

PLANNING AND BUDGET OFFICE TRAVIS COUNTY, TEXAS

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July 23, 2003

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 2004 Preliminary Budget

Enclosed is the Travis County Preliminary Budget for Fiscal Year 2004. This document is intended to serve as a platform for the Commissioners Court to receive comments from the public and County departments on FY 04 funding priorities. It contains the recommendations from the Planning and Budget Office (PBO) 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 04 County's budget process. The final budget is scheduled to be adopted by the Commissioners Court on Tuesday, September 30, 2003.

Travis County does not face a financial crisis in FY 04. Moreover, compared to other governmental organizations, the County is in reasonably good financial shape. This relatively positive situation is due to preparations made by the Commissioners Court during better economic times to increase reserves and fund balances in anticipation of an eventual economic downturn. These preparations, along with historically careful spending, relatively low reliance on fluctuating income sources (such as sales taxes), careful adherence to a set of adopted "Financial and Budgeting Guidelines", and avoiding the use of one-time revenue for ongoing costs have all paved the way for a fundamentally sound FY 04 budget. However, the County still faces some budgetary challenges in FY 04. As such, budget reductions have been identified County-wide, and there are minimal opportunities for programmatic growth. Moreover, the Commissioners Court needs to anticipate that the additional revenue associated with new construction in FY 05 may be lower than the amount generated in FY 04 due to current economic conditions and that the value of the property tax base may again decrease.

Background

Since 1992, Travis County has experienced annual growth in its property tax base. After annual decreases between FY 87 and FY 92, the certified property tax base has steadily increased from \$21.2 billion in FY 93 to \$62.4 billion in FY 03. As is the case throughout the nation, this period of economic growth has now ended. The national

economic recession has reversed the trend of appreciating property tax values in Travis County. The Travis Central Appraisal District has indicated that the value of the County's overall property tax base will decrease from the \$62.38 billion that was certified in the FY 03 budget to \$60.24 billion estimated for FY 04. This decrease is largely caused by a decline of about 10% in the non-residential, commercial property sector. This decrease is partially offset by an increase in the taxable values of the average single family homestead. The net result of these valuation changes equals a 3.4% decrease in the total property value in Travis County, which is the first such decrease in a decade. It is likely that the real estate market could take several years to recover, and further declines in the tax base will continue to occur in the near term.

In recognition of this economic downturn, the Commissioners Court froze transfers from the Allocated Reserve and Emergency Reserve during the first six months of FY 03. The only transfers the Court indicated it would consider were those directly related to the jail overcrowding problem or for any unanticipated emergency that placed public safety at jeopardy. In addition, the Court delayed any decision on FY 03 compensation increases for County employees until April 1, 2003 to maintain maximum flexibility among a wide variety of fiscal unknowns at the time the FY 03 budget was adopted. This caution resulted in the ability to use the compensation reserve mid-year to internally fund an unanticipated increase in employee health benefit costs.

Due to the drop in the tax base, the Commissioners Court asked departments to identify cuts in the event that up to 5% of their Target Budget was unable to be funded, along with the impact of such cuts. Departments were also advised they needed to reprioritize within their existing resources if they wanted to fund new needs. Departments were provided flexibility to create additional staff if they could find the permanent resources internally or sufficient new revenue to be certified. Departments were urged to focus on efficiencies and increased productivity in FY 04 rather than on budget requests for increased resources.

Thus, it should come as no surprise that the predominant themes of this FY 04 Preliminary Budget are restraint, caution, vigilance, the use of existing resources to meet new needs, and the absence of funding for new expenditures except for those that are either necessary to meet contractual, statutory or programmatic obligations or that have new non-tax revenue tied to them.

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.

Budget Reductions

This Preliminary Budget includes \$6.9 million of budget reductions. The largest single reduction, totaling \$2.4 million, is in the Sheriff's Office. This reduction is driven by a decrease in the number of inmates in the County Jail that in turn has reduced the workload of the Sheriff's Office. The jail population has been decreasing over the last 10 months. As of June 2003 there were on average 2,169 inmates housed a day compared to 2,745 inmates in June 2002. The Sheriff's Office and the Planning and Budget Office anticipate that an average annual inmate count of 2,175 can be reasonably sustained as an average throughout FY 04. The average inmate count for the first nine months of FY 03 is 2,279, and the annual average inmate count in FY 02 was 2,721 (peaking at an average monthly high of 2,855 inmates during August, 2002). A net total of 43 FTE are reduced from the Sheriff's Office in this Preliminary Budget, which includes eight FTE that were eliminated mid-year due to the loss of State reimbursement resources (totaling \$345,782). All FTE are expected to be eliminated through attrition, without the need for involuntary layoffs.

These decreases are due primarily to officials in numerous offices implementing various initiatives throughout the criminal justice system to reduce both the number of individuals and their length of stay in the County jail. The work of the Jail Overcrowding Task Force has been extraordinarily successful in helping to reduce the inmate count in the jail. A variety of significant efficiencies have been implemented in the way in which the complex criminal justice system handles offenders. Each elected and appointed official involved in this effort should be proud of these outcomes.

Further reductions included in the Preliminary Budget have been generated from eliminating rental expenses for certain county departments (totaling \$570,728), certain departmental base budgets being submitted below their Budget Target (saving \$436,232), reorganizing the Justice and Public Safety area (saving \$274,831), keeping certain vacant positions open (totaling \$190,930), and various other savings in 15 departments (totaling \$714,838). The other savings included in this Preliminary Budget are from reducing the Allocated Reserve by \$1.3 million from the FY 03 level, and reducing the Capital Acquisition Resources account by \$1.0 million.

A review of the size of the vehicle fleet has also resulted in a recommended reduction or reallocation of 45 vehicles. A total of 23 of these vehicles are from the Sheriff's Office, 13 are from Transportation and Natural Resources, and another 9 are distributed among five other offices.

Maintenance of Current Effort

This Preliminary Budget includes \$9.6 million of new General Fund resources to address contractual and programmatic requirements or prior commitments made by the Commissioners Court. These requirements include interlocal agreements, insurance requirements, postage, indigent attorneys fees, visiting judges, cost increases in other critical operating expenses, and various other contracts and obligations. The largest increases are for the County's obligation to support the operations of the Combined

Transportation and Emergency Communications Center and new radio system (\$1,382,357), salary savings adjustments (\$1,365,731), additional indigent attorneys' fees (\$1,100,000), Health and Human Services obligations (\$1,048,448), an increased transfer to the Balcones Canyonland Preservation Fund (\$1,027,586), postage and offsite storage requirements (\$261,444), EMS base contract increases with the City of Austin (\$245,782), funding of Visiting Judge days no longer funded by the State (\$218,405), and increased insurance costs (\$153,400).

The opening of new buildings has resulted in an additional \$609,501 for maintenance and operation and moves related to the new facilities. An expanded and newly centralized fines and fees collections program in the Tax Assessor-Collector's Office is also included in the Preliminary Budget at a cost of \$330,910.

In addition, special departmental reserves have been established within the Preliminary Budget to allow for further discussions to occur between departments and the Commissioners Court about specific known needs that have either not yet been fully developed or where additional resources may be available later during the budget process. These include the new financial system for Community Supervision and Corrections (\$208,000), Visiting Judges for the Jail Overcrowding Impact Courtroom (\$67,500), new staff to support new parks beyond expected revenue increases (\$533,770), additional TNR inspectors required by recent legislation (\$150,000), and new software that allows different data bases to be accessed by the new FACTS system (\$200,000).

The Preliminary Budget includes a reduction of 50.5 FTE, offset by 37.25 new regular FTEs funded from the General Fund, for a net reduction of 13.25 FTE. A total of 23 of the new positions either have new certified revenue associated with them, or are a part of a centralized fine and fee collections effort that is expected to generate future revenue. Another 14.25 FTE have been created through either the reallocation of existing departmental resources (6.25 FTE), temporary positions made permanent (3 FTE), or are related to a new building acquisition (5 FTE).

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 have not been included within this Preliminary Budget. The Planning and Budget Office recognizes that many of these proposals are intended to 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.

Employee Compensation and Benefits

The County has three major types of employee groups: one is elected officials, the second is Peace Officers (paid on the Peace Officer Pay Scale, or POPS) and the third (and largest) group is rank and file employees. While the County has been relatively responsive in recent years to employee compensation issues, the spiraling employee

health insurance costs along with the current extremely challenging fiscal circumstances make a continuation of compensation growth more and more difficult.

The Commissioners Court made a decision in April 2003 to utilize the \$2.3 million FY 03 Compensation Reserve to fully fund the employee health benefits in FY 03. As was explained in a letter to all employees from the Court members, "We believe that this decision is the most fair and equitable alternative to distribute limited resources among our employees". A similar circumstance exists in FY 04. Due to current economic conditions, the Preliminary Budget does not include additional resources for employee compensation increases, but it does contain an additional \$4.5 million for employee health benefits in the General Fund and an additional \$1 million in grants and other funds. In addition to these amounts, the Employee Health Insurance Fund will need to rely on the Risk Management Fund to fund the FY 04 expenditure level recommended by the actuary.

Tax Rate and Impact on Homestead Owner

The Preliminary Budget is balanced at the Effective Tax Rate. This tax rate is defined in the Truth-In-Taxation regulations and is essentially the tax rate necessary to generate the same amount of revenue from the same property as the year before. Property values from new properties that have not before been on the tax rolls are excluded. This recommended tax rate totals \$.4958 per hundred dollars of appraised value, and represents a \$.0298 increase in the current tax rate of \$.4660 (an increase of 6.4%). The County's Financial and Budgeting Guidelines, last adopted by the Commissioners Court on January 30, 2001 indicate, "It is the goal of the Commissioners Court that the tax rate proposed in the County's Preliminary Budget should be at or near the Effective Tax Rate."

According to the Travis Central Appraisal District, the average appraised value of a homestead in Travis County is increasing from an estimated \$189,796 to \$191,388. As a result, the average of all homesteads will see a \$51.56 per year (or about \$4.30 per month) increase in their County tax payments (from \$707.56 to \$759.12 annually). This represents a 7.3% increase.

Members of the Commissioners Court have publicly declared a strong desire to reduce the tax rate proposed in this Preliminary Budget by between 1 ½ to 3 cents, representing a reduction of expense or increase of non-tax revenue of between \$9 and \$18 million.

