

Group Activity: Council Confronts Tough Budgeting Decisions

Thursday, September 1, 2016 by Jack Craver

City Council members were faced with the grim reality Wednesday that the city's financial situation is going to force some tough spending choices in the coming years. A budget overview presented by the city finance department projected the city would face a \$1 million shortfall during Fiscal Year 2017-2018. That might not sound bad, but as Deputy Chief Financial Officer Ed Van Eenoo pointed out, that figure does not account for a number of major initiatives (plans) that Council expects to be implemented (started) in the near future.

Those include a community-based policing program, five new fire stations, increased funding for grants to nonprofit service providers, the consolidation of Emergency Services District 4 and further increases to the homestead exemption.



1. How much of a shortfall will the city of Austin face in 2017-2018?
2. What are some initiatives (plans) that the city wants to implement that this shortfall does NOT include?
3. What conclusions can you draw/what does it mean for the budget if those initiatives are not included in the initial shortfall?

"That's a really scary forecast," said Council Member Delia Garza, who noted that the situation could become worse if the state Legislature imposes further restrictions on the ability of municipalities to raise taxes. Garza argued that this budget cycle should be the one in which Council makes "tough choices" about spending, and she said she would be asking every department that had requested a staff increase to explain what would happen if Council approved 25 percent, 50 percent or 100 percent less than the requested increase in full-time employees. Declining to hire additional employees now, she said, would be preferable to laying off city workers in future years.

4. What action might the state Legislature take to make Austin's budget issues worse?
5. What did council member Garza ask departments to do? Why?

Mayor Steve Adler urged staff to begin working with Council on budget-planning earlier in the year and suggested a number of potential cuts that he would like to explore. He suggested the city could scale back the planned implementation of a 42-hour work week for emergency medical service employees, which will require the hiring of an additional 53 EMS workers. He similarly floated putting a "pause" on Austin's takeover of the Shady Hollow fire station, which is currently run by a separate emergency services district, and suggested the city could stop providing \$1.5 million to help set up South by Southwest.

6. What were some suggestions that Mayor Adler made to help the budget shortfall?

7. Who would be “hurt” by, or what might be some of the consequence of Adler’s suggested budget modifications?

Council’s liberal majority was eager to lay much of the blame on the Republican-controlled state Legislature. Not only has the state put strict limits on the ability of local governments to raise revenue, but the “Robin Hood” education formula allows the state to redistribute a big chunk of property tax revenue raised by the Austin Independent School District and other school districts with high property values to those with lower property ones. In the upcoming year, AISD will transfer more than \$400 million of its revenue to the state, an increase of roughly \$134 million over the previous year, a challenge for the district that has many on Council scrambling for ways the city can deliver services to Austin children that the school district would typically handle. “If there’s an outrage, that’s where the outrage should be,” said Council Member Pio Renteria. “That the state is taking all our money. It’s hurting us, especially the minority community. It’s a big injustice going on in Texas.”

8. Why does the state of Texas redistribute tax revenue from Austin ISD? What is this practice called?

9. How much did AISD transfer to the state this year? What challenges does this pose for the city?

Council Member Greg Casar voiced an interest in finding ways to make commuters from wealthy suburban communities surrounding Austin pay for the city roads and other public services they benefit from on a daily basis. Recognizing that his remarks had raised the eyebrows of his suburban colleague, Council Member Ellen Troxclair, Casar assured her, “I don’t mean your constituents, who do pay property taxes. I’m talking about folks out in West Lake Hills.”

10. What group does council member Casar believe should be paying additional taxes? Why does he believe this?

Troxclair, for her part, said she was delighted to hear those outside of Council’s conservative trio – consisting of her and Council members Don Zimmerman and Sheri Gallo – express an interest in cutting spending. The former Republican legislative aide also defended state caps on municipal taxing, saying Austin had to learn to live within its means. Van Eenoo reminded Council, however, that it could choose to go above that rate; however, it would run the risk of triggering a referendum by citizens to overturn the increase.

11. What do conservative factions of the council argue about spending?

12. What power do citizens have if they are unhappy with tax rates?

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What is the main perspective or point of view that this article has about Austin's budget?				
What evidence does the article have to support this point of view?				
What are some challenges that the article discusses in relation to the budget?				
What are some of the key events/current happenings in Austin that the article discusses or notes?				
Any other important information to note or consider?				

