



City of San Marcos

Budget Workshop

Fiscal Year 2026

June 26, 2025

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Agenda



- Budget Process and Community Engagement
- Recruiting and Retaining Top Talent
- General Fund
 - Council priorities
 - Revenues and expenses
 - Forecast
 - Fund balance and fee recommendations
 - Decision points
- Overview of other funds
 - Revenue estimates
 - Cost drivers and new requests
 - Utility late penalties
 - Decision points



Budget Process

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/CIP Submitted to Council & Maximum Tax Rate Set	August 19	✓
Neighborhood Commission Presentation	August 20	
Public Hearings on Budget, Tax Rate & Fee Changes	September 2 & 16	
Budget, Tax Rate & CIP Adoption	September 16	

We are here →

PRELIMINARY
TAX ROLL: ✓
APRIL 30th ✓

CERTIFIED
TAX ROLL:
JULY 25th

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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FY 2026 Budget Process



- Budget is informed by City Council's strategic plan goals
- Consider staffing strategies to support being an Employer of Choice:
 - Continue to evaluate recruitment and retention strategies
 - Continue implementing the Employee Compensation Philosophy (i.e., employee benefits, develop merit and career progression plans)
 - Increase personnel to adequately support core services
- Staff's intention is to submit a budget in August that reflects Council's direction and priorities
 - The June workshop is the last budget workshop before the budget is submitted in August



Community Engagement

- The following sources were used to gather community perspectives
 - Dream Sessions
 - Neighborhood Commission
 - Online community engagement platform
- The feedback received from the community has been shared with departments and was one of the factors in the decision-making process
- Future community engagement opportunities
 - Neighborhood Commission meeting
 - A minimum of four public hearings



Recruiting and Retaining Top Talent

Compensation Philosophy



Background

- Formalizes the City's commitment to attracting, engaging, and rewarding a diverse and multi-generational workforce
- Provides the foundation for the retention and recruitment of employees through a sustainable compensation and classification plan and communicating our workplace culture and core values
- Supports becoming an Employer of Choice

Compensation Philosophy

Adopted Statement



The City of San Marcos is committed to attracting, engaging, and rewarding a diverse and multi-generational workforce. By offering career progression opportunities and a total rewards package including competitive compensation and benefits and a purposeful work life, the City will regularly survey the market to ensure we are an employer of excellence focused on serving our community and accomplishing our core values of Integrity, Teamwork, Professionalism, Customer Experience, and Innovation.

Compensation Philosophy

Informed by Employee Survey Results



Survey Statement	2022	2024
The benefits I receive encourage me to stay with the organization.	64%	80%
I am satisfied with my work-life balance.	54%	67%
The compensation I receive motivates me to perform at higher levels.	33%	60%
I believe there are career advancement opportunities for me.	47%	55%
My salary reflects my responsibilities.	33%	61%
I am satisfied with the professional development opportunities I receive.	55%	71%

Note: Percentages reflect “Agree” and “Strongly Agree” survey responses.

- Next survey will be done in 2026

Comparison/Peer Cities for CoSM



- Peer comparison cities:
 - Consist of both local and regional cities in the CoSM recruitment area and other like-type cities outside the immediate area
 - Were discussed by the Director's team in 2023
 - Were chosen based on:



FY 2026 Peer City Compensation



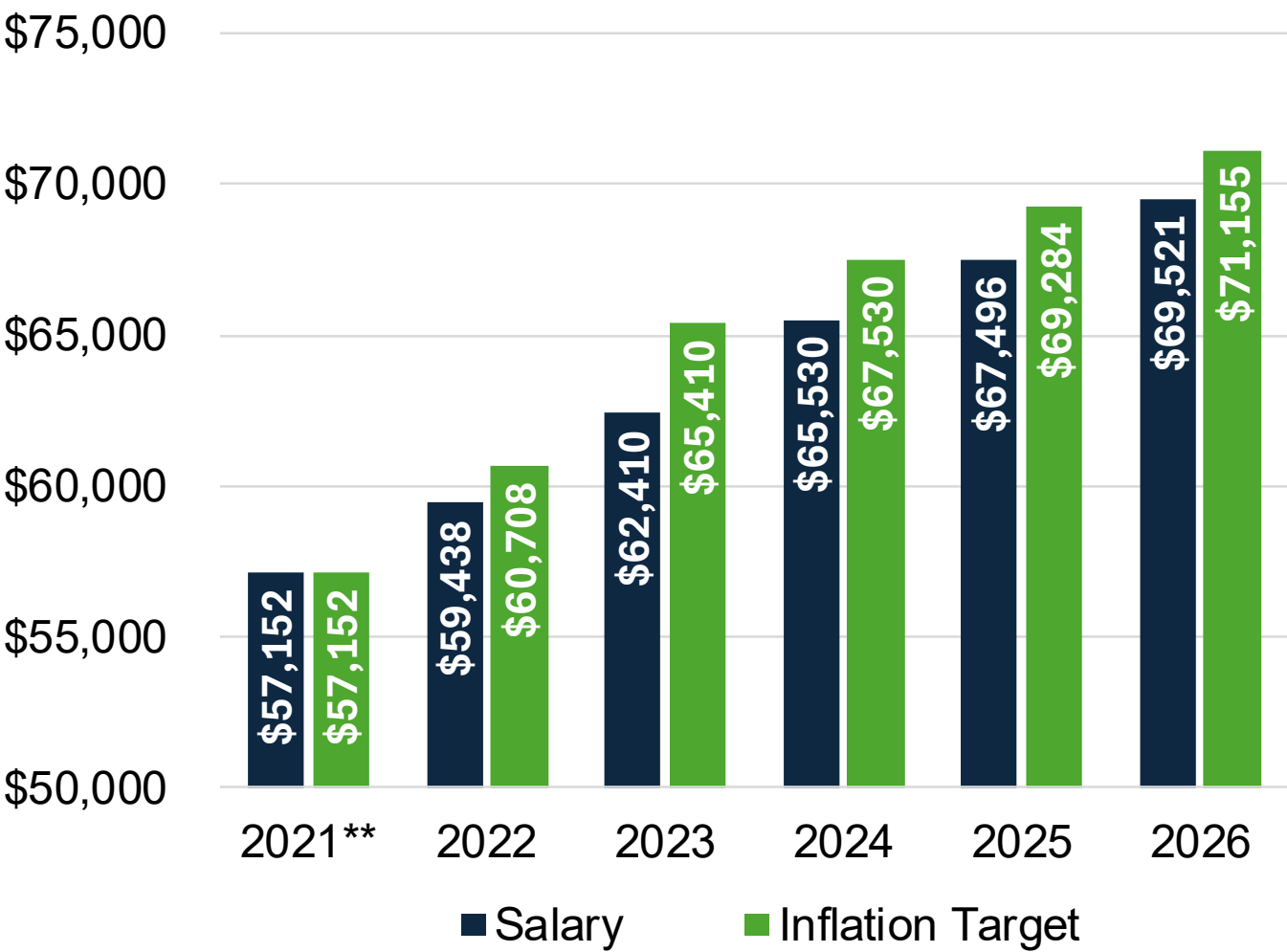
Peer City	Proposed COLA Adjustment	Merit Pay
Austin	3.5 - 4%	No
Bryan	2%	4% average
College Station	3%	2% for top 25%
Garland	No	Likely – to be determined
Georgetown	4%	3 - 4%
Kyle	No, in process of market study	3.5%

The following cities did not respond or did not have any information to share:

