



City of San Marcos

Budget Work Session

May 18, 2021



Topics for discussion

- Economy
- FY 21 Financial Update and Expectation
- FY 22 Budget Assumptions and Expectation
- Budget Timeline
- CIP Update



FY 22 Budget Policy – Fund Balance Targets

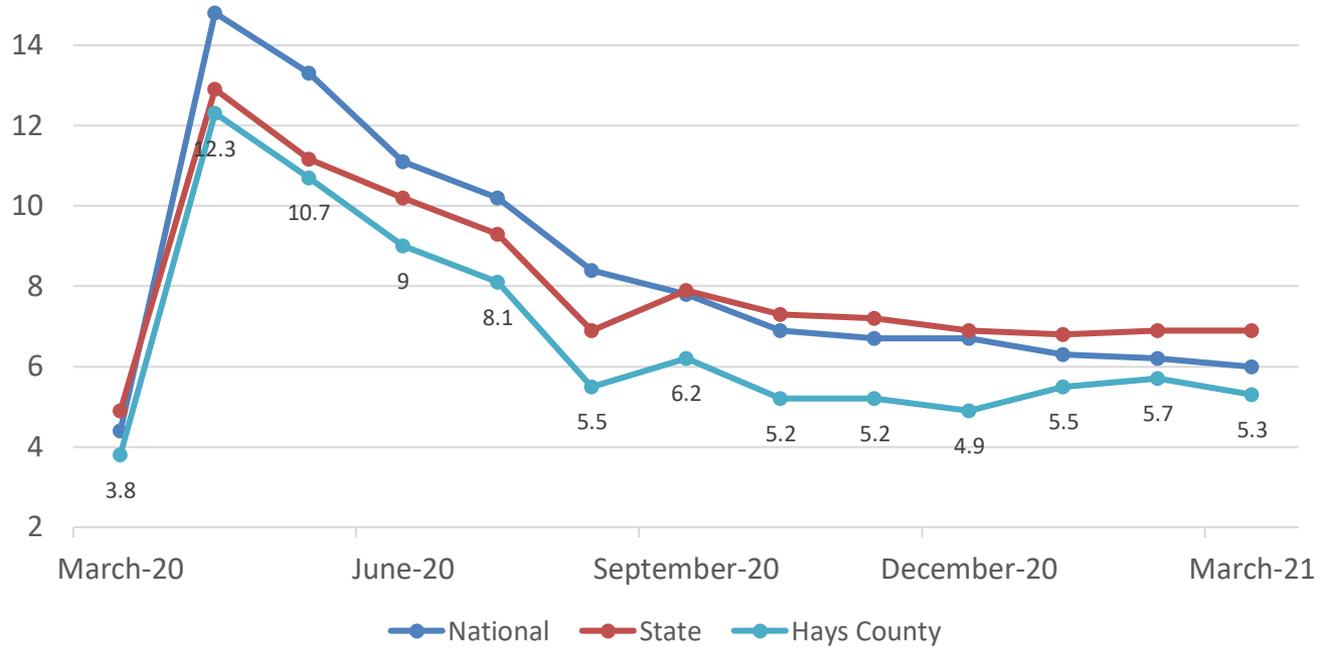
- Maintain fund balance at:
 - 20-25% for General fund
 - 25% for Water/Wastewater and Stormwater
 - 60 days for Electric

