



City of Austin, Texas

2011-12 Proposed Budget

Budget Overview and Highlights
July 27, 2011

Inclusive and Transparent Process

- More information made available earlier in the process
 - o citizen survey – october
 - o results from community focus groups – march
 - o horizon issues update – march
 - o annual performance report and city dashboard – march
 - o unmet service demands report – april
 - o menu of budget reduction options – may
- More public meetings
 - o 10 council work sessions
 - o 40 boards & commissions meetings
 - o 2 budget public hearings
 - o 2 utility rate hearings
 - o 2 tax rate public hearings
- All reports available at www.AustinTexas.gov/finance

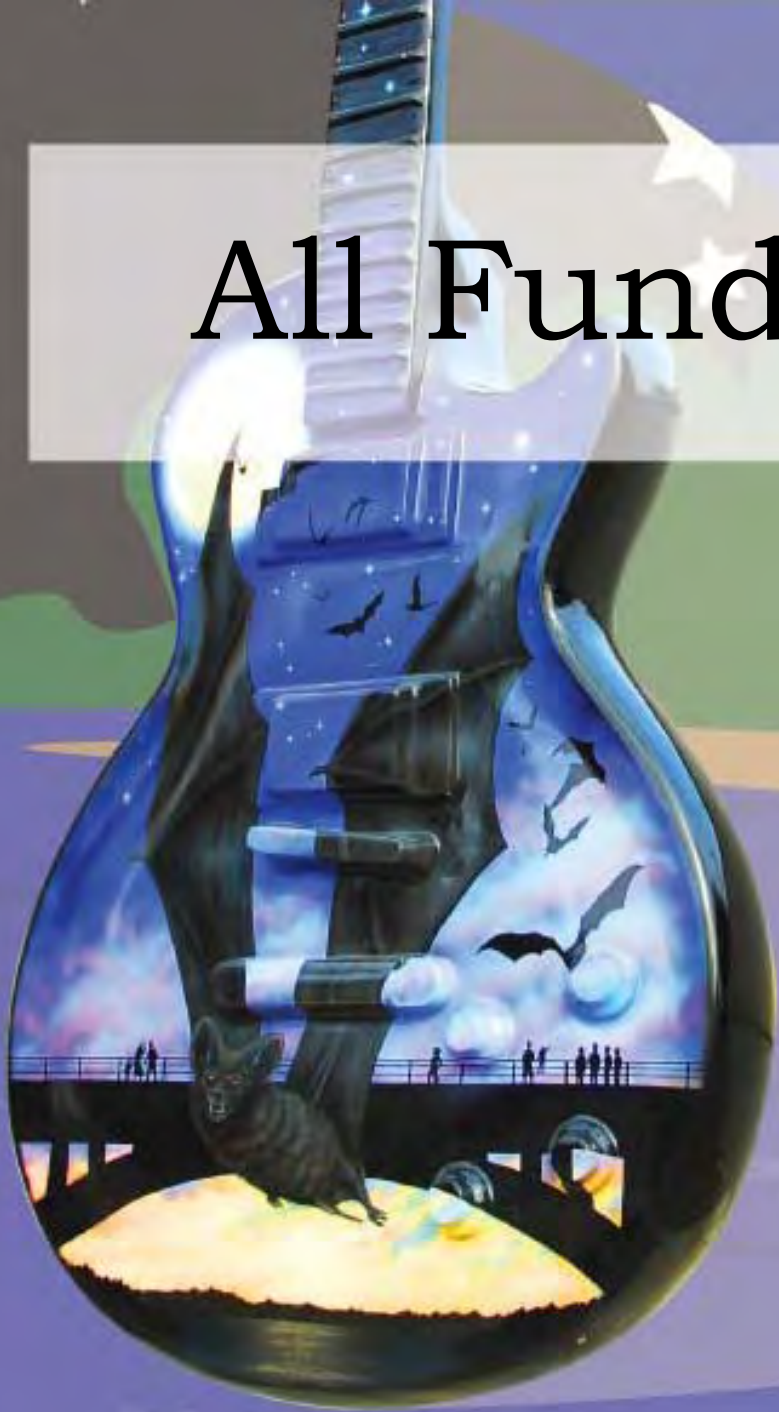
General Fund Highlights

- General Fund budget is structurally sound and balanced without the use of reserves for operations
- Strategic additions made to core service areas
 - o 49 police officers (maintains 2 officers per 1,000 population)
 - o 18 paramedics (mueller and harris branch)
 - o additional funding for animal services live outcomes plan
- \$6.9 million in departmental budget cuts
 - o elimination of 23 vacant positions
 - o reduced central library hours
 - o closure of balcones and dick nichols pools during winter months
 - o reduced number of playground sites with supervised programming
- 2.5 cent increase in tax rate; from \$0.4571 to \$0.4823

Today's Presentation

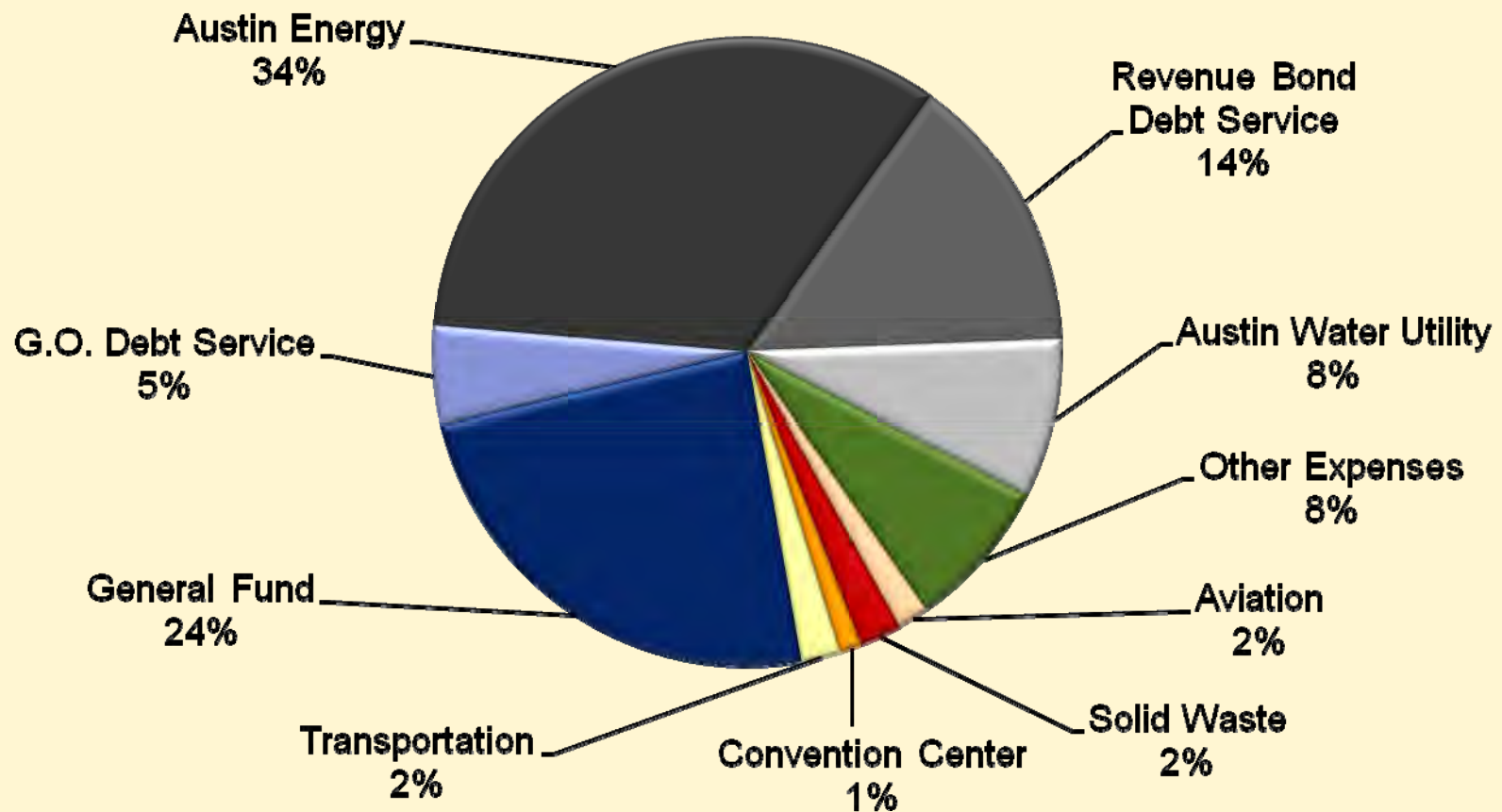
- ✓ All Funds Summary
- ✓ General Fund Summary
- ✓ General Fund Revenue Detail
- ✓ Summary of Federal & State Grant Reductions
- ✓ Highlights from Internal Service Funds
- ✓ Highlights from Enterprise Funds
- ✓ Next Steps

