



Late Backup

2010 - 2011
Proposed Budget

Budget Overview and Highlights

July 28, 2010



Budget Highlights

- Inclusive and transparent budget process
 - online budget priority setting tool
 - community input forum with real time voting
 - numerous boards & commissions meetings
 - budget briefing with Austin Neighborhoods Council
 - 3 budget work sessions and 2 public hearings scheduled
 - presentations and reports available at www.ci.austin.tx.us/budget
- General Fund budget is structurally sound and balanced without use of reserves for operations
 - reserves projected to increase to 12% of proposed budget
- Budget values and rewards employees
 - funding for wage increases and service incentive pay
 - additional city contributions to employee retirement systems
 - no furlough days or layoffs

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Budget Highlights

- Key additions made to core service areas
 - 48 police officers, 30 paramedics, 10 firefighters
 - \$500,000 increase in library materials budget
 - implementation of animal services live outcomes plan
 - increased staffing in planning and development services
- Significant improvement in sales tax revenue was a key factor in balancing the budget
- Property tax rate proposed 1.9% above effective rate
 - first budget proposed below rollback rate since FY 2006
- 21.75 vacant positions eliminated or repurposed to help address critical unmet service demands
- \$8.7 million in reductions via departmental “budget scrubbing” and “repurposing” efforts

Today's Presentation

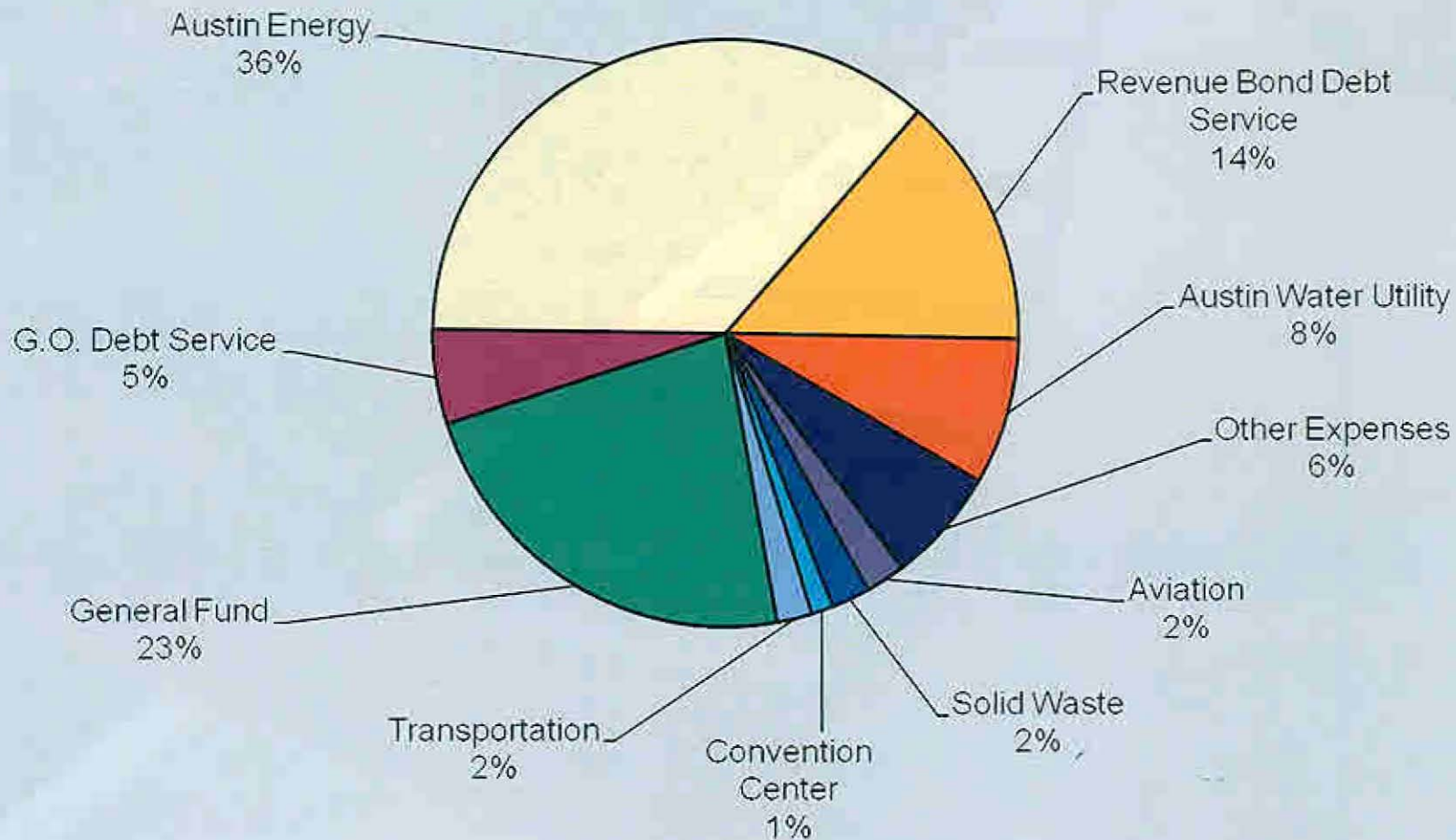
- ✓ All Funds Summary
- ✓ General Fund Summary
- ✓ General Fund Revenue Detail
- ✓ Highlights from Internal Service Funds
- ✓ Highlights from Enterprise Funds
- ✓ Capital Budget Overview
- ✓ Next Steps



All Funds Summary

All Funds Budget

All City Funds Proposed Uses of Funds FY 2010-11
\$2.8 billion



All Funds Personnel Changes

	<u>2010</u>	<u>2011</u>	<u>Change</u>
General Fund*	5,535.7	5,639.4	103.8
Austin Convention Center	244.0	239.0	(5.0)
Austin Energy	1,676.0	1,675.0	(1.0)
Austin Water Utility	1,070.1	1,070.1	0.0
Aviation	345.0	345.0	0.0
Capital Projects Management	247.0	268.0	21.0
Solid Waste Services	398.0	392.0	(6.0)
Transportation Fund	349.5	347.5	(2.0)
Watershed Protection	249.5	255.3	5.8
Other Funds	<u>1,761.9</u>	<u>1,758.3</u>	<u>(3.5)</u>
Total	11,876.6	11,989.6	113.0

* Personnel counts reflect consolidation of Recreation and Softball Funds with the General Fund.

