

Update on Impact of COVID-19 on Travis County FY 2020 and FY 2021 Budgets

PLANNING & BUDGET OFFICE



Introduction

Update on the impact of COVID-19 to the FY 2020 and FY 2021 budgets;

Hiring freeze for departments and officials reporting to the Commissioners Court and voluntary hiring freeze for other elected and appointed officials; and

Other cost saving measures

Background on FY 2020 Adopted Budget

Travis County's FY 2020 Budget was adopted on September 24, 2019

- Developed in preparation for impact of SB2 (3.5% Revenue Cap)

County maintains strong financial policies and managerial practices

COVID-19 will significantly impact the County's budget for years to come

Cost reductions and other actions are necessary now in order to give the County steadier financial footing amid the current economic turmoil.

Current Focus of Budget Staff

The County is tracking all expenditures related to COVID-19 and will seek all eligible reimbursements from the Federal government

PBO is analyzing the estimated impact of the COVID-19 on the County's budget and operations, both in FY 2020 and FY 2021

PBO is providing the potential fiscal impact of COVID-19, based on what we know at this moment, so the County can best prepare for the fiscal challenges ahead

GFOA: Fiscal First Aid

Financial recovery is the process of recognizing, arresting and reversing a pattern of financial decline

Fiscal first aid refers to retrenchment tactics that can be used to stabilize financial condition

This stability builds confidence in the recovery process and buys time to develop and enact more comprehensive financial recovery strategies

Three basic stages

- Bridging – recognize issue, diagnose cause, apply fiscal first aid tactics to stabilize and develop a recovery plan
- Reform – carry out plan and develop long term financial strategies and start long-term financial planning process
- Transform – institutionalize long-term financial planning and become more resistant to future financial distress

FY 2020 All Funds Ongoing Revenue

Category	Ongoing Budget (\$)	Ongoing Budget (%)
Taxes	\$731,202,856	77.35%
Miscellaneous	111,600,827	11.81%
Charges of Services	84,834,420	8.97%
Intergovernmental	17,667,696	1.87%
Total	\$945,305,799	100.00%

FY 2020 General Fund Ongoing Revenue

Category	Ongoing Budget (\$)	Ongoing Budget (%)
Taxes	\$618,349,103	86.92%
Charges of Services	64,043,060	9.00%
Intergovernmental	17,352,587	2.44%
Miscellaneous	11,617,130	1.64%
Total	\$711,361,880	100.00%

FY 2020 Revenue Projections

	Pre COVID-19 Revenue Projection	Post COVID-19 Revenue Projection	Difference
General Fund	+ \$22.7M	+\$3.8M - \$(0.5)M	\$(18.9)M - \$(23.2)M
Special Revenue Funds	+0.7M	(6.1)M - (8.8)M	(6.8)M - (9.5)M
Total	+\$23.4M	\$(2.3)M - \$(9.3)M	\$(25.7)M - \$(32.7)M

FY 2020 General Fund Expenditures (October to February as a Percent of Budget)

Category	FY 2020	FY 2019	Prior Three Year Avg.
Personnel	36.0%	36.8%	36.0%
Operating	62.8%	63.8%	62.3%
CAR Cash for Capital	72.3%	61.2%	72.3%
Total	40.9%	41.8%	40.9%

FY 2020 General Fund Expenditures March to September

Unplanned expenditures during this time frame will focus on COVID-19

As of April 11, 2020, the County has spent approximately \$1.0M for COVID-19 related for equipment and software to support a mobile workforce, Personnel Protective Equipment (PPE), cleaning supplies and needed equipment

These expenses are increasing daily

Other expenses to monitor are, Emergency Assistance Program in HHS that had a projected \$2 million shortfall prior to COVID-19 that will likely only increase based on greater needs, and electronic monitoring of pre-trial defendants, and other jail reduction efforts

