



## **PLANNING AND BUDGET OFFICE TRAVIS COUNTY, TEXAS**

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July 23, 2002

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 2003 Preliminary Budget

Enclosed is the Travis County Preliminary Budget for Fiscal Year 2003. This document is intended to serve as a platform for the Commissioners Court to receive comments from the public and County departments on FY 03 funding priorities. It contains the recommendations from the Planning and Budget Office for a balanced budget within the policy and fiscal directions provided by the Commissioners Court and the information available. It also provides a basis for completing the FY 03 County's budget process. The final budget is scheduled to be adopted by the Commissioners Court on Tuesday, September 24, 2002.

Compared to other governmental organizations, the County is in reasonably good financial shape entering into the budget discussions for FY 03. The County does not face a financial crisis due to the economic downturn or as a result of the September 11 events. This is due to the preparations made by the Commissioners Court in previous years to increase reserves and fund balances in anticipation of a future economic downturn. In addition, the County is less reliant than other government entities on fluctuating income sources such as sales taxes.

The unpleasant reality is that there are few opportunities for programmatic growth within this budget. Moreover, the Commissioners Court will need to anticipate that the additional revenue associated with new construction will begin to diminish in FY 04 due to current economic conditions. Historically, the Commissioners Court used additional resources associated with new construction to fund expanded services for Travis County citizens. In addition, this Preliminary Budget has been developed under the assumption that there will be one or more additional shocks to the economy in FY 03 that could come from numerous sources. Hopefully, such circumstances will not occur, but prudence calls for the County to be prepared financially if they do.

The following topics are summarized in this cover letter:

- Background
- Bond Rating
- Maintenance of Current Effort
- Jail Overcrowding Reserve
- Mid-year Increases
- Employee Compensation and Benefits
- Tax Rate and Impact on Homestead Owner
- Reserves
- Capital Requirements

### **Background**

Early last October, the Commissioners Court notified departments that "Due to the uncertainty facing us during these unprecedented times, we believe it is prudent to start thinking about steps we can take to soften the impact to County services of any sharp or prolonged economic downturn". County officials were advised that "If there are insufficient resources next year, this could mean that some annual increases would need to be funded by the departments within the FY 03 target budget level, in part or in full". The Commissioners Court then suggested a variety of steps for departments to follow, including delaying new programs funded in FY 02, holding non-essential positions open, reducing controllable expenses, and focusing on initiatives that increase productivity.

The Commissioners Court also alerted departments in October, "There has not been greater uncertainty at the beginning of a fiscal year than there is now. We simply do not know whether there will be further deterioration of our economy in FY 02 that may affect resources in FY 03. But we should be prepared if this happens". Those observations by the Court have proven to be appropriate, as this FY 03 Preliminary Budget has been dominated by one overarching theme: the lack of resources to address departmental funding requests.

It was within this context that in late January 2002, the Commissioners Court formally adopted a set of budget principles and guidelines for developing the FY 03 budget. This Preliminary Budget meets those guidelines. At that time, the Court again expressed its concerns over the uncertainty surrounding national security issues and its impact on the status of the economy. Since then, a number of highly visible corporate bankruptcies, layoffs, and earnings shortfalls have added to this uncertainty. Departments were advised that a more cautious approach toward budgetary planning and decision-making would likely continue through FY 03 to ensure that sufficient resources are available in FY 04 and beyond. Departments were asked to prepare for decreased growth in resources in contrast to funding increases seen in recent years. The Commissioners Court alerted all officials that standards would be much higher in the review of requests for additional FTEs than in prior years. Furthermore, departments were advised to expect to live within the resources allocated. Officials were encouraged to meet new needs by reducing expenditures elsewhere.

In March, 2002, all County officials were again alerted in a letter from the Planning and Budget Office that, "It seems rather clear that the focus of FY 03 budget discussions will need to be more on redirecting existing resources toward core services to meet current conditions."

With all of these predictions and cautions, it should therefore come as no surprise that the predominant themes of this FY 03 budget are restraint, caution, vigilance, use of existing resources to meet new needs, and an absence of new funding for anything but minimal increases and contractual or statutory obligations.

### **Bond Rating**

Travis County continues to receive the highest bond rating from both Moody's (Aaa) and Standard and Poor's (AAA). Only two other counties in Texas (Dallas and Tarrant counties) have been awarded these bond ratings. These ratings provide an external validation that the County's underlying financial policies and practices are sound. Since the Commissioners Court is committed to its high bond rating, this Preliminary Budget has maintained a prudent approach toward future debt and living within existing fiscal constraints.

### **Maintenance of Current Effort**

This Preliminary Budget includes \$4.8 million of new General Fund resources to address contractual and programmatic requirements or prior commitments made by the Commissioners Court. These include computer maintenance and licensing agreements, interlocal agreements, lease increases, cost increases in critical operating expenses, and various other contracts and obligations. The largest of these increases are for pharmaceuticals and medical services in the Sheriff's Office (\$884,000), indigent attorneys fees (\$700,000), computer maintenance and licensing agreements (\$696,000), health and human service programs (\$500,000), 911-RDMT one-time start-up costs and ongoing maintenance and operations (\$281,000), EMS base contract increases with the City of Austin (\$249,000), other computer support obligations and Integrated Justice System temporaries in 7 departments (\$197,000), and increased insurance premiums (\$126,000).

Three new permanent FTE funded from the General Fund are included in the Preliminary Budget. Nine temporary positions associated with the Integrated Justice System (IJS) have been included in this budget for six months to back-fill for departmental staff who are assigned to fully implement IJS. Another 15.6 FTE have been created through departmental resources reallocated within Budget Targets.

Due to severe limitations on the availability of resources and the 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. The Planning and Budget Office recognizes that many of these proposals meet new needs and provide additional services to Travis County citizens. It is likely that some departments will wish to discuss these proposals in August during budget hearings with the Commissioners Court.

### **Jail Overcrowding Reserve**

A Jail Overcrowding Reserve totaling \$852,000 was first established mid-year in FY 02 in order to provide resources for the cost of housing inmates outside of Travis County. The size of the inmate population has grown beyond the capacity of the Travis County jail facilities. A Jail Overcrowding Task Force was established to address the many complex variables and trends that have caused this overcrowding to occur. It is not clear in the near term that this Task Force will be able to measurably reduce the number of inmates being sent to jail or the length of time that they spend there. Therefore, a \$1.5 million Jail Overcrowding Reserve is proposed in the FY 03 Preliminary Budget to provide sufficient resources in the likely event that Travis County will have to continue sending inmates out of county. The size of this reserve was established under the assumption that between 120 and 340 inmates per month will need to be housed out of county during the peak usage months of May 2003 through October 2003.

During the FY 03 budget process, the Commissioners Court may choose to establish a reserve in the Adopted Budget General Fund to address the possibility that some of the 702 jail beds that are currently being used under a variance from the State Jail Commission may be reduced. Travis County is obligated to develop a plan by December 2002 in conjunction with the State Jail Commission that addresses reductions in these variance beds. No funds have been identified for this purpose in the Preliminary Budget.

### **Mid-Year Increases**

At various times during FY 02, the Commissioners Court approved creating 41 new FTE at a total annual cost of almost \$1.8 million. These resources were permanent increases and therefore were added to departmental budget targets for FY 03. The largest of these mid-year increases was for the Sheriff's Office, where 27 FTE were added at an annualized FY 03 cost of \$984,000. These positions were needed to address certain staffing deficiencies as identified by the State Jail Commission in February 2002. Six FTE were added as part of a financial systems strategy and implementation team to work on County-wide financial systems projects (5 in the Auditor's Office and 1 in Information and Telecommunications Systems). Another five FTE were added to Community Supervision and Corrections to address accounting and financial reporting challenges. Three more FTE were added, one each in the Purchasing Office, Constable Precinct 2, and Facilities Management to meet critical needs.