Economy

- Showing signs of economic recovery



Economic Indicators: Unemployment Rate



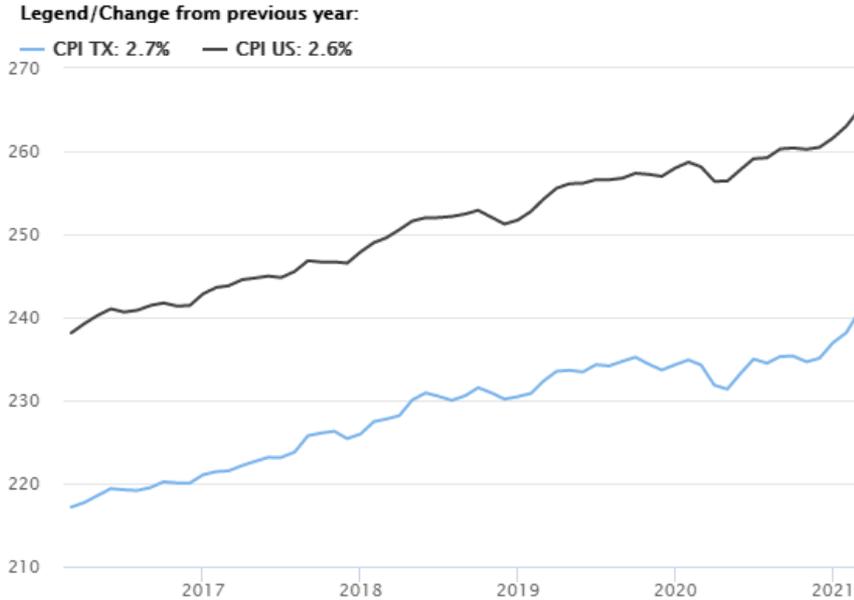
Sources:

National and State data – U.S. Bureau of Labor Statistics

Hays County – FRED Economic Data, Federal Reserve Bank St. Louis



Economic Indicators: Consumer Price Index



*Excluding food and energy

Source: US Bureau of Labor Statistics and Comptroller of Public Accounts,
based on data provided by Bureau of Labor Statistics

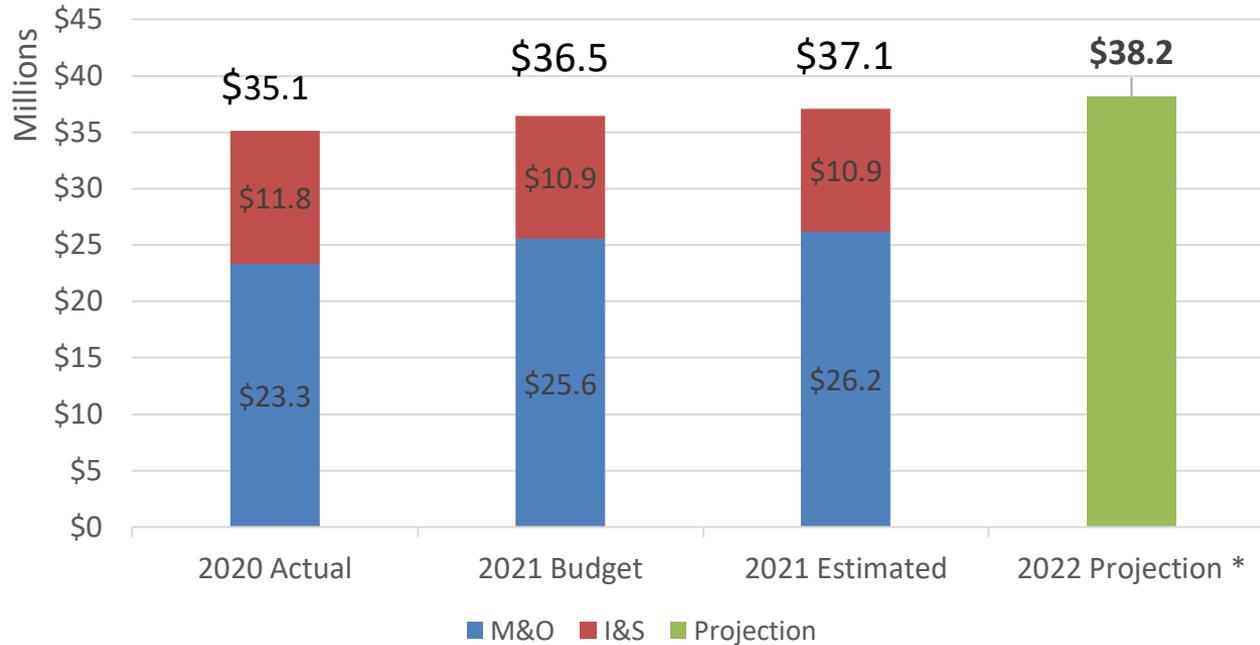
Consumer Price Index (CPI):

- measures the price trend of consumer goods
- indicator of pricing pressures in the economy
- provides a gauge of inflation
- can lead to changes in monetary policy

The Federal Open Market Committee (FOMC) did not make changes to monetary policy at their April meeting, concern that the recovery may not be sustained.



