



Travis County Commissioners Court Agenda Request

Meeting Date: February 26, 2013

Elected/Appointed Official/Dept. Head:

Leslie Browder, County Executive, Planning & Budget, (512) 854-9106 *JB*

Jessica Rio, Budget Director, (512) 854-9106 *J.R.*

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Commissioners Court Sponsor:

County Judge Samuel T. Biscoe

AGENDA LANGUAGE:

CONSIDER AND TAKE APPROPRIATE ACTION ON FISCAL YEAR 2014 BUDGET ISSUES, INCLUDING THE FISCAL YEAR 2014 BUDGET GUIDELINES.

BACKGROUND/SUMMARY OF REQUEST:

The annual budget process traditionally begins with the consideration and approval of the budget guidelines by the Commissioners Court. Adopting the budget and the ad valorem tax rate are two of the most important processes that Travis County undertakes each year.

As in the past, the Budget Guidelines should provide policy direction to the Planning and Budget Office, as well as County departments and offices:

- Regarding funding levels for the upcoming fiscal year, which are largely dependent on the ad valorem tax rate during any given budget development process
- Criteria to help prioritize the addition of new resources to add or enhance services, or whether to repurpose existing funding in new directions
- More specific guidance and instructions for County departments and offices in the formulation of their budget submissions

Property tax revenue represents the most significant source of funding for the County's General Fund, where most of the County's core services are budgeted. Property taxes are considered a stable source of funding for local governments, largely due to the nature of the effective tax rate calculation. The effective tax rate is a calculated rate that provides a taxing unit with about the same amount of revenue it received in the year before on properties taxed in both years and less the revenue lost due to increased exemptions claimed by taxpayers. If property values rise, the effective tax rate will go

down, and vice versa. It is estimated for Fiscal Year 2014 that an additional \$625 million of exemptions will be claimed, mainly by taxpayers turning 65 years old, which results in a reduction of over \$3 million in property tax revenue.

The Commissioners Court has provided consistent policy guidance to the Planning and Budget Office over recent years that the tax rate used to develop the preliminary budget be "at or near" the effective tax rate. During discussions and deliberations, the Court has clarified this policy guidance such that a tax rate is considered near to the effective tax rate if within 3% of the effective tax rate. This approach will allow the Planning and Budget Office to bring a sound and balanced Preliminary Budget to the Commissioners Court for consideration in July, and will provide continued funding for the Court's programmatic commitments in the upcoming year. The underlying rationale that has driven this policy is based on the premise that modest growth in the tax rate over time is the best approach to respond to the increasing cost of delivering services.

It is important to note that even when new construction activity is underway and brings added value to the tax base, the effective tax rate is not always sufficient to generate the funding needed to keep pace with a growing population or rising costs. Preparing a Preliminary Budget at the effective tax rate would result in a \$10 increase in the annual tax bill for a Travis County resident who owns an averaged-valued homestead, but the overall revenue impact on the County's General Fund would be significant. For Travis County as a whole, a budget balanced at the effective tax rate would result in a reduction in General Fund revenue needed to pay for County services, which is currently estimated at an impact of approximately \$15 million. This reduction in revenue would likely necessitate curtailed spending for existing services, and would likely not provide for any consideration of workforce performance based pay or the possibility of a cost of living adjustment for retirees.

The Commissioners Court has invested significant resources to ensure that its workforce is competitive with market conditions over the last two fiscal years. The Compensation Committee appointed by the Court has been further charged with presenting its recommendations for Fiscal Year 2014 to the Commissioners Court this spring. For the Preliminary Budget, the Planning and Budget Office recommends including some level of funding for performance-based pay for classified employees in 2014. This approach will give the Commissioners Court the flexibility of listening to Compensation Committee's recommendations when ready, and implementing any compensation recommendations that the Court deems appropriate.

