



# Travis County Commissioners Court Voting Session Agenda Request

**Meeting Date:** February 11, 2020

**Agenda Language:**

Consider and take appropriate action on the FY 2021 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@traviscountytexas.gov or (512) 854-8740

**Background/Summary of Request and Attachments:**

The Planning and Budget Office will present the FY 2021 Budget Guidelines for Commissioners Court consideration on February 11, 2020. The guidelines have been shared with all elected and appointed officials, department heads and financial staff.

**Staff Recommendations:**

The Planning and Budget Office requests approval of the FY 2021 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 the Voter Approval Rate (3.5% above the Effective Maintenance and Operations Rate plus required debt service). The Preliminary Budget will be published by July 27, 2020. The budget and tax rate will be adopted on September 29, 2020.

**Required Authorizations:**

Jessica Rio, Planning and Budget Office, (512)854-9106

Joe Hon, County Judge's Office, (512)854-9555

**AGENDA REQUEST & BACKUP MATERIALS DEADLINE:** Agenda requests and backup materials must be submitted in PDF format via email to [agenda@traviscountytexas.gov](mailto:agenda@traviscountytexas.gov) by **12 noon on Tuesday** in order to be considered for inclusion in the following week's voting session.

*Revised 17-12-05*

## FY 2021 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

Approval of the Budget Guidelines indicates the start to a new budget cycle. This year, we begin the budget process with Senate Bill 2 (SB 2) in effect. SB 2 reduced the cap on the tax rate increase that the Commissioners Court can approve without voter involvement to no more than 3.5 percent. This limitation on local control will require us to think creatively and strategically as we ensure services for our residents are met in this new fiscal environment.

Budget guidelines are approved by the Commissioners Court to accomplish three critical objectives:

- Provide an overall framework for the budget process;
- Set expectations regarding the impact of economic and financial conditions on the annual budget; and
- Provide specific direction to offices and departments in the formulation of their budget submissions.

Furthermore, these guideline discussions provide the Commissioners Court an opportunity to prioritize potential issues that may require additional funding or internal reallocations of existing funds 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. These efforts are even more critical going into FY 2021 given recent revenue cap legislation which sets more confining revenue restrictions and limits local control of taxpayer resources.

Performance data is invaluable to the County's resiliency efforts because it assists decision makers in maximizing the effective use of scarce dollars. The Planning and Budget Office (PBO) continues to increase the use of the County's SAP Budget and Planning module (SBP). This system provides a central information repository of performance data for reporting and analyzing program performance objectives and results.

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.

## ECONOMIC OUTLOOK

With continued decreases in the unemployment and poverty rates and significant population growth, the economic outlook continues to remain positive for the next budget process. Nevertheless, concerns such as the ever-increasing, national deficit and effects from climate change= are threatening long-term prosperity.

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### ON THE NATIONAL FRONT

While the World Bank is expecting 2.5 percent in global economic growth in its January 2020 Global Economic Prospects, growth in the United States is forecast to slow to 1.8 percent this year. According to Kiplinger, a Washington D.C. based publisher of business forecasts, a recession is not anticipated in 2020; however, consumer spending is an overburdened reason for current economic growth compared to business and government spending.

As of December 2019, and after three previous cuts, the Federal Reserve has left the interest rate unchanged. They maintain a target rate range of 1.5 to 1.75 percent. The Federal Reserve predicts no fluctuations in rates occurring in 2020 due to adequate monetary policies and economic stability. While no changes are anticipated, the Federal Reserve has indicated that they will remain flexible.

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### THE TEXAS ECONOMY

The Texas economy continues to remain robust. The Bureau of Economic Analysis (BEA) reports that real GDP increased by an annualized, seasonally adjusted rate of 4.0 percent in the third quarter of 2019. Texas Comptroller Glenn Hager's revenue estimate, published after the conclusion of the 86th Texas Legislature, showed continued growth trends for the state but noted the ongoing uncertainty from national and international policies that might slow future growth.

After the 2020 census, Texas is projected to gain three Congressional seats, and the state anticipates substantial job growth and increased political influence in lieu of the reapportionment of Congressional seats. This gain is a result of an expanding populous. This increase will give Texas greater influence in the political and economic sector.

Similar to the U.S. economy, the Texas economy is flourishing yet slowing down. The Federal Reserve Bank of Dallas' report on annual employment growth includes projections that slow from 2.3 percent to 2.1 percent. The Real Estate Center at Texas A&M University showed unemployment rates remaining steady at 3.4 percent over the last four months. Modest economic growth is predicted to continue throughout the state.

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## THE TRAVIS COUNTY ECONOMY

Travis County is prospering in an exceptional economic environment. According to the U.S. Bureau of Labor Statistics, in November 2019, the County's non-seasonally adjusted unemployment rate was at 2.5 percent, outpacing the nation and Texas at 3.5 percent and 3.4 percent, respectively. Information and service providing industries have shown substantial growth compared to the education and health service sectors. Unprecedented unemployment rates also present challenges; Wells Fargo Securities note that while low unemployment rates show progression for the region, it becomes increasingly difficult for employers to fill positions and locate skilled labor.

The Austin area has evolved into a technology hub and is continuing to attract more technology-based employers among other fields. According to Forbes, future projections show growth in technology careers, particularly in the Austin area. Apple currently has more than 6,000 employees in Austin and Google is expanding throughout the greater Austin area.

The Austin area also outpaces the nation in terms of economic success. According to Wells Fargo Securities, the Austin economy performed three times better than the nation during the most recent economic recession. Nevertheless, SB 2 could negatively impact our ability to weather an economic downturn in future years.

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## LEGISLATIVE UPDATE AND FINANCIAL CONSIDERATIONS

In 2019, the 86th Texas Legislature met for its regular session, adjourning in May. As expected, the Legislature limited local governments' ability to raise property tax revenue. SB 2 generally prohibits counties from raising the maintenance and operations (M&O) tax rate to provide more than 3.5 percent more revenue than in the year prior starting in FY 2021, excluding revenue from new construction, unless the voters approve the tax rate in a referendum. The Legislature also passed bills concerning taxes, fee collections, bonds, mobile voting, and established a grant program to develop flood infrastructure in order to improve the state's ability to respond to natural disasters.

The Texas House and Senate released interim charges at the end of 2019. Both sets of interim charges focus on the implementation and associated rulemaking of legislation passed during session with an emphasis on ensuring the legislative intent of these measures is achieved. The various House and Senate committees will focus on veterans' services and behavioral health policy, justice policies, natural resources, natural disaster readiness and funding, and taxes and fees; including hotel occupancy taxes, school district taxes, and local utilization of sales taxes. Each chamber will monitor the implementation of SB 2 and conduct active oversight of all associated rulemaking of the legislation. These charges reflect the legislative priorities of the Legislature in preparation for the 2021 legislative session.

PBO will continue to monitor the fiscal impact of legislation passed during the 86th legislative session as Travis County prepares for the FY 2021 budget process.

## FY 2021 BUDGET CONSIDERATIONS

The Budget Guidelines have traditionally documented known budget considerations that drive a large part of the budget development. However, the County has been changing course to broaden this perspective and contemplate not only the upcoming budget year, but budget years in the following two to three years.

As we look towards the development of the annual budget, we are acutely aware that revenue caps will impact some of the Court's flexibility and will drive us to think more creatively. To better position the County in future years in light of these challenges, the County is in the early stages of embarking on a large-scale strategic planning effort. These efforts will assist the County in prioritizing resources in the long-term.

For the FY 2021 budget process, estimates of known budget drivers are identified and included in this document. 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 PBO in the formulation of the Preliminary Budget.

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#### DEPARTMENTAL TARGET BUDGETS

The FY 2021 Target Budget represents the FY 2020 Adopted Budget plus the annualized impact of any new increases approved during FY 2020, 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 2021 is \$705.1 million (including \$667.52 million in base budgets) and represents initial requirement to continue approved programs in offices and departments for the next fiscal year at current service levels. This number 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.

As previously noted, revenue cap legislation will impact future budgetary flexibility. Therefore, PBO is proposing additional, partnered review of departmental budgets beginning in the FY 2022 budget process. Such a review is proposed over a three to five-year cycle. This review would not be a performance audit but would instead be a more in-depth review of a department's structure, including mandated and discretionary programs and past budget patterns, in order to provide the Commissioners Court with a fuller view of how resources are spent within the office or department. It is PBO's intent to take the FY 2021 budget process and prototype this review with PBO as the sole department reviewed. Following this model, a review of Commissioners Court departments and/or volunteered elected official departments would follow.

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#### MAINTENANCE AND OPERATIONS BUDGET DRIVERS

Estimated budget drivers have been consolidated into the table below. These budget categories are discussed in greater detail in the next section. Budget drivers such as these generally represent projected FY 2021 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.

Table 1  
FY 2021 Preliminary Cost Drivers

	<i>Preliminary Estimate</i>
<b>Target Budgets in Millions</b>	<b>\$705.1</b>
<i>Workforce Investments &amp; Countywide Budget Drivers</i>	
Compensation & Benefits	20.9
Interlocal Agreements	1.9
Facility Operating Expenses	1.6
BCP Transfer & Waller Creek TIF	1.5
<b>Subtotal Workforce Investment &amp; Countywide Budget Drivers</b>	<b>\$25.9</b>
<i>Program Specific Budget Drivers</i>	
TIDC Public Defender Office Grant Match/Indigent Attorney Fees/Justice Related	5.7
Tech-related and Other Approved Project Operating Costs	1.7
New Parks	1.6
Other Priorities and Pilot Programs	1.4
New Courts	0.8
<b>Subtotal Program Specific Budget Drivers</b>	<b>\$11.2</b>
<b>Total</b>	<b>\$742.2</b>
<b>Preliminary Estimated Increase</b>	<b>\$37.1</b>

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WORKFORCE INVESTMENTS AND COUNTYWIDE BUDGET DRIVERS

1. *COMPENSATION & BENEFITS*

A. *COMPENSATION*

The Travis County Commissioners Court prioritizes its employees in recognition that execute the County’s Vision, Mission, and Goals. Travis County has a compensation philosophy that emphasizes the importance of recruitment, motivation, and retention of quality employees that are capable of providing exemplary service for the residents of Travis County. This goal is achieved 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 following table summarizes employee salary standard compensation increases since FY 2016.

