TRAVIS COUNTY COMMISSIONERS COURT

[Music]
[Music]
Judge Brown: Good afternoon.
This is Travis County Judge Andy Brown calling to order the meeting of the Travis County Commissioners Court for February 26th, 2026.
It is 1:34 p.m.
We're here at 700 Lavaca.
We have Commissioner Gomez Commissioner Shea, Commissioner Travillion, Commissioner Howard, and myself all here in person, struggling through the allergy, flu, cold, capital of the world.
I mean, Austin, not Travis County, the general area.
[Laughter]
Okay, so first we're going to go to executive session for two items, and then we'll come back out here.
So I will go ahead and read us into executive session.
I know we've got some people here to comment, but we're going to do that when we pull up those items.
If that is okay.
So item four, executive session review of candidates recommended for first panel interviews in the county executive technology and operation recruitment.
And we'll do that under the consultation with attorney and personal matters.
Exceptions and item five executive session update on IJ ARPA County Executive Recruitment under the consultation with attorney and personnel matters.
Exceptions.
And so we'll go do that and we'll come back here before taking any action on those.
And then we'll take up more items.
So here we go to executive session.
Thanks.
[Music]
[Music]

[Music]
Judge Brown: All right, we're back from executive session, which seemed to go a little bit over time.
So now we're behind.
But we discussed items four and five.
And we're not going to take any action on those today.
And up next is item two.
Consider and receive the Compensation Committee's recommendations for proposed compensation changes for fiscal year 2027.
Which we have set for ten minutes.
>> Good afternoon, Judge and commissioners.
Susan, I am here representing the compensation Committee.
I am their current chair.

And as you know, per our county code, the compensation Committee annually comes forward with their recommended priorities for classified employees for the next fiscal year.
So this is for fiscal year 27.
The compensation committee members voted and their recommendations in priority order are increases to fix compression issues across the board, increases market salary, study longevity, pay changes, and creation of a structured pay scale.
This year, for the first time, the Compensation Committee also sent out a survey to all classified employees.
It was a big job and we learned a lot from sending it out, but I'm very pleased to let you all know that we received back 972 surveys.
So that's 20% of the classified employees.
And the good news is, is that four of the top five priorities that employees responded are the same as the compensation committee.
So their priorities from the employee survey in priority order are across the board increases, increases to fix compression issues.
Discretionary funding for departments, creation of a structured pay scale, and longevity pay changes.
So a lot of the same things that we've been talking about over the past couple of years, we did learn some lessons from the survey that that.
So and I feel like I need to share this with you all to kind of give a disclaimer.
We only gave employees three days to respond because we wanted to be able to be here and present to you all on the same, at the same meeting that you're considering the budget guidelines.
And I think we should have probably given more explanation as to more definition of what those priorities were.
We got we feel that a lot of questions on them, and we were trying to identify job families so that we could see trends amongst different job families and groups of employees, and that is going to take a little bit more work for us to do.
So, for example, an employee could have said, yes, I'm in a commissioner's court department and I am in the skilled trades job and I am an AFC member.
And so they would have qualified for all three.
So we want to delineate that so that we can see trends and try and, and get good actionable feedback to go forward.
But again, as I said, four of the top priorities from the employee survey and from the compensation committee are the same, just in slightly different order.
And I want to thank you all very much for allowing the compensation Committee to come forward and provide this information to you.
In the backup memo, there's you know, you have all of this in the backup memo, and I'm happy to answer any questions that you might have.
Judge Brown: All right.
Any questions?
Gomez: Good work.
>> Thank you.
Shea: I just had a question about longevity.

Was that one of the committee's recommendations or the employees recommendation?
>> It was both.
Shea: Okay.
>> The compensation committee ranked it as their fourth priority, and employees ranked it as their fifth.
Shea: Okay.
Thank you.
Judge Brown: Emery, can I call it item three to so we can discuss both of them at once?
Okay.
So item three is receive briefing.
Take appropriate action on the compensation project for fiscal year 2027.
Sorry, I jumped in.
Are there any more questions for?
I don't think we went all the way around, Commissioner Shea or Commissioner Travillion.
Shea: I got my question in.
Travillion: I'm fine.
Judge Brown: Okay.
Commissioner Howard anything?
Howard: I, I listened.
I'm good.
Judge Brown: Okay, great.
Do y'all, who's presenting on three?
>> Not I.
Judge Brown: What?
[Laughter]
Shea: Not Susan.
Judge Brown: Okay.
They're just sort of interrelated.
But Susan, if we need you, we can call you back.
If you want to escape for now.
>> Great.
Thank you.
Shea: Thank you.
Judge Brown: We still got both items open here.
>> Good afternoon, Judge Brown and commissioners.
My, again, my name is Stacy McClure.
I'm the assistant HR director for Total Rewards.
I wanted to provide you all with an update today of where we are and where we are going.
There was backup in your documentation.
That's very in-depth, but we're going to try to be very high level at this point.
So where we stand, we are in the process and we have looked at the data from let me back up.
We started out coming up with our study methodology.

