



## Financial Forecast & Economic Outlook



**FY 2016-2020**  
*City of Austin, Texas*



# Forecast Work Session Agenda

## April 22 (9:30 AM – 4:30 PM)

### **Economic Outlook**

- Jon Hockenyos, Texas Perspectives

### **Financial Forecast Overview**

- All Funds Overview
- General Fund Highlights
- Capital Improvements Program Highlights

### **Enterprise Presentations**

- Austin Energy
- Austin Water
- Aviation

### **Council Q&A and Discussion**

- Council Q&A and Discussion

## May 6 (9:30 AM – 4:30 PM)

### **Additional Presentations (Optional)**

- Presentations from other departments selected by Council

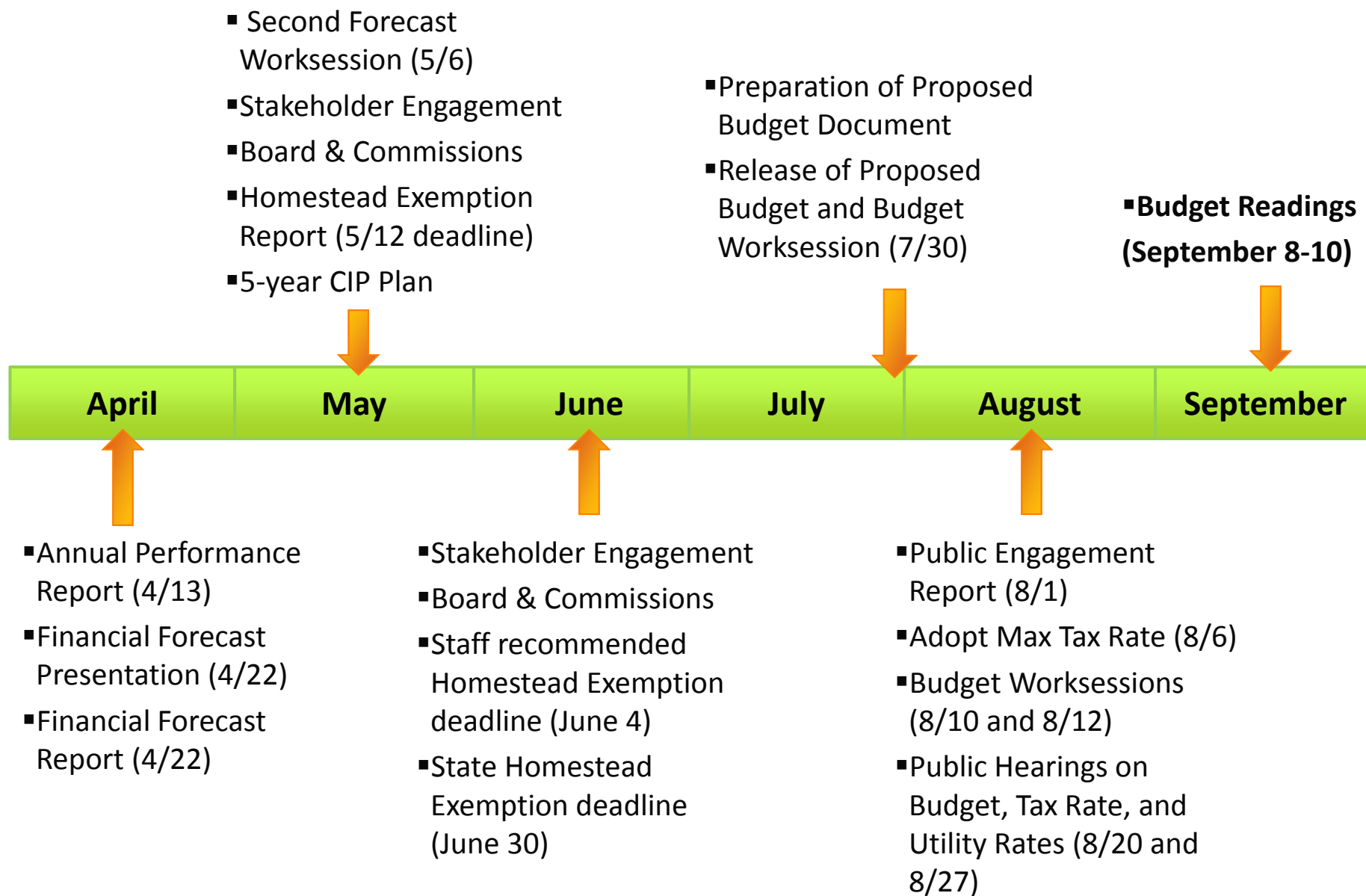
### **Council Q&A and Discussion**

- General Fund Departments
- Enterprise Departments
- Internal Service Fund Department

### **Briefing on Homestead Exemption**

- Dependent upon completion of analysis
- Council deadline (per resolution) is May 12

# Budget Timeline



# Forecast Process

## What is a Forecast?

- Collection of City revenue and expenditure projections for the next 5 fiscal years
- Serves as a starting point for the annual budget and community engagement processes
- Highlights department initial funding requests
- **It's not a budget!** Only current best estimates

## Why produce a Forecast?

- Present a projected economic and financial outlook
- Solicit input / feedback from Council and community for future budget development
- Opportunity to initiate Council policy discussions
- Fine-tune cost assumptions before Proposed Budget

# Basic Legal Framework

- **State Law:** Texas Tax Code, Local Government Code (budget and tax process)
- **State and Federal Law:** Different funds have different requirements (e.g., federal tax law, state finance laws, hotel occupancy tax, statutes and cases relating to fees)
- **City Charter and Code:** Charter Article V is finance, Title 11 is tax portion of Code

# Timing is Everything

## ➤ Tax Adoption process

- Notices
- Hearings
- Adoption

## ➤ Budget process

- Notice
- Hearings
- Adoption

# Tax Rate

- Tax appraisers certify the tax rolls by July 25th (or soon after)
- City publishes rollback and effective rates
  - Effective = rate that would bring in same funds as last year from properties taxed in both years
  - Rollback = approximately 8% higher than last year's operations and maintenance costs plus payment of debt
- If tax rate is more than the effective rate, City must adopt that rate to trigger notice and hearing requirements
- The dates and times of public hearings and adoption of the proposed maximum tax rate are set by resolution
- Roll call vote
- Must follow process or citizens can sue



# Exemptions

- Tax Code Chapter 11 has exemptions from property taxes
- Adopt with ordinance adopting the tax rate, or earlier as set forth in the Tax Code
- Examples: Historic, homestead, veterans, and disabled



# Budget

- Budget officer for Austin is the City Manager
  - Local Government Code 102.001 defines
  - Texas Attorney General Opinion JC-0544 (2002)
- There are requirements that are set out in Austin's Charter
- Local Gov't Code 140.010 and chapter 102 have notice, hearing, and voting requirements
- Record vote both to adopt budget and to ratify that it will need more taxes than last year
- Legal issues may include: requirements for different funding sources such as hotel occupancy taxes, use of bond funds, law re: fees, and city purpose for expenditures

# City of Austin Financial Forecast

## Economic Outlook

*Jon Hockenyos, Texas Perspectives*



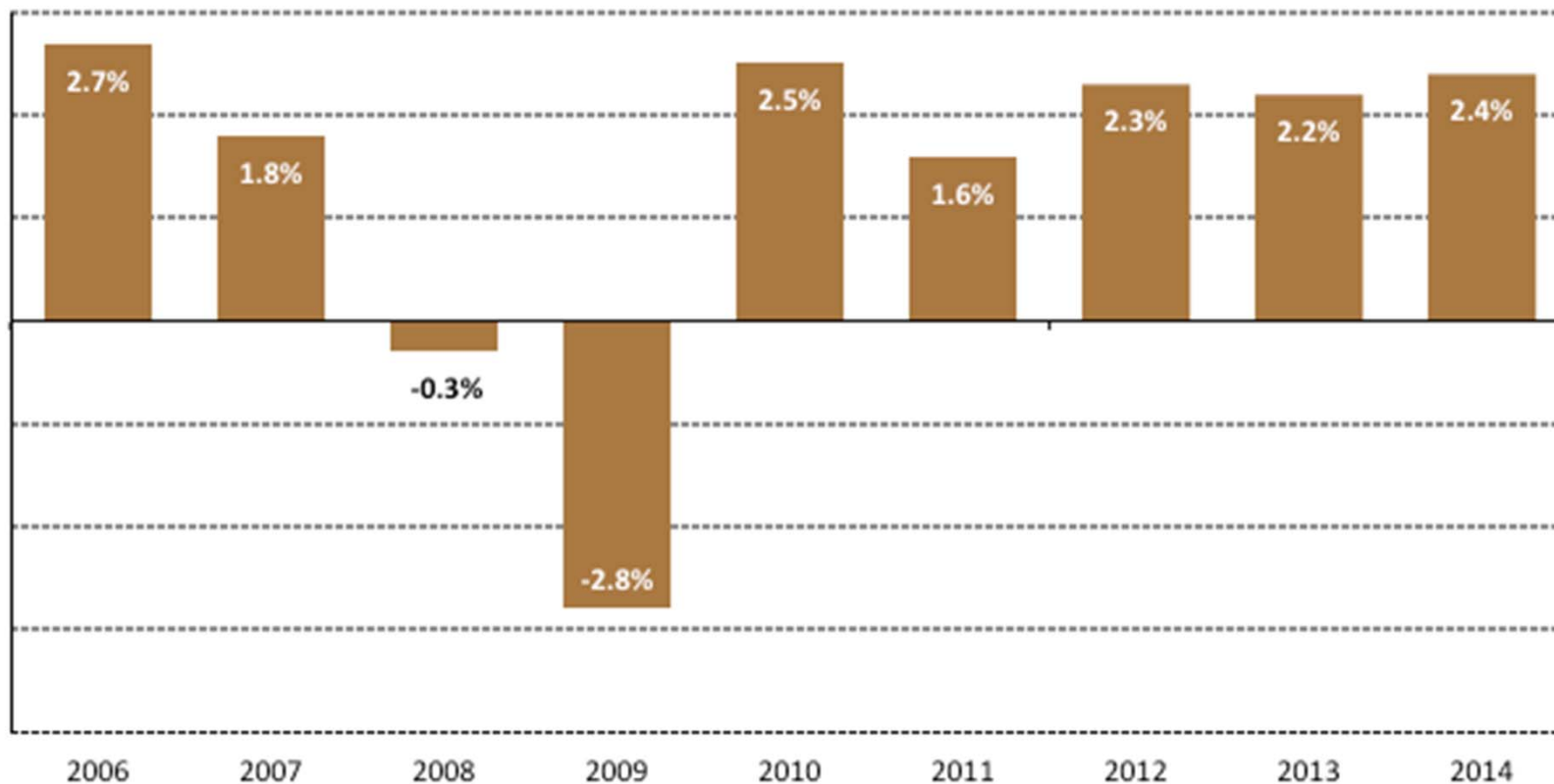
# National Economy

## Overview

- Moderate overall growth remains the pattern for national economy, with Gross Domestic Product (GDP) continuing to expand in the 2.5 percent range. Companies have resumed net investment growth, indicating some confidence in the durability of the recovery, and production has improved in most sectors.
- Employment growth is still somewhat tepid; jobs lost during the recession have finally been replaced, but the overall quality is lower (median income has fallen in the past five years), and labor force expansion means unemployment remains high.
- Core inflation (inflation minus food and energy) is stable, with little sign that either rising demand or high levels of debt will have an impact in the near future. Lower oil prices will drive overall level of inflation down this year.
- With stable economic growth, Federal Reserve Bank is leaning toward raising interest rates, although there is substantial pressure not to move far or fast.
- Bottom line: improving economic fundamentals, but little will change in macroeconomic policy over the next eighteen months.

# National Economy

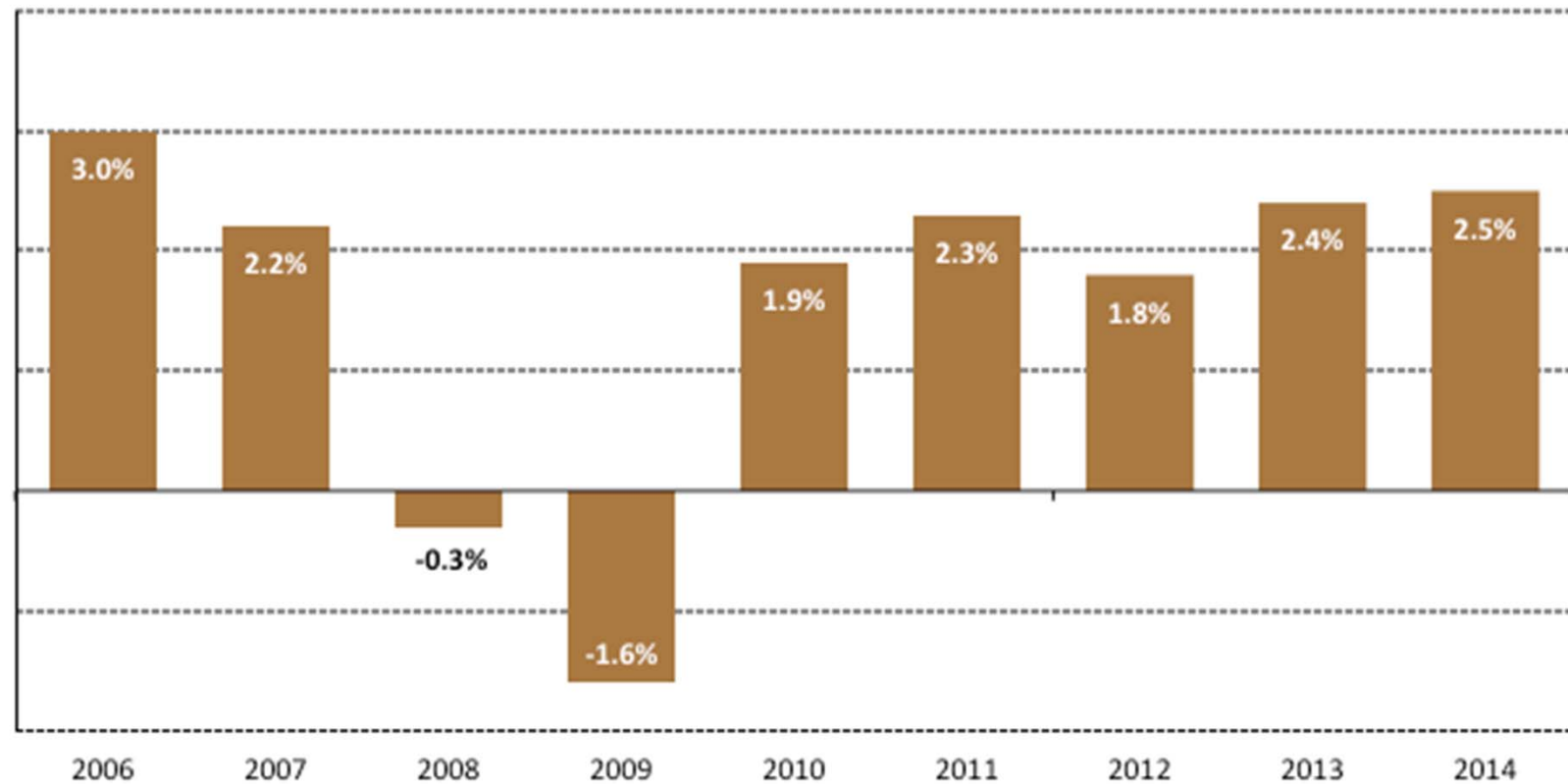
## GDP Growth



Source: Bureau of Economic Analysis (BEA); TXP

# National Economy

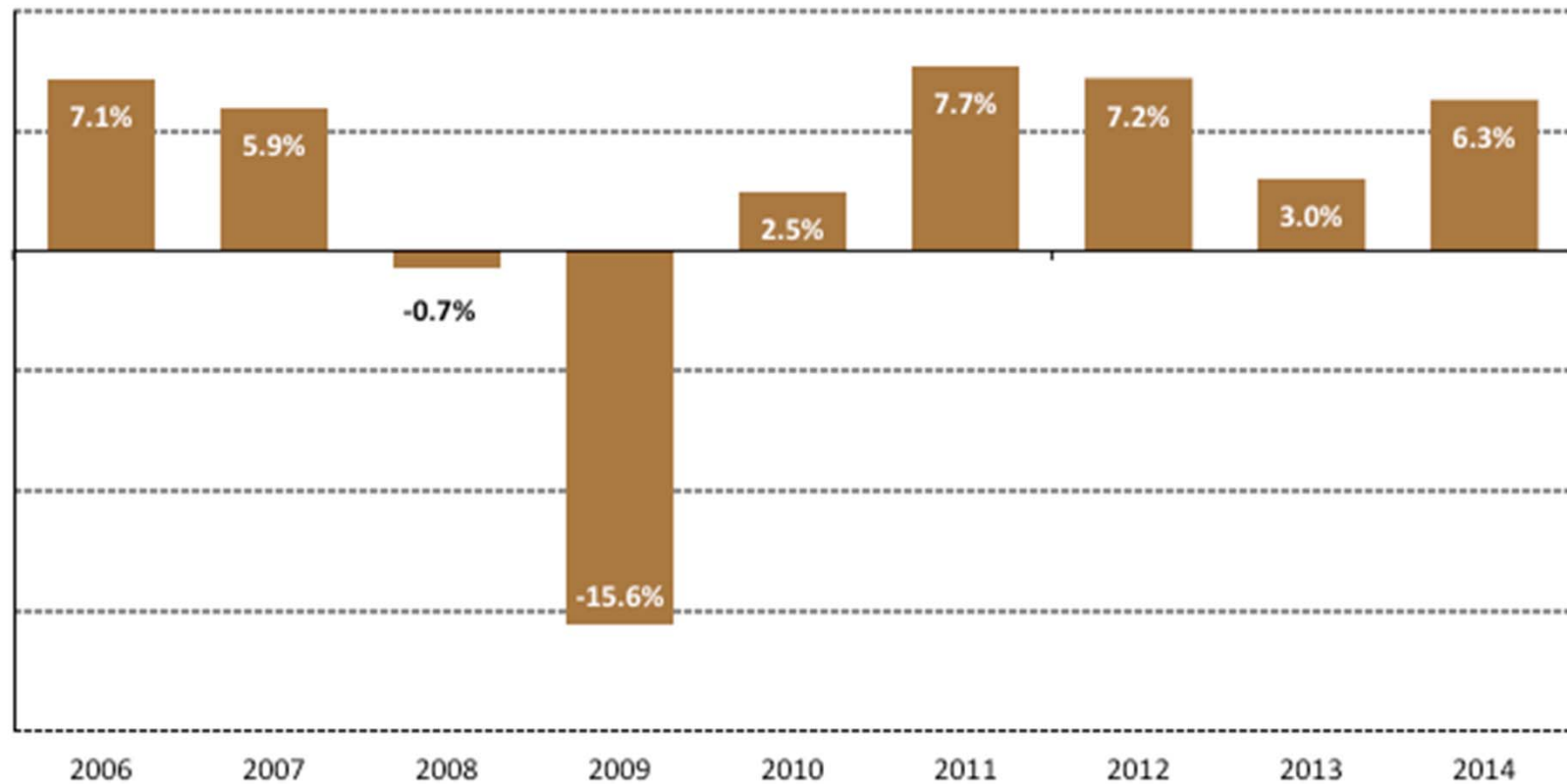
## Personal Consumption Expenditures Growth