Table 2  
History of Employee Salary Compensation, FY 2016 – FY 2020

<i>Employee Type</i>	<i>FY 2016</i>	<i>FY 2017</i>	<i>FY 2018</i>	<i>FY 2019</i>	<i>FY 2020</i>
Classified (Standard Increases)	N/A	2.5% across the board increase	2.0% across the board increase <sup>1</sup>	2.5% across the board increase <sup>2</sup>	3.0% targeted increase <sup>3</sup>
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	Full Market Salary Survey; \$15 County Minimum Wage & Compression
Peace Officer Pay Scale (POPS)	One Step Increase	One Step Increase	One Step Increase	- One Step Increase - 2% Scale Increase	One Step Increase

- 1 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.
- 2 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.
- 3 Ongoing salary increase for regular classified employees who were hired as of April 1, 2019 and did not receive at least a 3% salary increase from the Market Salary Survey, \$15 County Minimum Wage & Compression adjustments.

Classified Employees: The Compensation Committee is charged with making recommendations to the Commissioners Court about compensation-related matters for the upcoming fiscal year. Per County Code §114.043, each year during January, the Chair of the Compensation Committee reconvenes the Compensation Committee and then reports their recommendation to the Commissioners Court. The Compensation Committee prioritized funding the Benchmark Study in FY 2021 with a note that the recommendation was made with information known to date, and that further recommendations may come forward later in the process. Regardless, the committee noted that funding for the Benchmark Study in successive years after FY 2021 should also be a priority of the Court and failure to fully fund the studies will have a significant negative impact on employee compensation equity.

The Human Resources Department (HRMD) will be working on the Benchmark Study through the spring and will discuss it as well as any other workforce efforts with the Commissioners Court in May 2020. The Compensation Committee also provided a prioritized list of compensation items, including an across the board increase and bilingual pay, among others. Finally, the Committee noted that Travis County HRMD is working on a series of initiatives, including revision to the classified pay scale, career ladder, benchmark, FLSA changes, and bilingual pay. All of these efforts will need to be prioritized throughout the budget process by Commissioners Court, with further input from the Compensation Committee and employees.

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. As a part of the FY 2020 budget process, the Commissioners Court requested a review of the structure of the pay scale and if any market adjustments were needed. Since that time, a working group of stakeholders are been developing recommendations that will be presented later in the budget process. The budget drivers presented for compensation provide sufficient flexibility to fund one step increase for employees on the Peace Officer Pay Scale as past practice and resources based on the working group’s preliminary discussions. The cost of these recommendations will be further refined from feedback from the working group and the Commissioners Court. The POPS pay scale was last increased in FY 2019 by 2.0 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 to increase most elected officials’ salaries

to the market level over the course of three years. The budget drivers include funding for year three of this plan and funds were reserved in the FY 2020 budget for this purpose.

FY 2021-2023 Considerations: The Commissioners Court has a clear commitment to its workforce and ensure fair and reasonable total compensation. This approach includes not only cash compensation, but also 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. During the FY 2020 budget process, the Commissioners Court took the prudent approach of including \$913,291 within the Compensation Reserve to assist with classified compensation priorities in FY 2021. This amount has been adjusted to \$897,418 based on classified compensation actions that have occurred in FY 2020. These funds have been prioritized in the planning parameters for the benchmark study for classified employees.

**B. BENEFITS**

**I. 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.

Table 3  
Increases in County’s Rate Contribution to Employee Health Plan

<i>Fiscal Year</i>	<i>Original Actuary Estimate</i>	<i>Final Budget Increase after Plan Design Changes</i>
2016	13.1%	10.5%
2017	6.4%	4.0%
2018	11.2%	4.9%
2019	3.4%	0.0%
2020	3.1%	2.1%

For FY 2021, PBO recommends planning for an estimated five percent increase in the health plan plus consideration of eligible new retirees projected to be added to the plan. The estimate used for FY 2021 is based on the 10 year compounded annual growth rate (CAGR), which is 4.69 percent. 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.

FY 2021-2023 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 2021. 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 in the Allocated Reserve.

*II. RETIREMENT*

Travis County is one of the more than 735 employers that participate in the Texas County and District Retirement System (TCDRS). The County has a defined benefit plan that is savings based. That is, retirement benefits are based on how much an individual retiree saved during his or her active employment and the employer’s matching rate of 225 percent at retirement. This makes the cost to pay for these benefits, as well as the benefit itself, more predictable than other retirement plans.

As members of TCDRS, Travis County employees contribute to the retirement system at actuarially determined rates. County employees contribute seven percent of their salary (the highest allowed by TCDRS) to the County retirement plan, as set by Commissioners Court.

The County’s required contribution rate for FY 2020 was 16.19 percent of salaries, a 5.5 percent rate increase, with an estimated cost of \$2.7 million. The Commissioners Court approved a retiree cost of living adjustment (COLA) as a part of the FY 2019 Adopted Budget. The cost to fund the COLA in advance would have been \$14.73 million. However, the County is funding the cost of this change over time, which impact the required contribution rate for FY 2021. TCDRS will inform the County of the new required contribution rate during the FY 2021 budget process. The FY 2021 estimate included in the planning parameters assumes a 3.5 percent increase based on the 10 year CAGR for retirement rates of 3.53 percent. The table below provides a brief history of the required contribution rate and the rate increases in the County’s contribution to the Retirement Plan.

Table 4  
County’s Retirement Rate Contribution History, FY 2016 – FY 2020

<i>Fiscal Year</i>	<i>Contribution Rate</i>	<i>Retiree COLA Awarded</i>	<i>Funded Ratio</i>	<i>Rate Increase</i>
2016	13.67%	50% CPI	85.61%	0.00%
2017	14.32%	-	83.26%	4.75%
2018	14.91%	-	86.31%	4.12%
2019	15.34%	50% CPI	86.98%	2.88%
2020	16.19%	-	85.66%	5.54%

FY 2021-2023 Considerations: TCDRS gives employers various suggestions to keep 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.

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 2021 budget. The hearing date 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. 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, Emergency and Communications Center (CTECC), the Regional Radio System, Hazardous Material Mitigation, and Transit Services.

Through the Public Health Interlocal Agreement, the City of Austin Public Health Department provides epidemiology, vital records, 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 wildlife management strategies, and works to achieve live outcomes for 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.

Through an ILA with Capital Metro, the County has a cost-sharing arrangement which is contingent on the County's inclusion in the Capital Metro regional Service Expansion Program and requires the County to complete a Transit Development Plan (TDP). Under this arrangement, the County has the opportunity to collect and leverage additional Federal Transit Administration (FTA) funding for transit services partially or wholly within the unincorporated areas of the County.

There is also Central Booking Interlocal Agreement with the City of Austin contracting with the County to provide these services for the Austin Police Department. The City's contribution for this agreement is included in the County's revenue estimate.

FY 2021 - 2023 Considerations: 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.

These efforts will be even more critical since the City of Austin and County will both be under the same property tax restrictions from SB2.

### 3. FACILITY OPERATING EXPENSES

In FY 2021, three County facilities are expected to open: 1) the Historic Federal Courthouse at 200 West 8<sup>th</sup> Street that will house Probate Court functions (currently housed at the Heman Marion Sweatt Courthouse), 2) a new Central Tax Office at 2433 Ridgepoint Drive (currently located at 5501 Airport Boulevard), and 3) the new North Campus Building at 5535 Airport Boulevard that will house Health and Human Services and the Passport Services Division of the District Clerk's Office. Facilities Management will be requesting funding for utilities, custodial, maintenance, and security resources for these facilities. The new North Campus Building is a leased facility and custodial and maintenance costs will therefore be included in the lease. However, the lease payments and required one-time deposits will need to be added to the Central Leases and Utilities budget. Additionally, the County Clerk and Sheriff's Office will require additional personnel resources for the new Probate Court facility.

FY 2021-2023 Considerations: In addition to the new facilities discussed above, Facilities Management is completing their multiyear project to replace access control systems throughout the County facilities. One-time funding will be needed to complete the project in FY 2021. In addition, there may be critical maintenance, HVAC and security upgrades to existing facilities that will need resources in the FY 2021 budget. PBO intends to work with Facilities Management and other capital intensive offices and departments to formalize an asset replacement schedule as part of the development of a countywide Capital Improvement Plan.

### 4. BALCONES CANYONLANDS PRESERVE (BCP) & WALLER CREEK TRANSFERS

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 from the General Fund to the BCP Fund is \$19,880,147. Efforts are underway to identify long-term strategies for the completion of Plan requirements as well as appropriate protection of current BCP properties. This work includes the appropriate long-term maintenance and operations budget for Travis County BCP properties. On October 9, 2019, the BCP Coordinating Committee voted to extend the permit past 2026 and to make administrative changes to update the Plan and the associated interlocal agreement with the City of Austin. The Commissioners Court approved this same approach in November.

PBO recommends to the Commissioners Court that the FY 2021 transfer be maintained at the FY 2020 level of \$19.9 million, and that any additional calculated transfer amount be reserved in the General Fund and set aside for future work required by the agreement, including permit extension and any related changes to the interlocal agreement with the City of Austin, given that this agreement prescribes the calculation methodology for the transfer.

In 2008, Travis County entered into a twenty year agreement with the City of Austin for participation in the Waller Creek Tax Increment Finance Zone (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 2020 Adopted Budget includes an increase of \$400,000 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 2020 is \$2,294,451. 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, an incremental increase in funding based on historical annual increases is included in the FY 2021 planning parameters.

FY 2021-2023 Considerations: Any changes to the interlocal for the BCP 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. PBO will work with TNR this fiscal year with the objective of having a permanent recommendation in the FY 2022 budget process.

