Travis County Commissioners Court
Voting Session Agenda Request

Meeting Date: February 26, 2019

Agenda Language:
Consider and take appropriate action on the FY 2020 Budget Guidelines.

Prepared By/Phone Number: Travis Gatlin/ (512)854-9065

Elected/Appointed Official or Department Head: Jessica Rio, County Executive, Planning and Budget

Commissioners Court Sponsor(s): Margaret Gomez, Commissioner Precinct Four

Press Inquiries: Hector Nieto, PIO@traviscountytx.gov or (512) 854-8740

Background/Summary of Request and Attachments:
The Planning and Budget Office presented the draft FY 2020 Budget Guidelines to the Commissioners Court on February 19, 2019. The draft guidelines have been shared with all elected and appointed officials, department heads and financial staff.

Staff Recommendations:
The Planning and Budget Office recommends approval of the FY 2020 Budget Guidelines.

Issues and Opportunities:
Please see attached documentation.

Fiscal Impact and Source of Funding:
Based on the Planning and Budget Office property tax base assumptions, PBO will balance the Preliminary Budget at a tax rate sufficient to cover the budget considerations discussed in this document. The Preliminary Budget will be published on July 22, 2019. The budget and tax rate will be adopted on September 24, 2019.

Required Authorizations:
Jessica Rio, Planning and Budget Office, (512)854-9106
Joe Hon, County Judge's Office, (512)854-9555

FY 2020 BUDGET GUIDELINES

Travis County Vision, Mission Statement, Guiding Principles, and Goals

Vision:

Travis County is an innovative, vibrant community that preserves diverse cultural heritage and natural resources.

Mission Statement:

Effectively, efficiently, and equitably provide justice, health, and safety services to improve the quality of life for the people of Travis County.

Guiding Principles:

- Equity, Fairness, and Respect
- Financial Sustainability
- Operational Excellence
- Leaders in Innovation

Goals:

- Promote community resilience in daily living and in times of emergency
- Promote the well-being of our residents through social, economic, and health and safety initiatives
- Ensure the public safety and peaceful resolution of conflicts through the justice system and other public processes
- Preserve and protect our environment and natural resources through responsible land stewardship
- Empower the public through civic engagement and collaboration
- Foster transportation mobility and accessibility

Introduction

The approval of the annual Budget Guidelines marks the start of the budget process. The guidelines serve as the foundation upon which we build the budget for the next year and illustrate the County’s thoughtful approach to financial planning. The guidelines 1) provide an overall framework for the budget process; 2) set expectations regarding the impact of economic and financial conditions on the annual budget; and 3) outline specific direction to offices and departments in the formulation of their budget submissions. Furthermore, guideline discussions provide the Commissioners Court an opportunity to prioritize potential issues that may require funding or internal reallocations for the next fiscal year.

Travis County provides a wide variety of services and programs which focus primarily on the judicial system, health, emergency and social service delivery, law enforcement and corrections, and the maintenance of the county road system. The Commissioners Court is committed to supporting efficiencies and ensuring effective outcomes for these programs so that resources are allocated in ways that best benefit the community.

Each year, Travis County develops a budget that supports its core mandated services and promotes resiliency and sustainability. The budget must also be able to address acute shocks such as reductions in revenue from the state and federal government, especially given discussions around legislative changes that could set artificial revenue restrictions and limit local control of taxpayer resources.

Performance data is key to the County's resiliency efforts because it assists decision makers in maximizing the effective use of scarce dollars. The County's SAP Budget and Planning module (SBP) provides a central information repository of performance data for reporting and analysis of program performance objectives and results. All offices and departments have submitted their departmental goals, current and projected results of their programs into SBP for FY 2019. All of the submissions have been reviewed and directly link the County goals. FY 2019 marked the first year all offices and departments submitted their program information into the online system. This information will continued to be refined and improved for FY 2020 and future budget processes.

The success of the budget process is dependent on close collaboration among all stakeholders. PBO is charged with working with all County offices and departments to find the appropriate balance between managing limited available resources and the funding required to efficiently and effectively execute the services provided for our residents. The budget process decisions must be made not only with regards to the impact on FY 2020 operations but future budgets as well. Governor Abbot has set forth an early legislative proposal to reform property taxes, which would significantly impact the County's taxing abilities and thus impact the services our residents expect. The following guidelines and five year forecast have been developed to prepare for this potential change along with recognizing our tax base growth appears to be normalizing and growing slower than recent years of at least 10 plus percent annual growth.

Economic Outlook

Local and national economic conditions continue to be relatively strong. With robust job growth and some of the lowest unemployment in the nation, Travis County and Texas continue to attract individuals and businesses. Over the past decade, the population of Travis County has grown by approximately 30 percent to 1,304,311 (Ryan Robinson, City Demographer, City of Austin). As new businesses enter the market and the population grows, so too does the tax base, which grew for the eighth consecutive year in 2019.

On the National Front

The national economy is in a long period of continued growth. Healthy job creation paired with rising asset prices and improved consumer confidence are sustaining income and consumption growth (Organization for Economic Cooperation and Development, "OECD" Economic Outlook 2018).The International Monetary Fund (IMF) projects strong US economic growth in the near term as job creation continues, private investment strengthens, and consumer confidence remains strong. According to the US Bureau of Economic Analysis (BEA), real GDP increased by an annual rate of 3.5 percent in the third quarter of 2018.

The Federal Reserve approved four interest rate increases through December 2018, in line with the 2017 forecast. However, no rate increase was implemented in January of 2019. Although the organization instituted rate increases throughout 2018, in December, the Federal Reserve cautioned restraint in further interest rate hikes, citing a strong labor market, the strong rise of economic activity, job gains, and increased business and household spending, along with a low unemployment rate. Uncertainty over the effect of tariffs and fluctuations in the stock market at the end of 2018 have caused worries in the Federal Reserve that further hikes could cause more volatility and that patience is necessary before more action is warranted.

The Texas Economy

In the 2020-2021 biennial estimate of state revenue, the Texas Comptroller of Public Accounts expects the state will have $119.12 billion available for general purpose spending. This represents an 8.1 percent increase from the 2018-2019 biennium, due in large part to recovery in the oil and natural gas industry. The Comptroller's economic forecast for the state projects a strong but slowing 4.0 percent growth in gross state product for 2019.

According to the BEA, real GDP in Texas grew 6.0 percent in the third quarter of 2018, the second highest growth rate in the nation. In 2017, employment in the state grew 3.4 percent, according to the Texas Comptroller of Public Accounts. The current state unemployment rate is 3.9 percent. Concerns about housing affordability throughout the state are likely to persist, as home prices continue to rise more quickly than wages (Texas A&M University Real Estate Center). Data indicates a shortage of houses priced below $300,000.

The Travis County Economy

Travis County's broad and diversifying economy supports strong growth and positions it to withstand most economic challenges. Economic indicators for Travis County remain strong. Unemployment in the region continues to remain low and GDP growth has been among the fastest growing in the country. The housing sector is beginning to show a slight downtick with the median home price in Austin, declining in December by two percent (year over year) per the Federal Reserve Bank of Dallas. The overall tax base has grown 12% per year over the last five years and 7% per year over the last ten years. The Travis Central Appraisal District (TCAD) is beginning to look at estimates for FY 2020. Overall growth is expected to begin to slow down, or normalize, close to the 10 year average. New construction is expected to be lower than the record high of $4.7 billion last year.

Legislative Update and Financial Considerations

The Texas Legislature began the 86th Regular Session on January 8, 2019. As in prior years, the Intergovernmental Relations (IGR) staff has provided Commissioners Court with a legislative preview in advance of the legislative session. IGR identified the following issues that will likely be key focal points of the 86th Legislative Session:

- Revenue Caps – Governor Abbot has set forth an early legislative proposal to change the rollback rate from 8% above effective maintenance and operations rate to 2.5%. Along with revenue growth restrictions, the proposed legislation would require changes to the appraisal process and calendar.
- School Finance – the Legislature established a Commission on Public School Finance which will make recommendations on school funding by the state later this year.
- Hurricane Harvey – follow-up to the disaster may lead lawmakers to address statewide emergency management, disaster preparedness, land use and zoning authority, public education, workforce development, agriculture, tax and appraisal policy, and criminal justice.
- Sunset Review for 32 State Agencies – agencies under review include the Department of Public Safety, the Department of Motor Vehicles, and the Lower Colorado River Authority.
- Various Social Issues – legislators will continue to address issue areas that impact Texas, such as safety net programming, immigration, criminal justice reform, and healthcare.

