

July 23, 2001

To: Members of the Commissioners Court, Travis County  
Elected Officials, Appointed Officials, employees and constituents

From: Christian R. Smith, Executive Manager, Planning and Budget  
Leroy Nellis, Budget Manager

Re: Fiscal Year 2002 Preliminary Budget

Enclosed is the Travis County Preliminary Budget for Fiscal Year 2002. It is intended to serve as a platform for the Commissioners Court to receive comments from the public and the departments on FY 02 funding priorities. It provides the Commissioners Court with recommendations from the Planning and Budget Office for a balanced budget within both the policy and fiscal directions provided by the Commissioners Court as well as the available information at hand. It also provides a basis for completing the county's budget process. The final budget is scheduled to be adopted by the Commissioners Court on Tuesday, September 25, 2001.

In January, 2001, the Commissioners Court advised all County departments that two underlying principles would help to shape this budget. The first principle is "live within current resources." This means that departments are expected to live within the resources allocated, and are encouraged to meet new needs by reducing expenditures elsewhere. The second principle is to "focus the requests." Priority for reviewing budget requests would be given to the following:

- "Funding needed to maintain existing services and programs in light of workload growth and to ensure that the County infrastructure is in place to deliver those services.
- Proposals that generate certifiable revenue in excess of the cost of the request.
- New or expanded programs that have been thoroughly discussed with the Commissioners Court and policy direction given prior to the budget submission.
- One-time expenditures designed to address a specific problem or objective."

Departments were asked to concentrate on the above priorities as these categories were expected to be the focus of most attention during the budget process.

Travis County received the highest Aaa bond rating from Moody's in January, 2001 and continues to enjoy an AAA bond rating from Standard and Poor's. Only two other counties in Texas (Dallas and Tarrant counties) have been awarded these highest bond ratings. This saves taxpayer money on the amount of interest paid when funds are

borrowed to implement capital projects. These ratings also provide an external validation that the County's underlying financial policies and practices are sound.

This Preliminary Budget includes \$2.7 million of new resources in the General Fund that will take steps to "maintain existing services and programs in light of workload growth and to ensure that the County infrastructure is in place to deliver those services". This amount includes resources to address contractual and programmatic requirements or prior commitments of the Commissioners Court, such as computer maintenance and licensing agreements, various interlocal agreements, lease increases, unit cost increases in operating expenses, and various other contracts and obligations. In addition, the Preliminary Budget includes \$724,000 to address workload increases and \$410,000 for staff directly related to new revenue.

The largest single increase in personnel is 23 new FTE for the Sheriff's Office, with an annual cost of \$984,000. These positions will staff the new facilities built at the Travis County Correctional Complex with proceeds from 1997 voter approved bonds. This new space will provide housing for an additional 96 inmates. Other FTE additions are for workload increases (15 FTE), and those that are related to additional revenue (11 FTE).

The Preliminary Budget contains \$9.5 million for employee compensation and health benefits. Increased health costs are included at a total cost of \$2 million. In addition, the Preliminary Budget includes a \$6.9 million compensation reserve for all County employees, including those on the Peace Officer Pay Scale (POPS). This amount equals 4.8% of the FY 01 Adopted Budget for salaries. This compensation reserve in the General Fund is divided between regular employees (\$4.5 million) and POPS employees (\$2.4 million). Another \$.5 million is added for elected officials compensation, retiree health insurance increases, career ladders and skill pay.

Due to limitations on resources available and direction provided by the Commissioners Court, there are a wide variety of programmatic enhancements, new programs, and proposals to address workload issues that are not included within this Preliminary Budget. Some of these departmental requests will likely be discussed in August during budget hearings with the Commissioners Court.

The Preliminary Budget is balanced at a recommended property tax rate of \$.4425 per \$100 of taxable value. This tax rate represents a \$.0245 drop in the current tax rate of \$.4670 (a decrease of 5.2%), and continues the trend of falling tax rates. It is 1.7% higher than the Effective Tax Rate.

The drop to the recommended tax rate will not completely offset increased property reappraisals for the average homestead owner. According to the Travis Central Appraisal District, the average appraised value of a homestead in Travis County is increasing from an estimated \$152,979 to \$172,757. As a result, the average of all homesteads will see an estimated \$40.03 per year (or \$3.34 per month) increase in their County tax payments (from \$571.53 to \$611.56 annually). This represents a 7% increase. However, since the value of any individual homestead is limited by law to an increase of no more than 10% in any given year, the individual owning a home valued at \$152,979 will have their taxable value increased by no more than 10% to \$168,277.

As a result, this average homeowner will have a tax increase of \$24.17 per year (or \$2.00 per month) in FY 02.

The County's Unallocated Reserve has been established at 11% of expenditures (a percentage that has remained stable since FY 95). The Allocated Reserve has been established at \$2.2 million, which is approximately the same funding level as this reserve in FY 00. This reserve is proposed to be allocated into two parts, with \$1.1 million available for one-time expenses and \$1.1 million available for on-going expenses. The one-time portion of the reserve will be funded from a one-time funding source – the beginning fund balance. The on-going portion of the reserve will be funded through tax and other revenue sources.

To meet the County's on-going capital needs, a total of \$35.4 million is included in the Preliminary Budget from three basic sources - the General Fund Capital Acquisitions Resources account (CAR), borrowing through short-term Certificates of Obligation, and the Road and Bridge Fund. This amount does not include any amount from new voter approved bonds.

The Capital Acquisition Resources account (CAR), used to fund capital expenses in the General Fund, is recommended at \$11 million. This is \$1.3 million higher than the CAR account in FY 01 so the County can reduce the amount of short-term debt needed to be borrowed. In addition, \$743,000 in CAR resources appropriated in FY 01 are recommended to be rebudgeted in FY 02. An \$18.4 million Certificate of Obligation issue is recommended to meet the capital needs for FY 02. In addition, \$5.3 million in road and bridge projects and equipment is recommended to be funded from the Road and Bridge Fund.

The Preliminary Budget also includes reserves intended to cover one-time expenditures, as follows:

- \$578,904 Emergency Medical Services (EMS) reserve represents the unspent portion of FY 99 EMS funds generated by the FY 99 tax increase for EMS,
- \$400,000 to meet the requirements of the Government Accounting Standards Board (GASB) under Statement 34 to implement a wide variety of complex one-time modifications to the County's financial reports and accounting systems,
- \$500,000 in a contingency reserve for the Integrated Justice System (IJS) is continued to be rolled forward from FY 00 and FY 01,
- \$100,000 in the Tobacco Settlement Endowment Fund earmarked for Health and Human Service programs, and
- \$2.5 million in a Reserve for Future Economic Downturn.

This Preliminary Budget represents a sound financial plan for FY 02. The budget has been filed with the County Clerk for the public's review. Additional copies are available in the Planning and Budget Office in the Travis County Administration Building, 314 W 11<sup>th</sup> Street, Suite 540.

## **I. BACKGROUND TO THE BUDGET SETTING PROCESS**

While Travis County has been a growing and vibrant area with a healthy economy and rising revenues, the continued demand for budgetary increases over the last several years has far outstripped the capacity of the County to finance those increases. The Commissioners Court has historically endeavored to be responsive to departmental needs and improve the County's compensation system to attract and maintain a quality workforce. The Court has approved adding 490 positions to the General Fund and Special Funds between FY 96 and FY 01 (from 3,321 FTE in FY 96 to 3,811 FTE in FY 01) representing a 14.8% increase over the 5 years (or a 2.9% average annual increase). The Court has also approved over \$100 million of increases in General Fund departmental budgets (from \$163.6 million in FY 96 to \$264.4 million in FY 01), equaling a 61.6% increase over the same time frame (or a 10.1% average annual increase).