In the spring of each year, the Employee Health Care Committee, a committee made up of employees from various departments and offices, meets with the County's third party actuary to make recommendations for the upcoming health plan. After considering the information presented by the actuary, the Committee will finalize health plan recommendations for the Commissioners Court to consider for Fiscal Year 2014. It is expected that the County will incur increased costs in 2014 that may lead to an increase in the health benefits budget, as well as carefully crafted plan design changes. As in previous years, any increased costs would be shared among the County, employees, and retirees. The need for additional resources will not be determined until discussions between the actuary and members of the Employee Health Benefits Committee have

taken place. The Planning and Budget Office will include estimated funding in the Preliminary Budget based on recent cost trends.

At this time, the Planning and Budget Office has not planned to request that departments and offices submit a list of programmatic budget reductions. The Planning and Budget Office may use the reduction proposals submitted in prior years in the event that reductions might be needed. Departments and/or offices will be notified during the budget process if any programmatic reductions will be recommended for inclusion in the 2014 Preliminary Budget.

There are a variety of issues that could have an impact on the development of the Fiscal Year 2014 budget. The Planning and Budget Office will work with departments and offices to continue monitoring these issues, and keep the Commissioners Court apprised of any substantive changes. Such issues include:

- Changes in new construction estimates and/or increased litigation from property tax valuations
- Decreases in tax collections
- Reductions or eliminations of state and federal grant awards and programmatic funding
- Increases in the County's contributions for employee and retiree healthcare, including any unanticipated impact associated with the Affordable Care Act
- Unanticipated costs due to the implementation of the new financial system and/or the replacement of the Justice Courts case management system
- Unexpected or uncontrolled increases in court-appointed attorneys fees and/or Sheriff's Office overtime/medical services
- Cost increases and/or reductions to revenue related to the ongoing discussions with the City of Austin on the central booking and emergency medical services
- Costs associated with the continued impact of state changes to the Juvenile and Adult Probation departments

FISCAL IMPACT AND SOURCE OF FUNDING:

See attached analysis included in the draft Budget Guidelines for Fiscal Year 2014.

REQUIRED AUTHORIZATIONS:

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Jessica Rio, Budget Director, (512) 854-9106

Leroy Nellis, Budget Director (in succession), (512) 854-9106

Fiscal Year 2014 Budget Guidelines

Introduction

The County's annual budget process provides offices and departments an opportunity to evaluate and prioritize their programs and reexamine how to efficiently and effectively execute their mission and goals. Likewise, the budget process provides the Commissioners Court a key tool for providing overarching direction regarding funding policies, mission and goals for Travis County. The County's budget development process is best served by close collaboration between the Planning & Budget Office and County offices and departments.

The budget process for 2014 will remain similar to the 2013 budget process. While the new SAP financial system is fully operational, implementation of the budget module has not yet begun. Based on consultation with the County Auditor's Office, this implementation is expected to begin in the spring or summer of 2014. Once fully tested and in operation, changes to the budget process will be required.

As in the past, the primary goals of the Budget Guidelines include:

- Broad policy direction regarding funding levels for the upcoming fiscal year, which are largely dependent on the ad valorem tax rate during any given budget development process
- Criteria to help prioritize the addition of new resources to add or enhance services, or whether to repurpose existing funding in new directions
- More specific guidance and instructions for County departments and offices in the formulation of their budget submissions

Travis County's Mission Statement

For the people of Travis County, our mission is to preserve health, provide a safety net for the needy, ensure the public safety, facilitate the resolution of disputes, foster an efficient transportation system, promote recreational opportunities, and manage county resources in order to meet the changing needs of the community in an effective manner.

The Commissioners Court demonstrates its commitment to this mission by ensuring appropriate funding for emergency functions (medical, fire and public safety), addressing various social ills (such as child abuse, truancy, domestic violence, and poverty), providing appropriate law enforcement and justice support to Travis County residents (including fair and efficient judicial services for both civil and criminal cases), maintaining the County's infrastructure (roads, facilities, parks, and technology), and continuing to support efficiencies in general government services through the highest and best use of public funds.

The County has consistently managed to deliver critical services to its residents even in the midst of economic challenges experienced during recent years. Economic indicators continue to strengthen over the last year.