As in prior years, the Intergovernmental Relations (IGR) staff partners with other local government entities to monitor and analyze legislation throughout the session with special attention by the Planning and Budget Office and County Auditor's Office on bills that may impact the County's ability to raise the revenue required to deliver services to County residents.

FY 2020 Budget Considerations

As noted earlier, the guidelines begin the budget process by laying out major considerations that will ultimately shape the development of the budget. An important factor in the development of the budget process includes estimates of known budget drivers. These cost drivers and other budget priorities must be weighed seriously by the Commissioners Court early in the process in order to provide clear direction to the Planning and Budget Office in the formulation of the Preliminary Budget.

The Planning and Budget Office presents priority budget items, including workforce investment, to the Commissioners Court within the context of previous Court direction. This year, it is critical for the departments and offices to formulate their budgets within the context of a three to five year planning horizon given discussions at the Texas Legislature to impose artificial taxing limits on local governments.

As in prior years, the section below provides the Commissioners Court additional information related to the potential flexibility of each cost driver under “Other Considerations.” The budget process is designed to continue efforts to increase the efficiency, effectiveness, and fairness of our core services. Our increased efforts to organize the County’s performance measures into a database is rolling out and will not only assist County departments in evaluating program results, but will also provide the Commissioners Court and the public greater transparency.

Travis County enjoys a solid financial foundation. Nevertheless, the increased likelihood of artificial restrictions on local governments’ ability to set and manage its tax policy has a significant impact on the development of the budget. The County will be forced to hedge against this risk with limited or no growth to existing programs, coupled with creating increased future flexibility through reserves and building up cash for capital accounts to help reduce the debt financing of routine capital items.

Departmental Target Budgets

The FY 2020 Target Budget represents the FY 2019 Adopted Budget plus the annualized impact of any new increases approved during FY 2019, less any one-time expenses and other reductions related to pilot programs and programs that have been moved from ongoing to one-time, plus any needed corrections. The current target budget amount for FY 2020 is $653.4 million (including $626.6 million in base budgets) and represents the amounts needed to continue approved programs in offices and departments for the next fiscal year at their baseline service levels. This number also includes ongoing funding built into reserves and capital budgets that allows the Commissioners Court the flexibility to make long-term decisions midyear and issue less future debt by cash funding recurring capital needs.

PBO reviews departmental base budgets annually during the budget process. This process involves working with departments to identify flexibility within their budgets to better accomplish their goals and missions. This analysis oftentimes results in recommendations from PBO for offices and departments to internally fund budget requests that the department has requested to be funded with new tax dollars. In addition, an operational review for departments that report to the Commissioners Court, as well as the Purchasing Office, was completed in 2016 and a business review will be discussed with Commissioners Court in the February/March time-frame. Any future action on external review outcomes will need to be considered within the County’s mission and long-term goals and in light of the threat of artificially imposed revenue caps.

Maintenance and Operations Budget Drivers

The estimates on the next table are discussed in greater detail below. These estimates represent projected FY 2020 expenditures that, unless other direction by Commissioners Court is provided, will require additional funds to be made available either through significant reallocations of existing County resources or by the addition of new ongoing resources.

	Low	Mid	High
Departmental Target Budgets	**$653.4 M**	**$653.4 M**	**$653.4 M**
Workforce Investments & Countywide Budget Drivers			
Compensation & Benefits	16.7 M	19.4 M	21.7 M
Facility Operating Expenses	3.6 M	4.5 M	5.0 M
Interlocal Agreements	1.4 M	2.0 M	2.6 M
BCP Transfer & Waller Creek TIF	1.0 M	1.4 M	1.8 M
Subtotal Workforce Investment & Countywide Budget Drivers	**$22.7 M**	**$27.3 M**	**$31.1 M**
Program Specific Budget Drivers			
New Courts	2.2 M	2.6 M	3.2 M
Indigent Attorney Fees MCE/Managed Assigned Counsel/Justice Related	1.7 M	2.1 M	2.4 M
Tech-related and Other Approved Project Operating Costs	1.0 M	1.4 M	2.0 M
Increased Investment in Social Services	0.5 M	0.5 M	0.5 M
Sheriff’s Inmate Costs	0.5 M	0.8 M	1.1 M
Other Priorities and Pilot Programs	1.4 M	1.7 M	2.1 M
Subtotal Program Specific Budget Drivers	**$7.3 M**	**$9.1 M**	**$11.3 M**
Total	**$683.4 M**	**$689.8 M**	**$695.8 M**
Preliminary Estimated Increase	**$30.0 M**	**$36.4 M**	**$42.4 M**

Workforce Investments and Countywide Budget Drivers

1. Compensation & Benefits

    A. Compensation

The Travis County Commissioners Court is ever mindful that its employees are the County’s greatest strength as employees provide services to residents and execute the County’s Vision, Mission, and Goals. Travis County has a compensation philosophy that prioritizes the recruitment, motivation, and retention of employees capable of providing exemplary service for the residents of Travis County by using a total compensation system that is fair, flexible, and market competitive. While compensation encompasses much more than direct wages, the guidelines will address funding for potential salary increases. The table on the next page summarizes employee salary standard compensation increases since FY 2015.

History of Employee Salary Compensation, FY 2015 – FY 2019

Employee Type	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Classified (Standard Increases)	$1,000[1]		2.5% across the board increase	2.0% across the board inc.[2]	2.5% across the board inc.[3]
Classified (Other)		Market Salary Survey Adj. Livable wage $13/ hr	1st year of Benchmark Study;	2nd year of Benchmark Study; Compression	3rd year of Benchmark Study, Compression
Peace Officer Pay Scale	One Step Increase	One Step Increase	One Step Increase	One Step Increase	- One Step Increase - 2% Scale Increase

[1] Ongoing salary increase for regular classified employees who were hired as of April 1, 2014 and earned no more than the full-time equivalent of $100,000 after the salary increase.
[2]Ongoing salary increase for regular classified employees who were hired as of April 1, 2017. Minimum increase for regular full-time employees is $1,200.
[3]Ongoing salary increase for regular classified employees who were hired as of April 1, 2018. Minimum increase for regular full-time employees is $1,200.

Classified Employees: The Compensation Committee is charged with making recommendations to the Commissioners Court about compensation-related matters for the upcoming fiscal year. The Human Resources Department (HRMD) will be working on the Market Salary Survey through the spring and will discuss it as well as any other workforce efforts with the Commissioners Court in April. These efforts will then be prioritized thorough the budget process by Commissioners Court, with input from the Compensation Committee and employees. Available funds are prioritized in the planning parameters for a market salary survey for classified employees. The full survey occurs every four years and reviews the market in comparison to current County pay ranges for all job titles for needed adjustments.

Peace Officer Pay Scale (POPS) Employees: These employees are on a step scale with progression through the scale based on steady, incremental movements from one step to the next in years when this type of increase is approved by Commissioners Court. The budget drivers presented for compensation provide sufficient flexibility to fund one step increase for employees on the Peace Officer Pay Scale. The POPS payscale was increased during the FY 2019 budget process by two percent.

Elected Officials: HRMD conducted research in 2018 which concluded that Travis County Elected Officials were paid below their market peers. A multi-year plan was approved by the Commissioners Court on July 3, 2018 to increase elected officials' salaries to the market level over the course of three years. Following this approval, a grievance was filed and then approved to increase the salaries of Constables Precincts One through Four to market level immediately.

The budget drivers as presented include funding for increasing elected officials salaries per the previously approved plan.

Other Considerations: These preliminary assumptions will be tested by the Compensation Committee and Benefits Committee as recommendations are formulated and presented to Commissioners Court later in the spring. PBO will continue to be a resource to the Commissioners Court during this process and invites discussions to continue to recognize total compensation including cash compensation, health insurance, life insurance, retirement annuity, vacation leave, sick leave, personal leave, free parking, holidays and elements of work/life balance (when comparable and measurable), and employee mobility.

