



City of San Marcos

Budget Workshop

Fiscal Year 2026

August 19, 2025

FY 2026 Budget Workshop Agenda



- Budget Process & Strategic Goals
- Budget Policy Statement Update
- Benchmarking
- All Funds Update Including State Legislative Impacts
- General Fund
 - State Legislative Impacts
 - Tax Rate Scenarios
 - Proposed Budget
- Major Operating Funds
 - Fund Tables

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

Strategic Goals



QUALITY OF LIFE & SENSE OF PLACE

Cultivate a community that promotes inclusivity, equity, and belonging; has a unique sense of place due to our distinct natural, historical, and cultural assets; and commits to a healthy quality of life for families of all types.



ECONOMIC VITALITY

Foster a vibrant economic climate for our community through new commercial and residential uses, education, workforce development, and support of new and existing businesses of all sizes.



PUBLIC SAFETY, CORE SERVICES & FISCAL EXCELLENCE

Deliver quality government services and improve community safety in a fiscally responsible manner with a professional workforce.



MOBILITY & CONNECTIVITY

Improve neighborhood and regional connectivity to provide a safe, convenient, and efficient multimodal system for goods, services, and people of all income levels and abilities to move throughout the City.



ENVIRONMENTAL PROTECTION

Advance responsible stewardship of the community's natural, cultural, and historical resources through varied environmentally friendly policies and practices.

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Budget Policy Statement

Budget Policy Statement



Met 

Fund Balance

General Fund – Maintain 25%

Hotel Occupancy Tax Fund - Maintain 25%

Stormwater Fund – Maintain 90 days

Community Enhancement Fund - Maintain 25%

Resource Recovery Fund – Maintain 90 days

Water-Wastewater Fund – Maintain 150 days

Transit Fund – Maintain 60 days

All funds – Excess fund balance used to fund CIP or non-recurring expenses

Budget Policy Statement



Met 

Debt Management

General Fund – Debt component of property tax rate must be 30% or less

Electric Fund – Debt service coverage ratio maintain at 1.2, work towards 1.4

Water-Wastewater Fund – Debt service coverage ratio maintain at 1.2, work towards 1.4

Stormwater Fund – Fund up to \$5 million of CIP, remaining projects needs fund with General Fund

Budget Policy Statement



Met 

Revenues

All funds – budget using historical trends, evaluating sources independently

Utility funds – continue incremental rate approach and do not include late penalties

All funds – maintain regular fee review schedule, impact fees revised based on master plan updates

Electric & Water-Wastewater Funds – CUAB will make rate recommendations using annual rate study; Electric Fund – Explore identifying community-based charges

General Fund – tax rate kept between current and voter approval rate; amend budget if revenues deviate; consider ending of federal funding; propose alternate revenues

Stormwater Fund – continue using rate model to determine needed adjustments, minimizing adjustments by using General Fund's capacity

Hotel Occupancy Tax Fund – budget revenues on conservative historical trends

Airport Fund – During FY27 identify time to use property taxes for airport operations

Budget Policy Statement



Met 

Expenditures

All funds – departments follow a zero-based budget format, justified and ranked by priority

General Fund – transition 7 vehicles into leasing program

All funds – include 3-5% increase to personnel (including health insurance) to support Employee Compensation Philosophy; evaluate recruitment/retention strategies; increase personnel to support strategic goals

General Fund – budget for 1.5 FTEs for bailiffs, 1 FTE previously ARPA funded, and 1 FTE previously funded by community enhancement

All funds – enhance grant program to maximize funding sources

General Fund – debt obligations are permissible for equipment replacements

General Fund – Increase HSAB funding by a minimum of \$50K to maximum of \$200K

General Fund – continue using ARP funding to meet community needs

Budget Policy Statement



Met 

Expenditures Continued

General Fund – animal shelter continues higher live outcome goal and funding from partner agencies

Hotel Occupancy Tax Fund – continue funding historical restoration & preservation

General Fund – continue allocating funding for City Council strategic goals

Hotel Occupancy Tax Fund – use funding for City's branding plans & incorporate community input

General Fund – fund stormwater projects in excess of \$5 million

Community Enhancement Fund – budget funds to address needs during fiscal year

General Fund – explore policies that protect City from revenue volatility

Community Enhancement Fund – transfer code enforcement officer to General Fund

Electric & Water-Wastewater Funds – use cost allocation plan for General Fund transfers

Budget Policy Statement



In Progress 

Fund Balance

Electric Fund – Maintain 150 days, work towards 180 days

Budget Policy Statement



Not Met 

Expenditures Paused at Council direction to complete staffing studies	Expenditures Unable to fund at No-New-Revenue tax rate	Expenditures On hold per Council Direction
General Fund – budget for 2 FTEs in Police and 1 FTE for 911 telecommunicator	General Fund – allocate 1/3 of the cost of staffing Fire Engine #7	Community Enhancement Fund – support new intersection plantings & gateway monuments; focusing on existing plantings
	General Fund – transition 1/4 of the cost for city-wide software allocation (directly impacts utility rates)	

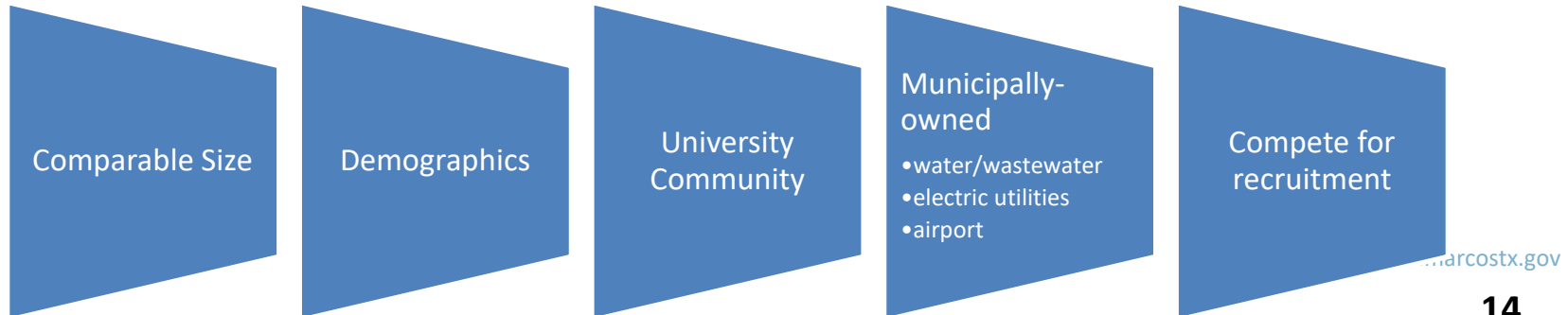


Benchmarking

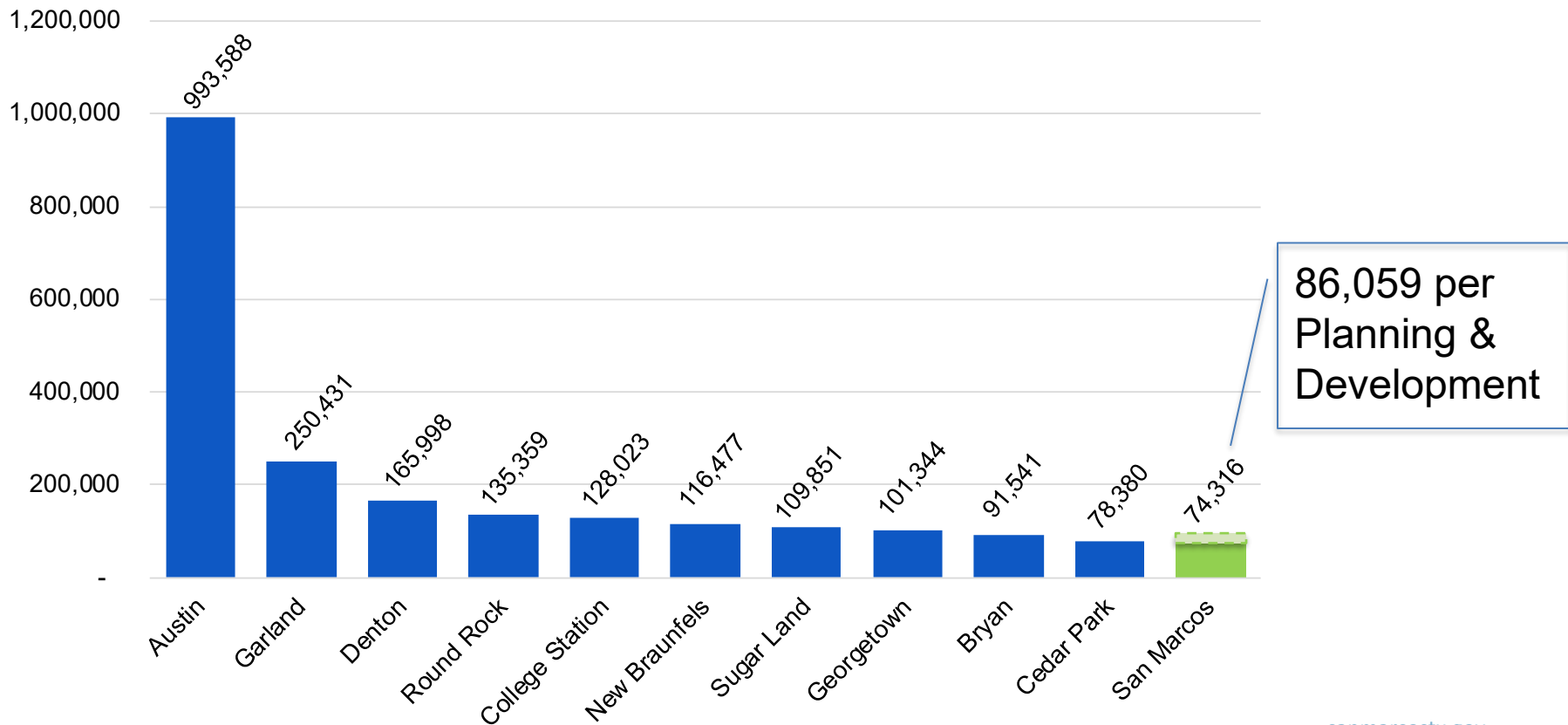
Comparison/Peer Cities for CoSM



- How the cities were chosen:
 - Guided by consultants and director's team during the 2023 compensation study
 - Agreed upon as part of the Meet and Confer agreements
 - Consist of both local and regional cities in the CoSM recruitment area and other like-type cities outside the immediate area
 - Need 7 to 8 common data points to compare all positions throughout the City including civil service and non-civil service employees
 - Factors considered were:



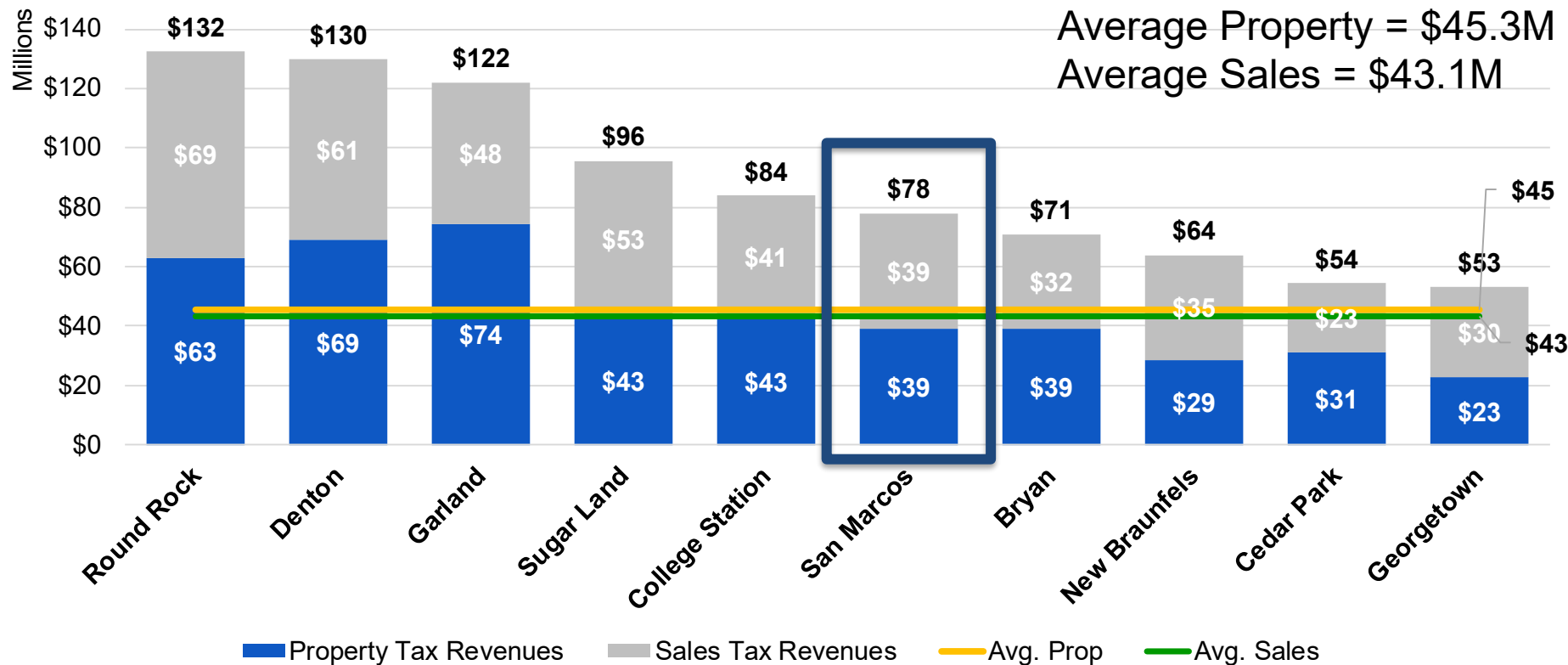
Population as of July 1, 2024



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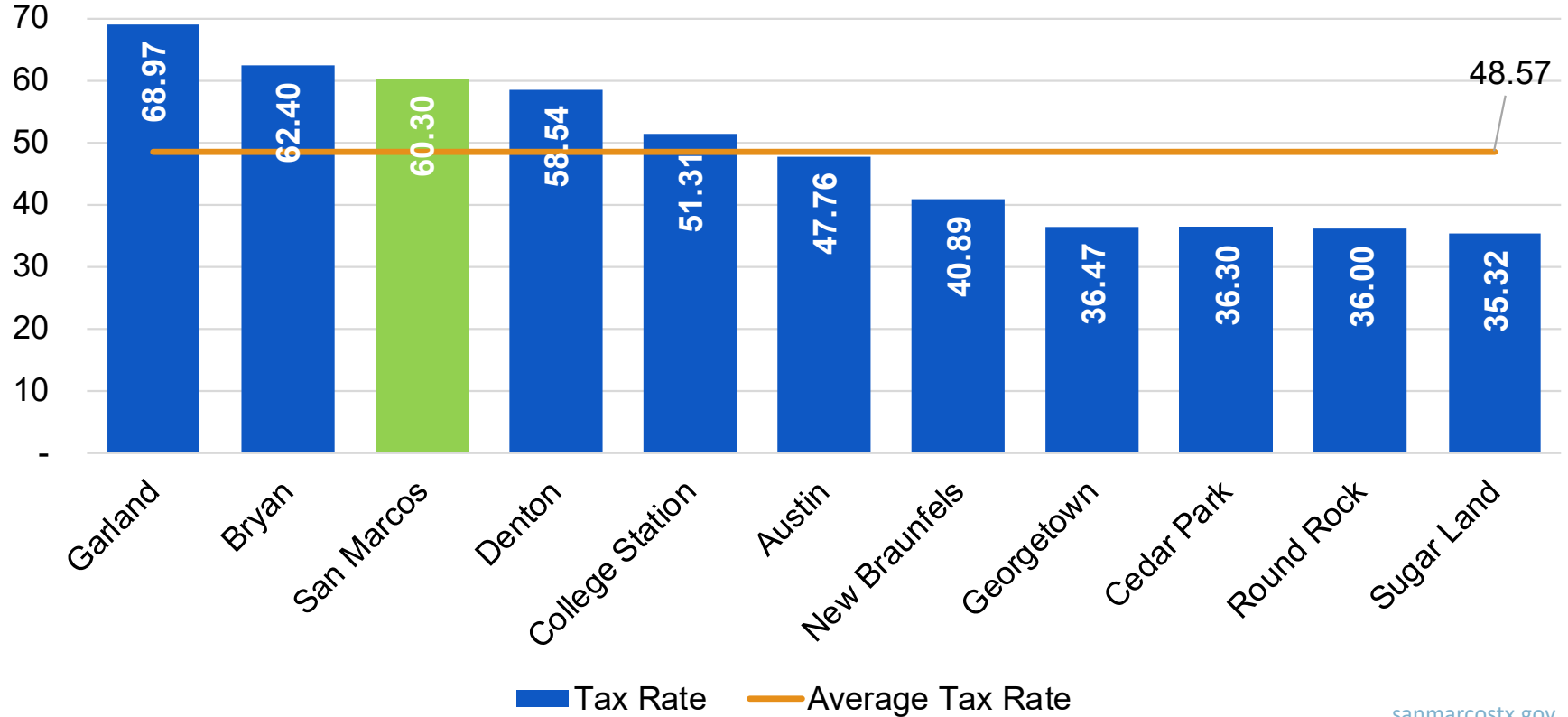
Source: U.S Census Bureau, QuickFacts, Population Estimates July 1, 2024 (V2024)

FY 2025 Budgeted Property/Sales Taxes



Source: FY 2025 Budget Books; Austin = \$682M Property Tax & \$378M Sales Tax

FY 2025 Budgeted Tax Rates



Tax Exempt Properties

Spring 2025



Tax Exempt Properties: 1,068

Total Area (including ROW):
9,738.1 Acres

Percent of City Limit: 37.6%

Includes properties owned by the City,
State, County, or Federal entities; Texas
State University; Right of Way; and those
marked as tax-exempt by Hays County.



