



City of San Marcos

Budget Workshop Agenda - Final City Council

Tuesday, June 30, 2020

5:30 PM

Virtual Meeting - Budget Workshop

Due to COVID-19, and as long as the State Disaster Declaration is in effect, this will be a virtual meeting. To view the meeting please go to www.sanmarcostx.gov/videos or watch on Grande channel 16 or Spectrum channel 10.

I. Call To Order

II. Roll Call

PRESENTATIONS

1. Receive a Staff presentation and hold discussion regarding the Fiscal Year 2019-2020 Financial Update and preliminary Fiscal Year 2020-2021 Budget, and provide direction to Staff.

III. Adjournment.

POSTED ON THURSDAY, JUNE 25th @ 1:00PM

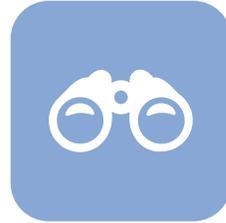
TAMMY K. COOK, INTERIM CITY CLERK

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Agenda



FY20 Update

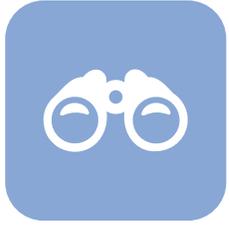


Five-Year Outlook



Questions

Seeking Council Direction



The work session will layout revised FY20 financial update, and five year outlook of revenue and expenditure assumptions.



Seeking Council direction on tax rate assumptions and recommendations to increase funding for street maintenance.



**Fiscal Year
2020 Update**

FY20 COVID Impact on Revenue

General Fund



(\$2M)

Total projected shortfall NET \$2M

Fiscal YTD sales tax exceed budget

- Gross Total \$3.9M
- Net of rebates \$600K

YTD expenditure reduction \$4.7M

HOT Fund



(\$975K)

Total projected shortfall \$975K

HOT Tax collections

- Year to Date: 45% of budget
- Last Year YTD: 70% of budget

YTD expenditure reduction \$700K
Remaining covered by HOT fund balance

Enterprise Funds

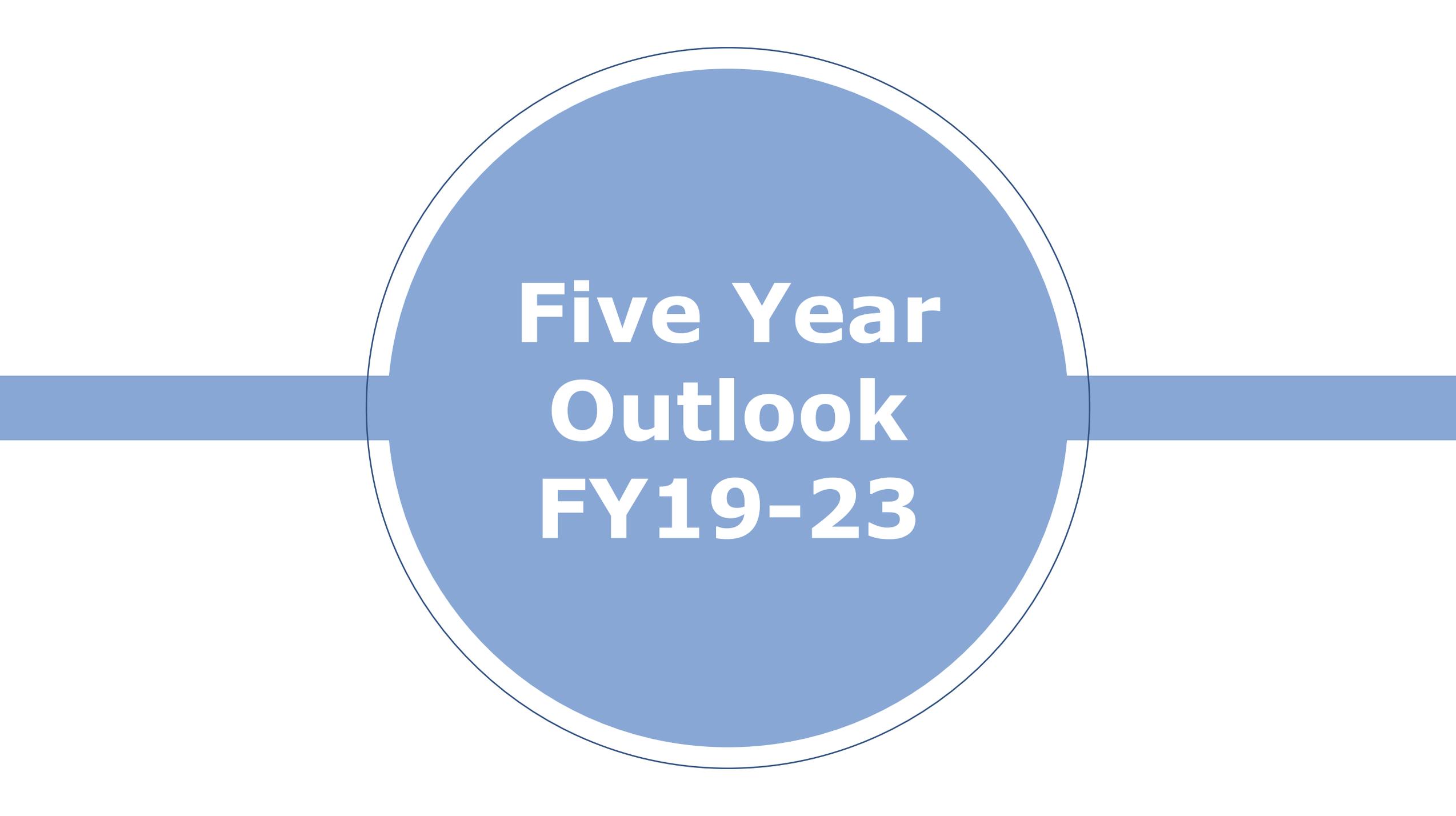


(\$400K)