Major Rate & Fee Changes

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

	2010 Monthly Rate	2011 Proposed Rate	Monthly Dollar Change	Typical rate payer defined as:
Austin Water Utility	\$67.35	\$71.19	\$3.84	<i>residential customer with monthly annualized usage of 8,500 gallons of water and 5,000 gallons of wastewater</i>
Austin Energy	\$92.15	\$92.94	\$0.79	<i>residential customer with average monthly usage of 959 Kwh</i>
Solid Waste Services	\$23.75	\$23.40	(\$0.35)	<i>residential customer using a 60 gallon cart (61% of residential customers)</i>
Public Works	\$6.63	\$7.29	\$0.66	<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	\$65.90	\$70.27	\$4.37	<i>owner of a median priced home</i>
Total	\$263.53	\$272.84	\$9.31	<i>average projected increase of 3.5%</i>



General Fund Summary

Recap of 2011 Forecast

- 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
- Improvement in economic indicators was beginning to be seen but sales tax projection was kept very conservative
- Drop in development revenue projected to continue
- 5% drop in assessed property value would raise tax rate
- Projected budget gap
 - effective tax rate: \$28.1 million in FY 2011 growing to \$101 million by FY 2015
 - rollback tax rate: \$11.4 million in FY 2011; gap projected to close within forecast horizon as economy improves

Significant Items Included in Forecast

- 13 police officers
- 1 new medic unit to service Avery Ranch
- Conversion of one ladder truck unit to 4 person staffing
- Funding for animal services live outcomes plan
- \$500,000 increase in Library book budget
- Employee wage increases
 - 3.0% annually for contract police, fire, and EMS employees
 - 2.5% annually for civilian employees
- Supplemental funding for employee retirement systems
 - 1% annually in 2011-13 for sworn police
 - 1% annually in 2011-12 and 2% in 2013 for sworn fire
 - 2% annually in 2011-13 for civilian employees

Forecast to Proposed

Revenue Adjustments: \$2.3 million

<i>Forecast Revenue at Rollback Rate 4/21*</i>	\$647.9
<i>Property tax rate proposed below rollback rate</i>	(\$7.1)
<i>Improved sales tax revenue</i>	\$10.7
<i>Improved franchise fees</i>	\$1.1
<i>Correction of one-time AE payment made in FY10</i>	(\$1.0)
<i>Reduced EMS reimbursement from County</i>	(\$0.5)
<i>Reduction in transfer from Austin Water Utility</i>	(\$0.2)
<i>Other Adjustments</i>	(\$0.7)
<i>Proposed Revenue 7/28</i>	\$650.2

* Forecast amount adjusted to reflect consolidation of Rec and Softball funds with General Fund.

Forecast to Proposed

Expenditure Adjustments: (\$9.0 million)

<i>Forecast Budget 4/21*</i>	\$659.2
<i>Budget scrubbing</i>	(\$8.7)
<i>Reduced transfer to Transportation Fund</i>	(\$3.2)
<i>Elimination/Repurposing of vacant positions</i>	(\$0.5)
<i>Items implemented from Budget Reduction Menu</i>	(\$0.6)
<i>Items added from Unmet Service Demands Menu</i>	\$3.9

<i>Proposed Budget 7/28</i>	<i>\$650.2</i>
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* Forecast amount adjusted to reflect consolidation of Rec and Softball funds with General Fund.

Repurposing/Elimination of Vacant Positions

- 10 vacant positions repurposed to meet other needs
 - 5 positions in PARD repurposed to maintenance of downtown parks
 - 2 positions in PARD repurposed to meet new staffing requirements at Dittmar Rec Center and Canyon Creek MUD
 - 1 position from FSD and 1 position from CTM transferred to Fleet Services to improve internal control systems
 - 1 position in building services repurposed to the new joint public safety training facility
- 11.75 vacant positions eliminated
 - 8.75 positions eliminated from support services departments
 - 2.5 communications positions in Emergency Medical Services
 - 0.5 position in Parks & Recreation

Total General Fund Savings: (\$0.5 million)

Budget Reductions Implemented

- Eliminate contribution to Travis County Fire Training Academy
- Discontinue LBJ Fire Academy
- Eliminate 2 vacant positions in HHS
 - family health unit supervisor
 - hepatitis C nurse
- Reduce unallocated funding for HIV social service contract
- Eliminate a vacant engineer C position in PDR
- Reduce funding for remote video traffic monitoring

Total General Fund Savings: (\$0.6 million)

Unmet Service Demands Added

- 35 additional police officers (total of 48)
- 2 new medic units to service Harrisglenn Drive and Harris Branch areas (in addition to Avery Ranch unit)
- Conversion of second ladder truck unit to 4 person staffing
- Funding of 2 family advocate positions for the Center for Child Protection
- \$100,000 funding for Homeless Services Continuum
- 2 positions to enhance contract compliance efforts in HHS
- 2 new branch library delivery units
- 4 planner positions and 6 administrative positions in PDR

