



Citizens Utility Advisory Board

Chairperson: Mr. Michael Markowicz

Members: Ms. Elizabeth Trevino Amaya, Mr. John Bilodeau, Ms. Liz Dobbins, Mr. Paul Jensen, Councilmember Matthew Mendoza (ex-officio)

July 30, 2025

Honorable Mayor Hughson and Members of City Council
630 East Hopkins Street
San Marcos, Texas 78666

RE: Citizens Utility Advisory Board's Utility Fee Adjustments, Community Benefit and Utility Financial Policy Recommendations

Dear Honorable Mayor Hughson and Members of City Council:

The Citizens Utility Advisory Board ("CUAB") received presentations and materials from City Staff at the May 29, 2025, and July 9, 2025, regular CUAB meetings related to the current late penalty fees compared to peer cities, proposed FY2026 Utility Fee adjustments, creation of Community Benefit charges to utility customers, as well as the new Utility Financial Policy.

The current Utility Fees have not been adjusted since 2014. A detailed review of each fee, which included more accurate formulas for current cost estimates for each service was completed by Utility staff. After careful review and discussion, with four members present (Elizabeth Amaya absent), CUAB voted unanimously on July 9, 2025, to recommend that Council approve the adjustments to all electric, water and wastewater fees as shown in Exhibit A. On July 30th, 2025, CUAB approved, on a 3-1 vote (John Bilodeau opposed/Paul Jensen absent), to recommend that Council approve changes to the City of San Marcos Code of Ordinances, Subpart A, Chapter 86, Section 86.200(b) to adjust the penalty service charge to 5%.

CUAB also received presentations from City Staff on the Community Benefit charges which will be added to all SMTXU utility bills. These charges fund some of the services Utilities provides the City which are not core utility services but serve to enhance the livability of our neighborhoods and the downtown area. This charge is now collected as a separate fee rather than through the base rate, improving transparency. These types of fees are common among

other surrounding utilities. The change that was discussed is a new format for the bill which shows the fees separated into specific categories. After review and discussion, with four members present (Elizabeth Amaya absent), CUAB voted unanimously on July 9, 2025, to recommend that Council approve the changes to the Community Benefit charge on customer utility bills as shown in Exhibit B.

CUAB also received presentations on the Utility establishing a Financial Policy that provides guidelines and direction from CUAB and Council to SMTXU and the COSM Finance Department to maintain a sound financial position and provide for the security and financial resources of SMTXU. CUAB and City staff discussed the Utility's responsibility and commitment to the ratepayers, the Utility's future financial goals, the importance of reserve funds and the role of annual budgeting on these goals. After review and discussion, with four members present (Elizabeth Amaya absent), CUAB voted unanimously on July 9, 2025, to recommend that Council approve the Utility Financial Policy, the essential components of which are shown in Exhibit C.

We sincerely appreciate the opportunity to serve our community and respectfully request you consider adoption of these recommendations.

Sincerely,

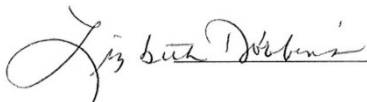
San Marcos Citizens Utility Advisory Board*



Elizabeth Trevino-Amaya (absent from the 7.9.2025 meeting/no vote)



Paul Jensen (absent from the 7.30.2025 meeting/no vote)



Lizbeth Dobbins



Michael Markowicz



John Bilodeau

**The Citizens Utility Advisory Board consists of 5 voting members, with a City Council Member appointed as a non-voting, ex-officio member. A majority of the voting membership of the board members constitute a quorum.*

