



# Travis County Commissioners Court Work Session Agenda Request

**Meeting Date:** June 21, 2016

**Agenda Language:** Receive Update on the Development of the FY 2017 Budget and Remaining Key Budget Calendar Dates and Take Appropriate Action.

**Prepared By/Phone Number:** Yolanda Aleman / (512)854-9106

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

**Commissioners Court Sponsor(s):** Margaret Gómez, Commissioner, Precinct 4

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

Please see attached documentation.

**Staff Recommendations:**

Please see attached documentation.

**Issues and Opportunities:**

Please see attached documentation

**Fiscal Impact and Source of Funding:**

Please see attached documentation.

**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@traviscountytx.gov](mailto:agenda@traviscountytx.gov) by **12 noon on Tuesday** in order to be considered for inclusion in the following week's voting session.



**MEMORANDUM**

**TO:** Commissioners Court

**FROM:** Jessica Rio, County Executive, Planning and Budget  
Travis Gatlin, Budget Director

**DATE:** June 14, 2016

**SUBJECT:** Update on Fiscal Year 2017 Budget Process and Calendar

The Planning and Budget Office (PBO) is currently meeting with County offices and departments to discuss their FY 2017 budget submissions, including their plans for next year, performance measures, related program results and specific requests for additional resources that they have submitted. The FY 2017 Preliminary Budget is scheduled to be published on July 25<sup>th</sup> and budget formulation will further coalesce once we have the certified roll from the Travis Central Appraisal District (TCAD) in late July. PBO traditionally updates the Commissioners Court in June on the budget process. This update will include the latest information available on our base cost drivers. In addition, we would like to provide you a snapshot of budget requests received, revenue estimate information we are using, as well as the budget calendar for July, August and September.

***Budget Drivers***

PBO presented preliminary cost drivers and budget priorities as part of discussions on the FY 2017 budget guidelines. At that time, we estimated that the identified cost drivers would range between \$556.9 and \$562.1 million (including \$535.5 million in base budgets). The incremental increases, estimated between \$21.4 million and \$26.6 million were for a variety of annual cost increases as well as planning for the inclusion of compensation within the Preliminary Budget. The table below summarizes cost drive estimates formulated in February.

<b>FY 2017 Estimates (Budget Guidelines)</b>	<b>Low Ongoing</b>	<b>Mid Ongoing</b>	<b>High Ongoing</b>
Departmental Target Budgets	\$535.5 M	\$535.5 M	\$535.5 M
Workforce Investment & Countywide Drivers (such as compensation, benefits, interlocal agreements, and Waller Creek TIF)	15.0 M	16.4 M	17.7 M
Program Specific Drivers (such as inmate costs, BCP transfer, civil indigent attorneys' fees, pilots and other Commissioner Court priorities)	6.4 M	7.7 M	8.9 M
<b>Total</b>	<b>\$556.9 M</b>	<b>\$559.6 M</b>	<b>\$562.1 M</b>
<b>Estimated Ongoing Increase</b>	<b>\$21.4 M</b>	<b>\$24.1 M</b>	<b>\$26.6 M</b>

We are seeing that many of these noted cost drivers are likely to be within the figures shown above. For example, health benefits are expected to require a \$5 million budget increase, assuming that the Commissioners Court adopts the recommendations from the benefits committee and no further changes are made. This would fall within the middle range of the cost drivers discussed in February. Additionally, we are currently calculating that the Balcones Canyonlands Preservation (BCP) transfer increase is likely to be around \$1.7 million based on the latest information from TCAD. This is comparable to the \$2 million estimated mi-range number presented in February. However, the final figure will not be known until certified values are received.

Unavoidably, there has been at least one significant unanticipated increase as noted in our May 31<sup>st</sup> update on the County's required contribution to the Texas County and District Retirement System (TCDRS). As discussed at that time, TCDRS has indicated the County's minimum required rate for FY 2017 is 14.32% of applicable salaries, which represents a 4.76% increase from the current rate of 13.67%. Based on the current adjusted FY 2017 General Fund, Courthouse Security and Road and Bridge Fund base retirement budgets, PBO anticipates the impact of this rate change at approximately \$1.9 million.

