City of Austin Proposed Budget

Structural Balance…

Staying the Course…

Strategic Reinvestment

July 28, 2005

Today's Presentation

- Overview of Budget Proposal
- Citizen Survey
- Initiatives
- Tax Rate
- Financial Policy Issues
  - Reserves
  - Public Safety Costs
- Budget Highlights
- Truth-in-Taxation
- Schedule
- Questions & Discussion

2006 – Strategic Reinvestment

Looking back and forward...

2002-2004		2005		2006
Budget Reductions	→	Staying the Course	→	Strategic Reinvestment

- From 2002 to 2004, we worked to overcome difficult budget challenges during the economic downturn
- 2005 budget set the stage for moving forward in a sustainable budget environment
- Modest recovery in 2006 allows us to shift our direction and begin strategically reinvesting in our organization and the services we provide

Weathering the Economic Downturn

Council's commitment was critical to our success in weathering the economic downturn

- Focus on multi-year budget horizon
- Using one-time funds judiciously
- Attaining structural balance
  - Not spending more in a given year than we collect in revenue

Balanced Budget

Proposed 2006 budget is sound and balanced:

- Without having to cut in other areas
- Reinvests in our workforce
- Includes tactical add backs to address:
  - Organizational vulnerabilities
  - Better delivery of services

...How did we get there?

Balancing the Budget

How we got there…

(in millions)	
Gap at Policy Budget	(12.9)
New Revenue	5.9
Workers' Compensation	3.9
Employee Health Insurance Plan	3.1
Public Safety	3.0
Jail Interlocal	(1.0)
Transfers/Other	(2.0)
Revised Gap	0

Tax Rate

- Property tax rate proposed at 43.95 ¢

Tax Rate	Proposed
Nominal Rate	44.30 ¢
Proposed Rate	43.95 ¢
Effective Rate - estimate for proposed budget	43.53 ¢
Effective Rate - based on certified tax roll	43.19 ¢

- Proposed property tax rate generates additional revenue of $2.6 million
- Results of certified tax roll adds $1.3 million in property tax revenue

Time to Reinvest

Recommended Strategic "Add Backs"

(in millions)

	Policy Budget	Proposed Budget	Change	Proposed FTEs
Community Services	$ 2.4	$ 2.4	$ -	60.13
Infrastructure/Planning	0.7	0.7	-	15.00
Public Safety	2.2	1.4	(0.8)	28.00
Invest in the Workforce	2.3	1.5	(0.8)	-
Social Services Contracts	0.5	0.5	-	-
Total	**$ 8.1**	**$ 6.5**	**$ (1.6)**	**103.13**

An additional $1.3 million is proposed for neighborhood reinvestment, for $7.8 million in total "add backs".

Community Priorities
Customer Satisfaction

Annual Citizen Survey

A comprehensive tool to identify:

- Priorities and concerns
- Satisfaction with city services/programs

Community Priorities

Ranking of Austin's Top Issues

1. Mobility issues
   - Parking, traffic congestion, construction
2. Quality of life
3. Growth management
4. Cost of living

Other issues important to the community:

5. Tax-related issues
   - Rates, fees, charges
6. Road conditions and new roads
7. Pollution-related issues
8. Mass transit
9. Poverty-related issues
10. Public education issues

Customer Priorities

Ranking of City of Austin services

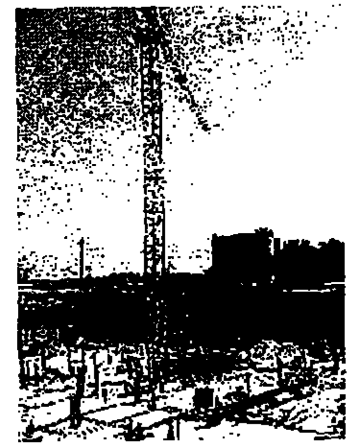
1. Police services
2. Ambulance (EMS) services
3. Fire services
4. Traffic flow & synchronization
5. Environmental protection
6. Affordable housing
7. Health care & social services to low-income citizens
8. Parks
9. Economic development efforts
10. Libraries

Customer Satisfaction

Measure	Rating
Public Safety	
Fire Protection and Emergency Response	3.58
Emergency Medical Services	3.49
Police Services	2.71
Youth, Family & Neighborhood Vitality	
Parks and Recreation	3.16
Library	3.09
Neighborhood Vitality	3.31
Downtown Vitality	3.04
Environmental Sustainability	
Conservation Programs	3.04
Quality Drinking Water	3.17
Preservation of Greenspace	2.91
Alternative Transportation Modes	2.43
Infrastructure Maintenance & Repair	
Pedestrian accessibility	2.51
Bicycle accessibility	2.43
Road maintenance	2.08
Traffic flow	1.96

Excludes no opinions.
1 = Very Low, 4 = Very High

Customer Driven Model for Change



- One-Stop Development Shop
  - Reorganization in 2005 to:
    - Centralize staff
      - In a single department and location
    - Reduce the number of processes by over 60%
  - Software improvements planned in 2006
  - Conducting focus groups to get feedback
    - Will report results to Council in August

Customer Driven Model for Change

- Consolidated Code Enforcement
  - Historically under-funded function
  - Business analysis completed in 2005, recommending:
    - Additional resources (budget proposes 9 new FTEs)
    - Streamlining processes (consolidation and technology improvements)
  - Proposed neighborhood reinvestment includes $400,000 for:
    - an additional inspector in each of 4 zones
    - a dedicated judge
- 24/7 Call Center
  - Will take all 3-1-1 calls by early 2006
  - Will provide relief for 9-1-1 operations by taking public safety non-emergency calls

APD:
In case of an emergency call
9-1-1
For non-emergency situations please call
3 1 1

Improving Quality of Life for African Americans

In May 2005, the City Council directed the City Manager to develop a first-year budget to begin addressing community dialogue and scorecard findings.

	Proposed Budget	Proposed FTEs
Arts, Culture, Entertainment	$ 236,855	2.00
Employment & Education	235,100	-
Health	49,000	1.00
Neighborhood & Sustainability	100,000	-
Business & Economic Development	58,311	1.00
Police & Safety	50,000	-
Total	**$ 729,266**	**4.00**

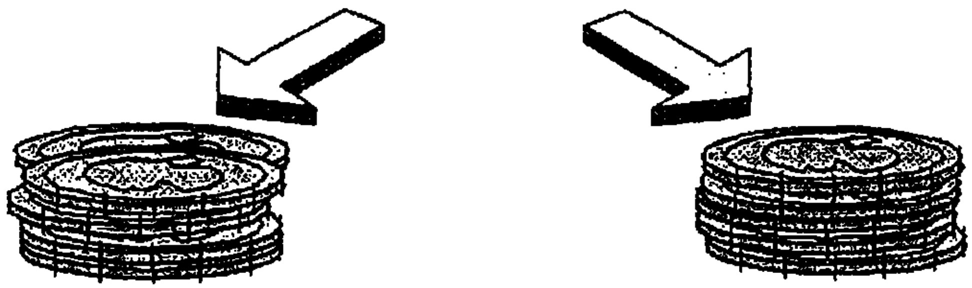
Safety & Security

- 2006 proposed budget reflects the consolidation of security functions:
  - Will request City Council approval in Aug-2005
  - Office of Emergency Management
  - Park Police
  - Aviation Police
  - Municipal Court Marshals
- Achieve synergy and standardization at top
- Transparent to operations

Rebuilding Our Workforce

- In 2005, we began reinvesting in our workforce.
- The 2006 budget proposal further reinvests in our workforce.
  - 3.5% pay for performance for non-civil service
  - 2.0% one-time, service incentive enhancement
  - Increase in living wage ($10.00 to $10.90 per hour)
  - Review of market conditions over next 2 years
  - Continue reward and recognition at department level
  - Continue to aggressively work on succession planning

