



*Parallel Shift: Agustina Rodriguez*

# FY 2024 – FY 2028 Five-Year Financial Forecast

Financial Services Department



City of Austin  
**2023-24  
BUDGET**



# Today's Agenda – Financial Forecast

- FY 2022 and 2023 Financial Update
- FY 2024 Budget Timeline
- Citywide Cost Drivers
- General Fund Forecast
  - Base Revenue and Expenditure Projections
  - 5-year Forecast
  - Unfunded Council Priorities
- Enterprise Funds Forecast
  - Five-Year Forecast and Rate Projections
- Capital Improvement Program Highlights



# Key Takeaways – General Fund

- General Fund revenue sources continue recent strong performance
  - FY22 and FY23 sales taxes and interest earnings trending ahead of estimates
  - Staff recommend increasing reserve policy to industry standard of 60 days
- Longer-term challenges of rising cost drivers and 3.5% revenue cap persist
  - Federal stimulus dollars and unsustainable sales tax growth have masked the challenge since the passage of SB2
  - Project a balanced BASE budget at the end of the forecast period BUT at the maximum 3.5% tax rate increase in each year
- FY24 base forecast is balanced with no or minimal tax rate increase
  - Base forecast reflects built-in cost drivers only (e.g. wages, health insurance, contractual increases, etc.)
  - Service enhancements or new initiatives will likely require a tax increase

# FY22 General Fund Year End Review

## *Revenue*

- General Fund ended FY22 with \$1.25 billion in total revenue, \$17.3 million above estimated collections, including:
  - \$5.6 million in additional sales tax receipts; total growth of 21.2% over COVID-affected FY21
  - \$3.1 million in unanticipated federal reimbursements for COVID and emergency response
  - \$2.0 million in legal and insurance settlements
  - \$1.7 million in additional interest earnings due to rapid escalation of interest rates in latter half of fiscal year



# FY22 General Fund Year End Review

## *Expenditures & Reserves*

- General Fund departments closed the year with expenditures at 99.15% of budgeted amounts; slightly less savings than estimated by \$2.4 million
- Additional \$25.9 million transferred to reserves as a result of General Fund net surplus and \$8.8 million adjustment to GAAP



# FY23 General Fund Estimate

## *Revenue*

- General Fund projected to end FY23 with \$1.31 billion in total revenue, \$32.7 million above budgeted level, including:
  - (\$0.8) million in property tax due to elevated prior-year refunds and slightly lower-than-anticipated current-year collections;
  - Sales tax projected at \$367.9 million, 2.8% or \$13.5 million above its budget of \$354.4 million due to higher base as a result of FY 2022 year-end collections and continuing strength in retail sales;
    - \$2.2 million in additional mixed beverage tax revenue
  - \$13.9 million in additional interest earnings due to continued escalation of interest rates: Federal Funds rate now 21x its March 2022 level



# **FY23 General Fund Estimate**

## ***Expenditures & Reserves***

- General Fund anticipated to end the year with expenditures at 99.97% of budgeted amounts
- Staff recommending adopting Government Finance Officers Association (GFOA) target of two months of reserves
  - Inclusive of projected \$34.0 million net General Fund surplus, total reserves projected to end the year at 68 days
  - Surplus of \$23.3 million versus the recommended 60-day level

# Council Priorities Funded in FY23 Budget

- More than \$30.7 million was included in the FY 2022-23 budget in support of Council priorities

Item Description	Amount
Living Wage	\$16.0 M
Emergency Rental Assistance	\$5.0 M
Austin Civilian Conservation Corps	\$2.9 M
Iconic Venue Fund	\$2.5 M
Increase City's Battey-Electric Vehicle Fleet	\$1.7 M
Trauma Recovery Center	\$1.0 M
Equitable Transit Oriented Development (ETOD) planning efforts	\$1.0 M
Improve City efforts to coordinate community mass care and resiliency hubs	\$0.6 M



# FY24 Budget Timeline





# Citywide Cost Drivers

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# Citywide Cost Drivers – Personnel and Benefits

## Health Insurance

- 10% projected annual increase

## Wages

- 3% assumed annual wage increase
- Citywide market study

## Employee Retirement System (ERS)

- Increase City contribution to employee retirement system from 19% to 19.84%\*

## Living Wage

- Maintains Living Wage at \$20/hour

## Addressing Long-term Vacancies

- Eliminate positions vacant longer than 2 years
- No new positions approved for departments with a vacancy rate of 15% or higher

*\*Pending State Legislature action*

# Citywide Cost Drivers – Shared Service Allocations

Allocation	Forecasted Annual Growth
<b>Support Services</b> <ul style="list-style-type: none"><li>Support Service departments include Human Resources, Law, Financial Services, Building Services, City Council, and others</li></ul>	3%
<b>Communications &amp; Technology Management (CTM)</b> <ul style="list-style-type: none"><li>CTM provides for the delivery of core IT infrastructure, applications, and information security, as well as critical replacement of end-of-life technology</li></ul>	3%
<b>Fleet Maintenance</b> <ul style="list-style-type: none"><li>Fleet Mobility Services manages the full lifecycle of all vehicles and equipment including acquisitions, maintenance, repair, and disposition</li></ul>	5%
<b>Fuel</b> <ul style="list-style-type: none"><li>Fuel costs are estimated based on usage and price projections from the U.S. Energy Information Administration</li></ul>	10% in FY24 3% in FY25-FY28



# General Fund Forecast

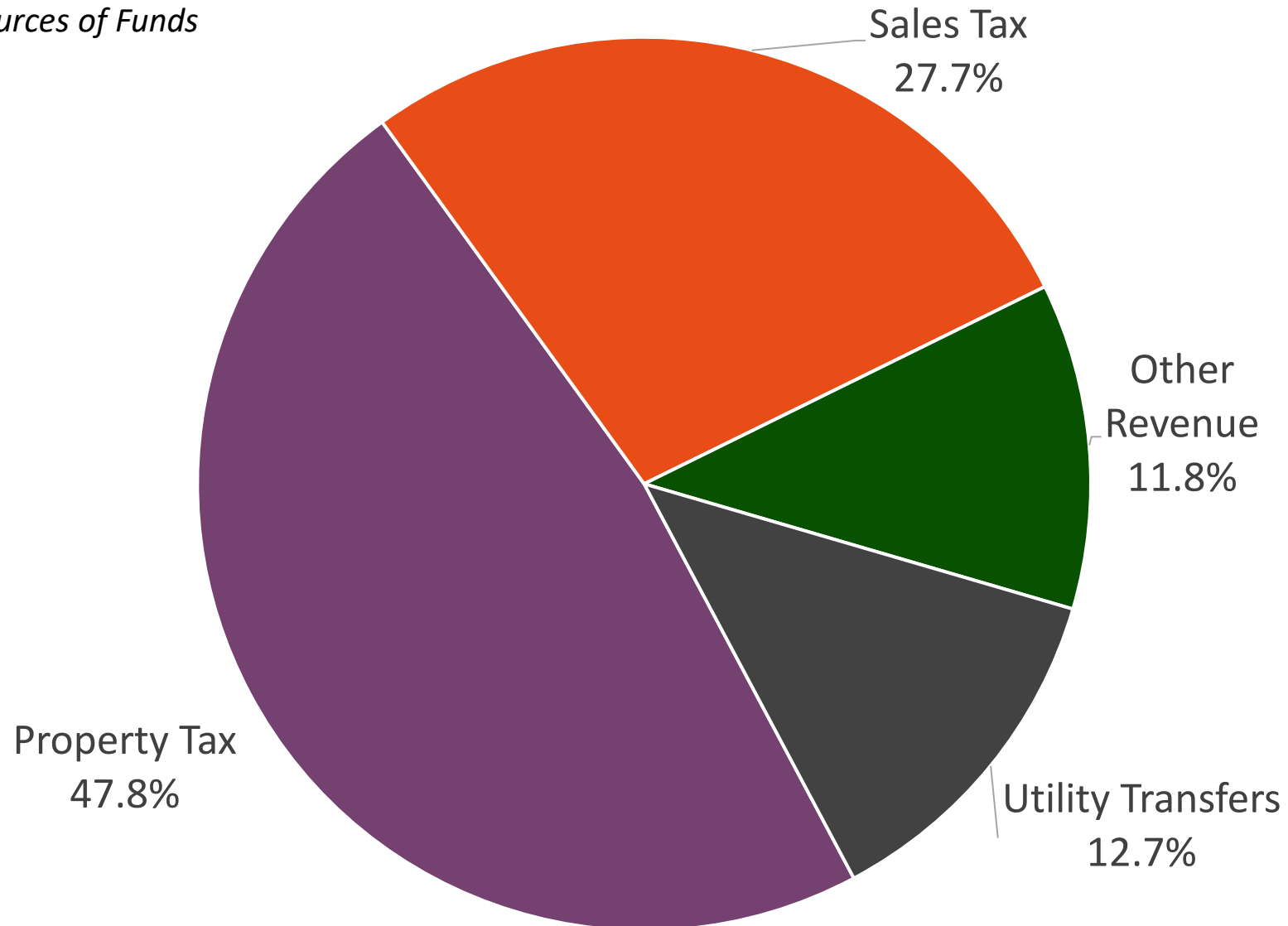
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# Current General Fund Revenue - \$1.3 Billion



