



MEMORANDUM

TO: Mayor and Council

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

DATE: April 21, 2015

SUBJECT: Response to Resolution Nos. 20140130-048 and 20141211-114 –
Benchmark for General Fund Services and Social Services Index

This memo is in response to two previous Council Resolutions from January 30 and December 11, 2014, respectively. The first, Resolution No. 20140130-048, directed staff to calculate a benchmark, “tied to the annual change in residents' income, which measures residents' ability to pay for General Fund services.” The second, Resolution No. 20141211-114, directed the City Manager to calculate as part of the annual budget process, “for an annual increase to existing social service and workforce development contracts in an amount equal to, or greater than, increases in the Consumer Price Index, and an annual increase for the Health and Human Services Department in an amount equal to, or greater than, the annual increase of population growth.” The following details the calculations pursuant to the requirements of each Resolution.

The General Fund affordability benchmark for FY 2015-16 is \$44.5 million. To arrive at this amount, staff adhered to the calculation procedure outlined in the Resolution. The five-year moving average of estimated City of Austin income was calculated at 5.2% compared to 5.1% from the prior year. One concern arose from reviewing the U.S. Bureau of Labor Statistics data for this year. Their previous year data utilized for calculating this benchmark was found to have been revised without notation. Performing the same calculation based on the revised data provides a value of 6.4%. Staff will monitor this data over the next year for any additional anomalies.

Next are the Social Services and Health and Human Services Indices. Pursuant to this Resolution, estimates were arrived utilizing increases to the Consumer Price Index (CPI) and population growth for Social Services contracts and Health and Human Services

Department budget, respectively. Using these metrics, the total projected cost increase in FY 2015-16 is \$1.0 million. Of this total, \$0.4 million is due to a Consumer Price Index year-over-year growth of 1.67% (through February 2015) at the national level and \$0.6 million is from a projected population growth of 2%. The Resolution also established an additional funding goal of \$28.6 million to be implemented over a five-year period, subject to Council review and approval during the annual budget process. Achieving this goal via an additional \$5.7 million allocation annually brings the total FY 2016 fiscal impact to \$6.7 million.

The resolutions are attached for your convenience.

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

RESOLUTION NO. 20140130-048

WHEREAS, the affordability of Austin is a growing concern among much of the population; and

WHEREAS, the City of Austin is able to address one important part of the affordability challenge through the successful passage of the \$65 million in Affordable Housing Bonds in November of 2013, but a broader approach is also needed; and

WHEREAS, while the Affordable Housing Bonds are an important tool that will provide affordable housing to a part of the population, there is still a larger population that has affordability concerns and challenges, and

WHEREAS, the City of Austin has indirect impacts on many aspects of affordability, but one of the few direct tools the City has is the property tax rate; and

WHEREAS, since 1999, the income of Austin residents has increased by 107%, but general fund spending has increased by 158%. Therefore, citizens are spending a larger share of their income on general fund services than they did 15 years ago; and

WHEREAS, in 1999, the average Austinite spent about 1.24% of their income on general fund services. In 2014, the average Austinite will spend about 1.55%; and

WHEREAS, multiple taxing entities make up a homeowners' property tax bill and the City of Austin portion makes up approximately 20% of the total; and

WHEREAS, using the annual change in residents' income as a benchmark for future decision making provides one tool that can have an effect on affordability; and

WHEREAS, this benchmark would not create a spending cap because there may be reasonable new expenses such as unfunded mandates, important new services, contractual obligations, or unforeseeable emergencies which can affect spending; and

WHEREAS, using the procedure below, the five-year moving average (5MA) estimate of the City of Austin total income is \$34.805 billion and the most recent percentage change in this average is 5.09%; **NOW, THEREFORE,**

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:

The City Manager is directed to create a benchmark, tied to the annual change in residents' income, which measures residents' ability to pay for general fund services. The formula for creating the benchmark is as follows:

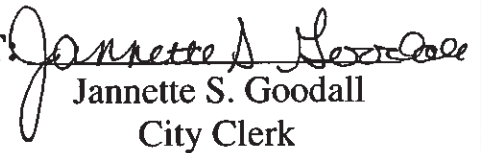
1. Combine estimates of City and Travis County population (from the city demographer) with the latest figures on Travis County income (from the United States Department of Commerce) to obtain an estimate of total City income.

2. Convert the annual total income time-series to a 5MA. This will smooth out and delay the effects of anomalies.
3. Calculate the most recent percentage change in the 5MA.
4. Adopt this figure as an objective to assist in preparation and consideration of the current general fund budget.

This procedure will create a benchmark tied to the annual change in residents' income that can guide both council and management in the annual budget process.