Immediate Fiscal Mitigation Efforts due to COVID-19

Hiring Freeze

Reducing FY 2020 Operating and Capital Expenses

Revisiting FY 2020 debt issuance

Some strategies may be continued into FY 2021 and additional strategies will be recommended as needed

Hiring Freeze

PBO recommends that the Commissioners Court approve an immediate hiring freeze

PBO recommends that the Commissioners Court encourage all elected and appointed officials to voluntarily implement the same freeze

These actions are recommended in light of potential and likely funding shortfalls

PBO has worked with Human Resources in making this recommendation and it has been reviewed by the County Attorney's Office

Hiring Freeze - Exceptions

Exceptions to the hiring freeze include positions that are needed to meet statutory or contractual obligations or those that perform critical functions which support these obligations. This would include: election workers, prosecutors, public defense attorneys, Pre-Trial Services staff, law enforcement, correctional facilities staff, detention and secure facilities staff, and other positions such as those that:

- Are grant funded positions that could result in loss of the grant
- Are defined by the Families First Coronavirus Response Act as health care providers and emergency responders
- Are approved as exceptions by the Commissioners Court

Recommendations on hiring freeze and personnel actions do not apply to employees on the POPS scale.

- Approved anniversary step increases, automatic job progressions and merit promotions will continue for the remainder of the fiscal year given the unique pay structure of this pay scale

Hiring Freeze – Exception Review Process

Personnel amendments for actions already submitted by departments prior to April 14 will be processed as normal and will appear on personnel amendments for April 21, 2020 and April 28, 2020. Starting on May 5, 2020 HRMD will submit recommended personnel actions and job postings to Commissioners Court for approval.

On April 10, PBO distributed a list to all offices and departments of all vacancies and requested departmental feedback. PBO will collect these responses in conjunction with HRMD to provide them to Commissioners Court during a follow up item on April 28 in order to make any recommended exceptions to the freeze.

Departments requesting to fill critical vacancies will submit a request through HRMD for Commissioners Court approval prior to posting or filling.

Hiring Freeze - Personnel Actions

Personnel Action	Status Recommended For 4/15/2020
*New Hires	An update to Commissioners Court will be made on April 28, 2020 for outstanding employment offers and other like situations for critical positions on a case by case basis.
Rehires	Same as New Hire
Mobility – Interdepartmental Changes	Frozen until further notice
Mobility – Promotion	Frozen until further notice
Mobility – Temporary to Regular	Frozen until further notice
Reclassification	Frozen until further notice
*Temporary Assignment	Frozen until further notice
*Ad hoc Pay	Frozen until further notice
Career Ladders	Frozen until further notice
Hours Change	Frozen until further notice
Demotions	No Change
Voluntary Reassignment (Routine)	No Change
Termination	No Change

Potential Savings from Hiring Freeze

As of April 7, total vacancies for Regular Employees were 392.5 FTEs

- The General Fund had 345.5 vacant FTEs
- Road and Bridge Fund had 36.0 vacant FTEs
- All other funds total 11.0 vacant FTEs

Based on a five year average, Travis County has 51 new hires and 40 terminations/retirements every month. Voluntary terminations/retirements will likely be lower for rest of fiscal year

Rough estimate of not hiring 51 new employees each month for the remainder of the FY 2020 is \$4,706,905 (All Funds)

- Estimate for the General Fund is \$4,143,575
- Estimate for Special Revenue Funds is \$563,330

Reducing FY 2020 Operating Expenses

In adherence to guidance provided by the Government Finance Officers Association, PBO is working to safeguard cash and minimize expenditures where appropriate

Offices and departments are asked to review expected expenditures and reduce expenditures where they are able to do so responsibly

In addition, offices and departments are asked to delay larger operating and/or capital projects if the delay will not impact the County's ability to meet mandated requirements

PBO Analysts will be reaching out to offices and departments to provide assistance

Update on Full Cost Recovery Efforts

Travis County has worked to better recoup costs associated with services it provides to other jurisdictions/agencies

While this work is important, especially in light of SB 2, PBO recommends that our focus be shifted to the most critical cost recovery efforts or fees that have not been updated in a number of years