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 million, which is a \$1.3 million reduction from the level adopted in FY 03. The FY 03 Allocated Reserve was funded at a higher level due to the jail overcrowding problem. However, as that is no longer an issue the Allocated Reserve is proposed to be at essentially the same level as in FY 02. The Emergency Allocated Reserve that was first established in FY 02 for unanticipated emergencies is proposed to be continued in FY 04 at exactly the same level of \$2,286,554. The Emergency

Reserve is intended to allow for new legislative impacts, provide a source of funds in the event the inmate population exceeds expectations, and allow for potential FY 05 revenue shortfalls.

Capital Requirements

To meet the County's on-going capital needs, a total of \$28,939,186 is included in the Preliminary Budget from four basic sources - the General Fund Capital Acquisitions Resources (CAR) account (\$5,514,826), debt from short-term Certificates of Obligation (\$5,290,000), the Road and Bridge Fund (\$6,214,360), and debt from long-term bonds authorized by the voters (\$11,920,000). The amount of Certificates of Obligation debt to be borrowed has been established at a level to ensure that the debt service in FY 05 does not increase beyond its existing \$63.8 million level in FY 04.

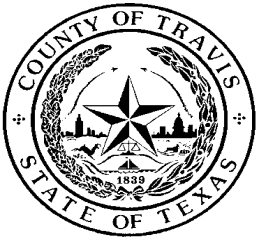
The Capital Acquisition Resources (CAR) account funds capital expenses in the General Fund and is established at \$5,514,826. This level is \$1 million less than in FY 03. This level does not include any CAR resources appropriated in FY 03 that need to be rebudgeted in FY 04, as a complete list of proposed rebudgeted projects had not been finalized when the Preliminary Budget was filed. The capital needs funded through this account are upgrades or replacements to the County's technology infrastructure and systems support (\$604,673), replacement of patrol vehicles (\$696,800), Correctional Complex capital projects (\$1,327,725), replacement of departmental personal and notebook computers and printers (\$633,180), Forensic Center addition (\$261,050), Facilities modification projects (\$121,860), and other equipment and projects among a variety of departments (\$574,473).

A total of \$6,214,360 in road and bridge projects and equipment is recommended to be funded from the Road and Bridge Fund. The largest of these projects include Hot Mix Overlay, new and upgraded traffic signals, F-mix road repairs, storm water management capital equipment, sidewalks, and replacements of vehicles and heavy equipment. A total of \$11,920,000 of long-term voter approved bonds authorized by the voters in November 2001 are recommended to be issued in FY04. This issuance is recommended to be composed of \$7,830,000 in local roads, drainage, bridges and pedestrian access projects, and \$4,090,000 for parks projects.

A total of \$5,290,000 in five-year Certificates of Obligation (CO's) is recommended to be issued to fund the more expensive capital needs in FY 04. As demand for capital was in excess of the funds available, the size of the Certificates of Obligation was determined by recommending a level that will keep the annual debt service obligation the same between FY 04 and FY 05, after considering a debt issuance for the County's voter approved bonds. Projects included within this CO issuance are continuation of the technology infrastructure upgrades (\$1,590,965), furniture, fixtures, equipment (FFE) and cabling for newly built or acquired facilities at the West Rural Community Center, Airport Boulevard Building, and Precinct 3 Office Building (\$970,380), replacing the Granger Building roof (\$169,000), radios for the 911/RDMT project (\$1,300,000), replacement of non-patrol vehicles and new vehicles (\$939,250), and Sheriff's Office Corrections projects to replace a fire alarm and install an intercom system (\$286,250).

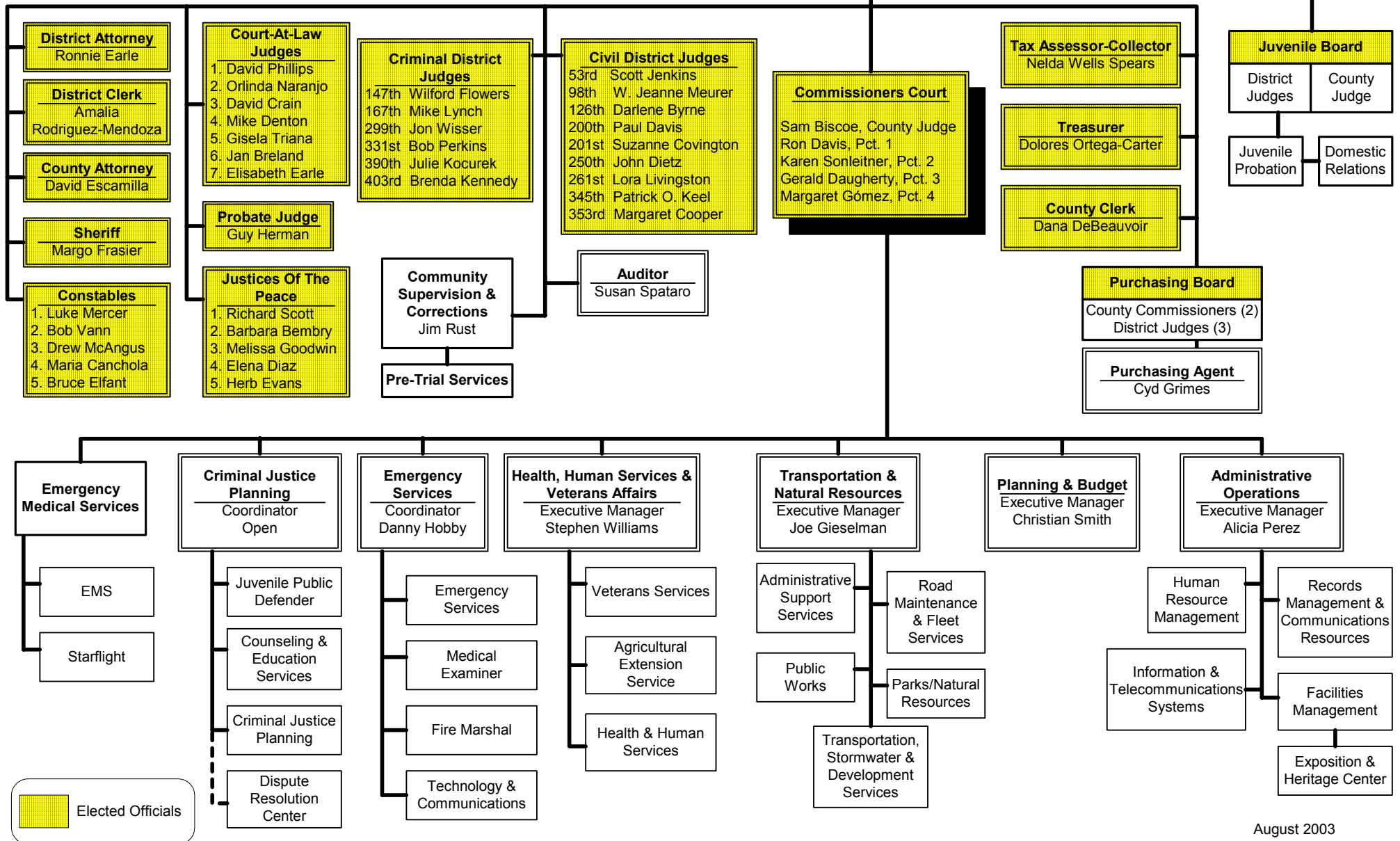
This Preliminary Budget represents a sound financial plan for FY 04. The budget has been filed with the County Clerk for the public's review. Additional copies are available in the Planning and Budget Office in the Ned Granger Administration Building, 314 W 11th Street, Suite 540. It is also posted on Travis County's web site, www.co.travis.tx.us.

FY 2004 PRELIMINARY BUDGET
EXECUTIVE SUMMARY



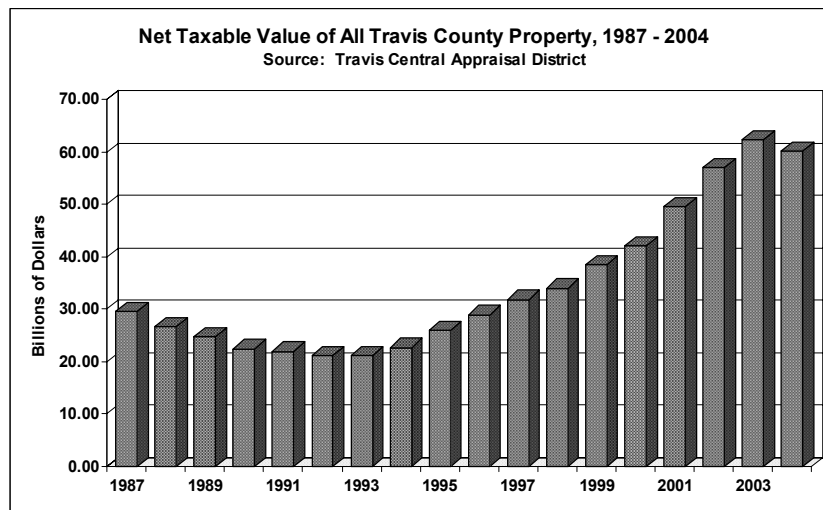
TRAVIS COUNTY

Travis County Voters

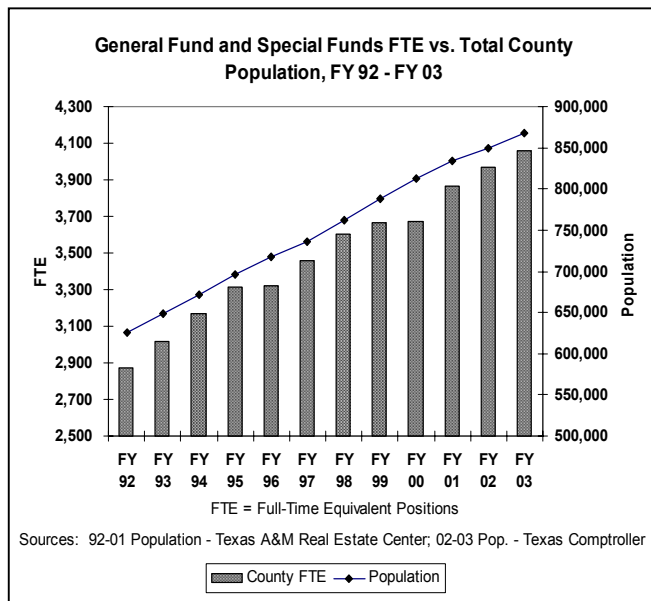


I. BACKGROUND TO THE BUDGET SETTING PROCESS

Since 1992, Travis County has experienced annual growth in its property tax base. After annual decreases between FY 87 and FY 92, the certified property tax base has steadily increased from \$21.2 billion in FY 92 to \$62.4 billion in FY 03, as shown in the chart below. However, this chart also shows that the trend of an increasing tax base has started to decline with a decrease between FY 03 and FY 04. Given the current economic situation, this declining trend is likely to continue in the short term.