One of the things that we felt was important is that we clarify what the compensation study methodology for this fiscal year would be.
So we thought that this was important.
So there is a clear, concise messaging of what it is, what it is, not, what we considered, as you recall, you approved some new benchmarks in the process as we're looking.
What and why that's important because we wanted to look at that.
We've also been looking to see how the process interacts with 114 and how we wanted to develop this methodology to be consistent, transparent and well documented.
The goal overall is to ensure that Travis County can attract and retain qualified employees, while being good stewards of public funds.
So we're focused on what people actually do, their level of responsibility, and the required skills, and looking at the labor market conditions.
And so our study is not based just on job title or individual preferences or one offs.
We're actually looking at the entire job, not the individual in the job.
And to at this point, we have included 135 benchmark jobs across the organization that cover areas like administration and professional services, public safety, information technology, technical roles, management, and the study.
This study, just to be clear, is just based on public based pay only.
And this particular portion of the study does not focus on benefits.
And we will be having a benefits update later this this afternoon.
So we are in the process of finalizing those public sector.
Document.
The documentation on those 130 positions.
We are moving forward looking and integrating the public sector data.
At this point and hoping to or it isn't our intent to finalize that information and bring it back to you.
On March the 34th.
Where we stand, and also in your packet, I, I mentioned those 130 jobs.
You have information in your packet which identifies what those 130 jobs are.
Just so you're aware.
If you go on to the next slide.
Jennifer, thank you so much.
And, and Jennifer Savage is our project manager and she's been helping us a great deal in helping keeping us organized.
So as I mentioned.
Travillion: If I could just ask one question, so that we, I understand that we are working through the process, I get that, you know, given, given what we're talking about, seems to be theoretical, unless we identify some type of way to cost this out.
Do we know what this is going to cost?
Do we have estimates that, so that we can legitimately look at whether the dollars are available, whether there's some need to break this up in certain ways?
Have we gone there?
>> That's a great question, Commissioner Travillion.

We have not made it to the point of identifying what those initial costs could be, because we're still looking at the public sector data and integrating those two together.
We our plan, our project plan would allow us to be able to integrate those together and provide that information.
At the beginning of April to kind of look to see what those costs were.
And we would be turning that over, that information over to PBO to help us cost it.
So we're about a month and a half out of having actual dollar values to, to look at.
I don't anticipate that, just given our public sector analysis, it doesn't appear from a public sector perspective that there's a lot of movement from what we showed you late last year.
Travillion: Okay.
All right, I appreciate that.
I just wanted to get an idea.
Thank you, sir, about the price tag as we go forward.
So if, if that's a part of the process, we can let the process work.
Just want to make sure that we get to a space where we put actual.
Estimated dollars on it so that we can have an understanding of whether it's possible now or how we prepare for that going forward.
>> Yes, we will utilize best practices to, to get that information and move that forward.
That kind of ties in with where I was going to go next.
You know, looking at the public and private sector today together, that was part of the methodology.
That's one of the private sector information, was one of the items that we had to remove from the process last year.
We've integrated that back into the process and have a good, clear methodology on what we're doing.
So what does the future hold?
As I we have done our review for, we collected the peer market data.
We did a briefing for y'all in January 13th, and we're doing a briefing today.
We did provide information on the methodology in the, the backup backup.
And we gave you some information on those benchmark jobs for approval against the public sector peer groups.
One of the items that would be beneficial if the court was so inclined is at some point to approve that methodology so we can.
Confirm that and make sure everyone is alignment in it and that we can, can share that with everyone.
So everyone has a clear, transparent understanding of the process that are going through.
We do intend to bring our initial data analysis back to the court on March the 24th, but Commissioner Howard had a very good point.
At our last meeting that it would be a very useful for the court to see the initial recommendations, that we would be making and presenting prior to us sharing that information with the departments, so that is on our schedule, and we have every intention of getting PBO their information that they would need to, to utilize to start costing recommendations.

By April the 1st and the other dates are just all in line with what the costing would look like and all the other steps we would need to take place should the court choose to move forward on any of our recommendations.
Gomez: Well, I'll move that we'll go ahead with the, the current approach, the process, and that's what we're getting today.
Correct?
And we need some action today.
>> Yes, ma'am.
Gomez: That's my motion.
Judge Brown: Would it make any sense?
I mean, I'm curious about the budget situation and I know we're getting that after this, I think.
But would it make sense to wait to I mean, unless I'm getting the wrong idea, this is a spending question, right?
>> Yes.
Judge Brown: Okay.
>> Is there available money?
Judge Brown: Right.
So I feel like maybe knowing the funding side might be instructive.
Shea: I agree, I think we should get that first.
It'd be good to wait.
>> This is Travis Gatlin with the budget office.
One thing, too, that the timeline that's being proposed by HR has changed a bit.
They're getting us the information a little bit later than was originally envisioned.
That's going to be cut happening at the same time.
We're going to be looking at budget submissions.
So our availability, getting it later is going to be a challenge.
In addition to that, whenever it's time to come up for item, we are going to be discussing that.
We're currently projected to be in a budget deficit.
We'll go over the reasons why.
We'll talk about the challenges and talk about some things we're thinking that could help with that.
So before committing to anything, you may want to hear that first before taking action.
There's also an item about health expenses that are also one of the main drivers of that projected deficit.
You may want to hear that as well.
That's going to be.
Judge Brown: When are you telling us these things?
>> We'll be, whenever you call up the budget guidelines.
Judge Brown: Okay.
You might have three items going at once here.
Gomez: Item one.