In addition to these staffing increases that impacted the FY 03 budget, the Commissioners Court approved adding another \$325,000 in multiple offices. These increases were needed to address certain compensation modifications (\$89,000 in the Medical Examiner's Office and \$71,000 in Health and Human Services), and \$165,000 as a one-time cost in FY 03 for social service contract increases.

Finally, the Commissioners Court had to address two departmental operating deficits that impacted the FY 03 budget. The first was in the Sheriff's Office and as of the filing of this Preliminary Budget, the estimated FY 02 budget overrun identified by the Sheriff's Office is \$1.9 million. This deficit is due primarily to medical cost increases and overtime. The Criminal Courts will also incur a budget overrun related to indigent defense estimated to be approximately \$300,000 as of the filing of this Preliminary Budget, taking into account

\$240,000 from a State Indigent Defense Grant that is expected to be received in August. An additional \$3.6 million was also identified mid-year in projected expenditures from multiple fund sources due to litigation settlement obligations.

In summary, the following issues impacting the FY 03 budget were discussed with the Commissioners Court after the FY 02 budget was adopted: jail overcrowding, new staff, mid-year compensation increases, social service contract increases, budget deficits, and litigation obligations. The total cost of these issues resulted in a need to identify \$8.8 million in additional resources. From one perspective, the ability to meet this need reveals the fiscal strength and resiliency of the County to address changing circumstances. From another perspective, however, it helps to explain why resources are more constrained in FY 03 than originally anticipated. It is likely that the resources available to provide such flexibility will be more constrained in future years.

### **Employee Compensation and Benefits**

The Preliminary Budget contains an additional \$6.0 million for employee compensation and health benefits. Of this amount, \$2.3 million is for increased health insurance costs. The remaining \$3.7 million is available to partially fund \$5.7 million of proposed compensation increases in various employment categories. These increases include: Peace Officer Pay Scale (POPS) increases, pay for performance for non-POPS employees, matching the October 1, 2001 Austin Police Department pay scale for Sheriff's law enforcement officers, increases to the minimum entry level of certain positions that have been proposed to have their pay scales adjusted upward (called the "Market Salary Survey"), 3% pension COLA for retirees, employee retirement program increases, career ladder increases, elected officials salaries, and POPS skill based pay. While there is not enough to fully fund all of these compensation increases, the Commissioners Court will have an opportunity to allocate available resources to these needs during the budget process.

### **Tax Rate and Impact on Homestead Owner**

The Preliminary Budget is balanced at a recommended property tax rate of \$.4660 per \$100 of taxable value. This tax rate represents a \$.0200 increase in the current tax rate of \$.4460 (an increase of 4.5%). It represents an amount equal to 5% above the Effective Maintenance and Operations Tax Rate plus the debt rate.

According to the Travis Central Appraisal District, the average appraised value of a homestead in Travis County is increasing from an estimated \$171,836 to \$189,823. As a result, the average of all homesteads will see an estimated \$95 per year (or about \$8 per month) increase in their County tax payments (from \$613 to \$708 annually). This represents a 15.4% 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 \$171,836 will have his or her taxable value increased by no more than 10% to \$189,020. As a result, this average homeowner will have a tax increase of about \$92 per year (about \$7.50 per month) in FY 03.

The FY 03 Preliminary Budget also has \$839,000 in new revenue that has been transferred to the Balcones Canyonland Preservation (BCP) fund. This increase in funding is due to

the additional estimated tax revenue that will be generated in FY 03 from BCP lands as compared to the FY 02 Adopted Budget. This additional valuation is largely due to the inclusion of Steiner Ranch parcels within the BCP.

### **Reserves**

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 \$2.0 million, which is slightly less than the \$2.2 million level in FY 02. In addition, the Emergency Allocated Reserve that was first established in FY 02 solely for unanticipated emergencies is proposed to be continued in FY 03 at the same level of \$2.3 million. The Preliminary Budget also includes a \$150,000 reserve for the Tobacco Settlement Endowment Fund earmarked for Health and Human Service programs.

### **Capital Requirements**

To meet the County's on-going capital needs, a total of \$53.4 million is included in the Preliminary Budget from four basic sources - the General Fund Capital Acquisitions Resources (CAR) account (\$5.5 million), debt from short-term Certificates of Obligation (\$8,865,000), the Road and Bridge Fund (approximately \$3.0 million), and debt from long-term bonds authorized by the voters (\$36.0 million).

The Capital Acquisition Resources account (CAR), funds capital expenses in the General Fund and is established at \$5.5 million. This is \$6.6 million lower than the FY02 CAR account due primarily to the budget balancing limitations in FY 03. In addition, this amount does not include any CAR resources appropriated in FY 02 and rebudgeted in FY 03, as a complete list of proposed rebudgeted projects had not been identified when this Preliminary Budget was filed. The primary capital needs funded through this account are vehicles (\$1.55 million, with an additional \$386,250 funded out of CO's), departmental personal and notebook computer and printer replacements (\$1.0 million), Correctional Complex projects (\$541,000), radios for the 911-RDMT project (\$1.0 million, with another \$700,000 coming from CO's), Information and Telecommunications Systems technology infrastructure (\$337,000) and the Onion Creek Engineering Study (\$265,000).

A total of \$8,865,000 in five-year Certificates of Obligation (CO's) is recommended to fund the more expensive capital needs in FY 03. The largest projects included within this CO issuance are the second phase of a computerized elections system, (\$2.4 million), roads and parks (\$1.5 million), 911-RDMT radios (\$700,000, with \$1 million coming from CAR), Correctional Complex repair and replacement projects (\$1.3 million), County-wide computer equipment (\$1.1 million), completion of the Precinct 4 Office Building construction (\$677,000), Onion Creek Drainage Project (\$540,000), and vehicles not funded out of CAR (\$386,000).

This Preliminary Budget does not include another \$5.7 million in pending capital expenses for two rural Health and Human Service centers if the Court chooses to proceed under the current scope and schedule with constructing these buildings in FY03. The County's overall debt capacity has been stretched due to the large amount of capital (\$127 million) issued in FY 02. As such, the Court may choose to modify either the scope or the schedule for one

or both of these two buildings to limit the financial pressure on debt service and debt capacity.

A total of \$3 million in road and bridge projects and equipment is recommended to be funded from the Road and Bridge Fund. The larger of these projects include Hot Mix Overlay and F-mix road repairs. A total of \$36.0 million of long-term voter approved bonds authorized by the voters in November 2001 are recommended to be issued in FY03. This issuance is recommended to be composed of \$8.8 million in local roads, drainage, bridges and pedestrian access projects, \$4.3 million for parks projects, and \$22.9 million for State Highway 45.

In FY 02, a total of \$127 million of 1997, 2000, and 2001 voter-authorized bonds was issued, with \$88.87 million funding the County's contribution toward the construction of State Highway 130 (\$1.13 million for SH 130 was already available from a prior issuance). The remaining voter approved projects funded from the FY 02 borrowing were \$11.13 million for State Highway 45, \$13 million for parks and \$14 million for local roads. The FY 02 issuance caused the FY 03 debt service to increase from \$53.1 million in FY 02 to \$64.5 million in FY 03, reflecting the debt issued to meet the County's transportation and parks needs as approved by the voters.

This Preliminary Budget represents a sound financial plan for FY 03. 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. It is also posted on Travis County's web site, [www.co.travis.tx.us](http://www.co.travis.tx.us).