- Cedar Park
- Denton
- New Braunfels
- Round Rock
- Sugar Land
- Pflugerville



Impact of Inflation on Salary



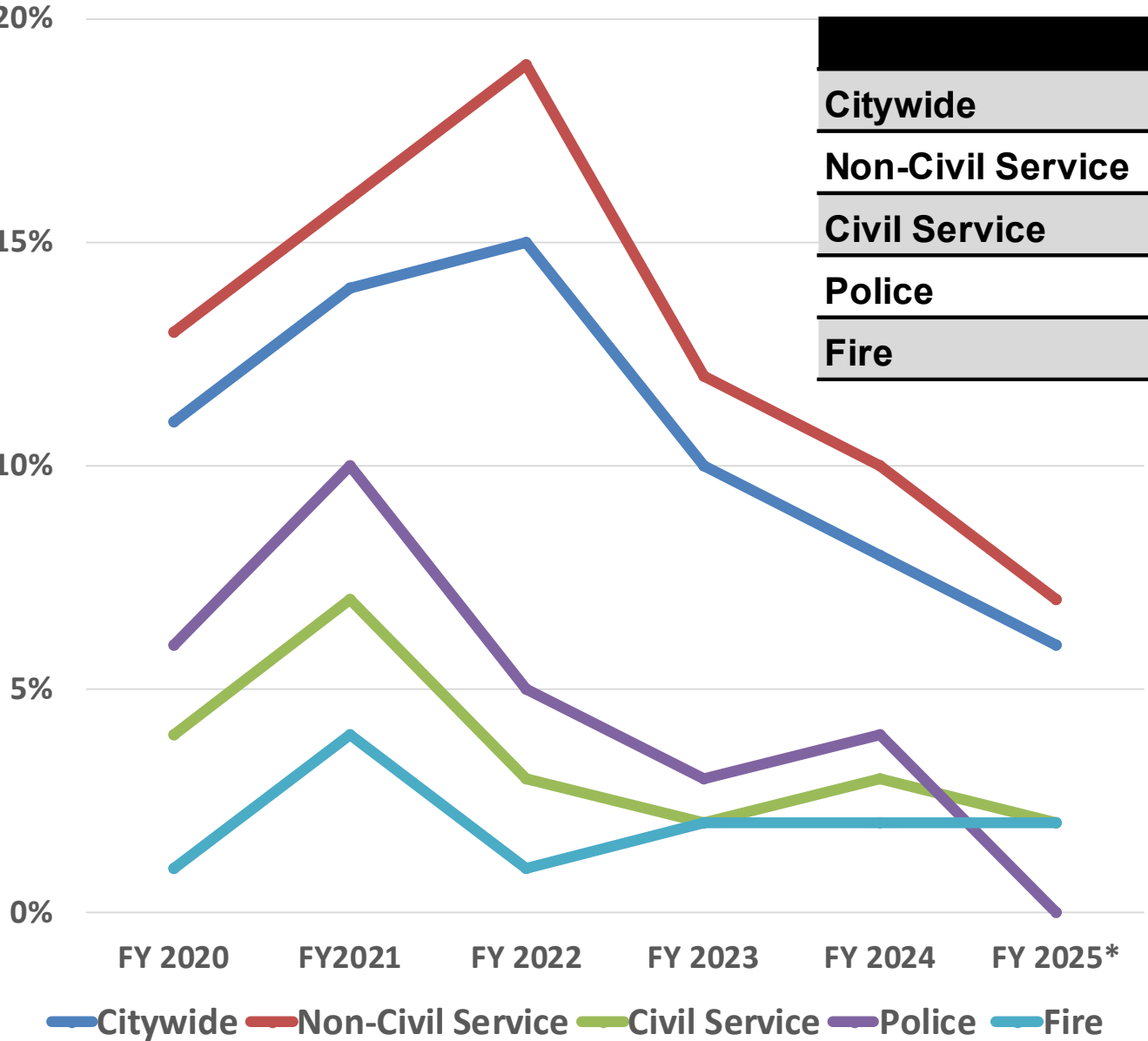
Fiscal Year	COLA	CPI*	Salary	Inflation Target	Over/ (Under)
2021**			\$57,152	\$57,152	\$0
2022	4%	6.2%	\$59,438	\$60,708	(\$1,270)
2023	5%	7.7%	\$62,410	\$65,410	(\$3,000)
2024	5%	3.2%	\$65,530	\$67,530	(\$2,000)
2025	3%	2.6%	\$67,496	\$69,284	(\$1,788)
2026	3%	2.7%	\$69,521	\$71,155	(\$1,634)

- Need to stay competitive to achieve the City’s Employee Compensation Philosophy and not lose ground
- Staying competitive helps the City attract and retain a talented workforce
- Incremental versus large increase approach

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*Bureau of Labor Statistics (CPI-U) – October 2020 Base Year
**2021 Average Salary = \$57,152

Employee Vacancy Rate Excluding Retirements



	FY 2020	FY2021	FY 2022	FY 2023	FY 2024	FY 2025*
Citywide	11%	14%	15%	10%	8%	6%
Non-Civil Service	13%	16%	19%	12%	10%	7%
Civil Service	4%	7%	3%	2%	3%	2%
Police	6%	10%	5%	3%	4%	0%
Fire	1%	4%	1%	2%	2%	2%

Vacancy rate for all employee groups trending down!

*FY 2025 as of June 2025



General Fund



General Fund Essential Points

- Demands are significantly outpacing resources
- The two largest revenues are not keeping up with expenses
 - FY 2026 sales tax revenues are estimated to be less than FY 2023
 - Property tax revenue at the current tax rate (60.30¢) will decrease by \$1.8M
- Decline in property tax revenues is directly tied to the decline in property values
- Without a tax rate increase to at least the estimated structurally balanced tax rate (64.03¢), a budget cut of \$3.1M is required



General Fund Essential Points

- When overall property values decrease a tax rate increase is required to bring in the same amount of revenue
- The No-New-Revenue rate will generate the same amount of property tax revenue on properties taxed in both the current year (FY 2025) and next year (FY 2026)
- The No-New-Revenue rate is required for
 - new programs and services (Office of Community Support & Resources and increase to HSAB)
 - to continue programs (Tenant's Rights) after Federal funding ends, and
 - to best position the City for long-term sustainability



City Council Priorities

What we heard from City Council:

- Tax rate should be between estimated Structurally Balanced Tax Rate (64.03¢) and No-New-Revenue Tax Rate (64.96¢)
- Increase HSAB funding to \$750K
 - FY 2026 minimum increase = \$50K & maximum increase = \$200K
- Office of Community Support & Resources = \$50K
- Tenant's Rights = \$70K
 - Texas RioGrande Legal Aid
 - ARPA funded in FY26, included in forecast for FY27 and beyond



General Fund Responding to Council Direction

Office of Community Support & Resources



- Included in City Council's Strategic Plan under the Community Safety Outcome
- III. Partner with residents and key stakeholders to design and establish an office focusing on underlying factors contributing to crime, such as poverty, lack of education, and limited access to mental health services, through a holistic approach, proactive solutions, community-driven initiatives, and adjusting staffing to support these initiatives effectively

Office of Community Support & Resources



The budgeted amount for FY26 is anticipated to cover:

- Staffing Adjustments
 - Reclassifying two existing positions
 - Analyst role (formerly Grant Specialist)
 - Manager role (formerly Community Resources and Engagement Coordinator)
- Resources & Operational Support
 - Staff technology and professional development to improve service delivery
 - Financial resources for critical needs such as food, childcare, and transportation, reducing barriers for community members engaging or seeking resources
 - Additional tools and resources necessary to support the office's mission

Tenant's Rights



- A Tenant Bill of Rights is being drafted by staff
- There has been community presentations where staff has received feedback
- The contract with Texas RioGrande Legal Aid was increased to add
 - Local in person consultations (monthly meetings at the library)
 - Outreach (targeting different apartment complexes with fliers)
 - Increased access to paralegals and attorneys

Texas Rio Grande Legal Aid (TRLA)