#### *5. TIDC PUBLIC DEFENDER OFFICE GRANT MATCH/INDIGENT ATTORNEY FEES/JUSTICE RELATED*

In September 2019, the Texas Indigent Defense Commission (TIDC) awarded Travis County \$20.1 million state grant funding over four years, beginning on April 1, 2020 to fund a general countywide public defender office and Capital Area Private Defender Services (CAPDS) improvements. The County's grant contribution for FY 2020 is \$868,402 and will increase each year as the office is fully implemented. In addition, \$2,565,522 is budgeted in the Annualization Reserve to prepare for additional program implementation occurring in FY 2021, as well as a budgeted earmark of \$725,000 for space related costs and associated moves that will occur prior to the start of the grant.

There is also \$185,943 of additional resources to increase the civil indigent attorney hourly rate from \$75 to \$100 for attorneys with certain certifications. This increase has an effective date of April 1, 2020. The rate was matched to the criminal hourly pilot that will be funded in the new TIDC grant for a new public defender office and CAPDS improvements.

TIDC also provides grant funding for the expansion of the Mental Health Public Defender and CAPDS programs. These grants from the TIDC are a step-down discretionary grant program and required a cash match of 20 percent for the first year and increases 20 percent each year until the County assumes all costs after five years in FY 2023. For FY 2020 the increase to the grant match is \$102,270.

In FY 2017, the Criminal Courts received the Holistic Defense Grant to expand the Managed Assigned Counsel (MAC) program by providing social work services and a full-time consultant on immigration issues. This is also a step-down discretionary grant program from the TIDC and FY 2020 will be the fourth and final year of the grant. In FY 2021 it would cost the County \$289,591 to fund the program.

Indigent defense expenditures continue to increase annually requiring significant new County resources. Investments in FY 2020 include an increase of \$600,000 for Civil Courts Legally Mandated Fees to align the base budget with projected expenditures. In addition, an earmark of \$200,000 is included on the Allocated Reserve for these expenses.

For FY 2020 there was also an increase of \$200,000 to the Criminal Courts Legally Mandated Fees budget for indigent attorney fees plus an earmark on the Allocated Reserve of \$863,820 is included in the Adopted Budget for additional resources for potential capital and other types of cases anticipated to be heard in FY 2020.

Several one-time funded additions related to the closure of the Austin Police Department DNA lab will need to be re-evaluated for continued funding in the FY 2021 budget. CAPDS and Juvenile Public Defender are completing their reviews and are now identifying cases that require additional scrutiny. 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.

FY 2021-FY 2023 Considerations: The County's total grant match will be \$20.1 million over the four year term of the TIDC grant to fund the public defender office and CAPDS improvements. By FY 2025, the public defender office and related programs will be fully implemented and completely County funded at a cost of approximately \$15 million. An evaluation of related expenses will occur annually to ensure the most efficient use of resources in light of the 3.5 percent revenue cap and how the County can best set aside annual resources to fully cover the program expenses when the grant ends. The County will also likely need to continue to identify ongoing funds for increases for indigent attorney fee requirements and one-time resources related to the closure of the Austin Police Department DNA lab.

## 6. 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) will request to begin replacement of current Tiburon systems in Pretrial Services, Counseling and Education Services and the Sheriff's Department. Tiburon systems are nearing an end of life cycle and will require replacement case management systems for these departments, continuing similar efforts to replace the systems for the Adult and Juvenile Courts case management systems. ITS will also continue the process of replacing Health and Human Services' case management system called Case Management and Benefits Administration (CABA). In addition, funds may be needed to enhance IT security, statutorily-required compliance programs, and other network improvements.

FY 2021-2023 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. Such a shift in funding could impact flexibility within the County's General Fund budget under new revenue caps.

## 7. PARKS

The Travis County Parks system is a valued, though non-mandated County service provided to residents and visitors to the County. Five park projects, related to 2011 and 2017 Bond Projects authorized by voters, are underway and are anticipated to be completed in FY 2021 or FY 2022. Depending on park amenities and security needs, some projects require staff to be hired in advance of the opening so that sufficient training can be completed. For these projects, TNR anticipates needing an additional 32 FTEs, with a total estimated request of over three million dollars. TNR has also indicated several other initiatives related to Parks and Land Management support may be needed in the near future. The FY 2021 Budget Guidelines have assumed a \$1.6 million planning figure based on available resource.

FY 2021-2023 Considerations: As the County's General Fund budget faces increased constraints under new revenue caps, these additional investments will need to be considered in light of other County priorities and may need to be reprioritized or delayed depending on funding availability. Transportation and Natural Resources (TNR) staff is having ongoing discussions with PBO regarding the level of ongoing resources required related to Parks capital projects, and to begin to prioritization for these projects since the full level of service initially envisioned may not be feasible in this fiscal environment.

## 8. OTHER COURT IDENTIFIED PRIORITIES AND PILOT PROGRAMS

The Commissioners Court may, at its discretion, identify other priorities during the development of the FY 2021 budget process that could have an impact on the budget. For example, the Commissioners Court voted last year on a grant that provided partial funding for the creation of a new Public Defender's Office and PBO worked closely with the Courts, Justice Planning and the Commissioners Court to ensure appropriate funding was set aside for this purpose.

As in previous years, PBO will review and make ongoing recommendations on pilot programs that are justified in becoming ongoing programs based on their demonstrated results. The FY 2020 Adopted Budget included the following pilot programs:

- Jury Mass Transit Program – District Clerk (\$20,000)
- Criminal Diversion Programs – Justice of the Peace, Precinct Five (\$164,862)
- Medication Assisted Treatment Opiate Pilot Program – Health and Human Services (\$75,000)

FY 2021-2023 Considerations: Revenue cap legislation highlights the importance of the County's pilot program process to ensure scarce funding is allotted to the most effective new programs or program expansions. Departments are encouraged

to take advantage of the pilot program structure to test new programs and increase their overall effectiveness and efficiency. Finally, the FY 2020 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 2021 and beyond.

### 9. NEW COURTS

On October 23, 2018, Commissioners Court approved a request from the Civil District Court judges to create an additional Civil and Family District Court due to an increase of cases. During the 86th Legislative Session, Governor Abbott signed into law SB 891. This action established the 455th Civil and Family District Court authorized to be effective October 1, 2020. While District Courts are traditionally authorized in numerical order by the Texas Legislative Council, Travis County was assigned the 455th District Court due to the recycling of the court number as a result of a failed legislative bill to authorize the court in another county. Prior to this, the 459th Civil District Court was authorized to be effective October 1, 2017 and the 450th and 460th Criminal District Courts were authorized to be effective September 1, 2015 and October 1, 2019 respectively. The Civil Courts and District Clerk will submit a FY 2021 budget request for staffing and requirements for the new 455th District Court.

FY 2021-2023 Considerations: In previous years, Commissioners Court has discussed the addition of courts. One probate court is still anticipated to be added in the FY 2021-2025 timeframe. Within this same timeframe, Criminal and Civil Courts may request additional courts due to increases in caseloads. PBO will continue to work with the Criminal and Civil Courts to identify and assess the need for additional courts in the future.

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### IDENTIFIED BUDGET RELATED MATTERS NOT INCLUDED IN BUDGET DRIVERS

There are always other items that could impact the development of the FY 2021 Preliminary Budget directly or impact future budget years that we would need to begin preparations in FY 2021. PBO 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 or repurposed positions to meet current workload requirements;
- Additional investments in new programs or service enhancements, including any outcomes from the strategic plan and the updated master plan;
- New unfunded/underfunded mandates;
- County response to natural disasters or other unforeseen events;
- Changes in assumptions that impact the calculation of the County's property tax collection rate and resulting revenue; and
- Other unexpected decreases in state or federal grant funds for established programs with proven results.

### RESERVE LEVELS

Local governmental entities maintain reserves to help mitigate 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 2021, the Unallocated Reserve will be recommended by PBO at the County's Reserve and Fund Balance Policy goal of no less than 11 percent 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 2021 and an appropriate Capital Acquisition Resources (CAR) Reserve based on staff recommendations in the Preliminary Budget will be continued in FY 2021.

The Emergency Reserve was increased in FY 2020. This reserve is evaluated every year to determine if this reserve should be reduced, maintained or increased. It is likely that PBO will recommend continuing this reserve at its current level of \$8,500,000. Changes to this reserve would likely 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 continue to 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 2021 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.

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#### PROPERTY TAXES, EXEMPTIONS AND HISTORICAL PROPERTY TAX RATES

County government is funded primarily by property taxes. The Travis County portion of the tax bill for a typical taxable homestead is approximately 15 percent of the overlapping total tax bill based on the FY 2020 Adopted Tax Rates for Travis County, Austin ISD, Austin Community College, Central Heath, and the City of Austin. 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 offered the maximum allowed Homestead Exemption of 20 percent to eligible Travis County households for decades. In addition, Travis County offers an optional 65 and Older/Disabled Homestead Exemption of \$85,500. PBO recommends no changes to the County’s exemptions for FY 2021.

A summary of major exemptions for FY 2020 offered by Travis County, Central Health, City of Austin, Austin ISD, and Austin Community College below.