Howard: Yeah, I'll show my cards a little bit, you know, to the extent we're going to have money for anything, I want to find money to address compression and to look at what's possible around the market study corrections.
We've kicked this can down the road for several budgets.
And I think, you know, we need to see what we can do.
And I know we might have a, a tight budget and it might be tighter than we know right now.
It might be less tight than we know right now.
But I don't want to be in the position again of not having the information that we could act on.
And I know it's difficult to act on it in pieces, but if we had done a third, a third and a third over the last three years, we'd be in a better position than we are today.
So that's just how I'm seeing it right now.
And I'm not here to be the big spender.
I'm here to just say I don't want to not be ready.
When we really know what money we have.
Judge Brown: Okay, so.
Gomez: And I think that, you know, we've been kind of talking about this for a good while.
We've had employee hearings, we've heard from employees.
And I think that, you know, the, the, the economy is not getting any better on, on anybody.
And so, I think people need to have some assurance that they're going to be able to, to meet some of their bills.
And I thought that we had some money set aside for this purpose.
And, and, and if it was, is it going to be affected by this deficit much more than we think?
>> So.
And when, I'll.
Judge Brown: Why don't we just, do you want to give us the budget, the health care briefing now?
So why don't we call up another item?
Six, receive an update on the Travis County Employee Health Care Fund for the period of October 1st, 2025 through December 31st, 2025.
>> And Judge Brown and Members of the.
The request for the methodology would not impact the cost.
It was just to solidify how we were approaching the market.
And one of the reasons that while they're getting set, one of the reasons that we are not where we should be is that we lost our compensation manager, and we also have two people out on parental leave and FMLA leave.
So we were facing some staffing challenges, so just wanted you to be aware.
Judge Brown: Totally understand.
Absolutely.
Shea: Thank you.
>> Originally the plan was for the budget.
Judge Brown: Turning into guidelines.
>> We're going to be talking about compensation.

Judge Brown: Okay, so you want to do the budget guidelines first and then the health care update?
Okay.
That's fine.
>> A deeper dive on health, Stacey can do a deeper dive on compensation.
And we can provide more overview of resources and planning.
Judge Brown: Okay.
Item one, consider and take appropriate action.
No.
Yeah.
Item one, consider and take appropriate action on fiscal year 2027 budget guidelines.
>> Okay.
Great.
Just give us a moment to get ready.
>> Thank you.
Jessica Rio, County Executive Planning and Budget.
I know a few people are going to come up to the table and introduce themselves.
I do want to just quickly give a shout out to our office.
The Budget Office section of the Planning and Budget Office.
Most of them are here today and in the audience.
So wave your hands.
They're going to be working very, very hard this year and we're getting them all excited and ready to, to really bring you solutions to some challenges that we see ahead.
And I think this will provide a really good context and a really good platform for you to have those other discussions that you started momentarily a few moments ago.
So with that, I'd like for Alex and Michelle and Travis and Leo to introduce themselves.
>> Sure.
Alex Braden, Assistant Budget Director.
>> Michelle, assistant budget director.
>> Travis Gatlin, budget director.
>> Leo D'Souza, assistant budget director.
>> Great.
Like I said before, I do think that this budget year that's coming up and surprise, surprise, we're talking about FY 2027, which I know starts October 1st, but we do start getting ready for that all the way back in January, we published the adopted budget from the previous year in late December, and we get right to roll in on the guidelines and on preparing ourselves for the next year.
We do a lot of preparation behind the scenes, talking with the revenue section of the auditor's office, reaching out to Tcad to get as much information as we can.
It's very, very early, obviously, and then reaching out to departments on cost drivers, and you'll see that some of those cost drivers is really going to shape some of our discussions this summer.
So today's guideline presentation hopefully will be able to be very efficient and run through it.

But there are some things that we want to highlight to you.
So if you could yeah.
The presentation overview each year we do provide you if you look at the guidelines, it's I think a 37 page document.
You have an economic outlook, you have some information of the latest and greatest on, on the legislative update this year.
Obviously the ledge is not in town, but those.
[Laughter]
Interim discussions, those interim discussions are you know, we work every day with IGR and try to make sure that we're on top of anything that could impact the county.
So there's a discussion on that.
Performance management is very important every single year.
I think you'll find that this year will have a greater emphasis on performance management as well.
And then our budget considerations, our five year forecast, which Travis will go through.
Talk a little bit about budget preparation guidance and our budget calendar.
This this document has been sent out to all Electeds appointed department heads.
I've already started talking to folks, and I know the analysts have as well.
I think the biggest thing this year that we haven't had to, to look at in the in the near past is budget reduction proposals, and we'll talk about why we believe that it is important for us to be prepared and ahead of the game.
And so with that, I'm going to turn it over to Michelle to get us started, just with a short overview of that economic outlook.
>> Thanks, Jessica.
So just a brief overview.
There's a lot more information in the document.
But the Austin metro area continues to be one of the country's fastest growing and dynamic economies.
Though recently the region has been modulating back towards a more balanced growth after five years of rapid booming expansion, the region's GDP is projected to grow 4.6%, which is higher than the Texas projected growth of about 2.6% and the national projected growth of 2.5%.
Similarly, the county's unemployment rate is lower than state and national averages.
However, the population growth has slowed recently, particularly for the county, specifically as growth rates in neighboring counties have increased.
So this is just to sort of lay the groundwork of, you know, a high level overview of where we're at economically in the region as we go into the budget.
Next slide, please.
So each year we monitor the legislative session for financial impacts.
We continue to see a trend of unfunded and underfunded state mandates and legislation that's passed that limits our fiscal flexibility.
The 89th legislature enacted several new mandates and legislation to limit that flexibility.