Tax Rate



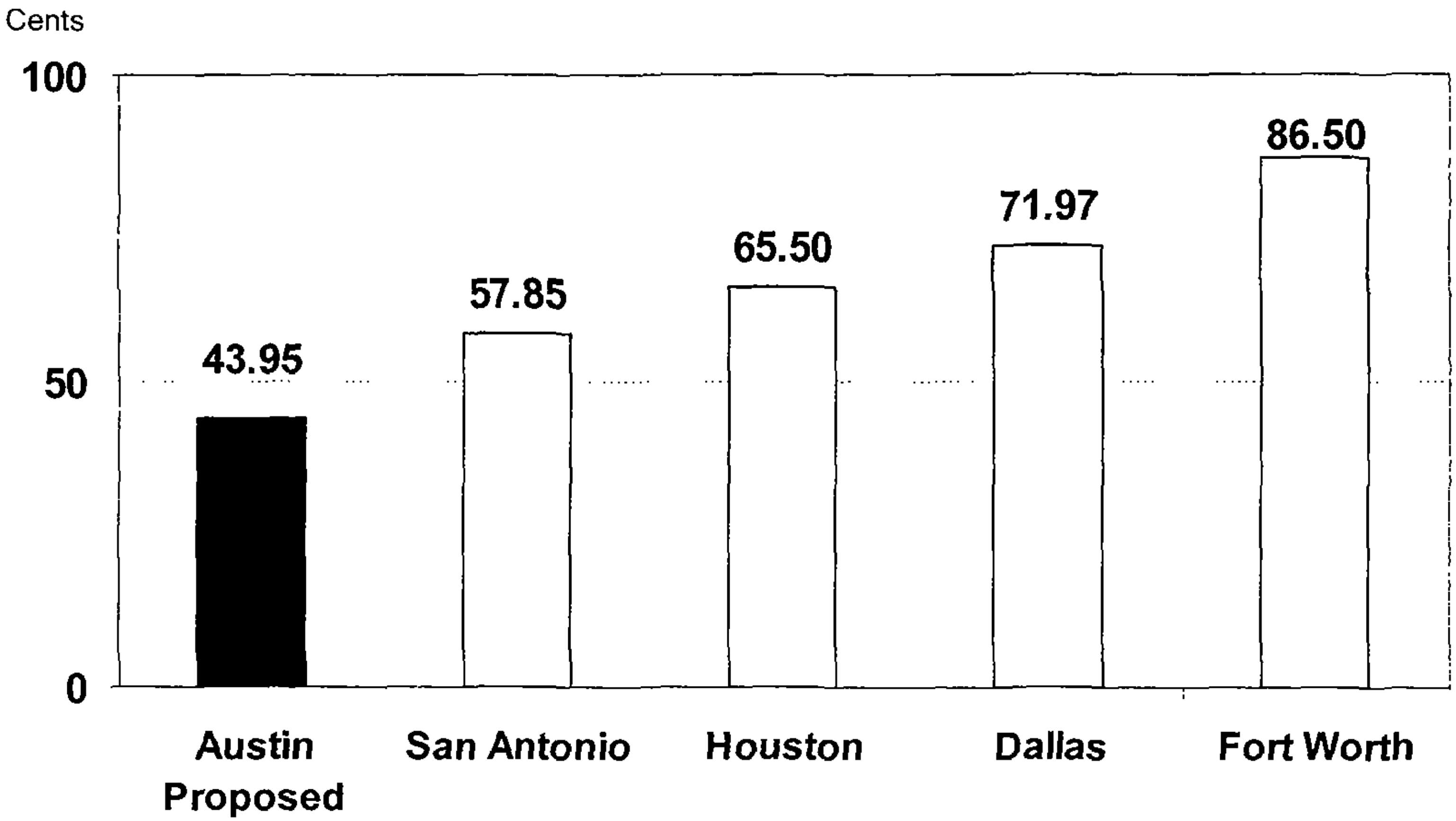
O&M
28.06¢

DEBT SERVICE
15.89¢

- Proposed tax rate of 43.95¢
  - Below the nominal rate of 44.30¢
  - Above the effective rate of 43.19¢
- 4.8% increase in total assessed valuation
  - $50.0 billion in 2005 to $52.4 billion in 2006
  - Increased commercial assessed valuation

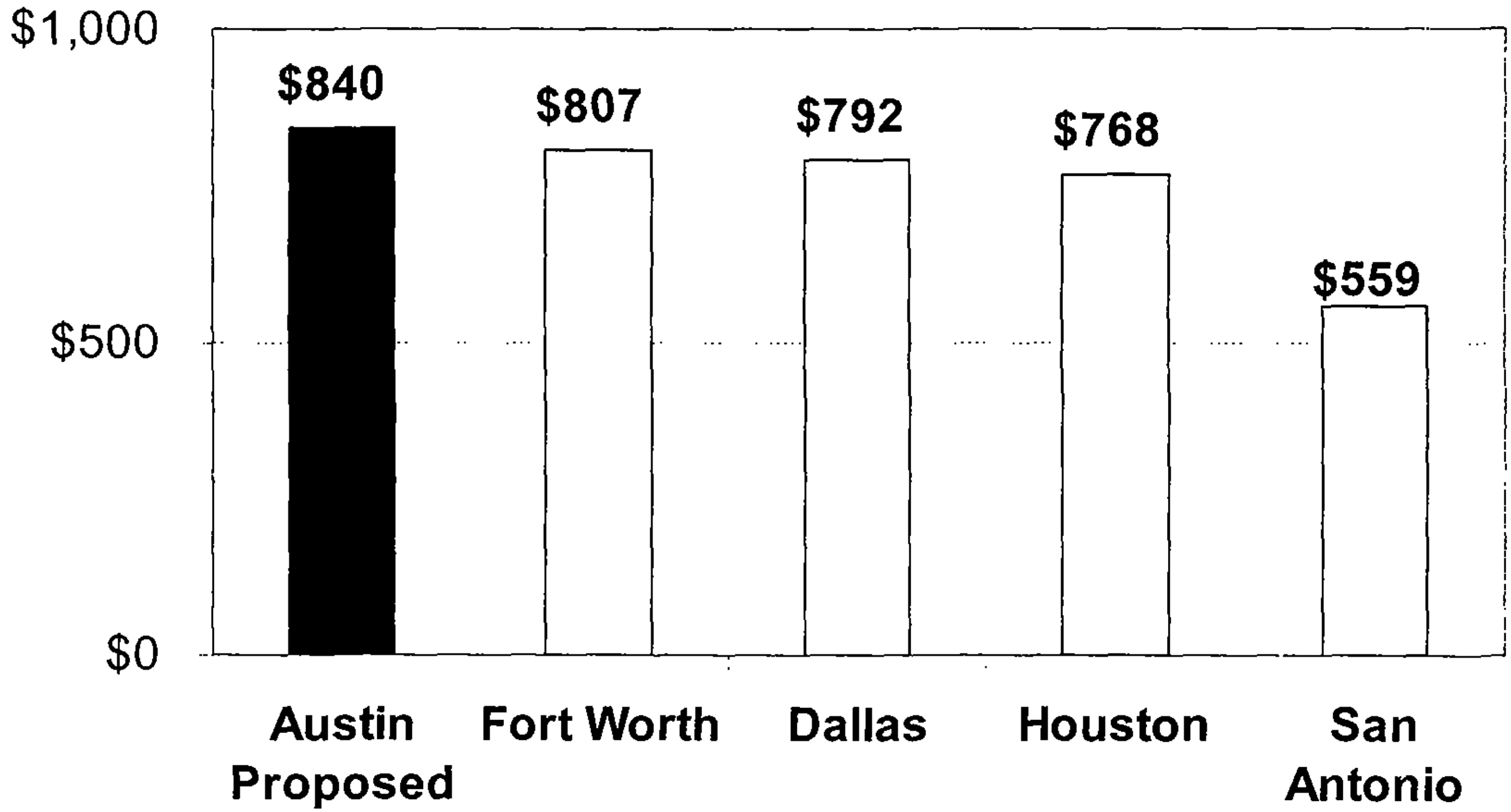
Property Tax Rate Comparison

Austin's proposed 2006 tax rate is lower than the current tax rates for major Texas cities.