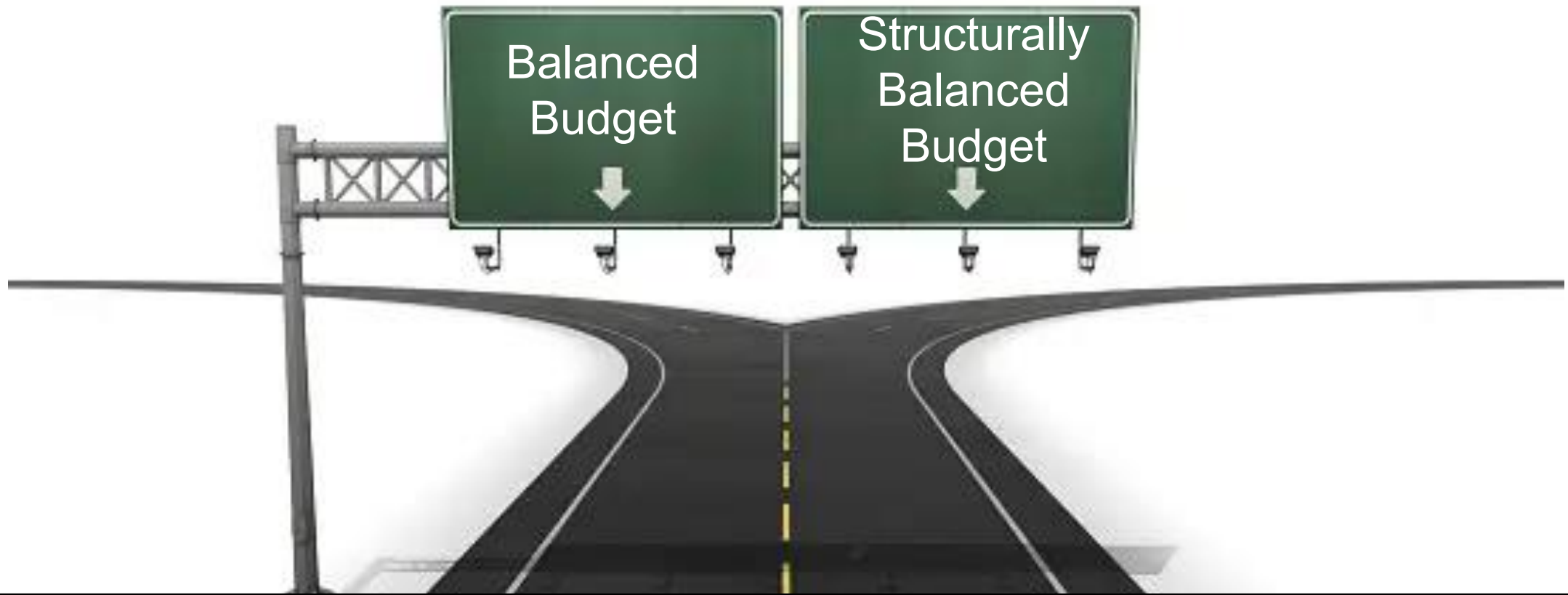


- Helps clients address legal issues that impact housing stability, economic security, and personal safety
- Services include:
 - Assistance with evictions and landlord - tenant disputes
 - Protection from domestic violence
 - Access to public benefits
 - Other civil matters that affect the well-being of vulnerable individuals and families
- Over the past year 230 individuals have been assisted
- Provides both virtual and in-person outreach events
 - Staff member currently travels to the city twice a month to conduct outreach and meet with residents in need of legal help



General Fund Forecast

What's happening in San Marcos?



For the first time, maintaining the current tax rate will result in a structurally unbalanced budget and will require adjustments to be made to either increase revenues or decrease expenses

Tax Rate Scenarios



Estimated Tax Rates	Structurally Balanced Rate 64.03¢	Original No-New- Revenue Rate 64.96¢	Revised No-New- Revenue Rate 64.96¢
Revenues	\$ 116,278,839	\$ 116,278,839	\$ 116,278,839
Passage of House Bill 9	(412,250)	(412,250)	(412,250)
Tax Rate Revenue Change	3,132,759	3,917,905	3,917,905
Revised Revenues	\$ 118,999,348	\$ 119,784,494	\$ 119,784,494
Expenses	\$ 118,949,348	\$ 118,949,348	\$ 118,949,348
HSAB	50,000	200,000	200,000
Office of Community Support & Resources	-	50,000	50,000
Department Supplemental Requests	-	585,146	100,364
Recurring Expenses Covered by One-Time Funding	-	-	-
Additional Cuts Needed	-	-	-
Revised Expenses	\$ 118,999,348	\$ 119,784,494	\$ 119,299,712
Operating Results	\$ -	\$ -	\$ 484,782

Redirected for long-term sustainability

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General Fund Forecast Assumptions

Revenues

- Annual property tax valuation change – 0%
- Annual sales tax growth – 1.7%
- Regional Animal Shelter phased out by FY28
- No changes to fee amounts
 - Fees will be reviewed every 3 years

Expenses

- Annual personnel – 3-5%
- Annual operations – 3% for inflation

General Fund Forecast Assumptions



Expenses, continued

- FY 2027 new expenses - \$2.5 million
 - Engine #7: 1/3 of funding needed, contingent on Staffing for Adequate Fire and Emergency Response (SAFER) grant
 - (3) ARPA positions from loss of federal funding
 - ARPA operating expenses from loss of federal funding
 - Transit contribution from loss of federal funding
 - Legacy software and vehicle lease program
- Equipment replacement
 - Annual debt issuance to replace radios & fire equipment = approx. \$3 million
 - “Revised No-New-Revenue Rate Scenario” uses cash in FY 2026

Compounding
the shortfall in
FY 2027 forward



General Fund Revenues and Expenses

FY 2026 General Fund Revenues



- Sales tax = 34% of revenue
 - Estimating increase of 1.7% over forecasted FY 2025 collections
 - Base increase of 2%
 - Outlets increase of 0%
 - Includes partial year assumption for Buc-ee's coming online May 2026
- Property tax = 31% of revenue
 - At current tax rate of 60.30¢
 - Does not include \$719K from 3 properties purchased by Housing Finance Corporations

FY 2026 General Fund Revenues



- Transfers = 12% of revenue
 - Includes one-time transfer from TRZ #1 – FM 110, \$4.9M
 - Cost allocation plan - support departments (i.e., City Manager, Human Resources, Information Technology, Facilities, etc.) are paid from General Fund and allocated to benefiting funds
- Franchise Fees = 11% of revenue
 - Estimating increase from revenue and population growth

FY 2026 General Fund Revenues



- All other revenue sources = 7% of revenue
 - Interest income largest single source, estimating \$1.7M
 - Charges for services (recreation, library, animal shelter)
 - Fines (traffic and parking)
- Licenses and Permits = 5% of revenue
 - Building permits, solid waste hauler permit fee

FY 2026 General Fund Revenues



- New sales tax contingency plan
 - Staff proposed and City Council approved in Budget Policy to explore policies that protect the City from revenue volatility
 - The FY26 budget includes expanding the sales tax contingency plan to limit the amount of sales tax the City operates on to 98.5% of total sales tax revenues
 - Remaining amount will be available for non-recurring expenses if revenues come in as planned
 - Provides a proactive approach to managing sales tax volatility
 - Volatility has caused the City to freeze department's capital outlay purchases and implement a managed hiring program
 - Allows for more consistency in services and service delivery to the community

FY 2026 General Fund Major Increases



 Public Safety, Core Services & Fiscal Excellence

 Economic Vitality

Cost Drivers – Personnel

- Personnel increase = \$2.6 million
 - Non-Civil: 461 full-time equivalents = \$1.2 million (3%)
 - Civil: 224 full-time equivalents = \$1.4 million (4.5% Fire, 5% Police)
 - Per Meet and Confer Agreements
- New positions included in preliminary FY 2026 Budget = \$170K
 - Municipal Court Bailiffs (1 full-time, 1 part-time) = \$124K
 - Transition Neighborhood Enhancement Code Compliance Officer = \$46K (split 50/50 between General Fund & Hotel Occupancy Tax)

FY 2026 General Fund Major Increases



 Public Safety, Core Services & Fiscal Excellence

 Economic Vitality

Cost Drivers – Personnel

- New positions included in preliminary FY 2026 Budget from reductions in operating expenses = \$104K
 - Public Works Admin Senior = \$66K (includes \$2K one-time, split 2/3 General Fund, 1/3 Stormwater)
 - Economic Development Specialist = \$38K (includes \$2K one-time, split 1/3 General Fund, 1/3 Electric, and 1/3 Water-Wastewater)

FY 2026 General Fund Major Increases



Public Safety, Core Services & Fiscal Excellence

COST DRIVERS – Operating Increases

- Equipment Replacement Plan Debt Service - \$490K
 - Radios and fire engine
 - Shifts property tax revenue from operations to debt
- Software - \$249K
- Vehicle Lease - \$223K
- Liability Insurance - \$113K
- EMS Contribution - \$98K
- Minimum HSAB - \$50K
- Request for proposal open through July for mowing services

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FY 2026 General Fund Supplemental Requests



Not included in the FY26 Preliminary Budget

Description	Count	Amount
Budget Supplemental Requests: Personnel	50	\$5,534,419
Budget Supplemental Requests: Operating	5	\$179,024
Budget Supplemental Requests: Capital	60	\$1,816,805
Grand Total All Requests	115	\$7,530,248
Note: Detailed list of supplemental requests is included in the packet		