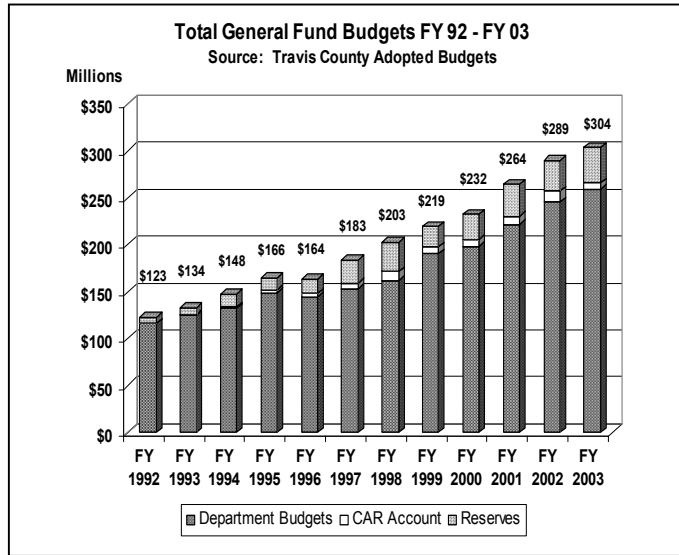


In the last 10 years, the General Fund has increased over \$170 million (from \$133.6 million in FY 93 to \$303.8 million in FY 03), representing an increase of 127%. During this same time frame, the County’s tax rate has decreased from \$.5762 to \$.4660. The following two charts show the changes in the General Fund, total FTE, and County population each year between FY 92 and FY 03.



Since FY 92, the County’s workforce has increased from 2,870 FTE to 4,055 FTE in FY 03, or about 41%. This is a 3.2% annual increase each year, and essentially matches the annual increase in the County’s population since that time (at about 39%). While County staffing levels have increased proportionately with population growth, County budgets have increased at much higher rates. This reflects increases in personnel costs and programmatic growth.

This growth has now ended, as is the case throughout the nation. The national economic recession has reversed the trend of appreciating property tax values in Travis County. The Travis Central Appraisal District has notified Travis County that the overall property tax base will decrease from \$62.38 billion certified in the FY 03 Adopted Budget to \$60.24 billion estimated for FY 04. This decrease is largely caused by a decline of about 10% in the non-residential commercial property sector. This decrease is partially offset by an increase in the taxable values of the average single-family homestead. The net result of these valuation changes equals a 3.4% decrease in the total property value in Travis County, which is the first such decrease in a decade. The Chief Appraiser has also indicated that “it could take several years for the real estate market to recover, and we could see a further decline in the tax base during that time.” The average individual homestead is projected to increase .8%, going from \$189,796 in FY 03 to \$191,388 in FY 04. These factors are projected to increase the average homestead owner’s tax bill at the Effective Tax Rate by \$51 per year.



The development of the FY 04 Travis County Preliminary Budget has been driven in large part by external financial conditions. As such, this Preliminary Budget is based on flexibility and caution, since the County remains in an economic downturn, the impact of legislative changes remains unclear, and the fiscal challenges in FY 05 may be even greater than those presently faced. A very prudent approach has been taken toward both funding increases and decreases. While the County is not in a fiscal crisis, this Preliminary Budget is predicated on the belief that it is in the County’s best interest to ensure that there are appropriate “shock absorbers” to provide flexibility for future conditions.

II. BASIC COMPONENTS OF THE FY 04 PRELIMINARY BUDGET

A. All Funds

FY 04 PRELIMINARY BUDGET - ALL FUNDS

	<u>Adopted FY 03 Budget</u>	<u>Preliminary FY04 Budget</u>	<u>\$ Change</u>	<u>% Change</u>
General Fund (1)	\$303,794,476	313,778,152	\$9,983,676	3.3%
Road and Bridge Fund	22,050,359	23,414,740	1,364,381	6.2%
Debt Service Fund	74,971,444	70,053,859	(4,917,585)	(6.6%)
Internal Service Funds:				
Risk Management Fund	11,212,259	10,693,523	(518,736)	(4.6%)
Employee Insurance Fund	22,162,255	29,397,079	7,234,824	32.6%
Other Funds (2)	20,981,692	19,111,952	(1,869,740)	(8.9%)
Less Transfers	(5,708,035)	(5,786,139)	(78,104)	(1.4%)
Total	\$449,464,450	\$460,663,166	\$11,198,716	2.5%

(1) From 3rd Revenue Estimate

(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 04 Preliminary Budget is found in Appendix I. The FY 04 Preliminary Budget total for all funds is \$460,663,166, compared to the previous year's FY 03 Adopted Operating Budget for all funds of \$449,464,450.

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 in the County.

The FY 04 Preliminary Budget contains General Fund expenditures and reserves totaling \$313,778,152. This represents a \$9,983,676 increase, or 3.3% above the FY 03 General Fund Adopted Budget of \$303,794,476. General Fund revenue is based on the Auditor's Third Revenue Estimate, which assumed a projected appraised value of \$60.24 billion and a tax rate of \$.4958. This tax rate represents an increase of \$0.0298 from the current tax rate of \$.4660.

1. Departmental Budgets in the Preliminary Budget

Appendix I contains a comparison of General Fund departmental budgets from FY 02 through the FY 04 Preliminary Budget. The Adopted Budgets for all departments increased from \$257,048,769 in FY 02 to \$265,720,849 in FY 03. The FY 04 Preliminary Budgets for all departments total \$264,434,463 (this figure excludes CAR amounts, which are included in the FY 03 adopted amounts). Appendix I contains a table entitled "FY 04 Summary of Budget Requests" that lists the 405 individual budget proposals submitted by departments and indicates their status in the Preliminary Budget. (239 of these proposals are for increases and 166 are for decreases). The following table summarizes the major components of the General Fund budget.

FY 04 Preliminary Budget – General Fund				
		Preliminary Budget FY 04		
	Adopted Budget FY03	One-Time Expenses	On-Going Expenses	Total
Beginning Fund Balance	\$36,528,725	35,641,187		35,641,187
Property Taxes	223,100,326		234,155,534	234,155,534
Other Revenue	44,165,425		43,981,431	43,981,431
3rd Revenue Estimate	\$303,794,476	35,641,187	278,136,965	313,778,152
Unallocated Reserves	29,217,120	33,657,498		33,657,498
Capital Acquisition Resources Acct. (CAR)	6,534,900	5,514,826		5,514,826
Rebudgeted CAR	Included above	To be determ.		To be determ.
Emergency Allocated Reserve	2,286,554		2,286,554	2,286,554
Regular - Allocated Reserve	3,318,131		2,000,000	2,000,000
Tobacco Settlement Reserve	150,000			0
Combined Emergency Comm. Center Reserve	280,717			0
Sub-Total	41,787,422	39,172,324	4,286,554	43,458,878
Departmental Base Budgets	255,932,209		259,458,879	259,458,879
Wage Requirements:				
Health Benefits Increases	\$2,291,655		4,500,000	4,500,000
Compensation Reserve	2,275,444		0	0
POPS Sheriff's Law Enforcement	693,000		0	0
POPS skill based pay	106,500		0	0
Career Ladders	183,720		0	0
Elected officials salaries	17,184		0	0
Increase in retirement contribution	352,314		358,871	358,871
Retirement increases to retirees (COLA)	155,028		0	0
Sub-Total Wages and Benefits	6,074,845		4,858,871	4,858,871
Sheriff's Office Corrections Division reductions			(2,417,701)	(2,417,701)
Lease reductions			(570,728)	(570,728)
Budgets submitted below target level			(436,232)	(436,232)
Justice and Public Safety reorganization			(274,831)	(274,831)
Other Reductions among 15 different depts.			(905,768)	(905,768)
Total Reductions			(4,605,260)	(4,605,260)
Major Highlights:				
Salary Savings Adjustment			1,365,731	1,365,731
Indigent Health and Other Human Services			1,048,448	1,048,448
Indigent Attorneys Fees			1,100,000	1,100,000
Centralized Collections – Tax Office			330,910	330,910
Combined Comm, Center and radio system			1,382,357	1,382,357
Opening New Facilities			609,501	609,501
Balcones Canyonland TIF			1,027,586	1,027,586
Other increases among various depts.			2,716,311	2,716,311
Special Departmental reserves:				
Annualization Reserve			66,670	66,670
New Parks Staffing Reserve			533,770	533,770
TNR Inspectors (HB 1445) Reserve			150,000	150,000
CSCD financial system Reserve			208,000	208,000
Jail Impact Courtroom Visiting Judges			67,500	67,500
Total Expense	\$303,794,476	39,172,324	274,605,828	313,778,152
Net	0	(3,531,137)	3,531,137	

2. Personnel Changes

A total of 50.5 FTE are being reduced from the General Fund in the Preliminary Budget. These decreases are offset by a total of 37.25 new regular FTE recommended for addition to the FY 04 General Fund, for a net reduction of 13.25. A total of 23 of the new positions are associated with new revenue, 6.25 are funded within existing departmental budgets, 3 are existing temporary positions made permanent, and 5 are for services to support a newly acquired building. The relatively small number of new FTE reflects the guidance and direction provided by the Commissioners Court to avoid including new positions in the Preliminary Budget unless they are cost neutral or unless departments can fund them through a reallocation of existing resources. The expansion of the Tax Assessor-Collector’s fine and fee collection program does not have associated certified revenue in FY 04 since it is too new. However, based on the results from a pilot program and the experiences of other urban counties, the Planning and Budget Office (PBO) is sufficiently convinced that the future fiscal benefit of a centralized collections unit for all county fees is sufficient to cover the costs of the 8 new positions recommended to be funded in the Tax Office in the Preliminary Budget (2 of which already exist as part of the pilot program), along with one FTE each in the County Clerk and District offices.