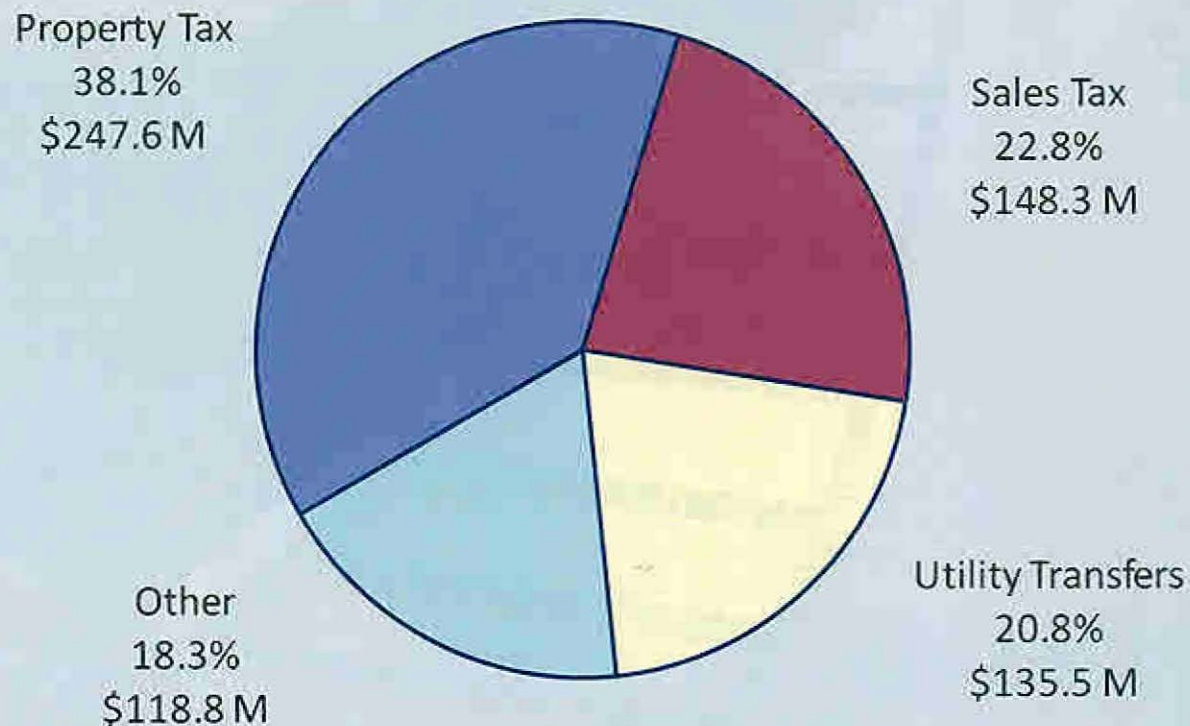
Total General Fund Additions: \$3.9 million



General Fund Revenue

General Fund – Sources of Funds

FY 2011 Projected General Fund Revenue \$650.2 Million



Tax Roll by Property Type

FY 2011 Assessed Property Values & Projected Percentage Change



3 %

Single Family Residential
\$39.6 B 51.3 %



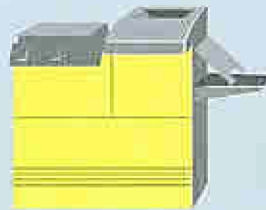
3 %

Multi-Unit Residential
\$9.9 B 12.8 %



5 %

Commercial
\$19.0 B 24.7 %



7 %

Personal Property
\$7.4 B 9.6 %



13 %

Land
\$1.2 B 1.6 %

TOTAL PROPERTY VALUE \$77.1 B

Property Tax

Proposed Tax Rate = 45.71 ¢



O&M:
32.62 ¢



Debt:
13.09 ¢

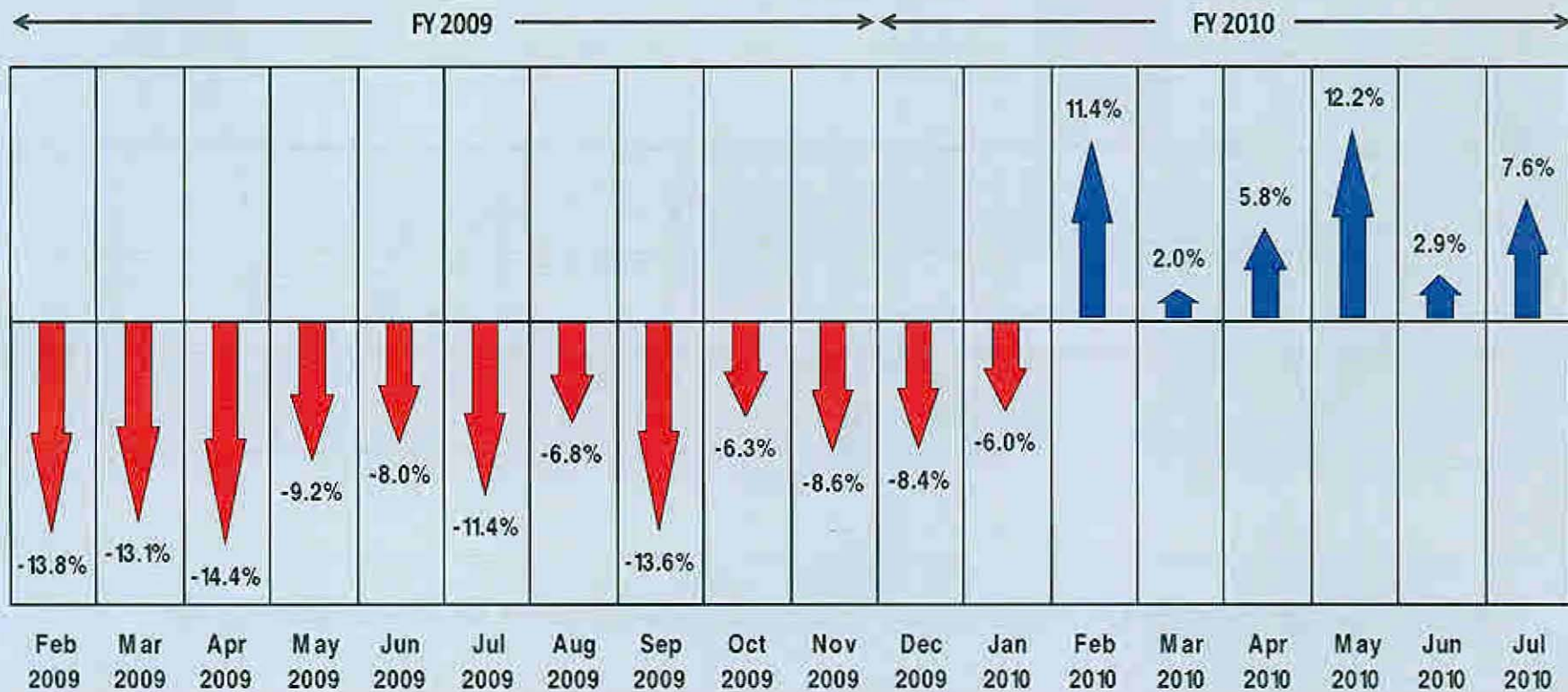
- Current tax rate = 42.09 ¢
- Rate increase mostly driven by decline in assessed value