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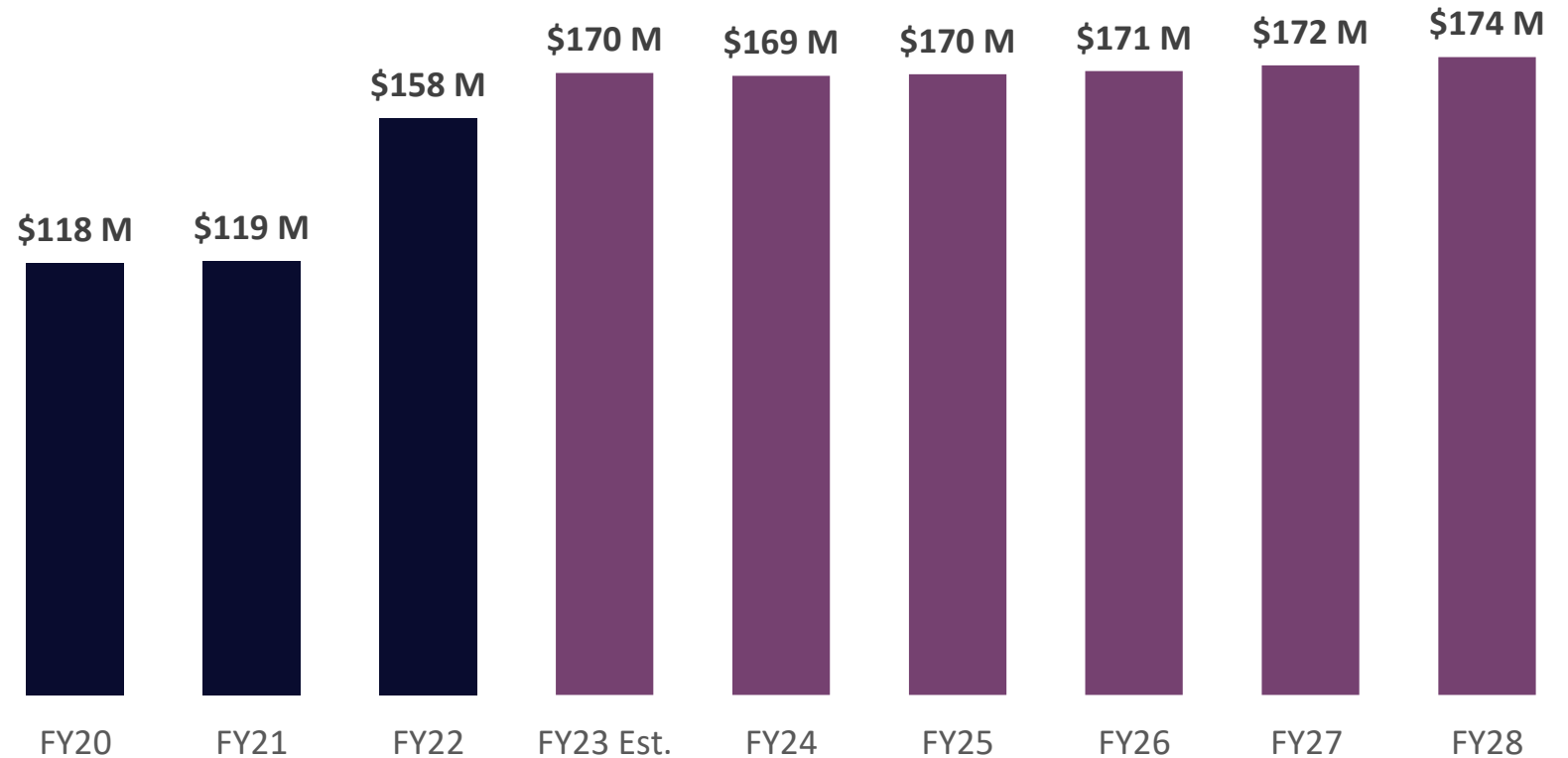
*FY 2023 Budget – Sources of Funds*



# General Fund Revenue Sources – Other Revenue

## **Other Revenue:**

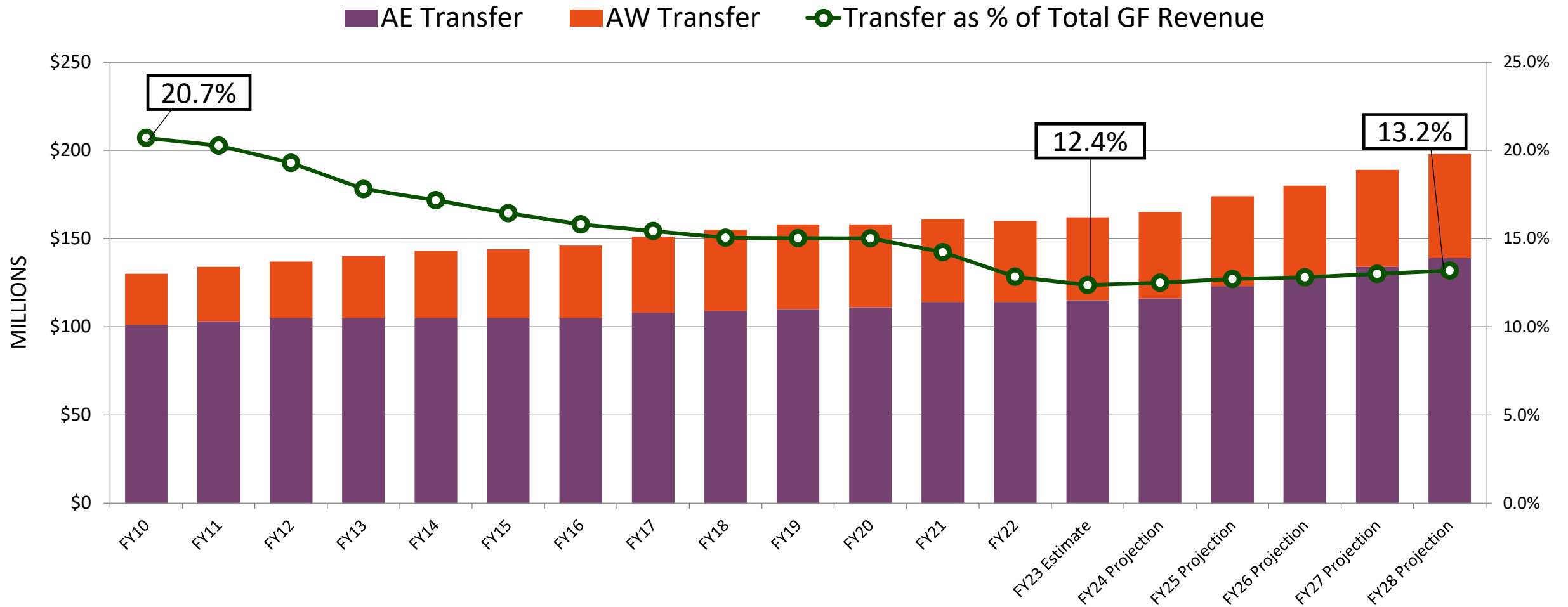
- EMS charges for service
- Telecommunications, Gas, and Cable Franchise Fees
- Interest
- Public health and safety licenses, inspections, and permits
- Recreation charges for service
- Alarm permits
- Fines



