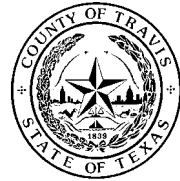


FY 2005  
TRAVIS COUNTY  
PRELIMINARY BUDGET

JULY 28, 2004



## **PLANNING AND BUDGET OFFICE**

### **TRAVIS COUNTY, TEXAS**

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314 W. 11th Street  
P.O. Box 1748  
Austin, Texas 78767

July 28, 2004

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 2005 Preliminary Budget

Enclosed is the Travis County Preliminary Budget for Fiscal Year 2005. This document serves as a platform for the Commissioners Court to receive comments from the public and County departments on FY 05 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. The final budget is scheduled for adoption by the Commissioners Court on Tuesday, September 28, 2004.

Travis County is in reasonably good financial shape. Its finances are relatively stable and the County has recently had its AAA bond rating reconfirmed by the two national credit rating agencies. The County has managed its resources carefully to navigate through some recently difficult economic times. This relatively positive situation is due to increased reserves and fund balances established during better economic times in anticipation of an eventual economic downturn. These preparations, along with historically careful spending, relatively low reliance on fluctuating income sources, 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 05 budget. While the County still faces budgetary challenges for FY 05, it does so with officials prepared to control costs, implement improved efficiencies, while meeting the public's demand for services.

While the County is fiscally stable, this does not mean there are resources for program expansions. This Preliminary Budget has minimal opportunities for programmatic growth. As a result, for FY 05, departments have continued to be encouraged to: (a) look internally within their existing resources; (b) foster increased non-property tax revenue; and (c) not rely on relief from increased property taxes.

The Chief Appraiser for the Travis Central Appraisal District has indicated that commercial properties will once again experience a decrease in their value for FY 05. In

addition, the average homestead value will increase from \$191,240 to \$197,874. This means that once again, there will be a shifting of overall tax burden from the commercial sector to the residential sector.

The Preliminary Budget is balanced at the Effective Maintenance and Operations (M & O) plus Debt Tax Rate. This tax rate is the tax rate necessary to generate the same amount of Maintenance and Operations revenue in the General Fund plus the current year debt from the same property as the year before. Property values from new properties that have not before been on the tax rolls are excluded. The Effective M & O plus Debt tax rate totals \$.5016 per hundred dollars of appraised value, and represents a \$.0098 increase in the current tax rate of \$.4918 (an increase of 2%). At this rate, the average of all homesteads would see a \$42 per year (or about \$3.46 per month) increase in their County tax payments (from \$752 to \$794 annually). However, before FY 05 begins, this tax rate will be reduced to reflect the establishment of the new Hospital District. The reduction will be based on the amount expended by the County on indigent health care and will need to be certified by an independent auditor.

To meet the County' capital needs, a total of \$19,296,000 is included in the Preliminary Budget from four basic sources - the General Fund Capital Acquisitions Resources (CAR) account (\$8,800,000), debt from short-term Certificates of Obligation (\$1,250,000), the Road and Bridge Fund (\$4,156,000), and debt from long-term bonds authorized by the voters (\$5,090,000).

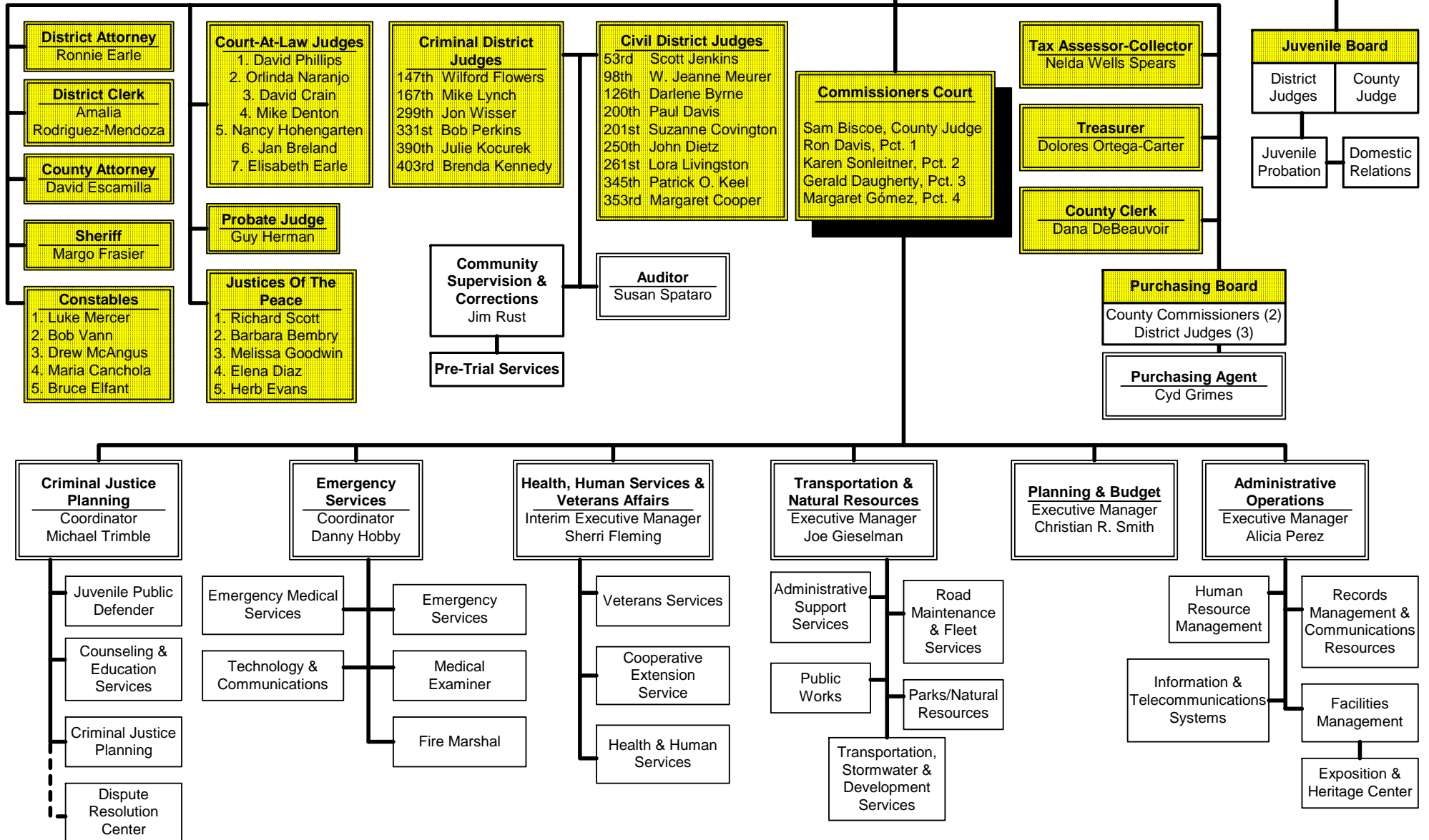
This Preliminary Budget represents a sound financial plan for FY 05. The budget has been filed with the County Clerk for the public's review. Additional copies are available in the Planning and Budget Office in the Ned Granger Administration Building, 314 W 11<sup>th</sup> Street, Suite 540. It is also posted on Travis County's external web site, ([www.co.travis.tx.us](http://www.co.travis.tx.us)) and on Travis County's internal web site.

