

City of Austin Budget Timeline

November-January	Departmental Business Planning
February-March	Development of Horizon Issues & Forecast
April 21	Presentation of Economic Outlook, General Fund Forecast and Horizon Issues
April 28	Enterprise Fund Forecasts
May-June	Budget Development
Early June	Community Input Forums
July 28	Proposed Budget Presented to City Council
August 4, 18, 25	Budget Work Sessions & Public Hearings
September 13-15	Budget Approval Readings



City of Austin Financial Forecast

General Fund
Presented to Council April
21, 2010

Summary for CDC May
11, 2010



2011 Budget Priorities

- Continued commitment to an inclusive and transparent budget process
 - community engagement
 - boards & commissions
 - annual citizen survey
 - quarterly financial updates to Audit & Finance committee
 - all presentations and reports available at www.ci.austin.tx.us/budget
- Some level of employee wage increase
- Focus on enterprise operations and impact on rates
- Publication of departmental “horizon issues” report to supplement economic outlook and financial forecast
 - to provide a comprehensive picture of the local economy, City finances, and operational challenges over the next 5 years

Managing the General Fund Budget

- **As sales taxes began to decline in 2008, the City Manager took steps to reduce spending in mid-year to remain within projected revenues**
 - modest surplus generated in 2008 used to fund replacement vehicles and equipment, primarily public safety vehicles
- **In 2009, as sales taxes continued to decline and the recession hit Austin, the City Manager implemented further spending reductions**
 - mid-year cost cutting measures
 - rigorous hiring review process

Managing the General Fund Budget

- **Structural corrections were made in 2010 to address a projected \$30 million budget deficit**
 - budget balanced without tapping into reserves for operations
 - revenue projections scaled back to reflect downturn in the economy
 - utility transfers held stable
 - extensive community outreach indicated strong support for maintaining core service levels
 - reductions made primarily in non-core areas (e.g. elimination of vacant internal service and support positions)
 - no employee layoffs, pay reductions and furloughs
- **Employee “give backs” have been a key factor in maintaining service levels**
 - public safety labor contracts renegotiated
 - no pay increase or market adjustments for civilian workforce
 - hiring freeze resulting in fewer staff with increased workload

