

PLANNING AND BUDGET OFFICE

TRAVIS COUNTY, TEXAS

314 W. 11th Street
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July 28, 2005

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 2006 Preliminary Budget

Enclosed is the Travis County Preliminary Budget for Fiscal Year 2006. This document serves as a platform for the Commissioners Court to receive comments from the public and County departments on FY 06 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 current information available. The final budget is scheduled for adoption by the Commissioners Court on Tuesday, September 27, 2005.

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 06 budget. While the County still faces budgetary challenges for FY 06, it does so with officials prepared to control costs, and implement improved efficiencies while meeting the public's demand for services.

Earlier in the calendar year, there was an expectation that some resources might be available for programmatic expansions in certain critical priority areas (substance abuse, mentally ill inmates, and workforce development). However, as the year progressed, an unexpected and sudden increase in the inmate population made these expectations unrealistic. There is a statutory requirement to house the number of inmates that are sent to the Travis County Correctional System by the judiciary, and there are stringent and explicit staffing requirements established by the State for this

purpose. This has meant that the FY 06 Preliminary Budget has had to first secure those resources needed by the Sheriff to meet this obligation. In addition, this Preliminary Budget has endeavored to meet the County's existing contractual and programmatic commitments, along with providing some resources for health benefit and compensation increases while maintaining the County's reserves infrastructure.

This means the Preliminary Budget has minimal opportunities for programmatic growth. As a result, for FY 06, departments were 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.

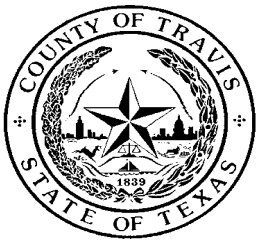
The Chief Appraiser for the Travis Central Appraisal District has indicated that the total property value will increase from \$61 billion certified in FY 05 to \$63.5 billion in FY 06. This includes \$1.9 billion in new property value that has not before been on the tax rolls. In addition, the average homestead value will increase from \$197,874 in FY 05 to \$203,526.

The Preliminary Budget is balanced at a lower tax rate than the FY 05 Adopted Rate. The proposed tax rate is \$.4864, which is \$.0008 lower than the current tax rate of \$.4872. This rate is equal to the Effective Tax Rate (\$.4769) plus 2% (\$.0095). At this rate, the average of all homesteads will see a \$21 per year (under \$2 per month) increase in their County tax payments (from \$771 to \$792 annually). An analysis of the various increases contained in the Preliminary Budget shows that the 2% increase in the tax rate beyond the Effective Tax Rate helps to fund the various direct public safety increases for FY 06.

To meet the County's capital needs, a total of \$20,976,872 is included in the Preliminary Budget from four basic sources: the General Fund Capital Acquisitions Resources (CAR) account (\$5,286,967), debt from short-term Certificates of Obligation (\$5,775,000), Other Funds (\$2,684,905), and debt from long-term bonds authorized by the voters in 2001 (\$7,230,000).

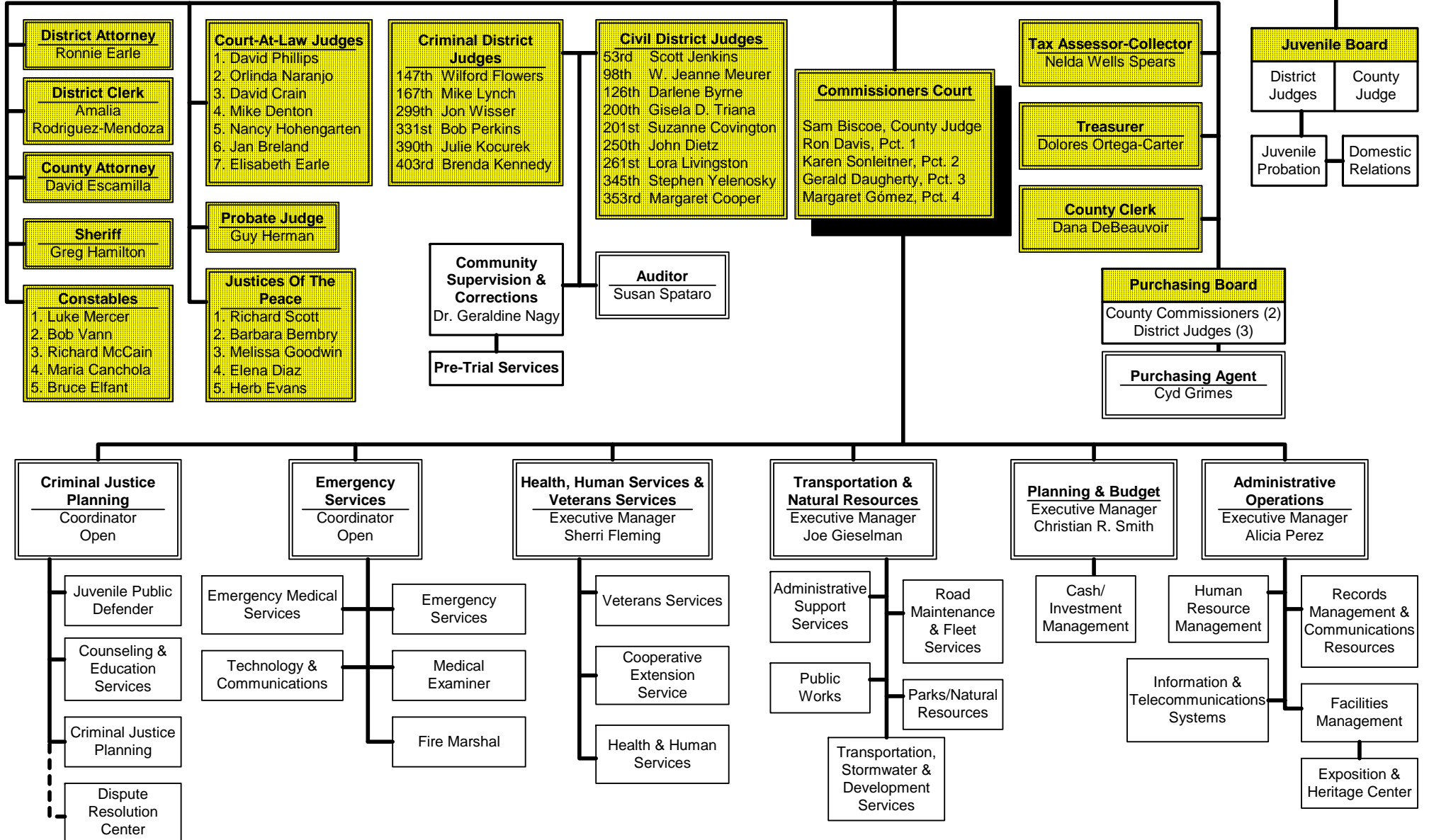
This Preliminary Budget represents a sound financial plan for FY 06. The budget has been filed with the County Clerk for the public's review. Additional copies are available in the Planning and Budget Office in the Ned Granger Administration Building, 314 W 11th Street, Suite 540. It is also posted on Travis County's external web site, (www.co.travis.tx.us) and on Travis County's internal web site.

