FY 2025 BUDGET GUIDELINES

TRAVIS COUNTY MISSION, VISION, AND STRATEGIC GOAL STATEMENTS

Our Mission:

Building a Travis County where ALL people can thrive with dignity and respect.

Our Vision:

Travis County will be recognized as the best county in the US for all racial, ethnic, and economic groups. Getting there will require:

- Soliciting community engagement to better understand the needs and solution of County residents
- Closing every divide, everywhere east and west
- Achieving measurable equity in investment, availability of services, and results
- Reducing crime and jail populations, supported by increased/effective mental and behavioral health services so that the community will be safer
- Delivering nationally recognized climate resilience, environmental stewardship, greenhouse gas reductions, and disaster preparedness programs
- Implementing an effective, continuously improving, innovative strategy that achieves its goals.

Seven Strategic Goals – In order to achieve our mission and vision, we must:

- Promote **economic well-being** and racial, ethnic, and **economic equity**
- Provide services that support people's **physical and mental health**
- Provide services that support the safety of people in the community
- Achieve **environmental sustainability** and prepare for major climate disruption
- Assure **mobility that is timely, predictable, and safe**
- Be a **trusted and well-run County**
- Protect and **provide opportunity for the most vulnerable and underrepresented**

The above Mission, Vision, and Strategic Goal Statements were approved on March 28, 2023, by the Commissioners Court.

INTRODUCTION

The Budget Guidelines are presented each year and serve as the first direction given by the Commissioners Court on the upcoming budget process. These guidelines provide the fundamental building blocks used by the Planning and Budget Office (PBO) in its formulation of the recommended Preliminary Budget, prior to the adoption of a final budget further refined by the Commissioners Court. These guidelines also provide Offices and Departments important information as they prepare their upcoming budget submission.

Travis County delivers a wide variety of services and programs which focus primarily on the judicial system, health, emergency and social services, law enforcement and corrections, and the maintenance of the county road system. The Commissioners Court is committed to supporting efficiencies and ensuring effective outcomes for these programs so that limited resources are allocated in ways that best benefit the community. The Travis County budget supports its core mandated services and promotes resiliency and sustainability.

The success of the budget process is dependent on close collaboration among all stakeholders. The Planning and Budget Office is charged with working with all County Offices and Departments to find the appropriate balance between managing limited available resources and recommending new funding required to efficiently and effectively execute the services provided for Travis County residents.

The Budget Guidelines and subsequent Budget Manual accomplish three critical objectives:

- Provide an overall framework and calendar for the budget process;
- Set expectations regarding the impact of economic and financial conditions on the annual budget; and,
- Provide specific direction to offices and departments on the formulation of their budget submissions.

Furthermore, these guideline discussions provide the Commissioners Court an opportunity to prioritize issues on the horizon that may require additional funding or internal reallocations of existing funds for the next fiscal year.

ECONOMIC OUTLOOK

Over the past year, economic conditions within the United States (US) have been uncertain. Higher inflation, slowing Gross Domestic Product (GDP) growth, lower government spending, and volatile trends in consumer spending have all contributed to this uncertainty. That said, the US economy has demonstrated resiliency despite these challenges and entered 2024 with many of these concerns fading. The information below is based on data sources obtained in early 2024.

ON THE NATIONAL FRONT

In the United States, the rapidly accelerating GDP growth rates seen after the economic turmoil of COVID shutdowns have begun to lose momentum signaling a more stable outlook. The Commerce Department reported real GDP growth of 4.9 percent in the third quarter of 2023. While this is notably higher than the 2.1 percent increase recorded for the second quarter, Goldman Sachs Research expects GDP to grow at a more modest 1.8 percent in 2024. Despite continued economic uncertainty, the real GDP growth provides some optimism. Concerns regarding high inflation have been a primary target of monetary policy by the Federal Reserve Bank. Monetary policy over the past year and a half has been hallmarked by the rise in the Federal Reserve's policy rate, which has risen as a response to rising inflation. That said, there has not been a rate hike since the Federal Open Market Committee's (FOMC) July 26, 2023, meeting when it raised its benchmark interest rate to 5.25 – 5.50 percent; the level at which it currently remains.

Table 1
2023 Fed Rate Hikes

FOMC Meeting Date	*Rate Change (bps)*	*Federal Funds Rate*
Feb 1, 2023	+25	4.50% to 4.75%
March 22, 2023	+25	4.75% to 5.00%
May 3, 2023	+25	5.00% to 5.25%
June 14, 2023	n/c	5.00% to 5.25%
July 26, 2023	+25	5.25% to 5.50%
Sep 20, 2023	n/c	5.25% to 5.50%

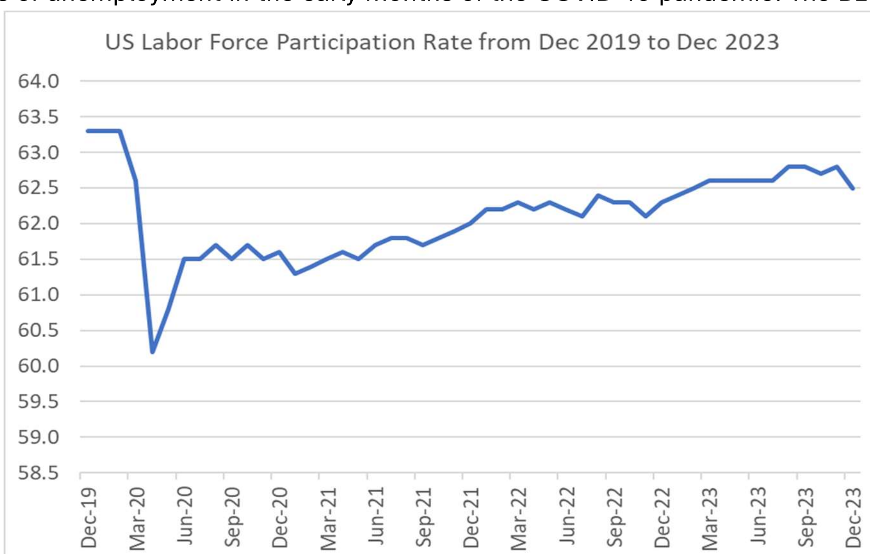
FOMC Meeting Date	*Rate Change (bps)*	*Federal Funds Rate*
Nov 1, 2023	n/c	5.25% to 5.50%
Dec 13, 2023	n/c	5.25% to 5.50%
Jan 30, 2024	n/c	5.25% to 5.50%

Source: [The Fed - Meeting calendars and information (federalreserve.gov)]

Maintaining the federal funds rate supports the FOMC's long-run goal of returning inflation to a desired 2.0 percent rate in a sustainable fashion. The Bureau of Labor Statistics (BLS) reports that annual inflation is down from a peak of 9.1 percent in June 2022 to 3.4 percent as of December 2023. The Federal Reserve's restrictive monetary policy has seemingly been achieving the desired effects, as the personal savings rate is up from a historic low of 2.7 percent of June 2022 to 3.7 percent as of December 2023. Positive indicators for the US economy, yet Thomas Barkin, president of the Federal Reserve Bank of Richmond, said, "A soft landing is increasingly conceivable, but in no way inevitable," Fed officials seem to agree that a soft landing is possible for the US.

High inflation has a significant impact on consumption and can greatly impact the people least able to afford more expensive necessities like food, housing, and transportation. The most recent data from the BLS indicates continued increases in the Consumer Price Index (CPI) across the board. The CPI-U, the index for all urban consumers, rose 0.3 percent in December 2023, and rose 0.1 percent in November 2023. These increases are part of a 3.4 percent increase in the CPI-U over the past year. Increases in the indexes for shelter and transportation services have been the greatest contributor to the overall increase in CPI-U. The all-items index increased 3.4 percent for the previous 12 months in December of 2023. This was slightly higher than that same indicator in November of 2023 (3.1 percent).

Although labor costs continue to increase, the US labor market is demonstrating notable strength. Unemployment rates are consistently around 3.5 to 4.0 percent (3.7 percent as of December 2023), per the BLS, showing continued recovery from the historically high levels of unemployment in the early months of the COVID-19 pandemic. The BLS reported 9.6 million job openings at the end of September 2023, representing consistent decreases in job openings throughout 2022 and 2023. The labor force participation reported at the end of December 2023 was 62.5 percent (FRED, 2023) and indicated a steady return to pre-pandemic levels. Both the unemployment rate and labor force participation rate indicate labor market strength. Although layoffs throughout 2023 may have indicated less than favorable economic conditions, high-profile layoffs by companies like Amazon, Microsoft, Salesforce, and Dell may be an indicator of over-hiring throughout the pandemic or organizational restructuring due to technological advancements. Many of the industries



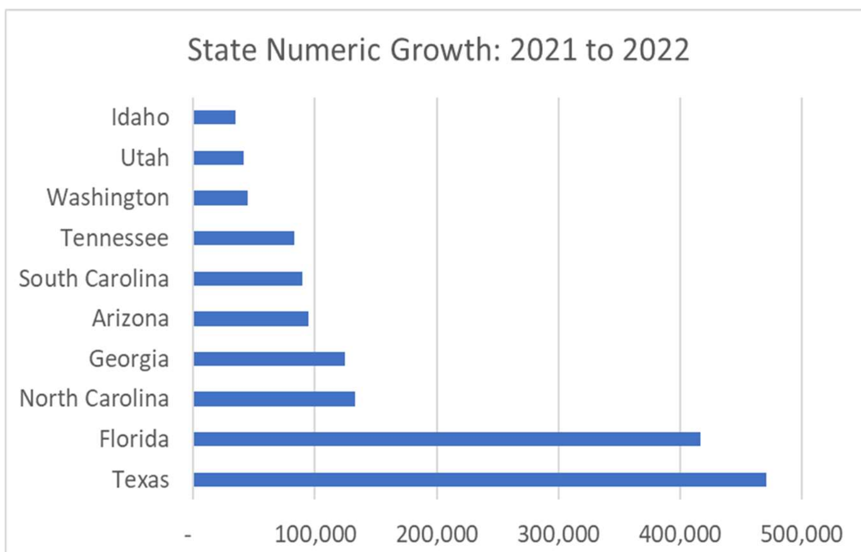
US labor force participation, Dec 2019 – Dec 2023. The chart shows a great dip at the onset of the COVID-19 pandemic in early 2020. Rates are now at 62.5 percent representing a steady return to pre-pandemic levels. Source: [Labor Force Participation Rate (CIVPART) | FRED | St. Louis Fed (stlouisfed.org)] most affected throughout the pandemic, including leisure and hospitality, are showing continued recovery as travel continues to ramp up. Overall, the job market is trending towards stability.

Supply chain issues have eased, but experts are still watching for the effect of the Russo-Ukrainian and Middle East conflicts on US supply chains and on energy prices. Important trends to watch for as supply chains are reinvented include greener and more circular supply chains and production, further production integration, and more ethical, transparent, and compact supply chains (sometimes powered by blockchain or other emerging technologies). As the global economy decides how to prepare for shocks like pandemics and geopolitical conflicts, the US will continue to adjust and prepare for its own future. The US response includes the Inflation Reduction Act, passed in August 2022, that has increased investments in clean energy, electrification, resilience, and efficiency. The legislation also lowered prescription drug and healthcare costs and raised some taxes on corporations. The perceived longevity of now-resolved supply chain problems, and policy solutions, may have contributed to lingering inflation, but many of the most problematic shortages have eased dramatically.

THE TEXAS ECONOMY

Texas, much like the national economy, continues to recover from the impacts of the COVID-19 pandemic and is experiencing similar economic shocks, such as higher inflation in recent years. However, the State's strengths, which include a young and growing workforce, robust manufacturing output, and a strong business climate, have made the economy resilient even through economic uncertainty. Although growth has slowed in recent months, Texas is still expected to achieve strong GDP growth in 2024, continued population growth, and further business investment. Considering the overall positive consensus held by experts, Texas is expected to weather a slowdown well.

Updates from the recent Census found that Texas continues to be one of the fastest growing states in the country as its population surpassed 30 million in 2022 and was the top state in the US in terms of numeric population growth from 2021 to 2022. Texas cities, like Austin and Fort Worth, are some of the fastest growing cities in the country, with Fort Worth gaining the highest number of new residents of any US city in 2022. Between 2010 and 2020, the Census reports that Texas's population increased by 15.9 percent. Texas had the second highest total of net domestic migration in the United States (behind Florida) in 2022 and a strong rate of natural increase. Notably, during 2022, Hispanic Texans surpassed non-Hispanic White Texans as the largest portion of the statewide population. The State is younger than the nation on a whole, with a median age of 34.2 years versus the national median of 38.9. These demographic realities lend to a resilient workforce and have long fueled the strength characteristic of the Texas job market.