Summary of Recent Budget Cuts

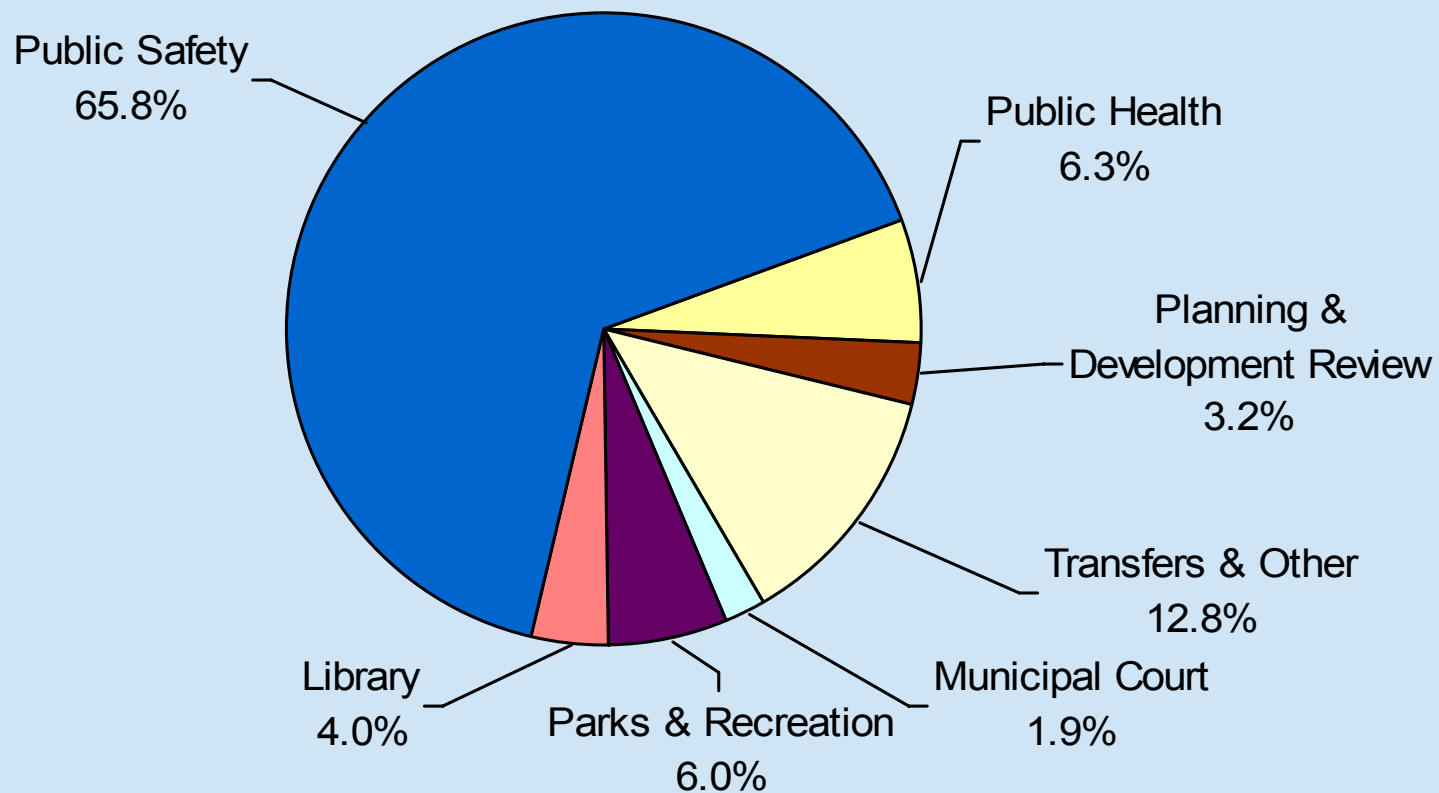
<u>Service Area</u>	<u>Budget Cuts</u>
Public Safety	<ul style="list-style-type: none"> * elimination of 4 vacant non-sworn police positions * redeployment of 5 sworn FTEs from support functions to fire combat operations & eliminate 1 civilian vacant FTE * two EMS non-uniformed vacant positions eliminated * elimination of 2 part-time and 2 full-time vacant positions in Municipal Court
Recreation and Culture	<ul style="list-style-type: none"> * replacement 8 fill and draw pools with splash pads * elimination of 7.25 vacant library positions and 14.25 park positions
Human Services	<ul style="list-style-type: none"> * elimination of 4.5 vacant positions * closure of one of two day labor sites
Planning and Development Review	<ul style="list-style-type: none"> * elimination of 15 vacant positions
Housing	<ul style="list-style-type: none"> * elimination of 5 vacant support positions * restructuring of Community Preservation and Revitalization program
Transportation Fund	<ul style="list-style-type: none"> * \$3.5 million reduction in General Fund transfer * elimination of 12.5 vacant positions
Capital Projects Mgmt Fund	<ul style="list-style-type: none"> * \$1.3 million reduction in General Fund transfer * elimination of 1 vacant position
Internal Services	<ul style="list-style-type: none"> * elimination of 64 vacant positions

2011 Forecast Highlights

- Focus on funding of built-in cost drivers and maintaining existing service levels
 - increases in employee wages, insurance, and retirement costs
 - operating costs associated with new or expanded facilities
- Continued decline in development revenue
 - \$19.3 million 2007
 - \$17.3 million 2008
 - \$12.4 million 2009
 - \$ 7.5 million 2010 (projected)
- Better than expected sales tax numbers in FY 2010 are helping to offset shortfall in development revenue
- \$11.4 million shortfall projected in 2011 at rollback tax rate
 - gap increases to \$28.1 million at effective rate