Tax Exempt Properties

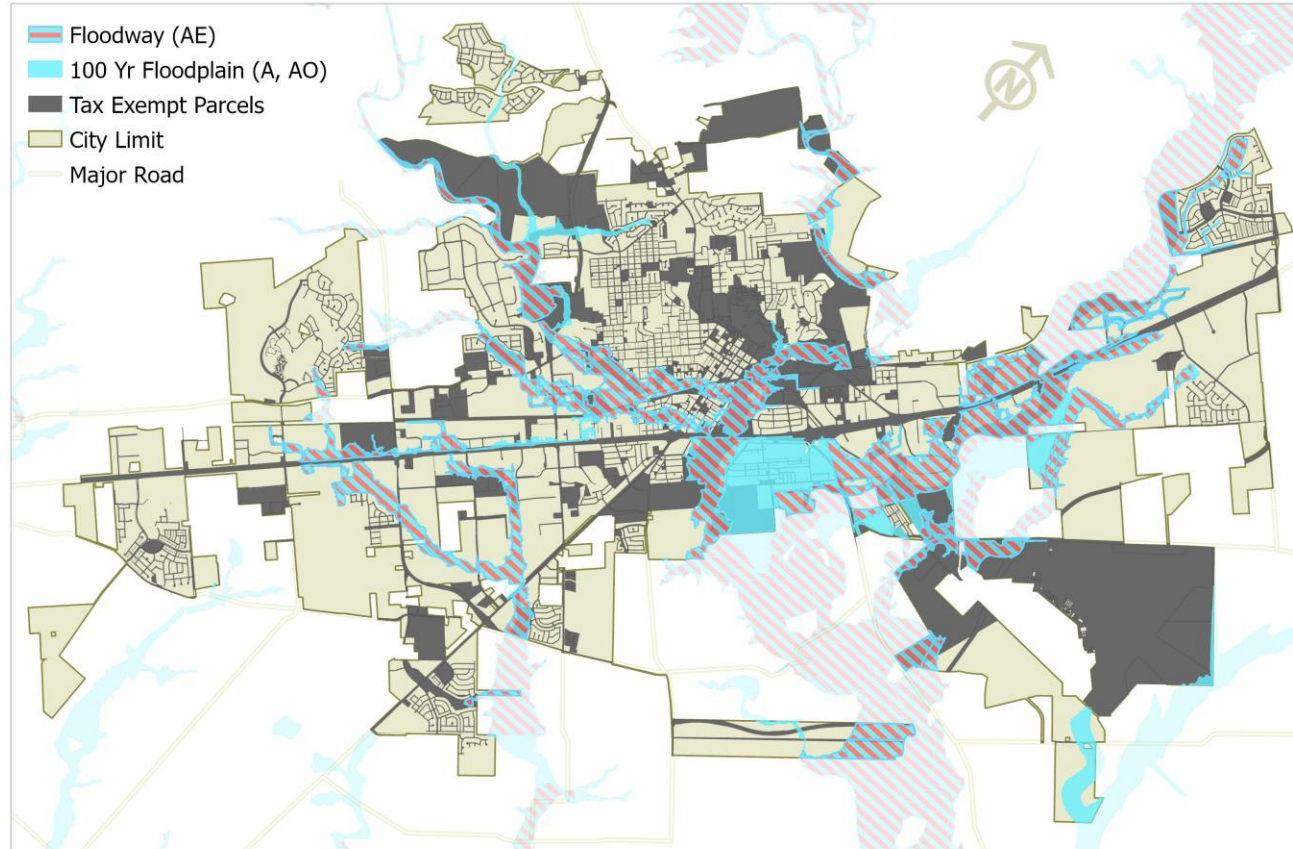
with 100yr Floodplain
Spring 2025

Total Area of Floodplain within
City Limits:
4,550.5 Acres

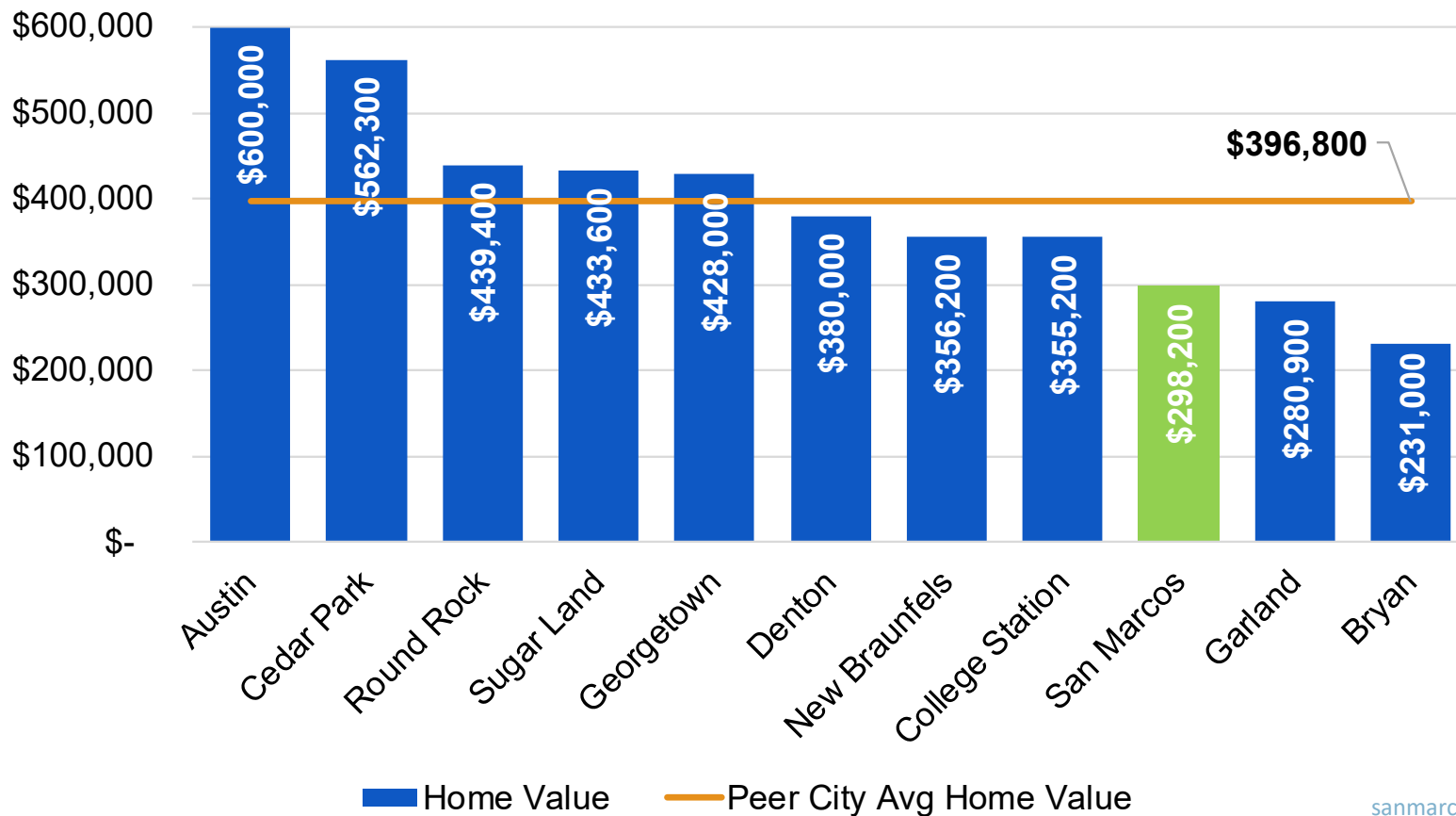
Percent of City Limit: 17.6%

Area not overlapping Tax
Exempt Parcels:
2,439.7 Acres

Percent of City Limit: 9.4%



Median Home Values

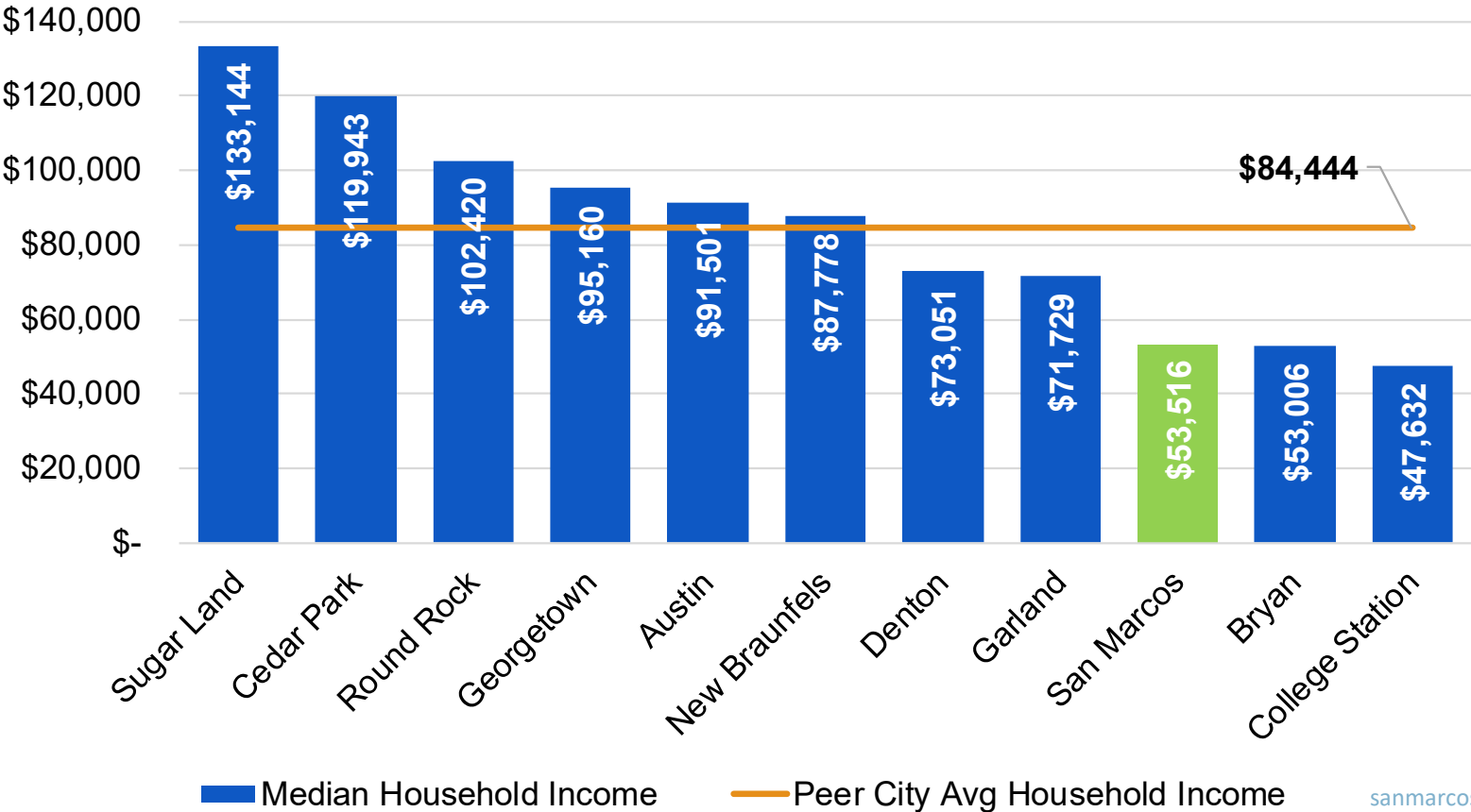


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Source: U.S Census Bureau, American Community Survey, 1-Year Estimates (in 2023 dollars)

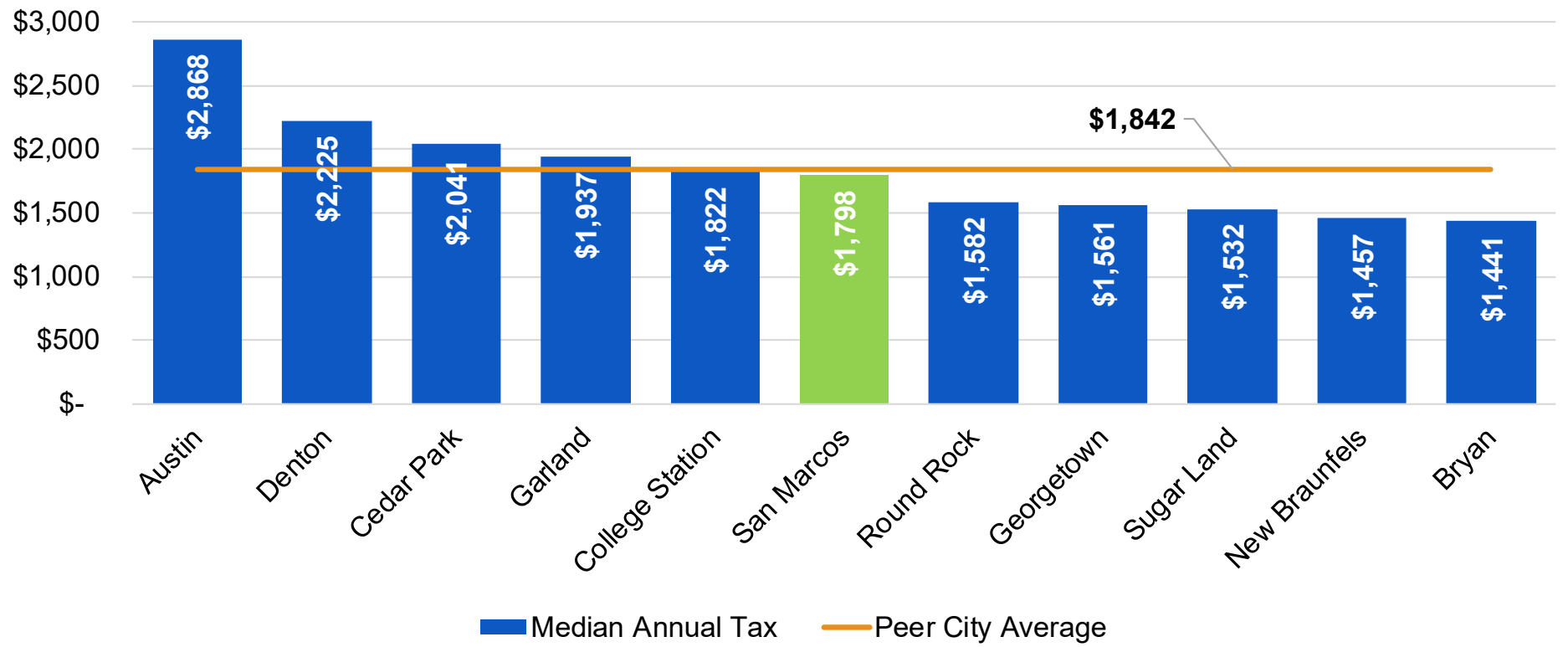


Median Household Income



Source: U.S Census Bureau, American Community Survey, 1-Year Estimates (in 2023 dollars)

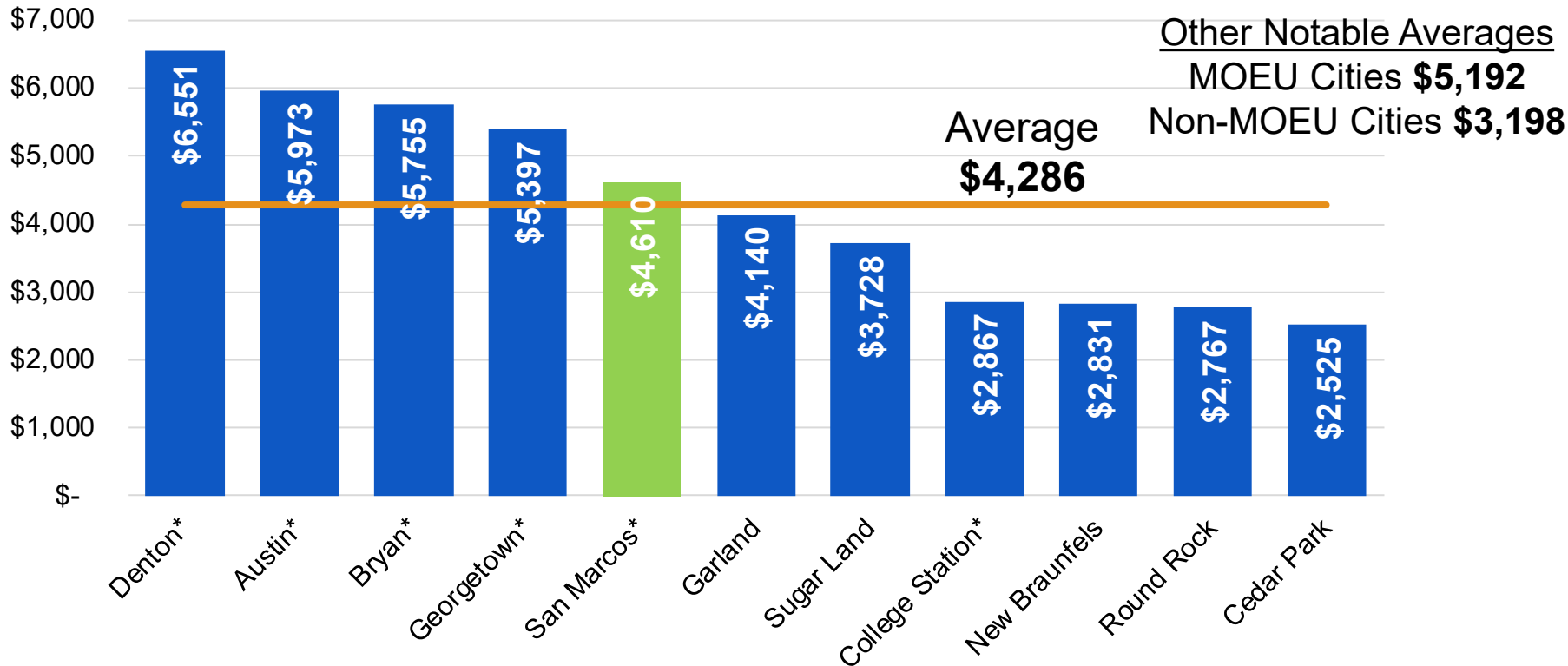
Median Household Annual City Property Tax



Source: Median Household Values - U.S Census Bureau, American Community Survey, 1-Year Estimates (in 2023 dollars); using FY2025 tax rate



All Fund Expenditures per Capita



*Cities with Municipally-Owned Electric Utilities (MOEU)

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Source: U.S Census Bureau, QuickFacts, Population Estimates July 1, 2024 (V2024); FY 2025 Budget Books