Table 5  
FY 2020 Homestead and Other Exemptions by Jurisdiction

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

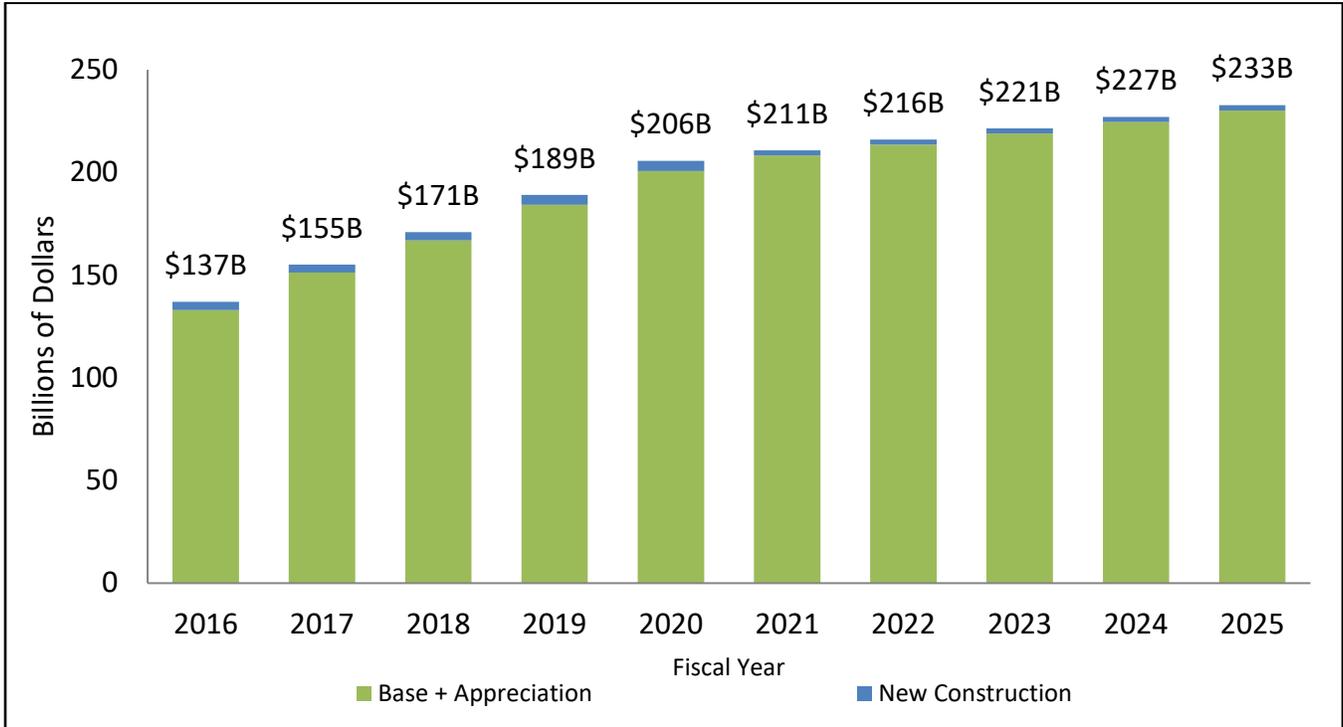
\*State law also automatically sets a tax ceiling that limits school property taxes to the amount the owner paid in the year they first qualified for the 65 and Older or Disabled Exemption.

The total taxable value for all Travis County property increased from \$189.0 billion in the FY 2019 Adopted Budget to \$205.7 billion for the FY 2020 Adopted Budget (based on the certified values as of January 1, 2019), representing an increase of 8.8 percent. The certified value for FY 2020 included new property value of \$5.1 billion, compared to \$4.7 billion in FY 2019. The table on the next page highlights property tax base growth over the last ten years and estimated conservative growth over the next five years.

Chart 1

Total Assessed Value of All Travis County Properties, FY 2016 – 2025

Source: Travis Central Appraisal District



The five-year financial forecast modeling scenarios include assumptions about the value of properties to be certified as of January 1, 2020, that will be used to prepare the FY 2021 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 rate and corresponding revenue at this early stage of the FY 2021 budget process.

Table 6

Travis County Tax Base Assumptions

Fiscal Year	New Construction Value	Net Taxable Value (NTV)	Total NTV Growth
FY 2020 Certification	\$5.1 billion	\$205.7 billion	8.8%
FY 2021 Projected	\$2.5 billion	\$210.8 billion	2.5%
FY 2022 Projected	\$2.5 billion	\$216.1 billion	2.5%
FY 2023 Projected	\$2.5 billion	\$221.5 billion	2.5%
FY 2024 Projected	\$2.5 billion	\$225.7 billion	2.5%
FY 2025 Projected	\$2.5 billion	\$232.7 billion	2.5%

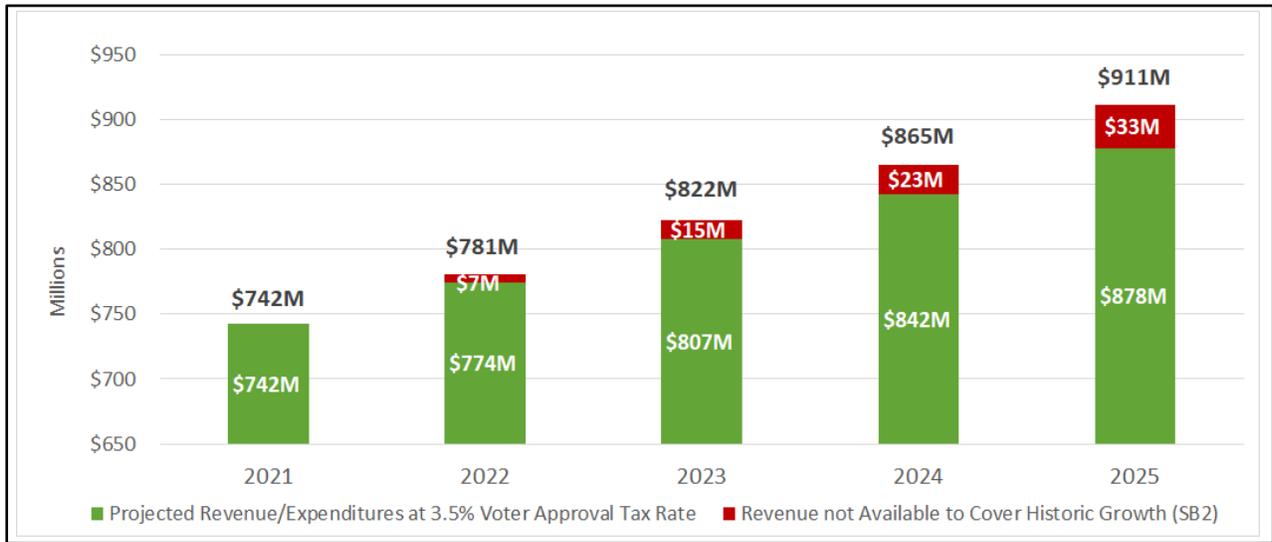
New construction was a record high of \$5.1 billion for FY 2020 and has averaged \$4.4 billion over the last five years. This model uses a very prudent \$2.5 billion at this early stage of the budget process. Underlying assumptions will continue to be

refined as we move closer toward the receipt of the January 1, 2020, certified values that will be used in the final calculations of tax rates for the FY 2021 budget process.

As noted earlier, budget growth at Travis County has been driven by a variety of factors rather than a single issue. The General Fund base departmental budgets have grown at an approximate rate of 5.53 percent per year since 2010. 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 pre-determined 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. SB 2 does not allow Commissioners to adopt a tax rate higher than 3.5 percent above the Effective Maintenance and Operations rate plus required debt service without voter approval. This rate is now referred to the Voter Approval Rate. In comparison, Travis County property tax rate has averaged 3.94 percent above this rate for the past 30 years. The rate over the past ten years has been slightly lower at 3.84 percent. Both historical averages are more than half below the previous cap of 8 percent per year. The following forecast model likewise projects that the County’s base budgets will need to grow at a 4.3 percent rate to stay within available resources at the Voter Approval Rate.

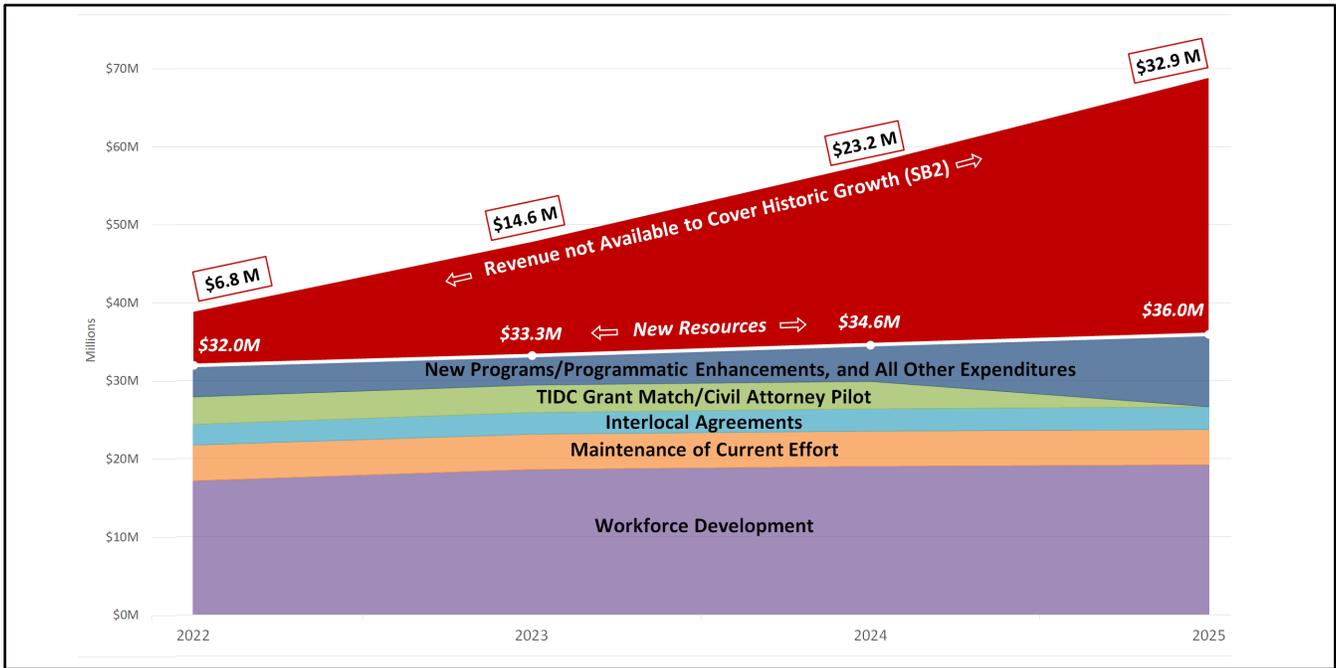
The following forecast illustrates County budgetary growth and related estimated ongoing revenue at the Voter Approval Rate compared to past historical growth.

