

# FINANCIAL FORECAST

## INTERNAL SERVICES FUNDS-SUPPORT SERVICES, CTM AND FLEET

The City of Austin uses internal services funds to support departments whose function is to serve other City departments and for whom costs are recovered on a cost reimbursement basis. Aside from fuel—which is charged to departments based on usage—internal services costs are allocated to benefitting departments through cost allocation plans. These plans aim to identify as closely as possible the costs that internal services department provide to the receiving departments within City and are prepared using guidance from Office of Management and Budget Circular A-87. They are reviewed regularly by numerous entities including the City of Austin's independent external auditors, the City's internal auditors, Federal agencies, departmental staff and other interested third-parties.

Covered within this section are the Support Services Fund; the Communications and Technology Management (CTM) Fund; the Combined Transportation, Emergency and Communications Center (CTECC) Fund; the Wireless Communication Services Fund; and the Fleet Services Fund. Departments within the Support Services Fund provide an array of services which include providing objective analysis of the adequacy of the City's management systems, maintaining the financial integrity of the City government, providing a liaison between the City and other governmental entities and legislative bodies, managing the City's human resources, and overseeing the implementation of all programs and services. Support Services departments include Building Services, Communications & Public Information, Contract Management, Financial Services, Government Relations, Human Resources, Law, Management Services, Mayor and Council, Office of Real Estate Services, Office of the City Auditor, Office of the City Clerk, and Small and Minority Business Resources.

CTM provides information technology services to City of Austin departments. CTECC supports the CTECC Operations Center; Austin Police, Fire, and Emergency Medical Services applications, networks, personal computers (PCs), and peripherals; and houses the City of Austin 911 dispatch. Wireless maintains the Regional Radio System and provides installation and repair services for voice radios, sirens, emergency lighting, and automatic vehicle locations devices. Fleet manages the full lifecycle of all vehicles and equipment; provides maintenance and repair services; operates a vehicle rental pool; and manages fuel distribution for the City.

### Expenditures and Staffing

Combined, the internal services funds are projected increase by \$8.2 million dollars in FY 2014-15. This rate of growth is expected to continue throughout the five-year forecast period for a total combined growth of \$32 million by FY 2018-19. As with the City operating funds, the cost drivers associated with personnel drive much of the growth. At \$6.2 million, wage and health insurance increases comprise 75% of the growth in FY 2014-15. Of the remaining 25% in growth, half is a direct result of transitioning to 10-1 including the addition of 16 new FTEs for four new Council offices. The rest of the increase is due to standard contractual growth and is detailed in the sections below.

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## Internal Services Staffing Outlook by Fund

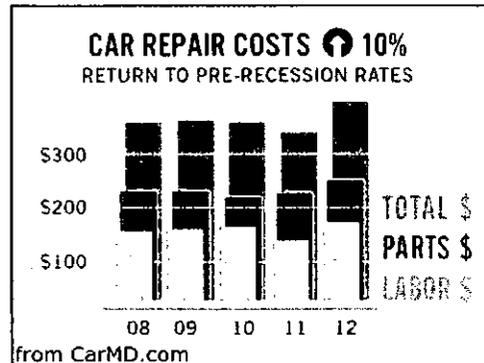
Fund	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
	Amended					
Support Services Fund	850	865	866	866	866	866
CTM, CTECC and Wireless Funds	307	309	309	309	309	309
Fleet Services Fund	205	205	205	205	205	205
<b>Total FTEs</b>	<b>1,362</b>	<b>1,379</b>	<b>1,380</b>	<b>1,380</b>	<b>1,380</b>	<b>1,380</b>

### Support Services

Delving into the specifics within each fund, the two significant cost increases within the Support Services funds both relate to moving to 10-1. The election in November is estimated at \$0.8 million and includes funding for a runoff election, if needed. After the election, the City of Austin will have four additional Council offices. Sixteen FTEs—four council members and three staff per office—and \$1.0 million have been added to cover January 2015 through the end of the fiscal year. The remaining \$300,000 is being added in FY 2015-16.