Sources: BEA; TXP

# National Economy

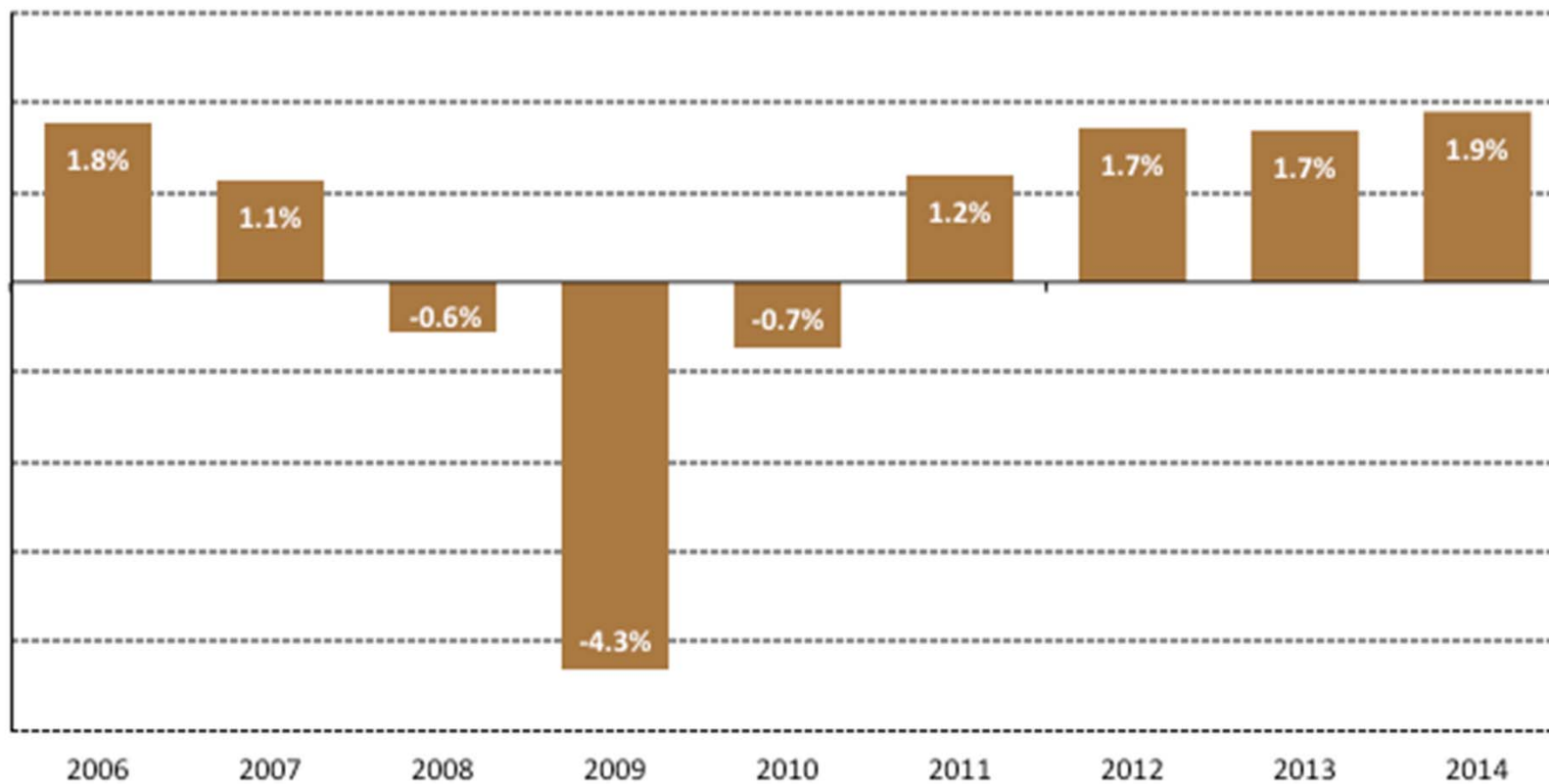
## Non-Residential Investment Growth



Sources: BEA; TXP

# National Economy

## Total Employment (12-Month Change)

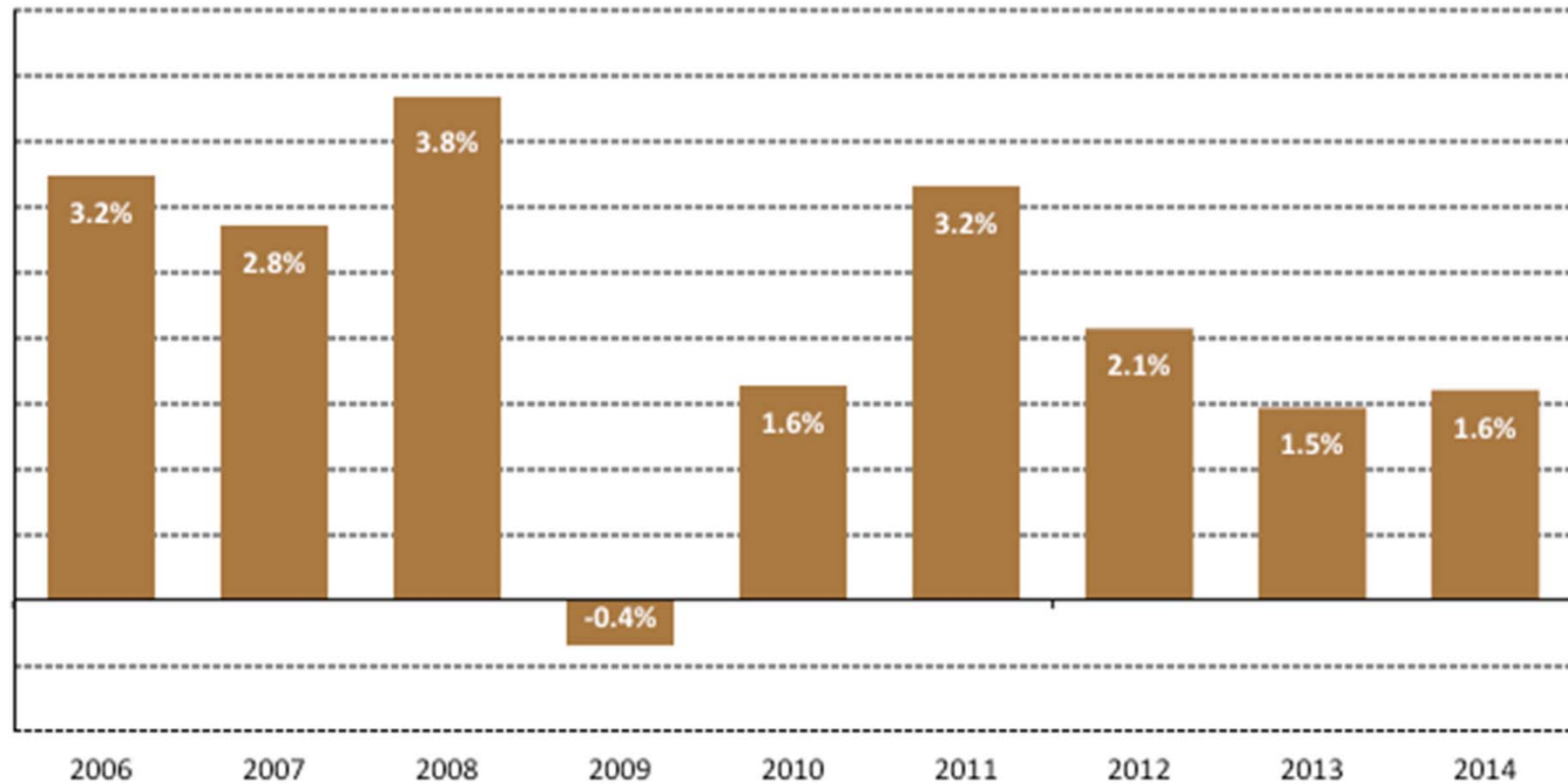


Sources: Bureau of Labor Statistics (BLS); TXP



# National Economy

## Consumer Price Index (12-Month Change)



Sources: BLS; TXP

# National Economy

## Outlook

- After slightly slower growth than anticipated by most forecasters (2.4 compared to a 3.0), overall GDP is expected to be fairly consistent over the balance of 2015 and 2016, with most forecasts in the 2.5 – 3.0 percent range.
  - Production side of the economy is trending upward, as investment and hiring are expected to accelerate output.
  - Low inflation and some easing of credit standards will also enhance growth.
  - This pace is expected to take the economy to the point that the gap between the nation's output and its potential (that is, maximum sustainable) output will be essentially eliminated by the end of 2017.
- *Longer-Term Outlook (from Congressional Budget Office- CBO)*
  - In CBO's estimation, increases in consumer spending, business investment, and residential investment will drive the economic expansion this year and over the next few years. The growth in those categories of spending will derive mainly from increases in hourly compensation, rising wealth, the recent decline in crude oil prices, and a step-up in the rate of household formation (as people are more willing and able to set up new homes).

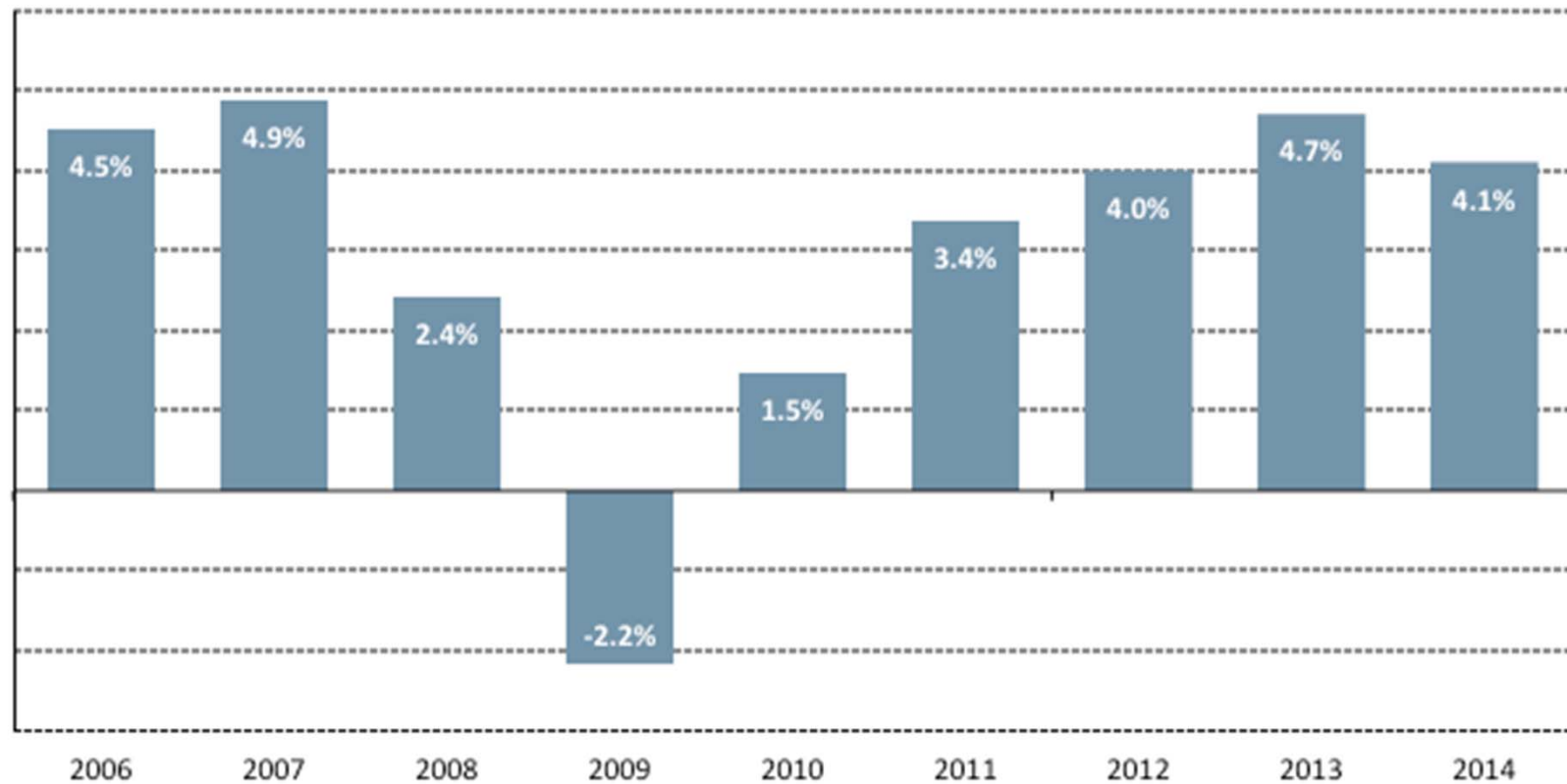
# Austin Area Economy

## Overview

- The Austin metro area (MSA) remains arguably among the strongest major metro economies across the nation, as aggregate indicators show growth at a high level in the past twelve months.
- Job growth (as measured by the employer survey) remained torrid during 2014, with 36,100 net new jobs added, a pace of 4.1%. The private sector now accounts for vast majority of the above, with a gain of about 35,300 net new jobs. Majority of this growth is found in commercial sectors of the economy, in part reflecting population increases.
- Consumer spending reflects strong population and economic growth and above long-term trend levels. Local venture capital returned to trend during 2014, as economy continues transition toward soft-tech.
- Tourism remains a growing element of the local economy, as 2014 again was a record year for hotel revenue, and occupancy also at a very high level.
- Housing markets continue to tighten, reflecting both strong demand and diminishing excess supply.

## Austin Area Economy

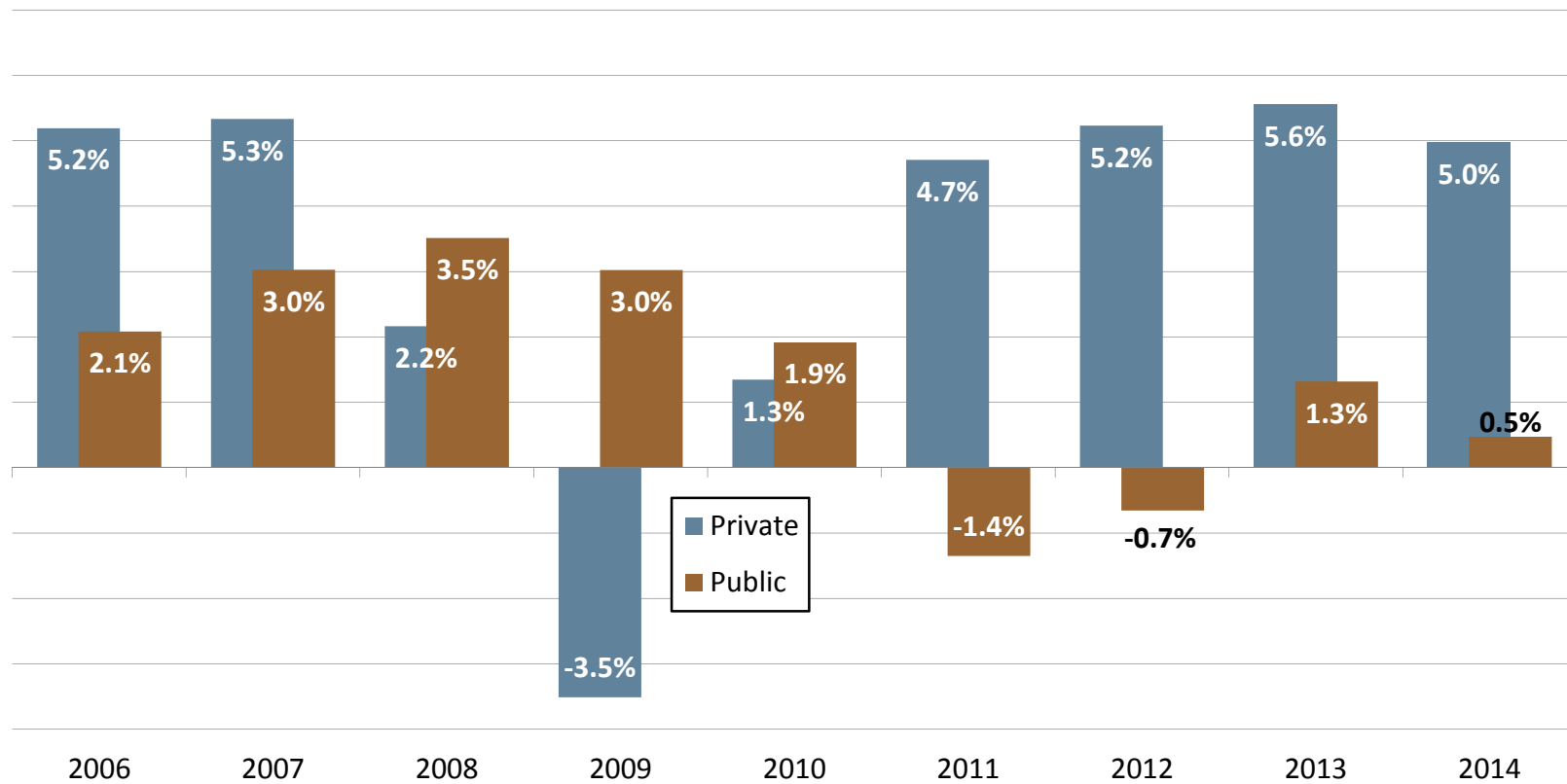
### Austin MSA Total Employment (12-Month Change)



Sources: BLS; TXP

# Austin Area Economy

## Austin MSA Private v. Public Employment (12-Month Change)



Sources: BLS; TXP

# Austin Area Economy

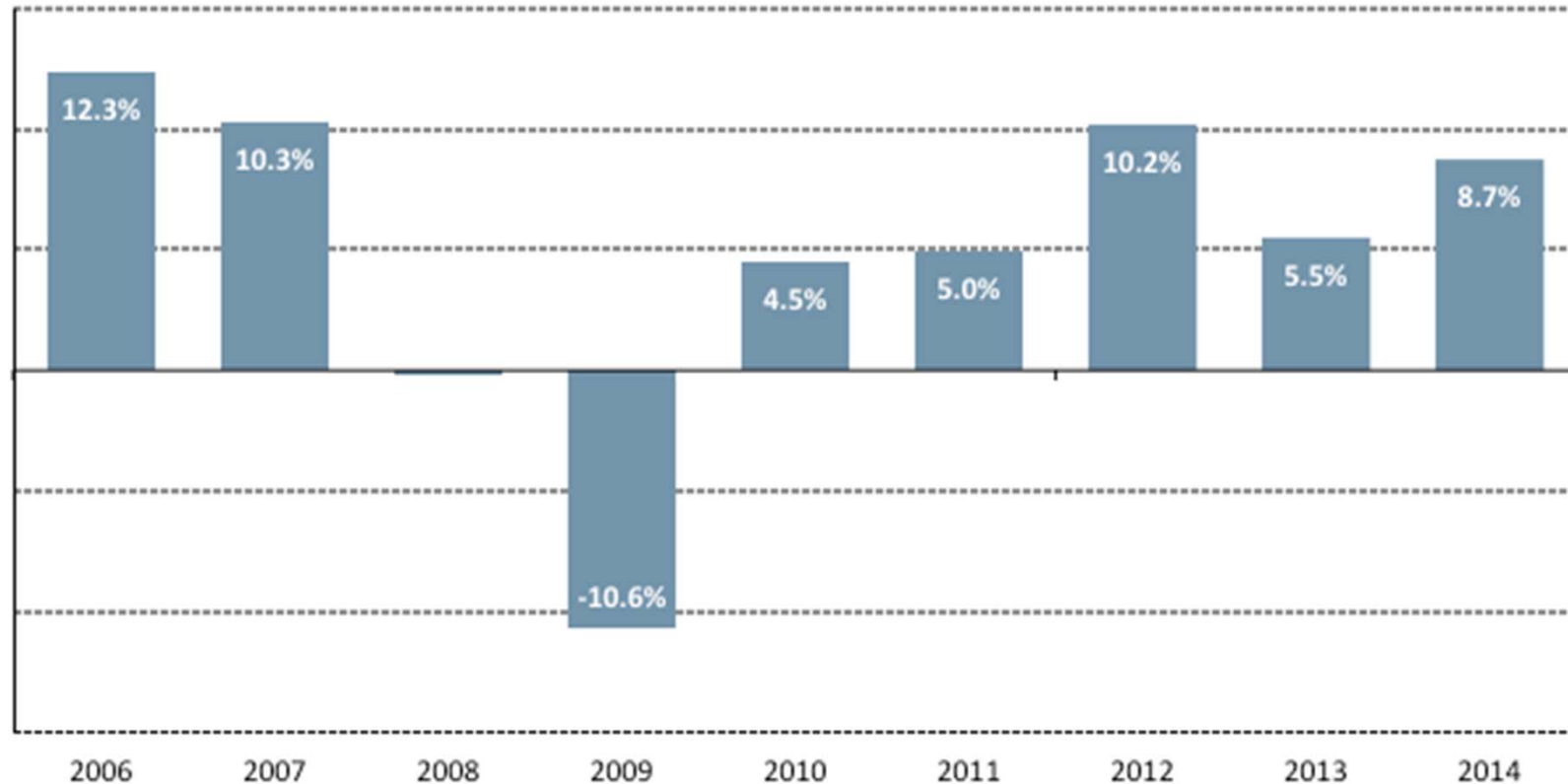
## Austin MSA Employment by Sector

	Employment (000s)			Change (Actual)		Change (%)	
	2009	2013	2014	09-'14	13-'14	09-'14	13-'14
Natural Resources/Construction	41.2	46.0	50.1	8.9	4.1	21.6%	8.9%
Manufacturing	53.7	57.2	57.7	4.0	0.5	7.4%	0.9%
Trade, Transportation, & Utilities	130.8	152.3	158.1	27.3	5.8	20.9%	3.8%
Information	20.1	23.9	25.0	4.9	1.1	24.4%	4.6%
Financial Activities	44.4	49.3	52.0	7.6	2.7	17.1%	5.5%
Professional & Business Services	110.6	139.3	149.2	38.6	9.9	34.9%	7.1%
Educational & Health Services	83.6	102.5	106.4	22.8	3.9	27.3%	3.8%
Leisure & Hospitality	83.8	100.6	106.4	22.6	5.8	27.0%	5.8%
Other Services	33.6	37.9	39.6	6.0	1.7	17.9%	4.5%
Total Private	601.6	709.1	744.4	80.6	34.5	13.1%	5.0%
Government	167.0	169.0	169.8	2.8	0.8	1.7%	0.5%
<i>Total Employment</i>	768.6	878.1	914.2	145.6	36.1	18.9%	4.1%

Source: BLS; TXP

## Austin Area Economy

### City of Austin Sales Tax (12-Month Change/Calendar Year)

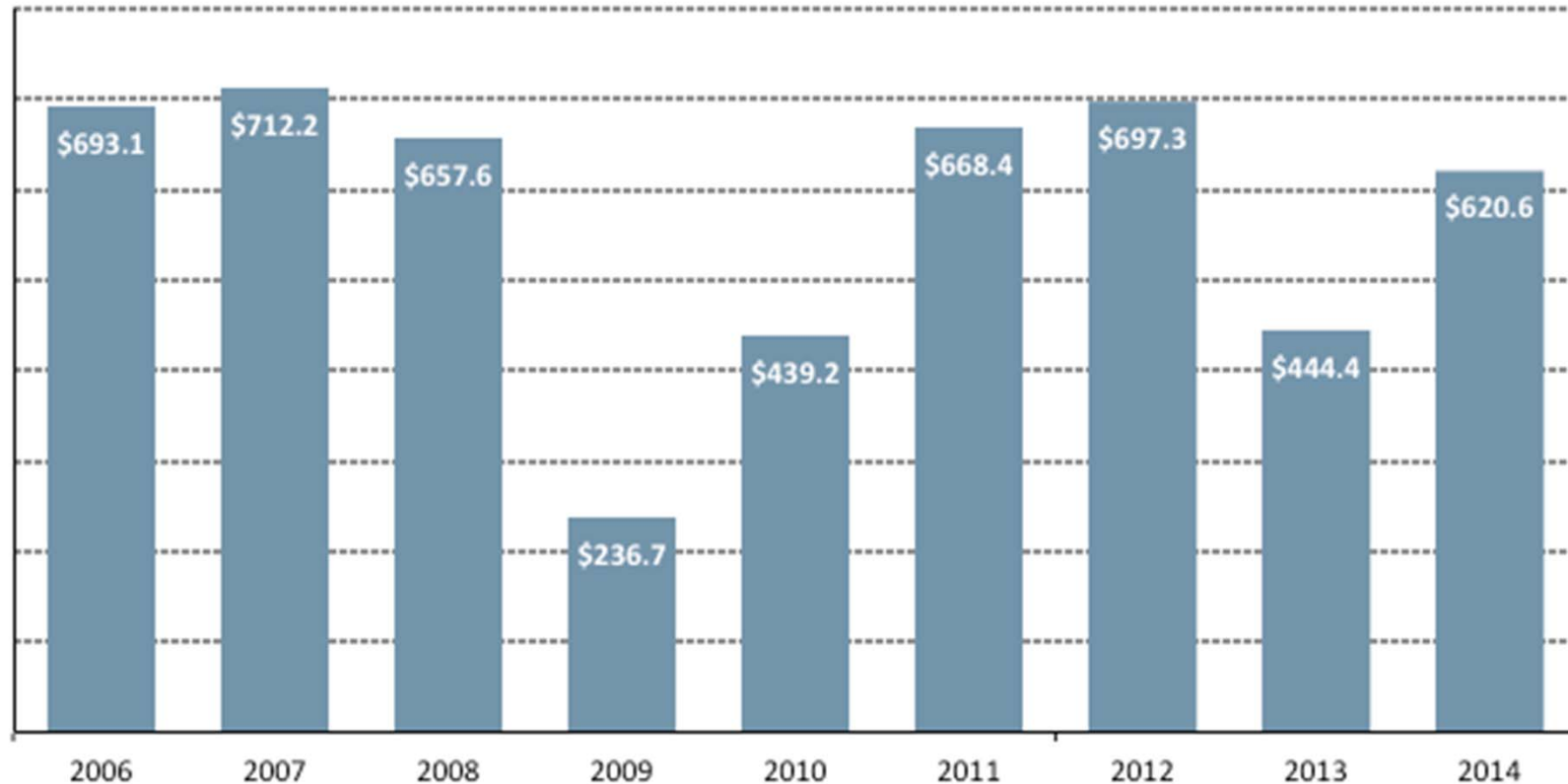


Sources: Texas State Comptroller; TXP



## Austin Area Economy

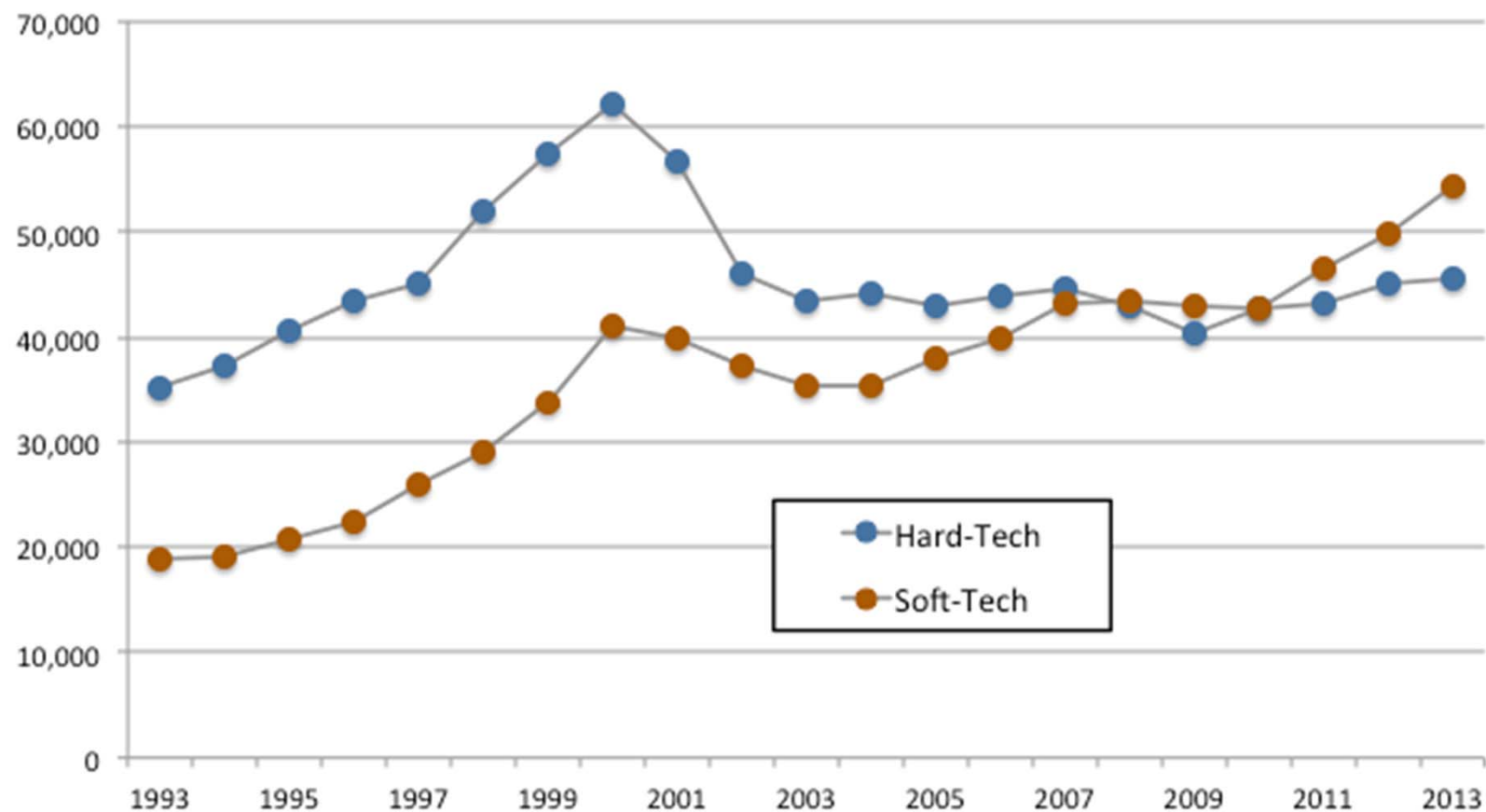
### Venture Capital Invested (\$Millions)