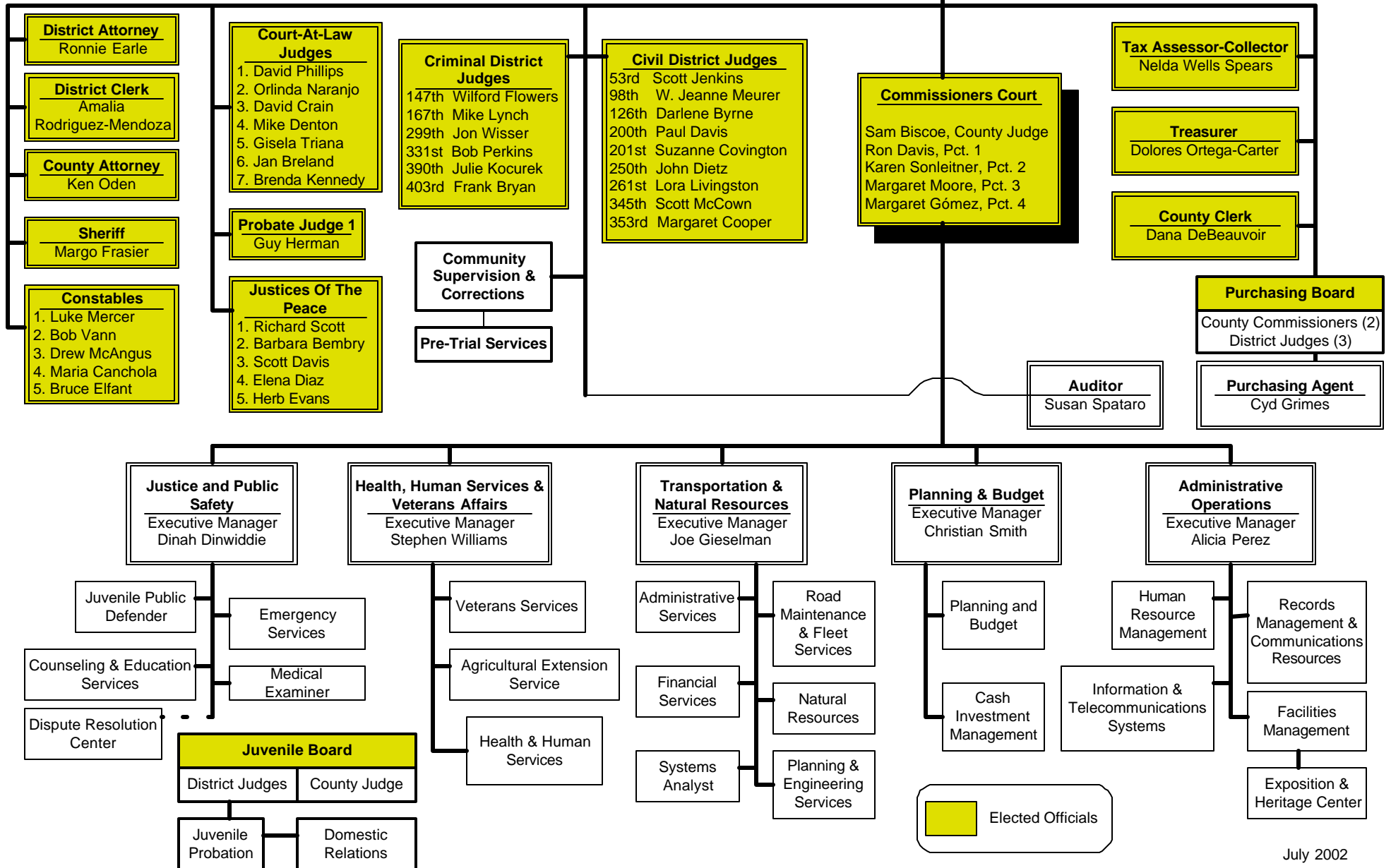
**FY 2003 PRELIMINARY BUDGET  
EXECUTIVE SUMMARY**





# TRAVIS COUNTY

## Travis County Voters



Elected Officials

**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 529 positions to the General Fund and Special Funds between FY 97 and FY 02 (from 3,450 FTE in FY 97 to 3,988 FTE in FY02) representing a 15% increase over the 5 years (or a 2.8% average annual increase). The Court has also approved over \$103 million of increases in General Fund departmental budgets (from \$153.4 million in FY 97 to \$257.0 million in FY 02), equaling a 67.5% increase over the same time frame (or a 10.9% average annual increase).

But the events of 2001 and 2002 have significantly impacted this growth, and the slowdown in the economy has measurably constrained the ability of the Commissioners Court to meet new needs. The development of the FY 03 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 02 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.

Nine months ago, in early October 2001, departments were alerted by the Court "to start thinking about steps we can take to soften the impact to County services of any sharp or prolonged economic downturn". County officials were advised that "If there are insufficient resources next year, this could mean that some annual increases would need to be funded by the departments within the FY 03 target budget level, in part or in full". The Commissioners Court suggested a variety of steps for departments to follow, including delaying new programs, holding non-essential positions open, reducing controllable expenses, and focusing on initiatives that increase productivity.

It was within this context that in late January 2002, the Commissioners Court formally adopted a set of budget principles and guidelines for building the FY 03 budget. At that time, the Court again expressed its concerns over the uncertainty surrounding national security issues and its impact on the status of the economy. Since then, a number of highly visible corporate bankruptcies, layoffs, and earnings shortfalls have added to this uncertainty. Departments were advised that a more cautious approach toward budgetary planning and decision-making would likely continue in FY 03 to ensure that sufficient resources are available in FY 04 and beyond. Departments were asked to prepare for decreased growth in resources in contrast to recent years. The Commissioners Court alerted all officials that the standards would be much higher during the review of requests for additional FTE. Furthermore, departments were advised to expect to live within the resources allocated. Officials were encouraged to meet new needs by reducing expenditures elsewhere.

**II. BASIC COMPONENTS OF THE FY 03 PRELIMINARY BUDGET**

**A. All Funds**

**FY 03 PRELIMINARY BUDGET - ALL FUNDS**

	<b><u>Adopted FY 02 Budget</u></b>	<b><u>Preliminary FY03 Budget</u></b>	<b><u>\$ Change</u></b>	<b><u>% Change</u></b>
General Fund (1)	\$289,475,878	\$299,936,185	\$10,460,307	3.6%
Road and Bridge Fund	21,180,062	21,018,254	(161,808)	(.8%)
Debt Service Fund	64,123,180	74,572,575	10,449,395	16.3%
Capital Projects Fund	58,617,981	83,288,499	24,670,518	42.1%
Internal Service Funds:				
Risk Management Fund	12,918,702	10,250,497	(2,668,205)	(20.7%)
Employee Insurance Fund	18,334,435	22,127,894	3,793,459	20.7%
Other Funds (2)	19,511,907	18,460,366	(1,051,541)	(5.4%)
<u>Less Transfers</u>	<u>(5,771,668)</u>	<u>(4,947,758)</u>	<u>\$823,910</u>	<u>14.3%</u>
<b>Total</b>	<b>\$478,390,477</b>	<b>524,706,512</b>	<b>\$46,316,035</b>	<b>9.7%</b>

(1) From 3<sup>rd</sup> Revenue Estimate plus assumed \$500,000 transfer from County Corporations.

(2) Excludes the two internal service funds (Risk Management Fund and Employee's Insurance Fund) but includes Other Funds Not Approved by Commissioners Court.

