FY 2023-2024 BUDGET QUESTION
Response to Request for Information

DEPARTMENT(S): Economic Development Department

CBQ NO.: 214

REQUESTED BY: Alter (D10)

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REQUEST: What accounts for the increased general fund transfer into Economic Incentives Reserve Fund of $2.8 million on Page 230?

RESPONSE:

The Economic Incentives Reserve Fund (EIRF) funds Chapter 380 agreements, the interlocal agreement with the Austin Economic Development Corporation, workforce development agreements, Mueller debt service, and related consulting agreements in support of higher levels of employment, economic activity, and stability. EIRF funding comes from a transfer from the General Fund. The City is currently servicing agreements with the Domain, Samsung, HID Global, Apple, L'Oca d'Oro, and Walker Season II.

The General Fund transfer in FY 2023-24 refunds taxes the Chapter 380 businesses paid, pays debt service for the Mueller Redevelopment, and the other job-based agreements. In prior years, the accumulation in the EIRF fund balance allowed the General Fund transfer to be partially offset. In FY 2023-24, this fund balance is now exhausted. Additionally, tax increases require higher amounts to be reimbursed under these Chapter 380 agreements for Samsung and Domain Sales Tax. The preliminary property values from Travis Central Appraisal Districts were lower than the actual values. Samsung's reimbursement is based on their capital investment made in one year and assessed by TCAD the following year. Property values are not finalized until after the budget has been submitted, and in this case, we had not learned of substantial new equipment purchases in 2021. Domain sales tax estimates decreased during 2020 and 2021 due to COVID, and in 2022 began increasing. In 2022 we did not predict the rate of sales tax increases from Domain's high-end retailers. Accordingly, an additional $2.8M into the Economic Incentives Reserve Fund is needed to meet these contractual obligations.