

Art: Creativity and Culture: A Celebration / Creatividad y Cultura: Una Celebración by Werllayne Nunes

FY 2025 - FY 2029 FIVE-YEAR FINANCIAL FORECAST

FINANCIAL SERVICES DEPARTMENT



City of Austin
**2024-25
BUDGET**



Today's Agenda: Financial Forecast

- I. FY 2024 Financial Update
- II. FY 2025 Budget Timeline
- III. Citywide Cost Drivers
- IV. General Fund Forecast
- V. Enterprise Funds Forecast
- VI. Capital Improvement Program Highlights
- VII. Policy Discussion



FY24 General Fund Estimate

PROJECTED FY24 REVENUE

\$1.4B

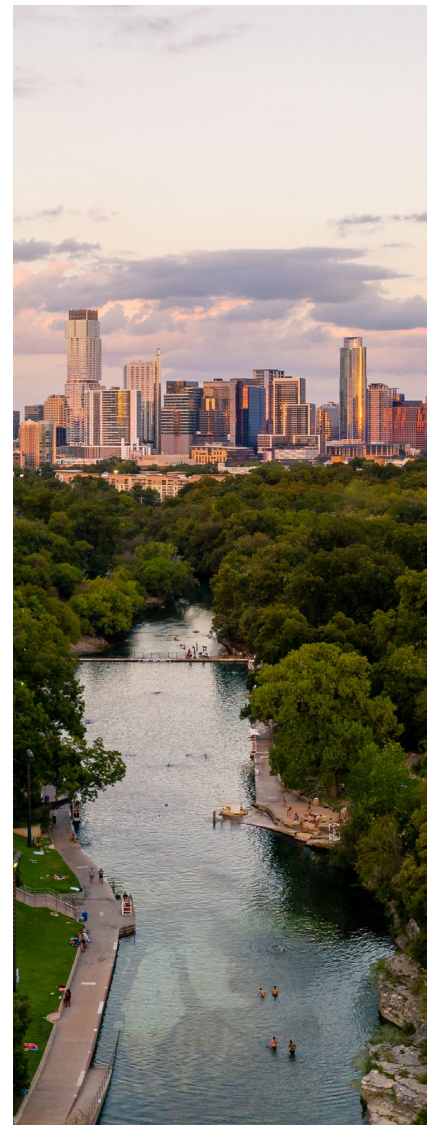
Revenue

- **GENERAL FUND PROJECTED TO END FY24 WITH \$1.4 BILLION IN TOTAL REVENUE, \$3.8 MILLION BELOW BUDGETED LEVEL, INCLUDING:**
 - **SALES TAX:** Projected at \$358.7 million, \$16.9 million below budget due to persistent weakness in taxable sales; FY24 sales tax growth projected at 0.04%
 - **INTEREST EARNINGS:** \$9.8 million above budget as rates have remained elevated – however we are watching Federal Reserve closely on guidance for rate cuts
 - **PROPERTY TAX & OTHER FEES:** \$6 million from slightly higher than anticipated property tax and parking violations collections and, a change in the timing of the federal charity care payment to EMS
 - **FRANCHISE FEES:** \$4.6 million less than projected; primarily due to lower natural gas prices and a warmer winter

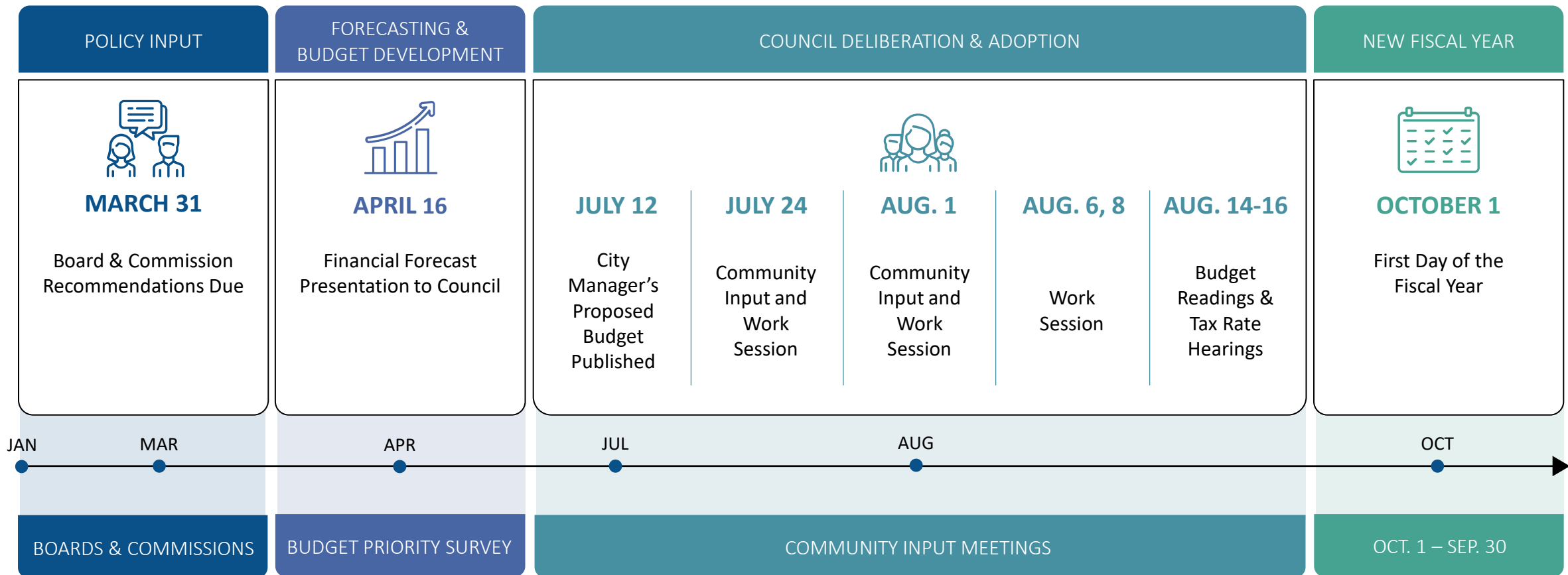
FY24 General Fund Estimate

Expenditures

- ● COMBINED, GENERAL FUND DEPARTMENTS ARE PROJECTED TO CLOSE THE YEAR WITH EXPENDITURES AT BUDGET
- ● REALIZED VACANCY SAVINGS LESS THAN BUDGET FROM SUCCESSFUL HIRING EFFORTS
- ● INFLATIONARY PRESSURE ACROSS ALL EXPENDITURE CATEGORIES



FY25 Budget Timeline



CITYWIDE COST DRIVERS



Citywide Cost Drivers: Personnel & Benefits

HEALTH INSURANCE	<ul style="list-style-type: none">10% projected annual increase
WAGES	<ul style="list-style-type: none">3% assumed annual wage increase + 1% adjustment to offset increase in retirement contribution
MARKETS	<ul style="list-style-type: none">Citywide market study implemented mid-year FY 2024
LIVING WAGE	<ul style="list-style-type: none">Funding included to maintain Living Wage increase policy
REDUCED CITYWIDE VACANCY RATE	<ul style="list-style-type: none">Adjustments to budgeted personnel savings resulting from successful hiring effortsEliminate positions vacant longer than 2 yearsNo new non-sworn positions approved for departments with a vacancy rate of 15% or higher



Citywide Cost Drivers: Shared Service Allocations

	FORECASTED ANNUAL GROWTH:
SUPPORT SERVICES <ul style="list-style-type: none">Support Service departments include Human Resources, Law, Financial Services, Building Services, City Council, and others	5%
COMMUNICATIONS & TECHNOLOGY MANAGEMENT (CTM) <ul style="list-style-type: none">CTM provides for the delivery of core IT infrastructure, applications, and information security, as well as critical replacement of end-of-life technology	5%
FLEET MAINTENANCE <ul style="list-style-type: none">Fleet Mobility Services manages the full lifecycle of all vehicles and equipment including acquisitions, maintenance, repair, and disposition	5%
FUEL <ul style="list-style-type: none">Fuel costs are estimated based on usage and price projections from the U.S. Energy Information Administration	3%