FY 2006 PRELIMINARY BUDGET
EXECUTIVE SUMMARY



TRAVIS COUNTY

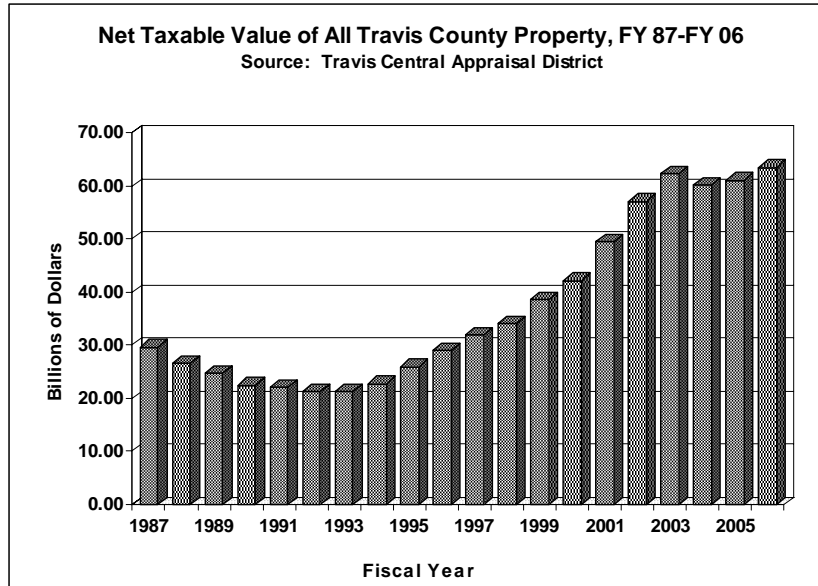
Travis County Voters



Elected Officials

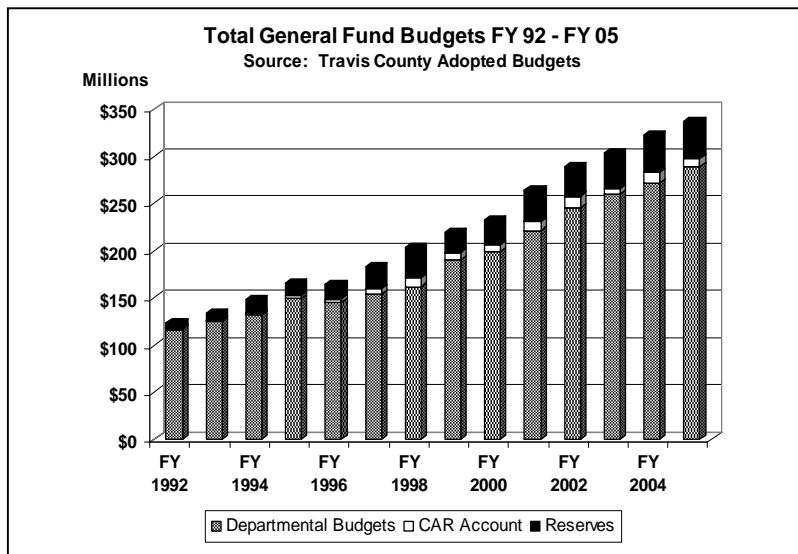
I. BACKGROUND TO THE BUDGET SETTING PROCESS

Between FY 92 and FY 03, Travis County experienced substantial annual growth in its property tax base. 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



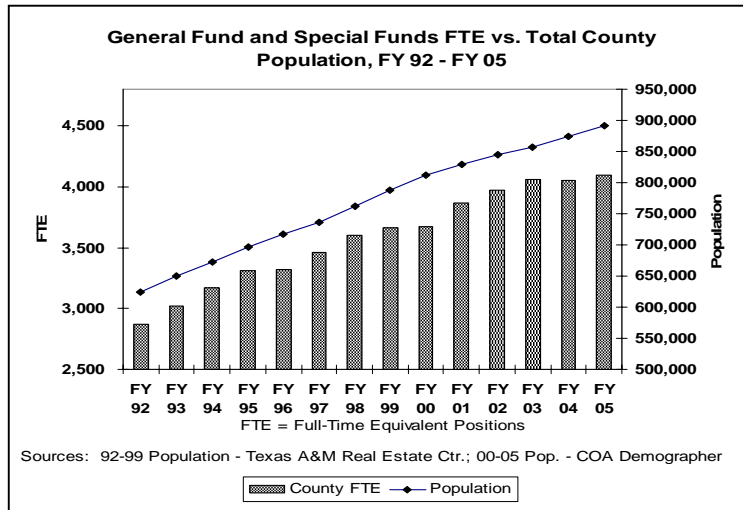
also shows that this trend of an increasing tax base stopped in FY 04, with a decrease from \$62.4 billion to \$60.2 billion in FY 04. Total property values including new construction increased only slightly in FY 05 (going to \$61 billion) and are projected in FY 06 to be just slightly higher than they were three years ago, at \$63.485 billion. This includes \$1.9 billion in new property value that has not before been on the tax rolls. In addition, the average homestead value will increase from \$197,874 in FY 05 to \$203,526.

The following comparisons use FY 92 as a baseline, as this is the year when overall property values began their increases after the value losses of the late 1980's. The chart on the right shows that in the last 13 years the General Fund has increased over \$213 million (from \$123.4 million in FY 92 to \$336.9 million in FY 05). This represents an increase of 173%. The next chart shows the changes since FY 92 in



total Full Time Equivalent employees (FTE), County population, and General Fund budgets.

Since FY 92, the County’s workforce has increased from 2,870 FTE to 4,097 FTE in FY 05, or about 43%. This is a 2.8% annual increase, and essentially matches the annual increase in the County’s population since that time. While County staffing levels have increased proportionately with population growth, County budgets have increased at much higher rates. This reflects increases in both personnel costs and programmatic growth.



II. BASIC COMPONENTS OF THE FY 06 PRELIMINARY BUDGET

It should come as no surprise that the key themes of this FY 06 Preliminary Budget are continued restraint and caution, the use of existing resources to meet new needs, and the limitations on 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. This approach has been necessary within the context of sudden and unexpected increases in the jail population. 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.

A recapitulation of the FY 06 Preliminary Budget is found in Appendix I. The FY 06 Preliminary Budget total for all funds is \$524,037,902, compared to the previous year’s FY 05 Adopted Operating Budget for all funds of \$494,380,840. On the next page is a table summarizing the budgetary changes in key funds from FY 05 to FY 06.

FY 06 PRELIMINARY BUDGET - ALL FUNDS

	Adopted FY 05 Budget	Preliminary FY06 Budget	\$ Change	% Change
General Fund (1)	\$336,887,005	\$344,496,033	7,609,028	2.3%
Road and Bridge Fund	24,325,261	22,073,813	(2,251,448)	(9.2%)
Debt Service Fund	68,730,293	69,531,447	801,154	1.2%
Internal Service Funds:				
Risk Management Fund	12,809,739	16,922,601	4,112,862	32.1%
Employee Insurance Fund	38,342,713	48,450,996	10,108,283	26.4%
Other Funds (2)	23,829,436	31,731,061	7,901,625	33.2%
Less Transfers	(10,543,607)	(9,168,049)	1,375,558	(13.0%)
Total	\$494,380,840	\$524,037,902	29,657,062	6.0%

(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. Also, the FY 05 Adopted Budget did not include the Capital Projects Fund 475, which totals \$7,013,222 in the FY 06 Preliminary Budget.

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 06 Preliminary Budget contains General Fund expenditures and reserves totaling \$344,496,033. This represents a \$7,609,028 increase, or 2.3% above the FY 05 General Fund Adopted Budget of \$336,887,005. General Fund revenue is based on the Auditor's Third Revenue Estimate, which assumed a projected appraised value of \$63.485 billion and a tax rate of \$.4864. This tax rate represents a decrease of \$0.0008 from the current tax rate of \$0.4872.

1. Departmental Budgets in the Preliminary Budget

Appendix I contains a comparison of General Fund departmental budgets from FY 04 through the FY 06 Preliminary Budget. The Adopted Budgets for all departments, excluding CAR amounts, increased from \$271.9 million in FY 04 to \$277.0 million in FY 05. The FY 06 Preliminary Budgets for all departments total \$295,422,274, excluding CAR amounts. Appendix I contains a table entitled "FY 06 Summary of Budget Requests" that lists the 332 individual budget proposals and indicates their status.

The following table summarizes the major components of the General Fund budget.

