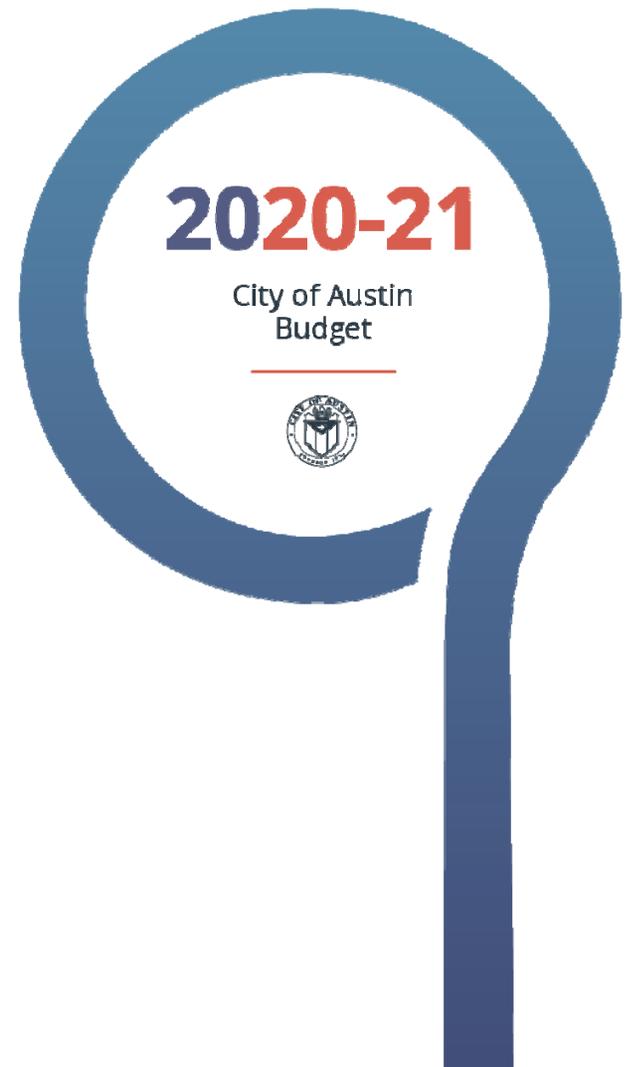


City of Austin Budget Update

Projected impacts of COVID-19

April 7, 2020



Austin is Starting from a Strong Financial Position

Financial Strengths



- Healthy Reserves
 - General Fund reserves are currently \$25.7 million above policy level of 12%
 - Austin Convention Center, Austin Energy, Austin Water, Airport, and Development Services each have dedicated reserves to mitigate temporary revenue reductions
- Conservative Budgeting Practices
 - Sales taxes \$10.2 million ahead of budget through first 4 months of fiscal year
 - Minimal “balloon payments” on deferred budget increases coming up next year
 - Efforts to improve operational efficiencies and broaden General Fund revenue base were well underway prior to COVID-19

Austin is Starting from a Strong Financial Position

Financial Strengths



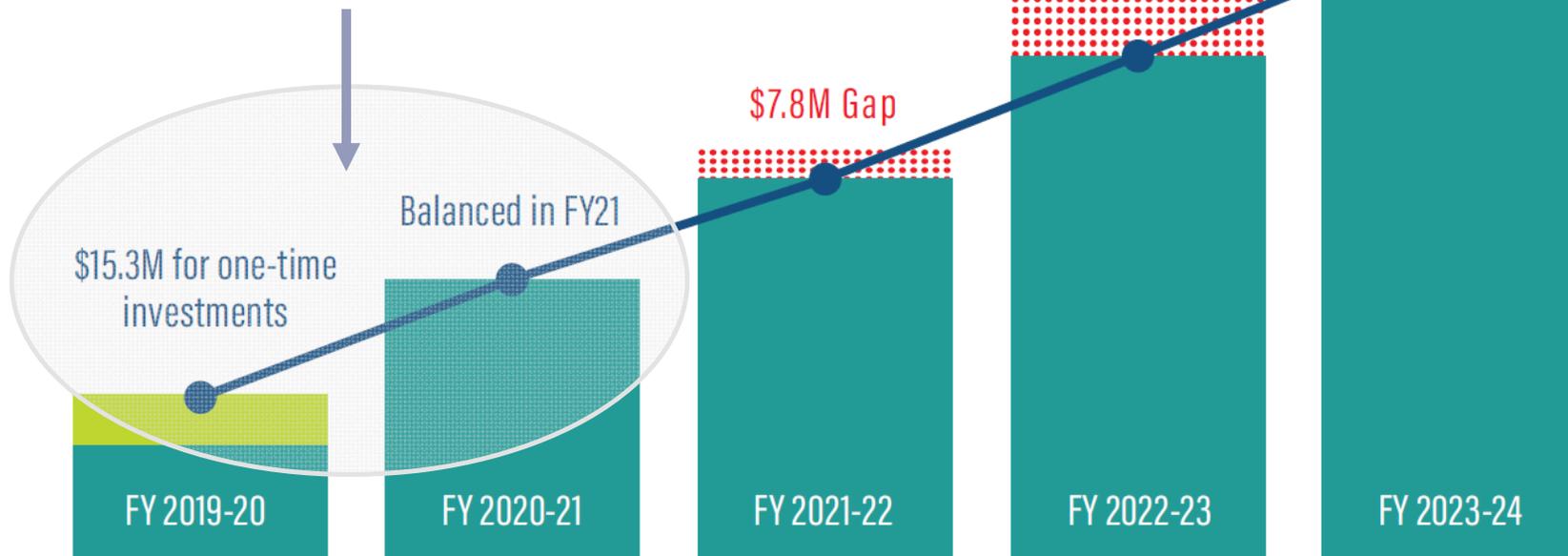
- Diverse Revenue Mix
 - Sales taxes represent only 23% of General Fund revenues
 - Approximately 70% of General Fund revenues not impacted by COVID-19
- Excellent Liquidity
 - Resources to meet the City financial commitments are readily available
- AAA Credit Rating on General Obligation Bonds
 - Dedicated property tax for GO debt service is not impacted by COVID-19
 - Strong practice of adhering to financial policies