The development of the FY 02 Travis County Preliminary Budget has been driven in large part by the Commissioners Court direction to departments that their budgets not increase above the FY 01 Adopted Budget (as adjusted for corrections and certain centrally funded expenditures including annualization reserves). In order to accomplish this "holding of the line," departments needed to reevaluate and often times reduce some expenditures to make way for other increases. Only after those efforts were exhausted were departments to request additional resources.

Departments were also advised that programmatic planning in conjunction with the Commissioners Court should precede any discussion regarding funding for new or expanded programs. All too often, a majority of analytic time during the budget process has been focused on requests for additional spending rather than long term programmatic planning. The budget hearings during the summer have frequently become discussions about new ideas that had never before been reviewed or discussed with the Court. The Court has indicated that it wants to have planning occur prior to development of the budget, rather than simultaneous with it. When such plans and funding have been specifically approved, then they can be folded into the budget process more easily.

At multiple times, Commissioners Court has expressed an interest in fostering a climate where departments think about their budgets in a different way. Departments were encouraged to be creative and innovative in spending a fixed amount of resources and to rearrange existing resources internally. Departments were told how much their FY 02 budget target would be and were asked to prioritize their current expenses within that amount. PBO reviewed these changes and most were included in the Preliminary Budget. The Court expressed interest in hearing about any unacceptable consequences of having to live within the FY 02 Budget Target Level even with increased discretion on how to direct those resources.

The Court instructed the Planning and Budget Office to give funding priority to maintaining existing services and programs in light of workload growth and to ensure that the County infrastructure is in place to deliver those services. The Court also encouraged officials to stimulate opportunities for additional non-property tax revenue.

## **II. BASIC COMPONENTS OF THE FY 02 PRELIMINARY BUDGET**

### **A. All Funds**

#### **FY 02 PRELIMINARY BUDGET - ALL FUNDS**

	<b><u>Adopted FY 01 Budget</u></b>	<b><u>Preliminary FY 02 Budget</u></b>	<b><u>% Change</u></b>
General Fund	264,452,930	284,372,354	7.5%
Road and Bridge Fund	18,713,880	20,512,802	9.6%
Debt Service Fund	59,564,821	63,019,076	5.8%
Capital Projects Fund	47,958,378	66,830,280	39.4%
Other Funds	24,440,672	28,385,584	16.1%
Other Funds not approved by Commissioners Court	753,754	61,690	(91.8%)
<b><u>Less Transfers</u></b>	<b><u>(5,490,362)</u></b>	<b><u>(4,720,040)</u></b>	<b><u>(14%)</u></b>
<b>Total</b>	<b>\$410,394,073</b>	<b>458,461,746</b>	<b>11.7%</b>

A recapitulation of the FY 02 Preliminary Budget is found in Appendix I. The FY 02 Preliminary Budget total for all funds is \$458,461,746, compared to the previous year's FY 01 Adopted Operating Budget for all funds of \$410,394,073.

Please note that the size of the Capital Projects Fund (now at \$66,830,280 million) should decrease by the time that the Adopted Budget is finalized. This is due to expenditures that will occur between the time of filing the Preliminary Budget and approval of the Adopted Budget as well as outstanding encumbrances.

### **B. General Fund**

The remainder of this Executive Summary focuses on the General Fund budget, which is the primary platform for operational and policy decision making for the County.

The FY 02 Preliminary Budget contains General Fund expenditures and reserves totaling \$284,372,354. This represents a \$19,919,424 increase, or 7.5% above the FY 01 General Fund Adopted Budget of \$264,452,930. The table on the next page summarizes the major components of the General Fund budget.

General Fund revenue is based on the Auditor's Third Revenue Estimate, which assumed a projected appraised value of \$56.6 billion and a tax rate of \$.4425. This tax rate represents a drop of \$.0245 from the current tax rate of \$.4670. Just before the Preliminary Budget was filed, the Travis Central Appraisal District indicated that it will likely certify a total value of \$57.0 billion (as opposed to the original estimate of \$56.6 billion.) This Preliminary Budget has included the additional \$400 million of additional value while maintaining the same tax rate, which results in an additional \$1.7 million of additional revenue.

<b>FY 02 Preliminary Budget – General Fund</b>				
		<b>Preliminary Budget FY 02</b>		
	<b>Adopted Budget FY01</b>	<b>One-Time Expenses</b>	<b>On-Going Expenses</b>	<b>Total</b>
Beginning Fund Balance	\$32,074,387	42,963,357		42,963,357
Property Taxes	184,143,436		195,505,896	195,505,896
Other Revenue	48,235,107		44,184,525	44,184,525
<b>3<sup>rd</sup> Revenue Estimate</b>	<b>\$264,452,930</b>	<b>42,963,357</b>	<b>239,690,421</b>	<b>282,653,778</b>
Estimate of revenue from additional value			1,718,576	1,718,576
<b>Total General Fund Revenue</b>		<b>42,963,357</b>	<b>241,408,997</b>	<b>284,372,354</b>
Capital Acquisition Resources Acct. (CAR)	9,710,422	11,000,000		11,000,000
Rebudgeted CAR		742,760		742,760
Reserve for Economic Downturn		2,477,558		2,477,558
Unallocated Reserves	23,857,825	25,637,227		25,637,227
IJS Contingency Reserve	500,000	500,000		500,000
Tobacco Settlement Reserve	In HHS budget	100,000		100,000
EMS Reserve	914,829	578,904		578,904
GASB 34 Reserve	850,000	400,000		400,000
Unisys License Renewal		303,500		303,500
Sheriff's Temp. Investigations FTE		41,995		41,995
Miscellaneous one-time expenditures		81,413		81,413
<b>Sub-Total</b>	<b>35,833,076</b>	<b>41,863,357</b>		<b>\$41,863,357</b>
FY 01 Departmental Budgets	\$199,848,856			
FY 02 Departmental Base Budgets			\$225,494,471	\$225,494,471
Allocated Reserve	3,434,492	1,100,000	1,100,000	2,200,000
Reserve for Annualizing Expenditures	956,927		147,513	147,513
<b>Wage Requirements</b>				
Health Benefits Increases	\$1,896,824		2,010,639	\$2,010,639
'01 6% Compensation adjustment – Regular	4,848,247			
'01 Compensation adjustment – POPS	2,737,027			
'02 4.8% compensation adjust.– Reg. & POPS			6,919,961	6,919,961
POPS Skill based pay	364,539		Included above	Included above
Retiree health insurance increases	Included above		176,040	176,040
Career Ladders and skill based pay	Included above		222,904	222,904
Elected officials salaries (4.8%)	Included above		122,425	122,425
Retirement increases	283,088			
Livable Wage	188,779			
<b>Sub-Total Wages and Benefits</b>	<b>10,318,504</b>		<b>9,451,969</b>	<b>9,451,969</b>
<b>Programmatic Highlights</b>				
FY 01 Programmatic Enhancements	14,061,075			
Corrections staff – Phase II facility			836,200	836,200
Maintenance of Current Effort increases			2,667,716	2,667,716
Revenue related			528,747	528,747
Workload Increases			682,381	682,381
Risk Management increase			500,000	500,000
<b>Sub-Total - '02 Increases</b>			<b>5,215,044</b>	<b>5,215,044</b>
<b>Total Expense</b>	<b>264,452,930</b>	<b>42,963,357</b>	<b>241,408,997</b>	<b>284,372,354</b>

Net	0	0	0	0
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**1. Departmental Budgets in the Preliminary Budget**

Appendix I contains a comparison of departmental budgets from FY 00 through the FY 02 Preliminary Budget. The Adopted Budgets for all departments increased from \$198,574,160 in FY 00 to \$221,491,408 in FY 01. The FY 02 Preliminary Budgets for all departments total \$231,535,367. Appendix I contains a table entitled "FY 02 Summary of Budget Requests" that lists the 371 individual budget requests submitted by departments and indicates their status in the Preliminary Budget.

