

City of Austin

FY 2013 Mid-Year Budget Work Session



February 12, 2013





FY 2013 Funding Sources – Summary

Potential FY 2013 Funding Sources	One-Time	Recurring
2012 General Fund Ending Balance	\$8.0 million	\$0
2012 Support Services Fund Ending Balance	\$1.4 million	\$0
Improved Sales Tax Projection	\$0	\$2.2 million
Housing Trust Fund	\$0	\$0*
Bond Election	\$0	\$0
Certificates of Obligation	\$0	\$0
Contractual Obligations/Critical 1-Time Fund	\$2.6 million	\$0
Sustainability Fund	\$119,000	\$0
General Government CIP Interest	\$0	\$0
Total	\$12.1 million	\$2.2 million

* \$610,000 per year beginning in FY 2014 if Council were to change the Transfer calculation.



Item A.1

- ☐ Approve an ordinance amending the Fiscal Year 2012-2013 Operating Budget (Ordinance No. 20120910-001) to ***transfer and appropriate funds for cemetery maintenance and operations, and for implementation of a civil service system and establishment of council districts*** as approved by the voters in November of 2012.



Mid-Year Funding Needs – Item A.1

	FY 2013		Out Years
	One-Time	Recurring	Annualized
<i>Sources of Funds</i>	\$12.1 million	\$2.2 million	\$2.2 million
<i>Uses of Funds</i>			
Cemetery Operations and Maintenance	\$378,000	\$98,000	\$196,000
Implementation of Civil Service	\$20,000	\$170,000	\$295,000
Creation of New Council Districts	\$220,000	\$0	\$0
Balance/(Deficit)	\$11.5 million	\$1.9 million	\$1.7 million



Item A.2

- ☐ Approve an ordinance amending the Fiscal Year 2012-2013 Operating Budget (Ordinance No. 20120910-001) and Capital Budget (Ordinance No. 20120910-002) to ***transfer and appropriate funds for municipal purposes pursuant to Council's mid-year budget priorities.***



Mid-Year Funding Needs – Item A.2

	FY 2013		Out Years
	One-Time	Recurring	Annualized
Sources of Funds	\$11.5 million	\$1.9 million	\$1.7 million
Uses of Funds			
Affordable Housing	\$10.8 million	\$0	\$0
Pilot Program to Open Select Hike and Bike Trails 24-hours (Cost to open three Trails)	\$25,000	\$2.0 million	\$3.7 million
Wildfire Fuel Mitigation	\$383,000	\$938,000	\$1.2 million
Arc of the Capital Area	\$250,000	\$0	\$0
The Austin Playhouse	\$150,000	\$0	\$0
Planning and Development Review Staffing	\$18,000	\$170,000	\$299,000
APD Forensic Laboratory Staffing	\$26,000	\$155,000	\$278,000
African American Cultural Heritage District	\$0	\$80,000	\$237,000
River City Youth	\$0	\$73,000	\$73,000
Balance/(Deficit)	(\$200,000)	(\$1.5 million)	(\$4.1 million)



Questions / Discussion

more information available at:

www.cityofaustin.org/finance



Appendix



Relevant Financial Policies



Financial Policies – General Fund

- Current revenue...will be sufficient to support current expenditures. Unreserved fund balances...shall normally be used to fund capital items in the operating and capital budget.
- ...non-emergency amendments to the Adopted Budget shall be accomplished in one mid-year Council Meeting...



Financial Policies – General Fund

- Budget Stabilization Reserves...may be appropriated to fund capital or other one-time costs, but such appropriation will not normally exceed one-third of the total amount in the reserve...
- A General Government Capital Contingency of at most 3% of capital expenditures, but not less than \$2,000,000, shall be budgeted annually.



Financial Policies – G.O. Debt

- A fund balance for the General Obligation Debt Service Fund of at least 10% of total general obligation debt service requirements shall be maintained...
- Interest earnings from bond proceeds for general government projects (excluding projects for enterprise funds) shall be deposited in and retained by the debt service fund (preferred practice) unless otherwise required by bond ordinance or used to fund future CIP projects.