We're still working with county departments to understand the full impacts of what passed in the 89th legislature and what the impacts will be, but we anticipate that there will may be new funding requirements without additional state dollars to support those mandates.
And we try to include those into cost drivers where we can.
But obviously, we're continuing to, to analyze that information.
And as you heard from IGR a few weeks ago, the county has submitted several interim charters for consideration prior to the 90th legislative session.
>> Yeah.
And I would just add that we talked about the legislation, the legislature be in session next summer.
We need to be really mindful of that.
There's been a lot of discussions in the news about further restrictions on our on the on the rate that we can use to generate new taxes and other various things that could make it more difficult for local governments to continue to perform the way they've been performing.
So just like we talk about the budget we're thinking about next year, we're kind of thinking about two, three and five years down the road as well.
Thanks.
>> For performance management, Pbo continues to maintain and publish department and office performance, performance management information, with all such data included in the preliminary budget and then published comprehensively, comprehensively as part of the final adopted budget in volume four, PBO works with offices and departments to develop those measures, and they demonstrate the benefits of county services, how department operations connect to the county's mission, vision and goals, and how we're progressing towards those goals.
Like Jessica said.
And as we'll discuss throughout the rest of this presentation, we're likely going to be facing some tough budget years ahead.
Performance management data is especially important as it helps the county really prioritize what is most effective and allocate resources accordingly.
So we really are urging departments to be especially focused this year on making sure that the performance data that they're submitting to us and that we're publishing is completely accurate, and that they're making sure that the information they're collecting is the best information we can get.
>> Okay.
So next slide, a little timing thing.
And so this.
So now we're going to discuss the budget drivers.
And as Michelle mentioned and Jessica, we've reached out to all offices and departments and asked them to, to discuss kind of what the potential requirements could be for, for next year.
And this is our reporting back to you.

I think what you're looking at, and the biggest challenge so far that we're going to talk about now, we're also going to talk about a little bit later with health benefits, is this past year health insurance was a 2% increase, and it was roughly about $2.6 million.
And as we discussed in April, I believe, during an item, and then also after the beginning of the year, health insurance expenses have been significantly more than they have been in the past.
And initially, we're looking at somewhere between a 13.5 and a 17% increase in health insurance.
And to put that in perspective, this year was about 2.2.6 5 million, and at a 13.5% increase for about $13.8 million, and at a 17% increase for about $17.2 million.
And to help put that in perspective, the amount of money we set aside to implement was about $15 million.
So at the low end, it's slightly less than that.
And at the high end, it's above that.
To implement the adult public defender plus changes with cap Des plus changes to the structure of attorney fees on the criminal and civil side.
That was about $15 million as well.
So I want to put that just how big these increases are for health insurance compared to other past major investments.
This is initial numbers.
We're going to talk about it more under the health item.
We're still going to be including the data from January and February.
So it could get a little bit better.
But we are seeing significantly higher claims.
In the past 12 months.
We've reached out to our colleagues with the city of Austin.
They are also seeing higher increases.
And then our benefits consultant will be talking about what else is happening in the market.
But moving back to the slide.
So the grand totals between 44.6 and $48 million.
The challenge is this year at this time, the budget drivers were $40.1 million, but we were having $40.1 million of new resources coming in.
So we were structurally imbalanced.
This year, the cost drivers are higher.
The challenge is the revenue is a little bit lower, and I'm going to get into that in some other slides.
But for right now we're looking at about $37 million as the as the more realistic kind of conservative estimate.
And it could be even around $35 million, depending on what happens with interest rates.
We'll talk a little bit more about that further on.
But as for the about the last ten years, the commissioner's court has always said include employee compensation at the beginning, during the during the cost driver budget guideline discussion.

Because in past in some past years, we waited till the end to see what other expenses need to happen.
We saw what was left and then the court made some decisions about compensation.
So since that time, we have, based on your direction, included that in there, and we have the basic building block for compensation for classified employees and also for those on the peace officer pay scale.
But on top of that, we have these large health insurance increases, one plus that we have planned for in years past, but were not including this year is we've been able to keep our tcds retirement rate consistent the last few years, and we don't anticipate it's going to change.
There's actually our, our, our budget rate is slightly higher than our required rate.
So even in the event that the, the rate went up, we think we could probably cover it within the existing rate or it would be somewhat a minimal impact.
So that is actually helping us.
Howard: Do you have a slide that delineates all those things you're just rattling off?
>> All the details of every single thing?
No, but I can certainly meet with you and your staff and walk you through those.
And then in the actual budget guideline document that Jessica mentioned, that's 37 pages.
We go in a lot greater detail.
Howard: Okay.
>> And I would just say even though we have these this information on, on the on the slide, it's not a guarantee that those resources will be available for departments.
They still need to submit budget requests.
We're still going to scrutinize them.
The numbers in there for the interlocal agreements are based on just initial discussions we've had with our city colleagues.
It's possible those could change a bit.
The Waller Creek TIF agreement, that's the incremental amount needed for next year.
We actually won't know the 2027 amount until next to a year from May.
So, so over a year from now.
But historically it's been about 500,000 a year.
So we've included that.
Then the other increases or different things that are maintenance agreements and tops our IT department.
Also some different, you know, maintenance, current effort things.
We've some of our typical cost drivers are things happening in the jail.
So we've reached out to the sheriff's office.
They explored, you know, what are pharmaceuticals looking like.
What is food utilities.
All those costs in there is some money potentially for those type of things.
We looked at one of the drivers that's been discussed in the last few years was electronic monitoring and pretrial services, and those expenses, fortunately, are remaining flat.
So there's not resources added for that.
Historically.