**2. Personnel Changes**

A total of 49 FTE positions are recommended to be added to the FY 02 General Fund. Of these net FTE increases, 23 are to support the opening of the new Travis County Correctional Complex Phase II Facility. A total of 11 new staff have been justified based on additional revenue in a variety of departments, while 15 new staff are dedicated toward addressing workload increases in 13 different offices. The FTE increases in the General Fund are summarized below.

**New FTE Positions Associated with Additional General Fund Resources**

<b>Department or Program</b>	<b>New FTE</b>
Sheriff's Office – Phase II Facility	23
Revenue related (in 5 departments)	11
Workload increases (in 13 departments)	15
<b>Total</b>	<b>49</b>

The FTEs shown in the above table represent net increases in regular personnel (and exclude any temporary positions.) All FTE changes are shown in the table in Appendix I entitled "Positions Added." These changes include internally funded FTE changes along with positions that have changed fund sources.

**C. Major Funding Issues**

The following major funding issues have been incorporated into the FY 02 Preliminary Budget.

**1. Opening Travis County Phase II Facility**

The Travis County Correctional Complex opened its new Health Services Facility in FY 01, and 76 FTE were added in that year to the Sheriff's Office budget to staff this new building. This facility represented a portion of the first phase of a two-phased construction program of improvements to the Correctional Complex. Phase II represents an additional 96 beds to accommodate the growth in inmates. The average daily population for the entire correctional system has increased to an average of 2,700 inmates. Between FY 97 and FY 00, the average growth in inmates has been approximately 100 per year.

A total of \$836,200 is included within the Sheriff's Office budget for increased staffing at the Phase II addition to the Correctional Complex. This amount includes funding for 23 FTE, all of which are Corrections Officers. The Preliminary Budget assumes that the facility will open by December 1, 2001. Another \$147,513 has been placed in an annualization reserve. This amount represents the difference between the funds budgeted in the Sheriff's Office in FY 02 and the annualized cost of these positions. Thus, the full annual cost for staffing this new facility is \$983,713 (\$836,200 in the Sheriff's Office and \$147,513 in an Annualization Reserve).

The addition of corrections staff is expected to reduce the inmate population in the larger facilities by 5%, provide single cells for disciplinary and protective custody segregation, and reduce violent incidents against staff by providing a more secure environment.

## **2. Maintenance of Current Effort and Workload Increases**

An effort has been made in this Preliminary Budget to address departmental needs necessary to keep up with existing obligations and programs. All too often, new programs have been added over the years, but the basic County infrastructure has not necessarily always kept pace with the amount of growth. Departments were advised in January, 2001 that priority in the Preliminary Budget would be provided to:

“Funding needed to maintain existing services and programs in light of workload growth and to ensure that the County infrastructure is in place to deliver those services.”

Departments were encouraged to reprioritize their existing resources within their Budget Target Level to accommodate growth, maintenance of current effort needs, and then any new programs. When this was not possible, departments requested additional resources. Outlined below are some of the funds recommended in the Preliminary Budget to meet required funding items or to address workload issues.

### **a. Computer maintenance and licensing agreements**

The Preliminary Budget includes an additional \$984,462 in Information and Telecommunications Services for computer maintenance costs and licensing agreements. Components of this amount included:

- \$509,358 for maintenance costs on existing hardware and software, including those systems that will no longer be under warranty. As the County is using more enterprise and networking systems, the maintenance costs that cover code-defects and help fund subsequent software releases have increased. These increased resources include funding for new maintenance costs associated with components of IJS not under agreements, Groupwise-related software, and IBM mainframe computer maintenance;
- \$303,500 in one-time funds for Unysis licensing expenses through FY 02. This is needed to maintain the existing legacy Courts computer system. This license will also be necessary during FY 03 and should be able to be eliminated in



- FY 04 with the implementation of the new Tiburon Courts system;
- \$39,000 in operating costs to migrate three systems to an Oracle data base; and
- \$132,604 to fund the proper number of Novell licenses for the county network, in accordance with a recent Novell audit.

**b. Interlocal agreements**

Travis County has a wide variety of interlocal agreements with other governmental agencies. For FY 02, an additional \$242,732 will be necessary to meet the terms and conditions of these interlocal agreements. All of the increases involve agreements with the City of Austin, as outlined below.

**Cost Increases of Interlocal Agreements with the City of Austin**

Emergency Medical Services agreement	100,660
Health and Human Services agreement	62,253
Central booking agreement	43,923
Household hazardous waste agreement	19,292
Health Authority agreement	16,604
<b>Total</b>	<b>\$242,732</b>

**c. Lease increases for property**

Travis County leases approximately 186,000 square feet of office space, coordinated through the Facilities Management department. Approximately \$3.4 million was budgeted in FY 01 to pay for this County-wide leased space. An additional \$178,584 is necessary in the Facilities Management budget for property lease cost increases in FY 02.

**d. Utility increases**

Facilities Management is responsible for centrally coordinating and managing most of the County's utilities expenditures. A total of \$2.3 million was budgeted in Facilities Management's FY 01 budget for utilities. An additional \$57,505 is estimated to be needed in the department's utilities line item, primarily due to a projected increase in natural gas costs. This amount is included within the Preliminary Budget.

**e. Pharmaceutical costs**

The increased costs of pharmaceuticals have received national attention over the last year, and Travis County is no exception to this phenomenon. The pharmaceuticals budget in the Sheriff's Office Corrections Division is insufficient to meet these increased inmate-related costs. A total of \$300,000 is included within the Preliminary Budget for increased pharmaceuticals costs in the Sheriff's Office.

**f. Fuel and maintenance for cars and helicopters**

Both the Fleet Management program within Transportation and Natural Resources and Emergency Services have experienced increased fuel and maintenance costs

for automobiles, heavy equipment, and the County’s helicopter fleet. The Preliminary Budget includes \$293,761 for these increased costs (\$217,184 in Transportation and Natural Resources, and \$76,577 in Emergency Services).

**g. Corrections line items**

The Correctional Complex has an annual operating expense budget of \$4.3 million in FY 01. The Sheriff’s Office has experienced a variety of increased costs for food and grocery supplies, custodial, laundry, and cleaning supplies, paper supplies and exterminating services. The Preliminary Budget includes \$197,667 for these operating expenditures.

**h. Various contracts and obligations**

A variety of other contractual and programmatic obligations requiring increased funds are included within the Preliminary Budget. These are outlined below.

**Increased Costs of Contracts and Other Obligations**

Travis Central Appraisal District fees (General Administration)	\$134,403
Bank Depository Contract (Cash Management)	99,954
Increased lease costs for copiers (Records Management)	57,758
Air filter services contract (Facilities Management)	36,931
Off-site storage contract for records (Records Management)	29,735
Other increases for annual audit, CAPCO dues, arbitrage, and pest control services	17,095
<b>Total</b>	<b>\$375,876</b>

**i. 911 State Funding Replacement**

Over the past several years, the Capital Area Planning Council (CAPCO) has reimbursed Travis County for the cost of 911 addressing maintenance and other 911-related costs. However, the last legislature changed the way in which the 911 system is financed through local entities. It is expected that Travis County will lose \$170,000 in 911-related funding used to tie telephone numbers to addresses. Given the public safety priority of having a fully functioning 911 system, \$170,000 is included within the Preliminary Budget as an offset to this loss in funding until it is known whether the 911 Commission will return some or all of the reduction.