The chart above illustrates the strong population growth exhibited by Texas among the top ten states in the US in terms of year-over-year numeric growth. Source:

[Growth in U.S. Population Shows Early Indication of Recovery Amid COVID-19 Pandemic (census.gov)]

The 2020 COVID-19 outbreak initially destroyed 1.4 million jobs in Texas. Since December of 2021, the State has recovered all jobs lost and has more total jobs than before the pandemic. According to the BLS, Texas created the most jobs in 2023 than any other state at 369,600 jobs added, continuing to be a leader in job creation and highlighting the strength of the Texas job market. However, a November 2023 report by the Federal Reserve Bank of Dallas states that, "services activity eased in September and October while manufacturing output stabilized after months of decline," but the job market at large remains strong with high wage growth, housing prices and rents in major metro areas falling, and the volume of jobs created. High interest rates because of Federal Reserve rate hikes are likely causing slowdowns in investment, banking, and real estate services. Regardless, Texas has higher than average national job growth in industries including oil and gas, financial services, education and health services, manufacturing, business and professional services, and information. As reported by the BLS, Texas experienced the third largest percentage increase in employment from December 2022 to December 2023 at 2.7 percent, while the State's unemployment rate remains above the national average of 3.7 percent at 4 percent. Texas's labor force participation rate remains consistent with the national average at 64.6 percent. Texas continues to attract workers, and the BLS reported almost 15 million available workers in the Texas labor pool.

Supply and personnel problems have increased costs for many companies in the last year and limited their ability to meet increasing demand. Furthermore, after a period of high growth, the manufacturing sector is beginning to stagnate due to wage pressures, material costs, and falling demand. An October 2023 Dallas Federal Reserve survey showed that the employment index declined seven points to 6.7, a reading just below the series average of 7.9. Further, 19 percent of firms noted net hiring, while 13 percent noted net layoffs. Wages and benefits have dropped closer to their average levels after three years of being elevated. As raw material and finished good prices decrease in the state, Texas seems to be moving past debilitating supply chain shortages and its labor supply seems to be more in line with demand.

Texas continues to attract world renowned companies and high-level talent. Texas was named the Top State for Businesses for the 19th year in a row by CEO magazine, due largely to its business-friendly tax environment, predictable regulatory regime, accessible infrastructure, and young, educated workforce. These factors are also driving businesses to relocate and invest in Texas. In March 2022, construction began on Samsung's 17-billion-dollar chip manufacturing plant in Taylor, Texas. Tesla's Texas Gigafactory opened in April 2022 and employs more than 12,000 people, and tech companies like Hewlett Packard and Oracle have recently moved and expanded in Texas, increasing employment opportunities.

The state's rapid economic recovery and high business activity have continued to support the Texas housing market, but the market has largely leveled out through 2023. The median home price across Texas was $334,600 in November 2023, down from around $338,000 in December 2022, while average days on the market have stabilized at around 51 days, according to the Texas Real Estate Research Center at Texas A&M University. While Texas cities contained many of the most competitive markets in the country in 2021 and early 2022 despite inflation, interest rate hikes have increased mortgage rates and slowed demand. All of Texas's major metropolitan regions remain among the most active real estate markets nationwide, but the market has experienced a noted cooldown. Home sales have decreased 5.9 percent year over year. Although Texas's housing market has cooled, the State has not experienced declines relative to the nationwide housing market. Texas is known to have weathered the pandemic and other shocks well, and this resilience is evident in the current job and housing markets as well as the continued migration of people and businesses to the state.

THE TRAVIS COUNTY ECONOMY

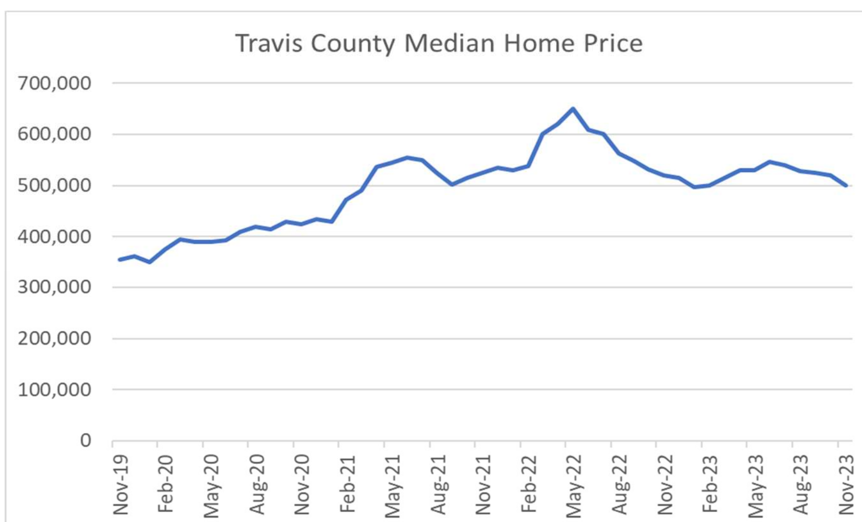
The Austin Metro area remains one of the fastest growing economies in the country, but there are concerns that this boom is slowing. The American Growth Project, a production of the Kenan Institute of Private Enterprise at The

University of North Carolina's Kenan-Flagler Business School, ranked Austin as the second-fastest growing extended metropolitan area in the country. The area's Gross Domestic Product grew by 4.3 percent in 2022, second only to San Francisco's 4.8 percent. The authors attribute the city's economic appeal to its "high concentration of venture capital, warm climate, and vibrant cultural offerings." The authors caution that the Austin's growth may be on the decline, citing skyrocketing housing costs and a declining hiring rate. Much like Texas as a whole, the region's population has grown quickly, increasing by 2.4 percent from 2022 to 2023. Although Austin is no longer one of the fastest growing areas in Texas, satellite cities like Georgetown, Kyle, and Leander were three of the four fastest-growing cities of 50,000-plus residents in the nation between July 2021 and July 2022, according to the most recent Census Bureau data.

Travis County's unemployment rate has recovered to 3 percent in November 2023 after rising to 11.8 percent during the pandemic. This rate is still higher than the pre-pandemic rate of 2.3 percent in December 2019, yet below the state rate of 4 percent. Considering Texas's strong economy but arguably weaker national economic trends, it is difficult to predict whether this figure will increase, remain steady, or decrease. Additionally, high interest rates are causing consternation and confusion in Texas's business community, raising concerns about a potential recession. The Dallas Federal Reserve notes that employers are divided on the future of the economy and that Texas's growth in 2023 was 3.3 percent, down from 4.3 percent in 2022 and 6.1 percent in 2021. The reason for this pessimism may lie in the impact of layoffs in the technology sector, as Austin is a tech hub with companies like Samsung, Apple, Meta, and Oracle among the largest employers and taxpayers in the area. That said, Austin was the top "Leading Metro" in the state for job growth at 3.5 percent in 2023 and is expected to continue this positive trend.

Average private sector hourly wages for workers as of November 2023 in the Austin MSA was $33.58 an hour, just below the nationwide average of $34.00, yet above the state average of $32.00 according to the Dallas Fed. Average weekly earnings in Travis County were$1,691 in Q2 of 2023 per the Bureau of Labor Statistics. Austin area employment remains clustered in a few occupational groups, including computer and mathematical, office and administrative support, and business and financial operations. These high-wage professions are likely to continue to see surges throughout FY 2024, as major tech companies continue to move operations to the region.

The Austin/Travis County housing market has cooled from its formerly rapid growth and vitality. After booming growth in 2021 and 2022 along with subsequent price increases, median home prices have decreased by 3.4 percent as of November 2023 (year-over-year). Additionally, home sales have decreased by 7.1 percent as of November 2023 (year-over-year) according to the Texas Real Estate Research Center. Housing stock in the area has rebounded from historic lows during the pandemic, as Austin was one of the top homebuilding markets in the Country, with a year-over-year increase of 29 percent in single-family building permit volume as of November 2023. This trend is expected to continue through 2024, along with multifamily housing, and may influence rent to fall throughout the year. The Texas Real Estate Center is expecting December 2024 rents to decrease 3 to 4 percent year-



The chart above illustrates the sharp rise in the Travis County Median Home Price in 2022 and the recent trend of the cooling housing market as it relates to falling prices. Source: [Travis County Housing Activity - Texas Real Estate Research Center (tamu.edu)] over-year. As the housing market in the area continues to cool and adjust to shocks, it's evolving dynamics as they affect Travis County will be closely monitored.

THE IMPACTS OF ECONOMIC INFLATIONARY PRESSURES ON THE TRAVIS COUNTY BUDGET

Travis County offices and departments have faced notable cost escalations, as well as material and parts shortages, supply chain delays, and labor shortages. Some departments have reported increased workloads because of inflation and supply side constraints. Each year during the budget process, the Planning and Budget Office works with departments to understand their specific challenges due to inflation and supply chain disruptions and adjusts the budget as needed based on these impacts.

Inflationary pressures peaked in FY 2022, and while prices remained elevated throughout FY 2023, they did not increase at the same rapid rate. These pressures have begun to diminish, with year-over-year inflation on all goods decreasing from a peak of 9.1 percent in June 2022 to 3.1 percent in November 2023. At a more granular level, new vehicles, fuel, electricity, medical care services, and food all have lower levels of inflation than at the same time last year. Inflation continues to exert cost pressures impacting operations and budgets. Below are increases approved in the FY 2024 Adopted Budget related to inflationary pressures.

Table 2

Budget Approved Items Related to Inflationary Pressures

Department	*Request*	*Amount*
Health and Human Services	Increase in Construction Material and Contractor Services Costs for Weatherization Program	Earmark on Allocated Reserve: $500,000
Transportation and Natural Resources	Bond project shortfalls or future capital needs	Earmark on CAR Reserve: $24,037,849
Facilities Management	Maintenance and Repairs Increases	$250,000 and Earmark on CAR Reserve of $250,000
Centrally Budgeted Rent and Utilities	Rate Increases	$110,000
Information Technology Services	IT Contract Increases	$971,730
Travis County Sheriff's Office	Food and Supplies Increases for Jail	$1,000,000

AMERICAN RESCUE PLAN ACT CORONAVIRUS LOCAL FISCAL RECOVERY FUND

Travis County received $247,450,630 through the American Rescue Plan Act Coronavirus Local Fiscal Recovery Fund (ARPA LFRF). The funds were allocated to the County in FY 2021 in two tranches. The Commissioners Court has fully allocated the total $247,450,630 from the LFRF into three project tracks, detailed below. Track 1 consists of projects that continue emergency assistance programs begun during calendar year 2020 to immediately address the impact of COVID-19. Such projects used funding from the Coronavirus Relief Fund (CRF) provided as part of the CARES Act of 2020 to quickly respond to the effects of the ongoing health emergency and Track 1 resources continued that response. Track 2 funding includes projects prioritized by the Travis County Commissioners Court for long-term planning purposes, along with the Supportive Housing Initiative Pipeline (SHIP) and additional projects prioritized by Commissioners Court on April 20, 2023.

The Supportive Housing Initiative Pipeline is the largest component of the County's projects, totaling $107,000,000 from the LFRF (and $3,000,000 from the General Fund) for direct construction of affordable housing units along with an additional $11,267,448 for administering the funds. Most of the funds are to be provided directly to external entities constructing supportive housing units. Approximately $51,502,262, or 51.9 percent, of the total funds within the supportive housing pipeline have been encumbered for contracts with external entities. There are eleven projects total that are in the process of obligating funding.

Track 3 provides resources for the County's immediate emergency response to the ongoing COVID-19 public health emergency by funding personal protective equipment, facilities modifications to promote social distancing, and vaccination provisions to disparately impacted communities. This track includes resources have been allocated to various Travis County projects that are allowable under Treasury guidelines.