Most recently, there have been indigent attorney fees on the civil side, looks like to be within budget, but indigent attorney fees on the criminal side appears to be a little bit higher, which has been expected.
So we've got resources in for that.
But those the main thing to understand is when you take the 44 to 48 million, we're somewhere between 13.8 and 17.2 million in in projected deficit that we will have to figure out how to we have to statutory have, have a balanced budget.
So we're going to be recommending steps to help address that shortfall.
And you haven't seen that in recent time.
So that's completely different.
So when we talked about what type of resources we have for compensation or for other programmatic enhancements right now they're not there.
This is the early stage.
We have five revenue estimates.
Those start in May.
We're having discussions with the appraisal district.
I suspect it will get a little bit better, but I don't think it's going to get a lot better.
And if it's okay, we can move on to some other slides.
I can spend some more time talking about that, but at least wanted to give you the basic framework of what this looks like.
>> Travis, since you mentioned TCAs and our retirement rates, today, we are going to ask you if you feel comfortable to go ahead and approve the guidelines.
And the reason that's important is that we have some meetings coming up with departments on March 11th, but we did find a scrivener's error right before this item in the document.
The table under the retirement rates.
>> No.
The, the table on page 17 for the health rates are one year off.
>> Okay.
>> And it's just a.
>> So we're going to we're going to fix that, just so you know, we'll mention it again at the end.
But I just wanted to mention it since we're about.
>> Page 17.
And I know we're I know there's a lot of things to discuss, but is it okay if I move on?
And again, all this is in greater detail in the in the word document.
Gomez: Yeah.
I just want to make sure that we understand, we do have the 32.2 to 35.6.
We have that in any n a, n a.
Howard: Planning figure.
>> A planning figure that challenges this.
Right now we've got about 35 to 37 million total dollars coming in.
And so some of those things on the list either will need to be reduced or we'll need to find savings in other places.

And we're going to talk about some things that we can do.
And some of that could be made up with additional revenue coming in.
But we're going to talk about talk about in a minute why we don't think the, the least property tax revenue, just because of the flattening of the tax base coming from higher growth periods, is not going to be give us the, the extra resources we're looking at.
And also as interest rates have flattened or gone down, actually the interest revenue likely would continue to go down, possibly a little bit more from what we're planning right now.
Gomez: So, so we are in deficit.
What's the amount that we're in deficit, 13.5?
>> I've got a slide I'm going to show you in a minute.
But for right now we're between 13.8 and 17.2.
Based on the assumptions here and discussions with the appraisal district and working very closely with the auditor's office revenue estimation unit, and I want to just recognize all the time and energy that Dan Wilson and Vanessa Robles and, and Patti Smith have spent helping us prepare.
Howard: I want to reiterate we're going to get to zero.
>> Yes.
Gomez: Okay.
Judge Brown: Yeah.
And hey, before we go into the questions, they have a long presentation.
I know there'll be a lot of questions, but can we let them get through it?
Just because we're on a bit of a time crunch?
I think if that's all right, as long as we can come back to it.
Travillion: I was I was just getting warm.
Judge Brown: I know, I know.
>> We will come back to it.
Okay.
So let's, let's move on to the next the next slide.
And some of these will move a little bit quicker on I think if it's if it's okay.
This, this just lays out the assumptions of the five year forecast.
And I want to assure you that we have been doing this for a very long time.
We work very closely with the appraisal District.
We're appreciative of our partnership, and we've got a 40 year history of data that we use in the projections, and we so let's go.
We'll move on to the next though.
And then I think, just maybe Alex can talk about the homestead exemptions because that's, that's something we want to highlight and something that we'll be bringing back in June.
>> Yeah.
So the homestead exemption for 2026 is 143 to 20.
That's a $6,820 increase, or 5% more than 2025 amount.
But again, we're going to return to you no later than June with a recommendation on the rate for 2027.
>> And that's the optional exemption for those that are 65 and older or disabled.