**j. Offset of CAPCO Funding**

From FY 98 through FY 00, CAPCO reimbursed Travis County for 50% of the cost of 2.5 FTE that performed activities associated with 911 addressing maintenance. In FY 01, the level of CAPCO support dropped to 25% of the cost for these FTE. In FY 02, CAPCO will no longer provide any reimbursement for these positions. Therefore, \$37,837 is included within the Preliminary Budget as the workload will not go away with the loss of funding.

**k. Other one-time funding**

A total of \$81,413 in miscellaneous one-time funding is included within the Preliminary Budget. These one-time expenses are to be funded through one-time revenue, to ensure that a separation is made between one-time revenue and ongoing revenue. These expenses are shown below:

**Miscellaneous One-Time Funding**

Replace locks in the Historic Courthouse	\$16,000
Elections support in Facilities Management	14,310
Testing for Civil Service Commission	13,500
Training for 911-RDMT	13,453
New business cards due to new telephone system & numbers	11,000
Computer training for new CABA system in HHS	5,000
Medical equipment and training related to new defibrillators in TNR and Emergency Services	3,250
Moving costs for Holt Building	3,000
Other One-time expenses (Filing maintenance for Domestic Relations, Replace DA cell phones, TV replacement in JP 5)	1,900
<b>Total</b>	<b>\$81,413</b>

**3. Revenue Related**

It has become abundantly clear that Travis County could improve its revenue collecting efforts along with the accounting for these revenues. The Preliminary Budget contains additional resources in 5 offices to strengthen their collections and revenue programs. These resources are intended to improve the amount of funds received by Travis County and to better account for what is owed to the County. A total of 11 FTE have been included within the Preliminary Budget justified through the receipt of additional revenue.

The following table summarizes the departments and programs that have funds included within the Preliminary Budget for improved collections efforts and the accounting for those efforts.

### Improved Revenue Collections Efforts

<b>Program</b>	<b>Department</b>	<b>Expense</b>	<b>Revenue</b>	<b>FTE</b>
Delinquent Tax Collections	Tax Collector-Assessor	\$95,672	330,273	3
	County Attorney	56,441	76,500	1
Total		\$152,113	406,773	4
Bond Forfeiture Collections	County Attorney	93,529	See below	2
	County Clerk	32,274	See below	1
	District Clerk	32,174	See below	1
Total		\$157,977	\$145,925	4
Civil Records	District Clerk	69,263	131,000	2
Failure to Appear Program Pilot program (Omni)	Justice of the Peace 2	30,674	36,474	1
<b>Total</b>		<b>\$410,027</b>	<b>\$720,172</b>	<b>11</b>

In addition to the revenue-related items in the table above, the Juvenile Court will be receiving Federal Work Study reimbursement revenue for temporary work study personnel. \$37,785 is provided in the Preliminary Budget for this purpose.

#### **4. Federal Reimbursement Efforts**

The Preliminary Budget includes \$80,935 for fees related to another revenue effort to increase the amount of Federal reimbursement of local taxpayer dollars. The County has contracted with DMG/MAXIMUS to secure additional reimbursement of local taxpayer resources from State and Federal sources. The greatest opportunity for reimbursement of existing County expenditures is through Title IV-E funds that come to Juvenile Court for certain types of child-related expenses.

The contract with DMG/Maximus began in 1998, and the first claim for Title IV-E funds was submitted in May, 2001. It is projected that funds will begin to be received by Juvenile Court during the first quarter of FY 02. The department included an estimate of \$674,457 to be received during the year in its budget report to the Juvenile Board (although DMG/MAXIMUS estimates of FY 02 revenue have been higher than that).

The Juvenile Court wishes to grow a variety of its programs in response to community needs, and as part of the opening of the Intermediate Sanctions Center. Since these Title IV-E funds are restricted solely to the use of Juvenile Court, the Preliminary Budget assumes that as additional revenues from Title IV-E sources are received during the year, the Juvenile Court will increase its expenditures for high priority Juvenile Court needs. However, according to the Texas Juvenile Probation Commission, the fee paid to DMG/MAXIMUS may not come out of new Title IV-E revenues received (as was once thought), and this fee therefore must be budgeted in the General Fund. The fee is 12% of new revenue, and \$80,935 is included within the Preliminary Budget for this purpose (representing 12% of \$674,457 estimated new

revenue). The Preliminary Budget includes an earmark against Allocated Reserves should additional Title IV E funds be received above the expected \$674,457.

### 5. Workload Increases

In addition to the “Maintenance of Current Effort” requests identified above, a variety of departments submitted requests for staffing increases that were justified essentially by increased workload. There are a wide variety of such requests and sufficient resources are not available in the Preliminary Budget to fund them all. The ones that have funding within the Preliminary Budget are summarized below.

#### Workload Increases

<b>Department</b>	<b>Program</b>	<b>Amount</b>	<b>FTE</b>
District Clerk	Direct Filing support	80,312	2
Constable 2 *	Warrant Team	73,172	2
District Attorney	Major Crimes Attorney (Assistant DA)	72,763	1
District Attorney	Prosecution operating costs	60,000	-
County Auditor	Administrative secretarial support	50,938	1
District Attorney	Financial Analyst	46,494	1
JP 3 and 4 and Constables 2, 3 & 4	Senior Accountant (approved by the Commissioners Court in FY 01)	44,745	1
Transp. and Natural Resources	Environmental grant/project coordinator	44,424	1
Sheriff's Office – One time	Investigations staff, temporary, full time. (Internal funding for one FTE)	41,995	2
Sheriff's Office	Payroll Assistant	37,328	1
Health & Human Services	Deaf Services interpreters (two part-time)	37,194	1
Constable 4 *	Criminal Warrant Clerk	31,674	1
County Attorney	Intake Legal Secretary	31,665	1
Criminal Courts	Drug Court workload – drug testing and operating expenses	20,565	-
Information and Tele. Services	Computer operations overtime	12,864	-
Probate Court	Probate court costs	11,534	-
Juvenile Court	Access and Visitation Grant shortfall	10,336	-
Juvenile Public Defender	Part-time Secretarial support	9,356	-
Emergency Services	Starflight Overtime	7,017	-
Facilities Management	Master Plumber & Building Maintenance Worker (cost and FTE neutral)	0	0
	<b>Total</b>	<b>\$724,376</b>	<b>15</b>

\* Has associated revenue as well

### 6. Other Increases

There are a variety of other requirements or contractual obligations that are built into existing departmental programs but not highlighted above. Those changes greater than \$10,000 are summarized in the following table.

**Other Departmental Requirements – General Fund Operating Budget**

Individual Changes Totaling Less than \$10,000 Are Not Listed  
(Excludes one-time CAR funded expenditures)

<b>Department</b>	<b>Purpose</b>	<b>Amount</b>
Probate Court	Family Elder Care	\$30,621
Sheriff's Office	Radio Repairs	30,000
EMS	Replace marketing funds provided by Eurocopter	12,000
Records Mgt.	Restore eliminated travel/training	11,917
<b>Total</b>		<b>\$84,538</b>

**7. Risk Management Fund**

A total of \$500,000 is included within the Preliminary Budget as the first year of a multi-year plan to provide sufficient resources to the Risk Management Fund. In FY 01, the Risk Management Fund was budgeted to use \$811,488 of its fund balance. While actual expenditures did not require the use of fund balance in FY 01, current estimates show that in FY 02 an additional \$1.1 million in funding for the Risk Management Fund may be necessary to ensure that Risk Management annualized expenditures are budgeted in the General Fund. Rather than accomplish this in one year, a multi-year period of increasing the General Fund resources has been proposed and is incorporated into the Preliminary Budget. A \$500,000 increase in General Fund resources for the Risk Management Fund is included as the first step in this multi-year plan.