All Funds

State Legislative Impacts

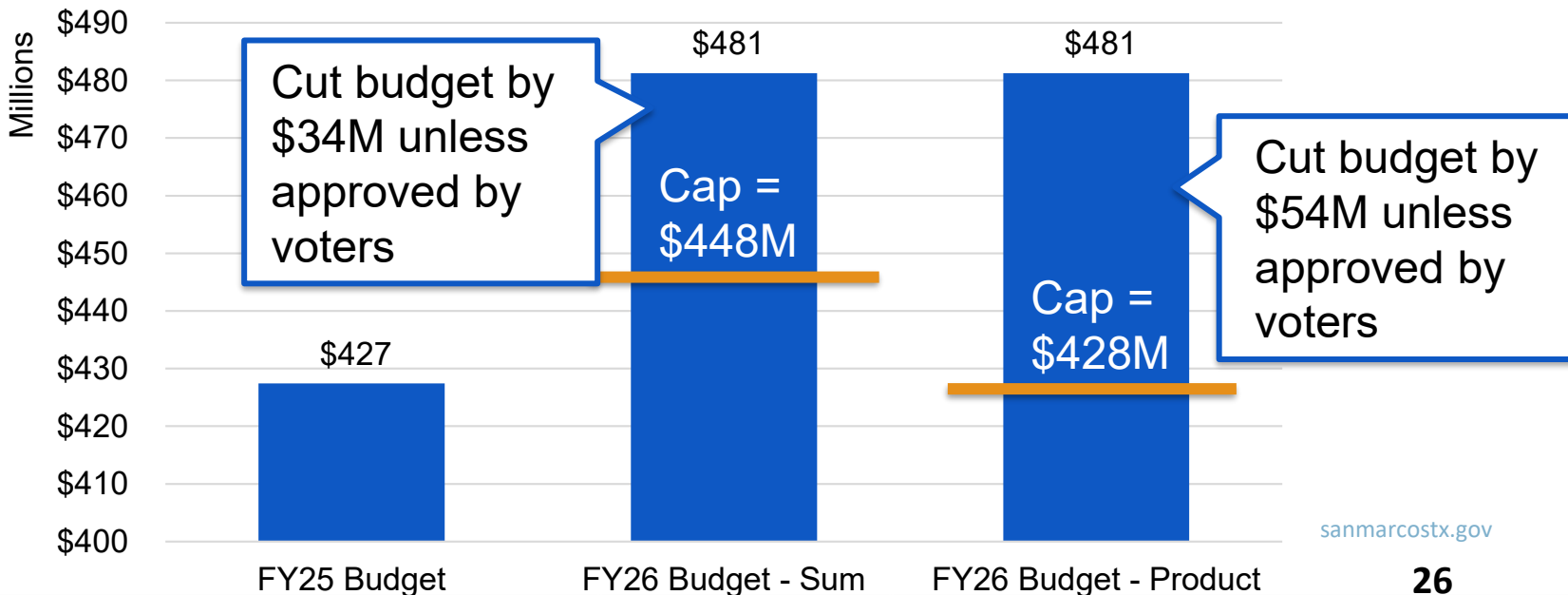


- Multiple property tax-related bills have been filed that will negatively impact the City's budget
- Some legislation affects all funds while others only impact the General Fund

State Legislative Impacts



- New state proposals (SB 9 and HB 9) 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.
- Example: If the rule applied in FY26, here's what it would cost:



State Legislative Considerations



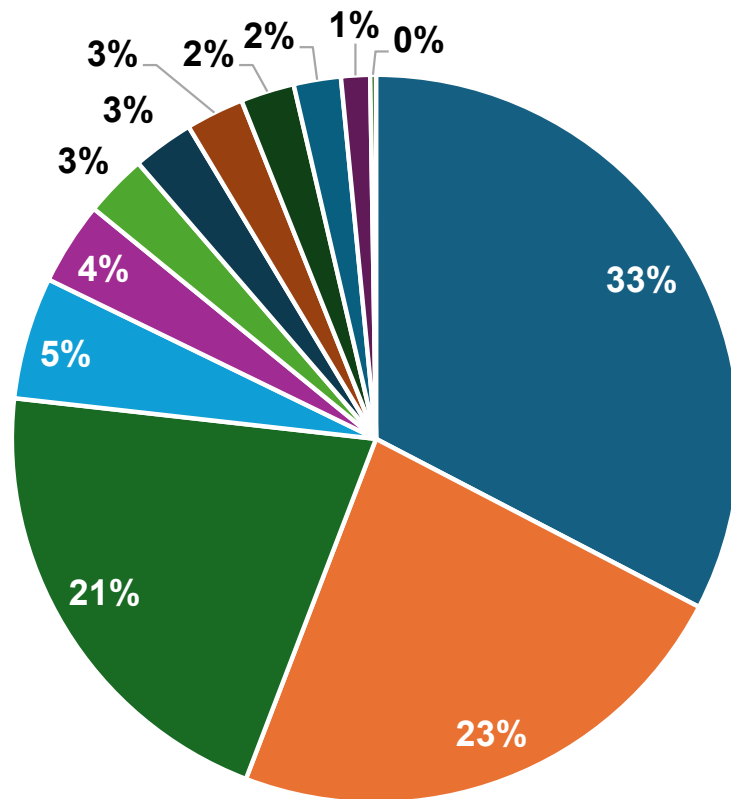
What could be cut?

- Depending upon which version of the bill passes, the City might have to cut between \$34 million and \$54 million from the FY26 budget unless voters approve more spending.
- San Marcos is already a fast-growing City struggling to cover costs for day-to-day operations and major projects.
- For example, the City is currently building a second wastewater treatment plant that costs \$100 million.
- Without extra funding, the City's General Fund could be short by \$5.6 million in FY 2027 using the No-New-Revenue tax rate.

Revenues – All Funds



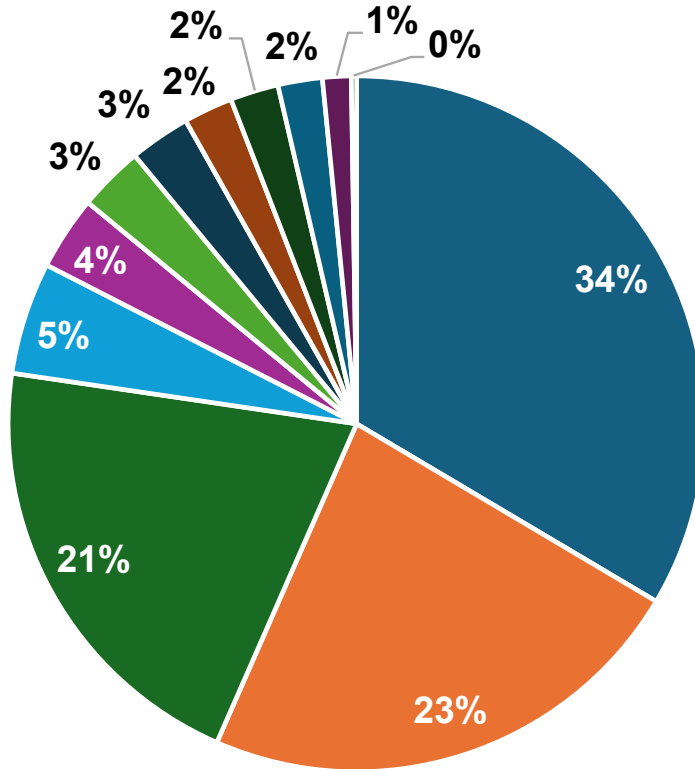
Total Revenues = \$367.2M



- General Fund - \$119.8M
- Electric - \$85.1M
- Water-Wastewater - \$77.0M
- Debt Service - \$19.9M
- ISF - Health Insurance - \$13.5M
- Special Revenue Funds - \$10.2M
- Stormwater - \$10.0M
- TIFs - \$9.5M
- Resource Recovery - \$8.8M
- ISF - IT - \$7.7M
- Transit - \$4.7M
- Airport - \$0.9M

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Expenses – All Funds



Total Expenses = \$366.4M

- General Fund - \$122.8M
- Electric - \$84.4M
- Water-Wastewater - \$76.1M
- Debt Service - \$19.1M
- ISF - Health Insurance - \$12.6M
- Special Revenue Funds - \$11.1M
- Stormwater - \$10.3M
- Resource Recovery - \$8.4M
- TIFs - \$8.2M
- ISF - IT - \$7.5M
- Transit - \$4.9M
- Airport - \$0.9M

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General Fund

City Council Priorities Met



- Proposed budget based on the No-New-Revenue Tax Rate (62.78¢)
- Budget includes HSAB funding of \$750K (increase of \$200k)
- Budget includes creating the Office of Community Support & Resource Navigation = \$50K
- Funding is included for Tenant's Rights = \$70K
 - Texas RioGrande Legal Aid
 - ARPA funded in FY26, part of the expiring federal funding that needs to be addressed in FY27 and beyond



Response to City Council's cost of living adjustment question



Historical Cost Of Living Adjustments

Fiscal Year	General Employees		Fire		Police	
	Effective Date	Percent Increase	Effective Date	Percent Increase	Effective Date	Percent Increase
FY2019	3/23/2019	2.00%	9/22/2018	4.50%	9/22/2018	4.50%
FY2020	COVID	0.00%	9/21/2019	2.15%	9/21/2019	6.20%
FY2021	9/19/2020	2.00%	9/19/2020	2.50%	9/19/2020	2.00%
FY2022	10/2/2021	2.00%	10/2/2021	2.00%	10/2/2021	2.00%
	4/2/2022	2.00%				
FY2023	10/1/2022	2.00%	10/1/2022	2.00%	10/1/2022	2.00%
FY2024	11/25/2023	5.00%*	9/30/2023	8.00%	5/27/2023	5.00%
FY2025	9/28/2024	3.00%	9/28/2024	5.00%	9/28/2024	5.00%
FY2026	10/1/2025	3.00%	9/27/2025	4.50%	9/27/2025	5.00%

*Implementation of Compensation Study, some employees received more than 5%

FY 2026 average salaries: Non-civil - \$74,195; Civil - \$94,538



General Fund Essential Points

Tax Rate Scenarios

Estimated NNR* used in June



Description	No-New-Revenue Tax Rate 62.78¢		Long-Term Focused Tax Rate 64.96¢		Voter-Approval Tax Rate 70.47¢	
Revenues	\$	119,849,964	\$	119,849,964	\$	119,849,964
Tax Rate Revenue Change		-		1,940,539		6,731,692
Revised Revenues	\$	119,849,964	\$	121,790,503	\$	126,581,656
Expenses	\$	118,070,726	\$	118,070,726	\$	118,070,726
HSAB		200,000		200,000		200,000
Office of Community Support & Resource Navigation		50,000		50,000		50,000
Structurally balanced budget adjustment		1,529,238		1,529,238		1,529,238
Fund balance in excess of 25%		3,000,000		3,000,000		3,000,000
Additional capacity for long-term sustainability		-		1,940,539		6,731,692
Revised Expenses	\$	122,849,964	\$	124,790,503	\$	129,581,656
Operating Results	\$	(3,000,000)	\$	(3,000,000)	\$	(3,000,000)

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*NNR = No-New-Revenue Rate

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.
- Property tax revenue, under the current “No-New-Revenue” rate, will drop by about \$200,000 once adjustments for Housing Finance Corporations are made.
 - Three properties purchased by Housing Finance Corporations will bring in \$629,000, this money is included in tax calculations and can't be spent.
- 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.



General Fund Essential Points

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 cut from \$20 million to \$10 million a year.
- Add or improve programs and services for residents.
- Keep up with rising costs so services aren't reduced.
- Hire enough staff to run programs and services.
- Pay employees competitively to keep qualified workers.
- In FY25, departments kept budgets flat.
- In FY26, departments together cut \$100,000 from their budgets.

General Fund Essential Points



A tax rate of 64.96¢ would bring in an extra \$1.9 million in property taxes, which would help the City:

- Replace \$1.1 million in federal funding that will run out in FY27 and FY28.
- Begin setting aside \$2.2 million a year to staff Fire Engine #7.
- Reduce the projected \$5.6 million budget shortfall in FY27.
- This could be the last year the City can adjust the tax rate this much if the new state laws pass.
- New state laws being considered could limit the City's ability to fund important services and infrastructure.



