



**SAN MARCOS**   
DISCOVER LIFE'S POSSIBILITIES



Budget Review Committee Meeting  
Fiscal Year 2024-25 | February 28, 2024

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# Agenda

- Overview of Budget Process
- City Fiscal Background and Operational Activity
- FY 2023-24 Budget Overview
- FY 2024-25 Budget + Future Outlook
- Infrastructure Fund Update
- Questions

# Overview of Budget Process

Fiscal Year  
2024-25

- **November** - Begin Budget Process
- **November** - Staff Budget Kickoff
- **January** - Develop Departmental Budgets
- **February 28<sup>th</sup>** – Budget Review Committee Kickoff Meeting
- **March** – City Manager Review
- **March 20<sup>th</sup>** – BRC Budget Review Committee Meeting 2
- **April 11<sup>th</sup>** – City Council Budget Workshop
- **April 16<sup>th</sup> and 17<sup>th</sup>** – Departmental Presentations to Budget Review Committee
- **May 29<sup>th</sup>** – City Manager Recommended Budget Presentation to Budget Review Committee
- **June 11<sup>th</sup>** - Budget Presentation to City Council for Adoption

# FY23 Lookback

## FY23 City Council Budget Workshop - March 8, 2022

- *Projected balanced budget assumed ARPA Revenue Replacement Funds for revenue losses due to the pandemic*

## FY23 Budget Presentation – June 14, 2022

- *Rising cost of normal operational expenses*
- *Continued rise in inflation anticipated*

# FY24 Lookback

FY24 City Council Budget Workshop - March 28, 2023, continued

## *Transmittal Letter Recap from FY23 Budget Book*

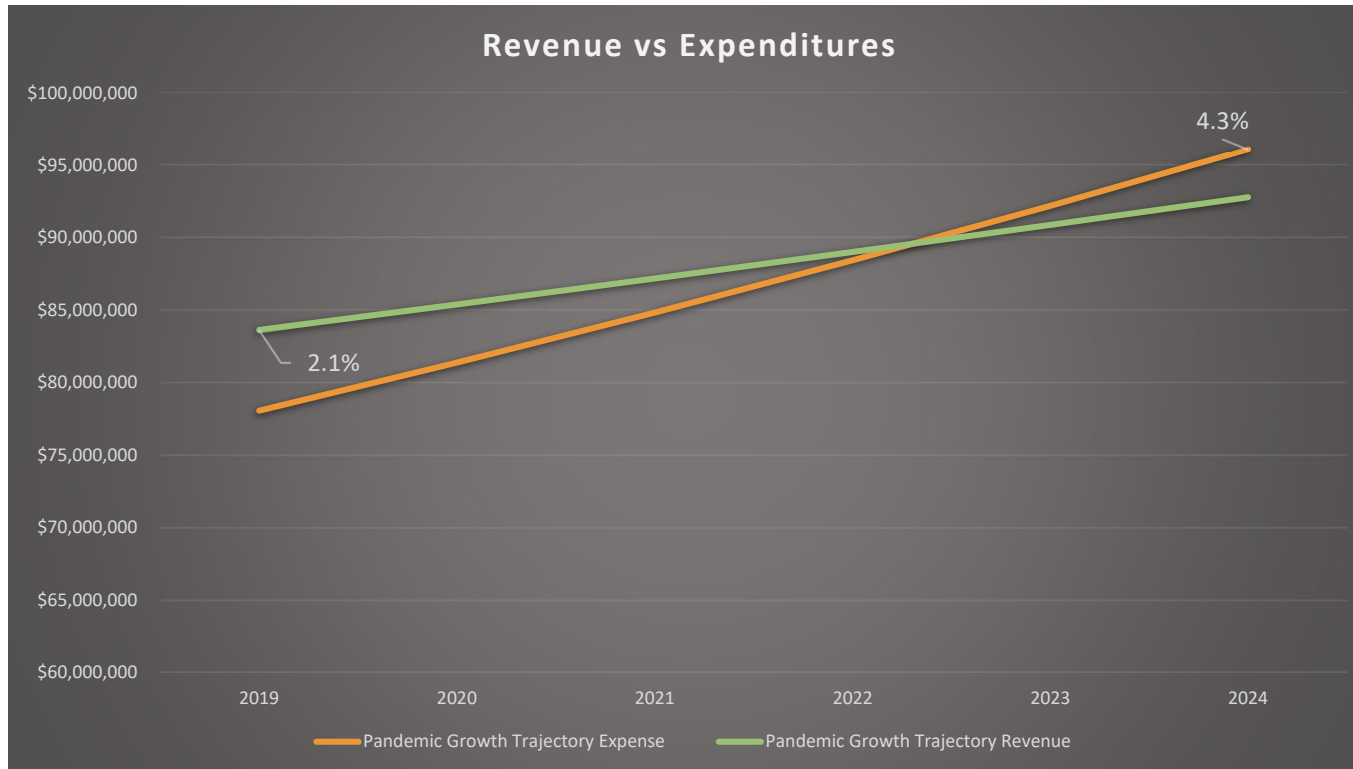
“What all this means for the City and its budget is that while we are getting back to our pre-pandemic levels of service and staffing, those costs are quite a bit higher now than they were at the end of 2019. We are able to manage from a budgetary perspective basically due to the infusion of one-time revenues from the federal government via the American Rescue Plan Act (ARPA). The infusion of those dollars ends this year, so we need to prepare for future budgets without those revenue additions. ***It would be nice to think by the end of the ARPA period we would be back on the trajectory we were on pre-pandemic, though that is likely not going to be the case given the significantly changed economic conditions.***”

