



PLANNING AND BUDGET OFFICE TRAVIS COUNTY, TEXAS

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November 22, 2002

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

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

Re: Fiscal Year 2003 Adopted Budget

Enclosed is the Travis County Adopted Budget for Fiscal Year 2003. It was adopted by the Commissioners Court on September 24, 2002, and will serve as the basis for the County's budget from October 1, 2002 through September 30, 2003.

Compared to other governmental organizations, the County is in reasonably good financial shape, as reflected by its "Triple A" credit ratings and strong fiscal infrastructure. The County does not face a financial crisis from the economic downturn or the September 11th events due to preparations made by the Commissioners Court in previous years. Past actions to increase both reserves and fund balances in anticipation of a future economic downturn have avoided any reduction in services provided to Travis County residents. In addition, the County is less reliant than other government entities on revenue sources that fluctuate with the economy, such as sales taxes.

Despite this comparatively strong financial situation, the unpleasant reality is that there are few opportunities for programmatic growth in FY 03. Moreover, the Commissioners Court recognizes that the additional revenue associated with new construction will likely diminish beginning in FY 04 due to a slowdown in construction associated with current economic conditions. Historically, the Commissioners Court has used additional resources from new construction to fund expanded services for Travis County citizens. Finally, this Adopted Budget has been developed under the assumption that one or more additional shocks to the economy are likely in FY 03 from numerous sources. Hopefully, such circumstances do not materialize, but prudence calls for the County to be prepared financially if they do.

Background

One year ago, in early October 2001, the Commissioners Court alerted departments "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 "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.

Within this context 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 along with the threat of military action in the Middle East. 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 were available in FY 04 and beyond. Departments were asked to prepare for slower resource growth 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 staff positions than in prior years. Furthermore, departments were advised to live within the resources allocated and to meet new needs by shifting resources internally.

Thus, there should be no surprise that the most prominent features of this budget are restraint, caution, vigilance, use of existing resources to meet new needs, and a reduction of new funding compared to prior years.

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 maintaining its high bond rating, this Adopted Budget has continued a prudent approach toward future debt and living within existing fiscal constraints.

Maintenance of Current Effort

This Adopted Budget includes additional resources to address contractual and programmatic requirements or prior commitments made by the Commissioners Court. These are called "Maintenance of Current Effort" obligations and 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 support:

- indigent defense attorneys fees (\$1,029,000);
- computer maintenance & licensing agreements & software support (\$841,000);
- health and human service programs (\$500,000);
- 911-RDMT one-time start-up and ongoing maintenance & operations (\$281,000);
- EMS base contract increases with the City of Austin (\$249,000);

- other computer support and Integrated Justice System temporaries (\$197,000);
- increased insurance premiums and reimbursements (\$176,000); and
- Facilities Management high priority building maintenance-related needs (\$175,000).

New Positions

This Adopted Budget includes 43.5 new regular Full Time Equivalent (FTE) positions funded with new General Fund resources. Thirty-one of these new positions are Corrections Officers in the Sheriff's Office, and the balance of 12.5 new positions are distributed among seven other offices. In addition, 12 existing Security Coordinator positions in the Sheriff's Office will be converted to Corrections Officers to aid in recruiting these hard-to-fill positions. Six positions were eliminated in the Absent Student Assistance Program (ASAP), reflecting a reduction in program support from the Austin Independent School District (AISD).

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 assigned to fully implement IJS. Another 12.4 FTE have been created within existing departmental resources through internal reallocations.

Jail Overcrowding

The most dominant programmatic theme influencing this budget is jail overcrowding. Essentially, there are too many pre-trial defendants and inmates staying in the County Jail for too long a period of time compared to the number of available beds. The prosecutors, the judges, the law enforcement community and the defense bar all have a role to play in helping to solve the problem. Too many inmates along with requirements from the State Jail Commission resulted in the Sheriff's Office exceeding its total FY 02 budget by more than \$4.0 million, and the County sending inmates to Limestone County at a cost of \$40 per inmate per day.

A Jail Overcrowding Task Force was initiated by the Commissioners Court. This Task Force developed a number of proposals to address the problem, and a goal was set in the FY 03 Adopted Budget to reduce the number of inmates by 300. However, because the Commissioners Court could not be guaranteed that this goal could be fully achieved, the Court believed it prudent to provide sufficient time to determine if the various proposed solutions would be effective. Therefore, Allocated and Emergency Reserves have been established at \$5.6 million, a level higher than in the FY 02 Adopted Budget. In addition, consideration of unresolved compensation issues was delayed until April 1, 2003.

The Commissioners Court added \$2,534,000 to the Sheriff's Office budget to fund 31 new Corrections Officers, convert 12 Security Coordinators to Corrections Officers, help support medical expense increases, and increased nurses salaries. These actions should, in turn, reduce overtime expenditures. A variety of internal reallocations were also made within the Sheriff's existing resources to help support these efforts. The Sheriff's Office budget further increased in FY 03 by another \$2.8 million to annualize mid-year FY 02 changes, fund law enforcement salary increases and skill based pay,

along with standard Peace Officer Pay Scale increases. Health and retirement increases for the Sheriff's Office cost another \$1 million. The total Sheriff's Office budget increased \$6.2 million (from \$79.5 million in FY 02 to \$85.7 million in FY 03).

Mid-Year Increases

In addition to the 43.5 new positions added to the FY 03 budget as referenced above, a variety of new positions were also added to departments at various times mid-year during FY 02. The Commissioners Court created 41 new General Fund FTE in FY 02 at a total annual cost of \$1.9 million. These resources were permanent increases and therefore were added to base budgets for FY 03. The largest of these mid-year increases were:

- 27 FTE added in the Sheriff's Office at an annualized FY 03 cost of \$984,000 (25 in the General Fund and 2 in a special revenue fund). These positions were needed to address certain staffing deficiencies identified by the State Jail Commission in February 2002.
- 6 FTE 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).
- 5 FTE added to Community Supervision and Corrections to strengthen accounting and financial reporting.

In addition to these staffing increases, the Commissioners Court approved adding another \$325,000 in operating funds to multiple offices that impacted the FY 03 budget. These increases addressed market-based and reclassification compensation issues (costing \$89,000 in the Medical Examiner's Office and \$71,000 in Health and Human Services), and provided \$165,000 in one-time funds for FY 03 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, totaling \$4.0 million as a result of the Jail Overcrowding problem discussed above. The second was in the Criminal Courts where the Commissioners Court had to transfer \$490,000 from the General Fund to augment the department's budget, primarily due to a new State statute affecting indigent defense requirements.

Employee Compensation and Benefits

The Adopted Budget contains \$2.8 million for employee compensation and health benefits in addition to a \$2.3 million compensation reserve. Of the \$2.8 million allocated to departments in the Adopted Budget, \$2.3 million is for increased health insurance costs. The remaining \$0.5 million was approved for employee retirement program increases, a 3% COLA for existing retirees, and elected officials salary increases. In addition, the existing departmental Budget Targets already included resources for career ladder increases, matching Sheriff's law enforcement officer pay to the Austin Police Department, and skill based pay for employees on the Peace Officer Pay Scale. The Commissioners Court delayed addressing other unresolved compensation

increases until April 1, 2003 due to uncertainties surrounding the FY 03 costs associated with jail overcrowding. The \$2.3 million compensation reserve was set aside for this purpose.

Tax Rate and Impact on Homestead Owner

The Adopted Budget is balanced at a 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 increased from \$171,629 to \$189,796. As a result, the average of all homesteads will see a \$95 per year (or about \$8 per month) increase in their County tax payments (from \$612 to \$707 annually). This represents a 15.5% 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 \$171,629 will have his or her taxable value increased by no more than 10% to \$188,792. As a result, this average homeowner will have a tax increase of about \$91 per year (about \$7.50 per month) in FY 03.

Reserves

The County's Unallocated Reserve has been established at 11% of expenditures (a percentage that has remained stable since FY 95). This amount totals \$29.2 million, reflecting resources in the General Fund, Road and Bridge Fund, and Debt Service Fund. The Allocated Reserve has been established at \$3.3 million, higher than the \$2.2 million level in FY 02 in order to provide necessary flexibility if the jail overcrowding problem is not fully solved within existing departmental budgets. In addition, the Emergency Allocated Reserve, first established in FY 02 solely for unanticipated emergencies, will be continued in FY 03 at the same level of \$2.3 million. The Adopted Budget also includes \$150,000 for the Tobacco Settlement reserve earmarked for Health and Human Service programs.

Capital Requirements

To meet the County's on-going capital needs, a total of \$64.5 million is included in the Adopted Budget from four basic sources - the General Fund Capital Acquisition Resources (CAR) account (\$6.5 million), the Road and Bridge Fund (\$4.9 million), and debt from both Certificates of Obligation (\$17.1 million) and long-term bonds authorized by the voters (\$36.0 million).

The Capital Acquisition Resources (CAR) account funds capital expenses in the General Fund and is established at \$6.5 million. This is approximately \$5.6 million lower than the FY 02 CAR account due primarily to the funding limitations in FY 03. This amount includes \$674,264 of CAR resources appropriated in FY 02 and rebudgeted in FY 03. The primary capital needs funded through this account (greater than \$500,000) are:

- departmental computer and printer replacements (\$1,589,000);
- priority technology projects executed through the Information and Telecommunications Systems Department (\$1,000,000);
- replacement vehicles (\$785,000); and
- Correctional Complex projects (\$551,000).