Financial Policies – G.O. Debt

- Timing of general obligation bond elections shall be determined by the inventory of current authorized unissued bonds remaining to be sold. An estimated 2 years of authorized unissued bonds shall remain before an election will be held.



Financial Policies – G.O. Debt

- It is the City's priority to fund capital expenditures with cash or voter-approved debt. However, non-voter-approved debt may be used for capital expenditures...if the capital expenditure is:
 - Urgent;
 - Unanticipated;
 - Necessary to prevent an economic loss to the City;
 - Results in an economic gain to the City within a reasonable time; or
 - Non-voter approved debt is the most cost effective financing option available.



Bond Statutes and Other Fiscal Considerations



General Obligation Bonds

- Government Code authorizes GOs to make:
 - Permanent public improvements or for any other public purpose...
- Affordable Housing as a Public Purpose
 - Both AG Opinion and State Law define affordable housing as a public purpose
- For these reasons, GOs are the recommended financing option for Affordable Housing
- GOs require voter approval prior to issuing bonds



Certificates of Obligation

- Local Government Code Authorizes COs for the:
 - Construction of any public work...
- A Public Work is generally something that:
 - A city pays for;
 - Is built for use by the city tax-payers;
 - Serves a city purpose; and
 - Is city-owned property.
 - Examples of Public Works include libraries, parks, rec centers, streets, and fire stations
- Voter approval not required prior to issuing bonds
 - Notice of Intent to Issue must be published at least 30 days prior
 - If 5% of voters file a petition protesting the certificates then the COs cannot be issued



Implications of Mid-Year Appropriations

- Reduces Budget Stabilization Reserves (BSR) available for FY 2014 Budget
 - BSR is the primary source of funding for General Fund operating capital (i.e. vehicles and equipment)
 - Examples: Cardiac monitors, ambulances, park maintenance vehicles
 - Drawing down reserves now will likely increase the amount of Contractual Obligations that will need to be issued in FY 2014 to meet operating capital needs
- New ongoing expenditure commitments will make balancing the FY 2014 Budget more challenging
 - “Built-in-cost-drivers” average around \$40 million/year
 - Additional expenditure commitments may place upward pressure on the tax rate



Mid-Year Funding Needs



Affordable Housing – \$10.8M

- **City's Goals for Affordable Housing**
 - Increasing supply for low to moderate income families
 - Supporting home repair programs for low income
 - Preserving existing affordable housing units
- **Rental Housing and Developer Assistance – \$7.5M**
 - Low-Income Housing Tax Credit Program – \$4.5 million
 - Year-round gap financing for other rental housing opportunities – \$3.0 million
- **Acquisition and Development (Ownership) – \$3.3M**
 - Home repair activities including GO Repair! program



Open Select Trails 24-hours – \$2.0M

- **Pilot Program for FY13**
 - Authorize 24-hour walking & biking on select trails
 - Waiving park curfews for this purpose
 - 3-Trails are Ann and Roy Butler hike and bike, Shoal Creek Greenbelt, and Johnson Creek Greenbelt
 - PARD costs for park rangers, dispatchers, and administrative support
 - APD costs for overtime
 - Funding for final 6 months of FY 2013
- **Option 1 (all 3 trails): \$400,000 PARD; \$1.6M APD**
- **Option 2 (Butler + 1): \$326,000 PARD; \$1.2M APD**
- **Option 3 (Butler only): \$326,000 PARD; \$0.9M APD**



Wildfire Fuel Mitigation – \$1.3M

➤ Phase I Implementation Update

- 3 FTEs added in FY 13 for new Wildfire Mitigation Division
- Nearing final selection of vendor for development of Community Wildfire Protection Plan
- Strategic planning & policy development is underway
- Immediate goal to remove vegetation to lower fire risk