**D. Other Requirements and Obligations**

**1. Transfer to Road and Bridge Fund from General Fund**

For FY 02, the County Auditor indicated that there was a legal requirement to first deposit all highway fine income into the Road and Bridge Fund. These funds used to be deposited in the General Fund, and are composed primarily of Justice of the Peace fines. The Commissioners Court had the legal option to transfer the funds back to the General Fund as long as certain tracking mechanisms were established. Such tracking is to ensure that the resources are used to meet the statute's requirements to construct roads, bridges and culverts, to enforce highway laws, and to defray the expense of County traffic officers. However, since there was already a transfer of funds from the General Fund back to the Road and Bridge Fund, the Commissioners Court decided to simply net out these two transfers.

Specifically, there was a planned transfer of \$3,790,151 in FY 02 from the General Fund to the Road and Bridge Fund. This transfer recognizes the tax increase in 1999 for roads that has been first deposited in the General Fund. Since the highway fine money totaled \$3,515,049 and is no longer in the General Fund, these two amounts were netted against one another. Therefore, the Preliminary Budget includes a \$275,102 net transfer from the General Fund to the Road and Bridge Fund (\$3,790,151 less \$3,515,049).

## **2. Transfer to Balcones Canyonland Preservation Fund**

A total of \$742,288 has been added to the TNR Preliminary Budget for the increased transfer to Balcones Canyonland Preservation Fund from the General Fund. This amount represents the increased estimated tax revenue in FY 02 from new construction on BCP lands compared to the FY 01 Adopted Budget.

## **E. Workforce Investment**

The FY 02 Preliminary Budget contains a total of \$9.5 million dedicated toward an investment in the County's workforce, as outlined in the following table. A summary of each of the changes follows.

### **Summary of Workforce Investments**

Health Benefits	\$2,010,639
Compensation Reserve for General employees and POPS employees (4.8% overall)	6,919,961
POPS adjustment reserve at 4.8%	2,428,906
General employees 4.8% compensation reserve to depts.	<u>4,491,055</u>
Elected Officials – 4.8% increase as a planning figure	122,425
Retiree Health Insurance increases	176,040
Career Ladder and skill pay	222,905
<b>Total</b>	<b>\$9,451,970</b>

### **1. Health Benefits**

The County's four year health insurance contract for employees will expire in September 2001. An employee advisory committee on health benefits was established in early FY 01. This committee provided advice and counsel on the specifications in a Request for Proposal (RFP) distributed to insurance companies in February, 2001. This committee continued its work to review the responses to the RFP. Based on advice from this advisory committee along with insurance and actuarial experts brought in to advise the Commissioners Court, a decision was made in May, 2001 to have Travis County be self-insured. This means that the actual insurance claims made by employees would be paid directly from County resources and an insurance carrier would be hired to administer the claims processing efforts. The primary benefits from being self-insured are that the plan will provide a better level of benefits for employees and provide more control over increasing health premiums for the County.

While being self-insured provides the County with an increased control over the configuration of its insurance benefits, it does not mean that these costs are reduced. Due to rising costs being experienced nationally, an additional \$2,010,639 is included within the Preliminary Budget for health care benefits and prescription costs for current employees. Another \$176,040 is included for the additional costs of retirees health insurance. A special self-insurance fund will be established for the purposes of keeping these expenditures separate from the regular Risk

Management Fund. The costs of 2 additional staff in Human Resources to support the financial and programmatic aspects of this self insured health program will be budgeted within this special fund.

## **2. Compensation Adjustment Reserve**

In FY 97, FY 98, and FY 99, the Commissioners Court was able to include either a 3% or 4% appropriation for Performance Based Pay increases. However, the FY 00 Adopted Budget contained only 1.5% for all General Fund employees eligible to receive such performance based pay. For FY 01, the Adopted Budget contained a compensation reserve in the General Fund equal to 6% of each department's FY 00 Adopted Budget for salaries. These resources were provided directly to departments to allow them flexibility to address the departments' various unique compensation needs. These needs included Performance Based Pay, job restructuring, market adjustments, reclassifications, reorganizations, internal equity adjustments, and other compensation needs.

A similar approach is included within the Preliminary Budget for FY 02. A total of 4.8% of each department's March 1, 2001 slot list for salaries has been identified as a compensation reserve for both general employees and employees on the Peace Officer Pay Scale (POPS). This amount equals \$6,919,961. In FY 01, departments developed individualized plans on how to best allocate their allotment of this reserve to meet their unique circumstances. These funds are located in a reserve until the Court determines the best method and timing for allocating these funds.

The County's Peace Officer Pay Scale (POPS) program also has a 4.8% reserve established in the Preliminary Budget for compensation increases. The POPS program is for sworn peace officers in the Sheriff's Office, Constables Offices, District Attorney's Office, County Attorney's Office, Juvenile Public Defender, and Transportation and Natural Resources (TNR). There are 1,007 FTE employees currently on the POPS scale. This pay scale establishes certain criteria for when peace officers receive pay increases. A total of approximately \$2.4 million is included in the Preliminary Budget as a POPS compensation reserve. The size of this reserve was established by multiplying the March 1, 2001 POPS slot list salary base by 4.8%.

There has been a desire by the Commissioners Court and the Sheriff's Office to benchmark the County's POPS compensation plan to the City of Austin's compensation system for its urban police officers. It is likely that the overall configuration of the POPS scale will be discussed with the Commissioners Court in light of all other compensation issues in FY 02 and current fiscal constraints. This discussion may also address appropriate parity relationships between the Austin Police Department and the County's Peace Officer Pay Scale employees in not only the Sheriff's Office but in the other offices with peace officers such as TNR, the Constables, Juvenile Public Defender, the District Attorney, and the County Attorney.



### **3. Elected Officials Salaries**

There is a statutorily determined process for elected officials to receive pay increases. The Commissioners Court is the agency that makes such a determination. A Citizens Advisory Committee on Elected Officials' Salaries was established by the Commissioners Court in January 2001. The purpose of the Committee was to make "a timely recommendation to the Commissioners Court on fair and equitable salaries for elected officials based on the review of appropriate materials and the best judgement of the committee". The report of this Advisory Committee was submitted in late June, 2001 and is contained in Appendix III.

The Commissioners Court has not yet decided upon the FY 02 salaries for elected officials. For planning purposes, the Preliminary Budget includes a \$122,425 compensation reserve for elected officials' salaries. This amount represents 4.8% of all elected officials' salaries.

### **4. Career Ladder Adjustments**

A total of \$222,905 is added to nine departmental budgets to fund increases in existing approved career ladders and skill based pay.

## **III. DEBT POLICY**

The Commissioners Court has established a debt limitation policy that is intended to maintain a prudent approach toward the issuance of debt. Among other things, this policy indicates that the Commissioners Court will not issue long-term debt (i.e., with a repayment period in excess of five years) without the approval of such a bond issue by the voters at an election except under the following circumstances:

1. The expenditure is legally required of the County, where penalties or fines could be imposed on the County if the expenditure is not made. Or,
2. When a financial analysis demonstrates that during a stipulated term Travis County would spend significantly less. Or,
3. The voters have previously approved the issuance of general obligation bonds but, for valid reasons, certificates of obligation must be substituted for such bonds in order to carry out the voters' authorization. Or
4. When the expense is for necessary planning services or acquiring options for a future capital project that will be submitted to the voters.

