



Budget Policy FY 2022

February 26, 2021 | City of San Marcos | Finance



Agenda



City Manager Introduction



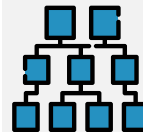
FY20 Year-End Review



Budget Process



Key Forecast Assumptions



Budget Policy Discussion



Decision Point Summary

FY 2020 Year End Summary

General Fund

	Amended Budget	Actual	Variance
Beginning Fund Balance		\$17,053,000	
Total Revenue	\$94,808,000	\$95,262,000	\$454,000
Taxes	70,161,000	71,042,000	881,000
Utility Franchise Fees	9,465,000	9,361,000	(104,000)
License and Permits	3,362,000	3,693,000	331,000
Fines and Penalties	1,250,000	815,000	(435,000)
Recreational	785,000	430,000	(355,000)
Community Enhancement Fee	620,000	609,000	(11,000)
Animal Shelter	613,000	855,000	242,000
Other Revenue	1,989,000	1,736,000	(253,000)
Transfer from Other Funds	6,563,000	6,721,000	158,000
Total Expenses	\$98,382,000	\$87,438,000	(\$10,944,000)
Personnel	54,216,000	49,684,000	(4,532,000)
Contracted Services	8,772,000	6,623,000	(2,149,000)
Materials and Supplies	3,908,000	3,363,000	(545,000)
Other Expenses	7,171,000	3,292,000	(3,879,000)
Social Services	500,000	500,000	-
Economic Incentives/TIRZ	18,951,000	19,112,000	161,000
Capital Expense	2,657,000	2,657,000	-
Operating Transfers	2,207,000	2,207,000	-
Ending Fund Balance		\$24,877,000	

FY 2020 Year End Summary

Electric Utility Fund

	Budget	Actual	Variance
Beginning Fund Balance		\$8,468,000	
Total Revenue	\$62,018,000	\$56,962,000	(\$5,056,000)
Current Services	58,479,000	52,632,000	(5,847,000)
Other Revenue	582,000	1,452,000	870,000
Transfer from Other Funds	2,675,000	2,671,000	(4,000)
Interest	282,000	207,000	(75,000)
Total Expenses	\$65,207,000	\$56,327,000	(\$8,880,000)
Personnel	6,914,000	5,805,000	(1,109,000)
Contracted Services	42,398,000	36,899,000	(5,499,000)
Materials and Supplies	1,231,000	685,000	(546,000)
Other Expenses	6,600,000	5,441,000	(1,159,000)
Debt Service	4,522,000	4,407,000	(115,000)
Capital Expense	840,000	388,000	(452,000)
Transfer to Capital Reserves	2,702,000	2,702,000	-
Rate Stabilization Reserve		\$759,000	
Ending Fund Balance		\$9,103,000	

FY 2020 Year End Summary

Water/Wastewater Utility Fund

	Budget	Actual	Variance
Beginning Fund Balance		\$10,075,000	
Total Revenue	\$46,324,000	\$45,003,000	(\$1,321,000)
Current Services	45,252,000	43,725,000	(1,527,000)
Other Revenue	787,000	884,000	97,000
Interest	285,000	394,000	109,000
Total Expenses	\$46,834,000	\$43,418,000	(\$3,416,000)
Personnel	5,354,000	5,185,000	(169,000)
Contracted Services	12,526,000	9,904,000	(2,622,000)
Materials and Supplies	1,621,000	1,427,000	(194,000)
Other Expenses	4,938,000	4,455,000	(483,000)
Debt Service	14,398,000	14,196,000	(202,000)
Capital Expense	7,997,000	8,251,000	254,000
Rate Stabilization Reserve		\$2,884,850	
Ending Fund Balance		\$11,660,000	

FY 2020 Year End Summary

Drainage Utility Fund

	Budget	Actual	Variance
Beginning Fund Balance		\$1,768,000	
Total Revenue	\$6,944,000	\$5,995,000	(\$949,000)
Current Services	6,887,000	5,990,000	(897,000)
Other Revenue	41,000	-	(41,000)
Interest	16,000	5,000	(11,000)
Total Expenses	\$6,966,000	\$5,959,000	(\$1,007,000)
Personnel	1,265,000	1,084,000	(181,000)
Contracted Services	1,350,000	665,000	(685,000)
Materials and Supplies	188,000	134,000	(54,000)
Other Expenses	42,000	49,000	7,000
Debt Service	3,469,000	3,380,000	(89,000)
Capital Expense	652,000	647,000	(5,000)
Ending Fund Balance		\$1,804,000	

