



Citizens Utility Advisory Board

Chairperson:

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

August 13, 2024

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

RE: Citizens Utility Advisory Board's Utility Rate Adjustment Recommendations

Dear Honorable Mayor Hughson and Members of Council:

The Citizens Utility Advisory Board ("CUAB") received presentations and materials related to the proposed FY2025 budget and the 5-year forecasted outlook based on the rate model, which includes proposed user rate increases in electric, water, and wastewater utility services. Outlined within the presentation was the need to create a fiscal policy that would provide a written guidance, striving to strengthen the financial performance of the San Marcos Utilities but also achieving a long-term positive outlook.

Information was presented at the July 25th, 2024, CUAB meeting related to user rates for electric, water, and wastewater utility services. CUAB reviewed the rate model presented by City staff and consultant, discussed the proposed FY2025 budget, and by a unanimous vote, recommend approval of (i) a minimum 17.2% rate adjustment for electric base rates (ii) a 5% rate adjustment for water service, and (iii) a 5% rate adjustment for wastewater service.

The electric rate adjustment is only the third since 2014 and still places San Marcos at the lowest rates in the area for both residential and commercial customers. CUAB recommends a minimum increase of 17.2% to the electric base rate, which would only result in a net percent increase of 5.5% for the average monthly residential customer. The increase will allow the Electric Fund to (i) change the trajectory of the declining fund balance accelerated by inflationary costs, and little to no rate increases in prior years to support additional debt service needs placed on the fund year after year, (ii) it allows the Electric fund to meet required bond covenants of 1.20 for the budgetary year, (iii) alleviates financial risk to the Electric fund if there is an unexpected decline in sales or

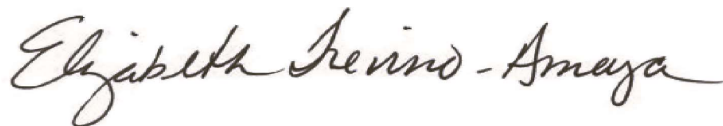
increase in material, (iv) it places the Electric fund in a financially stable environment to pursue small periodic rate adjustments moving forward which will minimize the burden placed on customers in future years, and lastly (v) puts the Electric Fund on track to improve its BBB+ bond rating. This increase is only slightly over the projected increase in 2024.

The water rate adjustment is consistent with the multi-year plan comprised of small periodic adjustments recommended by CUAB to City Council beginning in FY15. This steady approach benefits City utility customers by ensuring adequate funding levels to recover adequate utility costs, continuing a high level of service delivery, and achieving future water supply security, while minimizing the financial impact on customers.

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

Sincerely,

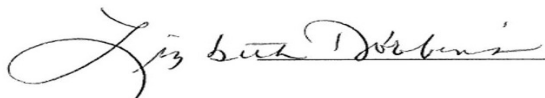
San Marcos Citizens Utility Advisory Board*



Elizabeth Trevino-Amaya



Paul Jensen



Lizbeth Dobbins



Michael Markowicz

**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.*