



City of San Marcos

City Council Work Session

Budget Workshop

June 29, 2022



Agenda

- ☐ Budget Process Update and Timeline
- ☐ General Fund
 - ☐ Revenue Estimates
 - ☐ Cost Drivers and Requests
 - ☐ Capacity
- ☐ Other Funds
- ☐ American Rescue Plan Act: Tranche 2 update



Update on the FY23 Budget Process

Late May –

- ☐ Evaluate and prioritize supplemental requests for new personnel and operations.

June/July –

- ☐ Continue to work on refining revenue projections across funds to determine capacity for supplemental requests.
- ☐ Continued negotiations on Police Department Meet and Confer and implement any new costs in FY23 budget.

July/August –

- ☐ Certification of Appraised Values
- ☐ Tax Rate calculation

Budget Timeline

June	<ul style="list-style-type: none">• 29th – Budget Workshop
July	<ul style="list-style-type: none">• 25th – Certification of Tax Rolls
August	<ul style="list-style-type: none">• 18th – Budget Workshop• Set date of public hearing
September	<ul style="list-style-type: none">• Hold public hearing *• 20th - Adopt budget and tax rate *

* Council meeting dates



GENERAL FUND



General Fund – Revenue Estimates

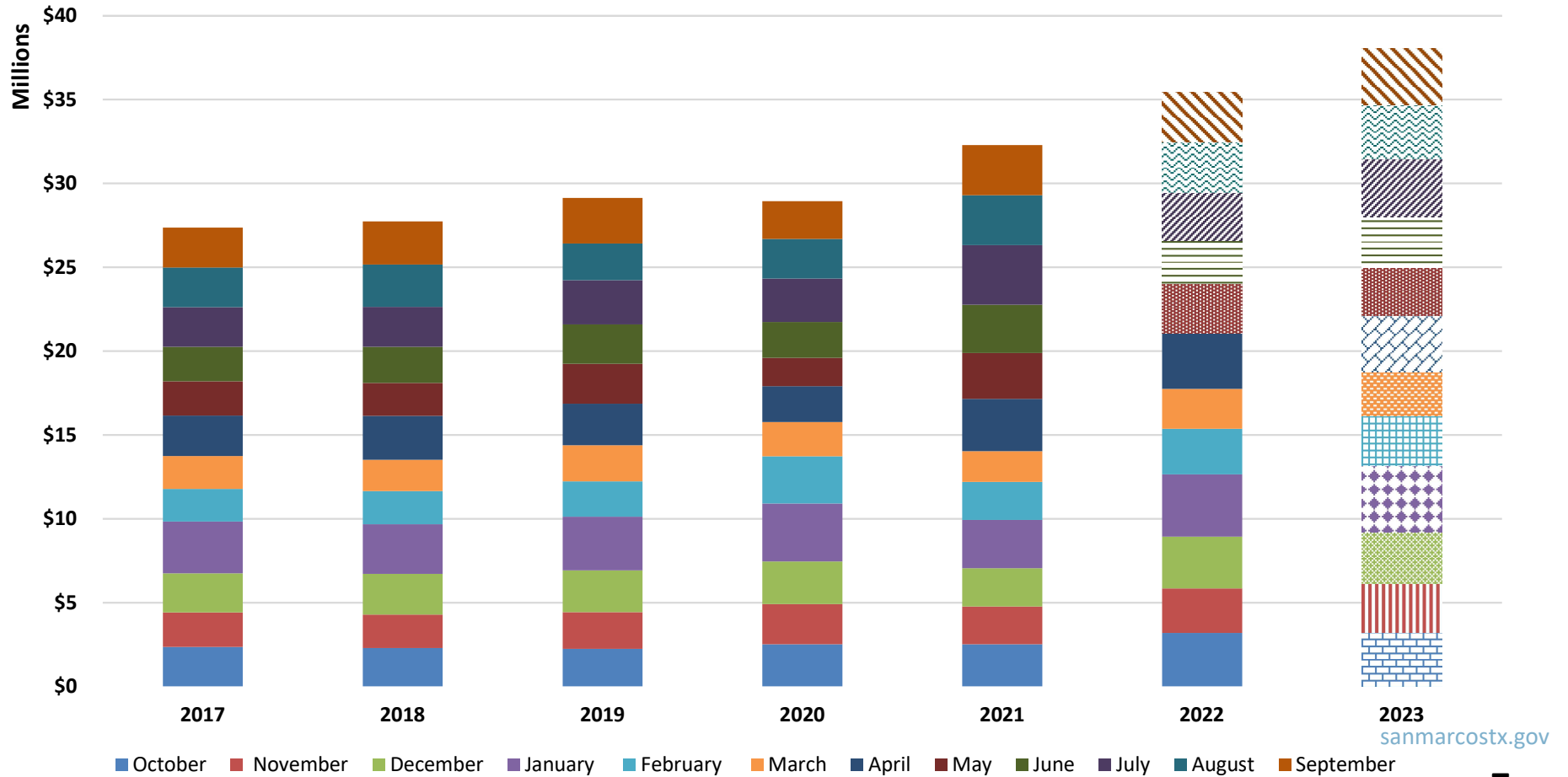
<i>(shown in millions)</i>	FY 20 Actual	FY 21 Actual	FY 22 Budget	FY 22 Estimate *	FY 23 Preliminary *
Property Taxes (net of TIRZ)	\$ 20.7	\$ 23.3	\$ 24.6	\$ 25.4	\$ 26.6
Sales Taxes (net of incentives)	33.4	38.1	30.3	34.0	36.6
Franchise Fees	9.4	10.1	11.1	11.2	11.5
Licenses and Permits	3.7	5.4	3.9	4.3	4.9
Fines and Penalties	0.8	0.7	1.0	0.8	0.9
Charges for Services	1.2	1.3	1.0	0.9	0.9
Interest and Other	2.4	2.3	2.1	2.0	2.1
Transfers	<u>6.7</u>	<u>6.7</u>	<u>8.1</u>	<u>8.8</u>	<u>7.3</u>
Total	\$ 78.3	\$ 87.9	\$ 82.1	\$ 87.4	\$ 90.8*