FY 2020 Year End Summary

Airport Fund

	Budget	Actual	Variance
Beginning Fund Balance		\$0	
Total Revenue	\$616,000	\$500,000	(\$116,000)
Operating Revenue	616,000	500,000	(116,000)
General Fund Transfer	-	-	-
Total Expenses	\$616,000	\$537,000	(\$79,000)
Airport Management	460,000	469,000	9,000
Contracted Services	49,000	-	(49,000)
Materials and Supplies	5,000	1,000	(4,000)
Other Expenses	2,000	-	(2,000)
Incentive payments	100,000	67,000	(33,000)
Ending Fund Balance		(\$37,000)	

FY 2020 Year End Summary

Hotel/Motel Fund

	Budget	Actual	Variance
Beginning Fund Balance		\$1,394,000	
Total Revenue	\$3,996,000	\$2,762,000	(\$1,234,000)
Hotel Motel Tax	3,852,000	2,595,000	(1,257,000)
Late Charges and Penalties	1,000	17,000	16,000
General Fund Transfer	142,000	142,000	-
Interest	1,000	8,000	7,000
Total Expenses	\$5,024,000	\$3,274,000	(\$1,750,000)
Personnel	940,000	907,000	(33,000)
Contracted Services	709,000	265,000	(444,000)
Materials and Supplies	666,000	428,000	(238,000)
Other Expenses	370,000	49,000	(321,000)
Tourism Programs	421,000	53,000	(368,000)
Arts Funding	453,000	107,000	(346,000)
Capital Expense	-	-	-
Transfer to Debt Service	1,465,000	1,465,000	-
Ending Fund Balance		\$882,000	