**Future Projections**

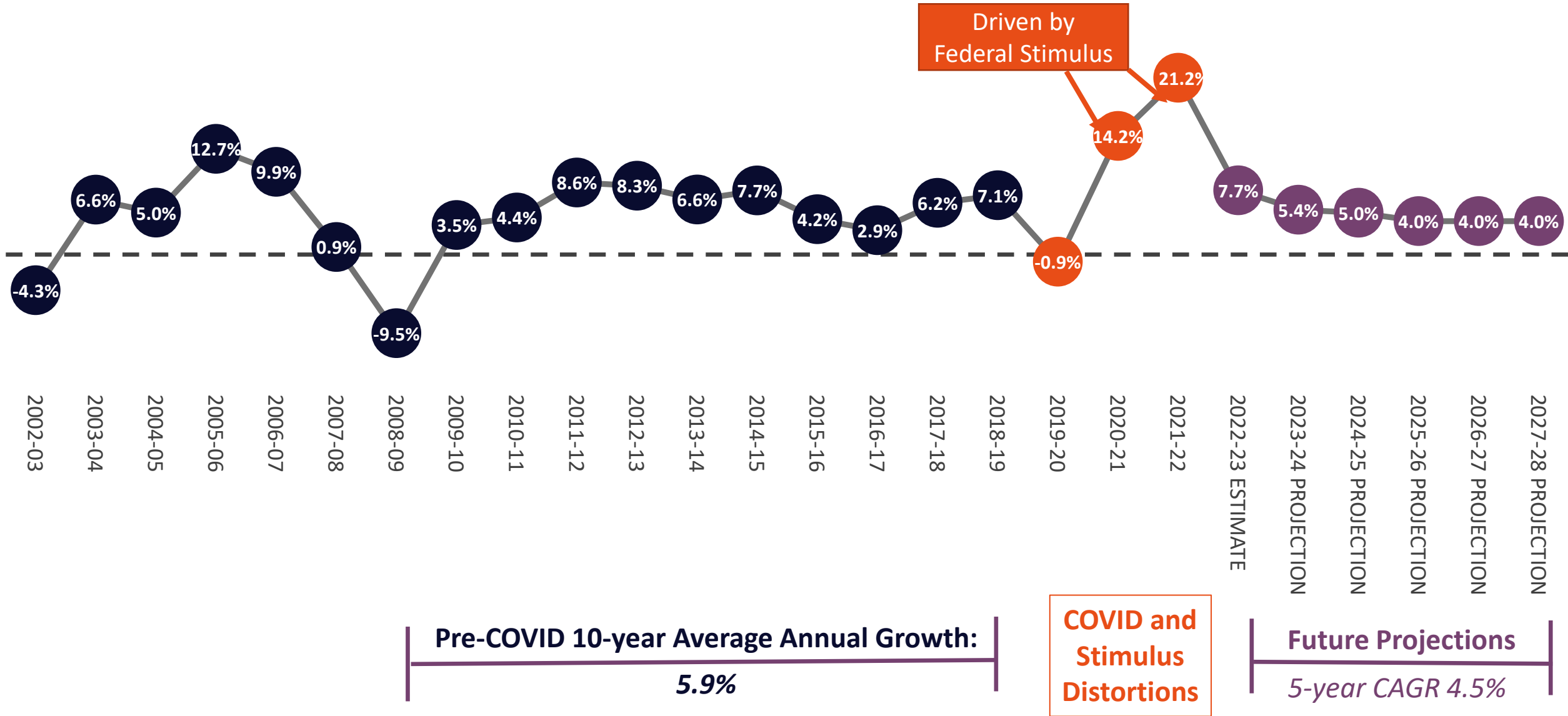
*5-year CAGR 0.5%*

# General Fund Revenue Sources – Utility Transfer





# General Fund Revenue Sources – Sales Tax



# General Fund Revenue Sources – Property Tax

	FY24 Revenue	Total Rate	GF M&O Rate	Debt Rate	ATP Rate
No-New-Revenue Rate	\$594.9M	\$0.4100	\$0.2582	\$0.0891	\$0.0667
Voter-Approval Rate	\$628.3M	\$0.4280	\$0.2684	\$0.0891	\$0.0705

- State revenue cap of 3.5% applies to the M&O property tax revenue derived from properties taxed in both years, without seeking voter approval
- New construction is exempt from the cap

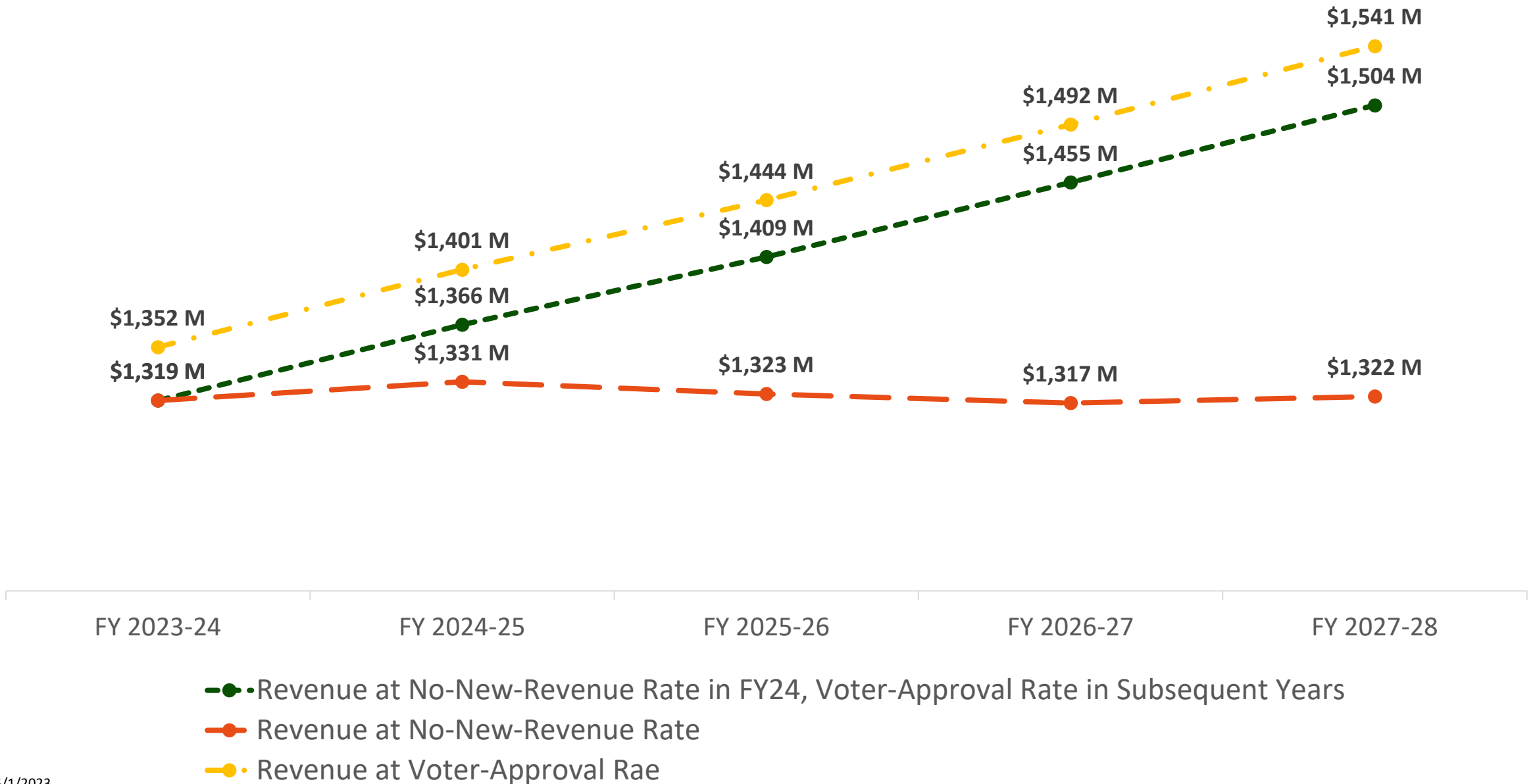
## Projected Property Tax Bill

	FY 2023 Approved	No-New- Revenue Rate	Voter- Approval Rate
<b>Non-Senior Homestead</b> <i>FY24 projected median assessed value of \$499,100, net of 20% homestead exemption</i>	\$1,679.52	\$1,637.05	\$1,708.92
<b>Senior/Disabled Homestead</b> <i>FY24 median assessed value of \$483,486, net of \$113,000 homestead exemption</i>	\$1,104.12	\$1,122.54	\$1,171.82