Sources: PWC MoneyTree Survey; TXP

# Austin Area Economy

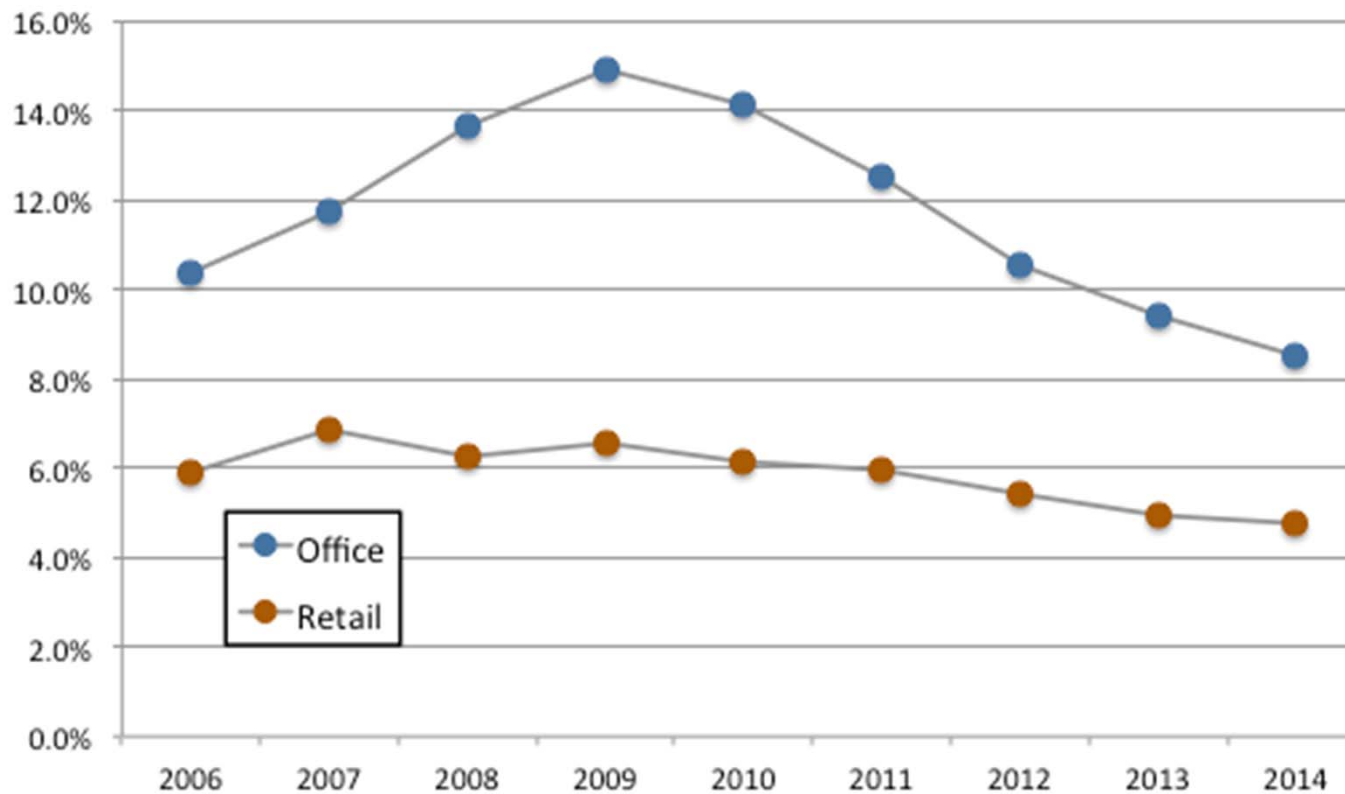
## Austin MSA Tech Employment Structural Change



Sources: Texas Employment Commission; TXP

# Austin Real Estate

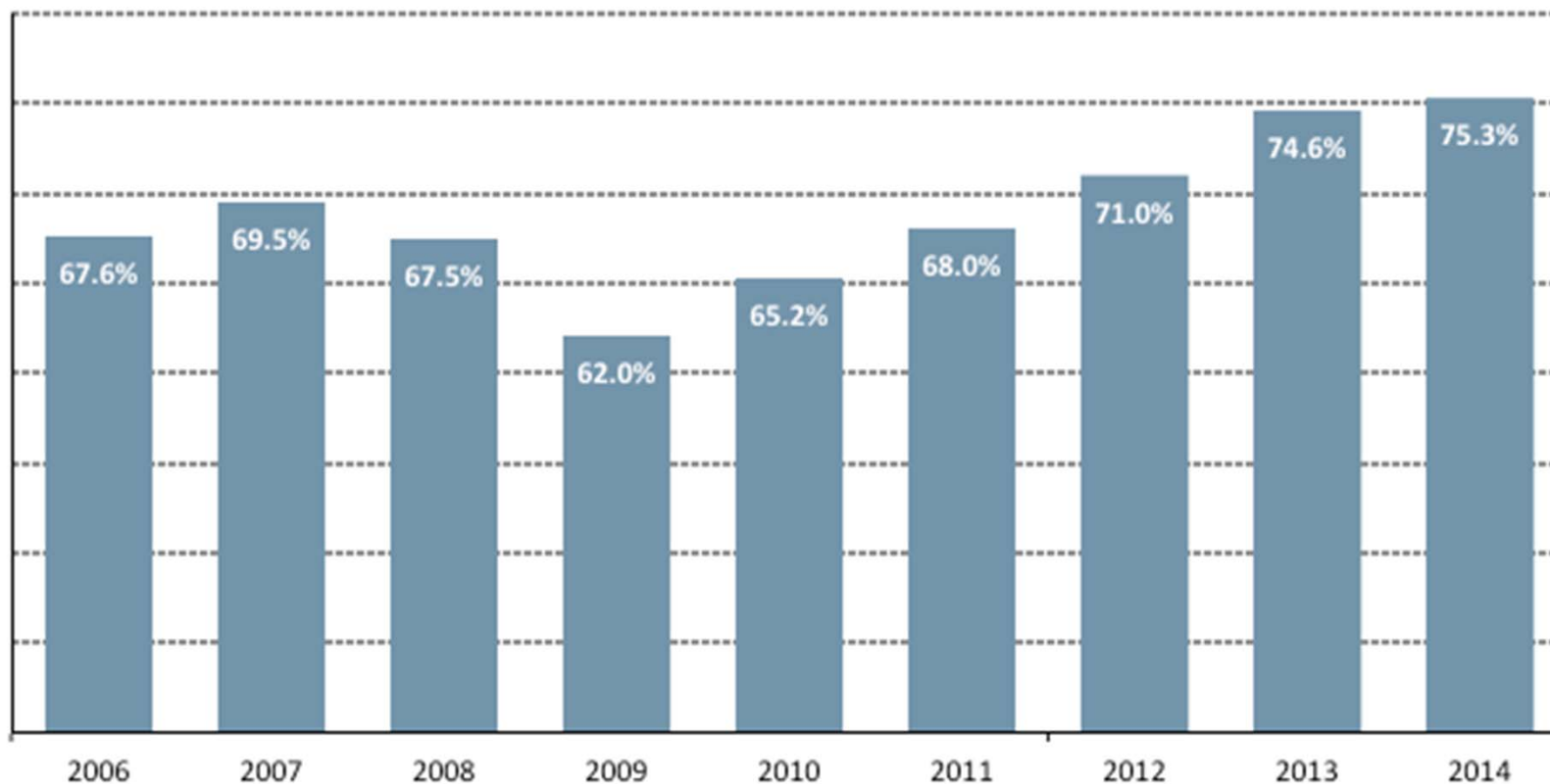
## Non-Residential MSA Vacancy Rates



Source: CoStar Group; Greater Austin Chamber; TXP

## Austin Area Economy

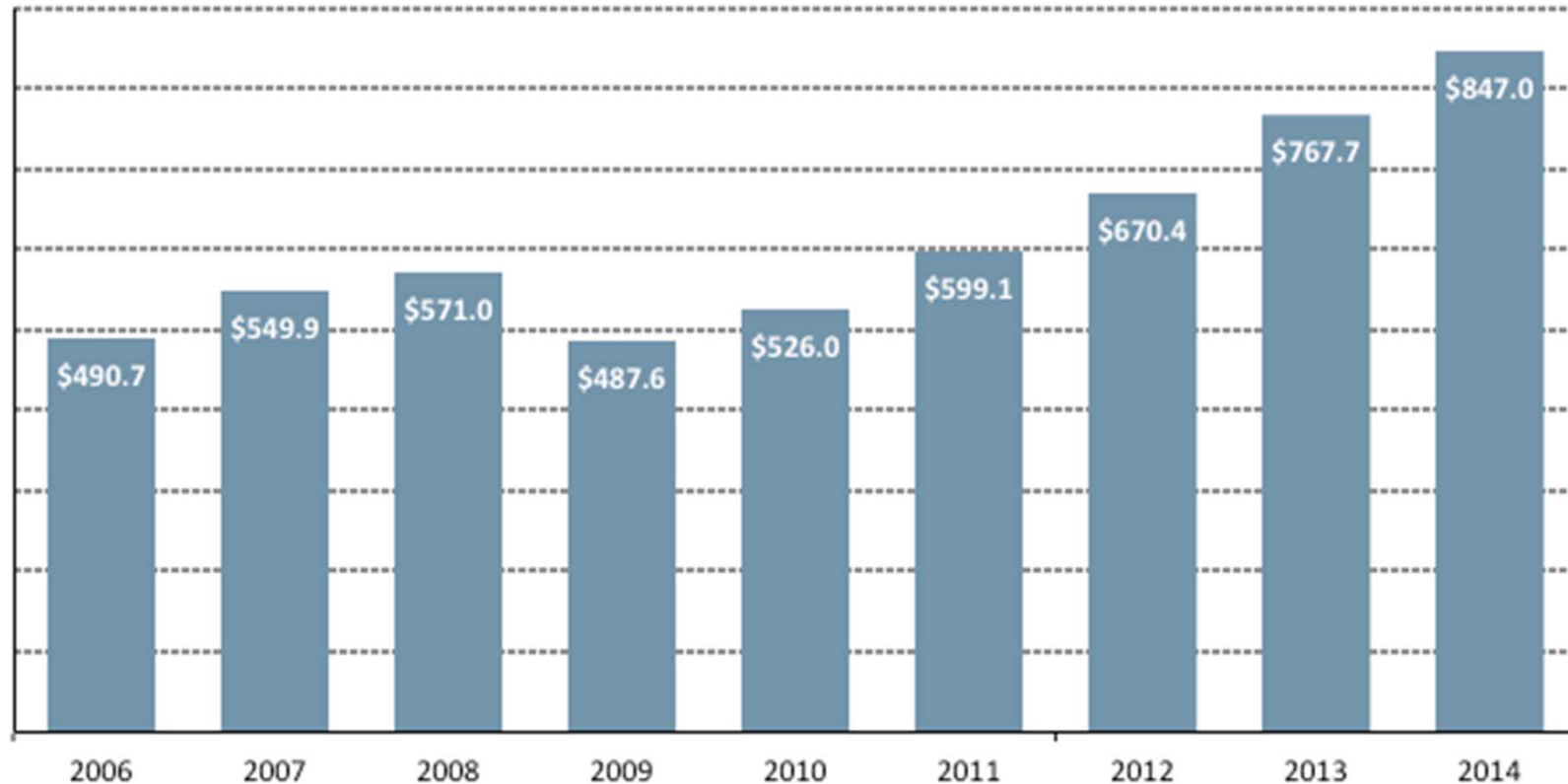
### City of Austin Hotel Occupancy



Sources: Texas Governor's Office of Economic Development; TXP

## Austin Area Economy

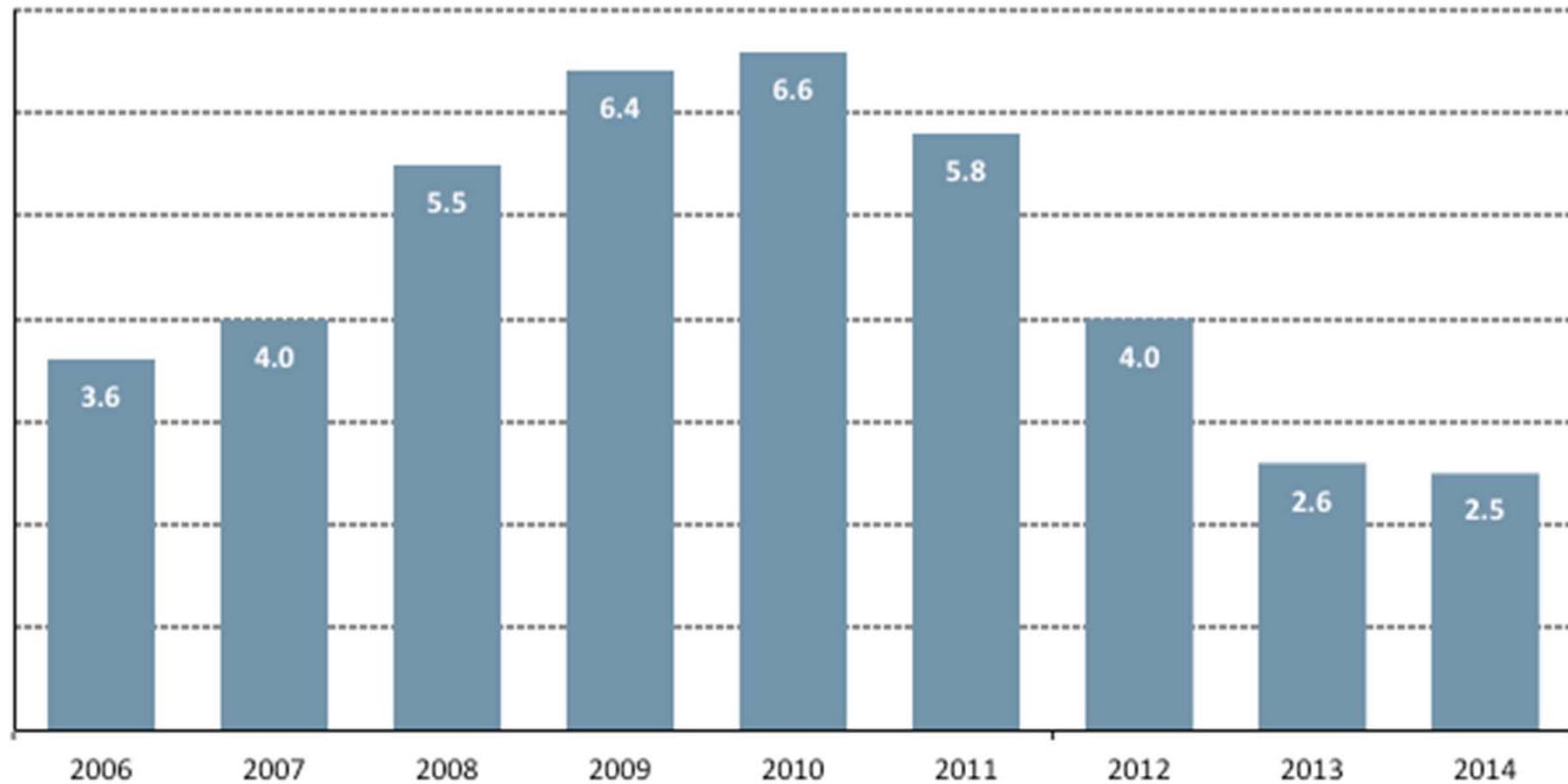
### City of Austin Hotel Revenue (\$Millions)



Sources: Texas Governor's Office of Economic Development; TXP

## Austin Housing

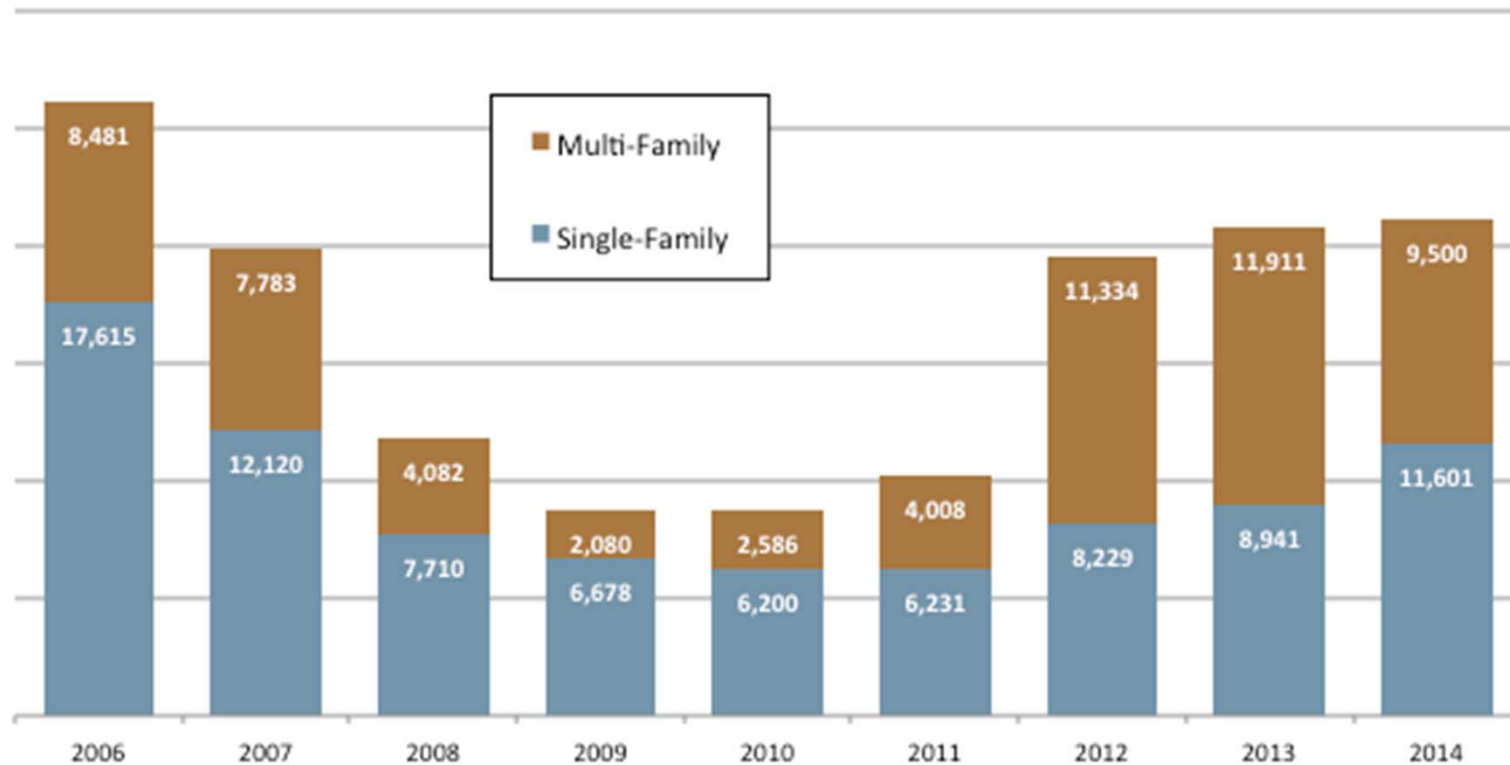
### MLS Months of Available Housing Inventory



Source: Texas A&M Real Estate Center; TXP

# Austin Housing

## MLS Building Units Permitted

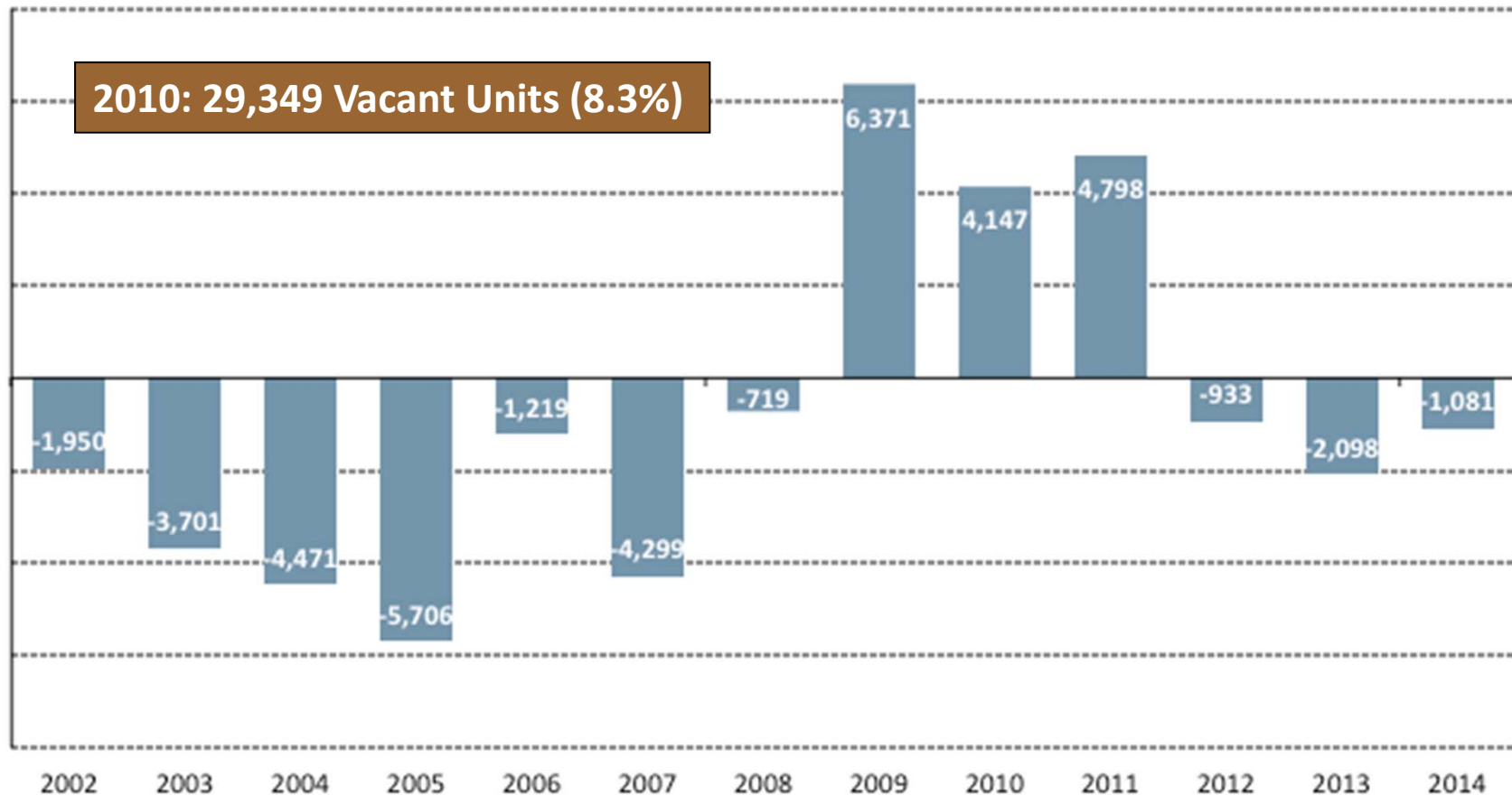


Source: Texas A&M Real Estate Center; TXP



# Austin Housing

## COA New Units Permitted Minus Net New Households



Sources: City of Austin; TXP

# Austin Area Economy in Context

## Housing Affordability and Job Growth

	Housing Affordability			Employment (000s)		
	<b>2012</b>	<b>2014</b>	<i>Change</i>	<b>2012</b>	<b>2014</b>	<i>Change</i>
Columbus	278.5	231.6	-16.8%	993.2	1,035.7	4.3%
Dallas/Ft. Worth	236.6	197.7	-16.4%	3,139.2	3,359.3	7.0%
Nashville	222.9	191.4	-14.1%	841.2	899.4	6.9%
Houston	225.5	180.4	-20.0%	2,798.0	2,992.6	7.0%
San Antonio	212.8	180.4	-15.2%	908.7	965.3	6.2%
<b>Austin</b>	<b>199.0</b>	<b>169.9</b>	<b>-14.6%</b>	<b>862.6</b>	<b>928.8</b>	<b>7.7%</b>
Sacramento	216.6	136.9	-36.8%	856.5	904.5	5.6%
Denver	169.6	135.9	-19.9%	1,276.7	1,374.0	7.6%
Portland	169.9	134.7	-20.7%	1,036.6	1,094.9	5.6%
Seattle	151.7	125.3	-17.4%	1,489.2	1,580.5	6.1%
San Diego	101.4	77.6	-23.5%	1,312.7	1,378.4	5.0%
San Francisco	94.4	70.5	-25.3%	2,090.9	2,244.2	7.3%
San Jose	88.3	64.3	-27.2%	947.8	1,037.2	9.4%

**Sources: National Realtors Assoc.;  
BLS; TXP**

- Austin MSA ranks 2<sup>nd</sup> in job growth, 6<sup>th</sup> in Housing Affordability, and 2<sup>nd</sup> in decline in Housing Affordability over the past two years among these 13 peer cities.