New Positions Recommended in the Preliminary Budget
New Permanent Positions (all with associated revenue)

Department	FTE	Purpose
Centralized Collections:		
Tax Assessor-Collector	8	Expand County-wide fine and fee collections program with anticipated future revenue
District Clerk	1	Accounting Clerk for new centralized collections effort
County Clerk	1	Court Clerk to support new centralized collections effort
Medical Examiner	1	To support new statutorily required certification program with associated revenue from increased autopsy fees
Pre-Trial Services	1	Existing grant FTE moved to the General Fund, with associated revenue
County Clerk	2	Recording Specialist transferred from Records Mgt. Fund, with increased revenue and Court Clerk to support increase Bond Forfeitures
Constable Precinct 1	1	Warrant Clerk with increased revenue
Justice of Peace Pct. 3	1	Court Clerk to address active criminal cases
District Clerk	1	Court Clerk for increased delinquent tax collections
County Attorney	2	To support increased delinquent tax collections, with increased revenue
Sheriff’s Office	4	Combined Transportation & Emergency Communications Center Security Staff (included within interlocal requirements and partially funded from other jurisdictions)
Total	23	

In addition to the 23 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. The net result of these changes is an additional 6.25 regular FTE added to the County workforce. These changes are summarized in the table below.

New or Changed FTE Internally Funded

Department	FTE	Purpose
Health/Human Svcs.	(.25)	Change in status of Veterinarian from permanent to temporary
Agricultural Extension	(.5)	Office Assistant changed from full time to part time
Health/Human Svcs.	(1.5)	Decrease of .5 Deaf Services Interpreter and 1.0 Public Health Educator
Health/Human Svcs.	1.5	Increase of .5 Public Health Educator and 1.0 Caseworker
Sheriff's Office	1	Fixed Asset Manager to continue meeting accounting requirements of GASB 34
Sheriff's Office	1	Inmate Services Office Supervisor
Sheriff's Office	(2)	Reduce two Office Specialists to fully fund the two new FTE shown above
Sheriff's Office	2	Mental Health Unit Officer and Transportation Officer due to higher workload in these two units
Sheriff's Office	(2)	Training Officer and Background Officer due to lower workload in these areas to fully fund the two new FTEs shown above.
Sheriff's Office	.5	Conversion from half time to full time of existing accounting position due to loss of grant internally funded
Juvenile Probation	1	Staff moved from Grant Fund to General Fund
Constable Precinct 4	1.5	Deputy Constable for Precinct 4 Office Building funded from existing resources transferred from CSCD for Security Service contract that will be terminated
District Clerk	4	3 Sr. Office Assistants & 1 Administrative Specialist in support of reorganization to conduct case filing & accounting (using existing temp funds)
Total	6.25	

Existing Temporary Positions Made Permanent

Department	FTE	Purpose
Criminal Courts	1	Research Analyst internally transferred from Justice and Public Safety to Criminal Courts
All Justices of the Peace and Constables	2	Permanent funding for 2 existing Special Project Accounting Clerks to support increased financial reporting requirements
Total	3	

In addition to the above FTE modifications, a total of five FTE are being removed from the staffing list at the Exposition Center due to a privatization of that service. These slots are being moved to the newly acquired building on Airport Boulevard for custodial services at that building.

The FTE shown in the above tables represent net increases in regular personnel (and exclude any temporary positions). All FTE changes are shown in the table in Appendix I entitled, "New Positions List". These changes include internally funded FTE along with positions proposed to be funded in FY 04 from a different funding source than in FY 03.

3. Decreased Budgets

The Commissioners Court asked departments to include in their FY 04 budget submissions a list of proposed cuts in the event that up to 5% of the department's Target Budget was unable to be funded, along with explanations of the implications of such cuts. PBO used a variety of perspectives, criteria, and judgments balanced against the availability of FY 04 resources in determining whether or not to include budget decreases in the Preliminary Budget. PBO exercised relative caution in recommending implementation of identified reductions and focused on reductions driven by a clear decrease in workload, changes in statutory requirements, or where there was an acceptably small impact on the department and County residents.

The most substantial circumstance leading to a recommended budget decrease was a reduction in workload or decreased demand for service. The best example of this situation was the reduced number of inmates in the County Jail. In addition, reductions were recommended when the likely impacts were minimal or negligible and the savings measurable. Temporary savings also have been recommended through freezing positions on a temporary basis in FY 04. PBO did not recommend reductions if they might cause revenue decreases greater than the expenditure decrease, or when the negative impact was disproportionate to the savings. In addition, potential reductions that would have a significant negative impact on County programs that might be acceptable if there were a fiscal crisis were not recommended. However, it was recognized that any and all options for reductions might need to be reconsidered next year if the financial outlook does not improve or continues to worsen.

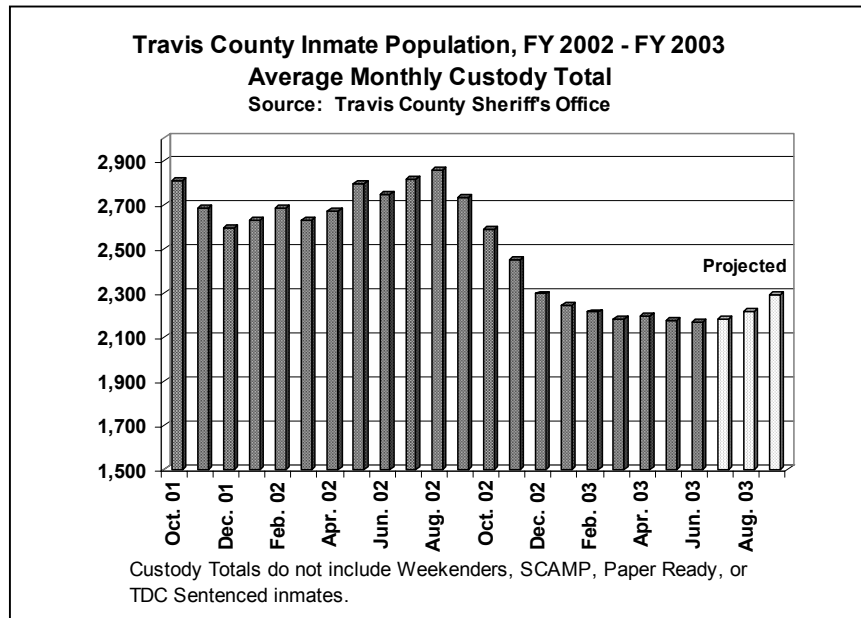
Departments have indicated that the exercise of reviewing areas for potential reduction has, in many cases, been a beneficial one. Even though a reduction might not be recommended in the Preliminary Budget, the process of review has allowed managers to find increased flexibility inside their budgets, identified future opportunities to reprioritize resources, and created a planning environment in the event economic conditions remain tepid into FY 05.

a. Sheriff's Office Corrections Division

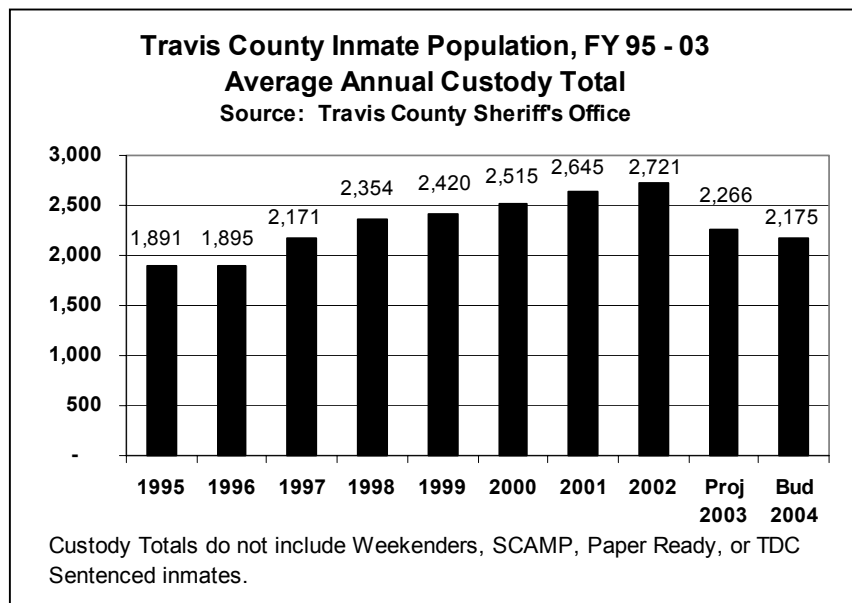
The greatest savings opportunity is in the Sheriff's Office. These savings are driven by a decrease in the number of inmates in the County Jail that in turn has reduced the workload of the Sheriff's Office. The jail population has been decreasing over the last 10 months. As of June 2003 there were an average of 2,169 inmates housed per day in the jail, compared to 2,745 inmates in June 2002 (using Average Daily Population figures for inmate counts). The Sheriff's Office and PBO anticipate that an average annual inmate count of 2,175 can be sustained throughout FY 04. The average annual inmate count for the first nine months of FY 03 is 2,279, and the annual average inmate count

in FY 02 was 2,721 (peaking at an average monthly high of 2,855 during August, 2002). The graphs on this page summarize these data.

These decreases are due primarily to officials in numerous offices implementing various initiatives throughout the criminal justice system to reduce both the number of individuals and their length of stay in the County jail. The work of the Jail Overcrowding Task Force has been extraordinarily successful in helping to reduce the inmate count in the jail, and the significance of the substantial work of



this Task Force cannot be overemphasized. A variety of significant efficiencies have been implemented in the way in which the complex criminal justice system handles offenders. Each official involved in this effort should be proud of the outcomes.



The total recommended reduction in the Sheriff's Office is \$2.4 million, and includes a net decrease of 43 FTE. The reduction of Corrections Officers due solely to the lower inmate count is 31 FTE with a total of \$1,500,931 in personnel costs. The decline in the jail population has also resulted in the ability to responsibly reduce other support service and operating costs, reduce training and background

investigator officers, food service Corrections Officers (also related to improved efficiencies in the food service operation), and various line items. These operating cost reductions total a net savings of \$570,988. In addition, the loss of State reimbursement funding for the Alcohol and Drug Offender unit resulted in a mid-year reduction of 8 FTE and \$345,782, which was approved by the Commissioners Court in April, 2003.

