Travis County Commissioners Court Agenda Request

Meeting Date: February 11, 2016
Prepared By/Phone Number: Jessica Rio, Travis Gatlin 854-9106
Elected/Appointed Official/Dept. Head: Jessica Rio, County Executive, Planning and Budget
Commissioners Court Sponsor: Judge Sarah Eckhardt

AGENDA LANGUAGE: Discuss FY 2017 Budget Guidelines

BACKGROUND/SUMMARY OF REQUEST AND ATTACHMENTS: Travis County kicks off its budget process each year with the consideration and approval of guidelines by Commissioners Court. The budget guidelines provide the framework needed for the Planning and Budget Office to recommend a sound Preliminary Budget in line with the Commissioners Court's funding priorities. In addition, Travis County's annual budget guidelines provide assistance to County offices and departments in the preparation of their budgets.

STAFF RECOMMENDATIONS: After the Planning and Budget Office receives direction from the Commissioners Court regarding these guidelines, including tax rate assumption for the FY 2017 Preliminary Budget, direction to offices and departments will be available to begin work on FY 2017 budget submissions.

ISSUES AND OPPORTUNITIES: The budget process provides offices and departments the opportunity to reflect on their mission and explore opportunities to improve the delivery of services.

FISCAL IMPACT AND SOURCE OF FUNDING: The County sustains its core services to residents through its main source of revenue, property taxes. The FY 2016 Adopted Budget totals $951,335,338 and includes $675,403,845 in General Fund resources. The FY 2017 budget process will be developed in the coming months based on guidance received from Commissioners Court. The attached analysis included in the draft budget guidelines for Fiscal Year 2017 describes the budget drivers and potential tax rate implications.

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

AGENDA REQUEST DEADLINE: All agenda requests and supporting materials must be submitted as a pdf to the County Judge's office, agenda@traviscountytx.gov **by Tuesdays at 12 noon.** for the next week's meeting.

Fiscal Year 2017 Budget Guidelines

Travis County's Mission Statement

For the people of Travis County, our mission is to preserve health, provide a safety net for the needy, ensure the public safety, facilitate the resolution of disputes, foster an efficient transportation system, promote recreational opportunities, and manage county resources in order to meet the changing needs of the community in an effective manner.

Introduction

The budget guidelines provide the framework needed for the Planning and Budget Office to recommend a sound Preliminary Budget in line with the Commissioners Court's funding priorities. Travis County's annual budget guidelines also provide assistance to County offices and departments in the preparation of their budgets. In effect, the budget process begins with the adoption of these guidelines by the Commissioners Court.

While there are more than 50 elected and appointed officials and many more department heads and managers, Travis County is fortunate to enjoy a collaborative environment amongst its public servants. Every year, the budget process illustrates the thoughtfulness and creativity that goes into managing very limited resources in a time of unlimited needs. The success of the budget process is dependent on taking a universal perspective on our core mandates and identifying the programs that will best serve our residents. The Planning and Budget Office is charged with working with all County offices and departments to assist in finding the appropriate balance between limited available resources and the funding required to efficiently and effectively execute the services provided by our County government for the residents of Travis County.

The Guidelines shape discussion on the development of a Preliminary Budget which is used as a basis for the adoption of the budget for the upcoming fiscal year. These guidelines will provide the necessary broad direction on the levels of funding to consider for the upcoming fiscal year as well as the criteria to assist in budget preparation.

Economic Outlook

Economic indicators continue to point towards economic growth for Travis County, even amid a downgrading of the global economic growth forecast by the International Monetary Fund and the continued decline in oil prices. Factors such as job and population growth, as well as the continuing diversification of the economic base in Travis County and the region lead to an optimistic economic outlook, especially in comparison to many other regions in the nation. However, this optimism must be balanced against local housing affordability and transportation concerns.

> **"We usually don't comment on other central bank decisions, but one has to say that the decision the Fed took was appropriate given the position of the U.S. economy."**
>
> **Mario Draghi**
> **President, European Central Bank**
> **World Economic Forum**

On the National Front

On December 16, 2015, the Federal Reserve announced that it would be raising short-term interest rates to a range between 0.25% and 0.5%. In announcing the interest rate increase, the Fed projected that economic activity would continue to expand at a moderate pace and labor market conditions would continue to strengthen, given the view that the effects of declines in energy and import prices will be transitory.

> **"Looking ahead to 2016, consumers are expecting little change in both business conditions and the labor market. Expectations regarding their financial outlook are mixed, but the optimists continue to outweigh the pessimists."**
>
> **Lynn Franco**
> **Director of Economic Indicators**
> **The Conference Board**

The third estimate of real Gross Domestic Product (GDP) released by the U.S. Bureau of Economic Analysis (BEA) on December 22, 2015, shows that the economy grew at an annual rate of 2.0% in the third quarter of 2015. This compares to a real GDP increase of 3.9% in the second quarter of 2015. In 2014, real GDP growth was 2.4%. These figures are based on chained 2009 dollars.

On the jobs front, the Employment Situation Summary issued by the Bureau of Labor Statistics on January 8, 2016 shows that the economy added 292,000 nonfarm jobs in December 2015. Employment growth had averaged 252,000 new nonfarm jobs per month over the past three months. Meanwhile, the unemployment rate remained at 5.0% for the third month in a row. However, the unemployment rate for African Americans remains at 8.3% and for Hispanics at 6.3%.

According to Fannie Mae's "Home Purchase Sentiment Index" for December 2015, "consumers said they believe now is a good time to sell a home…although the share who believe now is a good time to buy remained flat…." Doug Duncan, Senior Vice President and Chief Economist at Fannie Mae reports that "Brightening economic prospects, if sustained, should stimulate demand for homeownership. However, continuing upward pressure on rental prices and constrained housing supply, particularly for starter homes, may mean prospective first-time homebuyers could face affordability constraints."

The Congressional Budget Office (CBO), in its "Summary of The Budget and Economic Outlook: 2016 to 2026" released on January 19, 2016, forecasts continued economic expansion in 2016 and 2017. However, the CBO predicts that without changes to current laws, the federal deficit will grow over the next 10 years as will the amount of debt held by the public.

The Texas Economy and Long-Term Challenges

At the state level, nonfarm employment in Texas grew a modest 1.4% from December 2014 to December 2015. The unemployment rate also ticked up from 4.6% to 4.7% in that timeframe. In addition, the Texas region's consumer confidence index was down 15.5% in November 2015 from the same time a year ago. This is likely due to the steep decline in the price of oil and the concomitant loss of jobs in that industry.

The Federal Reserve Bank of Dallas notes in its December 21, 2015 "Texas Economic Indicators" that the Texas economy continues to expand, though at a modest 1.1% annual rate, slower than the national rate. Texas housing starts decreased by 12.5% over the prior year.

The recent steep drop in oil and gas prices leads several economists to conclude that the pace of the Texas expansion will slow.