Table 3
Travis County LFRF Project Budgets

Track	*Project*	*Budget*
Track 1	Emergency Assistance	$15,957,256
	Workforce Development	13,609,727
	Food Assistance	12,762,849
	Childcare Assistance	6,725,000
	Other Support Staff	5,970,668
	Small Business Assistance	5,709,750
	Nonprofit Assistance	2,183,252
	Targeted Behavioral Health Support	325,000
	COVID Outreach	50,000
Track 1 Subtotal		*$63,293,502*
Track 2	Supportive Housing	$107,000,000
	Supportive Housing Administration	11,267,448
	Residential Jail Diversion with Mental Health and Addiction Treatment	8,000,000
	Water Infrastructure Projects	5,500,000
	ESD Communications and Resiliency Enhancements	5,335,504
	Civil & Family Courts Facility Reclaimed Water Line	1,375,000
	Safer Travis County	1,000,000
	Trauma Recovery Center	1,000,000
	Ronald McDonald House Expansion	1,000,000
	The Innocence Initiative and Travis County Girl Squad	696,003
	Broadband Infrastructure	602,342
	Austin Urban Tech Movement	500,000
	Ending Youth Homelessness	500,000
	First Tee of Greater Austin	500,000
	Additional Data Resources and Coordination	500,000
	Women and Children Residential SUD Treatment program	469,559
	MC3	341,271
	Majority of Color Cohort, Capital IDEA dental hygiene students	300,000
	Children's Mental Health	270,000
	Travis County Forensic Mental Health Project	250,000
Track 2 Subtotal		*$146,407,127*
Track 3	County Joint Response	$20,400,555

Track	Project	Budget
	County Direct and Joint Response	5,886,423
	TCSO Health Services Building	4,411,000
	Consultant Contract	1,000,000
	Adaptive Workplace/Telework	1,035,000
	Sobering Center Renovation	800,000
	Food/Medicine Chute Doors	800,000
	Law Library Temps and Case Management Software	610,102
	Remote Court Proceedings	472,420
	Constable 4 Deputies	431,882
	TCSO Correctional Complex Design	375,000
	County Jail Prevention	350,000
	Juvenile Probation Courtroom Remodel	312,000
	Virtual Hearing Automation and Inmate Coordination	280,465
	Touchless Drinking Fountains	187,500
	Hot Swap Loaner Notebooks	115,000
	Custodial Services - Juvenile Probation	86,945
	In-person Court Proceedings	68,308
	Courtroom Tech Upgrades	30,000
	Shelter Support Trailer	25,000
	JP 2 Audiovisual Equipment	25,000
	Remote Video Transmission System	22,000
	COVID-19 Test Machines	14,000
	Remote Jury Trials JP 1-5	11,400
Track 3 Subtotal		*$37,750,000*
Grand Total		*$247,450,630*

Departments across the County are working to ensure these funded projects are executed in the time frame required by Federal regulation, which states that all LFRF funding must be obligated by December 31, 2024, and expended by December 31, 2026. Updates on these projects are provided regularly both through quarterly updates required by the Treasury Department and through periodic updates to the Commissioners Court. The most recent update was on December 19, 2023, where the Court allocated $6,954,762 of available Track 3 resources to projects including a refurbishment of the Travis County Correctional Facility Health Services Building, additional funding for the Law Library, among other projects.

In November 2023, the Treasury issued an Obligation Interim Final Rule (IFR) to address LFRF recipients' questions and comments regarding the definition of "obligation" as it pertains to the Treasury's requirements that all LFRF funds be "obligated" by December 31, 2024. This IFR provided clarification on the definition and provided related guidance specifically regarding which personnel costs are allowable after the December 31, 2024, obligation deadline and until the expenditure deadline of December 31, 2026.

These new clarifications provide specific limitations on personnel expenses after the obligation deadline, allowing only those personnel directly involved in LFRF administrative work, such as reporting and compliance, single audit work, record retention and internal control requirements, property standards, environmental compliance requirements, and civil rights and nondiscrimination requirements, to be funded through LFRF resources after the December 31, 2024 obligation deadline. PBO is working with Guidehouse to provide comment on this new Interim Final Rule and will work with the consultant and relevant Departments and Offices that may be impacted by this clarification to determine which SPWs are eligible for extension until 2026 and which may need alternative funding sources. The Treasury has provided a deadline of April 30, 2024, to report on specific eligible personnel costs that will be funded through 2026, and PBO will bring forward an update on LFRF Special Project Worker funding to the Court before that date.

PBO will continue updating the Commissioners Court on the progress of approved projects to ensure that Federal timelines are met.

LEGISLATIVE OUTLOOK, UNFUNDED MANDATES, AND INTERIM CHARGES

Counties are an arm of state government and deliver many state services at the local level. While local governments are generally able to fund new or expanded state mandates with local financial resources, namely property tax revenue, there has been a shift over time in service provision responsibility from state to local governments without a corresponding increase in financial resources appropriated by the state. Key unfunded mandates highlighted by the Texas Association of Counties include:

- criminal indigent defense support,
- the incarceration of state inmates and health care in county jails;
- indigent health care and treatment;
- the hiring of juvenile probation personnel;
- the maintenance of jail standards;
- detention of blue warrant inmates;
- the appointment of counsel in child protective services cases; and,
- elections.

Texas counties are mandated to provide these services, but the state offers little or no funding to cover the cost of the provision of these services. Financial support for these services is further hampered by recent measures at the state level to limit local taxing control. Such efforts include SB 2, passed by the 86th Texas Legislature in 2019 that artificially caps property tax revenues, and HB 1869, passed by the 87th Texas Legislature in 2021 which limits the County's ability to issue Certificates of Obligation.

The 88th Texas Legislature was a consequential session for Travis County, with several bills passing with significant fiscal implications. Like the 87th Legislature, the 88th consisted of one regular session from January 10th until May 29th, 2023, and several special sessions called by Governor Greg Abbott. Overall, lawmakers filed 8,345 bills, and 1,139 bills passed on various topics, including education, healthcare, transportation, environment, and tax reform. Some of the notable legislation passed into law includes:

- House Bill 3474, which establishes new judicial districts across multiple counties, including the creation of the Travis County Probate Court #2. PBO estimates the annualized ongoing cost for the new Probate Court will be $1.18 million, plus an additional $370,000 in one-time costs.
- House Bill 3697 streamlines the requirements for the plat-approval process, with the intent of making it easier and faster for developers to obtain approval for new projects but could significantly impact Travis County's planning and development process. While the final impact to County operations is not yet known, the County's budget may be significantly affected as well based on the staffing requirements to provide expedited and/or enhanced services associated with the plat-approval process.

Of the several special sessions called by Governor Abbott, notable legislation passed that will have a fiscal impact included Senate Bill 2 and Senate Bill 4. Senate Bill 2 included: a $100,000 homestead exemption, increased from $40,000; a reduction in school property tax rates through an infusion of the $12.7 billion historical budget surplus into school districts; and a temporary 20 percent appraisal cap on properties valued at $5 million or lower that are not considered homesteads. Senate Bill 2 also changed parts of the appraisal process, including a change to the Central Appraisal District (CAD) board. Previously, all CAD board members were appointed. Now, three of those board members will be elected. This election must happen in May 2024 and will result in costs to the County to conduct the election. Senate Bill 4 creates a new criminal offense for illegal entry into the United States which carries a maximum six-month sentence in a county jail. There is no provision to reimburse the county's increased costs for apprehension, prosecution, incarceration, and ensuring the person's return to their country for this offense.

The fiscal impact of the 88th Texas Legislature on Travis County is still being analyzed, and PBO will work with Departments across the County to understand how the changes might affect budgets in FY 2025 and in coming fiscal years.

During the interim between legislative sessions, the Speaker of the House and the Lieutenant Governor direct the committees of each chamber to study various topics and report back to the full body prior to the beginning of the next legislative session with analysis and recommendations. Travis County's list of interim charges are as follows:

- Analysis of the remaining fee balance in the Low-Income Vehicle Repair Assistance, Retrofit, and Accelerated Vehicle Retirement Program (LIRAP).
- Study the prevalence of illegal solid waste disposal outside of municipal boundaries, including the illegal disposal of scrap tires across the state.
- Study disaster resiliency statewide and ability of the state and local governments to properly prevent and respond to natural disasters.
- Review groundwater availability, development regulations, and local governments ability to ensure groundwater availability.
- Study the approval and creation process of special districts created by local and general law.
- Examine the effectiveness of life-saving drug testing technologies for fentanyl, xylazine, or other adulterants as a means to preventing overdoses and deaths in Texas.
- Study of the costs incurred by local governments pending state agencies to take custody of state inmates.
- Study the role of county government in the Child Protective Services system in Texas, including court operations and diversion programs, support services, and the cost to counties for providing legal representation for parents and children involved with the CPS system.
- Study the operations of specialty courts authorized to be established under state statute as well as existing specialty courts across the state that are not statutorily recognized.
- Explore community diversion and re-entry support.
- Study the ability for local governments to utilize Public Improvement Districts or other funding mechanisms as a means of expanding affordable housing.

STRATEGIC PLANNING EFFORT & PERFORMANCE MANAGEMENT

Travis County's mission is to build a County where all people can thrive with dignity and respect. Fulfillment of this mission requires strategic planning and performance management, such that scarce resources can be best allocated throughout the County and put towards a clearly defined vision for the future. As part of this effort, Travis County has embarked on a strategic planning project and further emphasis on performance management through program performance data. Refinement of these endeavors continues and will impact FY 2025 and beyond.

A community-wide survey was distributed, which reached 2,477 respondents, to allow the community to provide input on the mission, vision statements, and strategic goals. A cross section of Travis County employees was organized into Goal Teams around each strategic goal and worked collaboratively to further define how the County will measure success for each goal. These teams also discussed the most effective ways, with the highest leverage, to deliver the results of each goal. Goal Teams recommended key performance measures and proposed implementation strategies for each goal. These were presented to the Commissioners Court at three Court meetings in April, June, and November of 2022.

On January 24, 2023, Commissioners Court formed a Strategic Planning Committee made up of all five members of the Commissioners Court and discussed updates to the mission, vision and goal statements which were adopted at the March 28, 2023, voting session. The Strategic Planning Committee met regularly throughout the year and reviewed all the factor maps, strategies, and metrics related to the seven strategic goals. Going forward, staff will work to synthesize feedback gathered through these meetings and develop an implementation strategy, including timelines and priorities. Future steps include ranking strategic goals, confirming program alignments to strategies and goals, and working with County teams of subject matter experts to crosswalk all the strategic goals and strategies with major County programs, initiatives, and plans.

Continued efforts to improve strategic planning and performance measure data will increase the quality and use of the County's SAP Budget and Planning module (SBP), further enhancing program performance transparency. PBO plans to publish FY 2025 departmental analysis and Preliminary Budget recommendations along with our other FY 2025 budget documents on the Planning and Budget Office's website as part of this continued effort in promoting greater transparency of the budget process and use of public resources. In addition, a new volume will be published as part of the full Adopted Budget, "Volume IV: Performance Management", and will include all departmental performance measures. PBO will work with offices and departments on linking key performance measures to the Strategic Plan, once adopted.

FY 2025 BUDGET CONSIDERATIONS

The Budget Guidelines include known budget considerations that will need to be addressed during the FY 2025 budget process as well as a financial outlook, provided annually, for the next three to five years.

For the FY 2025 budget process, estimates of known budget drivers are identified and included in this document. These budget considerations are discussed below and must be weighed seriously by the Commissioners Court early in the process in order to provide clear direction to PBO in the formulation of the Preliminary Budget.

DEPARTMENTAL TARGET BUDGETS

The FY 2025 Target Budget represents the FY 2024 Adopted Budget plus the annualized impact of any new increases approved during FY 2024, less any one-time expenses and other reductions related to pilot programs and programs that have been moved from ongoing to one-time, plus any needed corrections. The current Target Budget amount for FY 2025 is $930.9 million (including $869.7 million in departmental base budgets) and represents initial requirements to continue approved programs in offices and departments for the next fiscal year at current service levels. This number includes ongoing funding built into reserves and capital budgets that allows the Commissioners Court the flexibility to make long-term decisions midyear and issue less future debt by cash funding recurring capital needs.

PBO reviews departmental base budgets annually during the budget process. This process involves working with departments to identify flexibility within their budgets to better accomplish their goals and missions. This analysis oftentimes results in recommendations from PBO for offices and departments to internally fund budget requests that the department has requested to be funded with new tax dollars.

AVERAGE DAILY POPULATION

The single largest expense of the annual budget is operating the County's jail. The County has focused on reducing the Average Daily Population (ADP) in the Travis County Jail through diversion and other justice programs. PBO monitors ADP closely given its impact on the County budget each year. Recently, the County has experienced an increase in adult ADP. The adult system ADP for January 2024 was 2,207, which is 50 less (-2.2 percent) than January 2023. However, this figure is 392 more (21.6 percent) than January 2022, and 359 more (19.4 percent) than January 2021 during the height of the COVID-19 Pandemic shutdowns. When looking at the ADP prior to COVID-19, the ADP is up 7 or just 0.3% compared to January 2020.