FY 2005 PRELIMINARY BUDGET  
EXECUTIVE SUMMARY



# TRAVIS COUNTY

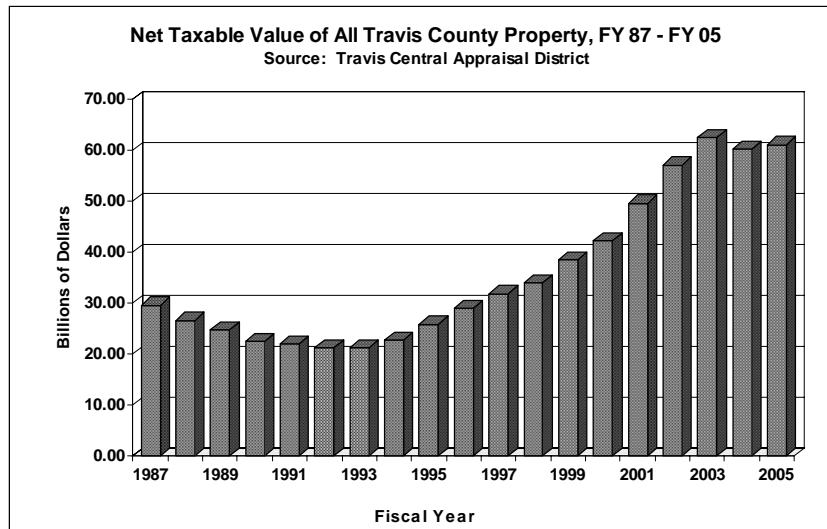
## Travis County Voters



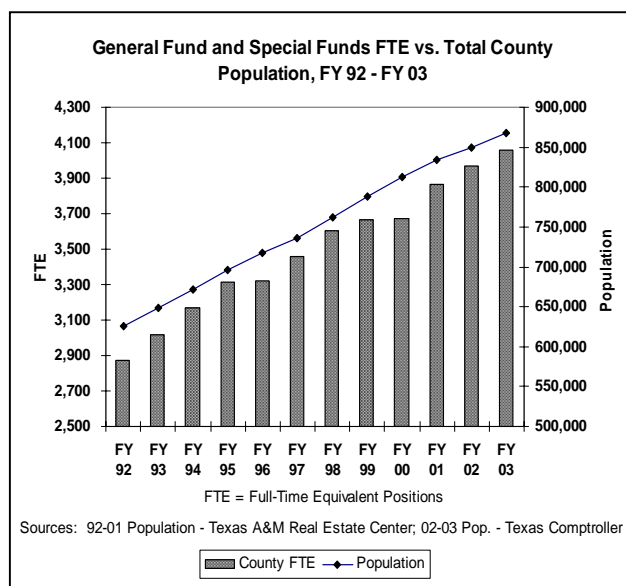
Elected Officials

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

Since FY 92, 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 steadily increased from \$21.2 billion in FY 92 to \$62.4 billion in FY 03, as reflected in the chart below. However, this chart also shows that this trend of an increasing tax base stopped in FY 04, with a decrease from \$62.4 billion to \$60.2 billion in FY 04. Total property values including new construction will increase slightly to \$61.1 billion in FY 05.



In the last 10 years, the General Fund has increased over \$174.9 million (from \$148.0 million in FY 94 to \$322.9 million in FY 04), representing an increase of 118%. During this same time frame, the County’s tax rate has decreased from \$0.5762 to \$0.4918. The following two charts show the changes in the General Fund, total FTE, and County population each year between FY 94 and FY 04.



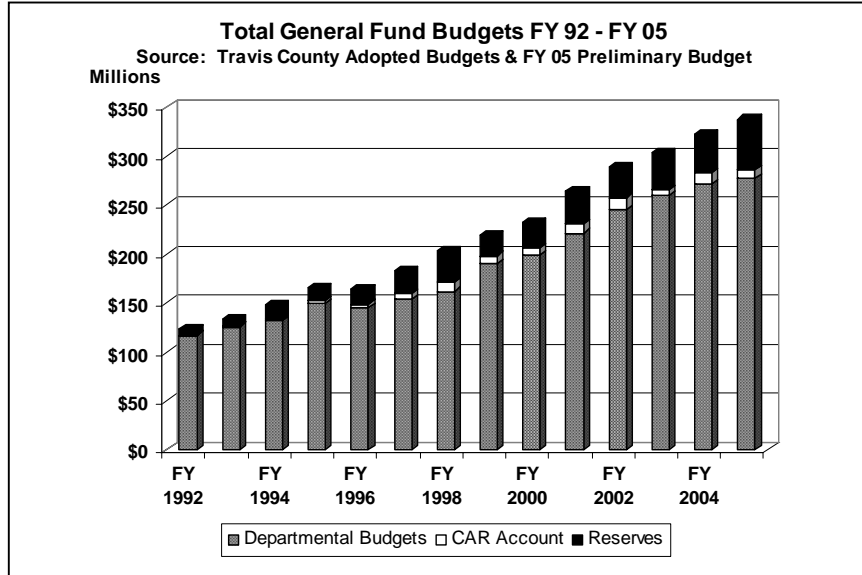
Since FY 94, the County’s workforce has increased from 3,166.7 FTE to 4,050.6 FTE in FY 04, or about 28%. This is a 2.8% annual increase each year, and essentially matches the annual increase in the County’s population since that time (at about 2.8%). While County staffing levels have increased proportionately with population growth, County budgets have increased at much higher rates. This reflects increases in personnel costs and programmatic growth. The chart at left stops at FY 03 because accurate population data is not available beyond that year.

This growth in the economy and property tax base 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, although it appears that the economy is beginning to pull out of the downturn.

The Chief Appraiser for the Travis Central Appraisal District has indicated that commercial properties will once again experience a decrease in their value for FY 05,

totaling a decline of approximately 5%. In addition, the average homestead value will increase 3.5% from \$191,240 to \$197,874. This means that once again, there will be a shifting of overall tax burden from the commercial sector to the residential sector.



Thus, it should come as no surprise that key themes of this FY 05 Preliminary Budget are continued restraint and caution, 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. A 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 also 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 05 PRELIMINARY BUDGET**

**FY 05 PRELIMINARY BUDGET - ALL FUNDS**

	<b>Adopted FY 04 Budget</b>	<b>Preliminary FY05 Budget</b>	<b>\$ Change</b>	<b>% Change</b>
General Fund (1)	\$322,883,952	\$337,470,281	\$14,586,329	4.5%
Road and Bridge Fund	24,665,226	24,039,919	(625,307)	(2.5%)
Debt Service Fund	70,354,719	68,625,286	(1,729,433)	(2.5%)
Internal Service Funds:				
Risk Management Fund	10,961,555	11,228,940	267,385	2.4%
Employee Insurance Fund	31,585,857	37,333,474	5,747,617	18.2%
Other Funds (2)	32,514,439	25,994,028	(6,520,391)	(20.1%)
Less Transfers	(6,736,431)	(6,913,461)	(177,030)	2.6%
<b>Total</b>	<b>\$486,229,317</b>	<b>\$497,778,487</b>	<b>\$11,549,170</b>	<b>2.4%</b>

(1) From 3<sup>rd</sup> 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 05 Preliminary Budget is found in Appendix I. The FY 05 Preliminary Budget total for all funds is \$497,778,487, compared to the previous year's FY 04 Adopted Operating Budget for all funds of \$486,229,317.

**A. 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 05 Preliminary Budget contains General Fund expenditures and reserves totaling \$337,470,281. This represents a \$14,586,329 increase, or 4.5% above the FY 04 General Fund Adopted Budget of \$322,883,952. General Fund revenue is based on the Auditor's Third Revenue Estimate, which assumed a projected appraised value of \$61.110 billion and a tax rate of \$0.5016. This tax rate represents an increase of \$0.0098 from the current tax rate of \$0.4918. It should be noted, however, that this tax rate has not been reduced to account for the establishment of a new Hospital District. This tax reduction will occur once more concrete budget figures are available in early September.

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

Appendix I contains a comparison of General Fund departmental budgets from FY 03 through the FY 05 Preliminary Budget. The Adopted Budgets for all departments, excluding CAR amounts, increased from \$259.7 million in FY 03 to \$271.9 million in FY 04. The FY 05 Preliminary Budgets for all departments total \$276,977,063, excluding CAR amounts. Appendix I contains a table entitled "FY 05 Summary of Budget Requests" that lists the 470 individual budget proposals and indicates their status. Of the 470 requests, 349 are for increases and 121 are reduction proposals. The following table summarizes the major components of the General Fund budget.



