

Proposed Changes to Financial Policies

Audit and Finance Committee

May 27, 2020

2020-21

City of Austin
Budget



General Fund Financial Policies

Setting Tax Rate



- Clean-up item to coincide with changes to state law
- Current policy states that “...ad valorem tax rate shall generally not exceed 8%”

Recommendation

- “...ad valorem tax rate shall generally not exceed the voter-approval rate as defined in state law.”

General Fund Financial Policies

Reserves



- Even stronger reserve policies are recommended due to lowering of the annual property tax revenue cap from 8% to 3.5%
- These changes will, over time, result in total General Fund reserves increasing from 12% of operating expenses to 14%

Recommendations

- Increase Emergency Reserve from 6% to 8%
- Maintains limits on the use of the Budget Stabilization Reserve dependent on the level of the reserve
 - < 6% may only be used to provide financial stability during economic downturns
 - >6% may also be used to fund capital items and other one-time costs

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