	Growth Rate	Total AV	New Property
FY 2010	4.9%	\$ 80.2 b	\$2.9 b
FY 2011	(3.8%)	\$ 77.1 b	\$1.2 b

- Proposed tax rate 1.9% above effective tax rate calculation
- \$4.37 per month increase for median valued home

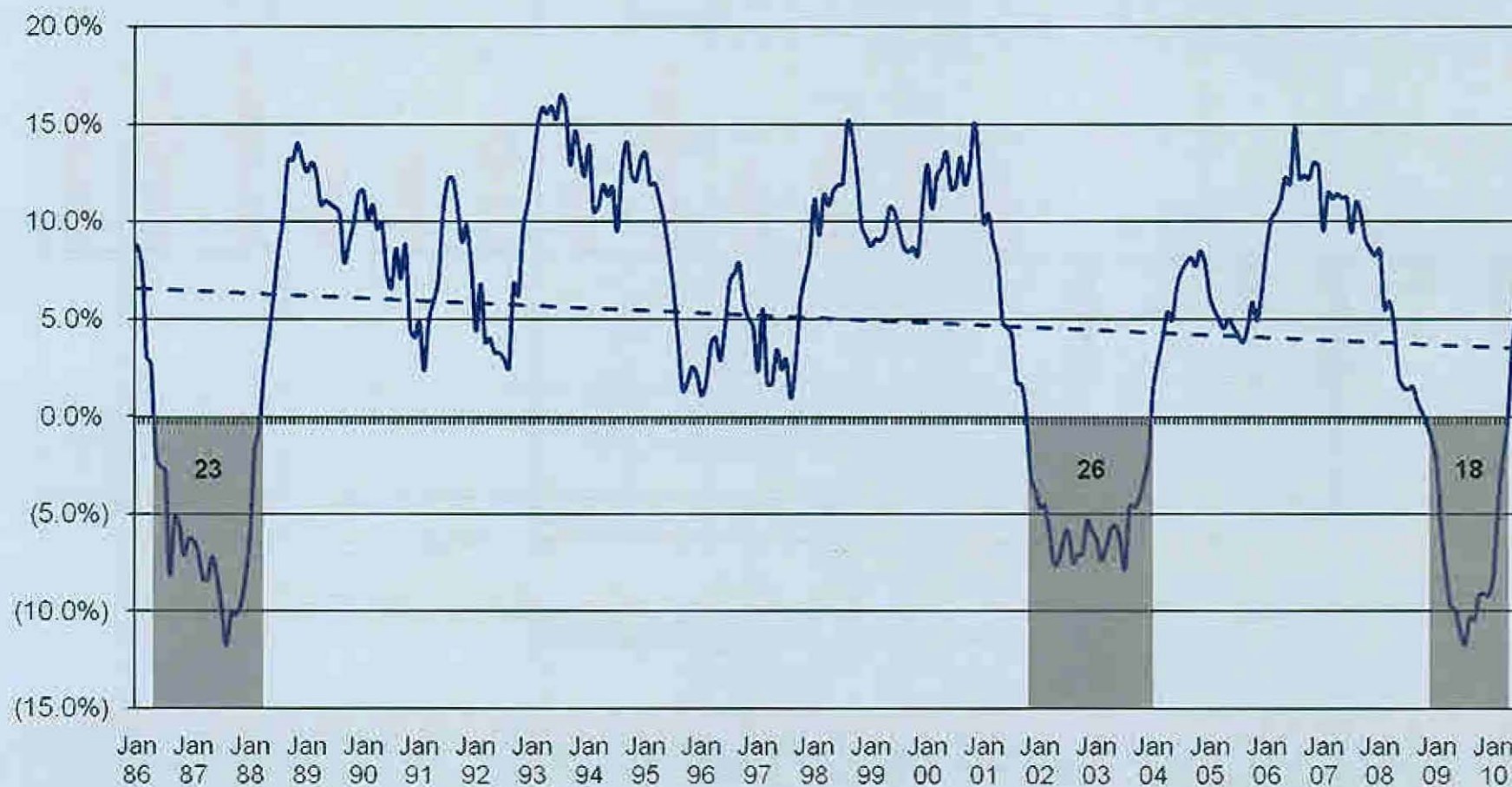
Sales Tax Trend

Monthly Sales Tax Growth



Sales Tax Trend

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



Sales Tax

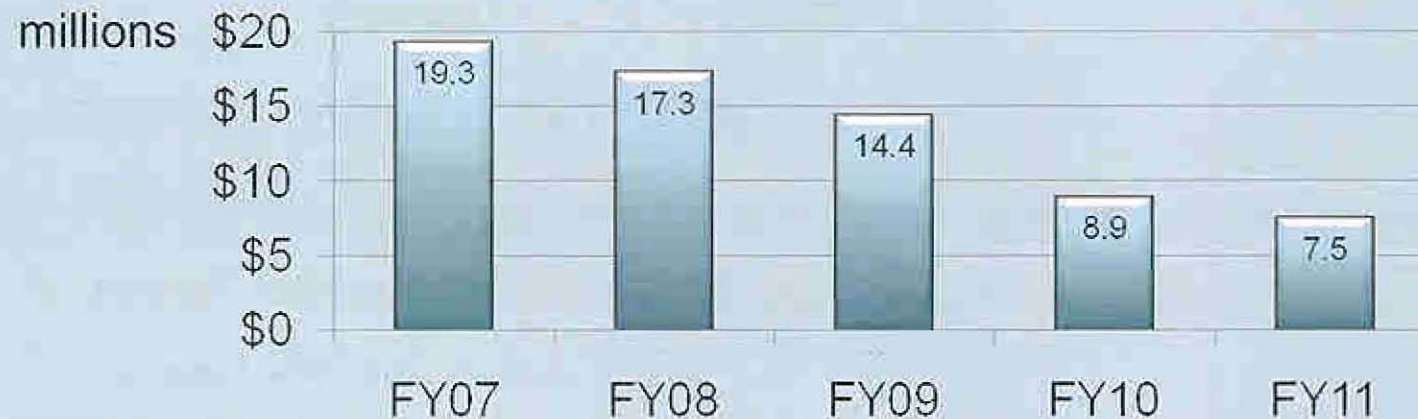
- Sales Tax Background
 - (9.5%) decline in FY 2009
 - (4.0%) decline assumed for FY 2010 at forecast
 - +3.7% year to date, +2.1% exclusive of \$1.5 million audit adjustment
- Projected Sales Tax Growth

	Growth Rate	Total Revenue	Change
◦ FY2009	(9.5%)	\$ 139.8 m	(\$14.6 m)
◦ FY 2010	3.0%	\$ 144.0 m	\$4.2 m
◦ FY 2011	3.0%	\$ 148.3 m	\$4.3 m

* Each 1% change in sales tax equals approximately \$1.5 million in FY 2011.

Other Revenues

- Utility Transfers
 - energy = \$103 million (9.1%)
 - water = \$31.3 million (8.2%)
- Development Revenue



- Franchise Fees (Gas, Telecommunications and Cable)
 - FY09 actual = \$33.3 million
 - FY10 estimate = \$34.0 million
 - FY11 projected = \$35.1 million

Revenue Summary

- Economic recovery has resulted in significant improvement in sales tax revenue
 - 6 consecutive positive months following 16 months of decline
 - currently 3.7% ahead of last year's pace
- New construction activity remains sluggish and development revenue is anticipated to continue decline from historic peak in 2007
- Drop in assessed property values is a key driver in the 2011 proposed tax rate
 - tax rate proposed at 45.71 cents; 1.9% above effective tax rate
 - first budget proposed below rollback rate since FY 2006
 - higher tax rate supports additional public safety funding and helps avoid reductions to other service areas
- Projected revenue is sufficient to fund ongoing obligations



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
- Implementation of PC Refresh project to replace PCs on a 5 year cycle
 - needed to ensure compatibility with technology advancements such as Windows 7