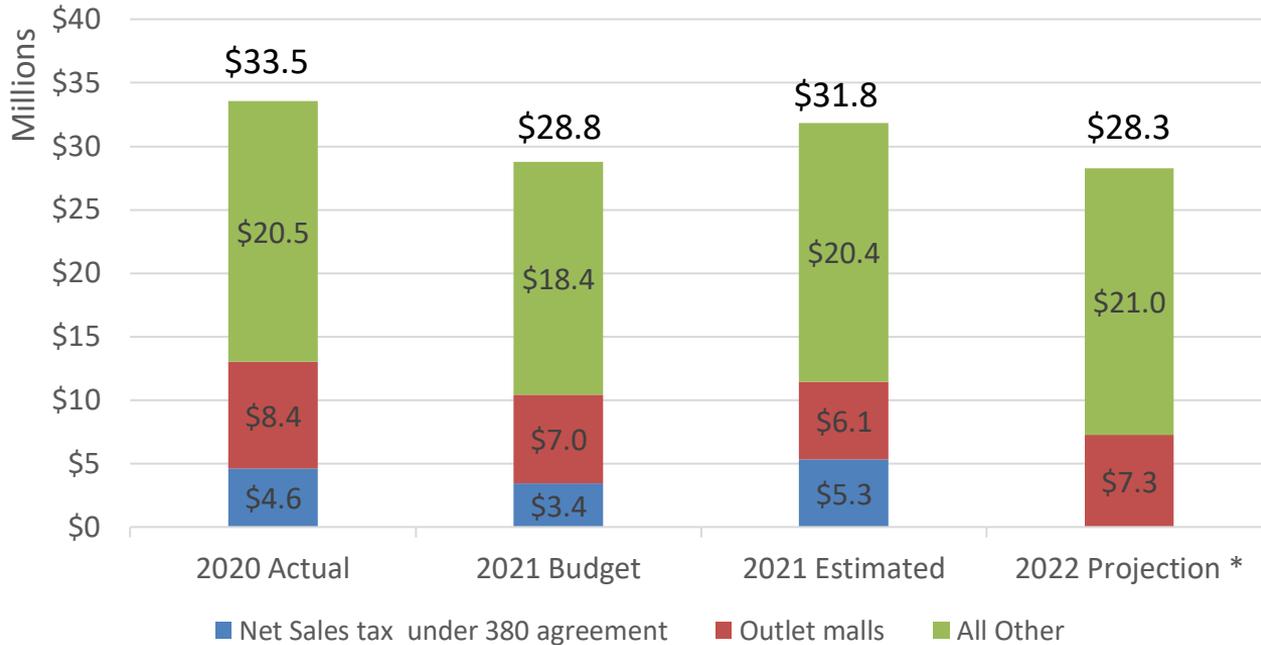
Financial Update: Property Tax Revenue



* FY22 Projection is based on NNR rate plus value of new properties on the preliminary appraisal estimate for Hays County.



Financial Update: Sales Tax Collections



* While we anticipate collecting additional sales tax revenue over the FY 21 budget, preliminary calculations of FY 22 budget is anticipated to be \$3.5 million less than the FY 21 estimate.



Financial Update: General Fund Revenues

(shown in millions)	FY 20 Actual	FY 21 Budget	FY 21 Estimate *	FY 22 Preliminary *
Taxes (net) and Franchise fees	66.0	65.2	68.2	66.0
Licenses and Permits	3.7	3.7	4.5	3.8
Fines and Penalties	0.8	1.4	0.7	1.0
Charges for Services	1.2	2.0	1.0	2.0
Interest and Other	2.4	2.1	1.7	1.8
Transfers	<u>6.7</u>	<u>6.4</u>	<u>6.4</u>	<u>6.5</u>
Total	80.8	80.8	82.5	81.1

* May is still early in the budget estimation process, these figures may be adjusted as we continue to receive information.



FY 21 Expectation

- Showing signs of economic recovery.
- Net sales tax revenues are expected to exceed conservatively budgeted figures.
- Salary savings has resulted in lower overall personnel costs.
- Reduction in professional development and travel costs related to pandemic response.
- Overall, FY 21 revenues are expected to equal or exceed expenses.