A recapitulation of the FY 03 Preliminary Budget is found in Appendix I. The FY 03 Preliminary Budget total for all funds is \$524,706,512, compared to the previous year's FY 02 Adopted Operating Budget for all funds of \$478,390,477. Please note that the size of the Capital Projects Fund (now at \$83.3 million) should decrease by the time that the Adopted Budget is finalized. This is due to changes in expenditures and encumbrances that will occur between the time of filing the Preliminary Budget and approval of the Adopted Budget.

**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 03 Preliminary Budget contains General Fund expenditures and reserves totaling \$299,936,185. This includes an assumed \$500,000 transfer to the General Fund from the County Corporations and represents a \$10,460,307 increase, or 3.6% above the FY 02 General Fund Adopted Budget of \$289,475,878. 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 \$62.37 billion and a tax rate of \$.4660. This tax rate represents an increase of \$0.0200 from the current tax rate of \$.4460.

<b>FY 03 Preliminary Budget – General Fund</b>				
		<b>Preliminary Budget FY 03</b>		
	<b>Adopted Budget FY02</b>	<b>One-Time Expenses</b>	<b>On-Going Expenses</b>	<b>Total</b>
Beginning Fund Balance	\$43,698,506	\$34,083,153		\$34,083,153
Property Taxes	199,646,489		\$222,979,076	222,979,076
Other Revenue	46,130,883		42,373,956	42,373,956
<b>3<sup>rd</sup> Revenue Estimate</b>	<b>\$289,475,878</b>		\$265,353,032	\$299,436,185
Estimate of revenue from Corporations	-	500,000	-	500,000
<b>Total General Fund Revenue</b>	<b>\$289,475,878</b>	<b>\$34,583,153</b>	<b>\$265,353,032</b>	<b>\$299,936,185</b>
Unallocated Reserves	25,228,756	28,866,602		28,866,602
Capital Acquisition Resources Acct. (CAR)	12,107,095	5,500,000		5,500,000
Rebudgeted CAR	Included above			To be determined
Emergency Allocated Reserve	2,328,126		2,286,554	2,286,554
Regular - Allocated Reserve	2,200,000		2,000,000	2,000,000
Risk Management Reserve	600,000		500,000	500,000
Constable Reserve	500,000			-
GASB 34 Reserve	400,000			-
IJS Contingency Reserve	170,536			-
Reserve for Annualizing Expenditures	147,513			-
Tobacco Settlement Reserve	100,000	150,000		150,000
Jail Overcrowding Reserve	-		1,500,000	1,500,000
Jail Variance Beds Reserve	-			To be determined
<b>Sub-Total</b>	<b>43,782,026</b>	<b>34,516,602</b>	<b>6,286,554</b>	<b>40,803,156</b>
<b>Departmental Base Budgets</b>	<b>225,013,701</b>		<b>248,245,295</b>	<b>248,245,295</b>
<b>Wage Requirements:</b>				
Health/retirement Benefits Increases	\$2,157,238		2,338,498	2,338,498
Compensation adjustment – Regular	4,648,163		3,078,432	3,078,432
Compensation adjustment – POPS	2,540,646		412,500	412,500
Market Salary Survey 2002 (at min grades)	-		728,011	728,011
POPS Sheriff's Law Enforcement	875,461		693,000	693,000
POPS skill based pay	Included above		106,500	106,500
Livable Wage	Included above		-	-
Career Ladders	222,904		183,720	183,720
Elected officials salaries	Included above		To be determ.	To be determined
Increase in retirement contribution			359,000	359,000
Retirement increases to retirees (COLA)	65,606		158,000	158,000
Reduction in compensation resources to balance the Preliminary Budget			(\$2,000,000)	(\$2,000,000)
<b>Sub-Total Wages and Benefits</b>	<b>10,510,018</b>		<b>\$6,057,661</b>	<b>\$6,057,661</b>
<b>FY 02 Programmatic Enhancements</b>	<b>10,170,133</b>			
<b>FY 03 Maintenance of Current Effort Obligations</b>			<b>4,830,073</b>	<b>4,830,073</b>
<b>Total Expense</b>	<b>289,475,878</b>	<b>34,516,602</b>	<b>265,419,583</b>	<b>299,936,185</b>

Net	0	66,551	(66,551)	0
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**1. Departmental Budgets in the Preliminary Budget**

Appendix I contains a comparison of General Fund departmental budgets from FY 01 through the FY 03 Preliminary Budget. The Adopted Budgets for all departments increased from \$221,491,408 in FY 01 to \$257,048,769 in FY 02. The FY 03 Preliminary Budgets for all departments total \$253,777,871 (this figure excludes CAR amounts, which are included in the FY 02 adopted amounts). Appendix I contains a table entitled "FY 03 Summary of Budget Requests" that lists the 286 individual budget requests submitted by departments and indicates their status in the Preliminary Budget.

**2. Personnel Changes**

A total of 3 new permanent FTE are recommended to be added to the FY 03 General Fund. The small number of new FTE added reflects the guidance and direction provided by the Commissioners Court to establish much higher standards than in previous years for funding new FTE in the Preliminary Budget.

**New Positions Recommended in the Preliminary Budget**  
**New Permanent Positions**

<b>Department</b>	<b>New FTE</b>	<b>Purpose</b>
District Clerk	3	Recommended by Auditor's fiscal team for GASB 34 accounting requirements, increased fiscal controls and reporting capability
<b>Total</b>	<b>3</b>	

Another nine FTE are funded for six months in seven different offices to backfill for departmental staff who are assigned to the implementation of the Integrated Justice System (IJS).

In addition to the new FTE shown above, departments have proposed a number of internal changes that both increase and decrease the number of approved FTE within their existing resources. These changes are summarized in the table on the following page.

**New or Changed FTE Internally Funded Within Departmental Budget Targets**

<b>Department</b>	<b>FTE</b>	<b>Purpose</b>
Sheriff's Office	1.5	One position within a 2 person Misdemeanor Warrant Team and a half position formerly in the Capitol Area Narcotics Task Force funded internally due to expired grant match funds.
Sheriff's Office	(2)	Elimination of two hard-to-fill jail maintenance workers and use of savings for a new ongoing service contract.
Sheriff's Office	1	Existing Temporary background investigator in place for two years made permanent.
Sheriff's Office	1	Internal reallocation of psychiatric services contract to fund 1 FTE and reliever contract at no new net cost.
Health/Human Services (HHS)	3.5	Change Case Manager positions in the Neighborhood Conference Committee from temporary to permanent – funded internally.
HHS	0	Reclassification of a vacant Social Services Transporter position to a Prevention and Early Intervention Mgr. to supervise 17 staff in Health Families & CPS Social Services Unit.
Records Management	(1)	Elimination of copier repair tech due to lease program and use savings to help support records storage contract increase.
Records Mgt.	1	To make permanent a temporary web technician.
Juvenile Court	5.6	Internal reallocation of unused FY 01 performance based pay to fund: 2 office assistants, 1 guardian ad litem, 1 visitation enforcement officer, 1 drug court coordinator, .5 FTE attorney and .1 FTE in Domestic Relations.
Constable Precinct 2	2	Eliminating 2 FTE for ASAP & creating 4 FTE for 2 new warrant teams (2 clerks & 2 deputies) - no net cost & additional revenue.
Constable Precinct 3	1	Conversion of temporary position to permanent position with additional cost internally funded.
Constable Precinct 4	1	New revenue to partially fund the cost of new clerk.
Tax Office	0	Conversion of a clerk to a Division Manager for Collections and use of permanent savings to fund difference in salaries.
Justice and Public Safety	1	Business Systems Consultant internally funded.
ITS	0	Major reorganization to deal with changing workload areas such as intranet and IJS management. Funded within existing resources.
<b>Total</b>	<b>15.6</b>	

The FTE 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 funded in FY 03 from a different funding source than in FY 02.