➤ Fuel Mitigation – \$600,000

➤ Equipment and Training – \$470,000

➤ Expand Wildfire Mitigation Division – \$250,000

- 4 sworn positions and 1 civilian position (Burn Boss)
- Funding for final 6 months of FY 2013



Cemetery O & M – \$476,000

➤ Background

- 5 City Owned cemeteries (approximately 200 acres total)
- Current vendor has notified PARD of intent to terminate effective March 3, 2013
- Services provided include: Sales and administration, cemetery operations, and burial services

➤ Proposed Solution

- Temporarily insource service until new vendor is selected

➤ FY 2013 Need – \$476,000

- \$666,000 for 2 permanent positions and 25 temporary positions
- \$765,000 for rental equipment, utilities, tools, and supplies
- Less projected revenue of \$700,000
- Less \$255,000 from Cemetery Fund available balance



November Election – \$410,000

- **Charter Amendments Approved November 6**
 - Established a civil service system for most employees not covered by State civil service law
 - Approved single member council districts
- **Human Resources – \$190,000**
 - 3 new positions to implement civil service process
 - Funding for final 6 months of FY 2013
- **Independent Citizen Redistricting Comm. – \$140,000**
 - Advertising, consultants, outside attorney, temporary staff related to creating single member districts
- **City Auditor– \$80,000**
 - Advertising expenses related to creating single member districts



PDR Staffing – \$188,000

➤ Background

- Significant backlog of residential review work persists
- Currently 8 weeks behind mandated review periods
- Growing number of complaints of slow permitting and residential review process

➤ 4 New Planner Positions – \$188,000

- Additional staff will handle intake and consultation services, thereby freeing up time of plan review staff that are currently handling these services
- Additional staff will allow intake and consulting services to be available during all business hours
- Funding for final 6 months of FY 2013



APD Forensic Staffing – \$181,000

➤ Background

- Significant backlog for lab test results
- Creating difficulties in both Federal and State prosecutions
- Causing delays in dispositions and court resets
- Over 1,100 felony and misdemeanor cases

➤ 3 New Forensic Scientist Positions – \$181,000

- Additional staff will assist in eliminating the current backlog in the area of blood alcohol and narcotic analysis functions
- Additional staff will provide sufficient manpower to begin eliminating the backlogs
- Funding for final 6 months of FY 2013



Other Funding Needs

- Arc of the Capital Area – \$250,000
 - Arc provides assistance to individuals with intellectual and developmental disabilities
- Austin Playhouse – \$150,000
 - Planning two new theaters in the Mueller Development
 - \$4,750,000 Phase I project cost; \$150,000 funding gap



Other Funding Needs

- African American Cultural Heritage District – \$80,000
 - For administration and program expenses
- River City Youth – \$73,000
 - Offers youth services and summer camp for Doves Springs community
 - Additional funding needed to provide full year service
- Zilker Hillside Theater – \$0
 - Funding needed to improve maintenance
 - C3 Presents will donate \$75,000 in Fiscal Year 2013 and \$50,000 annually in future years



