

Office of the City Manager

**FY2008-2009 PROPOSED BUDGET
HIGHLIGHTS**

**Rick Menchaca
City Manager**

**Collette Jamison
Assistant City Manager**

**Rosie Vela
Director of Finance**

GENERAL FUND

The City Manager's FY2008-09 Proposed General Fund Budget is a BALANCED BUDGET OF \$39.57 million with a tax rate of 53.02 cents and expenditures increasing \$348,407(.01%).

GENERAL FUND REVENUES:

PROPERTY TAX

	<u>CURRENT ACTUAL</u>	<u>FY2009 EFFECTIVE</u>	<u>FY2009 PROPOSED</u>
Ad Valorem Tax Rate	\$.5302	\$.5157	\$.5302
% Over Effective Rate			2.81%

Est. Property Valuations Increased \$136 million, 6.3%

\$76.2 million in new valuation, 3.53%

\$59.8 million in existing valuations, 2.77%

Average Increase over 3 Prior Years, 7.6%

SALES TAX:

Projecting \$18.6 million, a \$559,413/3.1% increase compared to FY08 Estimated Budget, but a 1.8%/\$310,982 increase compared to FY07 actual receipts. Average annual increase last four years – 8.87%

OTHER REVENUE:

Franchise Revenue is up \$229,482/14.53% mainly due to increased revenue in the Water/Wastewater Fund. The Franchise Fee for Electric was increased 3.5% and thus excluded some of the cost of power. We will be submitting a change in the Financial Policy that provides some flexibility from the 9% franchise fee charge for your review.

EXPENDITURES:

Budgeted items in the 2008-09 General Fund Operating Budget include:

- Rebate to Prime Outlet budgeted as expense \$996,550
 - (last year this was budgeted as a negative revenue)
- Traffic Signal Maintenance \$62,500
- Parks – Special Events Funding \$17,000
- Easter Seals Mowing (areas added in previous years) \$20,000
- Civil Service Testing \$24,000
- Fuel Cost Increase (62.27%) \$358,655
- Light and Power Increase \$103,377
- Fire Wellness Program \$22,000
- Leadership Development and Succession Planning \$30,000
- Graffiti Abatement Program Supplies \$7,000

One-Time Expenses:

- Establishing a Liability Internal Service Fund \$100,000
- New Central Fire Station Furniture and Equipment \$100,000
- EMS Strategic Plan \$50,000
- IT Strategic Plan \$35,000

COMPENSATION ENHANCEMENTS:

- Civil Service \$275,000
- Non-Civil Service \$400,000
- TMRS Rate Increase (14.4%) \$158,017

These amounts were determined from the compensation and classification study that the City launched this fiscal year.

TECHNOLOGY ENHANCEMENTS:

- Computer Replacement Program – 4 yr. program \$58,000/yr
 - (through use of Capital Replacement Fund)
- Information Technology Strategic Plan \$35,000
 - (Included in one-time costs)

EQUIPMENT ENHANCEMENTS:

- Vehicles & Other Equipment – 5 year program \$203,809/yr
 - (through use of Capital Replacement Fund)

PERSONNEL SERVICE ENHANCEMENTS

- 4 Police Officers \$233,492
- 1 Police Officer – Mental Health Team \$ 66,709
- 1 Animal Shelter Clerk (part-time) \$ 25,612
- Recruiting Contract or Staff \$ 60,000

GENERAL UNAPPROPRIATED FUND BALANCE (In Millions):

<u>FY2002</u>	<u>FY2003</u>	<u>FY2004</u>	<u>FY2005</u>	<u>FY2006</u>	<u>FY2007</u>	<u>Est. FY2008</u>	<u>Proposed FY2009</u>
\$6.7 M	\$7.8 M	\$10.7M	\$10.1M	\$14.2M	\$14.7M	\$11.4M	\$10.7

FUND BALANCE AS % OF EXPENDITURE:

24.7%	28.5%	41.6%	57.4%	45%	46.8%	32.7%	27.5%
-------	-------	-------	-------	-----	-------	-------	-------

DEBT:

Tax Supported debt service increased by \$1,153,930/18.5%;

62% of Ad Valorem Tax pays debt.