All Funds Summary



All Funds Budget

All City Funds Proposed Uses of Funds FY 2012 \$2.8 billion



All Funds Personnel Changes

	<u>2011</u>	<u>2012</u>	<u>Change</u>
General Fund	5,662.4	5,738.5	76.1
Internal Service Funds	1,201.6	1,207.3	5.7
Grant Funds	348.5	311.0	(37.5)
Austin Convention Center	199.8	198.3	(1.5)
Austin Energy	1,675.0	1,660.0	(15.0)
Austin Water Utility	1,070.1	1,069.1	(1.0)
Aviation	345.0	347.0	2.0
Solid Waste Services	392.0	398.0	6.0
Transportation Fund	350.0	376.0	26.0
Watershed Protection	255.3	259.3	4.0
Other Funds	<u>537.3</u>	<u>534.8</u>	<u>(2.5)</u>
Total	12,037.0	12,099.3	62.3

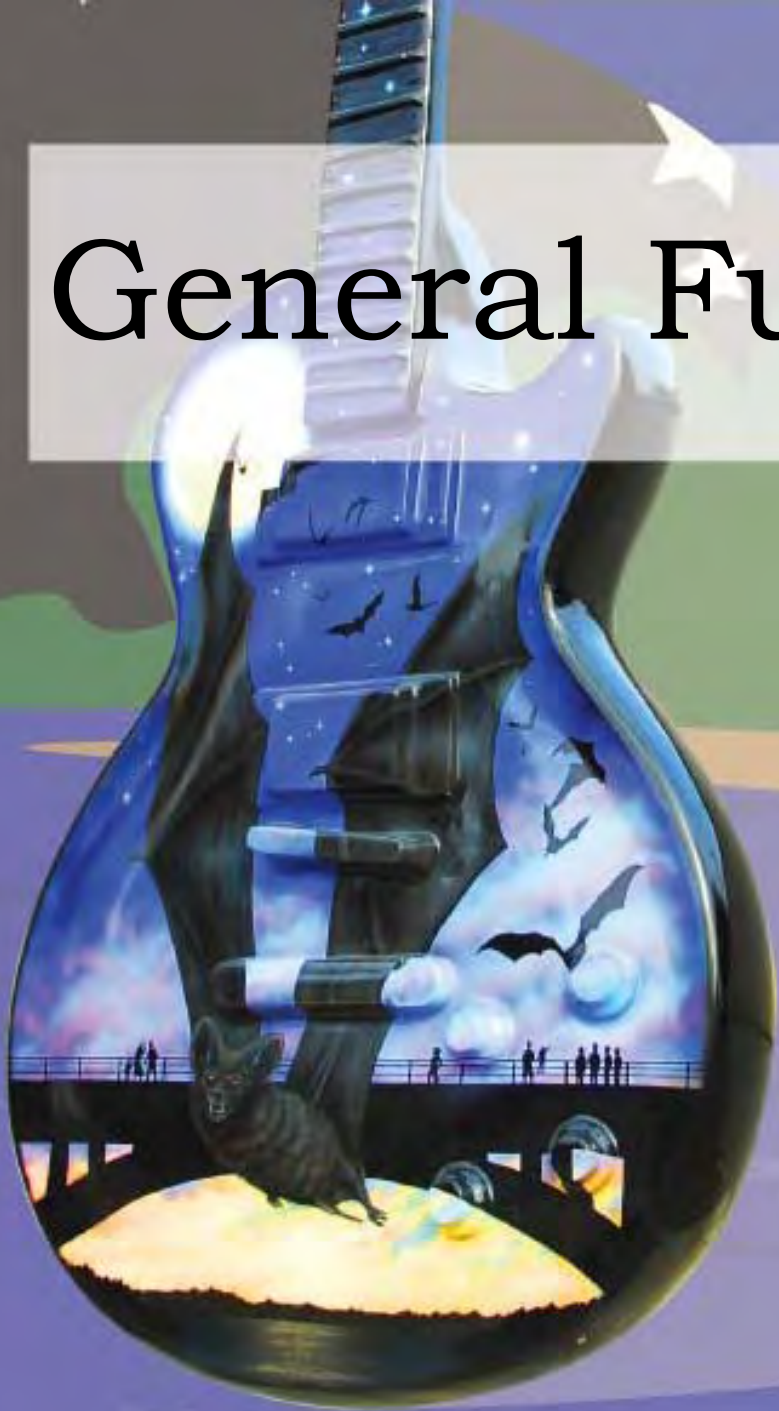
Major Rate & Fee Changes

Estimated fiscal impact of proposed rate and fee changes on “typical” residential rate payer:

	2011 Monthly Rate	2012 Proposed Rate	Monthly Dollar Change	Typical rate payer defined as:
Austin Energy	\$91.62	\$102.53	\$10.91*	<i>Based on average monthly residential customer usage of 1,000 Kwh</i>
Austin Water Utility	\$64.88	\$73.21	\$8.33	<i>The monthly average usage for a residential customer is 7,727 gallons of water and 4,699 gallons of wastewater</i>
Solid Waste Services	\$23.75	\$23.75	\$0.00	<i>A typical SWS residential customer uses a 64 gallon cart.</i>
Public Works	\$7.29	\$7.29	\$0.00	<i>per single-family home/resident</i>
Watershed Protection	\$7.75	\$7.75	\$0.00	<i>per single-family home/resident</i>
Property Tax Bill	\$70.27	\$73.24	\$2.97	<i>median priced home of \$182,228</i>
Total	\$265.56	\$287.77	\$22.11	average projected increase of 8.4%

*Projected impact based on an assumed 12% system-wide increase beginning in calendar year 2012. The actual impact will depend upon City Council's approval of Austin Energy's proposed rate increase and rate design plan.

General Fund Summary



Recap of 2012 Forecast Assumptions

- Focus of forecast was on funding of built-in cost drivers and maintaining existing service levels
 - staffing increases in forecast limited to annexations, opening of new facilities and previously approved Council policies
- Slight decline in property value and 3 cent increase in tax rate projected
- 2.5% increase in sales tax revenue projected in FY 2011 and 3.0% in FY 2012
- Development revenues projected to improve \$2 million
- Interest earnings projected to decline \$0.6 million
- 3% wage adjustments for sworn and civilians assumed
- Projected budget gap of \$9.8 million at rollback rate

Revenue Adjustments: \$4.5 Million

<i>Forecast Revenue 4/20</i>	<i>\$685.7</i>
<i>Additional property tax revenue due to significant increase in taxable value</i>	<i>\$7.9</i>
<i>New fees at Zilker Botanical Garden and Austin Recreation Center</i>	<i>\$0.6</i>
<i>Lower than projected franchise fees</i>	<i>(\$1.4)</i>
<i>State reduction of local mixed drink tax revenue</i>	<i>(\$1.4)</i>
<i>Continued decline in interest earnings</i>	<i>(\$1.2)</i>
<i>Proposed Revenue 7/27</i>	<i>\$690.2</i>

Expenditure Adjustments: (\$5.3 Million)

<i>Forecast Budget 4/20</i>	<i>\$695.5</i>
<i>Department budget cuts</i>	<i>(\$6.9)</i>
<i>Reduction in civilian wage increase from 3% to 2%</i>	<i>(\$1.1)</i>
<i>Lower than anticipated insurance increase (8% vs. 10%)</i>	<i>(\$1.0)</i>
<i>Reduction in accrued payroll</i>	<i>(\$0.3)</i>
<i>Increase transfer to Economic Incentive Reserve Fund</i>	<i>\$2.1</i>
<i>Market study phases 2 and 3</i>	<i>\$0.8</i>
<i>Implementation of GreenChoice program</i>	<i>\$0.5</i>
<i>Additional funding for animal services live outcomes plan</i>	<i>\$0.3</i>
<i>12 paramedics for Mueller (July 1 start date)</i>	<i>\$0.3</i>
<i>Proposed Budget 7/27</i>	<i>\$690.2</i>

Budget Cuts by Department: (\$6.9 Million)

	<u>Budget Cuts</u>	<u>Percent of Forecast</u>
<i>Library</i>	\$1.0	3.5%
<i>Health & Human Services</i>	\$0.9	2.2%
<i>Planning & Development Review</i>	\$0.5	2.2%
<i>Parks & Recreation Department</i>	\$0.8	1.9%
<i>Austin Police Department</i>	\$2.8	1.0%
<i>Municipal Court</i>	\$0.1	0.9%
<i>Emergency Medical Services</i>	\$0.4	0.8%
<i>Austin Fire Department</i>	<u>\$0.4</u>	<u>0.3%</u>
Total	\$6.9	1.2%

Budget Reductions

Library

- Hours of operation at Faulk Central Library reduced from 66 hours to 58 hours per week (\$102,000)
- Reduced operating budget for materials (\$243,000)
 - o offset by \$800,000 increase in capital budget for materials

Health and Human Services

- Reduce various department wide contractual and commodity budgets (\$106,000)
- Eliminate Certified Food Manager Program (\$100,000)
 - o exam and training now available through other venues
- Reduce unallocated funding for social service contracts (\$200,000)