Table 4
Travis County Adult Inmate Population Comparisons for January 2020 to 2024

Monthly Average	*ADP*	*# Change from FY 2024*	*% Change from FY 2024*
2024 January Avg.	2,207	N/A	N/A
2023 January Avg.	2,257	(50)	(2.2%)
2022 January Avg.	1,815	392	21.6%
2021 January Avg.	1,848	359	19.4%
2020 January Avg.	2,200	7	0.3%

The average population in the Juvenile Probation Department, including the Residential and Detention programs, has recently started to trend back upwards to pre-COVID levels after several years of lower-than-average populations.

Table 5
Travis County Juvenile Average Daily Population for Residential and Detention Programs for January 2020 to 2024

Monthly Average	*ADP*	*# Change from FY 2024*	*% Change from FY 2024*
2024 January Avg.	64	N/A	N/A
2023 January Avg.	34	(30)	(88.2%)
2022 January Avg.	50	(14)	(28.0%)
2021 January Avg.	60	(4)	(6.67%)
2020 January Avg.	83	19	22.89%

In prior years, a reduction in ADP was realized both with the adult and juvenile populations. Based on the reduced population figures for adults and juveniles in Travis County's custody, the FY 2020, FY 2021 and 2022 Adopted Budgets included related reductions totaling $6,176,065 and 109 FTEs. More specifically, the Sheriff's Office budget for corrections was reduced by $5,058,897 and 91 FTEs and the Juvenile Probation Department's budget was reduced $1,117,168 and 18 FTEs. These savings were based on lower staffing requirements since there were fewer adults and juveniles in our custody and the savings helped balance the FY 2021 and FY 2022 Adopted Budgets.

To best prepare for future ADP growth, an ADP Reserve was established first in the FY 2020 Adopted Budget using a portion of the savings from that fiscal year's Correction Officer position reductions so resources could be available to restore positions required under state required staffing ratios should these populations increase.

However, during FY 2022, the adult ADP began to rise significantly. To respond to this trend, the FY 2023 Adopted Budget included 30 additional Corrections Officer and five Corrections Specialist positions at cost of $2,480,441 to support the higher anticipated ADP. The reserve was maintained at the same level and remains available to address

ADP needs in future budget years. If the ADP begins to exceed pre-pandemic levels, additional increases to staffing may be required in FY 2025. In addition, the Sheriff's Office received funding in FY 2023 for a Corrections Bureau staffing study which may recommend additional changes to staffing. The results from this study are likely to be ready in time for the FY 2025 budget process. PBO will continue to monitor the ADP and staffing levels and make recommendations to adjust the budget and FTEs as needed.

To facilitate a safe environment during the COVID-19 pandemic, the Sheriff's Office opened residential units that normally would not be in use with the low ADP experienced at that time. These units assisted in necessary isolation and quarantine efforts and many of these health and safety protocols, including testing, will likely remain in place moving forward to combat COVID-19 as well as other communicable diseases that spread rapidly in correctional settings.

Juvenile Probation's daily population has recently begun to increase after several years of lower-than-average ADP. The annual average ADP across both detention and residential facilities in FY 2023 was just 21 youth. Over the first four months of FY 2024, the population average has exceeded that, averaging around 30 youth with significantly higher averages in the fall. This is a return to prior patterns, and PBO expects that the Juvenile population will likely continue to increase somewhat and then level out to pre-COVID levels in FY 2024.

In response to the previous trend of persistently decreasing ADP, PBO and Juvenile Probation delimited nine FTEs that were not needed and used the funds to address salary compression issues within the department in FY 2024. Though the Department continues to not need these positions, PBO will work to closely monitor ADP and ensure that the Department is adequately staffed to meet all the mandated requirements for supervision and safety in the Juvenile Probation facilities.

BUDGET DRIVERS

PBO staff works to gather and discuss estimated budget drivers, including potential investments in the workforce. These budget considerations are consolidated into the table below. Each budget category is discussed in greater detail in the next section. Budget drivers such as these generally represent projected FY 2025 expenditures that, unless otherwise directed by Commissioners Court, will require additional funds to be made available either through significant reallocations of existing County resources or by the addition of new ongoing resources.

Table 6
FY 2025 Preliminary Budget Drivers

Category	*Preliminary Estimate*
Target Budgets in Millions	**$930.9**
Workforce Investments & Countywide Budget Drivers	
Compensation & Benefits	21.2
Interlocal Agreements	2.8
Waller Creek TIF Agreement and Balcones Canyonlands Preserve	0.5
Subtotal Workforce Investment & Countywide Budget Drivers	**$24.5**
Program Specific Budget Drivers	
General Maintenance of Current Effort (MCE)	3.5
Tech-related Maintenance of Current Effort (MCE)	2.9
Justice Investments	2.8
Parks & New Facilities	0.4
Subtotal Program Specific Budget Drivers	**$9.6**
Total of Budget Drivers	**$34.1**
Total	**$965.0**

WORKFORCE INVESTMENTS AND COUNTYWIDE BUDGET DRIVERS

COMPENSATION & BENEFITS

COMPENSATION

The Travis County Commissioners Court prioritizes its employees in recognition that they execute the County's Mission, Vision, and Strategic Goal Statements. Travis County has a compensation philosophy that emphasizes the importance of recruitment, motivation, and retention of quality employees that can provide exemplary service for the residents of Travis County. This goal is achieved by using a total compensation system that is fair, flexible, and market competitive. While compensation encompasses much more than direct wages, the guidelines will address funding for potential salary increases. The following table summarizes employee salary standard compensation increases since FY 2021.

Table 7
History of Employee Compensation

Employee Type	*FY 2021*	*FY 2022*	*FY 2023*	*FY 2024*
Classified (Standard Increases)	2.0% across the board increase[1]	3.5% across the board increase[2]	5.0% across the board increase[3]	4.0% across the board increase[4]
Classified (Other)	-	2nd year of Benchmark Study	-3rd year of Benchmark -$20 County Minimum Wage & Compression -Pay scale Adjustments	-$20.80/hr. County Minimum Wage -Market Salary Survey for Purchasing Office

Peace Officer Pay Scale (POPS)	One Step Increase	-One Step Increase -Scale Adjustment -Market Salary Survey for Law Enforcement	-One Step Increase -Market Salary Survey for Entry Level Law Enforcement and Corrections	-One Step Increase -Market Salary Survey for Entry Level Law Enforcement and Corrections
All Eligible Employees (Other)	-	-	-Shift Differential Increase from \$0.65/hr. to \$1.00/hr.	-Bilingual Pay -Shift Differential Increase from \$1.00/hr. to \$1.25/hr.

[1]Ongoing salary increase for regular classified employees who were hired as of March 31, 2020.
[2]Ongoing salary increase for regular classified employees who were hired as of March 31, 2021.
[3]Ongoing salary increase for regular classified employees who were hired as of March 31, 2022.
[4]Ongoing salary increase for regular classified employees who were hired as of September 30, 2023.

Classified Employees: The Commissioners Court has charged the Compensation Committee with making recommendations to the Commissioners Court about compensation-related matters for the upcoming fiscal year. Per County Code §114.043, each year during January, the Chair of the Compensation Committee reconvenes the Compensation Committee and then reports their recommendation to the Commissioners Court. The Compensation Committee will present its priorities to the Commissioners Court at approximately the same time as the approval of the Guidelines.

The Human Resources Department (HRMD) has been working on the Classified Compensation Study with Segal Consulting. Further discussions regarding the Segal Group's assessment will continue into FY 2025 and a timeline for implementation will be developed starting as part of the FY 2025 budget.

Peace Officer Pay Scale (POPS) Employees: These employees are on a step scale with progression through the scale based on steady, incremental movements from one step to the next in years when this type of increase is approved by Commissioners Court. In FY 2020, the Commissioners Court directed staff to complete a review of the structure of the pay scale and a review of market considerations.

The POPS Working Group continues to meet and has identified additional POPS compensation issues that need further ongoing study and analysis. Identified issues include further benchmarking against local jurisdiction's pay amounts to remain competitive, rates and eligibility for shift differential pay, reviewing amounts for specialty pay for certifications, emergency and holiday pay, and others. Planning parameters for FY 2025 continue a step increase for eligible POPS employees on their anniversary date. The cost of additional recommendations from the POPS Working Group will be further refined with feedback from the Commissioners Court in the FY 2025 budget process.

Elected Officials: Funding for Elected Officials will require additional direction from the Commissioners Court regarding any proposed salary changes for FY 2025. For planning purposes, the cost drivers include an increase consistent with planning figures for other employee groups.

FY 2026 – 2028 Considerations: As noted above, the Commissioners Court will be asked to consider an implementation plan for the Segal Study. Such a plan may span more than one fiscal year and could impact the FY 2026 budget process as well. Employee compensation has historically been the County's largest budget consideration. PBO includes compensation in this list at the urging of the Commissioners Court to account for these expenses as early in the budget process as possible. The Commissioners Court has a clear commitment to its workforce and ensuring fair and reasonable total compensation. This approach includes not only cash compensation, but also health insurance, life insurance, retirement annuity, vacation leave, sick leave, personal leave, free parking, holidays, elements of work/life balance (when comparable and measurable), and employee mobility.

HEALTH BENEFITS

Travis County began a self-insured health benefits plan in 2002. Under a self-insured program, the actual insurance claims made by employees are paid directly from County resources with an insurance carrier hired to administer claims processing (i.e., a third-party administrator). The benefits of being self-insured are flexibility with providing standards of care for employees and more control over increasing health premiums for the County. Despite this added control, a self-insured plan does not necessarily reduce exposure to overall health care increases. The Commissioners Court determines the plan funding and benefit structure on an annual basis based on recommendations from staff and the Employee Benefits Committee and after an employee public hearing.

Reliable cost estimates for benefits in the upcoming fiscal year will not be refined until the County's benefit actuary presents estimates to the Employee Benefits Committee. However, it is important to provide an estimate for these guidelines and the best way to formulate this estimate is based on historic increases experienced by the County in recent years. A summary of the most recent five-year period is shown in the following table.

Table 8
Increases in County's Rate Contribution to Employee Health Plan FY 2019 to FY 2024

Fiscal Year	*Original Actuary Estimate*	*Revised Increase after Plan Design Changes or Estimate Refinements*
2019	3.4%	0.0%
2020	3.1%	2.1%
2021	1.9%	0.0%
2022	2.2%	2.2%
2023	6.0%	4.0%
2024	2.0%	2.0%

The table above demonstrates that plan design changes, prepared early in the year by the Benefits Committee, generally assist in reducing the original anticipated impact. Such changes also further refine the plan to ensure that the long-term costs are more sustainable to the County and plan participants. For FY 2025, PBO recommends planning for an estimated 4.10 percent increase, based on the prior 10-yr annual growth rate and actual claims experience from FY 2023 and first three months of FY 2024, to the County's health plan contributions that also factors in projected new retirees added to the plan during FY 2024.

FY 2026 - FY 2028 Considerations: HRMD, the benefits consultant, and the Employee Benefits Committee will continue to work to improve the plan to provide better health care coverage and control costs. A strategic plan for maintaining a comprehensive benefit plan for County employees, retirees, and covered dependents will be developed that considers long-term cost increases as well as the overall stability of the plans.

RETIREMENT

Travis County is one of the more than 735 employers that participate in the Texas County and District Retirement System (TCDRS). The County has a defined benefit plan that is savings based. That is, retirement benefits are based on how much an individual retiree saved during his or her active employment and the employer's matching rate of 225 percent at retirement.

As members of TCDRS, Travis County contributes to the retirement system at actuarially determined rates. County employees contribute 7 percent of their salary (the highest allowed by TCDRS) to the County retirement plan as set by Commissioners Court. The System's goal is for 7.5 percent annual earnings to ensure that the required employer contributions remain steady, absent any other changes. When TCDRS has a year that investments fall below 7.5 percent, the loss is divided over a five-year period to reduce the impact, and individual member rates are adjusted to generate the additional revenue necessary to maintain benefits.

TCDRS notified Travis County that the County's required contribution rate for FY 2024 was 17.60 percent of salaries. This was a rate decrease of 0.05 in the FY 2024 required rate as compared to the FY 2023 rate and would have generated savings of approximately $0.2 million. Nevertheless, Travis County maintained its previous rate at 17.65 percent of salaries in the FY 2024; therefore, providing the $0.2 million to TCDRS to reduce the impact of potential future rate increases based on current macroeconomic forecasts. An increase for retirement contributions based on the current plan is included in the FY 2025 Budget Guidelines and PBO expects an update from TCDR on the required rate for FY 2025 this May.