General Fund State Legislative Impacts

State Legislative Impacts



1. Senate Bill 9 proposes to change the multiplier used to calculate the voter-approval tax rate from 3.5% to 2.5%
 - This would reduce the voter-approval rate in FY26 by an estimated 0.62¢ or \$632K in revenue
 - Current voter-approval rate = 70.47¢
 - Voter-approval rate under proposed change = 69.85¢
2. House Bill 9 was approved and increased the exemption on personal property taxes from \$2,500 to \$125K
 - Estimated \$420K in reduced revenues beginning in FY 2027

State Legislative Impacts



3. Health benefit changes for Fire employees-unfunded mandate approved

- House Bill 4144 – requires the City to provide a critical illness supplemental benefit of up to \$100K for firefighters retiring after January 1, 2026, that meet certain criteria:
 - Firefighter is diagnosed with specific conditions
 - City does not offer a retiree health plan comparable in cost and coverage to active-employee benefits
- House Bill 198 requires occupational cancer screenings be offered to firefighters as of June 1, 2026

State Legislative Impacts



4. The voters will decide in November whether to increase the homestead property tax exemption for school districts from \$100K to \$140K
 - This does NOT impact City revenues; however, it will provide property tax relief for City residents

Senate Bill 4



- Increases school district homestead exemption from \$100K to \$140K

	FY 2025		FY 2026	
	Tax Rates	Tax Bill*	Tax Rates	Tax Bill**
San Marcos CISD	\$ 1.0152	\$ 2,693	\$ 1.0152	\$ 2,278
City of San Marcos	0.6030	2,112	0.6278	2,194
Hays County	0.3085	1,112	0.3499	1,258
Special Road District	0.0415	148	0.0426	152
Total Annual Tax Bill	\$ 1.9682	\$ 6,065	\$ 2.0355	\$ 5,882

*FY 2025 Average Homestead Assessed Value = \$365,297

**FY 2026 Average Homestead Assessed Value = \$364,429

¹Long-Term Focused Tax Rate = 64.96¢

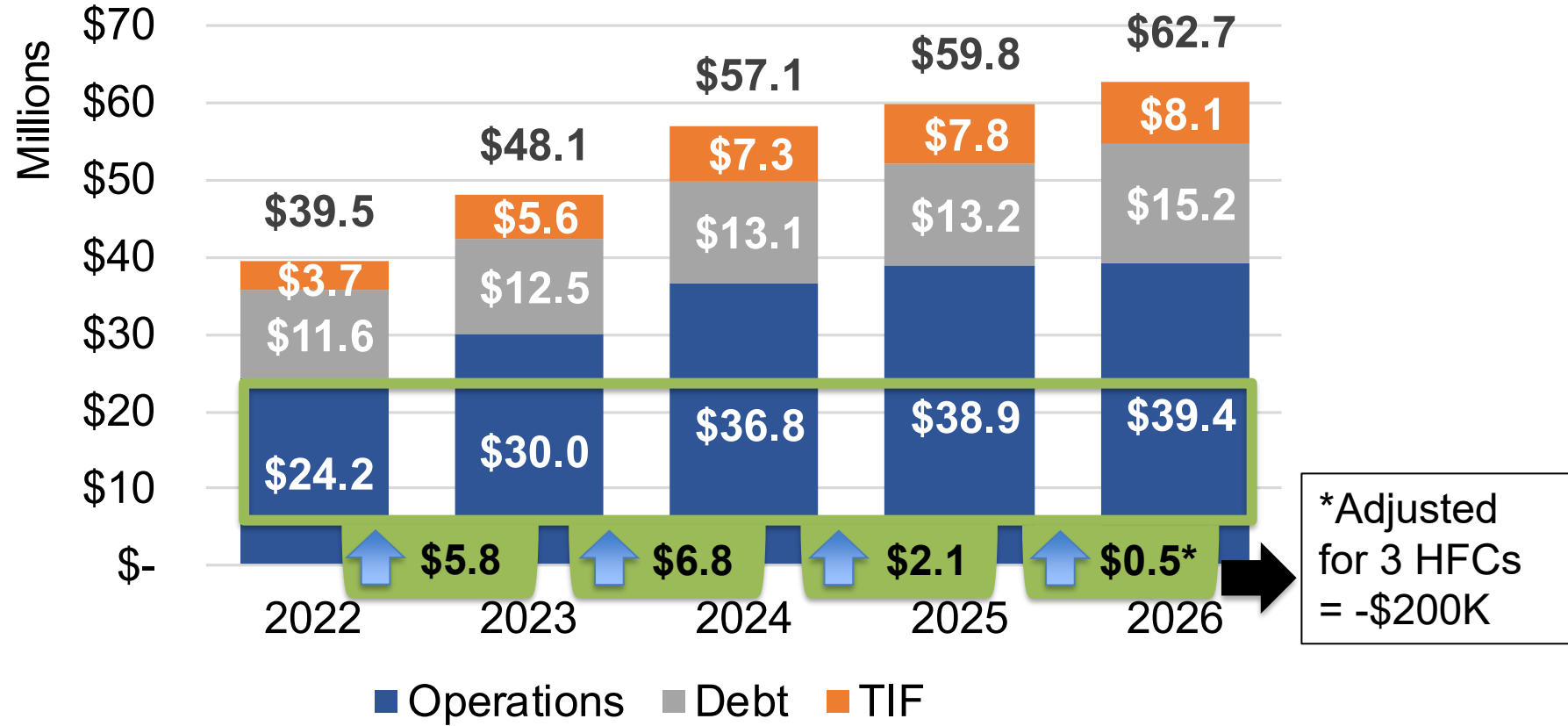
At 64.96¢¹ the total annual tax bill = \$5,958



General Fund FY 2026 Proposed Budget

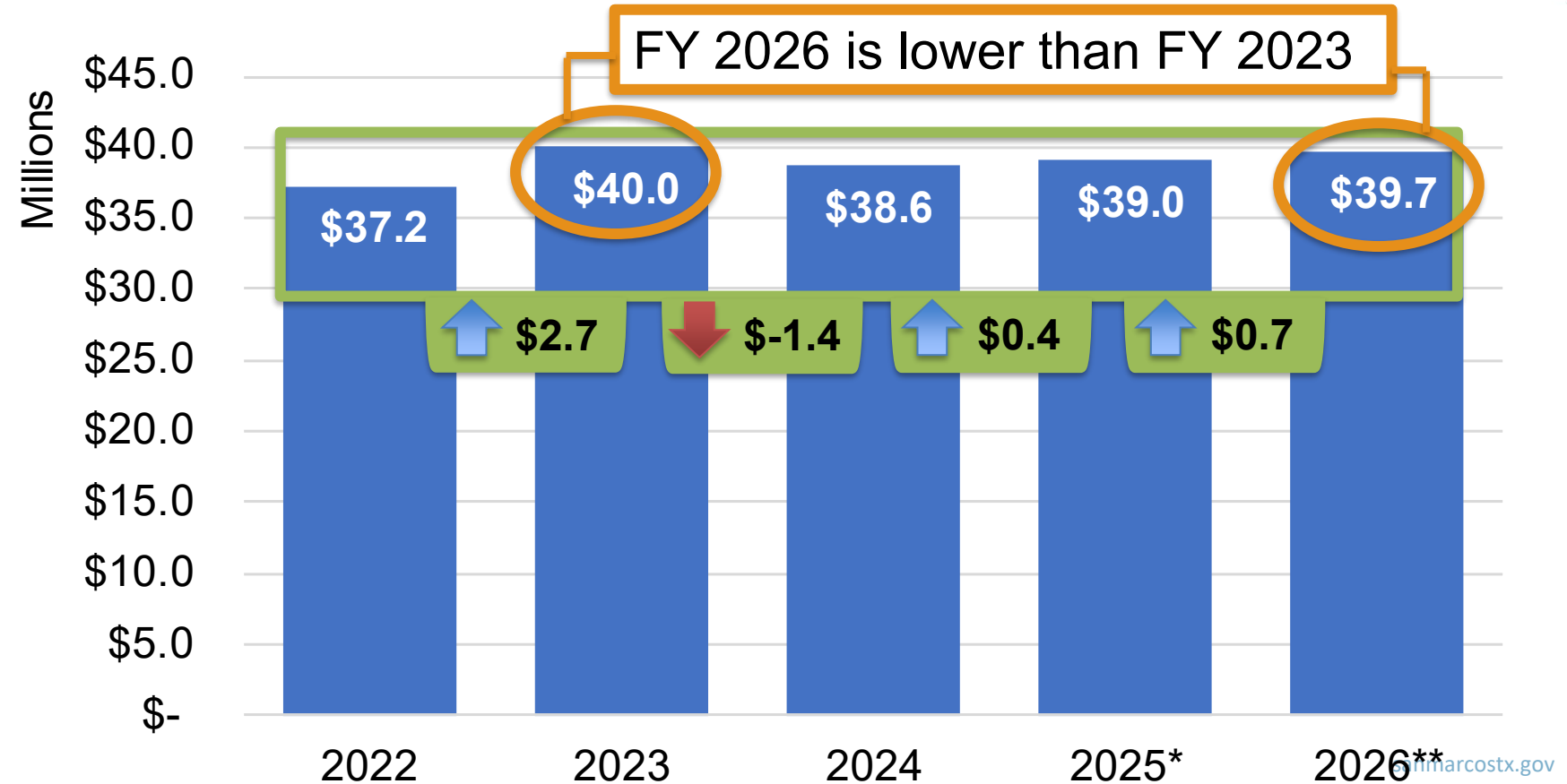


Annual Tax Levy





Annual Sales Tax Revenue



*Estimated **Proposed Budget

General Fund with No-New-Revenue

Rate 62.78¢



GENERAL FUND		FY 2024 ACTUALS	FY 2025 BUDGET	FY 2025 ESTIMATE	FY 2026 PROPOSED
Beginning Fund Balance	\$	42,855,823	\$ 43,369,950	\$ 43,369,950	\$ 34,311,185
Revenues	\$	110,252,057	\$ 112,984,173	\$ 112,925,249	\$ 119,849,964
Sales Tax		38,645,518	39,035,250	39,035,250	39,692,955
Property Tax		36,438,316	39,071,814	39,056,814	39,556,978
Other Revenue		35,168,223	34,877,109	34,833,185	40,600,031
Expenses	\$	109,737,930	\$ 123,043,658	\$ 121,984,014	\$ 122,849,964
Personnel		74,362,717	80,471,884	79,014,543	81,460,758
Operating		29,176,873	32,512,289	31,966,518	38,389,206
One-time		6,198,340	10,059,485	11,002,953	3,000,000
Change in Fund Balance	\$	514,127	\$ (10,059,485)	\$ (9,058,765)	\$ (3,000,000)
Ending Fund Balance	\$	43,369,950	\$ 33,310,465	\$ 34,311,185	\$ 31,311,185
25% Required		25,884,898	28,246,043	27,745,265	29,962,491



General Fund Tax Rate Scenarios

Tax Rate Scenarios

Estimated NNR* used in June



Description	No-New-Revenue Tax Rate 62.78¢		Long-Term Focused Tax Rate 64.96¢		Voter-Approval Tax Rate 70.47¢	
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Expenses	\$	118,070,726	\$	118,070,726	\$	118,070,726
HSAB		200,000		200,000		200,000
Office of Community Support & Resource Navigation		50,000		50,000		50,000
Structurally balanced budget adjustment		1,529,238		1,529,238		1,529,238
Fund balance in excess of 25%		3,000,000		3,000,000		3,000,000
Additional capacity for long-term sustainability		-		1,940,539		6,731,692
Revised Expenses	\$	122,849,964	\$	124,790,503	\$	129,581,656
Operating Results	\$	(3,000,000)	\$	(3,000,000)	\$	(3,000,000)