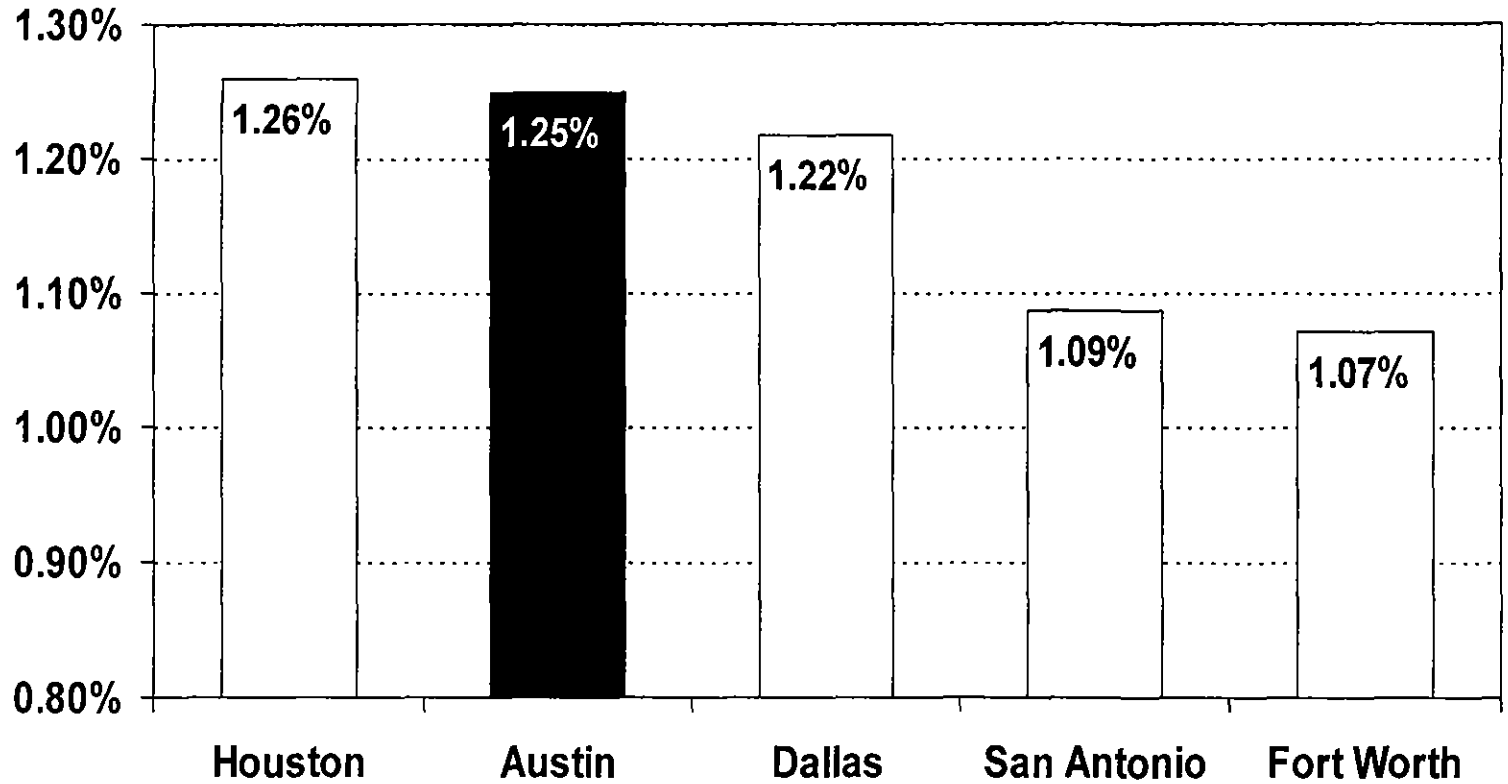


City Property Tax Bill – Average Home Comparison

In 2006, a homeowner would pay $33.65 more per year in City taxes
…or $2.80 more per month on average home price of $191,217



City Property Tax Bill – Comparison As Percentage of Median Income



Use of One-Time Funds

- During the downturn, we received accolades from our rating agencies
  - Increased fund balances and reserves in spite of downturn
  - One-time money not used to fund ongoing costs
- In 2005 – $7.8 million budgeted for one-time expenditures deferred during the downtown
- In 2006 – $16.4 million proposed to pay for critical capital and one-time needs

Proposed Financial Policy Revisions

- Emergency Reserve from $15 million to $40 million
- No change to Contingency Reserve – maintain at 1% of departmental expenditures
- Revise Budget Stabilization fund policy
  - At end of each year, excess revenue and unspent appropriation deposited into this reserve
  - Fund may be used for capital and one-time expenditures, but not to exceed 1/3 of total amount in the reserve, with 2/3 reserved for future years
  - In 2006:
    - $16.4 million available for one-time appropriation
    - $32.7 million would remain in reserve at end of year

Reserve Policy & Budget Stabilization

RESERVE POLICY SUMMARY

	Current Policy	**Proposed Policy**
Contingency of 1%	$4.3m	$4.3m
Emergency Reserve	15.0m	40.0m
Subtotal: "Hard Reserves"	19.3m	44.3m
Fund Balance	41.1m	-
Budget Stabilization	33.0m	49.1m
Total, Beginning of 2006	**$93.4m**	**$93.4m**

USE OF BUDGET STABILIZATION IN 2006

	Proposed Policy
Beginning of 2006	49.1m
Less appropriation in 2006	(16.4m)
Balance, End of 2006	**$32.7m**

Use of Budget Stabilization Fund in 2006

Capital and one-time critical costs:

- Technology replacement and upgrades
- Non-public safety departmental equipment
- Vehicle replacements
- Public safety equipment
- One-time service incentive pay enhancement
- Facility maintenance and renovation
- Total = $16.4 million

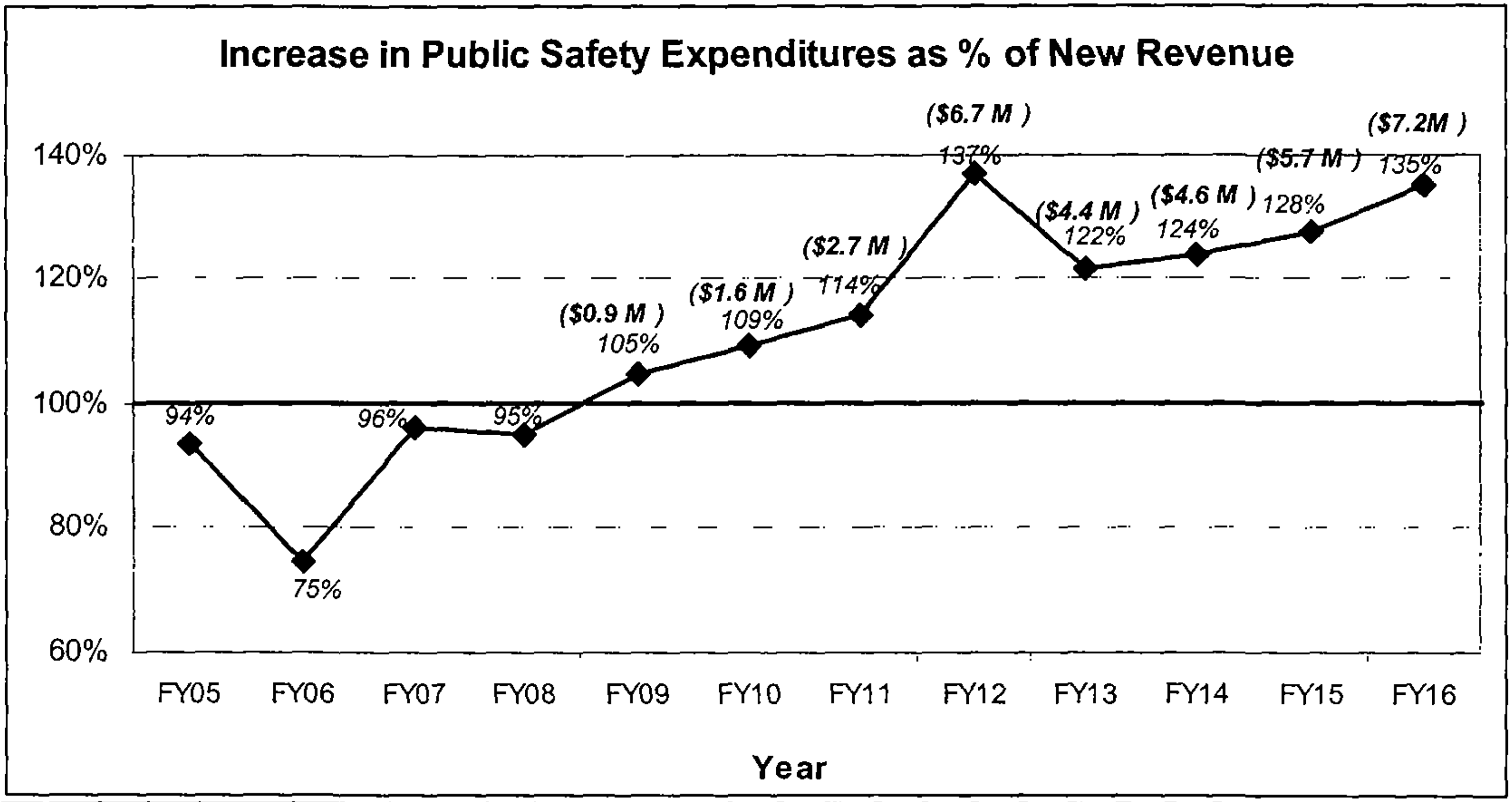
Public Safety Costs

Future increases in public safety costs may outpace growth in revenue.