> **“Recent declines in oil and natural gas prices, with no significant recovery expected in the biennium, will result in slower economic growth than the state experienced in recent years.”**
>
> **Glenn Hegar**
> **October 13, 2015**
> **Certification Revenue Estimate**

Texas State Comptroller of Public Accounts, Glenn Hegar, lowered his biennial estimate of state revenues in the overall state budget by $2.6 billion, citing the changes to oil and gas prices. The initial January estimate of $113 billion was decreased in October 2015 to about $110 billion. At the beginning of each regular legislative session, the Comptroller submits a revenue estimate showing the state’s financial condition and estimating the revenue it can expect to receive during the next two-year budget period. At this time, the $106 billion 2016-2017 Texas State Budget will not be affected by the revenue changes. However, because this forms the basis of the state budget, downward revisions have the potential to affect the state budget, which could in turn have an impact on funding available to counties. Hegar stated that the economic forecast supporting his office’s revenue estimate assumes moderate growth in the state’s economy, acknowledging that the Comptroller’s Office is projecting “a more modest expansion of the Texas economy in this biennium, below the growth rates of recent years,” citing a projected slow, steady expansion that may mirror the national growth rate.

While Texas ranks at or near the top of many economic indicators, Texas ranks 39th in poverty rate, and is one of 13 states with a poverty rate greater than 17%. Texas also has the 5th lowest per student expenditures on public education for the 2012-2013 school year.

Of possibly greater impact to Travis County than the statewide economy are potential changes implemented by the 85th Texas Legislature, which will be convened in January 2017. Changes implemented by the 84th Texas Legislature in 2015 resulted in moderate impacts to Travis County. However, the creation of a new Texas Senate Select Committee on Property Tax Reform and Relief points to continued legislative scrutiny on the ad valorem property tax and its impact on homeowners. The Select Committee began holding public hearings in December 2015 and The Quorum Report quoted Committee Chairman Paul Bettencourt as stating: "Today is the next step in the process to deliver meaningful property tax relief and appraisal reform for all Texans. The recent victory of Prop 1 with 86% of the vote is indicative of Texans' frustration with this out of control system."

The Travis County Economy

The Austin Metropolitan Statistical Area (MSA), which includes all of Travis County, surpassed the two million-person population mark in the fall of 2015, according to the City of Austin demographer, Ryan Robinson. The Austin MSA has joined the ranks of big cities with the corresponding big city growing pains.

The U.S. Department of Housing and Urban Development estimates that the Austin-Round Rock Metropolitan Statistical Area's Median Family Income has risen from $67,300 in 2005 to $76,800 in 2015. In a recent presentation to the Home Builders Association of Greater Austin, Brian Kelsey of Civic Analytics reported that 25% of all persons aged 25+ who moved to Austin from 2006-2014 hold a graduate degree. These graduate degree holders have median earnings of $63,089 and average annual earnings of over $90,000. The higher earnings of newcomers have resulted in a demand for higher priced housing. Kelsey also projected that the Austin economy would add 31,590 jobs in 2016, a growth rate of 3.1%.

While the number of high paying jobs has been increasing, the poverty rate in Travis County also increased – from 14.7% in 2007 to 19.2% in 2010 – during the height of the Great Recession. While this trend has reversed with the 2014 poverty rate at 17%, it is still higher than the pre-recession rate.

> **"[The question] now is at what point housing costs rise high enough to discourage even [the] well educated higher income pop[ulation] from picking ATX."**
>
> **Brian Kelsey**
> **Civic Analytics**
> **(Twitter feed)**

Population growth has increased demand in the housing market and the supply has not kept pace, as is evidenced through increased local housing prices and rents. A December 31, 2015, Austin American Statesman article reported that Austin area rents averaged $1,190 per month, an all-time high. More recently, the Statesman reported the median home sales price in the area hit a new high of $263,900 at the end of 2015. Eldon Rude, principal of 360 Real Estate Analytics, predicted that the housing market in 2016 will continue growing strongly.

Economic data continues to point to continued economic growth for Travis County. However, this accelerated growth poses challenges along with opportunities. Across the community, citizens, business leaders, and elected officials have raised concerns about housing affordability and the inadequacy of the region's transportation system.

A 2014 Comprehensive Housing Market Analysis for the City of Austin summarized top housing issues for Austin, including the following: a shortage of deeply affordable rental units for renters earning less than $25,000 per year, geographically limited affordable housing opportunities, rising housing costs which could cause long-time residents to seek more affordable housing elsewhere, and a growing need for affordable housing near transit and services.

Central Texas as a region also faces significant transportation challenges. Travis County contains eight of the 100 most congested road segments in Texas, according to a study by the Texas A&M Transportation Institute and Texas Department of Transportation. Through involvement in such regional planning organizations as Central Texas Regional Mobility Authority, Capital Area Metropolitan Planning Organization, and Capital Area Regional Transportation Planning Organization, Travis County collaborates with regional partners to plan for the future.

Over the last several months, Austin and its surrounding MSA has made many “top ten” lists including the #3 best city to find a job and the #1 best big city to live in (WalletHub), the #1 best city for young entrepreneurs (NerdWallet), the #2 overall real estate prospects market (PwC), the #1 biggest boom town in the US (Forbes), and the #5 most future-ready city in America. While the Travis County and broader Austin-Round Rock MSA economies are projected to continue growing at a healthy 4.4% rate in the near term, the uncertainty in the global economy, dropping oil prices and their effect on state revenues, and the region’s growing pains will continue to impact the Travis County budget.

Intergovernmental Relations Office staff has begun work with the Planning and Budget Office and other departmental staff to track the work of legislative committees in the interim, to begin identifying issue areas for Commissioners Court to consider including in the County’s legislative agenda for the 85th Legislative Session and to monitor the work of the various committees that impact Travis County.