1115 Medicaid Waiver

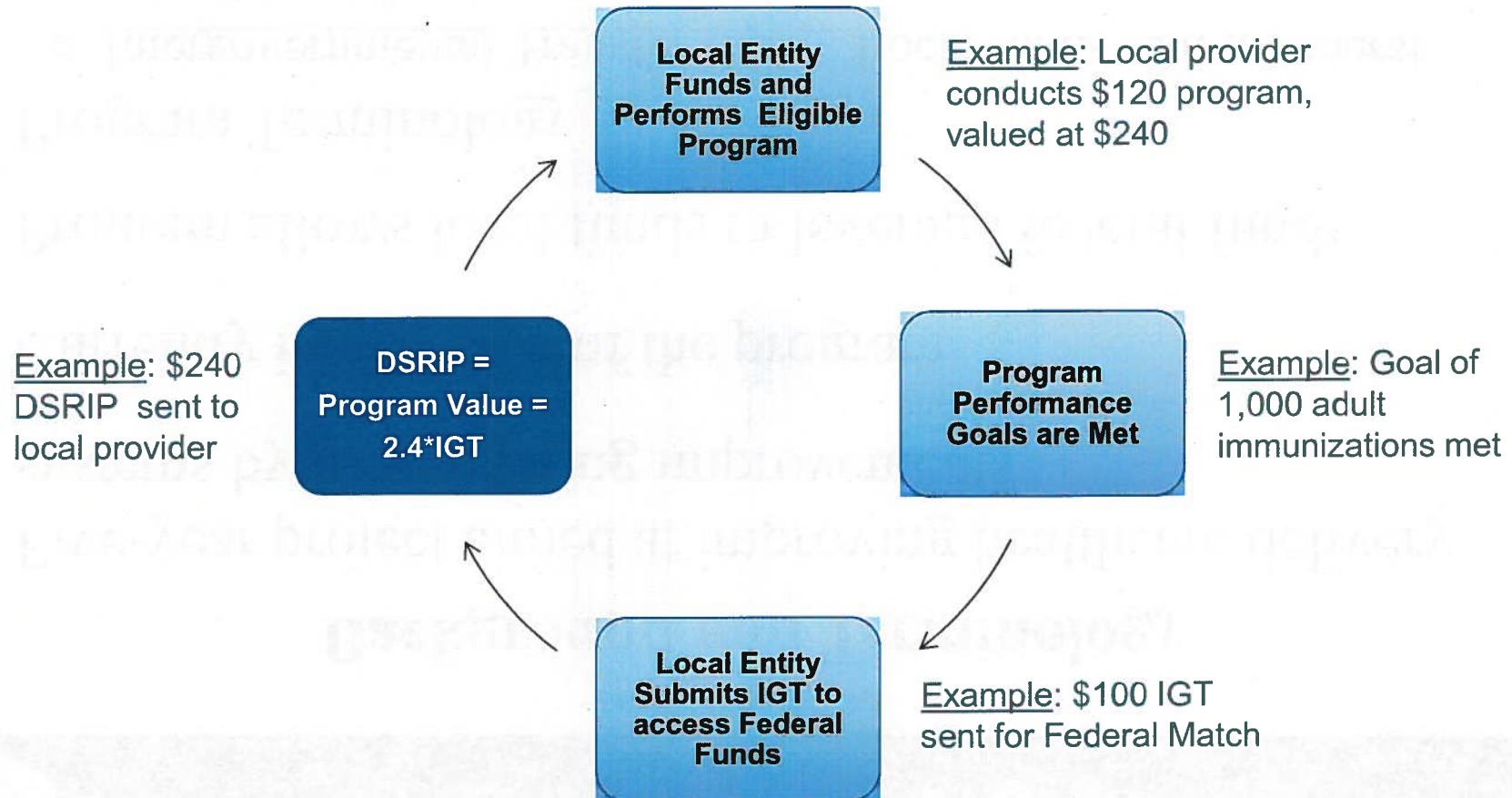
Background and Terminology

- Five-year project aimed at improving healthcare delivery systems by incentivizing improvements
- Currently in year two of the program
- Program allows local funds to leverage federal funds
- Program Terminology
 - Intergovernmental Transfer (IGT): Local funds sent to federal government that leverage match
 - Delivery System Reform Incentive Payment (DSRIP): Federal funds distributed back to the performing provider



1115 Medicaid Waiver

Program Overview





1115 Medicaid Waiver

Important Considerations

- **DSRIP = value of a given project**
 - Project values are generally > project costs
 - Values proposed by HHSD must be approved by federal program administrator
 - HHSD proposed project values have not yet been approved
- **Disbursement of DSRIPs are contingent on meeting performance targets as outlined in the project plan**