Total projected shortfall \$400K

Revenue reduction due to no disconnect fees & late fees

Offset by expenditure reductions



**Five Year
Outlook
FY19-23**

Sales Tax Revenue Forecast



3.9% FY19 actuals exceeded budget

10% FY20 revised – YTD collections 78% of budget. Internet sales YTD exceed annual budget 25%+. For the remainder of the FY:

- Outlet Malls assume only 60% of collections
- Base assume only 80% of collections

(6.5%) FY21 anticipate continued COVID impacts on employment, tourism & disposable income

(19)% FY22-23 Comptrollers ruling on internet sales collected at point of destination will significantly reduce revenue. Anticipate employment to increase as more cash flows into the economy increasing sales tax revenue.

Expenditure Base Assumptions

Personnel

- Civil-service Meet & Confer funded
- Non-civil service 4% merit/COLA
- TMRS, worker's comp increased
- No increase to health insurance

Operations

- Zero based budget resulted in 5% decrease
- Personnel Requests \$2.7M (not funded)
- Municipal Court Judge full-time
- Contract increases

Special Services

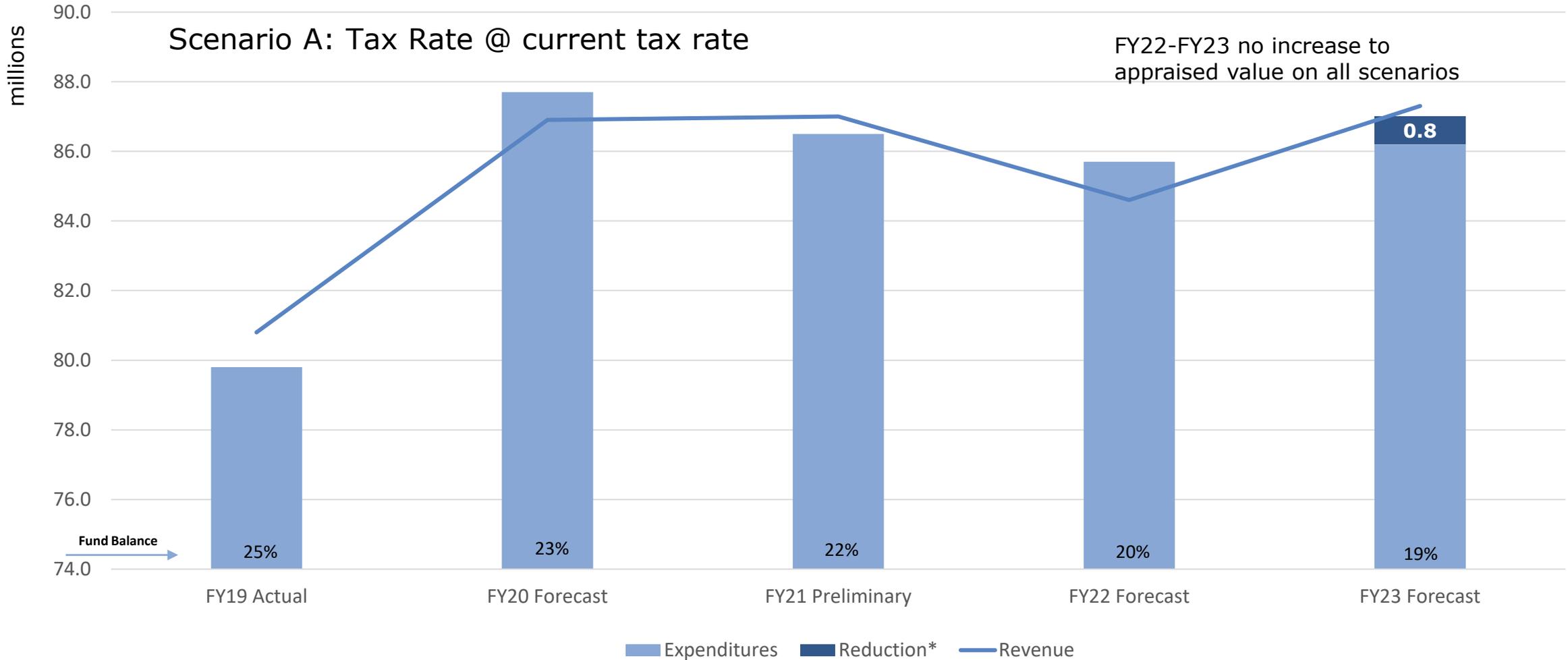
- EMS contract & service expansion | \$1.6M total
- City Utilities | \$1.5M total
- TIRZ 2: Blanco Vista refinanced | (\$1.2M)
- TIRZ 5: Downtown reduced to 25% | (\$900K)
- Social Services/Museums | \$900K total

