City of San Marcos

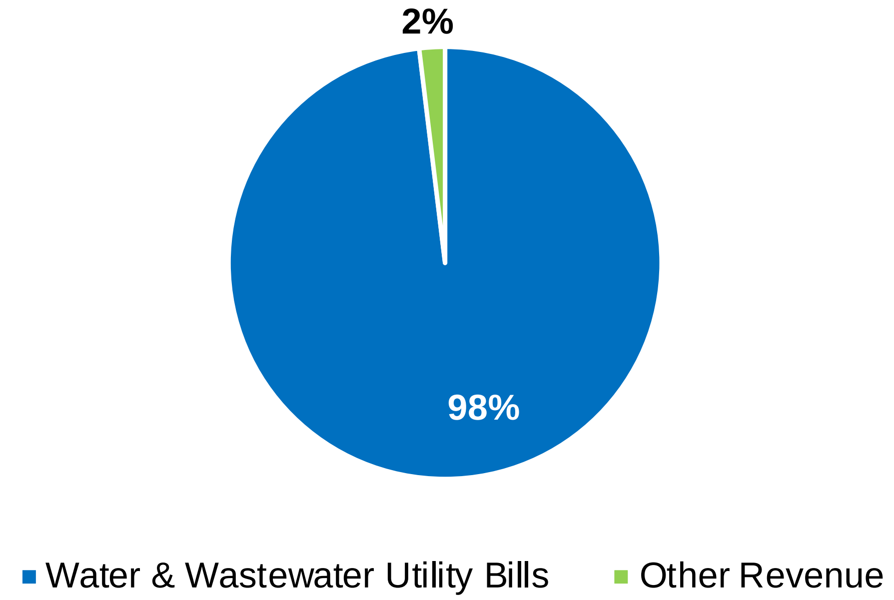
Water-Wastewater Utility
Public Hearing

Fiscal Year 2025

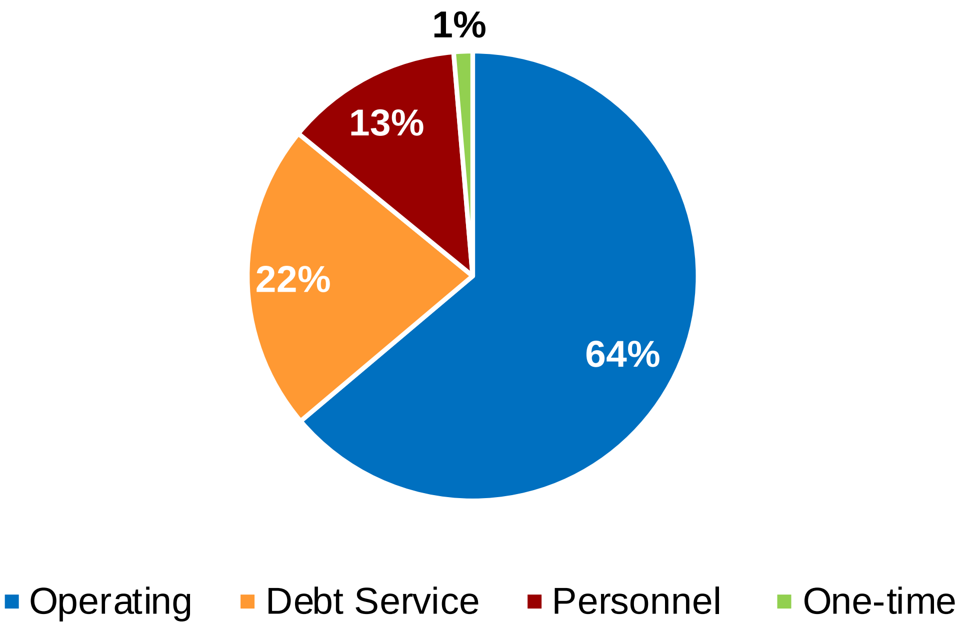
September 3, 2024

Water-Wastewater Utility Overview

Total Revenues = $69.4M



Total Expenses = $67.4M



CUAB Recommendation

- Citizen Utility Advisory Board voted to recommend a 5.0% increase for water and a 5.0% increase for wastewater on July 25, 2024

Water-Wastewater Utility Rating Reports

- **July 2023:**
  Upgraded from AA- to AA

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"

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Cash Reserve & DSC Outlook w/Rate Adjustment

UTILITIES FUND - W/WW	FY 2025 PROPOSED	FY 2026 FORECAST	FY 2027 FORECAST	FY 2028 FORECAST	FY 2029 FORECAST
Beginning Fund Balance	**$ 23,437,248**	**$ 26,321,485**	**$ 29,354,965**	**$ 32,642,335**	**$ 38,433,012**
Revenues	**$ 69,422,652**	**$ 74,788,906**	**$ 77,418,305**	**$ 79,129,037**	**$ 81,586,203**
Water & Wastewater Services	60,118,647	65,484,901	68,114,300	69,825,032	72,282,198
Other Revenue	9,304,005	9,304,005	9,304,005	9,304,005	9,304,005
Expenses	**$ 66,538,415**	**$ 71,755,426**	**$ 74,130,934**	**$ 73,338,361**	**$ 75,461,914**
Personnel	8,579,954	8,837,353	9,102,473	9,375,547	9,656,814
Operating	43,070,492	47,512,007	48,451,269	49,373,313	50,355,949
Debt Service	14,887,969	15,406,066	16,577,192	14,589,500	15,449,151
Ending Fund Balance	**$ 26,321,485**	**$ 29,354,965**	**$ 32,642,335**	**$ 38,433,012**	**$ 44,557,301**
Suggested Base Rate Increase	**5.00%**	**7.40%**	**2.50%**	**1.00%**	**2.00%**
Days of Cash on Hand	142	147	159	189	213
Debt Service Coverage (DSC) Ratio	**1.20** *	**1.20**	**1.20**	**1.40**	**1.40**
Fund Balance Reserve to Achieve 120 Days	**$ 22,179,472**	**$ 23,918,475**	**$ 24,710,311**	**$ 24,446,120**	**$ 25,153,971**