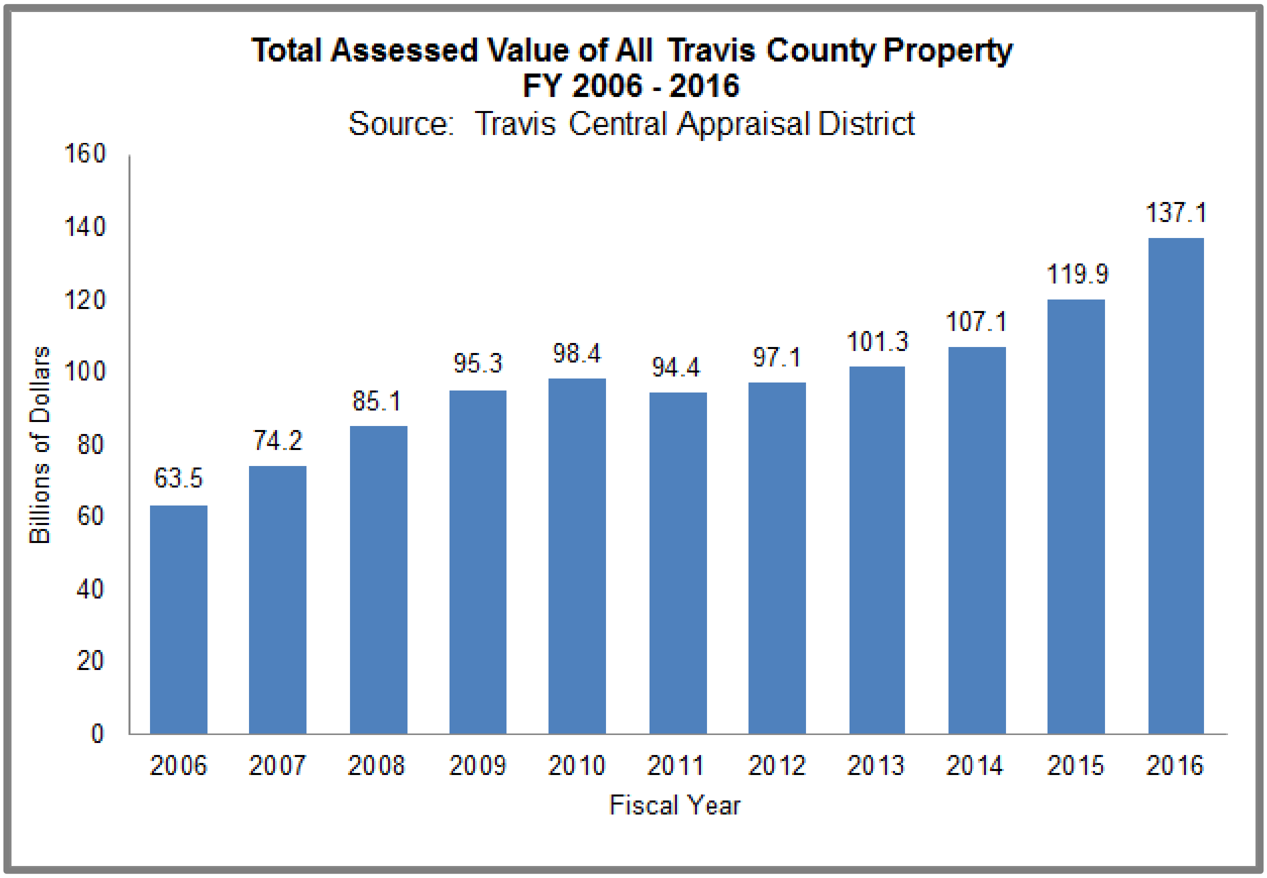
Five-Year Financial Forecast

Last year, PBO formally incorporated a five-year financial forecast for the County's operating budget as part of the guidelines in an effort to strengthen financial discussions with the Commissioners Court. The following five-year financial forecast provides a platform to discuss priorities, prepare for the FY 2017 budget process, and plan for future years. This forecast is based on historical and current 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 will be further refined for FY 2017 as additional information becomes available.

Over the last decade, Central Texas has seen unprecedented growth that has landed Austin in Forbes Magazine's list of the fastest growing cities in the nation. This growth, coupled with a Consumer Price Index increase for the region of 2.0% per year 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.

As such, County budget growth has been driven by a variety of factors, rather than a single issue or cost driver. The General Fund budgets for County offices and departments have grown at an approximate rate of 5.72% per year since 2006, as compared to the ten year compounded growth rate of 5.95% presented last year. This readjustment in the long-term growth trajectory reflects a marked effort by the Commissioners Court to serve an ever growing population without significant impacts to property taxes paid by residents. The compounded growth rate has been decreasing slightly because departmental budgets have grown at a lower rate in recent years. Departmental budgets grew 5.41% in FY 2016 and

3.50% in FY 2015. This slower growth resulted from a desire by the Commissioners Court to help address some of the concerns regarding rapidly increasing residential home values and the corresponding impact to property tax bills. From 2006 to 2016, the total assessed value of all Travis County property has grown from $63.5 billion to $137.1 billion.



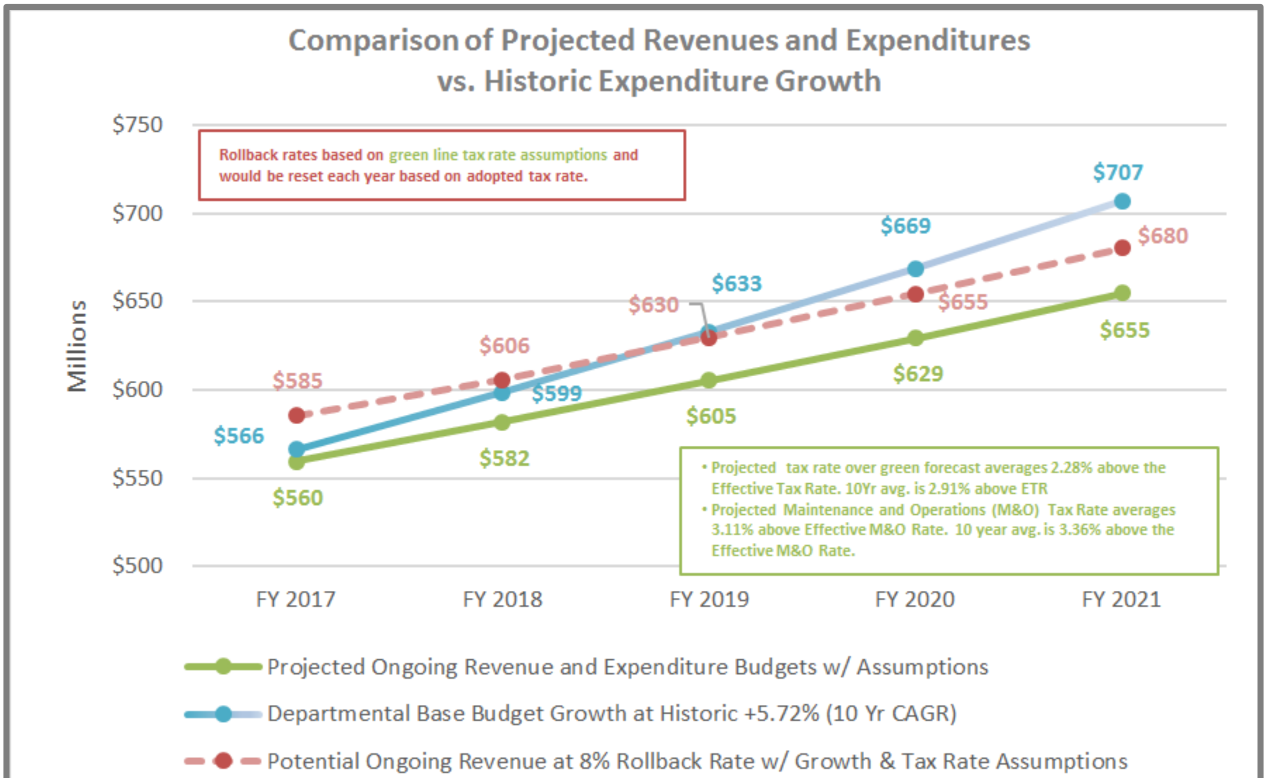
The five-year financial forecast modeling scenarios include assumptions about the value of properties to be certified as of January 1, 2016 that will be used to prepare the FY 2017 budget. The Chief Appraiser releases this information in July of each year. The year one assumptions serve as the baseline for the estimated net taxable value for the five-year planning horizon. These preliminary estimates will change as new information is known. The following table outlines the major assumptions PBO used for the estimated tax rates and corresponding revenue at this early stage of the FY 2017 budget process.

Property Tax Base Assumptions 2016-2021

Fiscal Year	New Construction Value	Net Taxable Value (NTV)	Total NTV Growth
FY 2016 Certification	$4.1 billion	$137.1 billion	14.3%
FY 2017	$2.7 billion	$147.9 billion	8.0%
FY 2018	$2.5 billion	$156.8 billion	6.0%
FY 2019	$2.4 billion	$163.0 billion	4.0%
FY 2020	$2.3 billion	$168.8 billion	3.5%
FY 2021	$2.2 billion	$173.9 billion	3.0%

New construction is estimated to be $2.7 billion for FY 2017. This estimate was derived after consultation with the Chief Appraiser. New construction was $4.1 billion for FY 2016 and averaged $2.8 billion from FY 2013 to FY 2015. We believe that utilizing a planning figure of $2.7 billion at this early stage of the budget process is prudent. Underlying assumptions will continue to be refined as we moves closer toward the receipt of the January 1, 2016 certified values that will be used in the final calculations of tax rates for the FY 2017 budget process.