General Fund Budget Forecast

Prior to COVID-19 Outbreak



Balanced budgets *had* been forecast for fiscal years 2020 and 2021



Projected Revenue Shortfalls by Source

General Fund



Revenue Source	FY 2020 Budget	Rapid Resolution	Slower Resolution	FY 2021 Forecast	Rapid Resolution	Slower Resolution
Sales Taxes	\$251.8 M	(\$32.6 M)	(\$43.2 M)	\$260.6 M	(\$11.8 M)	(\$15.4 M)
Mixed Drink Taxes	\$14.2 M	(\$1.1 M)	(\$4.2 M)	\$14.7 M	-	(\$0.5M)
User Fees and Fines	\$91.2 M	(\$3.0 M)	(\$8.6 M)	\$91.9 M	-	-
Interest Earnings	\$8.3 M	(\$1.6 M)	(\$1.6 M)	\$9.0 M	(\$6.1 M)	(\$6.1M)
All Other	\$723.1 M	-	-	\$744.1 M	-	-
Total	\$1,088.6 M	(\$38.3 M)	(\$57.6 M)	\$1,120.3 M	(\$17.9M)	(\$22.0 M)

- Rapid resolution and slower resolution columns reflect projected revenue declines relative to FY 2020 budgeted amounts and FY 2021 forecasted amounts prior to the COVID-19 Outbreak



Projected Revenue Shortfalls by Source

Enterprise Funds (Analysis in Progress)

- Hotel Occupancy Taxes – *Severe Impact*
 - Impact on programs in the Convention Center, Historic Preservation, Cultural Arts, and Music Funds
- Airport Revenue – *Severe Impact*
 - Steep declines in parking fees, landing fees, and concession revenue
- Parking Fees – *Severe Impact*
- Austin Energy and Austin Water – *Moderate Impact*
 - Reductions in commercial usage partially offset by increases in residential usage
 - Rate reductions and tier changes for residential customers being implemented
- Development Fees – *Unknown*



COVID-19 Related Budget Increases

Known and Projected Budget Increases To Date

- Emergency management, staff safety, public outreach and assistance, personal protective equipment, and medical waste disposal contracts
 - \$1.3 million expended through the end of March
 - Additional \$8-10 million spend projected through the end of May
- Austin Economic Injury Bridge Loan Program
 - \$4.5 million budget amendment approved by Council 3/26
 - Housing and Urban Development Section 108 funds
- Hotel leases for sheltering and quarantine
 - \$3.6 million in budget amendments on 4/9 agenda

Note: Some items on this slide may be reimbursable in part from the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

COVID-19 Related Budget Increases

Known and Projected Budget Increases To Date



- COVID-19 direct relief ordinance (if passed)
 - \$15 million budget amendment on 4/9 agenda
- Enhancement of Austin Energy and Austin Water customer assistance programs (if passed)
 - \$10 million budget amendment on 4/9 agenda

Note: Some items on this slide may be reimbursable in part from the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

Coronavirus Relief Fund

City of Austin Allocation Estimated at \$150+ Million



(d) USE OF FUNDS.—A State, Tribal government, and unit of local government shall use the funds provided under a payment made under this section to cover only those costs of the State, Tribal government, or unit of local government that—

(1) are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID–19);

(2) were not accounted for in the budget most recently approved as of the date of enactment of this section for the State or government; and

(3) were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020.