ADOPTED: January 30, 2014

ATTEST:


Jannette S. Goodall
City Clerk

RESOLUTION NO. 20141211-114

WHEREAS, Council adopted Resolution 20140626-078 (Resolution) which directed Staff to develop a recommendation regarding whether the current funding levels for the Health and Human Services Department and social service contracting are sufficient to meet the needs of the community; and

WHEREAS, the Resolution requested a study of best practices and funding levels for Health and Human Services by peer cities; and

WHEREAS, in a peer City comparison, Health and Human Services Staff (HHSD Staff) found that Austin invests a total of \$65 million in health and human services which accounts for 2.0% of the total City budget, where Denver invests \$1.68 billion which is 9.7% of their total budget, San Antonio invests \$152 million which is 6.6% of their total budget, San Francisco invests \$737.9 million which is 11.1% of their total budget, and Seattle invests \$129 million which is 3.6% of their total budget; and

WHEREAS, the peer study results demonstrate that Austin invests the lowest amount of funding and the lowest percentage of the total City budget among the cities evaluated for health and human services; and

WHEREAS, HHSD Staff identified a \$15,763,307 funding gap for social service contracts based on previously unfunded requests in the 2010 and 2014 competitive processes, which indicate both the need and the capacity to provide services; and

WHEREAS, HHSD Staff originally identified a \$41,623,470 gap in services for the Health and Human Services Department based on a calculation of the current cost per service of \$210 multiplied by the 198,207 currently unserved low income individuals in the City of Austin; and

WHEREAS, historically in Austin, only about 57% of people eligible for assistance will access those services; HHSD Staff based the recommendations for additional funding needed for the Health and Human Services Department on a calculation of the current cost per service of \$210 multiplied by 61,147 currently unserved, service seeking, low income individuals in the City of Austin assuming that each individual would only seek one service, which would bring the total number of eligible low-income individuals served to 57% of those that qualify; and

WHEREAS, Council should adopt a formal policy goal of investing \$15,763,307 of additional funding for social service contracts and investing \$12,840,970 of additional funding for the Health and Human Services Department within 3-5 years, and the City Manager should develop an implementation plan to reach these goals; and

WHEREAS, the Resolution also called for exploration of options for potential metrics that could determine a minimal level of funding for the overall Health and Human Services Department budget and the funding level dedicated to social service contracting in future budget cycles; and

WHEREAS, social service contracts encompass contracts through the Health and Human Services Department as well as workforce development contracts through the Economic Development Department; and

WHEREAS, HHSD Staff recommends that future annual proposed budgets incorporate an increase correlated to the Consumer Price Index for existing social service contracts to ensure that organizations are able to continue to provide the same level of services despite continuing increases in costs of operation; and

WHEREAS, establishing a metric for the minimum annual increases to social service contracts and the Health and Human Services Department is

consistent with the previous Austin Police Department practice of maintaining a minimum of 2.0 officers for 1,000 Austin residents; and

WHEREAS, the recommended metrics for funding increases to existing social service contracts and the Health and Human Services Department are intended to be a minimum increase in investment to preserve current service levels, and will not prohibit Council from additional increases in funding to meet community needs; and

WHEREAS, Council could reevaluate the practice of using metrics to determine the minimum funding increase needed for social service contracts and the Health and Human Services Department after a five year period to ensure that the City's investment in social services is adequate to keep up with the rising cost of operating and the level of need in the community; and

WHEREAS, a stakeholder group including HHSD Staff, Travis County staff, Council staff, and representation from a wide group of community based organizations met eight times to make recommendations in response to the Resolution; and

WHEREAS, One Voice Central Texas, which represents more than 80 local health and human services providers sent a letter to the Austin City Council on December 2, 2014 endorsing the recommendations of the stakeholder group and Health and Human Services Department Staff given that the poverty rate within Austin has increased 82% since 2000, federal and state resources continue to decline, and a need exists to address critical gaps in our social services infrastructure which is strained by the increase in the number of people in poverty; and

WHEREAS, on December 2, 2014 the Public Health and Human Services Committee voted unanimously to recommend that the Council adopt recommendations from the stakeholder group and Health and Human Services

Department Staff regarding implementing a metric for funding for social service contracts and the Health and Human Services Department and for closing the existing funding gap for these services; **NOW, THEREFORE,**

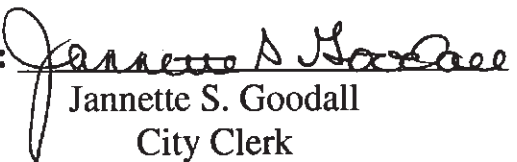
BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:

The Council establishes a budget policy that requires the City Manager to develop as part of the annual budget process for Council consideration an annual increase to existing social service and workforce development contracts in an amount equal to, or greater than, increases in the Consumer Price Index, and an annual increase for the Health and Human Services Department in an amount equal to, or greater than, the annual percent increase of population growth, in addition to any proposed budget increases for cost of living salary adjustments, health care costs, or fuel costs in future proposed budgets for Council consideration.

BE IT FURTHER RESOLVED:

Council hereby adopts a formal policy goal of investing \$15,763,307 of additional funding for social service contracts and investing \$12,840,870 of additional funding for the Health and Human Services Department within 3-5 years, and the City Manager shall develop an implementation plan to reach these goals to present to Council no later than May 1, 2015.

ADOPTED: December 11, 2014

ATTEST: 
Jannette S. Goodall
City Clerk