



City of San Marcos

2018 Proposed Budget Policy Statement

I. Fund Balance Goals

- General Fund: Minimum of 25% (of recurring operating expenses)
- Water/ Wastewater Fund: Minimum of 25% (of recurring operating expenses)
- Electric Utility Fund: Minimum of the equivalent of 60 days of operating expenses including purchased power
- Drainage Utility Fund: Minimum of 25% (of recurring operating expenses)

II. Capital Improvements Program

- In-depth review of Capital Improvements Projects underway. Will evaluate funding needs on existing projects, staff capacity to complete current and future projects. Initial Recommendations will be presented to Council
- Total general fund project cost, not including any voter approved bond projects, will be limited to approximately \$10 million annually
- Issue only up to an appropriate amount of debt in the general fund to maintain at least a 50/50 debt to operations ratio
- Utility CIP capacity calculated through the rate model

III. Revenue Goals

GENERAL FUND

- Property tax rate increase will be limited to voter approved amounts
- Property Values increase based on a conservative trend estimated at 8%
- Maintain utility fund franchise fee transfers to the General Fund at 7%
- Sales tax will be projected based on current trends with a maximum 3% increase to recurring revenues over prior year
- Adjust Community Services fees based on the results of the cost of service study
- All other revenues will be adjusted based on historical trends
- Fees for services will be adjusted 1% based on the average CPI index for the calendar year 2016

WATER FUND

- Rate study to determine possible rate increases and structure changes
- Recommendations related to rate structure and future rate increases will be made by Citizens Utility Advisory Board
- Preliminary rate study results available in June

ELECTRIC FUND

- Rate study to determine possible rate increases and structure changes. No rate adjustment anticipated.
- Recommendations related to rate structure and future rate increases will be made by Citizens Utility Advisory Board
- Preliminary rate study results available in June

DRAINAGE FUND

- Explore needed rate increase to support operations and needed capital improvement projects
- Drainage Master Plan anticipated completion by end of summer. Will provide recommendations for additional funding that may include drainage impact fees, fee-in-lieu of fees, and/or traditional rate increases.

DEBT SERVICE FUND

- Maintain at least a 50/50 property tax debt to operation ratio between the general fund and the debt service fund

IV. Fund Expenditures

The FY2017-18 Operating Budget and CIP Plan will strive to support the goals and objectives as outlined in the Vision San Marcos: A River Runs Through Us Comprehensive Master Plan.

GENERAL FUND

- Additional personnel based on need and capacity with emphasis on code enforcement, inspectors and park rangers
- Funding year 3 of the Meet and Confer agreement with Police and Fire
- Estimated 5% increase in health insurance premium beginning January 1, 2018
- Continued required contribution of an estimated 17.66% for TMRS
- Base operations budgets flat. Additions to the department budgets must be requested, justified, and ranked by priority.
- Fuel/Contractual Obligations/Consumer Price Index increases allowed
- Capital Outlay funding of \$1.95M to include utilizing the planned replacement of vehicles scheduled through the Enterprise Fleet Management agreement, replacement of a minimum of 1/7 of the police pursuit and essential vehicles fleet, the third year of financing 18 police pursuit vehicles purchased in FY2016 and financed over 3 years, and other capital related requests based on need and capacity
- Continue to budget recurring expenses less than recurring revenues to continue building capacity for future expenses such as:
 - Fire Based EMS
 - Facility expansion
 - Potential debt service related to a future bond election

WATER/WASTEWATER FUND

- Additional personnel based on need and capacity
- Estimated 5% increase in health insurance premium beginning January 1, 2018
- Continued required contribution of an estimated 17.66% for TMRS
- Base operations budgets flat. Additions to the department budgets must be requested, justified, and ranked by priority.
- Fuel/Contractual Obligations/Consumer Price Index increases allowed
- Utility fund transfers to the General Fund budgeted at 7%
- Capital Outlay amounts determined through the rate model based on the planned replacement of vehicles scheduled through the Enterprise Fleet Management agreement, needed new and replacement large equipment, and other requests based on need

ELECTRIC UTILITY FUND

- Additional personnel based on need and capacity
- Estimated 5% increase in health insurance premium beginning January 1, 2018
- Continued required contribution of an estimated 17.66% for TMRS
- Base operations budgets flat. Additions to the department budgets must be requested, justified, and ranked by priority.
- Fuel/Contractual Obligations/Consumer Price Index increases allowed
- Utility fund transfers to the General Fund budgeted at 7%
- Capital Outlay amounts determined through the rate model based on the planned replacement of vehicles scheduled through the Enterprise Fleet Management agreement, needed new and replacement large equipment, and other requests based on need

V. Other Initiatives

- ★ **Continue funding Capital Maintenance Funds and additional one-time funds related to:**
 - Maintain Building Maintenance, Parks Maintenance, and IT Maintenance- same level as FY2017
 - Maintain Police, Fire, and Activity Center Routine Capital-same level as FY2017
- ★ **Endeavor to determine and budget for sufficient funding levels for routine maintenance and capital replacement**
- ★ **Education and Youth Initiatives**
 - Continue allocation of \$150,000 to fund the existing Youth Services Manager position and youth focused programs identified in the youth master plan
- ★ **Social Services**
 - ★ Maintain funding levels at \$450,000
- ★ **Hotel Motel Fund**
 - ★ Revenue based on conservative trends reflecting new hotel rooms

- ★ Funding for special programs remains flat. Organizations can request increases during the budget process for specific programs
- ★ Evaluate funding for potential events and projects

★ **Economic Development Funding**

- ★ Continued funding by the three major funds of a total of \$200K annually to provide a funding source for potential economic incentives in the absence of 4A/4B funding. Fiscal year 201 will be the 4rd year of annual funding.
- ★ Use of existing funds from fiscal years 2015 and 2016 to fund the BIG (Business Improvement and Growth) program. Funding may be added in future fiscal years based on need.

★ **Potential Bond Election**

- ★ Two bond propositions will be decided by voters in May 2017
- ★ Budget will be adjusted appropriately based on the results of the election