- Budget proposal maintains current policies and contract commitments
  - 2.0 police officers per 1,000 residents
  - Austin Fire Department task force staffing
- Budget proposal reduces public safety costs by $3 million, compared to April forecast
  - Yet, still does not achieve significant reduction in growth rate of public safety costs.

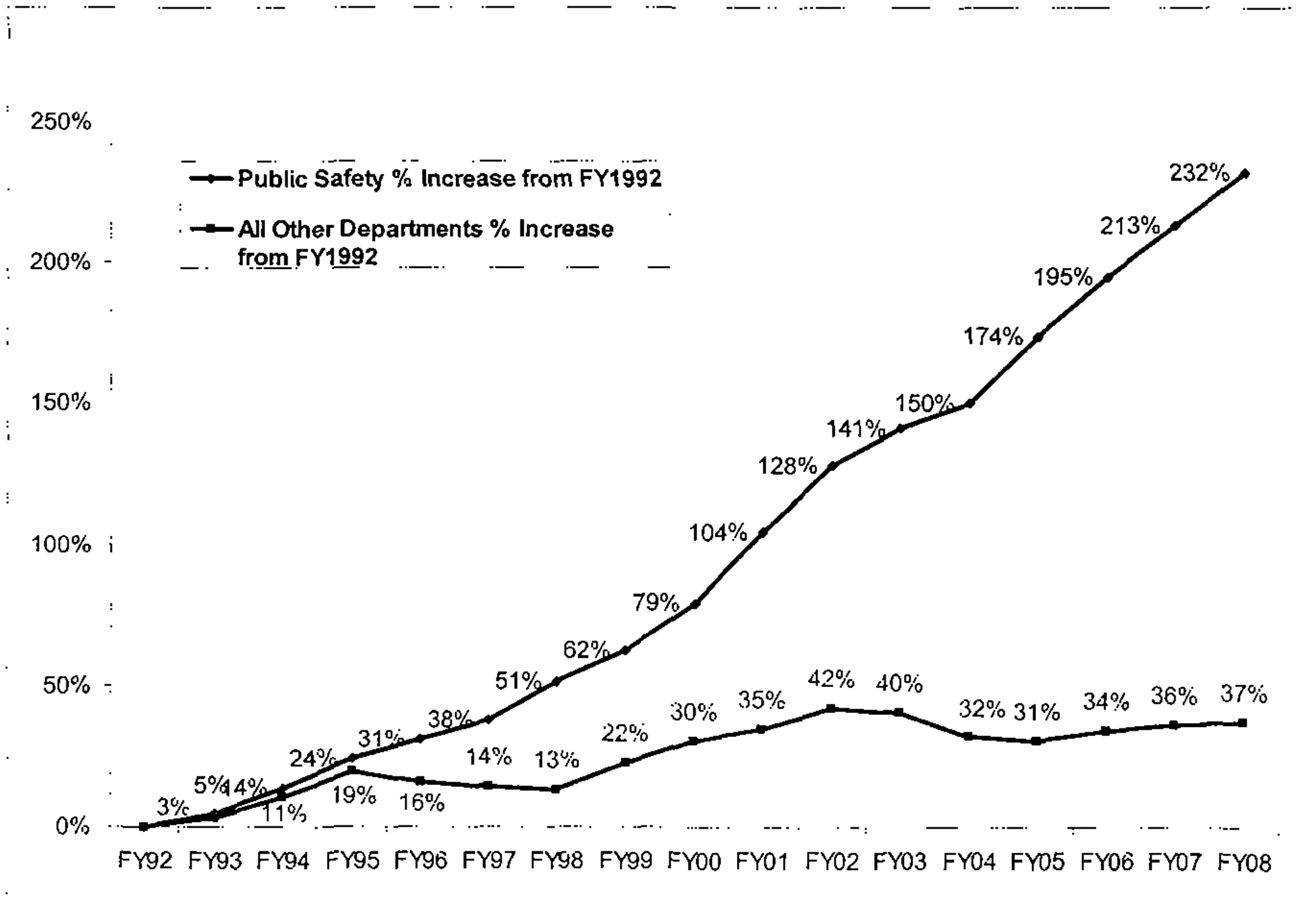
Public Safety Costs

1. Assuming current trends continue and staying at effective tax rate, public safety cost drivers will consume most of our new revenue in the next two years and will exceed new revenue beyond two years.



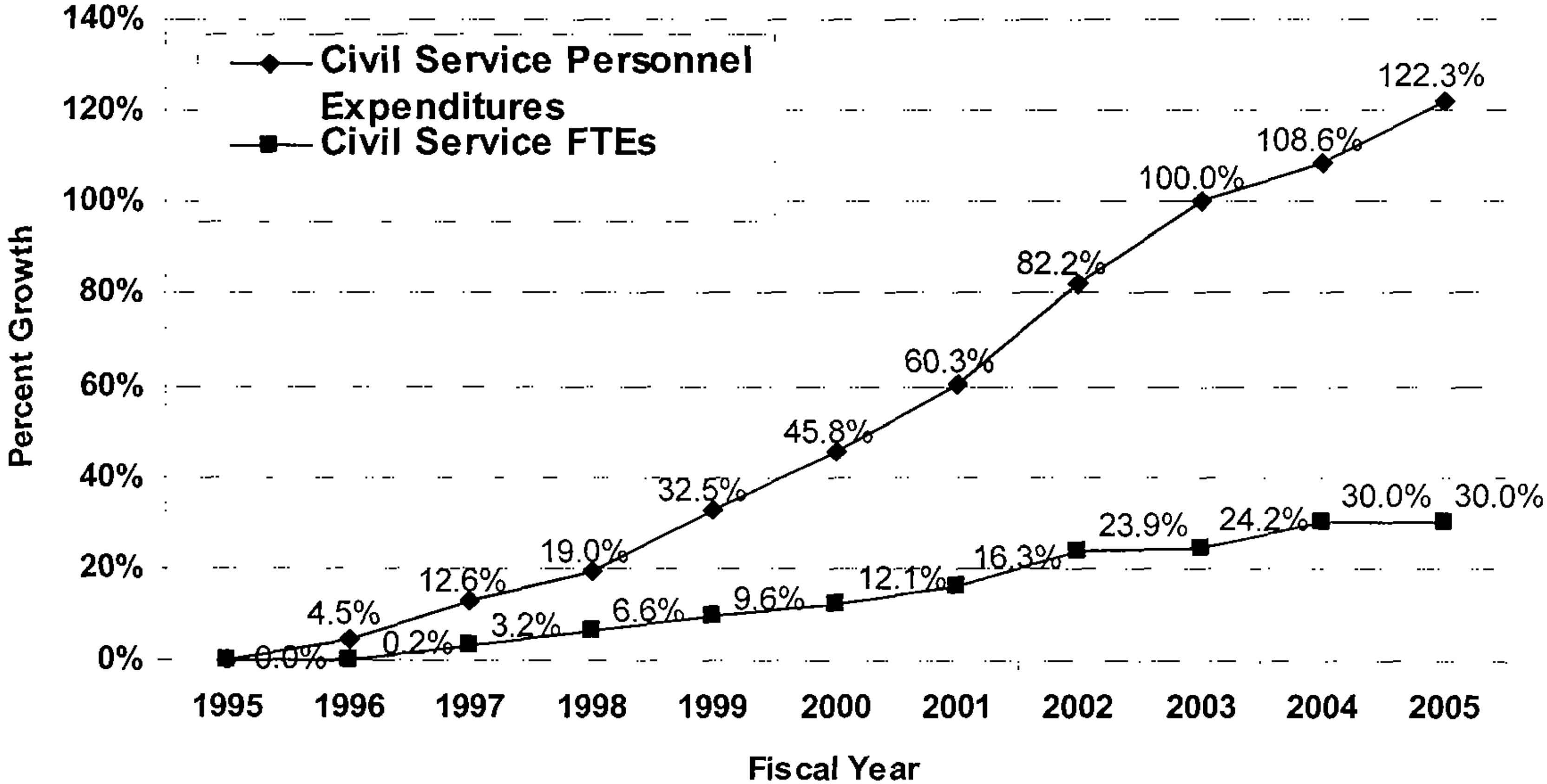
Public Safety Costs

2. Public safety salaries are 93% of total public safety costs…and growing more than any appropriately comparable rate of growth, such as the consumer price index.



