



City of San Marcos

Electric Utility Public Hearing

Fiscal Year 2025

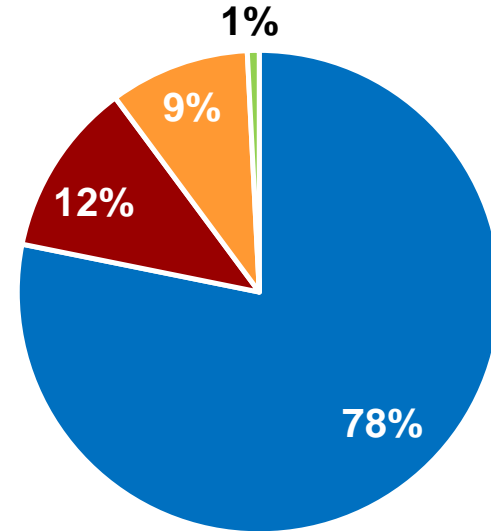
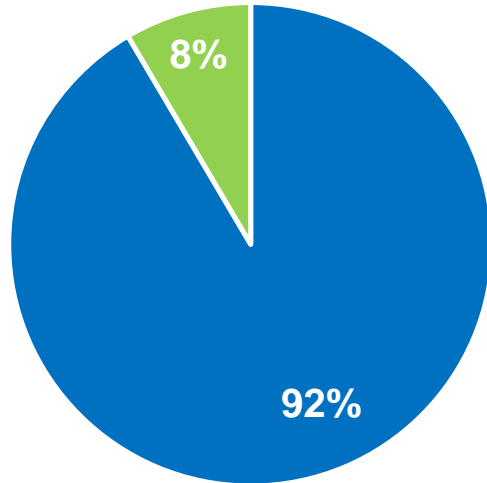
September 3, 2024

Electric Utility Overview



Total Revenues = \$81.3M

Total Expenses = \$79.8M



■ Electric Utility Bills ■ Other Revenue ■ Operating ■ Personnel ■ Debt Service ■ One-time

sanmarcostx.gov

CUAB Recommendation



- Citizen Utility Advisory Board voted to recommend a 5.5% effective rate increase on July 25, 2024

Electric Utility Rating Reports



- September 2022:
Downgrade from A- to BBB+



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"



Cash Reserve & DSC Outlook w/Rate Adjustment



UTILITIES FUND - ELECTRIC	FY 2025 PROPOSED	FY 2026 FORECAST	FY 2027 FORECAST	FY 2028 FORECAST	FY 2029 FORECAST
Beginning Fund Balance	\$ 23,373,700	\$ 24,914,520	\$27,646,861	\$ 30,755,147	\$34,513,514
Revenues	\$ 81,309,572	\$ 84,734,806	\$88,700,072	\$91,608,870	\$94,249,633
Electric Services	74,483,700	77,802,765	81,644,729	84,432,199	86,959,076
Other Revenue	6,825,872	6,932,041	7,055,342	7,176,670	7,290,557
Expenses	\$ 79,768,752	\$ 82,002,465	\$85,591,786	\$ 87,850,503	\$89,997,688
Personnel	9,318,838	9,784,780	10,274,019	10,787,720	11,327,106
Operating	62,997,327	63,953,155	65,453,976	66,812,496	68,015,130
Debt Service	7,452,587	8,264,530	9,863,790	10,250,286	10,655,452
Ending Fund Balance	\$ 24,914,520	\$ 27,646,861	\$30,755,147	\$ 34,513,514	\$38,765,460
Effective Rate (Total Bill % Impact)	5.5%	2.9%	2.7%	1.2%	0.8%
Days of Cash on Hand	113	121	129	141	155
Debt Service Coverage (DSC) Ratio	1.21	1.33	1.32	1.37	1.40
Fund Balance Reserve to Achieve 120 Days	\$ 26,589,584	\$ 27,334,155	\$28,530,595	\$29,283,501	\$29,999,229

* Proposed FY25 Debt Service Coverage is above the legal minimum required of 1.20

