

# Budget Worksession: Final Wrap-up

City of Austin  
Financial and Administrative Services  
June 4<sup>th</sup> , 2008



# Outline

- Re-cap of budget worksessions
- Financial Forecast Update
  - Economic Outlook
  - Revenue Assumptions
  - Expenditure Assumptions
- Balancing the Budget
- Looking Beyond FY09

# Worksession Review

- A series of five budget worksessions
- Over 25 budget questions & answers

## Areas of Policy Discussion

- Tax Rate Policy
- Comprehensive Plan
  - Managing & Planning for Vertical Growth
  - Utility Infrastructure
- Impact of Rising Commodity Costs
  - Fuel & Construction materials
- Performance-based Social Service allocation
- Investments in amenities with low O&M costs

# Financial Forecast Update



# Economic Outlook

- National
  - Housing prices shakeout
  - Consumers get weaker
- Local
  - Fundamentals solid, but icing is off the cake
  - Tourism strong element of Austin's economy
  - Building & lending activity slowing
  - High in-migration
  - Importance of placemaking on economic development

# Revenue

## ■ Property Tax

Assessed Valuation: (current year \$68.6 b)

	<b>Growth Rate</b>	<b>Total AV</b>	<b>New Property</b>
▫ FY 2009	8.5%	\$ 74.0 b	\$3.1 b
▫ FY 2010	5.0%	\$ 77.7 b	\$3.1 b
▫ FY 2011	5.0%	\$ 81.5 b	\$2.1 b
▫ FY 2012	5.0%	\$ 85.6 b	\$2.1 b
▫ FY 2013	5.0%	\$ 89.9 b	\$1.9 b

## ■ Transfer rates

▫ Electric Utility	9.1%
▫ Water Utility	8.2%

## ■ All Other Revenue

- moderate increase of between 2% and 4% annually
- monitoring Development revenue

