

FY 2020 Budget Timeline & Outlook

Joint Subcommittee

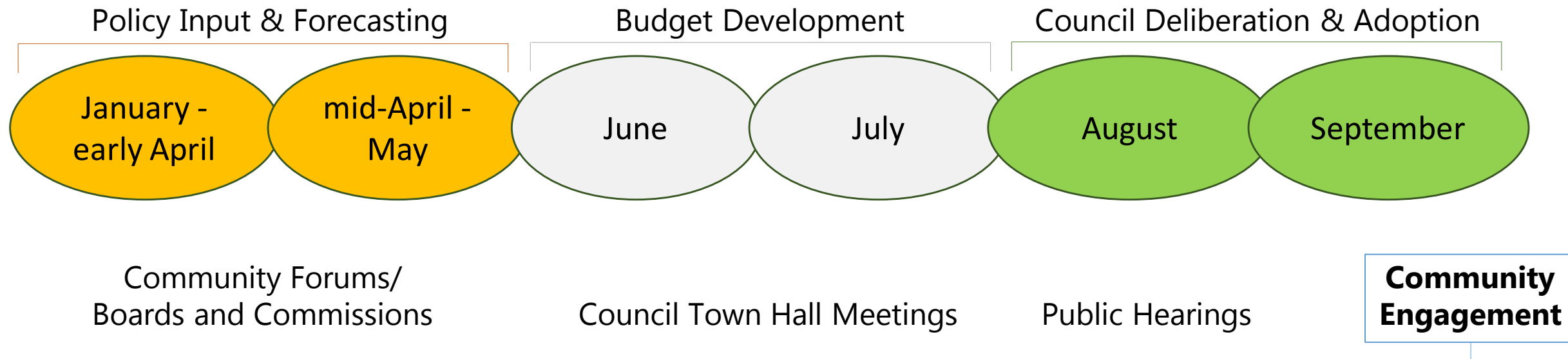


February 22, 2019



City of Austin, TX

City of Austin Budget Timeline



City of Austin FY 2020 Budget Direction



MEMORANDUM

TO: All City Employees
FROM: Spencer Cronk, City Manager *SC*
DATE: September 13, 2018
SUBJECT: FY 2018-2019 Approved Budget

This week, on September 11, 2018, the City Council approved the City's FY 2018-2019 Budget. This newly adopted budget aligns and prioritizes our work for next year with the recently adopted Strategic Direction 2023 plan as our guide (<https://austinstrategicplan.bloomfire.com/posts/3301043-austin-strategic-direction-2023-final>). This budget was a significant milestone toward reshaping our city government to focus on the shared values and vision and six priority strategic outcomes set forth in Austin's Strategic Direction 2023 plan.

A significant investment in our workforce was approved in this budget including:

- A 2.5% across-the-board increase in base pay implemented in October 2018 for employees that were in a regular position prior to September 30, 2018, hired on or before April 1, 2018, and not covered by contract negotiations or appointed by Council.
- An increase to the City's living wage from \$14.00 to \$15.00 per hour for all regular employees whose salaries are below \$15.00, beginning in October 2018.
- The living wage for temporary employees, including seasonal, will increase from \$13.84 to \$15.00 per hour, beginning in 2019.
- In October, temporary employees will begin to accrue and be able to use sick leave.
- No change in insurance premium costs to employees or for employees covering dependents.

As we approach the start of the new fiscal year, it is important to recognize the role each of you play in helping the City achieve its goals. This year our work will focus on alignment to operationalize the Council's strategic outcome priorities while ensuring we are good stewards of the public's money by continuing to look for ways to improve City operations. We were fortunate to have the available funds to invest in many of the strategic priorities this year, but we cannot count on this in future years. As a result, the City's dedication to continuous improvement, effectiveness, and efficiency becomes even more crucial. I encourage each of you to seek out opportunities to streamline work and identify cost savings without sacrificing our dedication to high levels of customer service.

- ✓ Hold the line on budget increases other than base cost drivers such as wages and benefits
- ✓ Improve the efficiency and effectiveness of City services
- ✓ Continue to focus on aligning department missions, goals, and programs to SD23
- ✓ Seek opportunities to improve service equity

"We were fortunate to have the available funds to invest in many of the strategic priorities this year, but we cannot count on this in future years. As a result, the City's dedication to continuous improvement, effectiveness, and efficiency become even more crucial. I encourage each of you to seek out opportunities to streamline work and identify cost savings without sacrificing our dedication to high levels of customer service."



City of Austin Top Ten Strategic Indicators

Economic Opportunity & Affordability
Housing
Homelessness
Skills and capability of our community workforce (including education)
Health & Environment
Accessibility to quality health care services, both physical and mental
Climate change and resilience
Accessibility to quality parks, trails, and recreational opportunities
Mobility
Accessibility to and equity of multi-modal transportation choices
Safety
Fair administration of justice
Government that Works
Condition/quality of City facilities & infrastructure and effective adoption of technology
Culture & Lifelong Learning
Vibrancy and sustainability of creative industry ecosystem

FY 2019 Property Tax Rates and Exemptions



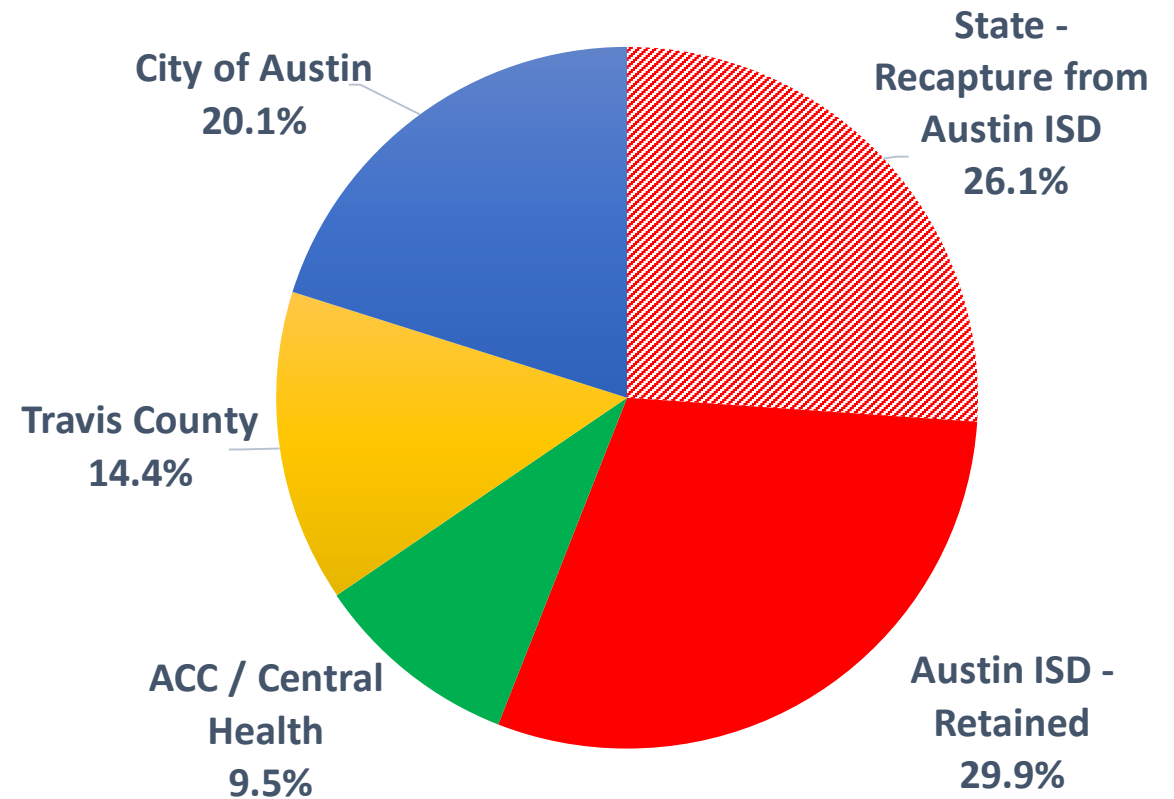
Current Exemptions	City of Austin	Travis County	Austin ISD	Austin Com. Col.	Central Health
Tax Rate	0.4403	0.3542	1.1920	0.1048	0.1052
General Homestead	10%	20%	\$25,000	1%	20%
Senior/Disabled	\$88,000	\$85,500	\$35,000 + Freeze	\$160,000	\$85,500