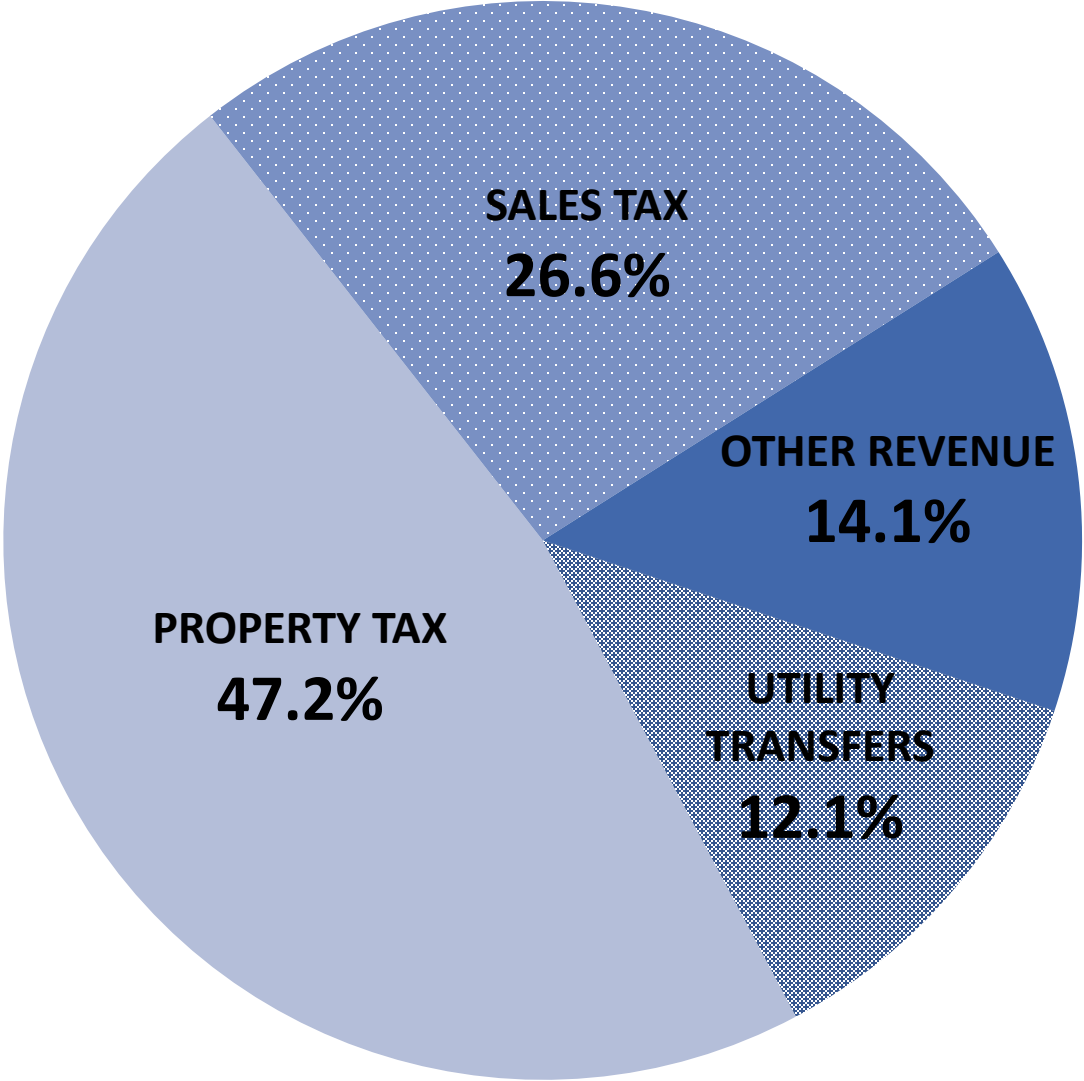


GENERAL FUND FORECAST



Current General Fund Revenue: \$1.4 Billion

**FY 2024 YEAR-END
ESTIMATED REVENUE
COLLECTIONS**



General Fund Revenue: Revenue Sources Over Time

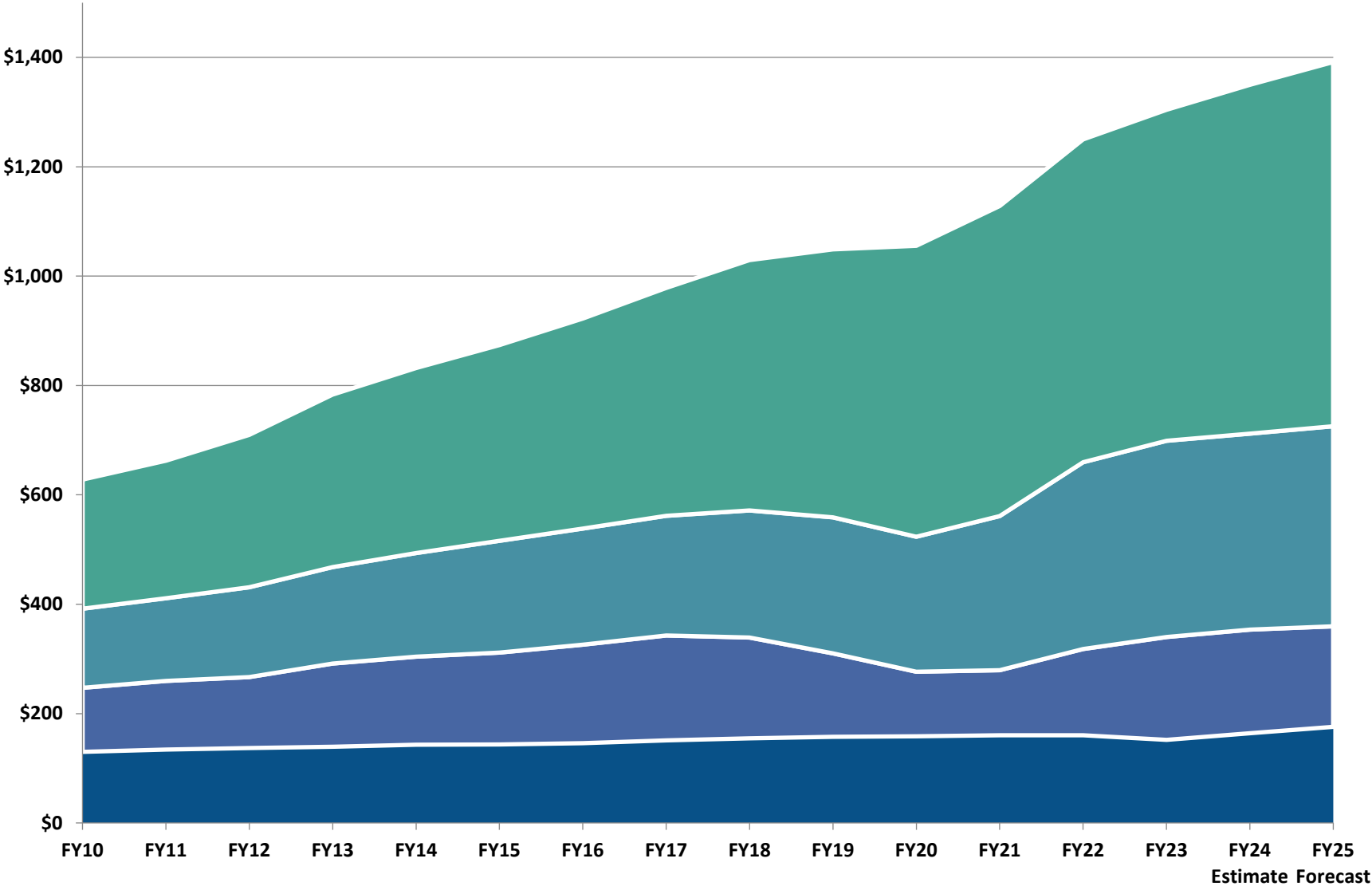
FY 2010
Actual

PROPERTY TAX
37.6%

SALES TAX
23.0%

OTHER REVENUE
18.7%

UTILITY TRANSFERS
20.7%



FY 2024
Estimate

PROPERTY TAX
47.2%

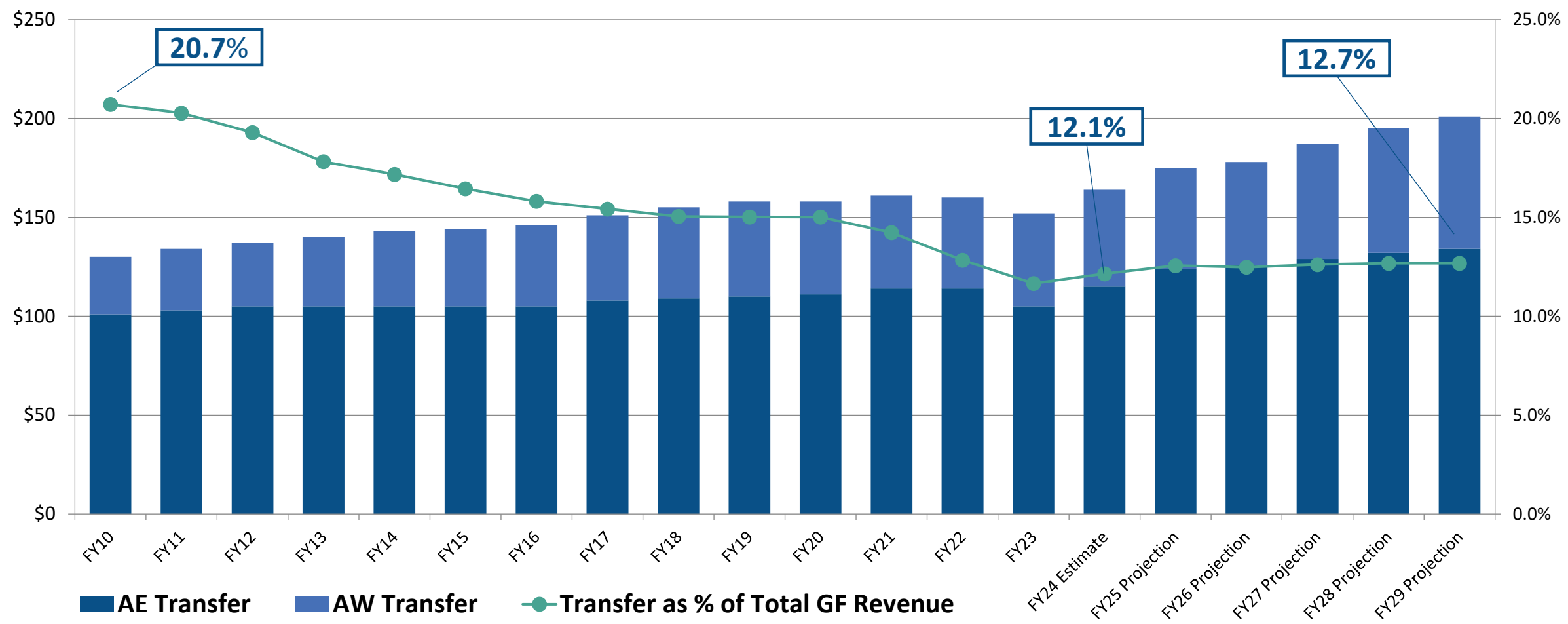
SALES TAX
26.6%

OTHER REVENUE
14.1%

UTILITY TRANSFERS
12.1%

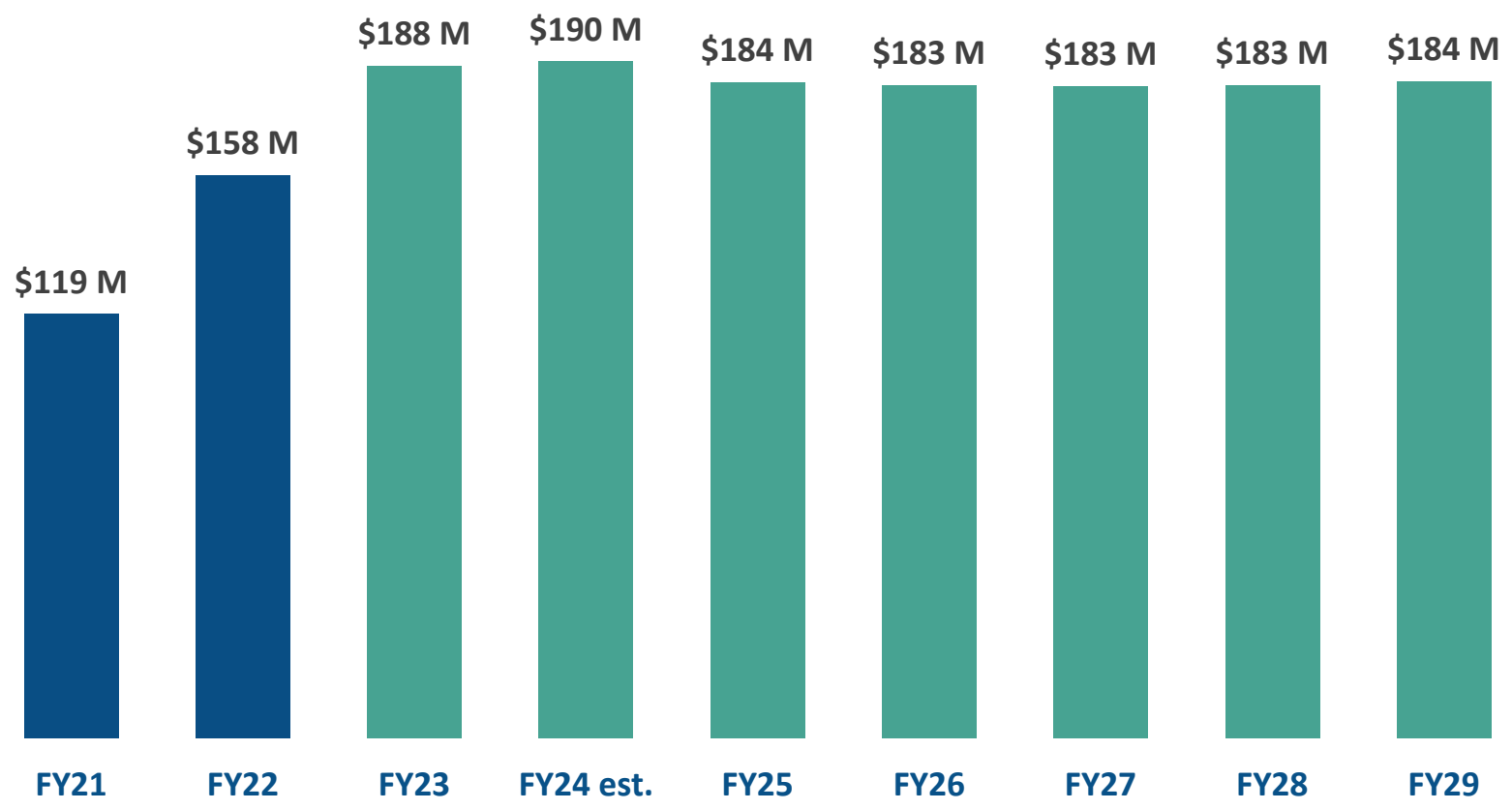
General Fund Revenue Sources: Utility Transfer

AE Transfer: 11.6% in FY25; growth capped at 2% in FY26-FY29
AW Transfer: 8.2% FY25-FY29