**3. Increased Budget Targets Due to FY 02 Actions**

During FY 02, the Commissioners Court took certain actions that will increase departmental budgets in FY 03. The largest increase was in the Sheriff's Office and

reflected requirements from the State Jail Commission to meet certain State standards. These requirements led the Court to increase the number of FTE in the jail system in the middle for FY 02 by 27 FTE at an annualized cost of \$983,946. The following table displays the various mid-year budget augmentations that required FY 03 budget targets to increase by \$2.1 million.

<b>Department</b>	<b>FTE</b>	<b>Annual Cost</b>	<b>Purpose</b>
Sheriff's Office	27	\$983,946	Staffing deficiencies identified by State Jail Comm.
County Auditor	5	344,183	Financial team to work on County-wide financial systems projects.
Comm. Superv. & Corrections	5	236,494	To support financial infrastructure of the department.
ITS	1	80,832	Same as Auditor above.
Purchasing	1	58,243	To handle additional workload from road and park bond programs.
Constable 2	1	56,862	Traffic control – Village of the Hills interlocal.
Facilities Management	1	-	To replace a custodial contract.
<b>Sub-Total</b>	<b>41</b>	<b>\$1,760,560</b>	
<b>Other Increases:</b>			
Medical Examiner	-	89,412	To implement office reclassifications and preserve performance pay differentials
Health/Human Services (HHS)	-	71,167	To implement Market Salary Survey recommendations
HHS	-	165,000	One-time increase for '03 social service contracts
<b>Total</b>	<b>41</b>	<b>\$2,086,139</b>	

In addition to these increases, \$3.6 million was identified mid-year in projected one-time expenditures from multiple fund sources needed to meet litigation settlement obligations.

**4. Jail Overcrowding Reserve**

An important programmatic issue that surfaced during FY 02 was an increase in the number of inmates in the County's jail system combined with a review from the State Jail Commission revealing changes that needed to be made by the Sheriff's Office in staffing requirements. These changes resulted in overcrowding and led the Commissioners Court to establish an \$852,000 Jail Overcrowding Reserve in the middle of FY 02. These funds are currently being used to support the costs of transferring inmates to Limestone County at a cost of \$40 per day per inmate. A Jail Overcrowding Task Force was established among key elected and appointed leaders within the criminal justice system to identify ways in which the number of inmates could be reduced. It appears unlikely that this Task

Force will be able to measurably reduce the number of inmates expected in FY 03. As such, the Preliminary Budget includes a \$1.5 million Jail Overcrowding Reserve in order to continue to fund the cost of transferring inmates out of County. The amount of this reserve was established based on the assumption that between 120 and 340 inmates will need to be housed out of county during the peak usage months of May through October 2003.

The Commissioners Court may wish to establish an additional reserve within the General Fund Adopted Budget to address the possibility that some of the 702 jail beds currently being used under a variance from the State Jail Commission will be eliminated. Travis County, in conjunction with the State Jail Commission, is obligated to develop a plan by December 2002 that addresses potential reductions in these variance beds. Alternatively, the Court may choose to delay certain compensation increases until the outcome of this issue is clearer.

### **5. Major FY 03 Funding Issues**

The following major funding issues have been incorporated into the FY 03 Preliminary Budget. These are essentially "Maintenance of Current Effort" requirements. They 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 critical operating expenses, and various other contracts and obligations. The largest of these increases are outlined below.

#### **a. Indigent Attorneys' Fees**

The 77<sup>th</sup> Texas Legislature passed the Fair Defense Act (FDA) to reform procedures for providing court appointed legal counsel to indigent defendants. Among other items, the law requires prompt attorney contact, establishment of standards to determine indigency, and minimum qualifications of court appointed counsel. In addition, the law requires that the fee schedule for indigent counsel take into consideration reasonable and necessary overhead costs and availability of qualified attorneys willing to accept stated rates. Based on this new law, the Criminal District and County Court-at-law Judges modified the fee schedule for Travis County. This new fee schedule resulted in the need to increase the Criminal Courts budget for indigent attorneys' fees by \$700,000 in FY 03. There is an assumption that the department will be successful in receiving a grant of at least \$240,000 from the State (the same amount as in FY 02) to help partially fund these increased costs.

#### **b. Sheriff's Office Pharmaceuticals and Medical Services Costs**

Travis County is required to provide medical services to inmates under its care and control. The Travis County Correctional Complex has historically experienced increased pharmaceutical and medical services costs for inmates, reflecting national inflationary trends. In addition, the Sheriff's Office has needed to fund increased costs associated with contract nursing services, and an increasing older inmate population. The Sheriff's Office has been able to absorb these increases in the past through temporary salary savings caused by vacancies. However, as the Sheriff's Office vacancy rate is significantly lower than it has ever been before, these internal resources are no longer available. The



Preliminary Budget includes \$884,000 for these types of medically related expenditures, offset by a reallocation of \$100,000 in utilities for a net additional cost of \$784,000.

**c. Computer Maintenance and Licensing Agreements**

The Preliminary Budget includes an additional \$886,000 in Information and Telecommunications Services for computer maintenance costs, licensing agreements, continued Integrated Justice System (IJS) implementation, and increased security requirements. Components of this amount include:

- \$696,440 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. The largest of these increased resources include funding for the Tiburon courts system (\$376,000), increased maintenance costs of the Unisys system (\$70,000), maintenance of the Tiburon law enforcement system (\$43,000), and a license agreement for Oracle software (\$44,000)
- \$45,000 in one-time funds for ITS disaster recovery planning;
- \$91,520 for server-based MAPPER capability for historical courts information;
- \$41,520 for contractor support of Unisys courts applications; and
- \$11,346 for travel and training for RDMT implementation.

**d. Health and Human Service Needs**

The downturn in the economy and the increase in health expenses have had an impact on the programs provided by the Health and Human Services (HHS) Department. In order to at least partially address these needs, a total of \$500,000 in additional funding is included within the Preliminary Budget to be allocated to the highest priority needs for HHS clients in both health and social service programs. This is the amount expected to be transferred to the General Fund from the County Corporations. The management of HHS is being asked to recommend how these new resources should be utilized and to present such recommendations (along with any internal redirections of existing resources) to the Commissioners Court during the budget process.

**e. Emergency Medical Services Base Contract with the City of Austin**

The County has an Interlocal contract with the City of Austin to provide Emergency Medical Services (EMS) to the residents of the County residing outside the City of Austin. The cost of this contract will increase by \$249,027 to fund the annualization of FY 02 performance based pay, FY 03 health insurance increases and one-time equipment purchases.

**f. Combined Emergency Communications Center (CECC)**

The Combined Emergency Communications Center is expected to be fully operational in FY 04 with a total annualized cost to the County of \$1.4 million. This significant operating cost will clearly be a substantial budget issue for the Commissioners Court during the FY 04 budget process. In the meantime, the building is scheduled to be completed in early FY 03 and to be used for testing and training throughout the fiscal year. The Preliminary Budget includes \$280,717 to fund the County's share of the initial FY 03 operating costs of

the building. The primary use of these funds is to cover the communications network, utility, and maintenance costs for the building.

**g. Insurance Premiums**

The County's insurance premiums for aviation, property, professional liability, and excess worker's compensation will be increasing by \$125,915. These cost increases are required to provide the same level of coverage.