FY 06 Preliminary Budget – General Fund				
		Preliminary Budget FY 06		
	Adopted Budget FY05	One-Time Expenses	On-Going Expenses	Total
Beginning Fund Balance	50,435,953	44,694,268		44,694,268
Property Taxes	230,596,831		240,357,442	240,357,442
Other Revenue	55,854,221		59,444,323	59,444,323
3rd Revenue Estimate	336,887,005	44,694,268	299,801,765	344,496,033
Unallocated Reserves	34,757,304	35,933,869		35,933,869
Capital Acquisition Resources (CAR) Account	9,132,960	5,286,967		5,286,967
Regular - Allocated Reserve	2,209,943	1,482,233	635,660	2,117,895
FACTS Reserve- operating & capital	976,992	200,000	500,000	700,000
Emergency Reserve, Sheriff's Jail Overcrowding	200,000	399,560		399,560
Other Reserves – new '06 park and lease reserve	734,877	348,738		348,738
Sub-Total	\$48,012,076	43,651,367	1,135,660	44,787,027
Departmental Base Budgets	\$269,805,020		286,143,962	286,143,962
Wage Requirements:				
Health Benefits Increases	3,212,077		1,917,752	1,917,752
Rank & File Compensation Reserve	5,920,125		2,251,110	2,251,110
Career Ladders	272,677		210,145	210,145
Elected officials' salaries	512,687		41,165	41,165
Retirement contribution & retiree COLA – net	(258,107)		76,705	76,705
Other comp (Skill-based pay/\$10 min. wage/POPS)	3,071,034		-----	-----
Sub-Total Wages and Benefits	12,730,493		4,496,877	4,496,877
Budget Reduction due to Hospital District	(7,723,400)	-----		-----
Other Changes:				
Sheriff's Office increases, primarily Corrections			3,331,073	3,331,073
EMS interlocal	1,616,957		1,195,288	1,195,288
Balcones Canyonland TIF	857,068		898,996	898,996
Hospital District Reserves Transfer	1,728,231	771,769		771,769
ITS Maintenance of Current Effort	723,360		690,214	690,214
Juvenile Probation increases	826,409		359,700	359,700
DA program to reduce jail overcrowding			322,289	322,289
Indigent Attorneys' Fees	200,000		300,000	300,000
New Civil Court			273,333	273,333
Fuel increases	352,050		266,908	266,908
Postage		145,000	48,000	193,000
Health/Human Services contract obligations			179,621	179,621
Utilities			175,000	175,000
DRO staff for AG Community Supervision contract			92,460	92,460
Offsite Storage			85,000	85,000
Tax Office positions – revenue related			70,946	70,946
Substitute Court Reporter Salaries			54,512	54,512
Pre-Trial Mental Health Pilot		46,132		46,132
Bank Contract Reduction			(67,870)	(67,870)
Offset from new Fire Code Fund			(145,724)	(145,724)
Increased Dept. Salary Savings			(384,685)	(384,685)
Other increases among various depts. – net	7,758,741	80,000	280,205	360,205
Total Increases	6,339,416	1,042,901	8,025,266	9,068,167
Total Expense	336,887,005	44,694,268	299,801,765	344,496,033
Net	0	0	0	0

2. Personnel Changes

The following table reflects a summary of position changes in the General Fund. The details on each position are contained in the Appendix under “Positions Changes List” Table 3.

General Fund Position Changes

General Fund	Added	Removed	Total
Sheriff’s Corrections Staff	73	(31)	42
Sheriff’s Position conversions	5	(6)	(1)
DA Intake Team	5	0	5
New 419 th Civil District Court	5	0	5
FACTS – added mid-year to County Clerk	13	0	13
Fund Switch – Juvenile Court	5.84	(.86)	4.98
Other	1	(6.5)	(5.5)
Sub-Total – New Resources Needed	107.84	(44.36)	63.48
Revenue Related	10	0	10
Internally Funded	6.27	(1.28)	4.99
ITS mid-year slot transfers	7	(6.87)	0.13
TNR added mid-year	3	0	3
Total	134.11	(52.51)	81.6

A total of 134.11 new regular FTE are added to the FY 06 General Fund, and 52.51 are removed, for a net increase of 81.6 FTE. The vast majority of these net new FTE (42) are new Corrections Officers in the Sheriff’s Office to manage the increased inmate population. The large number of positions added and subtracted in the Sheriff’s Office is due to various slot conversions, most of which are converting Security Coordinators to Corrections Officers. Another 5 FTE are in the District Attorney’s Office for the new prosecution team intended to reduce the jail population, and 5 FTE will support the new Civil District Court (1 FTE is in the District Clerk’s Office and 4 are in the Civil Courts). A total of 13 FTE were added mid-year in the County Clerk’s Office to support the new FACTS computer system. Of the net new FTE, a total of 10 FTE are associated with new revenue, 4.98 FTE in Juvenile Probation are a switch in funding from grant funds to the General Fund (due to a loss in grant funds), and 4.99 FTE are internally funded within the departments’ budgets.

It should be noted that the FACTS reserve established in this Preliminary Budget will likely result in additional FTE being authorized during FY 06. It is premature at this time to know precisely the number and type of FTE to be authorized for this purpose.

3. Major FY 06 Funding Issues

The following section provides further details regarding major funding issues that are addressed in the FY 06 Preliminary Budget. Clearly, the predominant theme in this budget is the obligation to fund the dramatic increase in the jail population. A total of \$3,730,633 has been added to the Sheriff’s Office General Fund budget and to create a

special reserve. The specific Sheriff’s Office increases are outlined below and in more detail than other increases due to their magnitude.

Most of the remaining increases in the FY 06 budget are either further efforts in other departments to reduce the jail population; have associated revenue to support them; or are "Maintenance of Current Effort" requirements. These Maintenance of Current Effort increases 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 in the following section.

A. Summary of Public Safety Increases

An analysis of the various increases contained in the Preliminary Budget shows that the 2% increase in the tax rate beyond the Effective Tax Rate only partially funds the various public safety increases for FY 06. The 2% incremental increase equals a tax rate increase of \$0.0095, which generates approximately \$5.9 million. The table below summarizes the various increases directly related to the County’s public safety obligations, totaling more than this incremental tax rate revenue. This means that a portion of these public safety increases are funded within the resources provided through the Effective Tax Rate.

Public Safety Increases in the FY 06 Preliminary Budget

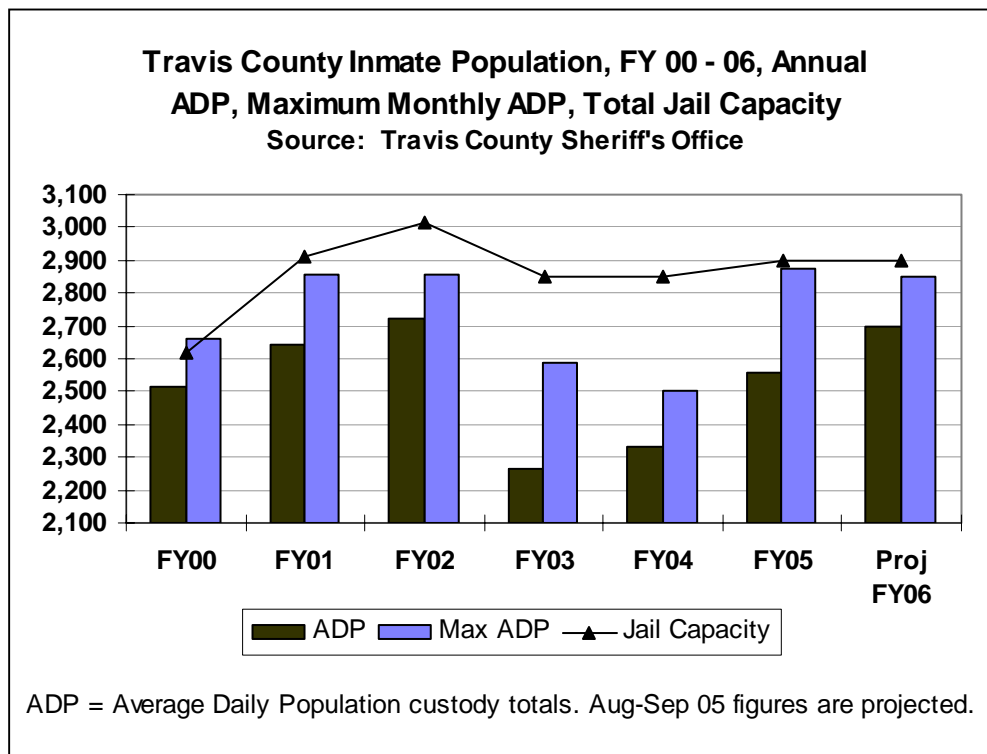
Sheriff’s Office – all General Fund	\$3,730,633
EMS Interlocal	1,195,288
Health Benefits for Peace Officers (30% of General Fund workforce)	575,326
Juvenile Court Replacement Grants	359,700
District Attorney – jail overcrowding and prosecution initiative	322,289
Fuel Increases (approximately 66% of fuel increase for Sheriff)	175,159
TOTAL	\$6,358,395

B. Sheriff’s Office Management of the Inmate Population and Other Increases

1. The Current Situation

This FY 06 Preliminary Budget is predicated on an assumption that the Average Daily Population (ADP) in the jail complex will be 2,695 inmates. The following graph shows the average daily population in the jail complex since FY 2000. This data reveals that there has been an increase of 227 inmates in the Average Daily Population for the year as a whole, from 2,333 in FY 04 to 2,560 in FY 05. More importantly, between June 2004 and June 2005, there has been a year-to-year increase of 438 inmates. Further, it should be noted that the ADP for June 2005 of 2,750 was 5 more than the June 2002 ADP of 2,745. In FY 02, the peak monthly ADP was 2,855 and the County had a jail population capacity with variance beds of 3,014. The current FY 05 jail population capacity with variance beds is 2,898 (after some improvements in Buildings 2 & 3

adding 51 design-beds) or 116 fewer beds than in FY 02. This means that there is less room to work within the County’s capacity before it is necessary to send inmates to out-of-county housing.