Budget Development



Set strategic initiatives for the coming year



Formulate policy statement to guide city manager during budget preparation



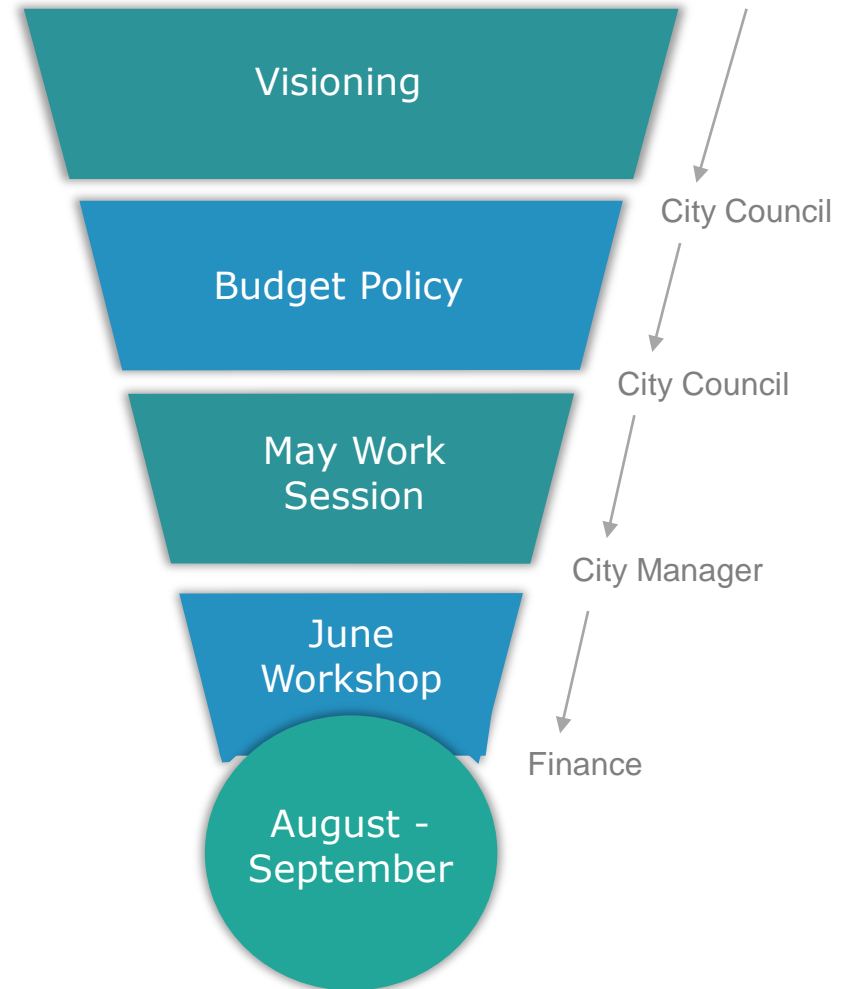
Deliver budget capacity and trends



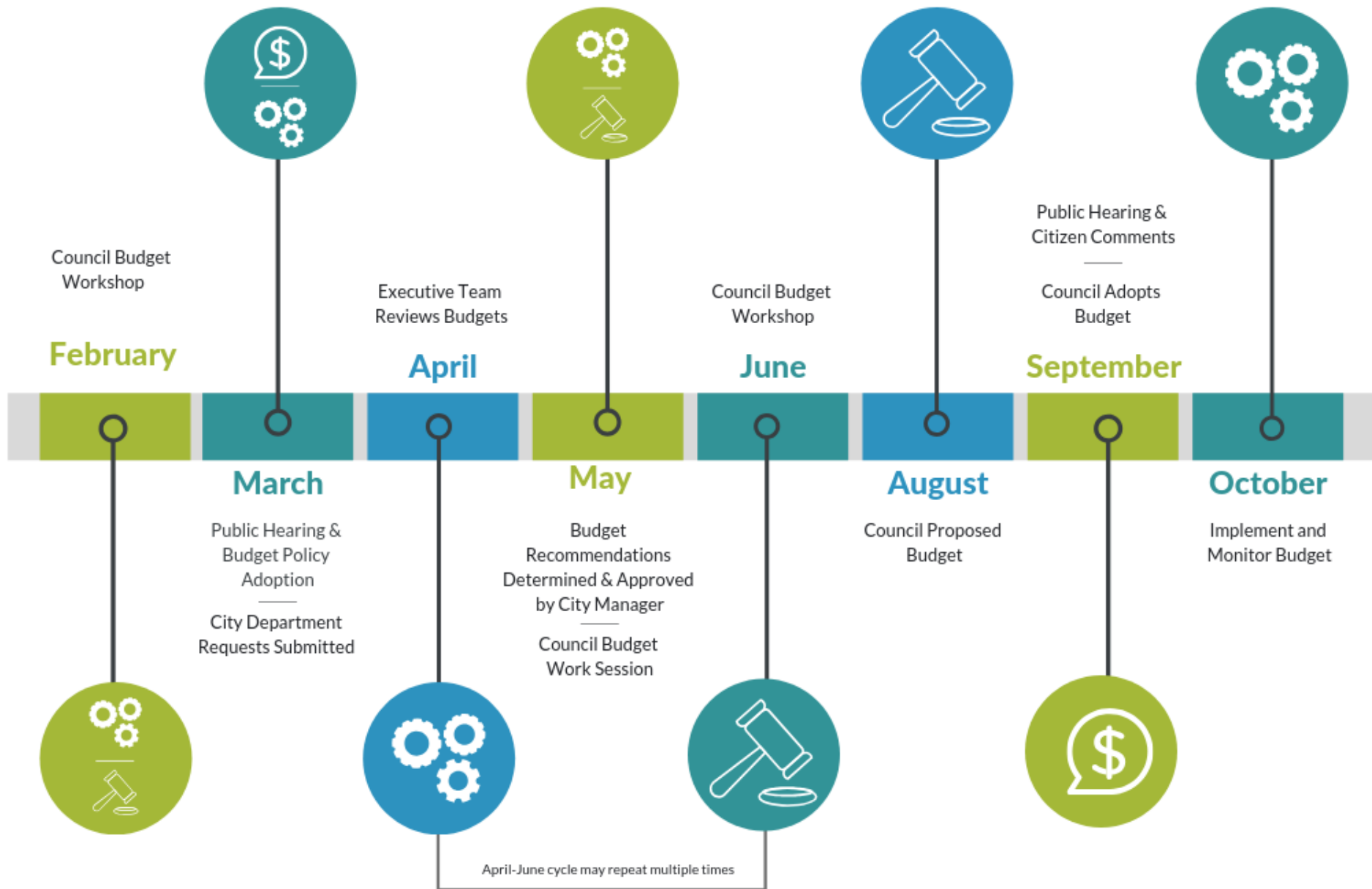
Deliver budgeted programs, revenues, and expenditure philosophy



