



Draft Policy Budget

June 10, 2004

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Outline

- Recap of General Fund 3 – Year Forecast
- Recommended Budget Policies
- Major Operational Assessments
- Service Deliver Improvements
- Utility Rate Increases
- Hospital District
- Budget Calendar

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Recap of General Fund 3 – Yr Financial Forecast

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Recap of Major Revenue Assumptions - **2005**

- Effective Tax 50.13¢ (current year tax rate is 49.28¢)
- AV Growth 1.3%
- Sales Tax 4.5% (being revised to 5%)
- Maintain Utility Transfer Rates
 - Electric Utility 9.1%
 - Water Utility 8.2%
- Revenue Initiative Results \$ 1.1 million impact

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Recap of Major Expenditure Assumptions - 2005

- Maintain 2.0 Officers per 1,000
- 2% Public Safety Premium
- Maintain current funding levels for public health and social services
- O&M for new / expanded facilities based on 2-yr revised schedule
- Pay for Performance – all employees
- Health Benefits Increase

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Recap of Major Cost Drivers

	2005	2006	2007
Public Safety	\$ 18.31	\$ 18.89	\$ 15.72
Health Insurance	\$ 4.13	\$ 4.81	\$ 5.53
PFP - non-uniform	\$2.22	\$2.47	\$2.54
New Facilities O&M	\$ 0.85	\$ 1.91	\$ 0.37
<i>Subtotal Major Cost Driver Increases</i>	<i>\$ 25.52</i>	<i>\$ 28.08</i>	<i>\$ 24.16</i>
<i>Other Estimated Cost Increases</i>	<i>\$2.97</i>	<i>(\$0.84)</i>	<i>\$2.49</i>
Total Estimated Cost Increases	\$ 28.49	\$ 27.23	\$ 26.64

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One-Time Critical Costs

■ Vehicle Replacements	\$ 4.86
■ Technology replacements & upgrades	\$ 1.50
■ EMS Safety Equipment	\$ 0.60
■ Firefighter Equipment	\$ 0.30
■ HHSD Facility Equipment	\$ 0.04
■ Library Facility Equipment	\$ 0.20
■ Parks Facility Equipment	<u>\$ 0.50</u>
Total	\$ 8.00

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Recap Financial Forecast

	2005	2006	2007
Beginning Balance	\$ 38.15	\$ 30.15	\$ 25.66
Revenues	\$ 471.38	\$ 488.45	\$ 510.66
Expenditures:			
Base Budget - Prior Fiscal Year	\$ 462.31	\$ 471.38	\$ 488.44
Cost Drivers	\$ 28.49	\$ 27.23	\$ 26.64
Total Expenditures	\$ 490.80	\$ 498.62	\$ 515.08
Excess / (Deficit)	\$ (19.42)	\$ (10.17)	\$ (4.42)
Required Cost Reductions:			
Departmental Percentage Reduction	5.00%	2.76%	1.23%
Reduced Expenditures	\$ 19.41	\$ 10.18	\$ 4.41
Total Revised Expenditures	\$ 471.38	\$ 488.44	\$ 510.67
Revised Excess / (Deficit)	\$ (0.00)	\$ 0.01	\$ (0.01)
Ending Balance	\$ 38.14	\$ 30.16	\$ 25.65
Critical One-Time Costs: Equipment & Repairs	\$ 7.99	\$ 4.50	\$ 5.04
Adjusted Ending Balance	\$ 30.15	\$ 25.66	\$ 20.61



Recommended Budget Policies

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Revenue Policies

- Continuation of Effective Property Tax Rate
- Maintenance of Utility Transfer Rates
- Judicious utilization of Unreserved Fund Balance for one-time capital purchases
- Capturing additional revenue through fee increases and new fees

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Expenditure Policies – City Council Commitments

- Maintain 2.0 Police Officers per 1,000 pop.
- Preserve Fire Dept. Task Force Staffing
- Implement Public Safety Premium through Authorized Negotiations
- Reinstate Pay For Performance
- Mitigate Health Care Increases to our Workforce
- Maintain 2004 Revised Schedule for opening new / expanded facilities

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Major Operational Assessments

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Four Key Areas

- Community Services
- Infrastructure
- Public Safety
- Citywide Support Services

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Community Services

- Increased park mowing cycle times
- Inadequate park facility maintenance
- Decreased availability of structured youth programming
- Reduced library hours and inadequate library materials

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Infrastructure

- Inadequate street maintenance
- Deteriorated / Failing Storm Drainage System
- Reduced Water Wastewater System Upgrades / Improvements
- Limited Code Enforcement staffing and increasing workload
- Inadequate preventative maintenance funding for signalization

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Public Safety

- Delays in records and evidence processing
- Backlog on entering latent prints from crime scenes
- Decreasing Equipment and Inventory Control
- Increased time to issue a warrant
- Increased time to update cases on municipal court system

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Citywide Support Services

- Decreased internal controls
- Lack of depth / limited succession planning

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Service Delivery Improvements

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Services

- Customer Service Call Center
- One Stop Shop and Amanda Technology
- Consolidated Code Enforcement

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Utility Rate Increases

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Water Utility

- Cost Drivers
 - Aging infrastructure
 - Increased treatment volume
 - Service extensions / system growth
- Rate Increases
 - Water 9.2%
 - Wastewater 14.7%
 - Combined 11.8%