# General Fund Five-Year Base Forecast - Revenue

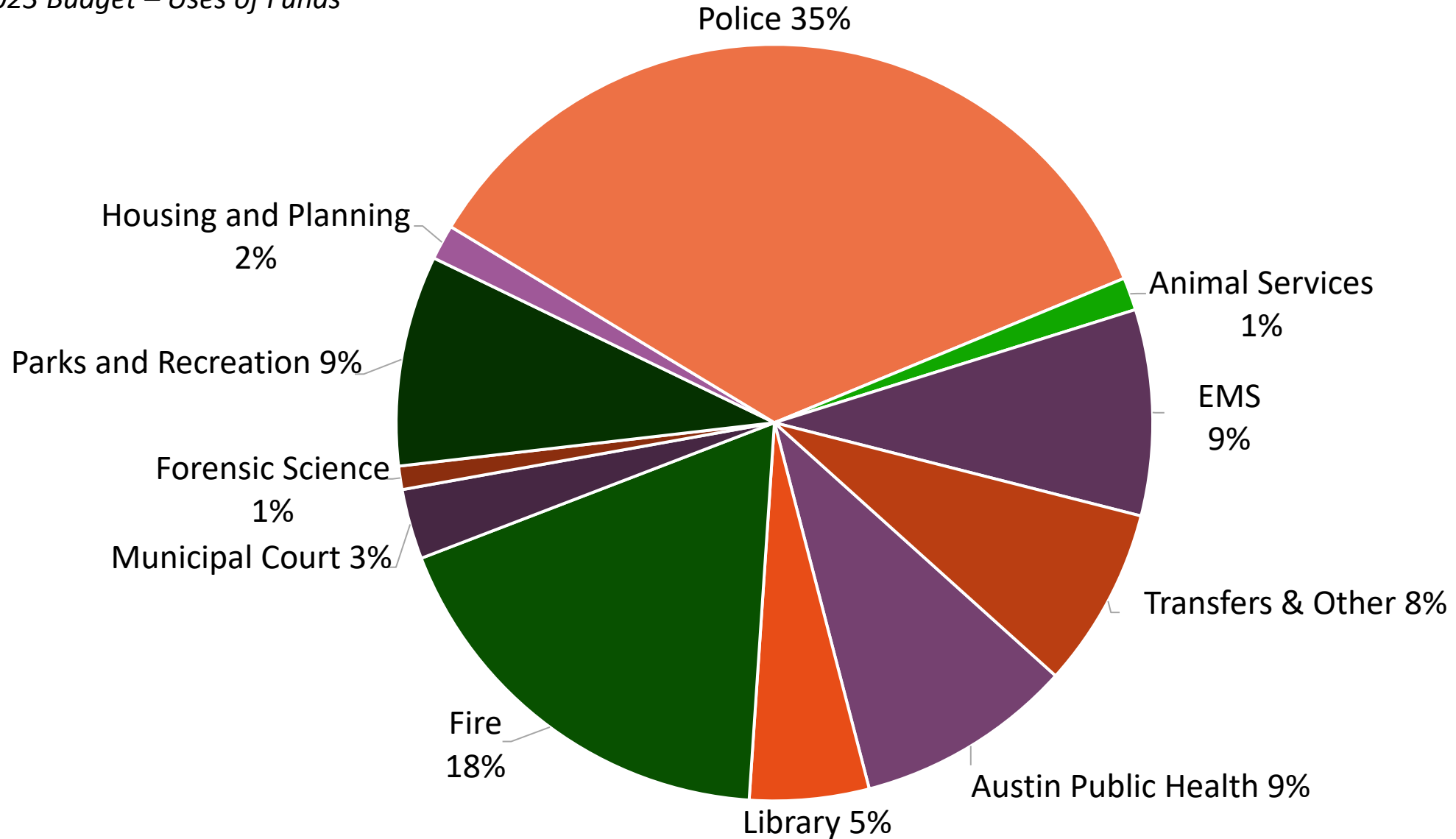


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# Current General Fund Expenditures - \$1.3 Billion

*FY 2023 Budget – Uses of Funds*



# Projected General Fund Base Cost Drivers

Included Items	FY 2024
Salary and benefits increases*	\$47.0 M
Police vehicles and wireless equipment	\$10.0 M
Support Services, CTM, fleet maintenance, and fuel	\$7.6 M
Goodnight Ranch station opening in FY24 with 16 firefighters and 12 EMS positions	\$3.1 M
Police cadet financial incentive pay	\$2.6 M
Annualized Southbridge shelter operations	\$1.2 M
Austin Public Health positions to staff the Dove Springs Public Health Facility opening in FY24	\$0.9 M

## **FY25 – FY28 Included Items**

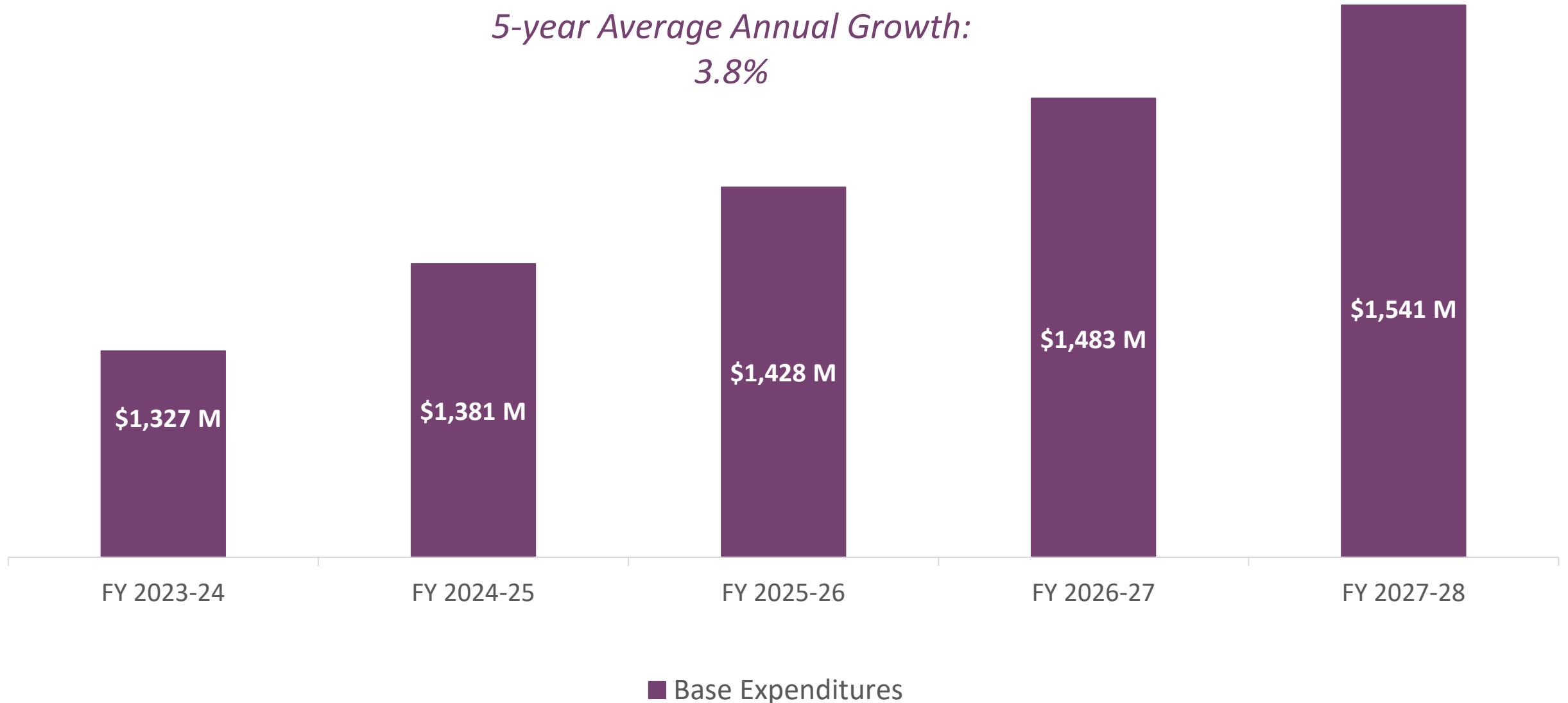
- \$3.1 million to open the Canyon Creek station in FY25 with 16 firefighters and 12 EMS positions
- \$22.8 million for 190 additional Police sworn positions and required equipment
- Implements GFOA recommended minimum General Fund reserve level beginning in FY 24