Chart 2  
Travis County Ongoing Revenue Forecast for FY 2021 to FY 2025



As shown above, projected revenue under the new 3.5 percent revenue cap rate will not support the historical growth of the past 10 years. The County is projected to grow in population by at least 2.25 percent per year over the next 10 years and that will challenge our ability to support the increasing population without property tax revenue that was available in the past. The first year where when available resources will be below our historic growth will occur in FY 2022. The County is statutorily required to balance its budget each year and will never have a deficit. The areas in red are intended to highlight that this level of resources that will no longer will be available for the Commissioners Court’s priorities for the community.

Chart 3  
Available New Resources vs Historical Budget Growth by Expenditure Category  
(Projected FY 2022 to FY 2025)



Given FY 2022 will be the first year when available resources will not be available to cover historic growth, Chart 3 projects how these past priorities could be allocated within available resources for FY 2022 to FY 2025. The revenue restrictions will undoubtedly have an impact on the budget process and allocation of scarce resources. If PBO were to assume a similar budget driver approach in the coming years under SB2, we would not likely have any financial flexibility to explore program enhancements or new initiatives without a tax rate election.

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#### STRATEGIES TO HELP MITIGATE IMPACT OF SB2

The coming years will require a thoughtful pivot to the way Travis County has traditionally approached budgeting. As stated previously, we will be required to reduce our base budget growth from 5.53 percent to 4.30 percent in order to stay within projected parameters while continuing to provide the variety of quality services demanded by our residents. This process began during the development of the FY 2020 budget and will continue as we develop the FY 2021 budget. Additional strategies will be explored and refined to ensure the County long-term financial strength can continue to support our County services. Many of these strategies were introduced within the guidelines, such as a long-term plan for the BCP program and associated transfer, a recommendation for a partnered review of interlocal agreements, and an in-depth review of departmental target budgets. Other strategies include revisiting previous assumptions about the use of lease revenue and energy savings. Finally, other strategies that will require additional work, such as revisiting benefit policies and encouraging innovative practices.

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#### FY 2021 PRELIMINARY ESTIMATE OF PROPERTY TAX IMPACT TO AVERAGE TAXABLE HOMESTEAD

Based on PBO’s property tax base assumptions, PBO will balance the Preliminary Budget at Voter Approval Rate and this will be used as the assumed rate in future years. The table below includes the target budget, budget drivers, expected revenue and property tax impact to the average taxable homestead for FY 2021 based on initial planning assumptions.

Table 7

FY 2021 Budget Priorities and Estimated Tax Impact to the Average Taxable Homestead

<i>Estimated Budget Drivers and Target Budgets</i>	
Budget Drivers (Preliminary Estimate)	\$37.1 M
Target Budgets	\$705.1 M
<b>Total Ongoing Expenses</b>	<b>\$742.2 M</b>
<hr/>	
<b>Total Ongoing Revenue (Excludes Fund Balance)</b>	<b>\$742.2 M</b>
<b>Revenue less Expenses</b>	<b>\$ -</b>
<hr/>	
<b>Estimated Property Tax Impact for Avg. Taxable Homestead (Increase over FY 2020)</b>	<b>\$42</b>

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.traviscountytexas.gov/images/planning\\_budget/Docs/FY20/10\\_Year\\_Tax\\_History.pdf](https://www.traviscountytexas.gov/images/planning_budget/Docs/FY20/10_Year_Tax_History.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 2021 budget submissions, and to assist PBO in preliminary preparations for the upcoming budget cycle.

**TARGET BUDGETS**

Offices and departments are required to submit their budgets at the FY 2021 Target Budget Level. This Target Budget Level represents the FY 2020 Adopted Budget plus the annualized impact of any new increases approved during FY 2020, 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 PBO to identify and implement any opportunities for savings and efficiencies. As stated previously, revenue cap legislation will impact future budgetary flexibility and PBO is proposing additional, partnered review of departmental budgets beginning in the FY 2022 budget process.

**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 2021 Preliminary Budget will be very limited given future limitations on taxing capacity imposed by the State.

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#### 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 23, 2020** 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 2021 appropriations. Non-county organizations submitting a request through the appropriate County office or department will be included in their submission; however, due to newly imposed revenue caps, will not be considered by PBO for the FY 2021 Preliminary Budget.

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#### UNSPENT BALANCES, ZERO-BASED LINE ITEMS, VACANCIES, AND SALARY SAVINGS

PBO 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, PBO 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 reviews all positions that have been vacant for 120 days or more. Offices and departments with such vacancies are 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. Budget Rule #22: Positions Vacant More than One Year, was approved in FY 2020. This new budget rule directs PBO to review positions vacant a year or more to determine why the vacancy exists and to make a recommendation on whether the position should be eliminated. This budget rule does not go into effect until April 1, 2020. The rule requires PBO to prepare an agenda item quarterly to report on these long-term vacancies and to develop recommendations that would be implemented mid-year for departments reporting to Commissioners Court or at the start of the following fiscal year for offices or departments not reporting to the Commissioners Court.

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#### 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 2021, FY 2022, and FY 2023).
- 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.

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## 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 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.

As part of the FY 2020 budget process, PBO 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. In addition, a new budget rule was added which requires departments to show what the necessary rate in a contract would need to be to ensure full cost recovery, to help Commissioners Court make an informed decision about whether to subsidize the cost to provide the service.

During the FY 2021 budget process, PBO will begin to refine this work and create a central inventory of the fees and revenue contracts held at the department level. This effort is especially important in light of potential artificial revenue caps on property taxes. 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.

Later this spring, PBO will provide an update to Commissioners Court on its full cost recovery efforts including: School Resource Officer agreements, Law Enforcement Dispatching agreements, CTECC Security agreement, Hays County Prisoner Housing agreement, and HHS Inspection/Permit Fees, among others. In addition, PBO will discuss in greater detail its plan to create a public “fee compendium” listing all of the fees for which the County charges. It is worth noting that due to the technical nature of some fees, such as those in the Medical Examiner’s Office, PBO may require assistance from a third-party consultant with subject matter expertise in these areas to assist in updating the fee schedule to reflect full cost recovery. PBO will discuss this in more detail in the spring as well.

Through the rest of the FY 2021 budget process, PBO intends to continue 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 will be asked to report the following information:

- Whether the department intends to increase the fee or contract as part of the FY 2021 budget process along justification, including estimated cost recovery, for any increase;
- If the fee or contract is to be increased, the proposed increase amount;
- How often the fee rate should be reviewed by County staff to ensure full cost recovery; and
- The state statute or other legal framework which establishes the fee and its rate.

The requested revenue information should be completed and returned as part of the budget submission. As part of the FY 2021 Preliminary Budget, PBO will bring forward a list of proposed fee adjustments for Commissioners Court and the public to review and provide feedback. A comprehensive fee adjustment item will be presented to Commissioners Court in early September for approval as part of the FY 2021 Adopted Budget.

## CALENDAR

The key dates below are subject to change based on the receipt certified values by TCAD and related statute requirements. SB 2 includes a variety of changes that have been reviewed by PBO and the County Attorney’s Office. The calendar below assumes that Travis County will not consider a rate above the voter approval rate. If the Court were to wish to have a tax election, the last day to vote on the tax rate and to call the election is August 18, 2020.

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### KEY DATES FOR DEPARTMENTS AND OFFICES

Offices and departments are expected to submit their FY 2021 budget submissions by **Monday, April 20, 2020**. As stated above, this calendar assumes that an election for a tax rate above the voter approval tax rate will not be called for November 3, 2020.

Table 8  
FY 2021 Budget Calendar

<i>Date</i>	<i>Event</i>
March 9 & 12	Budget Kick Off Meetings
April 20	Budgets Due
May (TBD)	Employee Public Hearing
April – June	PBO review of County Budget Submissions
June	Departmental Meetings with PBO
By July 27	Preliminary Budget Published
Week of August 17	Potential Select Budget Hearings (If Requested by Commissioners Court)
September 3 & 4 (if needed)	Budget Mark-Up
September 29	FY 2021 Budget Adopted

**Approved by Commissioners Court on February 11, 2020.**

# FY 2021 Budget Guidelines

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PLANNING & BUDGET OFFICE

FEBRUARY 11, 2020



# Presentation Overview

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Economic Outlook

Legislative Update

Budget Considerations

Five-Year Financial Forecast

Strategies to Help Mitigate SB2

Budget Preparation Guidance

Budget Calendar

# Economic Outlook

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Economic indicators for Travis County remain relatively strong.

Unemployment in the region continues to remain low. The non-seasonally adjusted unemployment rate was 2.5 percent in November 2019.

New construction is expected to be lower than the record high of \$5.1 billion last year.

# Legislative Update

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Senate Bill 2 (SB 2), known as the Texas Property Tax Reform and Transparency Act of 2019, was passed by the 86th Legislature and was signed into law by the Governor.

The law artificially caps the tax rate increase that the Commissioners Court can approve without voter approval at no more than 3.5 percent, beginning for the FY 2021 budget process.

Travis County's 30 year average is 3.94 percent. Our 10 year average is 3.84 percent. Both are more than half below the previous 8 percent Rollback Rate.