* These figures will be adjusted as we continue to receive information. We are expected to finalize projections in late July/early August.

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Sales Tax Revenues





FY23 General Fund Budget Assumptions

Revenue –

- ❑ 82.4% of our revenue comes from taxes and franchise fees
 - ❑ Property tax (net of TIRZ) – 29.3%
 - Estimated increase from new property
 - Stay at or below current tax rate
 - ❑ Sales tax (net of incentives) – 40.4%
 - Single largest source of revenue in the General Fund
 - Estimating conservatively at 7.5% increase over estimated FY22
 - ❑ Franchise fees – 12.7%
 - Revenue increase based on anticipated growth in population
 - May need to adjust based on CUAB recommended rate increases



FY23 General Fund Budget Assumptions

Revenue –

☐ Other Revenues

☐ Transfers – 8%

- Transfers from other major funds
- Based on cost allocation plan

☐ Permit fees – 5.4%

- Continued growth in development
- Development services cost of service study – in progress
- Increase based on estimated increase in fees as determined by study

☐ Charges for services, fines, investment income and other – 4.2%

- Anticipate increase in
 - parks program revenues post-pandemic
 - fines and court revenues post-pandemic
 - Investment income - Federal Reserve increased interest rates



FY23 General Fund Budget Assumptions

Cost Drivers –

☐ Personnel Costs

☐ Public Safety contracts: + \$2M

- Fire Department – 2% increase
- Police Department – Estimated 2% increase - *Negotiations in process*

☐ Non-Civil Service: + \$2M

- Implement recommendations from market study *in January*

☐ New positions added Mid-Year: +\$1M

☐ 2% cost of living adjustment mid-year: + \$600k

☐ TMRS increase of 1.1%

☐ Considering increased pay to bring up seasonal and part-time staff

☐ Considering recruitment and retention programs



FY23 General Fund Budget Assumptions

Cost Drivers –

☐ Inflation

- ☐ Highest inflation in 40 years

- ☐ Driving costs up in many areas

- Vehicle Fuel and repairs – increase of \$500k
- Uniforms and other supplies – increase of \$250k
- Facility and grounds maintenance – increase of \$375k
- Software contracts – increase of \$500K
- Professional services and contracted services – increase of \$500k
- Property and liability insurance - \$400K

☐ Growth – rate of development

- ☐ Increased load on staff and infrastructure



FY23 General Fund Budget Assumptions

Supplemental Requests-

- ☐ Personnel requests
 - ☐ 82 additional positions - \$7.4 million
 - ☐ Evaluating vacant positions
- ☐ Operating requests
 - ☐ Recurring requests - \$1.2 million
- ☐ Capital requests
 - ☐ One-time non-recurring - \$2.3 million