FY 2026 Prioritized Supplemental Requests



Prioritized Supplemental Requests	Rank	Amount
New Position – Human Resources: ADA Coordinator - Supports the Strategic Outcome of Bicycle, Sidewalks, and Trail Systems in the Mobility & Connectivity goal; also supports goals identified by the Equity Cabinet. - Support for safe, well-maintained streets and walkways for our growing community ranked high in the budget simulation tool.	1	\$101,887.00
Prior Request - PARD: Senior Programs Specialist (Part Time) & Coordinator Reclass - Parks, Open Spaces & Recreation identified as a top outcome within Quality of Life & Sense of Place. - Desire shared during community meeting to increase senior programs and programming for all ages.	2	\$24,839.00
Prior Request - Communications: Assistant Director (Reclass) Effective Jan 1 - Supports Strong Community Engagement Outcome in the Quality of Life & Sense of Place Strategic Goal. - Workforce Recruitment and Retention was prioritized in about half of the submissions in Prioritize tool.	3	\$36,251.00
Operating - PD: Digital Forensics Storage - Community Safety was ranked among the top outcomes overall in the Prioritize online tool, including the strategy of optimizing technology.	4	\$64,113.00
Operating - IT: Network Cyber Security Solution - Included in Infrastructure Management outcome in the Core Services Strategic Goal. - Infrastructure Management was prioritized in over 200 responses through the Prioritize online tool.	5	\$24,164.00
Prior Request – P&DS: Environmental Inspection Specialist Senior (Reclass) - Related to Environmentally Friendly Growth Outcome in the Environmental Protection Strategic Goal. - Permitting process discussed at Council Visioning session in January.	6	\$21,750.00

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FY 2026 Prioritized Supplemental Requests



Prioritized Supplemental Requests	Rank	Amount
New Position - PW: Facilities Supervisor - Included as part of the Resilient Infrastructure Outcome in the Core Services Strategic Goal. - Would help address facility issues due to aging infrastructure.	7	\$157,336.00
New Position - PARD: Urban Forestry - Contributes to Environmental Stewardship Outcome under the Environmental Protection Strategic Goal. - Also supports Community Safety Outcome by addressing wildfire risk in the community.	8	\$107,730.00
Prior Request - Communications: Full-Time Specialist from Part-Time (Reclass) - Supports Strong Community Engagement Outcome in the Quality of Life: Sense of Place Strategic Goal. - City Council has discussed additional ways to enhance outreach and increase community engagement.	9	\$48,334.00
New Position - HR: Specialist - Supports Workforce Recruitment and Retention under the Core Services Strategic Goal. - Enhances recruitment and onboarding, highlighting the City as an Employer of Choice.	10	\$101,887.00
New Position - PADS: Environmental Inspection Specialist* - Related to Environmentally Friendly Growth Outcome in the Environmental Protection Strategic Goal - Permitting process discussed at Council Visioning session in January.	11	\$120,902.00
New Position - Fire Training Captain - Community Safety was ranked among the top outcomes overall - Was ranked in the top third of all requests in support of enhancing safety and meeting state/insurance requirements	12	\$194,248.00

*Fully requested amount - potential funding from CIP

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Structurally Balanced Tax Rate

Structurally Balanced Tax Rate

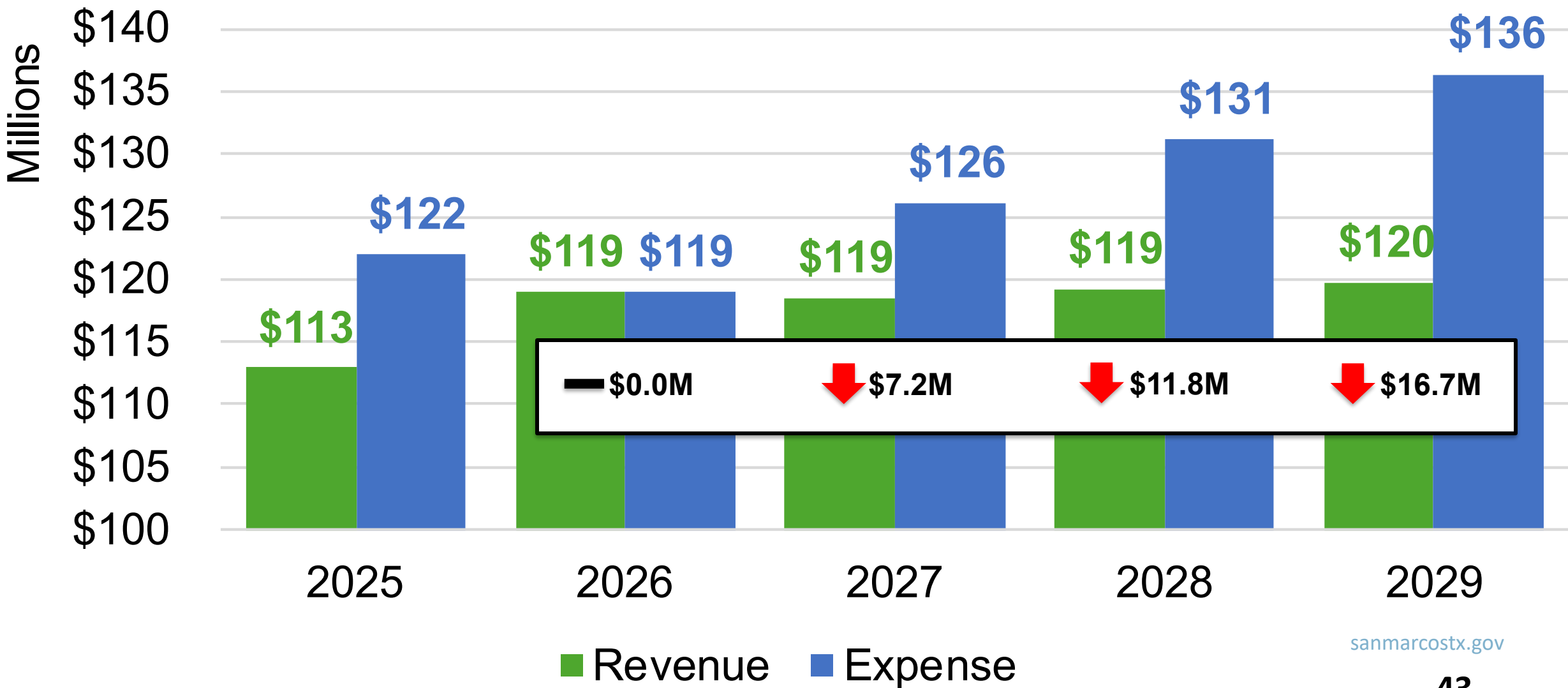


- Tax rate estimate = 64.03¢
 - Additional revenue = \$3.1M
- HSAB increase = \$50K
- Office of Community Support & Resources = Not included
- Use of one-time funding to cover recurring expenses = No
- Department supplemental requests = \$0
- FY26 equipment replacement annual payment = \$490K
- Available capacity = \$0