Deliver proposed budget of all general budget items by fund type



Once City Council formulates a budget policy the City Manager works with staff to develop the budget document



Conducted by City Staff



Conducted by City Council



Includes Public Hearing

Budget Timeline

1

**Budget Policy Workshop,
Feb 26**

**Proposed Budget Workshop,
Aug 12**

5

2

**Adopt Budget Policy,
Mar 16**

**Public Hearings, Budget and
Tax Rate Adoption, Sept 21**

6

3

**Budget Work Session
and CIP Update, May 18**

**Close year-end and implement
budget**

7

4

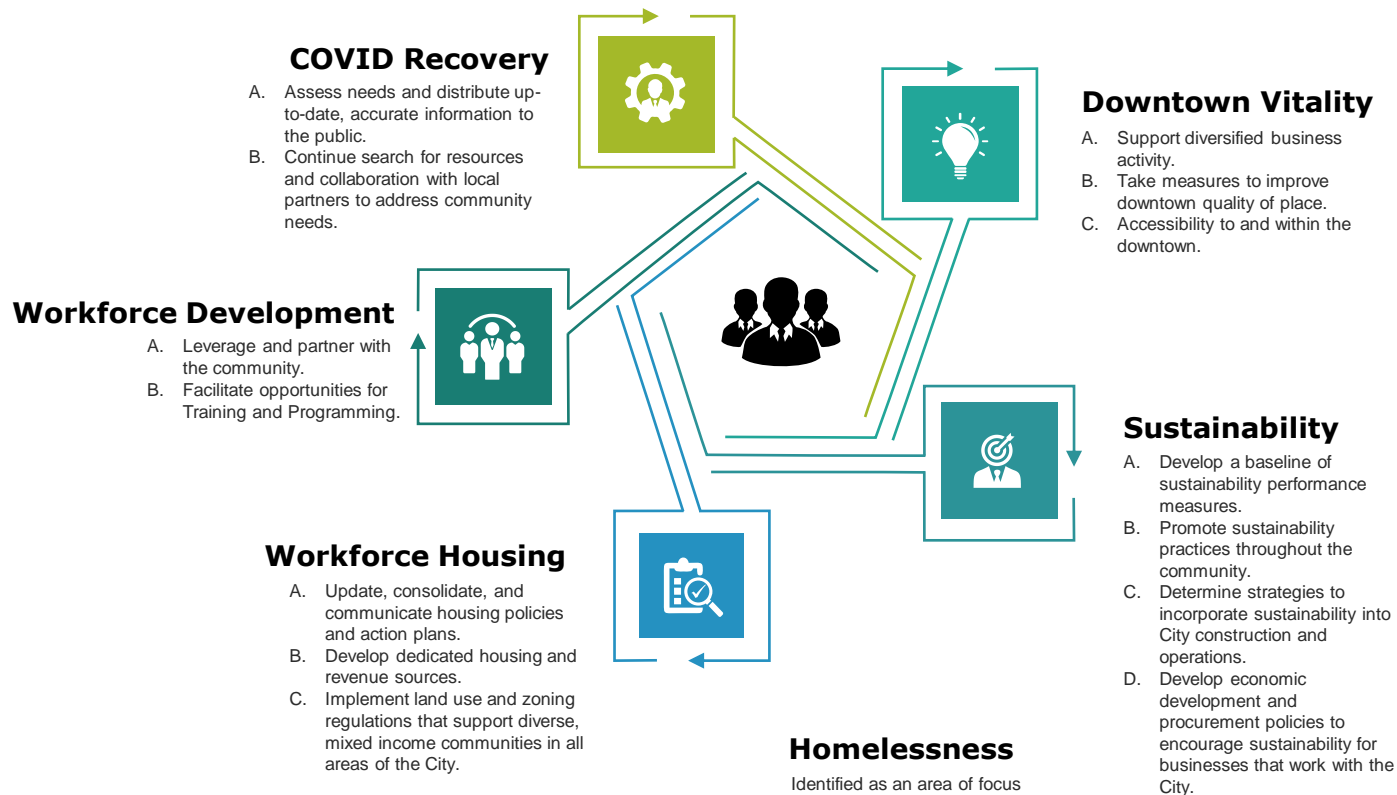
**Budget Workshop,
June 29**

Economic Indicators

	Unemployment Dec 2020	Home Prices Jan Year-To-Year	CPI-U* Jan 2021	New Single- Family Homes Year-To-Year
Federal	6.5%	15%	1.4%	
State	7.2%	5%	1.6%	
Regional	5.1%	31%		
Hays	5.2%	4%		
San Marcos				28%

* Consumer Price Index – All Urban Users

2021-22 Strategic Initiatives



Adopted 2021 Budget

General Fund Revenue Sources



28%

Property Tax

Second year of SB
(Senate Bill) 2 Property
Tax Cap @ 3.5%



43%

Sales Tax

Comptroller Sales Tax
ruling: change in definition
of place of business
determining collection point