Overlapping Property Tax Bill

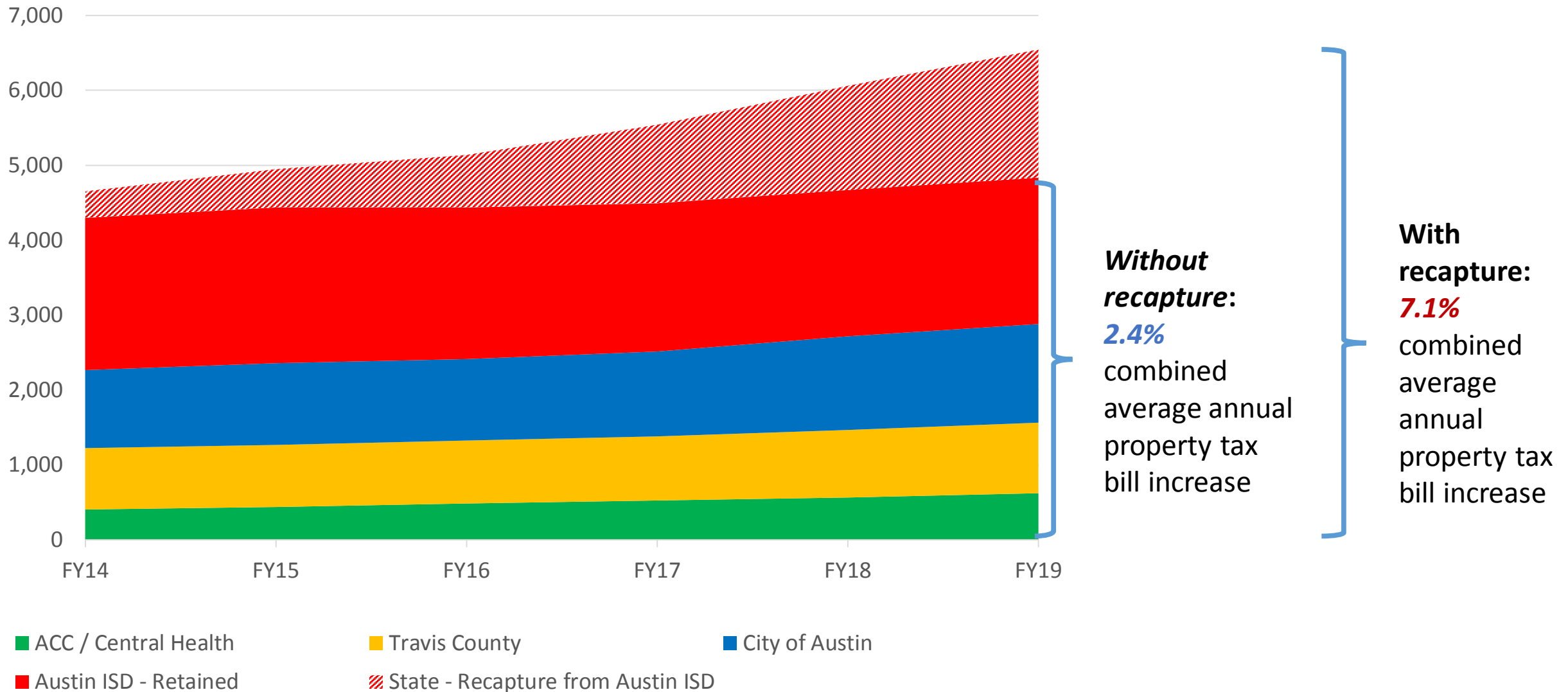
Tax Bill for Typical Homeowner

Jurisdiction	FY18	FY19	Change
Austin Independent School District	\$3,344	\$3,664	\$320
City	\$1,250	\$1,317	\$67
Travis County	\$902	\$942	\$40
Community College	\$303	\$343	\$40
Central Health	\$262	\$280	\$17
Total Tax Bill	\$6,061	\$6,546	\$484

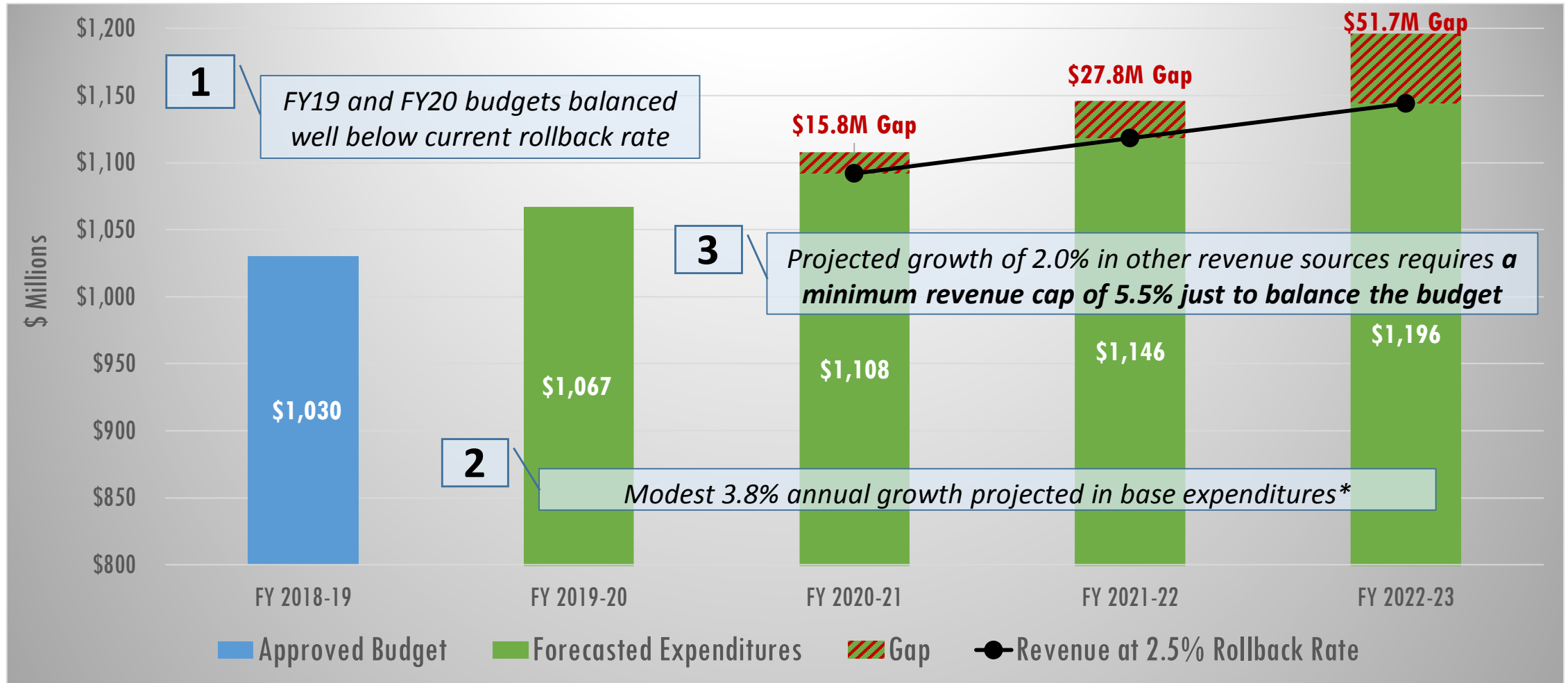
The typical Austin taxpayer is defined as the owner of a median-value home that does not receive the senior/disabled exemption. This typical home had an assessed value of approximately \$332,000 in FY19, before accounting for each entities' homestead exemptions.



Recapture is the Main Cause of Rising Property Taxes



City of Austin General Fund Forecast Vs. 2.5% Rollback Rate



* Forecast projects labor-related expenses such as public safety contracts, health insurance premium contributions, and public safety staffing needed to keep pace with population growth but not program expansions, service enhancements, or new policy initiatives.

Thank You!