## **IV. CAPITAL RECOMMENDATIONS**

Capital equipment and facilities improvements are funded from three basic sources - either from the General Fund, the Road and Bridge Fund, or from debt, as summarized below.

### **A. General Fund (CAR)**

The General Fund has established a Capital Acquisition Resources account (CAR) for the purpose of funding capital equipment and facilities. In FY 98, the amount appropriated to CAR was \$10.0 million. The level of CAR was decreased in FY 99 to \$7.9 million, and then again decreased to \$7.7 million in FY 00. The level in the FY 01 Adopted Budget was increased to \$9.7 million, and the FY 02 Preliminary Budget establishes the CAR account at \$11 million. Members of the Commissioners Court have indicated a goal to have this account be increased in order to decrease the County's reliance on short term debt. In addition, \$742,760 of rebudgeted FY 01 CAR resources is included in the Preliminary Budget. These rebudgeted projects represent capital that was approved and funded in FY01 but not anticipated to be encumbered or expended prior to the end of the fiscal year. A listing of the rebudgeted CAR items is contained Appendix I.

A summary of the equipment and facility projects funded from CAR is shown below. The detailed list of individual equipment items or facility projects for FY 02 is located in Appendix I.

**Capital Items Funded by the Capital Acquisition Resources Account (CAR)**

<b>Type of Project/Department</b>	<b>Amount</b>
New and replacement vehicles	3,111,050
911-RDMT Radios	2,000,000
911-RDMT CAD system equipment	285,000
911-RDMT project management	233,400
Total 911-RDMT funded through CAR	2,518,400
County-wide personal & lap top computers, printers	1,740,005
ITS department computer equipment and software	1,070,000
Sheriff's Office needs, including jail facility renovation	596,246
General Facilities maintenance and renovation projects	382,669
Replacement parks equipment	267,900
Records Management equipment	168,467
Domestic Relations Telephone System replacement	100,000
Other equipment among 14 other departments	399,078
<b>Sub-total</b>	<b>10,353,815</b>
CAR Reserve	496,185
Space Needs Reserve	150,000
<b>Total</b>	<b>11,000,000</b>

**B. Road and Bridge Fund**

In addition to the resources provided through the General Fund Capital Resources Acquisition account (CAR), the Road and Bridge Fund has a total of \$5,278,362 for Transportation and Natural Resources (TNR) capital needs. This includes \$1,757,000 for TNR vehicles and heavy equipment, along with \$3,521,362 in road and road maintenance related projects. These items are summarized in the table below.

**Road and Bridge Projects and Equipment Funded from Road and Bridge Fund**

Vehicles and heavy equipment	\$1,757,000
Hot Mix Overlay (remaining \$.5 million from CO's)	1,283,509
F Mix	1,100,000
Rebudgeted Road and Bridge capital items	557,853
Traffic signals	400,000
Sidewalks and guardrails	180,000
<b>Total</b>	<b>\$5,278,362</b>

Furthermore, the Road and Bridge Fund has \$559,738 remaining in its Allocated Reserve, primarily for compensation-related and health benefits needs of personnel funded out of this fund.

Another \$416,000 in capital needs is recommended to be funded from the Lower Colorado River Authority (LCRA) Capital Improvement Program (CIP) Fund. These are for Americans with Disabilities Act (ADA) and road improvements at Hippie Hollow. Appendix I contains a list of the road and bridge related equipment and capital recommended to be funded out of the Road and Bridge Fund.

**C. Debt Financing**

The third funding source for capital equipment and projects is using debt, either in the form of Certificates of Obligation or Bonds.

**1. FY 02 Certificates of Obligation**

A total of \$18,375,000 in funding from Certificates of Obligation is recommended in the FY 02 Preliminary Budget. A significant amount of this funding is for the 911-RDMT project, totaling \$6,543,428, (Another \$2,518,400 for 911-RDMT is recommended to be funded from the General Fund CAR account.) The 911-RDMT project is summarized in the next section.

Approximately \$6.3 million is included in the CO's for the construction of the Precinct Four Office Building. The Precinct Four Office Building will house Community Supervision and Corrections Offices along with the Constable 4 and the Justice of the Peace 4. A total of \$1.3 million in CO's were issued in FY 01 to acquire land (\$650,000) and perform design work on this building (\$650,000). In addition, \$3.0 million is included for acquisition of a West Command Center and a related renovation of the USB and a Courthouse renovation.

The balance of recommended funding is for other capital needs in County departments, as shown in the table below.

**Projects Funded from FY 02 Certificates of Obligation**

<b>911-RDMT Project:</b>	
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Combined Communications Center construction	\$1,032,476
New towers/upgrade existing towers for 911-RDMT project	5,510,952
<b>Total 911-RDMT</b>	<b>\$6,543,428</b>
<b>Major Construction/Acquisition Projects:</b>	
Precinct Four Office Building Construction	6,349,760
Acquisition of West Command Center and renovation of USB and the Courthouse	3,000,000
<b>Total Construction/Acquisition</b>	<b>9,349,760</b>
<b>Other Needs:</b>	
Hot Mix Overlay Program	496,251
County-wide computer & telecommunications equipment upgrades	800,000
General Facility rehabilitation projects (Smith Road roof and Post Road HVAC)	384,900
Correctional Complex repairs and equipment replacement (video conferencing and duct replacement)	325,000
Park improvements (Bob Wentz Park and Hamilton Pool)	200,000
Mass Spectrometer in Medical Examiner's Office	195,000
Issuance Cost	80,661
<b>Total CO</b>	<b>\$18,375,000</b>

## 2. 911-RDMT Project

During the FY 00 budget process, the Commissioners Court provided the 911-RDMT project with direction to proceed into implementation. This project has a total estimated cost to Travis County of \$22.6 million. The Court approved the budget in the FY 01 budget process, and has taken actions that have modified that budget. The revised budget is shown below.

	FY 00	FY 01	FY 02	FY 03	Total
<b>Computer Aided Dispatch (CAD)</b>					
Infrastructure	\$400,000				\$400,000
Equipment			258,000		258,000
<b>Total CAD</b>	<b>\$400,000</b>		<b>\$258,000</b>		<b>\$658,000</b>
<b>Mobile Data Comm./Auto Vehicle Location</b>					
Infrastructure					
MDC Equipment	119,000				119,000
AVL Equipment					
<b>Total MDC/AVL</b>	<b>\$119,000</b>				<b>\$119,000</b>
<b>Combined Communication Center</b>					
Phase II - A/E Specifications	457,000				457,000
Phase III – Construction		4,582,952	1,032,476		5,615,428
<b>Total Combined Comm Center</b>	<b>\$457,000</b>	<b>\$4,582,952</b>	<b>\$1,032,476</b>		<b>\$6,072,428</b>
<b>Radio Portion</b>					
New Towers/Upgrade Existing Towers		4,457,445	5,510,952		9,968,397
Equipment – Radios			2,000,000	3,000,000	5,000,000
Licensing	85,000				85,000
Project Management	233,400	213,000	233,400		679,800
<b>Total Radio</b>	<b>318,400</b>	<b>4,670,445</b>	<b>7,744,352</b>	<b>3,000,000</b>	<b>15,733,197</b>
<b>Total Project</b>					
Subtotal CO	519,000	7,913,397	6,543,428		14,975,825
Subtotal CAR	775,400	1,340,000	2,491,400	3,000,000	7,606,800
<b>Total 911/RDMT Project</b>	<b>\$1,294,400</b>	<b>\$9,253,397</b>	<b>\$9,034,828</b>	<b>\$3,000,000</b>	<b>\$22,582,625</b>

In addition to this budget, an additional \$27,000 is included in the Preliminary Budget to provide funding for the County's portion of integrating the "warrant search" process into the CAD system. The City of Austin and TxDot will be funding their portion of this systems change, which will allow a warrant check to occur simultaneously within the City, County and DPS databases. This increase would mean that the FY 02 funding for

CAD would increase to \$285,000 and the overall Commissioners Court approved project budget would increase from \$22,582,625 to \$22,609,525.