The Sheriff's Office has been anticipating a decreased Corrections Officer staffing pattern for FY 04 and has not hired a new Corrections Officer since March 31st, 2003. As of July 11, 2003 there were 26 Peace Officer Pay Scale (POPS) positions vacant (and another 15 non-nursing civilian positions open). Assuming 4 to 5 Corrections Officer positions come open a month for the rest of the fiscal year (which is an historical average), the number of POPS vacancies, available to Corrections Officers, should be between 36 and 38 by the time the FY 04 budget is adopted. As a result, the Sheriff's Office should be able to eliminate 35 positions by the end of September without involuntary lay-offs.

The various component parts to the savings associated with budgeting for an average of 2,175 inmates in the Corrections Division during FY 04 are summarized in the table below.

Sheriff's Office Corrections Division Savings Due to Lower Inmate Count

Program or Function	FTE	Savings
Decreased Corrections Officers, related overtime and benefits	31	\$1,500,931
Food Service Corrections Officers	4	174,781
Various line item reductions (Net Department Wide)	-	396,207
Elimination of Alcohol and Drug Offender Unit due to loss of State reimbursement funding (approved in Month, 2003)	8	345,782
TOTAL	43	\$2,417,701

b. Other County-wide Departmental Reductions

There are a variety of other reductions in departmental budgets contained in this Preliminary Budget. They fall into four basic categories:

- Temporary reductions and frozen positions
- Minimal impact with measurable savings
- Budgets submitted by the departments below their Budget Target
- Other Savings

The chart on the following page summarizes these departmental budget reductions. In addition, the Preliminary Budget includes a reduction of \$1 million from the Capital Acquisition Resources account and \$1.3 million reduction in the Allocated Reserve.

SUMMARY OF BUDGET REDUCTIONS

Department	FTE	Amount	Explanation
Temporary Reductions and Frozen Positions:			
TNR		-140,218	Five positions temporarily frozen in FY 04 (Gen. Fund)
Purchasing		-50,712	One Position temporarily frozen in '03 continued in '04
Total		\$190,930	
Minimal Impact with Measurable Savings:			
ITS		-30,000	Local directory assistance eliminated
Pretrial Services		-30,000	Remove underutilized expense
Constable 5	-0.5	-25,264	Grant Match to be internally funded
Crim'l Just. Plan.		-21,750	Remove underutilized expense & research intern
TNR		-21,500	Cell time and communications expense reductions
EMS		-16,822	Reductions to various line items
Medical Examiner		-14,000	Reduce autopsy fee line item to appropriate level
Facilities Mgt.		-8,322	Energy Efficiency Improvements
District Clerk		-6,866	Reduction in office supplies due to e-filing
County Attorney		-1,974	Reduction in office supplies
Sub-Total	-0.5	-\$176,498	
Budgets Submitted Below Target:			
TNR		-161,899	Total budget submitted below Budget Target
Just. /Pub. Safety		-130,455	Total budget submitted below Budget Target
Admin. Operations		-59,243	Total budget submitted below Budget Target
District Clerk		-29,200	Total budget submitted below Budget Target
HHS		-26,381	Total budget submitted below Budget Target
County Judge		-12,051	Permanent salary savings returned to the Gen'l Fund
Comm. Pct. 3		-8,674	Official requesting salary lower than approved budgeted amount
Comm. Pct. 4		-2,154	Permanent salary savings returned to the Gen'l Fund
Purchasing		-1,702	Permanent salary savings returned to the Gen'l Fund
Comm. Pct. 1		-1,000	Reduction in operating expenses (office supplies)
8 other depts.		-3,473	
Sub-Total		-\$436,232	
Other Savings:			
Sheriff's Office	-43.0	-2,417,701	See details in Executive Summary
Facilities Mgt.		-570,728	Depts. moving from leased space into newly acquired building
Just./Public Safety	-5.0	-274,831	FY 03 Mid-year Reorganization
County Clerk		-148,534	Moving election date to FY 03 and revisions to expenses
Sheriff		-111,205	Reduced transfer to Courthouse Security Fund
District Attorney		-98,709	Statute amended - counties need not pay special compensation
Civil Courts	-1.3	-96,540	Moving Court Reporter expenses to Court Reporter Fund
HHS		-58,000	Reduction due to planned mid-year revenue certification
TNR	-0.7	-25,352	Eliminate CSR Supervisor and Sign Shop Supervisor per Commissioners Court action on May 27
Sub-Total	-50.0	\$3,801,600	
Grand Total	-50.5	\$4,605,260	

A listing of reductions that were submitted by departments but are not included within this Preliminary Budget is contained in the Appendix.

c. Vehicles

In addition to the operating budget reductions outlined above, a review of the County's fleet of vehicles has resulted in a preliminary recommendation to reduce or reallocate the number of vehicles in the County by 45. This review was fostered by a series of questions posed by the Commissioners Court to departments about various vehicles that traveled less than 6,000 miles in the last year. The following offices identified vehicles that can be either sold at auction or reallocated. A number of these vehicles may be reallocated to three new Park projects. A final determination on these vehicles will need to be made by the Commissioners Court during the FY 04 budget process.

Office	Number of vehicles reduced
Sheriff's Office	23
Transportation and Natural Resources	13
Health and Human Services	2
Facilities Management	2
Constable 4	2
District Attorney	2 (turned in to fleet already)
Constable 3	1
Total	45

4. Major FY 04 Funding Issues

The following major funding issues have been recommended in the FY 04 Preliminary Budget. Most of these are essentially "Maintenance of Current Effort" requirements. They address contractual and programmatic requirements or prior commitments of the Commissioners Court, such as various interlocal agreements, unit cost increases in critical operating expenses, and other contractual and programmatic obligations. The largest of these increases are outlined below.

a. Indigent Attorneys' Fees

In 2001, the 77th Texas Legislature passed the Fair Defense Act (FDA) to reform the way court appointed legal counsel is provided to indigent defendants. Based on FDA requirements, the Criminal District and County Court-at-Law Judges adopted new fee schedules for attorneys representing indigents as well as standards to determine indigency of defendants effective January 1, 2002. These changes standardized the way defendants are assigned County-paid defense. In addition to these mandated changes under the FDA, the State has provided grants to assist with the implementation of the act. Travis County was awarded \$384,844 in FY 03 from the State Indigent Defense Formula Grant and should receive a similar award in FY 04. Travis County first received this funding in FY 02. The County was also awarded \$150,000 in one-time funding in FY 03 from the state discretionary grant for indigent defense that is being used for technology to improve the court appointed counsel process.

Indigent attorneys' fee expenditures in both the Criminal Courts and Civil Courts are projected to be in excess of the budgeted resources in FY 03, and additional resources are needed for FY 04. This is a direct result of the new fee schedule, new standards of indigency, increased dispositions and increased civil indigent claims. The FY 04 Preliminary Budget includes \$1,100,000 in additional resources for Indigent Attorneys' Fees to address this need. Of this amount, \$700,000 has been included for the Criminal Courts and \$400,000 has been included for the Civil Courts.

b. 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. This has been especially true in the case of indigent health care costs as well as rent, utility and food assistance. In FY 03, HHS reprioritized internal funds of over \$500,000 through freezing vacant positions, redirecting operating expenses, and effectively using grant resources. The department used these existing funds, and another \$500,000 increase to the department's FY 03 Adopted Budget, to address cost overruns in the RMAP and Emergency Assistance budgets. In May 2003, the Commissioners Court approved the further transfer of up to \$750,000 from General Fund reserves to the HHS budget for these programs. At the same time, the Court affirmed current health eligibility and service provision guidelines.

In light of the Court's prior actions and the anticipated continued cost increases in these programs, the FY 04 Preliminary Budget contains an additional \$950,000 for indigent health care and basic needs assistance. In addition, another \$98,448 is included in the Preliminary Budget to absorb the salary and benefit increases for City of Austin employees that are reimbursed by the County, as required by the existing interlocal agreement between the City of Austin and the County.

c. Emergency Medical Services Base Contract with the City of Austin

Travis County partners with the City of Austin for the provision of EMS services in the County. The County's cost to continue to provide this service is estimated to increase by \$245,782. These increases are largely due to an increase in the costs of health insurance and a 2% pay increase for paramedics.

d. Combined Transportation & Emergency Communications Center (CTECC) & Radio System

In October of FY 04, the operations of the new Combined Transportation & Emergency Communications Center (CTECC) and the new 800 MHz Radio System will be fully operational. These new systems will provide a modern and consolidated emergency response system Countywide. The County's portion of this multi-agency project under the operational coordination of the City of Austin is \$22.6 million dollars that has largely been funded through capital and one-time resources. Each agency's share of the operating costs for the facility is based on the percentage each user of the CTECC/Radio system is expected to utilize. For the County, the FY 04 cost to operate the CTECC/Radio system is \$1,382,357. The Sheriff's Office is providing all security for

this building (with an increase of \$240,000) and will be reimbursed by the CTECC governmental partners for these services.

e. Insurance Premiums

The County's costs in unemployment insurance are forecasted to increase \$60,000 in the next fiscal year (from \$200,000 to \$260,000). In addition, purchased property insurance premiums will increase by \$93,400. The budget therefore contains a \$153,400 increase for these obligations.

f. Records Management Increases

Records Management and Communication Resources will require an additional \$261,444 for FY 04 countywide postage and offsite storage requirements that are centrally budgeted within this department. The additional FY 04 postage requirement of \$215,000 includes \$130,000 in one-time funding associated with the biennial mass mailing of voter registration cards, which will occur in FY 04. The Preliminary Budget also includes an additional \$46,444 from the General Fund for FY 04 countywide offsite storage requirements. It should be noted that the passage of a new statute (SB 1731) may provide additional resources for certain specific records management purposes, if the Commissioners Court approves a new fee and related expenditure budget.

g. Community Supervision and Corrections Financial System

PBO has budgeted a special Departmental Reserve under the Commissioners Court for a cost increase to the CSCD financial system. This software is specialized for CSCD operations and is vital to the department's ongoing ability to manage the payments received by individuals on probation. This system was put into place during FY 03 and the contract is scheduled to be renegotiated at the end of FY 03. The continuing costs for FY 04 are expected to be in the range of \$208,000. PBO has recommended that amount be placed in reserves until more specific costs are identified.

h. Visiting Judges

Due to funding constraints at the State level, the allocation of Visiting Judges for the Travis County Courts will be reduced in FY 04. Visiting Judges for Travis County are assigned by the Third Administrative Judicial Region of the State of Texas to serve for a sitting Judge when the Judge is away from the bench due to illness, travel and training requirements, when a conflict of interest arises, and other valid reasons. The program enables individual courts to continue to hear cases while the sitting Judge is temporarily away from the bench.