B. Health Benefits

Travis County began a self-insured health benefits plan in 2002. Under a self-insured program, the actual insurance claims made by employees are paid directly from County resources with an insurance carrier hired to administer claims processing (i.e., a third party administrator). The benefits of being self-insured are flexibility with providing standards of care for employees and more control over increasing health premiums for the County. Despite this added control, a self insured plan does not necessarily reduce exposure to overall health care increases. The Commissioners Court determines the plan funding and benefit structure on an annual basis based on recommendations from the Employee Benefits Committee and after an employee public hearing.

Reliable cost estimates for benefits in the upcoming fiscal year are not known until the budget process is underway. However, it is important to provide an estimate for these guidelines and the best way to formulate this estimate is based on historic increases experienced by the County in recent years. A summary of the most recent five-year period is shown on the table on the next page.

Increases in County's Rate Contribution to Employee Health Plan

Fiscal Year	Original Actuary Estimate	Final Budget Increase after Plan Design Changes
2015	6.3%	4.0%
2016	13.1%	10.5%
2017	6.4%	4.0%
2018	11.2%	4.9%
2019	3.4%	0.0%

For FY 2020, PBO recommends planning for an estimated four to six percent increase in the health plan. Although, FY 2019 did not include a rate increase, the estimate used for FY 2020 takes into account the average "Final Budget Increase after Plan Design Changes" in the above table. The table above also demonstrates that plan design changes, prepared early in the year by the

Benefits Committee, generally assist in reducing the original anticipated impact. Such changes also further refine the plan to ensure that the long-term costs are more sustainable to the County and plan participants.

Other Considerations: During this fiscal year, HRMD, Frost, and the Employee Benefits Committee will continue to work to improve the plan to provide better health care coverage and control costs. A number of topics will likely be discussed in preparation for FY 2020. These topics will likely include issues such as educating employees and retirees about their benefits. In addition, a strategic plan for maintaining a comprehensive benefit plan for County employees, retirees, and covered dependents will be developed that considers long-term cost increases as well as the overall stability of the plans. The development of key performance metrics related to Travis County Health Clinics will also be examined including a review of utilization, employee outreach, and effective marketing efforts for the Travis County Health Clinics. Finally, the exploration of tenure-based contributions for retiree health care will be explored, utilizing the earmarked funds on the Allocated Reserve.

C. Retirement

In FY 2018, the Texas County & District Retirement System (TCDRS) reported that their investment earnings for the prior calendar year were negative. The system's goal is for eight percent annual earnings to ensure that the required employer contributions remain steady, absent any other changes, and that the plan has sufficient resources. When TCDRS has a year in which investments fall below eight percent, the loss is divided over a five-year period to reduce the impact and individual member rates are adjusted to generate the additional revenue necessary to maintain benefits. In FY 2019, the rate was increased by 2.88 percent, which included a 50 percent of CPI Retiree COLA with no other plan changes. Since investment earnings for TCDRS were negative for the past calendar year, it is expected the required contribution rate to main the current plan will require new funding for FY 2020. TCDRS will inform the County of the required contribution rate later in the budget process.

Other Considerations: TCDRS gives employers various suggestions to keeping rates stable, including adopting a rate higher than the required rate, adjusting plan benefits, and paying for COLAs when implementing. These suggestions and other tools should be given the same amount of review and consideration as the County gives compensation and health benefits, especially as the number of retirees grows over the next decade.

It will be important to continue strengthening our plan through our funded ratio based on contributions from the County and anticipated retiree annuities. This ratio has held steady over the last decade or so but should be monitored and a plan should be discussed around a goal of 90 percent in the future. The table below summarizes the County's retirement plan financial information over the last five years.

Recent Financial Information for Retirement Plan

Fiscal Year	Calendar Year County Contribution Rate of Salaries	Retiree COLA Awarded	% Funded Ratio
2016	13.67%	50% CPI	85.61%
2017	14.32%		83.26%
2018	14.91%		86.31%
2019	15.34%	50% CPI	86.98%

Employee Public Hearing: Commissioners Court will hold an employee public hearing on employee-related issues in the Commissioners Courtroom at 700 Lavaca Street and invites all County employees, employee groups, and retirees to give the Commissioners Court feedback for consideration for the FY 2020 budget. The hearing date has will be in late May or early June to assist the Court with evaluating any feedback received from the employees. HRMD will send out a notice to all employees once the date and time are finalized by Commissioners Court.

2. Facility Operating Expenses

Travis County annually funds various improvements to County buildings to enhance security, improve working conditions and maintain existing facilities. These efforts are made through the annual budget process. As no significant new County buildings are expected to become operational in FY 2020, emphasis will primarily be on existing facilities and operations. As a part of these efforts, it is anticipated that some level of new resources will be required to improve physical security. In addition, it is expected that the Tax Office will move their central location to a leased facility in order to better handle customer traffic and relieve 5501 Airport Boulevard space and parking requirements. Lease costs, operating and security needs related to this move have been included in our FY 2020 planning parameters. HRMD has also informed PBO that a new contract for the County's general liability insurance will result in an increase of $300,000 to maintain coverage.

Since 2010, the revenue generated from lease tenants of the 700 Lavaca Building have been set aside into the 700 Lavaca Special Revenue Fund. As those leases have ended and more County operations have moved into the building, lease revenue has decreased resulting in the need for a General Fund contribution for the operations of the building. Therefore, it is likely that the fund will be discontinued in FY 2020. Funding has been set aside in the planning parameters to supplement needed personnel and operating costs for the facility. Lease and parking revenue will also be budgeted in the General Fund starting in FY 2020 to help offset some of the facility related expenditures.

Other Considerations: Facilities Management is completing the final phase of a three year plan to assess every County building for security improvements. It is likely there will be some costs associated with fixing the most critical needs from those assessments. Also FMD is completing their multiyear project to replace access control systems throughout the County facilities. One-time funding will be needed to complete that project in FY 2020.

3. Interlocal and Other Agreements

The County has interlocal agreements with the City of Austin and several other state and local partners to provide needed public services. These interlocal agreements include Public Health and Animal Control Services, Emergency Medical Services, the Regional Radio System, and the Combined Transportation, Emergency and Communications Center (CTECC).

Through the Public Health Interlocal Agreement, the City of Austin Public Health Department provides epidemiology, vital records, and environmental health services, disease surveillance, chronic disease and injury prevention, health promotion services, and social service contracts targeted specifically to subpopulations of the County experiencing an undue burden of morbidity and mortality throughout the City of Austin and Travis County. The City of Austin Animal Services Department enforces regulations, provides shelter for lost or homeless animals, implements wild life management strategies, and works to achieve live outcomes for at least 90 percent of sheltered pets under the Animal Control Services Interlocal Agreement. The Travis County portion of the Public Health and Animal Control Services Interlocal Agreements is based on a cost-sharing formula driven by the percentage of Travis County residents in the unincorporated area.

Travis County also contracts with the City of Austin for the provision of ground Emergency Medical Service and Transportation in the County. This agreement provides paramedic emergency ambulance services to Travis County excluding the City of Austin.

The Combined Transportation, Emergency & Communications Center (CTECC) and Regional Radio System (RRS) are cooperative agreements that benefit public safety and public service within the region by coordinating resources in the County as well as providing effective radio and wireless coverage for those assets across the region.

The Hazardous Materials (HAZMAT) interlocal agreement is a joint agreement between Travis County and the City of Austin to manage hazardous material removal throughout the county.

The Central Booking Interlocal with the City of Austin is a large interlocal agreement that impacts the revenue received by the County for providing this service.

<u>Other Considerations</u>: Work has continued on improving the negotiations and handling of interlocal agreements. We will continue to explore potential improvements with the County Executives and our City counterparts to ensure that these contracts are efficient and effective and fit well into our annual budget planning process.

4. Balcones Canyonlands Preserve (BCP)

The BCP operates under a regional Section 10(a) permit issued to Travis County and the City of Austin in 1996 by the U.S. Fish and Wildlife Service under the Endangered Species Act. The current budgeted transfer is $18,827,868. In recent years staff has begun to focus on the long-term maintenance of the BCP, as that the permit expires in May 2026. The FY 2018 Budget included funding for consulting services to plan for the completion of the BCP, including plans regarding the issuance of permits and any needed administrative changes to the Balcones Canyonlands Conservation Plan (BCCP). Staff also plans to continue pursuing final land acquisitions to Plan completion. The FY 2019 Adopted Budget includes an allocation of $619,356 to provide staff, materials and equipment for ongoing operations and maintenance obligations for the Preserve, along with a $3.7 million investment to repair and maintain 68 miles of dirt roads and trails that are vital for the access of staff, volunteers and researchers working on the BCP.