In order to provide some increased flexibility, the Commissioners Court has authorized the Sheriff to seek 149 variance beds from the Texas Commission on Jail Standards. The Commissioners Court has also released funds to send inmates to another county in FY 05 and recognizes that the Sheriff’s Office budget will be in a deficit position in FY 05 due to this unanticipated inmate population increase.

2. Inmate Population Projections for FY 06

An analysis of monthly variations in jail population over the last 4 years was developed to establish a reasonable prediction of jail population in FY 06. In the absence of any further direct interventions to reduce this population it was necessary to answer the question, “At what inmate level should the Corrections Bureau be staffed if current trends stay the same?” This analysis revealed that the predicted average jail population throughout all of FY 06 would be 2,750. The Sheriff’s Office Corrections Bureau is currently budgeted to handle an average daily population of 2,400 without stringent limitations on normal operating expenditures.

However, the predicted average daily population of 2,750 has been reduced by 65 inmates. This is in anticipation that the District Attorney’s new Intake Team will work more intensively with Grand Juries, allowing the Court Prosecution Teams to present more cases at trial and thereby reduce the jail population in FY 06. This means that the predicted average daily population for the FY 06 Preliminary Budget has been

established at 2,695 inmates. The additional staff and operating resources in this budget are predicated on the accuracy of this projection.

3. Additional Resources in FY 06

(a) Corrections Staffing and Out-of-County Inmates

Assuming an Average Daily Population of 2,695, the FY 06 Preliminary Budget has included 36 new Corrections Officers (7 posts at a standard relief factor of 1.72) and 6 Security Coordinators for a net General Fund cost of \$1,809,908. The total net increase in Corrections Bureau staffing is 42 FTE. (31 of the Corrections Officers will come from converting existing Security Coordinator slots to entry-level Corrections Officers slots and replacing them with 31 new entry-level Security Coordinator slots.) In addition, because of seasonal fluctuations and limits on capacity, it will be necessary to provide funding for sending inmates to jails in other counties. The Preliminary Budget assumes that an average of 74 inmates will be sent out-of-county for a total of 153 days at an average cost of \$40 per day through interlocal agreements with other counties. This assumption is based on predictions of seasonal variations in the inmate population.

(b) Jail Overcrowding Reserve and Out-of-County Expenditures

The resources for out-of-county expenditures are divided into two parts. The first part is a direct appropriation to the Sheriff's Office for the first month of FY 05 (October) and totals \$53,320. The remainder has been placed in a Jail Overcrowding Reserve under the control of the Commissioners Court and totals \$399,560. This reserve allows the Sheriff's Office and the Commissioners Court to continue to monitor the jail population as it did in FY 02.

(c) Corrections Operating Expenditures

In addition to extra Corrections staff and resources for out-of-county expenditures, the increased inmate population will result in additional operating expenditures such as food, utilities, pharmaceuticals and medical expenses. A total of \$829,669 has been added to the Preliminary Budget for this purpose.

(d) Nursing Staff

The Sheriff's Office has historically had a difficult time filling vacant nursing positions in the Corrections Bureau. Throughout 2005, the vacancy rate has averaged 32%, with 11 vacancies out of 34 positions. These vacancies mean that the Corrections Bureau must rely on much more expensive outside nursing contracts to provide the same level of nursing support. It appears rather clear that the market for nurses has become much tighter and that these positions require additional pay in order for the Sheriff's Office to attract and retain this critical staff. Reducing the nursing vacancy rate will eventually result in avoiding the increased costs from relying on outside contracts for more expensive independent nursing staff. A net total of \$426,887 is added to the Preliminary Budget for this purpose with the expectation that nurses' pay will be increased.

(e) Security Officer for the Combined Transportation Emergency and Communication Center (CTECC)

The Combined Transportation Emergency and Communication Center (CTECC) houses the emergency communications network for Travis County, the City of Austin and other local public safety agencies. The Sheriff’s Office provides the security staff for this operation. 75% of the cost for this staff comes from other agencies, with the balance coming from Travis County. The CTECC partners have requested additional security for this facility in FY 06 and the Preliminary Budget includes \$54,563 for this purpose.

(f) Increased Transfer to Courthouse Security Fund

The Courthouse Security Fund is a Special Revenue Fund that receives revenue from various court fees. These resources are used to provide security services to the Historic Courthouse, the Criminal Justice Center, Gardner Betts Juvenile Justice Center, and the Attorney General IV-D Child Support Court, including the staffing necessary for metal detectors at the entrances to these buildings. This Special Revenue Fund has not been large enough to pay for all of the Courthouse security expenditures and has been augmented by a transfer from the General Fund. The Auditor’s 3rd Revenue Estimate has indicated that the Courthouse Security Fund is lower primarily due to a fund balance draw-down of existing prior year resources and that an additional \$156,726 from the General Fund will be necessary to maintain the same level of support.

(g) Summary of Increases Related to the Sheriff’s Office

The following is a summary of the increases (totaling \$3,730,633) related to the Sheriff’s Office budget.

Corrections Staffing	\$1,809,908
Out of County Expenditures (October 2005 increase)	53,320
Jail Overcrowding Reserve	399,560
Corrections Operating Expenditures	829,669
Nursing Staff Retention and Hiring (net)	426,887
Security Officer for the CTECC	54,563
Increased Transfer to Courthouse Security Fund	156,726
TOTAL	\$3,730,633

C. District Attorney Program to Reduce Jail Overcrowding

A review of the current jail population revealed that the population of higher-level felony inmates had increased by 244 inmates when compared to April last year. In order to help reduce this portion of the jail population, the District Attorney proposed in June 2005 to decrease the time between arrest and disposition of felony cases through the addition of a new five-FTE intake team to focus on preparing cases for presentation to the Grand Jury. The current process has an Assistant District Attorney presenting a case to the Grand Jury and later prosecuting the case. The new process should not only expedite the time between when the case is filed and presented to the Grand Jury but also allow more time for the trial teams to prepare their cases so they can be ready for a trial or plea sooner. An estimate was made that this effort could reduce the

average daily inmate count by 65 inmates and this assumption has been built into the Sheriff's Office budget.

The Commissioners Court approved the District Attorney's Intake Team and a total of \$322,289 has been added to the District Attorney's FY 06 General Fund budget. The District Attorney's Office is currently hiring staff for the team and the team should begin work before the end of FY 05. The FY 05 personnel expenses and \$21,674 in one-time capital costs associated with this proposal will be paid by one-time savings in the FY 05 District Attorney's budget.

D. Mental Health Pilot in Pretrial Services

The Pretrial Services Office proposed adding two Senior Pretrial Officers to specialize and focus on the release and supervision of mentally ill offenders pending case disposition. (This office determines a defendant's eligibility for release on personal bond, recommends any condition of release, and monitors those individuals who are only marginally eligible for personal bond.) The Senior Officers would specialize in the area of mentally ill defendants and have credentials and experience working with this population. This proposal met most of the criteria established by the Commissioners Court for funding and the Preliminary Budget includes one FTE and \$58,782 (including capital of \$12,650) as a pilot program during FY 06. The pilot will need to be monitored and evaluated through the year to determine its continuation or expansion in FY 07.

E. 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 \$1,195,288 in FY 06. These increases are largely due to an increase in the compensation levels for City of Austin employees. This increase is consistent with the obligations contained in the current interlocal agreement between the City and the County. It includes a net 5.5% increase for staff pay, an increase as part of a settlement of a pay dispute, increased funds for overtime, additional City EMS staff and operating costs, increased personnel costs for Starflight, along with the opening of two new EMS stations.