### Fleet

Fleet is continuing to experience rising costs related to maintaining City vehicles. Not only has the fleet grown commensurately with the growth of the City, but the cost for parts and labor have also risen faster than general CPI. As shown in this graphic from CarMD.com—which backs Fleet’s experience—“car repair costs were up 10% in 2012 after a nearly 6-year trend in dropping costs.” This trend has persisted through FY 2012-13. Included in the FY 2014-15 forecast is an increase of \$2.0 million for parts and another \$1.7 million for commercial repair services over the prior year.



Fleet, using projections from the U.S Energy Information Administration predicted a slight increase in fuel costs earlier in the year, however the latest projections forecast a slight decrease in costs. Given this relatively stable outlook for fuel, Fleet has included a 3% budget increase that correlates to approximately 0.5 million. This increased will allow for minor fluctuations in the cost of the commodity but is primarily related to an anticipated 4% increase in fleet growth.

In addition to the Fleet Services Fund, the Fleet department is also responsible for the Vehicle Acquisition Fund which was established to fund the acquisition of new and replacement vehicles and equipment for General Fund departments. All assigned vehicles and equipment acquired and maintained by the Fleet Services Department are targeted for replacement according to a useful life replacement guideline developed by the Fleet Services Department. Once a vehicle has reached a pre-determined criteria, which is based on operational and historical performance data, staff reviews the unit’s maintenance history and perform a physical inspection to determine its eligibility for

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replacement. That data, along with funding availability, determines if a vehicle will be replaced. This process is currently on-going.

## CTM/CTECC/Wireless

The costs related to information technology and communications continue to rise at a rapid pace. A significant reason for this increase is due to public safety needs. Police, Fire and EMS depend on a vast IT network, the components of which are discussed in a recent blog by ICMA entitled "[Public Safety Communications Center Technology: The Most Complex in Local Government.](#)" But the story doesn't end with public safety. Gartner forecasts that worldwide IT spending will grow 3.2% in 2014.

For the City of Austin, that translates to over \$20 million in costs to replace, upgrade or enhance critical IT infrastructure in FY 2014-15. Specifically, an additional \$2.3 million will be needed to continue the AMANDA permitting system upgrade. Additional storage primarily for in-vehicle video devices will cost \$3.1 million, finishing up the move of phone service over the Internet will cost \$1.6 million, the replacement of public safety radios over 9 years will cost \$2.4 million in FY 2014-15, and the annual replacement of PCs and MDCs requires \$3.7 million. The enterprise software licensing agreement with Microsoft and Oracle combined will cost \$3.3 million in FY 2014-15. The replacement of servers, routers, switches and other network hardware along with the purchase of miscellaneous items will cost \$4.3 million.

CTM is working diligently to identify cost-containment strategies. They just renegotiated a contract for mobile data computers that reduced the price per unit from \$10,000 to \$7,500. It is anticipated that the move to cloud-computing through the use of virtual servers can mitigate some of the rising costs in storage. They are also in the process of procuring a consultant to conduct a study of the City of Austin's IT practices with the goal of identifying best practices and creating opportunities to improve efficiency.

In order to comprehensively evaluate and prioritize these many Citywide technology needs in the context of limited financial resources, the City adopted an IT Governance process four years ago. Departments identify business needs that require an IT solution and submit them to the CTM department during the business planning phase of budget development. Interdepartmental committees review the numerous business needs and score them on a variety of attributes such as whether the project is required to comply with laws and regulations, the level of impact the project will have on service delivery and the degree to which the project addresses Citywide needs. During the financial forecast, the top-scoring requests are analyzed in-depth by CTM, a total cost of ownership is developed, and a technology solution is recommended. The list is then reviewed and prioritized by a committee of Department Directors and an Executive Steering Committee. As funding allows, approved projects are included in the Proposed Budget. This process is currently ongoing.

## Fund Summaries

Looking into the future, the internal services funds are projected to remain structurally sound with a combined ending balance growing to \$5.4 million by FY 2018-19.