PBO received direction to prepare the Preliminary Budget at a tax rate that is sufficient to cover the priorities discussed during the adoption of the guidelines and as generally represented in the table above. To that end, we are working diligently to make recommendations that keep in mind the issues of efficiency, effectiveness, affordability and fairness.

***Property Taxes***

The County sustains its core services to residents, through its main sources of revenue, property taxes. The FY 2017 approved guidelines directed PBO to balance the Preliminary Budget at a tax rate sufficient to cover the priorities discussed in the guidelines. It is important to note that we do not yet have certified values and our planning

figures lean towards being conservative with an eye towards keeping the tax rate as low as possible.

As you are aware, the Travis County portion of the tax bill represents approximately 16% of the overall total. In spite of rising property values, the tax bill on Travis County's average taxable valued homestead has decreased slightly in each of the last two years. It is too early to know the final impact of the FY 2017 tax rate on the average taxable valued property and many of the cost drivers have evolved as additional information was obtained. However, we are currently targeting a tax rate of 2.74% above the effective tax rate (2.93% above the Effective M&O tax rate). This includes \$3.3 billion in new construction. This targeted rate is currently 2.71 cents below the FY 2016 Adopted Tax Rate of 41.69 cents per \$100 of taxable value. The tax rate assumptions also include increasing the 65 and Older/Disabled Exemptions from \$75,000 to \$80,000 that the Commissioners Court approved on May 31, 2016. We will re-calculate the tax rate and related impact once we receive the certified roll from TCAD.

TCAD estimates from April reflect increases in Travis County taxable value similar to last year. Marya Crigler, Chief Appraiser, has recently informed the taxing jurisdictions that they are in the process of handling protests on approximately 50% of all appraisal roll value. While the number of protests filed continue to break records and represent a challenge to the District reaching their necessary resolution thresholds by July, Ms. Crigler is expecting to certify values by the end of July.

You will recall that the last two years, due to a potential tax challenge in 2014 and one filed in 2015, TCAD did not provide the certified roll until August. Due to the certified roll being presented later than normal in those two years, this will be the first year that Travis County is impacted by a law that went into effect in 2014 regarding legal notices. As noted in the Budget Guidelines, a new notice under Local Government Code 140.010 mandates tax notices be published by the later of September 1<sup>st</sup> or the 30<sup>th</sup> day after the County receives the certified appraisal roll. To maintain the greatest flexibility with regards to the scheduling of Budget Mark-Up (that is scheduled after September 1<sup>st</sup>), PBO may ask the Commissioners Court to consider including a maximum tax rate rather than a precise tax rate as has been published in the past. This proposed 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.

### ***Revenue Estimates***

The first revenue estimate, which only includes the General Fund, was made available May 23<sup>rd</sup> and the second revenue estimate is expected later this month. A total of \$686.0 million in General Fund resources is available in the first revenue estimate. The estimate includes one-time funds of \$124.1 million and ongoing resources estimated at \$561.9

million. In comparison, the FY 2016 Adopted Budget included \$675.4 million in total General Fund resources, including one time resources of \$135.8 million. Total available resources in the First Revenue Estimate are 1.6% more than the FY 2016 Adopted Budget and will continue to be revised with the remaining revenue estimates. The Preliminary Budget will be tied to the County Auditor's third revenue estimate and we will continue to work closely with the revenue section of the Auditor's Office in the coming months.

### **Compensation and Health Benefits**

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 addressed funding for salary increases within the parameters of the approved compensation policy, approved September 9, 2015.

The FY 2017 Guidelines include a cost driver totaling \$8.7 million for a one-step anniversary increase for eligible employees on the Peace Officer Pay Scale as well as market and other compensation recommendations to be brought forward to the Commissioners Court by the Compensation Committee and HRMD for employees on the classified pay scale.

Benefit changes were discussed with Commissioners Court on May 17<sup>th</sup> and May 31<sup>st</sup>. At those discussions, HRMD provided the Commissioners Court with an update on changes and associated cost estimates for FY 2017. These estimates are in line with the mid-range of the cost driver information presented by PBO in February, excluding additional requirements for TCDRS discussed previously.