*NNR = No-New-Revenue Rate

General Fund Forecast Assumptions



Assumptions used for FY 2027 – FY 2029

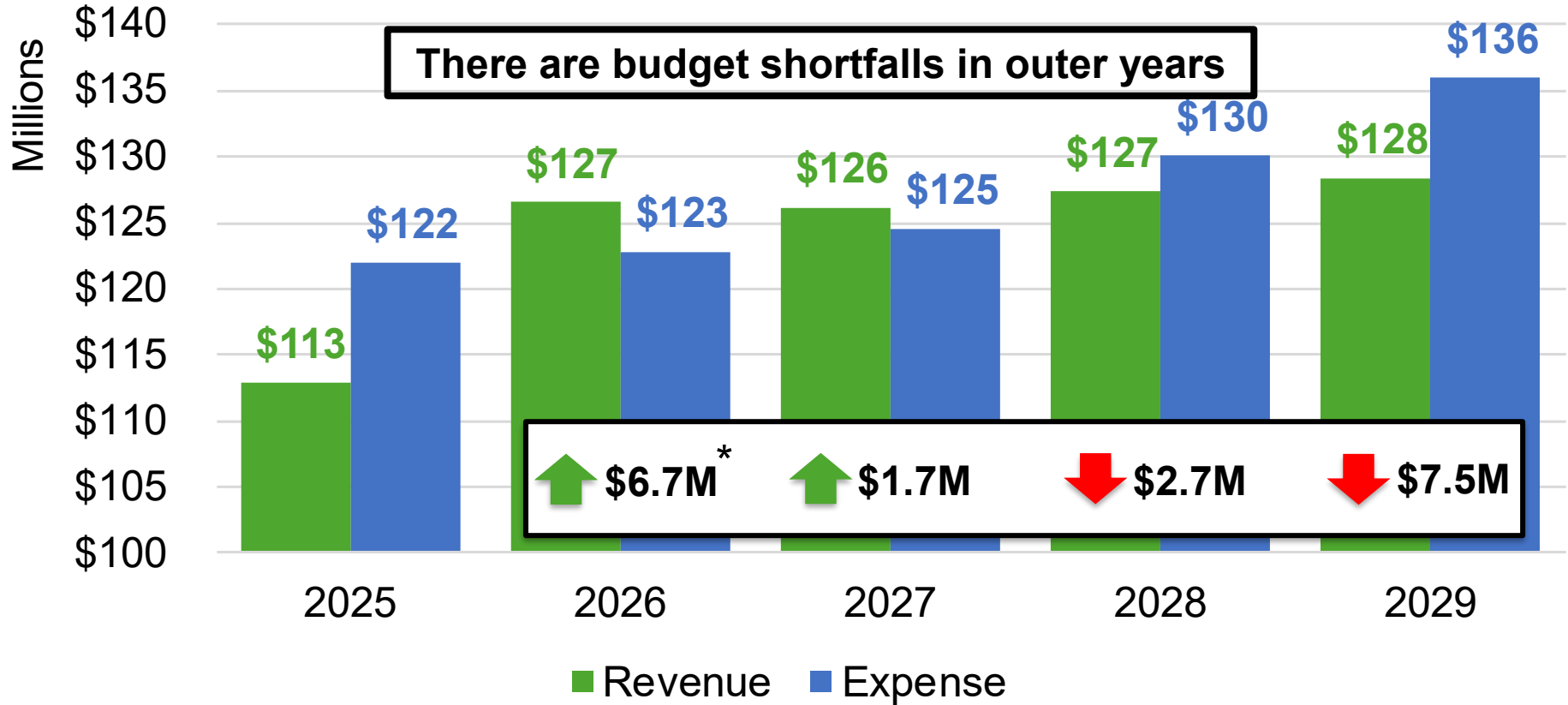
Revenues

- Annual property tax valuation change – 0%
- Average sales tax growth – 1.8%

Expenses

- Annual personnel – 3-5% (contractual increases for Meet & Confer)
- No new positions
- Annual operations – 3% for inflation
- No operational budget for paying for a new City Hall
- Expiring Federal funding: \$1.1M (FY27 \$928K, FY28 \$201K)
- Engine #7 staffing – \$2.2M (1/3 over FY27-FY29)
- Citywide software allocation – \$1.0M (1/4 over FY27-FY30)

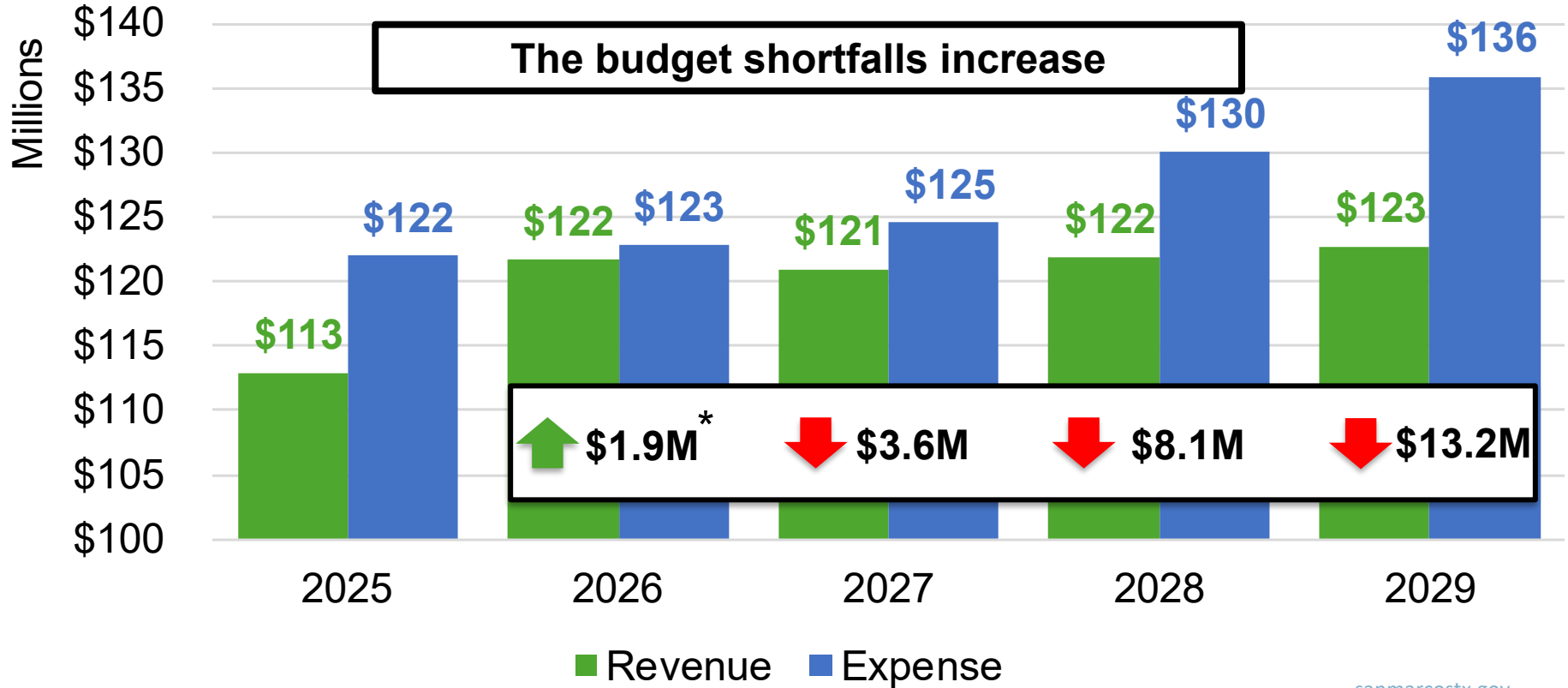
Voter-Approval Tax Rate 70.47¢



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*Adjusted for \$3M planned use of fund balance in excess of 25%

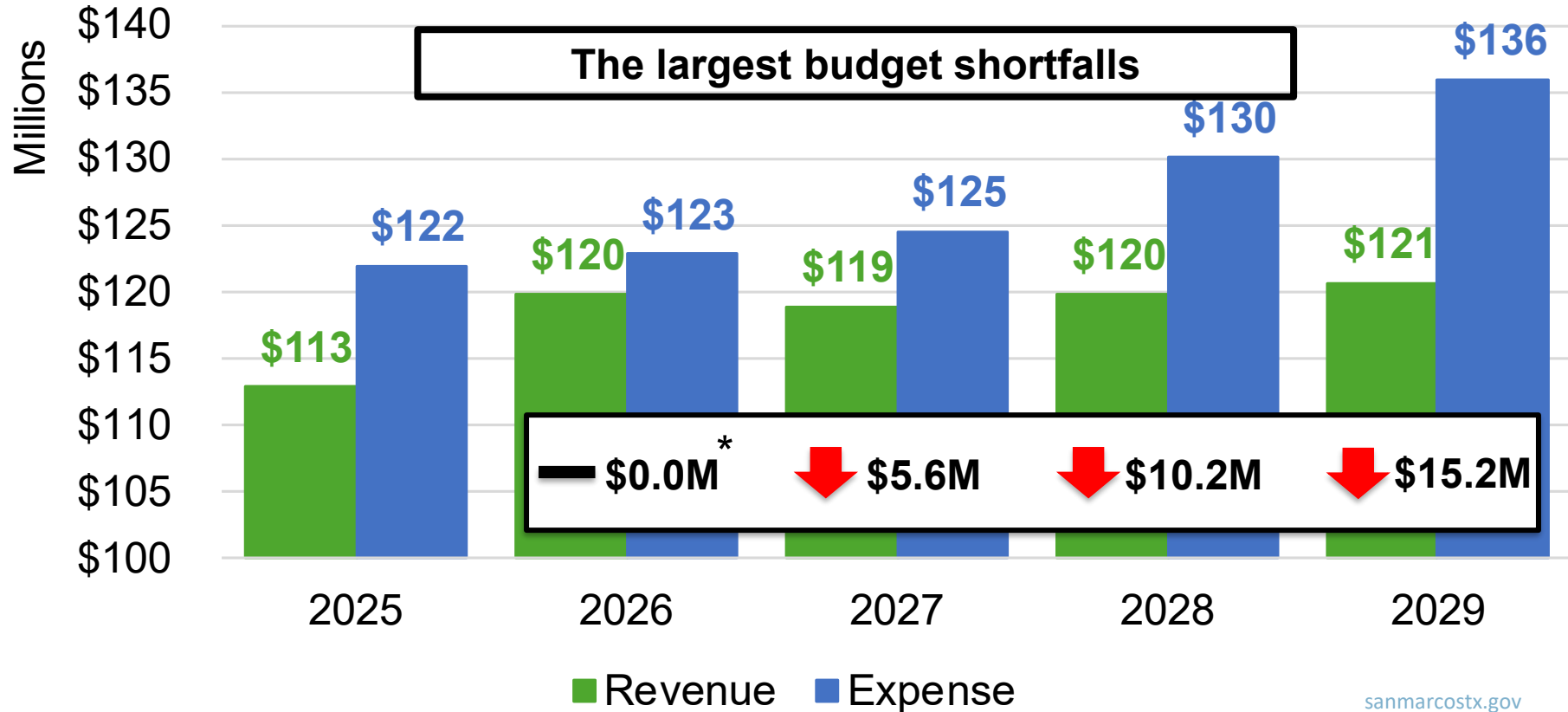
Long-Term Focused Tax Rate 64.96¢



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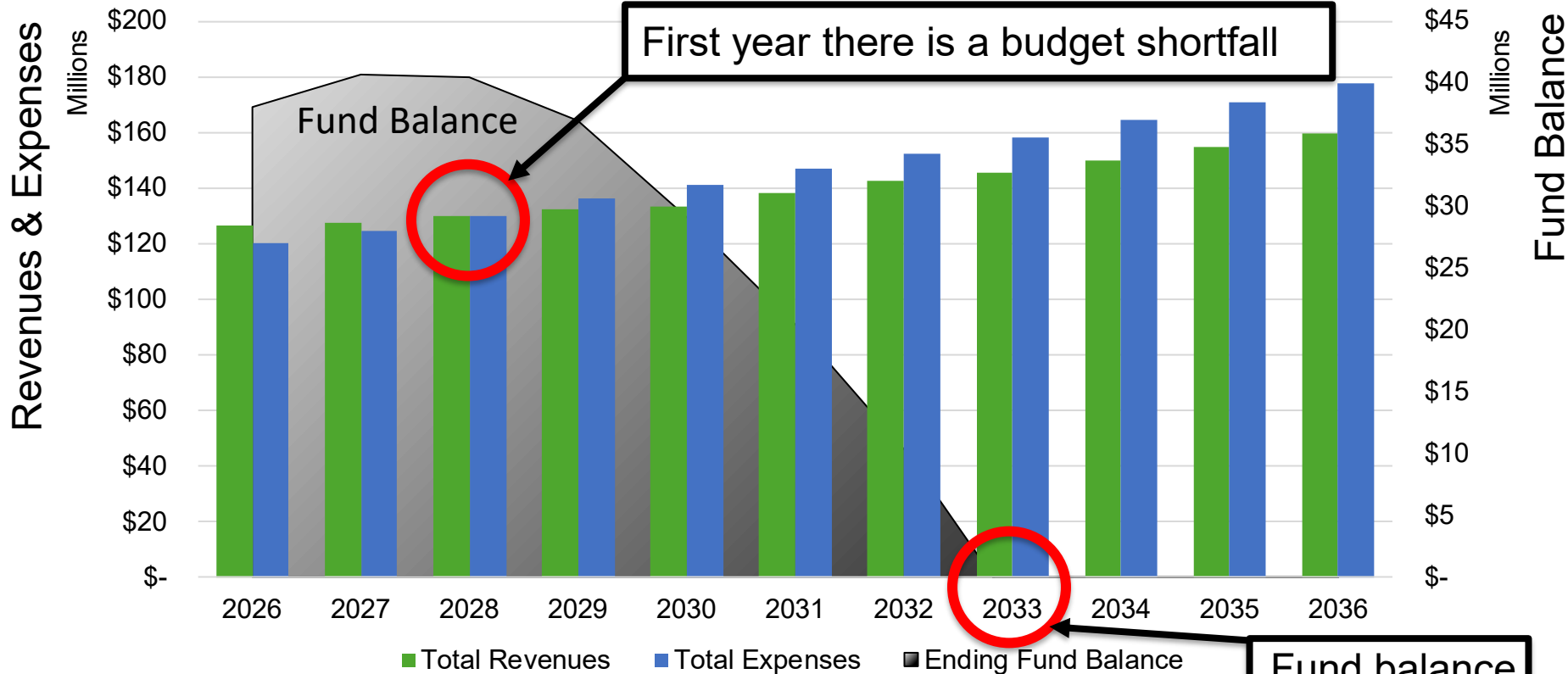
*Adjusted for \$3M planned use of fund balance in excess of 25%

No-New-Revenue Tax Rate 62.78¢



*Adjusted for \$3M planned use of fund balance in excess of 25%

Voter-Approval Tax Rate 70.47¢



**Same assumptions except net taxable value grows at 2.5%

Tax Rate Summary



Description	No-New-Revenue Rate 62.78¢	Long-Term Focused Rate 64.96¢	Voter-Approval Rate 70.47¢
Structurally balanced budget	✓	✓	✓
HSAB increased by \$200K	✓	✓	✓
Office of Community Support & Resource Navigation	✓	✓	✓
FY 2026 Equipment replacement cash funded	✓	✓	✓
Department Supplemental Requests	\$100K	\$100K	\$100K
FY 2026 Shortfall	\$0	\$0	\$0
FY 2026 Available to address current & future needs	\$0	\$1.9M	\$6.7M
FY 2027 Forecasted results (positive/negative)	\$5.6M	\$3.6M	\$1.7M

General Fund Current & Future Needs



- Expiring Federal funding = \$1.1M annually
 - Fire Engine #7 staffing = \$2.2M annually
 - Citywide software allocation = \$1.0M
- Included in the forecasts
- Utility funds pay disproportionate share impacting utility rates
 - Police and Fire staffing plans as studies are completed = estimated at \$422K - \$764K annually*
 - Additional funding for emergency medical services = \$1.5M annually
 - Without an increase in revenue, expenses will need to be significantly cut in FY27, which could result in eliminating or impacting programs and service levels

How the City is Responding



To help reduce expenses:

- 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 the long-term focused rate (64.96¢) or higher will better position the City to address current and future needs.
- This may be the final year the City has this level of flexibility to adjust the tax rate.
- Without an increase in revenue, expenses will need to be cut significantly in FY27, which could result in eliminating or impacting programs and service levels.