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Note:

*The funding required from departments to cover the cost of services is estimated and communicated in mid-January. Since most of the cost driver information is still nascent at this time, the growth projections are very conservative, erring on the side of over-funding the internal services funds, with the understanding that later in the budget development process, contributing departments can lower their transfer amounts based upon more detailed analysis of their needs. The growth projection used in FY 2014-15 is 10%, consistent with the projections used over the past several years. Revised contribution amounts will be provided to departments in the weeks ahead as the various internal services fund departments' budgets and cost allocation plans are finalized.*

## Internal Services Fund Projections

### Combined Transportation, Emergency and Communications Center Fund Five Year Forecast (millions)

	Amended 2013-14	Estimated 2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
BEGINNING BALANCE	0.0	0.1	0.1	0.2	0.2	0.4	0.5
REVENUE							
County Revenue	2.0	2.0	2.3	2.1	2.2	2.3	2.4
TXDOT	1.4	1.4	1.0	1.4	1.5	1.5	1.6
Capital Metro	0.5	0.5	0.5	0.5	0.6	0.6	0.6
TOTAL REVENUE	3.9	3.9	3.8	4.0	4.3	4.4	4.6
TRANSFERS IN							
General Fund	11.5	11.5	13.9	14.2	14.6	14.9	15.3
Aviation	0.2	0.2	0.2	0.2	0.2	0.2	0.2
TOTAL TRANSFERS IN	11.7	11.7	14.1	14.4	14.8	15.1	15.5
TOTAL AVAILABLE FUNDS	15.6	15.6	17.8	18.4	19.1	19.5	20.1
OPERATING REQUIREMENTS							
CTECC	13.5	13.5	13.6	14.0	14.4	14.8	15.3
TOTAL OPERATING REQUIREMENTS	13.5	13.5	13.6	14.0	14.4	14.8	15.3
OTHER REQUIREMENTS							
Property Insurance Premium	0.1	0.1	0.1	0.1	0.1	0.1	0.1
TOTAL OTHER REQUIREMENTS	0.1	0.1	0.1	0.1	0.1	0.1	0.1
TRANSFERS OUT							
CTM CIP	2.0	2.0	4.1	4.3	4.4	4.5	4.7
TOTAL TRANSFERS OUT	2.0	2.0	4.1	4.3	4.4	4.5	4.7
TOTAL REQUIREMENTS	15.6	15.6	17.8	18.4	18.9	19.4	20.1
EXCESS (DEFICIENCY) OF TOTAL AVAILABLE FUNDS OVER TOTAL REQUIREMENTS	0.0	0.0	0.0	0.0	0.2	0.1	0.0
ENDING BALANCE	0.0	0.1	0.2	0.2	0.4	0.5	0.6
FTEs	46.00	46.00	48.00	48.00	48.00	48.00	48.00

**Internal Services Fund Projections**

**Communications and Technology Management Fund Five Year Forecast**

(millions)

	Amended <u>2013-14</u>	Estimated <u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
BEGINNING BALANCE	1.2	2.7	2.4	3.4	3.1	1.6	0.0
REVENUE							
Other Revenue	0.2	0.2	0.2	0.2	0.2	0.2	0.2
TOTAL REVENUE	0.2	0.2	0.2	0.2	0.2	0.2	0.2
TRANSFERS IN							
General Fund	20.9	20.9	22.9	22.9	22.9	23.5	25.0
Austin Energy	7.0	7.0	7.7	7.7	7.7	7.9	8.5
Austin Water	3.5	3.5	3.9	3.9	3.9	4.0	4.3
Aviation	1.5	1.5	1.6	1.6	1.6	1.7	1.8
Convention Center	1.1	1.1	1.3	1.3	1.3	1.3	1.4
Support Services/ Infrastructure Services	6.4	6.4	7.1	7.1	7.1	7.3	7.7
Austin Resource Recovery	0.9	0.9	1.0	1.0	1.0	1.1	1.1
Other Funds	2.2	2.2	2.4	2.4	2.4	2.5	2.6
TOTAL TRANSFERS IN	43.5	43.5	47.9	47.9	47.9	49.3	52.4
TOTAL AVAILABLE FUNDS	43.7	43.7	48.1	48.1	48.1	49.5	52.6
OPERATING REQUIREMENTS							
Communications and Tech Mgmt.	33.6	33.6	35.0	35.9	36.8	37.9	39.1
Support Services	3.7	3.0	3.5	3.6	3.6	3.7	3.9
One Stop Shop	0.4	0.4	0.4	0.4	0.4	0.4	0.4
TOTAL OPERATING REQUIREMENTS	37.7	37.0	38.9	39.9	40.8	42.0	43.4
OTHER REQUIREMENTS							
Accrued Payroll	0.1	0.1	0.1	0.1	0.2	0.2	0.2
TOTAL OTHER REQUIREMENTS	0.1	0.1	0.1	0.1	0.2	0.2	0.2
TRANSFERS OUT							
CTM CIP	6.9	6.9	8.1	8.4	8.6	8.9	9.1
TOTAL TRANSFERS OUT	6.9	6.9	8.1	8.4	8.6	8.9	9.1
TOTAL REQUIREMENTS	44.7	44.0	47.1	48.4	49.6	51.1	52.7
EXCESS (DEFICIENCY) OF TOTAL AVAILABLE FUNDS OVER TOTAL REQUIREMENTS	(1.0)	(0.3)	1.0	(0.3)	(1.5)	(1.6)	(0.1)
ENDING BALANCE	0.2	2.4	3.4	3.1	1.6	0.0	0.0
FTEs	221.00	221.00	221.00	221.00	221.00	221.00	221.00