FY 05 Preliminary Budget – General Fund				
		Preliminary Budget FY 05		
	Adopted Budget FY04	One-Time Expenses	On-Going Expenses	Total
Beginning Fund Balance	\$43,746,885	47,470,142		47,470,142
Property Taxes	231,624,223		239,222,023	239,222,023
Other Revenue	47,512,844		50,778,116	50,778,116
<b>3<sup>rd</sup> Revenue Estimate</b>	<b>\$322,883,952</b>	<b>47,470,142</b>	<b>290,000,139</b>	<b>337,470,281</b>
Unallocated Reserves	\$33,912,751	35,241,525		35,241,525
Capital Acquisition Resources Acct. (CAR)	10,830,126	8,800,000		8,800,000
Emergency Allocated Reserve	1,786,554	600,000		600,000
Regular - Allocated Reserve	1,941,373	1,370,331	595,896	1,966,227
Special Purpose Reserves	2,470,669	738,690	1,610,399	2,349,089
<b>Sub-Total</b>	<b>\$50,941,473</b>	<b>46,750,546</b>	<b>2,206,295</b>	<b>48,956,841</b>
<b>Departmental Base Budgets</b>	<b>\$259,458,879</b>		<b>269,805,020</b>	<b>269,805,020</b>
<b>Wage Requirements:</b>				
Health Benefits Increases	\$5,750,000		3,487,515	3,487,515
Rank & File Compensation Reserve	0		5,847,595	5,847,595
POPS Compensation Reserve	0		1,628,819	1,628,819
Career Ladders	0		272,677	272,677
Elected officials' salaries (+ Assoc. Judges)	273,327		433,976	433,976
Change in retirement contribution	355,820		(455,567)	(455,567)
Skill-based pay for Sheriff's Office	0		122,083	122,083
Retirement increases to retirees (COLA)	0		199,279	199,279
<b>Sub-Total Wages and Benefits</b>	<b>\$6,379,147</b>		<b>11,536,377</b>	<b>11,536,377</b>
<b>Total Reductions</b>	<b>(\$5,733,207)</b>			
<b>Major Highlights:</b>				
Combined Comm. Center and Radio System	1,382,357		859,201	859,201
Intermediate Sanctions Center – Juvenile Prob.			826,409	826,409
EMS interlocal			766,207	766,207
ITS Maintenance of Current Effort		460,248	263,112	723,360
Balcones Canyonland TIF	1,027,586		672,708	672,708
Fuel increases			352,050	352,050
Risk Mgt. Maintenance of Current Effort			306,551	306,551
Opening New Parks	583,555		290,215	290,215
Facilities maintenance, repair and other		84,850	201,471	286,321
CSCD License			208,000	208,000
Indigent Attorneys' Fees	1,100,000		200,000	200,000
Justices of the Peace and Constables			181,320	181,320
Various Health/Human Service increases			177,782	177,782
Other Starflight increases		76,400	92,615	169,015
County Attorney Environmental Enforcement			159,026	159,026
County Attorney Tax Collection Team			137,840	137,840
Federally Qualified Health Center increase		24,626	91,332	115,958
Risk Management transfer			100,000	100,000
Opening New Facilities	609,501		0	0
Other increases among various depts.	4,759,870	73,472	566,608	640,080
<b>Total Increases</b>	<b>11,837,660</b>	<b>719,596</b>	<b>6,452,447</b>	<b>7,172,043</b>
<b>Total Expense</b>	<b>\$322,883,952</b>	<b>47,470,142</b>	<b>290,000,139</b>	<b>337,470,281</b>
<b>Net</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**2. Personnel Changes**

A total of 61.25 new regular FTE are added to the FY 05 General Fund, and 16.2 FTE are removed, for a net increase of 45.05 FTE. Of the net 45.05 new FTE, a total of 16 FTE are associated with new revenue, 16.8 FTE are a switch in funding from grant funds to the General Fund, and 8 FTE are associated with the voter approved East Metro Park. The relatively small number of new FTE requiring new taxpayer resources 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 have been previously authorized by the Commissioners Court, or unless departments can fund them through a reallocation of existing resources.

It should be noted that three reserves established in this Preliminary Budget may result in additional FTE being authorized during FY 05. These three reserves are the Reserve for Fines, Fees, and Assessments (\$150,000), the Reserve for FACTS Implementation (\$400,000), and the County-Wide Security Reserve (\$200,000). It is premature at this time to know precisely the number and type of FTE to be authorized for these purposes, if any.

The following table reflects a summary of position changes in the General Fund and Other Funds. The details on each position are contained in the Appendix under "Positions Changes List".

**General Fund Position Changes**

<b>General Fund</b>	<b>Added</b>	<b>Removed</b>	<b>Total</b>
Revenue Related	19.0	(3.0)	16.0
Sheriff Law Enforcement Package	11.0	(7.0)	4.0
Internally Funded	5.25	0	5.25
Fund Switch	18.0	(1.2)	16.8
East Metro Park	8.0	0	8.0
Other	0	(5.0)	(5.0)
<b>Total</b>	<b>61.25</b>	<b>(16.2)</b>	<b>45.05</b>

**Other Funds Position Changes**

<b>Other Funds</b>	<b>Added</b>	<b>Removed</b>	<b>Total</b>
Revenue Related	1.0	0	1.0
Internally Funded	2.0	0	2.0
Fund Switch	3.2	(2.0)	1.2
<b>Total</b>	<b>6.2</b>	<b>(2.0)</b>	<b>4.2</b>

**3. Decreased Budgets and Reserves**

During last year's budget process, each department outlined opportunities for budget reductions along with a description of the implications of implementing such reductions. A total of \$5,733,207 was removed from departmental adopted General Fund budgets

in FY 04 as a result of that review. For FY 05, the Commissioners Court asked departments to again review the budget reduction submissions from the previous year and update them as necessary.

The Planning and Budget Office was asked to review those submissions and recommend any cuts for FY 05 that appeared appropriate under current circumstances. PBO has exercised caution in recommending further reductions in FY 05. Given the magnitude of cuts of the previous year, and the fact that the economic circumstances in FY 05 are slightly better than in FY 04, the Preliminary Budget does not contain substantial departmental budget reductions. Reductions in reserves levels, however, do appear to be warranted, especially in those circumstances where a reserve was established to help the County's financial position through an economic downturn or where a one-time reserve was established for a special purpose in FY 04. These changes in reserve levels are summarized later in this Executive Summary under "Reserves".

#### **4. Creation of a Hospital District**

On May 15, voters approved the creation of a Hospital District in Travis County. This means that certain health-related expenditures that were previously incurred by the City of Austin and by Travis County will now be the responsibility of the Hospital District. FY 05 will be the first full fiscal year of the Hospital District's existence. The budgets for both the County and the City for certain health-related expenses will be reduced for FY 05 from FY 04 expenditures and the Hospital District will be established as a new taxing authority in that year.

The Commissioners Court and the City Council must both appoint members to a Hospital District Board of Managers. Each governing body must also identify the amount of funds spent in FY 04 for certain health-related expenditures, which will not be spent in FY05. The County and City must then reduce their tax rates accordingly. The law requires that the County's and City's FY 05 tax rate reductions be based on FY 04 expenditures. An independent audit will validate this amount. This audit has not yet been completed. Therefore, the tax rate (and related expenses) proposed in this Preliminary Budget has not been adjusted for the creation of a Hospital District. The County tax rate is recommended at the Effective Maintenance and Operations plus the Debt Rate. It is expected that the Court will come to a conclusion about the tax rate adjustment during its budget mark-up deliberations in early September.

At the time that this Preliminary Budget was filed, there was some question about the technical status of the Federally Qualified Health Center (FQHC) designation and how this federal designation would be held. This may or may not require the County to continue to tax for FQHC-related expenditures until such time that the long-term future of this FQHC designation is determined. A decision will have to be made on this matter, however, before the new fiscal year begins. On the other hand, it appears rather clear that at least the Rural Medical Assistance Program (RMAP) and the expenses for the contract with the Peoples' Clinic will be the responsibility of the new Hospital District. It should be noted, that if these programs were to continue under the County in FY 05,

this Preliminary Budget would have had to address additional RMAP funding. This matter will need to be addressed by the Hospital District Board of Managers as part of its FY 05 budget preparations.

## **5. Special Purpose Reserves**

### **a. Fines, Fees and Assessments Reserve**

During FY 02, the Tax Office received funding for a pilot program to improve the amount of court fines and fees actually collected by the County. This pilot program was not implemented due to certain challenges in securing 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 in that year. 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, allowing the Judges' orders to be followed, and the County to successfully collect the revenue that is due.

During FY 04, a Fines and Fees Task Force was established by the Commissioners Court to further broaden the participation of various departments in improving how court-ordered fines and fees are assessed, accounted, and collected. The recommendations of this Task Force have not yet been formally made to the Commissioners Court by the filing of this Preliminary Budget. Due to the timing and complexity of this matter, a special Reserve for Fines, Fees, and Assessments has been established totaling \$150,000, which is intended to provide the necessary resources for this program in FY 05.

### **b. Two Reserves for IJS/FACTS**

The County will be installing the Fully Automated Court Tracking System (FACTS) during FY 05. This system is a part of the Integrated Justice System (IJS) and will provide the basic data management support and computerized infrastructure for the court-related offices in the Criminal Justice System, including the County Clerk, the District Clerk, all the Justices of the Peace, and the Criminal and Civil Courts. The FACTS system has experienced a variety of delays and implementation challenges over the last few years. A variety of offices have expressed concerns about the impact of the system on their staffing and workflow, and have made budget requests for additional staff. However, it is still early to know with precision how much will be required. A \$400,000 FACTS Implementation Reserve has been established to provide operating resources in FY 05 as more becomes known about the operational requirements of the system, along with the degree to which additional staff and new protocols are needed in various offices.