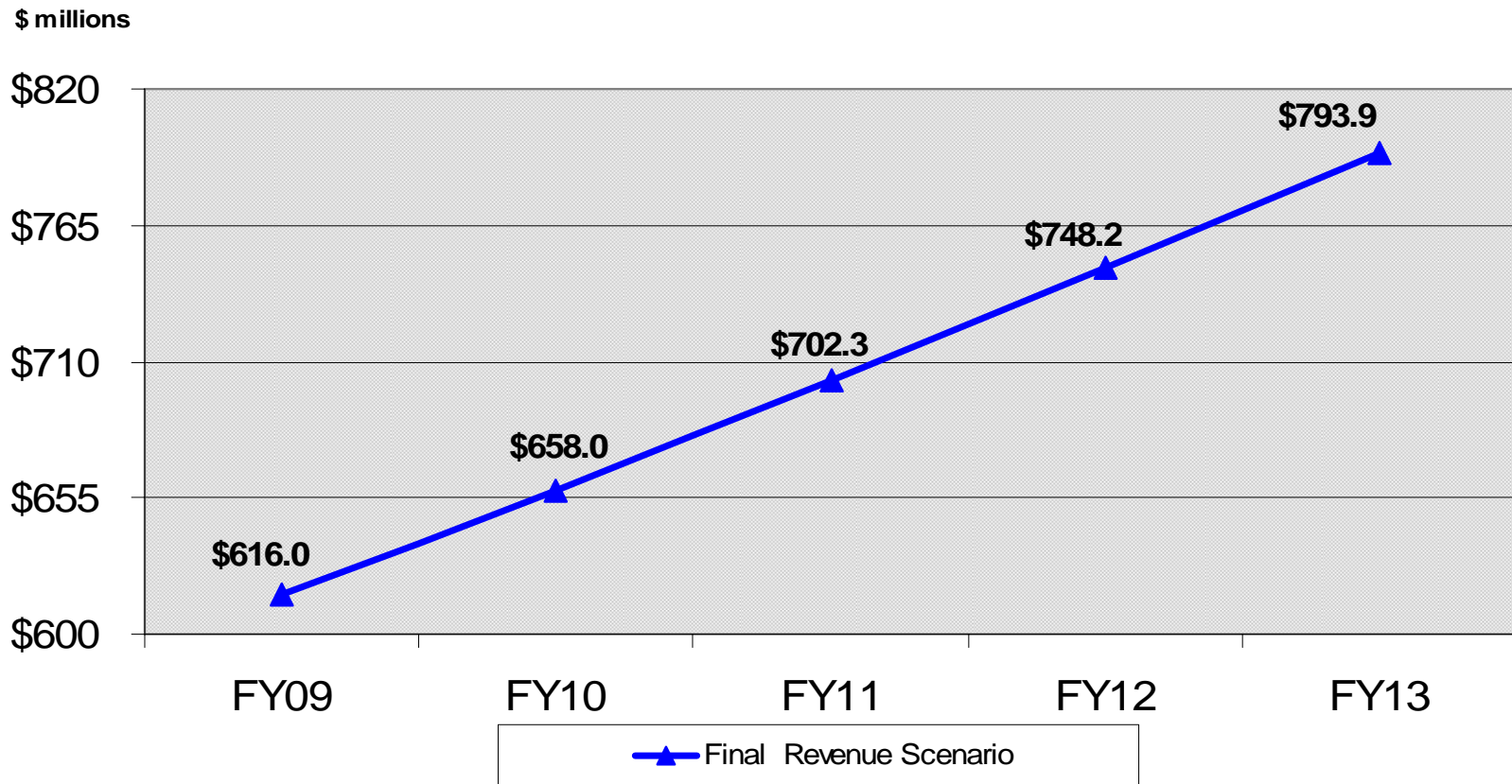
# Revenue

## ■ Refined to final scenario

	<u>FY08 est</u>	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>
<u>Scenario 1</u>						
Effective Tax Rate		39.82 ¢ *	40.00 ¢ *	39.59 ¢ *	38.67 ¢	37.62 ¢
Sales Tax Growth	2.0%	3.0%	5.0%	5.0%	5.0%	5.0%
<u>Scenario 2</u>						
Nominal Tax Rate		41.34 ¢ *	41.84 ¢ *	42.34 ¢ *	42.34 ¢	42.34 ¢
Sales Tax Growth	3.0%	3.5%	5.0%	5.0%	5.0%	5.0%
<u>Scenario 3</u>						
Rollback Tax Rate		41.39 ¢ *	42.79 ¢ *	43.88 ¢ *	45.07 ¢	46.25 ¢
Sales Tax Growth	4.0%	4.0%	5.0%	5.0%	5.0%	5.0%
<u>Scenario 4</u>						
Rollback Tax Rate		41.39 ¢ *	42.79 ¢ *	43.88 ¢ *	45.07 ¢	46.25 ¢
Sales Tax Growth	2.0%	3.0%	5.0%	5.0%	5.0%	5.0%

\* Includes an additional 1 ¢ in FY09, 0.5 ¢ in FY10, and 0.5 ¢ in FY11 in order to fund the commitment of the 2006 Bond Program

# Revenue





# Expenditure Assumptions

## Flat Funding

- Maintain current funding in the General Fund
  - Public Safety, Public Health & Social Services
  - Parks programs & Library services
  - Permitting, Review & Inspection