*\*civilian wages increases, projected increases in City pension contributions, and anticipated costs related to the labor contracts for EMS, Fire, and Police*

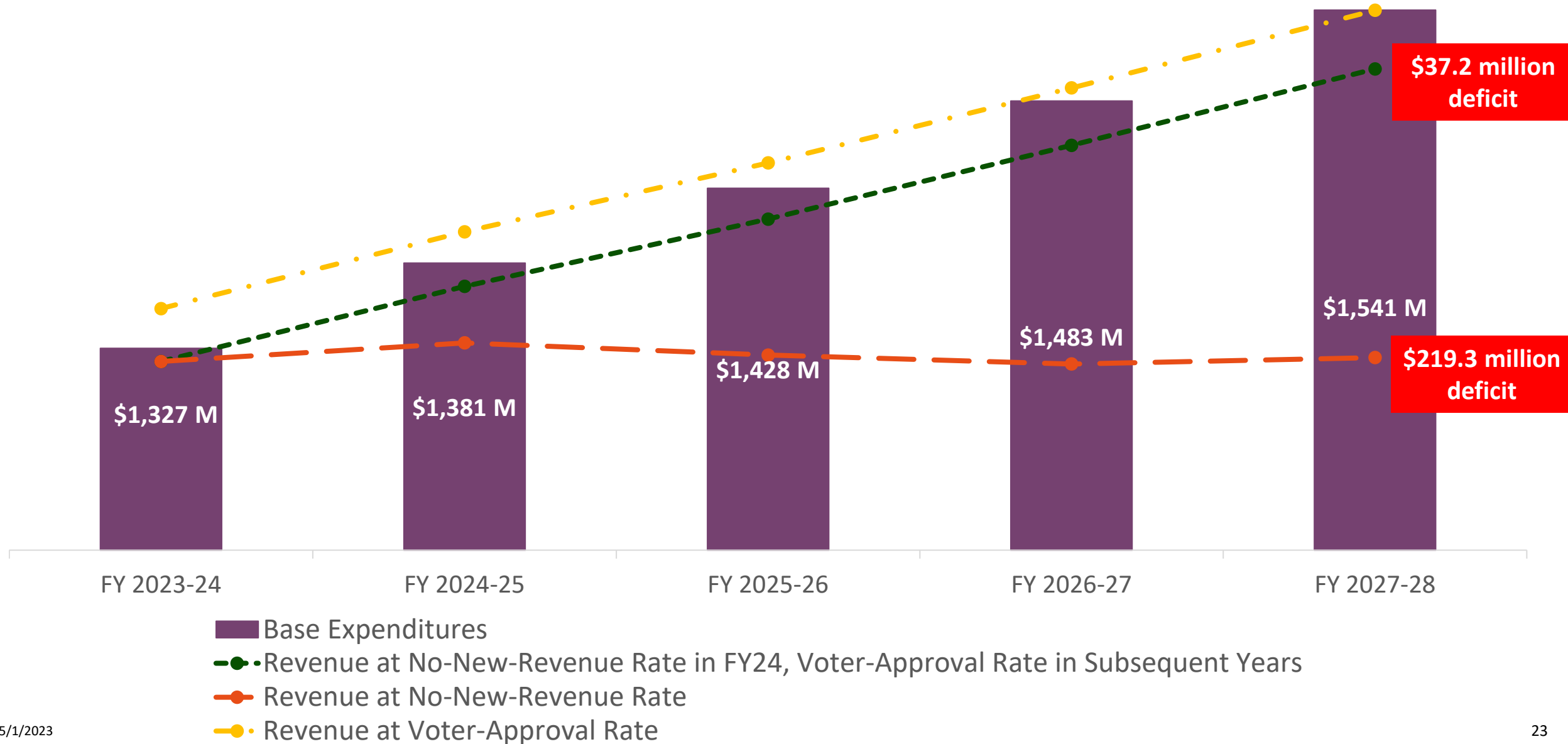
# General Fund Five-Year Base Forecast - Expenditures



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# General Fund Five-Year Base Forecast



# Unfunded Council Priorities

- 34 Council approved resolutions with anticipated financial impact since May 2022
- Items are ***not*** included in the General Fund Base Financial Forecast

Item Description	Resolution No.
Procure translation technology for 9-1-1 call takers and dispatchers	<a href="#">20221027-065</a>
Create a plan to increase the number of fast-charging stations for EVs equitably across city	<a href="#">20230309-027</a>
Create a program to increase the availability of affordable child care services	<a href="#">20230126-055</a>
Adopt a technical solution to improve care coordination for individuals experiencing homelessness	<a href="#">20221201-049</a>
Identify strategies and funding options to maintain a minimum number of bridge shelter rooms	<a href="#">20221208-069</a>
Implement an Intergenerational Resource Activity Center at the Nash Hernandez Building	<a href="#">20221208-059</a>
Explore enhancements to affordable housing programs	<a href="#">20220901-087</a>
Living Wage	<a href="#">20220616-050</a>
AFD ariel apparatus and reserve fleet	<a href="#">20230413-038</a>



# Enterprise Fund Highlights

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# Major Enterprise Departments

**Austin Code**

**Austin Convention Center**

**Austin Energy**

**Austin Resource Recovery**

**Austin Transportation**

**Austin Water**

**Aviation**

**Development Services**

**Watershed Protection**

**Public Works**



# Forecast Scenarios

## Citywide Cost Drivers

- Forecasted salary and benefits increases
- Shared services allocation increases

### Baseline

Rate and fee increases to support:

- Citywide cost drivers only
- Maintain existing service levels

### Prospective Service Enhancements

Rate and fee increases to support:

- Citywide cost drivers
- Expanded or new programs to achieve enhanced service levels

# Austin Code

## Baseline Forecast

- Net increase of \$600,000 in FY24 to support base cost drivers, such as increases in personnel costs and rent, and reduction of budgeted contracts based on historical utilization
- Maintains current Clean Community Fee of \$4.75 over the forecast period