29%

All Other

Other fees forecasted
using historical growth
trends

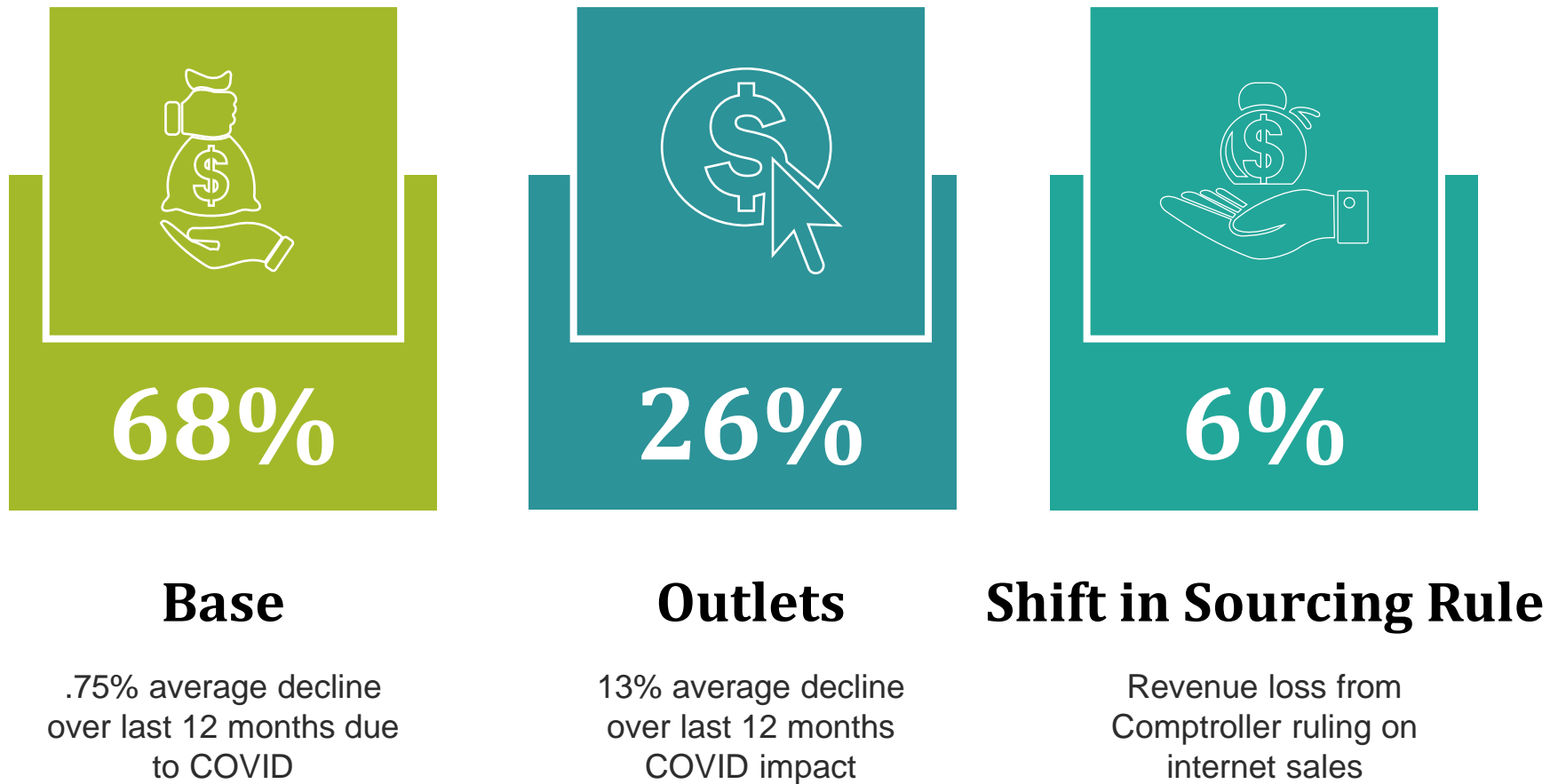
Property Tax Rate



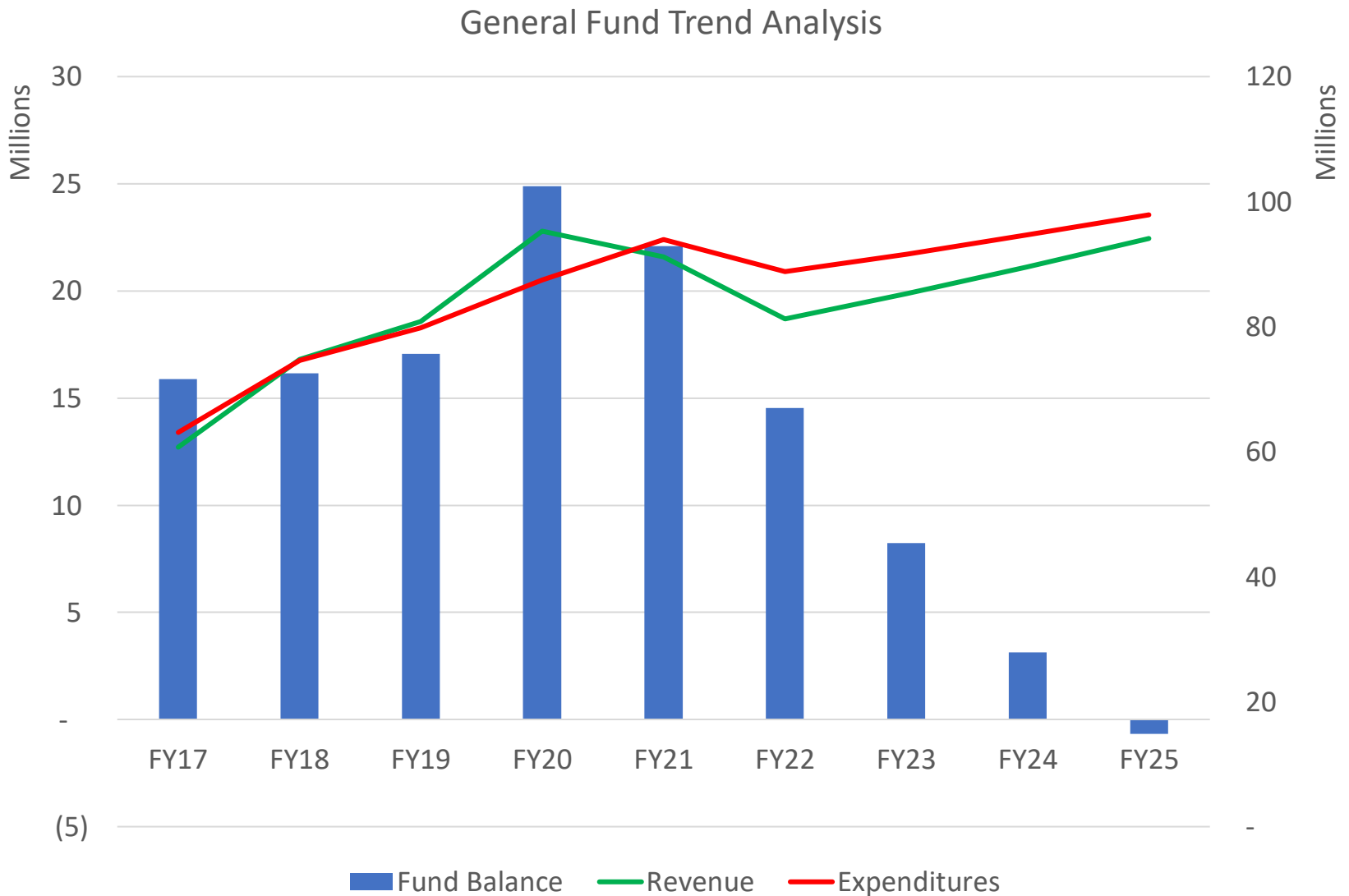
	FY18	FY19	FY20	FY21
Tax Rate per \$100	61.39	61.39	61.39	59.30
Total Appraisal	\$ 4,577M	\$ 5,062M	\$ 5,644M	\$6,273M
Total Levy	\$ 28.1M	\$ 31.1M	\$ 34.6M	\$37.2M
Debt Service %	41.6%	36.8%	33.7%	29.3%
Operations %	58.4%	63.2%	66.3%	70.7%