FY 22 Preliminary Budget Assumptions

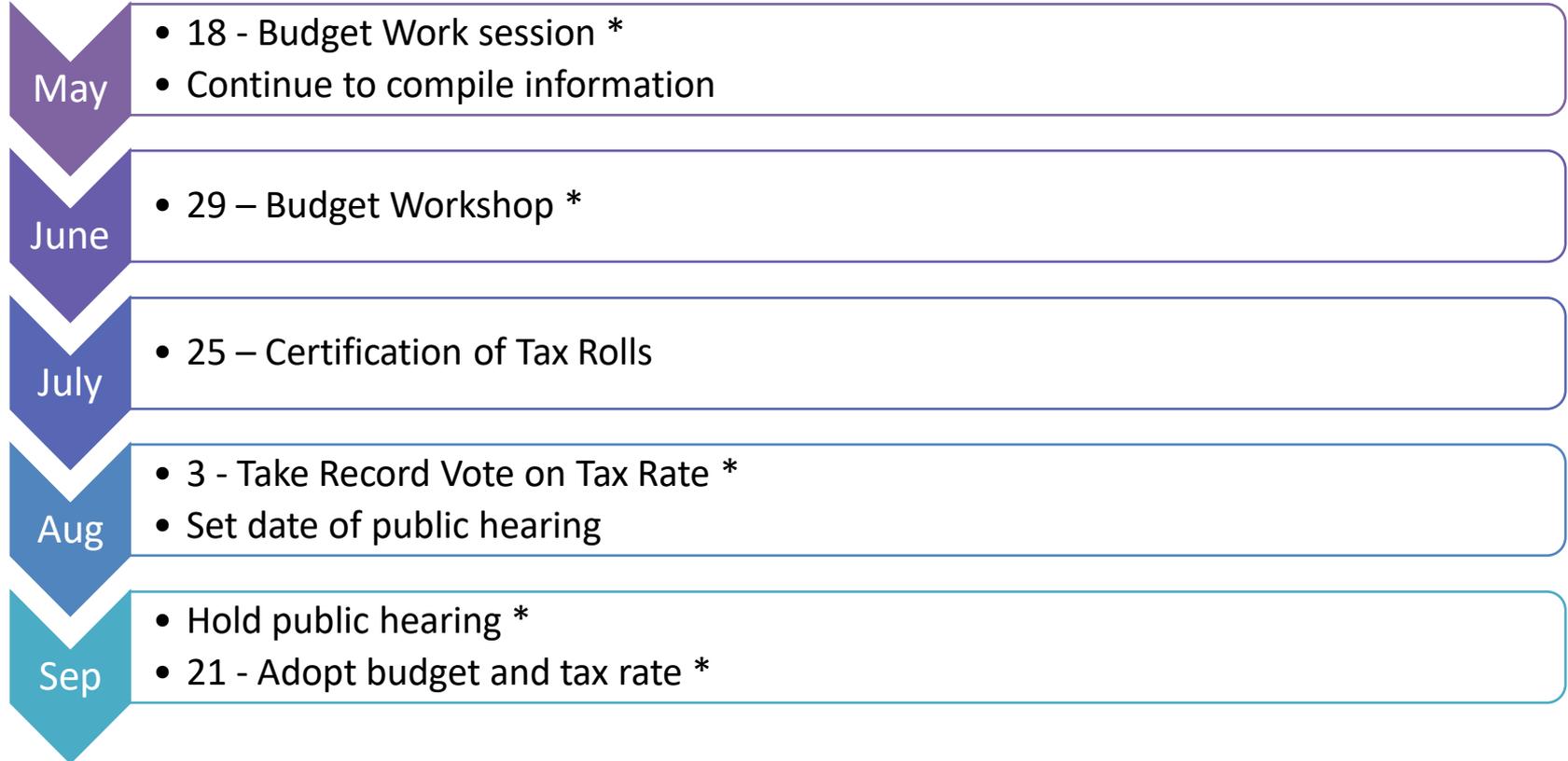
- Revenues
 - Property tax increase based on value of new properties
 - Sales tax increase on 'base' estimated on expected population increase; overall sales tax decrease due to Comptrollers ruling changing recognition of internet sales to point of delivery.
 - Utility rate models are in progress
 - Analyze development services cost recovery fees
 - Consider raising other fees by CPI (2.7% - March 2021)
- Expenses
 - Increased facility costs – new public services facility
 - Increased fuel costs
 - Requests for additional personnel
 - Restore funding for professional development
 - 4% personnel adjustment under review
 - Continued cost containment