Budget Reductions

Parks and Recreation

- Number of supervised playground sites reduced from 27 to 10 (\$184,000)
 - o 4 new premier sites created to better meet community needs
- Close Balcones and Dick Nichols pools during winter months (\$243,000)
- Convert Austin Recreation Center from a full-service center to a lease/rental venue (\$350,000)

Planning and Development Review

- Eliminate 10 positions (\$484,000)
 - o 6 positions currently vacant; 4 employees will be placed into other department functions

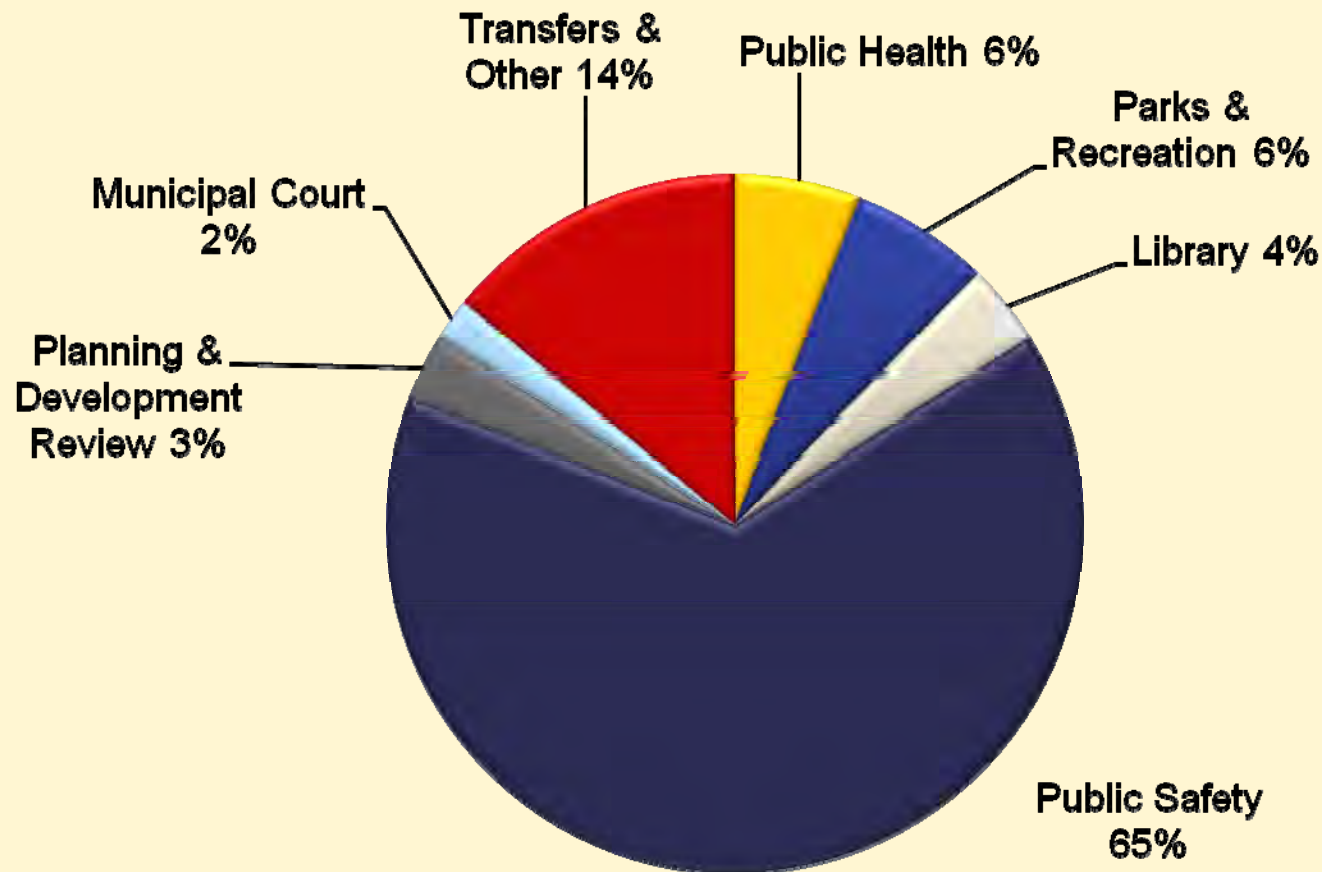
Budget Reductions

Public Safety

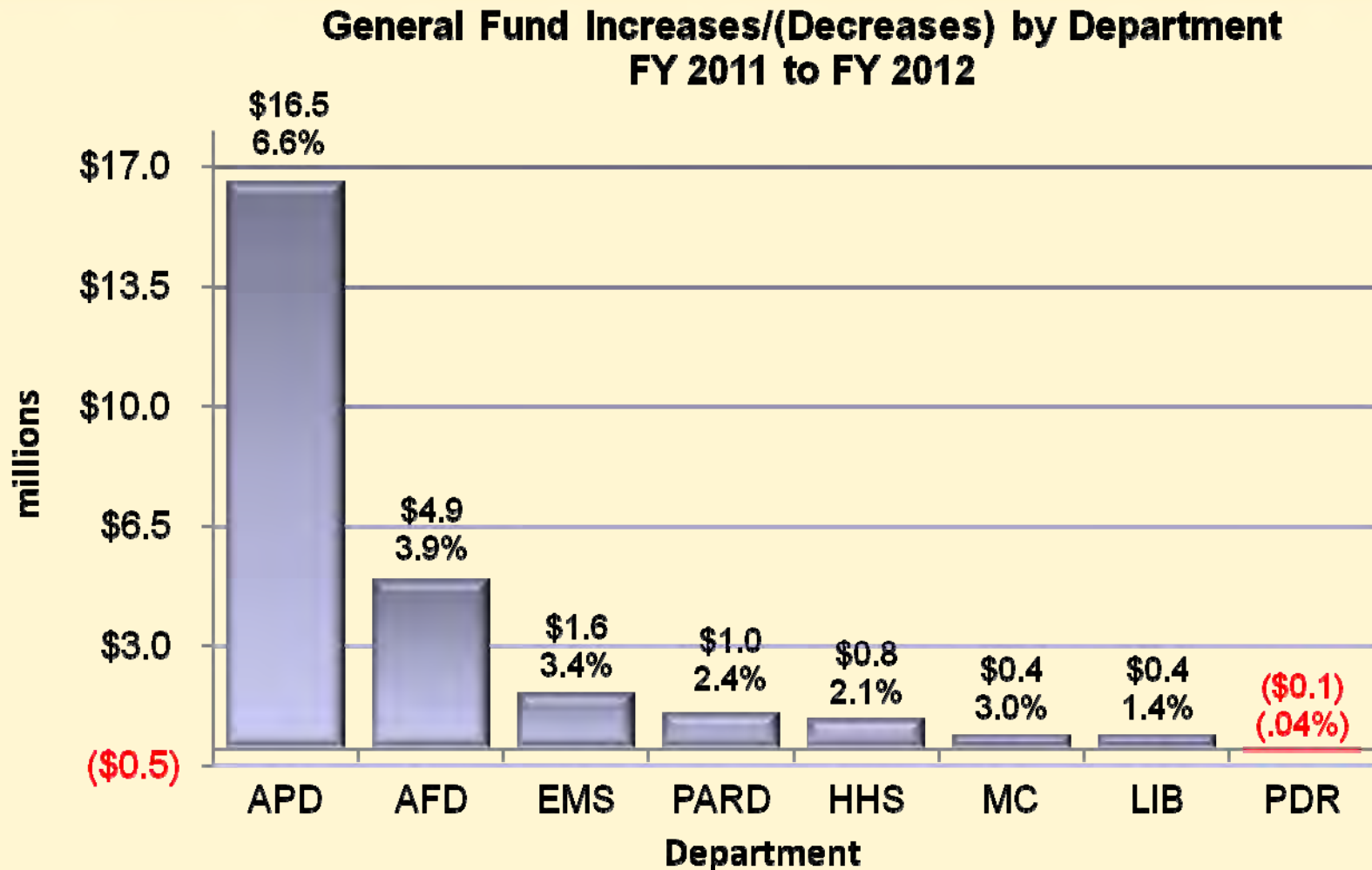
- Scheduled APD cadet academy start date from 10/1 to 4/1 (\$1.8 million)
- True-up APD overtime budget with prior year actual expenditures (\$1.0 million)
 - o new policies initiated during the past 3 years have resulted in more strategic use of overtime
 - o average sworn overtime expenditures prior 3 years: \$7.5 million
 - o FY 2011-12 sworn overtime budget: \$8.3 million
- Continue to freeze 5 cadet positions for the EMS/ACC paramedic development program (\$231,000)