Structurally Balanced Tax Rate Forecast



Estimated Tax Rate = 64.03¢





Original No-New-Revenue Tax Rate



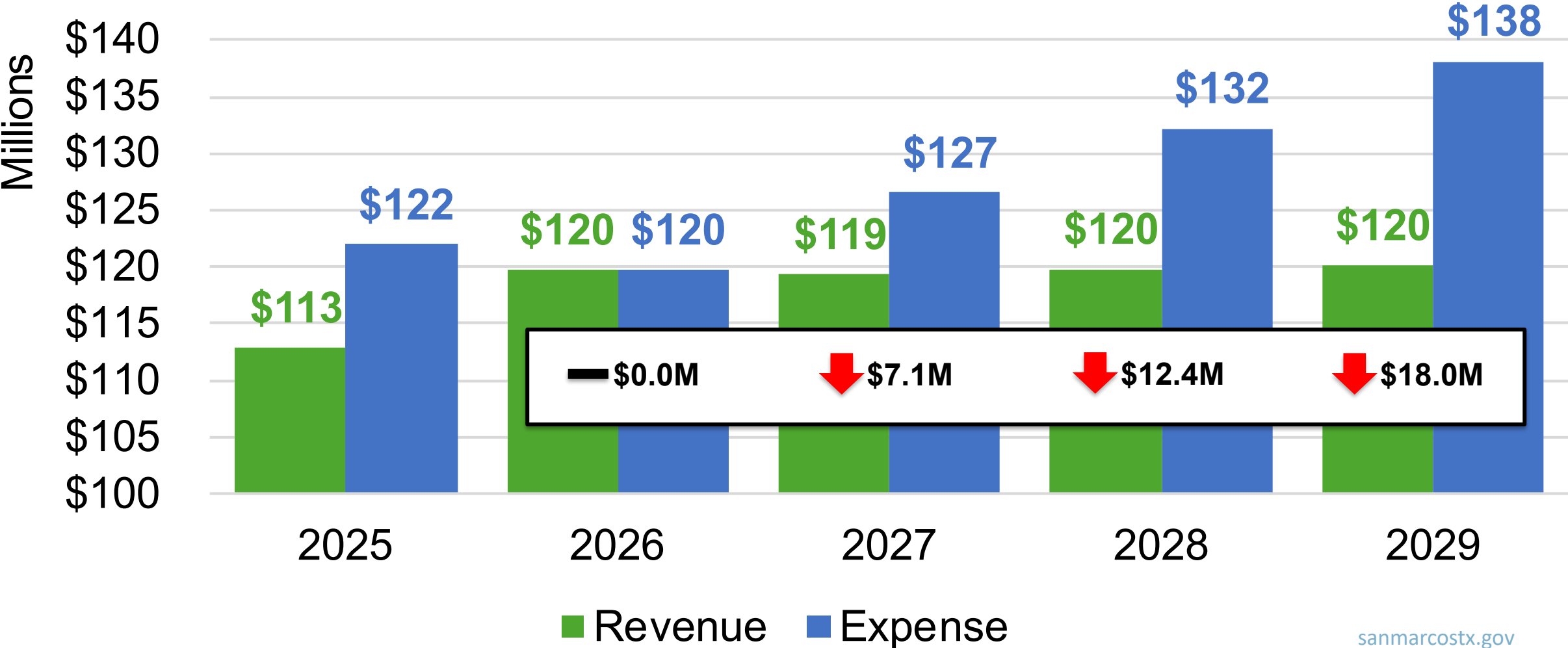
Original No-New-Revenue Tax Rate

- Tax rate estimate = 64.96¢
 - Additional revenue = \$3.9M
- HSAB increase = \$200K
- Office of Community Support & Resources = \$50K
- Use of one-time funding to cover recurring expenses = No
- Department supplemental requests = \$585K
- FY26 equipment replacement annual payment = \$490K
- Available capacity = \$0

Original No-New-Revenue Tax Rate Forecast



Estimated Tax Rate = 64.96¢





Revised No-New-Revenue Tax Rate



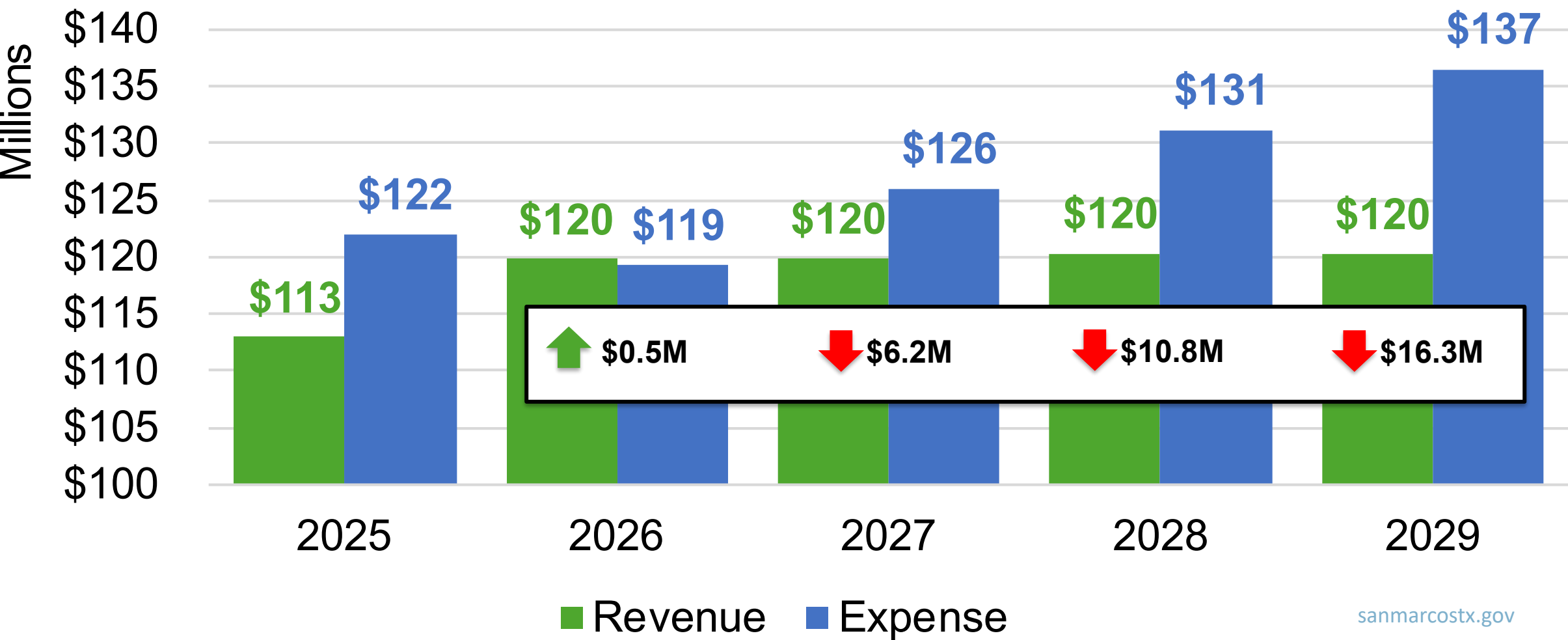
Revised No-New-Revenue Tax Rate

- Tax rate estimate = 64.96¢
 - Additional revenue = \$3.9M
- HSAB increase = \$200K
- Office of Community Support & Resources = \$50K
- Use of one-time funding to cover recurring expenses = No
- Department supplemental requests = \$100K
- FY26 equipment replacement annual payment = \$0 (cash funded)
 - Available capacity below + one-time funding not being used now that budget is structurally balanced + excess fund balance = \$2.9 million
- Available capacity = \$485K

Revised No-New-Revenue Tax Rate Forecast



Estimated Tax Rate = 64.96¢



Tax Rate Summary



Description	Structurally Balanced Rate 64.03¢	Original No-New- Revenue Rate 64.96¢	Revised No-New- Revenue Rate 64.96¢
Structurally balanced budget	✓	✓	✓
HSAB increased by \$50K	✓	✓	✓
HSAB increased by \$200K	✗	✓	✓
Office of Community Support & Resources	✗	✓	✓
Department Supplemental Requests	\$0	\$585K	\$100K
FY26 Equipment Replacement Payment	\$490K	\$490K	\$0
Estimated FY 2026 Shortfall	\$0	\$0	\$0
Available capacity	\$0	\$0	\$485K
Estimated FY 2027 Shortfall	\$7.2M	\$7.1M	\$6.2M

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General Fund Fund Balance in Excess of 25%

FY 2026 General Fund – Fund Balance



- Fund balance in excess of 25% - \$3.0M
 - Per Budget Policy, fund balance in excess of 25% must be used for one-time/non-recurring expenses
- Proposed uses:
 - City Hall - \$1.0M
 - FY 2026 capital outlay - \$1.5M
 - \$1.8M in requests
 - Cash funding equipment replacement - \$0.5M



General Fund Fee Recommendations



Fee Recommendations

- Fees will be reviewed every 3 years
- In FY25 Special Event and Other Utility Fees are under review
- In FY26 Park and Library Fees will be reviewed
- Incremental increases over time instead of large increases at once
- The goal is to have fees recover the cost of providing a service to the extent possible

Fee Recommendations



Fee	Current Fee	Proposed Fee	Justification
Special Event Fee (Tier 1)	New	\$35	For a single day public event of over 500 people, includes services such as barricade rentals and traffic control plans
Special Event Fee (Tier 2)	New	\$85	For a multi day public event of over 500 people, includes services such as barricade rentals and traffic control plans
Race/Parade Fee	New	\$50	For all races or parades regardless of size to ensure consistency and affordability for all organizers
Event Road Closure Fee (per Block)	\$165	\$100	Reduces overall cost for event organizers to close a block for an event from \$165 to \$100, ensures all event road closure fees are consistent



Fee Recommendations

Fee	Current Fee	Proposed Fee	Justification
Planning & Development Fees*	Varies	5% increase to most fees	<p>Last update effective March 1, 2023</p> <p>At that time all but 33 fees were at/above 50% cost recovery</p> <p>Since then inflation has been around 6.5%</p>
Sidewalk Fee-In-Lieu	\$10 per square foot	\$20 per square foot	Based on the average cost of sidewalk construction, increase reflects the rising costs of construction, including inflation in materials and labor, since 2015