- Treasury Department will issue rules further defining “necessary expenditures”
- Funds will be received within 30 days, which would be April 28

Closing the Shortfall

Revisit Major Forecast Assumptions

- Sales tax growth of 3.5%; Property tax at 3.5% rollback rate
- Funding for employee wage adjustments
- Full funding of the Housing Trust Fund
- Full funding of the Capital Replenishment Fund
- 30 additional Officers
- 3 new fire stations
- No health benefit or premium increases for the fourth consecutive year

Note: Items in red text are being reexamined in light of COVID-19 budget impacts.



Closing the Shortfall

Initiatives Underway



Initiatives	Progress to Date
Equity and efficiency study of Fire and EMS services	Ongoing – working on RQS with Purchasing Office
Homelessness services performance framework and social service contract review	Contract to review current service contracts approved 12/5
Operational efficiency improvements	Consultant hired; focusing on “early wins” for inclusion in the FY 2021 Budget
Strategic Direction 2023 program alignment	Preliminary alignment work completed and under review
New sources of General Fund revenue	A number of options under legal and financial review
<i>Targeted hiring freeze on non-essential positions</i>	<i>Currently over 590 vacancies frozen; exceptions under review</i>
<i>Departments asked to submit reductions in discretionary budget line items</i>	<i>Work in progress; approximately \$14.4 million in savings anticipated (including hiring freeze)</i>

Note: Italicized items were implemented March 27, 2020.

Closing the Shortfall

Other Potential Options

- Property tax cap of up to 8% is allowable for the next two fiscal years
- Limit the number and amount of fee waivers
- Reserves





General Fund Reserves

Synopsis of City of Austin Policy and Past Practice

- *Emergency Reserve Fund* equal to 6% of General Fund requirements
 - Temporary financing for unanticipated needs of an emergency nature
 - Any used funds shall be replaced in the next fiscal year budget
- *Budget Stabilization Reserve Fund (BSRF)*
 - Provides financial stability for the General Fund during economic downturns
 - During the annual budget process, up to one-third of the total amount of this reserve may be appropriated
- Combined the two funds *should* be at least 12% of total fund requirements
- The *Budget Stabilization Reserve Fund* is used annually to fund one-time budget priorities; the *Emergency Reserve* has not previously been used

Use of Reserves

Rating Agency Views



- Prudent reserve policies are viewed as a best practice and are an important consideration in a City's credit rating
- Reserve levels should consider multi-year forecasts and other risk exposures
 - e.g. natural disasters and sensitivity of revenues to economic fluctuations
- Utilization of reserves should fall within the parameters of financial policy and be limited to non-recurring, one-time expenditures
- Limitations on draw-down are important due to significant uncertainty of duration and severity of coronavirus outbreak's impact on our economy
- Most state and local governments are well-positioned to absorb near-term credit implications; reserves increased since the 2008-2009 financial crisis