General Fund Revenue Sources: Other Revenue

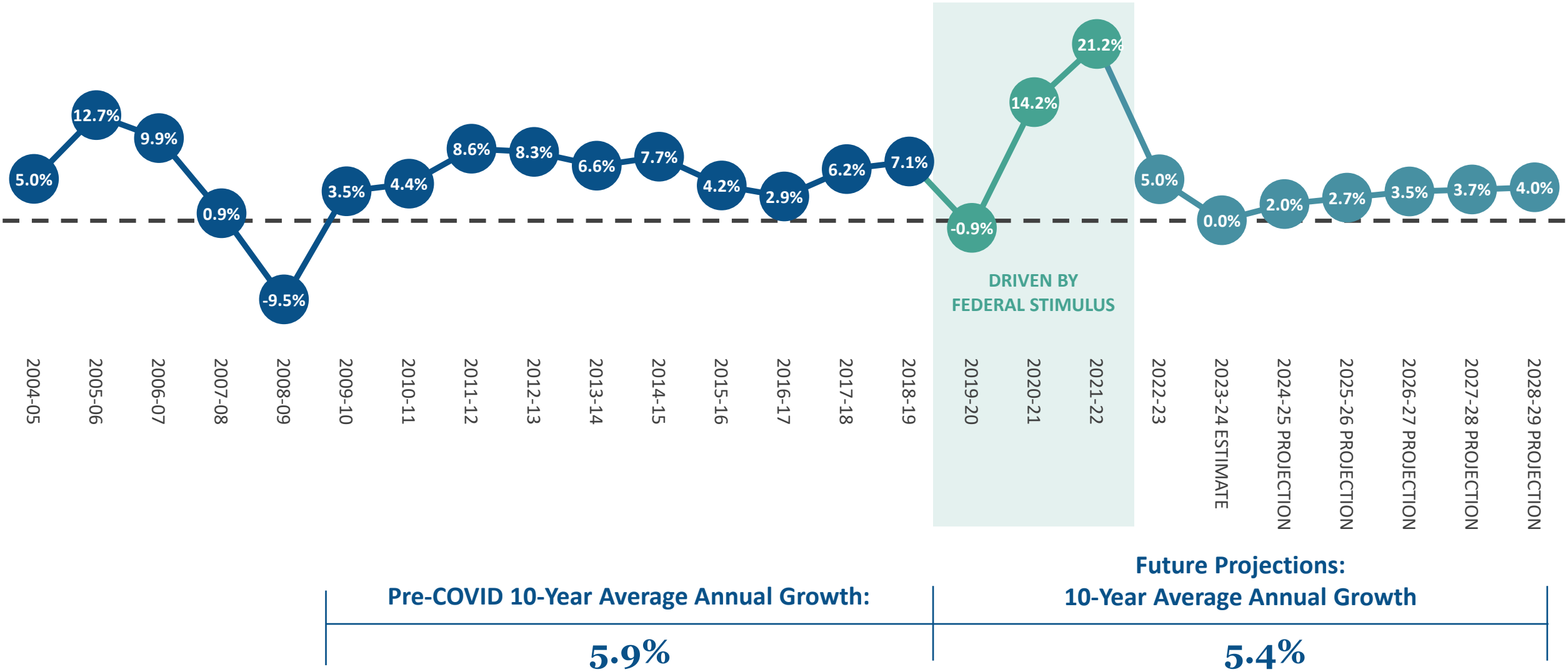
- EMS Charges for Service
- Telecommunications, Gas, and Cable Franchise Fees
- Interest
- Mixed Beverage Tax
- Public Health and Safety Licenses, Inspections, and Permits
- Recreation Charges for Service
- Alarm Permits
- Fines



FUTURE PROJECTIONS

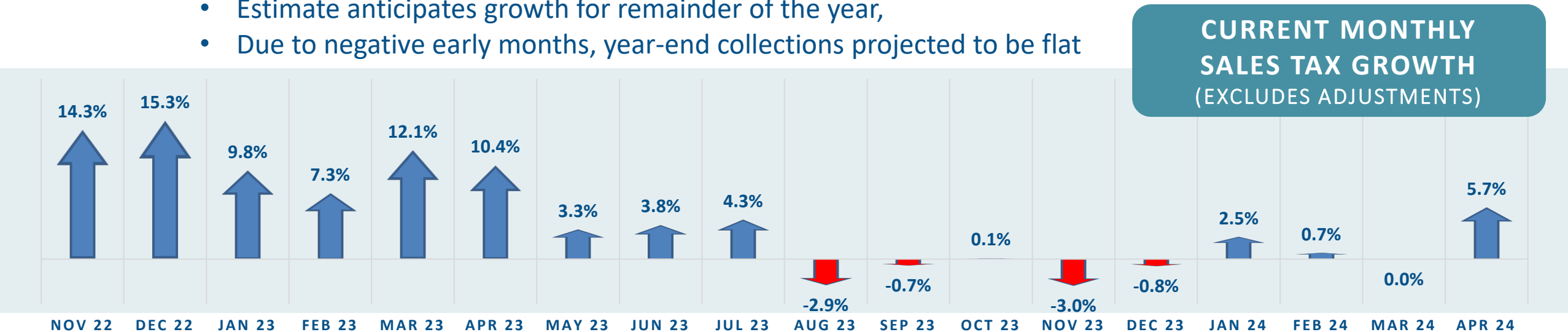
5-Year Compound Annual Growth Rate (0.6%)

General Fund Revenue Sources: Sales Tax



General Fund Revenue Sources: Sales Tax

- **THROUGH FIVE PAYMENTS, FY24 YEAR-TO-DATE GROWTH IS 1.4%**
 - Growth rate to meet budget is 4.8%
- **CURRENT COLLECTIONS, WHICH EXCLUDE ADJUSTMENTS, SHOWING YEAR-TO-DATE GROWTH OF 1.5%**
- **MOST RECENT PAYMENT LEAVES ROOM FOR OPTIMISM; BUT SIGNIFICANT UNCERTAINTY REMAINS**
 - Estimate anticipates growth for remainder of the year,
 - Due to negative early months, year-end collections projected to be flat



General Fund Revenue Sources: Property Tax

PROJECTED	FY25 REVENUE	TOTAL RATE	GF M&O RATE	DEBT RATE	ATP RATE
No-New-Revenue Rate	\$626.2M	\$0.4234	\$0.2635	\$0.0908	\$0.0691
Voter-Approval Rate	\$668.4M	\$0.4459	\$0.2813	\$0.0908	\$0.0738

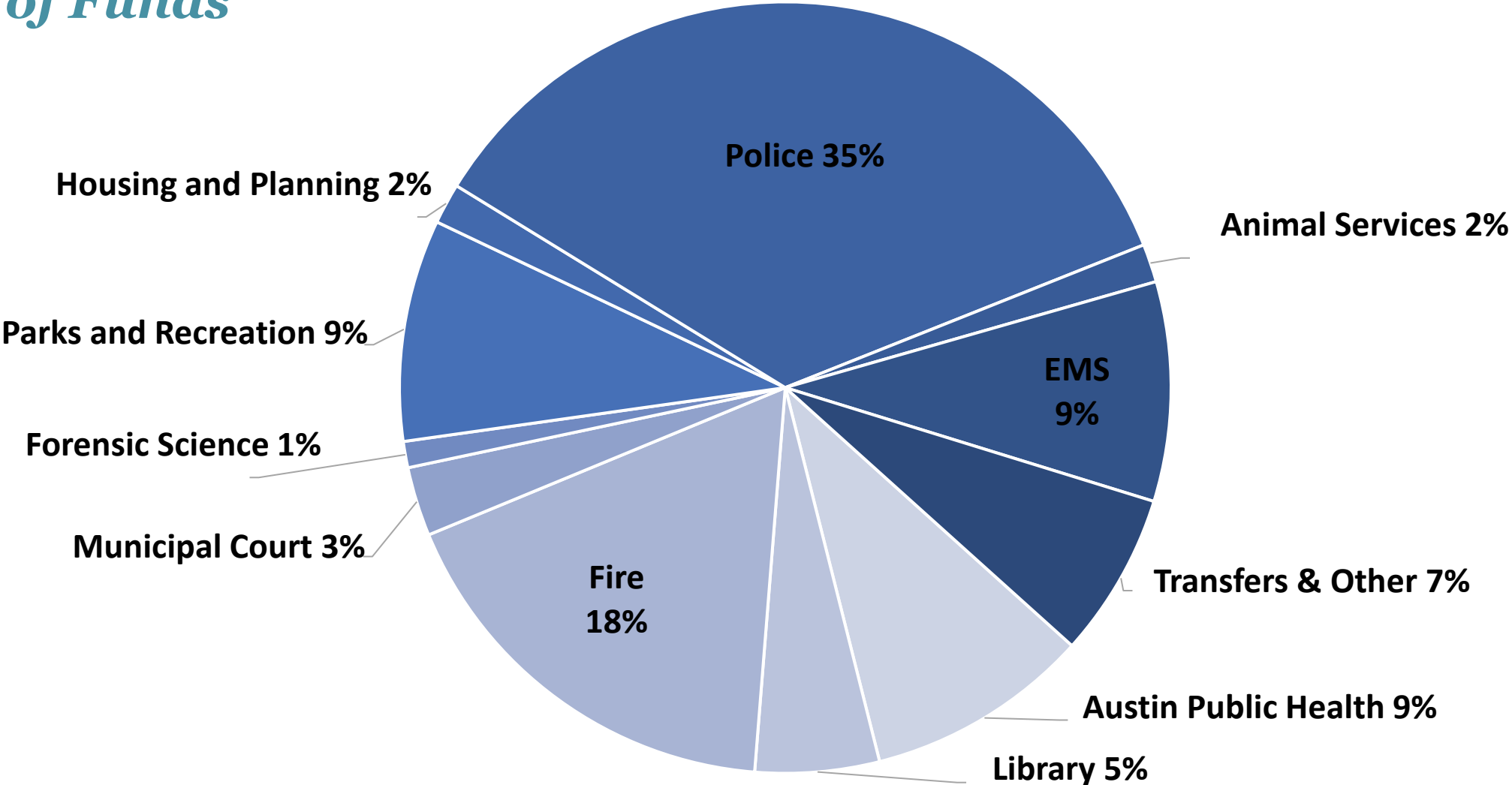
➤ State revenue cap of 3.5% applies to the M&O property tax revenue derived from properties taxed in both years, without seeking voter approval.

PROJECTED PROPERTY TAX BILL	FY 2024 APPROVED	NO-NEW- REVENUE RATE	VOTER-APPROVAL RATE
Non-Senior Homestead <i>FY25 projected median assessed value of \$534,500, net of 20% homestead exemption</i>	\$1,782	\$1,810	\$1,907
Senior/Disabled Homestead <i>FY25 projected median assessed value of \$524,419, net of 20% general homestead exemption & \$124,000 senior/disabled exemption</i>	\$1,179	\$1,235	\$1,300

➤ New construction is exempt from the cap – *projected at a record \$5.5B in FY 2025*

FY 2024 General Fund: \$1.4 Billion

Uses of Funds



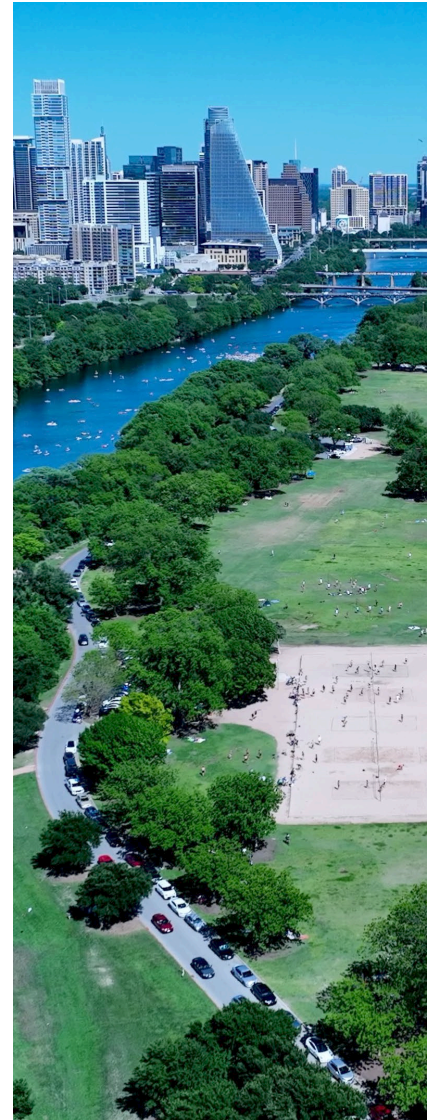
Projected General Fund Base Cost Drivers