# Budget Considerations

FY 2021 Preliminary Estimates	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
<b>Total</b>	<b>37.1 M</b>

# Five-Year Financial Forecast

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PBO annually presents a five-year financial forecast as a part of budget guidelines based on historical trends. The forecast is prepared in consultation with Travis Central Appraisal District (property values) and County Auditor's Office (revenue)

Historical County budget growth is not driven by a single issue or cost driver. Influencing factors include:

- Population and related service demand increases
- Workforce investments
- New and expanded programs, improved service delivery, and state mandates
- Local, state, and national economic conditions

# Five-Year Financial Forecast

## County Property Tax Policy

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County government is primarily funded through property taxes

The County's approach toward property tax rate management recognizes that modest changes in the tax rate are an effective tool to respond to increasing cost of services

The Effective Maintenance and Operations (M&O) Tax Rate, even with new construction values added to the tax base, does not always generate sufficient funding to keep pace with a growing population and rising costs

The County provides the maximum 20% Homestead Exemption and an additional \$85,500 optional Homestead Exemption for those 65 and older/disabled

The FY 2021 Preliminary Budget will be balanced at the Voter Approval Rate (3.5%). All future forecasting will use this rate

# Five-Year Financial Forecast

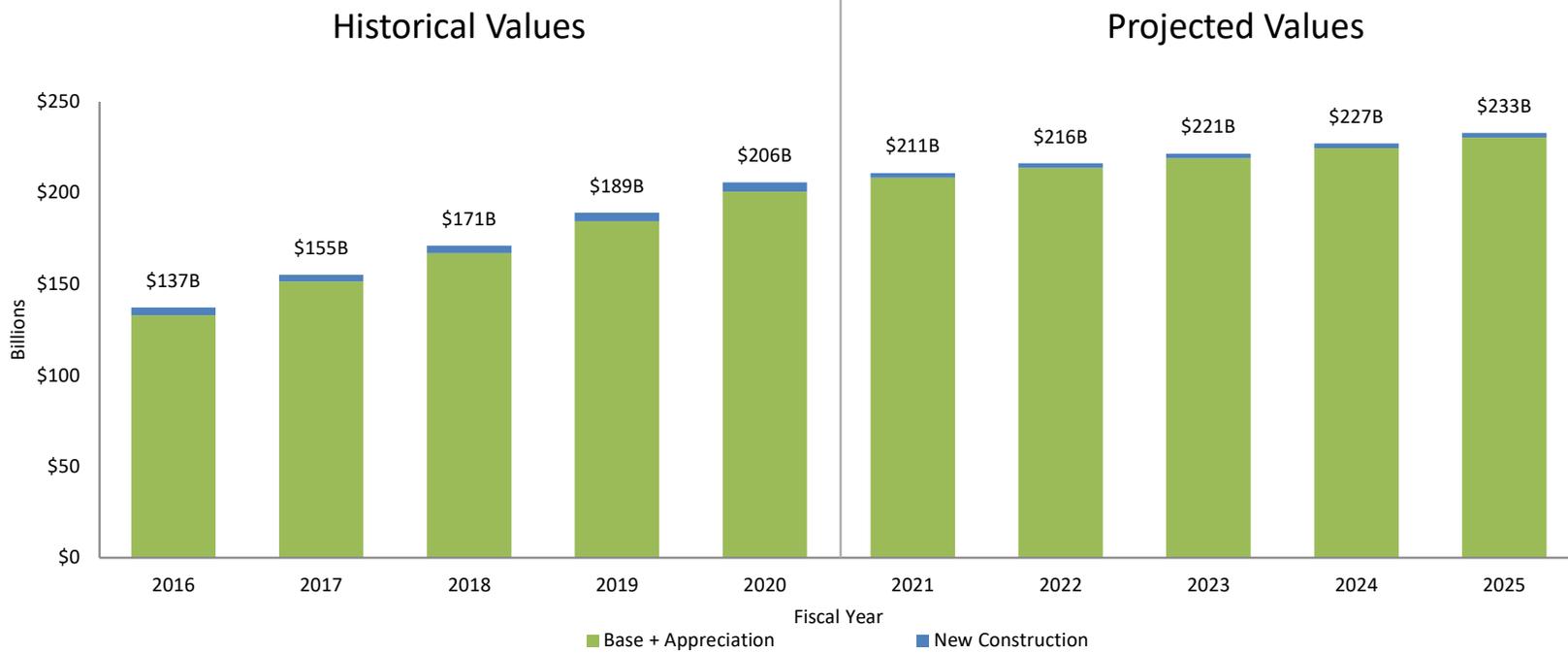
## Property Tax Base Projections FY 2021-FY 2025

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Fiscal Year	New Construction Value	Net Taxable Value (NTV)	Total NTV Growth
FY 2020 Certification	\$5.1B	\$205.7B	8.8%
<i>FY 2021 Proj.</i>	<i>\$2.5B</i>	<i>\$210.8B</i>	<i>2.5%</i>
<i>FY 2022 Proj.</i>	<i>\$2.5B</i>	<i>\$216.1B</i>	<i>2.5%</i>
<i>FY 2023 Proj.</i>	<i>\$2.5B</i>	<i>\$221.5B</i>	<i>2.5%</i>
<i>FY 2024 Proj.</i>	<i>\$2.5B</i>	<i>\$227.0B</i>	<i>2.5%</i>
<i>FY 2025 Proj.</i>	<i>\$2.5B</i>	<i>\$232.7B</i>	<i>2.5%</i>

# Five-Year Financial Forecast

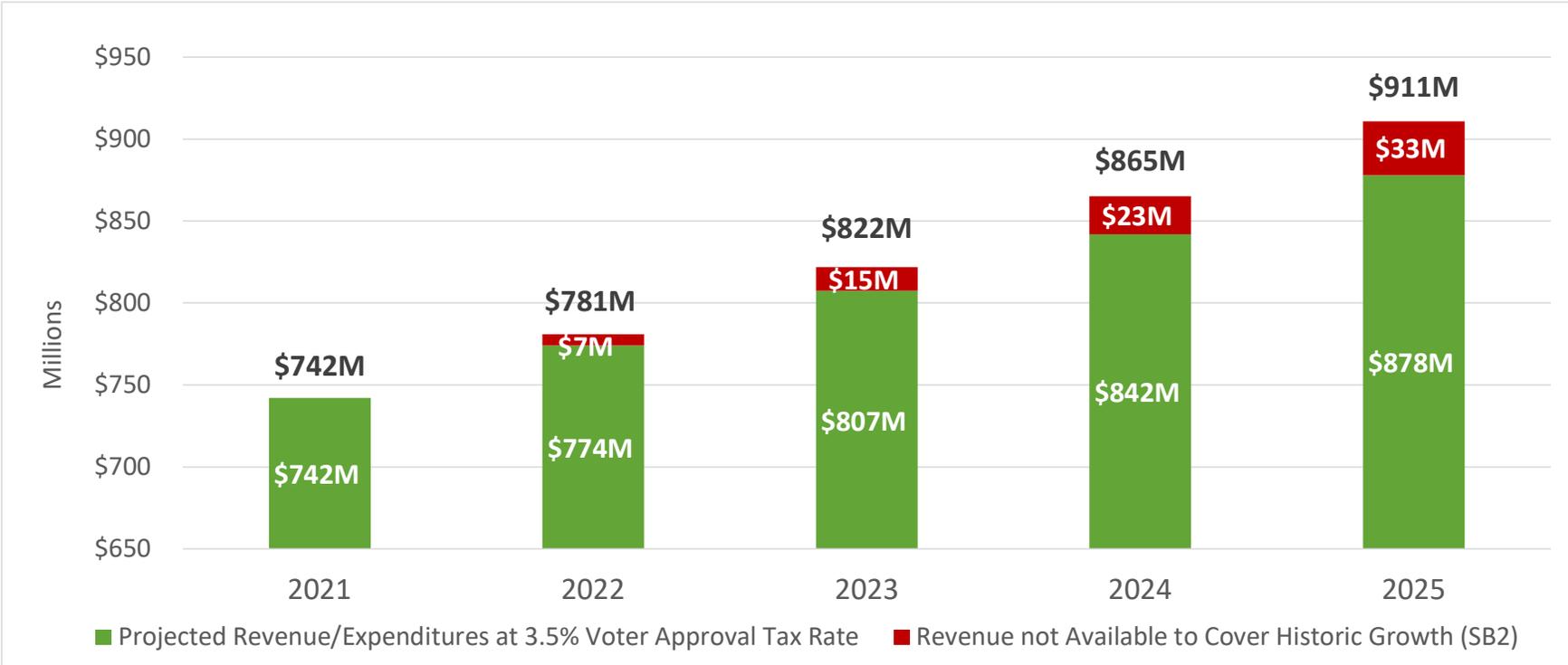
## Total Assessed Value of All Travis County Property FY 2016 - 2025