*Detailed list of Planning & Development fees is included in the packet



General Fund Major Takeaways

Major Takeaways

- FY 2026 is an incredibly challenging year and this will continue if changes are not made
 - Sales tax revenue estimate for FY 2026 is lower than FY 2023
 - Property tax revenues estimated to decrease by \$1.8M at current tax rate (60.30¢), including
 - Housing Finance Corporations removed 3 properties from the tax roll, decreasing revenues by \$719K
 - House Bill 9 decreased revenues by \$417K
- There are more demands than resources
 - Departments required to keep their budgets flat for the 2nd year and reduce budgets by a total of \$100K for FY 2026
 - Structurally balanced budget requires either a \$3.1M cut to people, programs and services or a tax rate increase to the estimated Structurally Balanced Rate = 64.03¢



Major Takeaways

- No-New-Revenue Rate will generate the same amount of property tax revenue on properties taxed in FY 2025 and FY 2026
- At least a No-New-Revenue Rate is required to:
 - Add new programs and services, such as the Office of Community Support & Resources and increasing HSAB by \$200K
 - Best position the City for longer-term sustainability
- Have to think differently about the budget
 - Be proactive during tough economic times
 - Create contingency plans to minimize service level impacts and make the City more agile and responsive to market conditions
 - Internal review of personnel as vacancies occur
 - Evaluate fleet inventory and other cost drivers



General Fund Decision Points

General Fund – Decision Points



1. What tax rate should be used in August for the Proposed Budget?

Description	Structurally Balanced Rate 64.03¢	Revised No-New- Revenue Rate 64.96¢
Structurally balanced budget	✓	✓
HSAB increased by \$50K	✓	✓
HSAB increased by \$200K	✗	✓
Office of Community Support & Resources	✗	✓
Department Supplemental Requests	\$0	\$100K
FY26 Equipment Replacement Payment	\$490K	\$0
Estimated FY 2026 Shortfall	\$0	\$0
Available capacity	\$0	\$485K
Estimated FY 2027 Shortfall	\$7.2M	\$6.2M

General Fund – Decision Points



2. Continue to fund Employee Compensation Philosophy?
 - Fund cost of living to match inflation (non-civil = 3%, Fire = 4.5%, Police = 5%)
3. Use fund balance in excess of 25% (\$3.0M) as proposed?
 - City Hall - \$1.0M
 - FY 2026 capital outlay - \$1.5M
 - Cash fund equipment replacement - \$0.5M
4. Include proposed fee adjustments? (Special Events, Planning and Development, and Sidewalk Fee-In-Lieu)
5. Other direction for staff



other **GOVERNMENTAL OPERATING FUNDS**

Special Revenue Funds



Hotel Tax Fund

Hotel Tax Fund

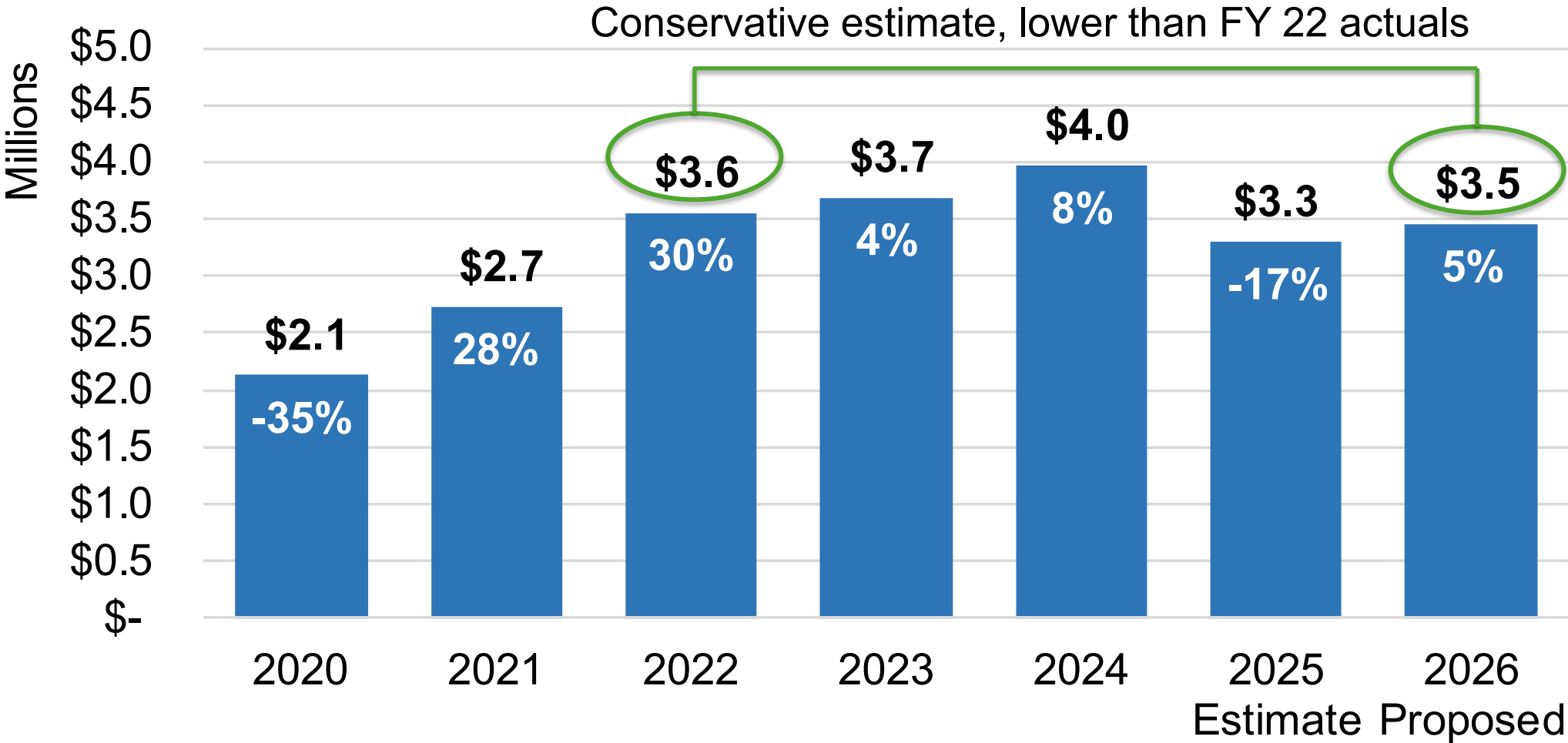


SPECIAL REVENUE FUND		FY 2024 ACTUALS	FY 2025 BUDGET	FY 2025 ESTIMATE	FY 2026 PRELIMINARY
Beginning Fund Balance	\$	3,968,022	\$ 4,792,445	\$ 4,792,445	\$ 4,189,115
Revenues	\$	5,663,592	\$ 4,387,678	\$ 4,493,156	\$ 4,730,303
Hotel & Venue Tax		5,134,551	4,072,063	4,242,000	4,443,786
General Fund Transfer		210,973	206,156	206,156	206,101
Other Revenue		318,068	109,459	45,000	80,416
Expenses	\$	4,839,169	\$ 6,212,459	\$ 5,096,486	\$ 5,605,303
Personnel		1,149,102	1,290,847	1,235,393	1,497,063
Operating		3,690,067	3,446,916	3,094,397	3,233,240
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%					\$ 1,182,576

Hotel Tax (7% General) Annual Change



Estimated FY26 increase of 5% is taking into consideration the Embassy Suites remodel (Nov. 24 – July 25)





Hotel Tax Revenues

- Hotel taxes (7% General) = 73% of revenue
 - Estimate: Increase of 5% compared to FY25 Forecasted Year End
- Venue tax (2% Conference Center) = 21% of revenue
 - Estimate: Increase of 5% compared to FY25 Forecasted Year End
- Other = 6% of revenue
 - Interest revenue and transfer from General Fund to cover Main Street expenses

FY 2026 Hotel Tax Major Increases



Quality of Life & Sense of Place



Economic Vitality

Cost Drivers – Personnel

- 3% increase in personnel costs = \$39K
- New positions included in preliminary FY 2026 Budget = \$182K
 - Arts, Culture, and Heritage Manager = \$144K
 - 0.5 FTE Code Compliance Officer = \$38K