Travis County's Budget and Funding Structure

Adopting the budget and the ad valorem tax rate are two of the most important processes that Travis County undergoes each year. Property tax revenue represents the most significant source of funding for the County's General Fund, where most of the County's core services are budgeted. Property taxes are considered a stable source of funding for local governments, largely due to the nature of the effective tax rate calculation. The effective tax rate is a calculated rate that provides a taxing unit with about the same amount of revenue it received in the year before on properties taxed in both years. If property values rise, the effective tax rate will go down, and vice versa.

If the effective tax rate is adopted, the only source of new property tax revenue results from new construction value added to the tax base. Latest conversations with the Travis Central Appraisal District indicate that new construction figures are expected to be strong next year in comparison to recent years. Current forecasts for new construction in 2014 are \$2.5 billion compared to \$1.5 billion in 2013. These amounts do not include estimated tax revenue that will ultimately be collected and then paid to companies under the terms of performance-based economic development agreements, such as Samsung.

The Commissioners Court has provided consistent policy guidance to the Planning and Budget Office over recent years that the tax rate used to develop the preliminary budget be "at or near" the effective tax rate. During discussions and deliberations, the Court has clarified this policy guidance such that a tax rate is considered near to the effective tax rate if within 3% of the effective tax rate. The underlying rationale that drives this policy is based on the premise that modest growth in the tax rate over time is the best approach to respond to the increasing cost of delivering services. It is important to note that even when new construction activity is underway and brings added value to the tax base, the effective tax rate is not always sufficient to generate the funding needed to keep pace with a growing population or rising costs.

National, State and Local Economies

National Economy The national economic recovery appears to be proceeding at a slow, yet steady pace with most indicators generally leaning in a positive direction. The latest advance estimate of Gross Domestic Product for the fourth quarter of 2012, which was released by the U.S. Bureau of Economic Analysis in January 2013, shows that the economy contracted by 0.1%. This is the first time that the economy has contracted since the first quarter of 2009, when the nation was in the midst of the recent

recession.¹ Nevertheless, *CNN Money* reports that this contraction is due primarily to two reasons that are not expected to impact the economy on an ongoing basis.² First, federal government expenditures and investments dropped in the fourth quarter of 2012 by 15.0%, primarily due to the threat of sequestration that loomed in January. Analysts surveyed indicate that since the sequestration issue has not been finally resolved by Congress, potential implementation on March 1st is the greatest short-term threat to a continuing economic recovery.³ The second primary reason cited for the contraction of the economy in the fourth quarter of 2012 is the use of inventory stock by businesses when making sales. According to analysts, this increases the likelihood that these businesses will have to increase production in the first quarter of 2013 to rebuild their inventories.

Positive indicators for the national economy include a 5.5% increase in home prices in November 2012 over the prior year.⁴ The housing prices in the 20 major U.S. cities that were surveyed appear to have been helped by the following factors: higher sales of both new and previously-owned homes, a drop in foreclosures, continued near record low mortgage rates, and a small drop in the unemployment rate. A senior U.S. economist for Barclays has said the firm is forecasting another 6% to 7% rise in home prices in 2013, and a 5% to 6% rise again in 2014.⁵ In addition to home prices increasing, the smaller inventory of available homes is projected to result in almost 1 million new housing starts in 2013.⁶ Moody's Analytics is forecasting even stronger growth in 2013 and 2014, estimating that the new housing starts will add one million new jobs.

State Economy Texas continues to outperform the national economy. The Federal Reserve fourth quarter 2012 report on the Southwest economy notes that Texas outperforms other large states and the nation in employment.⁷ This report also notes these positive economic indicators: (1) the rainy day fund has the second highest balance of the U.S. states, (2) the business climate ranks highest in 2012, (3) the pension system is relatively well funded (above the 80% funding rate recommended by

¹ Mataloni, Lisa, "Gross Domestic Product: Fourth Quarter and Annual 2012 (Advance Estimate)". Bureau of Economic Analysis News Release, January 30, 2013. www.bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm

² Kurtz, Annalyn, "U.S. economy contracts for first time since recession". *CNN Money*, January 30, 2013. http://money.cnn.com/2013/01/30/news/economy/gdp-report/index.html?iid=SF_E_Lead

³ Ibid.