### TYPICAL RESIDENTIAL MONTHLY BILL – CCF\*

\$4.75 — \$4.75 — \$4.75 — \$4.75 — \$4.75 — \$4.75

FY 23

FY 24

FY 25

FY 26

FY 27

FY 28

—●— Baseline

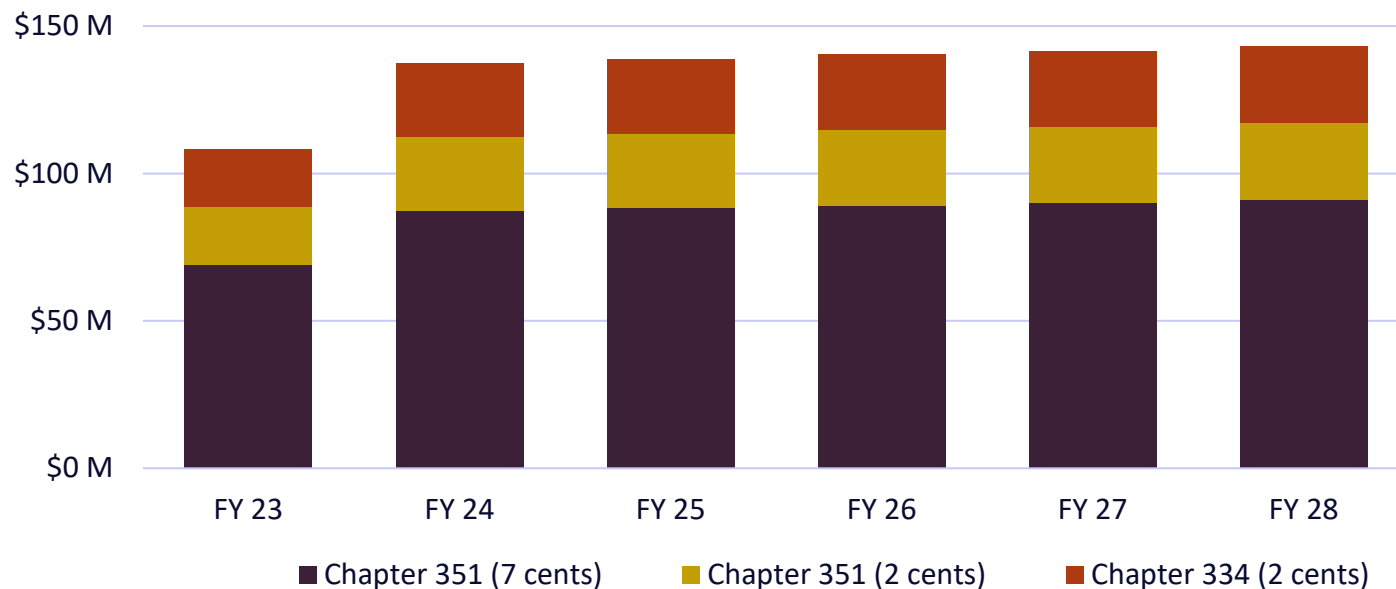
*\*only reflects Austin Code's portion of the CCF*

# Austin Convention Center

## Baseline Forecast

- \$5.3 million in FY24 for citywide cost drivers and to support anticipated levels of business at both the Convention Center and Palmer Events Center
- Beginning in FY25, projected revenue and expenditures reflect modified services due to the planned redevelopment and expansion of the Convention Center

## Hotel Occupancy Tax Collections



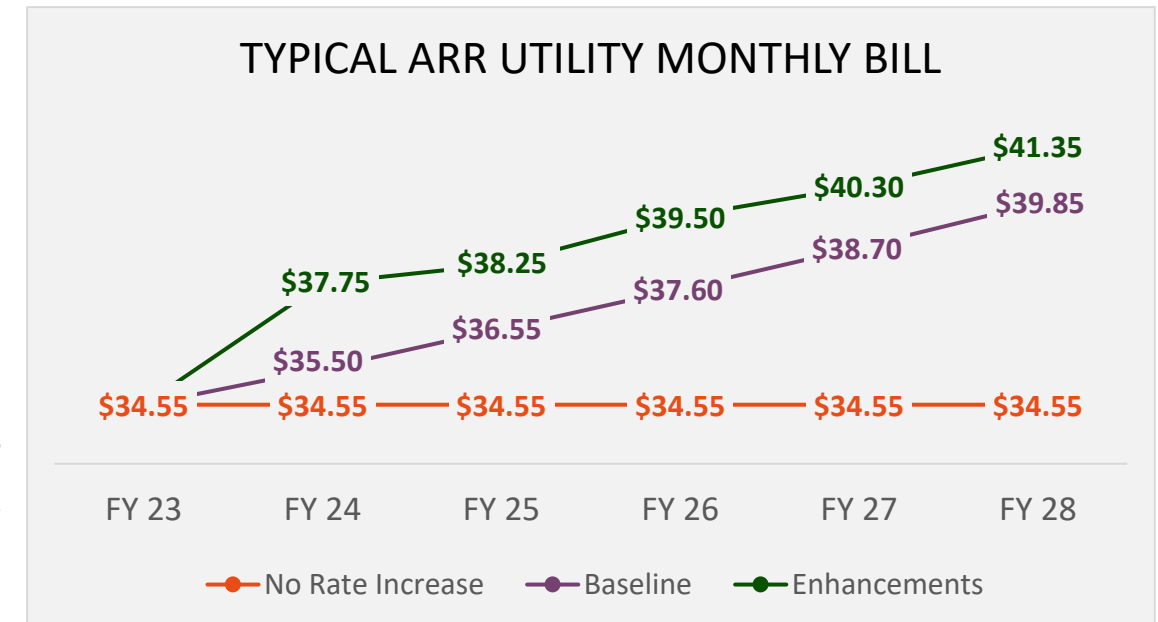
# Austin Resource Recovery

## Baseline Forecast

- \$3.1 million increase in FY24 to support base cost drivers and begin to replenish fund balance
- 16 new positions and contractual increases in the forecast period to maintain current service levels
- \$0.95 increase in FY24, a \$5.30 total increase in the typical ARR utility monthly bill to maintain existing service levels

## Prospective Service Enhancements

- 45 additional positions over the forecast period
  - Increase ordinance compliance
  - Expand household hazardous waste collection
  - Improve operations support functions
- \$3.20 increase in FY24, a \$6.80 total increase in the typical ARR utility monthly bill to support these service enhancements



# Aviation

## Baseline Forecast

- \$50.6 million increase in operating budget requirements in FY24 primarily attributed to anticipated depletion of \$30 million in pandemic-era federal relief (CARES Act, CRRSAA, ARPA), as well as increasing citywide cost drivers and inflation in consumer prices and contract services
- No new positions

## Prospective Service Enhancements

- \$6.1 million in additional personnel and equipment costs to be offset through higher fees for service
- 80 new positions over the forecast period
  - Enhancing airport operations
  - Supplementing facility maintenance
  - Improving guest services and airport experience



# Development Services

## Baseline Forecast

- Net decrease of \$500,000 in FY24, a result of cost driver increases, a decrease in the Permitting and Development Center rent, and removing the \$3.8 million reserve repayment to the General Fund
- Fees are adjusted annually to reflect the true cost-of-service





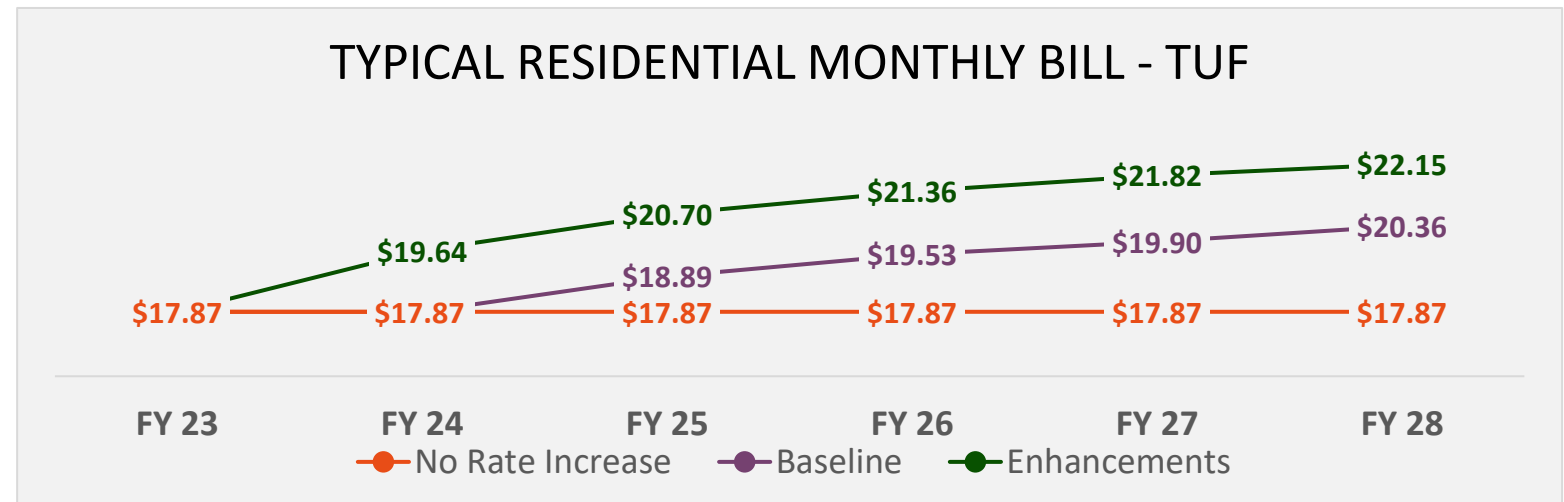
# Transportation & Public Works

## Baseline Forecast

- \$300,000 net increase in FY24, as a result of a reduction in transfers to CIP and a realignment of existing program budgets nearly offset increases
- No increase in the Transportation User Fee (TUF) in FY24, a total increase of \$2.49 over the forecast period
- No new positions in the forecast period