And then, as you know, we have a long standing 20% homestead exemption, which is the largest allowed by law.
>> Okay.
Just next, next slide.
We'll just real briefly, Alex.
>> Yeah.
So this is just the overlapping tax chart you've probably seen before.
Just kind of shows for the typical Austin homeowner taxpayer, how the tax bill is split between the various entities.
So Travis County is about 18%.
That percentage fluctuates every year based on what all the other jurisdictions are doing.
But the largest share of a typical homeowner's tax bill relates to the school district, followed by the city of Austin.
So not much to say more about that.
I think.
>> Next slide up is just kind of wanting you to understand.
Based on our discussions with the appraisal district, what's happened in the recent past and what we project to happen in the future.
And you can see that for FY 2026, we grew a little bit less than 1%.
And we're actually projecting, based on discussions with the appraisal district, that the tax base could go down, perhaps even three, 3% reduction.
Now, historically, over the last 30 years, we've grown about 8% per year.
We've grown that same roughly 8% for 20 years, for ten years, and even for five years.
But in the near term, based on all the growth that you're seeing at the bottom of that slide, you're seeing a 10% growth in 2022, a 22% growth in 2023, 9% during Covid, as other people's tax bases were going down, people were moving here, and we had major investments that were happening during that time.
That was unprecedented compared to our peers in other, other parts of the country.
But we're starting to see now things are starting to slow down.
And if you look up at the top, you'll see a blue line that represents new construction.
And you'll see that in 2025, that's the thickest the, the year with the thickest blue line.
That was record new construction for us.
But moving forward you're starting to see that blue line get a little bit smaller.
And that's because as new investments happen, they're not happening to the same degree they were happening during those, those peak times.
That means less money coming into the county in the near term.
We do think over time we'll likely return to that historic 8% growth rate.
But in the near term, we're not going to we don't think we're going to get there based on discussions with the appraisal district.
And that does mean less new money coming in from property taxes, right?
>> I just want to highlight, we do discuss with the appraisal district.
We discuss revenue projections also with, with the county auditor.
But these are Travis' projections with all the information he has available to.
I just don't want someone thinking that we got this from the appraisal district.

These are Travis' projections, and we own them at the county.
>> Right.
And I would just add too that for 2027, that's actually tax year 2026.
And those are going to be values as of January 1st.
We won't get the official notice of the certification of the values until late July.
And so the tax base is constantly changing.
But we meet regularly with the appraisal district and get updated information.
So, you know, right now it's a little bit more conservative.
We're being conservative on the new construction numbers, but she's not seeing the same new construction values at this point that she has in the recent years.
Okay.
All right.
Moving on.
I'll just, I won't spend a lot of time and energy on this, but this just shows some of the assumptions.
And we have to plug these assumptions into our tax rate calculations based on the form that the state provides us.
And so these are kind of some of the big building blocks, but we're using for new construction and what we're using for net taxable value and what the growth rates are.
With that we'll move over to the next slide.
This next slide you've seen we actually started preparing this before Sb2.
But what this shows is in the green.
The ongoing revenue for the county.
And then the red line up top represents how much money what the what the shortfall is compared to the growth prior to Sb2.
And so we talked about the compounding effect of always being at the 3.5%.
Rate above the no new revenue maintenance operations rate.
Historically, if you go back about 30 years, we were somewhere between three and a half and 4%, some years less than that, some years higher than that.
But we had that growth rate, that that tax rate that would help us as and we were in deficit, we could make adjustments to the budget to help cover that deficit or to fund court priorities.
We no longer have that option.
And so what it says is right now, based on the numbers that I'm going to be sharing with you, we have 1 billion, $85 million of ongoing revenue.
And when we compare that to the previous year, 2026, and we exclude the one time disaster funds that would not be in next year's tax rate, that's a $37 million increase.
And we've talked about the $37 million compared to roughly 44 or more plus in expenses.
So that's where the challenge lies.
And the compounding effect the farther we go out shows, the further we go out, the less growth and programmatic enhancements or priorities the court can, can add based on those restrictions compared to what happened prior to Sb2, we have managed very well under Sb2.
We've made a lot of we've lived within our means, we've made a lot of decisions.

One of the things that you may find interesting that really has helped us is interest revenue. So during the peak of Covid, when interest rates were at or near zero, the amount of interest that we had in the revenue estimate was about $4 million.
And then right now, let me pull this up.
I just had it handy.
It is about.
$36 million.
So that just shows you over that time.
And so as we're looking at the news and we're seeing potential further rate cuts, that that's one of the scenarios I'll talk about in the next slide is if there's additional rate cuts beyond what we're currently projecting, I don't think we're ever get to zero.
And even if the rate even if there are rate cuts, we have investments that are cash investment management team do that will have that will be guaranteed over a certain period in their roll off.
But that's something to really watch for us because that is that's been that's something that's really helped us during the last few years.
But we talked about over time what kind of goes up sometimes must go down okay.
If it's okay, we'll go to the next slide.
And this is hopefully where a lot of the pieces come together.
And so we've talked about two.
We've talked about two scenarios.
And under one scenario we are we are in deficit currently projected at.
Let me pull that about $13.7 million.
That's the scenario on the wait.
Sorry.
We're in deficit about $7 million.
And that's based on health insurance being at 13.5%.
Okay.
So that's the 185 million in green on the left that we just showed you on the previous slide.
And then right now if we take our base budgets plus those cost drivers, we're $7 million over our available resources.
And then the second scenario is that if we add the 17% for health insurance, all things being equal, on the expense side, the only difference is, is if we have either deeper interest rate cuts or a third interest rate cut.
One is scheduled for March.
We don't believe it will happen, but in the event it did, or in the event that there's a rate cut in 2027, we're not planning for, we would actually have about 3 million, 2.6 million less than revenue, but our expenses are higher because we're at 17% increase for health insurance.
And you see, we're at a $13 million deficit.
Again, I want to repeat, we will not we will have a balanced budget, but we will talk about steps in a few moments about how do we how do we bridge that gap, and how do we make sure we'll be at zero.
And some of the things that we can do, we think can help us?
I'll pause here and see if you have any questions.