1115 Medicaid Waiver

Projects Submitted for Waiver

- HHSD has submitted 6 projects for year two:
 - Permanent Supportive Housing
 - Diabetes
 - Tobacco
 - Pre/Postnatal
 - Healthy Families
 - Adult Immunizations
- Estimated 4-year cost of the 6 projects: \$10.6 million
- Proposed 4-year value of the 6 projects: \$21.4 million



1115 Medicaid Waiver

Proposed Funding Scenario

- Establish separate fund for Waiver program
- Fund program costs and IGT payments via inter-fund loans from the General Fund
- Loans repaid annually after meeting program goals and receiving DSRIP
- Net cost to General Fund after 4 years: \$0
- Projected program fund balance after 4 years: \$2.3 million
 - Net surplus to the City resulting from program participation
 - Funds can be allocated to any eligible health programs



Mid-Year Funding Options



FY 2012 Year-End Financial Results

➤ General Fund

- Ended FY 2012 \$8.6 million better than projected
 - Primarily due to improved sales tax and development revenues
- \$8.0 million can be appropriated and stay within the “1/3 policy” for the Budget Stabilization Reserve
 - Reserve level would drop from 13.1% to 12.0%
- One-time source of funding

➤ Support Services Fund

- Ended FY 2012 \$1.4 million better than projected
- One-time source of funding



FY 2013 Revenue Update

➤ Sales Tax Revenue

- 16 consecutive months of growth
- 6-month rolling average growth at 11%
- 13.7% growth through first two payments of FY 2013
- Sales tax revenue is projected to end FY 2013 \$2.2 million above Budget
- Recurring source of revenue



Housing Trust Fund Analysis

- Housing Trust Fund (HTF) transfer is calculated as 40% of incremental tax revenue from properties within the Desired Development Zone (DDZ) that were tax exempt City-owned properties prior to June 1, 1997
- Council resolution approved 12/13/2012 directed staff to report on past and future funding mechanisms for the Housing Trust Fund and to analyze previously tax exempt properties within the DDZ, whether City-owned or not



Housing Trust Fund Analysis

➤ Travis County Appraisal District Analysis

- 128,365 total parcels within Desired Development Zone (DDZ) in 1997 were analyzed by TCAD
- 3,298 parcels found to be tax exempt in 1997
- 2,884 of those parcels resulted in a records match with parcels in the 2012 database
- 414 properties had no match and require manual research
 - Top 30 values > \$1,000,000 were researched by TCAD
 - 70% of total value of unmatched properties
 - TCAD estimate to review remaining 384 parcels is 1 month for each year analyzed



Housing Trust Fund Analysis

➤ Findings

- TCAD has identified 302 properties that had tax exempt status in 1997 that are now taxable
- 10 of these are currently included in the Housing Trust Fund transfer calculation
 - 2012 taxable value = \$344.9 million
 - FY 2013 transfer = \$602,000
- 7 additional “City owned” properties were identified that meet the HTF transfer criteria
 - 2012 taxable value = \$750,000
 - Additional FY 2013 transfer if included = \$1,500
- 315 “non-city owned” properties were identified that meet the HTF transfer criteria
 - 2012 taxable value = \$316.0 million
 - Additional FY 2013 transfer if included = \$608,000



Debt Options

➤ General Obligation Bonds

- Council resolution approved 1/17/2013 directed staff to establish timeline and information pertaining to a potential affordable housing bond election
- Recommended financing option for affordable housing

➤ Certificates of Obligation

- Not recommended for affordable housing

➤ Contractual Obligations

- Issuing KOs for the planned purchase of vehicles and equipment in FY 2013
- Frees up \$2.6 of critical one-time appropriations in FY 2013
- One-time source of funding



Other Funding Options Explored

➤ Sustainability Fund

- FY 2012 Ending Balance = \$119,000
- One-time source of funding

➤ General Government CIP Interest

- \$0 remaining in fund
- Not appropriate source of funding for programs described