A total of \$17,100,000 in five-year and twenty-year Certificates of Obligation (CO's) will fund the more substantial capital needs in FY 03. The largest projects included within this CO issuance are:

- West Rural Center and Clinic and Precinct 3 building project (\$4.2 million);
- North Rural Community Center and Clinic (\$2.4 million);
- second phase of a computerized elections system, (\$2.4 million);
- 911-RDMT radios (\$1.7 million);
- roads and parks improvements (\$1.5 million);
- Correctional Complex repair and replacement projects (\$1.3 million);
- Mobile Data System for the Sheriff's Office (\$1.1 million);
- major computer systems upgrades (\$870,000);
- completion of the Precinct 4 Office Building construction (\$677,000);

A total of \$4.9 million in road and bridge projects and equipment will be funded from the Road and Bridge Fund. The larger of these projects include Hot Mix Overlay and F-mix road repairs, along with replacement heavy equipment, traffic signals, and a new work order system.

A total of \$36.0 million of long-term voter approved bonds authorized by the voters in November 2001 has been approved for issuance in FY 03. This issuance includes \$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. This debt resulted in the annual debt service payments increasing from \$53.1 million in FY 02 to \$64.5 million in FY 03. The voter approved projects funded from the FY 02 borrowing were \$88.87 million for the County's contribution toward the construction of State Highway 130, \$11.13 million for State Highway 45, \$13 million for parks and \$14 million for local roads.

This Adopted Budget represents a sound financial plan for FY 03. It 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 11th Street, Suite 540. The budget will also be made available in CD-ROM format in the Budget Office and in Adobe Acrobat format on Travis County's web site at http://www.co.travis.tx.us/planning_budget/default.asp.

FY 2003 ADOPTED BUDGET
TRAVIS COUNTY, TEXAS

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**PREFACE FOR READERS UNFAMILIAR WITH THE STRUCTURE AND ROLE OF
TEXAS COUNTY GOVERNMENT**

Texas County government focuses primarily on the judicial system, health and social service delivery, law enforcement, and upkeep of County maintained roads. In contrast to other parts of the country, Texas counties seldom have responsibility for schools, water and sewer systems, electric utilities, and commercial airports. County governments in Texas have no ordinance-making powers other than those explicitly granted by state legislative action.

The state's 254 counties have similar organizational features: a governing body (the Commissioners Court) consisting of one member elected County-wide (the County Judge), and four Commissioners elected from geographically unique precincts. The County Judge is so named because he or she often has actual judicial responsibility. In urban counties, the County Judge is primarily an executive and administrator, in addition to being the presiding officer of the Commissioners Court. Other elected officials in each county are the County and District Clerks, the County Tax Assessor-Collector, the County Sheriff, a District and/or a County Attorney, the County Treasurer, and one or more Constables. All judges (District Judges, County Court-at-Law Judges, and Justices of the Peace) are also elected. The State District Judges in each county select the County Auditor, who serves as the chief financial officer for the County.

The Commissioners Court serves as both the legislative and executive branch of county government, and exercises budgetary authority over virtually all county departments, including those headed by other elected officials. The high number of elected officials, including many with judicial authority, creates an organizational structure unlike more familiar public sector designs, which usually contain a Chief Executive or Operating Officer and a Board that focus on broad policy matters.

County services in Texas are financed primarily by (a) an ad valorem tax on real property and business inventory, and (b) a complex array of fees, fines, service charges and state payments. The County Commissioners Court sets the property tax rate annually, subject to a public hearing. Most of the other revenue sources are established in state law and may be changed only through legislative action.

THE ORGANIZATIONAL STRUCTURE OF TRAVIS COUNTY

This Fiscal Year 03 Adopted Budget is organized around the following four basic program areas:

- **Justice and Public Safety**
- **Health, Human and Veterans Services**
- **Transportation and Natural Resources**
- **General Government and Support Services**

The next page shows the approved organization chart for Travis County as of the adoption of this budget.

THE VISION, VALUES AND MISSION OF TRAVIS COUNTY

The following statements have been developed by the Commissioners Court in an effort to describe Travis County's vision, values and mission.

A. The Vision for Travis County

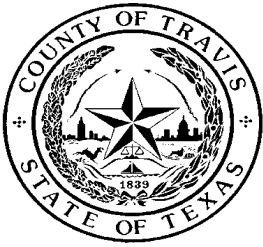
We envision an open, diverse community where all people are safe and healthy and can fulfill their hopes and dreams; one which provides a good quality of life and protects our natural resources for ourselves and future generations.

B. The Values that Guide Travis County Government

Taking responsibility, public trust and accountability, good customer service, excellence in performance, sound fiscal policy, respect for the individual, honesty and openness, caring, collaboration and cooperation.