There is a scheduled employee public hearing on **Thursday, June 23<sup>rd</sup> at 4:30 p.m.** This annual employee public hearing provides employees and employee groups an opportunity to comment specifically on compensation and benefits at Travis County. The Commissioners Court is scheduled to take action on the proposed rate and plan design changes on June 28<sup>th</sup> after the Employee Public Hearing.

### ***Budget Requests from Offices and Departments***

FY 2017 budget submissions were received on May 2<sup>nd</sup>. Offices and departments were asked to maximize the flexibility granted within their target budgets and to repurpose funds within current resources to maintain current services levels, where required, and to accomplish their highest priority goals. In addition, the Budget Guidelines urged directors and managers to focus on efficiencies, increased productivity, and simplification in FY 2017 rather than on budget requests for additional resources. This approach

prioritizes tax affordability above programmatic growth while encouraging creativity. This is best demonstrated by focused efforts undertaken to improve and clarify the many performance measures tracked at the County emphasizing clear and comprehensive performance indicators that demonstrate how tax dollars are used within their base funding levels.

Total requests submitted this year include approximately 345 individual requests and total over \$50 million in operating funds, over \$105 million in capital requests, and a total of more than 325 new full-time equivalent (FTEs) employees. As we work through verification of these requests, these totals may need to be adjusted to correct for duplication or other errors, or simply to refine the estimates as more information becomes available.

Given our continued population growth and increased demand for services, there may be programmatic enhancements or service level requests that the Commissioners Court may wish to examine during budget hearings in August. We are fortunate to have experienced leadership at the County who are willing to work with PBO to try and find creative solutions to difficult problems, and who understand the difficulty of balancing the affordability for residents through the tax rate with the pressures felt from the dramatic increases in population in the area. However, there may be a benefit for the Commissioners Court to again hold limited budget hearings to allow for discussion of some pressing requests that may require the addition of resources above what PBO can recommend in the Preliminary Budget.

PBO proposes that these hearings be limited in nature and reserved for critical, unfunded budget requests. If it is the Commissioners Court's desire, PBO would reach out to departments to formulate a budget hearing schedule on specific budget related topics and submit that schedule to Commissioners Court in late July. In addition, there may be a few select countywide topics related to the occurrence of natural disasters and security that warrant discussions during the budget hearing sessions. At the budget hearing, offices and departments should be prepared to 1) prioritize their requests, 2) discuss how funding that PBO recommended in the Preliminary Budget could be re-prioritized towards any remaining unfunded budget requests, and 3) discuss impact on department's core performance measures. A proposed budget hearing schedule would include the times listed below.

Monday 8/15	Wednesday 8/17	Thursday 8/18	Friday 8/19 (if needed)	Monday 8/22 (if needed)
1:30 – 4:30	9:00 – 12:00	1: 30 – 4:30	1: 30 – 4:30	1: 30 – 4:30

Please note that Wednesday morning is listed to allow for Commissioner Shea to attend.

## ***Budget Calendar***

PBO will be posting updates to the calendar on the Planning and Budget Office webpage, [https://www.traviscountytx.gov/images/planning\\_budget/Docs/fy17/fy\\_2017\\_planning\\_and\\_budget\\_calendar.pdf](https://www.traviscountytx.gov/images/planning_budget/Docs/fy17/fy_2017_planning_and_budget_calendar.pdf).

The following are the key budget adoption dates.

<b>July 25</b>	FY 2017 Preliminary Budget published
<b>August 15 – 22</b>	Proposed Budget Hearings
<b>September 7 – 9</b>	Budget Mark-Up
<b>September 20, 23, 27</b>	Public hearings and tax rate and proposed budget
<b>September 27</b>	Adoption of budget and tax rate

We hope you find this update informative. We look forward to working with you in the coming months to finalize the Fiscal Year 2017 budget. Please do not hesitate to let us know if you have questions or need additional information.

CC: County Elected and Appointed Officials  
County Financial Staff  
PBO Analysts  
Vanessa Robles  
Dan Wilson