**h. Collections Pilot Program**

During FY 02, the Tax Office received \$100,000 to establish a pilot program to improve the amount of court fines and fees actually collected by the County. This pilot program could not be implemented due to complexities surrounding the ability to secure automated and detailed information on the amount and identity of persons owing court-ordered fines and fees. These problems should be overcome in FY 03 due to improved computer systems within Community Supervision and Corrections. As a result, this \$100,000 will again be funded in the Preliminary Budget and available for the Tax Office to establish the beginnings of a county-wide collections program.

**i. District Clerk GASB 34 and Accounting Needs**

The Commissioners Court approved funding for a special financial review team led by the County Auditor to address a wide variety of financial control and reporting requirements in various departments. Many of these requirements are stimulated by the Government Accounting Standards Board Statement 34 (GASB 34). The Auditor's review team spent approximately four months inside the District Clerk's Office analyzing all processes and procedures and existing financial systems to identify potential process improvements and resource requirements. The recommendations of this team included a permanent increase of 3 FTE in this department to meet GASB accounting and financial reporting requirements. The Preliminary Budget includes \$185,688 for this purpose.

**j. Risk Management Fund**

The Risk Management final actuarial report had not yet been received in the Auditor's Office or the Planning and Budget Office by the time that the Preliminary Budget was finalized. Thus, the specific magnitude of financial needs within the Risk Management Fund remains unclear. However, in the FY 02 Adopted Budget there was \$500,000 set aside in the General Fund as the first year of a multi-year plan to ensure that sufficient resources were available in the Risk Management Fund. It is critical that annualized expenditures are fully budgeted and do not need to use ending fund balance. \$1.1 million was identified as needed at that time and the multi-year plan to restore funds to the Risk Management Fund was proposed. The current estimate shows a \$567,000 shortfall in FY 03 between ongoing insurance programs needs and an ongoing revenue source to the Risk Management Fund from the General Fund. It was also necessary to book \$1.4 million against the Risk Management Fund due to litigation obligations. Thus, even though the actuarial report is not available, it appears prudent to at least set aside for a second year a reserve of \$500,000 in the Preliminary Budget for the Risk Management Fund.

**k. Transfer to Balcones Canyonland Preservation Fund**

A total of \$839,000 has been added to the Transportation and Natural Resources (TNR) Preliminary Budget for the increased transfer to Balcones Canyonland Preservation (BCP) Fund from the General Fund. This amount represents the increased estimated tax revenue in FY 03 from new construction on BCP lands as compared to the FY 02 Adopted Budget. The additional valuation is largely due to the inclusion of Steiner Ranch parcels within the BCP. The total FY 03 transfer from the General Fund is \$2,072,290.

**I. Other Maintenance of Current Effort Requests**

There are a variety of other Maintenance of Current Effort Requests funded within the Preliminary Budget, as outlined in the table below. This table summarizes those items greater than \$10,000 that are not referenced above. Items less than that amount are not displayed but are included within the detailed departmental budget descriptions.

**Other Maintenance of Current Effort Increases  
(Costs shown that are over \$10,000)**

<b>Department</b>	<b>Program or Function</b>	<b>Cost</b>
Juvenile Court	Supplement to bring state-funded Progressive Sanctions staff salaries to County pay grades	\$98,159
Emergency Med. Serv.	Increased maintenance costs for Helicopters	85,000
Facilities Management	County-wide Maintenance and repair increases	80,413
Facilities Management	Moving costs for Precinct 4 Office Building	50,000
Medical Examiner	Increased cadaver transport costs	47,721
General Administration	Increased interest expense for awarded property tax judgments	41,195
Records Management	Increased copier leases	36,389
General Administration	Increased Appraisal District Fees	33,730
Criminal Courts	Court ordered services costs	27,000
Sheriff's Office	New filter maintenance contract (offset by the elimination of 2 FTE), load bank generator test contract, and replacement food trays	24,894
Human Resources – Risk Mgt. Fund	Increase for third party administrator contracts	18,783
Probate Judge	Increased court costs	16,812
Criminal Courts	Increased interpreters for court proceedings	11,583

**C. Workforce Investment**

The FY 03 Preliminary Budget contains a total of \$6.0 million dedicated toward an investment in the County's workforce through compensation and benefits. This amount is composed of two parts. The first part is the increased cost for the County's self-insurance health plan totaling \$2.3 million. The second part is composed of a \$3.7 million reserve to accommodate a variety of compensation increases totaling \$5.7 million. The various elements of these increases are outlined below.

**1. Health Benefits**

Travis County's health benefits are self-insured in FY 02. This means that the actual insurance claims made by employees are paid directly from County resources with an insurance carrier hired to administer claims processing. 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 necessarily reduce overall health care expenses. Due to rising costs being experienced nationally, an additional \$2,338,498 is included within the Preliminary Budget for health care benefits and prescription costs for current employees and retirees to maintain benefits at the same level as FY 02. The Employee Health Insurance Fund increases from \$18,334,435 in FY 02 to \$22,127,894 in FY 03 due to an increase in County, employee and retiree contributions and the fund balance.

**2. Compensation Adjustment Reserve**

Each year, the Commissioners Court addresses a variety of employee pay adjustments. From FY 97 through FY 99, the Commissioners Court funded an appropriation of either 3% or 4% of overall salary costs for Performance Based Pay. However, the FY 00 Adopted Budget contained only a 1.5% increase for all General Fund employees eligible to receive 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 to meet a variety of compensation issues including Performance Based Pay. In FY 02 this amount was 5%.

Between January and early July 2002, various elements of proposed FY 03 compensation increases were discussed during budget planning sessions with the Commissioners Court. These are outlined in the table below.

**Components of Compensation Increases for Consideration in FY 03**

General employee compensation increase of 3%	\$3,078,432
Market Salary Survey increases to minimum grade for certain positions	728,011
Sheriff's law enforcement employees matched to Austin Police Dept. (1)	693,000
Compensation increases for POPS to match rank and file, equal to 3%	412,500
Increase in retirement contribution to Texas County & District Retirement System (TCDRS) for all employees	359,000
Career Ladders (1)	183,720
COLA for existing retirees of 3%	158,000
POPS skill based pay (1)	106,500
Elected Officials Salaries (2)	TBD (2)
<b>Total</b>	<b>\$5,719,163</b>

- (1) Within departmental budgets in accordance with '03 Planning and Budget Manual
- (2) To be determined

Due to the significant limitations on resources available in FY 03, the Preliminary Budget does not include funds for the full \$5.7 million as outlined above. \$3.7 million is available for this purpose. Rather than pick and choose which of the compensation and benefits increases to include, the Preliminary Budget includes a \$3.7 million compensation reserve intended to address these issues. This provides the Commissioners Court with the opportunity during the budget process to best determine how it wishes to meet the compensation needs within the available funding.

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

The Commissioners Court is the statutorily determined entity to approve pay increases for elected officials. To meet this requirement, the Commissioners Court established a Citizens Advisory Committee on Elected Officials' Salaries in January 2001. However, Commissioners Court had not formally addressed the report completed by this Advisory Committee prior to the filing of the Preliminary Budget. Since the Commissioners Court has not yet decided the FY 03 elected officials salary adjustments, if any, it is assumed that such increases would be funded by the compensation reserve. The Committee's report is included in Appendix III.

### **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 four basic sources - either directly from the General Fund, or the Road and Bridge Fund, or from short-term debt

through Certificates of Obligation or long-term debt through voter approved bonds. The County is also facing financial constraints on the availability of resources for capital expenditures. Funds are limited in the General Fund Capital Acquisition Resources account (CAR) due to constraints on General Fund resources discussed above. Moreover, debt capacity through borrowing is limited due to the impact of the \$127 million that was borrowed in FY 02.