⁴ Isidore, Chris, "Home prices post biggest jump in 6 years". *CNN Money*, January 29, 2013. http://money.cnn.com/2013/01/29/news/economy/home-prices/index.html?iid=SF_E_River

⁵ Ibid.

⁶ Isidore, Chris, "Housing to drive economic growth (finally!)". *CNN Money*, January 27, 2013. http://money.cnn.com/2013/01/27/news/economy/housing-economic-growth/index.html?iid=SF_E_Highlight

⁷ Saving, Jason, "Determining Creditworthiness and Texas' Case for a Top Rating", *Southwest Economy, Federal Reserve Bank of Dallas*, Fourth Quarter 2012.

pension analysts), and (4) state government offers “constitutional protections to bondholders that interest payments will occur in a full and timely fashion.”⁸

While Texas leads the nation in employment, and median earnings rose 1.4% from 2010 to 2011 while they fell 2.5% nationally, “the estimates continue to reflect a trend of the ‘hollowing out’ of the middle class.”⁹ This essentially means that income figures indicate a shrinking middle class and a growing class of impoverished citizens.

In his State of the State speech in January, Governor Rick Perry identified the following issues for the Texas Legislature this session: a constitutional limit on spending growth to ensure it never grows more than the combined rate of inflation and population, elimination of the practice of using dedicated funds and specific fees for anything other than the purpose for which they were intended, a mechanism that allows the State government the option of returning a tax revenue surplus directly to the people who paid it, and tax relief of at least \$1.8 billion in the next biennium.¹⁰

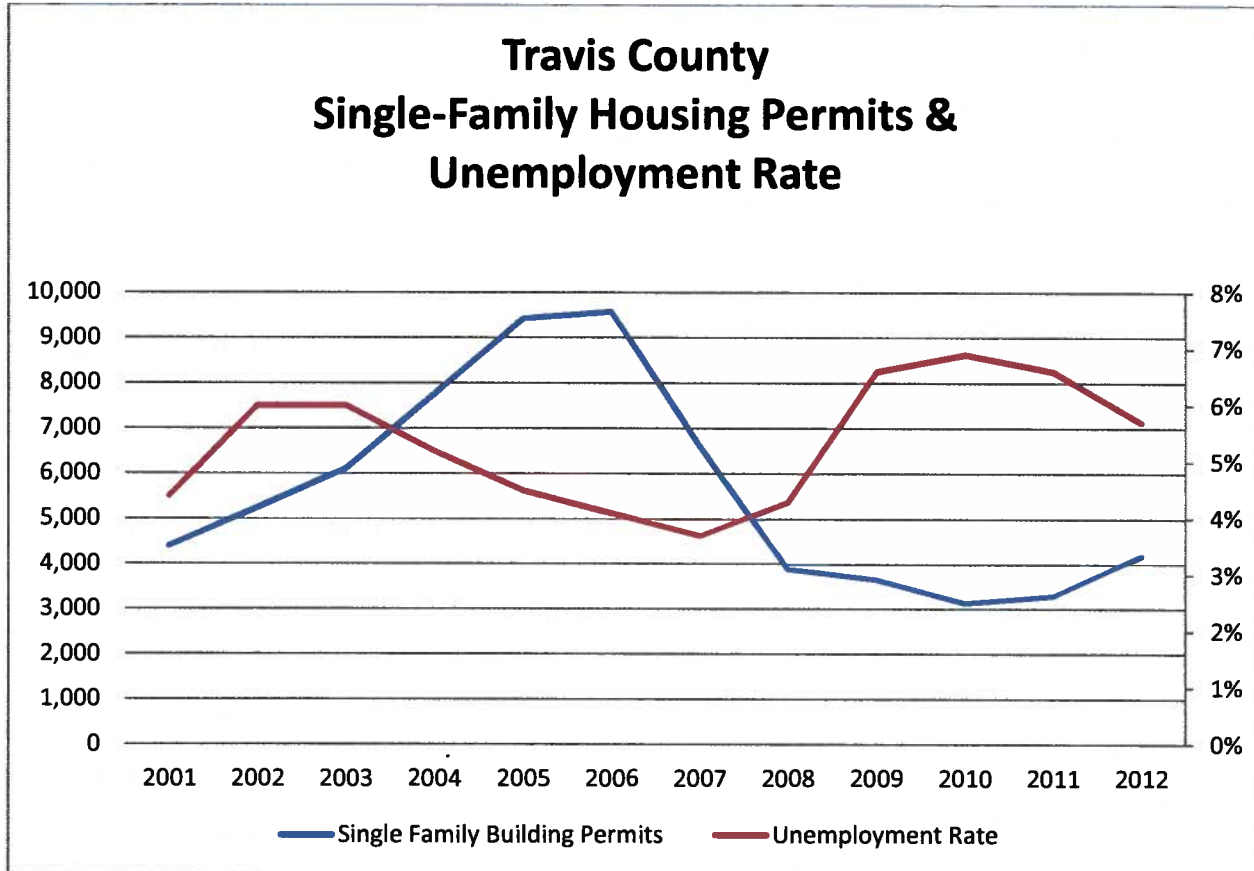
A cursory review of the Texas House of Representatives budget bill has uncovered a deep proposed cut to the Adult Probation misdemeanor probation budget. This type of reduction could affect the jail population in Travis County, if the state’s probation officers cannot supervise misdemeanants and they remain in jail or are released without supervision and without any further interventions. These continued efforts to cut an already lean state government may push new unfunded state mandates to local governments. Travis County’s governmental affairs unit is tracking this bill, as well as others that may potentially impact revenue, spending or capital financing at the local level. These efforts to monitor developments during the current legislative session include coordination with the Planning and Budget Office, as well as other County offices and departments that might potentially be affected by new laws or regulations.