FY 22 Expectation

- We are in the middle of the budget process, evaluating requests for new personnel, supplemental operating budget requests, capital outlay requests.
- With the expectation of reduced revenues in the general fund, requests that save overall costs (contracted services) or are potentially revenue generating will be given greater consideration, as well as positions which address public health and safety needs.
- Goal: Present a balanced budget, while maintaining our property tax rate. (Keeping in mind that the change in calculation of “rollback” or “voter approval” rate from 8% to 3.5% may limit our ability to do so in this high growth area.)

Budget Timeline



* Council meeting dates



City of San Marcos

City Council

May 18th, 2021



FY 22 CIP Process – Where are we?



New Projects

Departments Submit New Project Requests



Department Review

All Departments Review Comprehensive List of Projects



Workload Capacity

Projects reviewed for timeline and workload capacity



General Fund Constraints

Bond Project Constraints of \$8M per year



P&Z Review

Discussion with P&Z Commission & Public Hearing



P&Z Recommendation

Receive P&Z Recommendation for City Council



Recommendation to Council

Present City Council with P&Z Recommendation

sanmarcostx.gov



Capital Improvements Program Funding

Drainage or Stormwater Fund

- Drainage Utility Fee
- Drainage and Water Quality

Electric Fund

- Electric Rates

Water/Wastewater Fund

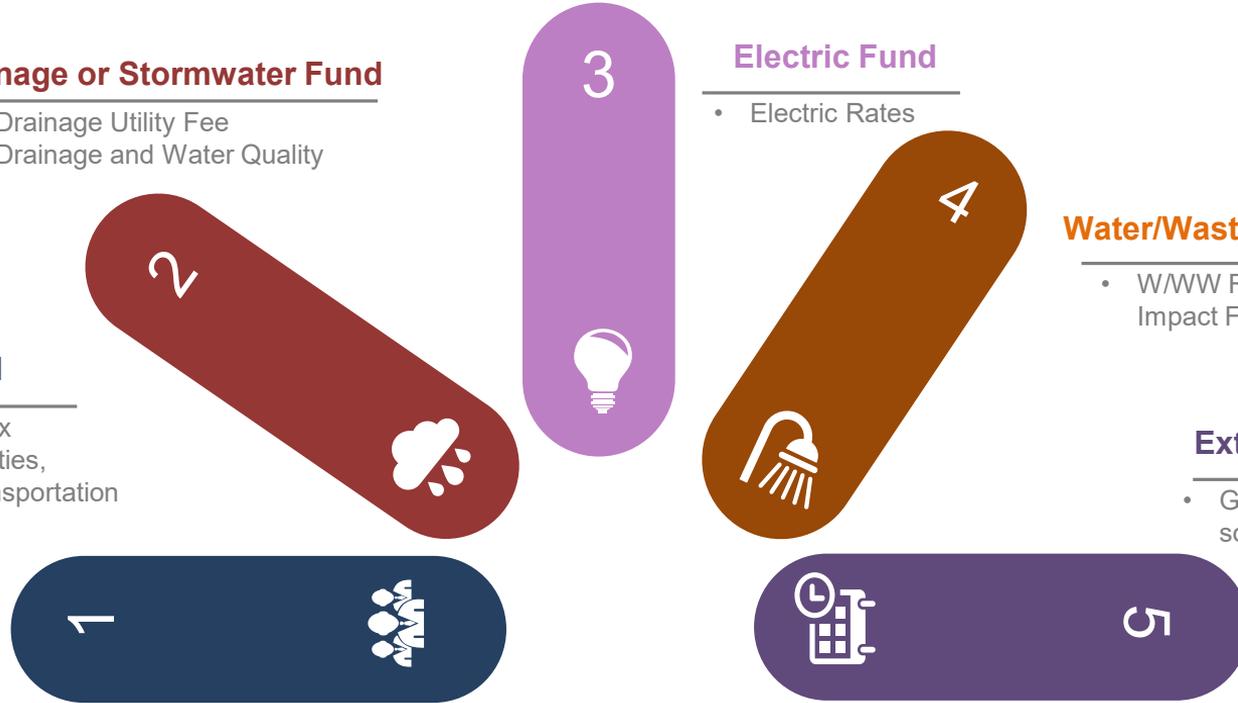
- W/W Rates and Impact Fees

External Funding

- Grants or outside sources

General Fund

- Property & Sales Tax
- Airport, Parks, Facilities, Public Safety & Transportation