A \$300,000 Capital Reserve for augmentations to the FACTS System has also been established in the Capital Acquisition Resources account. The Information and Telecommunications Services (ITS) department has requested one-time cost augmentations to the FACTS system that are intended to improve integration effectiveness and to increase functionality and efficiencies from the baseline system.

Requests to use this Reserve will allow the ITS department to more fully provide the Commissioners Court with visibility and oversight on this important system implementation project.

**c. Lease Increase Reserve**

A Lease Reserve of \$500,000 has been established within the Preliminary Budget to accommodate increased lease expenses that may be necessary in FY 05. The base lease budget of \$1,076,208 is already contained within the Facilities Management department's Target Budget. The lease budget was decreased by \$997,858 from the FY 04 Adopted Budget in anticipation of projected lease savings. This budget may need to be re-adjusted upward depending upon space discussions yet to be finalized by the Commissioners Court.

The particular tenant mix at the Airport Boulevard Building has not yet been finalized. In the event that certain options are approved by the Commissioners Court, there will be a need for additional resources. Since this tenant mix is still unclear, a Reserve has been established. This Reserve basically represents the budget request from Facilities Management for lease increases, mostly to accommodate the Consulting and Educational Services department.

**d. Security Reserve**

Each year, the Planning and Budget Office has received a variety of budget requests related to improved security in County buildings. Each year, the recommendations to the Commissioners Court have included having offices that are involved in security services (primarily the Sheriff's Office and Facilities Management) identify the overall staffing and capital changes throughout the County needed for security. Beginning with FY 03 an earmark has been established against the Allocated Reserve. Many agree that each County facility needs to be ranked in terms of its security risk, and then appropriate cost-effective steps taken to apply the proper amount of security services to match the amount of security risk. Some of these steps might include personnel at different levels of skill and training, and some might include one-time capital changes. A \$200,000 Security Reserve is established in the Preliminary Budget. This is intended for the Commissioners Court to foster improved security in targeted facilities in FY 05 through a coordinated plan involving the user departments along with the Sheriff's Office and Facilities Management.

**e. Records Storage Reserve**

A reserve of \$170,000 for increased records storage costs is included in the FY 05 Preliminary Budget. In June 2004 the Records Management and Communications Resources Department (RMCR) had to enter into a new contract for records storage as the existing contract expired. Due to changes in the records storage industry, the cost of storing active records increased significantly. While RMCR is working to absorb increased costs in the last quarter of FY 04, the department has two other options that it is pursuing for FY 05. The first is establishing a County Records Center at 5501 Airport Boulevard. However, Commissioners Court is not scheduled to consider this option until after the Preliminary Budget is filed. The second option is entering into a second

contract with a smaller vendor to provide records storage for the most active county files.

**f. Solid Waste Management Reserve**

This reserve was established in FY 04 for one-time solid waste management expenditures. A total of \$2,000 was utilized in FY 04 for solid waste issues. The remaining \$98,000 is being rebudgeted in FY 05.

**g. Annualization Reserve**

An Annualization Reserve of \$192,399 has been established for the opening of East Metro Park. This new park is scheduled to open during the summer of 2005, and these funds represent the incremental amount of funding that will be necessary for a full year of operation. The use of this reserve will avoid the use of one-time revenue being used for an ongoing program.

**h. After School Pilot Program Reserve**

During FY 04, the Commissioners Court approved the funding of an After School Pilot Program. The Court indicated that it wished to address the future funding of this program during the FY 05 budget process, once a review has been made of the results of the pilot. A \$200,000 reserve has been established to provide resources for this effort in the event the pilot moves toward a more permanent After School Program.

**i. Exposition Center Subsidy Reserve**

A reserve totaling \$138,690 has been established in anticipation of a deficit in the operations of the Travis County Exposition Center for FY 05. In FY 04, the Commissioners Court approved a supplement from one-time funds, totaling \$138,690 to subsidize the Exposition Center operations. Such resources were to provide the department the time and flexibility to grow its customer base, increase its revenue stream, and cover increased utility costs associated with the Court approved air conditioning system. The Third Revenue Estimate for the Exposition Center reflects a possible continued need in FY 05 for a further General Fund subsidy of the department in the absence of expenditure reductions. However, there have been historical fluctuations in revenue for the Exposition Center and this reserve should provide a platform for discussions with the Commissioners Court on the future plans for the facility along with the need for another one-time or a permanent subsidy.

**6. Major FY 05 Funding Issues**

The following major funding issues are addressed in the FY 05 Preliminary Budget. Most of these are essentially "Maintenance of Current Effort" requirements or have associated revenue to support them. 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. 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 \$766,207 in FY 05. These increases are largely due to an increase in the costs of health insurance and compensation increases for City of Austin employees, including 3.5% for performance based pay, a further 2% increase for paramedics, and increased funds for pay equity and for overtime. Another \$8,000 is required for fuel increases.

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

During FY 04, the new Combined Transportation & Emergency Communications Center (CTECC) and the new 800 MHz Radio System became fully operational. These new systems provide a modern and consolidated emergency response system Countywide. For the County, an additional \$859,201 is needed in FY 05 to operate the CTECC/Radio system, primarily due to maintenance contracts for the radios and electronic equipment. These funds represent a contractually mandated requirement if the County is to continue with the CTECC, the Regional Radio System (RRS), and the Mobile Data Communications (MDC) agreements with the City of Austin and other partner agencies. The County has invested over \$22.6 million dollars in these systems. 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. The total amount of the agreements, with the additional funds requested in this proposal is \$2,261,156.

The primary cost driver of these items is that the system equipment ends its warranty period and enters into ongoing maintenance agreements. The costs of maintenance increases alone for the three agreements are \$624,604. Personnel increases account for \$27,124 of the increase. Security improvements requested by Travis County add another \$50,000 to the increase. The remaining \$157,473 consists of incremental increases in operating costs.

**c. Risk Management Fund**

The County Auditor's Office has reviewed the Risk Management Fund actuary report and has estimated a \$5,963,455 fund balance for this fund in FY 05. PBO believes that these resources, along with the \$5,017,985 in General Fund resources and the \$247,500 estimated investment income, will provide sufficient resources for this fund in the upcoming fiscal year. However, there still exists an estimated shortfall of ongoing revenues versus estimated expenditures in this fund. Historically this has been the case at the beginning of the year, yet fund balance has not decreased. Over the years, this imbalance has been addressed by providing periodic budgeted increases in the General Fund line items that support the expenditure line items in the Risk Management Fund. As part of this multi-year effort, \$100,000 has been included in the Preliminary Budget toward this goal.

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

A total of \$672,708 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 05 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 05 transfer from the General Fund is \$3,772,584.

**e. Opening New Park**

Travis County will be opening the East Metro Park, beginning in June 2005. In FY 00 the Commissioners Court approved certain funding levels at the Southeast Metro Park and the Northeast Metro Park, both of which opened in that year. The Preliminary Budget includes \$290,215 (plus an Annualization Reserve of \$192,399) to support the East Metro Park at the same staffing level originally approved for the other two urban parks. This includes 6 Maintenance Technicians (including 2 seniors) along with a Park Ranger and a Park Operations / Maintenance Supervisor. In addition, a total of \$346,310 is recommended in one-time capital for the East Metro Park from the Capital Acquisition Resources Account (CAR), as well as \$204,600 in a proposed Certificate of Obligation for a new park maintenance building.

**f. 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 (ITS). These total \$723,360 and include,

- (a) Database Analyst to continue the Mapper Migration Project (\$67,470);
- (b) Implementation of the E Filing Project, first approved in FY 03 (\$338,022);
- (c) Various maintenance contract increases for existing hardware and software (\$259,552);
- (d) Evercom Contract liaison (\$25,001); and
- (e) funds to support new Medical Examiner software (33,315).

**g. Fuel Cost Increases**

Increases in the price of gasoline have been widely publicized throughout the country. This affects the County's fleet of automobiles and trucks in a similar fashion as it affects all who purchase gas privately. While Travis County has a special contract for fuels, it too has been affected by recent price increases. A total of \$352,050 is included in the Preliminary Budget for Transportation and Natural Resources in order to fund these increases, along with a projected increase in the annual number of gallons used.