Electric Utility Rating Reports



- Five Year Target

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+		
A2	A	A	Upper medium grade	
A3	A-	A-		
Baa1	BBB+	BBB+		
Baa2	BBB	BBB	Lower medium grade	
Baa3	BBB-	BBB-		
Ba1	BB+	BB+	Non-investment grade speculative	"Junk"
Ba2	BB	BB		
Ba3	BB-	BB-		
B1	B+	B+		
B2	B	B	Highly speculative	
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	
/				

Rate Comparison – Residential Electric



Utility	500 kWh	1,000 kWh	1,500 kWh
College Station (Jan. 2024)	\$ 75.10	\$ 143.20	\$ 211.30
New Braunfels Utilities (Aug. 2024)	81.37	142.74	204.11
Austin (Jan. 2024)	76.29	141.66	216.54
CPS (San Antonio, Feb. 2024)	65.45	130.00	196.70
Pedernales Electric Coop. (Oct. 2023)	73.68	124.86	176.04
Bluebonnet Electric Coop. (Mar. 2017)	70.49	118.48	166.47
San Marcos (Proposed)	65.02	117.42	169.83
San Marcos (Current)	60.56	110.36	160.16
Seguin (Oct. 2023)	61.79	109.07	156.36

Rate Comparison – Commercial Electric



Utility	500 kWh	1,000 kWh	1,500 kWh
Austin (Jan. 2024)	\$ 116.37	\$ 197.04	\$ 439.05
College Station (Jan. 2024)	86.70	164.40	345.45
New Braunfels Utilities (Aug. 2024)	90.76	146.06	311.96
Pedernales Electric Coop. (Oct. 2023)	86.17	134.84	280.84
Bluebonnet Electric Coop. (Mar. 2017)	80.08	130.15	280.38
Seguin (Oct. 2023)	79.27	123.54	256.35
CPS (San Antonio, Feb. 2024)	62.44	121.98	269.02
San Marcos (Proposed)	67.36	119.95	277.73
San Marcos (Current)	62.56	112.52	262.41

Electric Utility Rate History



Base Rate Charges & Effective Rate Increases

	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25 PROPOSED
Electric - Residential										
(Avg. Household)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.4%	0.0%	1.7%	5.5%
Minimum Charge	9.29	9.29	9.29	9.29	9.29	9.29	10.25	10.25	10.76	12.61
Cost per kWh	0.02000	0.02080	0.02080	0.02080	0.02080	0.02080	0.02885	0.02885	0.03029	0.03550
Electric - Small General										
(Small Business)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.4%	0.0%	1.7%	5.5%
Minimum Charge	10.92	10.92	10.92	10.92	10.92	10.92	12.00	12.00	12.60	14.77
Cost per kWh	0.02000	0.0208	0.02080	0.02080	0.02080	0.02080	0.02915	0.02915	0.03061	0.03587
Electric - Medium General										
(Chick-Fil-A)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.4%	0.0%	1.7%	5.5%
Minimum Charge	49.14	49.14	49.14	49.14	49.14	49.14	50.00	50.00	52.50	61.53
Cost per kWh	0.01000	0.0102	0.01020	0.01020	0.01020	0.01020	0.0114	0.0114	0.01197	0.01403
>50kW)	3.61	3.61	3.61	3.61	3.61	3.61	5.50	5.50	5.78	6.77

*No rate increases in 7 of the last 9 years

Electric Utility Expense Changes



Public Safety, Core Services & Fiscal Excellence

Cost Drivers – *Personnel*

- 3% increase in personnel costs = \$330K
- (1) Utilities Safety Position = \$153K (\$149K recurring, \$4K one-time)
 - Position is split between Electric and Water-Wastewater Utilities

Cost Drivers – *One-time*

- (4) Large equipment replacements = \$612K (Bucket Truck, Gas Monitors & Test Stand, Warehouse Forklift, and Heavy Duty Lift)

Cost Drivers – *Debt Service*

- New debt service for FY 2024 CIP = \$441K

Electric Services Rate Options



Electric Services			
Debt Service Coverage Ratio	1.20+	1.30	1.40
Effective Rate Increase Needed	5.5%	6.3%	7.6%
Total Monthly Increase to Typical Residential Ratepayer	\$ 6.97	\$ 8.12	\$ 9.41

CUAB and staff recommend a 5.5% effective rate increase to meet the legal minimum 1.20 debt service coverage ratio



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

Thank You