General Fund – Uses of Funds

Fiscal Year 2010 Amended Budget – \$614.9 Million



Expenditure Assumptions

- Basic expenditure projections
 - forecast assumes existing programs and service levels maintained
 - forecast is not a budget
- Funding for all currently authorized FTEs
 - personnel costs have been reduced to reflect anticipated vacancy savings resulting from normal attrition
- Employee wage increases
 - 3.0% annually for sworn police, fire, and EMS employees
 - 2.5% annually for civilian employees
- Supplemental funding for employee retirement systems
 - 1% annually in 2011-13 for sworn police
 - 1% annually in 2011-12 and 2% in 2013 for sworn fire
 - 2% annually in 2011-13 for civilian employees

Expenditure Assumptions

- Annual increases in City health insurance costs of 10%
 - employee premium also anticipated to increase 10% in 2011
- Inflationary cost increases for utilities, fuel, contractual services and commodities
- Operations and maintenance costs associated with new or expanded facilities – primarily Parks and Recreation
- Addition of 1 EMS unit to service Avery Ranch annexation
- 13 sworn APD positions in 2011 due to population growth
- Transition to 4 person staffing per Council resolution
 - one additional unit converted in 2011, 2013 and 2015
- Funding for live outcomes/no kill plan

FY 2011 Cost Drivers

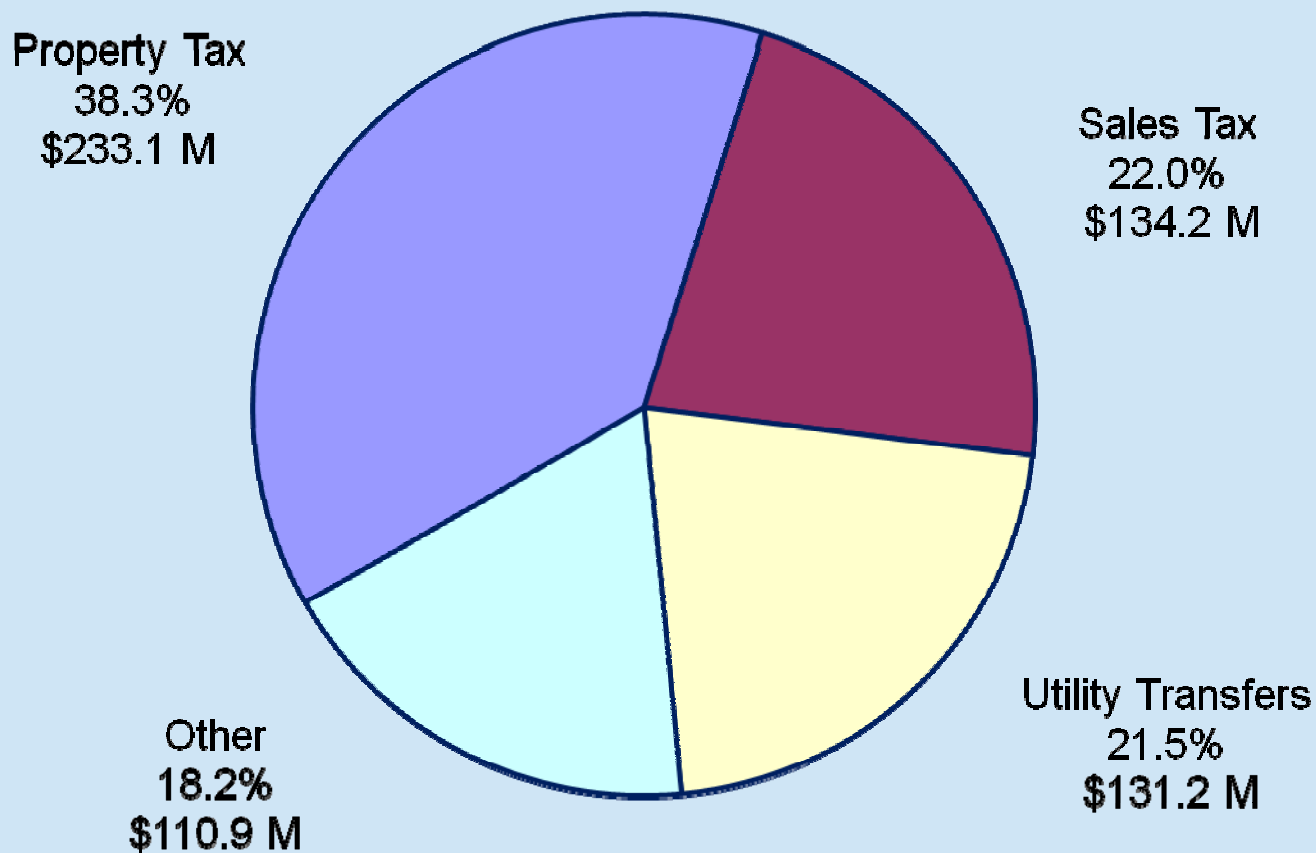
<u>Category</u>	<u>Estimated Increases</u>	<u>Justification</u>
Uniformed Personnel	\$20.2	<ul style="list-style-type: none"> * police, fire & EMS contracts / provisions * police & fire step / longevity * Avery Ranch - EMS * 2.0 officers per 1000 - police * 4 person staffing - fire * health insurance
Non-Uniformed Personnel	\$7.8	<ul style="list-style-type: none"> * health Insurance * civilian wage adjustments * supplemental pension funding
Other Departmental Costs	\$4.6	<ul style="list-style-type: none"> * outside contract increases * facility openings * implementation of live outcomes/no kill plan * other miscellaneous commodities
Transfers / Other Requirements	\$7.2	<ul style="list-style-type: none"> * workers compensation * accrued payroll * liability reserve * support services fund * communication & technology * economic incentives
Totals	\$39.8	