More information available at:
austintexas.gov/financeonline/
&
budget.austintexas.gov



CENTRAL HEALTH

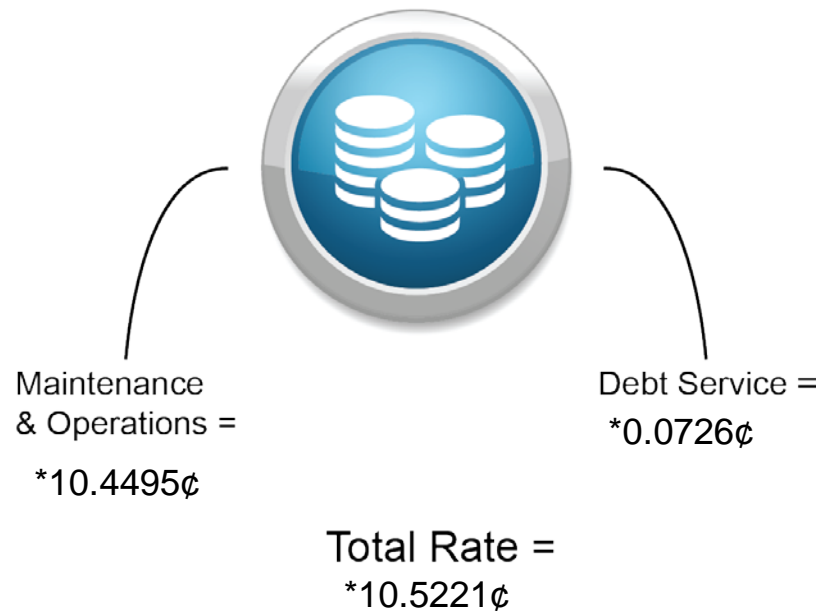
Joint Subcommittee Budget Planning Meeting

Jeff Knodel, VP of Financial Strategy and CFO
February 22, 2019



FY 2019 Property Tax Rate

Central Health Property Tax Rate

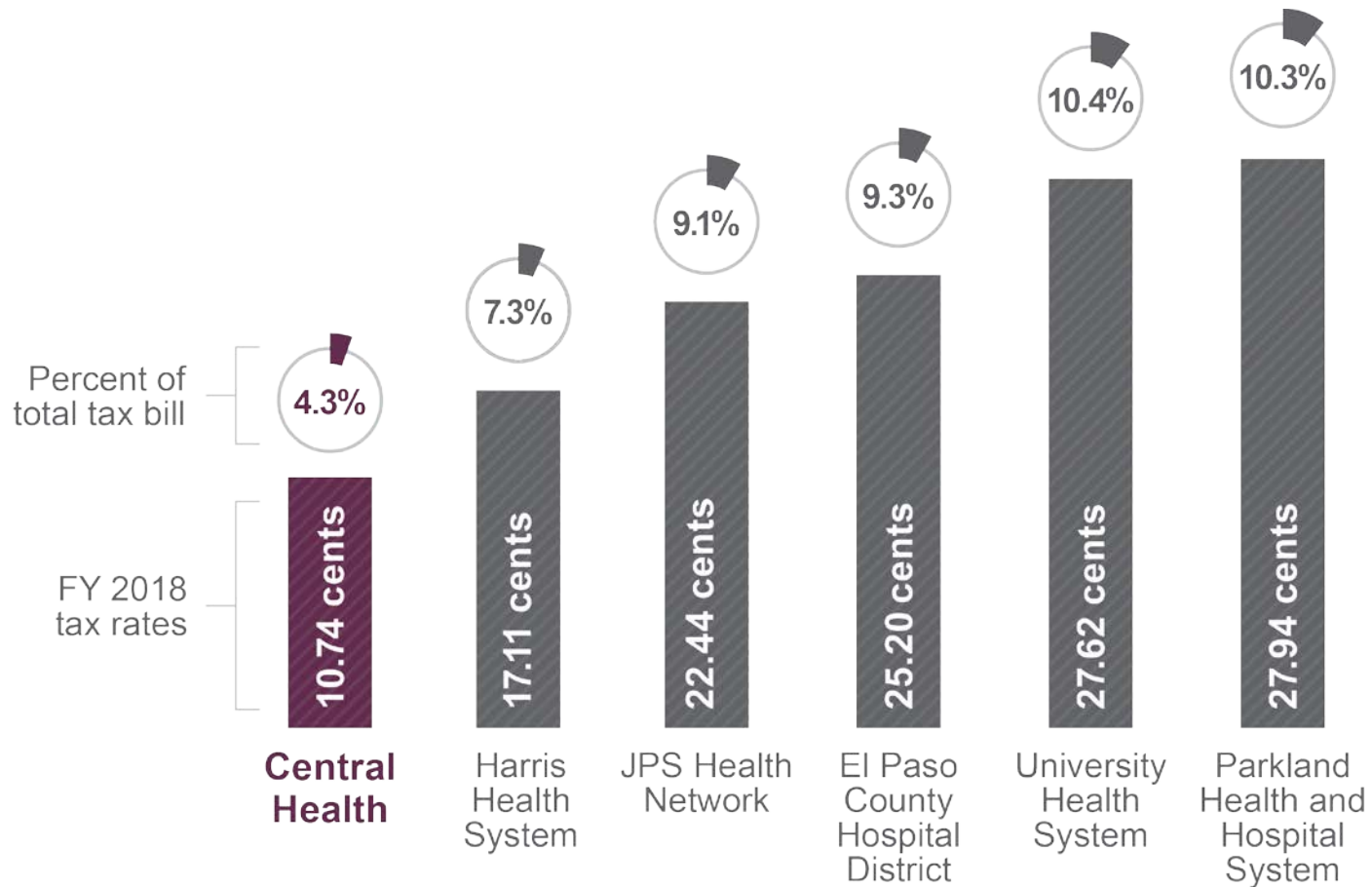


*Per \$100 taxable valuation

Homestead Exemption	Over 65 Homestead Exemption	Disability Homestead Exemption
20% (A) \$5,000 Minimum	\$85,500 (B)	\$85,500 (B)
(A) Maximum allowable by state law (B) Increased from \$80,000		



Major Texas Hospital Districts: FY 2018 Tax Burden Comparisons



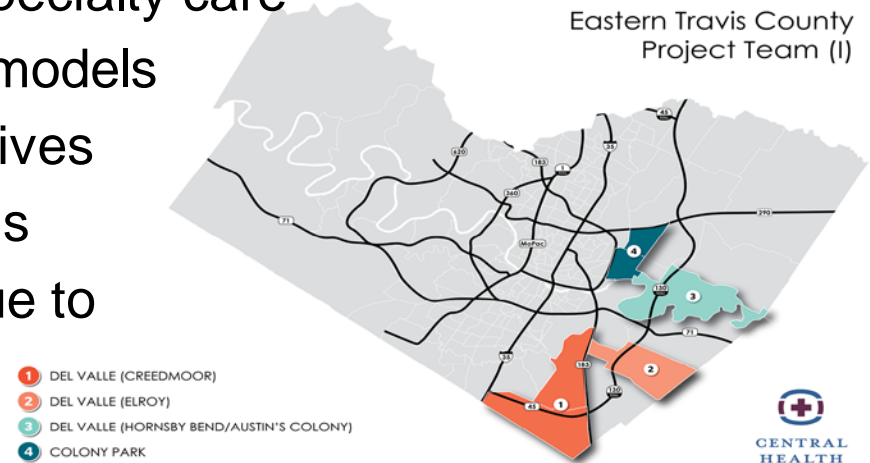
FY 2018 Approved Budget and FY 2019 Approved Budget Sources and Uses Summary

DESCRIPTION	FY 2018 APPROVED BUDGET	FY 2019 APPROVED BUDGET
TAX RATE	0.107385	0.105221
SOURCES		
Property Taxes	181,839,054	196,861,527
Lease Revenue	10,303,467	18,067,937
Interest	400,000	400,000
Tobacco Litigation Settlement	1,800,000	2,000,000
Subtotal Revenue	194,342,521	217,329,464
Contingency Reserve	43,482,960	41,039,184
Total Sources	237,825,481	258,368,648
USES		
Healthcare Delivery	227,029,205	247,343,600
Administration	9,143,516	9,321,838
Tax Collection	1,652,760	1,703,210
Total Uses	237,825,481	258,368,648
RESERVES (ending balance)		
Emergency Reserve	31,313,546	32,313,546
Total Reserves	31,313,546	32,313,546