## Prospective Service Enhancements

- 168.25 positions over the forecast period
  - Maintaining signal, right-of-way, bridge and street infrastructure
  - Expanding safe routes to school and urban trail program management
  - Supporting the delivery of bond projects
- \$1.77 increase to TUF in FY24, a total increase of \$4.28 in the TUF to support the enhanced services



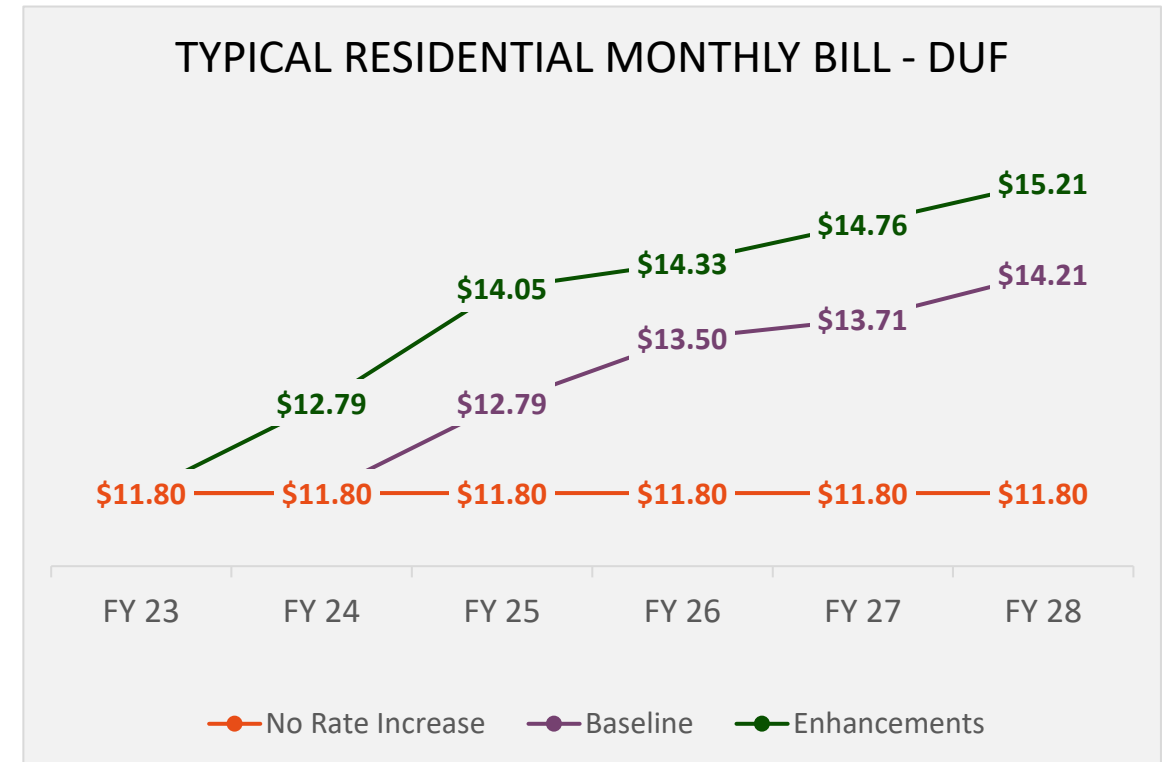
# Watershed Protection

## Baseline Forecast

- \$5.3 million decrease from FY23 budget, a net effect of a \$4.4 million increase in operational costs and a \$9.7 million reduction in transfers and other requirements
- No increase in the Drainage Utility Fee (DUF) in FY 24, a \$2.41 total increase in the DUF over the forecast period to maintain existing service levels
- No new positions

## Prospective Service Enhancements

- 41 new positions over the forecast period
  - Implement the Rain to River strategic plan
  - Improve emergency management
  - Study and evaluate bacterial toxicity in streams
  - Expand the pond maintenance program
  - Increase encampment cleanups
- \$0.99 in FY24, a \$3.41 total increase in the Drainage Utility Fee to support these service enhancements



# “Typical” Residential Ratepayer

Service or Fee	Fiscal Year 2022-23 Yearly Rate	Fiscal Year 2023-24 Baseline	Fiscal Year 2023-24 Enhancements	Typical Ratepayer Defined as:
Austin Energy	\$1,304.52	\$1,304.52	\$1,304.52	Residential customer usage of 860 Kwh.
Austin Water	\$969.48	\$1,003.44	\$1,005.60	Residential customer usage of 5,800 gallons of water
Austin Resource Recovery	\$356.40	\$366.00	\$391.20	Residential customer using a 64-gallon cart
Clean Community Fee	\$115.20	\$117.00	\$118.80	Per single-family home
Transportation User Fee	\$214.44	\$214.44	\$235.68	Per single-family home
Drainage Utility Fee	\$141.60	\$141.60	\$153.48	Residential customer with 3,100 sq. ft./37% of impervious cover
<b>TOTAL YEARLY IMPACT</b>	<b>\$3,101.64</b>	<b>\$3,147.00</b>	<b>\$3,209.28</b>	

**Baseline Forecast scenarios combined projected increase of 1.5%**

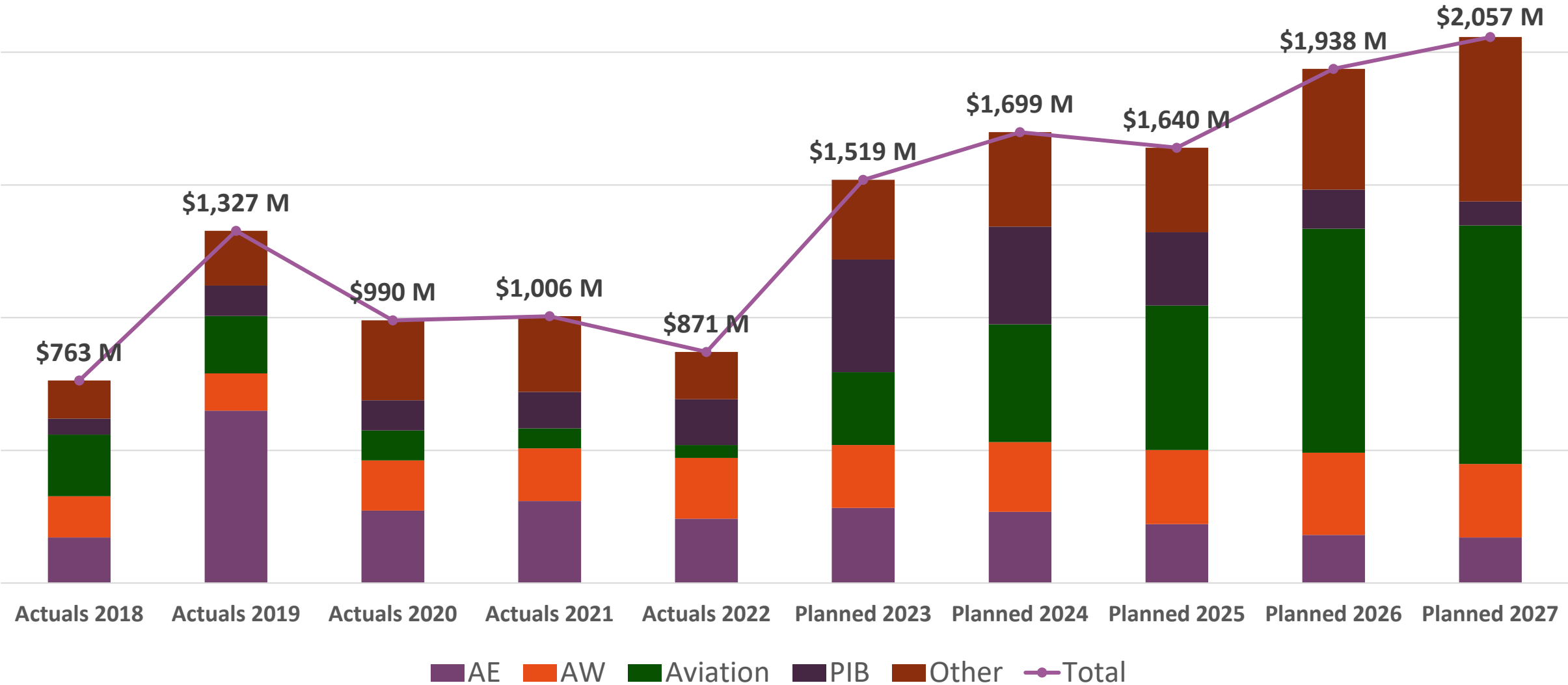
**Prospective Service Enhancement Forecast scenarios combined projected increase of 3.5%**