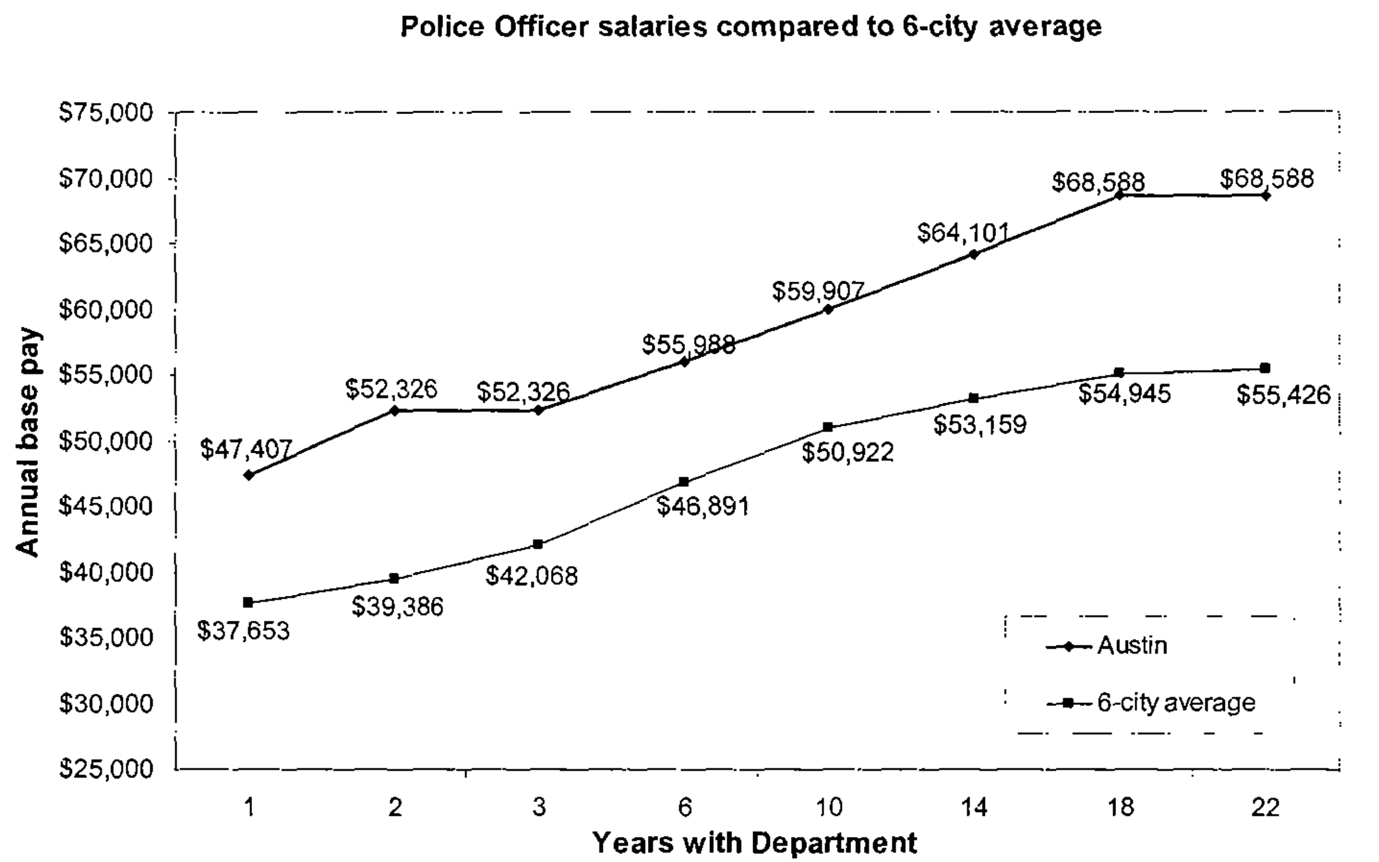
Public Safety Costs

Police and Fire Departments
Growth of Civil Service Personnel Expenditures vs. Growth in Number of Civil Service FTEs



Public Safety Costs

3. Public safety salaries are already higher in comparison to other Texas cities.



Comparison cities: Corpus Christi, Dallas, El Paso, Fort Worth, Houston, San Antonio

Public Safety Costs

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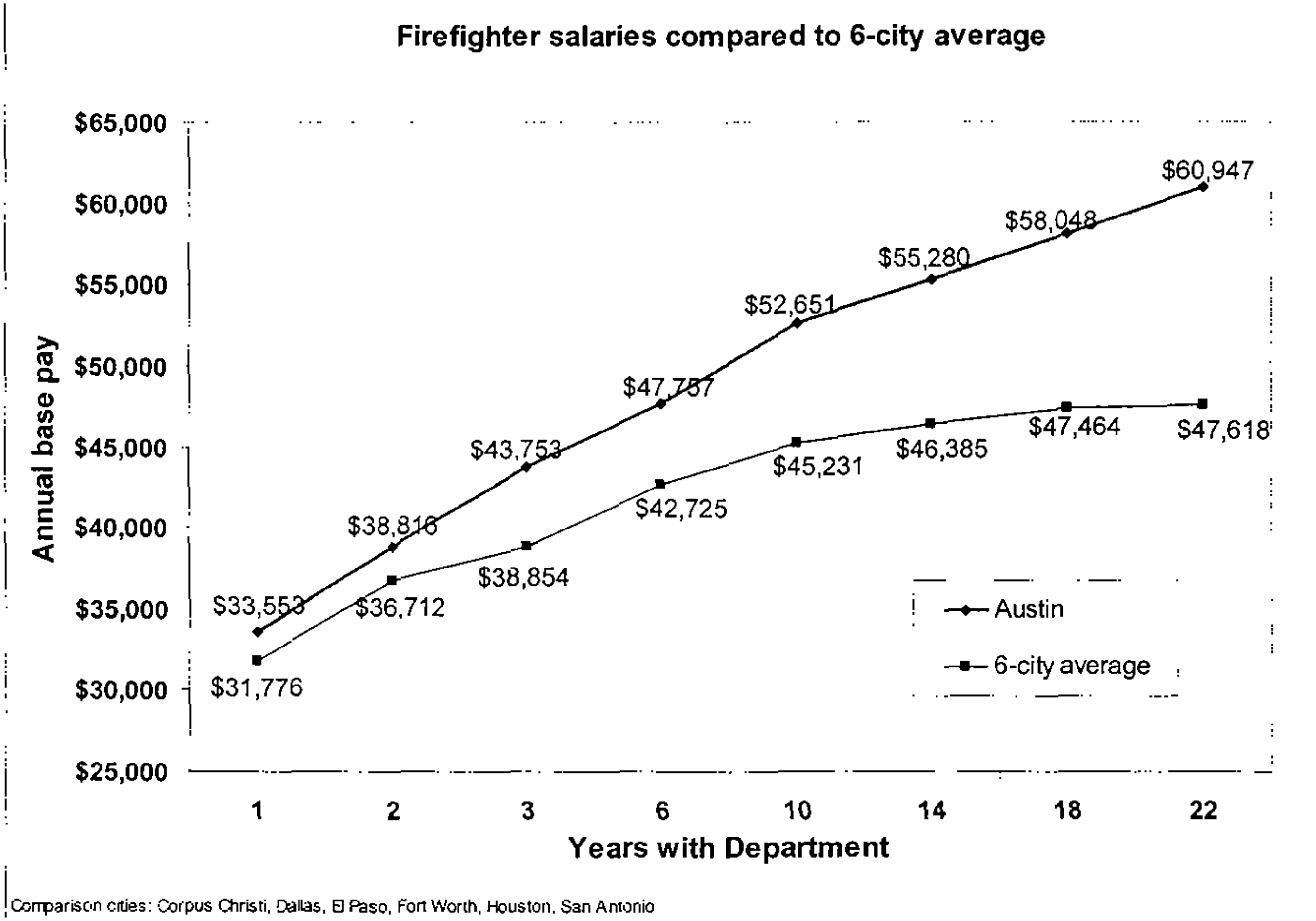
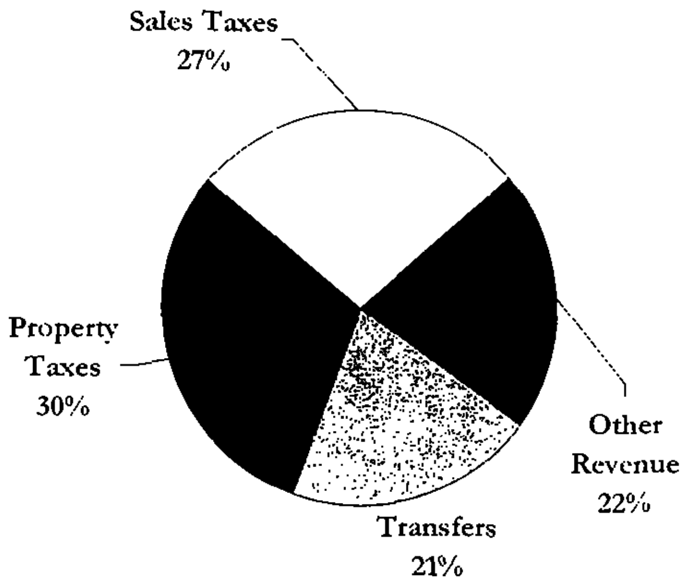


