



# City of San Marcos

630 East Hopkins  
San Marcos, TX 78666

## Meeting Minutes City Council

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Tuesday, May 7, 2019

3:00 PM

City Council Chambers

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### 630 E. Hopkins - Work Session

#### I. Call To Order

**With a quorum present, the work session meeting of the San Marcos City Council was called to order by Mayor Hughson at 3:01 p.m. Tuesday, May 7, 2019 in the City Council Chambers, 630 E. Hopkins, San Marcos, Texas 78666.**

#### II. Roll Call

**Council Member Rockeymoore arrived at 3:55 p.m.**

**Present:** 7 - Mayor Pro Tem Lisa Prewitt, Council Member Saul Gonzales, Council Member Melissa Derrick, Mayor Jane Hughson, Council Member Ed Mihalkanin, Council Member Joca Marquez and Council Member Mark Rockeymoore

#### PRESENTATIONS

1. Receive a Staff presentation and hold discussion regarding the preliminary Fiscal Year 2020 Budget and Fee Policy, and provide direction to Staff.

**Bert Lumbreras, City Manager, introduced Melissa Neel, Assistant Director of Finance and Heather Hurlbert, Director of Finance, who provided the Council with the presentation regarding the preliminary Fiscal Year 2020 Budget and Fee Policy. He provided that the presentation will be focusing on General Fund capacity, a possible budget amendment that may be coming up later on in the fiscal year, the Human Services Advisory Board funding cycle, a fee policy and cost recovery implementation. Mr. Lumbreras then turned the presentation over to Ms. Neel and Ms. Hurlbert.**

**Ms. Neel reviewed the topics again that would be covered during the presentation. She reviewed the Council's 2019 Strategic Initiatives and the adopted Budget Policy highlights.**

**Ms. Neel reviewed the General Fund historical financials and provided that as San Marcos continues to experience rapid growth the demand on core services & infrastructure also increases. Capacity to fund core services & infrastructure is limited by economic incentive commitments. Regarding revenue trends, the five-year revenue trend for Property Tax has shown a steady incline, Sales Tax growth has increased to exceed FY16 peak and other**

revenue sources remain flat.

Ms. Neel reviewed General Fund expenditure trends. She provided that the five year trend reflects 6% average increase in personnel cost, operating costs have remained relatively flat, 200+% increases starting in FY18 in non-recurring are due to economic incentive payouts.

Ms. Neel reviewed General Fund budget constraints. She provided that the capacity to fund budget requests is a serious constraint. Departments budget requests were \$8,000,000 for this budget cycle. She provided that there is a serious gap between what is being requested and what the actual General Fund capacity is. The General Fund capacity preliminary estimate was \$600,000. She provided that the City Manager and staff are prioritizing requests and preparing recommendations. Ms. Neel also informed the Council that the preliminary tax rolls have been received and that staff will continue to revise the forecast in preparation of the June workshops.

Ms. Neel reviewed the Enterprise Funds related to utilities. She stated that the Departments submitted their requests and that consultants are preparing rate models considering: growth factors, operational increases, future capital improvement projects and capital needs. She provided that the rate model output will be presented to the Citizens Utility Advisory Board (CUAB) and that CUAB will prepare a rate and budget recommendation for the Council.

Ms. Neel reviewed the Hotel Motel Tax forecast and explained that last year we actually saw a decrease last year. She provided that revenue for first 6 months of FY19 exceeding budget due to La Quinta revenue. Calendar year 2018 average room rate declined 4% while occupancy declined 9% from prior year.

Ms. Neel reviewed the budget timeline. She provided that the Council will have a two day budget workshop on June 26 and 27. Following the work during those workshops the Council will receive the proposed budget on August 1, followed by the 1st reading of the tax rate on August 20th, the 1st reading of the budget & 2nd reading of the Tax Rate on September 3. Final adoption will be on September 17.

Ms. Hurlbert reviewed the FY19 Budget Amendment. She provided that the FY19 General Fund Revenue is forecasted to exceed budget and that further analysis is needed prior to funding recommendations. She provided that with the collection of the Best Buy Call Center additional revenue has contributed to this variance. Ms. Hurlbert explained that Staff may be proposing

re-establishing operating budget to prior year funding levels, and that after a couple of more months of review the Budget Amendment would actually come to the Council for review in August.

Ms. Neel reviewed the proposed Human Services Advisory Board (HSAB) funding cycle. She reviewed the current process and the optional process. The optional process would require applications to be due in October of 2020 and the HSAB would meet with applicants from November 2020 - February 2021. Recommendations would be provided to Council March 2021 with the first payment being provided in April of 2021, second payment in July of 2021 and final payment in October of 2021.