Avg Residential bill \$ 5.16 per month increase

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Drainage Utility

- Cost Drivers
 - Deteriorated / failing drainage infrastructure
 - \$ 800 million infrastructure improvements – for critical areas only
- Rate Increases (4th year of 5 year approved plan)
 - Residential 6.98% (\$ 0.44 increase: \$ 6.30 to \$ 6.74)
 - Commercial 22.85% (\$27.51 increase: \$ 120.41 to \$ 147.92)

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Hospital District

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Hospital District Election

- May 15, 2004 – Travis County voters created a county-wide hospital district in an election initiated by citizen petition
- Neither the City of Austin nor Travis County can levy taxes for hospital purposes or for indigent medical care
- New District must therefore be organized promptly to levy taxes for fiscal year 2004-05
- Failure to do so will mean disruption in the management and funding of the components of the local health care system, as follows:
 - the Daughters of Charity Health Services of Austin ("Seton") and UTMB leases at Brackenridge Hospital
 - the City and County Community Health Centers (FQHCs)
 - the City and County Medical Assistance (MAP/RMAP) Programs

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History of our Health Care System

- 1880s – City and County funded what became known as the “City/County Hospital”
- By 1907, the County had sold its interest in the hospital to the City
- City opened what was then known as the “City Hospital” in 1915. The new hospital had forty beds and was later named Brackenridge Hospital
- Based on demand for pediatric services and the support of the physician community, the City established Children’s Hospital on the Brackenridge campus in 1988

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History of our Health Care System (cont.)

- Recognizing the need for clinic care for the uninsured, City and County established clinics and medical assistance programs in the 1970s and 1980s
- Clinics initially limited to MAP and Medicaid patients
- 1991 – City sought and received Federally Qualified “Look-Alike” status, allowing clinics to receive higher cost-based Medicaid and Medicare reimbursement
- 2001 – City received full status as FQHC
 - better pricing for pharmaceuticals
 - addition of a behavioral health program
 - opportunities for additional grants or programs
 - group purchasing through Texas and National Associations

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Current Status of Clinic System

- 11 medical, 3 dental centers with approximately 50,000 patients
- Medical services include:
 - Primary care
 - Maternity
 - Pediatrics
 - Internal medicine
 - Women's health services
- Approximately 320 employees in Primary Care Department

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Lease of Brackenridge to Seton

- 1980s / 1990s – increasing complexity in healthcare market
- Financially risky for City to continue to operate Brackenridge
 - Stand-alone operations, no network
 - Federal aid expected to decrease
 - Governmental constraints resulted in lack of flexibility
 - Increased competition – two systems emerging in Austin
- Seton lease provided for:
 - Rental of Brackenridge and Children's Hospital
 - Responsibility for operating these as part of Seton's business
 - Provision of indigent hospital and related physician care to all
 - Provision of specified services to MAP patients
 - City's risk capped for these services

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Importance of Seton Lease to District

- Seton obligated to operate Brackenridge and Children's and to provide specified levels of trauma and other care at Seton facilities for 50 years (plus 30 more)
- Seton has economic risk in indigent care demand for City residents
- District not have burden or risk of operating a hospital
- Seton has provided same level of care for non-City Travis County residents
- Seton may seek to negotiate with District for additional payments for non-City indigent residents of Travis County

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What Transfers to the District?

- Title to land and improvements of Brackenridge and Children's
- Rights and obligations, including funding of Seton / UTMB leases
- Rights to leased space and equipment used by Community Health Centers
- Rights and obligations of operating Community Health Centers and to administering MAP and charity care programs
- Cash appropriated by City for remainder of current fiscal year related to assets and services transferred
- Obligation to contribute tax money to State for Dispro program - for matching federal funds

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What does not Transfer?

- Public health functions related to disease and pest control, certain immunizations
- Rights and obligations related to EMS and Star Flight
- Public safety functions
- General Fund reserves

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Transition Steps

- Appointment and qualification of the District board by the City and County
- Establishment of an initial District infrastructure sufficient for the District to conduct business
- Consideration and approval of a budget for the fiscal year 2004-05
- Certification of the tax rate adjustment for services that are no longer the responsibility of the City and County

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Transition Steps (cont.)

- Adoption of necessary methods for purchasing, disbursements, and methods for accounting and control
- Selection of an employee retirement and benefits system
- Determination of how District services will be structured in the future, including which functions or employees transfer to the District and what the effect of such a transfer will be on the related employees

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Reduction to the City's Tax Rate

- In fiscal year 2004-05, City no longer be able to tax for health care system and for the related services that transfer to the District.
- Also required under State law – City must take into account the decrease in the amount it will spend (would have spent) for health care purposes in fiscal year 2004-05 and must reduce its property tax rate in accordance with the amount of the decrease.
- City Manager expects her fiscal year 2004-05 budget to be proposed at the effective tax rate less the property tax rate reduction related to costs transferred to the District.
- Many variables yet to be known precisely: assessed valuation, effective tax rate

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Reduction to the City's Tax Rate

Overall assessed value	\$49.8 billion
Effective tax rate	\$0.5013
Total current (FY 05) tax revenue	\$244,846,049
Amount of revenue per one-cent tax	\$4,884,222
Amount that would have been spent on transferred health care services	\$29,644,784
Proposed reduction to the tax rate	\$0.0607
Reduced tax rate proposed for adoption	\$0.4406

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Budget Calendar

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Key Dates

- July 29th City Manager submits Proposed Budget
- July 29th City Council sets dates for Public Hearings on Proposed Budget
- August 5th Budget Presentations & Public Hearings
- August 12th Budget Presentations & Public Hearings
- August 26th Budget Presentations & Public Hearings
- Sept. 2nd Budget Presentations & Public Hearings
- Sept. 13th – 15th Budget Approval Readings