Article A: Budget Strives to Address Council Directives

Wednesday, July 27, 2016 by Jo Clifton

The non-senior Austinite who owns a median-priced home and uses an average amount of water and electricity can expect his or her bill for taxes, fees and utilities to increase by about \$12.48 per month for the 2017 Fiscal Year, under a proposal from the city's budget staff.



The projected property tax rate is 44.11 cents per \$100 of valuation, which is the rollback rate, the highest rate the city can charge without the possibility of triggering a rollback election. This figure represents a 1.78-cent decrease in the tax rate. The city's tax rate has gone down in most years recently because of the continuing climb in property valuations, according to Deputy Chief Financial Officer Ed Van Eenoo.

Van Eenoo described these changes, and others, during a media briefing on Wednesday. He is making a similar presentation to City Council this morning.

The budget staff is proposing a 2 percent wage hike for all city employees whose work is considered satisfactory. In addition, all employees will receive a 29-cents-per-hour salary increase – or about \$600 per year – in order to cover the increased cost of health insurance in Fiscal Year 2016-2017. Van Eenoo said that would cover the cost hike for employees with families, while single employees will not see any increase in their insurance rates.

The city will provide an additional \$3.4 million for Emergency Medical Services in order to reduce EMS employees' workweek from 48 hours to 42 hours, as promised by Council. In order to accomplish that goal, EMS will hire 52 new medical professionals.

Van Eenoo said that the change to EMS workers' hours was one of several policy directives the budget staff worked with in order to arrive at a proposed FY 2016-17 budget.

In addition, the Austin Police Department will spend another \$1.5 million for overtime to staff the city's spring festivals such as South by Southwest. APD will add 12 new officers plus 22 civilian employees, and the Austin Fire Department will hire three new firefighters in order to staff the new fire station at

Austin-Bergstrom International Airport. Van Eenoo said the airport would pay the \$217,000 to fund the firefighter positions.

Overall, he said, budget writers proposed to add 435 new positions for the coming year. Perhaps the most important factor in considering the budget is the city's growth, with Austin's population projected to reach more than 937,000 by January, compared to a population of 842,743 in 2013, Van Eenoo said. He was careful to explain that the figures came from the city's demographer and, because of the city's rapid growth, might have to be revised upward, as has happened in the past.

Providing a living wage for temporary positions as well as lifeguards at the city swimming pools will cost about \$1.1 million, and the city will provide \$200,000 for child care within the Health and Human Services Passages program.

Budget writers are proposing to add \$1.1 million to the city's Housing Trust Fund, \$600,000 to the Housing First initiative, \$500,000 for additions to social service contracts, \$380,000 for the sobriety center and an additional \$217,000 for a sustainability initiative at Colony Park.

All of these are proposed in response to Council's directive to increase funding for social services, Van Eenoo said. Council Member Delia Garza sent out a notice to the media on Tuesday that she and members of Austin Interfaith would have a press conference this afternoon to discuss funding for health and human services programs.

As has been the case for many years, public safety claims the lion's share of the general fund. For the upcoming year, budget writers anticipate that public safety will make up 71.5 percent of general fund expenditures, with community services accounting for 20.7 percent. The general fund will increase by an estimated \$56 million under the budget writers' projections. Of that amount, \$13.8 million is attributable to APD and \$10.6 million to the fire department. The Austin Public Library, which does not usually rank very high in increased funding, will get a \$6.1 million bump, largely because of the new central library.

In order to pay for some additions to the general fund, budget writers proposed increasing the transfer from Austin Energy and Austin Water. Together, those utilities will provide \$5.1 million more in the coming fiscal year than they have provided for this year.

The city's property tax bill on a median-priced home is estimated at about 1.7 percent as a share of median family income, roughly the same as Fort Worth but less than Dallas. Adding other taxing entities, however, makes Austin a more expensive place to live. Van Eenoo said that although the city's share of a taxpayer's tax bill is only about 20.4 percent and Travis County's share is only about 15 percent, Austin ISD's share is 54.6 percent.

A public hearing on the budget is scheduled for Aug. 18, and Council will vote on it Sept. 12 through Sept. 14.