Other Considerations: The BCP Interlocal with the City of Austin sets out how the transfer is calculated. Any changes would require review through the BCP Coordinating Committee and approval by the City Council and Commissioners Court and may need to include other funding alternatives to assure that the permit is not impacted.

5. Waller Creek TIF

In 2008, Travis County entered into an agreement with the City of Austin for participation in the Waller Creek TIF. As part of the 20-year agreement, Travis County contributes 50 percent of the property tax on the increase in value of real property in the reinvestment zone (tax increment) for TIF purposes. The tax increment will be used to help repay the debt that was issued by the City to build the Waller Creek Tunnel. The tunnel project consists of the construction of flood control improvements along lower Waller Creek that will provide 100-year storm event flood protection with no out-of-bank roadway flooding for the lower Waller Creek watershed. The project will reduce the width of the floodplain in the reinvestment zone area that will significantly increase the amount of developable land area in the lower Waller Creek watershed. The FY 2019 Adopted Budget includes an increase of $265,819 in the Waller Creek TIF estimated budget due to increase in value of real property in the reinvestment zone. The total estimated County TIF contribution for fiscal year 2019 is $1,939,273. The TIF contribution will not be finalized until certified values are received from the Travis Central Appraisal District and the County has an adopted tax rate. In the meantime, funding based on historical annual increases are included in the FY 2020 planning parameters.

Other Considerations: The TIF agreement is between the County and City of Austin and sets out how the annual contributions for each are calculated. Any changes would require review on the impact of any proposed change and approval by the City Council and Commissioners Court and may need to include other funding alternatives to assure that the debt service requirements for the Waller Creek flood improvements are continued to be met.

Program Specific Budget Drivers

6. New Courts

The new 460th Criminal District Court will be operational in October of 2019. This new criminal court was partially funded this year with funds set aside for 10 additional FTEs in the District Attorney's Office authorized for the last three months in FY 2019 in preparation of the new court. The remaining nine months were included in an annualization reserve. The new court will require staffing increases in a number of offices and departments that will support the court, an increase in the legally mandated fees budget for indigent attorney fee and other mandated expenditures, the purchase of legal materials to support court staff, and building renovations, equipment, and infrastructure to create a new courtroom in existing office space. It is anticipated that departments and offices will submit their requests as a part of the FY 2020 budget process.

In addition, the Commissioners Court approved on October 23, 2018,a request from the Civil and Family Courts judges for creation of an additional Civil District Court in the coming legislative session. This court may begin at the end of FY 2020. The full annualized cost of a new Civil District Court is estimated between $550,000 and $1.5 million.

<u>Other Considerations:</u>
The Commissioners Court has discussed additional criminal, civil and probate courts in future years. As discussed above, the addition of a new court comes with a large investment. The County will plan to future court growth while looking internally to continue to identify practices to improve the efficiently and effectiveness of our courts system.

7. Indigent Attorney Fees/Managed Assigned Counsel and DNA Review

Expenditures for legally mandated indigent attorney fees in the civil and criminal courts have increased annually over the last several years. The Civil Courts budget was increased by $300,000 to improve the alignment of budget with expenditures. An increased volume of Child Protective Services cases is the primary reason for these increases. An earmark of $200,000 on the Allocated Reserve was included in the FY 2019 Adopted Budget for civil indigent attorney fees, which are projected to continue increasing at a more modest rate than in recent years.

The FY 2019 Adopted Budget also includes an increase of $1,000,000 to the Criminal Courts budget for indigent attorney fees and $350,000 for legally mandated expert witness fees. Expenditures for criminal legally mandated fees exceeded the budget in FY 2018 due largely to an increase in the volume of felony cases, as well as a policy change that led to the appointment of attorneys in approximately 600 Driving While License Invalid (DWLI) cases. Expenditures are expected to continue to grow in FY 2019, and an earmark on the Allocated Reserve of $400,000 is also included in the Adopted Budget if resources are needed beyond those budgeted in the department.

In 2014, Travis County was granted a multi-year grant from the Texas Indigent Defense Commission to partially fund a Managed Assigned Counsel (MAC) program to oversee the indigent defense process for the Criminal Courts. This program replaced an outdated system of indigent attorney appointments and aimed to improve the quality of representation to indigent defendants. The FY 2019 Adopted Budget includes ongoing funds of $884,510 in the Criminal Courts budget to continue the program. Additionally, $234,821 in ongoing resources is budgeted for year three of the Holistic Defense grant. This is an increase of $57,918. FY 2020 will be the final year of the grant.

Several one-time funded additions to the FY 2018 and FY 2019 budget related to the closure of the Austin Police Department DNA lab will need to be re-evaluated for continued funding in the FY 2020 budget. CAPDS and Juvenile Public Defender are completing their initial reviews and are now identifying cases that require additional scrutiny. One-time funded positions, additional testing funds, and a five year contract with CAPDS for case review will be assessed by having further discussions with stakeholder departments on the amount of work needing to be executed in the next fiscal year.

Other Considerations: An Indigent Defense Working Group is preparing to submit a grant application to the Texas Indigent Defense Council (TIDC) for funding to begin a Travis County Public Defender Office. That grant would likely have a significant cash match requirement if the Commissioners Court chose to move forward with the application and accept a grant award. The amount of the match is not yet determined and the working group would need to advise the Commissioners Court on a staffing plan and budget and may also recommend improvements to the Capital Area Private Defenders Service. These will all be FY 2020 budget considerations if the Court moves forward with a letter of intent on March 5, 2019.

8. Tech-Related and Other Approved Project Operating Costs

PBO reviews and analyzes a variety of operating cost increase requests during the budget process and asks departments and offices to internally fund such cost escalators when possible. However, there are some larger operating costs related to programs such as the replacement of the Integrated Justice System that may require additional resources. Information and Technology Services (ITS) is completing the implementation phase for the new Adult Case Management System to replace the FACTS/Tiburon Integrated Justice System for the Courts. Juvenile Probation will commence implementation with a new Juvenile Case Management System in FY 2019. Maintenance for that system will be a FY 2020 budget request. In the next few fiscal years, there may also be requests to replace current Tiburon systems in Pretrial Services, Counseling and Education Services and the Sheriff’s Department.

Other Considerations: IT infrastructure is moving away from on premise hardware needs to requiring user-based licenses and “cloud” based technologies. As that transition occurs, ITS may require additional ongoing operating funds rather than one-time capital costs to serve their customers. For example, in FY 2020 the Microsoft 365 operating systems will transition to a per user cost, as opposed as per device. In addition, funds may be needed to enhance IT security, statutorily-required compliance programs, and other network improvements.

9. Increased Social Service Investments

Commissioners Court approved adding $500,000 of ongoing funding for social service investments to the FY 2020 cost drivers. This decision provided PBO with clear guidance to include a planning figure early in the process and signals the Commissioners Court's intention to provide additional investments in social services. During FY 2018 and 2019, Health and Human Services Research and Planning staff has worked with Commissioners Court on a process to begin to identify priority areas for potential social services investment.

Other Considerations: The Commissioners Court will have the opportunity to continue to consider additional investments in this program area.

10. Sheriff's Office Inmate Costs

Historically, the cost of providing care of inmates in Travis County custody has been a major cost driver for the County. The FY 2019 Adopted Budget includes ongoing and one-time resources for food and medical and pharmaceutical costs based on historical growth patterns in the jail population and estimates of inflationary increases in those costs. Currently the increased growth in inmate population that occurred from FY 2014 through FY 2017 has stabilized. PBO is projecting the average daily population (ADP) in FY 2020 to be 2,331; this is close to the average ADP in FY 2014 of 2,362. However, the average length of stay has increased notably from 19 days in FY 2014 to 23 days in FY 2018. This equates to a 20% increase in the length of stay. PBO attributes some of this growth in the length of stay to increased numbers of inmates with moderate to severe mental health issues and an increase in severity of the initial arrest. Because of these factors, PBO is projecting inflationary increases for inmate costs for FY 2020, but not likely a need for new overtime resources beyond what is already budgeted. However, PBO will likely recommend that an earmark on the Allocated Reserve be maintained to guard against unexpected increases in this program area.