EXHIBIT A (1 OF 2) - ELECTRIC UTILITY SERVICE FEES

				7/9/2025		
Utility Service Fees		CUAB Recommended Electric Fee	Current Electric Fee	Fee Definition		
New Customer Account Fee (Residential)		\$ 40.00	\$ 40.00	New Customer account fee is charged when establishing a new residential customer account and connecting electric services to an existing location. This fee is waived		
New Customer Account Fee (Commercial)		\$ 120.00	\$ 100.00	New Customer account fee is charged when establishing a new customer account and connecting electric services to an existing location. If a Commercial customer has both Electric and Water/Wastewater services, this fee covers the connection of both.		
New Account Charge - After Hours - (existing-service / meter)**		Remove	\$ 100.00	New Account setups are completed during business hours.		
New Service - Normal Hours (install conductor & meter)		Costs calculated based on service need	\$50.00+Meter Cost	Payments are collected through permitting.		
New Service - After Hours (install conductor & meter)**		Costs calculated based on service need	\$ 320.00	Payments are collected through permitting.		
Disconnect/Reconnect Fee (Residential)		\$ 20.00	\$ 40.00	Fee is applied for the disconnection/reconnection of services to a residential customer for nonpayment of bill.		
Disconnect/Reconnect Fee (Commercial)		\$ 90.00	\$ 40.00	Fee is applied for the disconnection/reconnection of services to a commercial customer for nonpayment of bill.		
Reconnect Charge - After Hours**		Remove	\$ 170.00	Remove		
Customer Requested Non-Emergency Disconnect /Reconnect (Residential)		\$ 95.00	\$ 50.00	Requested disconnection/ reconnection services for residential customer to facilitate construction, upgrades, or repairs on customer side. <u>Payments are collected through permitting.</u>		
Customer Requested Non-Emergency Disconnect/Reconnect (Commercial)		\$ 175.00	\$ 50.00	Requested disconnection/reconnection services for commercial customer to facilitate construction, upgrades, or repairs on customer side. <u>Payments are collected through permitting.</u>		
Customer Requested Non-Emergency Disconnect /Reconnect - After Hours*		\$ 460.00	\$ 225.00	Requested disconnection/reconnection services for any customer to facilitate construction, upgrades, or repairs on customer side after 5 p.m. Central Standard Time. <u>Payments are collected through permitting.</u>		
Customer Trip Fee		\$ 95.00	New Fee Request	Fee applies to customer-requested service visits where the issue is determined not to be the responsibility of SMTX Utilities. <u>Fee maybe used for customers requesting after-hour services.</u>		
Electric Meter Test Charge		\$ 80.00	\$ 55.00	Fee for the testing of a meter at the request of the customer is applied if the results of the meter testing shows no issues found.		
Tampering Charge / Theft of Service		Maximum Punative Amount	\$ 350.00	Fee for the theft of Electric Services provided to a customer and the replacement of damaged infrastructure.		
Street Banner (install / remove)		\$ 485.00	\$ 400.00	Fee for the Installation & Removal of Street Banners for display.		

*After Hours is consider 5 p.m. Central Standard Time

Service fees established by City Code 86.198

EXHIBIT A (2 OF 2) - WATER & WASTEWATER UTILITY SERVICE FEES

	7/9/2025		
Utility Service Fees	CUAB Recommended W/WW Fee	Current Water/Wastewater Fee	Fee Definition
New Customer Account Fee (existing service / meter)	\$ 110.00	\$ 40.00	New Customer account fee is charged when establishing a new customer account and connecting water and/or wastewater services to an existing location. If a Residential customer has both Electric and Water/Wastewater services, this fee covers the connection of both.
New Account Charge - After Hours (existing service / meter)**	N/A	\$ 100.00	New Account setups are completed during business hours.
New Service - Residential	Meter Cost + \$145.00	Meter Cost + \$50.00	Fee applies when installing a new meter at a residential site to establish a connection to the water/wastewater infrastructure for services.
New Service - Commercial (New Build/Contractor)	\$ 75.00	New Fee Request	Fee applies when a contractor installs a new meter service at a commercial site to establish a connection to the water and/or wastewater infrastructure.
Disconnect/Reconnect Fee	\$ 90.00	\$ 40.00	Fee is applied for the disconnection/reconnection of services to customer for nonpayment of bill. If a Residential customer has both Electric and Water/Wastewater services, this fee covers the reconnection of both.
Reconnect Charge - After Hours**	N/A	\$ 170.00	Remove
Customer Requested Non-Emergency Disconnect / Reconnect (Residential) renamed to Customer Trip Fee	N/A	\$ 50.00	Replaced with Customer Trip Fee
Customer Requested Non-Emergency Disconnect/ Reconnect (Commercial) renamed to Customer Trip Fee	N/A	\$ 100.00	Replaced with Customer Trip Fee
Customer Requested Non-Emergency Disconnect / Reconnect - After Hours*	N/A	\$ 225.00	Remove
Fire Hydrant/Construction Temporary Water Meter	\$2,000 Deposit \$150 Initial Installation \$150 Relocation Fee \$120/Monthly Rental	\$750 Deposit \$75 Installation \$100/Monthly Rental	Fire Hydrant/Construction Temporary Water Meter fee includes a deposit for the temporary meter, an initial installation fee for account setup and meter installation, and a monthly rental fee for the unit. If the meter needs to be relocated, a relocation fee will be assessed each time the unit is moved.
Water Meter Test Charge	\$ 195.00	\$ 35.00	Fee for the testing of a meter at the request of the customer is applied if the results of the meter testing shows no issues found.
Customer Trip Fee	\$ 80.00	New Fee Request	Fee used for customers requesting non-emergency disconnect/reconnect water services and maybe applied to customer-requested service visits where the issue is determined not to be the responsibility of SMTX Utilities.
Tampering Charge / Theft of Service	Maximum Punative Amount	\$ 350.00	Fee for the theft of Water/Wastewater Services provided to a customer and the replacement of damaged infrastructure.
Sewer Surcharge	\$ -	\$ -	Stated Fee in Ordinance will be updated.
Backflow Tester Fee	\$ 125.00	New Fee Request	Annual fee for TCEQ approved testers to provide certification, ensure compliance with regulatory requirements, and uphold insurance coverage obligations.
Water Tap	Costs calculated based on service need	Minimum \$250, but Actual Construction Costs + 10%	Payments collected through permitting.
Sewer Tap	Costs calculated based on service need	Minimum \$250, but Actual Construction Costs + 10%	Payments collected through permitting.
After Hours is consider 5 p.m. Central Daylight Time			
Service fees established by City Code 86.198			