F. Transfer to Balcones Canyonland Preservation Fund

A total of \$898,996 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 06 from new construction on BCP lands as compared to prior year tax revenues. The total FY 06 transfer from the General Fund is \$4,855,940.

G. Reduction to Bank Contract

Travis County's depository bank contract with JPMorgan Chase, effective July 1, 2005, includes a provision to roll forward earnings credits of approximately \$225,000. These earnings credits (related to interest) are used to offset banking fees. There will be no

banking fees in FY 06 that are not covered by the earnings credit. Therefore, the current budget of \$67,870 for banking fees has been removed from the FY 06 Preliminary Budget.

H. Transfer of Expenditures to New Fire Code Fund

In FY 05 Commissioners Court approved a new Fire Code for Travis County and expenditures were added to the budget to manage the additional costs of enforcing the Fire Code. The Fire Code had estimated revenue associated with it and was believed at the time of the adoption of the FY 05 Budget that this revenue would be General Fund Revenue. The revenue was actually required to be tracked separately in a special revenue fund. For FY 06 this special revenue fund is estimated to have \$145,724 of revenue. The Preliminary Budget reflects a commensurate amount of General Fund expenditures moved to the Fire Code Fund. These expenses are to be charged against the fund as they are actually incurred. This has the effect of lowering the General Fund budget for the Fire Marshal by \$145,724.

I. New Park Opening

In 2001 voters approved the acquisition of a new Metro park in the South West region of Travis County. The Preliminary Budget includes \$233,738 in a General Fund Reserve for the maintenance and operation for such a park in the event it is acquired in FY 06. This amount could support 4 FTE (a Park Ranger and three Maintenance Technicians), along with funds for part-time personnel, and operating funds for equipment. In addition, an earmark on the CAR Reserve of \$68,245 is also included for capital needs as well as an assumption that Travis County will issue \$3,235,000 in long-term debt related to the acquisition of this parkland. These resources are at a similar level as what has been approved by the Commissioners Court for the other Metro Parks. In the event that this acquisition does not occur, then these funds will not be necessary.

J. 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 \$690,214 and are summarized in the table below.

Various maintenance-related contract increases and upgrades for existing hardware, software and voice communications	\$388,789
Continuing Unisys maintenance contracts through September 2006, a legacy system that will be replaced by FACTS	270,000
Tiburon FACTS increases provided in the maximum contract amount and project change orders	31,425
TOTAL	\$690,214

An additional \$3,864,211 of one-time capital is included in ITS. This amount is comprised of \$2,664,768 for computer and technological upgrades and \$1,199,443 for

scheduled hardware and software replacements. This capital is outlined in the capital section of this Executive Summary and is also listed in detail in the Appendix.

K. Reserve for IJS/FACTS

The County has been in the process of installing the Fully Automated Court Tracking System (FACTS) since FY 01. 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 number of delays and implementation challenges over the last few years. Several offices have expressed concerns about the impact of the system on their staffing and operations, and have made budget requests for additional staff. However, it is still too early to know with precision how much additional staff will be required.

A total of \$927,548 has been requested by the five Justices of the Peace and the District Clerk for additional staff to support FACTS. The County Attorney has also requested staff related to requirements that the IJS has placed on the office. A total of 18 FTE have been requested by these seven offices along with some overtime funds during the initial implementation phase of this new computer system. Another \$49,304 in General Fund computer-related capital and \$46,515 in Justice Technology Fund equipment needs have also been requested. Thirteen FTE have already been added to the County Clerk's Office due to the requirements of this new computer system in FY 05. A \$700,000 FACTS/IJS Implementation Reserve has been established to provide operating resources in FY 06 as more becomes known about the operational requirements of the system, along with the degree to which additional staff and new protocols may be needed in various offices. Detailed time and motion studies conducted by the ITS staff with the assistance of the affected departments will be critical in determining the appropriate resources required for these new systems.

L. 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 gasoline privately. While Travis County has a special contract for fuels, it too has been affected by recent price increases. A total of \$266,908 is included in the Preliminary Budget for Transportation and Natural Resources in order to fund these projected price increases, along with a projected increase in the annual number of gallons used. Due to the potential that this appropriation will not be sufficient for the entire fiscal year, a further earmark against the Allocated Reserve of \$143,606 has been included for further fuel price or additional usage increases.

M. Justice of the Peace Increases

The Preliminary Budget includes funding for two new FTE's in the office of the Justice of the Peace Precinct Two based on additional revenue certified by the Auditor's Office. These two new Court Clerks will handle additional criminal workload that is expected to generate an additional \$91,503 across four funds and cost \$68,886 in ongoing expense

and \$5,900 in one-time capital. Additional one-time equipment totaling \$6,082 and ongoing operating expenses of \$700 are spread among three other Justice of the Peace offices.

An additional \$80,000 has been added to the Justice of the Peace Precinct Three budget to cover the fees of a private court costs collections vendor. The vendor's fees are covered by revenue. This is the continuation of a pilot project started in FY 05 to increase the collection of court fines and fees in this Justice Court.

N. Constable Increases

The Preliminary Budget includes funds for one new Deputy Constable in the office of the Constable Precinct One based on additional revenue certified by the Auditor's Office. The Deputy will serve additional civil papers that are expected to generate an additional \$82,088 in revenue across four funds and cost \$52,724 in ongoing expenses (including \$2,275 in TNR for fuel and maintenance) and \$27,690 in one-time capital.

O. 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 and other factors have resulted in increased Indigent Attorney Fee expenditures.

These expenditures are expected to remain within budgeted resources for FY 05, but they are expected to require an additional \$300,000 in FY 06 based on recent expenditure growth. With this increase, a total of \$2,629,495 (\$1,029,495 in FY 03, \$1,100,000 in FY 04, \$200,000 in FY 05, and \$300,000 in FY 06) in on-going resources have been added to the Criminal and Civil Indigent Attorney Fee budgets since FY 02. Due to the potential for considerable fluctuations in these expenditures, an earmark against Allocated Reserves has been included for a total of \$325,000 (\$225,000 in the Criminal Courts and \$100,000 in the Civil Courts). A portion of these increases has been offset by State funding. Travis County was awarded \$408,222 in FY 05 from the State Indigent Defense Formula Grant and expects to receive a similar award in FY 06.

P. The 419th Civil District Court

The Preliminary Budget anticipates the future operation of the 419th Civil District Court. This Court was created by the 78th Legislature and is effective September 1, 2005. It is expected that the Judge for the new 419th District Court will be appointed and the courtroom fully operational in the beginning of FY 06. The Preliminary Budget includes \$273,333 for this purpose in the budgets of the Civil Courts and the District Clerk: \$226,659 for 4 FTE and related operating expense in the Civil Courts (District Judge, Court Reporter, Attorney III and a Bailiff); \$39,674 for one FTE in the District Clerk's

Office (Court Clerk II); and \$7,000 for additional court-related fees budgeted in the Civil Courts Legally Mandated Fees Department.

Q. Hospital District Reserves Transfer

On May 15, 2004 voters approved the creation of a Hospital District as a new taxing authority in Travis County. This means that certain health-related expenditures that were previously incurred by the City of Austin and by Travis County are to be the responsibility of the Hospital District. FY 05 was the first full fiscal year of the Hospital District's existence, and the budgets for both the County and the City for certain health-related expenses were reduced in FY 05. In addition to reducing its tax rate, the Commissioners Court made a commitment to transfer \$2.5 million in one-time resources as part of an effort to ensure the Hospital District budget began with sufficient reserves. The first transfer occurred in FY 05 and totaled \$1,728,231. The Preliminary Budget includes the second phase of this transfer, totaling \$771,769.

R. Utilities

The Facilities Management current FY 05 utilities budget totals \$2,807,345, and it is expected that there will be a current year shortfall due to increased utilities expenditures (primarily due to increased fuel costs and increased temperatures compared to FY 04). It will be necessary to make a transfer of at least \$175,000 to cover the FY 05 utilities budget deficit. The FY 06 Preliminary Budget includes \$175,000 in the Facilities Management utilities budget along with a \$25,000 earmark against Allocated Reserves for FY 06 utility increased costs.