Cost Drivers – Operating

- Signature events = \$100K
- New software = \$34K

Cost Drivers – One-time

- Wayfinding = \$500K
- Heritage Preservation Grant Funding = \$375K



Hotel Tax Heritage Preservation Grant Funding

Hotel Tax Heritage Preservation Grant Funding



- Guidelines and Policy Committee (Historic Preservation Officer, Community Engagement Coordinator, Public Works AD, Destination Services)
- Two grant options to support heritage preservation efforts:
 1. Programs/Events/Marketing - Designed to support initiatives that promote heritage through programs, events, and marketing efforts
 2. Capital Projects - Focus on funding physical improvements and restoration work on historic properties
- Plan, Guidelines, and Policy to be finalized by mid-Summer 2025
- Applicants must meet the two-part test (Texas Tax Code Ch. 351)
- Bring back to Council for approval September 2025

Hotel Tax Heritage Preservation Grant Funding



Heritage Preservation Grant Options

1. Programs, Events, and Marketing Grants

- Application process open October 2025 for FY 2026
- Application submissions through the existing Arts Grant portal

2. Capital Project Grants

- City-owned buildings prioritized:
 - Price Center
 - Calaboose Museum
 - Commemorative Air Force Museum



Community Enhancement Fund

Community Enhancement Fund



SPECIAL REVENUE FUND		FY 2024 ACTUALS	FY 2025 BUDGET	FY 2025 ESTIMATE	FY 2026 PRELIMINARY
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	\$ 985,614
Personnel		464,110	393,637	383,289	305,269
Operating		501,264	675,545	691,764	680,345
One-time		-	-	200,000	-
Ending Fund Balance	\$	819,864	\$ 839,196	\$ 754,346	\$ 1,073,428
Fund balance as a percent					109%
Fund Balance Reserve Requirement for 25%					\$ 246,404

Community Enhancement Budget Considerations



Revenues

- Community Enhancement Fee = 100% of revenue
- Increase in revenue from growth

Cost Drivers – Personnel

- Overall personnel decreased = \$88K
- 3% increase in personnel costs = \$12K

Cost Drivers – Operating

- Request for proposal open through July for mowing services

Special Revenue Supplemental Requests



Not included in the FY26 Preliminary Budget

Community Enhancement Fund	Count	Amount
Budget Supplemental Requests: Personnel	4	\$333K

Special Revenue – Decision Points



- Budget FY 2026 hotel tax revenues at an increase of 5% over FY 2025 estimated?
 - Increase in FY 2026 revenues reflect Embassy Suites remodel completion
 - FY 2026 budgeted revenue is lower than FY 2022 actuals
- Other direction for staff



other

MAJOR OPERATING FUNDS

Enterprise

City Council Priorities for Utilities

What we heard from Council:

- Continue incremental rate increase approach when rate increases are required
- Do not include late penalties in rate models or budget
- Provide easier access and quicker turnaround for residents in need of utility payment assistance
- Electric and Water-Wastewater rate recommendations to be made by Citizens Utility Advisory Board (CUAB)
 - CUAB discussed other utility fees during May meeting
 - CUAB formal rate adjustment recommendations expected in July
 - No financial information included



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		9,345,308		10,029,433		9,750,000	9,957,840
Other Revenue		443,021		10,000		150,000	40,000
Expenses	\$	9,175,378	\$	10,039,433	\$	9,838,180	\$ 9,997,840
Personnel		1,676,285		1,883,752		1,797,212	1,980,680
Operating		2,970,083		3,326,859		3,354,432	3,382,870
Debt Service		4,529,010		4,335,761		4,335,761	4,634,290
One-time		-		493,061		350,775	-
Ending Fund Balance	\$	3,029,806	\$	3,029,806	\$	3,091,626	\$ 3,091,626
Days of Cash on Hand							111
Fund Balance Reserve Requirement for 90 Days							\$ 2,499,460

Stormwater Utility Budget Considerations



Public Safety, Core Services & Fiscal Excellence

Revenues

- Stormwater fees = 99% of revenue
 - No rate adjustment will be needed
 - Increase in revenue from growth
 - Late penalties removed
- Other = 1% of revenue
 - Interest income

Stormwater Utility Budget Considerations



Public Safety, Core Services & Fiscal Excellence

Cost Drivers - Personnel

- 3% increase in personnel costs = \$57K
- New position included in preliminary FY 2026 Budget from reductions in operating expenses = \$33K
 - Public Works Admin Senior = \$33K (includes \$1K one-time, split 2/3 General Fund, 1/3 Stormwater)

Cost Drivers – Operating

- Increase debt service for FY25 CIP = \$295K
 - Annual CIP up to \$5M = Stormwater
 - Annual CIP over \$5M = General Fund
- Request for proposal open through July for mowing services sanmarcostx.gov

Utility Funds Supplemental Requests



Not included in the FY26 Preliminary Budget

Stormwater Fund	Count	Amount
Budget Supplemental Requests: Personnel	1	\$142K



Resource Recovery Fund

Resource Recovery Fund



RESOURCE RECOVERY		FY 2024 ACTUALS		FY 2025 BUDGET		FY 2025 ESTIMATE	FY 2026 PRELIMINARY		
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	\$	8,324,463
Personnel			702,250		752,897		756,432		785,016
Operating			6,453,880		7,149,615		7,151,416		7,539,447
One-time			-		-		-		-
Ending Fund Balance		\$	3,179,897	\$	3,502,741	\$	3,765,751	\$	4,194,726
Days of Cash on Hand								181	
Fund Balance Reserve Requirement for 90 Days								\$ 2,081,116	

Resource Recovery Budget Considerations



Revenues

- Solid waste collection = 67% of revenue
- Recycling collection = 31% of revenue
- Other = 2% of revenue
 - Interest income and Hays County Household Hazardous Waste
 - Late penalties removed
- Increase in revenue from 1% rate increase and growth in customer accounts

Resource Recovery Budget Considerations



Public Safety, Core Services & Fiscal Excellence



Environmental Protection

Cost Drivers – Personnel

- 3% Increase in Personnel Costs = \$32K

Cost Drivers – Operating

- Solid waste contract increased by \$263K
- Recycle contract increased by \$59K



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
Revenues		\$	813,518	\$	873,008	\$	873,008
Operating Revenue			813,518		873,008		873,008
Expenses		\$	850,726	\$	873,008	\$	873,008
Contract Services			689,256		691,056		691,056
Operating			161,470		181,952		181,952
One-time			-		-		-
Ending Fund Balance		\$	57,970	\$	57,970	\$	57,970
							146,095

Airport Budget Considerations



Economic Vitality



Mobility & Connectivity

Revenues

- Commercial Land/ Facilities rent = \$64K

Cost Drivers – Operating

- Airport operational contract
 - Annual 2% increase = \$12K
 - Contract decreased due to expiring COVID funding = \$90K
- Increase to indirect cost = \$45K



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	\$ 585,645
Revenues	\$	3,191,525	\$	2,868,234	\$	2,754,932	\$ 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		925,992	1,177,454
CARES/ARP		367,427		439,881		440,000	503,892
Other		59,253		60,000		60,000	60,000
Expenses	\$	3,114,925	\$	2,825,957	\$	2,849,723	\$ 4,872,760
Personnel		363,715		392,203		410,102	412,226
Operating		2,378,756		2,433,754		2,439,621	2,510,534
One-time		372,454		-		-	1,950,000
Ending Fund Balance	\$	680,436	\$	722,713	\$	585,645	\$ 435,645
Days of Cash on Hand							54
Fund Balance Reserve Requirement for 60 Days							559,734

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Transit Budget Considerations



Mobility & Connectivity

Revenues

- Grant for 7 transit vehicles = \$1.8M

Cost Drivers – Personnel

- 3% Increase in Personnel Costs = \$12K

Cost Drivers – One-Time

- 7 transit vehicles = \$1.8M
- Triennial review preparation = \$150K
- The General Fund's contribution has been lower due to CARES and ARP funding that will end in FY 2026, and will increase approximately \$350K in FY27

Enterprise Funds Supplemental Requests



Not included in the FY26 Preliminary Budget

Resource Recovery Fund	Count	Amount
Budget Supplemental Requests: Personnel	3	\$140K

Airport Fund	Count	Amount
Budget Supplemental Requests: Capital	5	\$131K



Utility Billing Late Penalty Recommendations



Utility Late Penalty – Peer Review

12 cities were surveyed

- 8 cities have late penalty of 10%
 - Same as City of San Marcos
- 3 cities have a late penalty of 5%
- 1 city has a \$20 initial late penalty, plus 1% interest
- All peer cities have same late penalty structure for Residential and Commercial accounts