For FY 02, a total of \$6,543,428 is included for CO's to fund the remaining costs of construction of the Combined Communications Center (\$1,032,476) and the construction of new and upgraded radio towers (\$5,510,952). In addition, \$2,518,400 in CAR resources is included for Computer Aided Dispatch (CAD) equipment (\$285,000), radios (\$2,000,000), and project management (\$233,400).

### **3. Previous Bond Authorizations**

#### **a. November 1997 Bonds**

In February 1997, the Commissioners Court established a 25-member Citizens Advisory Bond Committee. Their charge was to make recommendations on the size and content of a bond election for capital projects needed for the next five years. The Citizens Bond Committee recommended projects to the Commissioners Court. Using parameters established in the County's debt policy, the Commissioners Court decided to authorize a bond election for a total of \$96,050,000 in projects. This amount was determined to be fiscally prudent, and allowed the County to remain within its debt capacity guidelines.

The bond election resulted in seven out of eight of these propositions being approved by the voters during the November 4, 1997 election. The total authorization approved by the voters is \$94,430,000. Of this authorization, \$91,758,000 has been issued already, either in the form of Road Bonds, Permanent Improvement Bonds, or Certificates of Obligation in lieu of bonds. The only amount remaining to be issued is \$2,672,000 for State Highway 130 Right of Way projected to be needed in FY 03.

#### **b. November 2000 Bond Authorization**

In November, 2000, voters authorized the Commissioners Court to issue \$28 million in General Obligation bonds for the following projects:

<b>Project</b>	<b>Original Authorization</b>	<b>Issued to Date</b>	<b>Amount For FY 02</b>	<b>Remaining Authorization</b>
State Highway 130	\$20,000,000	0	0	\$20,000,000
Loop 1 (MoPac) North	4,000,000	4,000,000	0	0
US 290 West	2,000,000	0	0	2,000,000
State Highway 45 North	2,000,000	0	0	2,000,000
			0	
<b>Total for November 2000 Bonds</b>	<b>\$28,000,000</b>	<b>4,000,000</b>	<b>0</b>	<b>\$24,000,000</b>

The original estimated cost for the County's portion of the Loop 1 (MoPAC) North project was presented to the Commissioners Court as \$4.0 million. In the FY 01 budget process, that amount was revised to \$5.8 million. The Court approved funding the \$5.8 million commitment as 20-year Certificates of Obligation in FY 01.

This amount is comprised of \$4.0 million of CO's issued in lieu of voter approved bonds (shown in the table above), and \$1.8 million added to the CO package for FY 01.

The Court was also advised in FY 01 that there would be no need to issue any of the remaining \$24 million of bond authorization until FY 03. Projections were provided showing that \$22 million would need to be issued in FY 03 and \$2 million in FY 04.

#### **D. Future Debt for Roads, Parks and Other Capital Needs**

A citizens committee was established during FY 01 by the Commissioners Court to provide advice and counsel on a possible road and parks bond election in November, 2001. The Commissioners Court will likely be reviewing the projects, the timing, and the magnitude of this bond election after the filing of this Preliminary Budget. The current schedule calls for the Court to decide the specific characteristics of this election by mid-August.

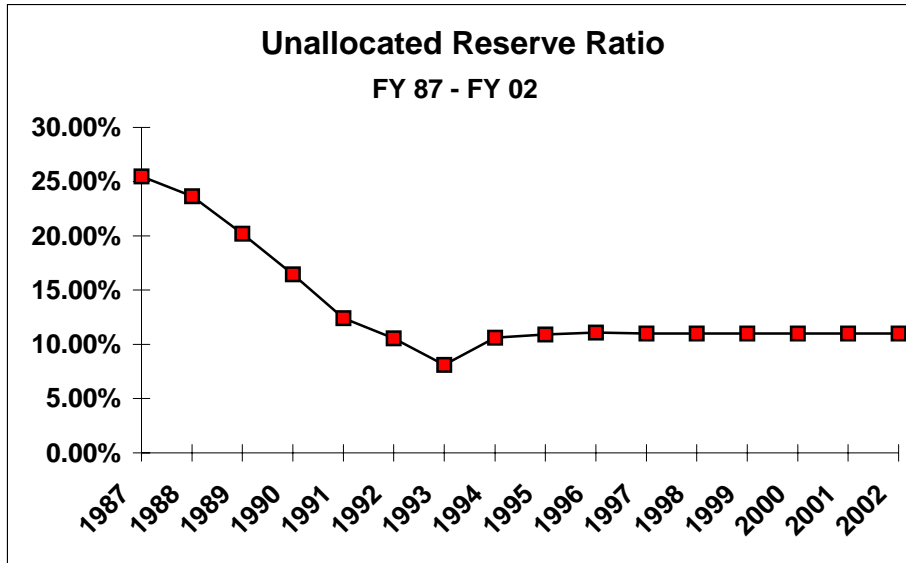
The County's debt capacity is constrained by two basic factors. The first is a set of debt ratios that are contained in the County's debt policy. These ratios provide the Commissioners Court with guidance on how much debt to issue within standard financial ratios used nationally by bond rating agencies for such purposes. A second critical constraint is the County's annual debt service payments and the impact on the tax rate of such payments. These constraints likely will be an important factor in the Court's decision-making on this potential upcoming election as the Court balances future needs and existing plans against financial and taxation constraints.

#### **V. RESERVES**

There are three types of regularly budgeted reserves: (1) Unallocated Reserve, (2) Allocated Reserve, and (3) the Capital Acquisition Resources Reserve account (CAR Reserve).

##### **A. Unallocated Reserve**

The Unallocated Reserve is not dedicated for any specific expenditure and is not intended to be spent except in the case of a disaster or dire emergency. It sometimes is called "The Untouchable Reserve" and makes up much of the budgeted ending fund balance. The level of this reserve demonstrates the County's fiscal soundness, which in turn influences the County's bond rating. The County drew down its Unallocated Reserve during the late 1980's as a cushion to accommodate necessary programmatic requirements and economic conditions and to more closely match taxation with the timing of expenditures. Unallocated Reserve ratios declined significantly during that period.



The County's bond and financial advisors have recommended that the County maintain an Unallocated Reserve level of between 8% and 12% for sound financial management. (The Commissioners Court's Financial and Budgeting Guidelines state a goal for this reserve to be between 10% and 12%). It is important for the County to ensure that its Unallocated Reserve remain healthy in order to accommodate any shortfalls or economic downturns that history indicates are likely to occur in the future, as long as operating needs are reasonably met.

In FY 93, the reserve ratio was 8.12%. During the last seven years, the Commissioners Court built up the Unallocated Reserve ratio to approximately 11.0%, and maintained it at that level. The total FY 02 General Fund Unallocated Reserve is \$25.6 million. As was done in FY 00 and in FY 01, the FY 02 Preliminary Budget includes having the Unallocated Reserve requirements for the Road and Bridge Fund carried in the General Fund.

The reserve ratios (per Standard and Poor's formula) showing the relationship between the Unallocated Reserve for the General Fund, Road and Bridge Fund, and the Debt Service Funds and the adjusted expenses for these funds are contained in Appendix I.