Judge Brown: We have a lot of questions, but we also have little time.
So I don't know if you want to just finish.
>> Okay.
I know that we, we can we can move on and finish the presentation.
I know that some court members wanted to go back to the cost drivers and talk about that, but if it's okay, we'll, we'll, we'll finish this and pause and we'll seek direction on what you want and tell you what we're thinking, okay.
So here's, here's some guidance that we want to give to, to departments.
So one, you know, one, one of our you know we talked on Tuesday and I have to mention it here again, the passing of Christian Smith that one of our main tenants of everything we do is we always want to tie ongoing revenue with ongoing expenditures.
And that allows us to make sure we have a structurally balanced budget, and we don't ever have a ratchet effect or get behind.
And so we're always that's, that's the core tenet of, of our policies and practices.
We want to continue that we are because of the deficit, asking departments to submit 5% reduction proposals.
We're also asking them to look internally, to move things around and reprioritize things to cover other needs, because we're not because we're in a deficit.
We don't believe we'll have other resources available to fund new budget requests like we have in the recent past.
And then obviously we talk about this, but even more so, funding for new programs and FTEs are greatly limited.
One of the differences we'll talk about in a second is actually not considering new budget requests, other than those that were discussed in the budget drivers, with our focus being on trying to bridge the gap with the projected deficit so we can bring you a balanced budget, we're going to continue to review vacant positions greater than 120 days.
We always do that.
We make recommendations.
I think we'll even dig deeper into that and make sure if there's any flexibility that we can help with that projected deficit, with vacant positions that, for various reasons, have not been filled in a long time.
If we could use those continued full cost recovery, making sure that we're not subsidizing other entities or other people for services that we provide, we are not able to generate a profit, but we want to make sure that we cover our costs.
We'll continue with and we've been playing catch up with some other jurisdictions that not to exceed that increase by 15%.
As we get to full cost recovery, but as new contracts come forward, obviously we want to start at full cost recovery from the beginning, still focused on performance measures that Michelle talked about.
And then, as I mentioned earlier, the submissions we need to think about not only for next year but three and five years from now, especially with the legislative session happening next summer, and all those things that have been talked about in the news about further restrictions and challenges for local governments.
Next are the next steps.

And so time to prepare for that projected deficit is now.
And so one of the things we want to talk about with you in the near future is bringing back all the earmarks in this year's budgets and seeing if any recommendations should be revised, and if any of those earmarks can be lifted to free up some resources to help with the deficit.
We haven't done that before in this way.
So that's step one.
We want offices, departments to focus their time and energy on efficiencies and cost saving measures, rather than developing new budget requests, we will not be reviewing, as in the past, any non-county budget requests for the preliminary budget.
But I think it's important for offices and departments to let outside entities know that we do have this projected deficit and we will not be funding new budget requests.
Obviously, the court can make decisions and do that, but I think that's a message that we ought to send given our challenges.
Pbo will likely return to commissioners Court in June, if not sooner, to talk about calendaring.
That could include changing in conjunction with the employee public hearing date to give a little bit more time for education for employees, about potential changes to the health funding, compensation.
But that could also include recommending not hold budget hearings or even hold markup.
Given the challenges we're going to, we're going to work with HR, MD and the county's benefit consultant to develop options and plan design changes to help lessen the impact of the significant projected increase for rising health care costs.
And we'll be coming back to court with developing options for you to consider to seek your guidance on how we can best balance the budget for next year.
>> I do want to just add just a little bit more information to the, the 5% reduction proposals that we're asking departments and offices to prepare.
If people have been around longer than, let's say, 2018, they've seen this before.
And so this is not new to Travis County.
We've, we've asked for reduction proposals before.
We have found and we're asking you here today, our, our understanding is the court doesn't want a blunt instrument for this.
We want to be very surgical and very thoughtful and very strategic.
And where we may make recommendations as the budget office for reductions.
So I don't want there to be a feeling that, that there are 5% reductions happening right now.
That is not what we're here today to do.
We are preparing for what we're seeing at the moment.
We are cognizant that numbers can change.
This is today's where we're at, but we do believe that numbers, even if they do change, that, this is going to be a tough year and that we're, we're up for the challenge of that.
But we asked the departments and offices to also be up to the challenge and to be partners with the budget office as we go into the FY 2027 budget process, knowing that there could be some reductions.
But we, we are not looking for a blunt instrument here.

We really are looking to partner with departments and offices, and we're looking to be strategic and surgical about that.
So I just wanted to, to lay that out because I also I know that this creates anxiety and creates a little bit of tension.
And we really are here to be partners.
And please reach out and let's, let's start talking now because budgets are due April 27th.
And we want to make sure that that offices and departments are well prepared for that date.
And so the time and energy that they've taken in the past on new programs and great ideas, which we know we all, we all love to, to have those proposals, their energy needs to be spent on looking at their current operations, seeing where there are efficiencies, and then also what, what these reduction proposals could look like if they were needed.
>> Yeah.
>> I'd also add just kind of recognizing that even though the 13.8 to 17.2 deficit is significant, you know, I think most other entities would, would, would trade their problems for our problems.
Last year at this time, I shared with you information that Harris County, the deficit they were in, the city of Houston, was in.
Obviously, we know about all the challenges, significant ones with ASD, the city of Austin, Dallas, City of Dallas, Dallas County, Bexar County, City of San Antonio.
We have weathered the beginning of SB two far better than most and had the health insurance increase has not been so significant.
We would not be in a deficit, and I think it would be somewhat business as usual, even though I still think we need to be very cautious as we move to the next couple of years with the legislature in town.
But I just want to recognize what the court has done and the challenges that have created from just health insurance alone.
And but we're going to work our, or try to mitigate those the best we can.
Travillion: Judge.
Judge Brown: Yes, sir.
>> Can I go for?
Travillion: 30-second snippet.
Could you put a form together for us so that, some type of form that that gives some guidance to our departments about if they're if they're making recommendations about cost cutting types of things that you'd need to know operational realities so that we're answering in the same form?
>> Not only will we have a form, but we have a manual, and we're working on that right now.
And we do have reduction forms.
And if there's good ideas that help save us money, we talk about that and we want to know those things.
So this, I think we do those things all the time.
But necessity is the mother of invention.
And I think there's more pressure on us more than ever, to rethink how we do things.
And if there's a better way to do it, let's figure that out.