⁸ Ibid.

⁹ LoPalo, Melissa, “Compensation: Texas Income, Earnings Mixed in Latest Census Report”, *Southwest Economy*, Federal Reserve Bank of Dallas, Fourth Quarter 2012.

¹⁰ Perry, Rick, “Tax Relief, Infrastructure and Education: Priorities to Keep Texas Strong”, *Governor’s State of the State speech*. January 29, 2013. <http://governor.state.tx.us/news/speech/18095/>

Local Economy The economy continues to show accelerating growth through the fourth quarter in 2012. Data from Texas A&M University's Real Estate Center and the Federal Reserve Bank of St. Louis, shown below, reflect the unemployment rate decreasing from a high of 6.9% in 2010 to 5.7% in 2012.¹¹ The number of single-family home building permits increasing from a low of 3,140 in 2010 to 4,140 permits in 2012.¹²



Angelou Economics has forecasted that the Austin market will add 29,000 new jobs in 2013 and 30,000 in 2014.¹³ According to the firm, these are conservative estimates and cited previous forecasts of 19,500 new jobs created in the Austin market in 2012, while actual figures through December showed that 25,000 new jobs would be created by the end of the year.¹⁴

Travis County continues to fare far better than other metropolitan areas across the country and even throughout Texas. The Fiscal Year 2014 budget process will focus on

¹¹ "Unemployment Rate in Travis County, TX (TXTRAV3URN)", *Economic Research*. Federal Reserve Bank, St. Louis. <http://www.research.stlouisfed.org/fred2/series/TXTRAV3URN/downloadaddata?cid=30125>

¹² "Building Permits, Travis County". Texas A&M University Real Estate Center. (Note: Building permit data for 2012 is for 11 months, through November 2012. December data not yet available.) <http://www.recenter.tamu.edu/data/bp/bpc/cnty453.asp>

¹³ Zehr, Dan, "Forecast: Austin will continue to grow." *Austin American Statesman*, December 11, 2012. <http://www.statesman.com/news/business/forecast-austin-will-continue-to-grow/nTSSH/>

¹⁴ Ibid.

meeting existing priorities and current state mandates, while preparing for future growth and keeping an eye on state and federal actions that may affect the County's budget in the future.