Table 9
County's Retirement Rate Contribution History, FY 2018 – FY 2023

Fiscal Year	*Contribution Rate*	*Retiree COLA Awarded*	*Funded Ratio*	*Rate Increase*
2018	14.91%	-	86.31%	4.12%
2019	15.34%	50% CPI	86.98%	2.88%
2020	16.19%	-	85.66%	5.54%
2021	16.19%	-	86.50%	0.00%
2022	17.17%	-	84.30%	6.05%
2023	17.65%	3% (Flat Rate)	84.50%	2.80%
2024	17.65%	-	*	0.00%

* Data expected May 2024.

FY 2026 – FY 2028 Considerations: TCDRS gives employers various suggestions to keep rates stable, including adopting a rate higher than the required rate, adjusting plan benefits, and paying extra lump sums for cost-of-living adjustments (COLAs) when implementing. These suggestions and other tools should be given the same amount of review and consideration as the County gives compensation and health benefits, especially as the number of retirees grows over the next decade and given the potential for decreased investment return assumptions by TCDRS.

The County's has an informal goal to work towards a funded ratio of 90 percent from its current percentage in the mid-80s. It will be important to continue strengthening the plan to ensure long-term financial sustainability of this important benefit.

INTERLOCAL AND OTHER AGREEMENTS

The County has interlocal agreements (ILAs) with the City of Austin and several other state and local partners to provide a variety of public services. These interlocal agreements include Public Health and Animal Control Services, Austin-Travis County Emergency Medical Services (ATCEMS), Combined Transportation, Emergency & Communications Center (CTECC), the Greater Austin-Travis County Regional Radio System (GATRRS), Hazardous Material Mitigation, and Transit Services. The current estimated costs related to interlocal agreements for FY 2025 total $2,817,417. Additionally, the County also has an interlocal agreement with the City of Austin for central booking services provided by the County. This interlocal represents $9.9 million in revenue that is captured in our FY 2025 assumptions. It has been reported that the City is exploring a pilot project that could impact this agreement.

Through the Public Health Interlocal Agreement, the City of Austin Public Health Department provides epidemiology, vital records, environmental health services, disease surveillance, chronic disease and injury prevention, health promotion services, and social service contracts targeted specifically to subpopulations of the County experiencing an undue burden of morbidity and mortality throughout the City of Austin and Travis County. The Austin Public Health Interlocal agreement was approved in FY 2024 for a not-to-exceed amount of $7,021,663. This amount was $160,043 less than the prior year. The cost of all programs decreased due to a decrease in the percentage of Travis County residents calculated to be living outside the City of Austin by the City Demographer. The percentage is used to determine the County's share of the City's costs. The FY 2023 percentage was calculated to be 31.36 percent and the FY 2024 percentage was calculated to be 30.00 percent. The County again budgeted $1,500,000 for Extraordinary Events, as per the agreement with the City to ensure resources are in place for such events requiring public health response.

The City of Austin Animal Services Department enforces regulations, provides shelter for lost or homeless animals, implements wildlife management strategies, and works to achieve live outcomes for sheltered pets under the Animal Control Services Interlocal Agreement. The Travis County portion of the Animal Control Services Interlocal Agreements is based on a cost-sharing formula driven by the percentage of Travis County residents in the unincorporated area. The FY 2024 total budget for the Animal Services Interlocal Agreement was $3,368,147, or $870,533 over the previous year. This increase was largely due to the addition of five staff, increased cost for food and other operating expenses, and a one-time increase of $356,130 for additional mobile spay/neuter services.

The FY 2024 anticipated combined ongoing increase for these two agreements managed by Health and Human Services is currently estimated at $508,000, which is a 6 percent increase over the prior year's total cost of these agreements. This is the average annual increase since 2017.

Travis County has two interlocal agreements related to ground Emergency Medical Service and Transportation in the County. Travis County contracts with the City of Austin (ATCEMS) to provide paramedic emergency ambulance services to Travis County excluding the City of Austin and the agreement is expected to increase by 10 percent or $1,766,262 in FY 2025 in part due to anticipated higher costs associated with the labor agreement that took effect in October 2023 between the City of Austin and the Austin EMS Association. Further, the Travis County Commissioners Court agreed to help fund ground emergency medical service in the extraterritorial jurisdiction of the City of Pflugerville in FY 2022. This funding secures services for residents that could have not received emergency medical service in a timely manner if not for the County's participation. A total of $25,294 is anticipated for this expense currently, a 3 percent increase over the prior year.

The Combined Transportation, Emergency & Communications Center (CTECC) and Greater Austin Travis County Regional Radio System (GATRRS) are cooperative agreements that benefit public safety and public service within the region by coordinating resources in the County as well as providing effective radio and wireless coverage for those assets across the region. These agreements are expected to increase by $243,087 and $217,274 respectively in FY 2025.

The Hazardous Materials (HAZMAT) Interlocal Agreement is a joint agreement between Travis County and the City of Austin to manage hazardous material removal throughout the County. This agreement is expected to increase by an estimated $17,500. Through an ILA with Capital Metro, the County has a cost-sharing arrangement which is contingent on the County's inclusion in the Capital Metro regional Service Expansion Program and requires the County to complete a Transit Development Plan (TDP). Under this arrangement, the County has the opportunity to collect and leverage additional Federal Transit Administration (FTA) funding for transit services partially or wholly within the unincorporated areas of the County. The current estimated increase to this cost-sharing agreement for FY 2025 is $40,000.

FY 2026 – 2028 Considerations: Increases in future years will need to be carefully monitored considering revenue growth will be limited due to SB 2 (86th Legislature). Main cost drivers for these ILAs are similar to those of the County overall, including compensation and benefit costs, inflationary pressures, population growth and distribution, and increased operating expenses for things like hardware and software maintenance agreements.

WALLER CREEK TIF AGREEMENT & BALCONES CANYONLANDS PRESERVE

In 2008, Travis County entered into a 20-year agreement with the City of Austin for participation in the Waller Creek Tax Increment Finance Zone (TIF). As part of the agreement, Travis County contributes 50 percent of the property tax on the increase in value of real property in the reinvestment zone (tax increment). The tax increment is used to help repay the debt that was issued by the City to build the Waller Creek Tunnel. The tunnel project consisted of the construction of flood control improvements along lower Waller Creek that provide 100-year storm event flood protection with no out-of-bank roadway flooding for the lower Waller Creek watershed. The project reduced the width of the floodplain in the reinvestment zone area and was intended to significantly increase the amount of developable land area in the lower Waller Creek watershed. The FY 2024 Adopted Budget included an earmark against the Allocated Reserve of $586,451 for the Waller Creek TIF payment because the value of real property within the reinvestment zone increased. The actual amount will be calculated in April 2024 per the agreement. The estimated amount for FY 2024 calculated in July 2023 is $4,285,134. The FY 2025 County TIF contribution will not be finalized until certified values are received from the Travis Central Appraisal District and the County has an adopted tax rate. For planning purposes, an incremental increase in funding of $500,000 based on historical annual increases is included in the FY 2025 planning parameters and similar to the estimated increase budgeted for FY 2024.

The Balcones Canyonlands Conservation Plan (BCP) is a regional Section 10(a) permit which was issued to Travis County and the City of Austin in 1996 by the U.S. Fish and Wildlife Service (USFWS) under the Endangered Species Act. The Balcones Canyonlands Preserve (BCP) within the Transportation and Natural Resources Department operates under this plan. The current budgeted annual transfer from the General Fund to the BCP Fund is $19,880,147. The transfer has been frozen at this amount since FY 2021. Since that time, any additional calculated transfer amount has been set aside in the CAR Reserve and reserved for future work required by the agreement. In FY 2023, the interlocal agreement with the City of Austin was updated to no longer prescribe the calculation methodology or funding source for investments to the BCP.

FY 2026 – FY 2028 Considerations: The Waller Creek TIF, created in 2008, will conclude in 2028. These General Fund resources will be available for reallocation to address other priorities identified by the Commissioners Court.

Efforts continue to identify long-term strategies for the completion of BCP Plan requirements as well as appropriate protection and long-term maintenance of current BCP properties. Other efforts of note include the establishment of the BCP Visitor Center, and future land and karst acquisition in service of permit requirements. In November 2019, the Commissioners Court voted to extend the permit past 2026 and approved various administrative changes that City and County are carrying out in stages. The interlocal agreement between the City and County was updated in FY 2023, however additional administrative changes to update the Plan and associated documents are currently underway. PBO will continue to work with the Transportation and Natural Resources Department (TNR) on future planning efforts regarding the long-term maintenance of the Balcones Canyonlands Preserve. The Commissioners Court will be challenged to balance BCP conservation priorities with other conservation strategies given limited resources.

PROGRAM SPECIFIC BUDGET DRIVERS

GENERAL MAINTENANCE OF CURRENT EFFORT (MCE)

Every year there are various general Maintenance of Current Effort (MCE) budget requests that could require additional resources to maintain the County's current service levels. A select few MCEs related to mandated services and previous commitments are included in this document for the Commissioners Court awareness. During the budget process, all budget requests are analyzed carefully, and recommended amounts are determined after thorough review and discussions with impacted Offices and Departments. Planning figures for the FY 2025 cost drivers include $3.5 million for general maintenance of current effort needs.

The passage of House Bill 718 mandates metal plates for temporary and dealer plates, significantly increasing the workload for Tax Office Department of Motor Vehicles. With only 160 out of 572 dealers on the webDEALER system, the county potentially faces an 853 percent increase in dealers needing inventory plates and anticipates 250,496 additional webDEALER transactions. The staffing costs to accommodate the requirements of House Bill 718 and handle the increased workload are significant. The Tax Office is currently projecting that as many as 10 FTEs could be needed for inventory control, back-row processing, and dealer contracting and related tasks. The planned staffing expansion would manage an anticipated increase in webDEALER transactions and dealer compliance responsibilities for the Tax Office. While PBO will analyze this request and provide recommendations in the FY 2025 Preliminary Budget, it is important to note this unfunded mandate in our planning parameters.

Maintaining property insurance coverage mitigates risk as Travis County manages approximately $1.5 billion in property, equipment, and contents. Furthermore, aviation insurance coverage is a requirement for the County's STAR Flight operations and maintaining cybersecurity insurance is crucial in the mitigation of cybersecurity threats. PBO anticipates additional funding needs to maintain the current insurance coverage.

The increasing costs of facilities maintenance, including the cost of materials and labor, require that the County include additional ongoing funds in the Facilities Management Department's for anticipated expenses.

Every year, Travis County pays the Travis Central Appraisal District (TCAD) for property appraisal services. The cost of this service is based in part on the total budget for TCAD and the percentage of total property tax levies for each taxing entity within Travis County. For Tax Year 2024, school districts received State resources that allowed districts to lower their tax rates and property tax collections. This compression increased the percentage share that is paid to TCAD for their services for all jurisdictions, including Travis County. In addition, members of the Appraisal District Board will now be elected, instead of appointed, resulting in additional election costs. PBO projects that these combined factors will result in the need for additional resources totaling approximately $1.4 million more than the FY 2024 Adopted Budget of $3,956,100 for Travis County's payment to TCAD.

In Health and Human Services, indigent burial is a mandated service. The rates and demands for this service are expected to increase in FY 2025 and costs related to these increases are included for planning purposes.

Other anticipated expenses in FY 2025 include continued Emergency Medical Services STAR Flight helicopter maintenance.

FY 2026 – FY 2028 Considerations: These are items that allow offices and departments to continue executing approved programs. Any increases are typically necessitated by factors such as property insurance premiums, election funding, increased contract costs, compensation policy changes, and legal or other requirements to maintain current operations.

TECH-RELATED MAINTENANCE OF CURRENT EFFORT (MCE)

Information Technology Services maintains a number of maintenance agreements for software and hardware used by County employees in the service of their business processes. These include Microsoft Office products, virtual private networking software, security software, among others. Each year, many of these contracts increase in cost or require additional fees as the subscription structures are adjusted by the vendors or the County needs to buy additional licenses. Several large-scale projects, including maintenance requirements related to the implementation of enterprise cameras for law enforcement officers of Travis County and onboarding the departments to the County's evidence management software also require ongoing maintenance funding.