S. Postage

The Preliminary Budget includes \$48,000 in ongoing resources for postage increases, primarily due to increases in countywide mail volume. In addition, the Tax Office will be distributing its voter registration certificate renewals, which occurs every two years. A total of \$145,000 in one-time resources is included in the Preliminary Budget for this purpose. An earmark of \$115,000 in the Allocated Reserve is also included to cover possible new state mandates relating to new formats for voter registration cards and the property tax notices.

T. Health and Human Services Contract Obligations

There are a series of interlocal agreements between the County Health and Human Services Department (HHS) and the City of Austin. These agreements outline the various services and costs related to health and human service programs. A total of \$114,640 is included in the Preliminary Budget to fund increased HHS costs from the City of Austin. These costs primarily comprise performance based pay, a 2% lump sum award, and market salary changes. In addition, but unrelated to the City of Austin, another \$64,981 is included to continue a Wildlife Management Coordinator contract approved in FY 05.

U. Offsite Storage

Travis County has a contract with a vendor for the storage of records from all County departments. The total budgeted cost of this contract in FY 05 is \$392,948 across three

funds. It is expected that an augmentation will be necessary in FY 05 due to increased off-site storage costs. A special reserve of \$145,000 was established for this purpose in the FY 05 Adopted Budget. A similar situation exists in FY 06, and the Preliminary Budget includes \$85,000 in the Records Management and Communications Resources Department for this purpose. An earmark against Allocated Reserves of \$60,000 is also included in the event offsite storage costs continue to rise beyond the increased resources budgeted in the department.

V. Tax Office Positions

A change in the TX-DOT registration and titling system has resulted in the closure of vehicle registration at places such as local grocery stores including Albertson's and Randall's. This has resulted in the transfer of that work to the Tax Office. The department has reallocated funds internally to fund two positions and requested two additional positions to manage the increased workload. The Tax Office receives revenue from the state to perform motor vehicle registration work. Currently the state provides \$2.7 million to pay the County for doing the work, which exceeds the cost of the Motor Vehicle unit of about \$2 million. These title fees also generate a total of \$11.6 million for the Road and Bridge fund. The additional cost of the two positions is \$70,946 and the Preliminary Budget dedicates a portion of the revenue from the State toward this increased cost.

W. Domestic Relations Office Community Supervision Contract

Commissioners Court has approved an agreement with the Attorney General's office for Travis County to assist with the supervision of probationers who fail to comply with child support orders. Domestic Relations began to receive cases in FY 05 with existing staff. For FY 06, the department has requested three positions to manage the workload of cases. One position would start in October and two in April. All the anticipated FY 06 costs are supported by revenue from the Attorney General's Office. For FY 06 the cost of staff and equipment is budgeted at \$92,460 and \$5,780 in capital costs.

X. Increased Salary Savings

The Preliminary Budget includes a variety of modifications to departmental salary saving budgets. These have not been widely adjusted for a number of years, and a review was made to determine the appropriateness of the salary savings level for each department. The last three years' salary savings history was examined (FY 02 through FY 04) along with expectations for FY 05. From this history, the three-year minimum salary savings was determined as well as the three-year average. This value was compared to the existing salary saving budgets. When the current salary savings allocation fell between the three-year minimum and the average value, no changes were made. When the existing value was less than the minimum, then the salary savings was adjusted to the minimum value. When the existing value was higher than the three-year average, then the salary savings allocation was adjusted to the value of the three-year average.

A total of \$384,685 in General Fund resources was reduced as a result of this exercise, which is intended to more accurately predict the amount of savings created through

vacancies throughout the county. The total salary savings budget for all departments is \$2,745,799 in FY 06, including benefits savings.

Y. Juvenile Probation Replacement of Lost Grants

The Preliminary Budget includes \$359,700 to replace lost grant funding in Juvenile Probation. In FY 05, Commissioners Court approved the replacement of lost grant funding for the Juvenile Probation Intermediate Sanctions Center (ISC). For FY 06, the erosion of funding from the state is continuing and the Preliminary Budget includes \$214,622 in additional funding to continue the residential treatment and substance abuse programs of the ISC. Another \$106,063 is included to provide the match requirements of the long-standing progressive sanctions grant program. This grant has salary and benefit caps that have traditionally been augmented by Travis County to maintain parity within Juvenile Probation. A further \$39,015 is included in grant matches for grants approved during FY 05.

Z. Criminal and Civil Courts Substitute Court Reporter Increases

The FY 06 Preliminary Budget includes an additional \$54,512 for substitute court reporting resources for the Criminal and Civil Courts. The Criminal Courts will receive an additional \$34,112 and the Civil Courts will receive an additional \$20,400 to increase the daily rate for substitute Court Reporters based on statute requirements.

AA. Other Maintenance of Current Effort Requests

There are a variety of other Maintenance of Current Effort Requests funded within the Preliminary Budget. Those over \$15,000 are outlined in the following table.

Other Increases Over \$15,000

Department	Program or Function	Cost
County Attorney	Grant match for Underage Drinking Prevention Program, partially covered by CAPSO revenue	\$33,350
Planning and Budget	Establish half-time position for Corporations, covered by new certified revenue	30,558
Fire Marshal	On-call overtime for Fire Marshal staff	26,041
Planning and Budget	Convert existing part time temporary position to permanent half time, covered by new certified revenue	21,358
Probate Court	Additional court costs	15,000

4. Workforce Investment

A. Background and History

Each year, the Commissioners Court determines whether there are resources to fund a variety of employee pay adjustments. Since FY 97, there have been three years of compensation increases in the 3% to 4% range and three years in the 5% to 6% range. There were two years when no compensation increases were available and one year when 1.5% was available. 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.

The economic circumstances in FY 05 allowed for compensation increases and the Commissioners Court adopted a 4.0% Cost of Living Adjustment (COLA) for all rank and file employees. The Court appropriated another 1.75% for performance-based awards and other compensation needs, for a total 5.75% increase in FY 05. In addition to rank and file increases, the Court approved a set of compensation increases for those employees on the Peace Officer Pay Scale (POPS). Corrections Officers received a 5% increase and all others (Sheriff's Law Enforcement, Constables, Investigators and Park Rangers) received 4%. Additional increases were made to Corrections Sergeants and Lieutenants to bring them closer to their counterparts within Sheriff's Law Enforcement.

Due to a variety of questions and controversies over multiple years about the Peace Officer Pay Scale, the Commissioners Court commissioned an independent expert study of this compensation program in FY 05. A relatively extensive series of consultations occurred during FY 05 with representatives of POPS employees and the results of that study were formally presented at a Commissioners Court Work Session on May 12, 2005. Further discussions about the various findings occurred on May 26 and June 14, 2005. No actions by the Commissioners Court were taken during either of those voting sessions and no action had been taken as of the filing of this Preliminary Budget.

B. Compensation Reserves

Due to the economic circumstances in FY 06, the Preliminary Budget has some flexibility for compensation increases; however, not at the higher level seen in some previous years. In FY 06, the Preliminary Budget includes a compensation reserve of 2% for rank and file employees (\$2,251,110) along with \$210,145 for approved career ladders. No compensation increases are included for POPS employees.

C. 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 on the following page, the Employee Health Insurance Fund was first established in FY 02 at \$18.3 million and rose to \$38.3 million by FY 05. The Auditor's 3rd Revenue Estimate has established this fund at \$48.4 million.

	FY 02	FY 03	FY 04	FY 05	FY 06
Employee Health Insurance Fund	\$18,334,435	\$22,162,255	\$31,585,857	\$38,342,713	\$48,450,996

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. During Spring 2005, an Employee Benefits Committee spent several intense months in close coordination with the County’s external actuary reviewing options, costs, and debating the affordability of different plans for FY 06. 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. However, the basic benefits level of the various health plans was not modified.

The Court approved across-the-board increases for health care premiums for employees and retirees under 65 for the majority of plan options, with higher increases in the Exclusive Provider Organization (EPO) option. This plan has experienced higher cost growth relative to the other two plans. Since Medicare is the primary payer of benefits for retirees over 65, the rates for these plan participants have been adjusted accordingly. These participants will receive across the board premium decreases with the exception the Pharmacy only Plan.

The Preliminary Budget contains \$1,917,752 in the General Fund for the increased cost of health benefits. The Employee Health Insurance Fund increases from \$38,342,713 in FY 05 to \$48,450,996 in FY 06. This represents a \$10,108,283 increase, composed of a \$6.1 million increase in the beginning fund balance, \$1,917,752 contribution from the General Fund along with \$2,090,532 of increases in contributions from other funds, employee contributions and interest earnings.