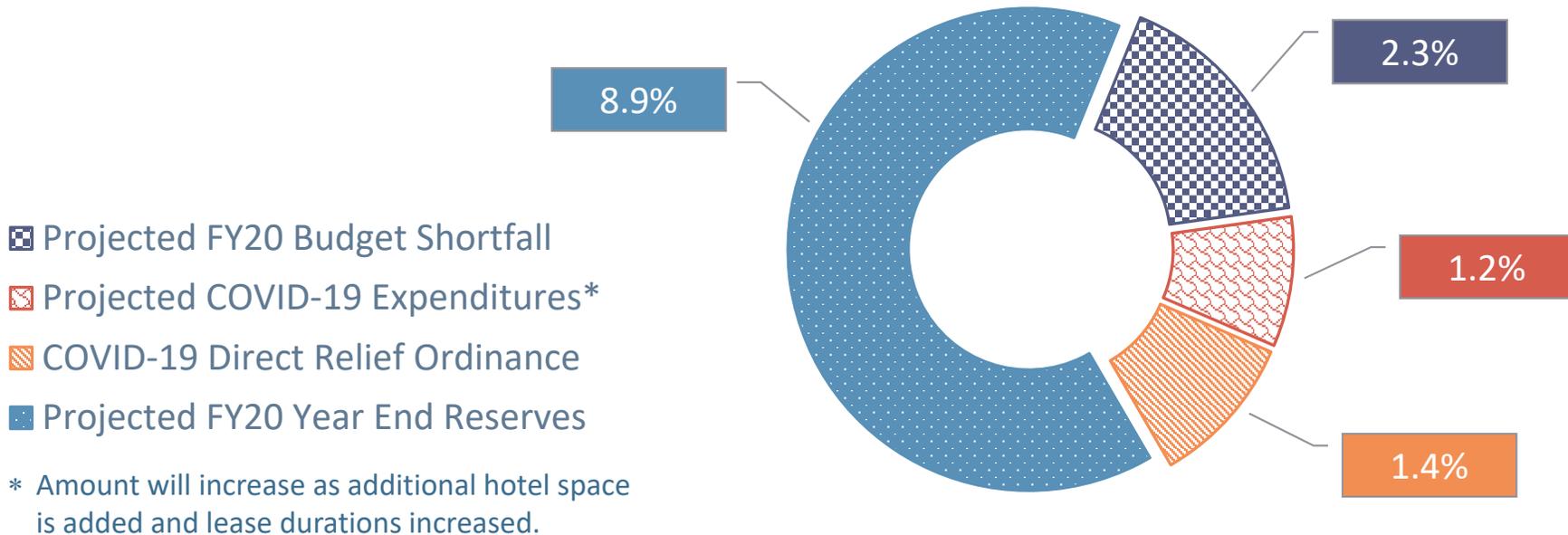
Closing the Shortfall

General Fund Reserves



Combined General Fund reserves currently 13.8% of Budget

Rapid Recovery Scenario



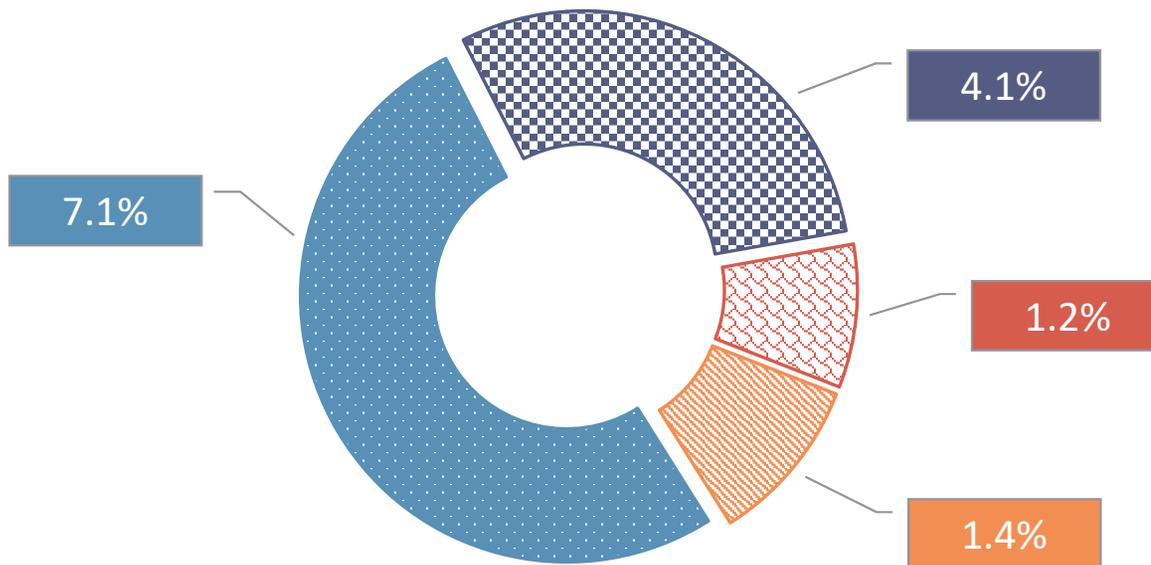
Closing the Shortfall

General Fund Reserves



Combined General Fund reserves currently 13.8% of Budget

Slower Recovery Scenario



- Projected FY20 Budget Shortfall
- Projected COVID-19 Expenditures*
- COVID-19 Direct Relief Ordinance
- Projected FY20 Year End Reserves

* Amount will increase as additional hotel space is added and lease durations increased.

City of Austin Budget Timeline



Policy Input & Forecasting

Budget Development

Council Deliberation & Adoption

JANUARY - APRIL

MAY - JUNE

JULY - AUGUST

Community Engagement

Boards & Commissions

Council Town Hall Meetings

Public Hearings

KEY DATES:

- *Early April* – Economic outlook and City financial status update to Council
- *May 8* – Department budget submittals due to Budget Office
- ***July 13* – Presentation of Proposed Budget to City Council**
- *July 23, 30* – Public hearings
- ***August 12* – Budget and tax rate adoption**

Questions/Comments