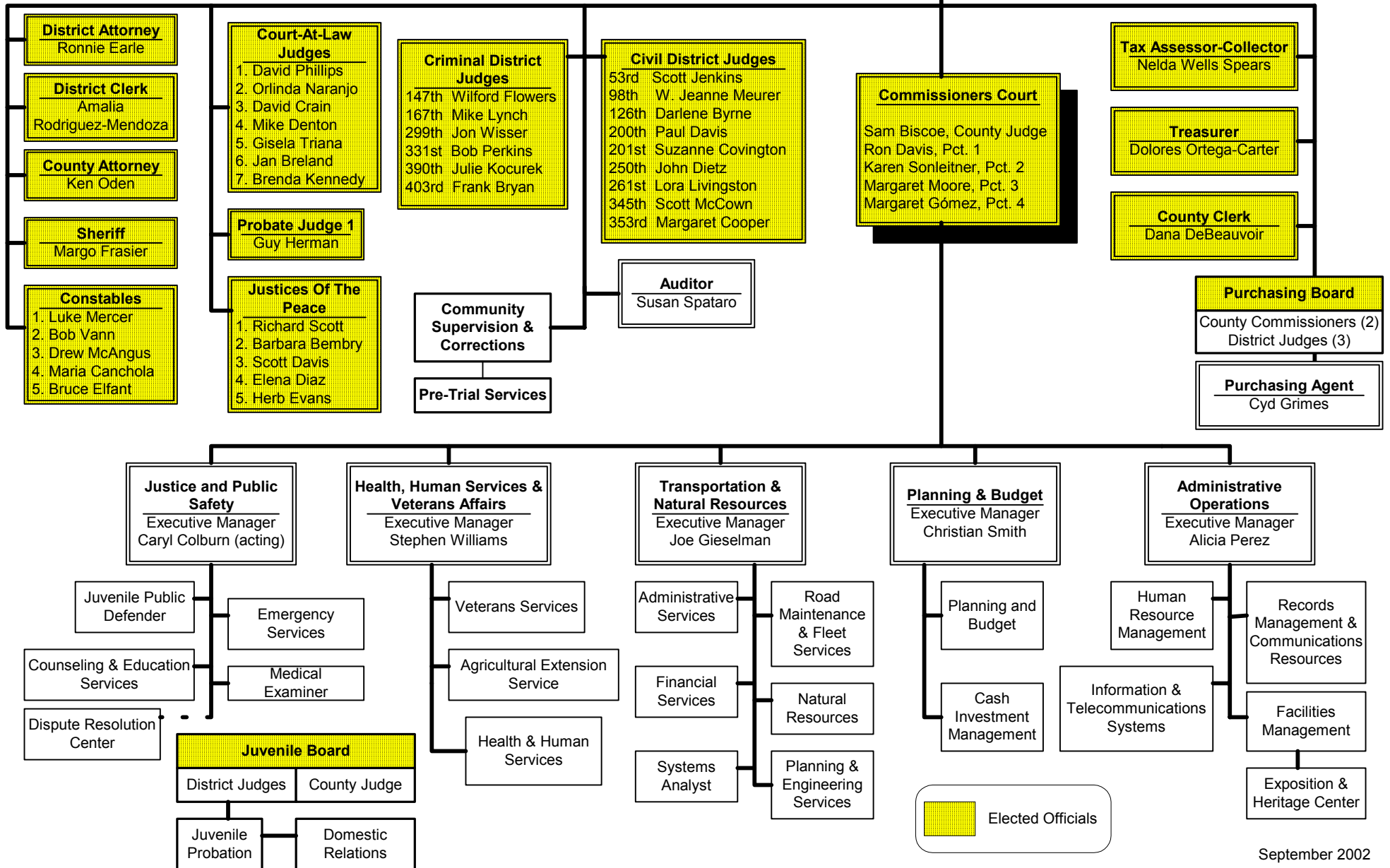
C. The Mission of Travis County

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



TRAVIS COUNTY

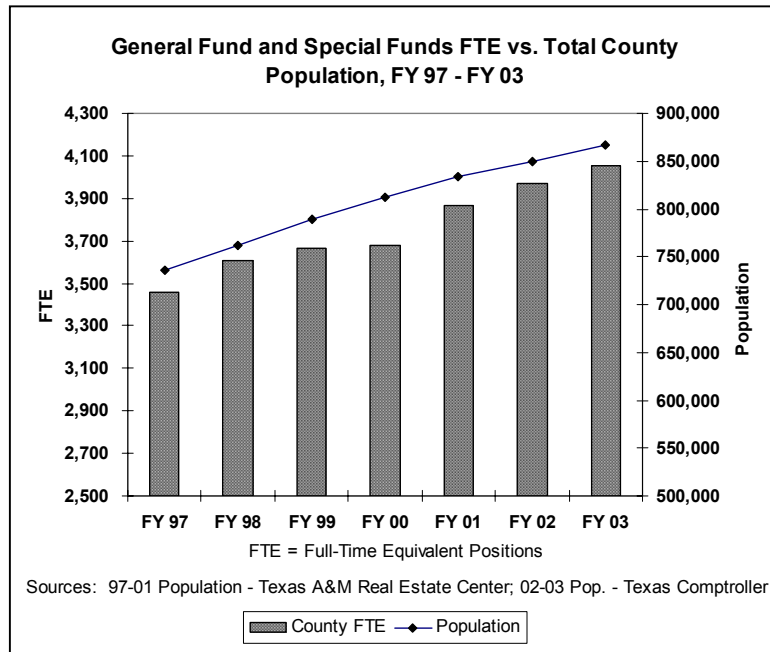
Travis County Voters



FY 2003 ADOPTED BUDGET
EXECUTIVE SUMMARY

I. BACKGROUND TO THE BUDGET SETTING PROCESS

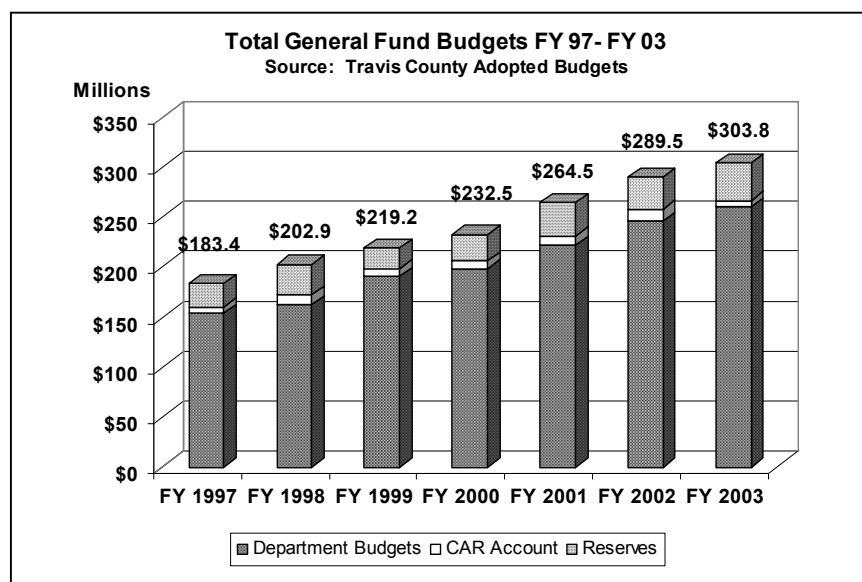
While Travis County has been a growing and vibrant area with a healthy economy and rising revenues, the continued demand for budgetary increases over the last several



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 596 Full Time Equivalent (FTE) positions to the General Fund and Special Funds between FY 97 and FY 03 (from 3,459 positions in FY 97 to 4,055 positions in FY 03) representing a 17% increase over the 6 years,

equivalent to a 2.7% average annual increase. This increase closely tracks with the average increases in the County's population. According to the Texas A & M Real Estate Center and the Texas Comptroller, between 1997 and 2003, the average annual increase in Travis County's population will be 2.8%, going from 736,587 residents in FY 97 to an estimated 867,466 residents in FY 03. The Court has also approved over \$120.4 million of increases in the General Fund budgets over this same time period (from \$183.4 million in FY 97 to \$303.8 million in FY 03, equaling a 65.6% increase over the same time frame (or an 8.8% average annual increase).

But the events of 2001 and 2002 have significantly impacted the ability of the Commissioners Court to meet new needs. The development of the FY 03 Travis County 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.

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 "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 reminded departments about a variety of steps 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 2001 "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 Adopted Budget has been strongly influenced by a lack of resources to address new departmental funding requests.

Within this context in late January 2002, the Commissioners Court formally adopted a set of budget principles and guidelines for developing the FY 03 budget. This Adopted 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 along with concern over possible military action in the Middle East. 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 were available in FY 04 and beyond. Departments were asked to prepare for slower resource growth 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 FTE than in prior years. Furthermore, departments were advised to live within the resources allocated and to meet new needs by shifting resources internally.

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 a reduction of new funding compared to prior years.

II. BASIC COMPONENTS OF THE FY 03 ADOPTED BUDGET

A. All Funds

FY 03 Adopted Budget – All Funds

	Adopted FY 02 Budget	Adopted FY 03 Budget	\$ Change	% Change
General Fund	\$289,475,878	\$303,794,476	\$14,318,598	4.9%
Road and Bridge Fund	21,180,062	22,050,359	870,297	4.1%
Debt Service Fund	64,123,180	74,971,444	10,848,264	16.9%
Capital Projects Fund (1)	58,617,981	0	(58,617,981)	(1)
Internal Service Funds:				
Risk Management Fund	12,918,702	11,212,259	(1,706,443)	(13.2%)
Employee Insurance Fund	18,334,435	22,162,255	3,827,820	20.9%
Other Funds	19,511,907	20,981,692	1,469,785	7.5%
Less Transfers	(5,771,668)	(5,708,035)	63,633	(1.1%)
Total	\$478,390,477	\$449,464,450	(\$28,926,027)	(6.0%)

(1) For FY 03, the actual ending balances of all Capital Projects will be rebudgeted. Since these actual balances are not available until after the budget is adopted, estimated maximum amounts are included in the Budget Order rather than budgeting a separate Capital Projects Fund.

A recapitulation of the FY 03 Adopted Budget is found in the Appendix. The FY 03 Adopted Budget total for all funds is \$449,464,450, compared to the previous year’s FY 02 Adopted Operating Budget for all funds of \$478,390,477. Please note, however, that the Capital Projects Fund of \$58.6 million is excluded from the FY 03 totals.

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 Adopted Budget contains General Fund expenditures and reserves totaling \$303,794,476. This represents a \$14,318,598 increase, or 4.9% above the FY 02 General Fund Adopted Budget of \$289,475,878. General Fund revenue is based on the Auditor’s Fifth (and final) Revenue Estimate, which incorporated a tax rate of \$.4660 on a certified appraised value of \$62.38 billion. This tax rate represents an increase of \$0.0200 from the current tax rate of \$.4460. The table on the following page summarizes the major components of the General Fund budget.

FY 03 Adopted Budget – General Fund

	Adopted Budget FY 02	Adopted Budget FY 03
Beginning Fund Balance	\$43,698,506	\$36,528,725
Property Taxes	199,646,489	223,100,326
Other Revenue	46,130,883	44,165,425
Total General Fund Revenue	\$289,475,878	\$303,794,476
Unallocated Reserves	25,228,756	29,217,120
Capital Acquisition Resources Acct. (CAR)	12,107,095	6,534,900
Emergency Allocated Reserve	2,328,126	2,286,554
Regular - Allocated Reserve	2,200,000	3,318,131
Risk Management Reserve	600,000	
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
Combined Emergency Communications Center Reserve		280,717
Sub-Total	43,782,026	41,787,422
Departmental Base Budgets	235,183,834	255,932,209
Wage Requirements:		
Health Benefits Increases	\$2,157,238	2,291,655
Compensation adjustment – Regular ‘02	4,648,163	
Compensation adjustment – POPS ‘02	2,540,646	
Compensation Reserve – ‘03		2,275,444
POPS Sheriff's Law Enforcement	875,461	693,000
POPS skill based pay	Included above	106,500
Career Ladders	222,904	183,720
Elected officials salaries	Included above	17,184
Increase in retirement contribution		352,314
Retirement increases to retirees (COLA)	65,606	155,028
Sub-Total Wages and Benefits	10,510,018	6,074,845
Total Expense	289,475,878	\$303,794,476

1. Departmental Budgets in the Adopted Budget

The Appendix contains a comparison of departmental General Fund Adopted Budgets from FY 01 through FY 03. The Adopted Budgets for all departments increased from \$221,491,408 in FY 01 to \$245,693,852 in FY 02 and to \$259,731,610 in FY 03 (these figures exclude CAR amounts).

2. Personnel Changes

Programmatic expansions requiring additional resources resulted in a total of 43.5 new regular FTE added to the FY 03 General Fund budget. Thirty-one of these new positions are Corrections Officers in the Sheriff's Office, needed to reduce overtime and meet requirements of the Texas Jail Standards Commission. Staff increases that are greater than one FTE in a department include:

- 3 additional positions added to the District Clerk's Office as recommended by the County Auditor's fiscal team for GASB 34 accounting requirements and increased fiscal controls and reporting capability;
- 2 new positions added in the District Attorney's Office to expedite Court dockets for drug cases (the "Rocket Docket");
- 2 positions added in the County Clerk's Office to accommodate increased workload due to jail overcrowding and new statutory requirements; and
- the new Truancy Court received 2.5 FTE (two FTE in Juvenile Court funded through Title IV-E funds and a .5 FTE attorney in the District Attorney's Office).