General Fund – Uses of Funds

Fiscal Year 2012 Proposed Budget – \$690.2 Million



Net Budget Changes by Department



General Fund Budget Highlights

Public Safety

- Maintains ratio of 2 officers per 1,000 population
 - 49 new officers added to APD budget
- Maintains APD sworn overtime budget above level of prior year actual expenditures
- Maintains funding for operation of 45 fire stations with 4-person staffing on 52 of the 55 engines, quints, and ladders in operation
- Number of full-time EMS units increased from 32 to 34
 - demand unit at harris branch upgraded to full-time unit
 - additional full-time unit added July 1 to staff new mueller station
 - 18 new paramedics added to EMS budget

General Fund Budget Highlights

Health and Human Services

- Maintains funding at FY 2011 levels for contracts with local social service agencies (reduces unallocated social service funds by \$200,000)
- Reduction in federal grants will result in reduced hours of operation at neighborhood centers

Animal Services

- Enhanced funding for implementation of Animal Services live outcomes plan
- Funding for move to new Animal Services Center (anticipated move date is November 2011)

General Fund Budget Highlights

Library

- Maintains hours of operations at all branch libraries (8 hour per week reduction at Faulk Central Library)
- Includes \$0.8 million to begin purchase of book collection for new central library

Parks and Recreation

- Maintains funding for all recreation programs, cultural centers and park maintenance activities
- Implements new fee at Zilker Botanical Garden
 - \$2 for adults; \$1 for seniors and children
 - \$500,000 in new revenue projected

General Fund Capital Budget Highlights

Parks and Recreation

<i>Facility Improvements & Renovations</i>	<i>\$11.2 million</i>
<i>Parkland Acquisition</i>	<i>\$3.8 million</i>
<i>Playscapes, Pools & Trails</i>	<i>\$3.1 million</i>
<i>Zach Scott Theater</i>	<i>\$4.0 million</i>

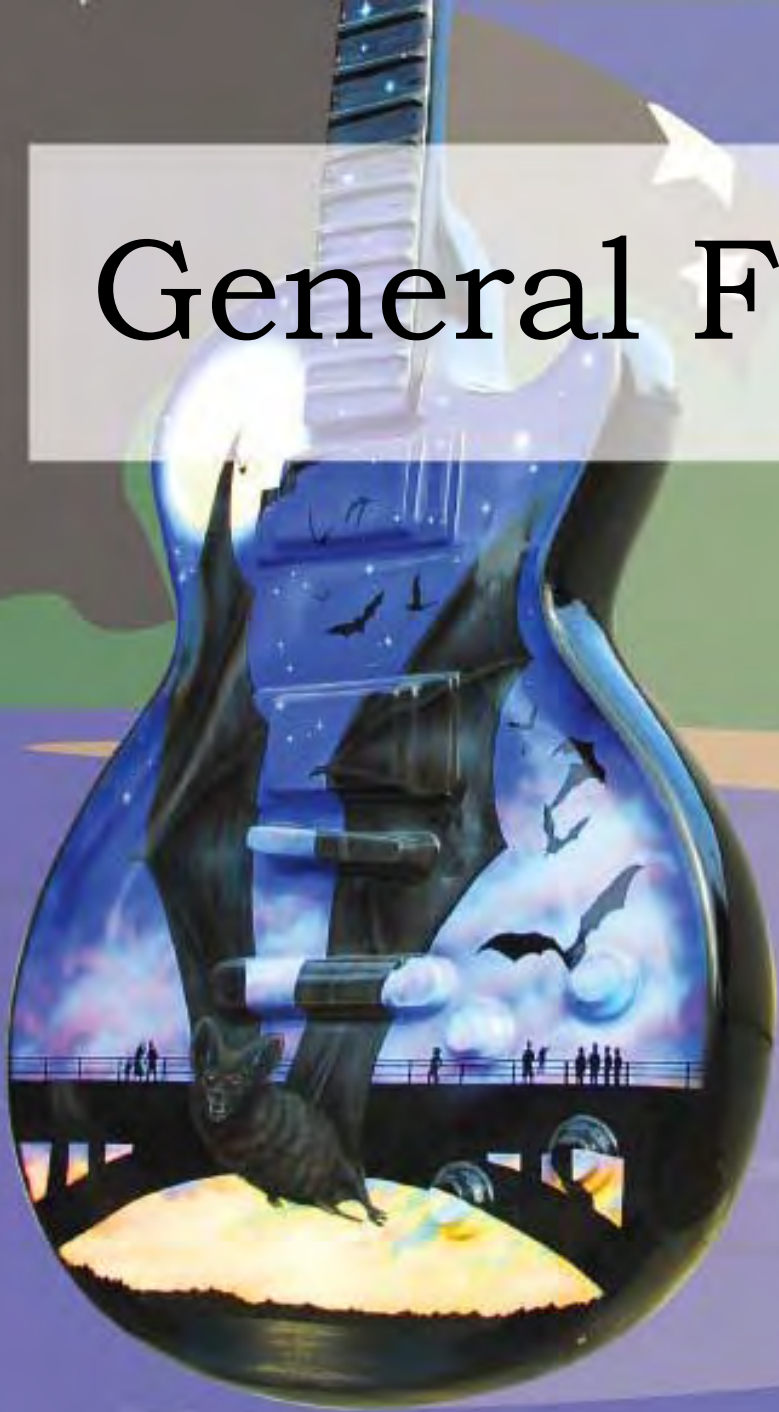
Library

<i>Central Library</i>	<i>\$76.8 million</i>
<i>Library Security Cameras</i>	<i>\$0.5 million</i>

Planning & Development Review

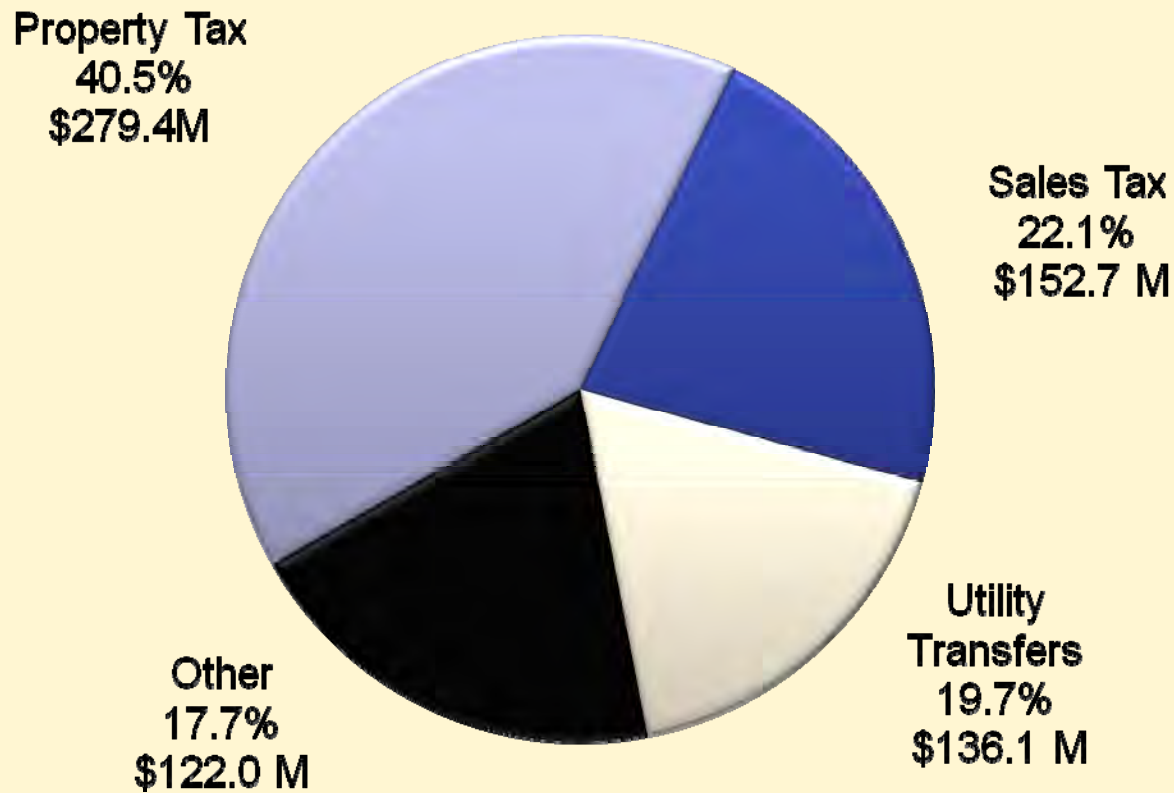
<i>Great Streets</i>	<i>\$0.7 million</i>
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General Fund Revenue



General Fund – Sources of Funds

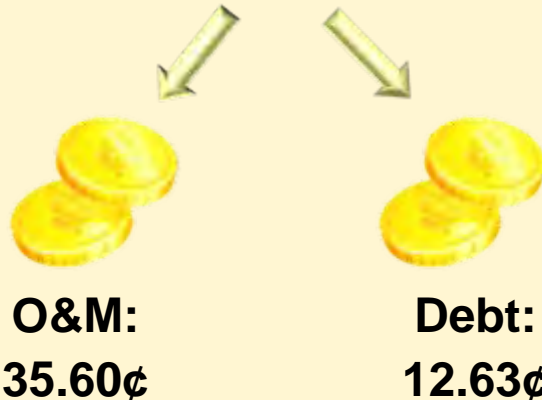
FY 2012 Projected General Fund Revenue \$690.2 Million