**B. Allocated Reserve**

The Allocated Reserve is dedicated to known or potential expenditures, and some or all of the reserve is likely to be spent during the year. For FY 02, it is proposed to track all expenditures from this reserve according to whether they are one-time or on-going expenses. To do this, the Allocated Reserve will be divided into two parts: an "Allocated Reserve for One-Time Expenses," and an "Allocated Reserve for On-going Expenses." The FY 02 Preliminary Budget includes an Allocated Reserve of \$2,200,000 divided 50-50 between the Allocated Reserve for One-Time Expenses (\$1,100,000), and the Allocated Reserve for On-going Expenses (\$1,100,000). The total of these reserves represents less than 1% of the General Fund, and is close to the \$2.3 million that was budgeted in FY 00.



There are, however, potential claims against this Allocated Reserve. These claims are called “Earmarks” and are signals to the Commissioners Court that a department may have a justified need for a mid-year transfer of resources to their budget for a specific purpose. These Earmarks total \$333,960 against the One-Time Reserve and \$382,864 against the Ongoing Reserve. A listing and summary of these recommended Earmarks against the Allocated Reserve are listed in Appendix I.

### **C. Capital Acquisition Resources account (CAR) Reserve**

The Capital Acquisition Resources Reserve (CAR Reserve) is similar to the Allocated Reserve, but is instead used for one-time expenditures for capital items. It is for additional capital purchases or projects that are developed during the year or to pay for cost increases in already approved projects. The Preliminary Budget includes a CAR reserve of \$496,185, which is essentially the same as in previous years. The earmarks against this reserve total \$256,982 and are outlined in Appendix I.

### **D. Other Reserves**

#### **1. Annualization Reserve**

The Preliminary Budget has established a special Annualization Reserve to ensure that resources are available in FY 03 that have not been fully funded in FY 02. This Annualization Reserve is for the Phase II Correctional Complex Project staffing since the building is projected to open in December 1, 2001. The Sheriff's Office will be appropriated ten months of funding for the new Corrections Officers. The amount of this reserve is \$147,513 and will provide the funds to the Sheriff's Office in FY 03 when a full twelve months of funding is necessary.

#### **2. EMS Reserve**

In FY 99, the Commissioners Court established a 1.5 cent tax increase for Emergency Medical Services. Due to delays in establishing new stations and hiring staff and training, not all of these funds were expensed. As such, in FY 99, the Commissioners Court established an Emergency Medical Services (EMS) reserve to be carried forward for future one-time EMS needs. Of the original amount, \$578,904 is available to be again carried forward as a reserve in the FY 02 Preliminary Budget for one-time expenditures.

#### **3. Tobacco Settlement Endowment**

A special Tobacco Settlement Endowment reserve has been established to reflect the interest earned off excess tobacco settlement funds received in FY 00 and carried in the Unallocated Reserve. In FY 00, approximately \$2.6 million was received from the State of Texas Tobacco Settlement in excess of what was certified. However, the Rural Medical Assistance Program (providing health care to indigents) required approximately \$600,000 for its programmatically required expenses in FY 00. This left \$2 million of one-time excess resources that has been carried in the County's Unallocated Reserve (due to these funds falling to the FY 00 ending fund balance). The County received approximately 6% interest on its funds in FY 01, and is projected to receive about 5%

interest in FY 02. Therefore, the interest from the Tobacco Endowment (carried in the Unallocated Reserve) has been established at \$100,000. This reserve is available for expenditure or the Court may wish to leave this reserve unexpended so that it can grow in future years.

#### **4. GASB 34 Reserve**

The Government Accounting Standards Board has issued its Statement 34. This is the most significant and comprehensive change to state and local governmental accounting and financial reporting in many years. The intent of these changes is to improve governments' accountability in financial reporting and provide additional financial information. Not meeting this requirement would inevitably have a negative impact on the County's bond rating.

In FY 01, a special \$850,000 GASB 34 reserve was established. These resources were used to fund seven full time staff in the Auditor's Office. In addition, these resources were used for both permanent and temporary staff to assist CSCD, the Purchasing Office, JP's, Constables, the Planning and Budget Office, Transportation and Natural Resources, and Domestic Relations. The reserve further provided resources for the County's external auditor to assist with implementation assistance as well as financial software. A multi-disciplinary team of central and departmental financial staff was established to implement GASB 34, which includes calculating the value of all major capital assets, depreciating them, and keeping all expenditure and revenue information on a full accrual as well as on the modified accrual basis.

Another smaller, one-time reserve of \$400,000 is set aside in the FY 02 Preliminary Budget to continue this effort. These funds will be used for temporary and contract staff in various departments during the year.

#### **5. Reserve for Economic Downturn**

During the past year, both the national and local economies have slowed down and have shown signs of a potential downturn. It is not clear whether the economy will level off and become stable or if there will be additional declines. In order to be prepared to face a potential downturn, the large increase in the FY 02 beginning fund balance (representing one-time resources) provides an opportunity to establish a "Reserve for Economic Downturn" totaling \$2,477,558. This reserve is not intended to be spent in FY 02. However, it will be available in the future, if needed, to assure a soft landing in the event the economy makes a quick downturn. Should there be sufficient resources in FY 03, then this reserve should be increased to provide for increased protection for the County in future "bad times".

#### **VI. PROPERTY TAX RATE**

The total taxable value for all Travis County property has increased from \$49.7 billion in 2000 to an estimated \$57.0 billion in 2001. This is still a preliminary number and may change by the time the tax roll is certified. The following data as well as the overall Preliminary Budget is based on TCAD estimates.

The new value is estimated at \$3.765 billion, compared to new value of \$3.1 billion in FY 01. The table below depicts the impact of the proposed tax rate of \$.4425 per \$100 of taxable value on the average residential homeowner declaring his or her house as a homestead. (This information is based on the current estimated total tax roll.)

**Impact on Average Homestead**  
**(All homestead values per Travis Central Appraisal District as of 7/10/01)**

	FY 01	FY 02	Difference	
Average Appraised Value of all homesteads	\$152,979	\$172,757	\$19,778	12.9%
Taxable Value	\$122,383	\$138,205	\$15,822	12.9%
Tax Rate	\$.4670	\$.4425	(\$.0245)	(5.2%)
Tax reported in advertisement based on averages	\$571.53	\$611.56	\$40.03	7.0%
Tax with 10% cap on any one individual homestead	\$571.53	\$595.70	\$24.17	4.2%

The first figures in the table above are those required to be placed in a newspaper ad and represent the averages for all homesteads. When taking into account the 10% cap on any one single homestead, an individual homestead worth \$152,979 in '01 may only go up a maximum of 10% to \$168,277. This means that the tax impact on this individual homestead at the lower tax rate of \$.4425 is an annual tax of \$595.70, versus \$571.53 the year before. This is an increase of approximately \$24 (a 4% increase) as opposed to the \$40 shown above.

The FY 02 Preliminary Budget is balanced at a \$.4425 tax rate. This represents a decrease of \$.0245 in the Tax Rate from the current \$.4670 per hundred of taxable value, equaling a 5.2% decrease.

**PRELIMINARY BUDGET TAX RATES FOR TRAVIS COUNTY**  
**(Cents per \$100 of Appraised Value)**

	<u>Adopted FY 01 Rate</u>	<u>Preliminary FY 02 Rate</u>	<u>Difference</u>	<u>% Change</u>
Operating Rate	.3760	.3509	(.0251)	(6.7%)
Debt Service Rate	<u>.0910</u>	<u>.0916</u>	<u>.0006</u>	<u>.6%</u>
Total Tax Rate	\$.4670	\$.4425	.0245	(5.2%)