**Source: BEA; TXP**

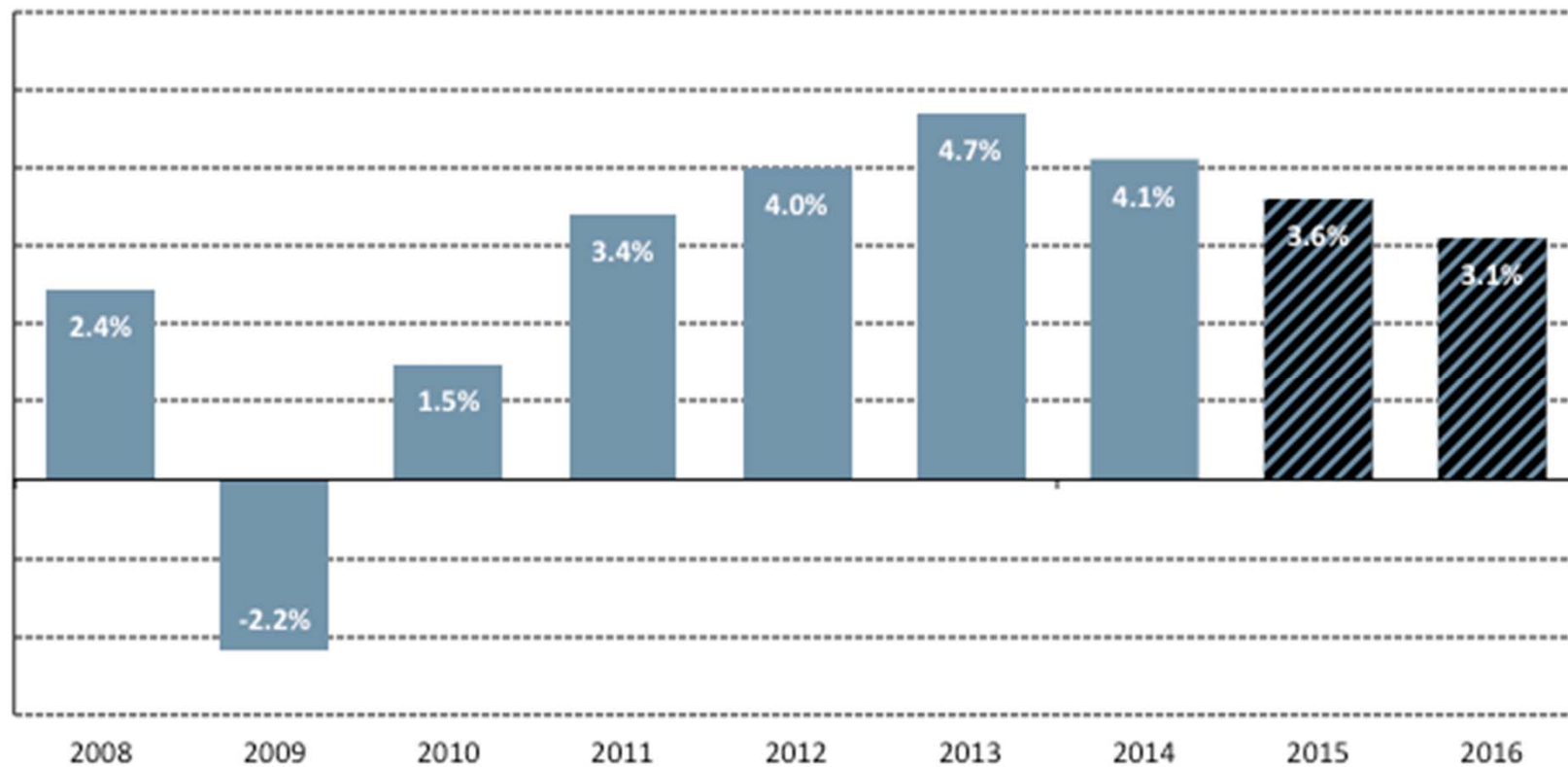
# Austin Area Economy

## Forecast

- Austin remains one of the brightest regional economic stars in the United States, with no change anticipated. Stable economic performance is anticipated through 2015; slightly slower growth rates reflect both measurement against an elevated base and some signs of capacity constraints.
- Forecast is for the overall creation of 33,300 net new jobs in 2015, followed by 31,000 during 2016. Personal income should continue to expand in the 6-7% range.
- The private sector is projected to create 31,600 net new jobs this year, followed by 29,300 more during 2016. Services of all kinds are where the majority of the new jobs will be found, along with Leisure & Hospitality. All major private sector industry segments will grow, although natural resources/construction is slowing.
- Austin remains, relative to its peer communities, a high-value proposition, but growth consequences are beginning to register outside the area.

# Austin Area Economy

## MSA Total Employment Growth Forecast



Source: TXP

# Austin Area Economy

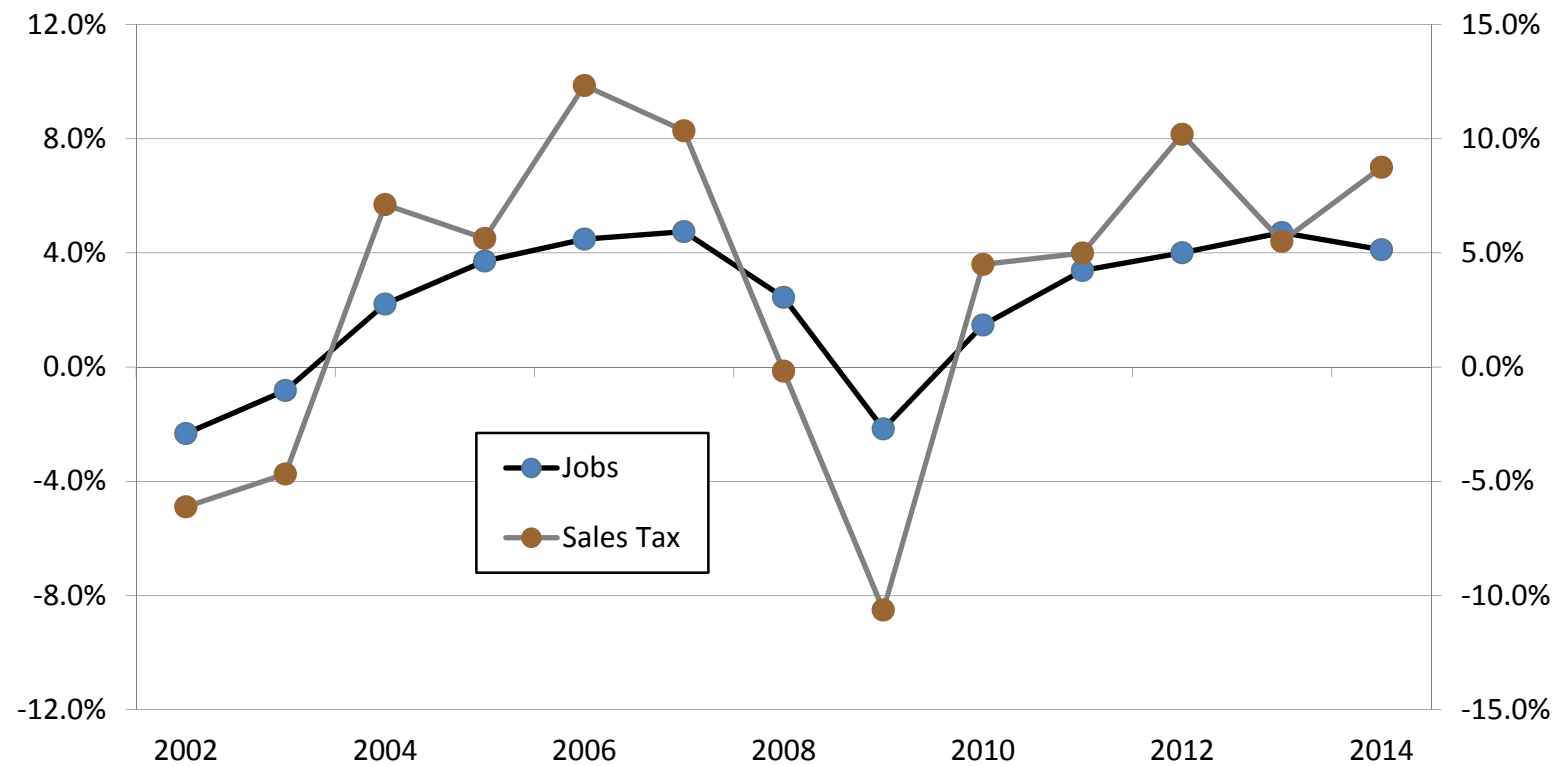
## Detailed Austin MSA Employment Forecast

	Employment (000s)						
	2013	2014	2015	2016	2017	2018	2019
Natural Resources/Construction	46.0	50.1	51.7	51.7	53.0	54.0	55.1
Manufacturing	57.2	57.7	58.2	58.6	59.1	59.5	59.9
Trade, Transportation, & Utilities	152.3	158.1	164.0	169.9	175.9	182.0	188.1
Information	23.9	25.0	26.0	26.9	27.9	28.8	29.7
Financial Activities	49.3	52.0	54.3	56.5	58.8	61.0	63.2
Professional & Business Services	139.3	149.2	157.2	164.3	170.6	176.2	181.1
Educational & Health Services	102.5	106.4	111.3	116.5	121.6	126.7	131.7
Leisure & Hospitality	100.6	106.4	112.3	118.1	124.0	129.8	135.6
Other Services	37.9	39.6	41.2	42.7	44.3	45.8	47.4
Total Private	709.1	744.4	776.0	805.3	835.1	863.8	891.8
Government	169.0	169.8	171.5	173.2	174.9	176.7	178.5
<i>Total Employment</i>	878.1	914.2	947.5	978.5	1,010.0	1,040.5	1,070.3

Source: TXP

# Austin Area Economy

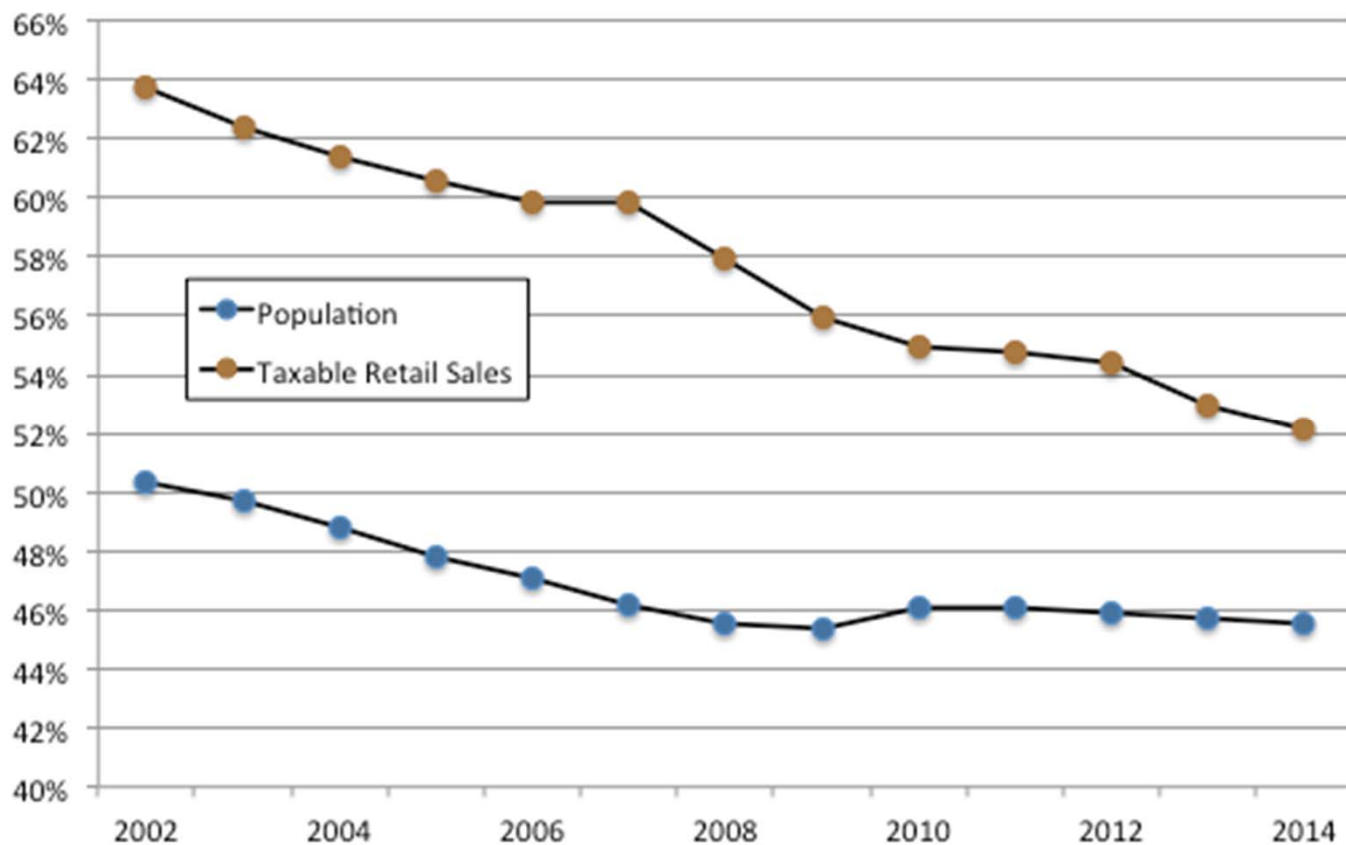
## City of Austin Sales Tax and Austin MSA Employment Growth



Sources: Texas Comptroller's Office; TXP

# Austin Area Economy

## City of Austin Sales Tax and Population as Share of MSA

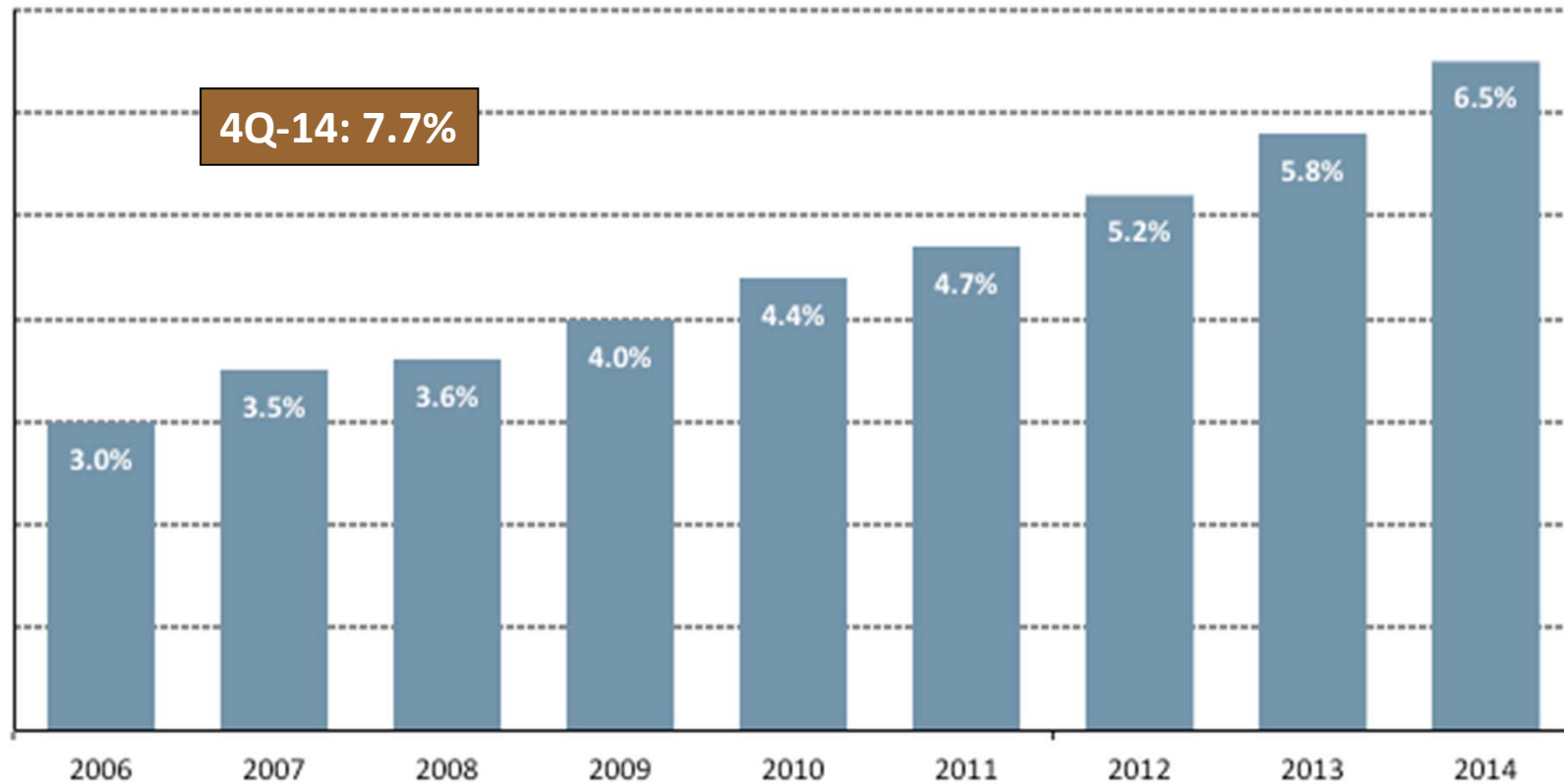


Sources: City of Austin; Texas Comptroller's Office; TXP



## Austin Area Economy

### E-Commerce as a Share of Total National Retail Sales



Source: Census Bureau; TXP

# Austin Area Economy

## Sales Tax Outlook

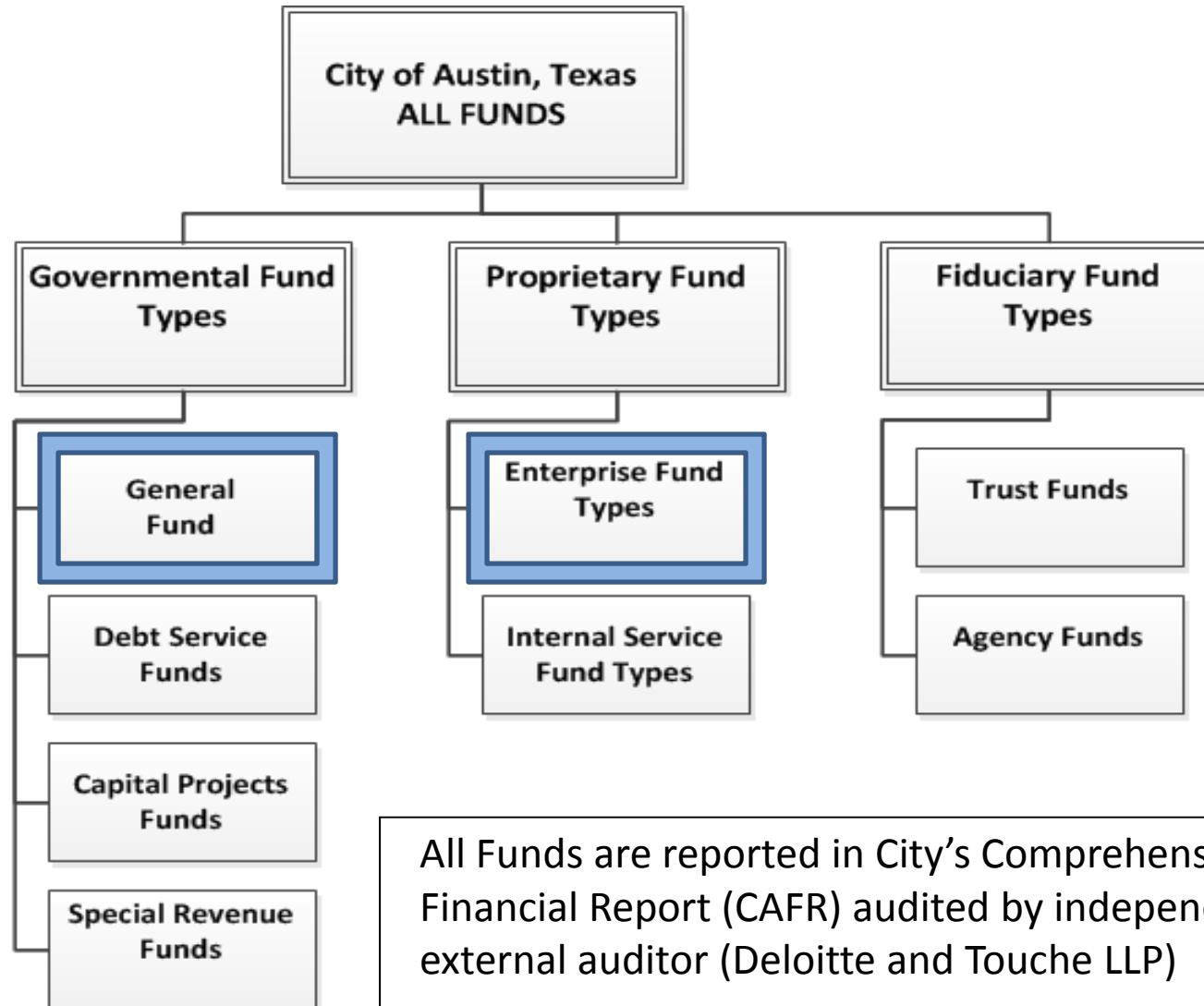
- Sales tax tends to track job growth – history would suggest 3x relationship, but there have been unusual factors in the recent years:
  - Rising property values associated with boom created easy home equity credit and spending capacity;
  - Bust flips equation – more new households renting; home equity not as widely available, and underwriting standards tightened.
  - Strong population growth is bolstering aggregate spending levels.
- Additional factors to consider in the recovery:
  - Exceptional visitor growth;
  - Inflation remains moderate, but retail continues to follow rooftops
  - Internet share continues to grow – e-commerce now around 6+% of national total, up from 2% ten years ago;
- Translation is closer to 2x relationship, putting fiscal 2015 and 2016 in 7% range. Policy projections typically would be somewhat more conservative.