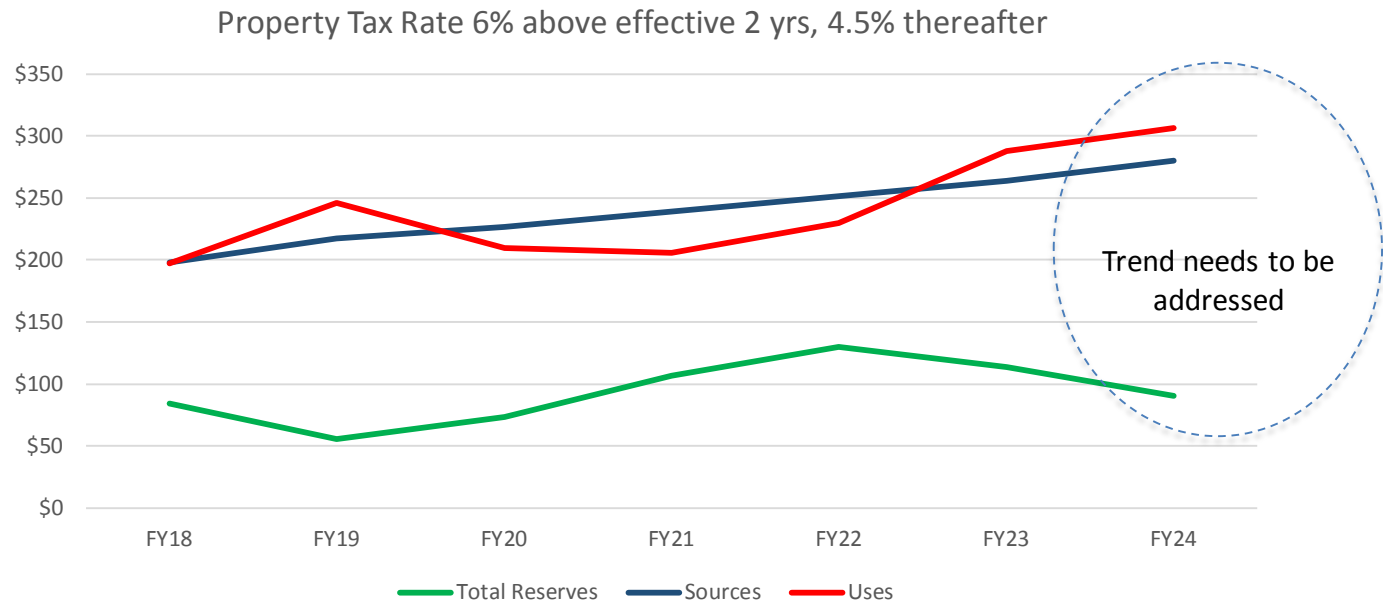


Budget Strategies

- Develop and execute health care delivery based on people and place
 - Improve access and efficiencies
 - Strategic locations and delivery model
- Implement patient-focused and coordinated health care
 - Patient reported outcomes
 - Coordination of primary and specialty care
- Sustainable health care financial models
 - Implement value based incentives
 - Optimize Brackenridge campus
 - Maintain sufficient reserves due to reduced federal funds



FY19 Budget - Reserve Levels

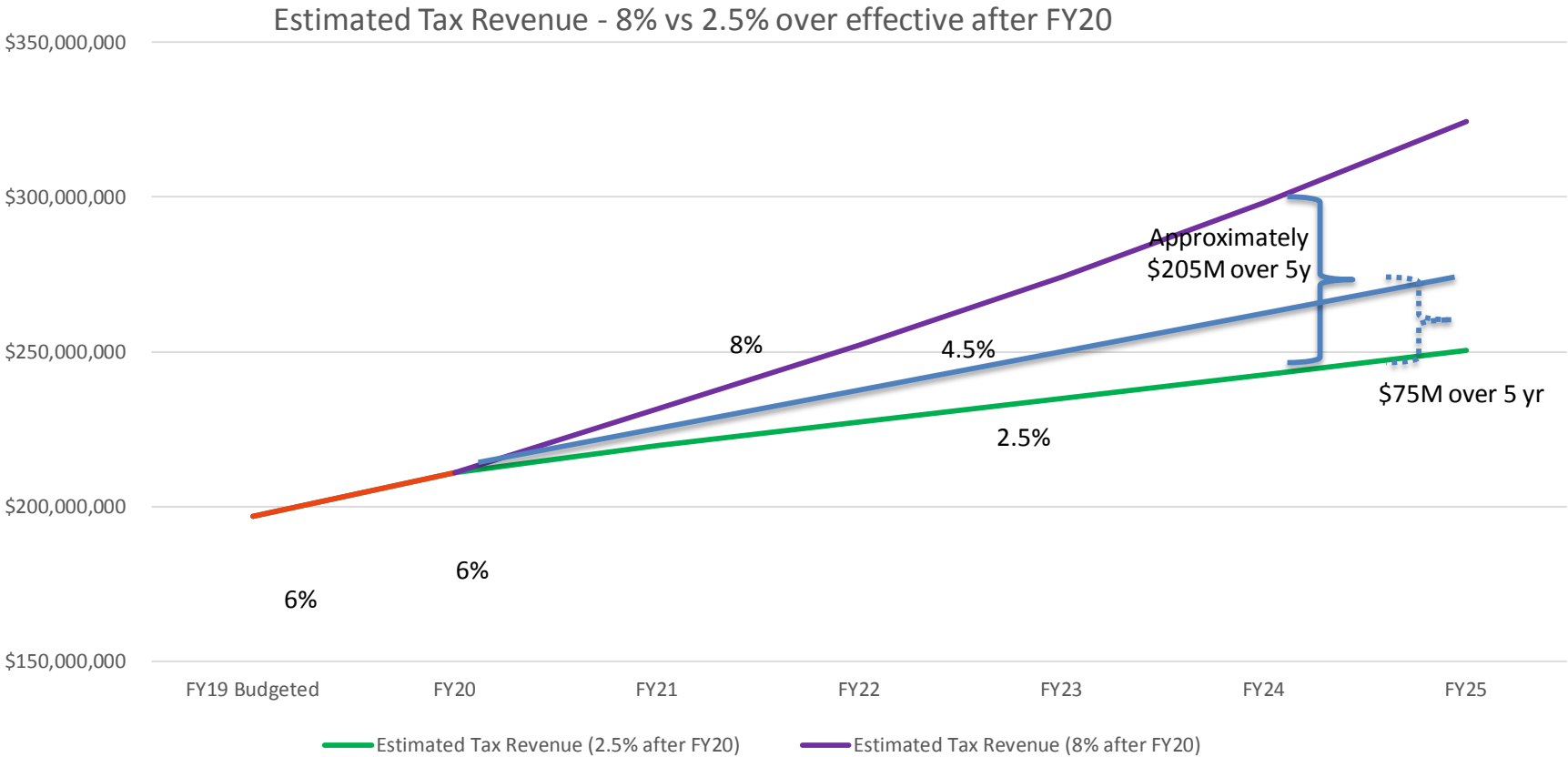


	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Total Reserves	83.9	55.9	73.4	106.7	129.6	113.7	90.7
Days of Cash	156	83	128	189	206	144	108

Financial Metric – Maintain 100 days cash



Potential Impact of HB2/SB2



*Based on forecast from FY19 planning with estimate of 6% over effective FY19/20 and 4.5% thereafter

Budget Timeline (tentative)

- April Central Health Community Conversations: FY2020 Budget
- May Central Health five year forecast
- July Central Health draft budget
- Aug FY2020 Central Health proposed budget and tax rate
- Late Aug/
Early Sept Public Hearings
- Sept. FY2020 Central Health budget and tax rate adopted





CENTRAL HEALTH

(512) 978-8000

www.centralhealth.net

@centralhealthtx



Fiscal Year 2020 Budget Development

TRAVIS COUNTY
PLANNING & BUDGET OFFICE
FEBRUARY 22, 2019

Presentation Overview

- **Budget Development Calendar**
- **FY 2020 Budget Considerations**
- **Five-Year Financial Forecast**
- **Revenue Cap Considerations**