Property Tax

	Growth Rate	Total AV	New Property
FY 2011	(4.8%)	\$ 77.1 b	\$1.2 b
FY 2012	3.7%	\$ 79.9 b	\$3.6 b

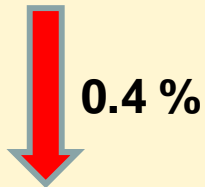
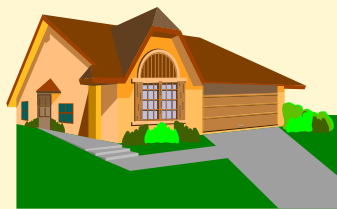
Proposed Tax Rate = 48.23¢



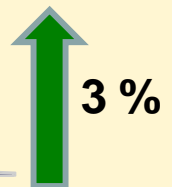
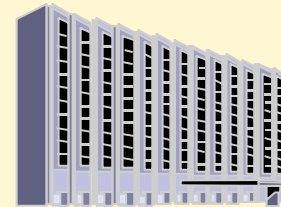
- 2.5¢ increase in the tax rate; from 45.71¢ to 48.23¢ per \$100 of taxable value
- \$2.97 per month increase for a median valued home

Tax Roll by Property Type

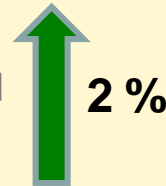
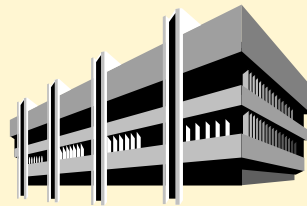
FY 2012 Assessed Property Values & Projected Percentage Change



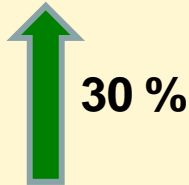
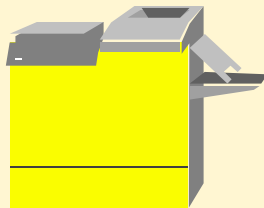
Single Family Residential
\$40,478 M 50.7 %



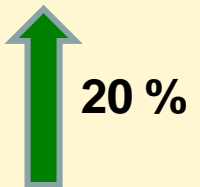
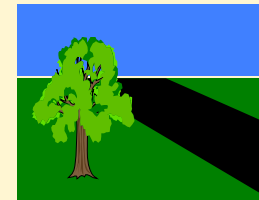
Multi-Unit Residential
\$9,879 M 12.4 %