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Article B: Adler Urges Caution on Budget

Thursday, May 5, 2016 by [Jo Clifton](#)

Despite Austin's robust economy, City Council is facing budget season with difficult decisions ahead. Because of commitments made by Council when members voted on the current budget, there's little room in the 2017 budget for increased spending or further property tax exemptions.



After hearing a preliminary forecast from the city's budget staff on Wednesday, Mayor Steve Adler told the *Austin Monitor*,

"Based on the forecast that's presented by the staff, the dollars are tight. If we go up to the rollback rate, which is the highest we could go, we're basically on top of the forecasted expenses (in the city)."

By increasing the tax rate to the rollback rate, which is the highest rate the city can charge without facing a rollback election, and factoring in sales tax revenues, fees and other revenues, the city would bring in an additional \$56 million.

Chief Financial Officer Elaine Hart said the financial services staff always makes its projections based on very conservative analysis and that a variety of circumstances change before staff puts out its final budget document in the summer. At this point, she said the city would have an extra \$2 million to address other cost increases.

Adler pointed out that a 5 percent increase in the general homestead exemption would cost an additional \$9.1 million and that additional spending for Development Services as outlined in the Zucker Report would cost \$1.1 million. Various Council resolutions about increasing health and human services and social services would cost an additional \$8.3 million. So it's clear that some of this won't be happening.

Although the financial staff used 2.4 percent as a base city employee salary increase, Hart said the number could be anywhere between 2 percent and 4 percent.

Deputy Chief Financial Officer Ed Van Eenoo told Council that Austin's sales tax has grown by 5.4 percent so far this fiscal year, less than the projected 5.7 percent. That means there is \$600,000 less in city coffers than projected when the budget was written last year.

Van Eenoo asked Council to let the budget staff know whether they should lower their projections for future sales tax growth to 5.1 percent, the more conservative figure.

Adler and Mayor Pro Tem Kathie Tovo both said it would be a good idea to use 5.1 percent.

Nevertheless, several Council members expressed their commitment to increasing funding for social services. Council Member Delia Garza told her colleagues that she would not support an increase in the homestead exemption because it would not generally be beneficial to residents of her district.

Council Member Sheri Gallo said, "I really believe the city can impact affordability with reducing utility

bills and taxes — or at least holding them the same. ... That will be my goal. It's also my intent to do everything I can to help seniors and the disabled population."

Gallo said she supports an increase in the homestead exemption for homeowners over 65 to match the increase in property values.

Tovo and Council members Greg Casar and Ann Kitchen said they want to do more to assist the homeless population.

Council Member Ora Houston said she has received several complaints from people who had inherited homes from parents and grandparents but could not afford to live in them because of property taxes. The heirs receive a shock when they get their tax bill and realize how much higher it is than what their parents or grandparents were paying.

Houston later told the *Monitor*, "Anybody that's over 65 realizes at some point they're going to die and then the family, daughter, grandchildren, they're not going to be able to live in the house because they can't pay the taxes. ... People don't think about it because they don't like to think about death, but wherever you are in the city, your child can't come in there ... and have the senior homestead exemption. If we could just do something to just try to minimize the tax hike," it would help a lot of residents.

Van Eenoo told her that he wasn't sure that the city could do that and would have to check with someone in the law department for advice.

Article C: Budget Chiefs Still See Financial Picture as Rosy

Friday, January 29, 2016 by [Jo Clifton](#)

A trio of city financial managers told the *Austin Monitor* this week that Austin is still doing well financially, and, due to conservative fiscal planning at the city, Austin Energy and Austin Water both closed out 2015 with greater than projected surpluses.

Deputy Chief Financial Officer Ed Van Eenoo said that the city's general fund ended the year with a surplus of \$5.1 million, which is smaller than the \$10 million to \$12 million surplus the city has had in years past.

"That's no indication that the economy is slowing down," he said, but it reflects that budget writers were "a little bit more conservative" in projecting how much money would come in than they have been in the past. Though Van Eenoo did not say so, it should be noted that City Council spent more money than the city's budget writers requested, so that could account for the lower surplus.

"We like to budget in a fiscally conservative manner so we have a good news story to tell Council when we close out our books," Van Eenoo said, adding that this is the third or fourth consecutive year that has ended with a general fund surplus.