The relatively small number of new FTE funded (aside from the Sheriff's Office) reflects the guidance provided by the Commissioners Court to establish much higher standards than in previous years for funding new FTE.

Another nine temporary 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). Funds for temporary positions were also added to ITS to support the E-Filing project.

The Austin Independent School District redirected funds away from the County's Absent Student Assistance Program (ASAP) toward other truancy purposes. This reduction in revenue resulted in a \$293,726 reduction in the ASAP budget and the elimination of six FTE dedicated to this program.

In addition to the new FTE funded in FY 03, Commissioners Court approved a number of internal changes that both increase and decrease the number of approved FTE. These changes are summarized in the table on the following page.

The FTE shown in the table on the following page represent net changes in regular personnel (excluding any temporary positions). All FTE changes are shown in the table in the Appendix entitled, "New, Removed, and Transferred Positions in the FY 03 Budget." These changes include internally funded FTE changes along with positions funded in FY 03 from a different funding source than in FY 02.

New or Changed FTE Internally Funded Within Departmental Budget Targets

Department	FTE	Purpose
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. Elimination of two hard-to-fill jail maintenance workers and use of savings for a new ongoing service contract. One existing temporary background investigator in place for two years was made permanent, and 2 FTE added for FY 02 were eliminated for a total FTE change equaling a 1.5 FTE reduction.
Health/Human Services (HHS)	4.34	Changed 3.5 Case Manager positions in the Neighborhood Conference Committee from temporary to permanent. Reclassification of a vacant Social Services Transporter position to a Prevention and Early Intervention Mgr. supervising 17 staff. Funding for two existing positions was shifted between grant funds and the General Fund. Also, one part-time position was transferred from the FQHC Fund to the General Fund.
Records Management	(1)	Elimination of copier repair tech due to lease program, and make permanent a temporary web technician (already in the departmental FTE count).
Juvenile Court	5.6	Reallocation of unused FY 01 performance based pay for: 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 Prec. 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 Prec. 3	1	Conversion of temporary position to permanent position.
Constable Prec. 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 Pub. 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.
District Attorney	(1)	Assist. DA III removed due to modified nuisance abatement interlocal
Counseling & Education Services	1	Reallocated internal resources to create an Office Specialist, Sr.
JPS and Criminal Courts	0	Research Analyst transferred from JPS to Criminal Courts for FY 03
Total	12.44	

3. Increased FY 03 Base Budgets Due to FY 02 Actions

During FY 02, the Commissioners Court took certain actions that increased departmental budgets in FY 03. The largest increase was in the Sheriff's Office and reflected requirements from the Texas Jail Standards Commission to meet certain State standards. These requirements led the Court to increase the number of FTE in the jail

system in the middle of FY 02 by 27 FTE at an annualized cost of \$983,946. (25 of these FTE were in the General Fund and 2 were in a special revenue fund). There were also 6 FTE added mid-year (5 in the County Auditor’s Office and one in ITS) for a financial team to work on County-wide financial systems projects, and 5 FTE were added to Community Supervisions and Corrections Department to support the financial infrastructure of the department.

The following table displays the mid-year budget augmentations that required FY 03 departmental budget targets to increase by \$2.3 million.

Midyear FY 02 Augmentations to FY 03 Budgets

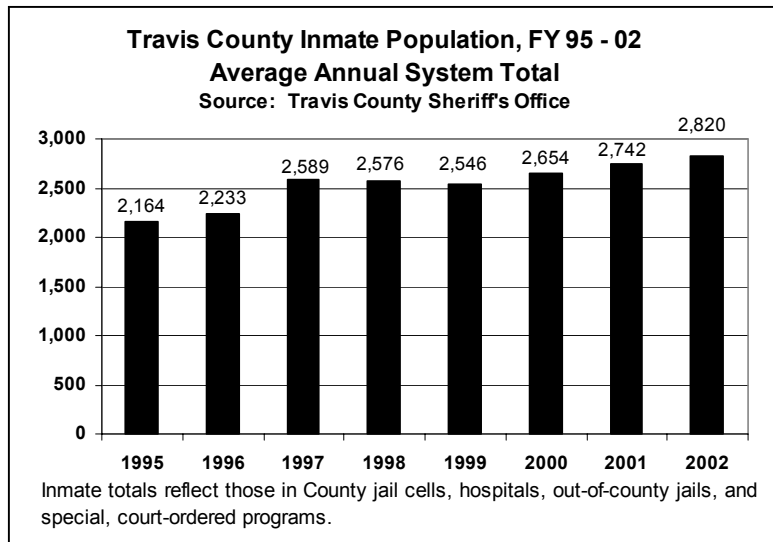
Department	FTE	Annual Cost	Purpose
Sheriff’s Office	25	\$983,946	Staffing deficiencies identified by State Jail Standards Commission (plus 2 FTE in a special revenue fund).
County Auditor	5	344,183	Financial team to work on County-wide financial systems projects.
Comm. Superv. & Corrections	5	236,494	To support financial infrastructure of the department.
District Attorney	1	97,082	Assistant DA under Texas Mutual Insurance Co. interlocal.
ITS	1	92,415	Database Administrator to address CSCD’s Real World computer system conversion.
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 offsetting revenue.
Constable 5	.5	0	Conversion of temporary to regular position.
Facilities Mgt.	1	-	To replace a custodial contract.
Sheriff’s Office	(.5)	(\$11,820)	Elimination of Building Maintenance Worker to create .5 FTE Corrections Financial Analyst.
Sub-Total	41	\$1,938,237	
Other Increases:			
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 FY 03 social service contracts.
Total	41	\$2,263,816	

4. Jail Overcrowding

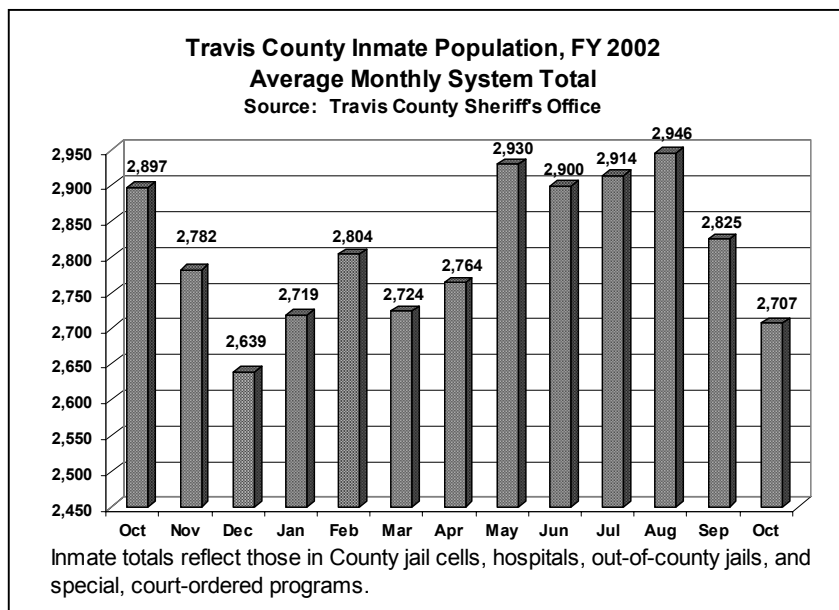
The most important programmatic issue that surfaced during FY 02 was an increase in the number of inmates in the County’s jail system combined with a review from the State Jail Commission revealing changes that needed to be made by the Sheriff’s Office in staffing requirements. These changes resulted in overcrowding and led the

Commissioners Court to establish an \$852,000 Jail Overcrowding Reserve in the middle of FY 02. These funds were used to support the costs of transferring inmates to Limestone County at a cost of \$40 per day per inmate.

Once the jail overcrowding problem surfaced, it became the dominant programmatic theme influencing this FY 03 budget, due to the magnitude of resources necessary to address this issue. The Sheriff's Office is the largest office in the County and if left unsolved, jail overcrowding could cost many millions of dollars in FY 03 and beyond.



The problem stems from too many pre-trial defendants and inmates staying in the County Jail for too long a period of time in relationship to the number of available beds. The prosecutors, the judges, the law enforcement community and the defense bar all have a role to play in helping to solve the problem. To address this problem in FY 02, the Sheriff's Office had to increase overtime, medical services, and other costs by \$4.0 million beyond the office's budget. These additional expenses included sending inmates to another county at a cost of \$40 per inmate per day.