*(Budget Transmittal Letter, 6/14/2022)*

# FY24 Lookback

## FY24 City Council Budget Workshop - March 28, 2023

- *Post-Pandemic Revenue vs Expense Comparison*



**Post-Pandemic  
Revenue Growth =  
2.1%**

**Post-Pandemic  
Expense Growth =  
4.3%**

# FY24 Lookback

FY24 City Council Budget Workshop - March 28, 2023, continued

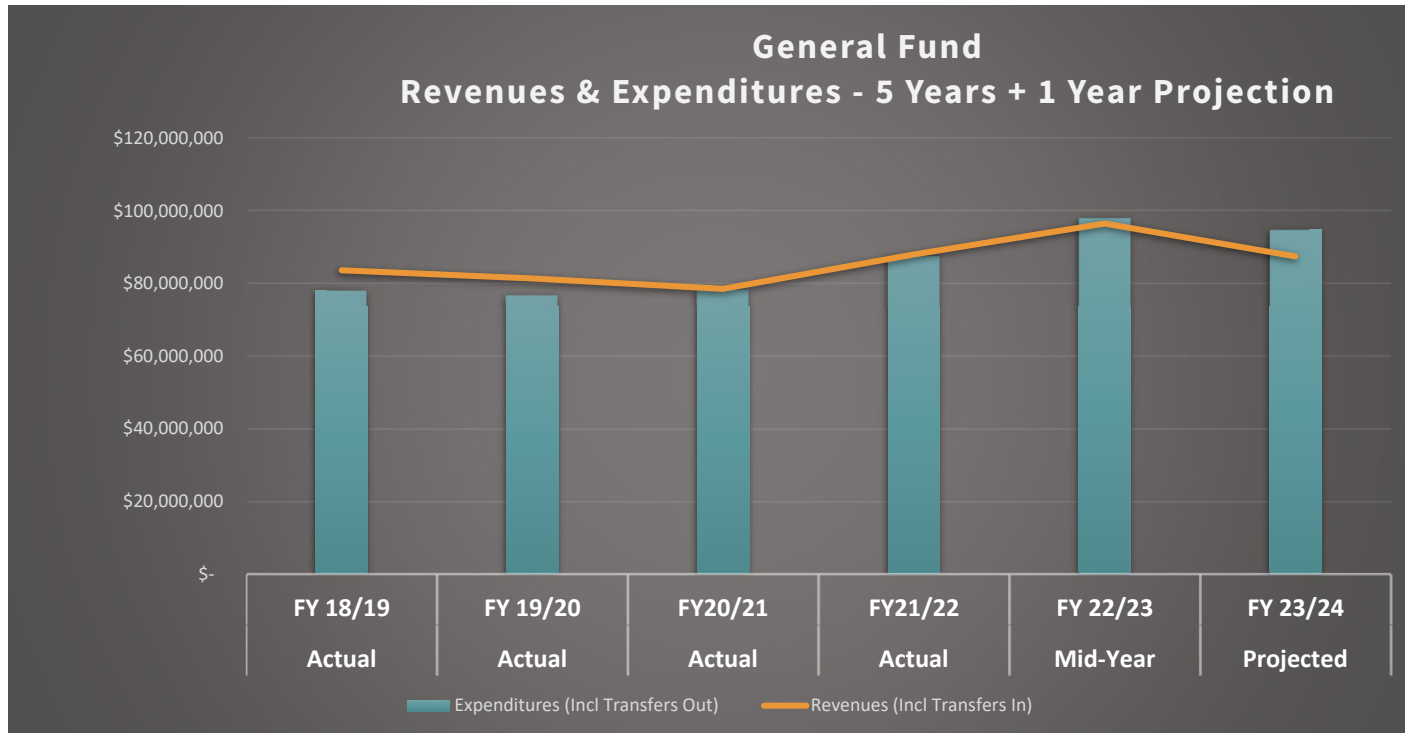
## *FY 24 Budget Considerations*

- **No additional “one-time” revenue** anticipated
- Level of comfort closing the gap with potentially some service level reductions, then move into FY 23/24 with a concerted effort to close the post pandemic gap between operating expenditures and revenues. This will likely include some **potentially painful expenditure reductions and possibly some revenue enhancements though the City is quite limited in achieving that.**
- If comfort level is low, then **either significant expenditure reductions will be required to adopt the FY 23/24 budget with difficult service level reductions or use of reserves to plug the gap will be required.