Tax Rate – Fiscal Year 2014 Preliminary Budget

Consistent with policy direction in recent years from the Commissioners Court, the Planning and Budget Office recommends consideration of an ad valorem tax rate for the 2014 Preliminary Budget that is “at or near” the effective tax rate. A tax rate within 3% of the Effective Tax Rate should be considered “near” for purposes of developing the Preliminary Budget consistent with policy direction for the last five fiscal years.

This approach will allow the Planning and Budget Office to bring a sound and balanced Preliminary Budget to the Commissioners Court for consideration in July, and will provide continued funding for the Court's programmatic commitments in the upcoming year with no reductions in service levels.

Using the latest valuation estimates available from the Travis Central Appraisal District, the table below reflects an estimated tax rate of 50.69 cents per \$100 of taxable value, which is an increase of 1.4% compared to the current tax rate. This equates to an annual increase in taxes of approximately \$42, or \$3.50 per month. An estimated tax rate of 50.69 cents represents a 3% increase above the effective rate. The effective tax rate is currently estimated at 49.22 cents.

Estimated Average Annual Tax Impact on Homestead Owners

	Current FY 2013	Projected FY 2014	Difference	
			\$	%
Average Homestead Value	\$270,774	\$275,000	\$4,226	1.6%
Average Taxable Value After 20% Homestead Exemption and other required adjustments	\$214,567	\$220,000	\$5,433	2.5%
Ad Valorem Tax Rate at 3% above Effective Tax Rate	50.01 cents	50.69 cents	0.68 cents	1.4%
Annual Tax Impact at 3% above Effective Tax Rate	\$1,073	\$1,115	\$42	3.9%

Preparing a Preliminary Budget at the effective tax rate would result in a \$10 increase in the annual tax bill for a Travis County resident who owns an averaged-valued homestead, but the overall revenue impact on the County's General Fund would be significant. For Travis County as a whole, a budget balanced at the effective tax rate would result in a reduction in General Fund revenue needed to pay for County services, which is currently estimated at an impact of approximately \$15 million. This reduction in revenue would likely necessitate curtailed spending for existing services, and would likely not provide for any consideration of enhanced workforce pay or the possibility of a cost of living adjustment for retiree pension annuities.

Fiscal Year 2014 Budget Preparation Guidance – County Offices and Departments

The Fiscal Year 2013 Adopted Budget has been recorded in the new SAP accounting system. Fiscal Year 2014 will be the first year that County offices and departments are expected to provide budget submissions using SAP cost centers. Budget forms and required documentation will include the new SAP terminology, cost centers, and G/L account numbers. The main change for Fiscal Year 2014 is related to the consolidation of information to be reported on organizational changes and reclassifications to a single, new form.

The Planning and Budget Office will be working toward the implementation of a new budget module within SAP in the coming years that will require changes to the Travis County budget development process. At this time, however, such changes are not expected for the next two budget cycles.

The key elements of the budget guidelines outlined below are intended to help offices and departments in the preparation of Fiscal Year 2014 budget submittals, and to assist the Planning and Budget Office in preliminary preparations for the upcoming budget cycle.

A. Budget Submittals

Departments and offices are required to submit their budgets at the Fiscal Year 2014 Target Budget Level. This Target Budget Level represents the 2013 Adopted Budget plus the annualized impact of any increases approved for 2013, less any one-time expenses and other reductions related to pilot programs and/or programs moved from ongoing to one-time funding status.

At this time, departments and offices will not be asked to submit a list of programmatic budget reductions. The Planning and Budget Office may use the reduction proposals submitted in prior years in the event that reductions might be needed. The Planning and Budget Office will notify departments and/or offices during the budget process if any programmatic reductions will be recommended for inclusion in the 2014 Preliminary Budget. As always, departments and offices are urged to collaborate with the Planning and Budget Office to identify and implement opportunities for savings and efficiencies.

The Planning and Budget Office may independently identify budgetary reductions based on a review of the department's programs and performance measures. Any reduction recommendations will be discussed with the affected office or department prior to consideration for inclusion in the Preliminary Budget.

Budget submittals are due on Wednesday, April 24, 2013.