To address this problem over both the short term and the long term, the Commissioners Court established a Jail Overcrowding Task Force in spring, 2002. This Task Force is composed of officials in the criminal justice system who were challenged to propose ways to address the jail overcrowding problem. A goal was set in the FY 03 Adopted Budget of reducing the number of inmates by 300 through a

combination of actions, including redirecting class C warrant arrests, reducing jail time prior to trial on misdemeanors, reducing time taken to process felony drug cases, and building a new visiting judge's courtroom for jail cases. However, the Commissioners Court was not guaranteed that this reduction in inmates could be fully realized in FY 03,

and believed it prudent to provide enough time to determine if the various proposed solutions to this problem would be effective. Therefore, Allocated and Emergency Reserves have been established in the FY 03 Adopted Budget at \$5.6 million (almost \$1.1 million higher than in FY 02), and consideration of unresolved compensation issues was delayed until April 1, 2003. A \$2.3 million Compensation Reserve was set aside for this reason. In addition, transfers from the Allocated and Emergency Reserves that are not related directly to either solving the jail overcrowding problem or funding its results were frozen until April 1, 2003, unless "dire unanticipated emergencies arise that place public safety at jeopardy." As a result of these actions, the Commissioners Court will have enough flexibility to provide mid-year resources if solving the overcrowding problem does not occur as quickly as anticipated or within the resources already allocated to the affected departments.

In FY 03 \$2,534,000 was added to the Sheriff's Office budget to fund 31 new Corrections Officers, convert 12 Security Coordinators to Corrections Officers, help reduce overtime, support medical and pharmaceutical expense increases, and increase nurses salaries. A variety of internal reallocations were also made within the Sheriff's existing resources to help support these efforts. The Sheriff's Office budget further increased by \$2.8 million to:

- annualize mid-year FY 02 changes (\$1,121,097);
- fund law enforcement salary increases (\$693,000);
- fund skill based pay (\$105,000); and
- fund standard Peace Officer Pay Scale increases (\$913,360).

Another \$860,000 was added for health benefits and \$208,000 for retirement costs. The entire Sheriff's Office budget increased a total of \$6.2 million (from \$79.5 million in FY 02 to \$85.7 million in FY 03).

In addition to resources added to the Sheriff's Office to address jail overcrowding, the District Attorney's Office budget received \$121,594 to fund an expedited process for handling felony drug cases and an additional night of Drug Court. An attorney and a senior office specialist were added in order to accomplish the movement of these cases through the criminal justice system more quickly (which is why this program is called the "Rocket Docket"). The County Clerk's budget was also augmented by \$72,760 to handle increased workload driven by the jail overcrowding situation as well as new legislation.

5. Other Major FY 03 Funding Issues

The following major funding issues have been incorporated into the FY 03 Adopted Budget (outside the Sheriff's Office resources as outlined above). Many of these involve resources for "Maintenance of Current Effort" requirements which 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 Defense Attorney Fees

The 77th Texas Legislature passed the Fair Defense Act (FDA) to reform the process 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 defense attorneys who handle indigent cases in Travis County. This new fee schedule resulted in the Commissioners Court increasing the Criminal Courts budget for indigent defense attorneys' fees by \$700,000 in FY 03. This funding is supplemented by a \$329,495 grant from the State. Thus, the total budget for indigents' attorney fees increased from \$3,078,298 in FY 02 to \$4,107,793 in FY 03. Moreover, an additional \$100,000 earmark against the General Fund Allocated Reserve was also established for indigent defense costs if this budget is not sufficient.

b. Computer Maintenance and Licensing Agreements

The Adopted Budget includes an additional \$886,000 in Information and Telecommunications Systems 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 no longer 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 expenses include 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 implementation of the 911-RDMT program (Radio Dispatch Mobile Data Transportation).

The ITS department also received \$92,415 in additional funds for a new database administrator position to accomplish the conversion necessary to move CSCD from Real World to a new financial system.

A total of \$1,000,000 was further added to ITS through the Capital Acquisition Resources (CAR) account to help the department improve the County's technological infrastructure. These resources are currently not allocated to specific projects and proposed improvements will be prioritized. ITS will recommend to the Commissioners Court the highest priority technology improvement projects in FY 03.

In addition, ITS received \$1,589,250 in capital funds from the CAR account to fund new and replacement personal computers and printers throughout the County.

c. Health and Human Service Needs

The downturn in the economy and the increase in health expenses have increased the demand for and the cost of programs provided by the Health and Human Services (HHS) Department. In order to partially address these needs, a total of \$500,000 in additional funding is included within the Adopted Budget to be allocated to the highest priority needs for HHS clients. The management of HHS has been 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 in FY 03.

d. E-Filing Project

The E-Filing project will establish a system for the electronic filing, viewing, and storing of court documents via the internet. Attorneys will have the option to file electronic documents on the internet or paper documents in the Courthouse. If filed by paper, the documents will be scanned to create an electronic image. Both options will ultimately allow users to view filed documents via the internet. This project is needed because the volume of Civil District Court filings has increased to the point that the District Clerk's Office can no longer maintain efficient filing, circulation, and storage systems. This solution will ultimately have court records stored on a file server rather than in a file room.

A total of \$265,774 was approved for personnel and operating expenses in FY 03. Of this amount \$258,251 is included in ITS to fund temporary employees, an upgrade for a division manager and a technical position, a full time project coordinator, along with training and supplies. The remaining \$7,523 is budgeted in Records Management for a position upgrade. In addition, the FY 03 Adopted Budget includes \$352,220 for one-time computer hardware and software. Of this amount, \$252,220 will come from Certificates of Obligation, \$50,000 will come from the County Clerk's Records Management Fund, \$25,000 will come from the Civil Court Petit Jury Fees, and \$25,000 will come from the CAR allocation made to Information and Telecommunications Systems.

e. Financial and Research Analysts for the Criminal Courts

The Criminal Courts were appropriated \$52,838 to fund a new Financial Analyst to help provide financial support to this department. The department's budget is over \$9 million and includes \$5.1 million associated with mandated services such as indigent defense attorneys fees, court ordered services, interpreters, and jury fees. These expenses have typically fluctuated from year to year (sometimes rather significantly). Historically, the department has not had extensive internal fiscal or analytic support, which this position will now provide. In addition to this new position, a research analyst position will be temporarily transferred from Justice and Public Safety to the Criminal Courts to assist with the research and management of indigent defense and jail overcrowding issues in FY 03.

f. Facilities Management

A total of \$175,000 was added to Facilities Management to help that department improve its support of the physical infrastructure throughout the County. These resources are intended to be prioritized and dedicated to the highest priority projects facing the County. Since the adoption of the budget, the Commissioners Court approved the department's proposal for 5 FTE, additional temporary security positions, additional cellular and radio airtime, and to assist with carpet replacements.

g. 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 City of Austin FY 02 performance based pay, FY 03 health insurance increases and one-time equipment purchases.

h. Combined Emergency Communications Center (CECC)

The Combined Emergency Communications Center is expected to be fully operational in FY 04. Its total annualized cost to the County may be as high as \$1.4 million. This significant operating cost will 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 Adopted 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, utilities, security, and maintenance costs for the building.

i. Insurance Costs

The County's insurance costs for aviation, property, professional liability, unemployment insurance and excess worker's compensation will increase by \$175,915. These increases are required to maintain the same level of coverage as in FY 02.

j. Collections Pilot Program

During FY 02, the Tax Office received \$100,000 to establish a pilot program to increase the amount of court fines and fees actually collected by the County. However, the funds remained unexpended. This pilot program could not be implemented in FY 02 due to complexities in securing automated and detailed information on the amount owed and the identity of individuals owing court-ordered fines and fees. These problems should be addressed 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 Adopted Budget for the Tax Office to establish the beginnings of a county-wide collections program.

k. District Clerk GASB 34 and Accounting Needs

In FY 02 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 an increase of 3 FTE for the District Clerk's Office to meet GASB accounting and financial reporting requirements. The Adopted Budget includes \$185,688 for this purpose.

I. Transfer to Balcones Canyonland Preservation Fund

The Balcones Canyonland Preservation Fund was established to enable the County to meet its obligations and requirements under a Federal Endangered Species act permit issued to the County and the City. The program was established in FY 97 and derives income from the issuance of participation certificates under this permit to provide funds for habitat lands. A total of \$838,808 has been added to the Transportation and Natural Resources (TNR) Adopted Budget for the increased transfer from the General Fund to the Balcones Canyonland Preservation (BCP) 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.

m. Absent Student Assistance Program (ASAP) Reductions

The Absent Student Assistance Program (ASAP) has been a jointly funded partnership between Travis County and three school districts (the Austin Independent School District (AISD), the Del Valle ISD, and the Pflugerville ISD). The program involves representatives from the Constables' offices visiting the homes of truant children in an effort to reduce truancy. The program received \$298,660 less revenue in FY 03 due to a decision by AISD to redirect funds that were previously used to support ASAP toward other high priority truancy purposes. This action resulted in a reduction of the ASAP expenditure budget by \$293,726. One Constable's Office will not have staff dedicated to the program but will answer truancy calls on an ad hoc basis. The other Constables' offices will retain a more limited staff to respond to a more focused level of truancy referrals from the school districts. Six FTE were reduced as a result of this program restructuring.

n. Other Maintenance of Current Effort and Programmatic Increases

There are a variety of other requests funded within the Adopted Budget, as outlined in the table below. This table summarizes those items greater than \$25,000 that have not been highlighted above. Items less than that amount are not displayed but are included within the detailed departmental budget descriptions.