Budget Highlights
General Fund

Budget Highlights – General Fund

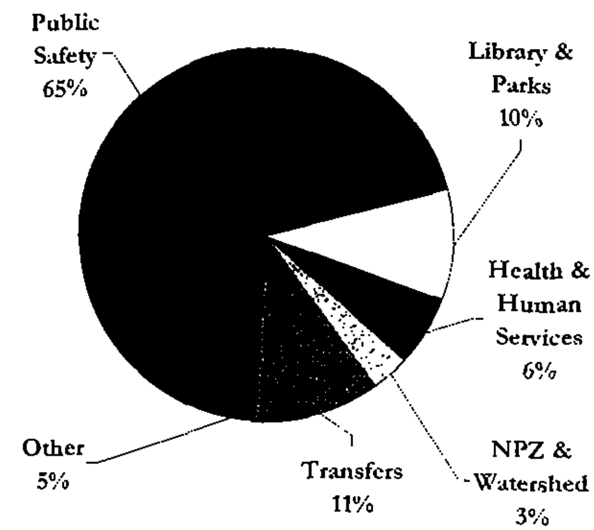
Sources of Funds

$479.7 million



Uses of Funds

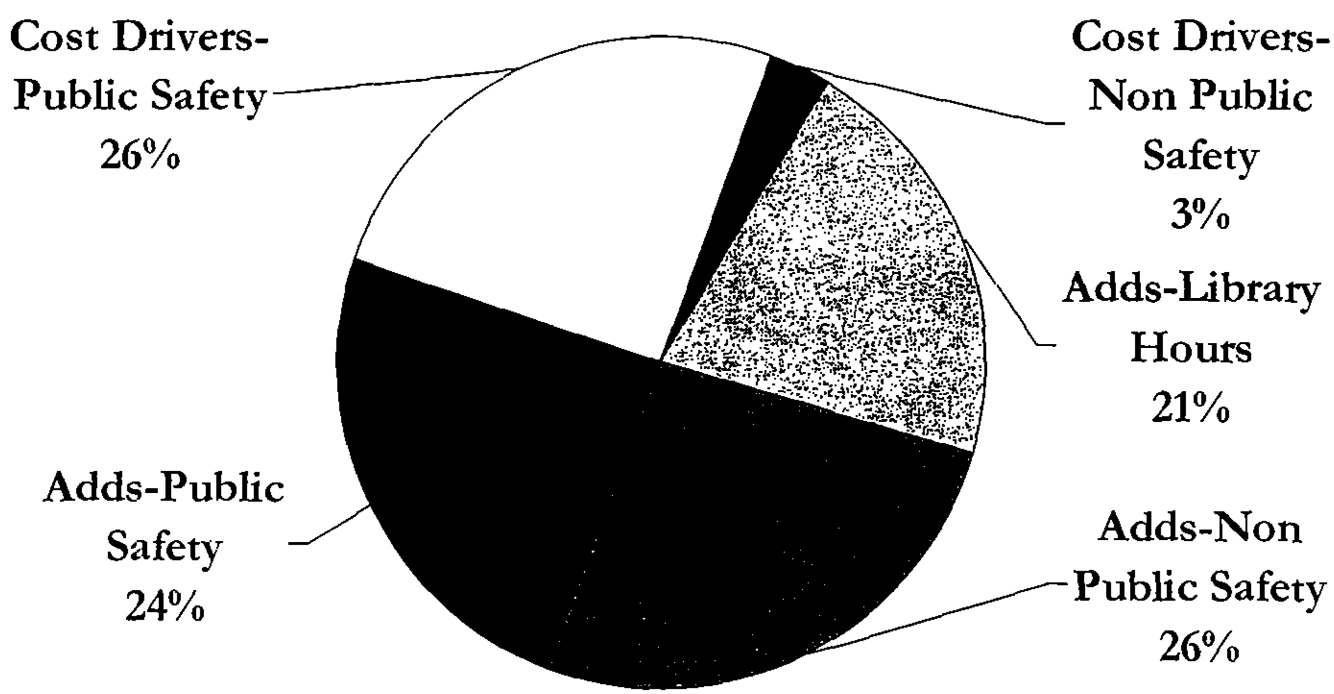
$479.7 million



Includes $1.3 million proposed for neighborhood reinvestment.

Budget Highlights – General Fund

Proposed New Positions: 160.13



Police

Total 2006 proposed budget - $183 million

- ***Maintain 2.0 officers per 1,000 residents***
- ***Overtime for constant staffing*** – adds $500,000 to 2006 budget
- ***Meet and confer*** – 3rd year of approved Meet and Confer contract
- ***Jail interlocal*** - $1 million for unanticipated 29% increase in contract with Travis County
- ***Addition of staff*** –11 new civilians, 1 animal cruelty detective
- ***Proposed neighborhood reinvestment*** – $500,000 for 5 dedicated motorcycle officers for a residential traffic safety squad

Fire

Total 2006 proposed budget - $91.5 million

- ***Full funding for operation of all 43 fire stations at task force staffing levels***
- ***Firefighters for Spicewood Springs Station*** – 20 firefighters for opening in Fall 2006
- ***Wellness center*** – approx. $130,000 in matching funds for a federal grant of $302,205 to implement a Wellness/Fitness Center
- ***Full-Year funding for Circle C station***
- ***Critical equipment replacement*** – 3 pumpers and one ladder
- ***Adds back 1 civilian*** – payroll specialist

EMS

Total 2006 proposed budget - $35.2 million

- ***Conversion to 48-hour work week*** – 24 new paramedics and $1.3 million to convert from 24-hr shifts to 12-hr shifts; 1 new paramedic for recruiting
  - Insufficient down time in 12 of 28 units as call volume grows
  - Will help to reduce turnover and enhance recruiting
  - 94% of paramedics who voted support conversion
- ***New stations*** – 20 new paramedics, equipment and supplies
  - Del Valle & Circle C
- ***Safety*** –2 new positions added back for wellness/injury prevention program

Municipal Court

Total 2006 proposed budget – $9 million

- ***Improved customer service*** – 4 positions to reduce customer wait time (now 25 minutes) and abandoned calls (now at 18%)
- ***Community Restitution ROW mowing crew*** – 2 supervisors for mowing crews to allow more probationers to fulfill their community service

Municipal Court

City of Austin, Texas

Health & Human Services

Total 2006 proposed budget - $28.4 million

- ***Social services funding*** – restores $573,182 in prior year reductions to social services contracts
- ***Food establishment inspections*** – 4 sanitarian positions to inspect all food establishments twice per year, a goal not currently being met
- ***Communicable disease services*** – 5 positions to serve 90% of communicable disease clients seeking treatment within 24 hours