Other Considerations: For the last several years TCSO has submitted a significant budget requests for additional Law Enforcement staff. PBO has recommended that the Law Enforcement Staffing study, approved in FY 2009 and covering a plan for growth through FY 2012, be updated to guide Law Enforcement staffing decisions. As part of the FY 2019 Budget, Commissioners Court approved funds for a third party consultant to assist Travis County in the preparation of a Law Enforcement Study. At this time, the procurement process for a consultant is underway and the results will not be available to assist with the FY 2020 Budget Process. PBO believes it is likely that the study will be completed during FY 2020. Other Commissioners Court Priorities

11. Other Priorities and Pilot Program Recommendations

PBO will review and make ongoing recommendations on pilot programs that are justified in becoming ongoing programs based on their demonstrated results.

Other Considerations: Departments are encouraged to take advantage of the pilot program structure to test new programs and increase their overall effectiveness and efficiency.

The FY 2019 Adopted Budget includes a variety of earmarks that could materialize later in this fiscal year. Some of these earmarks represent one time expenditures; however, there are some earmarks that could materialize into ongoing commitments by the Commissioners Court that will need to be budgeted for FY 2020. In addition, sometimes other priorities that require attention emerge during the development of the Preliminary Budget.

Identified Budget Related Matters Not Included in Budget Drivers

There are a variety of additional issues that are likely to have an impact on the development of the FY 2020 Preliminary Budget. The Planning and Budget Office will work with offices and departments to continue monitoring these issues and others that may materialize, and will keep the Commissioners Court apprised of any substantive changes. Potential issues include, but are not limited to:

- Additional staffing to meet current workload requirements;
- Additional investments in new programs or service enhancements, including any outcomes from the business review, the economic development strategic plan, a public defender's office and fleet management changes;
- New unfunded/underfunded mandates;
- County response to natural disasters or other unforeseen events;
- Changes in assumptions that impact the calculation of the tax rate and resulting revenue;
- Other unexpected decreases in state or federal grant funds for established programs with proven results.

However, given looming revenue caps from the State, it will be difficult to address these challenges.

Reserve Levels

Under ordinary economic conditions, local governmental entities employ the use of reserves to help mitigate any unforeseen risks and to provide a source of funding should additional resources be required for essential services beyond departmental budgeted expenditures. The necessity for reserves in times of uncertainty or worsening economic conditions is heightened and provides necessary fiscal resiliency for the entity.

Travis County has four primary types of budgeted reserves: the Unallocated Reserve, the Allocated Reserve, General Purpose Reserves, and Special Purpose Reserves. Maintaining appropriate Unallocated and General Purpose Reserve levels are important components of County financial policies and management practices. Special purpose reserves can also be used to set aside funding for future contractual obligations in instances where the final contractual requirement is determined after the adoption of the budget. Special purpose reserves provide the greatest flexibility for Court oversight and input into the programs and expenditures supported by these reserved funds.

For FY 2020, the Unallocated Reserve will be recommended by the Planning and Budget Office at the County's Reserve and Fund Balance Policy goal of no less than 11% of the total budgeted operating expenses for the General Fund as defined in the CAFR. An Allocated Reserve totaling one percent of budgeted expenditures, excluding earmarks, will be targeted in FY 2020 and an appropriate CAR Reserve based on staff recommendations in the Preliminary Budget will be continued in FY 2020.

The Emergency Reserve will be continued and may be increased in FY 2020, especially in light of proposals that may artificially limit future taxing flexibility. This reserve is evaluated every year to determine if this reserve should be maintained at the current $5,000,000. Changes to this *reserve will be recommended to be implemented over more than one budget cycle to ensure, in instances of a recommended reduction, a controlled decrease in Travis County's General Purpose Reserves and any resulting impact on the fund balance.

Special Purpose Reserves will be utilized as a mechanism to maintain funding for certain projects that are not executable at the time that the budget is adopted.

Five-Year Financial Forecast

The annual five-year financial forecast for the County's operating budget provides the Commissioners Court the opportunity to place the upcoming budget process within a greater financial context. Constructing the annual budget process within a longer financial horizon allows for improved financial planning. The following five-year financial forecast is based on past budget and tax base growth and tax rate trends. The assumptions underlying the projections were prepared in consultation with the Travis Central Appraisal District (TCAD) and the County Auditor's Office. Forecast estimates reflect conservative growth assumptions based on current information and are intended to deliver a macro level perspective. Information specific to the upcoming fiscal year will be refined as the FY 2020 budget process unfolds.

Over the last decade, Central Texas has seen strong growth, both in population and taxable value. This growth, coupled with a Consumer Price Index increase and other factors such as limited growth in salaries, changing demographics, and a lack of adequate funding for transportation infrastructure, education, and health care from the State, have placed greater pressures on the County's budget.

Property Taxes, Exemptions and Historical Property Tax Rates

County government is funded primarily by property taxes. Along with the tax rate set by local taxing jurisdictions and property values appraised at market value by TCAD, exemptions are an important component of calculating the annual tax liability for a property. Texas law allows a variety of partial or complete exemptions from local property taxes. Exemptions lower the taxable value of a property and its associated tax liability. A partial exemption removes a percentage or fixed dollar amount of the property's value from taxation. An absolute or total exemption excludes the entire property from taxation. In most circumstances, exemptions require applications, which can be filed with TCAD. The general deadline for filing an exemption application is April 30. Specific information and exemption applications can be found at https://www.traviscad.org/forms/.

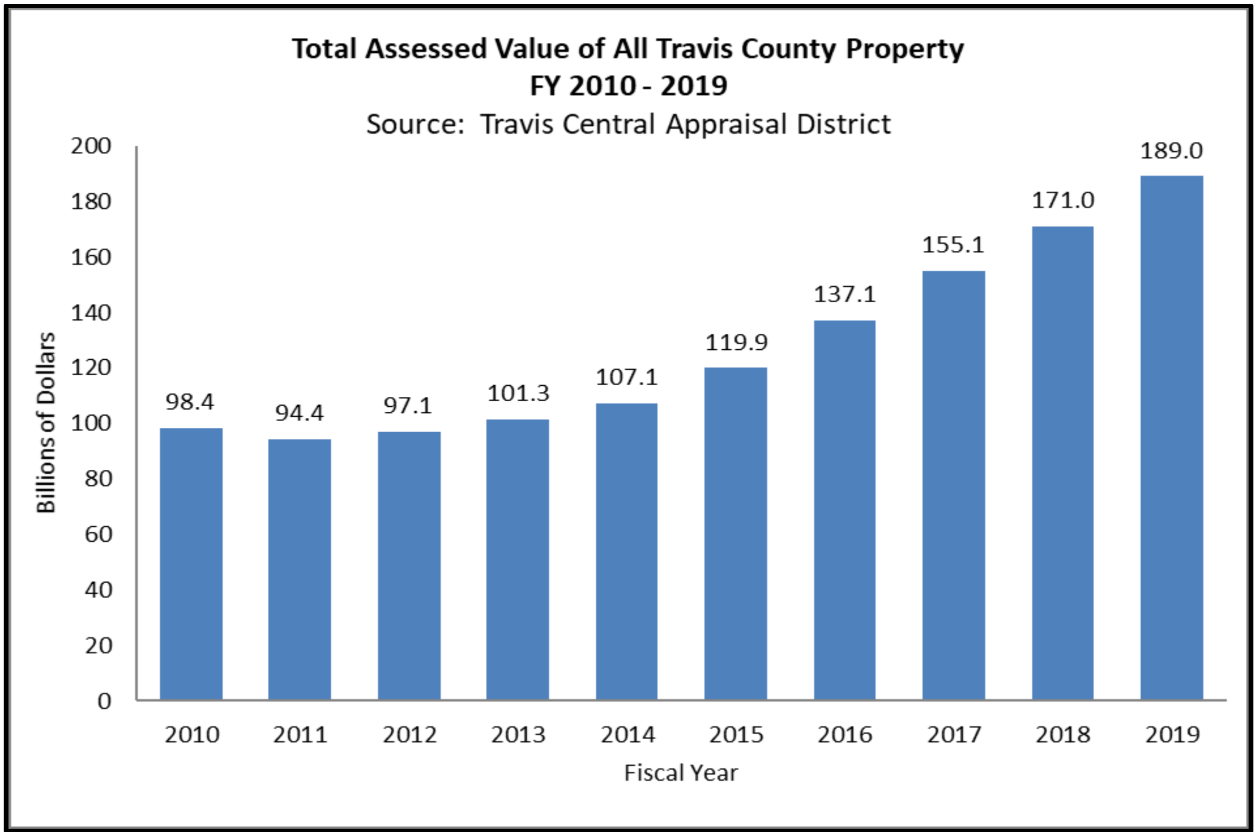
The Commissioners Court has had a long-standing practice of offering the maximum allowed Homestead Exemption of 20 percent to eligible Travis County households. In addition, Travis County offers an optional 65 and Older/Disabled Homestead Exemption of $85,500. The exemption was increased by $5,500 over the FY 2018 exemption amount of $80,000. The optional 65 and Older/Disabled Homestead exemption has increased by $20,500 (over 30%) since FY 2012. Given the current uncertainty surrounding revenue caps and their impact on County services, the Planning and Budget Office recommends no changes to the County's exemptions for FY 2020.