Commercial
\$18,875 M 23.6 %



Personal Property
\$9,041 M 11.3 %

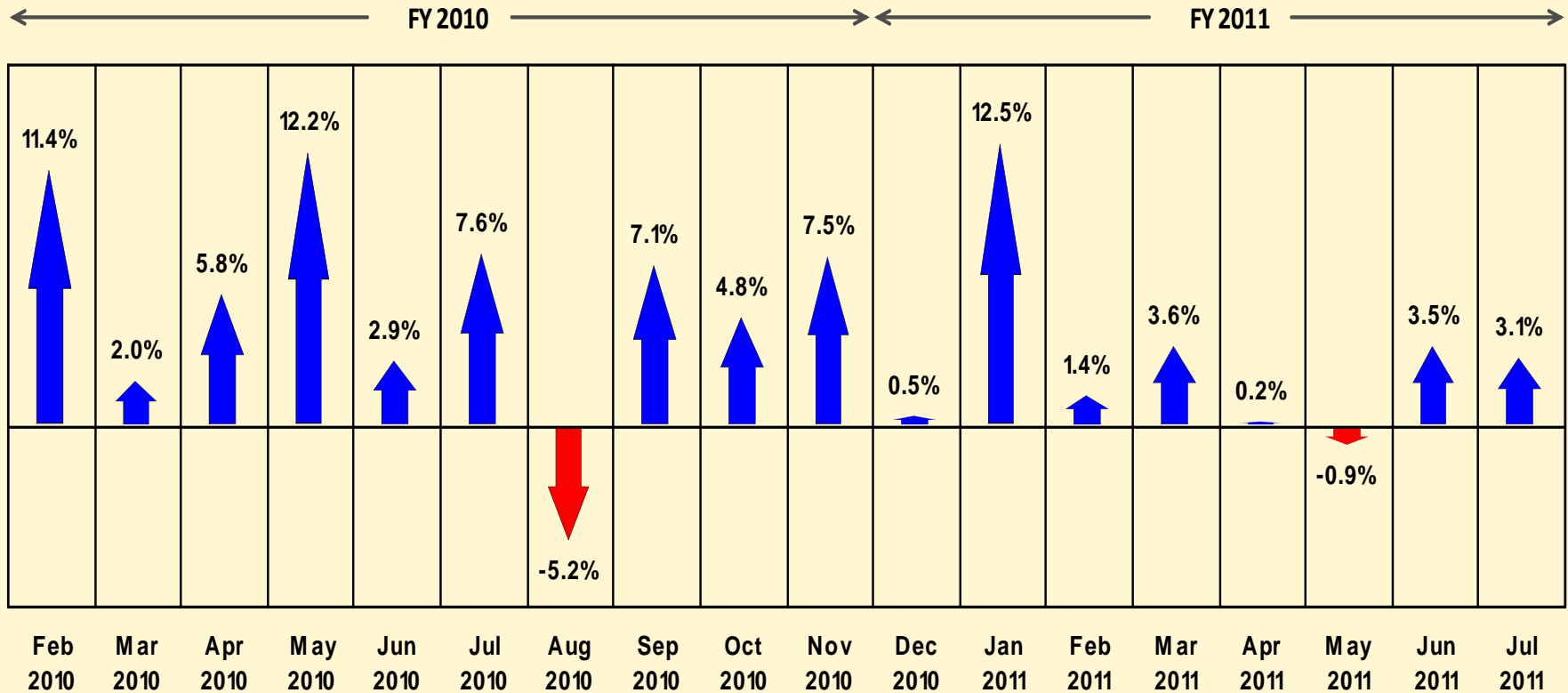


Land
\$1,640 M 2.1 %

TOTAL PROPERTY VALUE \$79,913 M 3.7%

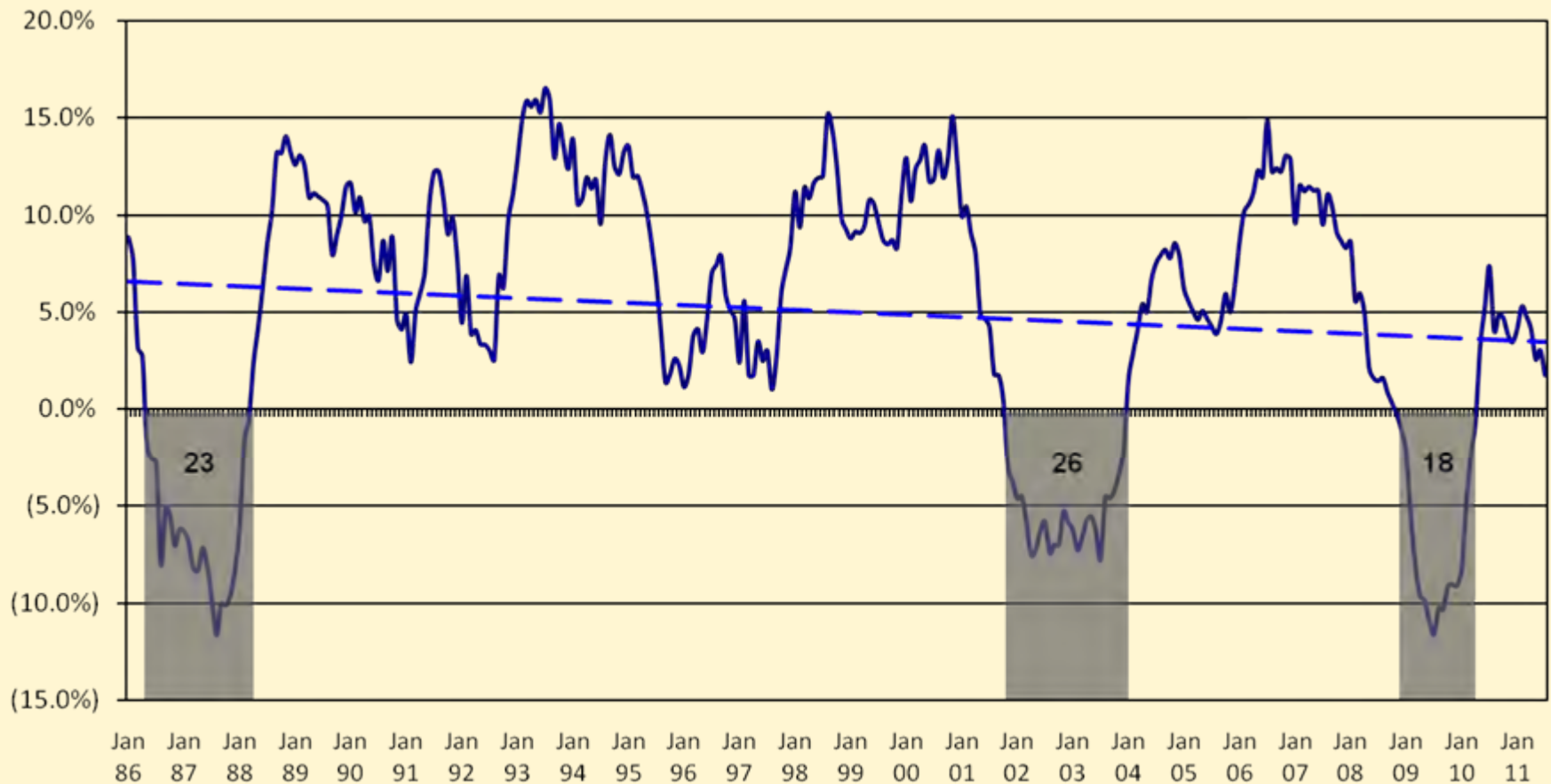
Sales Tax Trend

Monthly Sales Tax Growth



Sales Tax Trend

6-month rolling average of monthly changes in sales tax revenue



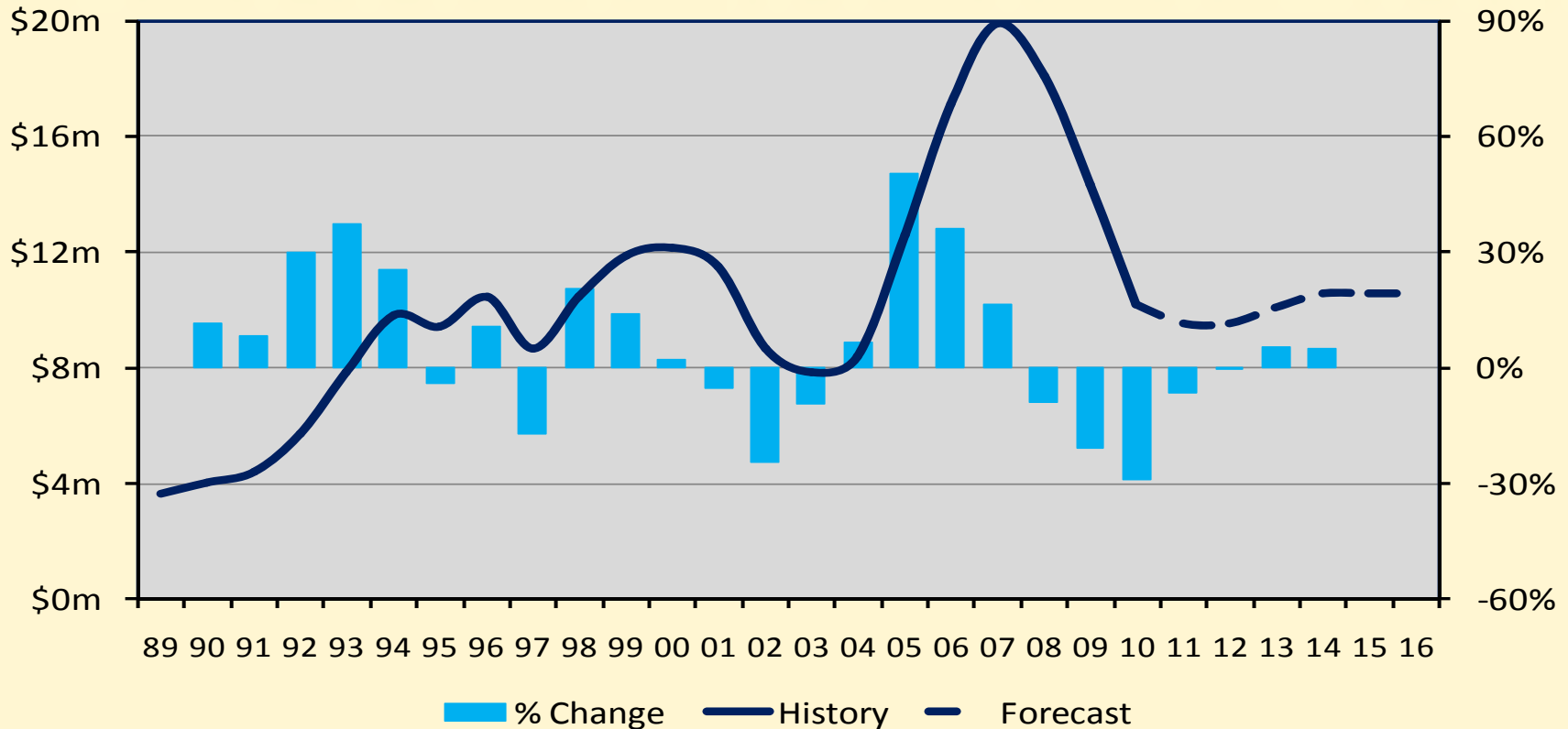
Sales Tax

- Sales Tax Background
 - (9.5%) decline in FY 2009
 - 3.5% increase in FY 2010
 - 2.5% increase budgeted for FY 2011; +2.7% YTD
 - 3.0% increase projected for FY 2012
- Projected Sales Tax Growth

	Growth Rate	Total Revenue	Change
○ FY2009	(9.5%)	\$ 139.8 m	(\$14.7 m)
○ FY 2010	3.5%	\$ 144.7 m	\$4.9 m
○ FY 2011	2.5%	\$ 148.3 m	\$3.6 m
○ FY 2012	3.0%	\$ 152.7 m	\$4.4 m

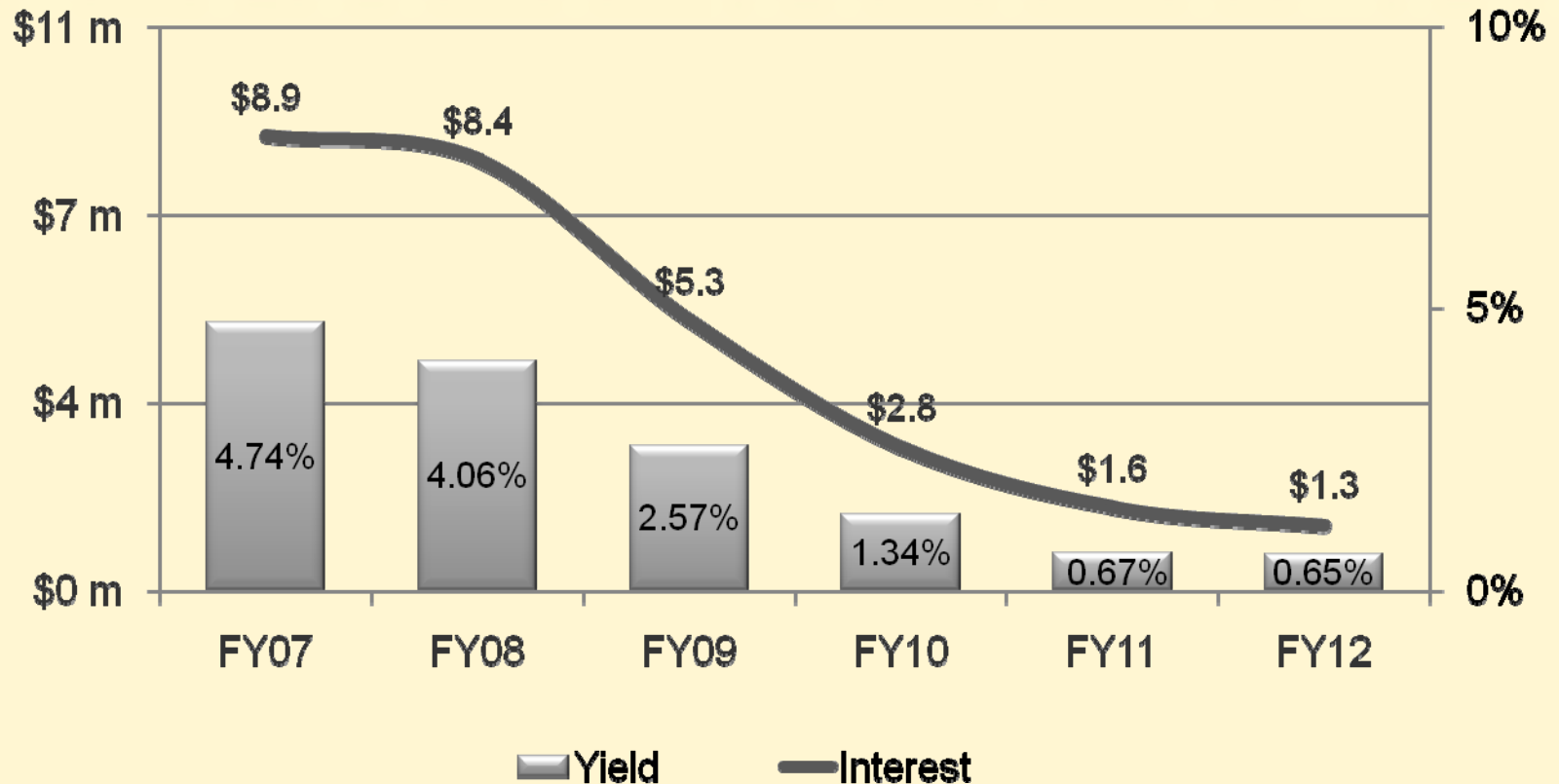
* Each 1% change in sales tax equals approximately \$1.5 million in FY 2012.