HEALTH & HUMAN SERVICES DEPARTMENT

Parks & Recreation

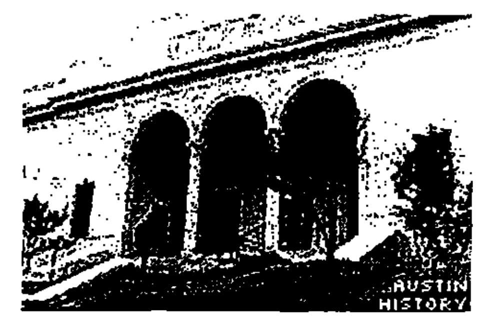
Total 2006 proposed budget – $27 million

- ***Parks maintenance*** – 6 new positions in facility services for City-wide maintenance needs, including Colony Park and recently annexed areas (Harris Branch, Scofield Farms and Riata)
- ***Forestry*** – add back a 5-person forestry crew to help reduce response time for blind corner requests from 19 days to 5 days
- ***Facilities*** – a new coordinator to offer additional cultural arts activities at Carver Museum and a recreational specialist at Metz
- ***Bergstrom Golf Course*** – closes Bergstrom Golf Course in December 2005 due to ongoing operating deficits, the inability to reinvest due to the airport master plan, and the widening of State Highway 71

Austin Public Library

Total 2006 proposed budget - $19.3 million

- ***Library services*** – Restores 30.63 positions and funding to open all branch libraries one additional day per week
  - Adds a managing librarian to eliminate the need for shared supervision of two locations by one librarian
- ***Austin History Center*** – Restores 2.75 positions and funding to open the History Center one more day



- ***Support operations*** –

  Adds 6.5 positions to address core areas critical to library operations, such as a backlog of shelving and delivery services to branch libraries

Neighborhood Planning & Zoning

Total 2006 proposed budget – $4.2 million

- ***Increased focus on planning*** – 3 planners and one landscape architect to assist with:
  - transit station area planning
  - neighborhood plans
  - zoning code rewrite
  - implementing Commercial Design Standards
  - handling increase in historic zoning and preservation cases

Neighborhoods First!

- ***SH 130 land use planning and annexations*** – Any funding changes will be brought to Council along with any annexation

Watershed Protection

General Fund

Total 2006 proposed budget – $12.5 million

- ***Building inspections*** – 2 inspectors and 1 support position
  - Current staffing only provides for completion of 90% of building inspections within 24 hours rather than the goal of 95%
  - 17% increase in this year's workload alone
- ***Permit center*** – 2 positions in the Permit Center to meet a 28% increase in customer demand
- ***Zoning review*** – 1 position to handle increase in residential zoning review application
  - Only 77% of residential zoning reviews completed within 7 days, as mandated by Land Development Code

Recap: Strategic "Add Backs" $6.5 million

Community Services

- **Municipal Court - $337,067** for Clerk Assistants & Clerk Associates, increase to Social Service Contracts, Juvenile Docket Pilot Program
- **Health - $372,296** for Health Inspectors, Communicable Disease, HIV Counseling
- **WPDR - $301,403** for Zoning, Permitting & Inspection
- **Library - $1,427,191** for Restoring Branch Library Hours, Austin History Center Hours, Shelving

Infrastructure / Planning

- **Municipal Court - $45,148** for mowing crew leader in DACC
- **NPZD - $275,751** for Neighborhood Planning, Zoning Code rewrite, historic zoning, design standards
- **PARD - $320,972** for Forestry Crew and Maintenance Crew

Continued...

Recap: Strategic "Add Backs" $6.5 million

...Continued

Public Safety

- **Fire - $170,571** for Wellness Center and Payroll Specialist
- **EMS - $1,200,136** for New Shift Package, Safety, Recruiting

Investment in the Workforce

- **$1,467,805** for Market Adjustments and Living Wage

Social Service Contracts

- **$573,182** to restore prior year cuts to Social Service Contracts

Neighborhood Reinvestment $1.3 million

- Additional $1.3 million available due to increased value of certified tax roll
- Strategic “add backs” proposed for neighborhood reinvestment:
  - ***Code Enforcement* - $0.4 million** for an additional inspector in each of 4 zones, plus dedicated judge
  - ***Neighborhood Traffic Enforcement* - $0.5 million** for 5 dedicated motorcycle officers for a residential traffic safety squad
  - ***Traffic Calming* - $0.4 million** to implement additional traffic calming plans

Recap: Strategic "Add Backs"

1. Proposed budget allows us to restore funding for critical programs:
   - $6.5 million in proposed budget
   - $1.3 million for neighborhood reinvestment could be added due to increased value of certified tax roll

2. Or, if effective tax rate is adopted:
   - Simply requires scaling back on proposed reinvestment

Other Funds

Watershed Protection

Drainage Fund

Total 2006 proposed budget – $52.2 million

- ***Proposed increase in the drainage fee***
  - Cover increased maintenance operations
  - Provide $16.5 million to help fund $800 million backlog of capital projects in master plan
- ***Infrastructure and waterway maintenance*** – 10 positions for enhanced infrastructure and waterway maintenance
- ***Flooding and erosion control*** – 6 additional staff to maintain floodplain maps, assess creek flood and erosion problem areas, assess pond dams, and work with the flood early warning system
- ***Capital budget*** –$16.5 million capital transfer primarily provides:
  - $7.2 million for multi-objective projects
  - $3.7 million for erosion control
  - $2.0 million for storm sewers
  - $2.7 million for flood control projects.

Roadways, Sidewalks & Transportation

Planned in 2006:

Transportation Fund O&M Budget – $24.9 million

- Preventative maintenance of 550 lane miles, or 8% of the roadway network
- 73% of the roadway network projected to be in fair to excellent condition, exceeding our goal of 70%

Other Funding

- $3.4 million available for American Disability Act (ADA) projects, including restroom upgrades, curb ramps and sidewalks and park facilities
- $4 million in Build Central Texas funds for transportation and mobility initiatives

Housing Assistance

$23.1 million invested in activities, including:

- Tenant Based Rental Assistance
- Rental Housing Development Assistance
- Architectural Barrier Removal for Elderly or Mobility-Impaired
- Anderson Hill Redevelopment
- Homebuyer Lending Assistance
- Emergency Home Repair
- Community Housing Development Organization Support
- Homeowner Moderate Rehabilitation
- Lead Hazard Control Program
- Materials Grants Program
- Homeownership Development
- Single Family and Multi-Family Bond Program
- SMART Housing Program

Small & Minority-Owned Business Assistance

$6.8 million invested in activities, including:

- ***Economic Growth and Redevelopment Services Programs: $1.4 million***
  - Help small businesses with information, training and technology
- ***Neighborhood Housing and Community Development Department Programs: $3.7 million***
  - Community Development Financial Institution
  - Micro-enterprise Technical Assistance
  - Neighborhood Commercial Management Program
  - Small Minority Business Assistance
- ***Small and Minority Business Resources: $1.7 million***
  - Recruit and support MBE/WBE firms

Helping Businesses Grow!