## Plus: Cost Increases

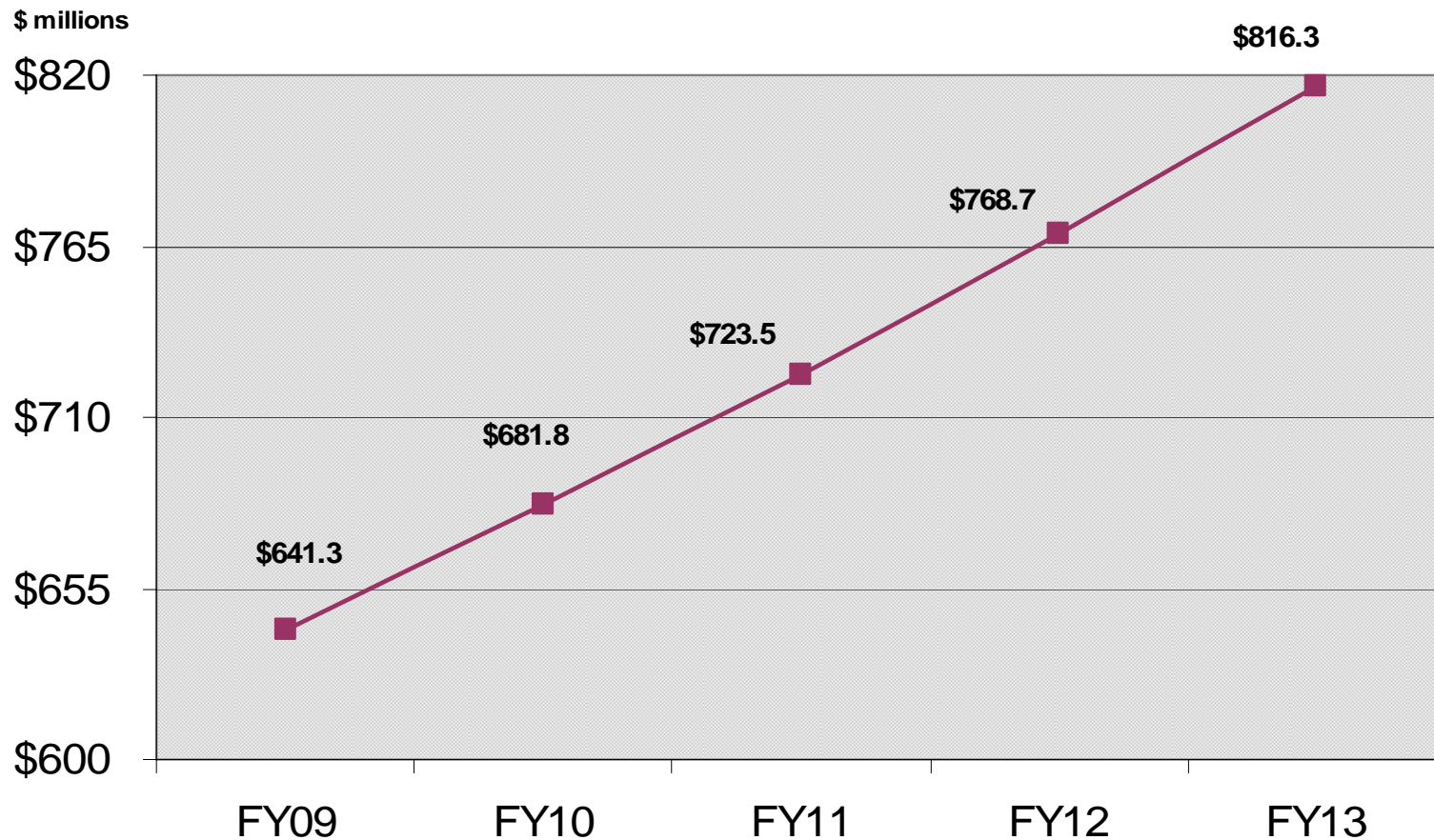
- Pay for Performance same for all employees
- 10% increase in Health Insurance Costs
- Market Study salary adjustments
- Maintain 2.0 Police Officers per 1,000 population
- Includes funding for public safety consolidation
- O&M for new/expanded facilities
- ***Inflationary cost increases for fuel, utilities, contractual services, commodities***
- Increase for Social Service Contracts

# Expenditure Assumptions

FY09 Cost Increases  
(\$ mills)