B. Compensation & Benefits

The Commissioners Court has invested significant resources to ensure that its workforce is competitive with market conditions over the last two fiscal years. The Compensation Committee appointed by the Court has been further charged with presenting its recommendations for Fiscal Year 2014 to the Commissioners Court this spring. For the Preliminary Budget, the Planning and Budget Office has planned for some level of funding for performance-based pay for classified employees. This approach will give the Commissioners Court the flexibility of listening to Compensation Committee's recommendations when ready, and having some level of funding to implement any compensation recommendations the Court deems appropriate.

As in the past, an employee public hearing will be held in June to provide employees and employee groups an opportunity to comment specifically on compensation and benefits at Travis County.

Career ladders Offices and departments should continue to redirect savings from career ladder vacancies, other permanent salary savings and any other resources within their target budget to internally fund departmental career ladder increases for positions in high priority programs.

Benefits In the spring of each year, the Employee Health Care Committee, a committee made up of employees from various offices and departments, meets with the County's third party actuary to make recommendations for the upcoming health plan. After considering the information presented by the actuary, the Committee will finalize health plan recommendations for the Commissioners Court to consider for Fiscal Year 2014. It is expected that the County will incur increased costs in 2014 that may lead to an increase in the health benefits budget, as well as carefully crafted plan design changes. As in previous years, any increased costs would be shared among the County, employees, and retirees. The need for additional resources will not be determined until discussions between the actuary and members of the Employee Health Benefits Committee have taken place. The Planning and Budget Office will include estimated funding in the Preliminary Budget based on recent cost trends.

Elected Officials Salaries Travis County has historically linked salary adjustments for elected officials to increases approved for employees on the Classified Pay Scale. For Fiscal Year 2013, the compensation staff in the Human Resources Management Department conducted a market salary review of elected officials who are not on the judicial pay scale. They also reviewed Justice of the Peace salaries and recommended that their salaries be taken off the judicial pay scale. Based on the very limited market population in urban Texas counties from which to draw information for elected officials, the compensation staff do not recommend following a market approach in the future for setting these salaries. Going forward beyond 2013, the Human Resources Management Department has recommended that the Commissioners Court continue to match salary adjustments for elected officials (who are not on the judicial pay scale) to adjustments that might ultimately be approved for classified employees. Salary increases for elected officials on the judicial pay scale are driven by the actions of the Texas Legislature. The

Commissioners Court may approve funding for changes to positions on the judicial pay scale based on the actions of the Texas Legislature.

C. Meeting Maintenance of Current Effort & New Needs without New Resources

The Fiscal Year 2013 Adopted Budget included resources to meet existing contractual and programmatic commitments, as well as targeted growth in areas like emergency medical services, drug court, lake patrol and highway enforcement deputies, social services programs, park amenities, bridge rehabilitation, and right-of-way clearing. Given this growth, it is important to refocus efforts for the upcoming year on current programs and meeting needs within existing resources.

Departments will be required to reprioritize within their existing resources to fund any Maintenance of Current Effort (MCE) or new needs. If a department believes it needs additional positions, the department must look within the existing budget first. Funding for new contractual or statutory obligations and other expenses related to maintaining a department's current efforts take priority over proposed program enhancements or expansions. Departments are urged to focus on efficiencies, increased productivity, and simplification in Fiscal Year 2014 rather than on budget requests for additional resources.

Similar to prior years, recommendations for inclusion of new employees in the Fiscal Year 2014 Preliminary Budget will be limited to requests that represent a very compelling need, and are supported by data-driven documentation. The Planning and Budget Office will review and make recommendations on the continuation of positions that were funded in the previous budget years based on the certification of additional revenue. Should it be found that the additional revenue does not support the cost of the services as previously projected, the Planning and Budget Office may recommend that the programs be eliminated or phased out. The Planning and Budget Office will work closely with the Auditor's Office to ensure revenues are accounted for accurately and will validate expenditures before such recommendations are made.