Van Eenoo attended Wednesday's Audit and Finance Committee meeting along with David Kutach, budget director at Austin Energy, and Austin Water Assistant Director David Anders. However, because of the crowded agenda, the committee did not have time to hear from them. All three provided hard copies of their PowerPoint presentations, however.

Anders explained that the water utility's revenues were more than \$15 million below expectations. With rainfall about 45 percent above normal, water customers simply used less water. But the utility was able to reduce operating costs by between \$5 million to \$5.5 million, he said. Because the public was using less water, the utility was able to save money by using less electricity for pumping, and fewer chemicals were needed for water treatment. He said the utility ended up with about \$4 million more than it had projected last September.

Over at Austin Energy, Kutach said, "We had some significant savings this year in our power supply adjustment cost, because of the (Electric Reliability Council of Texas) market. The wholesale prices have been generally lower," especially natural gas. Overall revenues were about \$64 million less than what Austin Energy had anticipated, he said, but expenses were also about \$64 million less than expected – that was also a result of lower fuel prices.

But the big news was that there was a huge reduction in bad debt. That number fell from \$21 million in Fiscal Year 2013-14 to \$8.5 million last year, he said. Kutach attributed that to policy changes enacted by Council last year.

"Our base revenue was slightly less than what we had estimated," he said, "even though we did have the high peak demand during the summer of 2,735 megawatts." Kutach attributed that result generally to more energy efficiency. So, "even though we have growth in customers, people are using less electricity, so it's starting to show up a little bit in our revenues," he said. "Total expenditures were about \$92 million less than anticipated."

Austin Energy also had some savings in nonfuel operating and maintenance costs. Overall, Kutach said, revenue was about \$24 million more than expenses.

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Article D: Council Kicks Off Budget Season

Thursday, April 28, 2016 by [Audrey McGlinchy](#) At its budget season opener on Wednesday, City Council heard again of Austin's two cities: one that suffers from widening economic divisions and another that is "an economic star."

"This is extraordinary growth," economic consultant Jon Hockenyos told Council members as he highlighted a 4.6 percent increase in jobs last year, plus an anticipated 7 to 8 percent gain in personal income in the coming year. "It is hard to imagine any other community that has consistently grown in the aggregate that the Austin metro area has."

Against news that city hotels brought in roughly \$963 million last year, Hockenyos praised the city's ability to attract visitors. "One of the things that's been very interesting is to see the incredible rise in the tourism-related activity – both in the area, but specifically in the city of Austin."

But in the same breath, he pointed out that not everyone is being ferried along by job and tourism growth.

"Our divisions as a community have widened quite a bit. Our poverty rate is higher in 2014 than it was in 2009," Hockenyos said. "Our poverty by race and ethnicity has gotten worse; the gaps have gotten worse over the past five years."

According to census data analyzed by Hockenyos, the percentage of Hispanics living in poverty grew by roughly 4 percent between 2009 and 2014. The only drop in poverty by race was by whites, who saw a .1 percent drop.

But little of this discussion played into Deputy Chief Financial Officer Ed Van Eenoo's forecast for the municipal budget. Instead, a theme of deferred expenses arose.

"There were a lot of things approved in the Fiscal Year (20)16 budget that had deferred costs, they had partial costs, and the costs are coming to full bearance in the FY '17 budget," Van Eenoo told Council members.

Those costs include salaries for 50 additional police officers (funded for six months in the current FY 2015-16), plus 98 civilian positions at the city.

Then the city will have to fill coffers not necessarily approved last year but certain to require filling. These include \$4.3 million to staff the city's New Central Library and \$3.1 million to bolster overtime funds for the Austin Fire Department as it continues to wrestle with significant vacancies (projected to stand at 129 sworn vacancies by September 2016).

Van Eenoo predicted that the city's General Fund (roughly one-fourth of the city's budget) will increase by \$57.1 million, swelling to \$1.4 billion. Last year, the city's entire budget hit \$3.5 billion. But there are still a lot of holes to be filled, and over the next few months Council members will have policy discussions about which initiatives they want to fund before FY 2016-17 begins on Oct. 1. In the words of Council Member Leslie Pool, Council got only a "broad brush" of the city's financial forecast Wednesday, and the summer will include numerous deep dives left out of this week's discussion.

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