A summary of major exemptions for FY 2019 offered by Travis County, Central Health, City of Austin, Austin ISD, and Austin Community College below.

Jurisdiction	Homestead Exemption	65 and Older Exemption	Disability Homestead Exemption
Travis County	20% with minimum of $5,000	$85,500	$85,500
Central Health	20% with minimum of $5,000	$85,500	$85,500
City of Austin	8% with minimum of $5,000	$88,000	$88,000
Austin ISD*	$25,000	$35,000	$25,000
Austin Community College	1% with minimum of $5,000	$160,000	$160,000

*State law also automatically sets a tax ceiling that limits school property taxes to the amount the owner paid in the year they first qualified for the 65 and Older or Disabled Exemption.

The total taxable value for all Travis County property increased from $171.0 billion in the FY 2018 Adopted Budget to $189.0 billion for the FY 2019 Adopted Budget (based on the certified values as of January 1, 2018), representing an increase of 10.54 percent. The certified value for FY 2018 included new property value of $4.7 billion, compared to $4.1 billion in FY 2018. The table on the next page highlights property tax base growth over the last ten years.



The five-year financial forecast modeling scenarios include assumptions about the value of properties to be certified as of January 1, 2019, that will be used to prepare the FY 2020 budget. The Chief Appraiser certifies this information in July of each year. The "year one" assumptions serve as the baseline for the estimated net taxable value for the five-year planning horizon. These preliminary estimates will change as new information becomes available. The table below outlines the major assumptions PBO used for the estimated tax rates and corresponding revenue at this early stage of the FY 2020 budget process.

Fiscal Year	New Construction Value	Net Taxable Value (NTV)	Total NTV Growth
FY 2019 Certification	$4.7 billion	$189.0 billion	10.5%
FY 2020	$2.2 billion	$200.4 billion	6.0%
FY 2021	$2.1 billion	$210.4 billion	5.0%
FY 2022	$2.0 billion	$218.8 billion	4.0%
FY 2023	$1.9 billion	$225.4 billion	3.0%
FY 2024	$1.9 billion	$232.1 billion	3.0%

New construction data reviewed was estimated to be $2.7 billion for FY 2020 at the time this forecast was formulated. New construction was $4.7 billion for FY 2019 and has averaged $3.9 billion over the last five years. This model uses a very prudent$2.2 billion at this early stage of the budget process. Underlying assumptions will continue to be refined as we move closer toward the receipt of the January 1, 2019, certified values that will be used in the final calculations of tax rates for the FY 2020 budget process.

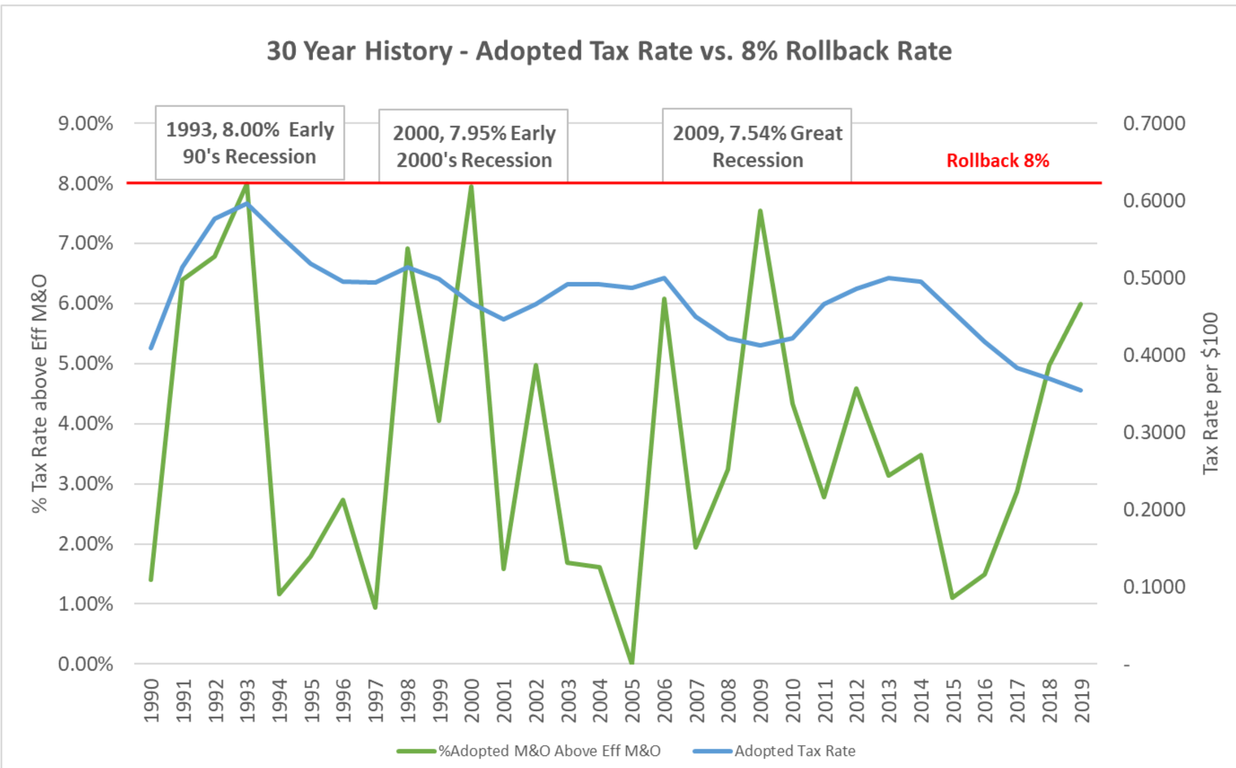
Affordability concerns in Austin continue to loom large, and in recent years the Commissioners Court has established tax policies which limit the growth annual property taxes for County taxpayers. Our mission includes providing a robust and fair justice system, providing quality public health and safety services to improve the quality of life for the people of Travis County, and protecting our natural resources for all to enjoy. We have met our mission while keeping a mindful eye on our tax rate and its impact on affordability in the area. The Travis County portion of the tax bill for a typical taxable homestead is less than 15 percent of the overlapping total tax bill based on the FY 2019 Adopted Tax Rates for Travis County, Austin ISD, Austin Community College, Central Heath, and the City of Austin.

The County's approach towards tax management recognizes that modest changes in the tax rate may be an effective tool to respond to the increasing cost of delivering services in a fiscally responsible manner. This approach recognizes that the effective tax rate, even with new construction activity, resulting in added value to the tax base, does not always generate sufficient funding keep pace with a growing population and rising costs.

The County's tax rate has decreased by almost 10.21 cents over the last five years, and by 14.59 cents since FY 2013. This significant reduction in the tax rate over this time occurred during a time of tremendous growth in the County. The County portion of the tax bill for the average taxable homestead for FY 2019 is estimated to be $62.62 in total more than the tax bill in FY 2015. As displayed in the table below, this is a 5.71 percent increase over a five-year period, which would average a little over one percent per year (1.03%). This modest increase over five years has been accomplished through a managed tax rate approach that has allowed the County to reduce the property tax rate 10.21 cents during this period of growth. The County's tax base is projected to grow at a slower pace in the near term as compared to recent years and modest tax increases will likely be required to respond to service demands of our growing community. The table below summarizes the difference in property tax bills from FY 2015 to FY 2019.