- SB2 new terminology: *Voter-approval tax rate* (rollback rate) and *no new revenue tax rate* (effective rate)
- Assumption in base budget: Tax rate would be equal to or less than the *voter approval tax rate* of 59.30
- Exceeding the *voter-approval tax rate* automatically triggers an election

Sales Tax Revenue



General Fund Financial Forecast



General Fund Estimated Contractual Obligation Increases



Description	Amount	% Increase
Operating:		
Facility Services/Utilities	\$47,000	3%
Facility Maintenance	130,000	15%
Vehicle Repairs	150,000	45%
SW License & Maintenance	300,000	20%
Contracted Veterinarian	15,000	15%
Street Maintenance	88,000	4%
EMS Services	100,000	10%
Transit Local Match	750,000	100%
Personnel:		
Civil Service	800,000	4%
Non-civil Service	1,100,000	4%
Total Recurring Expenses:	\$3,480,000	

➤ Preliminary forecasted base budget could require ~ \$3.48M increase of General Fund appropriation

2021 Budget

General Fund Agency/Event Funding



Description	Amount	Totals
Social Services:		\$890,000
Human Services Advisory Board	\$500,000	
Hays Caldwell Women's Center	150,000	
Court Appointed Special Advocates	45,000	
Family Justice Center	45,000	
Youth Funding	50,000	
Museums	100,000	
Other:		\$130,000
Sights n Sounds	80,000	
Veterans Day	5,000	
Summer Fest	15,000	
Special Events	30,000	
Total Recurring Expenses:		\$1,020,000