General Fund Decision Points



- What Tax Rate?

Description	No-New-Revenue Rate 62.78¢	Long-Term Focused Rate 64.96¢	Voter-Approval Rate 70.47¢
Structurally balanced budget	✓	✓	✓
HSAB increased by \$200K	✓	✓	✓
Office of Community Support & Resource Navigation	✓	✓	✓
FY 2026 Equipment replacement cash funded	✓	✓	✓
Department Supplemental Requests	\$100K	\$100K	\$100K
FY 2026 Shortfall	\$0	\$0	\$0
FY 2026 Available to address current & future needs	\$0	\$1.9M	\$6.7M
FY 2027 Forecasted results (positive/negative)	\$5.6M	\$3.6M	\$1.7M

- Do you agree with staff recommendations as presented?
- Other direction for staff



other

MAJOR OPERATING FUNDS

Internal Service &

Special Revenue Funds



Information Technology (IT) Internal Service Fund

IT/GIS Internal Service Fund



INFORMATION TECHNOLOGY INTERNAL SERVICE FUND

FY 2026
PROPOSED

Beginning Fund Balance		\$	-
Revenues		\$	7,695,466
General Fund Transfer			4,739,358
Special Revenue Funds Transfer			271,934
Stormwater Fund Transfer			12,256
Electric Fund Transfer			1,443,757
Water-Wastewater Fund Transfer			1,141,758
Resource Recovery Fund Transfer			54,141
Transit Fund Transfer			1,917
Airport Transfer			30,345
Expenses		\$	7,546,297
Personnel			3,827,754
Operating			754,483
City-Wide Software & Equipment			2,964,060
Ending Fund Balance		\$	149,169

Fund balance is planned for future equipment & infrastructure purchases

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Hotel Tax Fund

Hotel Tax Fund



SPECIAL REVENUE FUND - HOTEL OCCUPANCY TAX		FY 2024 ACTUALS	FY 2025 BUDGET	FY 2025 ESTIMATE	FY 2026 PROPOSED
Beginning Fund Balance	\$	3,968,022	\$ 4,792,445	\$ 4,792,445	\$ 4,189,115
Revenues	\$	5,663,592	\$ 4,387,678	\$ 4,493,156	\$ 4,759,207
Hotel & Venue Tax		5,134,551	4,072,063	4,242,000	4,443,786
General Fund Transfer		210,973	206,156	206,156	200,421
Other Revenue		318,068	109,459	45,000	115,000
Expenses	\$	4,839,169	\$ 6,212,459	\$ 5,096,486	\$ 5,634,207
Personnel		1,149,102	1,290,847	1,235,393	1,497,063
Operating		3,690,067	3,446,916	3,094,397	3,262,144
One-time		-	1,474,696	766,696	875,000
Ending Fund Balance	\$	4,792,445	\$ 2,967,664	\$ 4,189,115	\$ 3,314,115
Fund balance as a percent					70%
Fund Balance Reserve Requirement for 25%					\$ 1,189,802



Community Enhancement Fund

Community Enhancement Fund



SPECIAL REVENUE FUND - COMMUNITY ENHANCEMENT		FY 2024 ACTUALS		FY 2025 BUDGET		FY 2025 ESTIMATE		FY 2026 PROPOSED
Beginning Fund Balance		\$	660,183	\$	819,864	\$	819,864	\$ 754,346
Revenues		\$	1,125,055	\$	1,088,514	\$	1,209,535	\$ 1,304,696
Community Enhancement Services			1,112,694		1,088,514		1,196,511	1,291,696
Donations			12,361		-		13,024	13,000
Expenses		\$	965,374	\$	1,069,182	\$	1,275,053	\$ 1,002,323
Personnel			464,110		393,637		383,289	316,121
Operating			501,264		675,545		691,764	686,202
One-time			-		-		200,000	-
Ending Fund Balance		\$	819,864	\$	839,196	\$	754,346	\$ 1,056,719
Fund balance as a percent								105%
Fund Balance Reserve Requirement for 25%								\$ 250,581

Special Revenue Funds Decision Point



- Other direction for staff



other

MAJOR OPERATING FUNDS

Enterprise



Electric Utility Fund

Electric Utility Fund



UTILITIES FUND - ELECTRIC	FY 2024 ACTUALS	FY 2025 BUDGET	FY 2025 ESTIMATE	FY 2026 PROPOSED
Beginning Fund Balance	\$ 17,316,538	\$ 31,457,145	\$ 31,457,145	\$ 32,963,378
Revenues	\$ 83,251,789	\$ 81,309,572	\$ 81,309,572	\$ 85,103,463
Electric Utility Bills	67,987,763	75,813,519	75,813,519	74,708,991
Other Revenue	15,264,026	5,496,053	5,496,053	10,394,472
Expenses	\$ 69,111,182	\$ 79,768,752	\$ 79,803,339	\$ 84,430,378
Personnel	7,753,221	9,318,838	8,603,703	9,890,923
Operating	54,356,160	62,359,853	62,316,326	66,121,739
Debt Service	6,946,110	7,456,749	7,456,749	7,782,936
One-time	55,691	633,312	1,426,561	634,780
Ending Fund Balance	\$ 31,457,145	\$ 32,997,965	\$ 32,963,378	\$ 33,636,463

Days of Cash on Hand 145
sanmarcostx.gov
Fund Balance Reserve Requirement for 150 Days \$34,914,833

CUAB Recommendations



- Electric – 4.4% Effective Rate increase
- Proposed FY26 Debt Service Coverage is at 1.22, above the legal minimum required of 1.20

Electric Utility Rating Reports



- September 2022:
Downgrade from A- to
BBB+
- September 2023:
Affirmed BBB+ rating

Credit Rating Scales by Agency, Long-Term

Moody's	S&P	Fitch	
Aaa	AAA	AAA	Prime
Aa1	AA+	AA+	High grade
Aa2	AA	AA	
Aa3	AA-	AA-	
A1	A+	A+	Upper medium grade
A2	A	A	
A3	A-	A-	
Baa1	BBB+	BBB+	Lower medium grade
Baa2	BBB	BBB	
Baa3	BBB-	BBB-	
Ba1	BB+	BB+	Non-investment grade speculative
Ba2	BB	BB	
Ba3	BB-	BB-	
B1	B+	B+	Highly speculative
B2	B	B	
B3	B-	B-	
Caa1	CCC+	CCC	Substantial risk
Caa2	CCC		Extremely speculative
Caa3	CCC-		Default imminent with little prospect for recovery
Ca	CC	CC	
	C	C	
C	D	D	In default
/			
/			

"Junk"

Rate Comparison – Residential Electric



Utility	500 kWh	1,000 kWh	1,500 kWh
College Station	\$ 75.35	\$ 143.70	\$ 212.05
Pedernales Electric Cooperative	81.68	130.86	180.03
New Braunfels	74.58	129.16	183.74
CPS	65.35	124.77	184.20
Bluebonnet	70.49	118.48	166.47
Seguin	62.79	110.07	157.36
Average	70.50	124.86	180.59
San Marcos Current	66.32	120.03	173.74
San Marcos Proposed	70.42	126.52	182.63

Rate Comparison – Commercial Electric



Utility	500 kWh	1,000 kWh	2,500 kWh
College Station	\$ 86.95	\$ 164.90	\$ 346.70
Pedernales Electric Cooperative	81.68	130.86	180.03
Bluebonnet	80.08	130.15	280.38
New Braunfels	74.58	129.16	183.74
CPS	65.17	126.60	300.80
Seguin	79.27	123.54	256.35
Average	77.57	127.69	267.29
San Marcos Current	68.66	122.56	284.24
San Marcos Proposed	73.08	129.39	298.33

Electric Utility Rate History



	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26 PROPOSED
<u>Electric - Residential</u>	0.0%	0.0%	0.0%	0.0%	0.0%	3.4%	0.0%	1.7%	5.5%	4.4%
Minimum Charge	9.29	9.29	9.29	9.29	9.29	10.25	10.25	10.76	12.61	14.12
Cost per kWh	0.02080	0.02080	0.02080	0.02080	0.02080	0.02885	0.02885	0.03029	0.03550	0.03976
<u>Electric - Small General</u>	0.0%	0.0%	0.0%	0.0%	0.0%	3.4%	0.0%	1.7%	5.5%	4.4%
Minimum Charge	10.92	10.92	10.92	10.92	10.92	12.00	12.00	12.60	14.77	16.54
Cost per kWh	0.0208	0.02080	0.02080	0.02080	0.02080	0.02915	0.02915	0.03061	0.03587	0.04017
<u>Electric - Medium General</u>	0.0%	0.0%	0.0%	0.0%	0.0%	3.4%	0.0%	1.7%	5.5%	4.4%
Minimum Charge	49.14	49.14	49.14	49.14	49.14	50.00	50.00	52.50	61.53	68.91
Cost per kWh	0.0102	0.01020	0.01020	0.01020	0.01020	0.0114	0.0114	0.01197	0.01403	0.01571
Cost per kW (Demand Threshold >50kW)	3.61	3.61	3.61	3.61	3.61	5.50	5.50	5.78	6.77	7.58

All electric rate adjustments shown as effective rate increases.