Based on the State appropriations bill, it is assumed that the District Courts will receive 18 Visiting Judge days for each District Judge, but the County Courts-at-Law will no longer receive any allocation from the State. The exact allocation to Travis County has not yet been released. Based on this assumed allocation from the State, the FY 04 Preliminary Budget includes \$135,505 for Visiting Judges for the Criminal Courts and \$82,900 for the Civil Courts, for a total of \$218,405. This would allow each court to have a total of 35 days of visiting judge resources when the anticipated state allocation is included, along with a one-time addition of 60 days due to the expectation that a Criminal Court judge will be away from the bench for an extended period in FY 04.

Visiting Judges have been a key component of the Jail Overcrowding Task Force's jail reduction initiatives during FY 03. A Jail Overcrowding Impact Court was dedicated toward helping to reduce the jail population, and operated on an annualized basis of 130 days per year. The FY 04 Preliminary Budget includes resources to continue this special court for 150 days during the year (3 days a week for 50 weeks) at a cost of \$104,860. Of this amount, \$37,360 is in the Criminal Courts for a temporary bailiff and temporary court reporter and the remaining \$67,500 is placed in a special Departmental Reserve since the amount of the State's support for this Courtroom is not yet known.

i. 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 individuals owing court-ordered fines and fees. These problems were partially overcome in FY 03 and the pilot program was implemented. Programs in other Texas counties have demonstrated that the creation of a centralized professional collections unit considerably increases the amounts collected. This endeavor has the potential to be of considerable benefit to Travis County and now should be fully implemented to aggressively collect the revenue that is due to Travis County.

The Preliminary Budget includes 8 FTE dedicated to this effort in the Tax Assessor-Collector's Office, at a total cost of \$330,910. In addition, one FTE each are included in the District Clerk and the County Clerk to help provide administrative, clerical and accounting support for this program. The current pilot funded two FTE in the Tax Office with one-time resources and the department utilized other internal resources to make the program operational in the County Criminal Courts. The proposed plan for FY 04 is to continue the two pilot positions as regular positions in the Tax Office and add an additional two FTE for the collections effort in the County Criminal Courts. Three FTE would be added to the Tax Office for the collection effort in the District Criminal Courts and 1 FTE would be added to begin a pilot program for JP fine collections.

With the move of the Tax Office to a newly acquired facility on Airport Boulevard, the Collections unit would be relocated as well. A total of \$80,120 has been included as one-time capital cost to establish office equipment for this collections unit, and includes the development of space on the first floor of the Criminal Justice Center for this unit.

j. Risk Management Fund

The County Auditor's Office has reviewed the Risk Management Fund actuary report and has estimated a \$5.4 million fund balance for this fund in FY 04. PBO and the Human Resources Management Department believe that these resources, along with the \$5.1 million in General Fund resources and the \$190,000 estimated investment income, will provide sufficient resources for this fund in the upcoming fiscal year. The Commissioners Court approved a \$500,000 increase in General Fund resources to the Risk Management Fund in FY 02. There still exists an estimated gap between ongoing

revenues and estimated expenditures in this fund. However, historically this has been the case at the beginning of the year, yet fund balance has not decreased. Under the current fiscal circumstances, PBO does not recommend increasing the General Fund resources to this fund due to the many competing demands on these limited resources.

k. Transfer to Balcones Canyonland Preservation Fund

A total of \$1,027,586 has been added to the Transportation and Natural Resources (TNR) Preliminary Budget for an increased transfer to the Balcones Canyonland Preservation (BCP) Fund from the General Fund. This amount represents the increased estimated tax revenue in FY 04 from new construction on BCP lands as compared to prior year tax revenues. The additional valuation is largely due to an increase in new construction on BCP lands. The total FY 04 transfer from the General Fund is \$3,099,876.

I. Opening New Facilities – Buildings and Parks

Travis County will be opening the following new or renovated facilities:

i. Buildings:

New Facilities:	Scheduled to Open
Airport Boulevard Office Building	September, 2003
Precinct Four Office Building	December, 2003
Northeast Rural Community Center and Clinic	November, 2003
West Rural Community Center/Clinic and Precinct 3 offices	September, 2004
Renovated Facilities:	
Precinct 1 Office Building expansion	September, 2003
University Savings Building Renovation	October, 2003

Each of these facilities has its own schedule for completion and its own particular operational and maintenance needs. The Preliminary Budget contains a total of \$609,501 in maintenance and operating funds to support the opening of these facilities, along with \$970,380 in capital resources, as summarized below:

Purpose	General Funds	Capital Resources
Utilities	\$252,095	-
Maintenance & security service	10,341	-
Custodial	227,065	-
Moves	120,000	-
ITS costs		636,680
Fixtures, Furniture and Equipment		333,700
Total	\$609,501 (1)	\$970,380

(1) In addition, \$67,751 will be transferred from CSCD's existing budget to Constable 4 for security services (1.5 Deputy Constables) in the new Precinct 4 Office Building.

In addition, there is an annualization reserve totaling \$66,670 for the above increased maintenance costs based on schedules provided by Facilities Management. This

reserve is intended to ensure that sufficient resources are available in FY 05 when each of the new facilities is operated for a full twelve months.

ii. Parks:

Three new voter-approved parks are scheduled to open in FY 04, as outlined below.

New Parks:	Scheduled to Open
Southeast Metro Park	October, 2003
Northeast Metro Park	October, 2003
East Metro Park	Late FY 04

The Preliminary Budget includes a special Departmental Reserve of \$533,770 for 20 FTE and associated operating costs as well as a separate programmatic reserve within the CAR Reserve for \$559,138 for supporting capital (excluding vehicles which will involve a review of the 45 vehicles being removed from departmental use. Six of the additional staff are Maintenance Technicians (including two seniors) for the Southeast Metro Park and another six maintenance technicians (including two seniors) are for the Northeast Metro Park. Six maintenance technicians (including two seniors) are for the East Metro Park, along with a Park Ranger and a Park Operations/Maintenance Supervisor. PBO is assuming that at least \$465,132 in additional parks fees will be available as new revenue in FY 04 to help support the additional parks. PBO recommends that the allocation of resources from these reserves to the department be discussed with the Commissioners Court.

m. County Clerk Increased Recording Revenue and Workload

Workload in the County Clerk’s Recording Division has continued to increase through the economic downturn as evidenced by an additional \$1.123 million in recording fees being certified by the County Auditor for FY 04. Additional resources totaling \$246,749 were approved in June, ‘03 by the Commissioners Court to fund one additional FTE, 10 temporary employees for hours actually worked, and \$35,342 in additional supplies to assist the department in meeting the increased workload. The total annualized budgeted increase for FY 04 is \$267,398.

n. TNR Inspectors

The Preliminary Budget includes a special Departmental Reserve totaling \$150,000 for four additional inspectors necessitated by House Bill 1445. This statute requires that the County become the jurisdiction for inspections inside the City’s ETJ and outside of the City’s three-year annexation plan.

o. Information Systems Support

A variety of professional service and maintenance agreement increases are included for information systems support requirements in the Information and Telecommunications System Department. These include professional services to support the second year of the e-filing program, for maintenance agreements for hardware and software (\$28,200) and professional services for the installation and connection of an API link (\$33,102), a maintenance agreement for creating a phone system firewall (\$17,475), a temporary

part-time contract compliance position for the inmate telephone contract (\$25,000), additional telephone trunk line costs for the newly acquired building on Airport Boulevard (\$19,200), maintenance agreements costs for replacement file servers (\$16,500), and professional services for the conversion of the CABA System in Health and Human Services from a Dec Alpha platform to an NT platform (\$50,000).

p. Other Maintenance of Current Effort Requests

There are a variety of other Maintenance of Current Effort Requests funded within the Preliminary Budget, outlined in the table below.

Other Maintenance of Current Effort Increases

Department	Program or Function	Cost
Criminal Courts	Court Ordered Services for investigation of indigent cases	\$120,000
TNR	Additional fuel costs and utilization for fleet	109,156
StarFlight	One Time StarFlight costs	87,796
Medical Examiner	Staffing and expenses for statutory accreditation	62,413
EMS	Revenue offset due to changes in delinquent collections practices	52,000
Treasurer	Armored car service	37,884
Juvenile Probation	Progressive Sanctions grant match	31,530
Probate Court	Court costs for indigent defense and other mandated costs	25,000
Records Mgt.	Refurbish 3 Commissioners Courtroom cameras and other ongoing media repairs	25,000
Tax Office	Changing manner in which collections (shortages) are accounted, to be consistent with GASB 34	19,000
County Attorney	Public Health Educator one-time grant match	16,600
Criminal Courts	Grand Jury fees	13,270
Facilities Management	Cover deteriorated skylights at the Collier Building	6,800
County Clerk	Wireless service contract for computer/phone connections at early voting sites	6,500
Various Departments	Increases totaling less than \$5,000 within a variety of other departments	70,736
Total		\$683,685

D. Workforce Investment

Each year, the Commissioners Court determines whether there are resources to fund 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. The FY 00 Adopted Budget contained 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%.

Throughout all of these years, various employee pay scales were adjusted upward to reflect market conditions. In FY 97, the average County salary was \$29,750. That average has increased to \$39,800 as of FY 03, reflecting an increase of 34% over the past 6 years. This is equal to an average annual increase of 5% per year, essentially reflecting market conditions.

For FY 03 the upward spiraling trend of health costs resulted in a need to dedicate the County's FY 03 Compensation Reserve totaling \$2.3 million to pay for the increased cost of employee health benefits.