# City of Austin Financial Forecast

## All Funds Overview

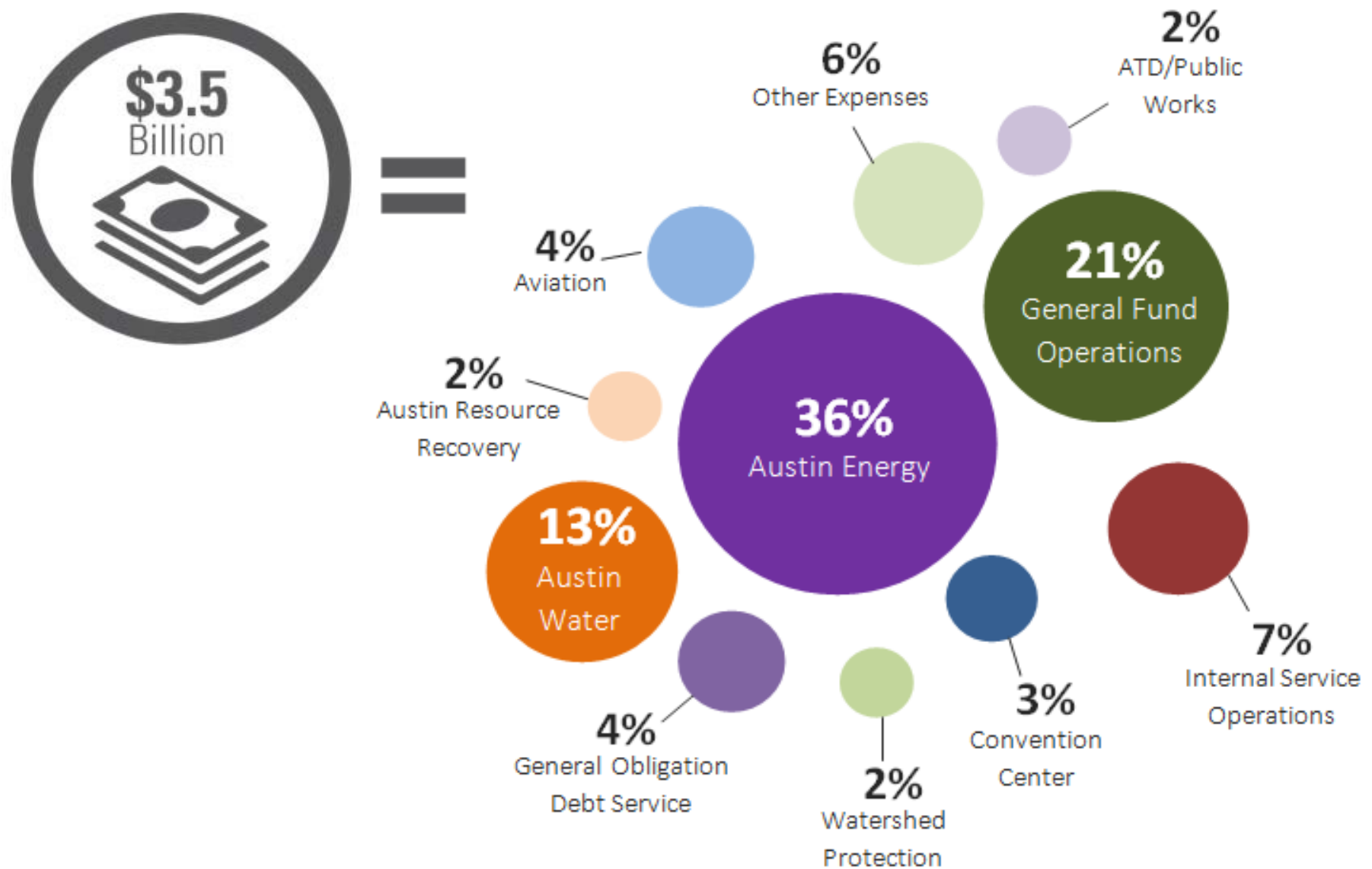
*Elaine Hart, Chief Financial Officer*

# Financial Structure



# All Funds

## All Funds Summary (FY 2015 Budget)



# Citywide Cost Drivers

- Employees continue to be a most valued City resource
  - 3.0% wage increase projected for civilian staff
  - Implementation of civilian market study beginning April 2016 (30% of non-sworn jobs currently under market)
  - 1.0% increase for APD and EMS per Contract
  - Currently no contract with sworn fire personnel; 3.5% wage increase placeholder included in forecast per Council direction
- Increases in health insurance
  - 13% increase for FY16; 14% in FY17; 8% out years
- Decreases in fuel cost for vehicle fleet
  - 50% reduction in FY16 charges to departments; one-time
  - 3% annual increase projected for out years of forecast
- Support Services cost allocation plan
  - 6.4% increase in FY16; 8% in FY17; 6% in out years

# General Fund Staffing

Department	FY 2015 Amended	FY 2016 Forecast	Change
Police	2,529.25	2,611.25	82.00
Fire	1,283.00	1,283.00	0.00
Emergency Med. Services	570.50	570.50	0.00
NHCD*	0.00	25.00	25.00
Parks and Recreation	637.75	635.75	(2.00)
Health and Human Services	217.75	217.75	0.00
Library	368.05	416.30	48.25
Planning & Zoning/ Development Services	363.00	369.00	6.00
Animal Services	98.50	98.50	0.00
Municipal Court	166.75	166.75	0.00
<b>TOTALS</b>	<b>6,234.55</b>	<b>6,393.80</b>	<b>159.25</b>

*\*Neighborhood Housing and Community Development (NHCD) is projected to transfer into the General Fund in FY 2015*

# Enterprise and Internal Services Staffing

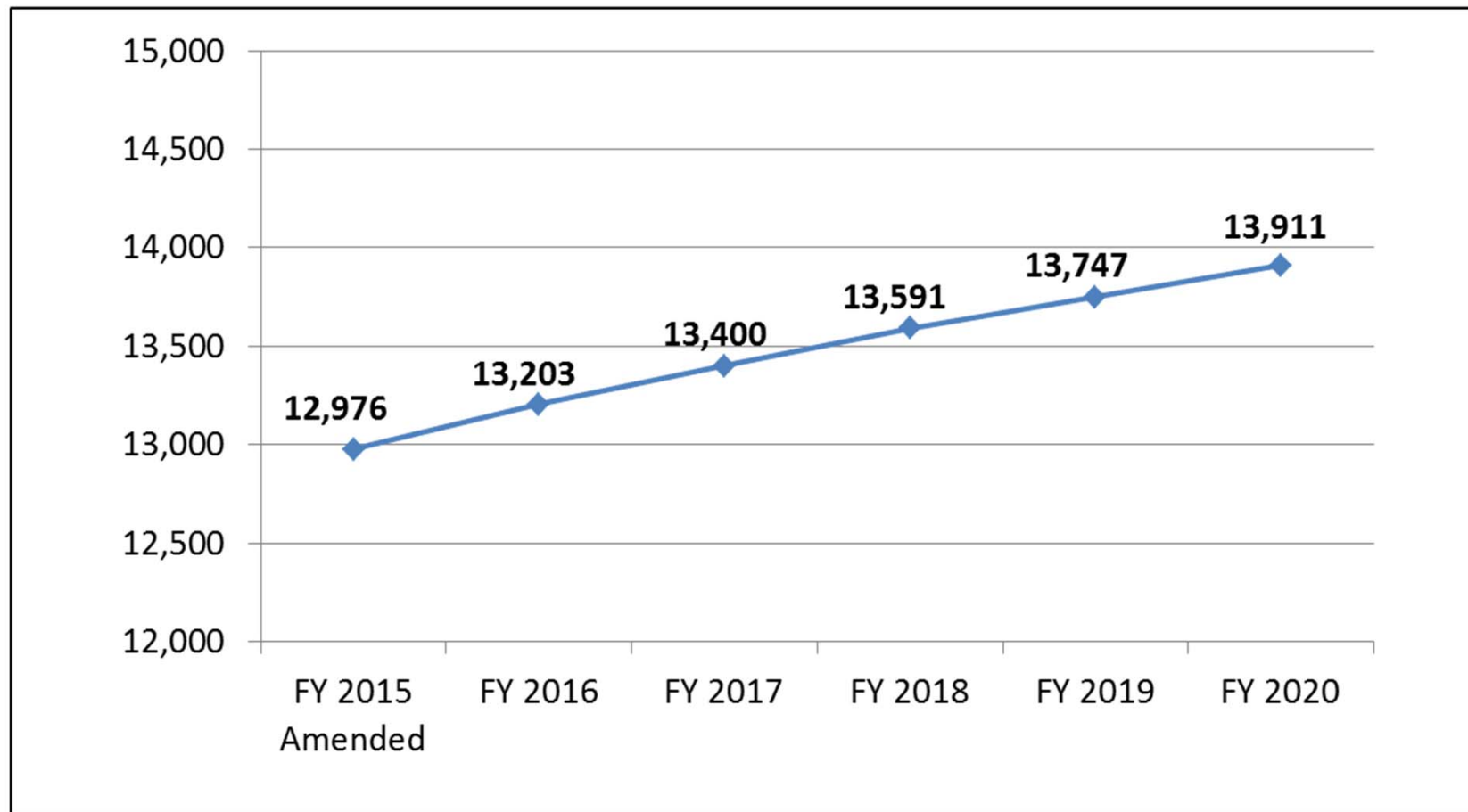
Department	FY 2015 Amended	FY 2016 Forecast	Change
Austin Energy	1,672.75	1,672.75	0.00
Austin Resource Rec.	414.00	429.00	15.00
Austin Water	1,147.35	1,147.35	0.00
Aviation	379.00	415.00	36.00
Austin Code	108.00	117.00	9.00
Convention Center	250.00	266.00	16.00
NHCD*	25.00	0.00	(25.00)
Public Works	505.25	491.25	(14.00)
Transportation	198.50	220.50	22.00
Watershed	273.75	273.75	0.00
Internal Services	1,386.58	1,395.58	9.00
Other Funds & Grants	395.25	395.25	0.00
<b>TOTALS</b>	<b>6,741.18</b>	<b>6,809.18</b>	<b>68.00</b>

\*Neighborhood Housing and Community Development (NHCD) is projected to transfer to the General Fund in FY 2015



# Staffing

## *Five-year staffing growth*

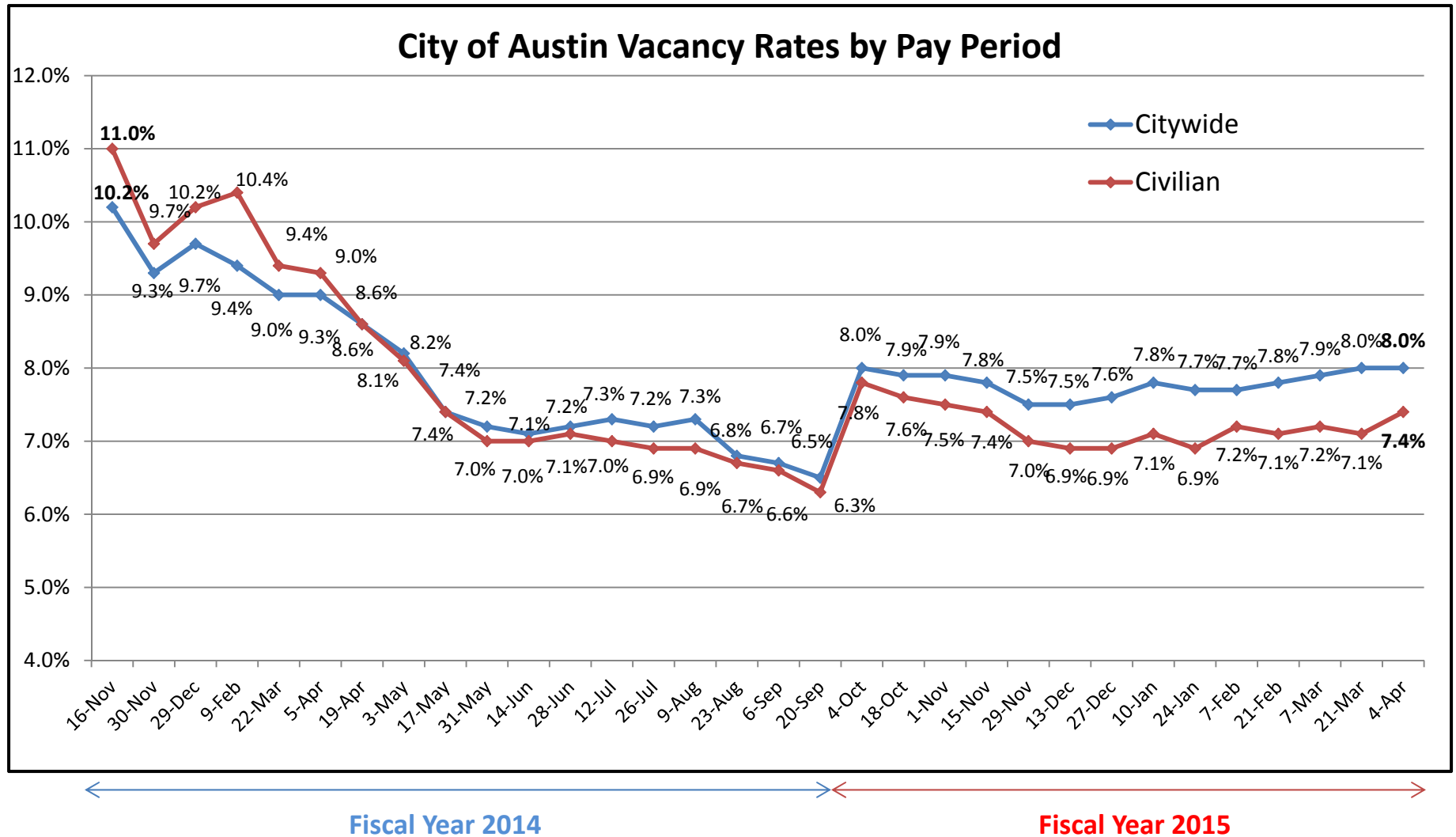


# Factors Affecting Vacancy Rate

- New positions added in adopted budget
- Turnover rate
- Amount of time to recruit, interview, and hire a position (2-3 months is fairly typical)
- Type of position being recruited (some classifications are highly competitive and take multiple recruitments)
- Reclassifications extend time to fill a vacancy
- Whether vacancy is filled with an internal or external candidate

# Vacancy Rates by Pay Period

November 2013 - April 2015



# Vacancy Savings and Comparison to other Cities

- Vacancies don't always translate into budgetary savings
  - Many vacant positions are backfilled with temporary positions, contracts, or overtime
- Savings for anticipated vacancies included in budget
- 7.4% current vacancy rate better than most large Texas cities

Austin Vacancies vs. Other Texas Cities

Austin	San Antonio	Fort Worth	Dallas	Houston	El Paso
7.4%	6.6%	8.5%	11.9%	11.9%	12.6%

# General Fund Forecast Highlights

- Balanced General Fund projected for FY16 with a 0.27-cent decrease in the property tax rate
  - Does not include funding for new programs, initial funding requests, or new Council initiatives (e.g. Homestead Exemption)
  - \$7.05 per month increase in median tax bill as a result of significant increase in property values
  - Tax rate increase projected in out years to maintain balanced General Fund
- Existing programs and service levels maintained
- Neighborhood Housing and Community Development incorporated into General Fund—no fiscal impact to General Fund
- Planning and Development Review Department divided into two departments – Planning & Zoning and Development Services

# General Fund Highlights

- Public safety consistently rated by residents as top priority
  - 82 new police officers in FY16 forecast to increase proactive engagement time; 410 new officers over the 5 year forecast horizon
  - 16 firefighters in FY17 for planned opening of Onion Creek Fire Station in June 2017
  - 12 new EMS personnel for Onion Creek Station opening in FY17
  - \$4.2M reserved for Fire per Council direction pending successful contract negotiations
- 68 new positions between FY16 and FY18 related to opening of new central library in November 2016
- Transfer to Lone Star Rail of \$4.8M in FY16; cumulative transfer of \$48.9M forecast for FY15-20
  - \$2.1M budget amendment will be brought forward to Council later for FY15 transfer

# Enterprise Highlights

## ➤ Austin Energy

- No base rate increase projected in FY16
- 2% affordability goal met over 5-year forecast horizon

## ➤ Austin Water

- Dramatic decline in water usage necessitates rate increases to cover rising costs
- Deferral of staffing plan for 2nd consecutive year

## ➤ Aviation

- Major capital expansion continues in face of record passenger traffic; passenger traffic has increased in 59 of past 60 months
- 36 new positions projected in FY16 and 60 positions over 5-year forecast to keep pace with growing service demands

# Enterprise Highlights

## ➤ Austin Code

- 9 new positions in FY16 and 25 positions over 5-year forecast horizon to keep pace with growing caseload

## ➤ Austin Resource Recovery

- 15 new positions in FY16 due to growing customer base
- 97 additional positions over the FY17-20 forecast; 54 to implement new organics collection program

## ➤ Austin Transportation Department

- 22 new positions in FY16 to implement new transportation initiatives
- \$4.9 million for development of Mobility Safety Plan, traffic modelling and analysis, and transportation studies



# Enterprise Highlights

## ➤ Convention Center

- 9.5% growth in Hotel Occupancy Tax projected for FY16
- 16 new positions in FY16 to keep pace with increased facility usage

## ➤ Public Works

- Net reduction of 14 vacant positions due to anticipated decline in capital project management workload

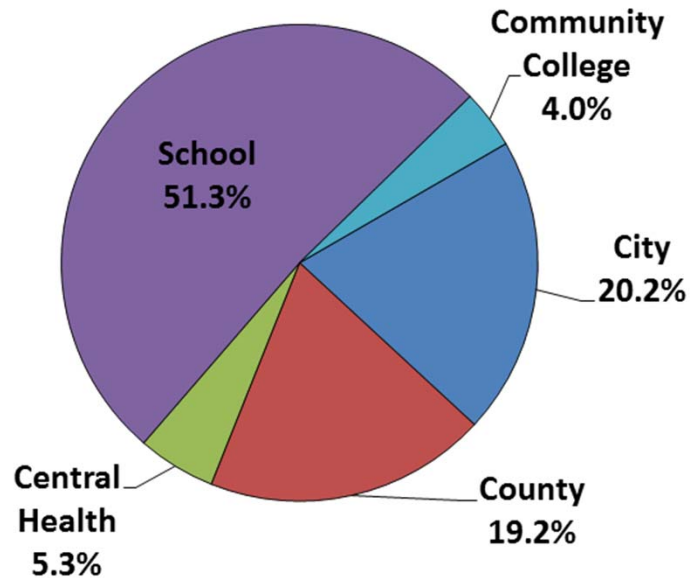
## ➤ Watershed Protection

- \$0.4M increase in transfer to CIP in FY16 for a total of \$25 million; part of long-term plan to reach \$30 million annually
- No new positions in FY16
- New rate structure under development

# Overlapping Property Tax

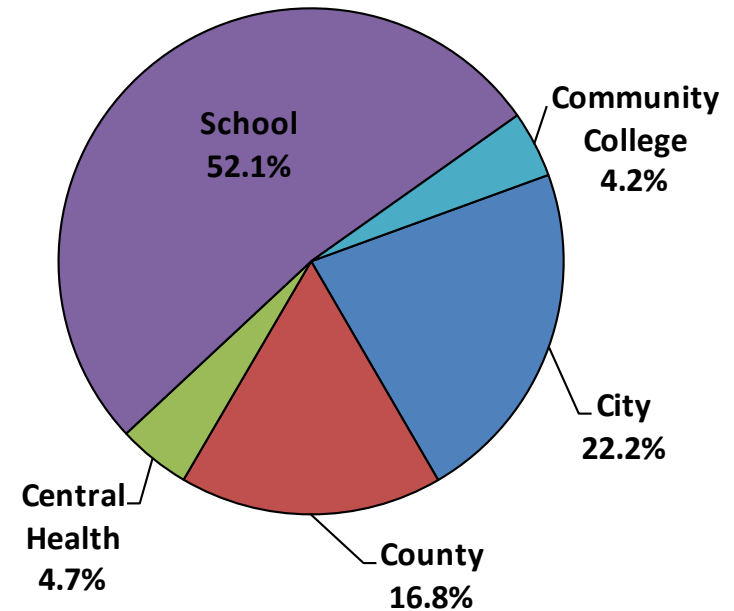
## FY 2015 Overview

Tax Rate



Jurisdiction	Austin	Share
City	0.4809	20.2%
County	0.4563	19.2%
Central Health	0.1264	5.3%
School	1.2220	51.3%
Community College	0.0942	4.0%
<b>Total Tax Rate</b>	<b>2.3798</b>	<b>100.0%</b>

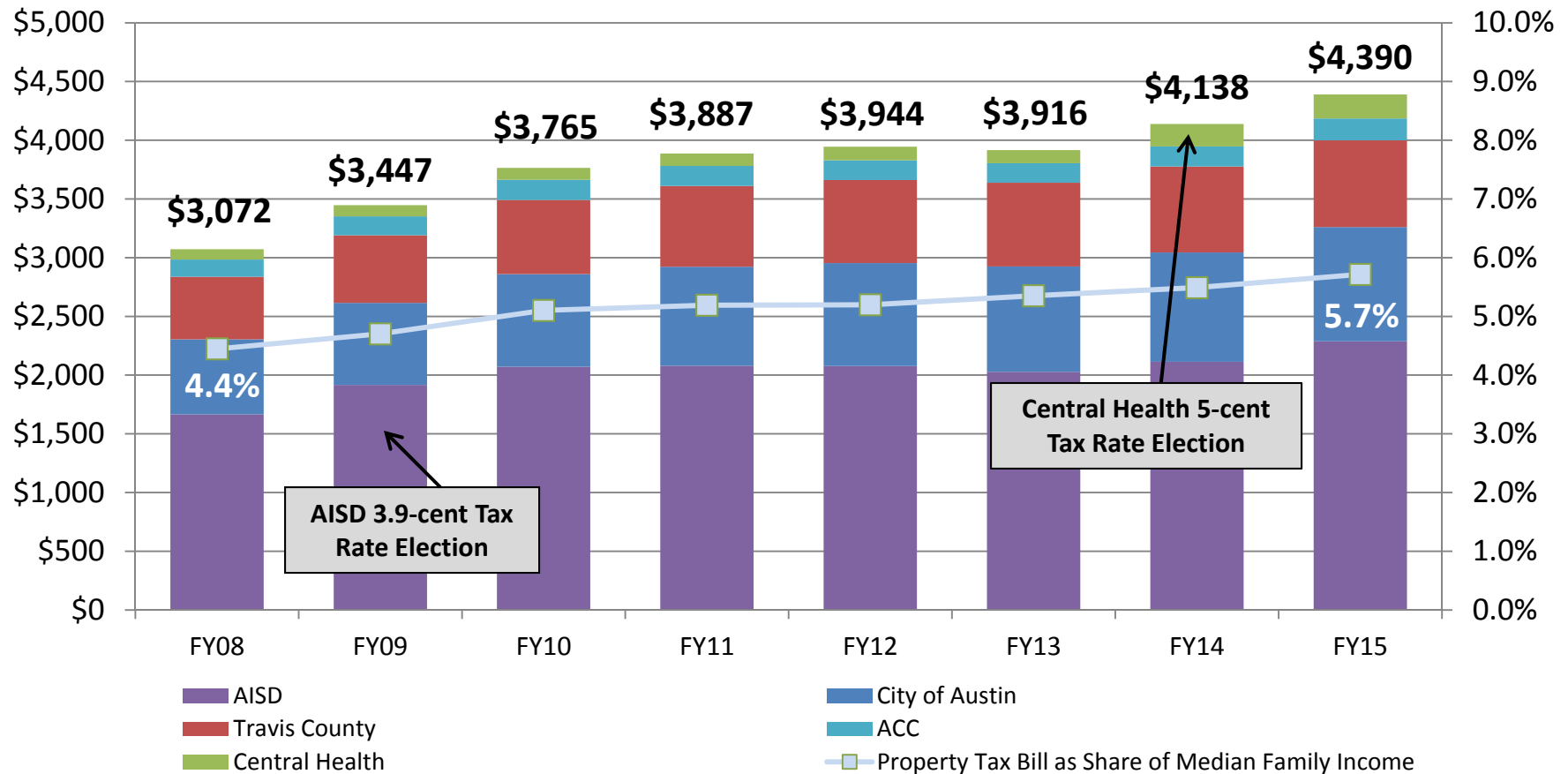
Tax Bill for Median Value Home



Jurisdiction	Austin	Share
City	\$973	22.2%
County	\$738	16.8%
Central Health	\$205	4.7%
School	\$2,288	52.1%
Community College	\$186	4.2%
<b>Total Tax Rate</b>	<b>\$4,390</b>	<b>100.0%</b>