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

Rate Comparison – Residential 5,000 Gallon

Utility	Water	Sewer	Total
Crystal Clear SUD (Nov. 2023)	$ 119.44	$ 55.86	$ 175.30
Pflugerville (Oct. 2023)	$ 71.70	$ 79.50	$ 151.20
Hutto (Jun. 2024)	$ 52.88	$ 68.96	$ 121.84
Buda (Oct. 2024 Proposed)	$ 49.52	$ 67.88	$ 117.40
Kyle (Oct. 2024 Proposed)	$ 73.06	$ 43.31	$ 116.37
San Marcos (Proposed)	**$ 54.32**	**$ 57.29**	**$ 111.61**
Seguin (Jul. 2024)	$ 52.25	$ 57.89	$ 110.14
San Marcos (Current)	**$ 51.71**	**$ 54.56**	**$ 106.27**
New Braunfels (Aug. 2024)	$ 31.63	$ 66.16	$ 97.79
Georgetown (Apr. 2024)	$ 38.80	$ 48.85	$ 87.65
Austin (Nov. 2023)	$ 32.97	$ 52.65	$ 85.62
Round Rock (Feb. 2022)	$ 29.32	$ 28.72	$ 58.04

Rate Comparison – Commercial 50,000 Gallon

Utility	Water	Sewer	Total
San Marcos (Proposed)	$ 524.94	$ 468.47	$ 993.41
Kyle (Oct. 2024 Proposed)	592.36	400.36	992.72
Pflugerville (Oct. 2022)	628.95	336.00	964.95
Buda (Oct. 2023 Proposed)	667.26	290.00	957.26
San Marcos (Current)	499.84	446.23	946.07
Hutto (Jan. 2022)	441.24	452.24	893.48
Crystal Clear SUD (Nov. 2023)	656.66	194.37	851.03
New Braunfels (Aug. 2023)	393.75	451.45	845.20
Austin (Nov. 2023)	326.54	485.85	812.39
Seguin (Jul. 2024)	335.81	372.34	708.15
Round Rock (Feb. 2022)	176.32	179.32	355.64
Georgetown (Apr. 2024)	220.75	48.85	269.60

Water-Wastewater Utility Rate History

	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25 PROPOSED
Water - 5/8" to 3/4" Water Meter	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*0.0%*	*5.0%*	***5.0%***
Minimum Charge	20.01	21.01	22.06	23.16	24.32	25.54	26.82	26.82	28.16	29.57
0 to 6,000	3.35	3.52	3.70	3.88	4.07	4.28	4.49	4.49	4.71	4.95
6,001 to 9,000	5.87	6.16	6.47	6.79	7.13	7.49	7.86	7.86	8.25	8.67
9,001 to 12,000	6.71	7.05	7.40	7.77	8.16	8.57	9.00	9.00	9.45	9.92
12,001 to 20,000	7.55	7.93	8.33	8.74	9.18	9.64	10.12	10.12	10.63	11.16
20,001 to 50,000	8.38	8.80	9.24	9.70	10.19	10.70	11.24	11.24	11.80	12.39
Over 50,000	10.06	10.56	11.09	11.64	12.22	12.84	13.48	13.48	14.15	14.86
Wastewater - 5/8" to 3/4" Water Meter	*1.0%*	*2.0%*	*2.0%*	*2.0%*	*3.0%*	*3.0%*	*3.0%*	*0.0%*	*5.0%*	***5.0%***
Minimum (up to 2,000)	24.04	24.52	25.01	25.51	26.28	27.07	27.88	27.88	29.27	30.74
over 2,000	6.93	7.07	7.21	7.36	7.58	7.81	8.03	8.03	8.43	8.85

Water-Wastewater Utility Expense Changes

Public Safety, Core Services & Fiscal Excellence

Cost Drivers – *Personnel*

- 3% increase in personnel costs = $291K

Cost Drivers – *Operating*

- Alliance Regional Water Authority contract = $250K
- Surface water treatment plant contract = $280K
- Wastewater treatment plant contract = $357K

Cost Drivers – *One-time*

- Large equipment replacement and infrastructure upgrades = $888K

Cost Drivers – *Debt-service*

- Debt service payment increase from FY24 CIP issuance = $565K

Water-Wastewater Services Rate Options

Water-Wastewater Services			
Debt Service Coverage Ratio	1.20+	1.30	1.40
Effective Rate Increase Needed	5.0%	7.7%	10.3%
Total Monthly Increase to Typical Residential Ratepayer	$ 5.20	$ 8.02	$ 10.70

CUAB and staff recommend a 5.0% increase for water and a 5.0% increase for wastewater to meet the legal minimum 1.20 debt service coverage ratio

Stephanie Reyes
City Manager

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Assistant City Manager

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Assistant City Manager

Jon Locke
Finance Director/CFO

Trisha Patek
Budget Manager

Thank You