**h. Maintenance and Repair Increases**

Facilities Management has received an increase of \$160,671 for routine maintenance at County facilities. This amount will allow the department to continue to maintain County facilities at the current standard and was based on the department's projected shortfall in FY 04. In addition, the department has received an additional \$125,650 for other one-time and ongoing maintenance projects such as the replacement of county seating in the Commissioners Courtroom, a County parking lot maintenance program, and an annual signage program, along with other special projects.



**i. Insurance Premiums**

The County's costs in unemployment insurance are forecasted to increase \$85,000 in the next fiscal year (from \$260,000 to \$345,000). In addition, purchased property insurance premiums will increase by \$221,551.

**j. Community Supervision and Corrections Financial System**

During FY 04, the Community Supervision and Corrections Department (CSCD) received one-time funding of \$208,000 for a new CSCD financial system from the Corrections Software Corporation (CSC). 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 first put into place during FY 03 and the system has worked well throughout FY 04. It has become clear that keeping this system will be necessary for CSCD to meet its responsibilities in the future and \$208,000 is included within the ongoing operations budget for this department.

**k. Justice of the Peace Increases**

Workload in the Justices of the Peace Precincts 2 and 3 continues to grow. The two offices have requested 3.5 FTEs in total, to help address the added workload. The Auditor's Office has certified revenue sufficient to cover the costs of the new FTEs. The Preliminary Budget includes an additional .5 FTE and \$13,748 in JP 2 along with 3 FTEs and \$96,766 in JP 3. Associated computer equipment totaling \$6,060 is budgeted in ITS. Other Maintenance of Current Effort and one-time requests budgeted in the Justice of the Peace offices include \$5,054 in office furniture and \$56 in benefits corrections for Precinct 1, and \$5,078 for court interpreter certification fees and one-time overtime pay for the move to the new office building for Precinct 3.

**l. Constable Increases**

Constable, Precinct 4 requested an additional Court Clerk position to conduct research on warrants and to process the necessary paperwork and data entry. The Auditor's Office has certified sufficient revenue to cover the additional cost. The Preliminary Budget includes an additional FTE and \$34,040 in the Constable 4 budget along with \$2,870 in computer equipment budgeted in ITS.

Constable, Precinct 5 requested an additional Deputy position to serve as a bailiff in JP 5 and to work warrants that are no longer being worked by the Texas Department of Public Safety. The Auditor's Office has certified additional revenue that did not fully cover the additional cost of the FTE. The department, however, had submitted its FY 05 proposed budget below its Budget Target. PBO is recommending funding of \$45,262 for this FTE, which is covered by the revenue certification and the restoration of the target budget amount. The department has agreed to internally fund the difference in costs of \$3,854 in personnel and operating costs and \$3,445 in computer equipment. Other increases include \$5,242 in Precinct 2 for replacement safety vests, additional employee auto mileage reimbursement funds for the accounting staff. Finally, with Constable Precinct 4's concurrence, the Precinct 4 budget was reduced by \$23,926 related to the Absent Student Assistance Program (ASAP).

**m. 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. These changes along with increased dispositions resulting from Jail Overcrowding Initiatives and other factors have resulted in increased Indigent Attorney Fee expenditures. These expenditures are expected to remain within budgeted resources for FY 04, but Criminal Indigent Attorney Fees are expected to require an additional \$200,000 in FY 05 due to increases in the number of attorney appointments and the expectation that new Jail Overcrowding Initiatives will continue to speed up the processing of criminal cases. With this increase, a total of \$2,329,495 (\$1,029,495 in FY 03, \$1,100,000 in FY 04, and \$200,000 in FY 05) in on-going resources have been added to the Criminal and Civil Indigent Attorney Fee budgets since FY 02.

A portion of these increases has been offset by State funding. Travis County was awarded \$336,370 in FY 04 from the State Indigent Defense Formula Grant and is expected to receive a similar award in FY 05. Travis County first received this funding in FY 02. The County also was awarded \$152,472 in one-time funding in FY 04 from the State Indigent Defense Discretionary Grant that is being used for technology to improve the court appointed counsel process.

**n. Environmental Enforcement Team**

A total of \$194,064 (\$159,026 General Fund plus \$35,038 in capital resources) is included for environmental enforcement personnel to assist the County Attorney's Environmental Enforcement Program. This amount includes full year funding for two Investigator FTE and partial year funding for another Investigator FTE. These positions will investigate environmental code violations for water pollution, illegal dumping, and air pollution, which will promote a cleaner and safer Travis County. These positions will generate revenue and are anticipated to pay for themselves in future years. This will fill a need in the community as other agencies have cut or reduced environmental enforcement in recent years. The fuel and maintenance budget for TNR was also adjusted to account for one new recommended vehicle and another vehicle that will be used by the program.

**o. Increased Delinquent Tax Collections**

The Preliminary Budget includes additional support for delinquent tax collections in the County Attorney's Office. These additional resources will primarily be directed toward non-adjudicated delinquent business personal property accounts handled in the Justice of the Peace Courts. The Preliminary Budget contains \$150,489 (\$137,840 General Fund plus \$12,649 in capital resources) for the County Attorney Tax Collection Division Team, which includes funding for 2.5 FTE. The County Auditor's Office has certified sufficient revenue to cover the cost of this effort.

**p. The 419<sup>th</sup> Civil District Court**

The Preliminary Budget anticipates the future operation of the 419<sup>th</sup> Civil District Court. This Court was created by the 78<sup>th</sup> Legislature and is effective September 1, 2005, which is the last month of FY 05. It is unclear if the Judge for the new 419<sup>th</sup> District Court will be appointed and the courtroom fully operational by September 1, 2005. Therefore, it did not seem necessary to budget one month of funds directly in the Civil Court's budget. Rather, an earmark was established in the event the new Court is fully operational for the last month of FY 05. However, a total of \$92,816 in one-time capital is included in the capital budget for this new court so that funds are available for expenditure before it opens. The operational needs of the new courtroom should be able to be more realistically discussed with the Commissioners Court and other affected departments in Spring, 2005, once the actual opening date is more clearly known.

**q. Forensic Toxicologist and Laboratory Equipment**

Two positions are included in the Preliminary Budget for the Medical Examiner Laboratory to fulfill the legislative mandate for accreditation. This increase represents phase 2 of a two-year proposal to accredit the Medical Examiner laboratory by September of 2005. If the lab is not accredited by September of 2005, no evidence generated by the lab will be able to be entered as evidence in court cases until the lab becomes accredited. The total General Fund cost of the new position, increased operating costs and equipment is \$70,692.

The additional certification costs of the office can be attributed to the workload generated by the large amount of out-of-county autopsies performed for a fee. As such, the fee to perform this work has already been increased to support this new position and costs, and the Auditor has certified additional revenue accordingly.

**r. Intermediate Sanctions Center**

In November of 1997 a bond election was passed by the voters of Travis County to approve the construction of an Intermediate Sanctions Center. This center became operational in 2001. Under the Commissioners Court approved Master Plan for Juvenile Probation, the staffing for the ISC was planned to be 100% from the General Fund since it opened in 2001. However, Texas Juvenile Probation Commission has provided approximately \$775,000 to operate the ISC since FY 2000, which eliminated some of the need for General Fund support of the program. However, with the reductions imposed in the last legislative session, the Juvenile Probation funding has been significantly reduced.

The FY 04 Preliminary Budget includes \$826,409 to move 18 existing FTE to the General Fund, formerly supported by the State grant funds. This action is consistent with the staffing plan of the ISC developed in the Juvenile Probation staffing plan and will allow the department to utilize the ISC at its maximum capacity of 118 slots.

**s. StarFlight Increases**

In FY 04 Commissioners Court approved a principal that the county employees of the StarFlight program would receive pay increases as if they were City of Austin

employees, rather than follow the policies of other county employees. The City of Austin has proposed a 5.5% pay increase, totaling 2% across the board and 3.5% performance based pay, effective October 1. The FY 05 cost of applying these pay increases to the StarFlight staff is \$40,005 (including a corresponding increase in overtime pay). Also HRMD has recommended that the StarFlight Pilots, who routinely receive overtime, should move from their current status (where they receive straight time for overtime hours) to completely non-exempt. This change will require the addition of \$41,600 in additional overtime.

The Preliminary Budget also includes \$87,410 in operating increases, of which \$76,400 is required only in FY 05. These increases are \$10,260 to restore a one-time FY 04 reduction to uniform purchases, \$750 for a pilot physical, \$12,000 to connect the StarFlight hanger to the City of Austin computer system, and \$64,400 to install night vision equipment for the helicopters.