** The use of significant reserves simply kicks the can down the road and the gap could potentially widen.

# FY24 Lookback

FY24 City Council Budget Workshop - March 28, 2023, continued

- *General Fund Revenue & Expenditure*



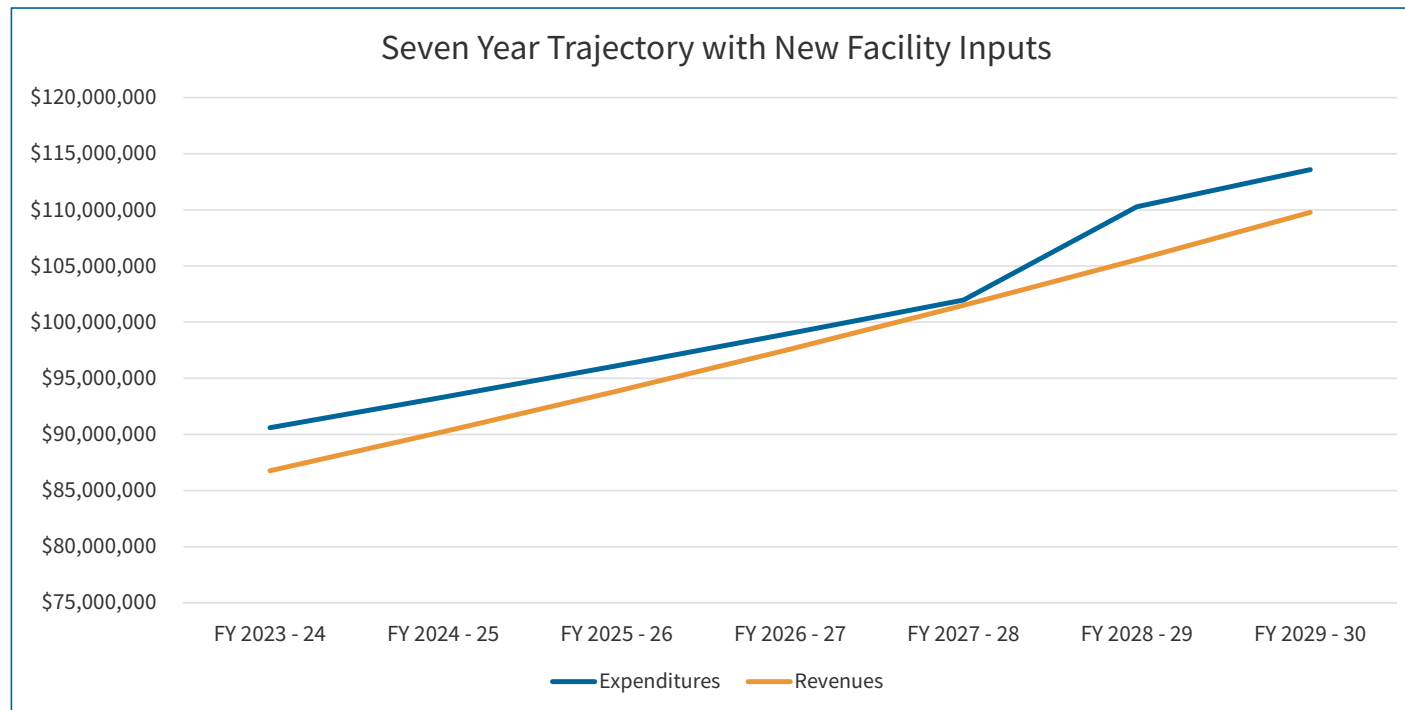
# FY24 Lookback

## FY24 Budget Presentation – June 13, 2023

- *FY24 Revenue Overview*
  - Projected revenue decrease of 3% compared to Prior Year:
    - End of ARPA one-time revenues
  - Without one-time ARPA funds in FY 2022-23 budget, FY 2023-2024 would represent a 4% increase over FY 2022-23.
- *FY24 Expenditure Overview*
  - Sheriff contract increase 1% for FY24, 3.5% for each of the following three fiscal years
  - Projected Deficit of \$3.8M after taking the following actions:
    - Department reorganizations & restructuring
    - Decrease to operating expenses by all Departments
    - No additional Infrastructure Funds Transfers