<u>Category</u>	<u>Estimated Increase</u>	<u>Justification</u>
Personnel	\$17.0	<ul style="list-style-type: none"> <li>* Pay for Performance</li> <li>* Health Insurance</li> <li>* Market Adjustments</li> </ul>
Other Departmental Costs	\$17.8	<ul style="list-style-type: none"> <li>* 2.0 Officers</li> <li>* Step/Longevity</li> <li>* New Facilities</li> <li>* Annualized Costs from FY 08</li> <li>* Outside Contract Increases</li> <li>* Inflationary Increases</li> </ul>
Transfers	\$13.2	<ul style="list-style-type: none"> <li>* Support Services Fund</li> <li>* Communication &amp; Technology</li> <li>* Transportation Fund</li> <li>* Workers Compensation</li> <li>* Accrued Payroll</li> <li>* Liability Reserve</li> <li>* Economic Incentives</li> </ul>
<b>Total</b>	<b>\$48.0</b>	

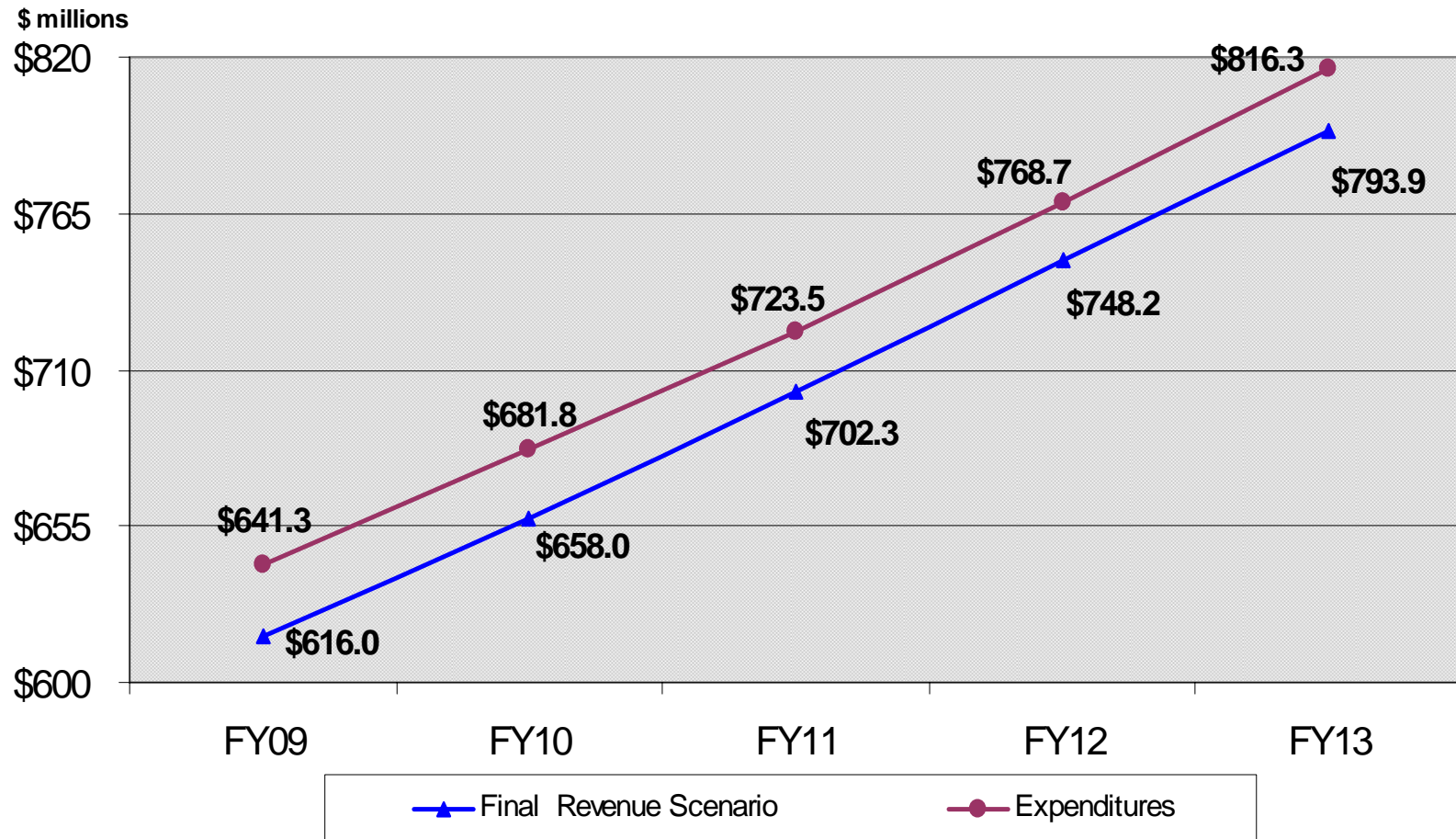
# Expenditure Forecast



# Revenue to Expenditures



# Revenue to Expenditures



# Revenue to Expenditures – 2009

Revenue	Rollback: 41.39 Sales Tax: 3%
Property Tax	209.6
Sales Tax	160.8
Other Revenue	245.5
<b><i>Total Revenue</i></b>	<b><i>616.0</i></b>
Expenditures	
Departmental	549.4
Transfers / Other Requirements	91.9
<b><i>Total Expenditures</i></b>	<b><i>641.3</i></b>
<b><i>Excess / (Deficit)</i></b>	<b><i>(25.3)</i></b>

# Balancing the Budget



# Balancing the Budget

- Re-analyzing existing revenue and expenditure projections

## Revenue

- Property Tax – estimate of Tax Roll
- Sales Tax – two more payments before proposed budget
- Utility Transfers – utility revenue estimates
- “Other Revenue” – Development, Fines, Interest Revenue



# Balancing the Budget

- Re-analyzing existing revenue and expenditure projections

## Expenditures

- Cost Increases
  - Personnel Costs, including PFP
  - Outcome of Public Safety negotiations
  - Retirement contributions
  - Health Insurance
  - Fuel Costs