FY23 General Fund Budget Assumptions

Current Anticipated Capacity

- ☐ \$1.5M for recurring expenses
 - ☐ New personnel and programs

- ☐ \$3.2M for one-time nonrecurring expenses
 - ☐ Maintain 25% fund balance for emergencies

- ❖ *Funding additional development services personnel is a priority if additional capacity is added as a result of the cost-of-service study*



OTHER FUNDS



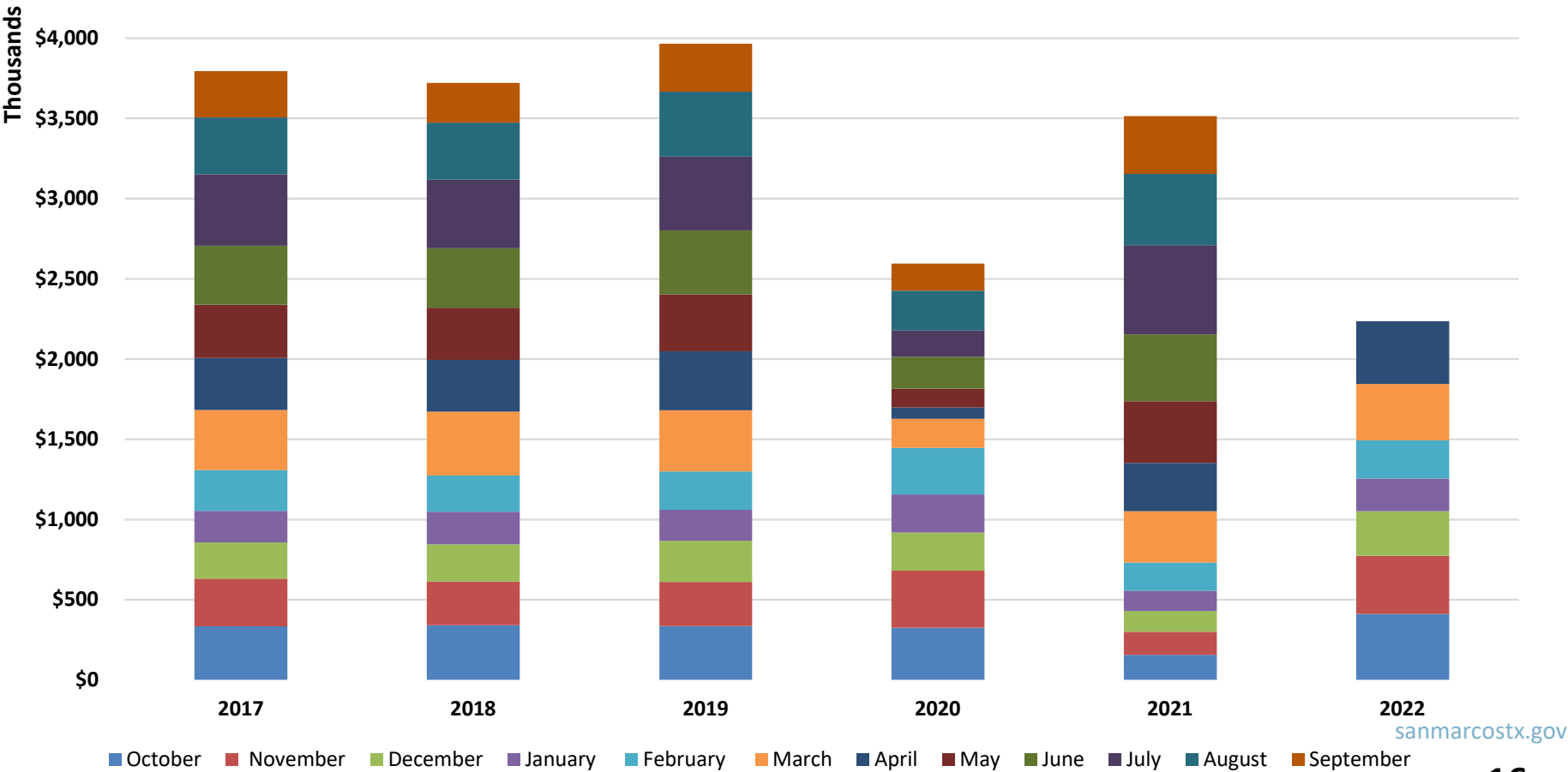
Hotel Occupancy Tax Fund

Economic Forecast

- ☐ Significant recovery indicated by revenues recognized in the last 12 months.