**t. Federally Qualified Health Center (FQHC) Increases**

The General Fund transfer to the Federally Qualified Health Center (FQHC) Fund will increase by \$115,958. This increase consists of the following: (1) \$74,772 for performance pay and health insurance increases for City of Austin employed, County reimbursed employees, (2) \$24,626 for a computer system improvement for the clinics, and (3) \$16,560 for T-1 telecommunications lines for the five County clinics.

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

There are a variety of other Maintenance of Current Effort Requests funded within the Preliminary Budget. Those over \$20,000 are outlined in the following table.

**Other Increases Over \$20,000**

<b>Department</b>	<b>Program or Function</b>	<b>Cost</b>
Health/Human Serv.	Salary savings adjustment	\$90,000
Records Mgt.	Postage and paper	75,000
Tax Assessor-Collect.	Staff to maintain tax collection revenue & meet mandates	73,617
Health/Human Serv.	Health Interlocal agreement requirements	67,782
District Attorney	Court expenses for expert witness testimony	64,110
Juvenile Probation	Replace lost grant funds used for payment processing	62,000
Sheriff	CTECC Security	56,497
Purchasing	Funding for a Diversity Study with City of Austin	50,000
General Admin.	Inter-municipal Rail District	49,500
Sheriff	Mandatory annual regulatory jail tests	45,500
Sheriff	Courthouse Security Fund Transfer	38,677
County Attorney	Bond Forfeiture Office staff	31,735
Transport. & Nat'l Resources (TNR)	Fuel for County Attorney enforcement team and Sheriff's School Resource Officers	30,587
County Clerk	Ad hoc miscellaneous elections equipment	22,849
Health/Human Serv.	HIV Social Service contracts approved in May, 2004	20,000

**B. Workforce Investment**

**1. Background**

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 rank and file employees eligible to receive 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%. No Performance Based Pay was budgeted or awarded in FY 03 and FY 04.

In addition to performance based pay awards, the Commissioners Court was also able to fund scheduled increases to employees within the Peace Officer Pay Scale (POPS), along with increases to the POPS scale itself, special augmentations for skill based pay and targeted increases for Sheriff's Law Enforcement employees over multiple years.

This strategy of regular pay increases ended in FY03 for rank and file employees. Due to the upward spiraling trend of health costs, no performance based pay or other compensation increases were funded for rank and file employees, although members of the POPS scale were still able to receive their scheduled step increases as part of that program. For FY 04, neither the POPS scale employees nor rank and file received any compensation increases due to fiscal pressures throughout the county.

The following table summarizes both health care and compensation increases for these two groups of employees over the last two years.

**General Fund Increases for Health Care Costs and Pay Increases**

	FY 03	FY 04	FY 03 + 04
Peace Officer Pay Scale Pay Increases	2% increase 1/2 budgeted in '03 (\$540,000) and 1/2 in '04, plus increases for Sheriff Law Enforcement (\$693,000)	0% increase plus 1/2 of '03 increase annualized in '04, totaling \$570,000	\$1,803,000
Rank & File General Pay Increases (1)	0%	0%	-
Health Care Costs, all employees	\$4.6 million (2)	\$5.75 million	\$10.35 million
Total	\$5.83 million	\$6.32 million	\$12.15 million

(1) Includes ad hoc reclassifications, targeted "green circled" pay increases, career ladders, and other specialized market adjustments

(2) \$2.3 million originally budgeted plus \$2.3 million from Compensation Reserve

The table above shows that similar resources were provided for compensation and benefits in both FY 03 and FY 04 (\$5.83 million and \$6.32 million respectively). In addition, funding for Peace Officer Pay Scale employees was included in FY 03 and annualized in FY 04 while funding for rank and file employees was not.

An analysis of employee turnover rates has revealed that rank and file employees had a turnover rate of 13.5% during the last twelve months, while the turnover rate for employees on the POPS scale was considerably less, at 6.1%, as shown on the following table. Turnover is defined as any vacancy that occurred for any reason during the last twelve months divided by the number of employee positions. Please note that turnover rates for the twelve months prior to this, (from May, 2002 through May, 2003) show similar outcomes and differences.

**Turnover Rates – Rank and File and Peace Officer Pay Scale**  
**May 2003 through May 2004**

	<b># of positions</b>	<b># of terminations</b>	<b>Turnover Rate</b>
Rank and File	2,913	393	13.5%
POPS	1,083	66	6.1%
Total	3,996	459	11.5%

It should be noted that turnover for Sheriff’s law enforcement officers was 2.5% during this same 12 month period, even lower than others on the POPS scale.

**2. Compensation Reserves**

It seems relatively clear that there are substantial risks that can occur when an organization holds salaries frozen over multiple years. Not only can morale and productivity decrease but turnover can increase, and the organization can lose ground in retaining and recruiting a talented workforce. If and when this occurs, it can take many years to recover. The economic conditions and employee health care cost increases in FY 03 and FY 04 were so compelling that the Commissioners Court decided it had to avoid providing rank and file any performance based or other pay increases over these two years and was able to provide POPS increases during one of these years.

However, the economic circumstances in FY 05 allow for reasonable compensation reserves to be established. The only question is to what degree and with what type of configuration? This Preliminary Budget includes two separate Compensation Reserves. One is for rank and file employees equal to 5.75% of FY 04 salaries and benefits, and one is for the POPS employees established at a 2.75% level. Two separate reserves are established in recognition that one group has had pay frozen for the last two years while the other has had pay frozen for one year. In addition, turnover rates are considerably different for the two groups of employees, with rank and file reflecting a turnover rate that is more than double that of POPS.

It should be noted that the 2.75% increase proposed for the POPS employees has been calculated by raising the entire scale beginning October 1. The annual step increase was eliminated by the Commissioners Court in FY 04, and is not included in these calculations.

The following table shows the proposed FY 05 percentage increase for rank and file and POPS employees along with the General Fund amounts necessary to fund these increases in the Preliminary Budget. As has been the case in prior years, other non-General Fund sources, (such as the Road and Bridge Fund or grant funds) will fund the compensation increases for employees paid directly out of those funds.

	<b>% Increase</b>	<b>General Fund Compensation Reserve</b>
Rank and File	5.75%	\$5,847,595
Peace Officer Pay Scale	2.75%	\$1,628,819
<b>Total</b>		<b>\$7,476,414</b>

**3. 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. Despite this control, self-insurance 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 County began to see its employee health care costs rise well beyond historical trends. As can be seen below, the Employee Health Insurance Fund was first established in FY 02 at \$18.3 million and rose to \$31.6 million by FY 04.

	<b>FY 02</b>	<b>FY 03</b>	<b>FY 04</b>
<b>Total Employee Health Insurance Fund</b>	<b>\$18,334,435</b>	<b>\$22,162,255</b>	<b>\$31,585,857</b>

As mentioned above, these cost increases were so substantial that they affected the ability to award pay increases during both FY 03 and FY 04. In recognition of these circumstances, an Employee Benefits Committee spent several intense months reviewing options, costs, and debating the affordability of different plans for FY 05, in close coordination with the County’s external actuary. The work of this Committee was presented to the Commissioners Court in June. After further debate and discussion, the Commissioners Court voted to continue a three-option plan which allows employees to choose medical benefits in accordance with their medical needs, financial means and family situations. The Court approved across-the-board employee and retiree increases, with higher increases in the Exclusive Provider Organization (EPO) option and the tiers with adult coverage. However, the basic benefits level of the various health plans was not modified.

The Preliminary Budget contains \$3.5 million in the General Fund for the increased cost of health benefits, and \$378,937 for this purpose in other funds. The Employee Health Insurance Fund increases from \$31,585,857 in FY 04 to \$37,333,474 in FY 05.

#### **4. Retirement Benefits**

According to the Texas County and District Retirement System (TCDRS), Travis County's contribution rate per employee for retirement benefits will decrease from 9.82% of salary to 9.50% of salary to maintain the same level of retirement benefits. This decrease is due to significantly improved investment returns on TCDRS funds. The General Fund decrease in FY 04 will be \$455,567. These funds will be removed from departmental budgets as part of the Proposed Budget.

These figures do not include any Cost of Living Adjustment (COLA) for retirees. Retirees were approved a cost of living increase of 3% in both FY 02 and FY 03, but did not receive any cost of living increase in FY 04. A reserve of \$199,279 is established in the General Fund for a 3% cost of living adjustment for retirees. If the Commissioners Court decides to grant a 3% COLA to retirees, the Countywide retirement contribution rate will be 9.64%.