Ms. Hurlbert responded to a question that Staff has received regarding a doubling up option where an applicant could be awarded double funding in one fiscal year. In FY20 there is only about \$600,000 of capacity to be able to fund additional needs. If double funding was provided there would only be about \$100,000 left for any new expenses. Ms. Hurlbert explained that this would be accomplished by one set of funding being awarded at the beginning of the fiscal year, and another set of funding being awarded at the end of the fiscal year for the next fiscal year.

Following discussion, the Council provided consensus to move forward with the optional process where applications would be due in October and the recommendations would come to Council in March for funding. The first of three payments would be issued in April, the second would be issued in July and the final payment would be issued in October.

Ms. Neel provided that on December 4, 2018 the Council provided consensus in support of cost recovery and development of a formal fee policy. The Fee Policy would be a long term strategy to support financial stability, is a structured framework for sustainability, is a tool utilizing cost recovery methodology for evaluating programs and services, and will provide consistency and transparency in establishing fees. Ms. Neel reviewed the cost recovery methodology and explained that it defines who receives the benefit (community or individual), it evaluates total cost of service for the program/services available to our community, it generates revenue to fund such areas as facility maintenance and plan for future needs, and provide flexibility in price structure for special circumstances.

Ms. Neel reviewed an illustration of the Cost Recovery Pyramid which is attached as Exhibit A. Ms. Neel reviewed the fee calculation process of total cost \* cost recovery target % / minimum # of participants.

Total cost = Direct, overhead, and indirect cost

**Cost Recovery Target % = First year of implementation each fee will use the pyramid levels range for recovery and revise after the first year evaluation**

**Ms. Neel reviewed the general guidelines:**

**Pyramid methodology will be used**

**Establish cost recovery thresholds**

**Thresholds include minimum and target levels of cost recovery**

**Areas unable to meet min threshold can: reduce cost, reduce recovery target, eliminate service/program**

**Activities that have achieved or exceeded target threshold will be evaluated to determine if the target can/should be adjusted**

**Specific fee considerations may be made that may supersede cost recovery considerations**

**Eligible discounts vary by department**

**Cost of Service revised every 3 years, cost recovery goal performance evaluated annually**

**Ms. Neel reviewed the roll out of the Cost Recovery Plan timeline.**

**The City Council provided consensus for Staff to move forward with bringing forward the Fee Policy and implementation of the Cost Recovery Plan.**

- 2. Receive a Staff presentation and update regarding Community Development Block Grant - Disaster Recovery Substantial Amendment #8, and provide direction to Staff.**

**Stacy Brown, Housing & Community Development Manager, provided a presentation regarding CDBG-DR Substantial Amendment #8.**

**There will now be a reallocation of \$1,000,000 from Rental Rehab to the New Reimbursement Program.**

**(\$1,000,000 = 20 homes @ \$50,000, if qualifications are met.)**

- Review possible funding sources for \$1,659,013 shortfall in the following activities:**

**Midtown/Aquarena Springs Activity \$850,000**

**Blanco Gardens Activity \$809,013**

- Reallocate \$2,325,000 of Clarewood/Barbara Activity funds to the following activity:**

**Blanco Gardens \$2,325,000**

- **Reallocate \$3,000,000 of Planning Activity funds to the following activities:  
Blanco Gardens \$1,596,987**

**Uhland Road Activity \$1,403,013**

- **Reallocate \$1,585,787 of Blanco Riverine Activity funds to the following activity:  
Uhland Road Activity \$1,585,787**

**Other Funding Sources:**

**Rental/Rehab Activity Funds - \$659,013**

**Certificates of Obligation**

**Other Funds - Up to \$36.7M**

**Flood Mitigation Assistance Grant (FEMA/TWDB)**

**Blanco Riverine (\$12.7M)**

**Future CDBG -DR Funds (HUD)**

**Hazard Mitigation (\$19.2M, other 20% admin)**

**Ms. Brown discussed the Single Family Owner-Occupied Housing Reimbursement Program Eligibility Requirement which include the following:**