Development Revenue



- **FY 2011 estimated revenue: \$9.6 million**
- **FY 2012 projected revenue: \$9.6 million**

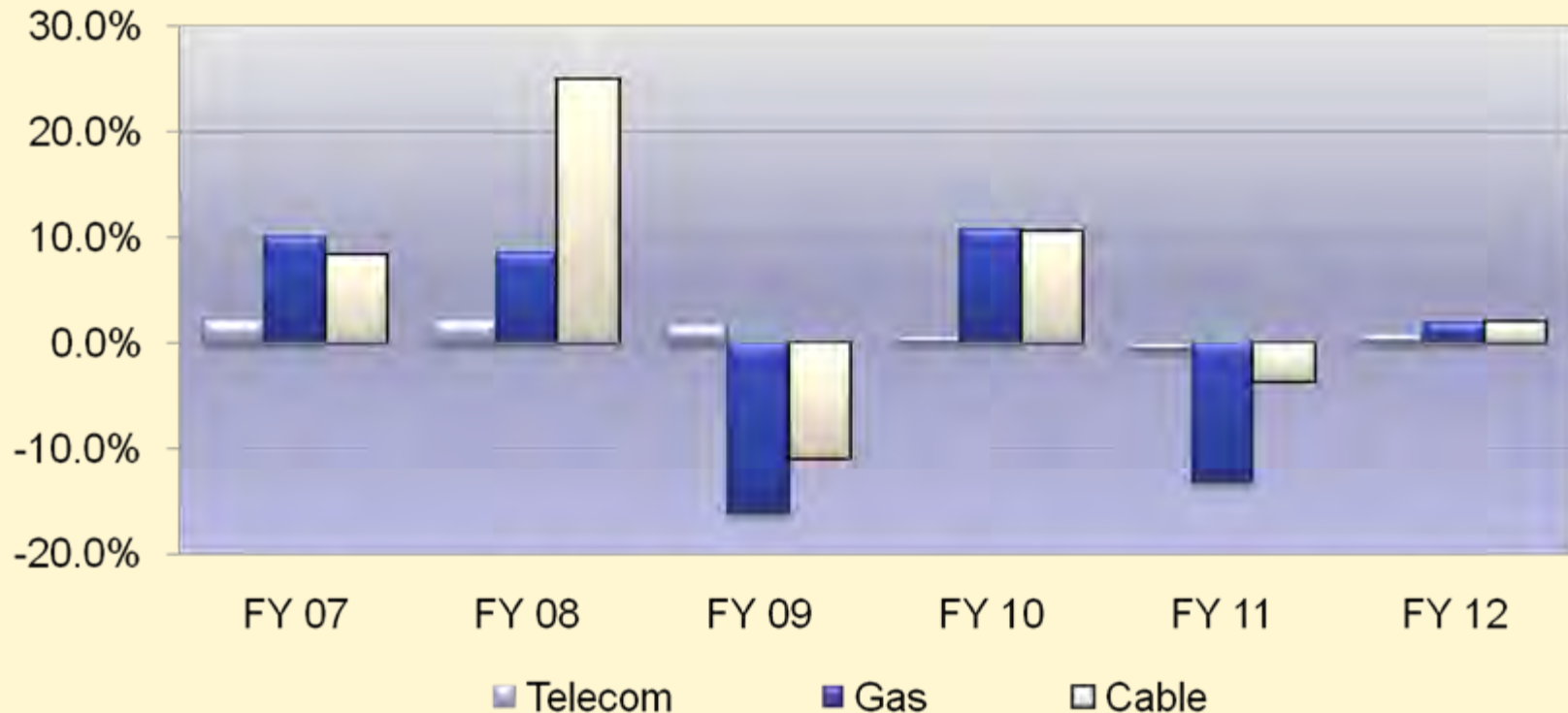
Interest Earnings



- FY 2011 estimated revenue: \$1.6 million
- FY 2012 projected revenue: \$1.3 million

Franchise Fees

Annual Percent Change in Franchise Revenue



- **FY 2011 estimated revenue: \$33.4 million**
- **FY 2012 projected revenue: \$33.8 million**

Other Revenue

- Fines and Penalties
 - o budget includes \$1 million increase in parking fines associated with extended hours of downtown meter enforcement
- Charges for Services
 - o budget includes \$0.5 million increase associated with new fees at zilker botanical garden
- Utility Transfers
 - o energy = \$103 million (9.1%)
 - o water = \$31.3 million (8.2%)

Summary of Federal & State Grant Reductions



Federal and State Grant Reductions

Neighborhood Housing and Community Development

- Community Development Block Grant (CDBG)
 - o \$1.3 million reduction; from \$8.2 million to \$6.9 million
- HOME Program
 - o \$0.5 million reduction; from \$4.5. million to \$4.0 million
- Impacts
 - o 11 vacant positions eliminated
 - o increasing transfer from sustainability fund by \$0.5 million to maintain community service programs
 - o section 108 loans for Millennium Youth Center and ARCH being refunded to general obligation debt – \$1.2 million savings to CDBG

Federal and State Grant Reductions

Health and Human Services

- Community Services Block Grant (CSBG)
 - o \$0.4 million reduction; from \$0.9 million to \$0.5 million
- Office of Public Health Practice (OPHP)
 - o \$0.2 million grant eliminated for FY 2012
- Public Health Emergency Preparedness (PHEP)
 - o \$0.1 reduction; from \$0.8. million to \$0.7 million
- **Impacts**
 - o increasing transfer from sustainability fund by \$0.6 million will provide funding for 10 positions (one-time funding source)
 - o 4 positions and 1 temporary position eliminated; impacted staff will be placed in other currently vacant positions
 - o reduced hours of operation at neighborhood centers

Federal and State Grant Reductions

Library

- Loan Star Libraries
 - o \$0.4 million reduction; grant eliminated by the state
- Interlibrary Loan Grant
 - o \$0.5 million reduction; grant eliminated for FY 12
- Impacts
 - o 10 positions eliminated; impacted staff will be placed in other currently vacant positions
 - o reduced virtual library services – interactive youth web page and literary programs
 - o interlibrary loan services will be limited to books only – affects a 30 county region

Federal and State Grant Reductions

Homeland Security and Emergency Management

- Urban Area Security Initiative (UASI)
 - o \$3.0 million reduction; grant eliminated for FY 12
- Homeland Security Grant
 - o \$1.0 million reduction; from \$2.0 million to \$1.0 million
- Impacts
 - o reduces funding for homeland security related equipment and initiatives such as the austin area fusion center