# Overlapping Median Tax Bill History

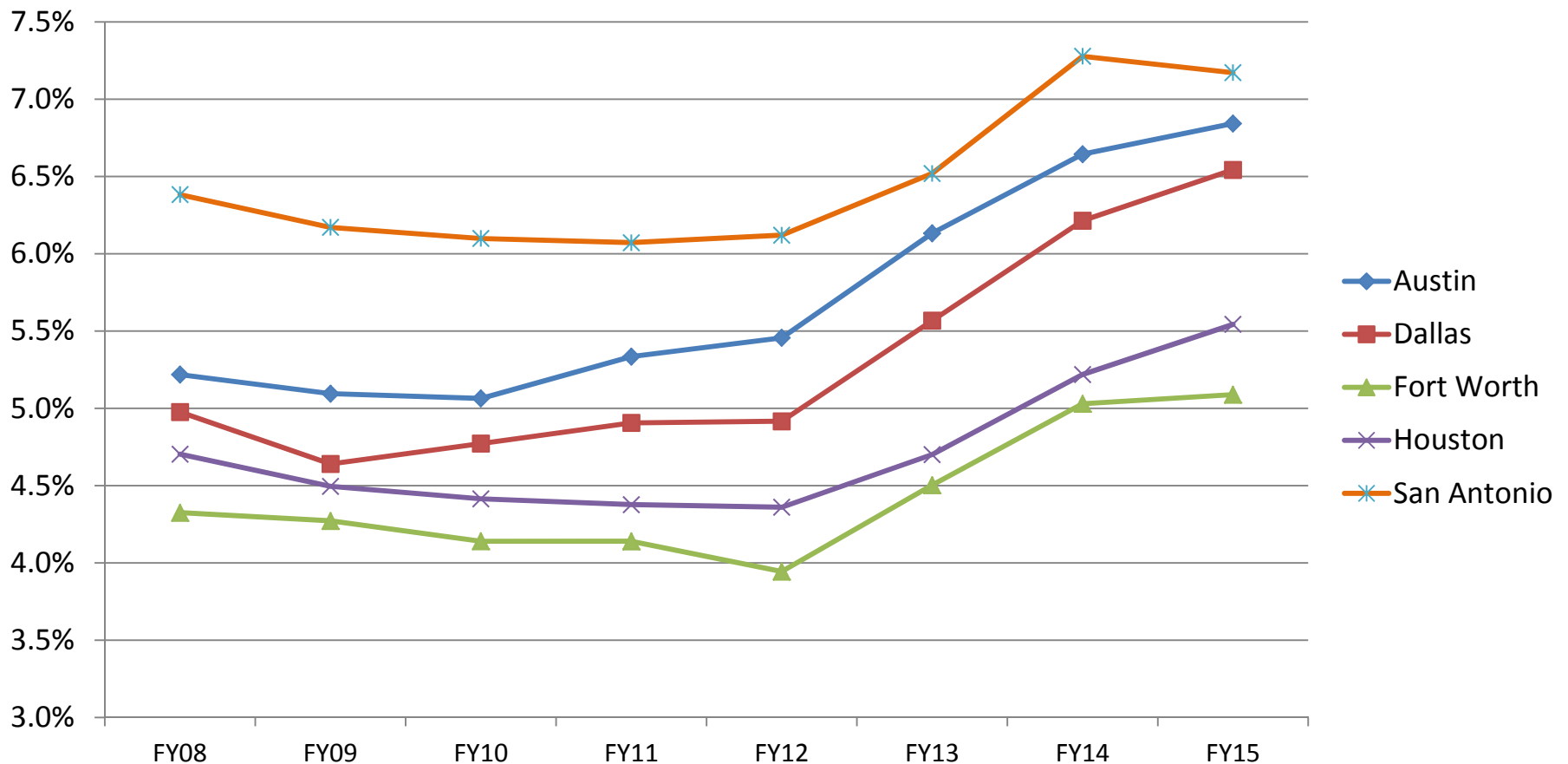
## Overlapping Property Tax Bill on Median-Value Home & As Share of Median Family Income: FY08 - FY15



Net of homestead exemptions. Median home value data from Travis County Appraisal District. Median family income from U.S. Department of Housing and Urban Development.

# Overlapping Median Tax Bill Comparison

Overlapping Property Tax Bill as a Share of Median Family Income:  
FY08 - FY15



Net of homestead exemptions. Median home sales price data from Texas A&M Real Estate Center. Median family income from U.S. Department of Housing and Urban Development.

# Major Rate and Fee Changes

Estimated fiscal impact to “typical” residential rate payer:

	2015 Monthly Rate	2016 Projected Rate	Monthly Dollar Change	Typical rate payer defined as:
Austin Energy	\$107.90	\$109.01	\$1.11	<i>Residential customer usage of 1,000 Kwh</i>
Austin Water	\$73.78	\$79.70	\$5.92	<i>Residential customer at 5,700 gallons of water and 4,000 gallons of wastewater</i>
Austin Resource Recovery	\$21.60	\$23.30	\$1.70	<i>Residential customer with a 64-gallon cart</i>
Clean Community Fee	\$7.40	\$7.85	\$0.45	<i>Per single-family home</i>
Transportation User Fee	\$8.25	\$9.77	\$1.52	<i>Per single-family home</i>
Drainage Utility Fee	\$9.80	\$10.58*	\$0.78	<i>Per single-family home</i>
Property Tax Bill	\$81.05	\$88.10	\$7.05	<i>Median-value home of \$221,086</i>
<b>Total</b>	<b>\$309.78</b>	<b>\$328.31</b>	<b>\$18.53</b>	<b><i>Combined increase of 6%</i></b>

\*The Watershed Protection Department is still in the process of developing its new fee structure. The Drainage Utility Fee is therefore projected to grow at the same 8% rate as the Department’s overall revenue budget.

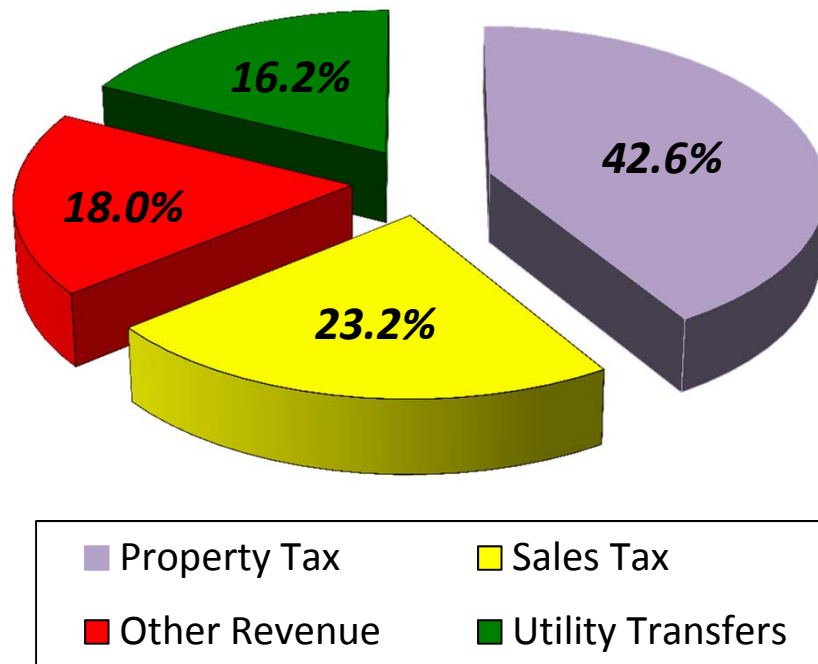
# City of Austin Financial Forecast

## General Fund Revenue

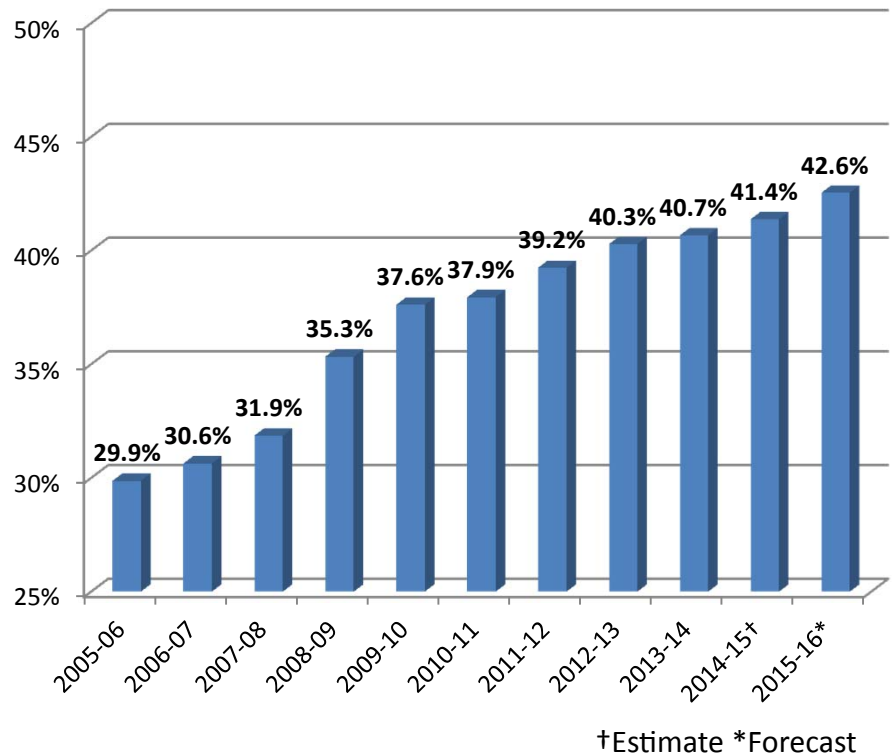
*Ed Van Eenoo, Deputy Chief Financial Officer*

# General Fund Revenue

Sources of Funds



Property Tax as a Share of Total General Fund Revenue



- FY 2015 Amended General Fund Revenue = \$854.0M
- FY 2015 Estimated General Fund Revenue = \$864.8M
- FY 2016 Forecasted General Fund Revenue = \$906.0M

# Property Tax Assumptions

Fiscal Year	Projected AV Growth	Projected Total Tax Rate	Projected O&M Revenue
FY 2016	9.0 %	0.4782	\$385.5 m
FY 2017	7.0 %	0.4850	\$420.9 m
FY 2018	7.0 %	0.4860	\$452.5 m
FY 2019	5.0 %	0.5008	\$492.7 m
FY 2020	5.0 %	0.5192	\$540.1 m

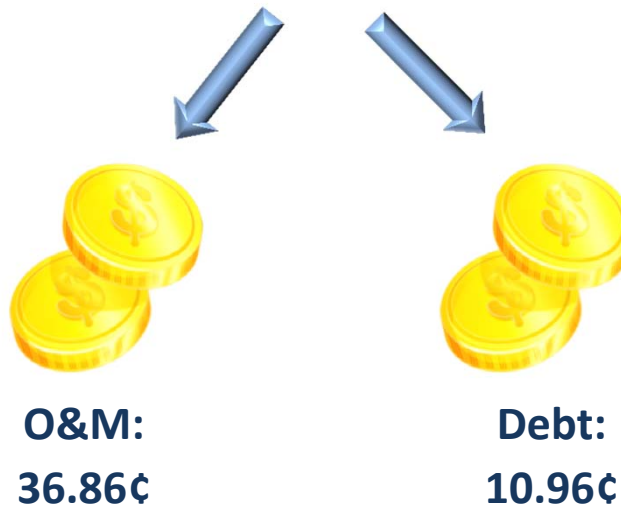
- Forecast a slight decrease in the tax rate for FY16 – from \$0.4809 to \$0.4782, per \$100 of taxable value
- \$7.05 per month tax bill increase for the owner of a median-valued home due to rising property values
- Average annual revenue growth of \$36.4 million at projected tax rates



# Property Tax Assumptions

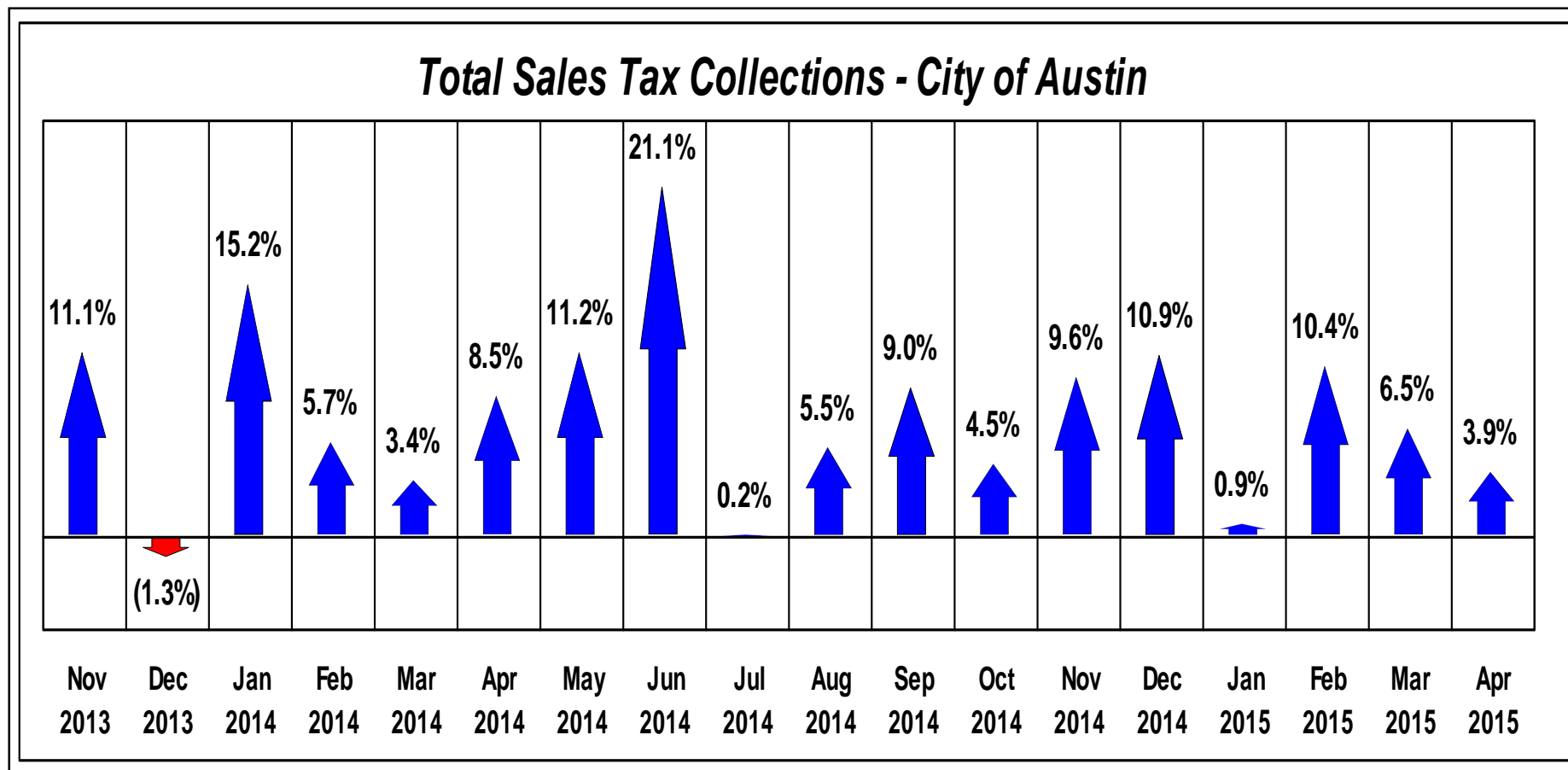
*Debt vs. Operations & Maintenance (O&M)*

**Projected FY 2015-16 Tax Rate = 47.82¢**



➤ Projected FY 2015-16 Debt Service Requirement: \$117M

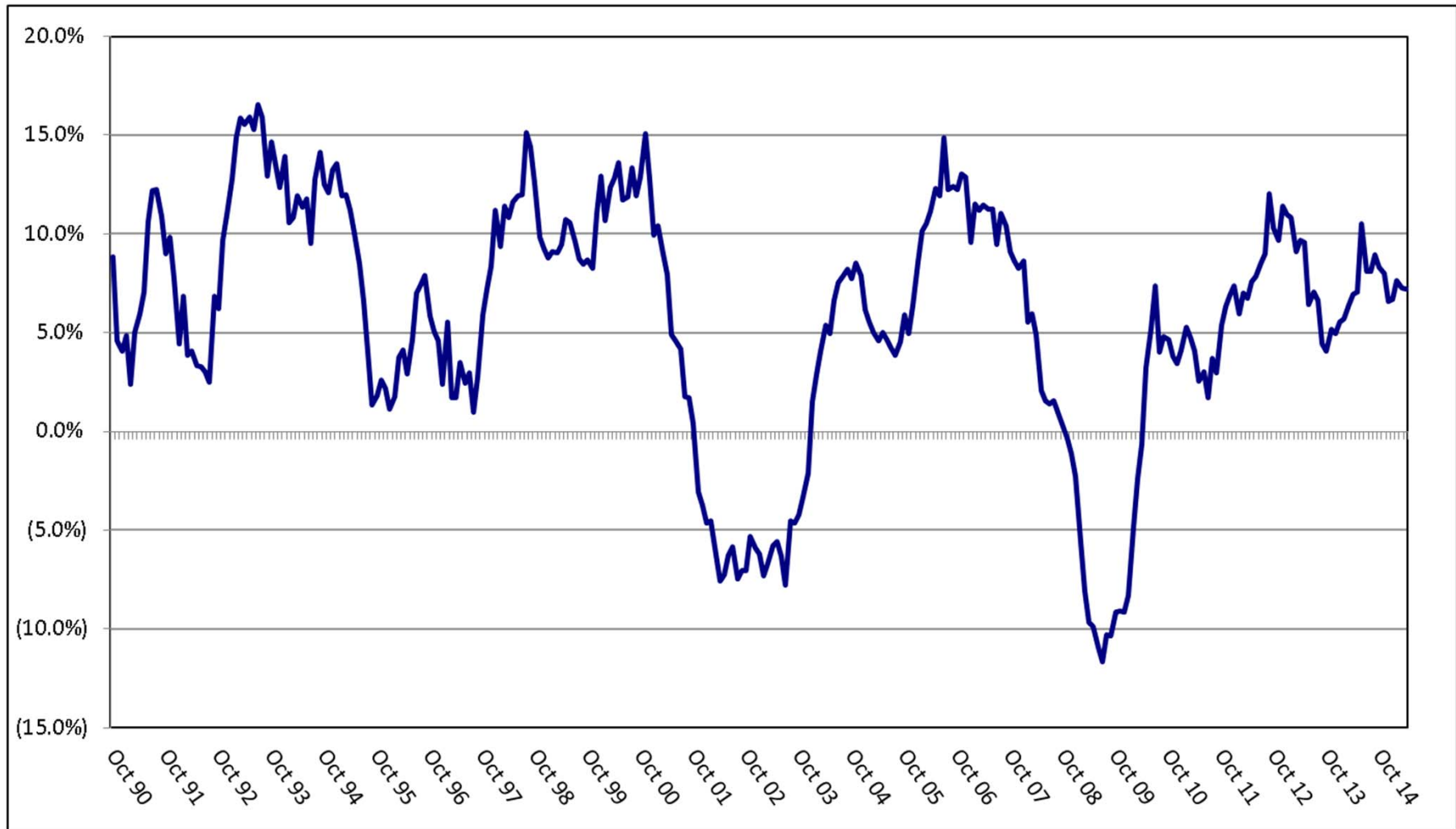
# Monthly Sales Tax Trend



FY 2015 budgeted increase = 5%. Actual increase thru April = 6.7%.

