

A. Background

The Commissioners Court supports its overall policy mission and goals through the annual budget process. This usually begins in January with the Court framing the next fiscal year's budget. This schedule allows County officials and department heads to match their plans within the county's overall annual budgeting effort. What follows is an overview of critical budget issues that the Commissioners Court wishes to address and an outline of the likely fiscal environment within which the budget will be developed.

The Commissioner Court will retain its historical commitment to a wide variety of County services and programs, including maintaining its infrastructure (roads, facilities, parks, and technology), providing appropriate law enforcement and justice support to County residents, addressing various social ills (such as child abuse, truancy, domestic violence, or achieving self-sufficiency), continuing to support efficiencies in general government services, and helping to ensure that emergency functions are funded (medical, fire and public safety). However, these guidelines represent the Court's intention to encourage and focus increased attention on producing better results and having greater impact on certain troubling societal challenges that cut across so much of the County's enterprise.

B. Three Priority Program Areas

While Travis County is making strides in meeting and sustaining a variety of goals, there are areas that are proving to be difficult to address comprehensively on an annual, project-oriented basis. These issue areas are often considered intractable because they are driven by specific societal ills such as substance abuse, mental health, and poverty. The Commissioners Court believes that these issue areas need to be highlighted and addressed using long-term solutions. These issues decrease the quality of life of our citizens and cost the economy and taxpayers of Travis County not only the direct expense of dealing with them (such as the costs of incarceration) but also the indirect cost of losing a portion of our human capital from the workforce.

Many of these social ills are at the root cause of crime and other community problems. They result in adults and juveniles becoming involved with the County's justice and public safety system, and are major cost drivers. For example, out of \$297.5 million in all County departmental FY 05 General Fund budgets, \$185.6 million (62%) is dedicated to the County's courts, clerks and support services, law enforcement, prosecutors, jails, and juvenile justice. This means that programs that are able to impact the workload and services provided in these areas should have a substantial financial impact, along with substantial social and community benefits.

For Fiscal Year 2006, Commissioners Court is interested in receiving proposals from officials and department heads that direct resources toward one or more of the following three Priority Program areas:

- Reducing Adult Jail and Juvenile Detention Populations, with special attention toward inmates with mental illness.
- Substance Abuse
- Workforce Development (adult training and new jobs)

The Commissioners Court has identified these three Priority Program areas as the County's main priorities during at least FY 06 and FY 07. The solutions to these problems are not simplistic. It will require multiple years to make a significant and measurable impact. As a result, the Commissioners Court directs the Planning and Budget Office (PBO) to provide such proposals priority in the FY 06 Preliminary Budget if they meet the following standards.

1. Successful Proposals will contain:

- a. **External Evaluations** – An external evaluation to independently report results to the Commissioners Court. An agreement from appropriate officials that the program will be discontinued if the results do not meet predetermined targets. A roadmap and calendar indicating when outcomes are expected and what degree of improvement is expected.
- b. **Performance & Outcome Measurement** – An identification of how the performance and outcome measurement will be reported. For example, a proposal to reduce recidivism in the jail will need to have recidivism defined and reported regularly. Otherwise, there will not be a way to know how well a proposal works and how its results compare to others. Measurements should focus on outcomes and results, rather than workload. Knowing what works is usually much more important than just knowing how much work is occurring.
- c. **Redirect Existing Resources** – An identification of existing resources elsewhere that can be realistically redirected within the justice and public safety area. These resources may be realized through ceasing or reducing an existing program that is not meeting expectations, or through increased efficiencies.
- d. **High Likelihood of Success** – A delineation of the likelihood or probability of success in reaching the goals and results established within the proposal.
- e. **Comparative Analyses** - A summary of the existing inventory of programs that attempt to accomplish similar ends. It should provide a description and documentation of how this particular proposal will address the issue area more effectively than other existing programs.
- f. **Criticality of need** – A clear indication of the criticality of the need, and the magnitude of impact on the community.
- g. **Collaboration** – A summary of the collaboration and coordination that has occurred among agencies that provide similar services or that have programs that are programmatically linked to the proposal. Non-County agencies need to coordinate their proposals with an appropriate County official and be submitted as part of the official's FY 06 budget.
- h. **Client Commitment** – an outline of the degree to which client commitment and personal responsibility are evidenced.
- i. **Matching Funds**. PBO is directed to give priority to proposals that meet the standards above and that use matching funds to leverage county resources with federal, state, and private sector resources.

C. Compensation & Benefits

For planning purposes, these guidelines suggest that an amount for Performance Based Pay award be included in the assumptions about necessary resources for FY 06. For rank and file, this amount will total approximately \$1,158,000 for every one percent increase in the General Fund. The Peace Officer Pay Scale is now under review and it is still too early to know the impact of this study. The cost to the General Fund for each percentage increase for POPS employees is approximately \$588,000. Further consideration will also be provided toward a Cost of Living Adjustment for retirees.

Health Benefits have seen very significant increases since FY 02, going from an Employee Health Fund of \$18.3 million in FY 02 to \$38.3 million in FY 05. These increases have had to be absorbed by the General Fund along with increased employee contributions. While it is still early to know the amount of health care cost increases, for planning purposes, these budget guidelines suggest that any incremental increases in health care costs be shared by Travis County and the active and retired employees. The Commissioners Court strongly encourages employees to continue to pursue healthy lifestyle choices and cost reduction opportunities (i.e., using generic medicines, maximum use of the new employee health clinic, self-education about chronic illness prevention and remediation, regular exercise, healthy diet, and the use of "Nurseline" to avoid unnecessary emergency room visits).