Expenditure Summary

- Average growth of 6.0% over forecast period
 - significantly slower than in years prior to downturn
 - focus is on service maintenance and cost containment
 - includes implementation of live outcomes/no kill plan
- Costs beyond our control
 - public safety contracts
 - inflationary costs for fuel, outside contracts, commodities
- Costs that we can influence by policy
 - non-contract employee compensation
 - health insurance plan design
 - staffing policies & service levels

General Fund – Sources of Funds

FY 2010 Estimated General Fund Revenue \$609.4 Million



Property Tax

- Projected Assessed Valuation Growth

	Growth Rate	Total AV	New Property
FY 2010	4.9%	\$ 80.2 b	\$2.9 b
FY 2011	(5.0%)	\$ 76.2 b	\$1.3 b
FY 2012	0.0%	\$ 76.2 b	\$1.2 b
FY 2013	2.0%	\$ 77.7 b	\$0.9 b
FY 2014	2.0%	\$ 79.3 b	\$1.8 b
FY 2015	2.0%	\$ 80.9 b	\$1.1 b

- Tax Rate Scenarios

Tax Rate*	\$ Change	Scenario
0.4209	(\$16.6) m	no rate change
0.4497	\$ 4.9 m	no overall increase on existing properties
0.4721	\$ 21.6 m	rollback calculation

* Rates are estimates based upon estimated changes in assessed property values provided by the Travis County Appraiser's Office.

Sales Tax

- Sales Tax Background
 - (9.5%) decline in FY 2009
 - (5.0%) decline assumed in FY 2010 budget
 - +1.3% year to date, (1.3%) exclusive of \$1.5 million audit adjustment
- Projected Sales Tax Growth

	Growth Rate	Total Revenue	Change
◦ FY 2010	(4.0%)	\$ 134.2 m	\$2.2 m
◦ FY 2011	2.5%	\$ 137.6 m	\$3.4 m
◦ FY 2012	5.0%	\$ 144.4 m	\$6.9 m
◦ FY 2013	5.0%	\$ 151.7 m	\$7.2 m
◦ FY 2014	5.0%	\$ 159.2 m	\$7.6 m
◦ FY 2015	5.0%	\$ 167.2 m	\$8.0 m

* Each 1% change in sales tax equals approximately \$1.4 million.