Budget Savings

- Elimination of 8.75 vacant positions in 2011
 - 66 vacant positions eliminated in 2010
 - Slower turn around times on requests for information and special projects anticipated due to staffing reductions in 2010 and 2011
- Total savings implemented in 2011 = \$0.6 million
- Savings efforts reduce costs for Enterprise Funds and General Fund



Enterprise Funds

Austin Convention Center

Highlights

- Austin has been a strong tourist destination in recent years
 - averaging 280 events per year over last two years
- Revenues improving but still projected at 15% below 2008 level
 - projecting a 3% increase in hotel occupancy tax and a 1% increase in vehicle rental tax in 2011 – combined 71% of total Convention Center revenue
 - \$165,000 decline projected in facility and contractor revenue
- Cost containment efforts have been initiated but expenditures projected to exceed revenues by \$4.5 million in 2011
 - Projected 2010 ending balance of \$21 million will be drawn down to close gap

Budget Savings

- 5 vacant positions eliminated and shift scheduling changes implemented to reduce use of temporary staff
- \$2 million reduction in facility operating expenses

Austin Energy

Highlights

- No base electric (non-fuel) rate increase since 1994
- \$46.5 million gap in FY 2011; reduced from \$83.2 million at forecast
 - rate review currently underway with rate increase planned for October 1, 2012
- Transmission rider proposed to pass on increased state-wide grid costs
 - 79 cents per month on average residential bill; projected to reach \$5.23 by 2015
 - projected to generate an additional \$7 million in 2011
 - 2010 increase was deferred one year; \$5 million cost absorbed by Austin Energy
- Refinement of other revenue estimates since forecast
- \$237 million Capital Improvements Spending Plan for 2011
 - \$36.9 million reduction from forecast
- No new positions added in 2011
- Energy efficiency programs increased \$2.5 million
- Solar rebates maintained at \$4.0 million
- \$103 million General Fund transfer; maintains 9.1% rate