Funding Sources

4 City Funding Sources
External Sources



Discussion on 2022 CIP – General Funds

- Revenue impacts of COVID & state legislative changes require new CIP debt projections
- Assumed 2022 General Fund CIP debt cap of < \$8 Million
- Affects both Multi & General Fund projects
- FY 22 Projects >\$750,000 = \$3.7 Million
 - #525 Wallace Addition Subdivision (Future Bond) – design
 - #704 Dunbar Utility Improvements – pavement reconstruction
 - #773 Fire Department Engine Replacement Sta#1
 - #419 Sessom Academy Intersection – pavement reconstruction



Discussion on 2022 CIP – General Funds (cont'd)

- FY 22 Projects \$250,000 - \$750,000 = \$1.8 Million
 - #475 City Facilities HVAC Replacements
 - #169 City Parking Lot Replacements
 - #526 City Facilities Major Maintenance
 - #753 City Facilities Roof Repairs/Maintenance
 - #790 Transit Bus Replacement- \$440k (Grant Funded- excluded from total)
- FY 22 Remaining Projects <\$250,000 = \$2.2 Million
 - #740 River Parks ADA Restroom Improvements
 - #616 Cemetery Improvements
 - #725 Fire Station 1 Remodel
 - #743 Rio Vista/Dog Beach Repairs
 - #732 Animal Shelter
 - #464 Old RR12 – Future Bond Project
 - Remaining 12 Projects not listed



Discussion on 2022 CIP – Stormwater Funds

- New rate structure initiated last year – rate model update
- Council direction to limit annual rate increases to 6.5%
- Debt limit \leq \$6 Million
- FY 22 Projects \geq \$500,000 = \$4.6 Million
 - Sunset Acres Subdivision – regional detention construction
 - Castle Forest Channel – construction
 - River Ridge Stormwater – design & acquisition
 - Wallace Addition Subdivision (Future bond project) – design
- Remaining projects $<$ \$500,000 = \$620,000
 - #183 Bishop Street, #210 Stormwater Imp, #618 Various Drainage



Discussion on 2022 CIP – W & WW Funds

- Maintain/reduce CIP amounts assumed in last year rate study
- Reduces potential rate impacts with new water supply improvements coming on-line
- Projects >\$750,000 = \$17.3 Million
 - #741 ARWA Delivery Imp - construction
 - #788 Blanco Vista EST - construction
 - #419 Sessom Academy Improvements - construction
 - #414 Hwy 21 Water - construction
 - #556 Comanche Pump Station Imp - construction
 - #704 Dunbar Utility Improvements – construction
 - #563 Linda Lane Improvements – construction
 - #707 Sessom Creek Imp. Phase 2 - construction
 - #427 Main Lift Station Replacement – design
 - #780 Weatherization & Performance Hardening – design/const.
- Remaining Projects Approximately \$4.9 Million