The fiscal challenges currently facing Travis County do not allow for increased personnel costs beyond funding FY 04 health benefit costs. As a result, there are no compensation increases included in this Preliminary Budget. Thus, there are no funds for rank and file increases, career ladders, Peace Officer Pay Scale increases (including the Austin Police Department match) or elected official raises. However, the Commissioners Court will have an opportunity during the budget process to best determine whether it is feasible to meet some of the compensation needs within available funding.

1. Health Benefits

Travis County began a self-insured health benefits plan in FY 02. Under a self-insured program, 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 can 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 increased control over the configuration of its insurance benefit plan, it does not necessarily reduce overall health care expenses. Due to rising medical and pharmaceutical costs being experienced nationally, along with the demographics of an aging population, the total actuarially estimated costs of the existing health care benefits for FY 04 were originally projected to cost an additional \$8 million. This estimated additional cost was reported to the Commissioners Court in spring, 2003. This amount was so large that an Employee Benefits Committee spent several intense months reviewing options, costs, and debating the affordability of different plans. After employees had an opportunity to voice their concerns, the Commissioners Court approved a three-option plan to allow employees to choose medical benefits in accordance with their medical needs, financial means and family situations. The revised plan allows employees to choose between two base plans which requires no additional contribution for employee-only coverage or, at an additional cost to the employee, a plan with a higher benefit level.

The Preliminary Budget contains \$4.5 million in the General Fund for the increased cost of health benefits, and \$1 million for this purpose in other funds. The Employee Health Insurance Fund increases from \$22,162,255 in FY 03 to \$29,397,079 in FY 04 due to spiraling health care costs. Even with approximately \$5.5 million in additional funds

provided by the General Fund, Special Revenue Funds and Grant Funds, the Employee Health Insurance Fund will need to rely on the Risk Management Fund to fund the FY 04 expenditure level recommended by the actuary. The exact amount of the additional support required by the Risk Management Fund will not be known until County employees have completed the hospitalization open enrollment period in August.

2. Retirement Benefits

According to the Texas County and District Retirement System, Travis County's contribution rate per employee for retirement benefits must increase from 9.57% of salary to 9.82% of salary to maintain the same level of retirement benefits. The General Fund cost for this increase in FY 04 will be \$358,871. These funds are now budgeted in a reserve and will be transferred to departmental budgets as part of the Proposed Budget. These figures do not include any Cost of Living Adjustment for retirees.

3. Salary Savings

During FY 03, the Commissioners Court approved a Human Resources Management recommendation to modify the employee pay scales for various positions. The Court asked that departments internally fund any pay increases that were necessary for employees with pay below the new minimum pay scale. This will inevitably have an effect on the salary savings that departments will produce naturally in FY 04. Furthermore, due to current economic conditions in the Austin market, the vacancy and turnover rate in the County is lower than in prior years. As such, the current amount budgeted for salary savings is too high and needs to be adjusted downward. Since such salary savings are budgeted as a negative account at the departmental level, the Preliminary Budget includes an additional expense totaling \$1,365,731 throughout a variety of departments to more accurately reflect the anticipated salary savings in FY 04.

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 through 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.

As is the case with on-going expenditures, the County is facing financial constraints on the availability of resources for capital expenditures. 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 Ethernet upgrades in ITS, the e-filing project, the energy efficiency program, or jail indoor air quality corrections);
- 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 restorations and replacements, or the refurbishment of elevators, door sliders and fire alarm equipment in the Travis County Jail);
- Equipment which needs replacement and is part of a replacement plan, (such as personal computers and vehicles);
- Equipment that continues the maintenance of County-wide information systems infrastructure (such as file servers);
- Projects which have already been partially funded by the Commissioners Court or have a contractual obligation to implement (such as the Onion Creek feasibility study);
- Projects which have revenue certified to cover their cost (such as the Forensic Center addition); or
- Projects that the Court has already provided directions to include for funding.

A. General Fund (CAR)

The General Fund has established a Capital Acquisition Resources (CAR) account 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 CAR account was reduced from \$12.1 million to \$6.5 million.

The FY 04 Preliminary Budget establishes the CAR account at \$5,514,826, which is \$1 million lower than in FY 03. This amount does not include any CAR resources appropriated in FY 03 and proposed to be rebudgeted in FY 04, as a complete list of such resources had not been identified by the time the Preliminary Budget was filed. Rebudgeted CAR projects represent capital that was approved and funded in FY 03 but

is not anticipated to be encumbered or expended prior to the end of the fiscal year and yet will still be needed in FY 04. PBO has included an incomplete list of FY 03 CAR funded capital requested by departments to be rebudgeted 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 04 is located in Appendix I.

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

Type of Project/Department	Amount
Vehicles:	
Replacement patrol vehicles	\$696,800
Technology and Computers:	
Replacement of personal & notebook computers and printers	633,180
IJS contingency	217,631
E-filing, electronic document management system	159,600
New personal & notebook computers and printers	97,456
E government contingency	75,986
Wireless pilot test equipment	40,000
Migration of computing platform for HHS CABA system	14,000
Facilities Modifications:	
Forensic Center addition	261,050
EOB Roof restoration	61,000
Energy efficiency improvements	60,860
Correctional Complex Projects:	
TCJ Elevator refurbishment	360,000
TCJ Slider door refurbishment	340,800
Various Correctional Complex projects, equipment and repairs	323,750
Jail indoor air quality (budgeted in Facilities Mgt.)	303,175
Other Sheriff's Office equipment needs	88,651
Lake Patrol boat	80,000
Other:	
Gas Chromatograph/Mass Spectrometer	90,000
Other equipment and projects among 14 other departments	315,822
Sub-total	\$4,219,761
CAR Reserve	535,927
Parks reserve for capital equipment	559,138
Departmental Reserve for FACTS interface	200,000
Total	\$5,514,826

B. Road and Bridge Fund and LCRA Projects

In addition to the resources provided through the General Fund Capital Resources Acquisition (CAR) account, the Road and Bridge Fund has a total of \$6,214,360 for new 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

Replacement equipment, including vehicles and heavy equip.	3,011,900
Hot Mix Overlay	1,500,000
Type "F" Mix road projects	500,000
Traffic signals (new installations)	415,000
Traffic signals (upgrades)	354,210
Storm water management capital equipment	333,250
Sidewalks	100,000
Total	\$6,214,360

In addition, the FY 04 Preliminary Budget includes a total of \$296,648 rebudgeted from projects that were budgeted in FY 03 and have not yet been completed. These projects include a work order system (\$188,214), guard rails (\$80,000), Doyle Eilers drainage project (\$8,434), and Springwillow claim settlement (\$20,000).

Furthermore, the Road and Bridge Fund has an Allocated Reserve of \$1,538,854 for health insurance (\$397,214), retirement increases (\$17,241), and \$1,124,399 for the future health of the Road and Bridge Fund. An Unallocated Reserve is also established in the Road and Bridge Fund totaling \$416,306.

Another \$80,000 in capital needs is recommended to be funded from the Lower Colorado River Authority (LCRA) Capital Improvement Program (CIP) Fund. These are for storage buildings and camp host sites. 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 Bonds or Certificates of Obligation that are either 5 or 20 years in length.

1. Previous Bond Authorizations

a. 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	Issued in '03	Remaining Authorization
State Highway 130	\$20,000,000	0	\$20,000,000	0	0
Loop 1 (MoPac) North	4,000,000	4,000,000	0	0	0
US 290 West *	2,000,000	0	0	0	2,000,000*
State Highway 45 North	2,000,000	0	2,000,000	0	0
Total Nov. 2000 Bonds	\$28,000,000	4,000,000	22,000,000	0	\$2,000,000

*Remaining authorization not scheduled to be issued in FY 04.

b. 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 through FY 03.

Project	Original Authorization	Issued Through FY 03	Amount For FY 04	Remaining Authorization
Local roads, drainage, bridges and pedestrian access	\$57,430,000	\$22,790,000	\$7,830,000	\$26,810,000
County park projects	28,600,000	17,335,000	4,090,000	7,175,000
State Hwy 45N and FM 1826 Right of Way	32,725,000	32,000,000	0	725,000
State Highway 130	66,200,000	66,200,000	0	0
Total for November 2001 Bonds	\$184,955,000	\$138,325,000	\$11,920,000	\$34,710,000

For FY 04, a total of \$11,920,000 of the \$46,630,000 remaining authorization is proposed to be issued in order to continue the implementation of these projects. This will leave \$34,710,000 to be issued in future years.

2. FY 04 Certificates of Obligation

The amount of total debt service to be paid by the County based on FY 03 debt issuances will be \$63.8 million. The total Certificate of Obligation that could be issued in FY 04 without increasing the total annual debt service in FY 05 is \$5.3 million (after assuming that \$11.9 million in long term voter approved bonds is issued as outlined above). Therefore, this is the amount of the Certificate of Obligation included in this Preliminary Budget. While requests for capital are much greater, any further short-term debt above the recommended \$5.3 million will result in an increase to the County's debt service, which would impact the FY 05 tax rate.

The details of \$5,290,000 in funding from five-year Certificates of Obligation in FY 04 is summarized in the table below.