#### **5. Elected Officials' Salaries**

A Compensation Reserve for Elected Officials is included in the Preliminary Budget totaling \$433,976. This amount is sufficient to fund a 5.75% increase for elected officials (the same percentage as for rank and file), along with the second phase of the Judges' salary increase that had its first phase approved by the Commissioners Court in FY 04. This amount includes \$265,330 for the District and County Court-at-Law Judges, \$110,790 for the other elected officials, and \$57,856 for the Associate Judges (appointed officials) whose salaries have been typically tied to the District Judges.

### **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, or the migration off the MAPPER system);
- 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 and HVAC replacements);
- Equipment which needs replacement and is part of a replacement plan, (such as personal computers or vehicles);
- Equipment that continues the maintenance of County wide information systems infrastructure (such as file server upgrades and major computer system upgrades);
- 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 (such as equipment related to the opening of the East Metro Park).

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

The General Fund Capital Acquisition Resources (CAR) account is used for the purpose of funding capital equipment and facilities. This account has been quite variable over the years, driven by economic circumstances, capital needs, and other sources and constraints on debt financing. In the last 8 years, it has ranged from a low of \$6.5 million in FY 03 to a high of \$12.1 million in FY 02.

The FY 05 Preliminary Budget establishes the CAR account at \$8.8 million, which is \$2 million lower than in FY 04. This amount does not include the FACTS Capital Reserve. It also excludes any CAR resources appropriated in FY 04 and proposed to be rebudgeted in FY 05, 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 04 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 05. PBO has included an incomplete list of FY 04 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 05 is located in Appendix I.

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

Type of Project/Department	Amount
<b>Vehicles (\$2,110,090):</b>	
Other cars, trucks, SUV's motorcycles and heavy equipment	\$1,142,590
Replacement of Sheriff's patrol sedans and SUV patrol units	967,500
<b>Technology and Computers (\$2,031,517):</b>	
Replacement of personal & notebook computers, equipment & printers	\$1,141,324
Major computer systems upgrades	654,000
Telecommunications upgrades	119,840
New personal & notebook computers, equipment and printers	116,353
<b>Facilities Modifications (\$947,966):</b>	
HVAC replacements in Courthouse, USB and Granger Bldg	873,069
Forensic Center addition, Airport Bldg. Remodel and other Facilities Management equipment	74,897
<b>Sheriff's Office Projects (\$1,728,758):</b>	
Correctional Complex Roof replacements	\$379,000
Sheriff's Firing Range	250,000
Correctional Complex HVAC repairs	170,000
Sheriff's Driving Simulator	127,000
Correctional Complex Boilers	122,000
Correctional Complex slider door replacement	100,000
Central booking Sallyport Door replacement	100,000
Collier Center Command gates and fencing	61,000
Other Sheriff's Office equipment and facility repairs	419,758
<b>Other (\$1,457,293):</b>	
Ambulances	\$506,625
HHS software to support Hospital District	187,500
Various Tax Office equipment	171,521
Commissioners Court cameras and accessories	150,000
Other equipment and projects among 9 other departments	116,016
Various Civil Courts equipment	112,902
Starflight equipment	84,869
Equipment for East Metro Park (exclusive of vehicles & heavy equip.)	84,860
Onion Creek Feasibility Study	43,000
<b>Sub-total</b>	<b>\$8,275,624</b>
CAR Reserve	524,376
<b>TOTAL CAR, Excluding FACTS Reserve</b>	<b>\$8,800,000</b>
FACTS CAR Reserve	<b>300,000</b>
<b>Total</b>	<b>\$9,100,000</b>

**B. Road and Bridge Fund**

In addition to the resources provided through the General Fund Capital Acquisition Resources (CAR) account, the Road and Bridge Fund has a total of \$4,156,000 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 vehicles and heavy equipment	\$1,465,500
Hot Mix Overlay	1,800,000
Type "F" Mix road projects	800,000
Asphalt emulsion storage reservoir	49,000
Replacement equipment	41,500
<b>Total</b>	<b>\$4,156,000</b>

In addition, the FY 05 Preliminary Budget includes a total of \$955,160 rebudgeted from Road and Bridge projects that were budgeted in FY 04 and have not yet been completed. These projects include traffic signals (\$769,210), guardrails (\$65,950), sidewalks (\$100,000), and Spring Willow Claim Settlement (\$20,000).

Furthermore, the Road and Bridge Fund has an Allocated Reserve of \$1,827,007 for health insurance (\$182,381), compensation increases (\$460,810), and \$1,183,816 for other needs as well as unanticipated needs in FY 05 and for the future health of the Road and Bridge Fund. An Unallocated Reserve is also established in the Road and Bridge Fund totaling \$1,229,204.

**C. Debt Financing**

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

**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 or '04	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
<b>Total Nov. 2000 Bonds</b>	<b>\$28,000,000</b>	<b>\$4,000,000</b>	<b>\$22,000,000</b>	<b>\$0</b>	<b>\$2,000,000</b>

\*Remaining authorization not scheduled to be issued in FY 05.

**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 04.

Project	Original Authorization	Issued Through FY 04	Amount Issued in FY 05	Remaining Authorization
Prop. 1: Local roads, drainage, bridges and pedestrian access	\$57,430,000	\$30,620,000	\$13,765,000 (12,615,000) \$1,150,000	\$13,045,000
Prop. 2: County park projects	28,600,000	21,425,000	3,940,000	3,235,000
Prop. 3: State Hwy 45N and FM 1826 Right of Way*	32,725,000	32,000,000	(12,615,000)	13,340,000
Prop. 4: State Highway 130	66,200,000	66,200,000	0	0
Total for November 2001 Bonds	\$184,955,000	\$150,245,000	\$5,090,000	\$29,620,000

\*Based on current requirements from the State for Proposition Three (State Hwy 45N), Travis County will not need to pay \$12,615,000 in FY 05. Since these proceeds have already been received by the County, the money will be used instead for funding the majority of the Proposition One projects (local roads). This means that only \$1,150,000 will need to be issued for Proposition One projects in FY 05. This will not change the overall authorization approved by the voters, and the remaining authorization after FY 05 will be \$29,620,000 as outlined above. The remaining authorization for State Highway 45N is expected to be issued at a later date.

**2. FY 05 Certificates of Obligation**

The amount of total debt proposed to be issued through short-term Certificates of Obligation in FY 05 is \$1,250,000. This debt supports projects eligible for Certificate of Obligation (CO) funding that are reasonable and logical for 5 year CO financing. The amount of recommended CO funding in this Preliminary Budget is structured so the total annual debt service in FY 06 is estimated to decrease from \$62.5 million to \$61.6 million. The details of \$1,250,000 in funding from five-year Certificates of Obligation in FY 05 is summarized in the following table.

**Projects Funded from FY 05 Certificates of Obligation**

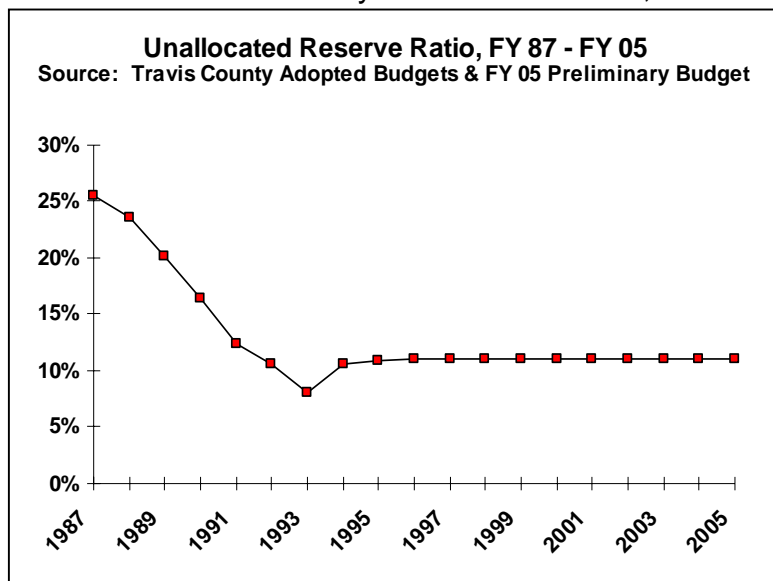
Correctional Complex hot water system replacement (Health Services Building) and control panel upgrades (Buildings 2 and 3)	\$265,000
Fire Alarm System in Juvenile Court	245,000
County-wide file server technology upgrades	214,731
East Metro Park Building	204,600
Converting token ring to Ethernet infrastructure	182,000
Gas Chromatograph/mass spectrometer	90,000
<b>Sub-Total</b>	<b>\$1,201,331</b>
Issuance Cost	48,669
<b>Total CO</b>	<b>\$1,250,000</b>

**V. RESERVES**

There are three types of regularly budgeted reserves: (A) Unallocated Reserve, (B) Allocated Reserve, and (C) the Capital Acquisition Resources account Reserve (CAR Reserve). There are also special Departmental and County-wide Reserves established for a special purpose and do not necessarily remain in the budget from year-to-year. Each of these reserves is summarized below.