- **The applicant must have been the owner of record prior to May 23, 2015 and/or October 30, 2015 and continue to be the owner of record throughout the grant compliance period. Standard proof of ownership is a valid deed of trust or warranty deed which sites the applicant's name and that is recorded in the county records. A unit must have sustained direct damage from the May 23, 2015 flood and/or the October 30, 2015 flood.**
- **The unit must be located in the City of San Marcos's updated 100-year floodplain in Blanco Gardens.**
- **The applicant's annual household income must be less than 80% of Area Median Income for the appropriate household size according to the MSA Austin-Roundrock Income Chart published March 2018 to meet HUD LMI standards. The annual household income will be calculated using the Internal Revenue Service (IRS) Form 1040 Adjusted Gross Income definition of income.**
- **The amount of eligible receipts for eligible repairs up to \$50,000 or the amount of eligible receipts for eligible repairs up to 51% of the 2015 value of the home as shown on the Hays Central Appraisal District website.**
- **The applicant's property taxes must be current. If property taxes are not current, applicant must document that one of the following alternatives will be met:**

- The property owner qualified for and received tax deferral as allowed under Section 33.06 of the Texas Property Code;
- The property owner qualified for and received a tax exemption pursuant to Section 11.182 of the Texas Property Code; or,
- The applicant entered into a payment plan, and is current, with the applicable taxing authority.
- Owner applicants are required to provide the City with:
  - Documentation of all payments received by the Federal Emergency Management Agency (FEMA), the National Flood Insurance Program (NFIP), private insurance; loans from the Small Business Administration (SBA); and funds from charitable organizations for the physical stabilization, rehabilitation, reconstruction or improvement of the eligible property from the date of the disaster events. Documentation of expenditures for the physical stabilization, rehabilitation, reconstruction or improvement of the eligible property from the date of the disaster events is required to the date of application.
  - The applicant must be current on their mortgage, if applicable. The applicant and co-applicant must be U.S. citizens or have legal alien status.
  - The applicant must be current on child support payments. If the applicant or co-applicant is not current on child support payments, that person will be required to enter into a payment plan signed by all applicable parties, along with documentation that they are current on their payment plan.
  - Second homes are not eligible for funding under the Housing Rehabilitation Program.
  - Outbuildings associated with the unit but not integral to the residence are not eligible.
  - Homeowner must provide photos showing damage to the home as a result of the floods.
  - Receipts or invoices for the home repairs that have been made to the damage property as a result of the floods.
  - Bank account statement or credit card statement used for the repairs/replacement of the damages to the home.
  - Documentation that work was performed photos, contractor work completion documents, and certificate of occupancy, if applicable.

Council consensus is to move forward with the creation of the Reimbursement Program and re-allocate \$1,000,000 from the Rental-Unit Rehab/Reconstruction account. The Rental-Unit Rehab/Reconstruction account would then have a balance of \$659,013.

Staff outlined the proposed Reimbursement Program timeline and Council

approved of the following:

- **April 28, 2019 Published Legal Notice of Public Meeting to be held May 8, 2019.**
- **May 7, 2019 Work Session review new Single Family Owner-Occupied Housing Reimbursement Program and funding reallocations between activities.**
- **May 8, 2019 Request publication of a legal notice for Amendment #8 public comment and Community Meeting information.**
- **May 8, 2019 Hold Community Meeting, Activity Center, 6:00 pm - 8:00 pm, Amendment #8.**
- **May 12, 2019 Publication of Amendment #8 second Legal Notice. Start of Public Comment Period. (1st Legal Notice Published 4-28-2019)**
- **May 28, 2019 End of Comment Period.**
- **June 4, 2019 City Council Meeting to approve Amendment #8.**
- **June 5, 2019 Amendment #8 submitted to HUD for approval.**
- **July 23, 2019\* Deadline for HUD to contact City for more information, or denial, or approval of Amendment #8.**
- **\*This assumes HUD approval. The date could be further in the future if HUD requests changes to the Amendment.**

### **EXECUTIVE SESSION**

3. Executive Session in accordance with the following Local Government Code Sections:
  - A. Section § 551.071 - Consultation with Attorney: to receive a staff briefing and deliberate regarding Martindale ETJ matters and Project Big Hat
  - B. Section § 551.087 - Economic Development: to receive a staff briefing and deliberate regarding Project Big Hat

**A motion was made by Council Member Derrick, seconded by Council Member Gonzales, to enter into Executive Session at 4:17 p.m. The motion carried by the following vote:**

**For:** 7 - Mayor Pro Tem Prewitt, Council Member Gonzales, Council Member Derrick, Mayor Hughson, Council Member Mihalkanin, Council Member Marquez and Council Member Rockeymoore

**Against:** 0

III. Adjournment.

**The City Council returned into open session at 5:30 p.m. and Mayor Hughson adjourned the work session of the San Marcos City Council at 5:30 p.m.**

**Jamie Lee Case, TRMC, City Clerk**

**Jane Hughson, Mayor**