D. The Tax Rate and the Preliminary Budget

The Court's adopted goal is for the tax rate in the Preliminary Budget to be "at or near the Effective Tax Rate". Maintaining existing service levels along with current programmatic or statutory obligations should be feasible within the FY 06 Effective Tax Rate. The Commissioners Court provides PBO with the flexibility to go beyond the Effective rate for proposals in the three Priority Program areas that meet the specific standards for success as outlined above and that require such resources. But in no case should the rate in the Preliminary Budget be more than 2% above the Effective Tax Rate. (That rate is below the "Hearing Rate", representing the rate below which no public hearing is statutorily required).

E. New FTE or Program Expansions and the Preliminary Budget

PBO will not be authorized to recommend any new FTE's or program expansions outside of the three Priority Program areas unless they are either: (a) covered by new revenue, or (b) internally funded, or (c) part of a prior Court-approved program, or (d) a statutory mandate. New FTE requests that are not in the Preliminary Budget will be heard during Budget Hearings in August and Mark-up in September.

F. Other Budget Guidelines

Budget submissions will be due in early May 2005. Departments need to submit their budgets at the base Target Budget Level, representing the department's FY 05 Adopted Budget plus annualizing any County-wide FY 05 increases, less any one-time costs, plus any adjustments for errors. All FY 06 compensation and benefits increases will be addressed centrally.

The Commissioners Court encourages departmental officials and managers to evaluate current programs that are not producing satisfactory results and to identify funds that may be redirected into other programs in their department that may produce better results.

PBO is instructed to review the last three years of unspent operating budgets that are reasonable to reduce without substantially affecting service levels. PBO is also instructed to ensure that the budget for salary savings Countywide is as realistic and accurate as possible, and aligned with departments' vacancy trends. The purpose of this exercise is to result in

budgets that are “right-sized”, while still meeting service level demands and obligations. Departments will have an opportunity to request the replacement of some or all of any reduced budgets through a specific budget request.

Certain critical line items should be built from the ground-up (“zero-based”), such as leases, maintenance contracts, consulting, and contributions to grants. Other line items to be zero-based may be identified as the budget process matures.

Departments are strongly encouraged to: (a) submit realistic opportunities to increase non-property tax revenue; (b) work with all applicable departments in the development of any budget or revenue generating proposals; and (c) focus on efficiencies, increased productivity, and simplification rather than on budget requests for increased resources. If new programmatic needs emerge, departments should concentrate on identifying internal reductions for activities that are not statutorily required or service levels that are above minimum levels required by law.

The requirement to fund any new contractual or statutory obligations and other expenses related to maintaining a department’s current efforts must take priority over any program enhancements or expansions.

Approved by the Travis County Commissioners Court on Tuesday, February 15, 2005

Attachment A -- FY 06 Fiscal Overview

The Chief Appraiser for the Travis Central Appraisal District has estimated that total property values will increase from the current \$61 billion to \$63.5 billion, an overall increase of 4.1%. However, within this total new value is a \$1.9 billion increase due to new construction. Therefore, existing properties will see a slight increase from \$61 billion to \$61.6 billion, an increase of 1%. This is the value upon which the Effective Tax Rate calculations are made. Based on this data provided by the Travis Central Appraisal District, the Effective Tax Rate is calculated by the Tax Assessor Collector to be \$.4825. The current tax rate is now \$.4872.

Residential property values are expected to remain fairly flat. The combination of all other properties (multi-family, land, commercial and personal property) is expected to increase slightly. This means that there will be a slight shift in tax burden from residential to commercial properties, which is a reversal of what has occurred over the past few years. The following data summarize the Chief Appraiser's current estimates, which remain relatively general since so much more work must be accomplished on valuations between now and when the property roll is certified in July 2005.

Preliminary and Early Estimates of Property Values for FY 06 Numbers Shown in Billions as of January 18, 2005

Property Values:	Current	Projected FY 06	Difference	
			\$	%
Residential	\$31.445	\$31.401	(.044)	(0.1%)
Commercial, Multifamily, Land, Personal Property	29.534	30.184	.650	2.2%
FY 06 Sub-Total – For Effective Tax Rate Calculations	\$60.979	\$61.585	\$.606	1.0%
Preliminary Estimate of New Value	-	1.900	1.900	
Total	\$60.979	\$63.485	\$2.506	4.1%

Impact on Homestead Owners, Based on Early Property Value Estimates (Data from Tax Assessor-Collector, based on Appraisal District figures)

	Current for FY 05	Projected FY 06	Difference	
			\$	%
Average Homestead Value	\$197,874	\$200,000	\$2,126	1.1%
Value after 20% homestead exemption	\$158,299	\$160,000	\$1,701	1.1%
Effective Tax Rate	\$.4872	\$.4825	(\$.0047)	(1.0%)
Impact on Average Homestead at the Effective Tax Rate of \$.4825	\$771	\$772	\$1	.1%

Please note that the Effective Tax Rate represents the tax rate that will result in the same tax revenue from existing properties as the year before. It is the starting point Travis County uses for budget discussions. The final tax rate will be set in September 2005.