INCLUDED ITEMS:	FY 2025:
Salary and benefits increases*	\$46.0M
Support Services, CTM, fleet maintenance, fuel and Worker's Compensation	\$10.3M
Canyon Creek station opening in FY 25 with 16 firefighters and 12 EMS positions	\$2.7M
Travis County Booking Interlocal	\$2.4M
Colony Park pool and Givens pool reopening increases in operating costs, including 2 positions	\$0.8M
Mexican American Cultural Center expansion increases in operating costs, including 4 positions, scheduled to open Summer 2025	\$0.7M
Animal Shelter increase for food, medical supplies and contractual services	\$0.4M

**civilian wage increases, markets, projected increases in City insurance contributions, and costs related to the labor contracts for EMS, Fire, and Police*

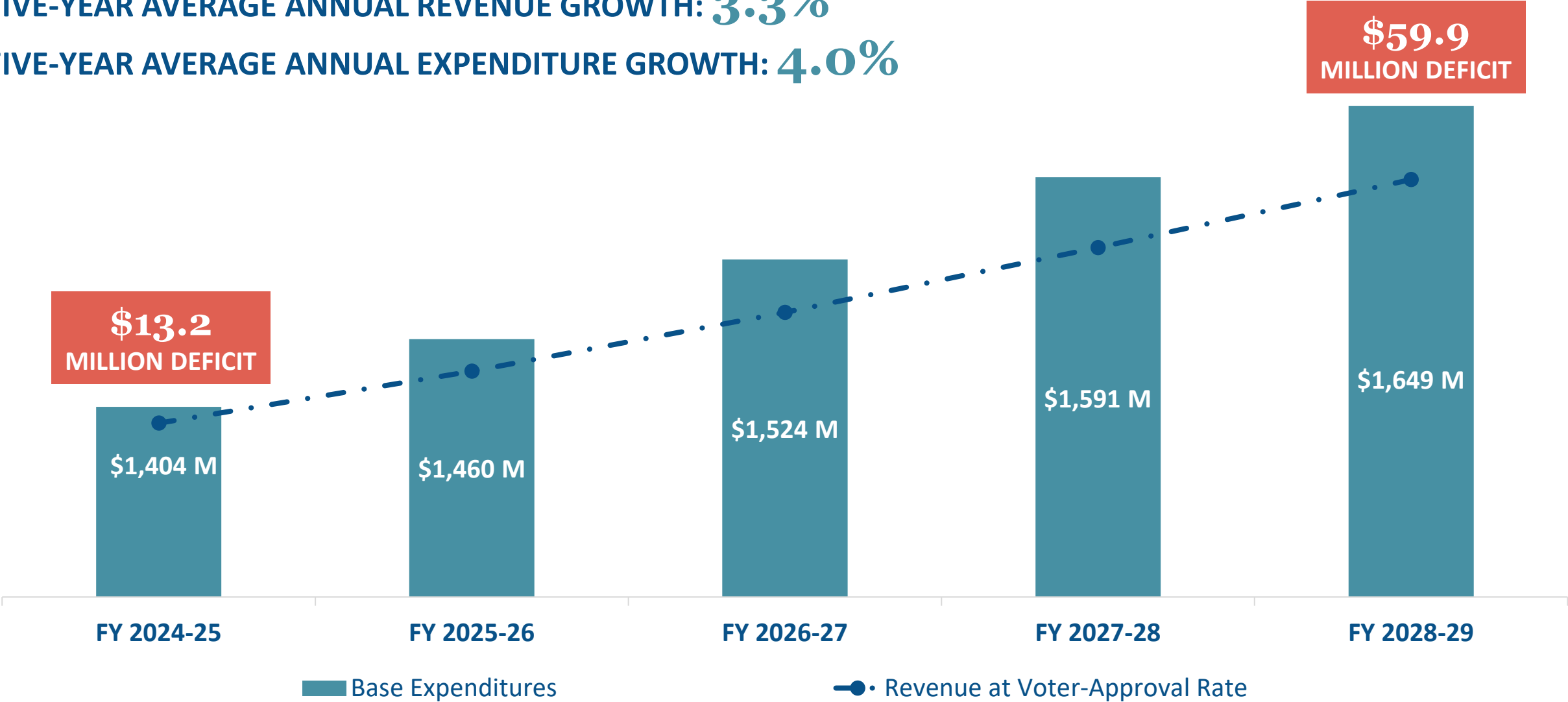
FY26 - FY29 INCLUDED ITEMS:

- Estimated Northeast Service Center debt service requirements
- Annualization of EMS, Fire, and PARD expenses



General Fund Five-Year Base Forecast

FIVE-YEAR AVERAGE ANNUAL REVENUE GROWTH: 3.3%
FIVE-YEAR AVERAGE ANNUAL EXPENDITURE GROWTH: 4.0%



Year-to-Year Forecast Comparison

● NEW COST ASSUMPTIONS IN FY 25 – FY 29 FORECAST

Increase in personnel and benefits costs

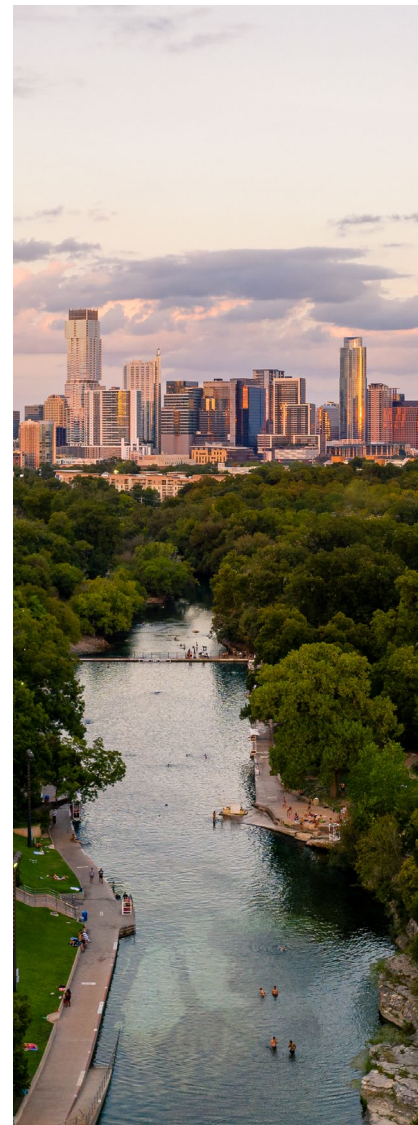
- Approved labor costs for EMS and Fire higher than projected
- Higher insurance cost projections due to updated actuarial information
- Increase in City's contribution to City of Austin Employees Retirement System (COAERS) as required by 88th Legislative Session
- Newly added costs for anticipated changes to Fire pension system contributions

Lower expected sales tax returns

- Includes 3.2% average annual sales tax growth compared to 3.9% in FY 24 – FY 28 Forecast

Reduced Austin Energy General Fund Transfer

- AE General Fund transfer amount is capped in all out-years at 2% annual increase; total General Fund revenue difference of (\$6M) in FY26; (\$18M) by FY29



FY25 General Fund Reserves

● GENERAL FUND RESERVES PROJECTED TO END FY 2025 AT 18.2% OF ONGOING EXPENDITURES

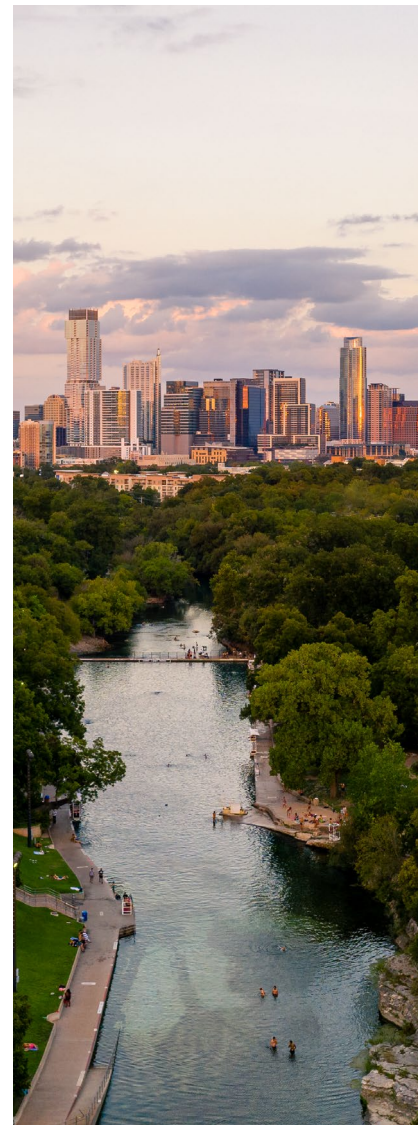
Reflects receipt of projected \$49.5 million in reimbursements in FY 2024

- \$19 million in County COVID reimbursements
- Recent notification of FEMA approval of \$16.5 million in Winter Storm Mara reimbursements

Additional \$13.8 million in projected FEMA reimbursements in FY 2025

Surplus of \$16.5 million versus 17% financial policy level

- Does not reflect closing \$13.2M budget gap
- Does not assume any one-time expenditures



American Rescue Plan Act

● ARPA UPDATE:

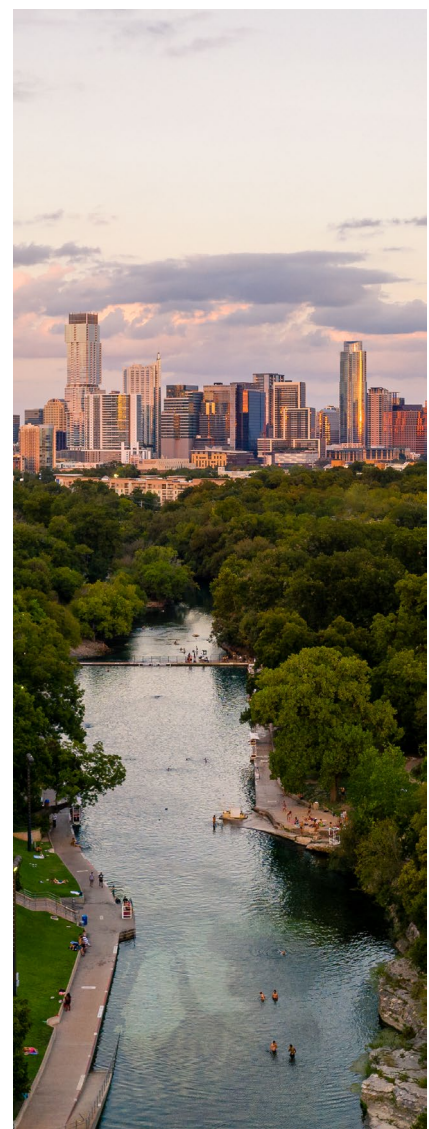
\$188.5 million in one-time funding must be encumbered by December 31, 2024

- \$31.4 million remaining as of January 2024

30 projects in Council-approved spending framework

- 8 fully implemented and closed
- 15 with expected completion in FY 2024 and FY 2025
- 7 longer-term projects to be completed by FY 2027

Forecast does not reflect continuation of any new or expanded services currently funded by ARPA once federal funding is depleted