# FY24 Lookback

## FY24 Budget Presentation – June 13, 2023, continued and Budget Briefings



- “While we see signs of returning to a **more normal trajectory**, the **newer, lower baseline** from where our **revenues are starting puts pressure on the budget going forward.**”
- “Although **General Fund expenditures generally grew with inflation rates** in the years preceding the pandemic, **ongoing demands for enhanced services will be the challenge going forward** in keeping expenditure growth as low as we can while revenues fully recover.”

-Budget Transmittal Letter  
06/13/2023

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\* Expenditures: Assumes 3% Growth per year after FY 2023-24 (assumes FS5 and Rancho Tesoro Park in FY 28-29)

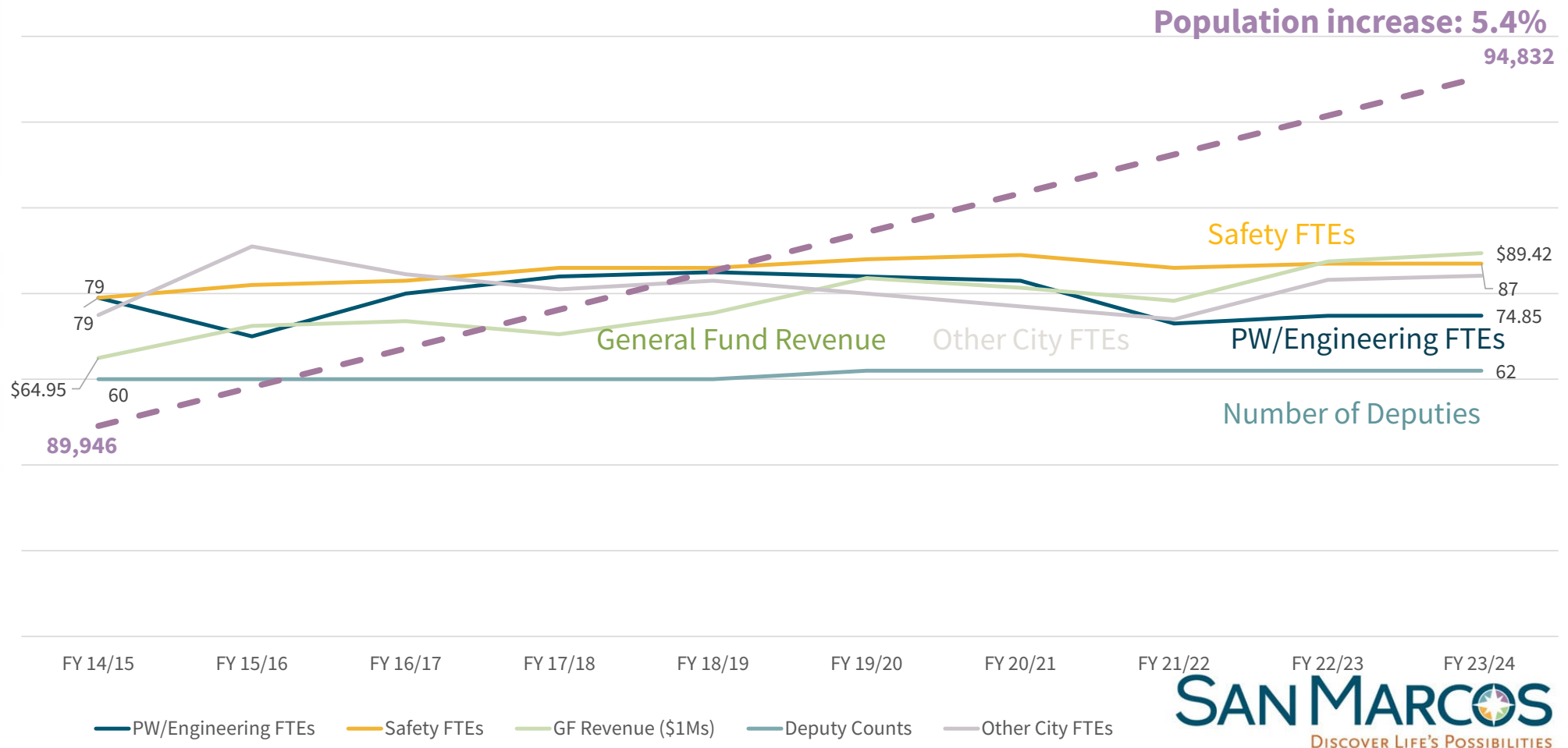
\* Revenues: Assumes 4% Growth per year after FY 2023-24 (assumes no one-time revenues)