Budget Calendar Key Dates

Date	Event
March 11, 14	Internal Budget Kick Off Meetings
April 22	Budgets Due
May/June	Employee Public Hearing
May/June	PBO review of County Budget Submissions
June	Departmental Meetings with PBO
July 22	Preliminary Budget Published
August	Select Budget Hearings (Proposed)
August	Budget Mark-Up
September 24	FY 2020 Budget Adopted

Budget Priorities

FY 2020 Preliminary Estimates	Low Ongoing	Mid Ongoing	High Ongoing
Departmental Targets	\$653.4 M	\$653.4 M	\$653.4 M
Workforce Investments and Countywide Budget Drivers	22.7 M	27.3 M	31.1 M
Program Specific Budget Drivers	7.3 M	9.1 M	11.3 M
Total	\$683.4 M	\$689.8 M	\$695.8 M

Budget Drivers

FY 2020 Preliminary Estimates	Low Ongoing	Mid Ongoing	High Ongoing
Compensation & Benefits	\$16.7 M	\$19.4 M	21.7 M
Facility Operating Expenses	3.6 M	4.5 M	5.0 M
Interlocal Agreements	1.4 M	2.0 M	2.6 M
BCP Transfer & Waller Creek TIF	1.0 M	1.4 M	1.8 M
New Courts	2.2 M	2.6 M	3.2 M
Indigent Attorney Fees/Managed Assigned Counsel/Justice Related	1.7 M	2.1 M	2.4 M
Tech-Related & Other Approved Project Operating Costs	1.0 M	1.4 M	2.0 M
Increased Investment in Social Services	0.5 M	0.5 M	0.5 M
Sheriff Inmate Costs	0.5 M	0.8 M	1.1 M
Other Commissioners Court Priorities & Pilot Programs	1.4 M	1.7 M	2.1 M
Total	\$30.0 M	\$36.4 M	\$42.4 M

Five-Year Financial Forecast

Five-year financial forecast is based on historical trends and prepared in consultation with Travis Central Appraisal District (property value) and County Auditor's Office (revenue).

Historical County budget growth is not driven by single issue or cost driver. Influencing factors include:

- Population and related service demand increases;
- Workforce investments;
- New and expanded programs, improved service delivery, and state mandates;
- Local, state and national economic conditions.

Five-Year Financial Forecast

Property Tax Base Assumptions FY 2019-FY 2024

Fiscal Year	New Construction Value	Net Taxable Value (NTV)	Total NTV Growth
FY 2019 Certification	\$4.7 B	\$189.0 B	10.5%
FY 2020	\$2.2 B	\$200.4 B	6.0%
FY 2021	\$2.1 B	\$210.4 B	5.0%
FY 2022	\$2.0 B	\$218.8 B	4.0%
FY 2023	\$1.9 B	\$225.4 B	3.0%
FY 2024	\$1.9 B	\$232.1 B	3.0%

Budget Preparation Guidance

- Ongoing revenue focuses on identified budget drivers.
- Look internally to maintain current service levels.
- Funding for new programs/FTEs greatly limited.
- Review of vacant positions \geq 120 Days.
- Expand review of fees for cost recovery.
- Continue to refine outcomes measures with a focus on results and process improvement.
- Submissions need to be mindful of potential revenue caps and developed within context of one, three and five year planning horizons.

County Property Tax Policy

County government is primarily funded through property taxes.

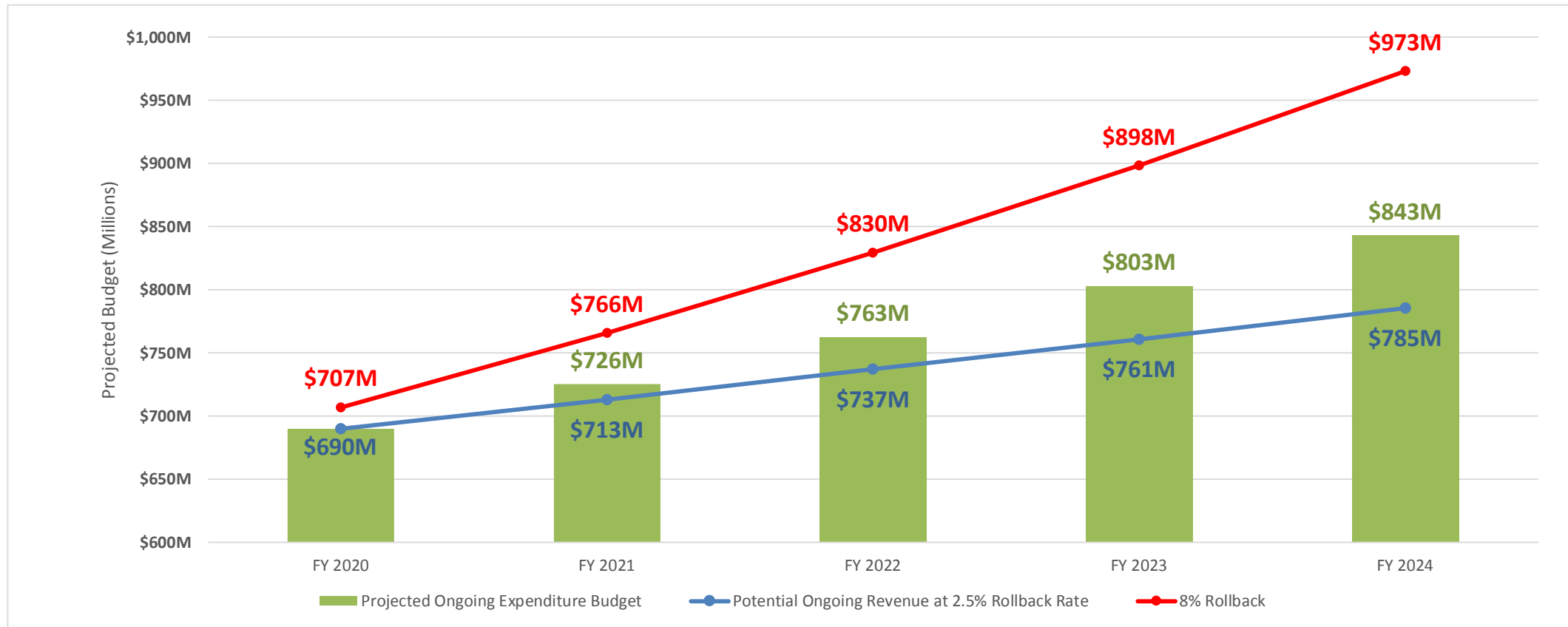
County's approach toward property tax rate management recognizes that modest changes in the tax rate are an effective tool to respond to increasing cost of services.

The Effective Maintenance and Operations Tax Rate, even with new construction values added to the tax base, does not always generate sufficient funding to keep pace with a growing population and rising costs.

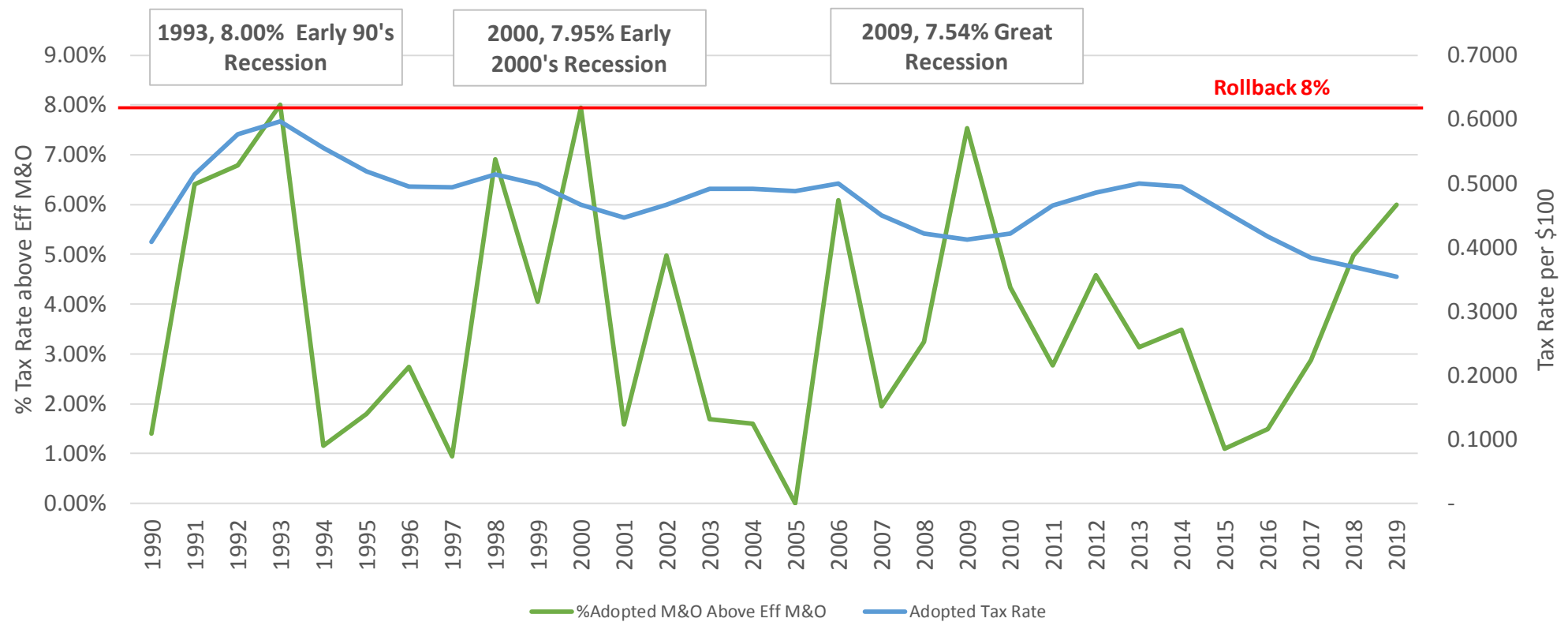
County provides maximum 20% Homestead Exemption and an \$85,500, 65 and Older/Disabled Homestead Exemption.