PBO will continue to work on major cost recovery endeavors where appropriate and will likely recommend a 15% cap on increases for revenue generating contracts

This approach will take longer for the County to achieve full cost recovery in many of the agreements, but will lessen the impact to our partner jurisdictions

FY 2021 Budget Considerations from Approved Budget Guidelines

FY 2021 Preliminary Estimates (February – Pre COVID-19)	General Fund Amount
Compensation & Benefits	\$20.9M
Interlocal Agreements	1.9M
Facility Operating Expenses	1.6M
BCP Transfer & Waller Creek TIF	1.5M
TIDC Public Defender Office Grant Match/Indigent Attorney Fees/Justice Related	5.7M
Tech-Related & Other Approved Project Operating Costs	1.7 M
New Parks	1.6 M
Other Commissioners Court Priorities and Pilot Programs	1.4 M
New Courts	0.8 M
Total	37.1 M

FY 2021 New Ongoing Revenue

Fund	Budget Guidelines	COVID-19 Faster Recovery	COVID-19 Slower Recovery
General Fund	+\$30.8M	\$11.7M	\$(3.8)M
Special Revenue Funds	0.0M	(3.7)M	(9.7)M
Total @ 97.5% Collection Rate*	+\$30.8M	+\$8.0M	-\$ (13.5)M
Total @ 95.0% Collection Rate*	N/A	\$(9.0)M	-\$ (30.5)M

*For every 0.5% reduction in the collection rate there is a \$3.4M reduction in General Fund revenue.

Difference Between FY 2021 Post COVID-19 Revenue to Budget Guideline Assumptions

Fund	Budget Guidelines	COVID-19 Faster Recovery	COVID-19 Slower Recovery
General Fund	\$0	\$(19.1)M	\$(34.6)M
Special Revenue Funds	\$0	\$(3.7)M	\$(9.7)M
Total @ 97.5% Collection Rate*	\$0	\$(22.8)M	\$(44.3)M
Total @ 95% Collection Rate*	NA	\$(39.8)M	\$(61.3)M

*For every 0.5% reduction in the collection rate there is a \$3.4M reduction in General Fund revenue.

Assumptions on FY 2021 Preliminary Budget have significantly changed

The FY 2021 Preliminary Budget will look significantly different than what was discussed with the Commissioners Court in February due to the impact of COVID-19

The cost driver assumptions presented in February no longer have sufficient projected on-going resources to support them and will need to be revisited as we progress through the budget process

Over the coming months, estimated recovery timelines at local, national, and worldwide levels will be analyzed along with all available data. This information will be incorporated into monthly revenue estimates and resources will then be balanced against expenditure requirements to present a balanced preliminary budget in late July

Commissioners Court will adopt the FY 2021 Adopted Budget on September 29, 2020

Focus of Budget Staff for FY 2021 Process

PBO's focus in the upcoming budget cycle will be to ensure that the County is able to maintain existing programs and services

PBO analysts will provide a robust review of departmental target budgets and operations. This focus will be geared towards assisting offices and departments in reimagining their operations to better utilize technology and other new processes, where appropriate, in a reduced revenue environment

All cost drivers presented in February, which included assumptions about compensation, will need to be revisited and revised within available resources

PBO may review reduction proposals, submitted in 2018, with departments to update where necessary in the event that short-term or longer term reductions are needed to balance the FY 2021 budget

Focus of Budget Staff for FY 2021 Process (continued)

PBO will work with the Commissioners Court as the budget process unfolds to determine the Court's flexibility related to the tax rate in light of a disaster declaration

- Such discussions would take into account the County's ability to maintain services, general economic conditions, and affordability concerns for area property owners

Budgets continue to be due on **April 20, 2020**. However, if an office or department requires an extension due to redirected work efforts related to COVID-19 and its impact, please make an extension request to PBO

The FY 2021 Budget is scheduled for adoption on **September 29, 2020**