# Sales Tax Trend

*6-month rolling average of monthly changes in sales tax revenue*

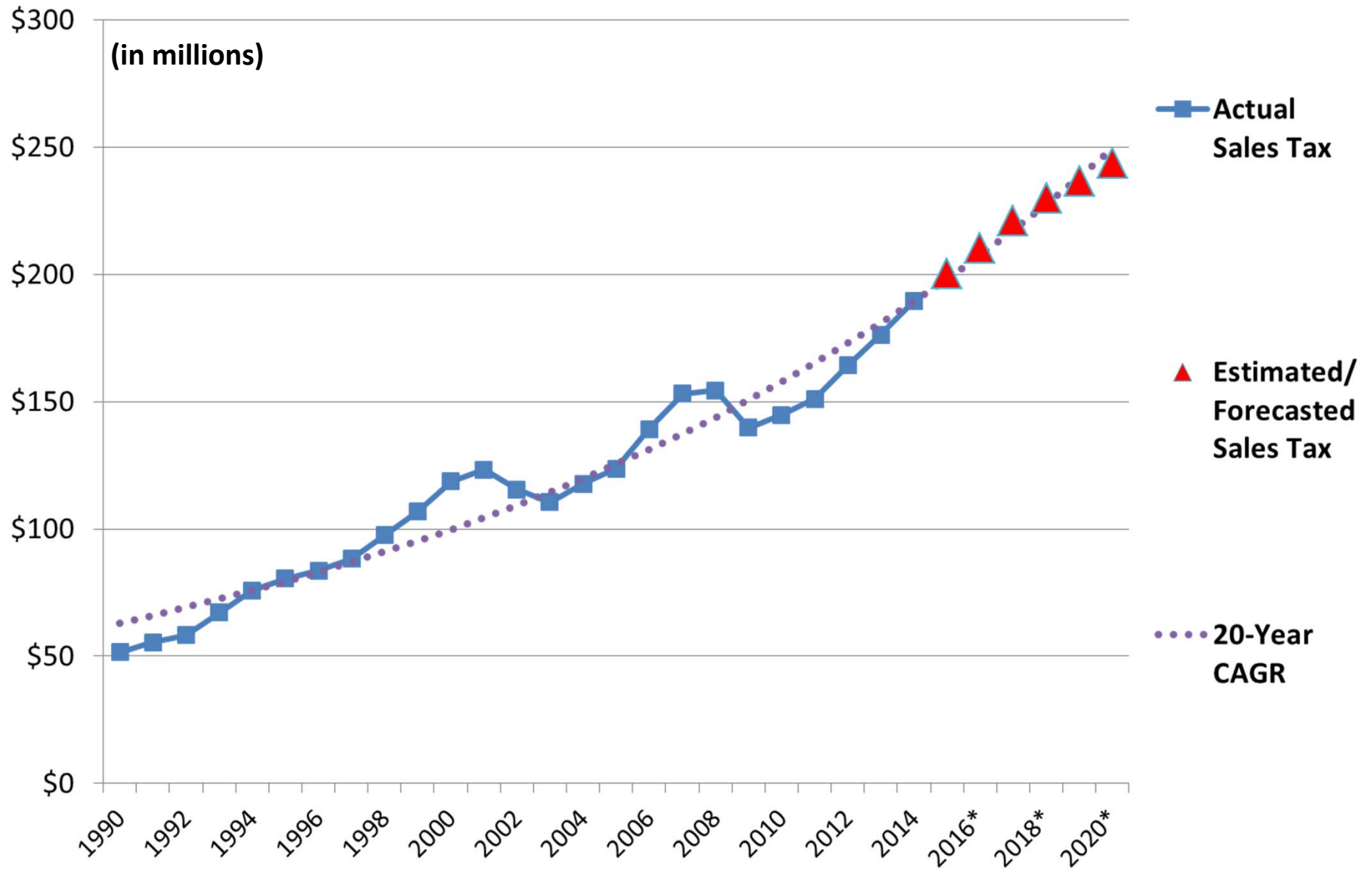


# Sales Tax Assumptions

	Forecast		Conservative	
Fiscal Year	Growth Rate	Total Revenue	Growth Rate	Total Revenue
FY 2015	5.8%	\$200.4 m	3.0%	\$195.1 m
FY 2016	5.0%	\$210.4 m	3.0%	\$201.0 m
FY 2017	5.0%	\$220.9 m	3.0%	\$207.0 m
FY 2018	4.0%	\$229.8 m	3.0%	\$213.2 m
FY 2019	3.0%	\$236.7 m	3.0%	\$219.6 m
FY 2020	3.0%	\$243.8 m	3.0%	\$226.2 m

- Year-to-date growth FY 2015 = 6.7%
- Forecast for FY 2016 and 2017 is slightly below TXP projections but more aggressive than long-term trend
- *Conservative forecasting—a best practice—is viewed favorably by rating agencies*

# Sales Tax Growth Forecast



†Forecast Estimate \* Forecast Projection

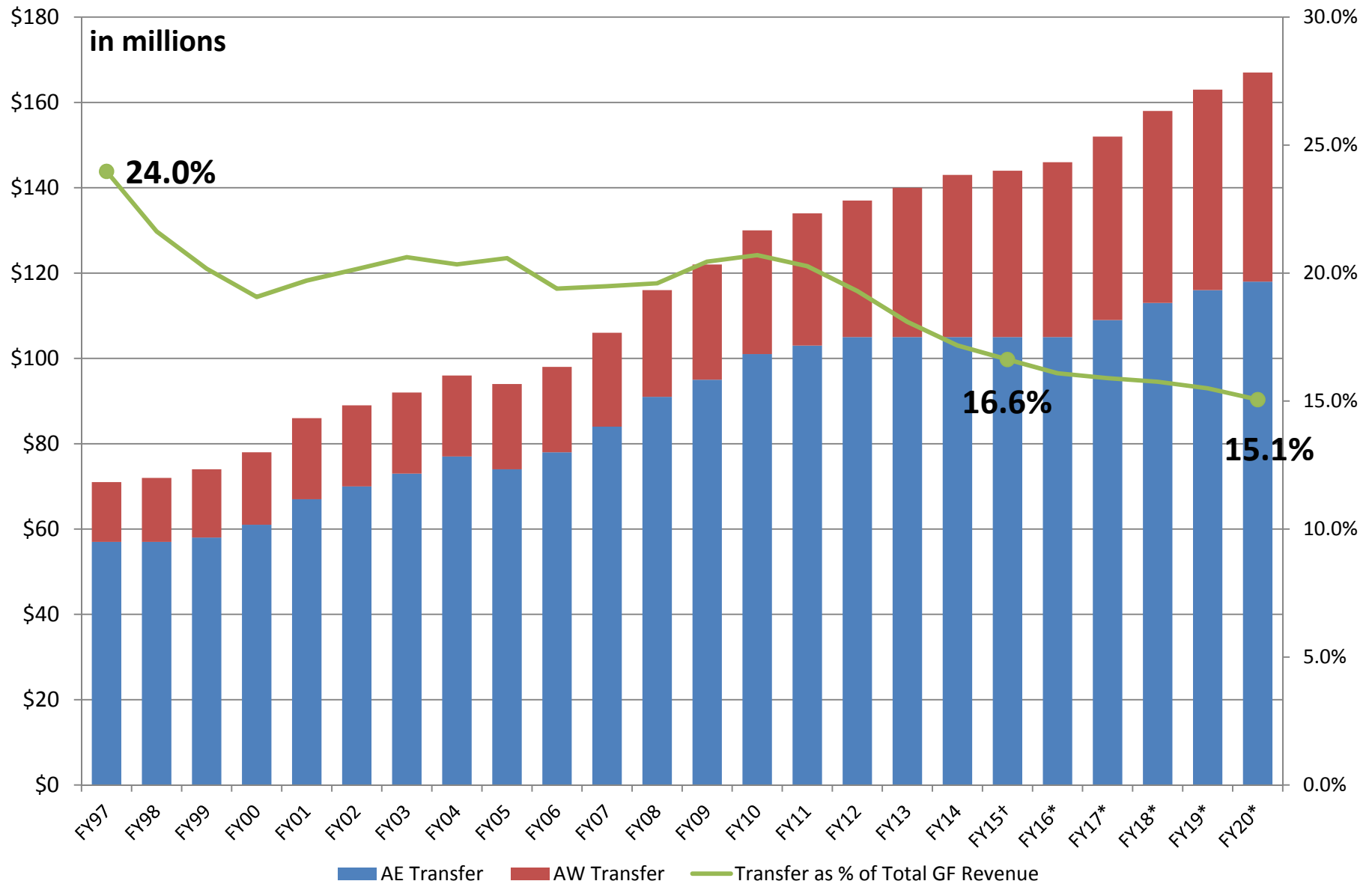
# Utility Transfers

Fiscal Year	AE Transfer	AW Transfer	Total Increase
FY 2015	\$ 105.0 m	\$ 38.8 m	\$ 0.8 m
FY 2016	\$ 105.0 m	\$ 40.7 m	\$ 2.0 m
FY 2017	\$ 109.0 m	\$ 42.5 m	\$ 5.8 m
FY 2018	\$ 113.0 m	\$ 44.8 m	\$ 6.3 m
FY 2019	\$ 116.0 m	\$ 47.4 m	\$ 5.5 m
FY 2020	\$ 118.0 m	\$ 49.5 m	\$ 4.1 m

➤ Forecast maintains Council approved transfer policies

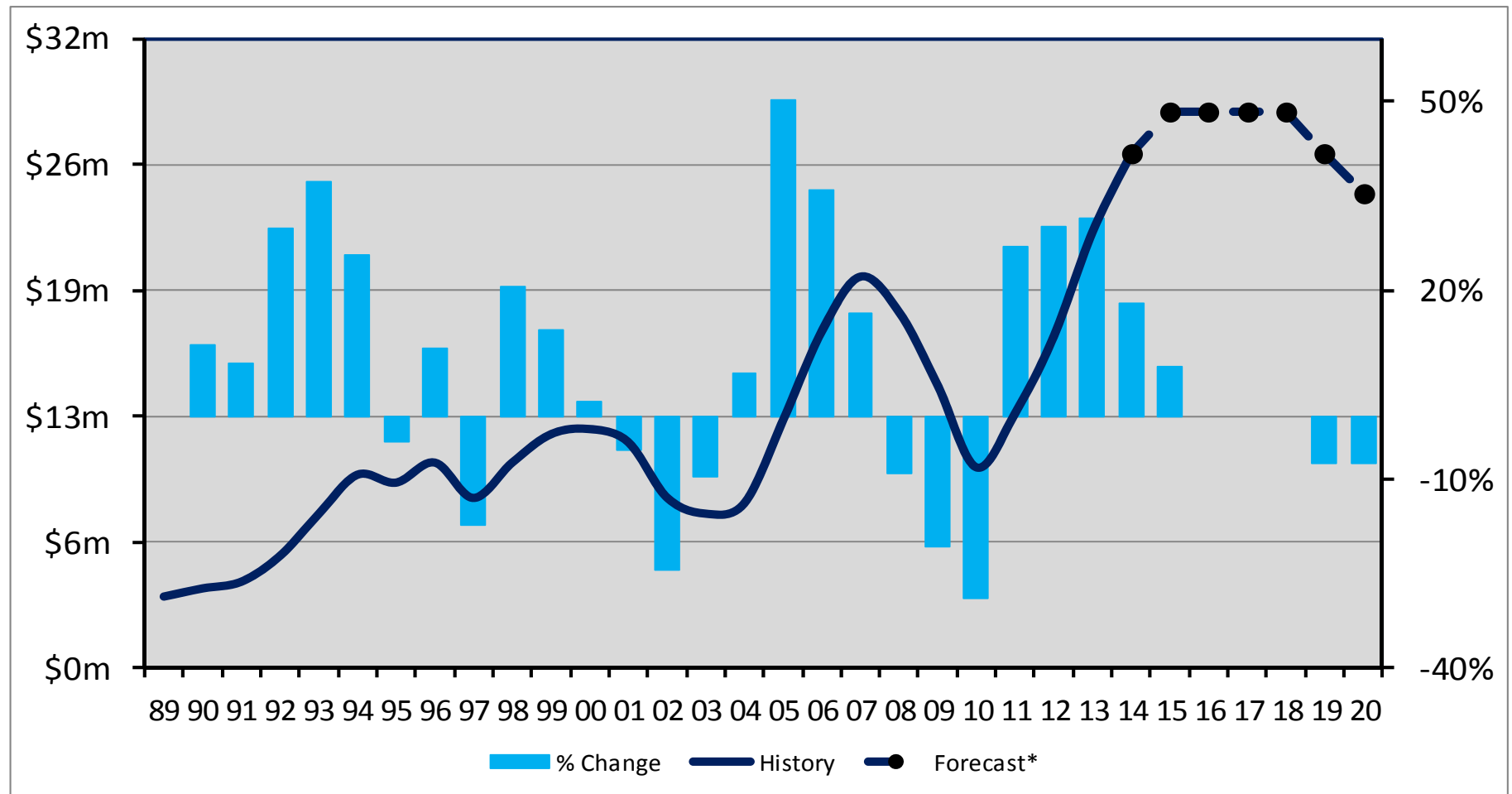
- Austin Energy transfer set at 12% of the three-year average of non-fuel revenue, with a floor of \$105 million
- Austin Water transfer set at 8.2% of the three-year average of gross revenue

# Utility Transfer History



# Development Revenue

## *Historical Activity*



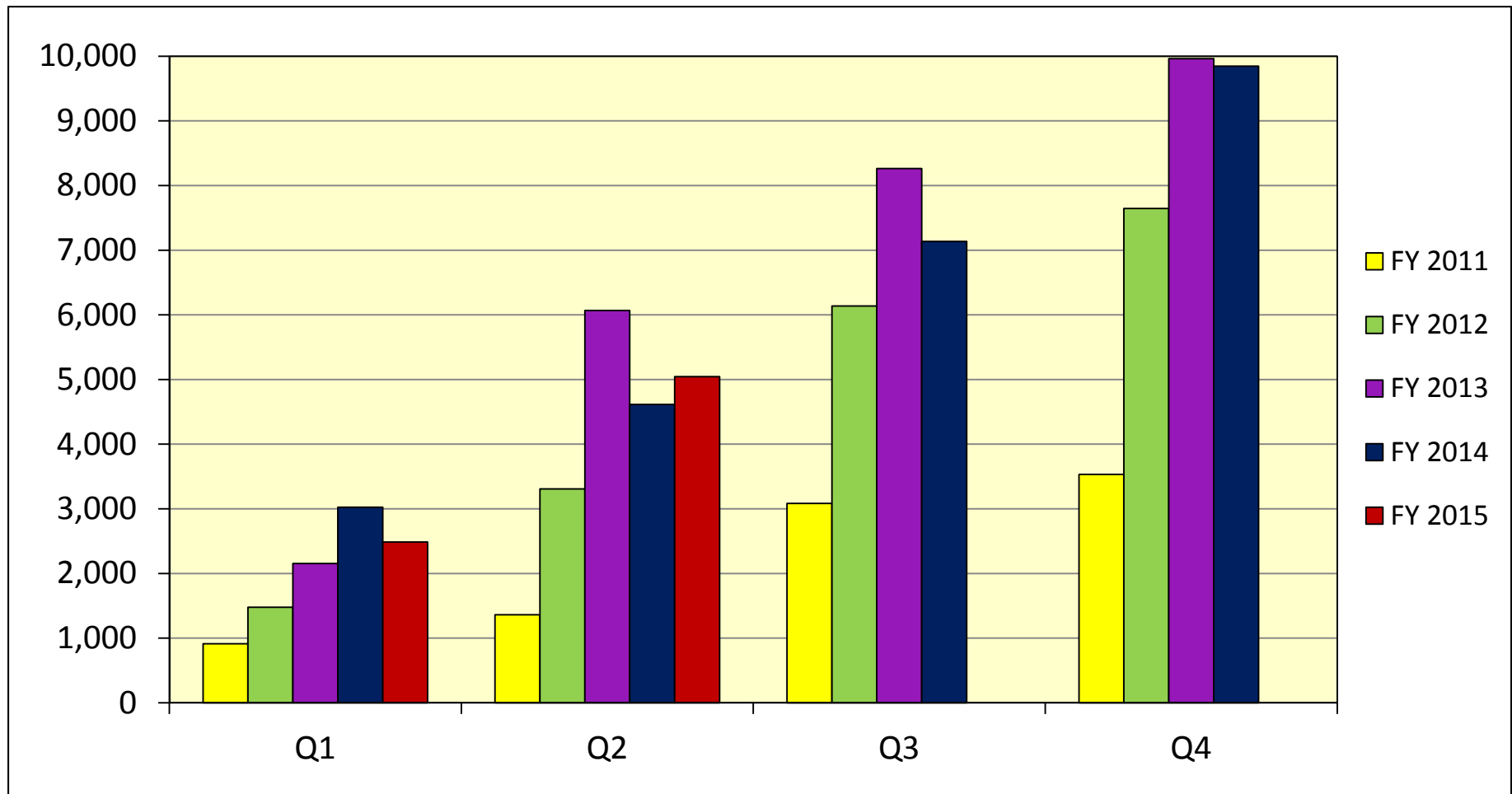
FY 2015 estimate = \$28.2 M; FY 2016 forecast = \$28.2 M



# Development Revenue

## *Permitting Activity (Quarterly)*

**Cumulative Residential Building Permit Units**



# Other Revenues

## ➤ Charges for Services

- Examples include Emergency Medical Services fees, Parks and Recreation registration and entrance fees, Health and Human Resources food handler permits
- Projected to increase \$0.5M in FY16, from \$57.8M to \$58.3M

## ➤ Franchise Fees

- Assessed primarily to telecommunications, gas, and cable firms for the use of the City's right-of-way
- Projected to increase \$0.5M in FY16, from \$37.7M to \$38.2M

## ➤ Fines and Penalties

- Examples include traffic fines and parking violations, court and arrest fees, and library fines
- Projected to remain flat in FY16 at \$16.8M

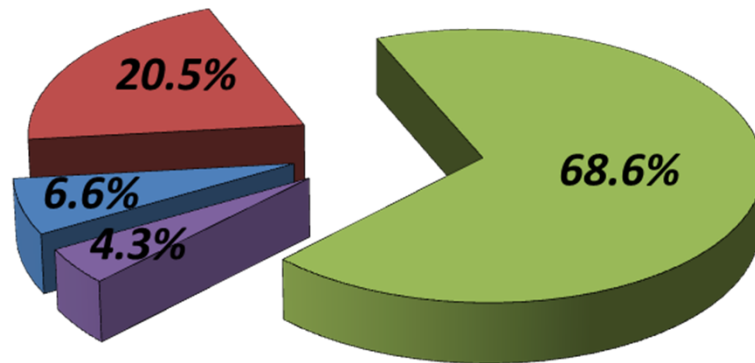
# City of Austin Financial Forecast

## General Fund Expenditures

*Ed Van Eenoo, Deputy Chief Financial Officer*

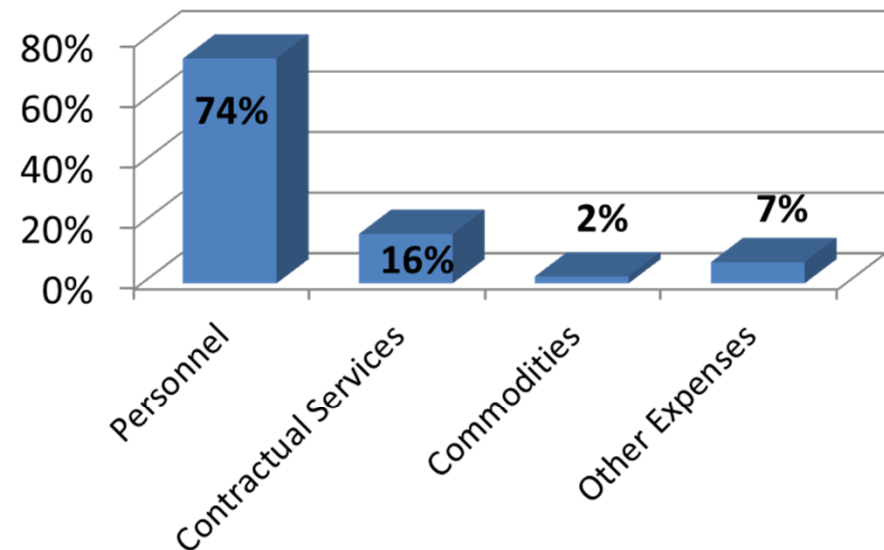
# General Fund Expenditures

## Uses of Funds



■ Other Departments (MC, PAZ & DS)  
■ Community Services (LIB, PARD, AS, HHS, NHCD)  
■ Public Safety (APD, AFD, EMS)  
■ Transfers & Other

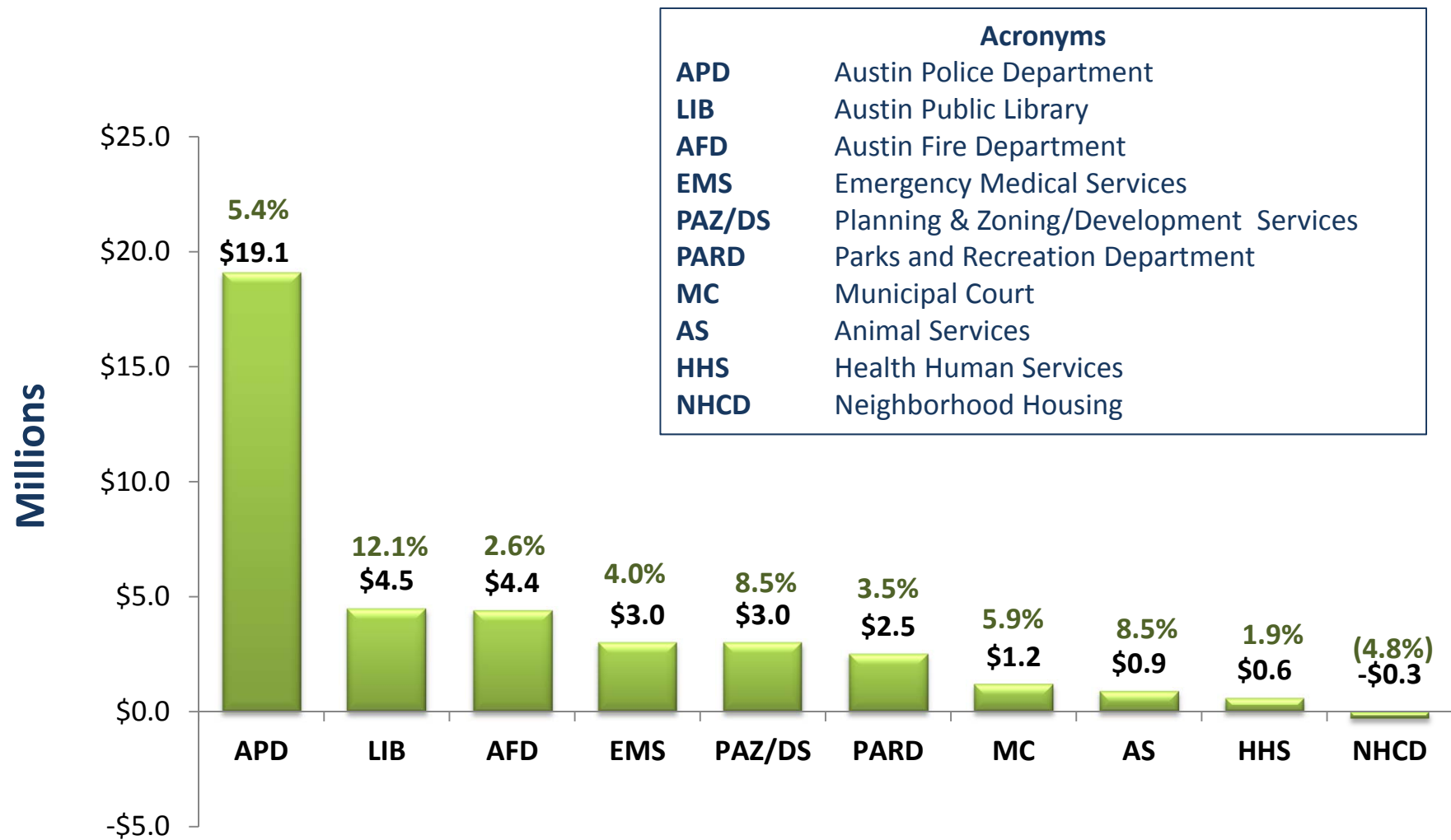
## FY15 Budget by Category



- FY 2015 Amended General Fund Expenses = \$854.0M
- FY 2015 Estimated General Fund Expenses = \$856.1M
- FY 2016 Forecasted General Fund Expenses = \$906.0M