Austin Energy

Budget Savings

- Reduction in share of 311 Call Center costs
 - \$4 million share allocated to SWS based upon call volume
- \$1.5 million reduction in department travel and training
- 2 positions repurposed to other department needs and 1 eliminated
- Budget “scrubbing” efforts identified funding that could cover estimated price increases in contracts and commodities
- Debt service requirements \$9.1 million lower than at forecast due to:
 - lower Capital Improvements Spending Plan in FY 2011 requiring less debt issuance
 - use of \$4 million of over-funded Bond Retirement Reserve
 - refunding completed in June saved \$300,000
- Transfer to CIP reduced based on assessment of 2011 spending needs
- \$4.9 million decrease in maintenance contracts, including software

Austin Water Utility

Highlights

- 4.5% combined system-wide rate increase
 - \$3.84 increase in average monthly residential bill, or 5.7%
 - reflects a gradual transition of 1% to cost of service for commercial and large volume customers
- No new positions added in 2011
- \$31.3 million General Fund transfer; maintains 8.2% rate
- \$10.8 million gap projected in FY 2011
 - projected 2010 ending balance of \$49 million will be drawn down to close gap
 - debt coverage requirements maintained

Budget Savings

- Overall contractual and commodity budgets held at 2010 levels
 - \$340,000 reduction in non-CIP capital equipment
 - \$360,000 in power savings through treatment process improvements
 - \$260,000 reduction in travel, training, fuel, and vehicle maintenance

Aviation

Highlights

- 9.1% increase in airline revenue projected
 - fees paid by airlines recover capital, operating and maintenance costs
 - annual passenger traffic projected to increase 3%
 - cost per enplaned passenger projected to increase 5.9% due to increased operating and debt service costs
- 5.9% increase in non-airline revenue
- No new positions added in 2011
- Surplus of \$16.2 million projected for FY 2011 will be transferred to Airport Capital Fund

Budget Savings

- \$1.2 million reduction in contractual and commodity accounts
- \$308,000 reduction in the cost of the parking management contract

Drainage

Highlights

- No rate increase proposed for 2011
 - 30-day reserve requirement maintained
- Continuation of infrastructure and system improvements as outlined in master plan
 - \$5 million increase in transfer to CIP; from \$17.1 million to \$22.1 million
 - part of long-term plan to achieve the \$30 million per year required to fund implementation of the drainage master plan over a 40-year period
- 5.75 positions added in 2011 to keep pace with growing drainage system maintenance, water quality, and employee safety needs

Budget Savings

- Implemented new procedures that reduced the costs associated with storm water quality evaluation sampling by \$85,000
- Estimated CIP savings of \$6.6 million through Value Engineering efforts implemented in capital program

Housing

Highlights

- Federal grant awards anticipated at \$12.7 million; 5.1% increase
 - \$8.2 million from Community Development Block Grant
 - \$4.5 million from Home Investment Partnership Program
- Local funding of \$2.3 million from Sustainability Fund; 12.6% increase
- \$9.0 million allocated to affordable housing and related services for families earning below 80% of the median family income
- \$4.3 million allocated in support of small business, commercial revitalization and social service programs
- \$6.5 million from 2006 Bond Program for affordable housing
 - \$2.6 million for affordable home ownership
 - \$3.9 million for rental housing and development assistance
 - \$48.4 million of \$55 million bond program now appropriated

Budget Savings

- \$90,000 in consultant costs budgeted in 2010, not needed in 2011

Solid Waste Services

Highlights

- No increase in base rate or anti-litter fee proposed
- Revenue neutral rate change proposed for residential carts
 - \$1.00 increase per month for 90 gallon cart; 35 cent reduction for 60 gallon carts; no change for 30 gallon cart
 - rate changes designed to encourage more recycling
- \$5.8 million gap projected in FY 2011
 - projected 2010 ending balance of \$15.8 million will be drawn down to close gap
 - future rate increase required to correct structural imbalance
 - master planning efforts underway that will address the future rate structure in the context of an integrated approach
- \$0.4 million for zero waste initiatives, including new marketing strategies for composting and recycling programs
- \$4 million for the 311 Call Center based upon share of call volume
- Transfer 5 positions to Code Compliance and fund 1 new position for enhanced inspection services

Transportation Fund

Highlights

- \$0.66 per month increase proposed for Transportation User Fee
 - better than expected prior year results to keep rate increase lower than otherwise
 - future increases will be required to keep expenditures in line with revenue
- \$1 million increase in pavement maintenance to \$24.7 million per year
 - part of long term goal to reduce the number of street lane miles in poor or failed condition by 800 miles by 2018
- 7 new positions in Public Works and Transportation Departments
 - 4 for new markings crew, 1 for right of way maintenance, and 2 for the new Neighborhood Partnering Program
 - costs partially offset by the elimination of 3 vacant traffic calming positions
- \$4.6 million investment in new technology and equipment
 - will fund scheduled vehicle replacements, new equipment purchases to increase street overlay productivity, and critical equipment purchases deferred from FY 2010
 - implementation of new work management and purchasing systems to increase operational efficiency
- General Fund support reduced \$3.3 million



Capital Improvement Program



CIP Development Process

- January: Departments begin evaluation of existing on-going projects and identify new project needs for the next five years
 - Evaluation includes requests from City Council, citizens and neighborhood groups, boards and commissions, results of public hearings, and staff input
- March: Departments submit their CIP plan updates and proposals to the Budget Office for review
 - Plan shows anticipated spending for projects over the next 5 years
 - A preliminary analysis of the upcoming proposed bond sale is also performed based on department submittals
- April – June: The Planning Commission CIP Sub-Committee reviews the draft CIP 5-Year Plan
- June: Planning Commission finalizes recommendation of the CIP 5-Year Plan to the City Manager and City Council; Recommendation includes additional projects they feel should be added to the plan.
- July: The bond sale schedule is updated and the proposed capital budget is developed based on the CIP 5-Year Plan appropriation requests.

