



City of San Marcos

630 East Hopkins
San Marcos, TX 78666

Meeting Minutes City Council

Tuesday, April 3, 2018

3:00 PM

City Hall Conference Room

630 E. Hopkins - Work Session

I. Call To Order

With a quorum present, the work session meeting of the San Marcos City Council was called to order by Mayor Thomaides at 3:03 p.m. Tuesday, April 3, 2018 in the City Hall Conference Room, 630 E. Hopkins, San Marcos, Texas 78666.

II. Roll Call

Present: 7 - Mayor Pro Tem Lisa Prewitt, Council Member Saul Gonzales, Deputy Mayor Pro Tem Scott Gregson, Council Member Melissa Derrick, Council Member Jane Hughson, Mayor John Thomaides and Council Member Ed Mihalkanin

1. Receive a Staff presentation and hold discussion regarding the Federal Guiding Principles for the City's 2018 Legislative Program Activities, and provide direction to Staff.

Kristy Stark, Director of Communications and Intergovernmental, presented the Council the proposed Federal Guiding Principles for 2018. She explained that these Guiding Principles will be used when the Council goes on their lobbying trip to Washington, DC April 24-26.

Mrs. Stark walked the Council through recommended edits of the document. The first of which was to strike "Support flood reconstruction and mitigation efforts by administering federal funding received through the U.S. Department of Agriculture's Natural Resources Conservation Service for five floodwater retarding structures, or dams, in the Upper San Marcos River Watershed." and to add working that supports a regional partnership "Support federal funding solutions to develop regional partnerships to maximize solutions for both current and future flood resiliency, to create a community resilient to regional and localized flooding events, to prevent future damages from upstream and downstream development, and to improve overall storm water quality."

Mrs. Stark reviewed the proposed edits for Transportation. Council directed Staff to insert the language, "...and advancing the economic development goals of our community,..." to the first bullet under Transportation.

Discussion was held regarding if the City has a list of major infrastructure needs. Staff confirmed that a list is maintained by engineering. Discussion was held regarding LBJ and Guadalupe roadways and how they are impacted during flood events. Staff will look at all of the ownership of what the City owns vs. what TxDot owns so that the Council has that prior to going to Washington.

Mrs. Stark reviewed edits within Education and Workforce Development, Neighborhoods, Workforce Housing and Sustainable Development, River and Environmental Protection, Economic Development and Public Safety.

Discussion was held regarding asking for the Normandy Group's feedback on the inclusion of statements regarding the support of preserving DACA and NAFTA, and also the new Census questions regarding citizenship status. Council provided direction to Staff to get with Normandy and see what they suggest and will bring back those recommendations on April 17.

2. Receive a Staff presentation and hold discussion regarding the City's current and future debt, and provide direction to Staff.

Bert Lumbreras, City Manager, kicked off the presentation and discussion with a brief introduction related to the focused discussion on where we are in regards to our debt and how this information will best serve the Council in making budget decisions.

Heather Hurlbert, Director of Finance, provided the Council with the presentation regarding the City's current and future debt. She began with a debt overview regarding types of debt. Mrs. Hurlbert then reviewed the City's current debt. Of the \$304.7M in outstanding City debt, \$228M or 75%, uses funding sources other than property tax to pay the annual debt service. The debt supported by property taxes totals \$76.7M.

Mrs. Hurlbert presented that of the City's current General Fund debt is as follows:

Outstanding Debt

\$5.8 M - Hotel Conference Center Project - Debt serviced by rent payments from JQ Hammons.

\$8.5M - Hotel Conference Center Project - Debt serviced by 2% venue tax and 100% HOT collections from Embassy Suites.

\$28.9M - Wonder World Extension - Debt serviced by TxDot.

\$76.7M - General Fund CO Bonds - Debt Serviced by City of San Marcos tax

payers.

Mrs. Hurlbert provided a peer city comparison and provided that the current debt portion of the Tax Rate (cents) is 25.4. This includes approximately 4.6 cents that is to be used to pay for the voter approved bond's that have not been issued to date. The tax rate needed to service the existing debt is 20.8 cents.

Mrs. Hurlbert reviewed the City's debt philosophy. In 2008, the City evaluated the benefits of issuing Certificates of Obligation (CO's) instead of Revenue Bonds to fund capital improvement projects for the Enterprise funds. CO bonds could be issued at a lower interest rate versus Revenue Bonds due to the stronger credit rating of the General Fund. CO bond covenants do not require the Enterprise funds to maintain the 1.2 times coverage, which lessened rate pressures.

Mrs. Hurlbert reviewed the initiatives to minimize debt:

Moved CIP/Engineering Department from debt funded to General Fund operations.

Increased operating budget for street overlay and maintenance from \$400K to \$1.6M.

Added sidewalk maintenance and improvements to General Fund operations.

Created a budget for routine maintenance and equipment replacement: Parks, Facilities, IT, Fire, and Police.

Began annual sweep of Enterprise fund balance in excess of financial goal to Cash fund CIP projects.

Mrs. Hurlbert reviewed the approved 2018 CIP Projects and their funding detail. She also reviewed the bond process timeline regarding the CO and GO issuance that will be coming before the Council on May 15.

Mrs. Hurlbert reviewed General Obligation bonds and explained that

Payments for GO bonds will be structured to have a payment in FY 2018.

Bond payments are usually structured to begin in the subsequent fiscal year.

Payment in FY 2018 will use the tax revenue generated by assessing the tax rate to the full rate for the 2018 budget. She explained that Staff is confident that Standard and Poors will affirm the City's AA rating, which we have maintained since 2014.

Mrs. Hurlbert discussed planning for future debt. She provided that Staff will prepare the 10 year CIP plan for all funds annually. The first 5 years of 10

year CIP is semi-constrained based on: Debt capacity, Update General Fund forecast annually based on current forecasts and trends, Water/Wastewater, Electric, and Stormwater Management funds capacity determined through the annual rate modeling, and Engineering's capacity to manage projects. The first year is adopted by City Council during the budget process.

Staff will provide the Council with a prioritized list of CIP projects including outer year priorities.

Mrs. Hurlbert provided the following related to anticipated future debt. General fund debt is anticipated to be constrained at an average of \$10M per year for at least the next five years. Financial modeling during the bond process included maintaining capacity for the General Fund's portion of future City Hall and Public Services facility improvements/expansion. Rising construction costs and slowing sales tax growth will affect this capacity so there may have to be further constraints to maintain capacity for facility improvements/expansion.

In closing, Mrs. Hurlbert provided that the General Fund tax supported debt levels are currently less than in 2010. Implemented sound financial policies and initiatives to limit issuing debt by funding expenses in the operating budget. Have used conservative budgeting and long term forecasting to ensure the City is fiscally responsible. Outstanding General Fund outstanding debt is well below the allowed percentage in the financial policy. General Fund debt balance is less than many of our peer cities. Continue to closely monitor the financial trends and update the forecasted capacity in the General Fund and modify CIP plans as needed. Continue to explore alternative financing options to minimize outstanding debt.

Staff reviewed the 2018 CIP list and provided some of the larger projects. Discussion was held regarding the addition of a line item to show general fund debt related to the future City Hall and Public Services facility improvements/expansion. Staff indicated that they would add that line item. Discussion was held regarding when a high growth city begins to see a return on investment related to infrastructure or development.

III. Adjournment.

Mayor Thomaides adjourned the work session of the San Marcos City Council at 4:55 p.m.

Jamie Lee Case, City Clerk

John Thomaides, Mayor