Current Property Tax Levy for debt is \$.3296 per \$100 valuation

SUPPLEMENTAL REQUESTS:

- Total General Fund Supplemental Requests Submitted \$4,685,698
- Total General Fund Requests Funded \$1,677,440
 - Includes \$475,000 in Compensation Improvements
- Total Requests Not Funded \$3,008,258

ENTERPRISE FUNDS:

WATER/WASTEWATER FUND:

Revenues are budgeted at \$26.56 million, expenses at \$26.21 million, with a cash flow of \$.35 million. Expenses are down 16.6% due to the large transfer to CIP in Fiscal Year 2008. Projected Working Capital Balance of \$9.0 million at September 30, 2009.

Major expenditures for the Water/Wastewater fund for FY 2009 include:

- Hays Caldwell Public Utility Agency \$603,440
- Debt Service \$961,000
- Capital Outlay \$320,000
- 3 Additional Positions \$ 65,019

ELECTRIC FUND:

Revenues are budgeted at \$62.19 million, expenses at \$60.83 million, with a cash flow of \$1.36 million. Both revenues and expenses are up significantly due to the cost of power which is passed through to the customer. Projected Working Capital Balance of \$14.07 million at September 30, 2009. For FY2009 we are proposing a change in the Financial Policy to exclude cost of fuel from the expenditure calculation in determining the fund balance.

Significant expenses for Fiscal Year 2009 include:

- Economic Development Strategic Plan \$50,000
- Increased billing costs including postage \$44,300
- Capital Outlay \$1,050,000
 - Includes vehicles, transformers and street poles

DEBT SERVICE FUND:

Revenues are budgeted at \$7.76 million, expenses at \$11.82 million, with a negative cash flow of \$4.06 million. This fund contains capitalized interest within its fund balance which will be used to pay for debt service in Fiscal Year 2009. Projected Working Capital Balance of \$7.16 million at September 30, 2009.

HOTEL MOTEL FUND

Revenues are budgeted at \$1.3 million, expenditures at \$1.0 million, with a cash flow of \$287,366. Projected unreserved working capital balance at September 30, 2009 is \$501,770. This fund maintains a reserve for Conference Center debt of \$729,000 which has been accumulated over several years.

Significant changes to fund:

- 2% Venue tax approved by voters November 2007 (Estimated revenue \$266,747)
- Embassy Suites and Conference Center opening Fall 2008
- Lease payments from operator to pay for taxable debt
- Debt service for conference center to be paid by venue tax, TIRZ No. 3, and accumulated reserve.

Agencies which operate with Hotel Tax underwent a zero-based budget process this year.

INTERNAL SERVICE FUNDS

The City of San Marcos does not currently budget for Internal Service Funds. City Administration is proposing to establish a Capital Replacement Fund for the purchase of vehicles, equipment and computers. The City will internally finance the \$900,000 capital outlay FY2009 request and amortize those payments over 5 years into an administrative transfer from the General Fund. For FY2009, the lease payment is \$211,196.

The City is also proposing the establishment of a General Liability Fund. This fund could be used to pay for unexpected liabilities that arise from lawsuits, claims or disasters against the City. The initial investment in this fund is \$100,000. The City Insurance Policy and Plans will be reviewed in FY2009.

SUMMARY OF ALL FUNDS

Overall, the expenditures for all operating funds in FY 2009 are \$145.3 million, a \$7.5 million/5.4% increase compared to FY2008 original budget, as amended, mainly due to the 19.88% funding increase of the Electric Utility, 60% increase in fuel cost, and 25% increase in debt service payments.

The Proposed Budget was filed in the City Secretary Office on August 4, 2008.

NOTABLE DATES:

- August 7, 6:00 p.m. Budget Presentation – Overview
- August 14, 6:00 p.m. Budget Presentation – Outside Agencies
1st reading Utility Rate Ordinance
- August 19, 6:00 p.m. Compensation Study – Market and
Classification
- September 2, 6:00 p.m. Water and Wastewater Proposed Rates,
2nd reading Utility Rate Ordinance
- September 16, 7:00 p.m. Budget Adoption; Tax Rate Adoption,
3rd reading Utility Rate Ordinance

PROPOSED EFFICIENCY TASK FORCE:

In FY2009, we propose to set up an efficiency task force comprised of two City Council Members and five citizens to review city operations.

We appreciate the opportunity to have reviewed the Proposed Budget with the City Council.