EXHIBIT B – SAMPLE COMMUNITY BENEFIT FEES

Residential Example

Community Benefit Charges (per bill monthly)	Amount
Customer Assistance Program	\$ 0.23
Roadway Lighting	\$ 1.34
Water Conservation & Energy Efficiency Programs	\$ 1.05
Electric Franchise Fees (6% - Base, kWh, PCRF)	\$ 7.06
W/WW Franchise Fees (6% - Base, Gallons)	\$ 6.53
Total	\$ 16.21

Small Business Example

Community Benefit Charges (per bill monthly)	Amount
Customer Assistance Program	\$ 0.23
Roadway Lighting	\$ 1.34
Water Conservation & Energy Efficiency Programs	\$ 1.05
Electric Franchise Fees (6% - Base, kWh, PCRF)	\$ 70.95
W/WW Franchise Fees (6% - Base, Gallons)	\$ 17.97
Total	\$ 91.54

EXHIBIT C – UTILITY FINANCIAL POLICY – SUMMARY TABLE

	Purpose	Electric Target	Water/Wastewater Target
Total Days Liquidity (Days Cash on Hand)	Support continuity of cash flows	180 Days	150 Days
Available Reserves	Flexibility in financing improvements	\$50M	\$50M
Debt to Capitalization	Long-term financial sustainability	<50%	<50%
Debt Service Coverage Ratio	Support credit quality and financial flexibility	1.20 legally obligated 1.40-1.50 goal	1.20 legally obligated 1.40-1.50 goal
O&M Fund	Support daily operations	120 Days expenses	120 Days expenses
Revenue Stabilization Fund	Smooth revenue fluctuations	5% of base revenues	10% of base revenues
PCRF Stabilization (electric only)	Offset power cost swings	15% of power cost expenses	—
Utilities Rate Model	Support financial planning and rate setting	Updated annually during budget process	
Wholesale Supply Diversity	Consistent, reliable, cost-effective services	Pursue sustainable power supply options, but not adding financial burden to our customers	A diversified plan that follows our 50-year water projection / planning needs
Power Cost Recovery Factor	Recover all costs associated with bringing wholesale power to the SMTXU electric distribution system	Full cost of service recovery through the PCRF charge	—
Water Supply Cost Optimization	Supports rate modeling and capital planning	—	Model updated annually
Cost of Service	Balance revenue collected and costs to serve customer classes	Conducted once every 3 years	
Miscellaneous Fee Review	Ensure Late and Other Fees recover cost of service and follow current Council philosophy on penalties	Conducted once every 3 years	
Community Benefit Charge	Provide transparency while recovering costs of service provided outside utility core mission	Recover costs of franchise fee payments to the City above 2%, roadway lighting, customer assistance, and Conservation Programs currently paid for through base rate revenues	
CIP Financing	Maintenance and expansion	20% equity contribution	
Year-End Balances	Prioritized allocation of unspent and unencumbered revenues	Maintain fund balances, fund following fiscal capital outlay, and then cash fund CIP	