The FY 2020 Preliminary Budget will be balanced at a proposed tax rate needed for identified budget priorities.

Travis County Forecast for FY 2020 to FY 2024



30 Year History Adopted Tax Rate vs. 8% Rollback Rate





FY 2020 BUDGET DEVELOPMENT & FISCAL FORECAST

February 22, 2019 Joint Subcommittee



Austin Independent School District

OUR ASPIRATIONS

READ



ALL STUDENTS

reading at grade level
by 3rd grade.

THRIVE



ALL SCHOOLS

meeting or exceeding
local and state
performance
measures.

EXCEL



ALL TEACHERS

knowing we are investing in
more competitive salaries
and benefits.

#AISDHome, where all means all.

BOARD BUDGET PRIORITIES FOR 2019-20

What is most important is that every Austin ISD student will:

Thrive

in exemplary schools

We have some great schools that still aren't meeting state standards, and there are ways to help that. It is going to take more resources, including financial ones-- not less--to pull these schools up and keep them there.

- Financial incentives to retain and recruit teachers at these schools.
- After-school programs.
- Additional support principal identifies as needed.

Read

on level by 3rd grade

The first step is learning to read, and in 3rd grade and beyond it is reading to learn. All students need to read on level by 3rd grade so no student falls behind.

- Invest in Certified Academic Language Therapists (CALTs).
- Professional development for all K-2 teachers in literacy design.

Excel

with exceptional teachers

There's no secret formula to student success -- it's a great teacher in the classroom and it is our job to support these teachers.

- Invest in competitive salaries and benefits.
- Professional development for teachers.
- Resources to retain and recruit teachers.

AUSTIN ISD BUDGET PROCESS

Plan & Prepare, June - Nov.

- Budget Stabilization Task Force
- Board Budget Priorities

Develop Budget, Nov. - April

- Salary and Benefits
- Staffing Guidelines
- School and Department budgets
- Budget forecast and preliminary budget
- Community engagement