Projects Funded from FY 04 Certificates of Obligation

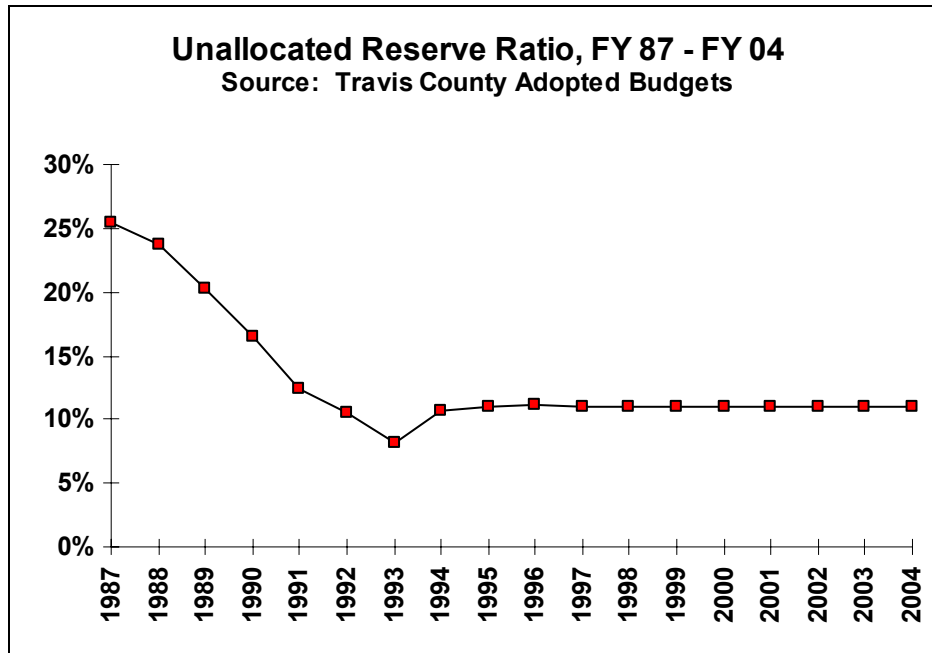
County-wide technology upgrades and infrastructure:		
Migration to Tiburon Version 7 and Oracle database	\$383,000	
Token ring to Ethernet network infrastructure upgrade	353,000	
Replace AS/400 Tape back-up system	300,000	
File server replacements and upgrades	277,000	
PBX replacement of Meridien Max and Voicemail systems	185,000	
Firewall for Phone network	<u>92,965</u>	
Information Systems Total		\$1,590,965
Builders Square Building FF&E and ITS costs	695,000	
Granger Building roof replacement	169,000	
Precinct 3 Office Building FF&E and ITS costs	159,830	
West Rural Community Center FF&E and ITS costs	<u>115,550</u>	
Facilities Management total		1,139,380
Correctional Complex intercom systems (Buildings 2 & 3)	200,000	
Travis County Jail Fire Alarm replacement	86,250	
Sheriff's Office total		\$286,250
Radio equipment for 911/RDMT project		1,300,000
County vehicles - new and replacements (non-patrol)		939,250
Sub-Total		\$5,255,845
Issuance Cost		34,155
Total CO		\$5,290,000

V. RESERVES

There are three types of regularly budgeted reserves: (1) Unallocated Reserve, (2) Allocated Reserve, and (3) the Capital Acquisition Resources account Reserve (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 nine years, the Commissioners Court maintained the Unallocated Reserve ratio at 11.0%. The total FY 04 General Fund Unallocated Reserve in the Adopted Budget is \$33,657,498. As has been done since FY 00, the General Fund Unallocated Reserve in the Preliminary Budget for FY 04 carries the majority of reserve requirements for the Road and Bridge Fund.

The County's Unallocated Reserves calculations are based on budgeted expenditures in three funds: the General Fund, the Debt Service Fund, and the Road and Bridge Fund. These are the County's three largest operating funds. While this Preliminary Budget continues the practice of budgeting Unallocated Reserves at 11%, it represents the composite percentage for the total of all three funds. However, the individual ratios for the three funds when viewed independently have not all been at 11%. In particular, the Debt Service Reserve has been historically much higher than 11% (and is currently at 16.5%), while the General Fund has been lower than 11% (and is currently at 9.8%). The Debt Service reserve has been higher in no small part due to interest income earned on balances in bond funds.

Reserves in the Debt Service Fund can only be used for debt-related expenditures, while the Reserves in the General Fund are not as restricted and may be used for any lawful purpose. Thus, in the event of an emergency, the Commissioners Court has more flexibility with its reserves in the General Fund than in the Debt Service Fund. It is therefore advantageous to equalize the reserve levels between these two funds. The Court's Financial and Budgeting Guidelines, first approved in July 1996 and reaffirmed in April, 1999 and again in January, 2001 indicate that "it is the intent of the

Commissioners Court that each of these two funds will eventually have reserves that are more equalized between the two funds.”

This Preliminary Budget provides for \$4 million of the Debt Service Reserve to be utilized to make debt service payments, which results in a decrease of about two thirds of a cent in the Interest and Sinking (I & S) tax rate (this is also known as the Debt Service Rate). The Effective Tax Rate calculation adds the same amount to the Maintenance & Operating (M & O) tax rate. The I & S component of the Effective Tax Rate goes down and the M & O component of the Effective Tax Rate goes up by the same amount. Therefore, the total combined tax rate does not change and there is no impact at all to the taxpayer from this shift. But the impact on the County’s flexibility in the event of an emergency along with the strengthening of the General Fund reserves makes this a prudent action to take and was approved by the Commissioners Court in July 2003.

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 04 Preliminary Budget includes an Allocated Reserve of \$2,000,000. The total of this reserve represents less than 1% of the General Fund. The proposed FY 04 Allocated Reserve is \$1.3 million less than the level adopted in FY 03. The FY 03 Allocated Reserve was funded at a higher level due to the jail overcrowding problem. However, as that is no longer an issue, this reserve is proposed to be at essentially the same level as in FY 02.

There are 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 \$561,694. A listing and summary of these proposed Earmarks against the Allocated Reserve are listed in Appendix I.

C. Emergency Reserve

In both FY 02, and in FY 03, 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, and has provided a safety net for FY 03. This Emergency Reserve is included again in the FY 04 Preliminary Budget. The amount of this reserve is \$2,286,554, the same level established in FY 03. The Emergency Reserve is intended to allow for new legislative impacts, provide a source of funds in the event the inmate population exceeds expectations, and allow for potential FY 05 revenue shortfalls. This

reserve is not intended to be spent in FY 04 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 05.

D. Capital Acquisition Resources (CAR) account Reserve

The Capital Acquisition Resources account 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 capital projects. The Preliminary Budget includes a CAR reserve of \$535,927, which is similar to the reserve size in FY 03. The Earmarks against this reserve total \$26,121, as outlined in Appendix I.

E. Tobacco Reserve

A Tobacco Reserve was first established from tobacco settlement funds received from the State of Texas Tobacco Settlement. For FY 04, this \$150,000 reserve is transferred to the Health and Human Services department to help offset substantial indigent health care and human services needs and obligations.

VI. PROPERTY TAX RATE

The total taxable value for all Travis County property has decreased from \$62.38 billion in the FY 03 Adopted Budget to an estimated \$60.24 billion for FY 04. This is the final estimate and is expected to be very close to the value finally 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 \$2.089 billion, compared to new value of \$3.1 billion in FY 03. The table below depicts the impact of the proposed tax rate of \$.4958 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 7/3/03)

	FY 03	FY 04	Difference	
Average Appraised Value of all homesteads	\$189,796	\$191,388	\$1,592	(0.8%)
Taxable Value after 20% exemption	\$151,837	\$153,110	\$1,273	(0.8%)
Tax Rate	\$.4660	\$.4958	\$.0298	6.4%
Tax reported in advertisement based on averages	\$707.56	\$759.12	\$51.56	7.3%

The figures 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 \$189,796 to \$191,388). This means that the tax impact on this individual homestead at the tax rate of \$.4958 is an annual tax of \$759.12, versus \$707.56 the year before. This is an increase of \$51.56 (a 7.3% increase).

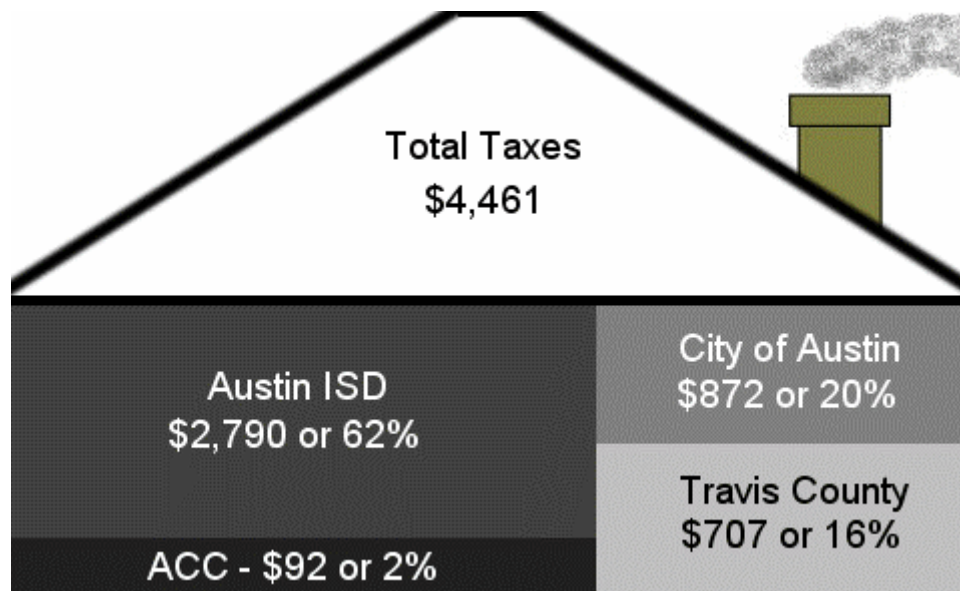
The FY 04 Preliminary Budget is balanced at a \$.4958 tax rate. This represents an increase of \$.0298 in the Tax Rate from the current \$.4660 per hundred of taxable value, equaling a 6.4% increase.

PRELIMINARY BUDGET TAX RATES FOR TRAVIS COUNTY

(Cents per \$100 of Appraised Value)

	Adopted FY 03 Rate	Preliminary FY 04 Rate	Difference	% Change
Operating Rate	\$.3627	\$.3966	\$.0339	9.3%
Debt Service Rate	.1033	.0992	(.0041)	(4.0%)
Total Tax Rate	\$.4660	\$.4958	\$.0298	6.4%

FY 03 Property Tax for Average Travis County Homestead Valued at \$189,796



Travis County taxes in FY 03 for the average homestead valued within Travis County of \$189,796 totaled \$707, based on the adopted rate of \$.4660 per \$100 of appraised value and the 20% homestead exemption provided by the County. The City of Austin tax rate is \$.4597, but since the City does not provide a homestead exemption, the City taxes on this average homestead would be \$872. The Austin Independent School District tax rate is \$1.5964 and with their homestead exemption of \$15,000, their taxes on this homestead would be \$2,790. ACC has a \$.05 tax rate and their homestead exemption is \$5,000, resulting in an average tax of \$92. Travis County's portion of this tax bill (without reference to other taxing jurisdictions such as Emergency Services District or a Water District) is 16% of the total.