The Preliminary Budget has addressed these limitations by including only those capital projects and equipment for funding that meet the following criteria:

- Projects either in the middle or end of their multi-year phased implementation (such as 911/RDMT radios, the Onion Creek Corps of Engineering study, or Loop 1 North);
- Projects where there is little choice but to have them funded for health and safety purposes or to avoid future expenses that would be greater (such as roof repairs);
- Equipment which needs replacement such as personal computers and vehicles, (although the amount included in the Preliminary Budget is less for these replacement items than otherwise might be expected);
- Equipment that continues the maintenance of County-wide information systems infrastructure;
- Projects which have already been partially funded by the Commissioners Court or have a contractual obligation to implement (such as the new elections system or State Highway 45);
- Projects which have revenue certified to cover their cost; or
- Projects that the Court has already provided directions to include for funding (such as Onion Creek Drainage Project or the Precinct Four Office Building).

#### **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 Adopted Budget established the CAR account at \$12.1 million. However, due to the significant constraints on available resources in FY 03, the Preliminary Budget reduced the CAR account from \$12.1 million to \$5.5 million. The decrease in the county's beginning fund balance of \$9.6 million from FY 02 to FY 03 had an influence on this decrease of one-time resources.

The \$5.5 million of CAR for FY 03 does not include any CAR resources appropriated in FY 02 and proposed to be rebudgeted in FY 03, as a complete and reviewed list of proposed rebudgeted projects had not been identified by the time the Preliminary Budget was filed. Rebudgeted CAR projects represent capital that was approved and funded in FY 02 but not anticipated to be encumbered or expended prior to the end of the fiscal year and proposed to be spent in FY 03. PBO has included an incomplete list of FY 02 CAR funded capital requested by departments as part of their budget submission in the Appendix. A

complete list of such rebudgeted projects will be provided to the Commissioners Court in September as part of the budget process.

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 03 is located in Appendix I.

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

<b>Type of Project/Department</b>	<b>Amount</b>
Reserve for replacement vehicles (partial funding, with \$386,250 from Certificates of Obligation). Specific vehicles to be determined.	1,550,000
New vehicles	45,000
911-RDMT Radios – (partial funding, with \$700,000 coming from CO's)	1,000,000
Replacement of County-wide personal & notebook computers and printers	1,000,000
ITS department computer equipment and software for County-wide technology infrastructure	336,750
Onion Creek Corp of Engineering Study	264,750
Correctional Complex projects, equipment and repairs	540,810
Other Sheriff's Office equipment needs	70,197
Other equipment among 15 other departments	271,382
<b>Sub-total</b>	<b>\$5,078,889</b>
CAR Reserve	421,111
<b>Total</b>	<b>\$5,500,000</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 \$3,029,760 for Transportation and Natural Resources (TNR) capital needs, as summarized in the table below.

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

Hot Mix Overlay	\$1,779,760
Type "F" Mix road projects	1,100,000
Spill control improvements – TNR satellites	50,000
Sidewalks	100,000
<b>Total</b>	<b>\$3,029,760</b>

In addition, there is \$606,010 in rebudgeted Road and Bridge capital projects from FY02 including: traffic signals (\$350,000), guard rails (\$80,000), Doyle Eilers Drainage project (\$156,010) and Springwillow claim settlement (\$20,000).

Furthermore, the Road and Bridge Fund has an Allocated Reserve of \$2,207,941 for compensation issues (\$246,894), health insurance increases (\$143,695), and other capital needs, (including replacement capital and traffic signals). This reserve is \$166,648 less than what is needed for all replacement capital (vehicles and the replacement of a survey system) and traffic signals. Another \$61,900 in capital needs is recommended to be funded from the Lower Colorado River Authority (LCRA) Capital Improvement Program (CIP) Fund. These are for dock and fence replacements at Arkansas Bend and Sandy Creek Parks. The funds for these projects are in the Special Fund’s Allocated Reserve pending review by the LCRA.

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 along with the LCRA projects.

**C. Debt Financing**

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

**1. FY 03 Certificates of Obligation**

A total of \$8,865,000 in funding from five-year Certificates of Obligation is recommended in the FY 03 Preliminary Budget as summarized in the table below.

**Projects Funded from FY 03 Certificates of Obligation**

<b>County-wide technology upgrades and infrastructure:</b>		
Major computer systems upgrades	\$870,000	
File server replacements	200,000	
Replacement of EOB and Precinct 2 PBX system	55,000	\$1,125,000
<b>County Facility Repairs and Building projects:</b>		
Precinct Four Office Building	677,000	
Courthouse Waterproofing repair	170,210	\$847,210
<b>Correctional Complex Repairs:</b>		
Roof repair for Building 130	800,000	
Other roof repairs	75,000	
Jail security fencing and lighting	288,000	
HVAC and duct replacement	175,000	1,338,000
<b>Roads and Parks:</b>		
Loop 1 North additional funding	500,000	
State Highway 45 North – additional funding	570,000	
Moya Park Repairs	398,072	\$1,468,072
County-wide Replacement Vehicles (partial funding, \$1.55 million funded in CAR)		386,250
Onion Creek Drainage Project		540,000
2 <sup>nd</sup> Phase of new computerized elections system		2,414,625



911-RDMT Radios (partial funding, \$1 million funded in CAR)		700,000
<b>Sub-Total</b>		<b>8,819,157</b>
Issuance Cost		45,843
<b>Total CO</b>		<b>\$8,865,000</b>

The projects listed above do not include \$5.7 million for two proposed construction projects to replace the rural health and community centers in Pflugerville and Oak Hill. The Commissioners Court approved the acquisition of land and the hiring of an architect to design these facilities during FY 02. The Court has not yet revisited the size of these projects in light of diminished resources, and has not addressed the programmatic implications of developing the facilities on a smaller scale, or excluding the construction of unused shell space, or making any programmatic changes that may have occurred due to a potential relationship with the Veterans Administration to provide indigent health care. The total estimated cost of these two rural centers is \$5.7 million, which would need to be added to the CO amounts listed above if they are approved for construction in FY 03.

**2. 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 was \$94,430,000. All of this authorization has been issued, either in the form of Road Bonds, Permanent Improvement Bonds, or Certificates of Obligation in lieu of bonds. The last remaining \$2,670,000 from this authorization was issued in FY02 for State Highway 130 Right of Way.

**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:

Project	Original Authorization	Issued in '01	Issued in '02	Remaining Authorization
State Highway 130	\$20,000,000	0	\$20,000,000	0
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	2,000,000	0
<b>Total Nov. 2000 Bonds</b>	<b>\$28,000,000</b>	<b>4,000,000</b>	<b>22,000,000</b>	<b>\$2,000,000</b>

\*Remaining authorization not scheduled to be issued in FY 03.

**D. November 2001 Bond Authorization**

A citizens committee was established during FY 01 by the Commissioners Court to provide advice and counsel on a roads and parks bond election in November, 2001. A total of \$184,955,000 in projects was submitted to the voters in four separate propositions and every ballot proposition passed. The table below shows the amount of the original authorization and how much was issued in FY 02.

<b>Project</b>	<b>Original Authorization</b>	<b>Issued in FY 02</b>	<b>Amount For FY 03</b>	<b>Remaining Authorization</b>
Local roads, drainage, bridges and pedestrian access	\$57,430,000	\$14,000,000	\$8,788,000	\$34,642,000
County park projects	28,600,000	13,000,000	4,337,000	11,263,000
State Hwy 45 and FM 1826 Right of Way	32,725,000	9,130,000	22,870,000	725,000
State Highway 130	66,200,000	66,200,000	0	0
<b>Total for November 2001 Bonds</b>	<b>\$184,955,000</b>	<b>\$102,330,000</b>	<b>\$35,995,000</b>	<b>\$46,630,000</b>

For FY 03, a total of \$35,995,000 of the \$82,625,000 remaining authorization is proposed to be issued in order to continue the implementation of these projects. This will leave \$46,630,000 to be issued in future years.