The forecast that follows uses these assumptions to illustrate County budgetary growth and related estimated property tax rates compared with historical growth and past guidance regarding small incremental growth above the Effective Tax Rate and Effective Maintenance and Operations Tax Rate.



Tax Rate Assumptions	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
% Above Projected Effective M&O Tax Rate	2.53%	3.12%	3.21%	3.28%	3.39%
% Above Projected Effective Tax Rate	2.58%	1.95%	1.47%	2.44%	2.96%
Green Line Ongoing Growth Assumptions	4.47%	4.00%	4.00%	4.00%	4.00%

<u>Forecast Model</u>: Travis County is transitioning to more performance based budgeting practices that strategically add resources to programs willing to participate in an intense program review process during its pilot period. This approach, along with a focus on affordability has allowed the budget to conform to a slower rate of growth in recent years. The forecast model projects that the County will continue to grow at a slower rate than the prior year and remain within past guidance provided by the Commissioners Court.

This model limits the ongoing expenditure growth to balance the County budget at conservative estimated property tax rates that are below the 10-year average of the increase above both the Effective Tax Rate and

Maintenance and Operations Tax Rates. This forecast assumes ongoing revenue and expenditure growth would be approximately 4% per year. The model anticipates sufficient revenue to cover cost drivers each year with some limited level of resources for workforce investment.

This assumed growth rate is lower than:

- the 2016 departmental budget growth of 5.41%; and
- the average departmental growth over the last ten years of 5.72%.

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

It is important to note that such conservative forecasted growth could be a challenge, but may be necessary to stay within past property tax rate guidance from the Commissioners Court. This challenge will be most evident as property tax valuations are not likely to continue to grow at the unprecedented rates seen these last few years.

This model does not take into account additional program enhancements or new unfunded mandates from the State that may come into effect with the decline in sales tax and severance tax at the State level. Offices and departments would be required to manage within their target budgets and redirect internal resources to execute the County's priority goals. Limited program enhancements such as pilot programs may be possible with slight shifts in projected tax base values and new construction growth.

PBO Proposal: During the FY 2016 budget process, the Commissioners Court allowed PBO the flexibility to prepare a Preliminary Budget assuming a tax rate that provided sufficient resources to cover identified priorities and base target budgets. PBO recommends a similar approach for the FY 2017 budget process, noting that in addition to known cost drivers and program priorities, workforce investment has been addressed at this early stage as a budget priority by the Commissioners Court.

FY 2017 Budget Drivers

The Planning and Budget Office has annually prepared estimates of known cost drivers that demand careful consideration by the Commissioners Court. The impact of these budget priorities has increased in recent years and shaped the formulation of the Preliminary Budget.

The Planning and Budget Office will present priority budget items, including workforce investment, to the Commissioners Court within the context of previous Court direction. The section below also provides the Commissioners Court additional information relating to the potential flexibility of each cost driver under "Other Considerations".

Debt Service

Principal and interest on outstanding debt has been one of the most significant incremental budget cost drivers in the last few years. Debt service is expected to increase more than $4.4 million in FY 2017 based on debt previously issued and projects approved in the FY 2016 Adopted Budget. The table below provides a perspective on the increase in debt service requirements in recent years.

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Debt Service in Millions	**$74.6**	**$77.2**	**$80.8**	**$86.0**	**$93.4**	**$97.8**
Increase		**$2.6**	**$3.6**	**$5.2**	**$7.4**	**$4.4**

Other Considerations: Principal and interest payment obligations must be met. The County will incur the first payment for debt issued in FY 2016 for already approved capital projects in FY 2017. PBO uses conservative interest rate assumptions to ensure appropriate planning figures. However, the County's Financial Advisors routinely keep the County informed of any refunding opportunities. The County has saved $12.9 million (gross) over the last five years related to the refinancing of existing debt at lower interest rates.

Maintenance and Operations

The figures listed on the next page represent projected FY 2017 expenditures that, unless other direction by Commissioner 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 on-going resources.

FY 2017 Preliminary Estimates	Low Ongoing	Mid Ongoing	High Ongoing
Departmental Target Budgets	**$535.5 M**	**$535.5 M**	**$535.5 M**
Workforce Investment & Countywide Drivers			
Compensation Increases (Market, POPS, Other Compensation)	$8.7 M	$8.7 M	$8.7 M
Benefits	4.3 M	5.0 M	5.6 M
Interlocal Agreements & TIF	2.0 M	2.7 M	3.4 M
Subtotal Workforce Investment & Countywide Drivers	$15.0 M	$16.4 M	$17.7 M
Program Specific Drivers			
Sheriff's Office Inmate Costs & Overtime	$1.5 M	$2.0 M	$2.6M
BCP Transfer	1.5 M	2.0 M	2.5 M
Indigent Attorney Fees MCE/Managed Assigned Counsel	0.9 M	0.9 M	0.9 M
Tech-Related and Other Approved Project Operating Costs	0.8 M	1.0 M	1.1 M
Other Commissioners Court Priorities	1.6 M	1.7 M	1.7 M
Pilot Program Recommendations	0.1 M	0.1 M	0.1 M
Subtotal Program Specific Drivers	$6.4 M	$7.7 M	$8.9 M
Total	**$556.9 M**	**$559.6**	**$562.1 M**
Preliminary Estimated Increase	**$21.4 M**	**$24.1 M**	**$26.6 M**

Departmental Target Budgets

The FY 2017 Target Budget represents the FY 2016 Adopted Budget plus the annualized impact of any increases approved for FY 2016, less any one-time expenses and other reductions related to pilot programs and/or programs moved from ongoing to one-time funding status. The current departmental base budget amount for FY 2017 is $535.5 million and represents the amounts needed to continue approved programs in offices and departments for the next fiscal year.

Other Considerations: PBO annually reviews departmental base budgets during the budget process. Much of this work is performed in the context of the annual budget process and therefore often involves working with departments to identify flexibility within their budgets to better accomplish their goals and mission. This analysis oftentimes results in recommendations from PBO for offices and departments to internally fund budget requests that otherwise would be requested to be funded with new tax dollars. In addition, there is an organizational review currently in process for those departments that report to the Commissioners Court, as well as the Purchasing Office. Outcomes from that external review may result in changes in the distribution of resources within the organization to better meet countywide mission and long-term goals. PBO will assist the Commissioners Court in implementing prioritized recommendations from the study.

Countywide Cost Drivers

1. Compensation

The Commissioners Court recognizes its workforce as its most valued resource. Travis County has a compensation philosophy that prioritizes the recruitment, motivation and retention of employees capable of providing exemplary service for the residents of Travis County by using a total compensation system that is fair, flexible and market competitive. While compensation encompasses much more than direct wages, the guidelines will address potential funding for salary increases within the parameters of the approved compensation policy, approved September 9, 2015. Below is a table that summarizes employee salary compensation increases since FY 2012.

History of Employee Salary Compensation, FY 2012 – FY 2016

Employee Type	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Classified	≈ 3.5% MSS Adj[1]	0%	3% across the board increase	$1,000[3]	≈ 3.0% MSS Adj[4]
Peace Officer Pay Scale	11.4% avg. inc. for all POPS[2] No Step	0% No Step	0% No Step	One Step Increase	One Step Increase

[1]This increase was effective April 2012.
[2]This increase was effective September 2012
[3]Ongoing salary increase for regular classified employees who were hired as of April 1, 2014 and earned no more than the full-time equivalent of $100,000 after the salary increase.
[4]The County's living wage was increased to $13 per hour for regular employees and non-seasonal temporary employees.