Addressing Budget Structural Imbalance

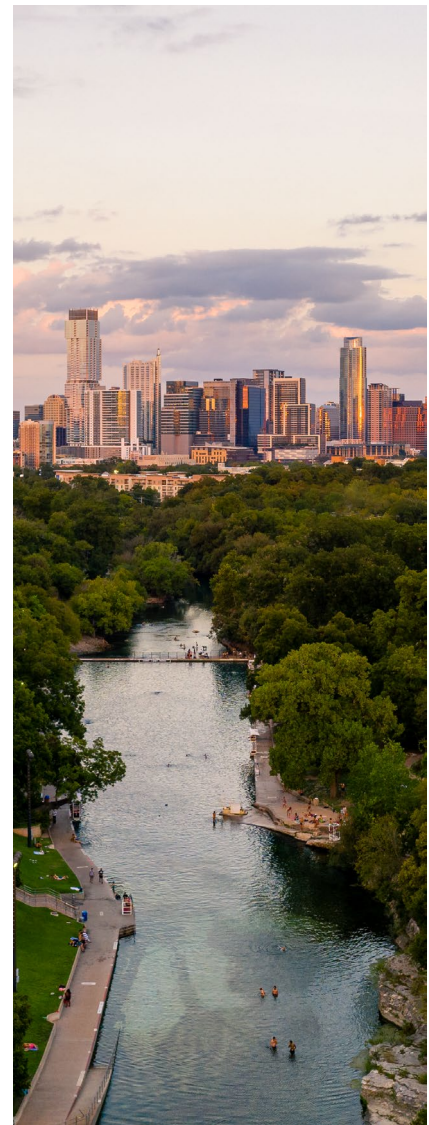
● ECONOMIC ENVIRONMENT:

Longer-term challenges of rising cost drivers and 3.5% revenue cap persist

- Base forecast reflects built-in cost drivers only
- Even at maximum tax rate increase of 3.5%, General Fund imbalance projected at \$59.9 million by FY 2029

Sales tax revenue weakness places strain on general fund

- End of Federal stimulus and sales tax contraction have exposed underlying structural imbalance
- Significant service enhancements or new initiatives will likely require a tax increase



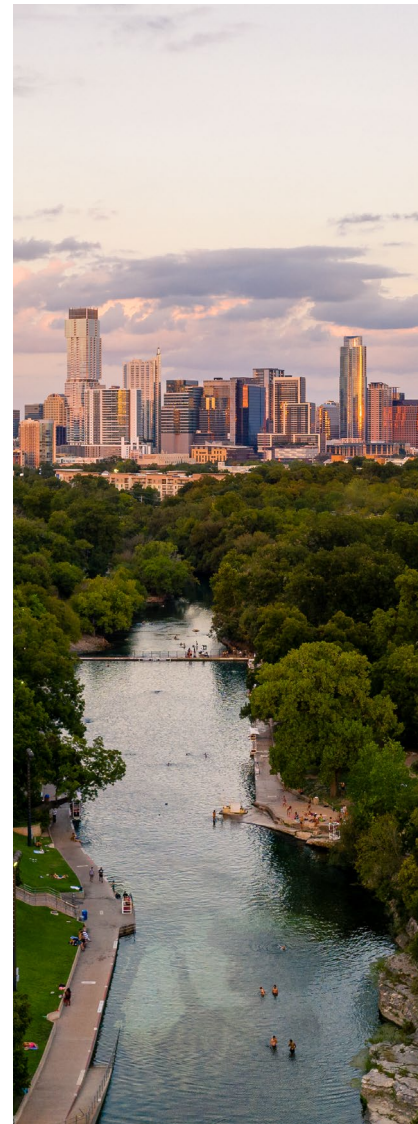
Addressing Budget Structural Imbalance

● IMMEDIATE RESPONSE:

- Scour department budgets to identify additional savings and efficiencies
- Analyze departmental fees for opportunities to increase to full cost-of-service

● REQUIRED POLICY GUIDANCE:

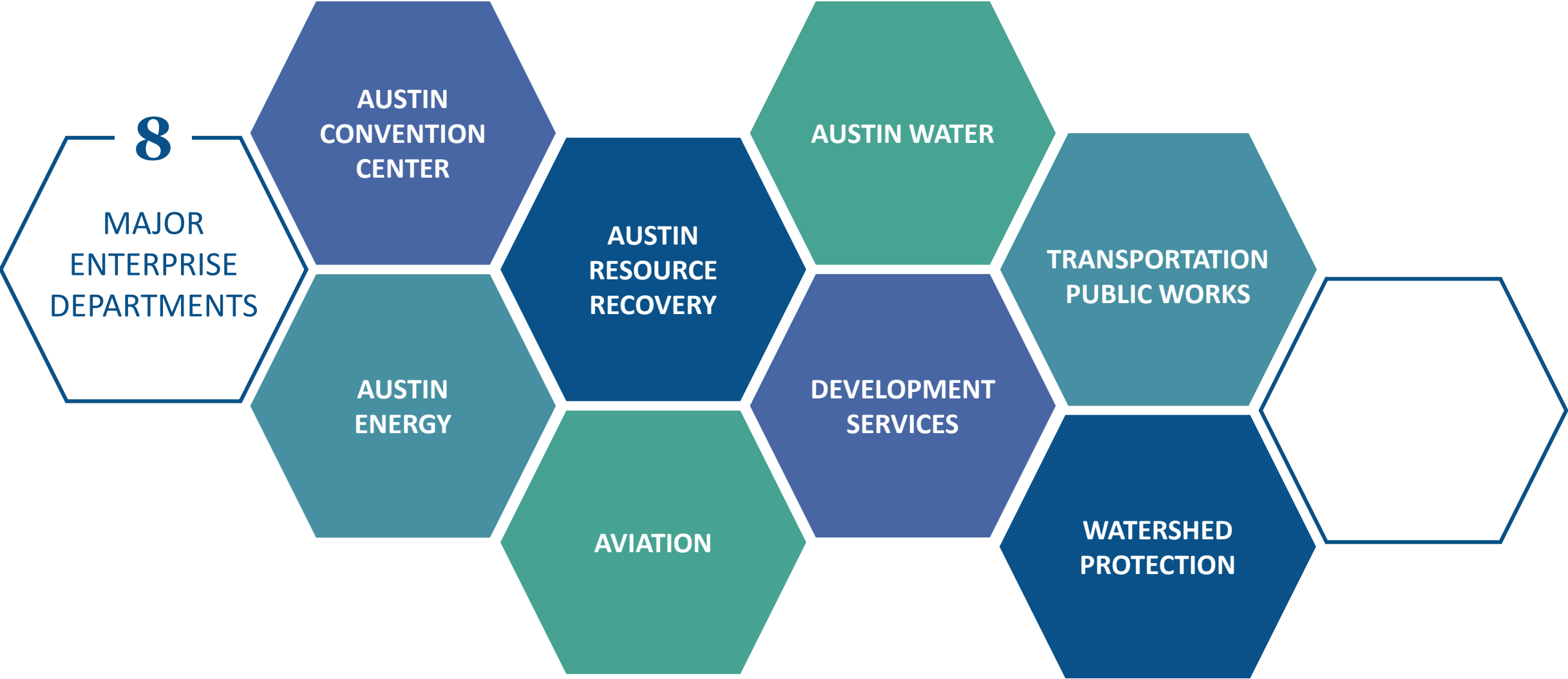
- Tax Rate Elections
- AE General Fund Transfer
- Bend the City's cost curve



ENTERPRISE FUND HIGHLIGHTS

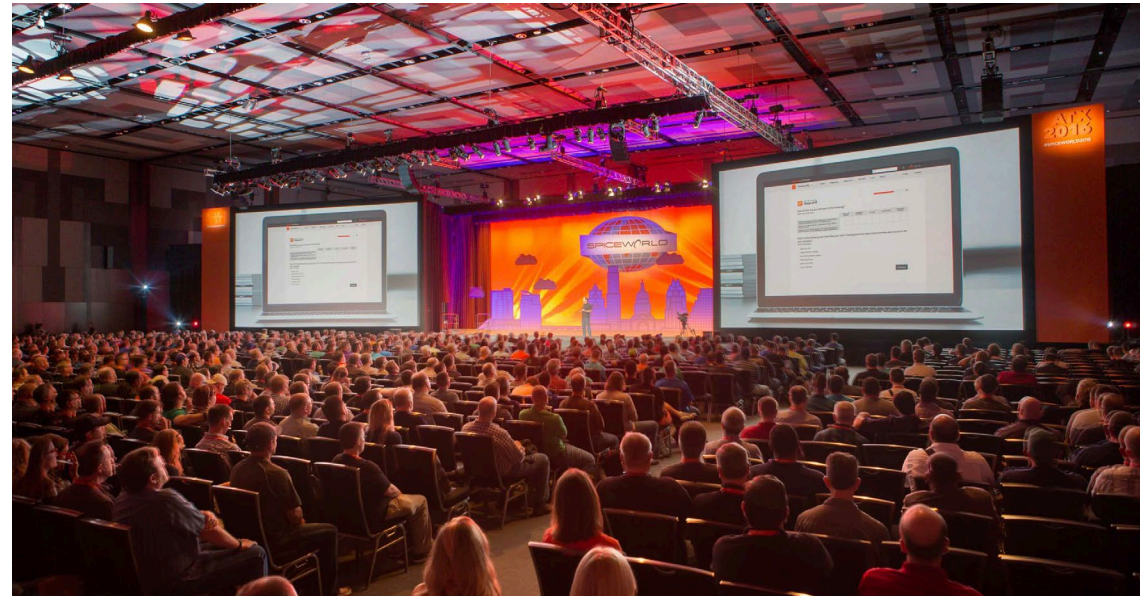
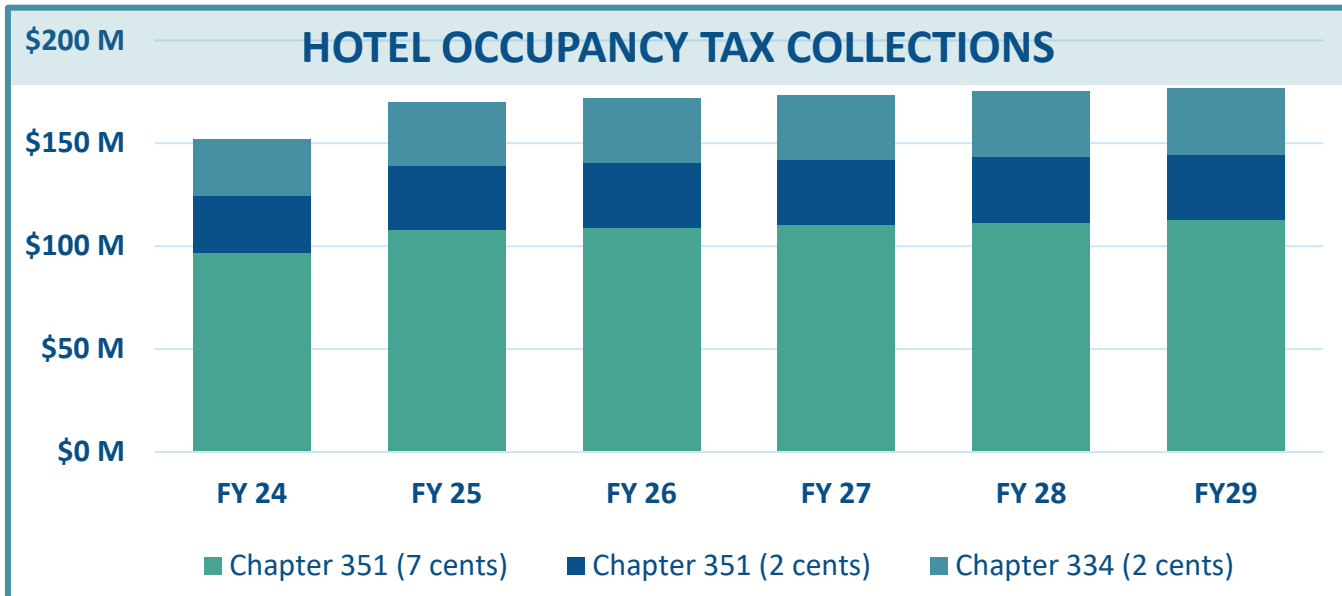