Adopt Budget, April - June

- Public hearing
- Board Budget adoption

Implement & Monitor, Ongoing

- Implement strategic plans and evaluate results

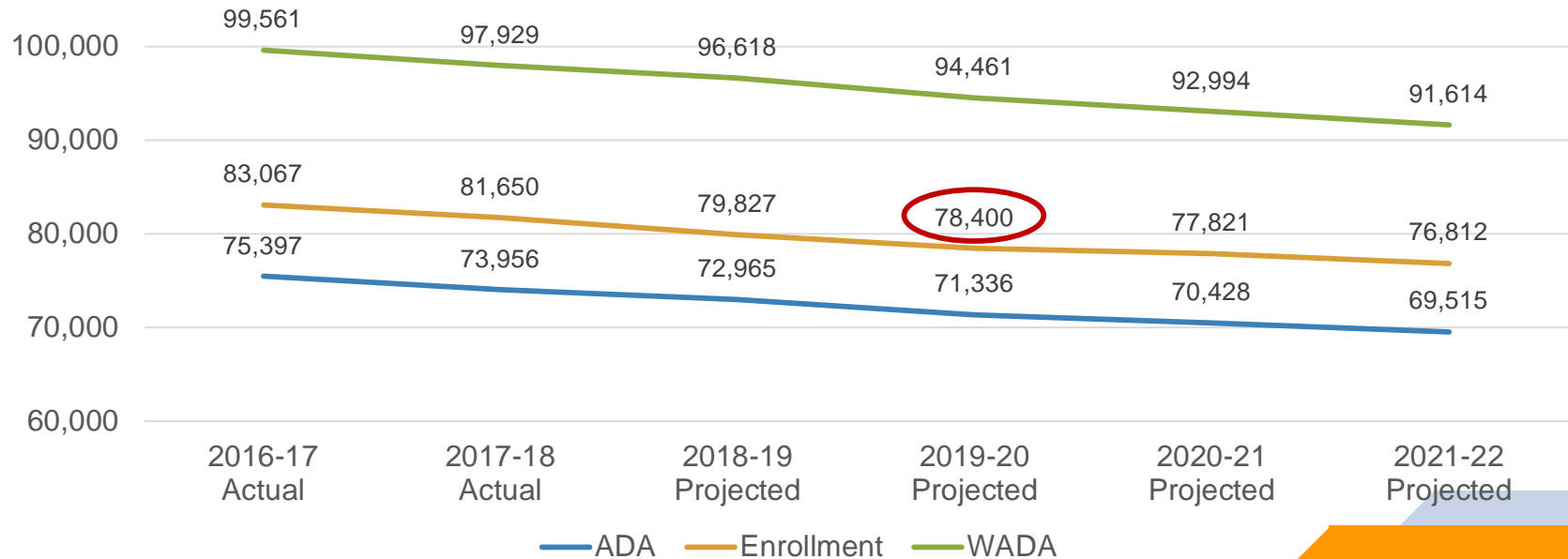


FISCAL FORECAST CONSIDERATIONS

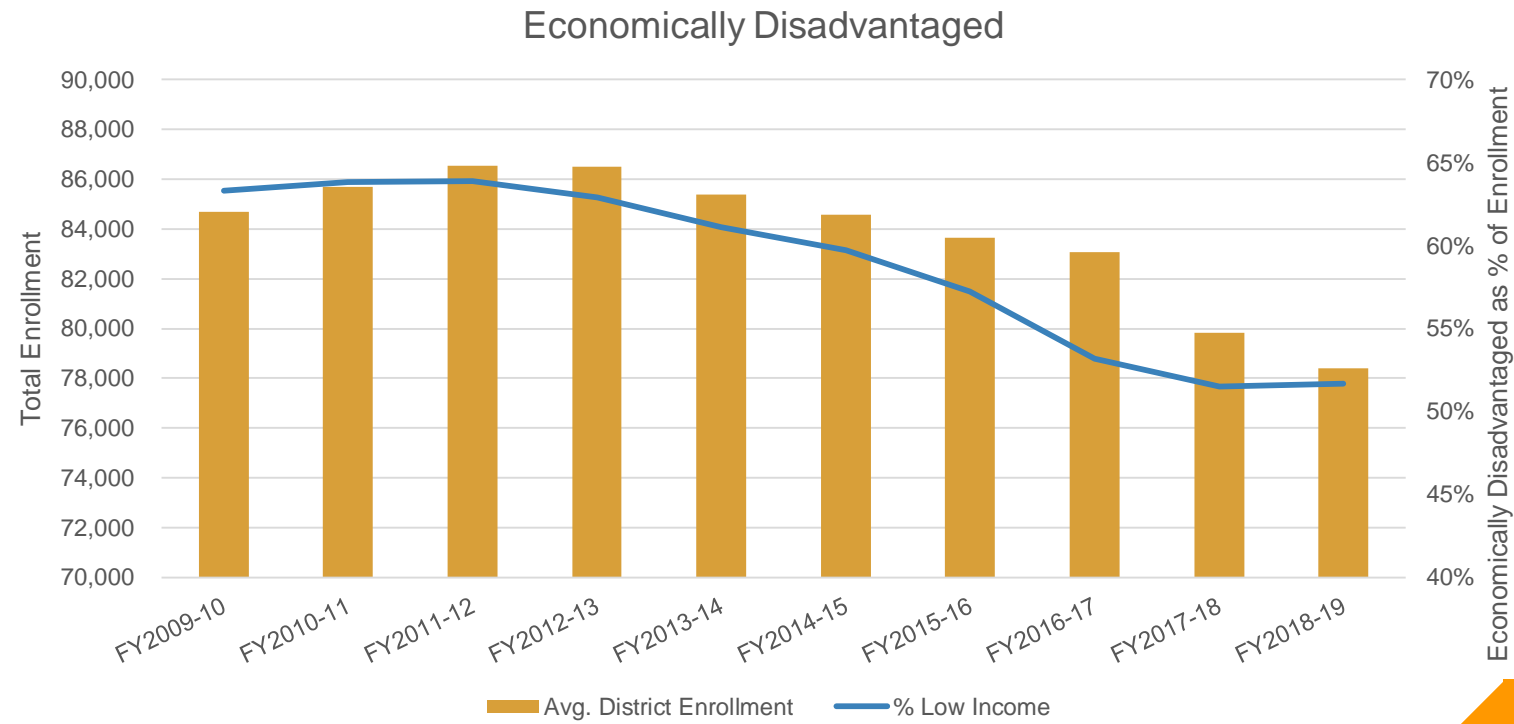
- Fiscal forecasts are an important financial road map. They can help point the entity in the right direction.
- Forecasts will be updated and amounts are going to change as decisions are made that impact the budget.
- Administration and ultimately, School Board of Trustees decisions will have the largest impact on the direction of the expenditures in the operating budget.
- Legislative decisions on the state funding formulas will be the largest driver on future revenues and recapture payments.

ENROLLMENT PROJECTIONS

A committee comprised of Facilities, Student Services, Human Capital and Financial Services developed projected enrollment for FY2019-20. Factors utilized to establish budget projections took into account feedback from campuses, student services, demographer projections, ratio, trend and cohort data.



DECLINING ENROLLMENT & SHIFTING DEMOGRAPHICS

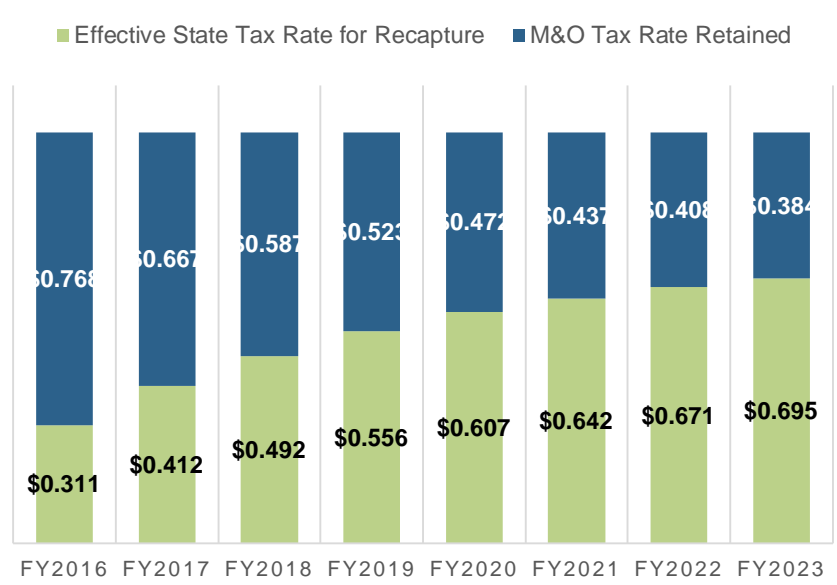
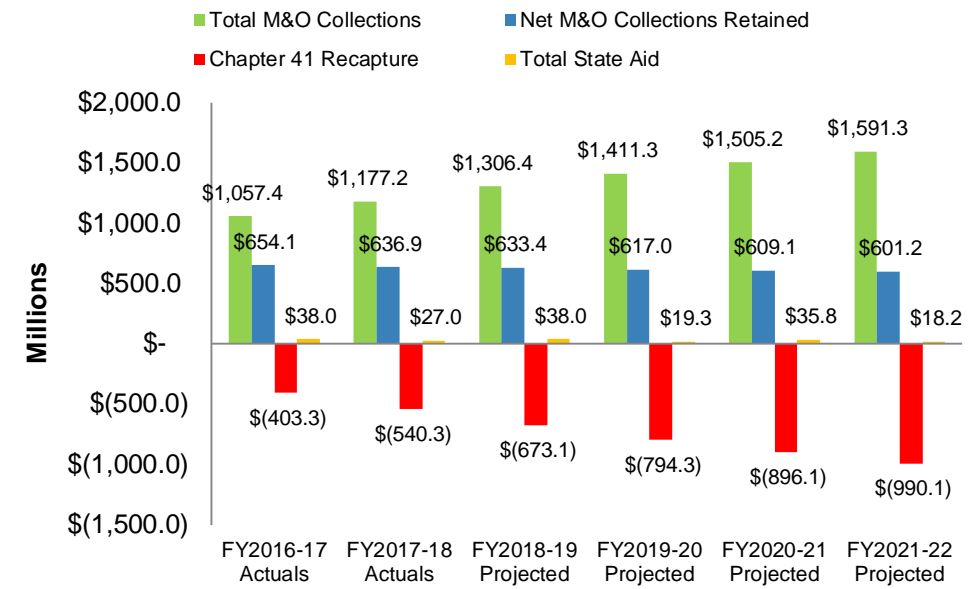


Since the peak in 2011-12, enrollment has declined by **8%**, and;
the percentage decline in the population of Economically Disadvantaged has declined by **19%**.

ONGOING BUDGET PRESSURES & COST DRIVERS

- Declining enrollment decreases revenue availability by increasing recapture
- Increasing recapture liability of \$100+ million annually
- **Growth** in Spec. Ed. costs coupled with a **decrease** in economically disadvantaged population add budget pressure
- Reduction in Federal Grant Funds due to declining enrollment and reduction in economically disadvantaged population adds pressure to general fund budget
- Declining Fund Balance

RECAPTURE: ASSUMES NO CHANGE



FISCAL FORECAST ASSUMPTIONS

The Fiscal Forecast presents a “same services” budget scenario using assumptions for projected revenue and expenditures as follows:

State Funding:

- No changes to school finance laws. Legislature is currently in session. Any changes to school funding likely not to occur until late in the budget cycle.

Local Tax Revenue:

- No Change to M&O Tax Rate (\$1.079 per \$100 of taxable value).
- The forecast projects taxable property value growth at 8% in FY2019-20, 7% in FY2020-21, and 6% in FY2021-22 respectively. Legislation could impact these estimates.

Enrollment:

- Enrollment is projected to decline to 78,400 for FY2019-20, 77,821 for FY2020-21 and 76,812 for FY2021-22 according to cohort and demographic study data, with continuing declines over the next 10 years of nearly 7,000 students
- Adjustments for projected WADA based on trends, i.e. eco dis, bilingual, etc.

Tax Exemptions:

- No adjustments to tax exemptions have been considered. All exemptions remain the same as in FY2018-19
- Financial Impact of Historic Exemption: M&O-\$1.3 M, I&S-\$0.3 M; under consideration

BUDGET SUMMARY (in millions)

	FY2017-18 Actuals	FY2018-19 Projected	FY2019-20 Projected	FY2020-21 Projected	FY2021-22 Projected
Enrollment	81,650	80,032	78,400	77,821	76,812
Total Revenue	\$1,294	\$1,425	\$1,504	\$1,615	\$1,684
(Less) Operating Expenditures	- \$771	- \$772	- \$775	- \$775	- \$779
(Less) Recapture	- \$540	- \$673	- \$794	- \$896	- \$990
= Estimated Budget Deficit	= (\$17)	= (\$20)	= (\$65)	= (\$56)	= (\$85)
Unassigned Fund Balance	\$266	\$246	\$181	\$125	\$40
% Unassigned / Expend. (exc. recapture)	34.5%	31.6%	23.1%	16.0%	5.1%

SCHOOL CONSOLIDATIONS

- More students in high-performing academic environments
- Improving physical environments to support improved academic success
- Repurposing assets to address new community needs, such as affordable housing or a community center
- If it isn't the right choice for our students, it isn't a choice we will make

RETHINK & REINVEST



Texas Public School Finance Reform

State should provide more adequate funding for public schools



Revenue

Senate Bill 1882, Transformation Zone, School Redesign Fund and more.