FY 2024 Utility Late Penalties



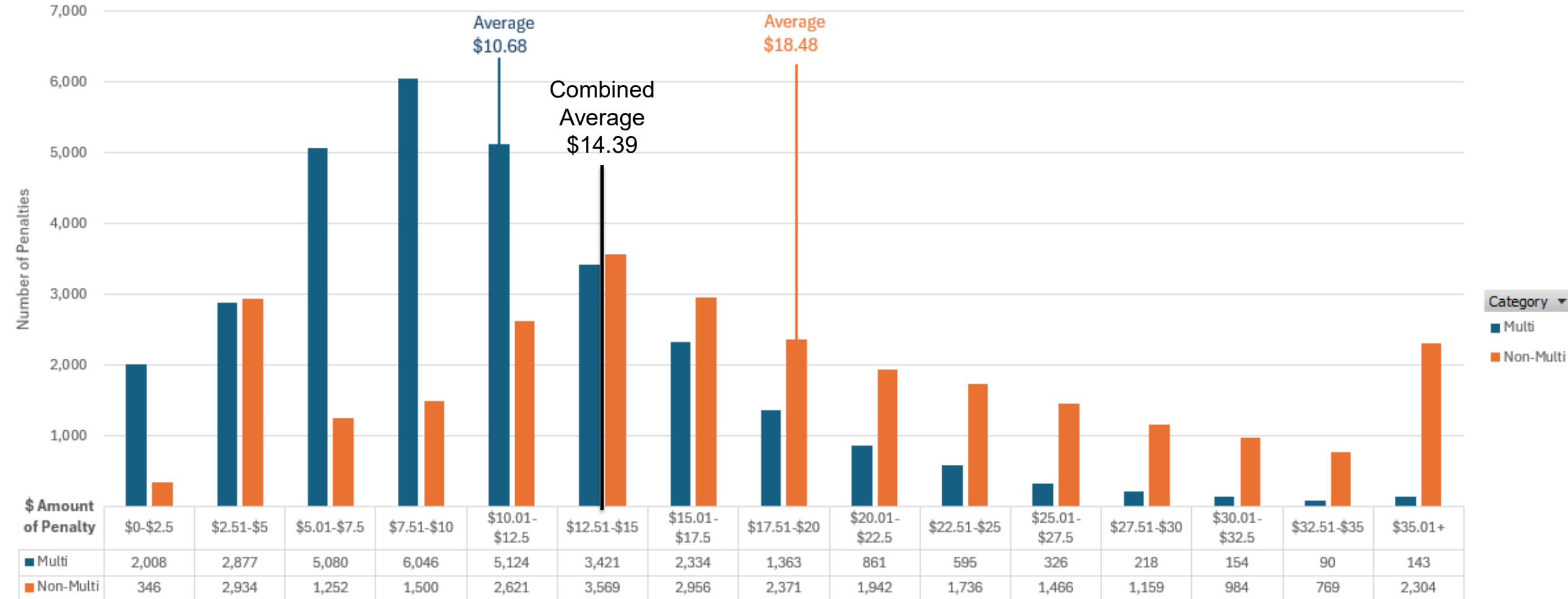
Account Type	Current Late Penalty	Average Non-Multi Accounts	Average Multi Accounts	Combined Average
Residential	10%	\$18.48	\$10.68	\$14.39
Commercial	10%	\$107.23	\$112.08	\$109.90

- Multi Accounts = Apartment Units, Apartment Common Areas
- Non-Multi Accounts = Single Family, Individual Businesses

Residential Account Customers



Residential Late Penalties FY24

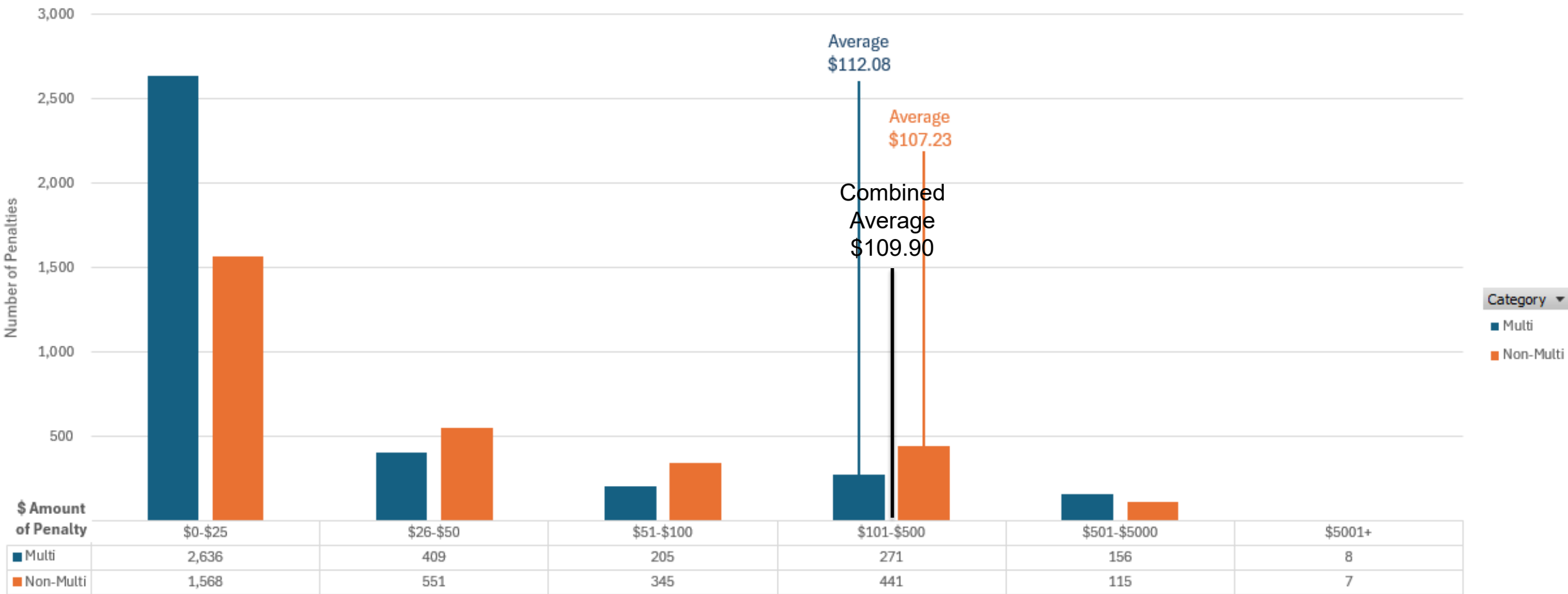


- Multi Accounts = Apartment Units, Apartment Common Areas
- Non-Multi Accounts = Single Family, Individual Businesses

Commercial Account Customers



Commercial Late Penalties FY24



- Multi Accounts = Apartment Units, Apartment Common Areas
- Non-Multi Accounts = Single Family, Individual Businesses

Council Late Penalty Requests



- Residential and small commercial grouped in same penalty structure
 - \$10 flat rate
 - 10% penalty to a maximum of \$15 or \$20
- Large Commercial in own penalty structure
 - 10% penalty charge

Late Penalty Structure Options

- System capabilities do not allow a split between residential and commercial
 - Commercial must include small and large
 - Ex. Herbert's and HEB will be charged the same amount
- Flat/Set penalty or percent (\$10, \$20, 5%, 10%)
 - Residential and Commercial flat/set or percent penalty
 - Residential and Commercial flat/set or percent penalty can be different
- Percent with a maximum penalty
 - Percent penalty charged up to the same maximum amount
 - Ex. 10% penalty up to a maximum of \$20 required for both residential and commercial

Enterprise Funds – Decision Points



- Approve a 1% rate increase in Resource Recovery to prevent a larger increase in future years?
- What late penalty structure option should be used?
 1. Flat/Set penalty
 2. Percent penalty
 3. Percent with a maximum (residential and commercial maximum must be the same)
- Other direction for staff



Next Steps

- Budget submitted to City Council and Maximum Proposed Tax Rate Set – August 19th
- Opportunities for Additional Community Input
 - Neighborhood Commission Presentation – August 20th
 - 2 Budget Public Hearings – September 2nd and 16th
 - 2 Tax Rate Public Hearings – September 2nd and 16th
 - Public Hearing for Fee Increases – September 2nd
- 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
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Questions