General Fund Options



Fund Balance

- Flexibility with between 20-25%



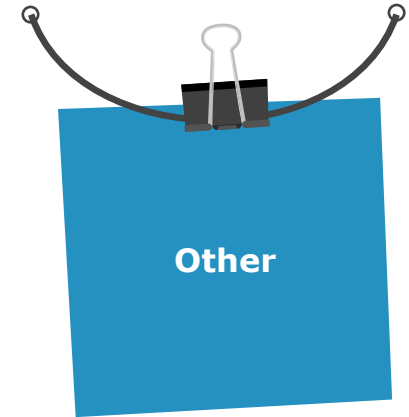
Operating Process

- Explore potential reductions in service levels



Revenue

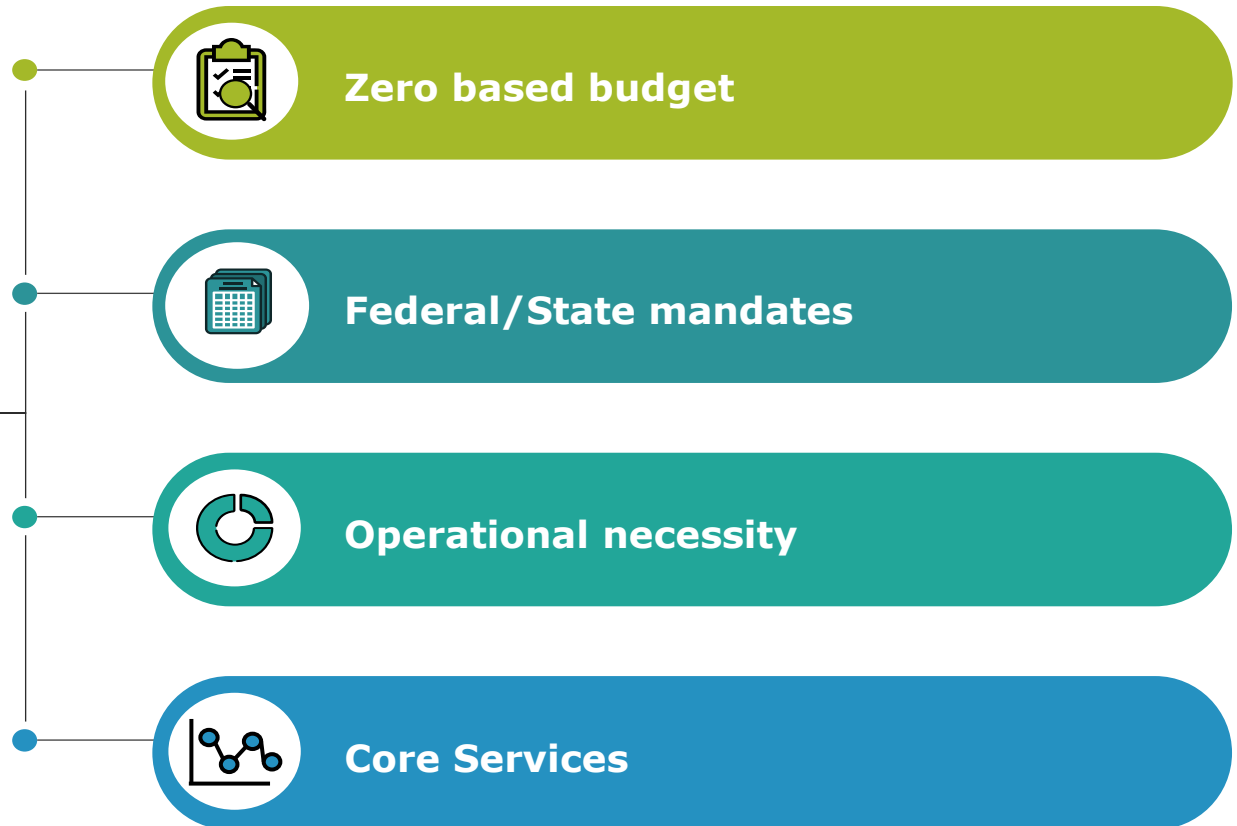
- Explore potential new revenue sources
- Rate analysis of current rates



Other

- Capital Improvement Projects (CIP)
- Tax Increment Reinvestment Zones (TIRZ)
- Senate Bill 2

General Fund Operating Process



General Fund Additional Considerations



Animal Shelter



COVID Assistance



Spanish Bilingual Pay Program



Staffing Needs



Police/Fire Agreements

Enterprise Fund Revenue

Model rates over a multi-year period to determine required adjustments



Operations & Maintenance



Capital Needs & Existing debt obligations



Current and future infrastructure needs



Increase rates in small increments over time to meet future needs

Other Forecasting Assumptions



Property tax collections

**Stormwater rate study –
Proposed changes to be
implemented**



Sales tax collections

Transit cost per hour \$79



Hotel occupancy rates

Decision Point Summary



**Tax rate not to exceed
*voter-approval tax rate***

Merit Increase



Fund Balance

Youth Services



Social Services & Other
See slide 19

Additional Considerations
See slide 22



Thank You



Bert Lumbreras

City Manager



Stephanie Reyes

Assistant City Manager



Marie Kalka

Director of Finance/CFO