Leverage building assets

Repurpose existing facilities for new needs and/or to generate revenue

NEXT STEPS: DEVELOPING THE BUDGET FOR FY2019-20

Fiscal Forecast projects a deficit of \$20 million in the current year that increases to \$65 million in FY2019-20.

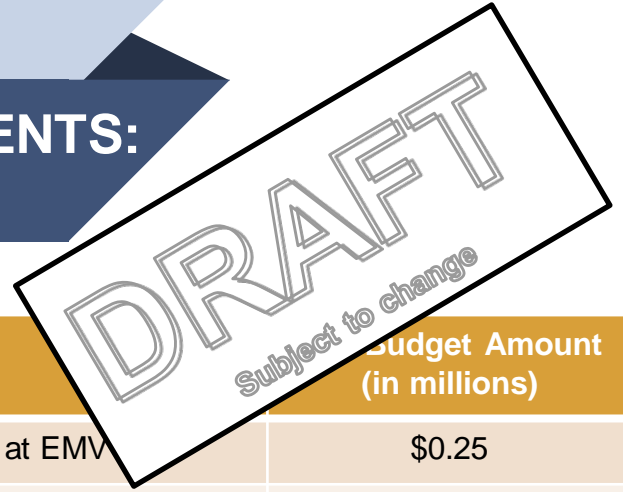
- Projected Budget shortfall will require implementation of multi-year ***Stabilization Plan*** to balance the budget in the future
- The District will need to be as strategic and efficient as possible since net revenue is expected to decline as a result of declining enrollment and increasing recapture
- Monitor developing legislation that will impact school finance and property tax reform
- Implement work of Budget Stabilization Task Force and Austerity Planning Work
- Implement work of DMGroup in analyzing Academic Return on Investment for District program offerings

STABILIZING THE BUDGET- ALMOST THERE

	In Millions
ESTIMATED BASELINE SHORTFALL (Assuming No Budget Interventions)	(\$65)
POTENTIAL BUDGET INCREASES (Puts)	(\$15)
POTENTIAL BUDGET REDUCTIONS/OFFSETS (Takes)	\$33
SPECULATIVE--STATE SCHOOL FINANCE REFORM	\$35
POTENTIAL BOTTOM LINE SHORTFALL	(\$12)

ADD'L INFORMATION ON POTENTIAL BUDGET DETAILS

POTENTIAL PRELIMINARY BUDGET ADJUSTMENTS: INVESTING IN BUDGET PRIORITIES



	Item	Est. Budget Amount (in millions)
1	Base salary increase (1%)- Teachers only	\$3.14
2	PPfT	\$2.15
3	Legislative TRS increase	TBD (Est. \$1.5-\$2M)
4	Employee Health plan	\$0.00
5	Operational Increases (Insurance, tax appraisal and collection, gas)	\$1.15
6	Campus Security	\$0.33
7	Comprehensive Model for School Improvement	\$1.40
8	Continue Mental Health Centers	\$1.70

	Item	Budget Amount (in millions)
11	Expand AVID at EMV	\$0.25
12	TUP Strategies and Supports	\$0.30
13	Continue Montessori at Winn	\$0.17
15	READ BY THREE: Curriculum Redesign, integration and Professional Learning	\$1.03
16	READ BY THREE: Early Literacy (4FTEs) and CALT Reading Specialists (12 FTEs)	<u>\$1.16</u>
	Total	\$14.28-\$14.78

POTENTIAL PRELIMINARY BUDGET ADJUSTMENTS: PAYING FOR BUDGET PRIORITIES-CENTRAL

DRAFT
Subject to change

Item	Est. Budget Amount (in millions)
1 Utility/Gas savings estimated from implementing more efficiency measures	\$1.00
2 Build America Bonds Transfer from Debt to General Fund (already transferred)	\$1.00
3 Invest in higher yield investments to increase interest earnings	\$0.80
4 CBO: Finance Department Reductions/Realignments, Telecom budget at actual, Savings from move to new HQ on copiers, supplies and admin	\$0.80
5 SCHOOL LEADERSHIP: Reorganize Office of School Leadership to maximize efficiencies and support	\$0.35
6 Eliminate Legacy of Giving	\$0.06
7 ACADEMICS: Realign/Reduce Academic AND SEL Specialists, Reduction in overall Dept BTOs	\$2.51
8 CHCO: Implement new plan for providing campus assessments, Reset Cornerstone Contract Parameters, Implement a more efficient organizational structure, Assess need for service contracts, Eliminate one Inventory Tech	\$0.68

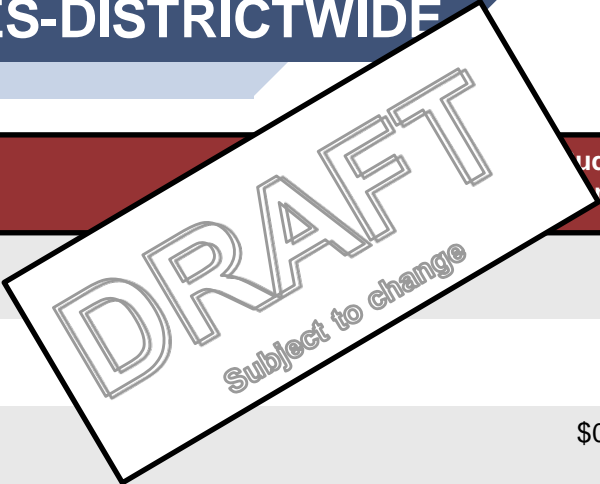
Item	Est. Budget Amount (in millions)
9 TECHNOLOGY: Strategically reduce services, reduce Internet access costs, reduce board 10%, reduce network maintenance, reduce print shop consolidation/reduction, reorganize Help Desk Reorg/Restructure MIS, reorganize campus support for attendance, Reorg. Admin Assts.	\$1.10
10 Reduce legislative consulting, contract reductions	\$0.21
11 Secure School Action grant	\$0.35
12 Postpone HUB Program expansion to commodities and maintain formalized program for construction only	\$0.20
Total Central	\$9.06

POTENTIAL PRELIMINARY BUDGET ADJUSTMENTS- PAYING FOR BUDGET PRIORITIES-CAMPUSES

DRAFT
Subject to change

Item		Budget Amount (in millions)
1	Anticipated staffing reductions due to enrollment declines	\$3.41
2	Possible Redesign of GPA @ Travis and Lanier	\$0.33
3	Transportation: Implement schedule change at LASA and LBJ to be consistent with all other high schools (from 8:15- 3:45 to 9:00-4:30	\$0.72
4	Change Staffing at Small Schools - Assistant Principals/Clerks	\$0.65
5	Across-the-board cut 5% reduction to school supply allocations	\$0.56
6	Potential School Changes/Adjustments	\$0.50
Total Campuses		\$6.17

POTENTIAL PRELIMINARY BUDGET ADJUSTMENTS: PAYING FOR BUDGET PRIORITIES-DISTRICTWIDE



Item		Budget Amount (in millions)
1	Revised actuarial for Employee health plan	\$8.50
2	Budget for projected vacancy savings	\$8.00
3	Eliminate Partial Pay for Extended Leave	\$0.40 (Avg.)
4	(1) More efficient deployment and hiring of Secondary Dual Language staff to reduce the need for supplemental Central support; (2) Assigning DELTA Project Specialists based on student need; (3) Reducing supplemental administrative support as part of the Middle School Reading/Math Initiative and (4) reduction in costs (10%) for Twilight Program	\$0.98
Total Districtwide		\$17.88

Potential identified offsets total \$33 Million