FY22 & FY23 Assumptions

- Transfer to Transit | \$1.5M total
- Animal Services Live Outcomes | FY22 \$590K, FY23 \$75K additional funding
- Economic Incentives | (\$6M)
- No increase to headcount included

General Fund Five-Year Outlook FY19-23

Revenue vs. Projected Baseline Expenditures



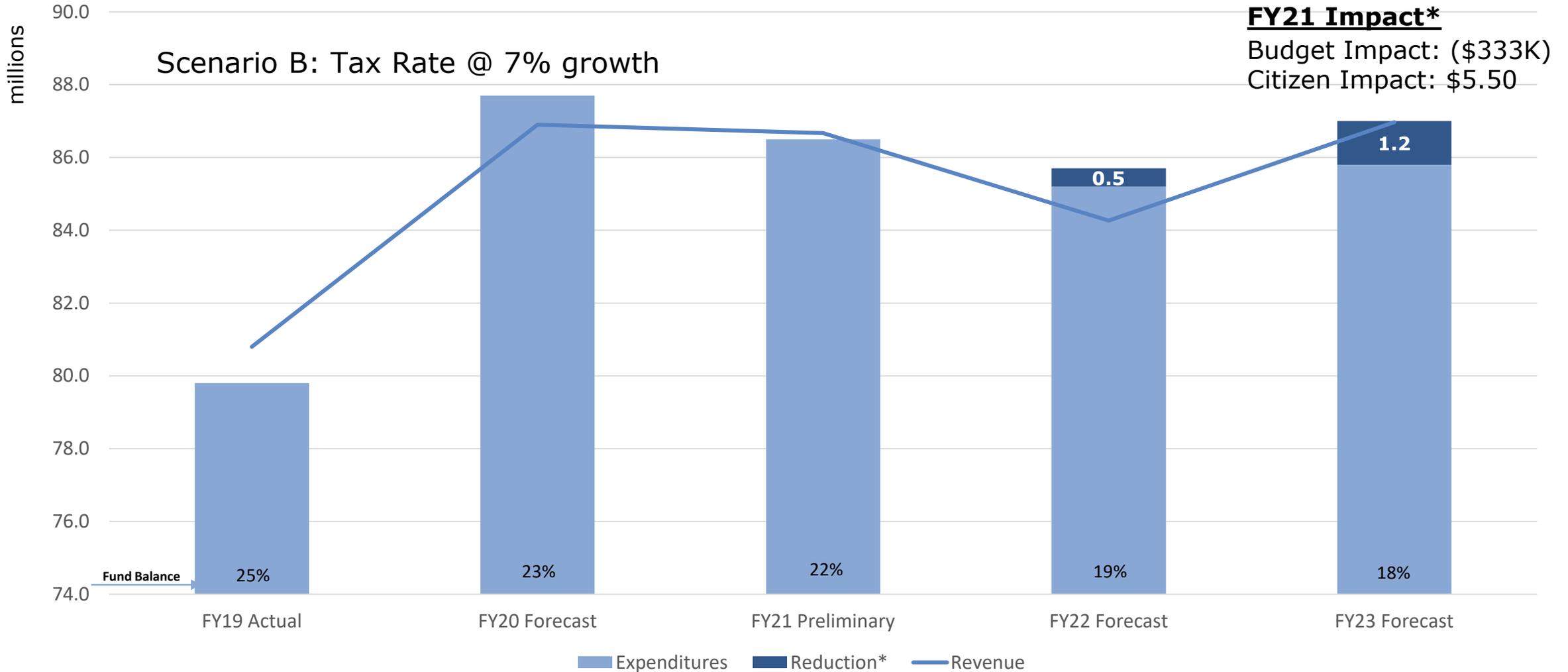
0.8

19%

Reduction needed to achieve 20% Fund Balance, shown in millions

General Fund Five-Year Outlook FY19-23

Revenue vs. Projected Baseline Expenditures

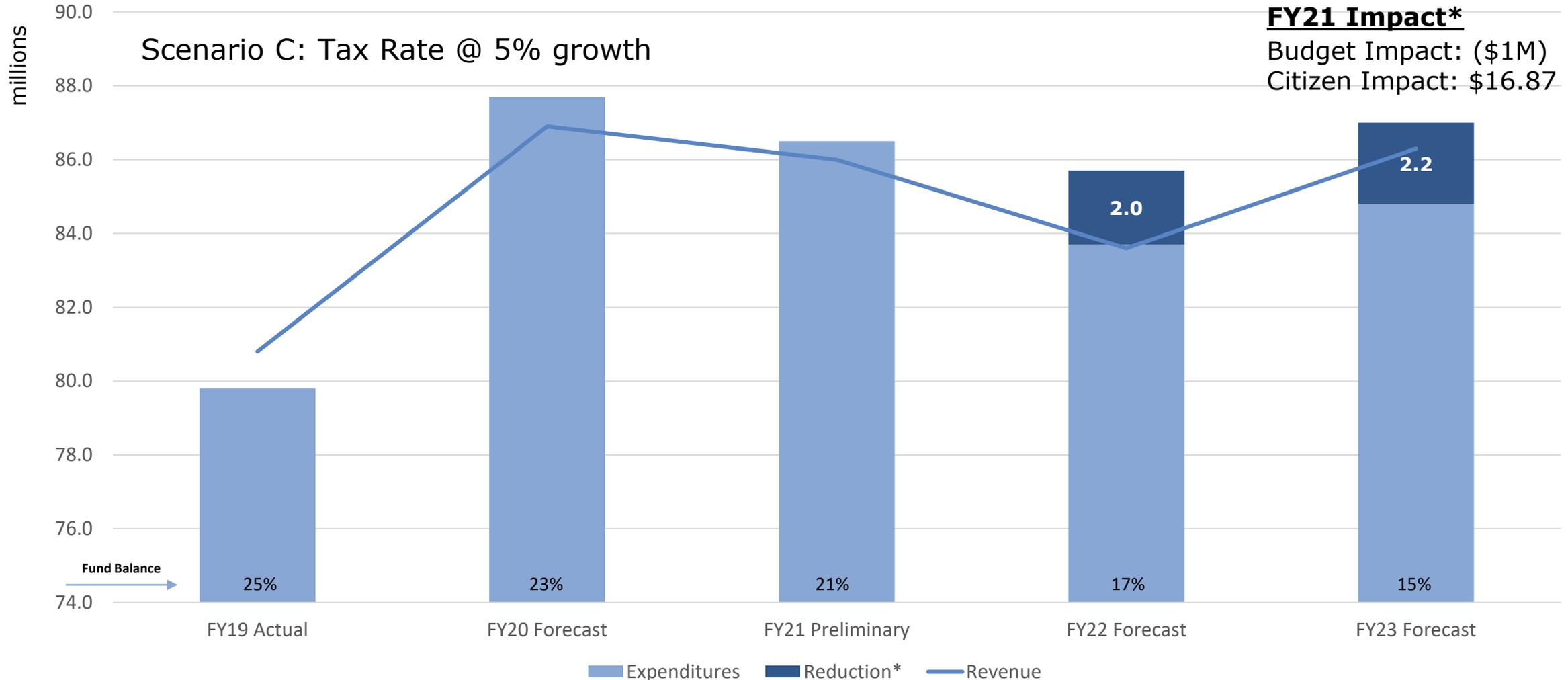


Reduction needed to achieve 20% Fund Balance, shown in millions

- Citizen impact based on \$100K home value
- Impact based on current tax rate vs scenario growth

General Fund Five-Year Outlook FY19-23

Revenue vs. Projected Baseline Expenditures



Reduction needed to achieve 20% Fund Balance, shown in millions

- Citizen impact based on \$100K home value
- Impact based on current tax rate vs scenario growth

What does \$1.5M provide in City Services?