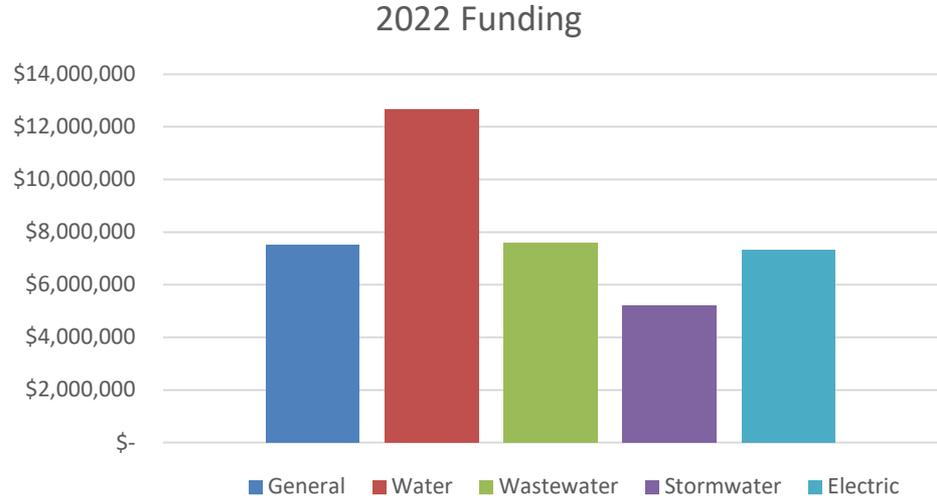
Discussion on 2022 CIP – Electric Funds

- Coordination of work with other CIP projects
- Overhead to underground conversions
- Improvements to distribution reliability
- Projects >\$750,000 = \$4.5 Million
 - #760 CA-30 Circuit Creation
 - #563 Linda Drive Improvements
 - #749 Underground Electric conversions
- Projects \$350,000 - \$750,000 = \$1.5 Million
 - #770 Zone 1 Pole Replacement
 - #644 Sunset Acres Subdivision
 - #783 Lime Kiln Underground Conversion
- Remaining projects approximately \$1.3 Million



CIP Totals by Fund

General	\$ 7,725,500
Water	\$ 19,750,000
Wastewater	\$ 7,600,000
Stormwater	\$ 5,220,000
Electric	\$ 7,315,500
Total	\$ 47,611,000.00





P&Z Recommendation

- **Project #45 (Downtown Reconstruction Ph. II 25 - LBJ: Grove St. to Hopkins)** – It is recommended that this project shall continue bike lane on LBJ Dr. from MLK Dr. to Hopkins St. where feasible.
- **Project #96 (Hwy 123 Improvements)** – It is recommended that this project shall add a shared use lane instead of just rebuilt sidewalks.
- **Project #169 (City Facility Parking Lots)** – It is recommended that this project shall be postponed to another year.
- **Project #520 (Airport – Runway 17-35 Extension)** – It is recommended that this project shall not be delayed any further.
- **Project #525 (Wallace Addition Subdivision)** – It is recommended that this project should not be included as a bond project. It should be part of the CIP Program.
- **Project #563 (Linda Dr. Improvements)** – It is recommended that this project shall implement striping between the curbs to create pedestrian and bicycle shared path infrastructure.
- **Project #594 (Hopkins Street Improvements Project from Moore to Guadalupe)** – It is recommended that this project shall create either a bike lane, or shared use path on Comanche St. from San Antonio St. to Hutchison St.



Changes since P&Z

- General Fund

- Removed #655 – Activity Center Splash Pad- Will put in a future new request at a different location
- Reduced #740 River Parks ADA Restrooms – split funding over 3 years
- Deferred #656 – Spray pads East/West sides – 2 years until location can be established
- Added #786 – Police Dept Driving Track – Not part of bond (\$160K)
- Added #789 – Airport Compatibility/Hazard Zoning – Master Plan request (\$50K)

- Water Fund

- Added # 788 - Blanco Vista Elevated Storage Tank (\$5.1M)
- Added #741 – ARWA Delivery Imps (\$2M)