Major Enterprise Departments



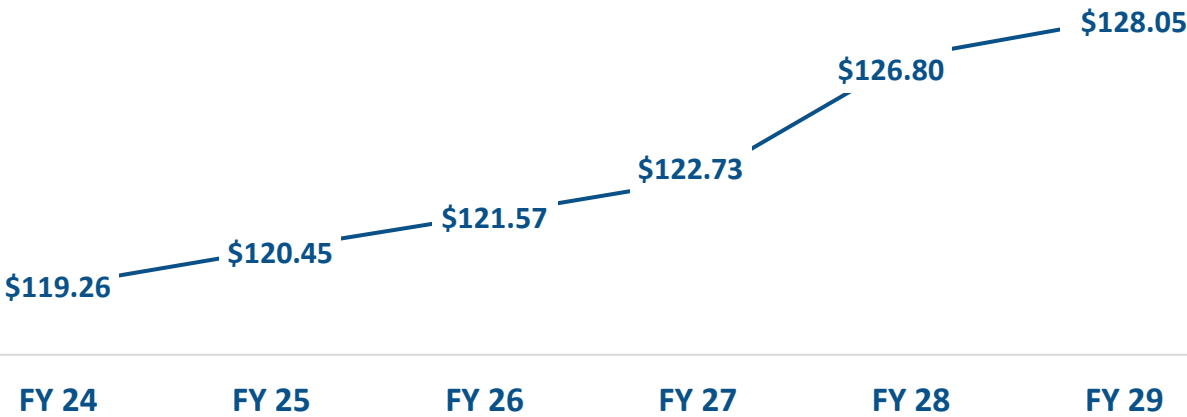
FY25 - 29 Forecast: Austin Convention Center

- Projected revenue and expenditures reflect the planned closure of the Convention Center, while maintaining operations at Palmer Events Center and the parking garages
- Forecast anticipates opening of expanded new facility in FY 2029



FY25 - FY29 Forecast: Austin Energy

TYPICAL RESIDENTIAL MONTHLY BILL: AE



RESTORE FINANCIAL HEALTH:

- Long-term stability of our electric utility is essential
- Rate increases necessary to improve financial metrics:
 - 2% in FY25-FY27, FY29
 - 7% in FY28

General Fund Transfer (GFT)	FY 25 GFT Amount	FY 29 GFT Amount	Metrics	Target	FY 24	FY 25	FY 26	FY 27	FY 28	FY 29
FY25 Forecast: 11.6% in FY25, then capped at 2% growth	\$124M	\$135M	Days Cash on Hand	150	126	132	134	139	152	165
			Debt to Capital	<50%	56%	55%	56%	55%	53%	52%
Comparison with 11.6% GFT in all years	=	\$153M (+\$18M)	Days Cash on Hand	150	=	=	132 (-2)	135 (-4)	145 (-7)	154 (-11)
			Debt to Capital	<50%	=	=	=	=	54% (+1%)	=

FY25 - 29 Forecast: Austin Resource Recovery

9

NEW POSITIONS IN FY 2025 TO SUPPORT HOUSEHOLD HAZARDOUS WASTE PROGRAM, MEET GROWING OPERATIONAL SUPPORT NEEDS, AND OPERATE THE FURNITURE REUSE WAREHOUSE



FURTHER INCREASES DURING FORECAST PERIOD FOR NORTHEAST SERVICE CENTER DEBT SERVICE PAYMENTS, ACQUIRING AND MAINTAINING ARR'S FLEET, AND 22 ADDITIONAL POSITIONS

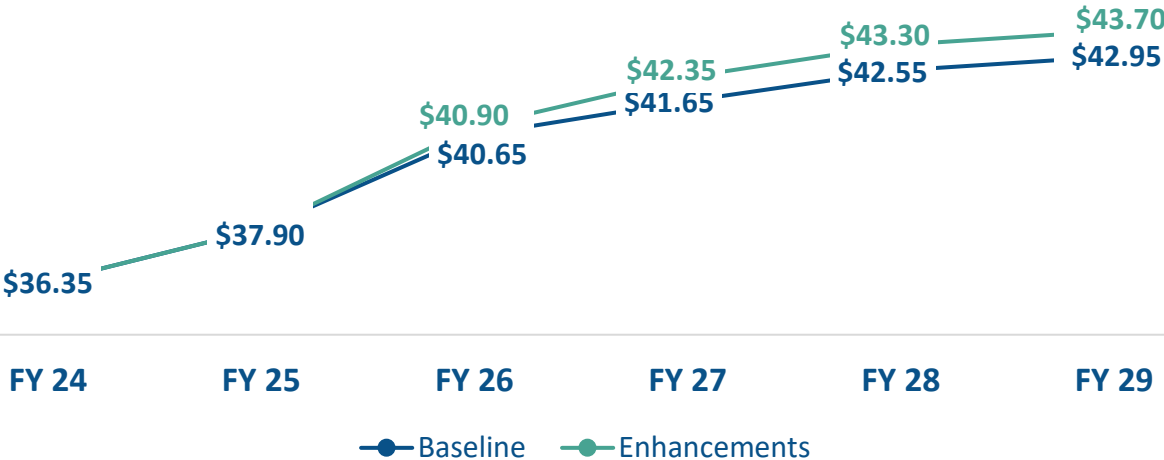
\$1.55

INCREASE IN FY 2025 TYPICAL ARR RESIDENTIAL CUSTOMER MONTHLY BILL; TOTAL INCREASE OF \$6.60 PROJECTED THROUGH FY 2029

PROSPECTIVE SERVICE ENHANCEMENTS:

- Includes 29 additional positions, for a total of 60, to expand Zero Waste programs
- \$7.35 total increase is projected by FY 2029 to fund enhancements

TYPICAL RESIDENTIAL MONTHLY BILL: ARR



FY25 - 29 Forecast: Austin Water

\$7.8M

DECREASE IN FY 2025 OPERATING REQUIREMENTS, A NET RESULT OF BASE COST DRIVER INCREASES OFFSET BY \$32.5 MILLION REDUCTION IN DEBT SERVICE AND DEFEASANCE COSTS



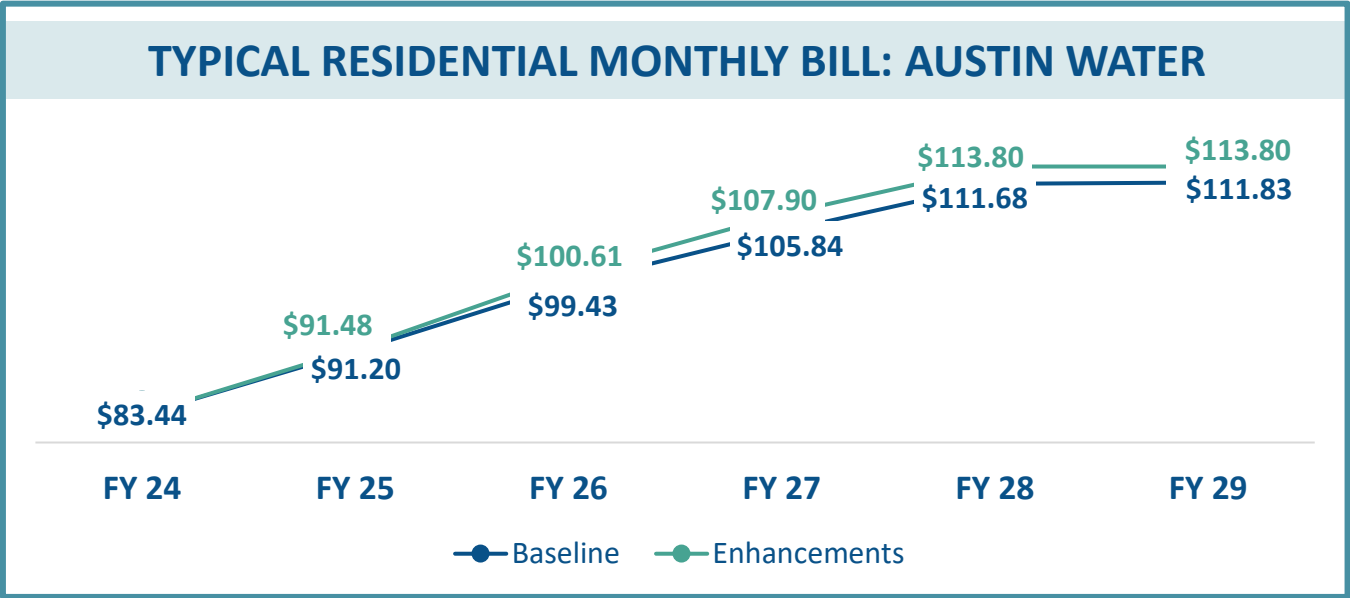
FORECASTED EXPENDITURE INCREASES IN OUT-YEARS TO MEET CASH FUNDING REQUIREMENTS OF INFRASTRUCTURE PROJECTS AND KEEP PACE WITH RISING CONTRACT AND COMMODITY COSTS

\$7.76

INCREASE IN FY 2025 TYPICAL AUSTIN WATER RESIDENTIAL CUSTOMER MONTHLY BILL; TOTAL AW MONTHLY BILL PROJECTED AT \$111.83 IN FY 2029

PROSPECTIVE SERVICE ENHANCEMENTS:

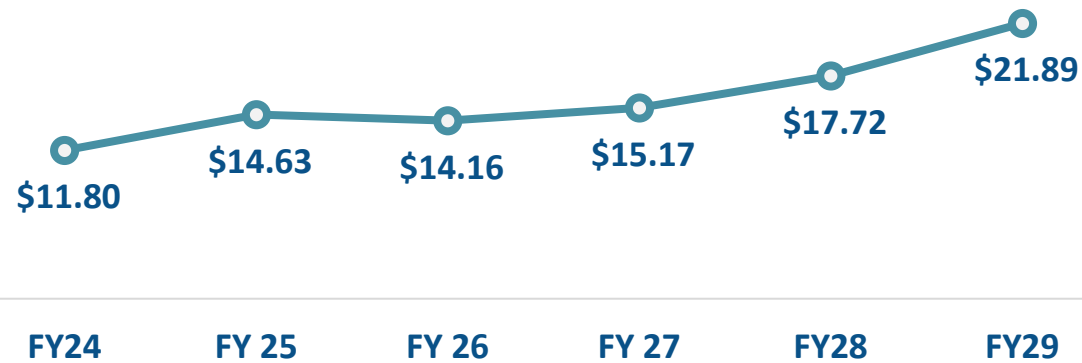
- Includes 29 new positions to improve customer service experience and expand internal services like IT and HR
- Maintains forecasted levels of planned capital investments
- Typical Austin Water residential customer monthly bill of \$91.48 in FY 2025; \$113.80 by FY 2029 for enhancements



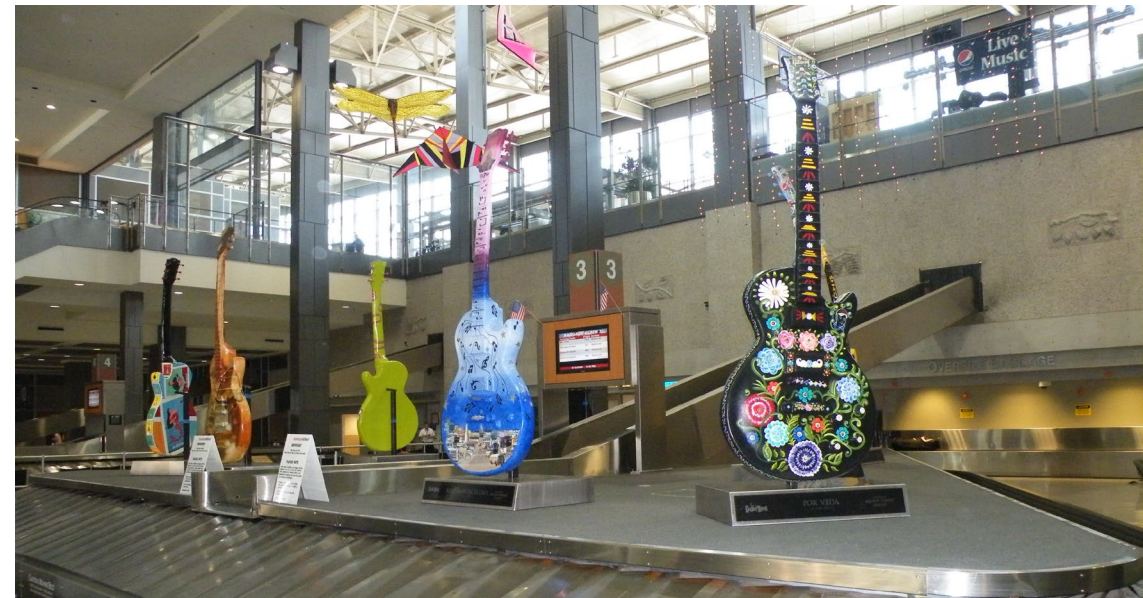
FY25 - 29 Forecast: Aviation

- \$34.4 million increase in FY 2025 to meet debt service requirements and reflect impact of successful efforts to reduce vacancy rate
- Out-year expenditure increases driven by the Airport Expansion and Development Program; includes funding for 80 new positions and increasing debt service and contract costs
- Continued trend of record-breaking passenger traffic supports revenue projection of \$498.4 million by FY 2029, up from \$310 million in current year