Electric Utility Council Direction



- **Late Penalty Revenue**

- Late Penalty Fee Revenue – not a source of revenue in rate model
- Electric Rate – estimated effective 0.6% increase to offset budgeted revenue loss
- Estimated Budgeted Revenue Loss – \$690K

Electric Utility Major Increases



Public Safety, Core Services & Fiscal Excellence

Cost Drivers – *Personnel & Other Costs*

- 3% Increase in personnel costs = \$280K
- New Electrical Engineering Design Supervisor = \$167K

Cost Drivers – *Operational*

- Customer Software for Utility Billing = \$235K
- Professional Services = \$350K

Cost Drivers – *Debt Service*

- FY 2026 CIP Debt Service payment increase = \$326K

Electric Fund Decision Points



- Electric services rate adjustment
 - A 4.4% effective rate adjustment
- Other direction for staff



Water-Wastewater Utility Fund

Water-Wastewater Utility Fund



UTILITIES FUND - W/WW	FY 2024 ACTUALS	FY 2025 BUDGET	FY 2025 ESTIMATE	FY 2026 PROPOSED
Beginning Fund Balance	\$ 28,271,950	\$ 30,664,686	\$ 30,664,686	\$ 32,942,474
Revenues	\$ 62,942,588	\$ 69,422,652	\$ 69,422,652	\$ 77,004,022
Water & Wastewater Utility Bills	60,589,982	68,093,703	68,093,703	67,213,167
Other Revenue	2,352,606	1,328,949	1,328,949	9,790,855
Expenses	\$ 60,549,852	\$ 67,426,341	\$ 67,144,864	\$ 76,066,884
Personnel	7,252,681	8,579,954	7,798,798	8,729,973
Operating	29,001,701	35,470,502	34,455,778	38,996,869
Debt Service	20,786,700	22,463,141	22,463,141	27,379,890
One-time	3,508,770	912,744	2,427,147	960,152
Ending Fund Balance	\$ 30,664,686	\$ 32,660,997	\$ 32,942,474	\$ 33,879,612

Days of Cash on Hand 162
sanmarcostx.gov
Fund Balance Reserve Requirement for 150 Days \$31,294,472

CUAB Recommendations



- Water-Wastewater – 10.4% Effective Rate increase
 - Water – 10.8%
 - Wastewater – 9.7%
- Proposed FY26 Debt Service Coverage is at 1.20, meeting the legal minimum required of 1.20

Water-Wastewater Utility Rating Reports



- July 2023:

Upgraded from AA-
to AA



- April 2025:

Affirmed AA rating

Credit Rating Scales by Agency, Long-Term

Moody's	S&P	Fitch	
Aaa	AAA	AAA	Prime
Aa1	AA+	AA+	
Aa2	AA	AA	High grade
Aa3	AA-	AA-	
A1	A+	A+	Upper medium grade
A2	A	A	
A3	A-	A-	
Baa1	BBB+	BBB+	Lower medium grade
Baa2	BBB	BBB	
Baa3	BBB-	BBB-	
Ba1	BB+	BB+	Non-investment grade speculative
Ba2	BB	BB	
Ba3	BB-	BB-	
B1	B+	B+	Highly speculative
B2	B	B	
B3	B-	B-	
Caa1	CCC+	CCC	Substantial risk
Caa2	CCC		Extremely speculative
Caa3	CCC-		Default imminent with little prospect for recovery
Ca	CC	CC	
	C	C	
C			
/	D	D	In default
/			

"Junk"



Rate Comparison – Residential 5,000 Gallons



Utility	Water	Sewer	Total
Crystal Clear SUD	\$ 112.82	\$ 64.65	\$ 177.47
Pflugerville	\$ 88.25	\$ 85.50	\$ 173.75
Kyle (Prelim.)	\$ 87.66	\$ 45.93	\$ 133.59
San Marcos Proposed	\$ 60.57	\$ 67.11	\$ 127.67
Hutto	\$ 52.88	\$ 68.96	\$ 121.84
Average	\$ 59.25	\$ 61.52	\$ 120.77
Buda	\$ 49.58	\$ 67.88	\$ 117.46
Seguin (Prelim.)	\$ 54.86	\$ 60.78	\$ 115.64
New Braunfels	\$ 36.14	\$ 78.74	\$ 114.88
San Marcos Current	\$ 54.32	\$ 57.29	\$ 111.61
Georgetown	\$ 43.25	\$ 54.35	\$ 97.60
Austin	\$ 36.03	\$ 57.40	\$ 93.43
Round Rock	\$ 31.06	\$ 30.96	\$ 62.02

Rate Comparison – Commercial 10,000 Gallons



Utility	Water	Sewer	Total
Kyle (Prelim.)	\$ 203.09	\$ 111.43	\$ 314.52
Pflugerville	\$ 153.55	\$ 116.00	\$ 269.55
Seguin (Prelim.)	\$ 132.75	\$ 133.50	\$ 266.25
Crystal Clear SUD	\$ 166.98	\$ 81.55	\$ 248.53
San Marcos Proposed	\$ 126.97	\$ 112.10	\$ 239.07
Hutto	\$ 121.20	\$ 110.11	\$ 231.31
Austin	\$ 91.43	\$ 128.20	\$ 219.63
Average	\$ 119.31	\$ 100.04	\$ 219.35
New Braunfels	\$ 89.02	\$ 130.23	\$ 219.25
San Marcos Current	\$ 115.01	\$ 101.54	\$ 216.55
Buda	\$ 109.31	\$ 93.53	\$ 202.84
Georgetown	\$ 71.30	\$ 48.85	\$ 120.15
Round Rock	\$ 54.45	\$ 47.01	\$ 101.46

Water-Wastewater Utility Rate History



	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26 PROPOSED
<u>Water - 5/8" to 3/4" Water Meter</u>	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	0.0%	5.0%	5.0%	10.8%
Minimum Charge	21.01	22.06	23.16	24.32	25.54	26.82	26.82	28.16	29.57	32.76
0 to 6,000	3.52	3.70	3.88	4.07	4.28	4.49	4.49	4.71	4.95	5.48
6,001 to 9,000	6.16	6.47	6.79	7.13	7.49	7.86	7.86	8.25	8.67	9.61
9,001 to 12,000	7.05	7.40	7.77	8.16	8.57	9.00	9.00	9.45	9.92	10.99
12,001 to 20,000	7.93	8.33	8.74	9.18	9.64	10.12	10.12	10.63	11.16	12.37
20,001 to 50,000	8.80	9.24	9.70	10.19	10.70	11.24	11.24	11.80	12.39	13.73
Over 50,000	10.56	11.09	11.64	12.22	12.84	13.48	13.48	14.15	14.86	16.46
<u>Wastewater - 5/8" to 3/4" Water Met</u>	2.0%	2.0%	2.0%	3.0%	3.0%	3.0%	0.0%	5.0%	5.0%	9.7%
Minimum (up to 2,000)	24.52	25.01	25.51	26.28	27.07	27.88	27.88	29.27	30.74	33.72
over 2,000	7.07	7.21	7.36	7.58	7.81	8.03	8.03	8.43	8.85	9.71

W/WW Utility Council Direction



- **Late Penalty Revenue**
 - Late Penalty Fee Revenue – not a source of revenue in rate model
 - Water/Wastewater Rate – estimated 0.9% increase to offset budgeted revenue loss
 - Estimated Budgeted Revenue Loss – \$675K

Water-Wastewater Utility Major Increases



Public Safety, Core Services & Fiscal Excellence

Cost Drivers – *Personnel*

- 3% Increase in personnel costs = \$257K
- New Water Distribution Supervisor = \$164K

Cost Drivers – *Operating*

- Alliance Regional Water Authority contract = \$250K
- Surface Water Treatment Plant contract = \$242K
- Wastewater Treatment Plant contract = \$700K

Cost Drivers – *Debt Service*

- FY 2026 CIP Debt Service payment increase = \$4.9K

Water-Wastewater Fund Decision Points



- Water-Wastewater services rate adjustment
 - A 10.4% effective rate adjustment
 - 10.8% rate adjustment for water
 - 9.7% rate adjustment for wastewater
- Other direction for staff



Stormwater Utility Fund

Stormwater Utility Fund



STORMWATER FUND		FY 2024 ACTUALS		FY 2025 BUDGET		FY 2025 ESTIMATE		FY 2026 PROPOSED
Beginning Fund Balance		\$	2,492,224	\$	3,029,806	\$	3,029,806	\$ 3,091,626
Revenues		\$	9,788,329	\$	10,039,433	\$	9,900,000	\$ 9,997,840
Stormwater Utility Fees			9,251,772		9,939,433		9,750,000	9,957,840
Other Revenue			536,557		100,000		150,000	40,000
Expenses		\$	9,175,378	\$	10,039,433	\$	9,838,180	\$ 10,347,840
Personnel			1,676,285		1,883,752		1,797,212	1,980,680
Operating			2,970,083		3,326,859		3,354,432	3,242,273
Debt Service			4,529,010		4,335,761		4,335,761	4,634,290
One-time			-		493,061		350,775	490,597
Ending Fund Balance		\$	3,029,806	\$	3,029,806	\$	3,091,626	\$ 2,741,626
Days of Cash on Hand								100
Fund Balance Reserve Requirement for 90 Days								\$ 2,464,311
								sanmarcostx.gov



Resource Recovery Fund

Resource Recovery Fund



RESOURCE RECOVERY	FY 2024 ACTUALS	FY 2025 BUDGET	FY 2025 ESTIMATE	FY 2026 PROPOSED
Beginning Fund Balance	\$ 2,645,339	\$ 3,179,897	\$ 3,179,897	\$ 3,765,751
Revenues	\$ 7,690,688	\$ 8,225,356	\$ 8,493,702	\$ 8,753,438
Residential Garbage Collection Fee	5,096,406	5,578,821	5,575,952	5,843,765
Recycling Collection Fee	2,113,850	2,341,535	2,606,750	2,704,673
Other Revenue	480,432	305,000	311,000	205,000
Expenses	\$ 7,156,130	\$ 7,902,512	\$ 7,907,848	\$ 8,381,833
Personnel	702,250	752,897	756,432	831,263
Operating	6,453,880	7,149,615	7,151,416	7,550,570
One-time	-	-	-	-
Ending Fund Balance	\$ 3,179,897	\$ 3,502,741	\$ 3,765,751	\$ 4,137,356
Days of Cash on Hand				178
Fund Balance Reserve Requirement for 90 Days				\$ 2,095,458
Excess Balance Available for New Facility				\$ 2,041,898

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Resource Recovery Rate History



	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26 PROPOSED
Resource Recovery										
Single family residential (65 gal trash cart)	23.61 82.0%	24.35 3.1%	25.16 3.3%	26.09 3.7%	26.87 3.0%	27.91 3.9%	28.8 3.2%	29.66 3.0%	30.95 4.3%	31.26 1.0%
- with 96 gal trash cart	26.61 66.6%	27.35 2.8%	28.16 3.0%	29.09 3.3%	29.87 2.7%	30.91 3.5%	33.8 9.3%	34.66 2.5%	35.95 3.7%	36.31 1.0%
Multifamily recycling	6.86 23.8%	7.07 3.1%	7.39 4.5%	7.78 5.3%	8.01 3.0%	8.49 6.0%	8.79 3.5%	9.05 3.0%	10.13 11.9%	10.23 1.0%
Extra 96 gal trash cart	6.11 -23.4%	6.29 2.9%	6.48 3.0%	6.85 5.7%	7.06 3.1%	7.34 4.0%	10.27 39.9%	10.49 2.1%	10.56 0.7%	10.67 1.0%
Extra 96 gal recycling cart/green waste	5.82 26.2%	5.99 2.9%	6.17 3.0%	6.85 11.0%	7.06 3.1%	7.06 0.0%	7.27 3.0%	7.49 3.0%	7.56 1.0%	7.64 1.0%



Utility Bill Comparison with Proposed Rate Changes

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%



Airport Fund

Airport Fund



AIRPORT		FY 2024 ACTUALS		FY 2025 BUDGET		FY 2025 ESTIMATE		FY 2026 PROPOSED	
Beginning Fund Balance		\$	95,178	\$	57,970	\$	57,970	\$	138,027
Revenues		\$	813,518	\$	873,008	\$	953,064	\$	937,305
Operating Revenue			813,518		873,008		953,064		937,305
Expenses		\$	850,726	\$	873,008	\$	873,008	\$	882,503
Contract Services			689,256		691,056		691,056		622,945
Operating			161,470		181,952		181,952		259,558
One-time			-		-		-		-
Ending Fund Balance		\$	57,970	\$	57,970	\$	138,027	\$	192,829



Transit Fund

Transit Fund



TRANSIT		FY 2024 ACTUALS		FY 2025 BUDGET		FY 2025 ESTIMATE		FY 2026 PROPOSED
Beginning Fund Balance	\$	603,836	\$	680,436	\$	680,436	\$	693,947
Revenues	\$	3,191,525	\$	2,868,234	\$	2,863,234	\$	4,722,760
Federal/State Transit Funds		1,702,741		1,169,059		1,328,940		2,981,414
General Fund Transfer		1,062,104		1,199,294		1,039,294		1,177,454
CARES/ARP		367,427		439,881		440,000		503,892
Other		59,253		60,000		55,000		60,000
Expenses	\$	3,114,925	\$	2,825,957	\$	2,849,723	\$	4,872,760
Personnel		363,715		392,203		410,102		411,468
Operating		2,378,756		2,433,754		2,439,621		2,511,292
One-time		372,454		-		-		1,950,000
Ending Fund Balance	\$	680,436	\$	722,713	\$	693,947	\$	543,947
Days of Cash on Hand								67
Fund Balance Reserve Requirement for 60 Days								577,785

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Enterprise Funds Decision Points



- Other direction for staff

Next Steps



- Opportunities for Community Input
 - Neighborhood Commission Presentation – August 20th
 - 2 Budget Public Hearings – September 2nd and 16th
 - 2 Tax Rate Public Hearings – September 2nd and 16th
- Council considers Budget and Tax Rate Adoption – September 16th



Stephanie Reyes
City Manager

Joe Pantalione
Assistant City Manager

Lonzo Anderson
Assistant City Manager

Rodney Gonzales
Assistant City Manager

Jon Locke
Finance Director/CFO

Trisha Patek
Budget Manager

Questions