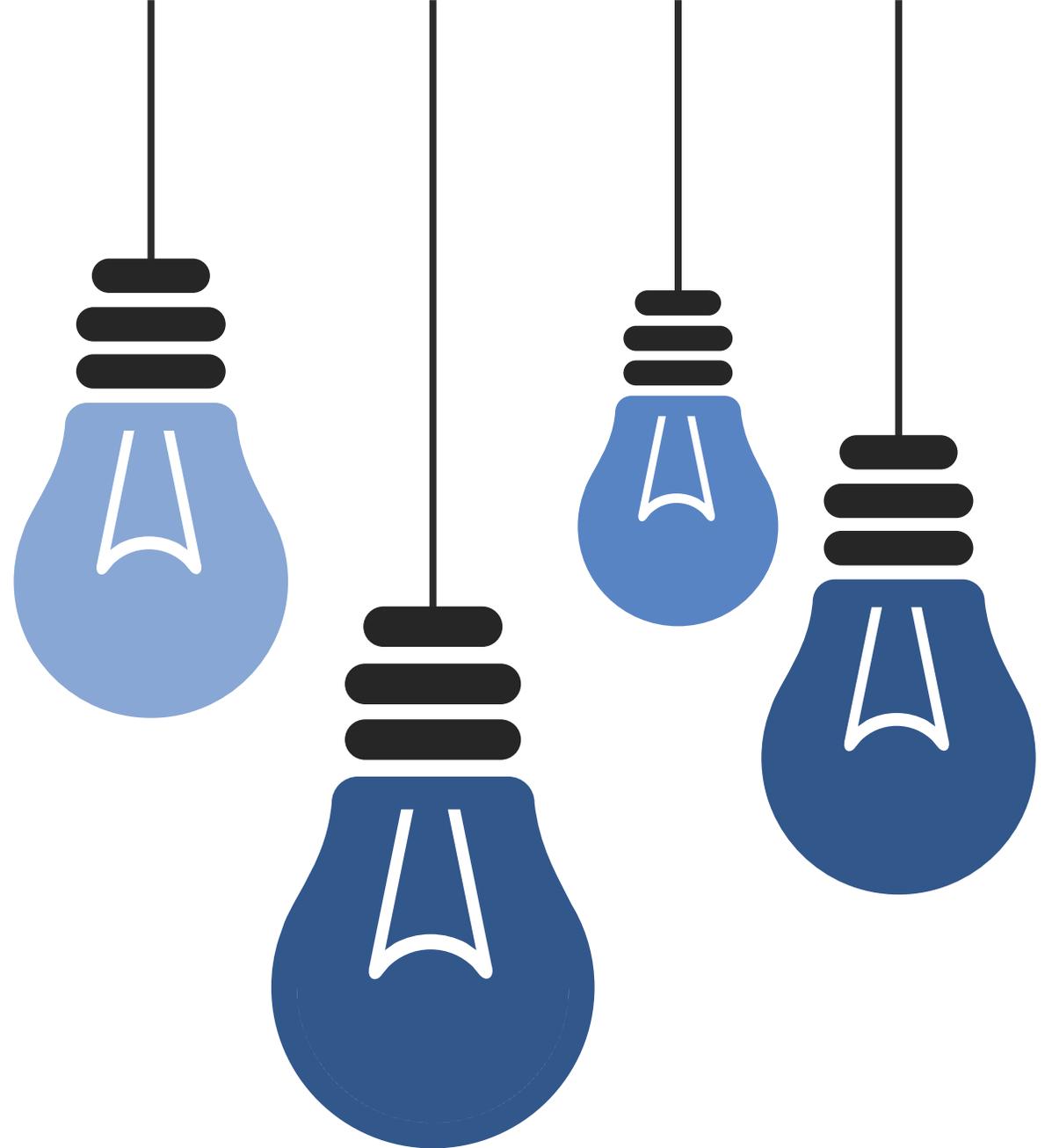
01 Fire Station at 67%

02 Library at 79%

03 Parks & Recreation at 36%

Street Maintenance Funding

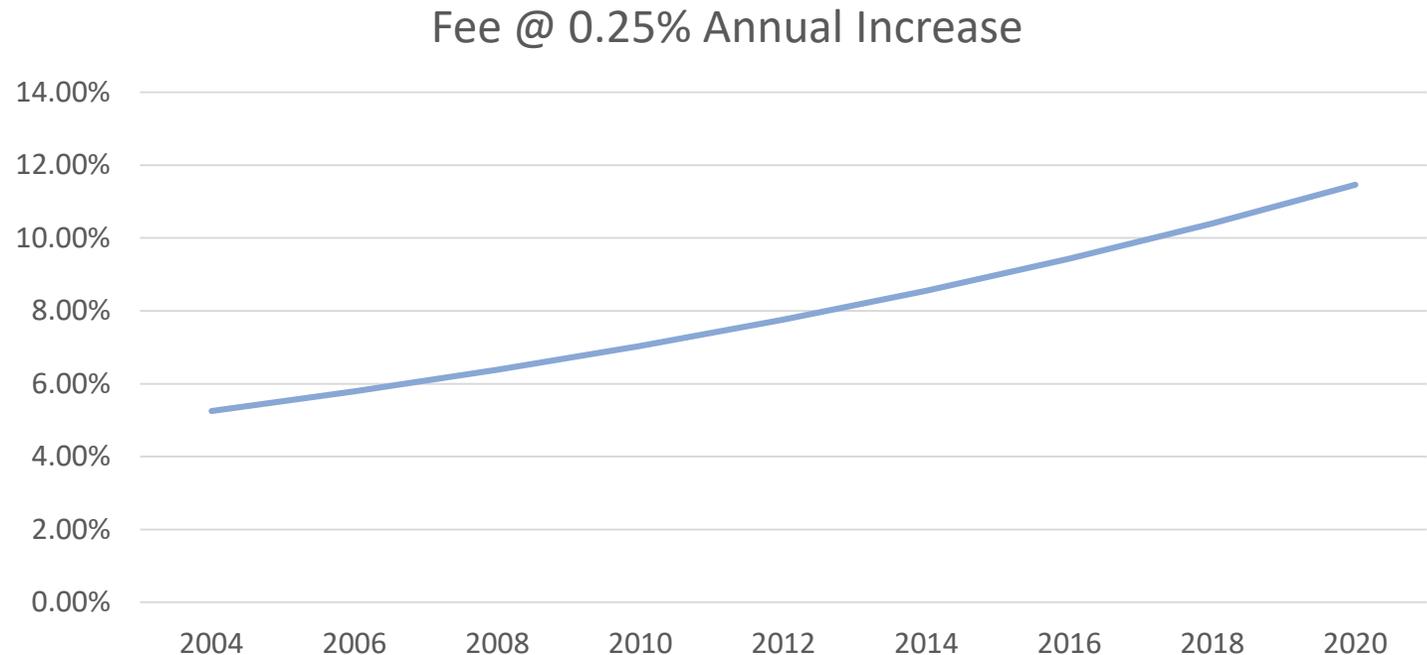
- 01** Total Streets FY20 Budget: \$3.4M, Personnel: \$1.4M, Operating: \$2M
- 02** Commercial Waste Hauler Permit: Ordinance adopted 2003
Application fee: \$100, Street Usage fee: 5% gross sales receipts
FY19 Revenue: \$425K
- 03** Comparable cities charge 5 – 15% + Street damage clause at additional fee
- 04** Recommendation: Increase fee to 10% gross sales, amend ordinance to include street damage clause. Additional revenue of \$425K, bringing total revenue to \$850K recovering ~ 42% of operating costs.



Commercial Waste Hauler Permit

Considerations for Fee Recommendation: 10% of Gross Sales

City	Fee
San Marcos (current)	5%
Addison	5%
Georgetown	8%
San Marcos (proposed)	10%
Victoria	15%



- Revised fee schedules for Commercial Waste Haulers impact to and use of City streets would recover an additional 21% of our operating costs for street maintenance.
- Including additional ordinance language to allow for recovery of costs for specific damage to City streets beyond normal impact would supply a funding source for these repairs in lieu of tax dollars.