	FY 2015 Adopted Budget	**FY 2019 Adopted Budget**	**Difference ($)**	**Difference (%)**
Average Appraised Value Homestead	$316,409	$432,361	$114,952	36.33%
Average Taxable Value Homestead	$240,026	$326,894	$86,868	36.19%
Tax Rate Per $100 of Taxable Value	45.63¢	35.42¢	(10.21¢)	(22.38%)
Annual Property Taxes on Average Taxable Homestead Value	$1,095.24	$1,157.86	$62.62	5.71%

Rather than prescribing a set tax rate or set budget increase, Commissioners Court has directed PBO in the past to calculate a property tax rate that provides tax revenue sufficient to pay for budget priorities and cost drivers identified within the budget guidelines for the purposes of balancing the Preliminary Budget. All budgetary decisions are made within the context of a current 8% rollback rate cap. The rollback rate is the rate that will project last year's maintenance and operation levy (adjusted) from this year's multiplied by 1.08 plus a rate that will produce this year's debt service requirement. The County has been at the rollback rate only once in 30 years and slightly below it only two times. Each of these three times was connected to a major economic recession. The following chart page highlights how the County has historically managed to balance its budget at a tax rate well below the current rollback restrictions and only adopted a rate at or slightly below rollback in extreme economic circumstances.



As noted earlier, County budget growth has been driven by a variety of factors rather than a single issue or cost driver. The General Fund has grown at an approximate rate of 5.15 percent per year since 2009. This growth rate has been decreasing over the last few years. For comparison, in FY 2018 the prior ten year period growth rate was 5.5 percent. This readjustment in the long-term growth trajectory reflects a marked effort by the Commissioners Court to serve an ever growing population without significantly impacting property taxes.

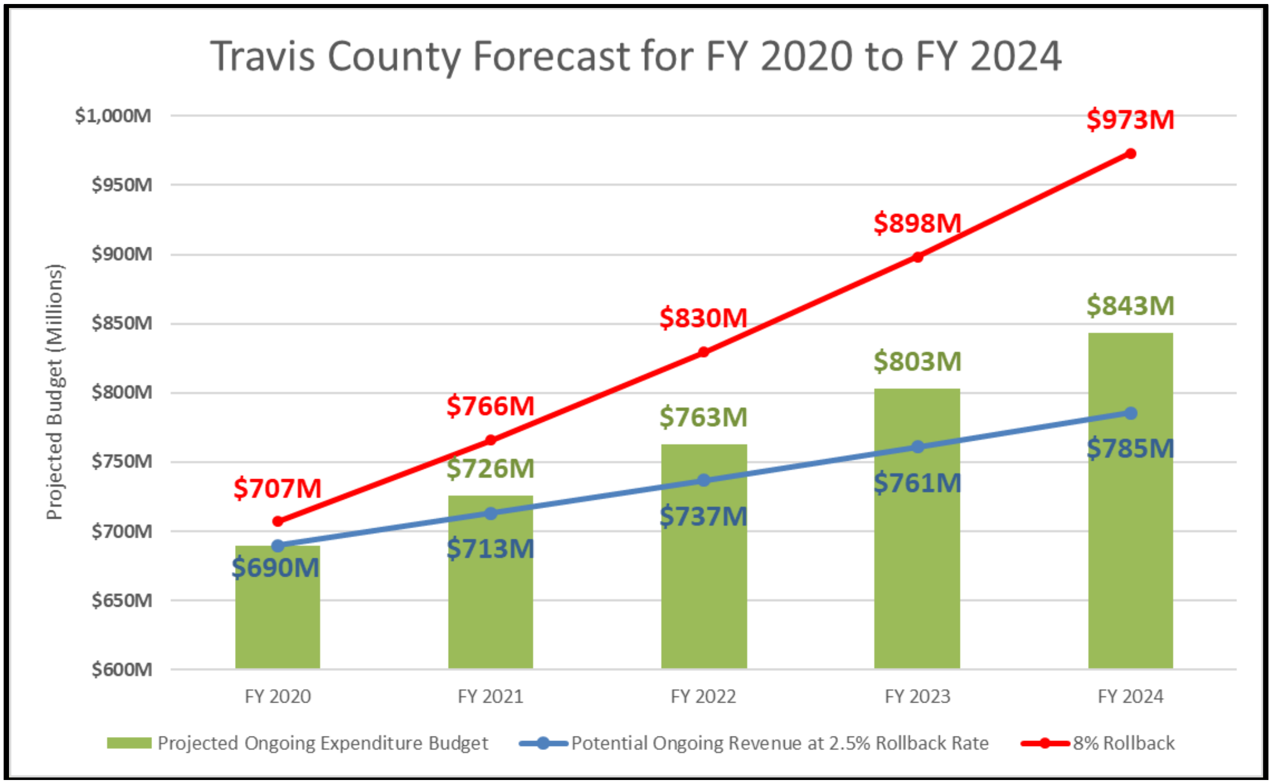
Travis County continues to transition to more performance based budgeting practices by strategically adding resources to programs willing to participate in an intense program review process at the conclusion of a predetermined program pilot period. This approach, along with a focus on affordability, has forced the budget to conform to a slower rate of growth in recent years. The following forecast model likewise projects that the County will continue to grow at a slower rate than prior years.

This model limits the ongoing expenditure growth to balance the County budget at conservative estimated property tax rates that are close to the ten year averages above the Effective Maintenance and Operations Tax Rate. Projected rates are at or below five percent above the Effective Maintenance and Operations Tax Rate each year and well below the current rollback rate capped at 8% growth.

The following forecast illustrates County budgetary growth and related estimated ongoing revenue based on historical growth and past guidance regarding small incremental growth above the Effective Maintenance and Operations Tax Rate. The County's tax rate and related revenue is projected to be well below the current 8 percent rollback cap. However, should the State implement artificial revenue cap restrictions at 2.5 percent rollback rate, the County would have a budgetary shortfall of $58 million within four years of implementation based on a funding requirement of $843 million in FY 2024 and $785 million available at the 2.5 percent revenue cap. The compounding effect of the revenue cap will only increase the funding shortfall over time.

The forecast model anticipates sufficient revenue to cover cost drivers each year with some limited level of resources for workforce investment, provided overall departmental growth is at 5.15 percent, which is the 10 year compounded annual growth rate. In years where mandated programs require new resources, it is expected that these mandated operations will be prioritized above any other cost drivers to remain within the projected available revenue.

This model does not take into account additional resources required for program enhancements and new unfunded mandates. Offices and departments would be required to manage within their target budgets and redirect internal resources to execute the County's priority goals. Limited program enhancements such as pilot programs may be possible with slight shifts in projected tax base values and new construction growth. Given the looming threat of a 2.5 percent revenue cap and the projected $58 million revenue shortfall within four years of implementation, all budgetary decisions made during the FY 2020 budget process must be made within the context of this potential change.



Offices and departments will be asked to continue working to manage their base budgets, which will be increasingly difficult as demands grow. This challenge will require continued close collaboration between offices, departments, Commissioners Court, and the Planning and Budget Office to ensure resources are prioritized towards mandated core services and strong performing programs with measurable benefits to residents.

It is important to note that remaining within this conservative forecast could prove to be a challenge given continued population growth and a corresponding increase in demand for County services, especially those in the unincorporated areas. Property tax valuations are not likely to continue to grow at the unprecedented rates seen these last few years and new construction will likely not continue to be certified at recent levels, which averaged $4.2 billion a year over the last three years.

Based on the Planning and Budget Office property tax base assumptions, PBO will balance the Preliminary Budget at a tax rate sufficient to cover the budget considerations discussed throughout this document.

The table below includes the target budget, budget drivers, expected revenue and property tax impact to the average taxable homestead for FY 2020 based on initial planning assumptions.

FY 2020 Budget Priorities and Estimated Tax Impact to the Average Taxable Homestead

Estimated Budget Drivers and Target Budgets	
Budget Drivers (Mid-level Range)	$36.4 M
Target Budgets	$653.4 M
Total Expenses	$689.8 M
Estimated Revenue	
Revenue (Excludes Fund Balance)	$689.8 M
Revenue less Expenses	$ -
Property Taxes	
Estimated Property Tax Impact for Avg. Taxable Homestead (Increase over FY 2019)	$90-$99

Travis County is committed to fiscal responsibility and minimizing county property taxes for the average taxable homestead. The public can learn more about Travis County's tax rate history at https://www.traviscountytx.gov/images/planning_budget/Docs/fy19/Travis_County_Tax_Rate_History_FY_2010_-_FY_2019_Adopted.pdf.