**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 ten years, the Commissioners Court maintained the Unallocated Reserve ratio at 11.0%. The total FY 05 General Fund Unallocated Reserve in the Adopted Budget is

\$35,241,525. As has been done since FY 00, the General Fund Unallocated Reserve in the Preliminary Budget for FY 05 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.

The historical 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 05 Preliminary Budget includes an Allocated Reserve of \$1,966,227. The total of this reserve represents less than .6% of the General Fund. The proposed FY 05 Allocated Reserve is essentially the same.

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 \$698,497. A listing and summary of these proposed Earmarks against the Allocated Reserve are listed in Appendix I.

### **C. Emergency Reserve**

In FY 02, FY 03, and FY 04, 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 and FY 04. This Emergency Reserve is included again in the FY 05 Preliminary Budget, but at a much reduced level since the original justification for the reserve has been diminished through economic circumstances. The amount of this reserve is \$600,000, which is \$1,186,554 lower than the level established in FY 04.

The Emergency Reserve is intended to allow for new legislative impacts, provide a further safety net for emergencies, and allow for potential FY 06 revenue shortfalls. This reserve is not intended to be spent in FY 05 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 06. Should all go according to expectations, it is likely that this reserve will not be necessary in FY 06.

**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 \$524,376, which is similar to the reserve size in FY 04. The Earmarks against this reserve total \$167,898, as outlined in Appendix I.

**E. Other Special Purpose Reserves**

There were a variety of other special purpose reserves established during the FY 04 budget process. These reserves were to ensure that funds would be available in the event unforeseen circumstances were faced by the Commissioners Court and to provide resources for potential needs in FY 05. These were one-time reserves and are outlined below.

**FY 04 Special Purpose Reserves**

Reserve	Amount	Status
FY 05 Capital Reserve	\$791,138	Included in FY 05 CAR
Health and Human Services Reserve	500,000	Transferred to Health and Human Services in FY 04
Utilities Reserve	500,000	Not needed in FY 04
Judiciary Reserve	472,506	Second phase of Judges salary increase in Elected Officials Salaries
Annualization Reserve	107,025	Included in Dept. Budget Targets
Solid Waste Mgt. Reserve	100,000	\$98,000 rebudgeted in FY 05

A total of ten separate special purpose reserves have been established in the Preliminary Budget, and have been discussed earlier. These are summarized below.

**New Special Purpose Reserves in FY 05 Preliminary Budget**

Reserve	Amount
Lease Reserve	\$500,000
Reserve for IJS/FACTS implementation	400,000
Reserve for FACTS Capital (in CAR)	300,000
Security Reserve	200,000
After School Program Reserve	200,000
Annualization Reserve (East Metro Park)	192,399
Records Storage	170,000
Reserve for Fines, Fees, and Assessments	150,000
Exposition Center Subsidy Reserve	138,690
Solid Waste Management Reserve (in '04)	98,000
Total	\$2,349,089

**VI. PROPERTY TAX RATE**

The total taxable value for all Travis County property has seen a slight increase from \$60.195 billion in the FY 04 Adopted Budget to \$61.11 billion for FY 05. This is the final amount expected to be certified by the Travis Central Appraisal District (TCAD). The following data as well as the overall Preliminary Budget is based on TCAD certified values. The new property value totals \$1.875 billion, compared to new property value of \$2.147 billion in FY 04. The table below depicts the impact of the proposed tax rate of \$.5016 per \$100 of taxable value on the average residential homeowner declaring his or her house as a homestead.

Please note that this property tax rate does not include any decrease for the new Hospital District. It is anticipated that this decrease will occur as the result of Commissioners Court action in early September, once more complete figures are determined for the amount of hospital district-related expenditures incurred in FY 04 that will no longer be necessary to be incurred by the County.

**Impact on Average Homestead**  
**(All homestead values per Travis Central Appraisal District values of 7/25/04)**

	<b>FY 04</b>	<b>FY 05</b>	<b>Difference</b>	
Average Appraised Value of all homesteads	\$191,240	\$197,874	\$6,634	3.5%
Taxable Value after 20% exemption	\$152,992	\$158,299	\$5,307	3.5%
<b>Tax Rate</b>	<b>\$.4918</b>	<b>\$.5016</b>	<b>\$.0098</b>	<b>2.0%</b>
Average Tax	\$752.41	\$794.03	\$41.62	5.5%

The figures in the table above are those that would be required to be placed in a newspaper ad and represent the averages for all homesteads (which reflect an increase from \$191,240 to \$197,874). This means that the tax impact on this individual homestead at the tax rate of \$.5016 is an annual tax of \$794, versus \$752 the year before. This is an increase of \$42 (a 5.5% increase).

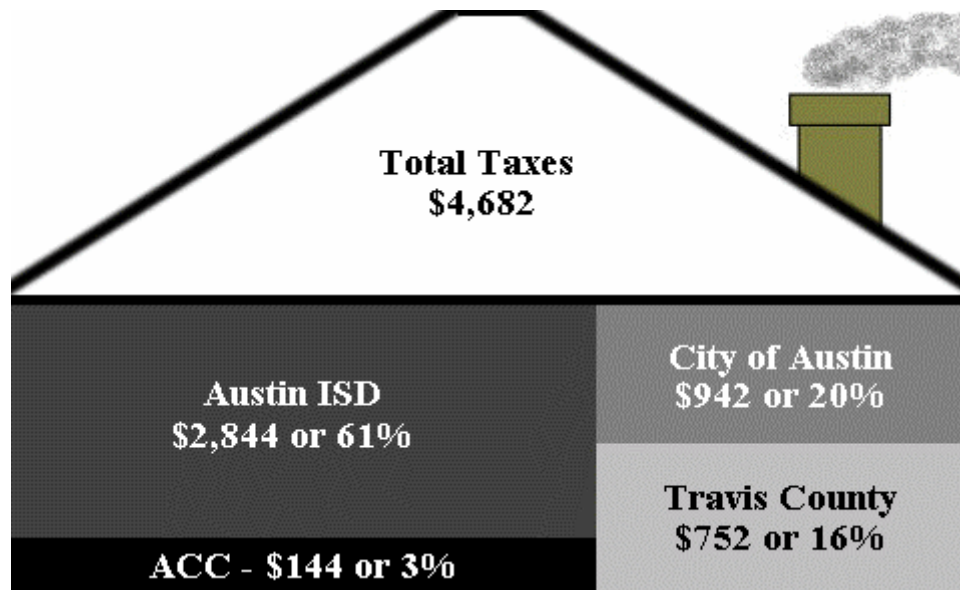
The FY 05 Preliminary Budget is balanced at a \$.5016 tax rate. This represents the Effective Maintenance and Operations Tax Rate plus the Debt Rate. It represents an increase of \$.0098 in the Tax Rate from the current \$.4918 per hundred of taxable value, equaling a 2% increase.



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

	<b>Adopted FY 04 Rate</b>	<b>Preliminary FY 05 Rate</b>	<b>Difference</b>	<b>% Change</b>
Operating Rate	\$ .3926	\$ .3994	\$ .0068	1.7%
Debt Service Rate	\$ .0992	\$ .1022	\$ .0030	3.0%
<b>Total Tax Rate</b>	<b>\$ .4918</b>	<b>\$ .5016</b>	<b>\$ .0098</b>	<b>2.0%</b>

**FY 04 Property Tax for Average Travis County Homestead Valued at \$191,240**



Travis County taxes in FY 04 for the average homestead valued within Travis County at \$191,240 totaled \$752. This is based on the adopted tax rate of \$.4918 per \$100 of appraised value and the 20% homestead exemption provided by the County. The City of Austin tax rate is \$.4928, but since the City does not provide a homestead exemption, the City taxes on this average homestead would be \$942. The Austin Independent School District tax rate is \$1.6137 and with their homestead exemption of \$15,000, their taxes on this homestead would be \$2,844. ACC has a \$.0771 tax rate and their homestead exemption is \$5,000, resulting in an average tax of \$144. Travis County's portion of this tax bill (without reference to other taxing jurisdictions such as an Emergency Services District or a Water District) is 16% of the total.