# Capital Improvement Program (CIP) Highlights

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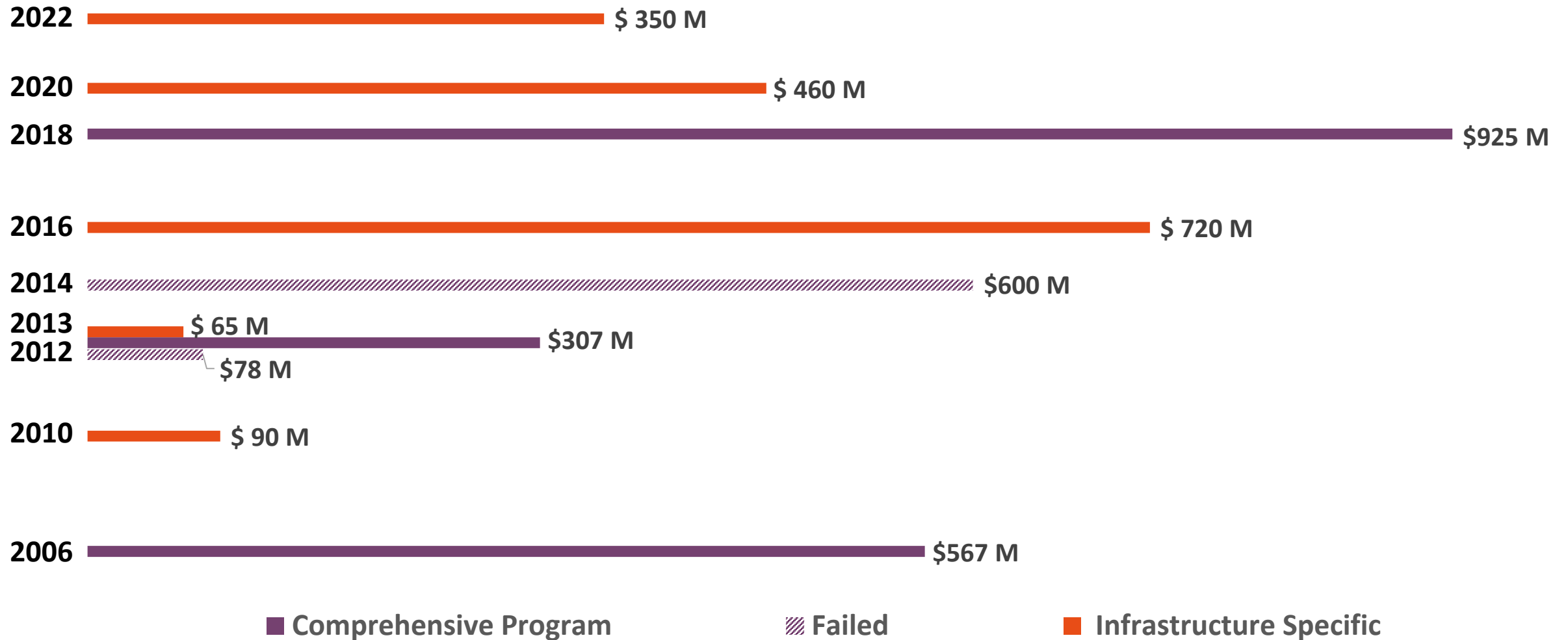
# CIP Spending Overview





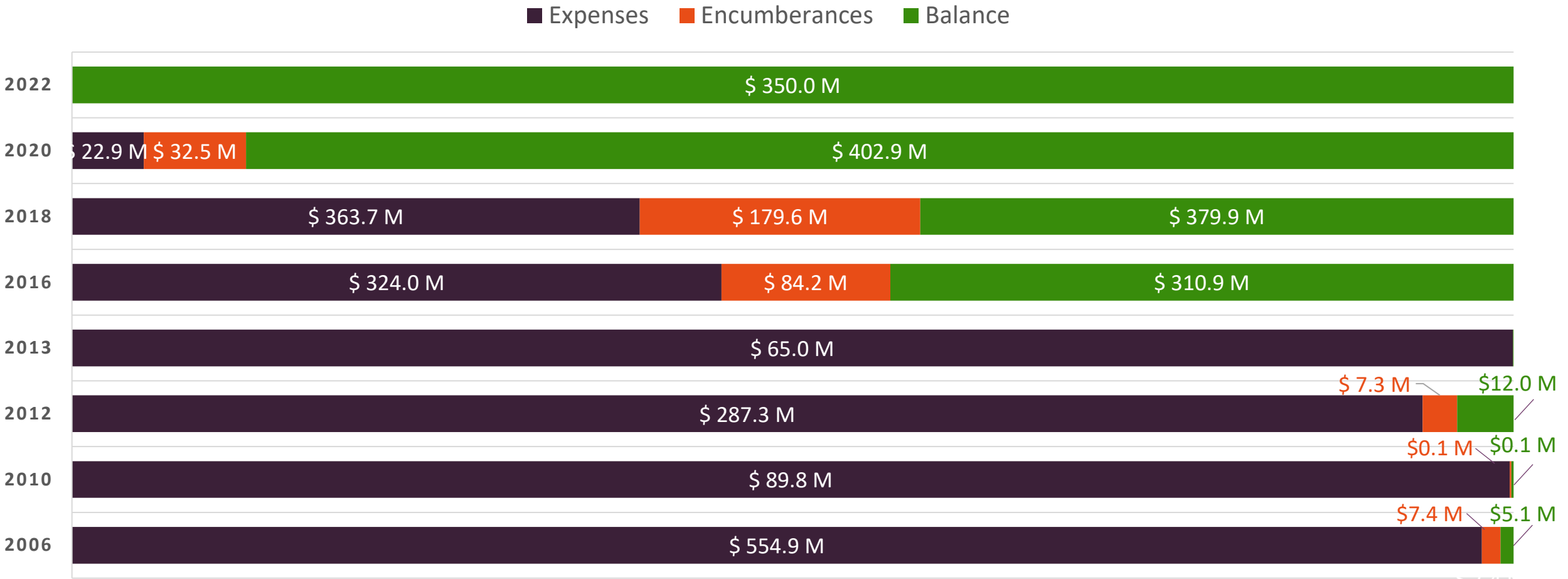
# Public Improvement Bonds (PIBs)

*Voting History 2006-2022*



# Public Improvement Bonds

*Aggregate Balance Status by Election Year (2006-2022)*



**Total Authorized but Unissued General Obligation Debt: \$1.8 Billion**

# Questions?

For more information on Financial Services | Budget Office:  
[AUSTINTEXAS.GOV/BUDGET](https://austintexas.gov/budget)

***Parallel Shift***  
Agustina Rodriguez

Parallel Shift is a project of the Economic Development Department's Art in Public Places program. Parallel Shift is a temporary installation that celebrates the value of education in our community at large. The overall form of Parallel Shift is derived from the “learning triangle” made up of learning, experience, and achievement. This trio is used to describe the hidden framework that guides us through our journey toward betterment and personal growth.



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