# Five-Year Financial Forecast

## Travis County Ongoing Revenue Forecast

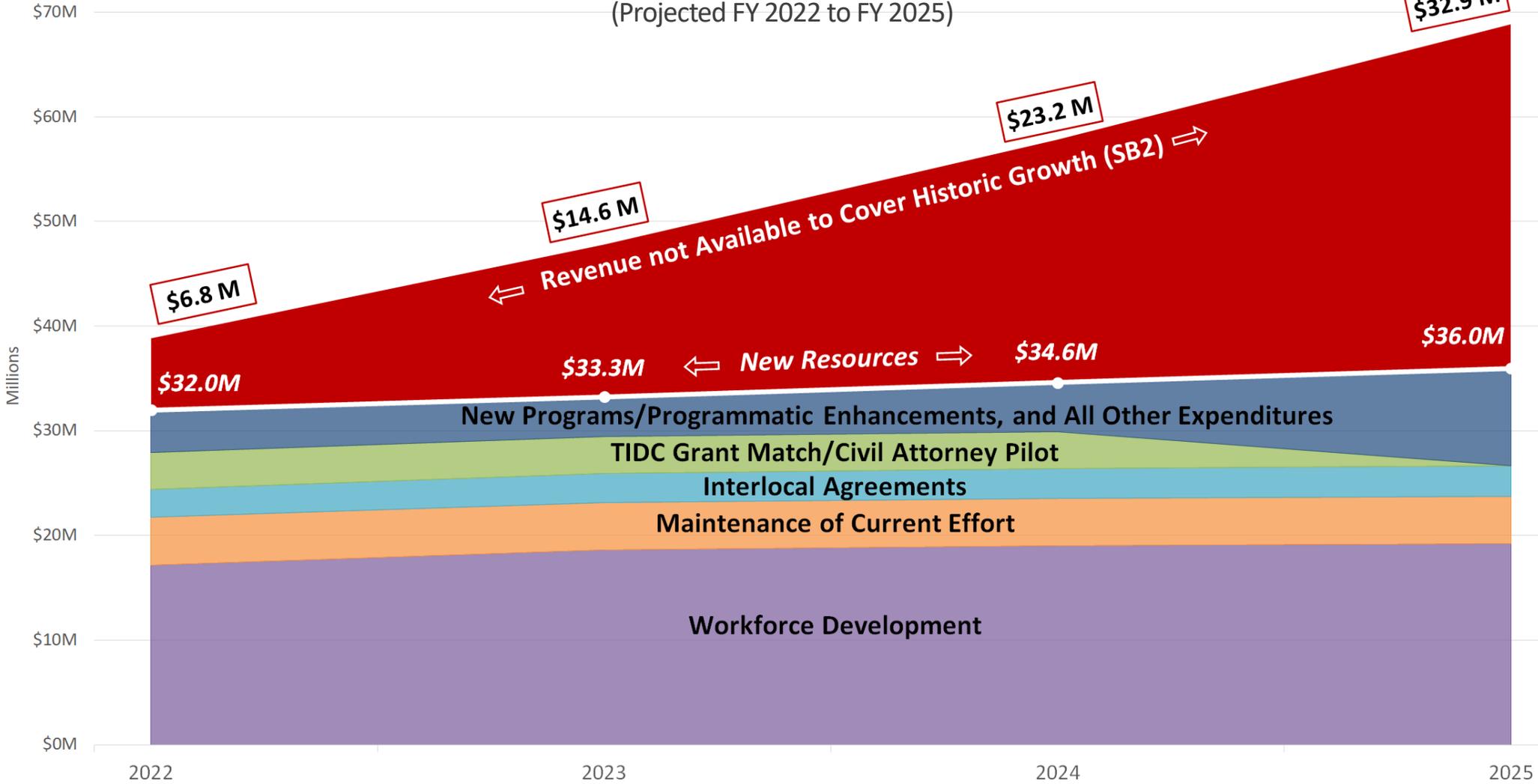
FY 2021 to FY 2025



# Five-Year Financial Forecast

## Available New Resources vs Historical Budget Growth by Expenditure Category

(Projected FY 2022 to FY 2025)



# Strategies to Help Mitigate Impact of SB2

Slow Budget Growth/Continue to Use Ongoing Resources for Ongoing Requirements	Jail Energy Savings Project
Innovation	Retiree Healthcare Policies
BCP Transfer	Full Cost Recovery
Interlocal Agreements	In-depth Target Budget Review
308 Guadalupe Lease Revenue	Continued Prefunding Large Budget Items

# Strategies to Help Mitigate Impact of SB2

## Slow Budget Growth, Ongoing Resources for Ongoing Requirements & Innovation

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### **Slow Budget Growth**

- 10-year Compounded Growth Rate (CAGR) for base departmental budgets is 5.53% per year
- The new 3.5% Voter Approval Rate will support base departmental budget growth at 4.30% per year

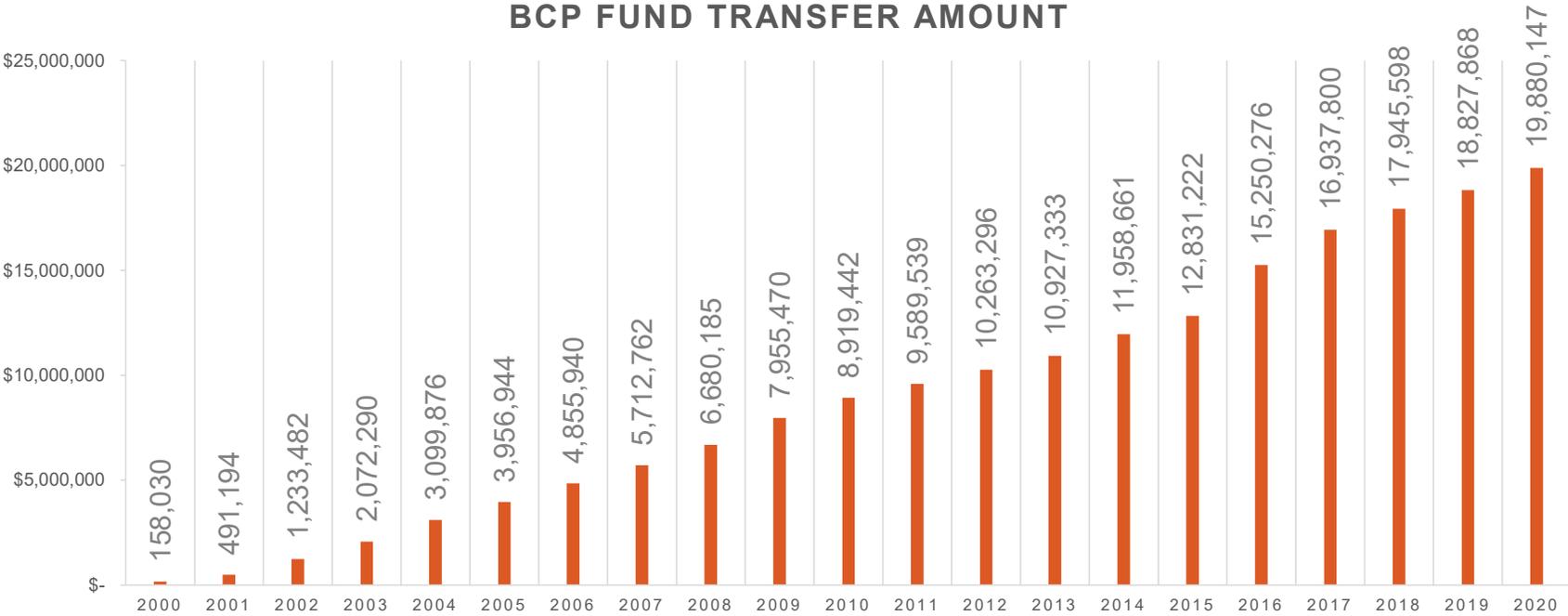
### **Continue to use Ongoing Resources for Ongoing Requirements**

### **Innovation**

- One of the County's Guiding Principles is Leaders in Innovation
- Consider annual awards for innovation
- Rethink current processes (ex. Consultants assisting with Purchasing and Tax Office Practices)
- Find more efficiencies (ex. Jail Population Review Committee)

# Strategies to Help Mitigate Impact of SB2

## BCP Transfer



# Strategies to Help Mitigate Impact of SB2

## BCP Transfer

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### **BCP Transfer**

- The FY 2020 General Fund transfer to the BCP Fund is \$19,880,147
- The estimated FY 2021 Cost Drivers will include an additional \$1M for the program
- PBO recommends that the increased transfer amount be budgeted in the Allocated Reserve and earmarked for the program rather than included in the transfer
- Over time, TNR will work to present a long term operational budget and the transfer may be revisited and rightsized

# Strategies to Help Mitigate Impact of SB2

## Interlocal Agreements

FY 2020 Interlocal Agreements	FY 2020 Amount
EMS	\$13,164,492
CTECC	3,336,328
RRS	2,128,544
HAZMAT	140,000
Public Health*	4,490,200
Animal Services*	1,641,082
Capital Metro	252,410
<b>Total Interlocal Budgeted Expenditures</b>	<b>\$25,153,056</b>
Central Booking (Expected Revenue)	\$6,597,666

\*These agreements were extended using FY 2019 rates. The Interlocal Reserve contains \$551,369 that may be used for midyear changes arising from the agreements above.

# Strategies to Help Mitigate Impact of SB2

## Interlocal Agreements

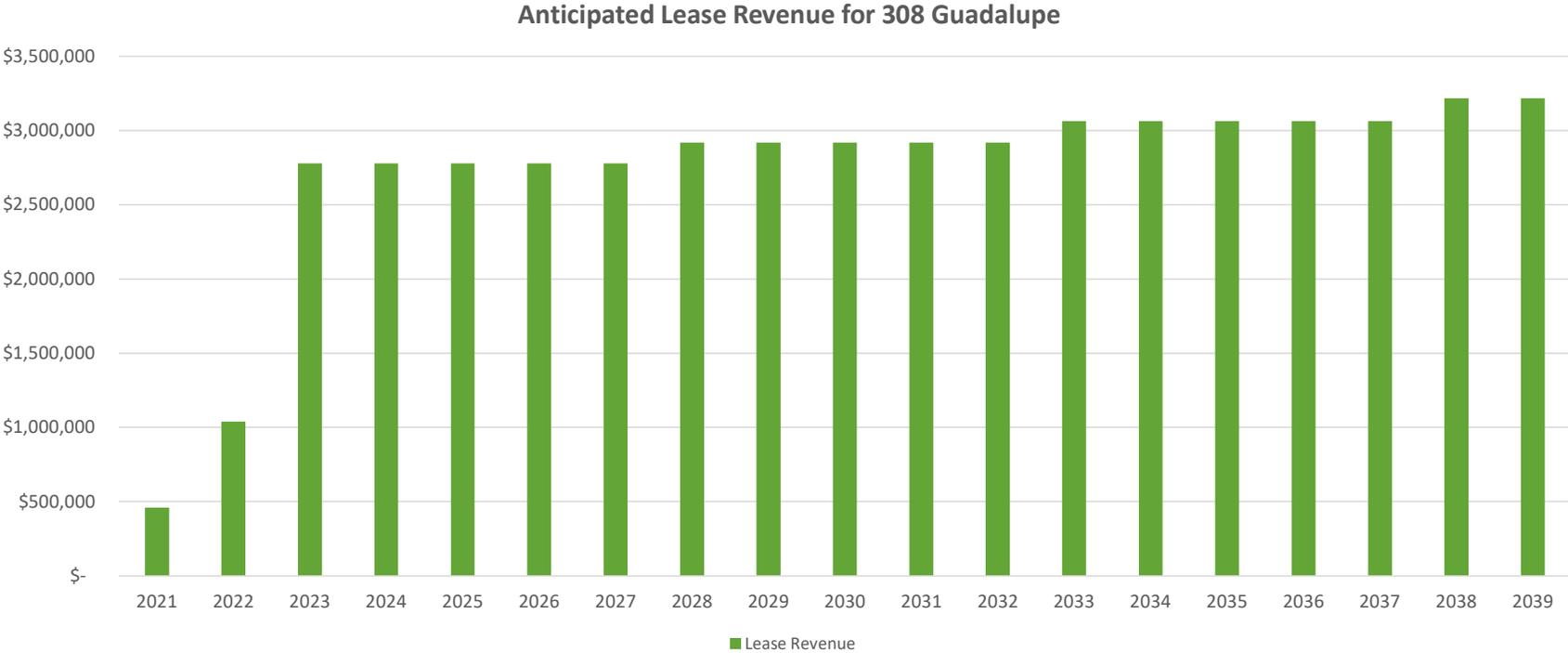
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### **Interlocal Agreements**