Considerations of Service Level Reductions



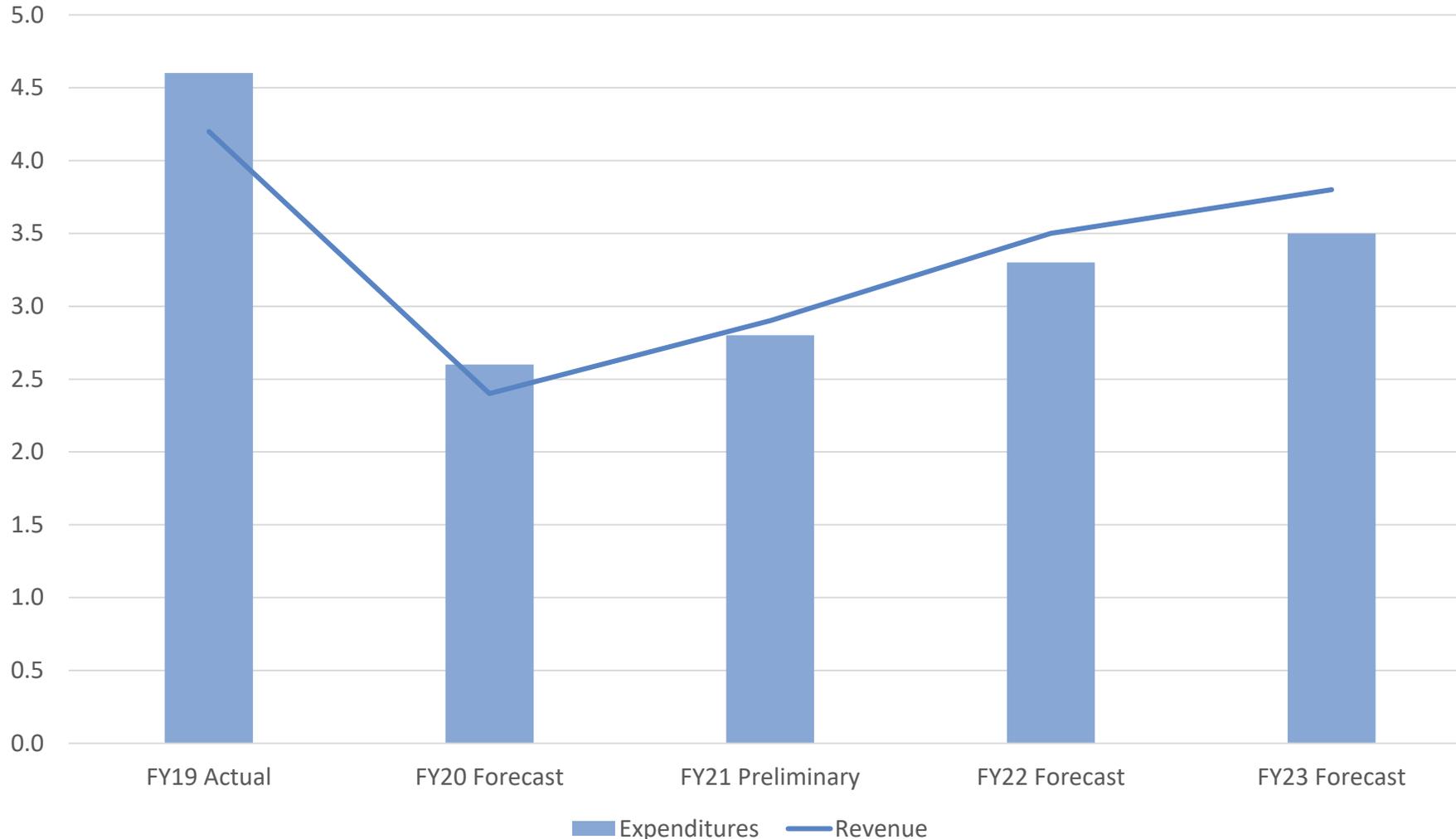
- 01 Hold vacancies
- 02 Reduce public facility service hours
- 03 Early retirement
- 04 Staff furloughs
- 05 Salary Reductions
- 06 Layoffs



