



M E M O R A N D U M

TO: Mayor and Council

FROM: Ed Van Eenoo, Deputy Chief Financial Officer *EW*

DATE: April 22, 2014

SUBJECT: Resolution No. 20140130-048: Calculation of Affordability Benchmark

In January, the City Council passed Resolution No. 20140130-048, which outlined the procedure for calculating a new affordability benchmark. The resolution further directs the City Manager to adopt the benchmark “as an objective to assist in preparation and consideration of the current general fund budget.” As we approach the first major milestone in the City’s annual budget development process, the presentation of the Financial Forecast this Thursday, April 24, I am writing to inform you that financial staff have calculated the fiscal year 2014-15 affordability benchmark at \$41.6 million of new General Fund spending.

In accordance with the calculation procedure outlined in the resolution, financial staff have:

- Combined estimates of City and Travis County population from the City Demographer with the latest figures on Travis County income from the United States Department of Commerce to obtain an estimate of total City income. This estimate has been calculated at \$43.9 billion for 2014, the most recently available data.
- Converted the estimated City of Austin total income time-series to a five-year moving average.
- Calculated the most recent percentage change in the five-year moving average of estimated City of Austin total income at 5.09%.

This 5.09% income-increase factor is then applied to General Fund requirements in order to generate a total General Fund spending benchmark for FY 2014-15. Financial staff have applied the income-increase factor to total FY 2013-14 General Fund requirement, net of the General Fund transfer to the Economic Incentives Reserve Fund (EIRF). Transfers to the EIRF should not be considered as expenditures in the context of this calculation as they encompass property tax revenue abatements in accordance with the terms of Chapter 380 economic development agreements. Growth or contraction in the transfer is therefore not tied to aggregate General Fund spending levels, but rather is dependent on growth in the assessed valuation of companies

receiving the incentives and on forecasted property tax rates. As such, the transfer should be netted out before calculating the spending benchmark.

Net of the transfer to the EIRF, total FY 2013-14 Amended General Fund requirements equaled \$785.8 million. Applying the 5.09% income-increase factor to this figure nets an FY 2014-15 incremental General Fund spending benchmark of \$39,990,500. Adding this amount to the projected increase in the transfer to the EIRF of \$1,601,670, results in an incremental budget benchmark for FY 2014-15 of \$41,592,170.

The table below summarizes the calculation and the resulting benchmark value for FY 2014-15:

FY 2013-14		FY 2014-15	
Total General Fund Requirements	\$800,055,003	Prior Year Total General Fund Requirements	\$800,055,003
Economic Incentives Reserve Fund Transfer	\$14,205,935	Incremental Spending Benchmark	\$39,990,500
Net Total General Fund Expenditures	\$785,849,068	Economic Incentives Reserve Fund Transfer - Incremental Increase	\$1,601,670
Income-Increase Factor	5.09%	Net Incremental Budget Benchmark	\$41,592,170
Incremental Spending Benchmark	\$39,990,500	Total FY15 General Fund Requirements Benchmark	\$841,647,173

Sincerely,

Ed Van Eenoo
Deputy Chief Financial Officer

Cc: City Manager
Deputy City Manager
Assistant City Managers
Chief Financial Officer