AIRLINE COST PER ENPLANED PASSENGER*



**projections are subject to change based on future use and lease agreement*



FY25 - 29 Forecast: Development Services

\$2.1M

FY 2024 COST
MITIGATION EFFORTS
IN RESPONSE TO
SLOWDOWN IN
DEVELOPMENT
ACTIVITIES



FORECASTED EXPENDITURES
IN OUT-YEARS REFLECT COST
REDUCTIONS FOR
PERMITTING AND
INSPECTION SERVICES AND
COST INCREASES FOR
COMPLIANCE-RELATED
ACTIVITIES

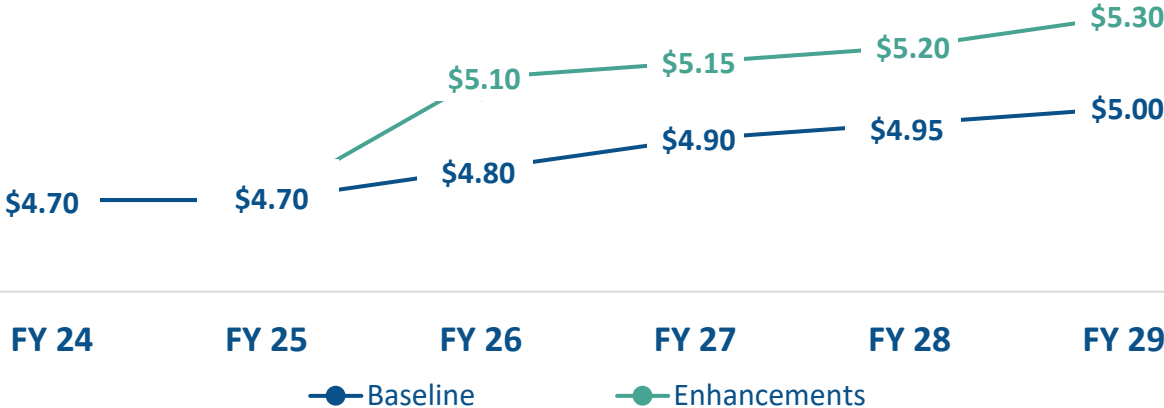
\$0.30

INCREASE TO DSD'S
PORTION OF CLEAN
COMMUNITY FEE (CCF)
OVER THE FORECAST
PERIOD NECESSARY TO
MAINTAIN EXISTING
SERVICE LEVELS

PROSPECTIVE SERVICE ENHANCEMENTS:

- Includes 10 positions to expand Short-Term Rental and Neighborhood Investigations programs
- Further increase of \$0.30 to DSD's portion of Clean Community Fee (CCF), a total increase of \$0.60 by FY 2029

TYPICAL RESIDENTIAL MONTHLY BILL: CLEAN COMMUNITY FEE (DSD'S PORTION)



FY25 - 29 Forecast: Transportation & Public Works

\$8.8M

DECREASE IN FY 2025 OPERATING BUDGET; COST DRIVER INCREASES OFFSET BY A DECREASE IN ONE-TIME VEHICLE ACQUISITION COSTS AND REALIGNMENT IDENTIFIED EFFICIENCIES



OUT-YEAR EXPENDITURE INCREASES TO SUPPORT INFLATIONARY INCREASES OF CONTRACTS, COMMODITIES, AND CITYWIDE COST DRIVERS

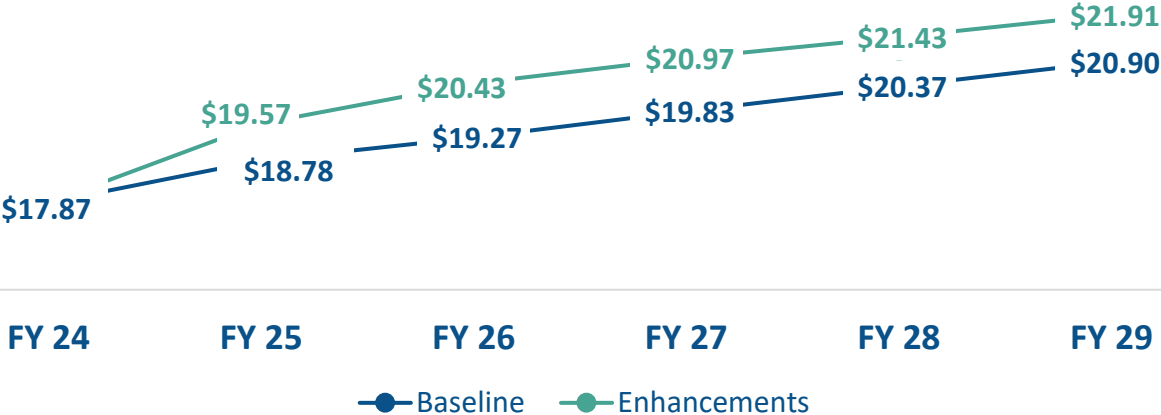
\$0.91

INCREASE TO TRANSPORTATION USER FEE (TUF) IN FY25 NECESSARY TO MAINTAIN EXISTING SERVICE LEVELS AND RESTORE STRUCTURAL BALANCE; TOTAL INCREASE OF \$3.03 BY FY 2029

PROSPECTIVE SERVICE ENHANCEMENTS:

- Includes 35 new positions: 25 to improve signal, sidewalk, and street maintenance; 10 positions for parking compliance
- Further increase of \$1.70 per month to TUF in FY 2025, total increase of \$4.04 by FY 2029 for enhancements

TYPICAL RESIDENTIAL MONTHLY BILL: TRANSPORTATION USER FEE



FY25 - 29 Forecast: Watershed Protection

\$9.9M

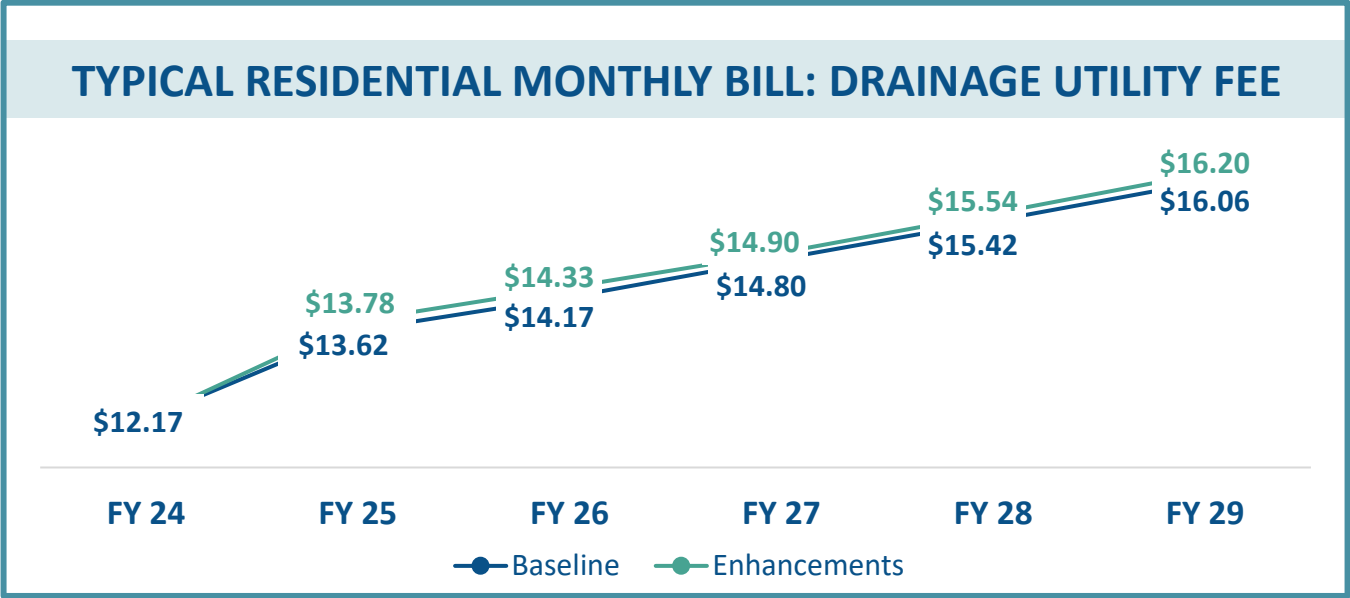
INCREASE IN FY 2025 TO
KEEP PACE WITH RISING
PERSONNEL,
CONTRACTUAL, AND
COMMODITY COSTS

\$1.45

PER MONTH INCREASE
IN THE DRAINAGE
UTILITY FEE (DUF) IN FY
2025, A \$3.89 INCREASE
IN THE DUF OVER THE
FORECAST PERIOD TO
MAINTAIN EXISTING
SERVICE LEVELS

PROSPECTIVE SERVICE ENHANCEMENTS:

- Establish a contingency fund for response to climate shocks
- Increase green infrastructure maintenance contract services
- \$1.61 increase in the Drainage Utility Fee (DUF) in FY 2025, \$4.03 total increase in the DUF by FY 2029 to support enhancements