Other Maintenance of Current Effort and Programmatic Increases
(Only items costing over \$25,000 are shown)

Department	Program or Function	Cost
Emergency Med. Serv.	Increased helicopter maintenance costs	\$85,000
Transportation and Nat'l Resources	New Work Order System to improve creating, scheduling, tracking, and closing work orders	*80,663
Facilities Management	County-wide maintenance/repair increases	80,413
Constable, Precinct 3	New Sergeant position to provide better supervision and added revenue	58,407
Justices of the Peace & Constables	Continue 2 GASB 34 temporary positions for another year	58,346
Transportation and Nat'l Resources	Support for Storm Water Mgt. Program	**56,554
County Clerk	Increase pay to \$9/hr. for election workers, Judges and Clerks to match City rates and aid recruiting	53,550
Facilities Management	Moving costs for Precinct 4 Office Building	50,000
Human Resource Mgt.	One-time litigation expenses (mostly rent)	48,552
Medical Examiner	Increased cadaver transport costs	47,721
General Administration	Increased interest expense for awarded property tax judgments	41,195
Transportation & Nat'l Resources	Increased vehicle maintenance due to keeping vehicles longer	39,200
Records Management	Increased copier leases	36,389
Juvenile Court	Bring state-funded Progressive Sanctions staff salaries to County pay grades	35,365
General Administration	Increased Appraisal District Fees	33,730
Justice of the Peace 5	Court Clerk for workload increase in truancy cases	31,920
Facilities Management	Moving costs for North Rural Community Center	30,000
Criminal Courts	Court ordered services costs	27,000

* plus \$188,214 in Road & Bridge Fund

** plus \$50,000 in Road & Bridge Fund

C. Workforce Investment

The Adopted Budget contains an additional \$2.8 million for employee compensation and health benefits. Of this amount, \$2.3 million is for increased health insurance costs. The remaining \$.5 million was approved for the following:

- employee retirement program increases (\$352,314);
- a 3% COLA for existing retirees (\$155,028); and
- elected officials' salary increases (\$17,184).

In addition, the existing Budget Targets for departments already included resources for:

- career ladder increases (\$183,720);
- matching Sheriff's law enforcement officer pay to the Austin Police Department pay scale (\$693,000); and,
- skill based pay for employees on the Peace Officer Pay Scale (\$106,500).

Other unresolved compensation increases were delayed for consideration until April 1, 2003 due to uncertainties surrounding the jail overcrowding problem. A \$2.3 million compensation reserve was set aside for this purpose if not required for jail overcrowding.

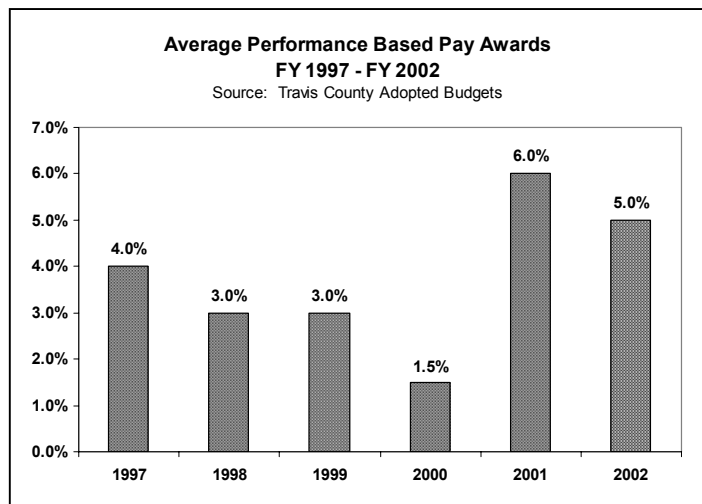
1. Health Benefits

Travis County's health benefits were 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 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 \$2,291,655 is included within the Adopted 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 increased from \$18,334,435 in FY 02 to \$22,162,255 in FY 03 due to an increase in County, employee and retiree contributions as well as the fund balance.

2. Compensation Reserve

Each year, the Commissioners Court addresses a variety of employee pay adjustments. The chart to the right reflects the total percentages of salaries appropriated to departments for Performance Based Pay (PBP) since FY 97. In FY 2001 and FY 2002 departments were allowed flexibility to use their PBP budgets for purposes other than PBP awards.



For FY 03, the Commissioners Court decided to delay a decision on any unresolved compensation issues until April 1, 2003 in order to provide sufficient time to resolve the jail overcrowding problem. The magnitude of this problem is potentially so large that such action was viewed as prudent. The outstanding compensation issues include the amount and distribution of performance based pay, the results of the Market Salary Survey completed in FY 02, and various proposals to modify the Peace Officer Pay Scale (POPS). The Compensation Reserve totals \$2,275,444.

3. Elected Officials' Salaries

The Commissioners Court is the statutorily designated entity to approve pay increases for elected officials. To meet this requirement, the Commissioners Court first

established a Citizens Advisory Committee on Elected Officials' Salaries in January 2001. The report of this Committee on FY 03 salary recommendations was submitted on July 11, 2002 and was formally accepted by the Commissioners Court. The Court decided to delay any compensation increases for elected officials until April 1, 2003. The Commissioners Court also declined the recommended pay increases for individual Court members. The Order setting elected officials' salaries is included in the Appendix, and a total of \$17,184 has been included in the Adopted Budget for this purpose beginning April 1, 2003.

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.

For FY 03, the Commissioners Court decided to make an exception to this policy and issue twenty year debt in the form of Certificates of Obligation for certain high priority projects that have a useful life of over twenty years. This strategy will result in a lower annual debt service payment for assets although the overall cost of the debt will be higher as the borrowing period is longer. The specific projects were for major building projects, roads, and park infrastructure and are identified below.

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 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 (CAR) account due to constraints on General Fund resources discussed above. Moreover, additional debt capacity for borrowing is limited due to the impact to the debt service of the \$127 million that was borrowed in FY 02.

The Adopted Budget has addressed these resource limitations by only funding capital projects and equipment that meet the following criteria:

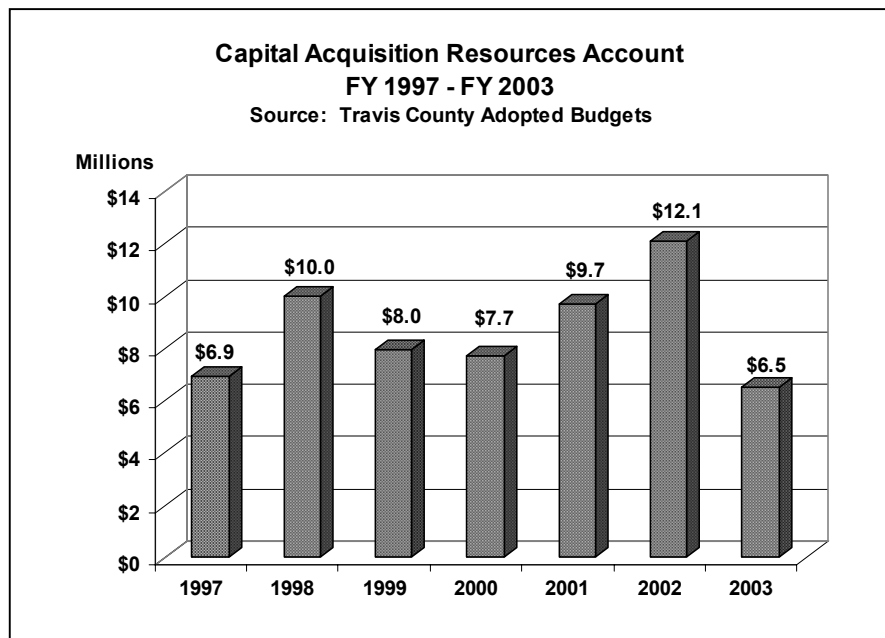
- Projects either in the middle or end of their multi-year phased implementation (such as 911/RDMT radios, the US Army Corps of Engineers Onion Creek study, or Loop 1 North);
- Projects where there is little choice but to fund them for health and safety purposes or to avoid future expenses that would be greater (such as roof repairs);
- Equipment which needs replacement (such as personal computers and vehicles);
- Equipment that continues the maintenance of County-wide information 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); 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).

In addition, certain major capital improvement projects were approved to substantially aid in the delivery of services to County residents. The largest examples of such projects are the West Rural Center and Precinct 3 Building Project, the North Rural Community Center and Clinic, and the Mobile Data System for the Sheriff’s Office.

A. General Fund (CAR)

The General Fund has established a Capital Acquisition Resources (CAR) account for the purpose of funding capital equipment and facilities. The graph below shows the appropriations made to CAR since FY 97. Due to the significant constraints on available fund balance resources in FY 03, the Adopted Budget reduced the CAR account from \$12.1 million in FY 02 to \$6.5 million in FY 03. CAR expenditures are for one-time purposes only, and are funded from remaining balances in the General Fund. Therefore, the CAR account provides financial flexibility to increase or decrease the amount borrowed for capital expenditures depending upon the availability of resources in the fund balance.

The \$6.5 million of CAR for FY 03 includes \$674,264 in CAR resources appropriated in FY 02 and rebudgeted in



FY 03. 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. Expenditures for these projects will be made in FY 03. 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 the Appendix.