Capital Budget Overview

- General Government Capital Appropriations (in millions)

CTM	\$9.2
FASD	\$4.9
Fire	\$0.6
Fleet	\$0.6
NHCD	\$6.5
PARD	\$18.4
PDR	\$2.7
PW/ATD	\$12.4
WPD	\$95.0
TOTAL	\$150.3

- FY2011 projected spending plan \approx \$219.1 million

Capital Budget Overview

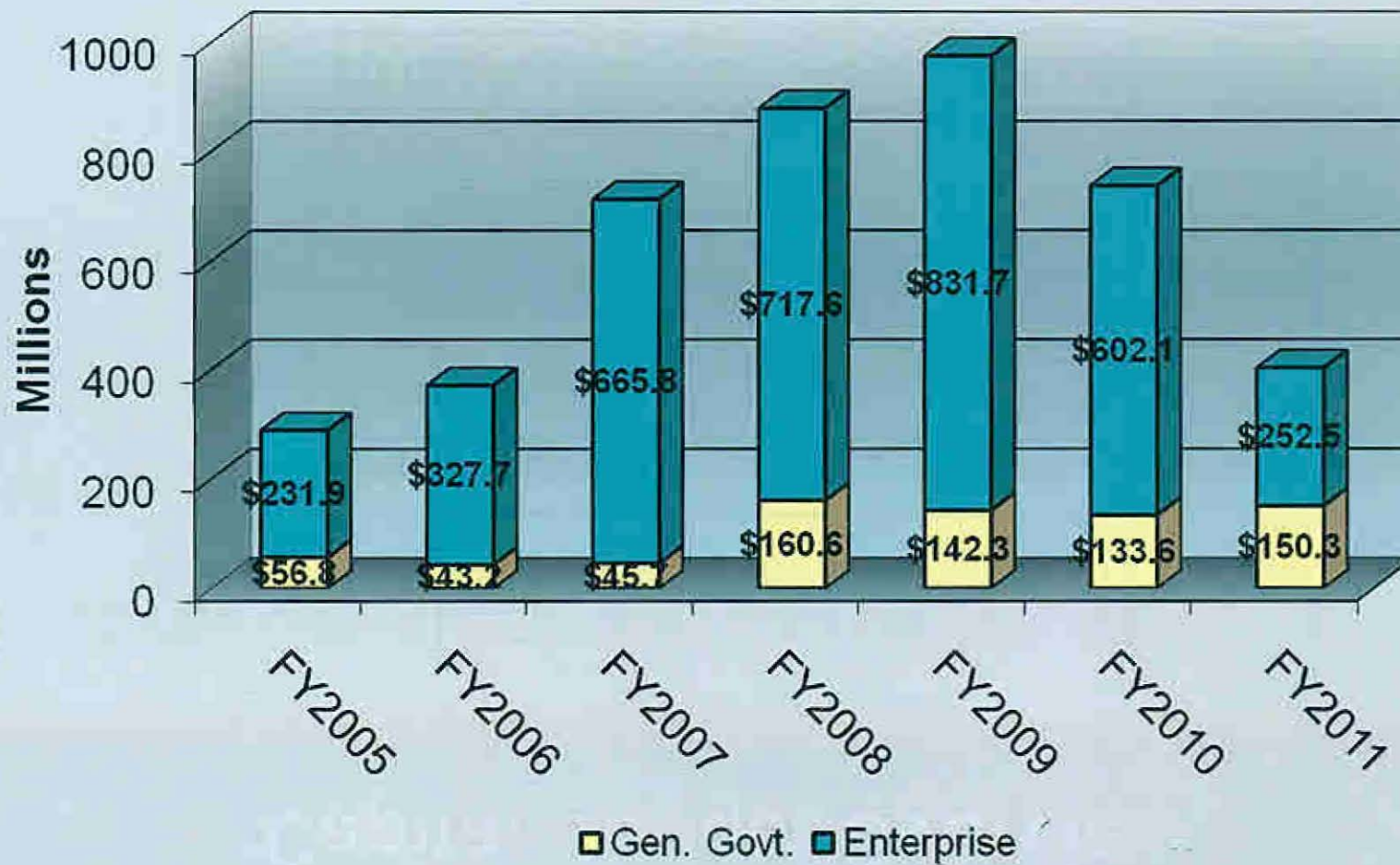
- Enterprise Capital Appropriations (in millions)

Austin Energy	\$142.3
Austin Water	\$54.9
Aviation	\$12.8
SWS	\$17.6
WPD	\$24.9
TOTAL	\$252.5

- FY2011 projected spending plan \approx \$382.0 million

Capital Budget Overview

Historical Appropriations Comparison



General Government CIP Highlights

- Financial Services
 - CIP Contingency – \$3.0M (CIP Interest)
 - Financial system upgrades - \$1.9M (Support Services Fund)
- Asian American Resource Center
 - \$4.5M (2006 Bonds P4)
- Fire
 - Women's Locker Rooms – \$550K (CIP Interest)
- Affordable Housing
 - \$6.5M (2006 Bonds P5)
- PARD Facilities improvements/renovations, playscapes, pools, trails
 - \$6.1M (2006 Bonds P3)