D. 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 9.64% of salary to 9.58% of salary to maintain the same level of retirement benefits. This decrease is mainly due to significantly improved investment returns on TCDRS funds.

Historically Travis County has awarded to retirees what TCDRS refers to as a “Flat Rate Benefit Increase”. The County has called this increase a “Cost of Living Adjustment”, or COLA. The figures above do not include any 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. Retirees received a 3% COLA in FY 05. For FY 06 a reserve of \$76,705 is established in the General Fund for a 2% cost of living adjustment for retirees. If the Commissioners Court decides to grant this 2% COLA, the Countywide retirement contribution rate will be 9.69%.

E. Elected Officials' Salaries

A Compensation Reserve for Elected Officials is included in the Preliminary Budget totaling \$41,165. This amount is sufficient to fund a 2% increase for elected officials (the same percentage as for rank and file).

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

To meet the County's capital needs, a total of \$20,976,872 is included in the Preliminary Budget from the following basic sources - the General Fund Capital Acquisition Resources (CAR) account (\$5,286,967), debt from new short-term Certificates of Obligation (\$5,775,000), other funds (\$2,684,905), and debt from long-term bonds authorized by the voters in 2001 (\$7,230,000).

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 those capital projects and equipment for funding that meet the following criteria:

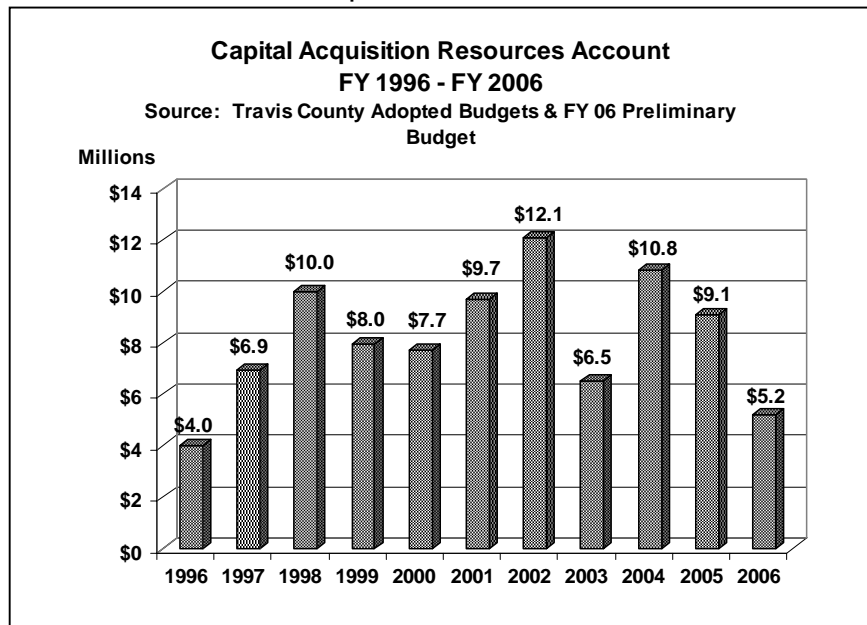
- Projects either in the middle or end of their multi-year phased implementation (such as FACTS or the E-Courtroom improvements)
- Projects where there is little choice but to fund them for health and safety purposes or to avoid future expenses that would be greater (such as roof and HVAC replacements);
- 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;
- Projects which have revenue certified to cover their cost; or
- Projects that the Court has already provided directions to include for funding.

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 10 years, it has ranged from a low of \$4.0 million in FY 96 to a high of \$12.1 million in FY 02.

The FY 06 Preliminary Budget establishes the CAR account at \$5,286,967, which is \$3.8 million lower than in FY 05, and is the lowest amount since FY 96. This amount excludes any CAR resources appropriated in FY 05 and proposed to be



rebudgeted in FY 06, since 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 05 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 06. PBO has included an incomplete list of FY 05 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 on the next page. The detailed list of individual equipment items or facility projects for FY 06 is located in Appendix I.

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

Type of Project/Department	Amount
Vehicles (\$1,023,000):	
Replacement of Sheriff's patrol sedans	\$1,023,000
Technology and Computers (\$1,825,706):	
Replacement of personal & notebook computers, equipment & printers	\$1,199,443
Other technology upgrades and programs	282,768
Major computer systems upgrades	156,000
FACTS licenses	127,000
New personal & notebook computers, equipment and printers	60,495
Facilities Modifications (\$983,626):	
HVAC and air conditioning replacements	\$854,184
Roof restorations and other maintenance equipment	84,447
Medical Examiner's Office improvements	44,995
Sheriff's Office Projects (\$693,647):	
Various replacement equipment and facilities repairs	\$370,957
Building 2 HVAC replacement	187,500
Evidence coding and shelving systems	70,000
Other new equipment	65,190
Other (\$322,085):	
Capital for Combined Communications Center and related radios	\$142,769
E-courtroom related improvements	46,726
Other equipment and projects among 10 other departments	\$132,590
Sub-total	4,848,064
CAR Reserve	438,903
Total	\$5,286,967

B. Other Funds

In addition to the resources provided through the General Fund Capital Acquisition Resources (CAR) account, other special funds have a total of \$2,684,905 for various capital needs. These funds include the Road & Bridge Fund and the Lower Colorado River Authority-Travis County (LCRA-TC) Capital Improvement Project Fund in TNR as well as the Law Library Fund in RMCR and the Justice Center Technology Fund that supports JP technology maintenance and improvements. Projects funded in these funds are summarized in the table on the next page.

Projects and Equipment Funded from Other Funds

Type of Project/Department	Amount
Road & Bridge Fund 099 (\$2,443,583):	
Centrally budgeted R & B vehicles and heavy equipment	\$1,439,250
R & B Funded F-Mix and HMAC	704,333
Traffic signals – new installations	300,000
LCRA-TC CIP Fund 029 (\$200,000):	
Park roads and parking lot maintenance	\$200,000
Law Library Fund 011 (\$11,290):	
Computer equipment	\$11,290
Justice Court Technology Fund 050 (\$30,032):	
Computer equipment	\$30,032
Total	\$2,684,905

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 – '05	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 06.

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 on the next page shows the amount of the original authorization and how much was issued through FY 05.

Project	Original Authorization	Issued Through FY 04	Issued in FY 05	Proposed Issuance in FY 06	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	\$3,995,000	\$9,050,000
Prop. 2: County park projects	28,600,000	21,425,000	3,940,000	3,235,000* *	0
Prop. 3: State Hwy 45N and FM 1826 Right of Way*	32,725,000	32,000,000	(12,615,000)	0	13,340,000
Prop. 4: State Highway 130	66,200,000	66,200,000	0	0	0
Total for November 2001 Bonds	\$184,955,000	\$150,245,000	\$5,090,000	\$7,230,000	\$22,390,000

*Based on current requirements from the State for Proposition Three (State Hwy 45N), Travis County did not need to pay \$12,615,000 in FY 05. Since the County has already received these proceeds, the money will be used instead for funding the majority of the Proposition One projects (local roads). This means that only \$1,150,000 was issued for Proposition One projects in FY 05. This action did not change the overall authorization approved by the voters.

** The Preliminary Budget includes \$3,235,000 in Park bonds related to the possible purchase of parkland in Southwest Travis County for a Metropolitan Park. These funds may or may not be needed in FY 06 but are included for purposes of discussion before the adoption of the FY 06 budget.

2. FY 06 Certificates of Obligation

The amount of total debt proposed to be issued through short-term Certificates of Obligation in FY 06 is \$5,775,000. This debt supports projects eligible for Certificate of Obligation (CO) funding that are reasonable and logical for 5 year CO financing. The details of \$5,775,000 in funding from five-year Certificates of Obligation in FY 06 are summarized in the following table.