Classified Employees: The Compensation Committee is charged with making recommendations to the Commissioners Court about compensation-related matters for the upcoming fiscal year. These meetings are underway and will include consideration of funding availability presented in these guidelines. The Committee met in late November and began discussions about a benchmark survey, point factor system, executive pay scale, pay for performance, career ladders and the development of its recommendation for FY 2017. The Human Resources Department will update the Commissioners Court on the work of the Compensation Committee meeting on February 11, 2016.

POPS Employees: Employees on the Peace Officer Pay Scale are on a step scale with progression through the scale based on steady, incremental movements from one step to the subsequent step, in years when this type of increase is approved by Commissioners Court. The cost drivers presented for compensation provide sufficient flexibility to fund one step increase for employees on the Peace Officer Pay Scale.

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

2. Employee Benefits

Health Benefits: Refined cost estimates for benefits in the upcoming fiscal year are not generally known until later in the budget process. 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. While in FY 2016, the County experienced a 10.5% cost increase, this type of dramatic increase has not been the norm as shown in the table on the next page. PBO recommends planning for an estimated 4% to 6% increase in the FY 2017 health plan. This is lower than the increase experienced last year; however, current expenditures in the fund are tracking to the budget. Furthermore, HRMD has informed PBO that internal audits have yielded some expected refunds from United Health Care that would impact the historic trends.

The data below also indicates that plan design changes are made each year after the original estimate is received from the County's actuary to further refine the plan's allowable expenses so that the long-term costs are more sustainable to the County and plan participants.

Other Considerations: The Benefits Committee will continue discussing opportunities to align the plan, clinic and the employee wellness program (CARE) so that each program further advances consumerism. The continuation of these efforts will be important in future budget years even if a move to a full consumer driven plan is not proposed for FY 2017. In addition, the Committee will be working with a Benefits Consultant to benchmark the existing program with other entities, provide a budget forecast on the current plan and an analysis of reserve levels, and advise the Committee on plan changes that promote consumerism. Specific areas to be considered include researching options on providing supplemental or Medicare Advantage plans for eligible retirees and the development of a strategic plan for the health plan for the next five years.

Increases in County's Composite Rate
Contribution to Employee Health Plan

Fiscal Year	Original Actuary Estimate	Revised Increase after Plan Design Changes
2013	7.7%	5.7%
2014	8.7%	5.8%
2015	6.3%	4.0%
2016	13.1%	10.5%

Retirement: For Plan Year 2016, Commissioners Court approved funding a COLA (Cost of Living Adjustment) at 50% of CPI for the County's retirees. This approach allowed for retirement dollars to be targeted towards those individuals who had lost the most buying power based on the retiree's original benefit payment amount and the corresponding inflation that has occurred since their retirement. For the FY 2016 budget, Commissioners Court approved maintaining the County contribution rate at 13.67%. The County was able to absorb the cost of the retiree COLA, even though it is estimated that the action had an annual cost of approximately $300,000. At that time, it was anticipated that the rate might be slightly impacted in FY 2017 as a result of the retiree COLA.

Recently, there has been increased volatility in the financial sector that may contribute further to the possibility that there may be an increase in the expected contribution rate for Travis County. However, TCDRS smooths losses over five years to better control the impact to participating jurisdictions. Therefore, any impact to Travis County is expected to be manageable.

PBO will explore the retiree COLA for FY 2017 once TCDRS releases cost figures during the summer, if directed by Court. Such an increase is not included in our planning figures. Retiree COLAs are funded over 15 years and new GASB reporting requirements will designate retiree COLAs that are regularly adopted as “repeating.” A “repeating” COLA designation increases the net pension liability on the County’s balance sheet and lowers the funded ratio for financial reporting purposes. PBO will be informed by TCDRS in the summer whether Travis County is now designated as having a repeating COLA.

3. Interlocal and Other Agreements

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

Other agreements that impact the Preliminary Budget include Travis County's budget allocation for the Travis Central Appraisal District as well as the Waller Creek Tax Increment Reinvestment Zone Agreement. The FY 2016 Waller Creek contribution is expected to be approximately $1.1 million.

The Central Booking Interlocal with the City of Austin is a large interlocal agreement that impacts the revenue received by the County. The revenue received from that interlocal is assumed to be continued in FY 2017.

Other Considerations: Travis County Executives are meeting to identify any potential for improvements to the manner that interlocal agreements are handled through the budget process. Some potential areas of focus include:

- Negotiating the interlocal agreements with similar County and City representation on each negotiating team in order to ensure that all agreements have uniform or similar terms.
- Identifying which agreements may be negotiated for longer than a one year term. Many of these negotiations occur either towards the end of the budget process or after the approval of the budgets and involve a great amount of staff time. Exploring whether longer term agreements can be negotiated could allow for greater certainty during the budget process and planning for future costs.

Another consideration related specifically to the EMS Interlocal is the Lost Creek station (Unit M21) as the primary operating area has been annexed by the City of Austin. The annual costs of this station is $1.0 to $1.3 million and could offset other potential costs increases related to the EMS Interlocal such as the 42 hour work week (requiring 53 additional FTEs at an annual cost of $1 million), if the staffing and costs are not redirected to other County areas.

Program Specific Cost Drivers

4. Balcones Canyonlands Preserve (BCP)

The BCP operates under a regional Section 10(a) permit issued in 1996 to Travis County and the City of Austin under the Endangered Species Act by the U.S. Fish and Wildlife Service. The current budgeted transfer is $15.3 million.

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

5. Indigent Attorney Fees/Managed Assigned Counsel

Indigent Attorney Fees have increased annually due to a variety of factors including increased caseload, the implementation of the Texas Fair Defense Act in January 2002, the Rothgery decision of 2008, and increased settings per case on the civil side with regards to Child Protective Services and family law cases.

Other Considerations: On October 13, 2015, the Commissioners Court approved the creating of a committee charged with studying and making recommendations on criminal indigent defense fees paid to appointed attorneys. This committee is currently meeting to provide the Commissioners Court additional information to better inform the budgeting process with regards to any decisions that the Criminal Court judges may make with regards to the fees paid to private attorneys for indigent defense in Travis County.

6. Tech-Related and Other Approved Project Operating Costs

Every year, PBO reviews and scrutinizes a variety of operating cost increase requests and asks departments and offices to internally fund such cost escalators when possible. However, there are some larger operating costs related to approved programs such as the replacement of the Integrated Justice System that may require additional resources.

<u>Other Considerations</u>: ITS is reviewing all current hardware and software licenses for opportunities to reduce ongoing maintenance costs. This includes reviewing the actual number of software licenses used on an ongoing basis and re-evaluating future hardware purchases with maintenance costs in mind. This review will continue through the spring and may require additional one time investments. It should be noted that the County's IT maintenance line item is budgeted through a zero-base budgeting method on an annual basis.

7. Sheriff's Office Inmate Costs and Overtime

The cost of providing care of inmates in Travis County custody has varied by year depending on a number of factors. The FY 2016 Adopted Budget includes ongoing and one-time resources for food, medical and pharmaceutical costs based on historical growth patterns in the jail population and estimates of inflationary increases in those costs. These costs are being monitored, but additional resources may be needed if costs exceed original projections. The actual amount needed for FY 2017 will be refined during the budget process. Additionally, overtime expenses are reviewed each year based on trends and increased salary costs. FY 2016 has begun with an increased inmate population and many staff vacancies which have contributed to increased overtime costs. It is important to be mindful of these costs due to their great impact on the overall budget.