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

Type of Project/Department	Amount
Replacement of County-wide personal & notebook computers and printers	\$1,589,250
ITS Priority Projects	1,000,000
Replacement vehicles	785,000
Correctional Complex projects, equipment and repairs	551,610
ITS computer equipment & software for County-wide technology infrastructure	336,750
Onion Creek Corps of Engineers Study	264,750
Jail Mold Repairs	232,885
Digital VCR's and Scanner for Records Management	77,500
New County-wide personal & notebook computers and printers	71,750
TNR Work Order System	69,097
Other Sheriff's Office equipment needs	59,397
New vehicles	45,000
Other equipment among 15 other departments	231,986
CAR Rebudgeted Projects, originally funded in FY 02	674,264
Sub-total	\$5,989,239
CAR Reserve	545,661
Total	\$6,534,900

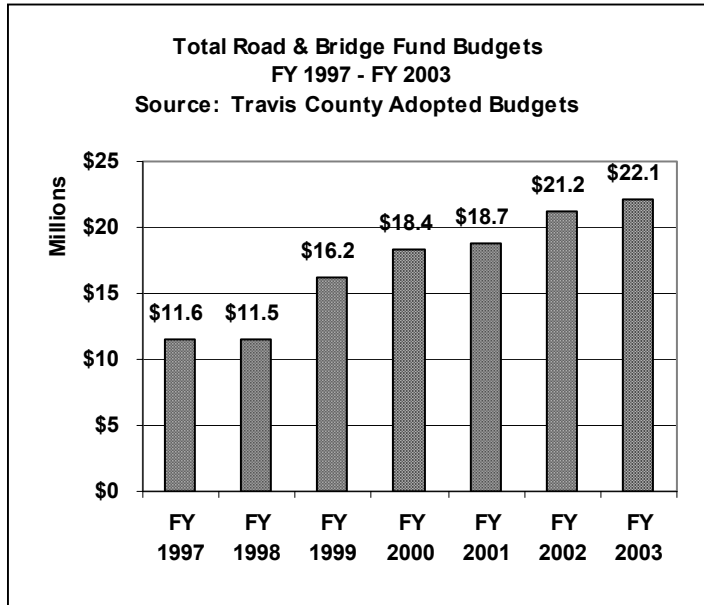
B. Road and Bridge Fund

In addition to the resources provided through the General Fund Capital Resources Acquisition (CAR) account, the Road and Bridge Fund has a total of \$4,907,517 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
Vehicles and heavy equipment	993,000
Rebudgeted equipment and projects	446,543
Traffic Signal – new installations	200,000
Work Order System	188,214
Sidewalks – new installations	100,000
GPS System replacement	50,000
Spill control improvements – TNR satellites	50,000
Total	\$4,907,517

An additional \$446,543 exists in rebudgeted Road and Bridge capital projects from FY 02 including: traffic signals (\$246,543), guard rails (\$80,000), Springwillow claim settlement (\$20,000), and sidewalks (\$100,000).



Furthermore, the Road and Bridge Fund has an Allocated Reserve of \$1,729,365 for compensation issues and other capital needs. Another \$61,900 in capital needs is 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.

The Appendix 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 \$17,100,000 in funding from five-year and twenty-year Certificates of Obligation is included in the FY 03 Adopted Budget as summarized in the table below.

Projects Funded from FY 03 Certificates of Obligation

	5 Year	20 Year	Total
County-wide technology upgrades and infrastructure:			
2 nd Phase of new computerized elections system	\$2,414,625		
911-RDMT Radios	1,700,000		
Mobile Data System	1,100,000		
Major computer systems upgrades	870,000		
E-Filing Project	252,220		
County Facility Repairs and Building projects:			
West Rural/Precinct 3 Buildings		\$4,172,872	
North Rural Community Center and Clinic		2,362,468	
Precinct Four Office Building		677,000	
Precinct One Office Building Expansion	275,000		
Portable Stalls	200,000		
Courthouse Waterproofing repair	170,210		
Correctional Complex Repairs:			
Roof repair for Building 130	800,000		
Jail security fencing and lighting	288,000		
HVAC and duct replacement	175,000		
Other roof repairs	75,000		
Roads and Parks:			
State Highway 45 North – additional funding		570,000	
Loop 1 North additional funding		500,000	
Moya Park Repairs		398,072	
Sub-Total	\$8,320,055	\$8,680,412	\$17,000,467
Issuance Cost			\$99,533
Total CO			\$17,100,000

2. Previous Bond Authorizations

Travis County has issued bonds recently that were authorized by the voters in elections during 1997, 2000, and 2001, as outlined below.

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 FY 02 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:

November 2000 Bond Authorization

Project	Original Authorization	Issued in FY 01	Issued in FY 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
Total Nov. 2000 Bonds	\$28,000,000	4,000,000	22,000,000	\$2,000,000

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

c. 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.

November 2001 Bond Authorization

Project	Original Authorization	Issued in FY 02	Amount For FY 03	Remaining Authorization
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
Total for November 2001 Bonds	\$184,955,000	\$102,330,000	\$35,995,000	\$46,630,000

For FY 03, the Commissioners Court has approved a total of \$35,995,000 of the \$82,625,000 remaining authorization 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

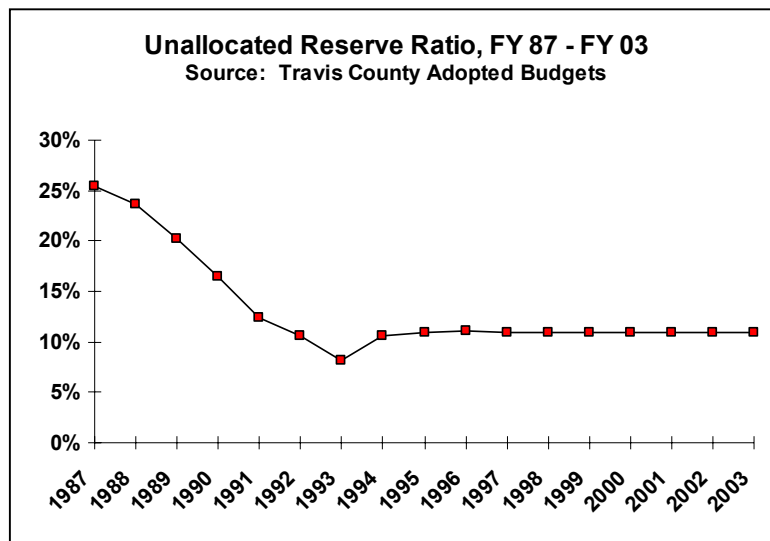
Election Year	Amount Issued	Purpose
November, 97	\$2,670,000	State Highway 130
November, 00	20,000,000	State Highway 130
November, 00	2,000,000	State Highway 45
November, 01	66,200,000	State Highway 130
November, 01	9,130,000	State Highway 45
November, 01	14,000,000	Local roads, drainage, bridges, and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

V. RESERVES

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



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 has maintained it at that level. The total FY 03 General Fund Unallocated Reserve in the Adopted Budget is \$29.2 million. As has been done since

FY 00, the General Fund Unallocated Reserve in the Adopted 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 the Appendix.

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 Adopted Budget includes an Allocated Reserve of \$3,318,131. The total of this reserve represents just slightly more than 1% of the General Fund. It is higher than the \$2.2 million level in FY 02 to accommodate the resources that may be necessary to address the jail overcrowding problem. The entire Allocated Reserve was spent in FY 02, largely due to jail overcrowding.

There are potential claims against this Allocated Reserve in FY 03. 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 \$1,280,517. Given the size and uncertainty of the jail overcrowding problem, the Commissioners Court has indicated that until April, 2003, no funds will be transferred from the Allocated Reserve to departments other than to fund solutions for the problem or to address the results of the problem. The only exception to this provision will be made in the event that "dire unanticipated emergencies arise that place public safety at jeopardy." A listing and summary of these Earmarks against the Allocated Reserve are contained in the Appendix.

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 provided 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 Adopted Budget. The amount of this reserve is \$2,286,554, the same level established in FY 02. This reserve is not intended to be spent in FY 03 except under the most unusual of circumstances. There are no Earmarks against this reserve. If unspent, it will fall to the ending fund balance and provide a "shock absorber" to meet what are likely to be equally challenging financial circumstances in FY 04.

D. Capital Acquisition Resources account (CAR) Reserve

The Capital Acquisition Resources Reserve (CAR Reserve) is similar to the Allocated Reserve, but for capital expenses. It is used to fund additional capital purchases or projects that are developed during the year or to pay for cost increases in already

approved projects. The Adopted Budget includes a CAR reserve of \$545,661, which is approximately \$56,000 less than in FY 02. The Earmarks against this reserve total \$160,152 as outlined in the Appendix.

E. Tobacco Settlement Reserve

A Tobacco Settlement reserve has been established to reflect the interest earned from tobacco settlement funds received in FY 00 and carried in the Unallocated Reserve. In FY 00, Travis County received approximately \$2.6 million from the State of Texas Tobacco Settlement in excess of the amount that 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 since FY 00.