- The estimated FY 2021 Cost Drivers include an additional \$1.9M for these agreements
- Most are with the City of Austin
- There will likely be pressure from the City of Austin to increase the County's share of these agreements under the new 3.5% Voter Approval Rate
- There could also be pressure from the City of Austin to reduce their contribution for the Central Booking Agreement. The FY 2020 Adopted Budget includes an anticipated \$6.6 million in revenue from the City
- Any reduction in revenue would result in less available resources Countywide
- Consider forming a working group of key County and City partners that can examine the costs for these agreements

# Strategies to Help Mitigate Impact of SB2

## 308 Guadalupe Lease Revenue



# Strategies to Help Mitigate Impact of SB2

## 308 Guadalupe Lease Revenue

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### **308 Guadalupe Lease Revenue**

The revenue from the 308 Guadalupe lease was anticipated to be transferred to the Debt Service Fund to help offset the tax impact of the Civil and Family Courts Facility (CFCF)

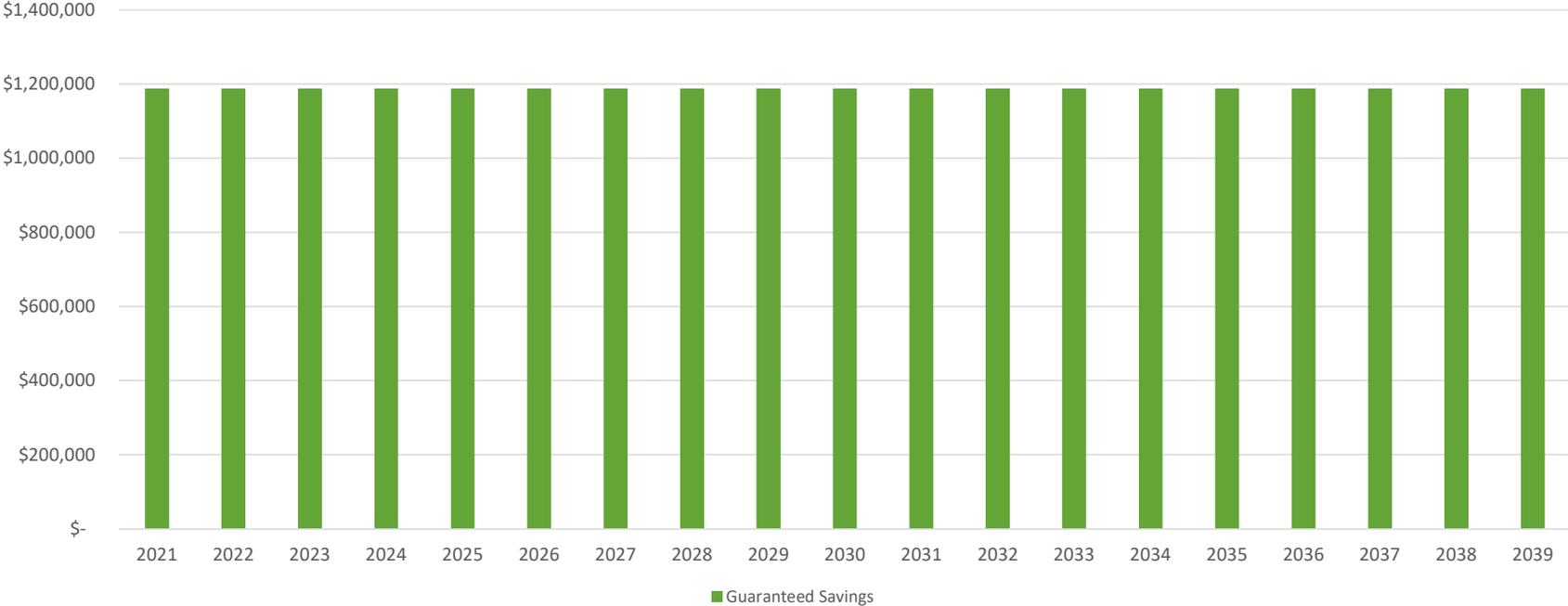
- Recommendation was made prior to SB2
- The FY 2020 Adopted Budget includes a transfer of \$460K from the GF to the Debt Service Fund
- The final debt service payment for the CFCF will occur in FY 2039
- Revenue increases to \$1M in FY 2022 and \$2.8M in FY 2023

Commissioners Court may wish to consider keeping the revenue in the General Fund to use for other programs or to offset the future cost of operating and maintaining the CFCF

# Strategies to Help Mitigate Impact of SB2

## Energy Savings Jail Project

Anticipated Savings From Energy Project at TCSO



# Strategies to Help Mitigate Impact of SB2

## Jail Energy Savings Project

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### **Jail Energy Savings Project**

The Commissioners Court approved the scope of work for the Energy Savings Performance Contract Proposal at Travis County Jail facilities on February 5, 2019

Savings from the project were anticipated to be transferred to the Debt Service Fund to help offset the tax impact from the debt issuance for the project. Debt will be paid off in FY 2039. Recommendation was made prior to SB2.

- Phase I \$16.8M - FY 2019 \$1.9M CAR and \$14.9 Certificates of Obligation
- Phase II \$10.3M - FY 2020 CAR
- Work has begun and is anticipated to be completed by the end of FY 2021

The FY 2020 Adopted Budget includes a transfer of \$270K from the GF to the Debt Service Fund

Commissioners Court may wish to consider keeping the revenue in the General Fund to use for other programs or to offset the future cost of operating and maintaining jail facilities

# Strategies to Help Mitigate Impact of SB2

## Retiree Healthcare Policies

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### Retiree Healthcare Policies

For FY 2020 the County contributes \$21,792 per year for retirees under 65 and \$6,204 for retirees 65 and older

Over the last ten years, the number of retirees on the healthcare plan has increased approximately 10% per year

In May of 2019, there were 972 employees eligible to retire with at least eight years of service

- Including 513 employees aged 59 or older
- The last of the baby boomers will turn 65 in 2029

Move toward tenure based retiree healthcare contributions

# Strategies to Help Mitigate Impact of SB2

## Full Cost Recovery

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### **Full Cost Recovery**

The importance of non-property tax revenue has increased, given the property tax revenue caps passed by the state legislature

#### *Full Cost Recovery of Revenue Generating Contracts*

- PBO will continue to review contracts and make increases if necessary in order to fully recover expenses
- Expect to revise rates in FY 2021 for several contracts including: School Resource Officers, Law Enforcement Dispatching, and CTECC Security
- No new contracts unless full cost is recovered or an exemption is approved by Commissioners Court
- PBO will continue to refine the County-wide Indirect Cost Rate and include it in future agreements

# Strategies to Help Mitigate Impact of SB2

## Full Cost Recovery

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### *Full Cost Recovery of Fees for Service*

- PBO will continue to work with departments to identify fees which should be reviewed to ensure full cost recovery
- Goal to place all fees on a review schedule to ensure regular review and update as necessary
- PBO is working to develop a “fee compendium” cataloging all fees assessed by the County
- PBO may require the assistance of outside consultants to assist in the review of some fees of a highly technical nature (i.e. Medical Examiner fees)

# Strategies to Help Mitigate Impact of SB2

## In-depth Target Budget Review

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### **In-depth Target Budget Review**

This process would need to be done over a three to five-year cycle and include:

- Collaborative effort between PBO and departments
- Includes departments structure review
- Mandated vs. Non-mandated programs
- Past budget patterns
- Targeted reductions could be considered

# Strategies to Help Mitigate Impact of SB2

## Continued Prefunding Large Budget Items

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### Continued Prefunding Large Budget Items

FY 2021 Cost Drivers are \$37.1M and new resources are estimated at \$30.8M

Difference of \$6.3M is available in FY 2020 ongoing funds

- Includes prefunding of new 455th Civil District Court, expenses for Probate Court located at Historic Federal Courthouse, operations of new Tax Office Building and operations of new North Campus Building
- Reduction in TCSO for six LE Deputies related to Manor ISD School Resource Officers Contract terminating at the end of FY 2021
- Using 308 Guadalupe Lease Revenue and Projected Energy Savings from Jail Project

PBO recommends the strategy of prefunding basic cost drivers rather than new initiatives for FY 2022 and beyond if additional resources become available once certified values with final new construction added value is known (likely August)

# Budget Preparation Guidance

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FY 2021 will be the first fiscal year under SB2

Ongoing revenue focuses on identified budget drivers

Look internally to maintain current service levels

Funding for new programs/FTEs greatly limited

Review of vacant positions  $\geq$  120 Days

Continue review of fees for cost recovery

Continue refine outcome measures with a focus on results and process improvement

Submissions need to be developed within context of one, three and five year planning horizons.

# Budget Calendar Key Dates

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Date	Event
March 9 & 12	Budget Kick Off Meetings
April 20	Budgets Due
May (TBD)	Employee Public Hearing
April/June	PBO review of County Budget Submissions
June	Departmental Meetings with PBO
By July 27	Preliminary Budget Published
Week of August 17	Select Budget Hearings (If Requested by Commissioners Court)
September 3 & 4	Budget Mark-Up
September 29	FY 2021 Budget Adopted