## Internal Services Fund Projections

### Fleet Services Fund Five Year Forecast

(millions)

	Amended 2013-14	Estimated 2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
BEGINNING BALANCE	4.5	3.6	3.1	2.2	1.5	1.1	1.4
REVENUE							
Fleet Maintenance Revenue	27.4	27.4	30.0	31.2	32.5	33.8	35.1
Fleet Scrap Sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Auction Revenue	0.5	0.5	0.4	0.4	0.4	0.4	0.4
Rental Revenue	1.0	1.0	1.0	1.0	1.1	1.1	1.1
Fuel Revenue	17.2	17.2	17.9	18.5	19.0	19.6	20.2
Interest Earnings	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous Revenue	0.8	0.8	1.0	1.0	1.0	1.1	1.1
Insurance Proceeds	0.0	0.0	0.2	0.2	0.2	0.2	0.2
Facility Rental	0.1	0.1	0.1	0.1	0.1	0.1	0.1
TOTAL AVAILABLE FUNDS	47.1	47.1	50.7	52.5	54.4	56.4	58.4
DEPARTMENT REQUIREMENTS							
Support Services	4.8	4.8	4.8	4.8	4.8	4.9	5.0
Vehicle Support Services	20.8	20.8	21.3	21.4	21.4	21.9	22.3
Service Centers	20.2	20.2	23.7	25.1	26.5	27.0	27.6
TOTAL DEPARTMENT REQUIREMENTS	45.8	45.8	49.8	51.2	52.8	53.8	54.9
TOTAL TRANSFERS OUT	1.6	1.6	1.7	1.8	2.0	2.1	2.3
TOTAL OTHER REQUIREMENTS	0.1	0.1	0.1	0.1	0.1	0.1	0.1
TOTAL REQUIREMENTS	47.5	47.5	51.7	53.2	54.8	56.1	57.3
EXCESS (DEFICIENCY) OF TOTAL AVAILABLE FUNDS OVER TOTAL REQUIREMENTS	-0.4	-0.4	-0.9	-0.7	-0.4	0.3	1.1
ENDING BALANCE	4.1	3.1	2.2	1.5	1.1	1.4	2.5
FTEs	205.00	205.00	205.00	205.00	205.00	205.00	205.00

## Internal Services Fund Projections

### Support Services Fund Five Year Forecast

(millions)