**FOR EVERY PROPERTY TAX DOLLAR ...**

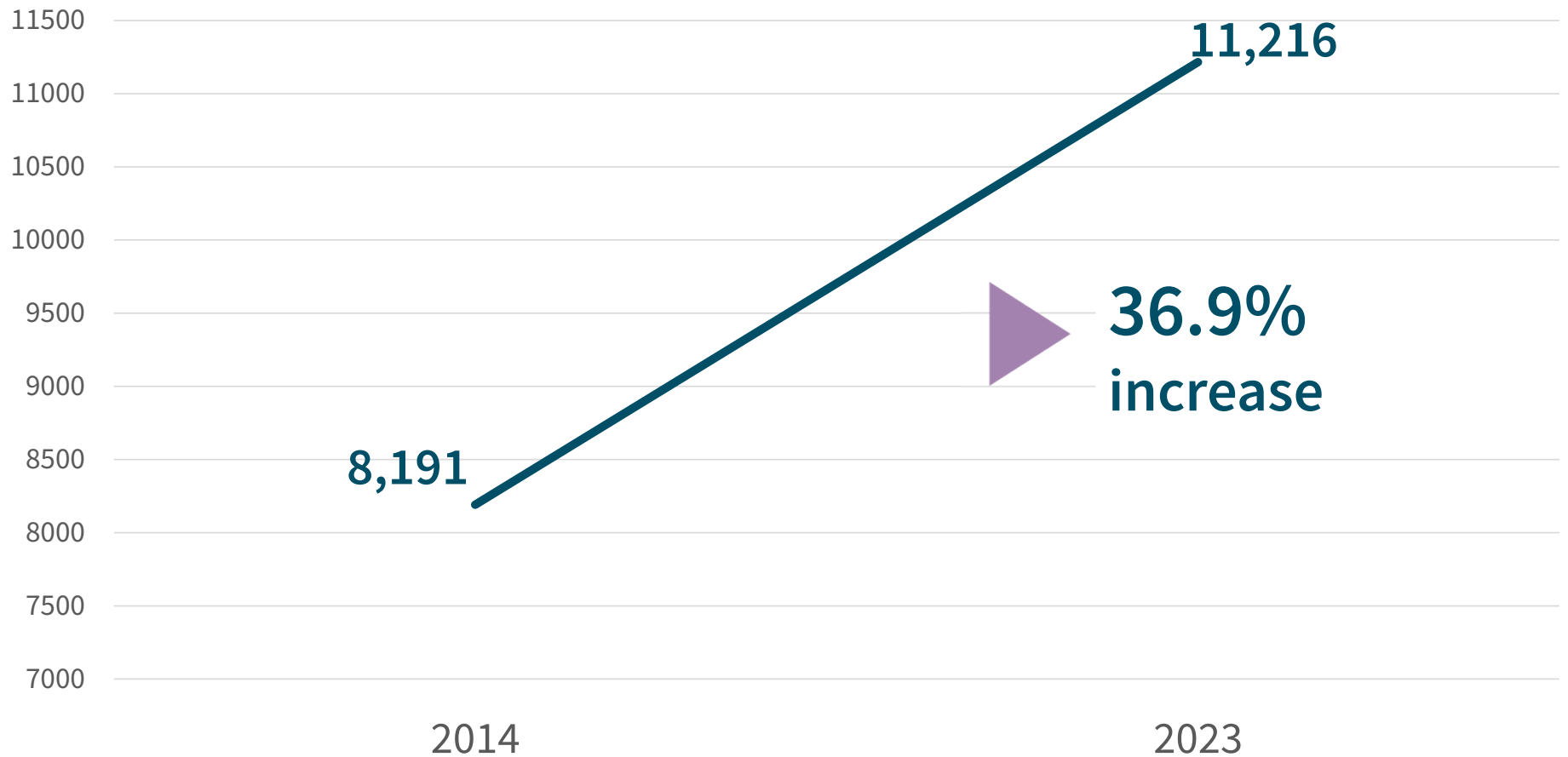


**7 cents**  
for City Services

# POPULATION OUTPACING RESOURCES



# FIRE AND EMERGENCY SERVICE CALLS



Two Deputies added in past 10 years. No added fire stations in 15 years.

