

# The Austin City Budget – How Can We Reform a Flawed Process?

By Bill Oakey

# A Walk Through Austin's City Budget and Property Tax Training Guide

- Prepared by Assistant City Attorney, Leela Fireside, dated February 2013
- Available online
- Instructs staff to raise property taxes to the legal maximum, at the beginning of the budget process
- Legal maximum is called the rollback rate, which equates to an 8% tax increase

# A Walk Through Austin's City Budget and Property Tax Training Guide

- Effective tax rate is the amount needed to generate same revenue as previous year
- Staff advises City Council that they can reduce the budget, but tax rate cannot exceed the rollback rate.
- A tax rate above the rollback rate could trigger a citizen petition for a rollback election
- When a publicized “budget shortfall” is eliminated, the tax increase just goes back down to the starting point of the legal maximum

# The City Uses the Tax Rate to Hide Property Tax Increases

- Adopting the effective tax rate would result in a zero percentage tax increase
- Comparing a tax rate for the new budget to last year's rate is highly misleading
- Keeping the tax rate the same gives you a large tax increase if your home's tax appraisal went up significantly
- Year after year, the City touts small changes to the tax rate, while home appraisals skyrocket

# Reform Needed for Truth in Taxation

- Last year's City tax increase was 3.8%. That figure was not published anywhere except on [AustinAffordability.com](http://AustinAffordability.com)
- This year the City Manager has recommended a 7/10 cent drop in the tax rate. With no mention of how much that would actually raise taxes
- The City Budget should contain a Taxpayer Impact Statement
- This should include the true percentage of a tax increase, above the zero "effective rate."

# Taxpayer Impact Statement

- This should also include the dollar amount of the tax increase for homes valued between \$100,000 and \$1,000,000.
- It should also include a complete list of utility rate and fee increases
- If a “typical” or “average” home value is included, the data source should be identified
- Where in Austin can you still buy a house for \$188,000?

# Is It Really Possible to Cut the Budget?

- Historically, we've been told that budget cuts can only mean cuts to parks, libraries, and swimming pools. Or recreation centers
- There are typically hundreds of staff vacancies funded in the budget.
- This allows for programs to expand and for new programs to move forward
- Past policies should be reviewed with affordability in mind. It's all a matter of setting priorities

# Saving Revenue Is As Good As Cutting Expenditures

- Budget surpluses – We need a stricter policy to reduce the temptation to spend surpluses. Saving surpluses to help reduce tax increases should be an option in the written policy
- Major event fee waivers – Tax incentives for big companies expire after a certain period. But millions in fee waivers are given away indefinitely to large for-profit companies.



# A Proposed New Special Event Fund

- Council Member Kathie Tovo sponsored a special event fund resolution
- Funds could come from ticket surcharges and the hotel-motel bed tax fund
- Fee waivers would be evaluated on a matrix
- We need to consider setting expiration dates for fee waivers, and reducing and eliminating as many as possible

# Policies and Transparency for All Other Fee Waivers

- Construction and other fee waivers pop up on City Council agenda nearly every week
- Many are buried below several layers on the City website
- These need to be strictly regulated with policy guidelines
- They should all be disclosed on the top page of the City Council agenda, with policy criteria and benefits to the city identified
- Fee waivers should become the exception rather than the rule. Taxpayers should be top priority

# Economic Development Spending

- The City budget allocates millions of dollars per year to economic development projects to recruit new businesses
- Now that we are the fastest growing city in the country, private enterprise and the Chambers of Commerce should take over that role
- The City's resources are already strained, trying to keep up with our current demands

# Agenda Reform for City Council Meetings

- The citizens of Austin sit at the top of the City's official organization chart
- We should not have to wait six hours to speak at citywide public hearings
- These include budget hearings and utility rate hearings
- Reforming the public hearing process is 30 years overdue, and should be a priority for the new City Council

# Business As Usual Is Not Sustainable

- A joint committee from AISD, ACC, Travis County, Central Health and the City of Austin has issued a financial forecast through 2018
- They estimate that a “typical homeowner” would see taxes, fees, and utilities increase from \$7,030 to \$8,227 over four years
- Their “typical home” is valued at \$178,327
- Salaries and wages have not kept pace

# Does Austin's Economic Model Make Any Sense?

- Local budgets are based on past practices that assume full-tilt growth and full-tilt spending
- Businesses base growth on the ability and willingness of their customers to buy their products and services
- Austin's model assumes that young workers without families can sustain the escalating cost of living
- The rest of the population does not fit that model

# New Zandan Poll Signals Serious Trouble Ahead

- 65% of Austinites are dissatisfied with the cost of housing
- 59% are dissatisfied with the cost of living
- 30% say Austin is headed down the wrong track (37% for ages 35+)

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Austin cannot rely on young hipsters to carry the entire economy. We must insist on bold, innovative and decisive action to address affordability.