	Amended 2013-14	Estimated 2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
BEGINNING BALANCE	2.3	6.2	3.9	2.3	2.1	2.6	2.2
REVENUE							
Other Licenses/Permits	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General Government	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Use of Property	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Indirect Cost Recovery	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Other Revenue	0.1	0.1	0.1	0.1	0.1	0.1	0.1
TOTAL REVENUE	1.8	1.8	1.8	1.8	1.8	1.8	1.8
TOTAL TRANSFERS IN	96.7	96.7	101.5	105.8	110.3	115.0	119.9
TOTAL AVAILABLE FUNDS	98.5	98.5	103.3	107.6	112.1	116.8	121.7
DEPARTMENT REQUIREMENTS							
City Clerk	3.0	3.0	3.6	2.5	2.6	2.7	2.9
Mayor and Council	2.6	2.6	3.7	4.1	4.2	4.4	4.6
Management Services	10.6	10.6	11.1	11.5	11.9	12.5	13.2
Communications & Public Informc	2.6	2.6	2.7	2.8	2.9	3.0	3.2
Law	10.5	10.5	10.9	11.2	11.6	12.2	12.8
Human Resources	11.2	11.2	11.7	12.3	12.9	13.5	14.2
City Auditor	2.7	2.7	3.1	3.3	3.4	3.5	3.7
Financial Services	21.8	21.8	22.2	22.9	23.6	24.8	26.1
Building Services	13.9	13.9	13.8	14.2	14.7	15.4	16.2
Small & Minority Business Resource	3.2	3.2	3.3	3.4	3.5	3.7	3.9
Contract Management	4.8	4.8	4.9	5.1	5.3	5.5	5.8
Office of Real Estate Services	3.7	3.7	3.9	4.0	4.1	4.3	4.5
Government Relations	1.4	1.4	1.4	1.4	1.5	1.5	1.6
TOTAL DEPARTMENT REQUIREMENTS	91.9	91.9	96.3	98.8	102.2	107.3	112.7
TOTAL TRANSFERS OUT	8.6	8.6	8.2	8.5	9.0	9.4	9.8
TOTAL OTHER REQUIREMENTS	0.3	0.3	0.4	0.5	0.4	0.4	0.5
TOTAL REQUIREMENTS	100.8	100.8	104.9	107.8	111.6	117.2	123.0
EXCESS (DEFICIENCY) OF TOTAL AVAILABLE FUNDS OVER TOTAL REQUIREMENTS	-2.3	-2.3	-1.6	-0.2	0.5	-0.4	-1.3
ENDING BALANCE	0.0	3.9	2.3	2.1	2.6	2.2	1.0
FTEs	850.08	850.08	865.08	866.08	866.08	866.08	866.08

## Internal Services Fund Projections

### Wireless Communication Services Fund Five Year Forecast

(millions)

	Amended	Estimated	2014-15	2015-16	2016-17	2017-18	2018-19
	2013-14	2013-14					
BEGINNING BALANCE	0.6	0.9	0.3	0.6	0.7	0.8	1.1
REVENUE							
Trunked Radio Interlocal A/R	0.7	0.7	0.6	0.6	0.6	0.6	0.6
Indirect Cost Recovery	5.0	5.0	7.0	7.2	7.4	7.7	7.9
Other Revenue	1.9	1.9	1.9	1.9	2.0	2.1	2.1
TOTAL REVENUE	7.6	7.6	9.5	9.7	10.0	10.4	10.6
TRANSFERS IN							
General Fund	5.5	5.5	5.3	5.4	5.6	5.8	5.9
Support Services/ Infrastructure Funds	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Austin Energy	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Austin Water	0.3	0.3	0.2	0.2	0.2	0.3	0.3
Aviation	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Convention Center	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Austin Resource Recovery	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Enterprise Funds	0.1	0.1	0.1	0.1	0.1	0.1	0.1
TOTAL TRANSFERS IN	6.7	6.7	6.4	6.5	6.7	7.0	7.1
TOTAL AVAILABLE FUNDS	14.3	14.3	15.9	16.2	16.7	17.3	17.8
OPERATING REQUIREMENTS							
Wireless Communications	9.7	9.7	9.9	10.2	10.5	10.8	11.1
TOTAL OPERATING REQUIREMENTS	9.7	9.7	9.9	10.2	10.5	10.8	11.1
TRANSFERS OUT							
CTM CIP	5.2	5.2	5.7	5.9	6.1	6.2	6.4
TOTAL TRANSFERS OUT	5.2	5.2	5.7	5.9	6.1	6.2	6.4
TOTAL REQUIREMENTS	14.9	14.9	15.6	16.1	16.6	17.0	17.5
EXCESS (DEFICIENCY) OF TOTAL AVAILABLE FUNDS OVER TOTAL REQUIREMENTS	(0.6)	(0.6)	0.3	0.1	0.1	0.3	0.3
ENDING BALANCE	0.0	0.3	0.6	0.7	0.8	1.1	1.4
FTEs	40.00	40.00	40.00	40.00	40.00	40.00	40.00