grant must be used for marketing outside of San Marcos.~~
 - ~~Respectful to the environment (i.e., 90% landfill diversion and must collaborate with Resource Recovery or similar organization).~~
 - ~~Accessible and inclusive event.~~
- Explore/Allocate funding ~~capacity~~ for historical restoration and preservation based on capacity and explore how we can meet the 51% of tourism function.
- ~~Evaluate capacity to increase the annual amount set aside for maintenance and repairs of the conference center.~~
- Use hotel tax funding for the City's branding and incorporate a community input component.
- ~~Budget up to \$500,000 for the second half of wayfinding.~~

COMMUNITY ENHANCEMENT

- Continue to bBudget funds to address community enhancement items that come up during the fiscal year.

- Explore moving code enforcement officers to General Fund and moving temporary downtown staff to Community Enhancement if capacity allows after implementing the other General Fund priorities.