  - Contractual Costs
  - New Facilities

# Balancing the Budget

- Review of General Fund contributions to other City Funds - \$68 Million

Support Services

Transportation Fund

Capital Project Management

Solid Waste Services

Neighborhood Housing

Communications & Technology

Sustainability Fund

Drainage Utility

Austin Convention & Visitors Bureau

Softball Fund

# Balancing the Budget

- Departmental Savings
  - existing vacancy levels
    - associated service levels
  - department wide costs
  - program specific costs
- Directors will be developing plans & priorities during June for City Manager review

Beyond FY09



# Beyond FY09

- Shortfalls are projected throughout the forecast period
- Revenue policies
  - move towards a higher reliance on the more stable property tax revenue,
  - less reliance on above average sales tax collections for on-going costs
  - assessment of other revenue & transfer policies
- Operational improvement opportunities

# Recap of Budget Timeline

Oct 1 <sup>st</sup>	Begin Fiscal Year
April 23 <sup>rd</sup>	Economic Outlook
	Financial Forecast – General Fund
May 7 <sup>th</sup>	Financial Forecast – Enterprise Funds
May 14 <sup>th</sup>	General Fund Department Briefings
May 21 <sup>st</sup>	General Fund Department Briefings
June 4 <sup>th</sup>	Budget Prep Wrap-Up Discussion
July 23 <sup>rd</sup>	<b>Deliver Proposed Budget at Worksession</b>
Aug 7 <sup>th</sup> /21 <sup>st</sup> /28 <sup>th</sup>	<b>Budget Public Hearings</b>
Sept 8 <sup>th</sup> – 10 <sup>th</sup>	<b>Budget Approval Readings</b>

# Budget Questions and Answers

- Answers to budget questions from Council & Citizens throughout the budget process will be provided in writing
  - By the Public Information Office via email
  - Posted on the Budget Office web page

<http://www.ci.austin.tx.us/budget/cbq/index.cfm>