**Hotel
Occupancy
Fund**

Hotel Occupancy Fund

Five-year Outlook FY19-23

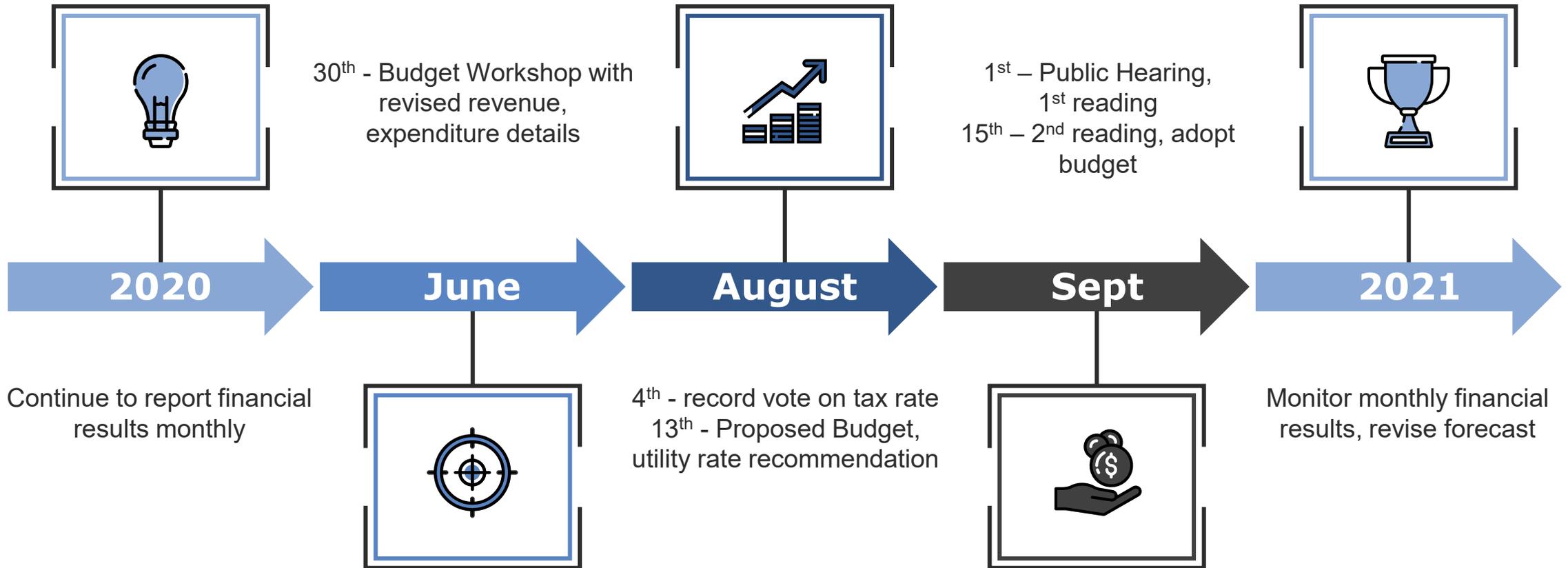


- FY20 Revenue: Projected (57%) less than FY19, or (\$957K) less than budget
- FY20 Expenditures: Reduced (\$700K), use of fund balance
- FY21 Revenue: Assumes (30%) less than FY19
- FY21 Expenditures: Reduced all programs and operating, council approved use of \$200K of reserves to fund arts programs
- FY20-FY23 No assumption of additional General Fund transfers to balance budget

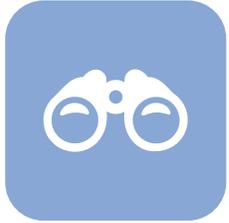


Next Steps

Budget Timeline & Next Steps



Council Direction Needed



Tax Rate: Use current tax rate, assume decrease



Commercial Waste Hauler Permit: fee increase to 10%, ordinance amendment to include street damage clause



Additional considerations?

Thank You



Bert Lumbreras

City Manager



Stephanie Reyes

Assistant City Manager



Victoria Runkle

Interim Director of Finance



Melissa Neel

Assistant Director of Finance



Laurie Moyer

Director of Engineering/CIP

Purpose

- Stormwater Utility Rate Model & Base Assumptions
- Review FY 2021 rate and impacts
- Discussion on rate increases beyond FY 2021 through CIP constraints

Rate Model

New rate structure for FY 2021

- using impervious cover instead of lot size

Billing changes in ordinance

- billing owner now, not resident

No FY20 rate increase

- greater revenue need for FY21

Existing (ERU 2,250 sf)

Class Description	Total Lot Size-Square Feet	Current Rate
Small Residential	0-6,000	\$7.57
Typical Residential	6,001-12,000	\$12.10
Large Residential	12,001+	\$13.86
Commercial	Impervious Area /ERU *Rate	
Multi-Family	# of units * residential rate	

Proposed (ERU 2,575 sf)

Class Code	Description	Imperious Cover Range	Rate Example
R1	Small Residential	0-1,980	\$7.43
R2	Typical Residential	1,981-3,336	\$12.10
R3	Large Residential	3,334+	\$17.68
NR	Commercial, Retail, Governmental, Multifamily, religious, non-profit, etc.	Impervious Area /ERU *Rate (\$12.10)	

Base Modeling Assumptions

- Includes increase to O&M based upon CIP
 - 3% of CIP implemented with 2-yr lag
- Rate increase should first achieve financial policy goals & then address CIP expenditures:
 - 25% minimum Fund Balance (General, W/WW & Elect.)
 - 1.20 debt service coverage ratio (W/WW & Elect.)
- FY21 CIP reduced by \$4.0 Million with use of existing funds.

FY 2021 Rate Increase

- Previous Council direction 5-years of 15% increases to respond to citizen concerns
 - 15% increases in FY18 & FY19, 3 years remaining
 - 0% increase in FY20
- **12% increase** in FY21 required to achieve financial policy goals.
- FY21 CIP does not impact FY21 utility rate
 - FY21 CIP affects following years

12% Rate Increase Impacts

Rate	R1 - Small	R2- Typical	R3-Large	Non-Residential
Current	\$7.43	\$12.10	\$17.68	\$12.10/ERU
12% Rate Inc.	\$8.32	\$13.55	\$19.80	\$13.55/ERU

- Examples of Non-Residential bill increases:
 - Small downtown business: \$3/month
 - Interstate restaurant: \$6/month
 - Apartment complex: \$400/month (median \$80/month)
 - Industrial business: \$496/month (median \$50/month)

Future Rate Increases

- Annual CIP funding is primary driver of Stormwater Utility rates
- FY21 CIP has no impact to FY21 Stormwater Utility rate
- Approval of FY21 CIP impacts FY22 rate
- Three scenarios developed to illustrate CIP and rate requirement connection.
- Need guidance for revision to FY21 CIP and development of future CIPs.