Internal Service Departments



Internal Service Departments

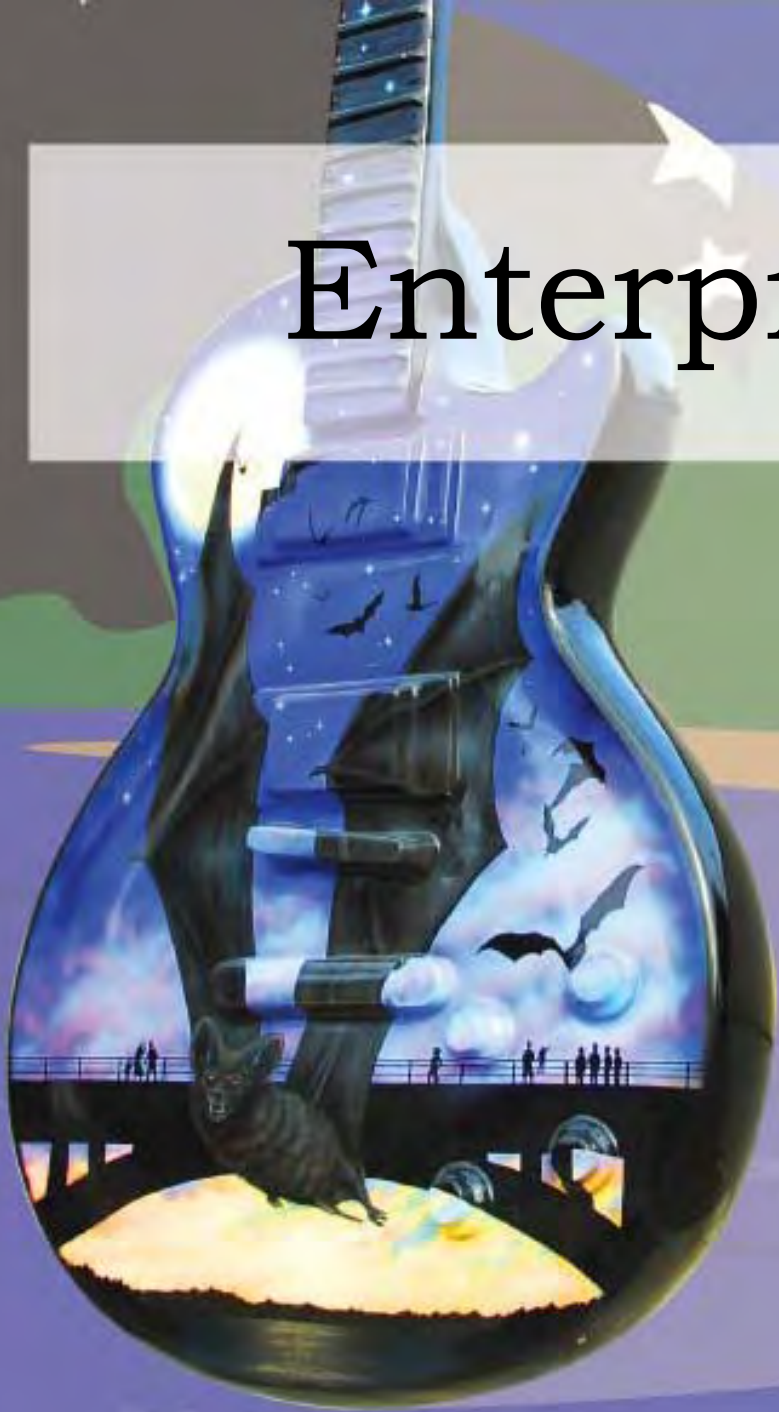
Highlights

- Internal Service Departments: Audit, City Clerk, Communications & Technology Management, Financial Services, Fleet, Government Relations, Human Resources, Law, Management Services, Mayor and Council, Public Information, and Small & Minority Business Resources
- Budget includes investments in critical technology = \$8.6 million

Budget Savings

- Elimination of 13 vacant positions in 2012
 - 8.75 vacant positions eliminated in 2011 and 66 in 2010
 - slower turn around times on requests for information and special projects due to staffing reductions in over 3 years
- Total savings implemented in 2012 = \$2.9 million
- Savings are passed through to both enterprise and General Fund departments

Enterprise Funds



Austin Convention Center

Highlights

- Austin continues to be a strong meeting destination
 - averaging close to 280 events per year over last two years
- Increased revenue collections projected to continue in FY 2012
 - hotel occupancy tax and vehicle rental tax combined comprise 71% of convention center revenue
 - Hotel occupancy tax is likely to reach high of \$44.9 million achieved in 2008
 - Vehicle rental tax projected to increase 3%
 - \$5 million set aside for Butler Park improvements

Budget Savings

- Cost containment strategies initiated in last few years and “bottom-line” has improved
 - revenues projected to exceed expenditures by \$200,000 in 2012
- Partnership with AISD to provide storage options and allow more bulk purchases of supplies

Austin Energy

Highlights

- Austin Energy's customers have benefited from more than fifteen years of stable electric rates.
 - base electric rates (excluding fuel) unchanged since 1994
- A combination of cutting costs and using accumulated fund balances have been needed to balance the budget for the past three years.
 - Austin Energy implemented cost management efforts in their operations, as well as their capital improvements program.
 - these efforts alone not sufficient to achieve ongoing structural balance, indicating the need for a rate review.
- Rate review is underway and a rate increase will be needed to eliminate continued budget shortfalls in FY 2012 and beyond.
 - rate increase planned in early calendar 2012
 - budget excludes additional revenue from planned rate increase due to timing
 - final analysis, rate design and revenue estimates still being developed

Austin Energy

Budget Savings

- No new positions added in 2012; 6 vacant positions cut
- 7 positions transferred to Sustainability Office for Climate Protection and 2 positions to Transportation Department for Air Quality initiatives
- \$12 million budget reductions
 - o \$1.5 million eliminate FY 2011 one-time expenses
 - o \$ 630k reduce contracts for line clearing
 - o \$ 500k reduced scope for rate review consultants
 - o \$ 500k defer solar rebates – reduce program funding to \$3.5M
 - o \$ 478k reduce billing costs for printing, supplies and postage
- Planned capital improvements scrubbed and reduced by \$15 million from forecast published in April
 - o \$220 million in capital improvements planned for 2012, primarily electric service delivery projects and a new system control center

Austin Water Utility

Highlights

- \$8.33 estimated increase in average monthly residential customer bill
 - Includes new, fixed Water Sustainability Fee (\$6.00 per 5/8" meter equivalent)
 - exemption for qualified low-income customers
- reflects 3.5% increase in combined system-wide service volumetric rates
- continues gradual transition to cost of service for commercial and large volume customers

Budget Savings

- No new positions added in 2012
- \$1.8 million reduction to utility-wide operating contingencies
- \$1.7 million in electrical and chemical cost savings due to conservation efforts that resulted in reduced water pumpage
- \$1.7 million in savings due to increased vacancies
- 10% reduction in 5-year capital improvements spending plan

Aviation

Highlights

- Annual passenger traffic projected to increase 3%
 - airline cost per enplaned passenger projected to increase due to higher operating requirements and completion of capital improvement projects
- Two new positions added in 2012 to provide evening and weekend shift supervision in building and airfield maintenance units
- Net operating surplus of \$8.7 million projected for FY 2012 to be transferred to Airport Capital Fund

Budget Savings

- Cost containment strategies initiated in last few years to help keep airline rates and charges manageable during downturn
- Almost \$1 million reduced in 2012 across multiple expenditure categories

Drainage

Highlights

- No rate increase proposed for 2012
 - 30-day reserve requirement maintained
- Continuation of infrastructure and system improvements as outlined in master plan
 - \$3 million decrease in transfer to CIP to defer rate increase
 - reduced from \$22 million in last year's forecast to \$19 million
- 6.0 positions added in 2012 to keep pace with growing drainage system maintenance, water quality, and dam safety needs

Budget Savings

- Efforts to make CIP dollars work more efficiently through value engineering team (estimated savings of \$6-8 million over past 1.5 years)
- Projecting 2011 savings of \$1.3 million, which helped to defer rate increase in 2012

Housing

Highlights

- 14% decrease in Federal grant awards
 - \$6.9 million from Community Development Block Grant (CDBG)
 - \$4.0 million from Home Investment Partnership Program
- 20% increase in local funding for operations, total of \$2.8 million
- \$9.1 million allocated to affordable housing and related services for families earning below 80% of the median family income
- \$4.8 million allocated in support of small business, commercial revitalization, debt service and social service programs
- Opening of new African American Cultural & Heritage Center
- \$6.6 million from 2006 Bond Program for affordable housing
 - \$2.6 million for affordable home ownership
 - \$4.3 million for rental housing and development assistance
 - \$55 million bond program fully appropriated

Solid Waste Services

Highlights

- No increase in anti-litter fee, base rate or cart charge for 32 gallon or 64 gallon carts
- Rate increase proposed for largest residential cart and introduction of small cart option
 - o \$3.00 increase per month for 96 gallon cart intended to widen spread between cart charges and encourage more recycling
 - o adds a small cart option at \$4.00 per month for 21 gallons
- Budget includes funding for Zero Waste initiatives
 - o increase single-stream recycling participation
 - o implementation of new programs to increase diversion
 - o Universal Recycling Ordinance implementation
 - o revitalize Brownfields Remediation program
- Funding for 6 new positions
 - o 2 positions for extended hours at the hazardous waste facility
 - o 4 positions for implementation of the universal recycling ordinance

Transportation Fund

Highlights

- No increase proposed in Transportation User Fee
- \$2.9 million savings in street repaving costs
 - o replace 30 lane miles of contract work with new in-house street milling crew
- Budget includes \$1.5 million increase for right-of-way maintenance
- 26 new positions in Public Works and Transportation Departments
 - o 6 for in-house street milling crew, 9 for right-of-way maintenance, 3 for traffic signals, and 6 support positions
- \$4.0 million investment in equipment and facilities
 - o will fund vehicle replacements and new equipment purchases to increase street overlay productivity and right-of-way maintenance
 - o will also fund several planned facility improvements

Next Steps



Budget Timeline & Next Steps

<i>July 27</i>	<i>Proposed Budget Presented to City Council</i>
<i>August 17, 24</i>	<i>Budget Work Sessions</i>
<i>August 25</i>	<i>Budget, Tax Rate & Utility Rate Public Hearings</i>
<i>September 1</i>	<i>Budget & Tax Rate Public Hearings</i>
<i>September 12-14</i>	<i>Budget Approval Readings and Adopt Tax Rate</i>



Questions?

**More information at
www.AustinTexas.gov/finance**