



# City of San Marcos FY 2025 Adopted Budget Policy Statement

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## **I. FUND BALANCE**

- General Fund: Maintain 25% of recurring operating expenses.
  - Use fund balance in excess of 25% to be split between non-recurring expenses and the future City Hall.
- Electric Utility Fund: Work towards 90 days of recurring operating expenses.
- Water/Wastewater Utility Fund: Maintain 90 days of recurring operating expenses.
- Stormwater Utility Fund: Maintain 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 non-recurring expenditures.

## **II. REVENUES**

- 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 adopted tax rate.
- Amend budget during fiscal year if revenue deviates from budget.
- 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.

### **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 FUND**

- Continue to budget revenues 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.

- 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.
- 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
- 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.
- Museum funding maintained at \$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.

### **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 FUND**

- Allocate funding for historical restoration and preservation based on capacity and explore how we can meet the 51% of tourism function.
- Use hotel tax funding for the City's branding and incorporate a community input component.

### **COMMUNITY ENHANCEMENT**

- Continue to budget 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.