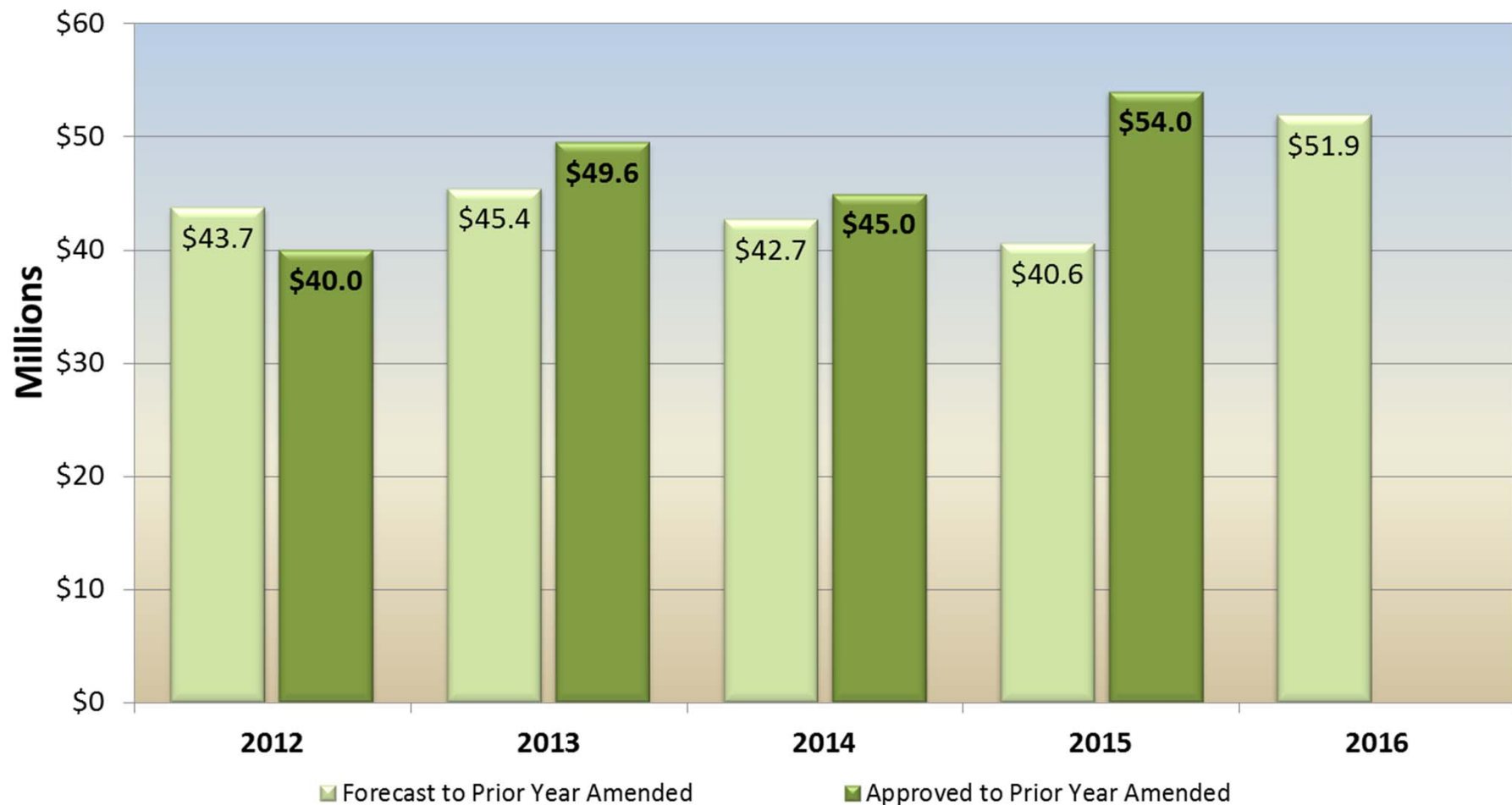
# Forecast Changes by Department

## *General Fund Increases by Department*



# 5-year History of GF Expenditure Growth

5-year History of General Fund Expenditure Growth



# General Fund Cost Drivers

## *“Typical” Cost Drivers*

Insurance increase of 13%	\$9.3M
Transfers to other funds (Support Svcs, Contingency Rsrv, A/P)	\$7.7M
82 new officers	\$6.9M
Police, Fire, and EMS wage increase of 1%, plus step & longevity	\$6.7M
Civilian wage increase of 3%	\$4.5M
Annualized cost of officers and firefighters added mid-year	\$2.8M
Economic Incentive Reserve Fund	\$2.2M
Civilian markets (mid-year implementation)	\$2.4M
Staffing for new central library (48 positions)	\$2.3M
Revisions to shared allocations (EDD, 311 Call Center)	\$1.9M
Miscellaneous programmatic expenses	\$1.4M
Fuel Savings	(\$4.2M)
<b>Sub-Total “Typical” Cost Drivers</b>	<b>\$43.9M</b>

# General Fund Cost Drivers

## *Other Cost Drivers – Specific to FY16*

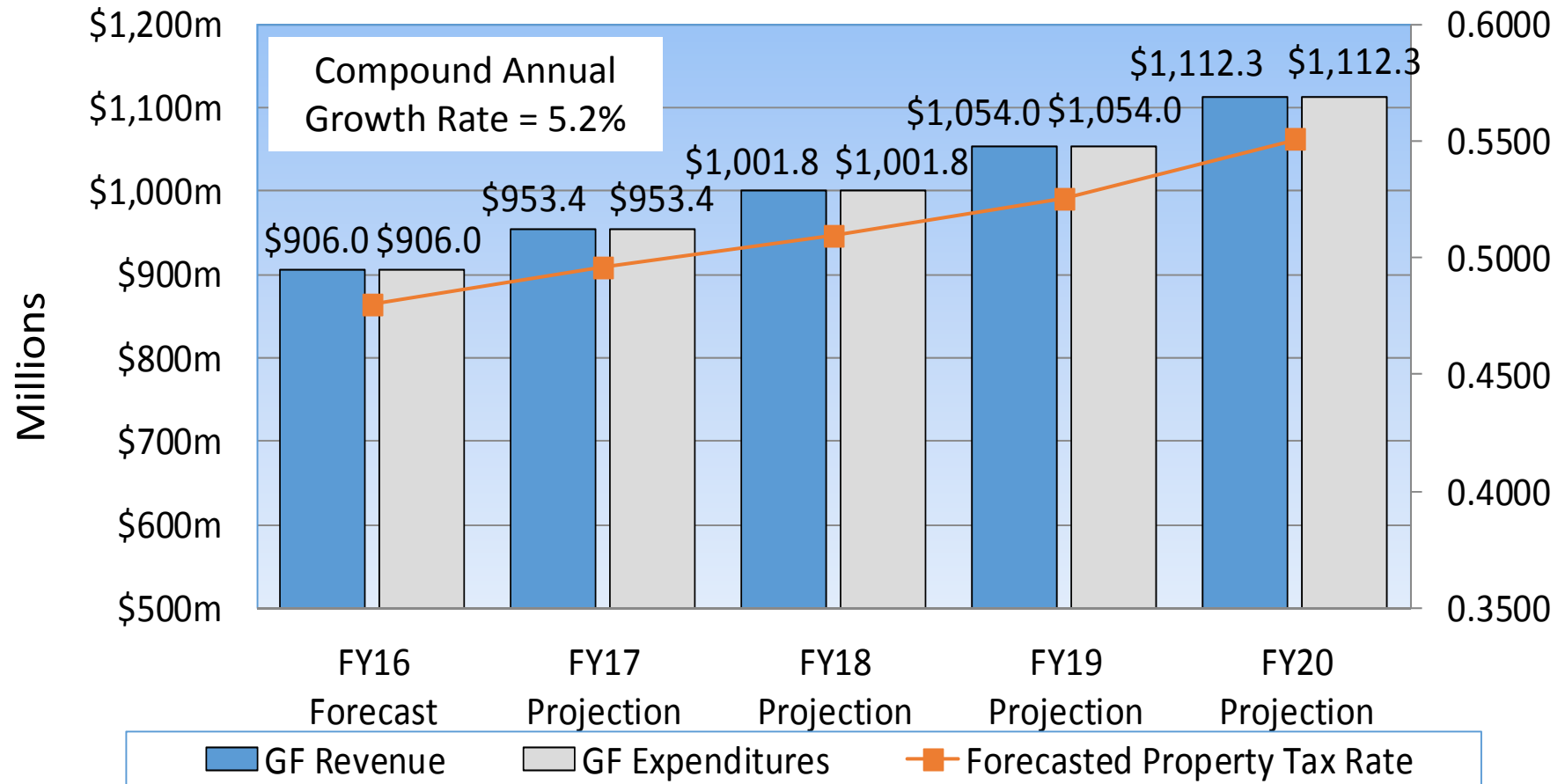
Additional 2.5% Fire wage increase	\$3.2M
Transfer to new Lone Star Rail Tax Increment Reinvestment Zone	\$4.8M
<b>Sub-Total – Other Cost Drivers</b>	<b>\$8.0M</b>

<b>Total FY16 – All Cost Drivers</b>	<b>\$51.9M</b>
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# Five-Year Outlook

## *Projected Baseline Expenditures vs. Revenue*



# Unresolved Issues

- General Homestead Exemption
- Resolutions on pay and benefits for city employees
  - Living wage
  - Insurance for temporary, seasonal and contract employees
  - Applied Behavior Analysis Program
- Resolutions pertaining to funding for Health and Human Services and social services contracts
- Ongoing funding for additional Council staff

# Unresolved Issues

- Initial Funding Requests from General Fund departments
  - Total of 137 requests totaling \$41.4M and 281 positions
- Pending State legislation
  - Revenue caps
  - Austin Energy transfer

# City of Austin Financial Forecast

## Capital Budget Highlights

*Kimberly Springer, Deputy Budget Officer*

# Basics of Capital Budgeting

## ➤ Capital Improvements Program (CIP) 5-Year Plan

- Outlines projects, associated funding, and spending plans for upcoming five-year period
- Allows times for project design and financing
- Provides for replacement/rehabilitation of capital assets
- Allows for coordination of impact on operating budget
- Serves as basis for development of annual capital budget

## ➤ Capital Budget

- Funds major improvements and expansions of City facilities and infrastructure
- Multi-year funding
- Allowable expenditures: Architectural/Engineering, land acquisition, construction labor/materials, furniture/fixtures/equipment (FFE), project management, financing charges

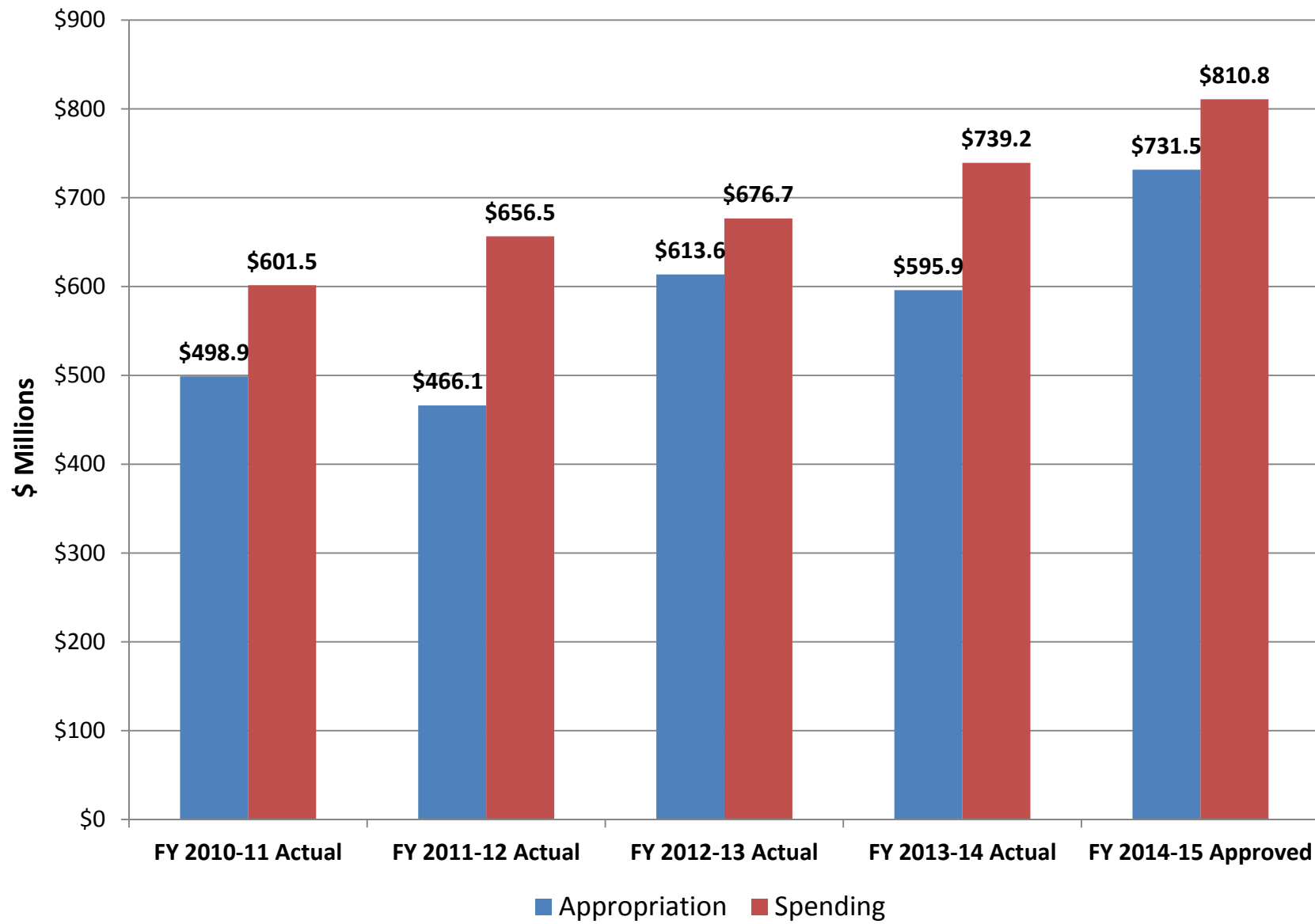
# CIP Funding Sources

- Cash
- Grants
- Debt

Types of Debt	Purpose	Voter Approval	Term
Public Improvement Bonds (PIBs)	Capital assets	Yes	20 Years
Certificates of Obligation (COs)	Real property; off-cycle capital needs	No	10 – 20 Years
Contractual Obligation (KOs)	Equipment	No	5 – 10 Years
Commercial Paper (CP)*	Capital assets	No	270 Days
Revenue Bonds*	System improvements; Refund CP to longer terms	No	20 – 30 Years

\* Utilized only by Austin Energy and Austin Water

# Historical CIP Spending and Appropriations



# Five-Year Spending CIP Plan

(\$ in millions)

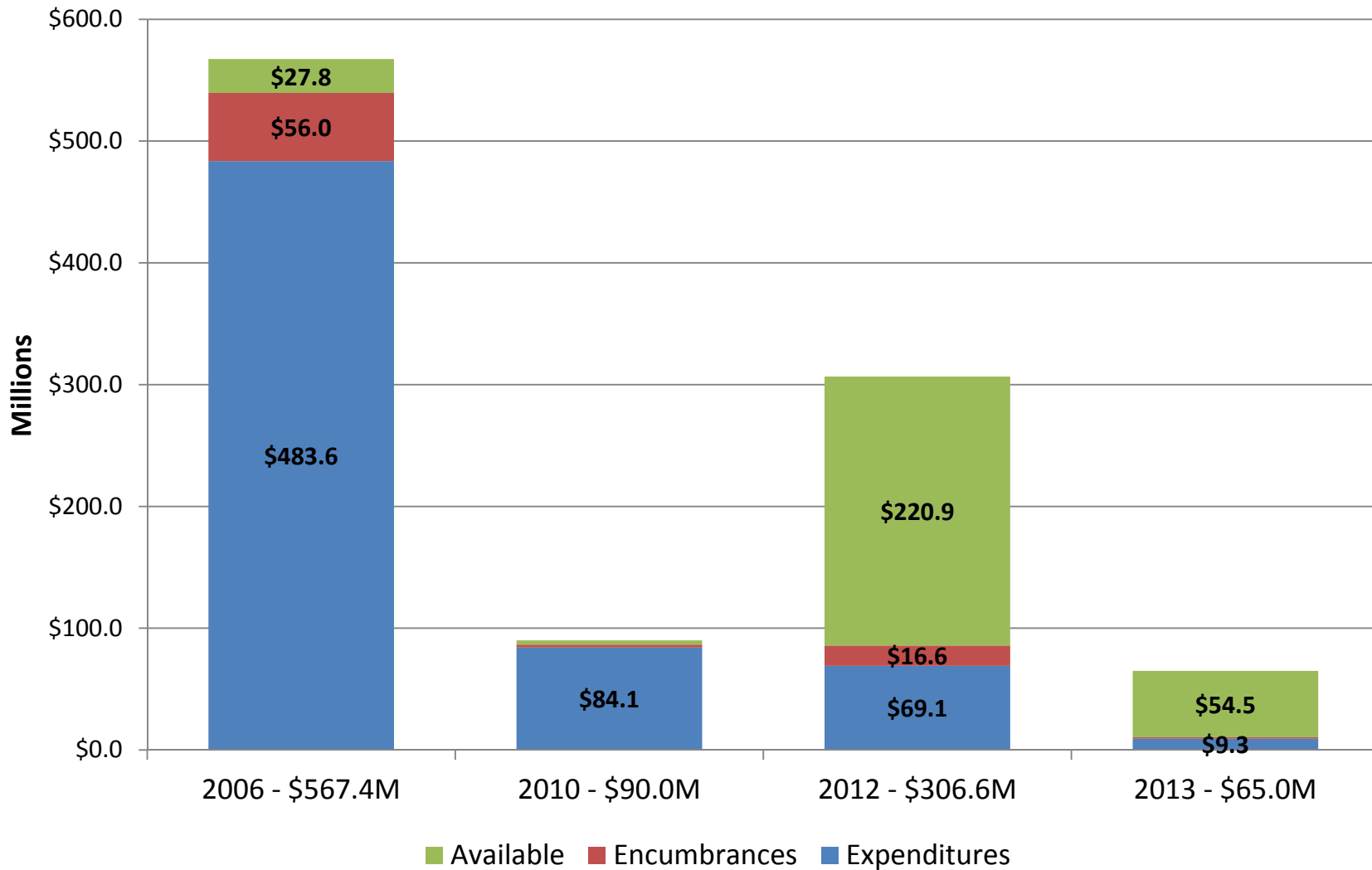
	FY16	FY17	FY18	FY19	FY20	TOTAL
Austin Energy	\$190.3	\$191.4	\$258.7	\$336.3	\$386.7	<b>\$1,363.5</b>
Austin Water	\$154.4	\$171.0	\$182.0	\$184.1	\$171.5	<b>\$863.0</b>
Aviation	\$127.6	\$205.0	\$85.3	\$42.2	\$21.5	<b>\$481.6</b>
Watershed	\$42.6	\$122.5	\$65.7	\$76.7	\$55.0	<b>\$362.6</b>
GO Bond Programs	\$126.1	\$81.9	\$37.2	\$17.1	\$8.3	<b>\$270.1</b>
Other*	\$91.2	\$22.1	\$7.2	\$1.2	\$0.0	<b>\$121.6</b>
Austin Resource Recovery	\$10.3	\$15.6	\$15.5	\$13.9	\$7.8	<b>\$63.1</b>
Austin Convention Center	\$12.2	\$6.2	\$1.2	\$0.1	\$7.1	<b>\$26.8</b>
<b>TOTAL</b>	<b>\$754.6</b>	<b>\$815.7</b>	<b>\$652.8</b>	<b>\$671.5</b>	<b>\$657.4</b>	<b>\$3,552.1</b>

\* Primarily related to New Central Library, Animal Shelter expansion, various facility renovations, and information technology projects.



# Bond Program Summary

*2006, 2010, 2012, and 2013 Bond Programs*



# New Central Library





# New Central Library

## ➤ Library of the Future

- Flexible and blended spaces
- State-of-the-art technologies
- Community gathering place

## ➤ 200,000 square feet

- Reading porches
- Public gathering atrium space adjacent to Shoal Creek
- Library café

## ➤ Investing in a superior level of service

- 68 positions and \$6.9M added to APL operating budget between FY16 and FY18

## ➤ Grand Opening – Autumn 2016



# CIP Highlights

## ➤ Animal Services

- Austin Animal Center expansion

## ➤ Austin Convention Center

- Parking garage improvements, tasting kitchen, Castleman Bull house

## ➤ Austin Energy

- Power production, transmission and distribution, on-site generation, alternative energy, customer service and metering, support services (IT/facilities)

## ➤ Austin Transportation

- Pedestrian Hybrid Beacons; North Lamar/Burnet Road Preliminary Engineering Report (PER)

# CIP Highlights

## ➤ Austin Water

- Focus on reinvestment; Annexations, lift stations, pump stations, water/wastewater line rehab, relocation, reservoir, service extension requests (SER), transmission/distribution, treatment plants, vehicles/equipment, reclaimed, wastewater collection

## ➤ Aviation

- East Terminal Apron and Gate Expansion

## ➤ Communications and Technology Management

- Greater Austin Travis County Regional Radio System (GATRRS)

## ➤ Economic Development

- Seaholm redevelopment, Austin Studios, East 51<sup>st</sup> Street improvements

## ➤ Fire

- Onion Creek Fire Station

# CIP Highlights

## ➤ Health and Human Services

- Austin Shelter for Women and Children Renovation/Expansion

## ➤ Neighborhood Housing and Community Development

- Rental, home ownership, home repair, architectural barrier removal (ABR)

## ➤ Planning and Zoning

- CodeNEXT

## ➤ Public Works

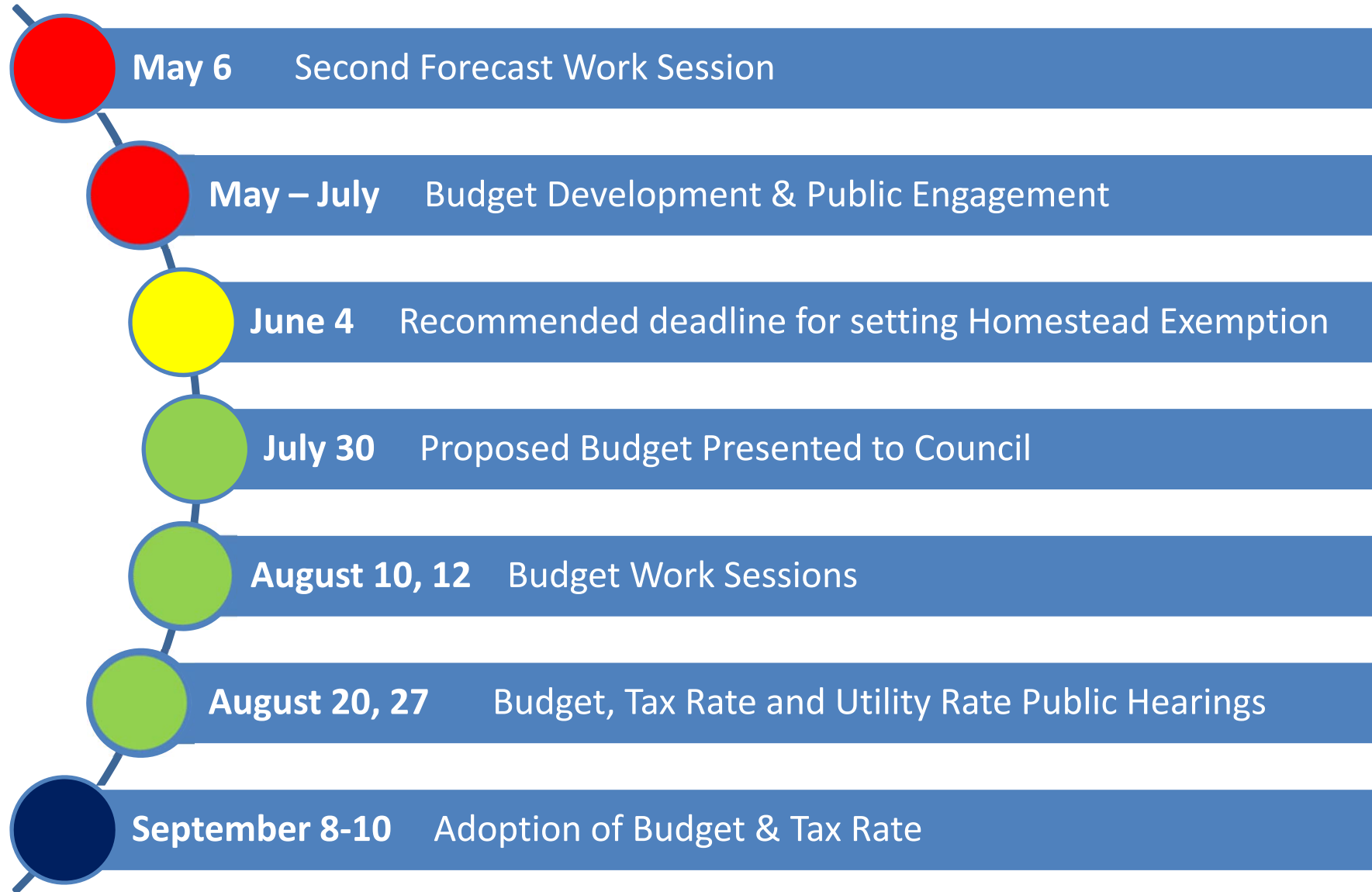
- Street reconstruction, ADA sidewalk/ramp improvements

## ➤ Watershed Protection

- Waller Creek Tunnel and District Redevelopment
- Home buyouts

# Budget Timeline

## *Next Steps and Future Dates*





# Questions/Comments/Discussion



For more information, please visit:

**Austin Finance Online**

City of Austin - Financial Services