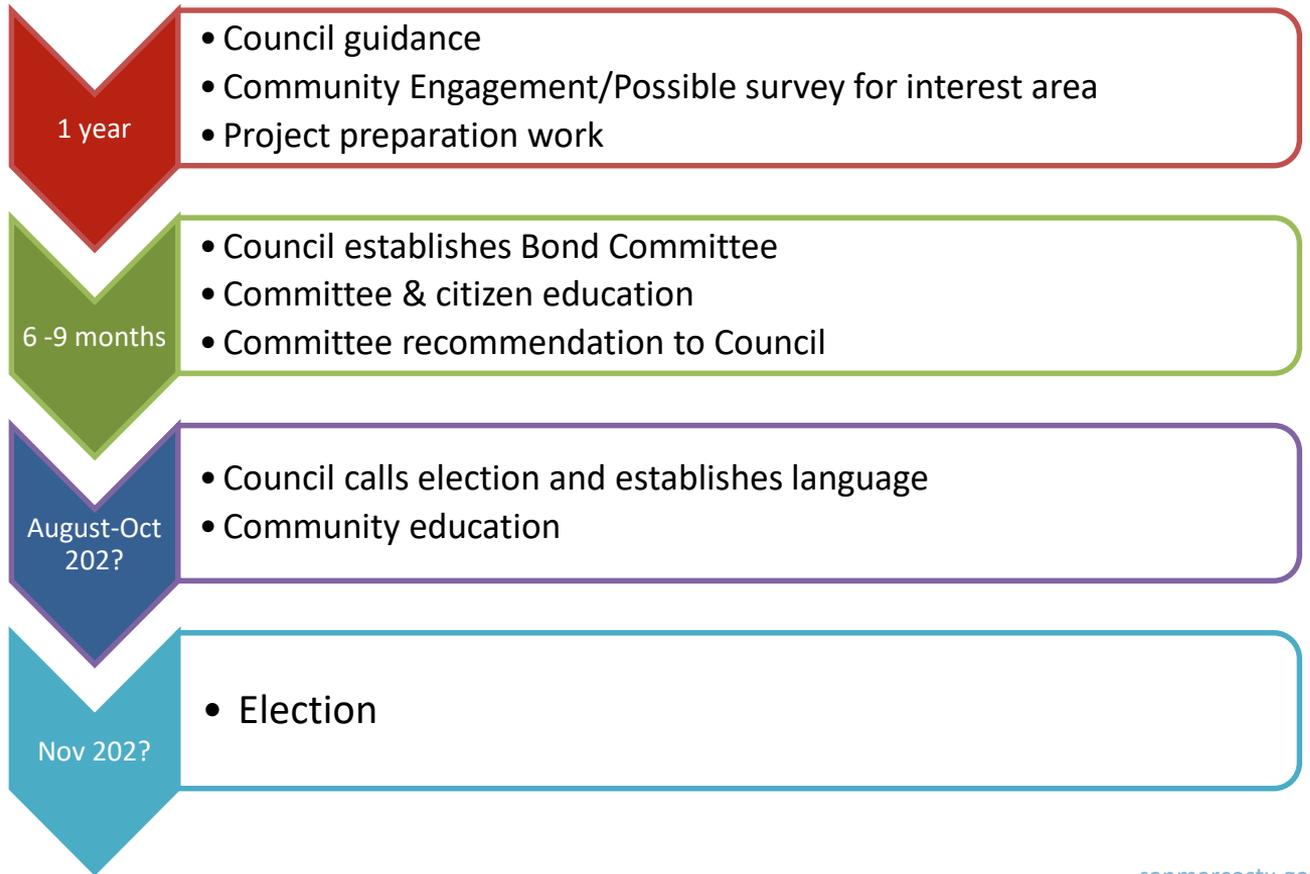


Future CIP Bond Project Selection

- General & Stormwater fund debt capacity limitations
- Potential bond projects have been identified in the 2020, 2021 and 2022 10-year CIP plans (shaded light blue.)
- Council direction for substantially designed projects to avoid significant project changes after approval
- CIP funding constraints limit full design and final property acquisitions prior to bond approval
- Goal to have project pool have reached at least 30% design status



Potential Bond Election Timeline





CIP Projects Currently Identified

Project	Cost
Hopkins St. Imps. Moore to Guadalupe	\$3.40M*
Old RR Imps. Craddock to Holland	\$4.90M
Purgatory Creek Imps. Phase 1	\$21.10M
Wallace Addition Subdivision	\$8.60M
New Fire Station - Airport	\$17.51M
New Fire Station – Yarrington Rd area	\$13.04M

Project	Cost
New Engine – Airport Station	\$910K
New Engine – Yarrington Station	\$910K
Gary Softball Complex Reno Ph 2	\$2.00M
Splash Pads East & West	\$900K

Total = \$73.3M

Funding total includes FY23+

**Others:
City Hall Project**

*Est. currently does not include sidewalk/streetscape improvement



Next Steps

May - Aug – City Council Budget Workshops

Sept - Budget Adoption by City Council including
the FY22 CIP Projects

To Be Determined - Future Bond
Election Discussion