D. Non-County Requests

Non-County entities that plan to request new or additional funding from the County budget must coordinate such a request through the County department in charge of the service. The request must be submitted to the relevant County department no later than **March 25th** so that it can be incorporated in the department's overall budget submittal. At a minimum, these proposals must:

1. Leverage a County investment to receive a proportionally larger amount of new outside resources to address a compelling community need, or
2. Seek to restore a loss of community resources that, if left unfunded, would result in a compelling and documented impact to those most in need.

All County offices and departments are asked to advise any related community groups, employee groups, or other governmental or local agencies of the County's budget process, schedule, and budget guidelines that provide the context for Fiscal Year 2014 appropriations. Non-County organizations submitting a request are urged to carefully consider their most critical need and describe how the request for funding would provide benefit for the community.

The Board of Directors of the Travis County Corporations declared a moratorium on funding any non-County capital requests and this is expected to remain in place during Fiscal Year 2014.

Any request not submitted within the approved time frame will not be considered by the Planning and Budget Office for inclusion in the Fiscal Year 2014 Preliminary Budget.

E. Non-Tax Revenue

Offices and departments are strongly encouraged to identify opportunities to increase non-property tax revenue, including a review of fines and fees to ensure that they are set at appropriate amounts. Particular attention should be paid to fines and fees that have not been reviewed or adjusted in several years.

F. Unspent Balances, Zero-Based Line Items, and Salary Savings

The Planning and Budget Office is instructed to annually review the last three years of unspent operating funds, and consider whether it would be reasonable to reduce the budget without substantially affecting service levels. The primary purpose of this review is to identify opportunities for repurposing these unspent funds to help pay for critical needs across Travis County that may need additional funding, before simply increasing the budget.

Offices and departments will be asked to build selected budget line items from the ground up ("zero-based" budgeting), such as leases, maintenance contracts, other purchased services, consulting, and contributions to grants. Other line items that may become subject to zero-based budgeting could be identified during budget development. Each year, the Planning and Budget Office is also instructed by the Commissioners Court to ensure that the budget for salary savings reflect vacancy trends in each of the offices and departments.

G. Pilot Programs

The Fiscal Year 2013 Adopted Budget included funding for various pilot programs or services, which are typically funded on an annual basis during the early stages of the new program or services. These programs and services are evaluated each year during the budget process to determine whether continued funding is appropriate. Requests to continue funding pilot programs or services must include the relevant performance measures to allow the Planning and Budget Office to make an informed recommendation to the Commissioners Court regarding Fiscal Year 2014 funding.

H. Programs Moved from Ongoing Status to One-Time Funding

Over the past several budget cycles, the Commissioners Court approved moving the funding for several programs from ongoing to one-time status. This change is primarily due to uncertainties related to program revenue collections. Any programs moved to one-time status in Fiscal Year 2013 have been removed from the Fiscal Year 2014 target budgets of offices and departments, and will need to be requested for reconsideration in Fiscal Year 2014.

I. Promote Efficiencies

The Commissioners Court is very supportive of County employees and management identifying ways in which operations can be improved, and where efficiencies may be gained that could result in reduced or avoided costs. Offices and departments, as well as individual employees, are encouraged to submit ideas that support these endeavors. Budget forms will provide a section that allows offices and departments to describe efficiencies that they have implemented over the last year, as well as any cost-neutral programs being explored for implementation.

J. Future Unknowns

There are a variety of issues that could have an impact on the development of the Fiscal Year 2014 budget. The Planning and Budget Office will work with departments and offices to continue monitoring these issues, and keep the Commissioners Court apprised of any substantive changes. Such issues include:

- Changes in new construction estimates and/or increased litigation from property tax valuations
- Decreases in tax collections
- Reductions or eliminations of state and federal grant awards and programmatic funding
- Increases in the County's contributions for employee and retiree healthcare, including any unanticipated impact associated with the Affordable Care Act
- Unanticipated costs due to the implementation of the new financial system and/or the replacement of the Justice Courts case management system
- Unexpected or uncontrolled increases in court-appointed attorneys fees and/or Sheriff's Office overtime/medical services
- Cost increases and/or reductions to revenue related to the ongoing discussions with the City of Austin on the central booking and emergency medical services
- Costs associated with the continued impact of state changes to the Juvenile and Adult Probation departments