Other Considerations: PBO will continue to explore with the Sheriff's Office potential ways to operate the most effective and efficient jail program possible. PBO is working with the office and other stakeholders to identify potential overtime efficiencies from the implementation of time keeping and shift scheduling system. In addition, PBO is supporting the Sheriff's Office's continued improvements to the services at the Travis County Correctional Complex. This includes the exploration of additional inmate medical and mental health services at the complex to improve outcomes as well as continuing to identify national and local pharmaceutical programs to extend County resources.

Other Identified Budget Related Matters

There are a variety of additional issues that are likely to have an impact on the development of the FY 2017 Preliminary Budget. The Planning and Budget Office will work with offices and departments to continue monitoring these issues and others that may materialize and keep the Commissioners Court apprised of any substantive changes. Potential issues include:

- Organizational review and report;
- Continued support of County security, technology and infrastructure;
- External treatment for juveniles served by the Juvenile Probation Department;
- Additional staffing to meet current workload requirements;
- Changes in assumptions that impact the calculation of the tax rate and resulting revenue, such as new first-time exemptions, new construction values, or taxable value lost to successful appeals;
- Unexpected decreases in state or federal grant funds for established programs with proven results.

Reserve Levels

Local governmental entities employ the use of reserves to help mitigate unforeseen risks and provide a buffer should additional resources be required for essential services beyond departmental budgeted expenditures. Travis County has three primary types of budgeted reserves: the Unallocated 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 2017, the Unallocated Reserve for the General Fund and Road & Bridge Fund will be continued in the General Fund at the historic 11% level. The debt service reserve will be reviewed and calibrated to reflect the Commissioners Court financial guidelines, proposed to be updated in FY 2016. An Allocated Reserve totaling 1% of budgeted expenditures, excluding earmarks, will be targeted in FY 2017 and a CAR Reserve will be continued in FY 2017.

The Emergency Reserve is planned to remain at $5 million for FY 2017. However, this reserve will be evaluated every year to determine if it is prudent to reduce the reserve. Any future proposed reduction to this reserve will be recommended to be implemented over more than one budget cycle to ensure a controlled decrease in Travis County's general purpose reserves and resulting impact on the fund balance.

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

Tax Rate

Property taxes provide the main source of funding for the County's principal services. Market conditions have led to increased pressure on housing values and the Commissioners Court has been very responsive by providing aggressive and longstanding homestead exemptions. General homestead exemptions target tax relief to homeowners. Travis County offers the maximum 20% exemption allowed by Texas law. Furthermore, Travis County offers an additional $75,000 exemption on residential homesteads for homestead owners who are 65 years of age and older and/or disabled. This exemption was increased from $70,000 in FY 2016. These exemptions reduce the taxable value of a residential homestead for Travis County homeowners. The Travis County portion of the tax bill for a typical taxable homestead has averaged less than 20% since FY 2004, when PBO began tracking this statistic. These and other exemptions result in $79 million in tax savings to Travis County homeowners from local exemptions.

Due to the guidance provided by the Commissioners Court for the FY 2015 and FY 2016 budget processes, the property tax bill for the average taxable homestead decreased as compared to the previous year. Travis County was the only major taxing unit within the area to decrease its portion of the property tax bill for the average taxable homestead in both of these years. Commissioners Court remains committed to balancing funding for needed services against the affordability of the Travis County tax bill.

A managed tax policy approach recognizes that modest changes in the tax rate over time is the best way to respond to the increasing cost of delivering services. Even when new construction activity is underway and results in added value to the tax base, the effective tax rate is not always sufficient to generate the funding needed to keep pace with a growing population and rising costs.

Based on the Planning and Budget Office property tax base assumptions, Commissioners Court directs PBO to balance the Preliminary Budget at a tax rate sufficient to cover the priorities discussed earlier in this document. Preparing the FY 2017 Preliminary Budget at a proposed tax rate needed to balance the budget at the mid-range of anticipated budget priorities would result in an estimated $27 (2.43%) increase in the annual tax bill for a Travis County resident who owns an average-valued homestead. As noted earlier the property values used in the estimate are very preliminary and will be final after receipt of the certified values in late July.

Summary of FY 2017 Budget Priorities and Estimated Tax Impact to the Average Taxable Homestead

Estimated Expenditures	Low Range of Costs	Mid Range of Costs	High Range of Costs
Workforce Investment and Cost Drivers	$21.3 M	$23.9 M	$26.5 M
Target Budgets	$535.5 M	$535.5 M	$535.5 M
Total	$556.9 M	$559.5 M	$562.1 M
Estimated Revenue	**Tax Rate @ 1.98% > Eff M&O 2.12% > ETR**	**Tax Rate @ 2.53% > Eff M&O 2.58% > ETR**	**Tax Rate @ 3.08% > Eff M&O 3.04% > ETR**
Revenue (Excludes Fund Balance)	$556.9 M	$559.5 M	$562.1 M
Revenue less Expenses	**Tax Rate @ 1.98% > Eff M&O 2.12% > ETR**	**Tax Rate @ 2.53% > Eff M&O 2.58% > ETR**	**Tax Rate @ 3.08% > Eff M&O 3.04% > ETR**
Revenue Above Low Range Exp	$0.1 M	$2.7 M	$5.3 M
Revenue Above Mid Range Exp	-$2.5 M	$0.1 M	$2.7 M
Revenue Above High Range Exp	-$5.1 M	-$2.5 M	$0.1 M
Property Taxes			
Tax Impact for Avg Tax Homestead (Increase over FY 2016)	$22	$27	$32
% Increase in Tax Bill Over FY 2016	1.97%	2.43%	2.89%
Budget Comparison			
% Increase to Ongoing Base Budget	3.98%	4.47%	4.96%

Calendar

A. Key Dates for Departments/Offices

Offices and departments are expected to submit their FY 2017 Target Budgets and any FY 2017 budget requests on **Monday, May 2, 2016**.

Date	Event
March 7, 10	**Budget Kick Off Meetings**
May 2	**Budgets Due**
May/June	**PBO review of County Budget Submissions**
June	**Departmental Meetings with PBO**
June 16	**Employee Public Hearing**
July 25	**Preliminary Budget Published**
August	**Select Budget Hearings (Proposed)**
September	**Budget Mark-Up**
September 27	**FY 2017 Budget Adopted**

B. Employee Public Hearing

Every year, Commissioners Court seeks input from County employees on budget issues including compensation and benefits. Commissioners Court will hold an employee public hearing on employee compensation and benefits on **Thursday, June 16 at 4:30 PM** in the Commissioners Courtroom at 700 Lavaca Street and invites all County employees, employee groups and retirees to give the Commissioners Court feedback on compensation and benefits for FY 2017.

C. Elected Officials Salaries

It is the Commissioners Court's desire to complete discussions on any recommendations related to elected officials' salaries prior to publication of the Preliminary Budget. In past years, the Court has often opted to match compensation changes between classified employees and elected officials. A recommendation from PBO will be formed in consideration of this history and in consultation with the Human Resources Compensation Manager and the County Attorney's Office.