Budget Preparation Guidance for County Offices and Departments

The key elements of the budget guidelines as outlined below are intended to help offices and departments in the preparation of FY 2020 budget submissions, and to assist the Planning and Budget Office in preliminary preparations for the upcoming budget cycle.

Target Budgets

Offices and departments are required to submit their budgets at the FY 2020 Target Budget Level. This Target Budget Level represents the FY 2019 Adopted Budget plus the annualized impact of any new increases approved during FY 2019, less any one-time expenses and other reductions related to pilot programs and programs that have been moved from ongoing to one-time, plus any needed corrections.

Offices and departments are provided a great degree of flexibility within their target budgets and are urged to collaborate with the Planning and Budget Office to identify and implement any opportunities for savings and efficiencies.

Maintaining Current Service Levels

Target budgets provide offices and departments the flexibility to repurpose funds within their budgets to accomplish their highest priority goals. Executives and managers are expected to reprioritize within existing resources to maintain current service levels where required.

Executives and managers are urged to focus on efficiencies, increased productivity, and simplification rather than on budget requests for additional resources.

New FTEs in the Preliminary Budget other than those related to the budget drivers discussed earlier in this document will be limited to those that are (1) internally funded on a permanent basis for existing program needs, (2) supported by new revenue sources that have a proven track record and have been reviewed by the Auditor's Office (and include the departmental indirect cost rate above direct costs to account for administrative support, space, and associated infrastructure costs), or (3) based on an extraordinary and compelling need. If sufficient County-owned or leased space cannot be identified and costs estimated for a proposed program or FTE increase, then PBO will not recommend such a program or FTE increase in the Preliminary Budget. New FTEs in the FY 2020 Preliminary Budget will be very limited given potential revenue caps from the State.

Non-County Requests

As in prior years, non-county entities that plan to request new or additional funding in the County budget must coordinate such a request through the County department in charge of delivering the service. The request must be submitted to the relevant County department no later than **March 25, 2019** so that it can be included in the department's overall budget submission.

Third party social service providers in the Human Services and Justice Planning issue areas are expected to work through the competitive solicitation process coordinated by the Travis County Purchasing Office.

County offices and departments are asked to advise their key stakeholders of the County's budget process, schedule, and budget guidelines that provide the context for FY 2020 appropriations. Non-county organizations submitting a request through the appropriate County office or department will be included in their submission, but given potential challenges with revenue caps, will not be considered by PBO for the FY 2020 Preliminary Budget.

Unspent Balances, Zero-Based Line Items, Vacancies, and Salary Savings

The Planning and Budget Office annually reviews the last three years of unspent operating funds, and considers whether it would be reasonable to reduce the budget without substantially affecting mandated service levels. The primary purpose of this review is to identify opportunities for repurposing these unspent funds.

Offices and departments will be asked to build selected line-item budgets from the ground up ("zero-based" budgeting), such as leases, maintenance contracts, other purchased services, consulting, and contributions to grants. Other commitment items such as travel and training may become subject to zero-based budgeting during budget development.

Each year, the Planning and Budget Office reviews vacancy trends in all offices and departments. Based on these reviews, PBO may recommend appropriate adjustments to budgeted departmental salary savings. In addition, PBO will review all positions that have been vacant for 120 days or more. Offices and departments with such vacancies will be required to document the reason for the long-term vacancy as part of their budget submission. It is not the intent of the Commissioners Court to maintain long-term vacancies where resources could be reallocated towards other higher priorities.

Special One-Time Funding for Select New Programs

The Commissioners Court continues its support of innovative programs that can provide improved services, streamline business practices, and reduce costs. It is possible that a very limited amount of one-time resources will be available to support such innovative programs. It is likely that any funding recommendations will be geared towards reducing jail detention populations and maintaining current state and federally funded programs that are shown to be meeting or exceeding performance metrics. Offices and departments must document in the budget request how the following criteria are met:

- The program addresses a critical, core Travis County issue that:
    - is not otherwise being addressed; or
    - is being addressed but is not realizing the desired results.
- A new program that has potential to duplicate or overlap with an existing program is clearly identified, and protocols that will isolate the impact of each program on performance outcomes are described.
- Commitment to include PBO Analyst in the implementation process throughout the pilot period (FY 2020, FY 2021, and FY 2022).
- Programmatic performance measures for innovative programs directly relate to the established departmental mission statement, goals, objectives, and performance measures.
- Performance measures focus on outcomes, but also include input, efficiency, and output measures.
- Performance measures are meaningful, valid, and can be independently verified.
- Commitment to take performance management training in consultation with PBO.
- Willingness to provide periodic status updates to PBO during the pilot period to refine goals and objectives and measures progress.
- Willingness to use special project workers if new staff is needed.
- A process is established for the periodic reporting of results that are connected to the County’s mission, vision, and goals.

Non-Property Tax Revenue

The importance of non-property tax revenue has increased, given the revenue caps proposed by the state legislature. These non-property tax revenue sources comprise approximately 13 percent of the County's ongoing revenue. The majority of these revenue sources are fees are within the justice system, which are set by statute. However, there is a smaller portion of fees that are set by the County. The budget process provides an opportunity for a review of County fees to evaluate the appropriate level of cost for each service. The Planning and Budget Office has worked with the Auditor's Office and various County offices and departments to compile an overview of fees charged for services and facility use countywide. During the FY 2020 budget process, PBO will provide offices and departments with an inventory of the applicable services fees, along with an inventory of all revenue contracts held at the department level.

Some fees have not been adjusted in recent years to keep pace with the costs of providing the service, along with other considerations such as inflation or maintenance costs. The countywide business review performed by Morningside Research stated that Travis County is not maximizing opportunities to increase revenue from non-tax sources, and that, in many cases, revenue generated from fees does not cover the cost of performing the service. The organizational review recommended that the County, "Conduct a comprehensive review of the fee structure for all County services, with the goal of establishing fees equal to costs, accompanied by indexing to provide automatic adjustments of fees as costs change."

Through the FY 2020 budget process, PBO proposes to begin a comprehensive review of fees, to begin looking at whether the current fees support the actual cost or a portion of the cost to the County of providing the services, and which have the potential to be increased.

For each fee or contract, offices and departments should report the following information:

- The date the item was last increased (and Commissioners Court date if applicable);
- Whether the department intends to increase the fee or contract as part of the FY 2020 budget process along justification, including estimated cost recovery, for any increase;
- If the fee or contract is to be increased, the proposed increase amount.

The requested revenue information should be completed and returned as part of the budget submission. Once this project is complete, PBO will bring forward a holistic fee item for Commissioners Court review and approval. This effort is especially important in light of potential artificial revenue caps on property taxes.

Calendar

The key dates below are subject to change based on the receipt certified values by TCAD and related statute requirements. The Planning and Budget Office is working on alternate calendars that account for any delay in the receipt of the certified appraisal roll. The law requires certain notices and two public hearings on the proposed tax rate if that rate is above the effective tax rate. A notice requirement under Local Government Code §140.010 mandates publication of a tax rate by the later of September 1 or the 30th day after the County receives the certified appraisal roll. In the event that the certified values are not available to approve a proposed rate by the September 1st notice deadline, the schedule for Budget Mark-Up may not be able to be set, as initially planned, and the Commissioners Court may wish to hold dates in late August and in September to use for this purpose.

Key Dates for Departments and Offices

Offices and departments are expected to submit their FY 2020 budget submissions by **Monday, April 22, 2019**.

Date	Event
March 11, 14	Budget Kick Off Meetings
April 22	Budgets Due
May/June	Employee Public Hearing – HRMD will send out notice to all employees once date finalized
May/June	PBO review of County Budget Submissions
June	Departmental Meetings with PBO
July 22	Preliminary Budget Published
August	Select Budget Hearings (Proposed)
August	Budget Mark-Up
September 24	FY 2020 Budget Adopted

Approved by Commissioners Court on February 26, 2019.