Along with centrally budgeted software increases, some Departments fund their software directly out of their own budgets and are also likely to see cost escalations that should be accounted for early in the budget process as they are required costs to continue doing business. One such example is an application supported by an external vendor that provides a secure database for the Travis County Medical Examiner's office and is used in many aspects of the office's work, including autopsy reporting, billing, investigations, and toxicology. The contract requires an ongoing maintenance cost increase for FY 2025. There will also be a cost escalation for maintenance agreements with Tax Office vendors such as KnowInc (VR software), Data Projections, Aperta, Tableau, Cummins Allison, and LAVI (Queuing System). These escalations indicate rising operational costs associated with maintaining critical software and hardware, underscoring the necessity for budget adjustments to sustain these essential services. The FY 2025 planning figures related to technology maintenance, both centrally funded in ITS and those contracts funded directly in departments, totals $2.9 million.

FY 2026 – FY 2028 Considerations: Many vendors are transitioning to software-as-a-service (SaaS) subscription models. These models often include annual cost escalations, either as the product is improved, payment structures are changed, or simply to account for inflation. The County should expect to continue to see this as an increasing maintenance cost year to year. Additionally, large-scale projects require additional resources to launch and then require ongoing resources to maintain as the County transitions its system to more updated tools.

JUSTICE INVESTMENTS

The County provides many legally mandated courts and justice functions. The FY 2025 planning figures related to indigent attorney fees, pretrial electronic monitoring, or justice-related issues for FY 2025 total $2.8 million.

The Criminal Courts note that Capital Area Private Defender Service (CAPDS), which provides attorneys for indigent defendants in Travis County, has had to override their caseload limits due to a significant shortage of available attorneys and an increase of Felony 1 (Felony A) and Felony 2 and 3 (Felony B) cases and Spanish speaking defendants. In addition, the Public Defender's Office (PDO), which also provides attorneys for indigent defendants in Travis County, does not have the trained staffing, nor capacity to address the recent increase of Felony A and Felony B cases and cases with Spanish speaking defendants, nor the shortage of attorneys.

Due to the increases of Felony A and Felony B cases and Spanish speaking defendants, along with the shortage of available attorneys to appoint to these cases, the Criminal Courts are proposing to increase the hourly rate for Felony A cases from $100/hour to $155/hour and Felony B cases from $90/hour to $125/hour and to increase the supplemental language fee for cases with Spanish speaking defendants from $20/hour to $40/hour, anticipated to be effective Spring 2024. In addition, pursuant to the Texas Code of Criminal Procedure Article 26.05, and Texas Family Code section 107.015 and 51.10(i), the Civil fee rate for appointed Civil Attorneys is to be set in accordance with the schedule for appointed Criminal attorneys by the Criminal District Judges. This would result in an increase to the hourly rate Tier I cases from $100/hr. to $155/hr. and Tier II cases from $90/hr. to $125/hr.

For FY 2025, PBO projects this proposed hourly rate increase will cost up to additional $2,500,000, with $500,000 – $1,000,000 projected to be needed by the Civil Courts and $100,000 – $1,500,000 projected to be needed by the Criminal Courts to implement these hourly rate increases.

In previous fiscal years, electronic monitoring expenditures in Pretrial Services experienced significant increases and expenditure shortfalls as the use of electronic monitoring expanded as a favored form of diversion. In addition, defendants are utilizing electronic monitoring devices for longer periods of time due to court proceeding delays related to the COVID-19 pandemic. A device contract update goes into effect March 2024 and may also have associated ongoing costs. PBO will continue to work with the Department to monitor trends in electronic monitoring use and costs, as well as identify internal resources and necessary transfers as needed.

In September of 2019, the Texas Indigent Defense Commission (TIDC) awarded Travis County a state grant totaling $20.1 million over four years to fund a countywide Public Defender Office and for improvements to Capital Area Private Defender Services (CAPDS). The grant term began on April 1, 2020, and is scheduled to end March 31, 2024, with the County fully responsible for these programs at that point. Funding of $3,419,381 was included in the FY 2024 Annualization Reserve that has been moved to the applicable departmental budgets to make sure the annualized funding is available for FY 2025.

FY 2026 – FY 2028 Considerations: As the justice system continues to address case backlogs, as well as current cases, in the post-pandemic era, PBO will work with departments to analyze future indigent defense and electronic monitoring expenditure trends and to budget resources appropriately. As the County assumes full funding of the Public Defender's Office and related programs from the multiyear state grant ending March 31, 2024, future programming and goals will continue to be monitored. PBO will work with the office in order to ensure high-quality holistic defense and support to those accused of criminal offenses.

PARKS AND NEW FACILITIES

New facilities, land acquisition parcels, and physical assets frequently require additional resources as the physical construction of the building is completed or the asset is purchased. The FY 2025 cost drivers include a planning estimate of $350,000 for this purpose.

The County has acquired additional parkland as part of the 2023 voter authorization. This increased acreage will require additional maintenance and operating investments for Transportation and Natural Resources, including funding for security equipment, fencing, demolition, vegetation maintenance, patrols, and other asset management.

The new TCSO Evidence Warehouse is anticipated to be completed in FY 2025. The associated offices and departments expect there to be some additional operating expenses identified as the building begins to operate and funds have been reserved as a cost driver for that purpose.

IDENTIFIED BUDGET RELATED MATTERS NOT INCLUDED IN BUDGET DRIVERS

Many other issues may impact the development of the FY 2025 Preliminary Budget or may require advance preparations for an impact in future budget years. PBO will work with offices and departments to continue monitoring issues that may materialize and will keep the Commissioners Court apprised of any substantive changes. Potential issues include, but are not limited to:

- Staffing needs (additional or repurposed positions) to fully meet workload requirements at current service levels;
- On-going continuation of successful pilot programs;

- Projects and positions with expiring LFRF-funding, including SPWs that are no longer eligible for LFRF funding based on Treasury updated guidance;
- New unfunded/underfunded mandates;
- County response to natural disasters or other unforeseen events;
- Changes in assumptions that impact the calculation of the County's property tax collection rate and resulting revenue;
- Other unexpected decreases in state or federal grant funds for established programs with proven results; and
- Additional investments in new programs or service enhancements.

In addition to the above examples of issues that could impact the FY 2025 budget, there are a variety of plans and studies that are underway that could impact this next year's budget or future budgets. Table 9 below includes a selection of short-term projects, pilot programs, and longer-term planning efforts that are expected to lead to future budget requests.

Table 10
Additional Short-Term Projects and Planning Efforts

Dept.	*Program Name*	*FY Funded*	*Notes/Summary*
Short-term Projects and Pilots			
HHS	Jail-Based Intake	FY 2022	This program was originally funded in FY 2022 for one year, but did not launch until halfway through the fiscal year. It was funded for an additional year in FY 2023, and again received one-time funding in FY 2024.
HHS	Assertive Community Treatment Team	FY 2022	This program was originally funded for two years in FY 2022. This pilot was extended for an additional year of funding in FY 2024.
Auditor	Federal Funding Auditor	FY 2023	This project funds a Financial Auditor Analyst IV Special Project Worker to assist with the County's COVID-19 cost recovery and documentation. This SPW has an end date of September 30, 2024.
County Attorney, County Clerk, District Clerk, Public Defender, Criminal Courts	ARPA Court	FY 2023	This project was initially approved in FY 2023 through the Criminal Courts Backlog Action Plan grant from the State of Texas – Office of Court Administration through funds appropriated from the Federal American Rescue Plan Act (ARPA) to assist the Criminal Courts with the backlog of cases as a result of the COVID-19 pandemic for a grant term of October 1, 2022 – March 31, 2024. This grant totals $841,707 and provides resources for contracted services and a total of 5.0 FTEs including a 1.0 Investigator in the County Attorney's Office, a 1.0 Court Clerk II in the County Clerk's Office, a 1.0 Court Clerk II in the District Clerk's Office, a 1.0 Case Worker in the Public Defender's Office, and a 1.0 Court Coordinator in the Criminal Courts. The FY 2024 Adopted Budget includes an Earmark against the Allocated Reserve to fund these positions as SPWs for the

Dept.	Program Name	FY Funded	Notes/Summary
			remainder of FY 2024 after grant funds have been fully expended. These positions are authorized through FY 2025 to continue addressing the case backlog in the Criminal Courts as a result of an increase of unindicted cases and an increase of felony cases.
Other Studies and Plans in Progress			
ITS	Countywide Strategic Plan	FY 2022	The strategic planning process is ongoing. The Commissioners Court approved new strategic goals in FY 2023 and is moving forward with developing specific recommendations
ITS	Teleworking Plan, Phase I/Ia/II	FY 2021	Phase II of this project has concluded and resulted in a playbook of recommendations from the consultant. The Department is working to determine what next steps are necessary.
ITS	Broadband Gap Analysis	FY 2022	The Department completed a needs assessment and is currently working to produce a report with recommendations.
Purchasing	HUB Disparity Study	FY 2021	Study to examine the Purchasing Office's HUB program, assessing its constitutionality, and making recommendations for improvement. Four of eight recommended positions were added in the FY 2023 Adopted Budget. It is expected that the remaining four will be requested as part of the FY 2024 budget process.
TNR	Community Carbon Reduction Planning and Benchmarking	FY 2024	Funding to develop a community-wide Climate Action Plan, a wedge analysis to identify-high impact actions to achieve greenhouse gas emission reduction goals, and regular updating of the greenhouse gas inventory to track progress towards climate goals.
TCSO	Law Enforcement Staffing Study	FY 2019	Phase 4 of the LE Staffing Study was internally funded by TCSO in FY 2024. 7 recommended positions from the study remain which the Office intends to request for in FY 2025. The Office may also request funding in FY 2025 for a new Law Enforcement Staffing study as the County has continued to grow since the 2019 study was completed.
TCSO	Corrections Staffing Study	FY 2023	Earmark of $150,000 to complete a Corrections Staffing Study with outside consultant to build framework for annual collaboration on needed Corrections staffing changes. The procurement process for the consultant is in the early phases at this time. Recommendations from the study are anticipated to be prepared in time for the FY 2025 budget process.

RESERVE LEVELS

Local governmental entities maintain reserves to help mitigate unforeseen risks and to provide a source of funding should additional resources be required during the fiscal year for essential services beyond departmental budgeted expenditures. Central reserves provide necessary fiscal resiliency for the entity, especially in times of uncertainty or changing economic conditions.

Travis County has four primary types of budgeted reserves: the Unallocated Reserve, the Allocated Reserve, General Purpose Reserves, and Special Purpose Reserves. These different categories of reserves help ensure Travis County's fiscal strength and are memorialized in the County's Reserve and Fund Balance Policy (last approved in 2019). Maintaining appropriate Unallocated and General Purpose Reserve levels is an important component of County financial policies and management practices. Special purpose reserves can also be used to set aside funding for future contractual obligations in instances where the final contractual requirement is determined after the adoption of the budget. Special purpose reserves provide the greatest flexibility for Commissioners Court oversight and input into the programs and expenditures supported by these reserved funds.

For FY 2025, the Unallocated Reserve will be recommended by PBO at the County's Reserve and Fund Balance Policy goal of no less than 11 percent of the total budgeted operating expenses for the General Fund as defined in the Annual Comprehensive Financial Report. An Allocated Reserve totaling one percent of budgeted expenditures, excluding earmarks, will be targeted in FY 2025 and an appropriate Capital Acquisition Resources (CAR) Reserve based on staff recommendations in the Preliminary Budget will be continued in FY 2025. As in prior years, the FY 2024 CAR Reserve included a large earmark that is available for bond project shortfalls or future capital needs. The County's ability to issue Certificates of Obligation (COs) has been diminished, and CO funding for some planned capital projects may no longer be feasible due to statutory changes from HB 1869. The CAR Reserve will be evaluated, and recommendations will be available as part of the FY 2025 Preliminary Budget

The Emergency Reserve serves as a buffer for the County against any potential softening of the economy. The reserve was $17,000,000 in FY 2021 and FY 2022. The reserve was decreased to $13,000,000 in FY 2023 due to spending incurred in FY 2022, mostly related to COVID 19. The FY 2024 Adopted Budget includes a $12,000,000 Emergency Reserve. This reserve is evaluated every year to determine if this reserve should be reduced, maintained, or increased.

In addition, a Budget Stabilization Reserve was established in FY 2021 to provide cash on hand for potential revenue or expenditure challenges related to COVID-19. This reserve was continued in FY 2022, FY 2023, and FY 2024, albeit at a lower level. PBO will make recommendations concerning this reserve as part of the FY 2025 Preliminary Budget. This reserve is intended to be decreased over the next several years as the County emerges from the impact of the 2020 pandemic, taking into consideration future economic conditions.