“Typical” Residential Ratepayer

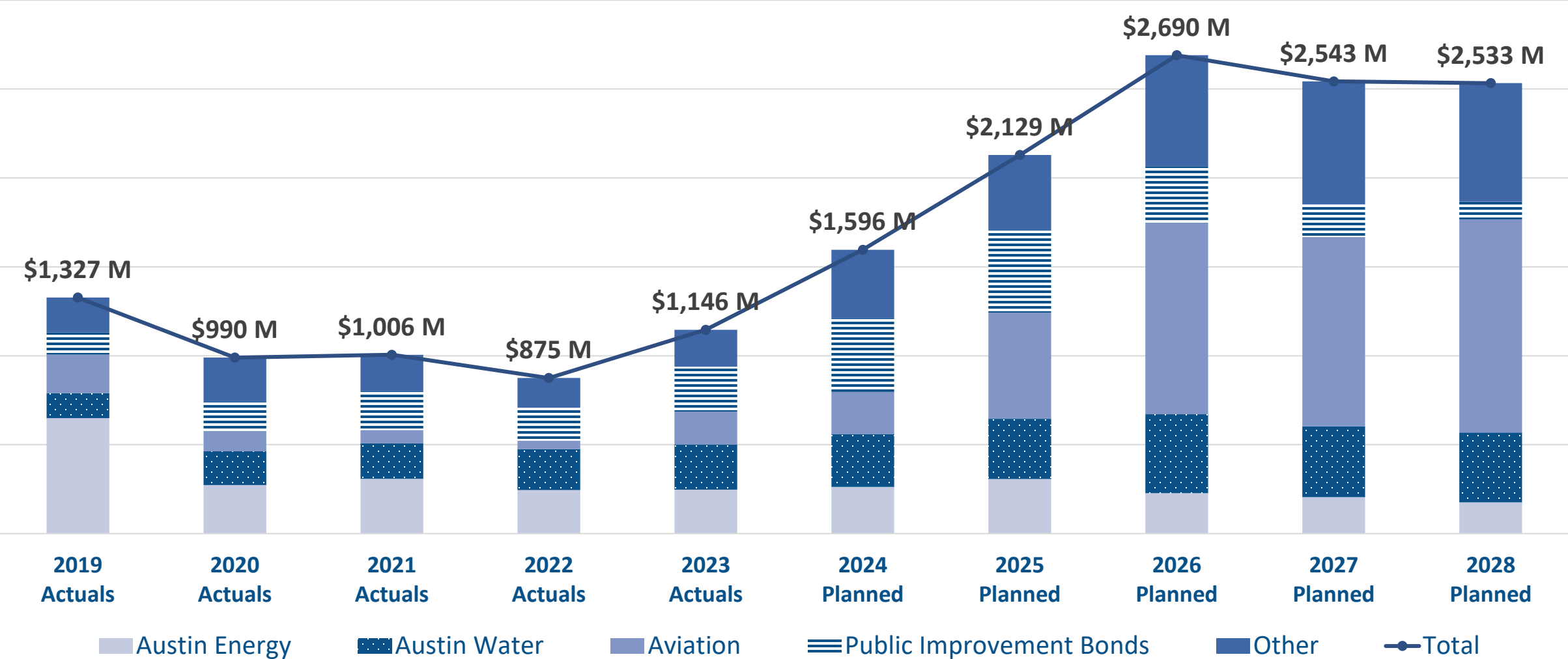
SERVICE OR FEE:	FISCAL YEAR 2023-24 YEARLY RATE:	FISCAL YEAR 2024-25 FORECAST*:	% INCREASE:	10-YEAR AVG. INCREASE:	TYPICAL RATEPAYER DEFINED AS:
Austin Energy	\$119.26	\$120.45	1.0%	2.4%	Residential customer usage of 860 kWh
Austin Water	\$83.44	\$91.20	9.3%	2.1%	Residential customer usage of 5,800 gallons of water
Austin Resource Recovery	\$31.35	\$32.35	3.2%	4.1%	Residential customer using a 64-gallon cart
Clean Community Fee	\$9.70	\$10.25	5.7%	3.3%	Per single-family home
Transportation User Fee	\$17.87	\$18.78	5.1%	8.6%	Per single-family home
Drainage Utility Fee	\$12.17	\$13.62	11.9%	3.3%	Residential customer with 3,100 sq. ft./37% of impervious cover
TOTAL YEARLY IMPACT:	\$273.79	\$286.65	4.7%	2.8%	

**does not include rate increases necessary to fund prospective service enhancements*

CAPITAL IMPROVEMENT PROGRAM (CIP) HIGHLIGHTS

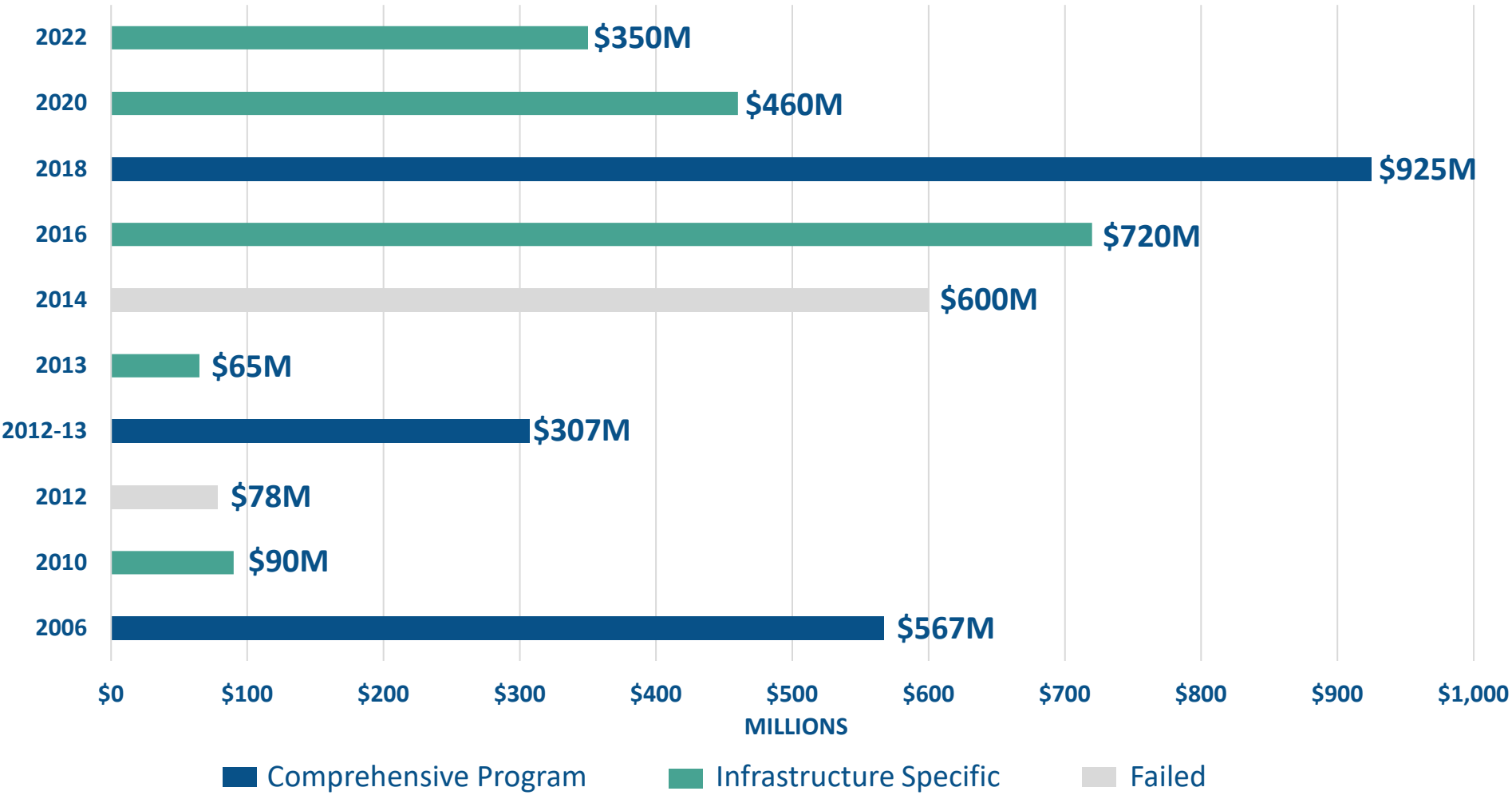


CIP Spending Overview



Public Improvement Bonds (PIBs)

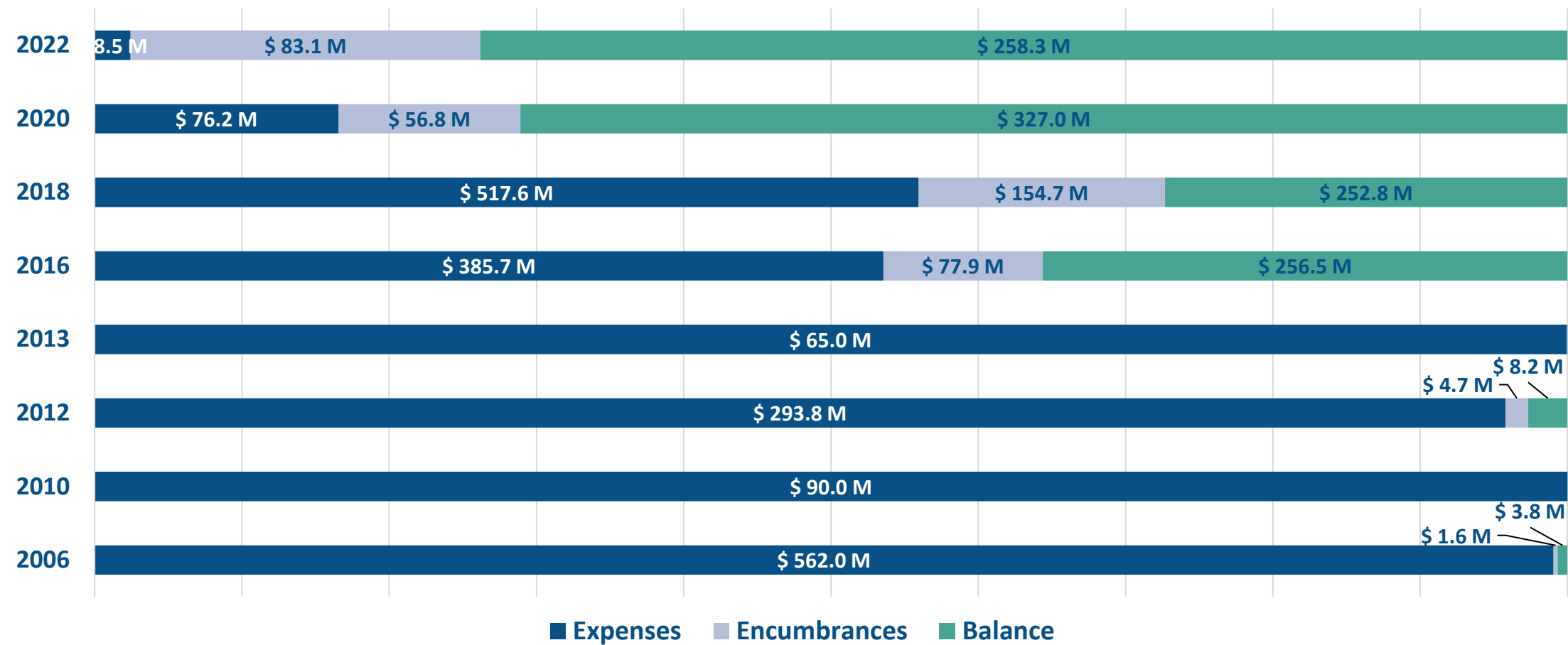
2006 - 2022 VOTING HISTORY



Public Improvement Bonds (PIBs)

AGGREGATE BALANCE STATUS BY ELECTION YEAR (2006-2022)

Total Authorized but Unissued Public Improvement Bonds: **\$1.63 Billion**



POLICY DISCUSSION



Unfunded Council Priorities

- 84 Council resolutions since June 2022 under review for potential fiscal impact
- The General Fund Base Financial Forecast **does not** include funding for these approved IFCs
- Items below are a sample of the full list of IFCs

ITEM DESCRIPTION:	RESOLUTION NO.
Develop and implement a program to support workforce development	<u>20240307-021</u>
Increase City's suicide prevention efforts	<u>20230921-068</u>
Enhance extreme weather shelter operations and support for unsheltered individuals	<u>20230816-021</u>
Identify strategies and funding options to maintain a minimum number of bridge shelter rooms	<u>20221208-069</u>
Explore options for provision of space for public safety purposes related to density bonus programs and planned unit developments	<u>20231130-074</u>
Provide support for residential property owners to add housing unit on homesteaded property	<u>20231214-071</u>
Place a mural on the Austin Water storage tank located in Armadillo Park	<u>20230816-015</u>

Note: a complete list of the IFCs included in the Financial Forecast Report

Citywide Strategic Plan (CSP) Alignment

Out of 243 Items from Council (IFCs) over two years, 225 (93%) align with Citywide Strategic Plan Goals



INTEGRATING COUNCIL PRIORITIES AND POLICY GOALS INTO THE FABRIC OF THE FY25 BUDGET

- Implement measures and strategies
- Operationalize plan throughout the organization
- Report progress through transparent dashboard

Questions?

For more information on Financial Services | Budget Office:

[AUSTINTEXAS.GOV/BUDGET](https://austintexas.gov/budget)

Art Featured:

Creativity and Culture: A Celebration / Creatividad y Cultura: Una Celebración
by Werllayne Nunes

Creativity and Culture: A Celebration, is a project of the Economic Development Department's Art in Public Places program. This four-paneled painting pays homage to the vibrant cultural arts of the African American community in East Austin – past and present, where the work is sited. It was created as part of the East Seventh Street Corridor streetscape, which includes a series of wayfinding obelisks (obeliscos) located at eight intersections.



FINANCIAL SERVICES
DEPARTMENT



City of Austin
**2024-25
BUDGET**