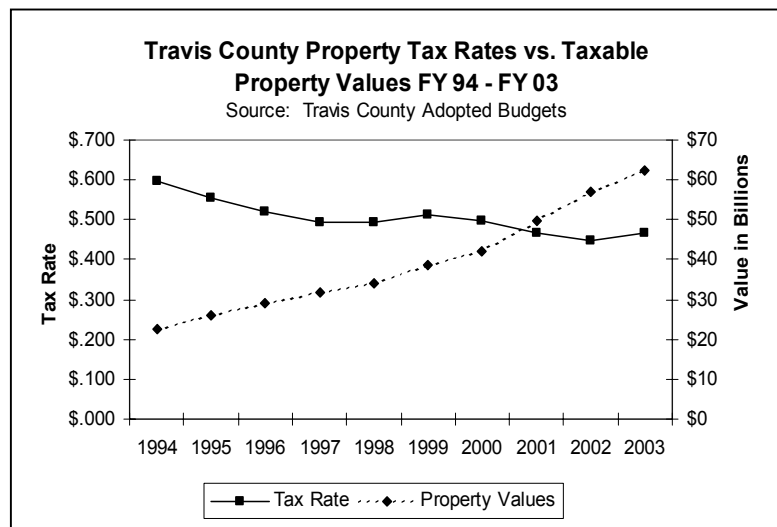
In FY 01 the County earned approximately 6% in interest. The interest from the Tobacco Settlement was used in FY 01 to fund a one-time shortfall at the Mental Health and Mental Retardation Center. In FY 02 the County received about 5% interest, and \$100,000 was placed in the reserve. No expenditures were made last 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 Settlement (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.

VI. PROPERTY TAX RATE

The total taxable value for all Travis County property has increased from \$57.65 billion in 2001 to \$62.38 billion in 2002. This is the final value certified by the Travis Central Appraisal District (TCAD) on July 23. The new value is \$3.1 billion, compared to new value of \$3.7 billion in FY 02.

The graph to the right shows the increase in property values since 1994 (increasing from \$21.2 billion in FY 94 to \$62.4 billion in FY 03) along with the changes in the tax rates over this same time period (decreasing from \$.5966 to FY 94 to \$.4660 in FY 03).

The table below depicts the impact of the adopted 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)

	FY 02	FY 03	Difference	
Average Appraised Value of all homesteads	\$171,629	\$189,796	\$18,167	10.6%
Taxable Value after 20% exemption	\$137,303	\$151,837	\$14,534	10.6%
Tax Rate	\$.4460	\$.4660	\$.0200	
Tax reported in advertisement based on averages	\$612.37	\$707.56	\$95.19	
Tax with 10% cap on any one individual homestead	\$612.37	\$703.82	\$91.45	

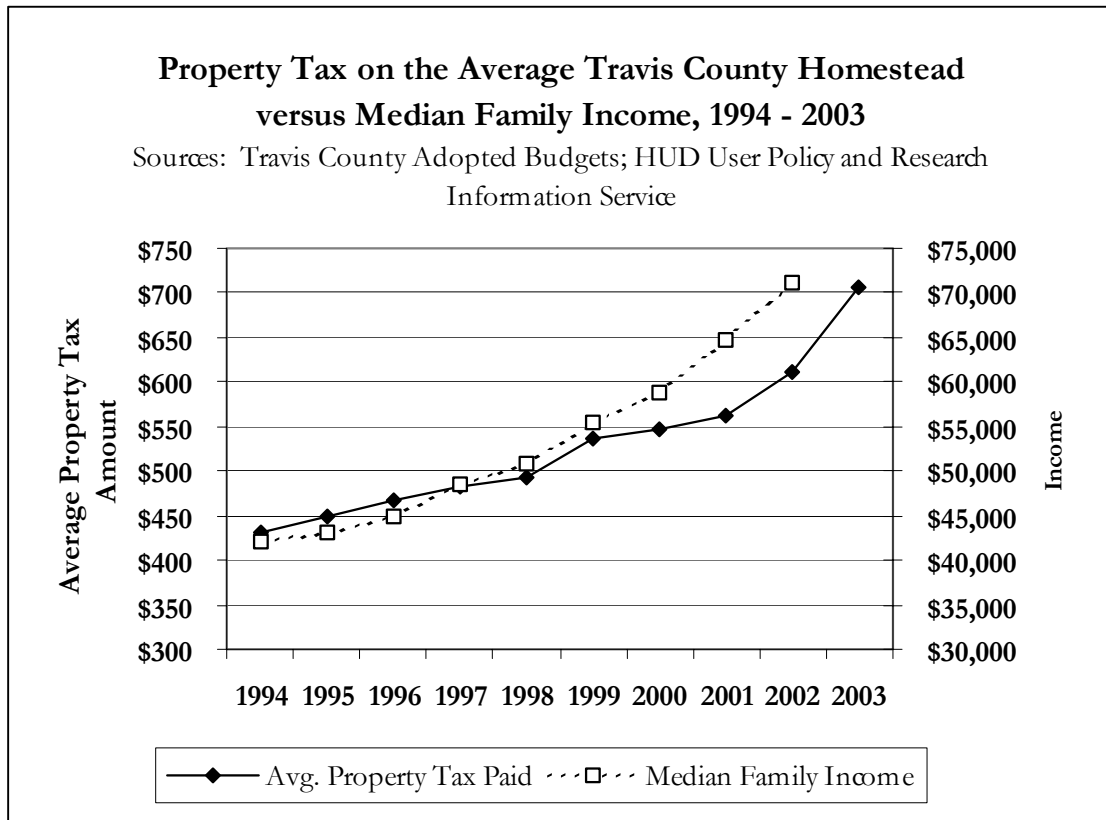
The first four rows in the table above are those required to be placed in a newspaper ad and represent the averages for all homesteads (which reflect an increase from \$171,629 to \$189,796). When taking into account the 10% cap on any one single homestead, an individual homestead worth \$171,629 in FY 02 may only go up a maximum of 10% to \$188,792. This means that the tax impact on this individual homestead at the tax rate of \$.4660 is an annual tax of \$703.82, versus \$612.37 the year before. This is an increase of approximately \$91.45 (a 14.9% increase) as opposed to the \$95.19 shown above.

Adopted Budget Tax Rates for Travis County
 (Cents per \$100 of Appraised Value)

	Adopted FY 02 Rate	Adopted FY 03 Rate	Difference	% Change
Operating Rate	\$.3546	\$.3627	\$.0081	2.3%
Debt Service Rate	_.0914	_.1033	_.0119	13.0%
Total Tax Rate	\$.4460	\$.4660	\$.0200	4.5%

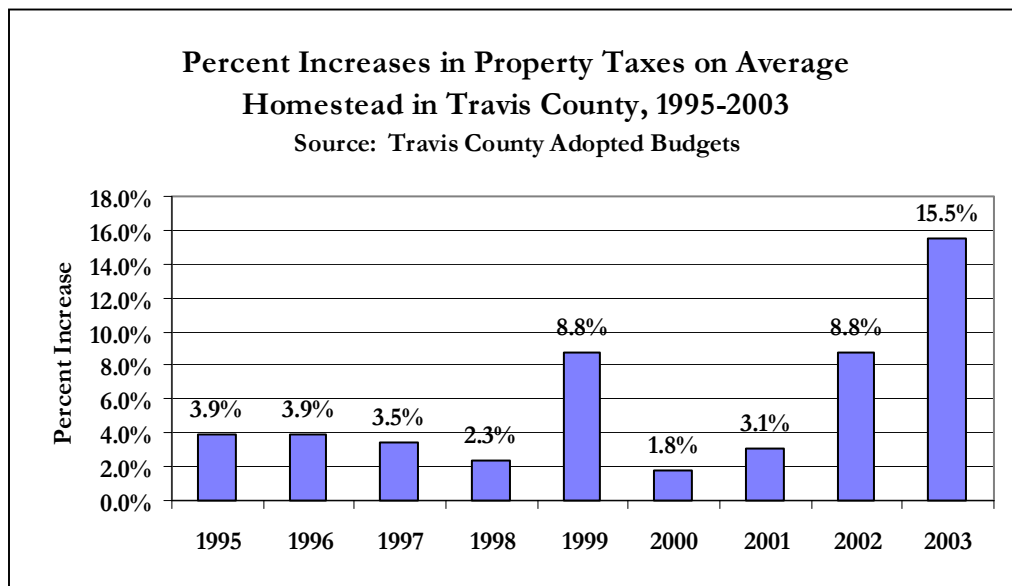
The FY 03 Adopted Budget is balanced at a \$.4660 tax rate. This represents an increase of \$.0200 in the Tax Rate from the current \$.4460 per hundred dollars of taxable value, equaling a 4.5% increase.

As is shown in the graph on the following page, median family income in the Austin MSA (metropolitan statistical area) has increased from \$42,200 in FY 94 to \$71,100 in FY 02 according the U.S. Housing and Urban Development (HUD) statistics. This is an average annual increase of 6.7% over this eight year period. The average property tax



paid over the last nine years (from FY 94 to FY 03) on the average homestead has increased from \$431.73 in FY 94 to \$707.56 in FY 03. This represents an average annual increase of 5.7% over the last nine years.

The chart below shows the average annual increase in property taxes since 1995.



SECTION TWO - APPENDIX
FINANCIAL SUMMARIES & CHARTS

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