Special Purpose Reserves will continue to be utilized as a mechanism to maintain funding for certain projects that are not executable at the time that the budget is adopted. Earmarks on the Allocated and Capital Acquisition Resources Reserves serve as signals to Commissioners Court that certain projects or initiatives may need additional resources after additional analysis or presentation to Commissioners Court for approval.

Finally, the FY 2024 Adopted Budget included a variety of earmarks that could materialize later in this fiscal year. Some of these earmarks represent one-time expenditures; however, there are some earmarks that could result in ongoing commitments by the Commissioners Court that will need to be budgeted for FY 2025 and beyond.

FIVE-YEAR FINANCIAL FORECAST

The annual five-year financial forecast for the County's operating budget provides the Commissioners Court the opportunity to place the upcoming budget process within a longer financial timeline to allow for improved financial planning. The following five-year financial forecast is based on past budget and tax base growth and assumes the use of the voter approval rate over the forecast period. The assumptions underlying the projections were prepared in consultation with the Travis Central Appraisal District (TCAD) and the County Auditor's Office. Forecast estimates reflect conservative growth assumptions based on current information and are intended to deliver a macro-level perspective. Information specific to the upcoming fiscal year will be refined as the FY 2025 budget process unfolds.

PROPERTY TAXES, EXEMPTIONS AND HISTORICAL PROPERTY TAX RATES

County government is funded primarily by property taxes. This source of funding represents approximately 86 percent of Travis County's ongoing revenue. Texas counties not eligible to receive sales tax per statute which further stresses the importance of property taxes for Travis County. Nevertheless, the Travis County portion of the tax bill for a typical taxable homestead is approximately 16 percent of the overlapping total tax bill based on the FY 2024 Adopted Tax Rates for Travis County, Austin ISD, Austin Community College, Central Heath, and the City of Austin. Along with the tax rate set by local taxing jurisdictions and property values appraised at market value by TCAD, exemptions are an important component of calculating the annual tax liability for a property. Texas law allows a variety of partial or complete exemptions from local property taxes. Exemptions lower the taxable value of a property and its associated tax liability. A partial exemption removes a percentage or fixed dollar amount of the property's value from taxation. An absolute or total exemption excludes the entire property from taxation. In most circumstances, exemptions require applications, which can be filed with TCAD. The general deadline for filing an exemption application is April 30. Specific information and exemption applications can be found at https://traviscad.org/homesteadexemptions.

The Commissioners Court has offered the maximum allowed Homestead Exemption of 20 percent to eligible Travis County households for decades. In addition, Travis County offers an optional 65 and Older/Disabled Homestead Exemption of $124,000 for eligible homesteads, which was increased by $14,000 starting in FY 2024 from the prior exemption amount of $110,000. In past years, Travis County has carefully considered exemptions and has historically tried to increase the 65 and Older/Disabled exemption when it was able to do so. For FY 2025, PBO will work to analyze the potential impact to an increase to this exemption and bring back any recommendations in advance of the June 30, 2024 deadline for consideration.

A summary of major exemptions for FY 2024 offered by Travis County, Central Health, City of Austin, Austin ISD, and Austin Community College is shown on the next page.

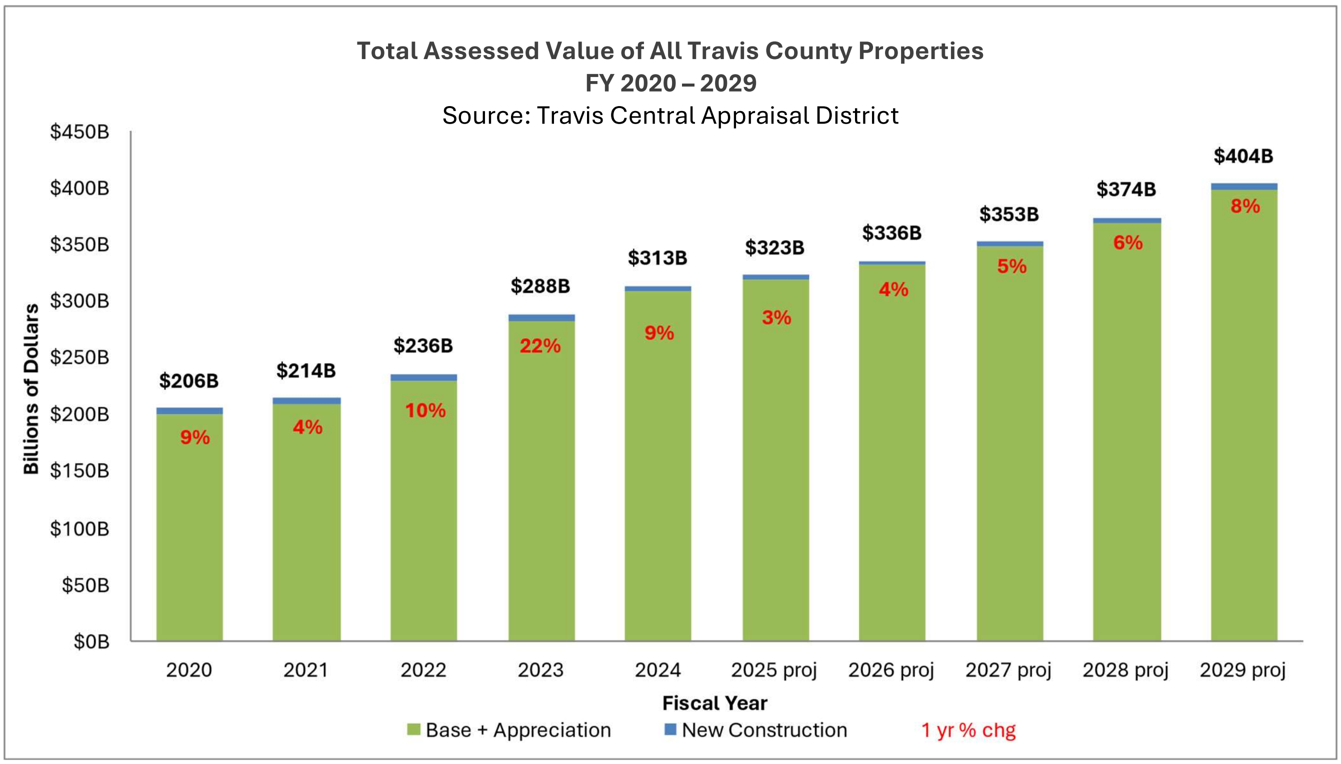
Table 11
FY 2024 Homestead and Other Exemptions by Jurisdiction

Jurisdiction	*Homestead Exemption*	*65 and Older Exemption*	*Disability Homestead Exemption*
Travis County	20% with minimum of $5,000	$124,000	$124,000
Central Health	20% with minimum of $5,000	$124,000	$124,000
City of Austin	20% with minimum of $5,000	$124,000	$124,000
Austin ISD*	$100,000	$35,000	$25,000
Austin Community College*	1% with minimum of $5,000	$75,000	$75,000

*These jurisdictions have a tax ceiling that sets the upper limit dollar amount for property taxes for these jurisdictions based on the first year of eligibility of properties with a 65 and older homestead exemption or disabled homestead exemption.

The total taxable value for all Travis County properties increased from $288.3 billion in the FY 2023 Adopted Budget to $313.4 billion for the FY 2024 Adopted Budget (based on the certified values as of January 1, 2023), representing an increase of 8.7 percent. The certified value for FY 2024 included new property value of $4.8 billion, which was lower than the previous four years. The chart below highlights property tax base growth over the last five years and estimates consistent but likely slower growth over the next five-year period.

The assumptions used in this analysis are based on conversations with the Travis Central Appraisal District. The 8.7 percent increase in taxable value that occurred for FY 2024 was significantly less that the 22.3 percent growth for FY 2023 that was a unique once-in-a-generation market change that is not sustainable. As such, taxable values are expected to stabilize and experience slower average growth in the near term, recognizing that there could be years where there is negative growth. The outlying years of the forecast include a return to the more consistent growth patterns experienced in the last several decades. The 30-year compounded growth rate for taxable value is 9.1 percent per year, which is slightly higher than the 8 percent 30-year compounded growth rate we have calculated for previous forecasts. The model uses a more modest growth rate in the earlier years of the forecast with maximum growth of 8 percent in the final year.



As noted above, the five-year financial forecast modeling scenarios include assumptions about the value of properties to be certified as of January 1, 2024, that will be used to begin preparations for the FY 2025 budget. The Chief Appraiser will provide a certified estimate of this information in July. The "year one" assumptions serve as the baseline for the estimated net taxable value for the five-year planning horizon. These preliminary estimates will change as new information becomes available. The table below outlines the major assumptions PBO used for the estimated tax rate and corresponding revenue at this early stage of the process. As noted previously, it is anticipated that there will be slower growth in the near term. This will likely also include lower values for new construction not previously included in the tax roll but is anticipated to slowly increase for the remainder of the forecast period.

Table 12
Travis County Tax Base Assumptions

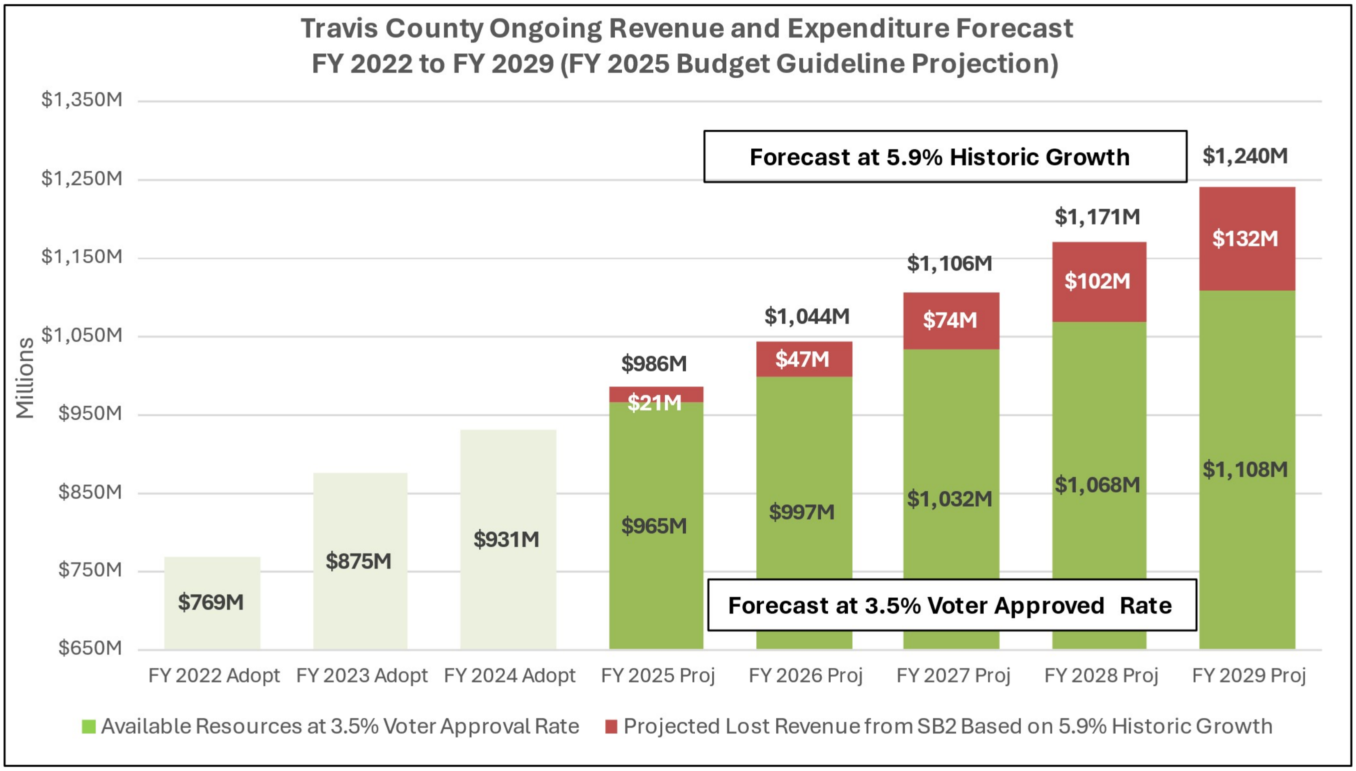
Fiscal Year	*New Construction Value*	*Net Taxable Value (NTV)*	*Total NTV Growth*
FY 2024 Certified Estimate	$4.8 billion	$313.4 billion	8.71%
FY 2025 Projected	$3.5 billion	$322.8 billion	3.00%
FY 2026 Projected	$3.5 billion	$335.7 billion	4.00%
FY 2027 Projected	$4.0 billion	$352.5 billion	5.00%
FY 2028 Projected	$4.5 billion	$373.7 billion	6.00%
FY 2029 Projected	$5.0 billion	$403.6 billion	8.00%

Texas Counties rely on property taxes to fund the maintenance and operations of county services and program, which are primarily mandated by the state. Travis County property tax rates have averaged 3.84 percent above the No New Revenue Maintenance and Operations (M&O) rate for the past 30 years. The rate over the past ten years has been slightly higher at 4.38 percent above the No New Revenue M&O rate. Both historical averages are approximately half of the previously allowed 8 percent “rollback” tax rate prior to SB 2.