D. Tax Rate

The law requires certain notices and two public hearings on the proposed tax rate if that rate is above the effective tax rate. Recently, changes at the Legislature required a new notice under Local Government Code 140.010 that mandates publication by the later of September 1 or the 30th day after the County receives the certified appraisal roll. In order to maintain the greatest flexibility with regards to the scheduling of Budget Mark-Up, PBO may recommend that this ad include a maximum tax rate rather than a precise tax rate as has been published in the past. This approach has been reviewed by the County Attorney's Office and would preserve the Commissioners Court's flexibility to set an appropriate tax rate within the context of Budget Mark-Up in mid-September.

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 Fiscal Year 2017 budget submissions, and to assist the Planning and Budget Office in preliminary preparations for the upcoming budget cycle.

Target Budgets

Offices and departments are required to submit their budgets at the FY 2017 Target Budget Level. This Target Budget Level represents the 2016 Adopted Budget plus the annualized impact of any increases approved for 2016, less any one-time expenses and other reductions related to pilot programs and/or programs moved from ongoing to one-time funding status.

Offices and departments are urged to collaborate with the Planning and Budget Office to identify and implement opportunities for savings and efficiencies.

Maintaining Current Service Levels

Target budgets provide offices and departments the flexibility to repurpose funds within their budgets to accomplish their highest priority goals. Directors and managers are expected to reprioritize within existing resources to maintain current service levels where required. Directors and managers are urged to focus on efficiencies, increased productivity, and simplification in FY 2017 rather than on budget requests for additional resources.

Non-County Requests

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 **April 1, 2016** 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 2017 appropriations. Non-County organizations submitting a request will be subject to the same funding criteria as listed under these Guidelines and the FY 2017 Budget Preparation Manual.

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

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

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

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

Non-Property Tax Revenue

Every year as part of the budget process, fees are reviewed to determine whether an appropriate level of cost recovery is achieved. The Commissioners Court strongly encourages offices and departments to identify appropriate cost recovery opportunities related to non-property tax revenue. Attention should be paid to fines and fees that have not been reviewed or adjusted in several years. Offices and departments will be asked to review all of their user fees and any fines that are not statutorily dictated to determine if cost recovery is being achieved.

Special One-Time Funding for Select New Programs

The Commissioners Court is supportive of innovative programs that can provide improved services, streamlined business practices, and cost reductions. Due to the renewed focus on moderated growth of the County budget, property tax affordability for Travis County residents, and performance management, a very limited amount of one-time resources will be made available to support such innovative programs. 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 2017, FY 2018, and FY 2019).
- 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.

Approved by Commissioners Court on {Date}

FY 2017 BUDGET PROCESS

PLANNING & BUDGET OFFICE
FEBRUARY 11, 2016

PRESENTATION OVERVIEW

- Present and discuss:
  - Background information on economic indicators;
  - 5-year financial forecast; and
  - Building blocks that will drive the FY 2017 Budget Process.
- Obtain broad tax policy direction for the FY 2017 Budget Process.
- Obtain specific guidance for use during the FY 2017 Budget Process regarding budget issues related to:
  - Workforce Investment;
  - Cost Drivers;
  - Reserves;
  - Key Dates of Calendar; and
  - Budget Preparation Guidance for Offices and Departments

ECONOMIC OUTLOOK

- National:
  - Increase in interest rates by Federal Reserve.
- Texas:
  - Modest growth due to decrease price of oil;
  - State Budget; and
  - Poverty rate still a concern.
- Travis County:
  - Housing stock;
  - Transportation; and
  - General growth continues.

FIVE-YEAR FINANCIAL FORECAST

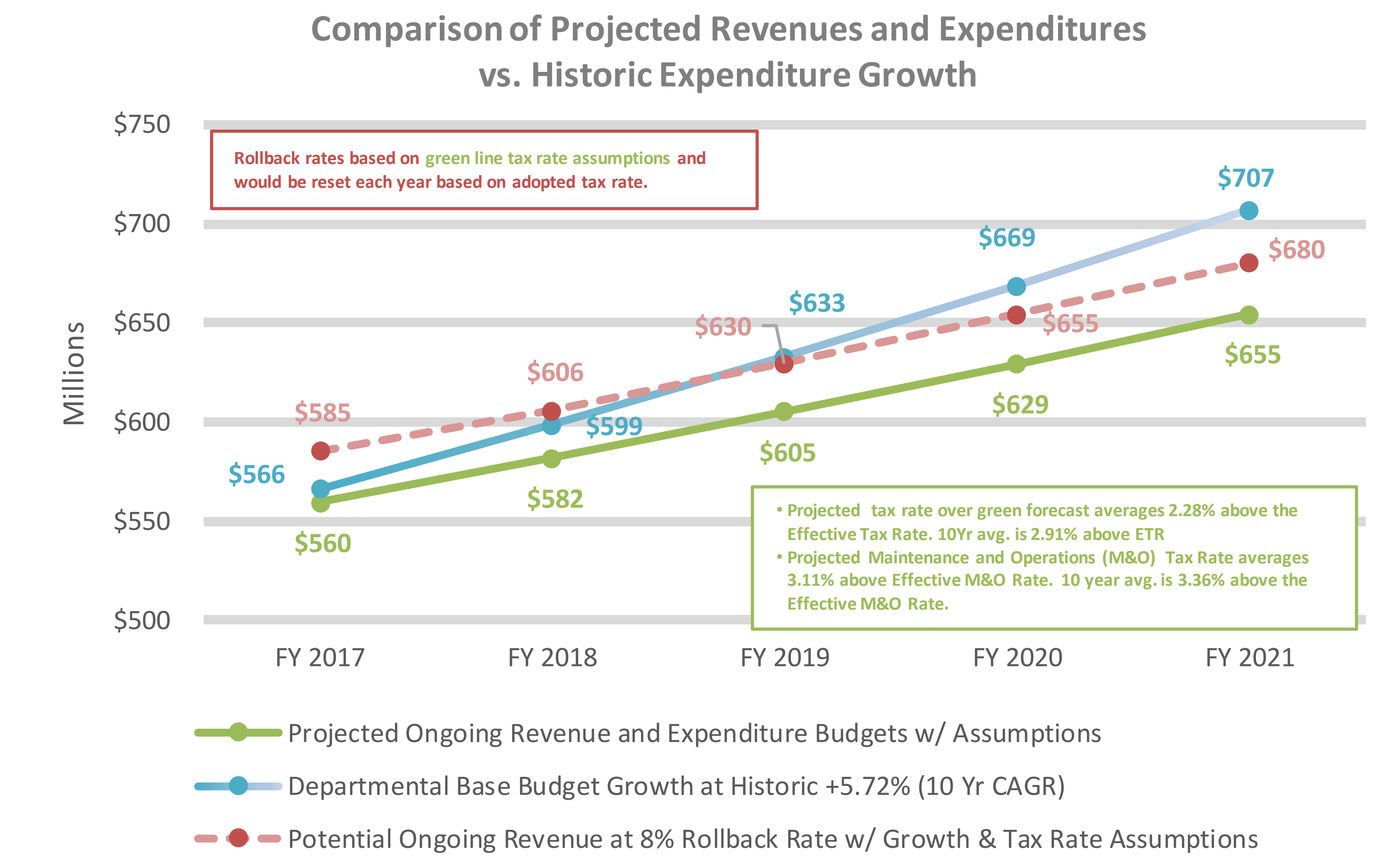
- Five-year financial forecast based on historical trends and prepared in consultation with Travis Central Appraisal District (property value) and County Auditor's Office (revenue).
- Historic County budget growth not driven by single issue or cost driver. Influencing factors include:
  - Population increases;
  - Workforce investments;
  - Current policies;
  - New and expanded programs, improved service delivery, and state mandates;
  - Increasing demand for services; and
  - Local, state and national economic conditions.