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Service call numbers as of December 12, 2023

# SAN PARKOS: FACILITY OPENINGS

PARK NAME	YEAR OPENED	TOTAL ACRES
Connors Park	2014	4.66
Innovation Park	2017	0.97
Richmar Park	2017	2.63
Senior Center Fitness Zone	2019	0.24
Southlake Park	2023	36.61
Las Abejas Park	2023	1.17
Rancho Tesoro Park	ETA 2025	9.6
Bradley Bike Park	ETA 2025	3.3
Old California Restaurant Row	ETA 2026	1.7
Knoll Park	ETA 2026	10
TOTAL ACRES	BY 2026	70.88

PLANNED

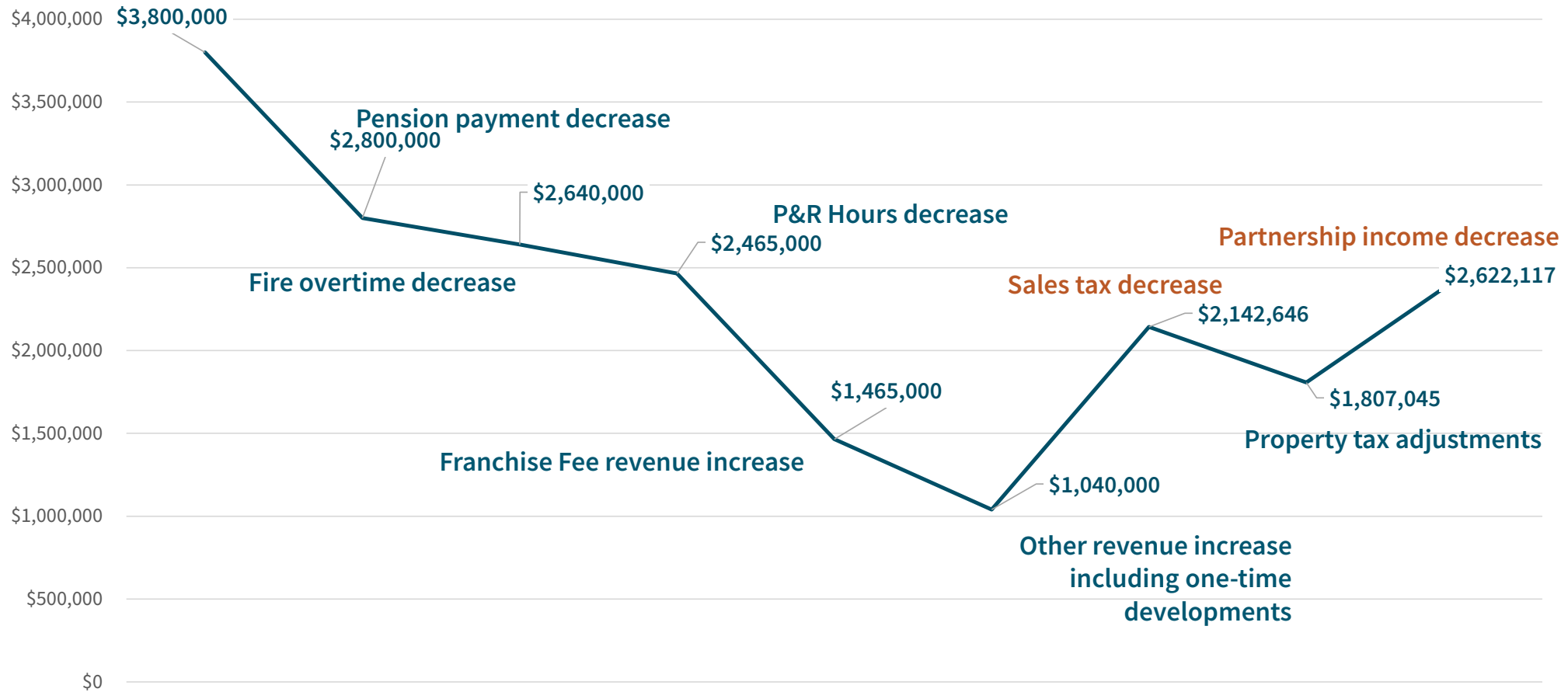


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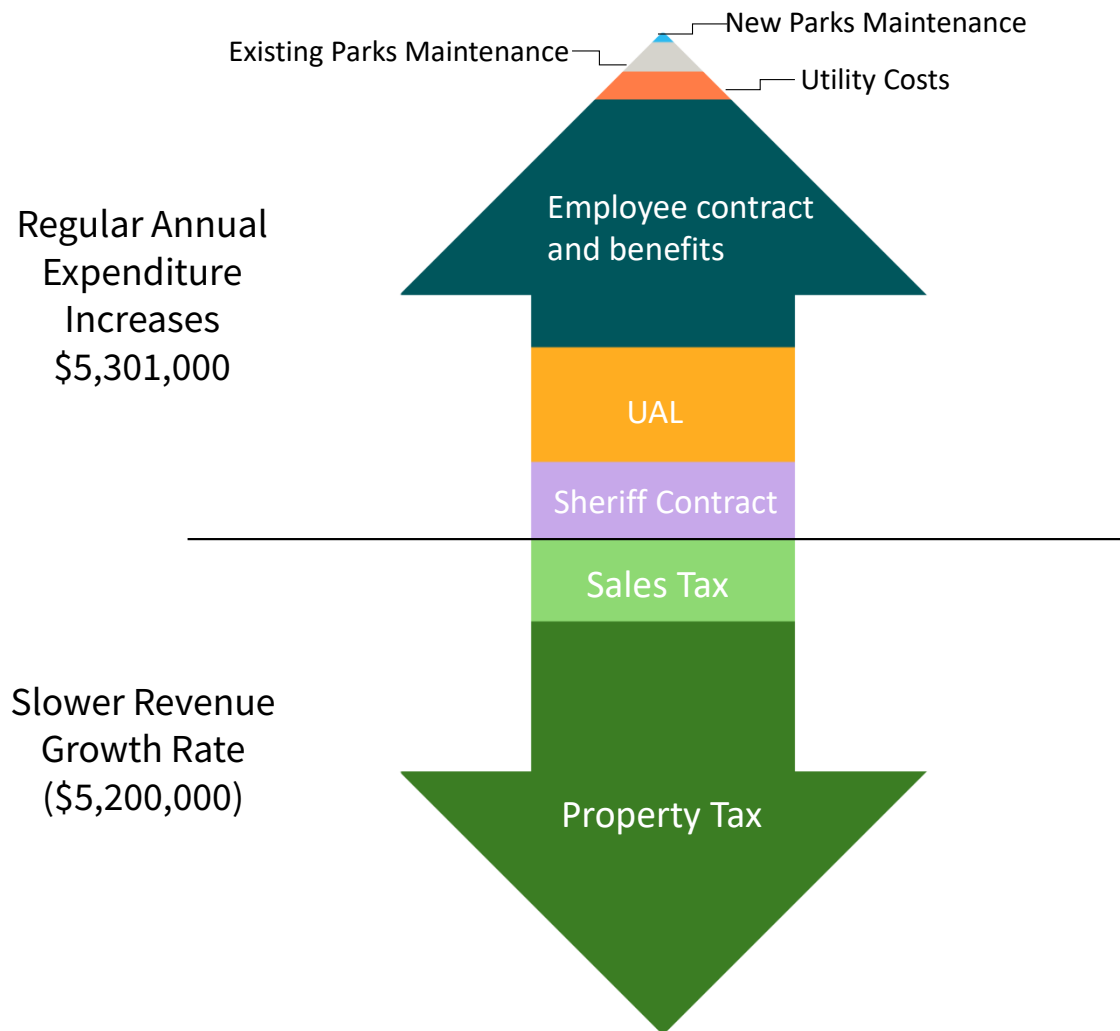
# MIDYEAR BUDGET UPDATE