General Government CIP Highlights

- Zach Scott Theater
 - \$5M (2006 Bonds P4)
- Downtown, Riverside Corridor, and Comprehensive Plans
 - \$1.6M (CIP Interest)
 - New funding source required to replace CapMetro ¼ Cent Funds
- Public Works/ATD Bikeways, Sidewalks, Signals
 - \$7.3M (2000 Bonds and 2006 Bonds P1)
 - \$415K (CIP Interest)
 - For completion of the Austin Strategic Mobility Plan
- Watershed Protection
 - Master Plan Projects – \$18M (2006 Bonds P2)
 - Waller Creek Tunnel - \$77M (Certificates of Obligation in 2011 or 2012)

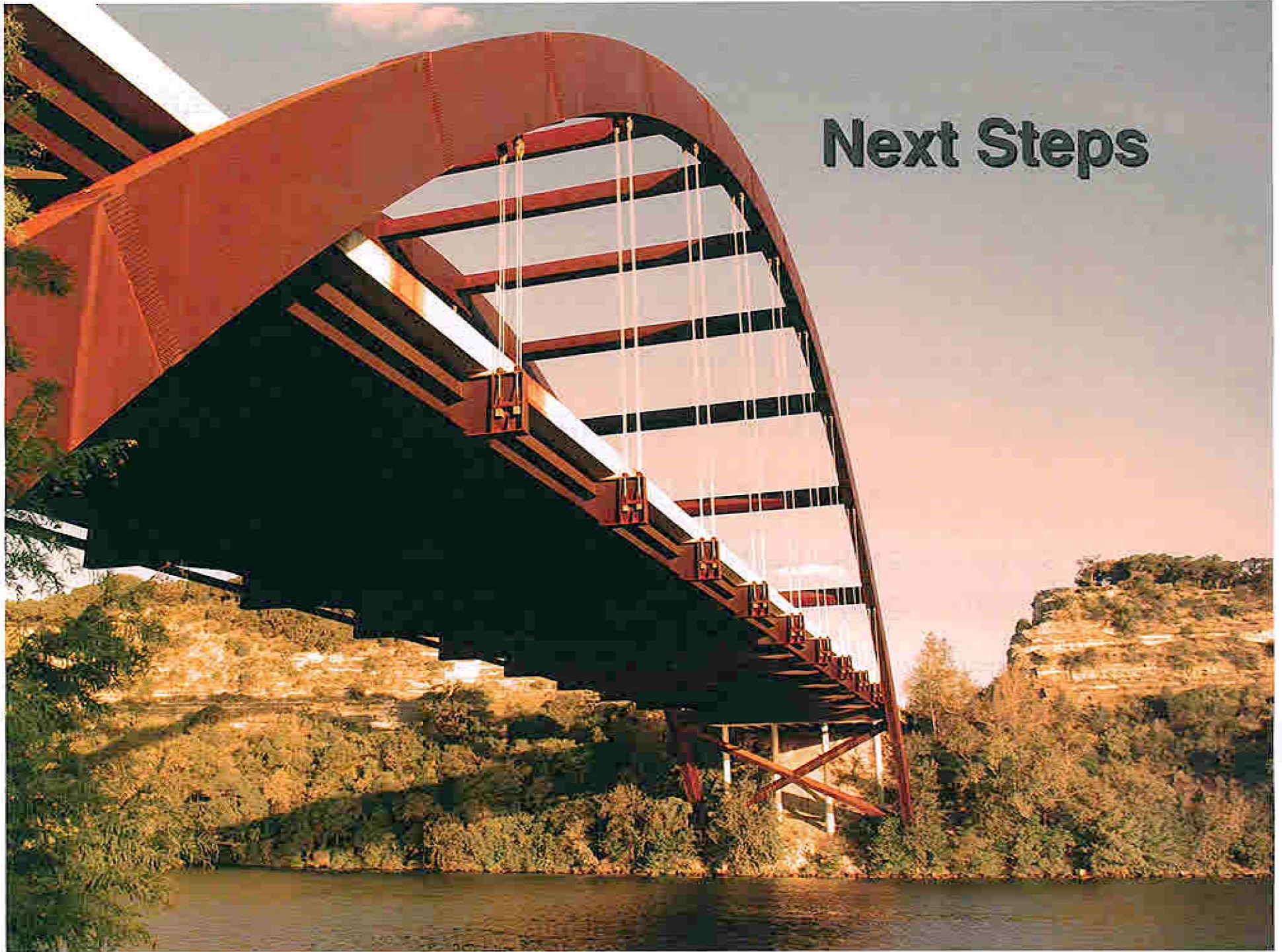
Enterprise CIP Highlights

- Austin Energy
 - \$66.7M - Distribution system improvements and extensions
 - \$69.8M – Generation plant additions/improvements
- Austin Water Utility
 - \$13.1M – Pump station improvements
 - \$14.7M – Wastewater system extension to annexed areas
 - \$18.7M – Wastewater treatment plant improvements
- Aviation
 - \$12.8M – Airside, landside and terminal improvements

Enterprise CIP Highlights

- Solid Waste Services
 - \$8.6M – Capital equipment
 - \$8.7M – Remediation projects
- Watershed Protection
 - \$7.1M – Master Plan projects
 - \$3.7M – Erosion control projects
 - \$3.0M – Localized drainage improvements
 - \$4.0M – Water quality remediation/protection projects

Next Steps



Budget Timeline & Next Steps

- ✓ **November-January** Departmental Business Planning
- ✓ **February-March** Development of Horizon Issues & Forecast
- ✓ **April 21** Presentation of Economic Outlook, General Fund Forecast and Horizon Issues
- ✓ **April 28** Enterprise Fund Forecasts
- ✓ **May-June** Budget Development
- ✓ **July 28** Proposed Budget Presented to City Council
- August 18, 25** Budget Work Sessions
- August 19, 26** Public Hearings
- September 13-15** Budget Approval Readings
- September 30** Adopt Tax Rate

Questions / Comments

More information at
www.ci.austin.tx.us/budget