Projects Funded from FY 05 Certificates of Obligation

Information & Telecommunications Systems (ITS) upgrades and projects	\$2,099,000
Hot Mix Asphaltic Concrete (HMAC) and F-Mix (remaining funding in the R & B Fund)	1,651,463
Centrally budgeted vehicles in TNR	700,750
Sheriff's Office projects	525,000
Ambulances	518,340
Facilities Management ADA correction projects	114,237
Medical Examiner equipment	50,000
Voting equipment	39,000
Sub-Total	\$5,697,790
Issuance costs	\$77,210
Total CO	\$5,775,000

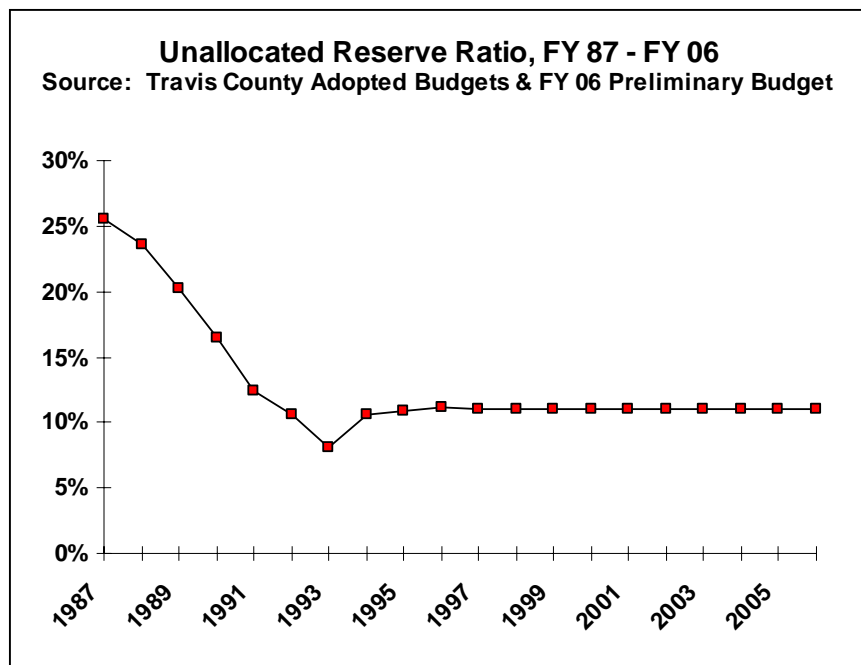
V. RESERVES

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 eleven years, the Commissioners Court maintained the Unallocated Reserve ratio



at 11.0%. The total FY 06 General Fund Unallocated Reserve in the Preliminary Budget is \$35,933,869. As has been done since FY 00, the General Fund Unallocated Reserve in the Preliminary Budget for FY 06 carries the majority of reserve requirements for the Road and Bridge Fund.

The County’s Unallocated Reserve 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 06 Preliminary Budget includes an Allocated Reserve of \$2,117,893, which is similar to the Allocated Reserve of \$2,209,943 in the FY 05 Adopted Budget. The total of this reserve represents .6% of the General Fund.

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 \$739,606. A listing and summary of these proposed Earmarks against the Allocated Reserve is listed in Appendix I.

C. 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 \$438,903. The Earmarks against this reserve total \$275,817, as outlined in Appendix I.

D. Special Purpose Reserves

There are four Special Purpose Reserves in the Preliminary Budget that have been discussed earlier in this Executive Summary. These reserves are the Jail Overcrowding Reserve (\$399,560), the FACTS/IJS Reserve (\$700,000), and the Southwest Metro Park Operations Reserve (\$233,738). In addition, a Lease Reserve totaling \$115,000 is included to provide funding for lease costs related to final decisions that still need to be made about the Airport Building tenant mix.

VI. PROPERTY TAX RATE

The total taxable value for all Travis County property has seen an increase from \$60.979 billion in the FY 05 Adopted Budget to \$63.485 billion for FY 06. 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 are based on expected TCAD certified values. Should these values change, they could impact the calculations made for the Effective Tax Rate. The new property value totals \$1.9 billion, compared to new property value of \$1.875 billion in FY 05. The table on the following page depicts the impact of the proposed tax rate of \$.4864 per \$100 of taxable value on the average

residential homeowner declaring his or her house as a homestead. This rate is just below the current tax rate of \$.4872.

Impact on Average Homestead
 (All homestead values per Travis Central Appraisal District values of 7/20/05)

	FY 05	FY 06	Difference	
Average Appraised Value of all homesteads	\$197,874	\$203,526	\$5,652	2.9%
Taxable Value after 20% exemption	\$158,299	\$162,821	\$4,522	2.9%
Tax Rate	\$.4872	\$.4864	(\$.0008)	(0.2%)
Average Tax	\$771.23	\$791.96	\$20.73	2.7%

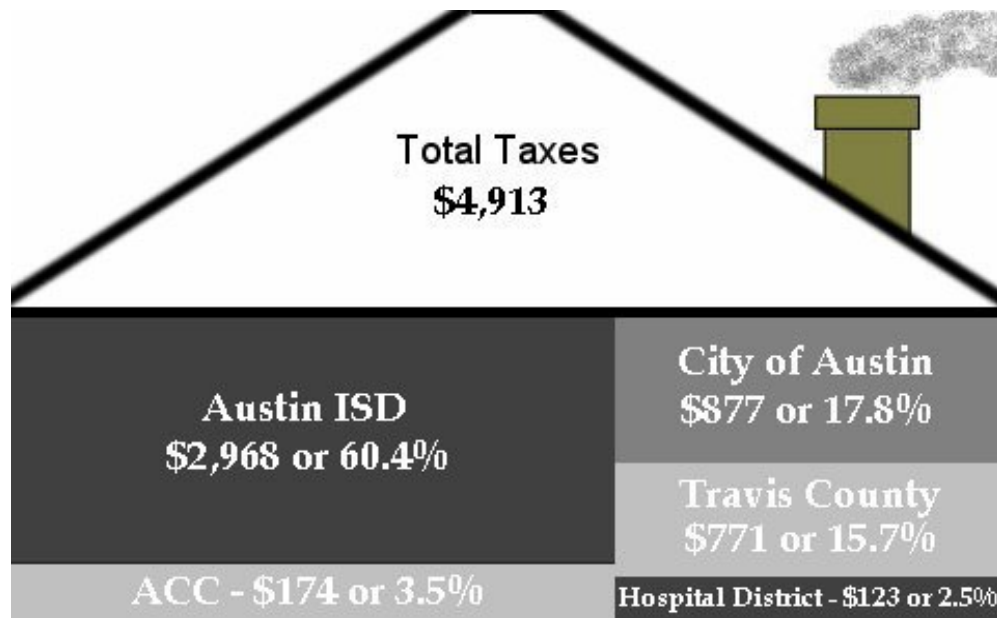
The figures in the table above are those that would be required to be placed in a newspaper ad and represent the averages for all homesteads (which reflect an increase from \$197,874 to \$203,526). This means that the tax impact on this individual homestead at the lower tax rate of \$.4864 is an annual tax of \$792, versus \$771 the year before. This is an increase of \$21 (a 2.7% increase).

The FY 06 Preliminary Budget is balanced at a \$.4864 tax rate. This represents the Effective Tax Rate plus 2%. It represents a decrease of \$.0008 in the Tax Rate from the current \$.4872 per hundred of taxable value, equaling a 0.2% decrease.

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

	Adopted FY 05 Rate	Preliminary FY 06 Rate	Difference	% Change
Operating Rate	\$.3850	\$.3864	\$.0014	0.4%
Debt Service Rate	\$.1022	\$.1000	(\$.0022)	(2.2%)
Total Tax Rate	\$.4872	\$.4864	(\$.0008)	(0.2%)

FY 05 Property Tax for Average Travis County Homestead Valued at \$197,874



Travis County taxes in FY 05 totaled \$771 for the average homestead valued within Travis County at \$197,874. This is based on the adopted tax rate of \$.4872 per \$100 of appraised value and the 20% homestead exemption provided by the County. The City of Austin tax rate is \$.4430, but since the City does not provide a homestead exemption, the City taxes on this same value average homestead would be \$877. The Austin Independent School District tax rate is \$1.623 and with their homestead exemption of \$15,000, their taxes on this homestead would be \$2,968. ACC has a \$.0900 tax rate and their homestead exemption is \$5,000, resulting in an average tax of \$174. The new Hospital District added a \$.0779 tax with a 20% homestead exemption, for a cost of \$123. Travis County's portion of the overall tax bill of \$4,913 (without reference to other taxing jurisdictions such as an Emergency Services District or a Water District) is 15.7% of the total.