Starting deficit: \$3,824,001

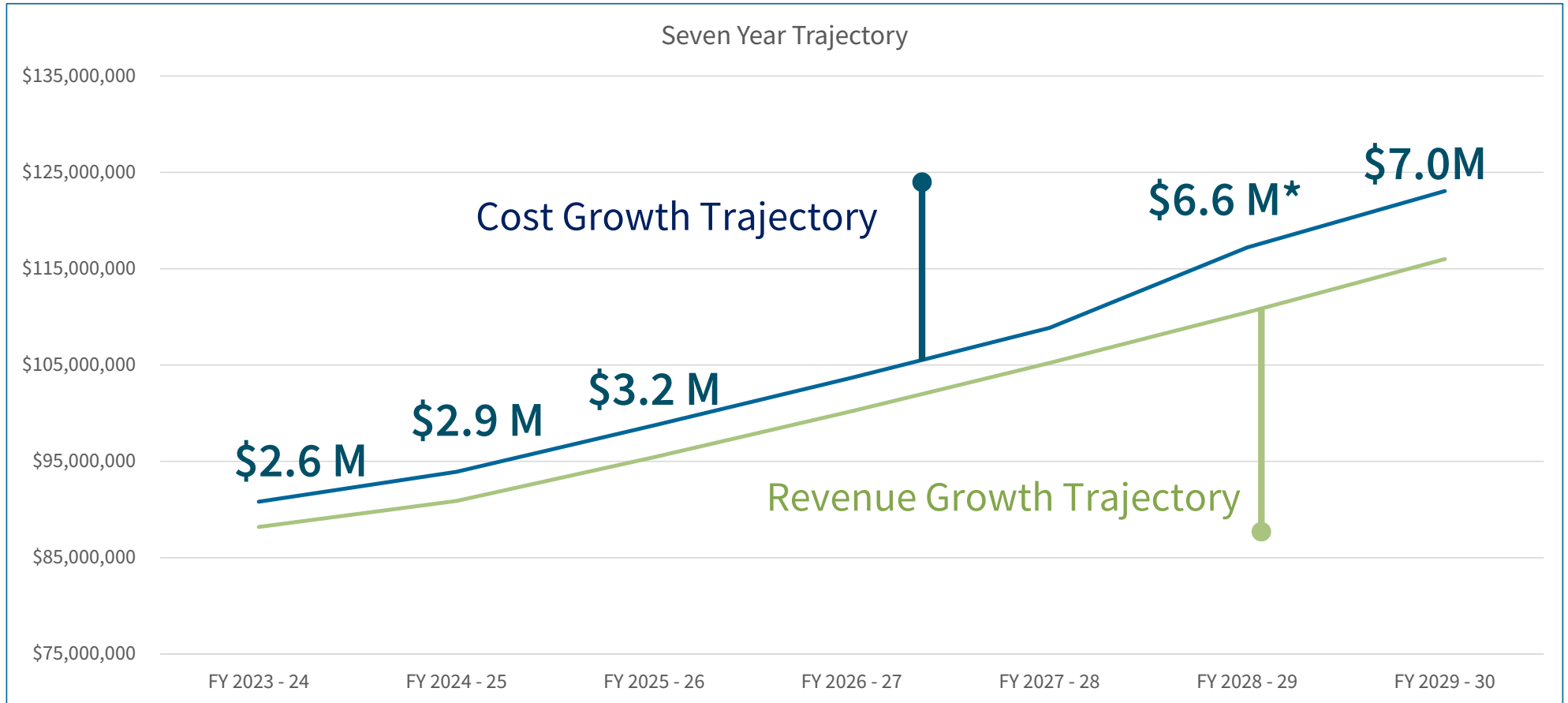
Midyear deficit: \$2,622,117



# FY 25 Budget Challenges



# PROJECTED DEFICITS



\*Does not include one-time costs related to construction of proposed Fire Station 5 est. \$26.6M in FY29

# LONG-TERM FISCAL SUSTAINABILITY PLAN



## BEST VALUE ANALYSIS

Evaluate costs of outsourcing vs in house services



## CITY FEES

Business License Fees

User Fee Study



## REVENUE MEASURES

Research options for revenue measures to be considered by voters  
(\$9.5-11.5M)



## CANNABIS MEASURES

Would also require measure to be considered by voters  
(\$1.5M)

# Best Value Analysis

- All Departments have been conducting best value analyses to evaluate the most cost-efficient service delivery options that do not sacrifice service levels, as well as identifying other areas where spending can be reduced
  - This may lead to a re-alignment of expenses between personnel costs and contract service costs

Department	Service	Prior Cost	New Cost	Savings
Public Works	White Fleet maintenance	Variable, \$850k-\$1M	\$650K	(\$200-\$350K)
Parks and Recreation	Part-time staff time associated with revenue-generating activities	\$1.3M	\$1.2M	(\$100K)
Fire	Overtime budgeting shift- to request from Council as needed	\$2.8M	\$2.2M	(\$600K)
Finance	Accounting services move from in-house staff to contract	\$470,545	\$272,017	(\$198K)
Admin	Potential parking enforcement decrease based on need	\$340,000	\$280,000	(\$30K)
DS	Building Services moved from contract services to in-house staff	\$893,000	\$793,000	(\$100K)
HR	Employment consultation shift to new vendor	\$120,000	\$80,000	(\$30K)

# Infrastructure Fund Update

- *FY24 City Infrastructure, Facilities, Vehicle & Equipment Fund uses*
  - ❖ *EMS Ambulance Rechassis*
  - ❖ *Parks lighting LED Conversions*
  - ❖ *Playground equipment replacements at City Parks*
  - ❖ *Building Permit Software*
- *FY25 City Infrastructure, Facilities, Vehicle & Equipment Fund*
  - ❖ *Projected to have no transfer to infrastructure funds*

# BRC Comments and Questions