In FY 02, a total of \$127 million was issued that was authorized by the voters in multiple elections, as shown below.

**Voter Authorized Bonds Issued in FY 02**

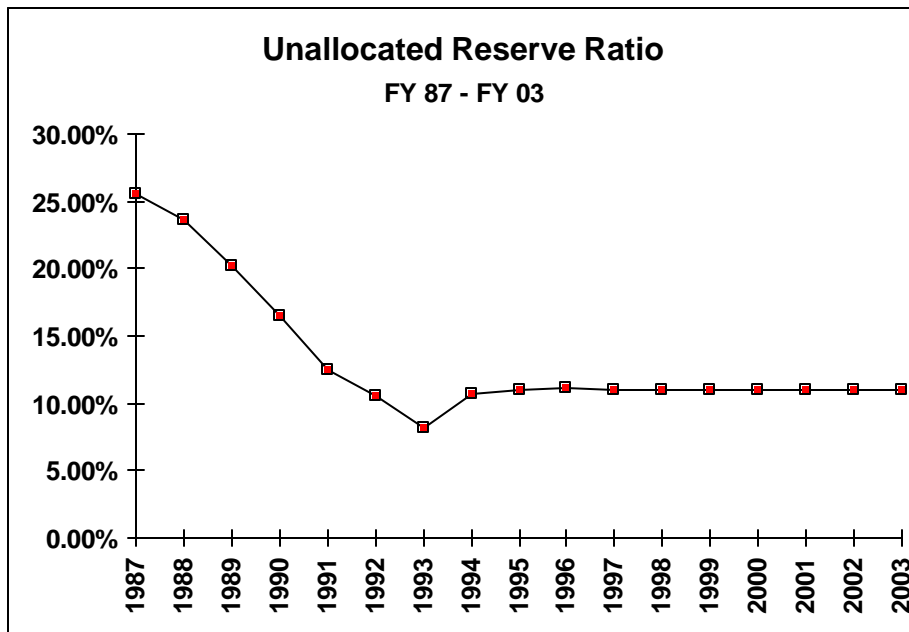
<b>Election Year</b>	<b>Amount Issued</b>	<b>Purpose</b>
November, 97	\$2,670,000	State Highway 130
November, 00	20,000,000	State Highway 130
November, 00	2,000,000	State Highway 45
November, 01	66,200,000	State Highway 130
November, 01	9,130,000	State Highway 45
November, 01	14,000,000	Local roads, drainage, bridges, and pedestrian access
November, 01	13,000,000	County park projects
<b>Total</b>	<b>\$127,000,000</b>	

**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%). 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 03 General Fund Unallocated Reserve in the Adopted Budget is \$28.9 million. As has been done since FY 00, the General Fund Unallocated Reserve in the Preliminary Budget for FY 03 carries the reserve requirements for the Road and Bridge 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. The FY 03 Preliminary Budget includes an Allocated Reserve of \$2,000,000. The total of this reserve represents less than 1% of the General Fund, and is less than the \$2.3 million that was budgeted in FY 02.

There are, however, potential claims against this Allocated Reserve. These potential 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. The Earmarks are not appropriations and departments should not consider them as departmental resources. These Earmarks total \$350,017. A listing and summary of these Earmarks against the Allocated Reserve are listed in Appendix I.

**C. Emergency Reserve**

In FY 02, the Commissioners Court established an "Emergency Reserve" in recognition that both the national and local economies had slowed down and showed signs of a potential downturn. This was a fortunate action, since this reserve will provide an opportunity for the Court to meet a variety of unanticipated FY 02 mid-year needs. This Emergency Reserve is included again in the FY 03 Preliminary Budget. The amount of this reserve is \$2.3 million, similar to the \$2.3 million level established in FY 02. This reserve is not intended to be spent in FY 03 except under the most unusual of circumstances. However, if unspent, it will provide a "shock absorber" to meet what are likely to be equally challenging financial circumstances in FY 04.

**D. Capital Acquisition Resources (CAR) account 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 \$429,148, which is approximately \$170,000 less than in FY 02. There is only one earmark against this reserve totaling \$35,602 as outlined in Appendix I.

**E. Tobacco Settlement Endowment**

A Tobacco Settlement Endowment reserve has been established to reflect the interest earned from 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 the interest from the Tobacco Settlement was used in FY 01 to fund a one-time shortfall at the Mental Health and Mental Retardation Center. In FY 02 the County received about 5% interest, and \$100,000 was placed in the reserve. No expenditures were made in that year. In FY 03, it is projected that the County will receive about 2.5% interest on its investments. Therefore, the interest from the Tobacco Endowment (carried in the Unallocated Reserve) has been estimated at \$50,000. When this FY 03 amount is added to the unexpended FY 02 amount, a total of \$150,000 has been placed in this reserve. It is available for expenditure or the Court may wish to leave this reserve unexpended so that it can grow in future years.

**VI. PROPERTY TAX RATE**

The total taxable value for all Travis County property has increased from \$57.65 billion in 2001 to an estimated \$62.37 billion in 2002. This is the final estimate and is expected to be close to the value to be certified by the Travis Central Appraisal District (TCAD) on July 25. The following data as well as the overall Preliminary Budget is based on TCAD final estimates. The new value is estimated at \$3.1 billion, compared to new value of \$3.7 billion in FY 02. The table below depicts the impact of the proposed tax rate of \$.4660 per \$100 of taxable value on the average residential homeowner declaring his or her house as a homestead.

**Impact on Average Homestead**  
**(All homestead values per Travis Central Appraisal District estimates of 7/18/02)**

	FY 02	FY 03	Difference
Average Appraised Value of all homesteads	\$171,836	\$189,823	\$17,987 10.5%
Taxable Value after 20% exemption	\$137,469	\$151,858	\$14,389 10.5%
Tax Rate	\$.4460	\$.4660	\$.0200
Tax reported in advertisement based on averages	\$613.11	\$707.66	\$94.55
Tax with 10% cap on any one individual homestead	\$613.11	\$704.66	\$91.55

The first four rows in the table above are those required to be placed in a newspaper ad and represent the averages for all homesteads (which reflect an increase from \$171,836 to \$189,823). When taking into account the 10% cap on any one single homestead, an individual homestead worth \$171,836 in '02 may only go up a maximum of 10% to \$189,020. This means that the tax impact on this individual homestead at the tax rate of \$.4660 is an annual tax of \$704.66, versus \$613.11 the year before. This is an increase of approximately \$91.55 (a 14.9% increase) as opposed to the \$94.55 shown above.

The FY 03 Preliminary Budget is balanced at a \$.4660 tax rate. This represents an increase of \$.0200 in the Tax Rate from the current \$.4460 per hundred of taxable value, equaling a 4.4% increase.

**PRELIMINARY BUDGET TAX RATES FOR TRAVIS COUNTY**

(Cents per \$100 of Appraised Value)

	<u>Adopted FY 02 Rate</u>	<u>Preliminary FY 03 Rate</u>	<u>Difference</u>	<u>% Change</u>
Operating Rate	\$.3546	\$.3626	\$.0080	2.3%
Debt Service Rate	.0914	.1034	.0120	13.1%
Total Tax Rate	\$.4460	\$.4660	\$.0200	4.5%