SB 2 (86th Legislature) does not allow Commissioners to adopt a tax rate higher than 3.5 percent above the No New Revenue M&O rate plus required debt service without voter approval outside of specific eligible adjustments per statute. This combined restricted rate is now referred to as the Voter Approval Rate. Forecast models continue to project resource limitations at the Voter Approval Rate.

Budget growth at Travis County has been driven by a variety of factors rather than a single issue. Last year, our prior 10-year Compounded Annual Growth Rate (CAGR) for base budgets was 5.5 percent per year looking back from FY 2013 to FY 2023. The updated historical growth rate from FY 2014 to FY 2024 was slightly higher at 5.9 percent.

Based on current growth patterns, the Five-Year Forecast projects that there could be $132 million less in General Fund revenue by FY 2029 comparing available resources under SB 2 to historical expenditure and revenue growth. The County will not experience a deficit over the forecast period as the County budget is statutorily required to be balance and any needed adjustments would be made on an annual basis to align with available resources. However, PBO believes it is important to show the Commissioners Court revenue projections that include the more limited growth for all ongoing revenue sources factoring in the constraints of SB 2 compared to our prior ten-year growth of 5.9 percent. The County will not have as much financial flexibility to respond to community needs as it once did. As previously stated, the budget will be balanced within available resources every fiscal year and the projected lost revenue shown in red merely represent resources that were previously available for county services prior to the implementation of SB 2 (86th Legislature).



BUDGET PREPARATION GUIDANCE FOR COUNTY OFFICES AND DEPARTMENTS

The key elements of the budget guidelines as outlined below are intended to help offices and departments in the preparation of FY 2025 budget submissions.

TARGET BUDGETS

Offices and departments are required to submit their budgets at the FY 2025 Target Budget Level. This Target Budget Level represents the FY 2024 Adopted Budget plus the annualized impact of any new increases approved during FY 2024, less any one-time expenses and other reductions related to pilot programs and programs that have been moved from ongoing to one-time, plus any needed corrections.

Offices and departments are provided a great degree of flexibility within their target budgets and are urged to collaborate with PBO to identify and implement any opportunities for savings and efficiencies.

MAINTAINING CURRENT SERVICE LEVELS

Target budgets provide offices and departments the flexibility to repurpose funds within their budgets to accomplish their highest priority goals. Executives and managers are expected to reprioritize within existing resources to maintain current service levels where required. Executives and managers are urged to focus on efficiencies, increased productivity, and simplification rather than on budget requests for additional resources.

New FTEs in the Preliminary Budget, other than those related to the budget drivers discussed earlier in this document, will be limited to those that are: 1) internally funded on a permanent basis for existing program needs; 2) supported by new revenue sources that have a proven track record and have been reviewed by the Auditor's Office (and include the departmental indirect cost rate above direct costs to account for administrative support, space, and associated infrastructure costs); 3) required to operate new County facilities or parks or; 4) demonstrate an extraordinary and compelling need. If sufficient County-owned or leased space cannot be identified and costs estimated for a proposed program or FTE increase, then PBO will not recommend such a program or FTE increase in the Preliminary Budget. The County is still assessing the implication of target goals for teleworking for applicable staff. Even if space is available, new FTEs in the FY 2025 Preliminary Budget are expected to be very limited. Offices and departments are responsible for working with Facilities Management to assess space needs related to any FY 2025 budget requests.

NON-COUNTY REQUESTS

As in prior years, non-county entities that plan to request new or additional funding in the County's budget must coordinate such a request through the County department in charge of delivering the service. The request must be submitted to the relevant County department no later than **April 1, 2024,** so that it can be included in the department's overall budget submission (due April 22).

Third party social service providers in the Human Services and Justice Planning issue areas are expected to work through the competitive solicitation process coordinated by the Travis County Purchasing Office.

County offices and departments are asked to advise their key stakeholders of the County's budget process, schedule, and budget guidelines that provide the context for FY 2025 appropriations. Non-county organizations submitting a request through the appropriate County office or department will be included in their submission; however, due to the imposed revenue caps since 2019, will not be considered by PBO for the Preliminary Budget.

LFRF-FUNDED SPECIAL PROJECT WORKER POSITIONS

In November 2023, the Treasury issued an Obligation Interim Final Rule (IFR) to address LFRF recipients questions and comments regarding the definition of "obligation" as it pertains to the Treasury's requirements that all LFRF funds be "obligated" by December 31, 2024. This IFR provided clarification on the definition and provided related guidance specifically regarding which personnel costs are allowable after the December 31, 2024, obligation deadline and until the expenditure deadline of December 31, 2026.

These new clarifications provide specific limitations on personnel expenses after the obligation deadline, allowing only those personnel directly involved in LFRF administrative work, such as reporting and compliance, single audit work, record retention and internal control requirements, property standards, environmental compliance requirements, and civil rights and nondiscrimination requirements, to be funded through LFRF resources after the December 31, 2024 obligation deadline.

Travis County has provided comments on this new Interim Final Rule and will work our consultant and relevant Departments and Offices that may be impacted by this clarification to determine which SPWs are eligible for extension until 2026 and which may need alternative funding sources to continue work. The Treasury has provided a deadline of April 30, 2024, to report on specific eligible personnel costs that will be funded through 2026, and PBO will bring forward an update on LFRF Special Project Workers and any funding recommendations to the Court before that date.

Based on these above timelines, PBO understands that some Departments may not know if their positions are eligible to continue LFRF-funding until late in the FY 2025 budget submission process. If necessary, PBO will accept late budget requests specific to these SPW positions and will analyze them as part of the broader FY 2025 budget process. PBO will work to notify Departments regarding the status of these SPWs as early as possible. Any positions that are recommended to continue with one-time General Fund resources in support of LFRF projects will need to be reviewed annually to determine if the positions continue to be needed.

UNSPENT BALANCES, ZERO-BASED LINE ITEMS, VACANCIES, AND SALARY SAVINGS

PBO annually reviews the last three years of unspent operating funds and considers whether it would be reasonable to reduce the budget without substantially affecting mandated service levels. The primary purpose of this review is to identify opportunities for repurposing these unspent funds.

Offices and departments will be asked to build selected line-item budgets from the ground up ("zero-based" budgeting), such as leases, maintenance contracts, other purchased services, consulting, and contributions to grants. Other commitment items such as travel and training may become subject to zero-based budgeting during budget development.

Each year, PBO reviews vacancy trends in all offices and departments. Based on these reviews, PBO may recommend adjustments to budgeted departmental salary savings. These recommendations do not impact offices and departments' program delivery. In addition, PBO also reviews all positions that have been vacant for 120 days or more. Offices and departments with such vacancies are required to document the reason for the long-term vacancy as part of their budget submission to determine if those positions are still needed.

SPECIAL ONE-TIME FUNDING FOR SELECT NEW PROGRAMS

The Commissioners Court continues its support of innovative programs that can provide improved services, streamline business practices, and reduce costs. It is possible that there will be a very limited amount of one-time resources available to support such innovative programs. It is likely that any funding recommendations will be geared towards reducing jail detention populations and maintaining current state and federally funded programs that are shown to be meeting or exceeding performance metrics. Offices and departments must document in the budget request how the following criteria are met:

- The program addresses a critical, core Travis County issue that:
  - is not otherwise being addressed; or
  - is being addressed but is not realizing the desired results.
- A new program that has potential to duplicate or overlap with an existing program is clearly identified, and protocols that will isolate the impact of each program on performance outcomes are described.
- Commitment to include PBO Analyst in the implementation process throughout the pilot period (FY 2025, FY 2026, and FY 2027).
- Programmatic performance measures for innovative programs directly relate to the established departmental mission statement, goals, objectives, and performance measures.
- Performance measures have at least one outcome measure and focus on input, efficiency, and output measures.
- Performance measures are meaningful, valid, and can be independently verified.
- Commitment to take performance management training in consultation with PBO.
- Willingness to provide periodic status updates to PBO during the pilot period to refine goals and objectives and measures progress.
- Willingness to use special project workers if new staff is needed.
- A process is established for the periodic reporting of results that are connected to the County's mission, vision, and strategic goal statements.

NON-PROPERTY TAX REVENUE

The importance of non-property tax revenue has increased, given the revenue caps proposed by the state legislature and budgetary impact of COVID-19. These non-property tax revenue sources comprise approximately 13.8 percent of the County's General Fund ongoing revenue in FY 2024. The majority of these revenue sources are fees within the justice system, which are set by statute. However, there is a smaller portion of fees that are set by the County. The budget process provides an opportunity for a review of County fees to evaluate the appropriate level of cost for each service.

As part of the FY 2021 budget process, PBO worked with the Auditor's Office and various County offices and departments to compile an overview of fees charged for services and facility use countywide. In addition, a new budget rule was added which requires departments to show what the necessary rate in a contract would need to be to ensure full cost recovery, to help Commissioners Court make an informed decision about whether to subsidize the cost to provide the service.

PBO will continue to review fees and revenue-generating contracts, looking at whether the amounts support the actual cost to the County of providing the services, and which have the potential to be increased due to cost increases for things such as compensation increases, operating cost increases, or inflation.

For each fee or contract, offices and departments will be asked to report the following information:

- Whether the department intends to increase the fee or contract as part of the FY 2025 budget process along justification, including estimated cost recovery, for any increase;
- If the fee or contract is to be increased, the proposed increase amount;
- How often the fee rate should be reviewed by County staff to ensure full cost recovery; and
- The state statute or other legal framework which establishes the fee and its rate.

The requested revenue information should be completed and returned as part of the budget submission. A comprehensive fee adjustment item will be presented to Commissioners Court in late summer for approval as part of the FY 2025 Adopted Budget. Given the implications of SB 2 (86th Legislature) and COVID-19 on local jurisdictions, the Commissioners Court limited the annual growth in contracts with these entities to no more than 15 percent as these contracts reach full cost recovery. PBO recommends the same approach for FY 2025, limiting an increase to no more than 15 percent, as applicable. Any new revenue generating contract should continue to be based on full cost recovery.

CALENDAR

The key dates below are subject to change based on the receipt of certified values by TCAD and related statute requirements. The calendar below assumes that Travis County will not consider a rate above the voter approval rate of 3.5 percent above the County's No New Revenue Maintenance and Operations Tax Rate. If the Court votes to hold a tax rate election, the Regular Commissioners Court meeting day to vote on the tax rate and to call the election is Tuesday, August 13, 2024 with the 78th day before the election being Monday, August 19, 2024.

KEY DATES FOR DEPARTMENTS AND OFFICES

Offices and departments are expected to submit their FY 2025 budget submissions by **Monday, April 22, 2024**. As stated above, this calendar assumes that an election for a tax rate above the voter approval tax rate will not be called for November 5, 2023.

Table 13
FY 2025 Budget Calendar

Date	*Event*
March 4 and March 7	Budget Kick Off Meetings (8:30am to 12:20pm)
April 1	Forms due to support departments (ITS, Radio forms, vehicles)
April 22	Budgets Due to PBO by 5:00pm
April – June	PBO review of County Budget Submissions
June 4	Employee Public Hearing, pending Commissioners Court approval
June	Departmental Meetings with PBO
Week of July 29	Preliminary Budget Published
August 12-16*	Potential Select Budget Hearings (If Requested by Commissioners Court)
September 5 and 6 (if needed)	Budget Mark-Up
September 17	FY 2025 Tax Rate Adopted
September 24	FY 2025 Budget Adopted

***Budget Hearing dates included in Commissioners Court calendar approved on January 9, 2024.**

Approved by Commissioners Court on February 27, 2024.