Priority Projects

- Projects that have participation agreements in place or expectations by citizens for implementation
- FY21 priority projects (stormwater only):
 - IH-35 Stormwater Oversize (Sunset Acres) - \$5.3M
 - Academy/Sessom Improvement - \$1.5M
 - Hills of Hays - \$3M
- FY22 priority projects (stormwater only):
 - Wallace Addition Offsite - \$4.5M
 - Sunset Acres - \$4M
 - Castle Forrest Channel - \$1.5M

Option 1 – Minimum FY21 CIP

- FY21 CIP reduced to \$2M (plus \$4M exist. funds)
- FY22 and beyond reduced to \$6M annually

Option	FY21 CIP Amount	FY22 CIP Amount	FY23 CIP Amount	FY21 Rate Increase	FY22 Rate Increase	FY23 Rate Increase	FY24 Rate Increase
1	\$2,000,000	\$6,000,000	\$6,000,000	12%	3%	3%	3%

- Advantage – lowest future increases
- Disadvantage – delays priority projects in both FY21 & FY22*

*This scenario would provide for the \$5.3M Advanced Funding Agreement with TxDOT but would require other FY21 priority projects (Academy/ Sessom and Hills of Hays) to be delayed to FY22

Option 2 – FY21 Priority CIP

- FY21 CIP increased by \$4M from Option 1
- FY22 and beyond \$6M annually

Option	FY21 CIP Amount	FY22 CIP Amount	FY23 CIP Amount	FY21 Rate Increase	FY22 Rate Increase	FY23 Rate Increase	FY24 Rate Increase
2	\$6,000,000	\$6,000,000	\$6,000,000	12%	5%	5%	5%

- Advantage – maintains FY21 priority projects
- Disadvantage – delays priority projects in FY22 and increases annual rates (2% higher than Option 1)

Option 3 – FY21 & 22 Priority CIP

- FY21 CIP increased by \$4M from Option 1
- FY22 increased to \$10M
- FY23 and beyond at \$6M annually

Option	FY21 CIP Amount	FY22 CIP Amount	FY23 CIP Amount	FY21 Rate Increase	FY22 Rate Increase	FY23 Rate Increase	FY24 Rate Increase
3	\$6,000,000	\$10,000,000	\$6,000,000	12%	7%	7%	7%

- Advantage – maintains FY21 & 22 priority projects
- Disadvantage – increases annual rates (4% higher than Option 1)

Option 4 – Min. Rate Inc. w/ FY21 Priority Projects

- FY21 CIP increased to \$6M
- FY22 and beyond at \$6M annually

Option	FY21 CIP Amount	FY22 CIP Amount	FY23 CIP Amount	FY21 Rate Increase	FY22 Rate Increase	FY23 Rate Increase	FY24 Rate Increase
4	\$6,000,000	\$6,000,000	\$6,000,000	6.5%	6.5%	5%	5%

- Advantages:
 - Lower increase
 - Maintains FY21 priority projects
- Disadvantages:
 - Below Fund Balance goal in FY21 (20%) but reaches 25% in FY22
 - Delays FY22 Priority Projects

Options Summary

Option	FY21 CIP Amount	FY22 CIP Amount	FY23 CIP Amount	FY21 Rate Increase	FY22 Rate Increase	FY23 Rate Increase	FY24 Rate Increase	New CIP Projects Funded
1	\$2,000,000	\$6,000,000	\$6,000,000	12%	3%	3%	3%	Only TxDOT AFA project
2	\$6,000,000	\$6,000,000	\$6,000,000	12%	5%	5%	5%	All FY 21 priority projects
3	\$6,000,000	\$10,000,000	\$6,000,000	12%	7%	7%	7%	FY21 and F22 priority projects
4	\$6,000,000	\$6,000,000	\$6,000,000	6.5%*	6.5%	5%	5%	All FY 21 priority projects
* Fund Balance at 20%								

- FY21 & FY22 CIP stormwater totals establish future rates
- Direction helps staff to develop CIP to meet expectations
- FY22 better understanding of revenue impacts from changes.

Council Direction Needed:

- Which Rate Increase Option?
- FY21/22 CIP amounts if Options 1-3?

Option	FY21 CIP Amount	FY22 CIP Amount	FY23 CIP Amount	FY21 Rate Increase	FY22 Rate Increase	FY23 Rate Increase	FY24 Rate Increase	New CIP Projects Funded
1	\$2,000,000	\$6,000,000	\$6,000,000	12%	3%	3%	3%	Only TxDOT AFA project
2	\$6,000,000	\$6,000,000	\$6,000,000	12%	5%	5%	5%	All FY 21 priority projects
3	\$6,000,000	\$10,000,000	\$6,000,000	12%	7%	7%	7%	FY21 and F22 priority projects
4	\$6,000,000	\$6,000,000	\$6,000,000	6.5%*	6.5%	5%	5%	All FY 21 priority projects

*Fund Balance at 20%