Development Revenue

- All building permitting categories down, except for residential remodeling projects
 - new land development applications down 39%
 - new residential applications for new construction down about 40%
 - new commercial applications for new construction down 58%
 - single family building permits down 48%
- Continued decline is anticipated in 2010, flattening out in 2011, followed by gradual return to more typical levels

Utility Transfer

- Stable utility transfer rates regarded positively by rating agencies
 - electric 9.1%
 - water 8.2%
- \$4.5 million increase projected in 2011
 - \$2.0 million Austin Energy
 - \$2.5 million Austin Water Utility
 - approximately 20% of General Fund revenue – consistent with past years
- Future Austin Energy Utility transfers may be affected by changes in the transfer calculation
 - transfer growth rate = base electric revenue growth rate from 2013 – 2015

Other Revenues

- Franchise fees
 - primarily telecommunications, gas, cable
 - gas franchise fees lower in 2010 due to drop in natural gas prices
 - moderate increases projected beginning in 2011
- Interest earnings
 - have dropped significantly due to lower yields
 - expected to remain low for the duration of 2010 followed by moderate growth beginning in 2011

Revenue Summary

- Economic recovery will result in improved sales tax revenue
- Development revenue will continue to decline significantly from peak before returning to historic norms
- Utility transfers will potentially represent a smaller share of total General Fund revenues in the future
- Drop in AV will potentially result in higher tax rates
 - lower tax rates would necessitate better than anticipated growth in other revenues or reductions in costs or services
- Average annual revenue growth of 6.5% over forecast period – at rollback tax rate
 - 2.9% at effective rate
 - compared to 8.6% annual growth prior to downturn

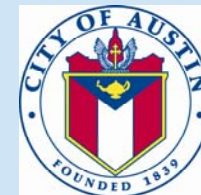
Conclusions

- Basic expenditure projections
 - forecast assumes existing programs and service levels maintained
 - forecasted staffing increases limited to annexations, opening of new facilities and previously approved Council policies
 - forecast is not a budget
- Slower overall revenue and expenditure growth projected over forecast horizon than in past years
- Further drop in development revenue anticipated
- Projected budget gaps
 - rollback tax rate: \$11.4 million in FY 2011; gap closes within forecast horizon as economy improves
 - effective tax rate: \$28.1 million in FY 2011 growing to \$101 million by FY 2015

						
Homeless / Special Needs Assistance	Renter Assistance	Homebuyer Assistance	Homeowner Assistance	Housing Developer Assistance	Commercial Revitalization	Small Business Assistance

Fiscal Year 2010-11 Action Plan

May 11, 2010



FY 2010-11 Action Plan

- The Action Plan outlines specific goals and priorities for the following fiscal year, based on the strategies outlined in the Consolidated Plan.
- The Action Plan is developed under the Department of Housing & Urban Development's (HUD) guidelines and serves as the application for four formula grant programs:
 - Community Development Block Grant (CDBG)
 - HOME Investment Partnership (HOME)
 - Emergency Shelter Grant (ESG)
 - Housing Opportunities for Persons with AIDS (HOPWA).
- The City of Austin includes all funding sources, federal and local, in the Action Plan.
- The Action Plan is due to HUD before August 15th.

Citizen Participation Plan (CCP)

Action Plan Requirements

- Two public hearings to assess community need.
 - Community Development Commission (CDC): March 10th
 - Austin City Council: March 11th
- NHCD incorporates community input and current data for the Draft FY 2010-11 Action Plan.
- Draft FY 2010-11 Action Plan will be available for a 30-day public comment period beginning June 14th.
- Two additional public hearings on the draft report:
 - Community Development Commission: June 21st
 - Austin City Council: June 24th
- The CDC has an opportunity to make recommendations to the City Council prior to final action.
- City Council action on the final FY 2010-11 Action Plan slated for July 29th.

Next Steps

June 14	30-Day Public Comment Period Begins
June 21	CDC Public Hearing on Draft Action Plan
June 24	City Council Public Hearing on the Draft Action Plan
July 13	CDC Mtg for possible recommendations to Council
July 14	30-Day Public Comment Period Ends
July 29	City Council takes action on final Action Plan
August 15	FY 2010-11 Action Plan due to HUD



Questions / Comments