FIVE-YEAR FINANCIAL FORECAST

Property Tax Base Assumptions FY 2016-FY 2021

Fiscal Year	New Construction Value	Net Taxable Value (NTV)	Total NTV Growth
FY 2016 Certification	$4.1 B	$137.1 B	14.3%
FY 2017	$2.7 B	$147.9 B	8.0%
FY 2018	$2.5 B	$156.8 B	6.0%
FY 2019	$2.4 B	$163.0 B	4.0%
FY 2020	$2.3 B	$168.8 B	3.5%
FY 2021	$2.2 B	$173.9 B	3.0%

FIVE-YEAR FINANCIAL FORECAST



Tax Rate Assumptions	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
% Above Projected Effective M&O Tax Rate	2.53%	3.12%	3.21%	3.28%	3.39%
% Above Projected Effective Tax Rate	2.58%	1.95%	1.47%	2.44%	2.96%
Green Line Ongoing Growth Assumptions	4.47%	4.00%	4.00%	4.00%	4.00%

WORKFORCE INVESTMENT AND COST DRIVERS

FY 2017 Preliminary Estimates	Low Estimate	Mid Estimate	High Estimate
Workforce Investment & Countywide Drivers			
Compensation	$8.7 M	$8.7 M	$8.7 M
Benefits	4.3 M	5.0 M	5.6 M
Interlocal Agreements & TIF	2.0 M	2.7 M	3.4 M
Subtotal Workforce Investment & Countywide Drivers	**$15.0 M**	**$16.4 M**	**$17.7 M**
Program Specific Drivers			
Sheriff’s Office Inmate Costs & Overtime	$1.5 M	$2.0 M	$2.6M
BCP Transfer	1.5 M	2.0 M	2.5 M
Indigent Attorney Fees MCE/Managed Assigned Counsel	0.9 M	0.9 M	0.9 M
Tech-Related and Other Approved Project Operating Costs	0.8 M	1.0 M	1.1 M
Other Commissioners Court Priorities	1.6 M	1.7 M	1.7 M
Pilot Program Recommendations	0.1 M	0.1 M	0.1 M
Subtotal Program Specific Drivers	**$6.4 M**	**$7.7 M**	**$8.9 M**
Preliminary Estimated Increase	**$21.4 M**	**$24.1 M**	**$26.6 M**

OTHER CONSIDERATIONS AND BUDGET RELATED MATTERS

- Other Considerations
- Other Identified Budget Related Matters
  - Organizational review and report;
  - Continued support of County security, technology and infrastructure;
  - External treatment for juveniles served by the Juvenile Probation Department;
  - Additional staffing to meet current workload requirements;
  - Changes in assumptions that impact the calculation of the tax rate and resulting revenue; and
  - Unexpected decreases in state or federal grant funds for established programs with proven results.

BALANCING THE PRELIMINARY BUDGET – ONGOING RESOURCES

The Preliminary Budget will be balanced at a tax rate sufficient to fund the following:

- Debt service;
- Maintenance and Operations:
  - Departmental base budgets;
  - Workforce investments;
  - Countywide cost drivers; and
  - Program specific cost drivers.

AD VALOREM PROPERTY TAX RATE

- County provides maximum 20% Homestead Exemption.
- County increased 65 and Older/Disabled Homestead Exemption from $70,000 to $75,000 for FY 2016.
- County's portion of the property tax bill for the average taxable homestead has decreased for last two consecutive years.
- Early estimate of property tax rate needed to balance the FY 2017 Preliminary Budget at middle range of costs and projected property values.
- Estimated property tax impact of $27 for the average taxable homestead.

AD VALOREM PROPERTY TAX RATE

Estimated Expenditures	Low Range of Costs	Mid Range of Costs	High Range of Costs
Workforce Investment and Cost Drivers	$21.3 M	$23.9 M	$26.5 M
Target Budgets	$535.5 M	$535.5 M	$535.5 M
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Revenue (Excludes Fund Balance)	$556.9 M	$559.5 M	$562.1 M
Revenue less Expenses	**Tax Rate @ 1.98% > Eff M&O 2.12% > ETR**	**Tax Rate @ 2.53% > Eff M&O 2.58% > ETR**	**Tax Rate @ 3.08% > Eff M&O 3.04% > ETR**
Revenue Above Low Range Exp	$0.1 M	$2.7 M	$5.3 M
Revenue Above Mid Range Exp	-$2.5 M	$0.1 M	$2.7 M
Revenue Above High Range Exp	-$5.1 M	-$2.5 M	$0.1 M
Property Taxes			
Tax Impact for Avg Tax Homestead (Increase over FY 2016)	$22	$27	$32
% Increase in Tax Bill Over FY 2016	1.97%	2.43%	2.89%
Budget Comparison			
% Increase to Ongoing Base Budget	3.98%	4.47%	4.96%

BALANCING THE PRELIMINARY BUDGET - ONE-TIME RESOURCES

- One-time resources may be used to fund the following:
  - Capital;
  - New unfunded mandates; and
  - Select new programs that can be piloted for up to three years with one-time funding with following guidelines;
    - Establishes performance goals that are tied to benchmarks;
    - Includes independent verification of performance and addresses critical issues;
    - If goals and outcomes are achieved ongoing funding may be considered as part of cost drivers in future fiscal years; and
    - If goals and outcomes are not met during pilot period, the program will be discontinued.

RESERVE LEVELS

Unallocated Reserve

The Unallocated Reserve will continue at historic 11% level.

General Purpose Reserves

Allocated Reserve

Dedicated to known or potential expenditures with some or all of the reserve expected to be spent. An Allocated Reserve totaling approximately 1% of budgeted expenditures will be targeted.

Emergency Reserve

Established in FY 2010 with original purpose of providing contingency funds in the event that worsening national or state economic conditions impacted Travis County.

CAR Reserve

Funds capital purchases through an annual allocation of General Fund one-time resources to reduce reliance on short-term debt.

Special Purpose Reserves

Special purpose reserves will be continued in the FY 2017 Preliminary Budget.

BUDGET CALENDAR KEY DATES

Date	Event
March 7, 10	Budget Kick Off Meetings
May 2	Budgets Due
May/June	PBO review of County Budget Submissions
June	Departmental Meetings with PBO
June 16	Employee Public Hearing
July 25	Preliminary Budget Published
August	Select Budget Hearings
September	Budget Mark-Up
September 27	FY 2017 Budget Adopted

BUDGET PREPARATION GUIDANCE FOR OFFICES AND DEPARTMENTS

- Ongoing revenue focuses on cost drivers.
- Look internally to maintain current service levels.
- Funding for new programs/FTEs greatly limited.
- Review of vacant positions – 120 Days.
- Expand review of fees for cost recovery.
- Develop measures of outcomes and service level quality with a focus on results and process improvement.

CURRENT STATUS AND NEXT STEPS

- Proposed Guidelines have been sent to all Elected/Appointed Officials, Department Heads and financial staff.
- Request approval of Guidelines on February 23rd.
- Budget Manual will be drafted based on Guidelines and used by all offices and departments.
- Budget Kick-off meetings and Performance Measurement Training to be held in March.