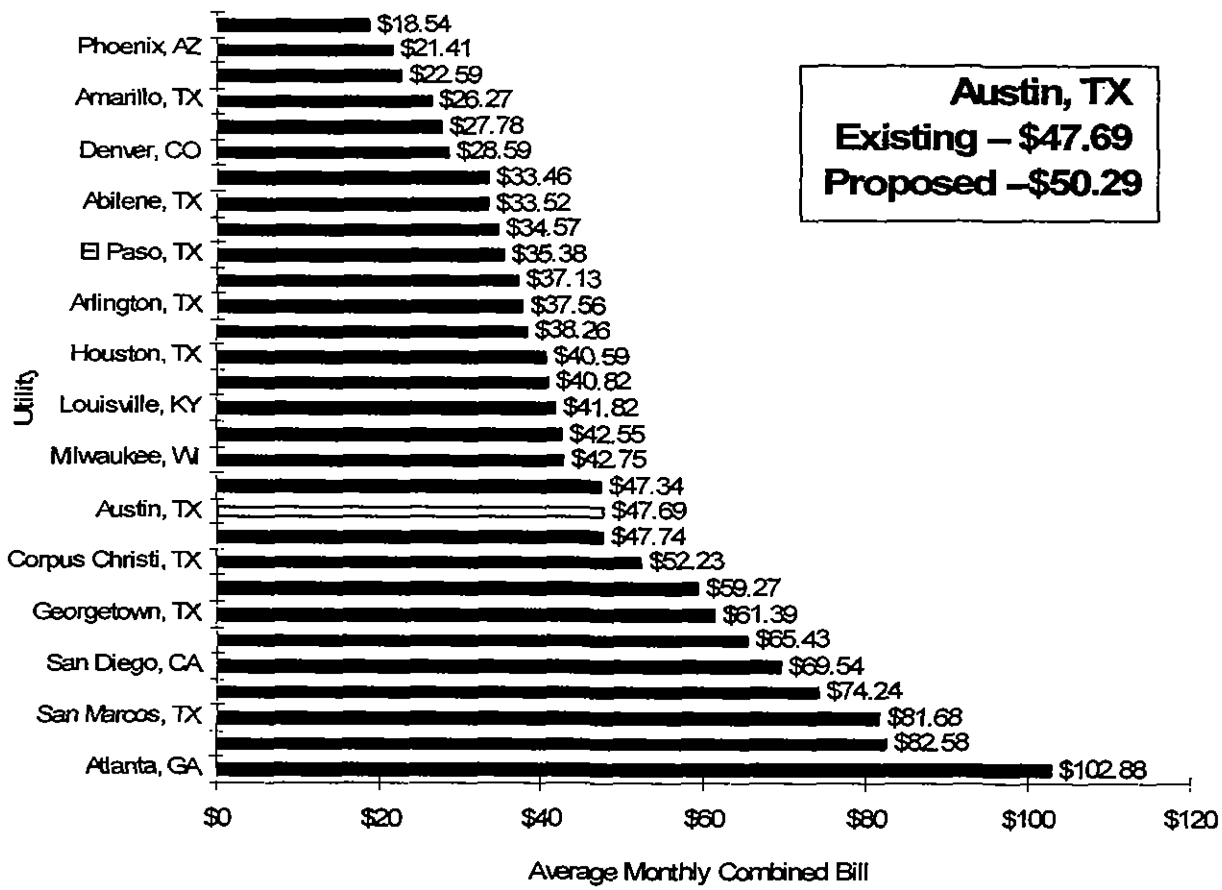
Proposed Rate & Fee Increases

Water Utility – 5.2% combined rate increase

- Water – 3.6%
- Wastewater – 7.0%
- Part of a five-year level rate plan to avoid larger increases in any one year

Austin Water Utility

Average Monthly Combined Water and Wastewater Bills
Single Family Residential (Water-8,500 Gals. Wastewater-5,000 Gals.)

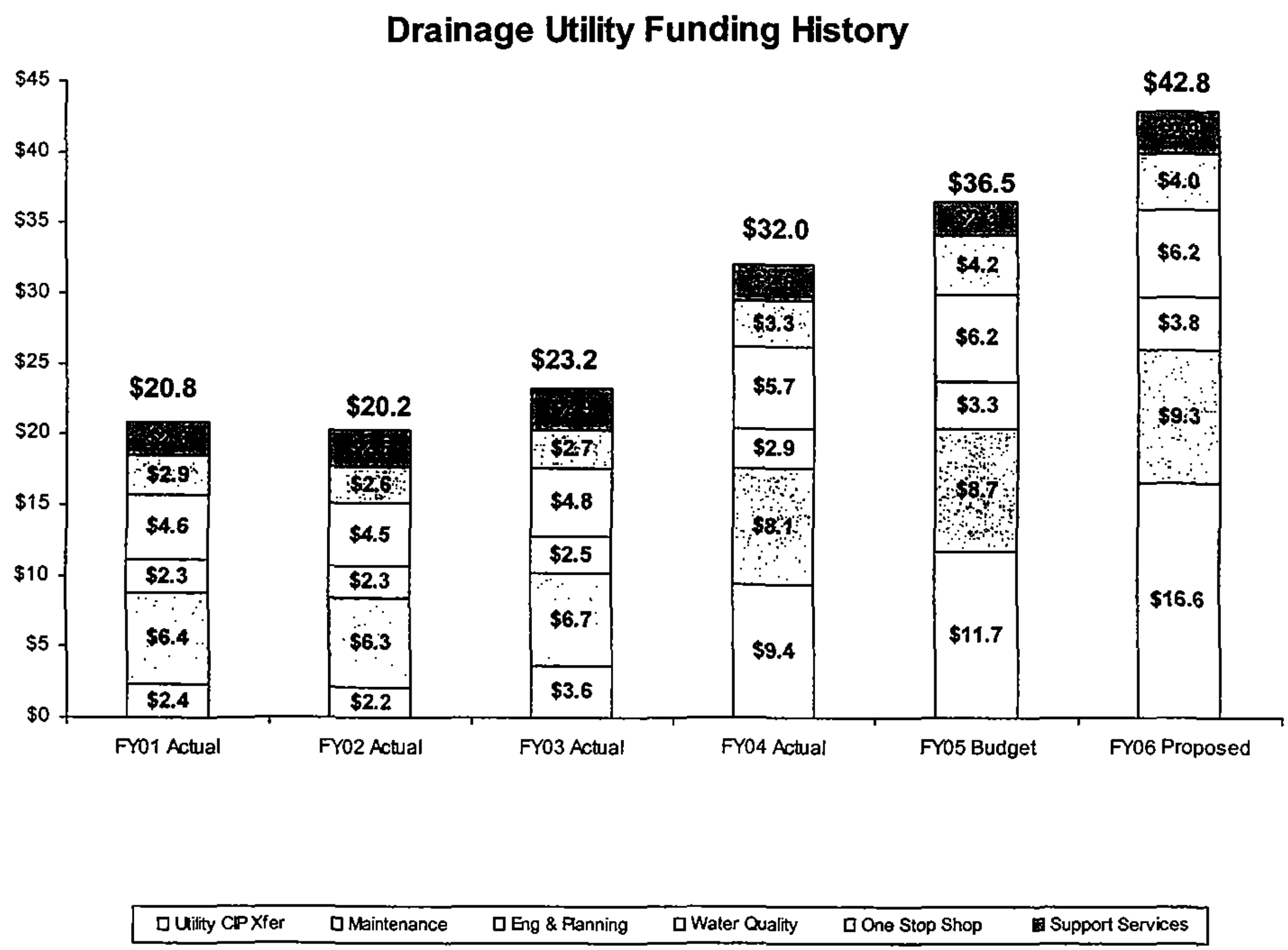


Proposed Rate and Fee Increases

Drainage Utility – Cost of service plan is in fifth and final year

- Residential fee – $6.74 per month to $7.15 per month
- Commercial – $147.92 per acre to $176.66 per acre

Drainage Utility



Other Fees

Department	Fee	Proposed Rate	Estimated Annual Fiscal Impact
Airport	Off-Airport Parking Fee	5% of Gross Revenue	60,000
Golf	Golf Surcharges and Round Fees	Surcharges: $0.50 - $1.00 Round Fees: $6.00 - $19.00	63,000

Closing

Structural Balance…

Staying the Course…

Strategic Reinvestment…

Austin is known for excellence and excellence requires investment.

The time for reinvestment is now.

Truth-in-Taxation Requirements

- Council must vote on August 4th to set 2 public hearings for any tax rate that exceeds the effective tax rate of 43.19¢
- The August 4th vote must announce the maximum proposed tax rate that will be the subject of the hearings
- Council cannot adopt a rate that exceeds that maximum rate without restarting the hearing process
- However, Council could adopt a lower rate than that maximum rate specified without restarting the hearing process

Key Dates

July 28^{th}	City Manager Submits Proposed Budget
August 4^{th}	Budget Presentations & Public Hearings Discuss & Vote on Proposed Tax Rate Hearings
August 18^{th}	Budget Presentations & Public Hearings
August 25^{th}	Budget Presentations & Public Hearings Public Hearing on Tax Rate
September 1^{st}	Budget Presentations & Public Hearings Public Hearing on Tax Rate
September 12^{th}	Budget and Tax Rate Approval Readings
September 13^{th}	Budget and Tax Rate Approval Readings
September 14^{th}	Budget and Tax Rate Approval Readings

Questions
Comments
Discussion