Hotel Occupancy Fund Revenues





Utility Funds

Updating Rate Models

☐ Stormwater

- ☐ *estimated 6.5% increase as communicated to City Council in the prior year*

☐ Electric

- ☐ *Citizen's Utility Advisory Board in July*

☐ Water/Wastewater

- ☐ *Citizen's Utility Advisory Board in July*

☐ Resource Recovery

- ☐ *updating rate model*



Utility Funds

Other Utility Funds

☐ Transit

- ☐ *Federally funded*
- ☐ *COVID related funding reduced*
- ☐ *Greater share of general fund support*

☐ Airport

- ☐ *Working with Texas Aviation Partners to finalize budget estimates*



FY23 Utility Funds Budget Requests

Supplemental Requests-

- Personnel requests:
18 positions - \$1.4M

Fund	Qty	\$ (thousands)
Stormwater	4	\$ 295
Electric	1	\$ 60
Water/Wastewater	9	\$ 728
Transit	1	\$ 110
Resource Recovery	3	\$ 212

- Capital requests:
\$2.1M

Fund	\$ (thousands)
Stormwater	\$ 490
Electric	\$ 2,700
Water/Wastewater	\$ 1,300
Resource Recovery	\$ 195
Airport	\$ 10

Funding of supplemental requests in Utility funds will be determined by capacity in rate model

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Council Direction Needed

Is Council supportive of the following budget assumptions:

- ☐ Sales tax revenue forecast at 7.5% increase over current year
- ☐ Budget recovery in hotel occupancy tax based on recovery indicated in past 12 months
- ☐ Fund additional development services personnel if additional capacity is added as a result of the cost-of-service study
- ☐ Fund supplemental requests in Utility funds as determined by capacity in rate model



American Rescue Plan Act (ARPA)



ARPA Second Tranche, First Round Recommended Funding Requests

Funding Request	Amount
Cyber Security - Intrusion Prevention System	\$195,000
Fire/Police/EMS Dispatch Consoles	\$185,000
Dunbar Park Public Restroom Facilities (new building)	\$150,000
Recruitment incentives/internal compensation adjustments (if needed)	\$300,000
Police Headquarters Radio Reception	\$50,000
Police/Fire/EMS Dispatch historical data conversion	\$90,000
Youth Activity Scholarships (funding for 5 years)	\$205,000
Network Specialist (funded for 5 years)	\$415,000
Mental Health Clinician Collaboration (MHCC) (funding for 5 years)	\$425,000
Antivirus Technology Software	\$140,000
Arizona Senior Center Renovations	\$40,000



ARPA Second Tranche, First Round Recommended Funding Requests

Funding Request	Amount
Price Senior Center Improvements	\$150,000
Family Planning Center Renovation	\$90,000
East Side Workforce Training Center Renovations - Phase 1 (former SMEU facility)	\$240,000
Quail Creek/Eastside Regional Park Acquisition	\$700,000
Video Conferencing resources for city facilities	\$400,000
Home Repair and Rehabilitation	\$800,000
Mobile message signs (trailers)	\$96,000
Permanent LED message signs (locations to be determined)	\$75,000
Neighborhood signage (temporary notification signs)	\$600
Homelessness: Camp clean ups (funding for 2 years)	\$10,000
Tree Removal Program for private property owners	\$135,000
TOTAL: \$4,891,600	



ARPA Second Tranche, First Round - Next Steps

- ❑ July 5 – Resolution approving allocation of \$5,101,600 in funds received by the City of San Marcos in June 2022 under the American Rescue Plan to the recommended funding request areas identified by staff.

- ❑ Fall 2022 – Staff will come back with a process to determine remaining allocation after community survey results are received



Council Direction Needed

- ☐ Is Council okay moving forward with the recommended list of funding requests?
 - ☐ Adding ARP Grant Consultant (2 years) for a cost of \$110,000?
 - Position is allowed within federal guidance and primary objective would be maintaining compliance with ARPA guidelines
 - ☐ Multi-year funding for Mermaid Society? \$25,000 for each year through 2026?
 - Mermaid Society was funded \$25,000 in first tranche of ARP funding for only one year



Stephanie Reyes

Interim City Manager

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Laurie Moyer

Interim Assistant City Manager

Chase Stapp

Director of Public Safety

Anna Miranda

Interim Finance Director

Thank You!