Travillion: I can share a formal cookbook with you.
[Laughter]
>> Yeah.
>> So the last slide, and I apologize.
I was just wanting to make sure that we got to the calendar.
One, two.
This is the last slide.
I just want to point out a couple things on the calendar.
March 11th.
We have invited offices and departments for our annual budget kickoff meetings.
Those are held only in person.
There's not a virtual option.
So we do encourage folks to, to come down and spend some time with us on that date.
Shea: Where will that be?
>> There.
I'm sorry?
Shea: Where will that take place?
>> That is right over here, next door in the multifunction rooms.
Correct.
Correct.
And generally the way.
And you all correct me if I'm wrong here.
Generally, the way we do it is we group different departments together, like the justice related departments, general government related departments, so that we have an opportunity for discussion about what is impacting different areas to, to see if there's anything that we need to be communicating across offices and departments as well.
>> Yeah.
>> So and.
>> So the General government area that includes the commissioners and the auditor, treasurer, purchasing HR kind of thing, that's that'll be at 9:00 a.m. on the 11th.
>> And HHS.
>> And HHS.
Yeah.
So that would be the one you would be assigned to.
But feel free to come to the mall.
>> Yeah.
Yeah.
And yes.
Yeah.
It's more important to be there than to only if you can't make it to, to the general government one.
>> And then, then at 10:00, then at 10:40, we have public safety emergency services and TNR.
And last but not least, at 1:30 we have justice and corrections.

And so we have divvied that up.
And we certainly talk about the guidelines.
We'll talk about the forms, we'll talk about the manual.
But we also meet with, we want to make sure that we have collaborative conversations with all those people in that group, making sure that all the challenges they're facing, they're aware of, and we learn a lot from that.
And we're excited to be there on those dates.
>> So the only other dates I wanted to highlight, April 27th, I said it before, but budgets are due to PBO by 5:00 p.m.
I believe that's a Monday.
So.
>> Yes.
>> That is based on feedback we've gotten before of give us the weekend.
And then it was already mentioned earlier that we might be coming back.
I know that the current approved calendar includes June 2nd for the employee public hearing at 4:30, but that might change so that we have additional information on the health benefits side and compensation side so that you have a better picture, that the employees can take that information and then provide you that feedback.
So whenever that comes back, I would love to tag on to that and see if we could come back on, on the budget markup that's listed here.
September 9th through 11th.
I know, Travis said.
We, we likely may recommend that the court not consider budget hearings this year.
Obviously, that's at your determination, but I think that we would probably need a some sort of either budget markup, or we could bring it on a Tuesday to accept the preliminary budget.
And the changes lists that come along with it.
Some of those are real technical and revenue adjustments.
Yeah.
And we'll need to occur.
So we'll, we'll give you some, some options.
But I know that right now there's a calendar out there with these published dates.
And I know that you look at those calendars as you're planning travel in September and August.
And so I just wanted to bring those to your attention.
We predict or right now estimate that we will be asking that you approve the tax rate on September 15th and the budget on September 29th.
That concludes what action do you need from us today?
We would ask that you approve the FY 2027 budget guidelines, knowing that we will replace one table on page 17 that had a scrivener's error.
Judge Brown: Okay.
Shea: Can you put the budget guidelines back up on the screen?
>> Yeah.
Judge Brown: I know we have questions.

>> Sure.
The, the cost driver slide.
Shea: Well, the budget guidelines that you want us to approve.
>> It's 37 pages.
So we don't have.
Shea: Oh, it's not.
>> The presentation has been.
>> It was included.
It was posted in the backup.
>> Yeah.
>> 37 pages.
Judge Brown: So I'll make a motion to do that.
Shea: I'll second.
Judge Brown: Second from Commissioner Shea.
Motion from Judge Brown, second from Commissioner Shea.
And then I know we have a lot of questions before we vote.
So, Commissioner Gomez, do you have any questions for this?
Gomez: I don’t have any questions.
I think, yeah, we've had tough years before, but almost sounds like, you know, it's a little tougher this time because it really has to do with employees.
>> It's the first time you've seen us come forward with being at deficit over during at this at this stage of the process, we had a similar we had a similar surprise after we came, the guidelines were Covid happened and we had to come back afterwards.
But you're not used to seeing this at this stage, but it's better to know the challenges early so we can address them.
Gomez: Yeah.
Judge Brown: All right.
Thanks, Commissioner Shea.
Any questions?
Shea: Yeah, I, I think it's really important to, to communicate really clearly that the, the chief cause for this budget shortfall, which I don't know if this is the largest we've seen in a while, but I think it would be useful to get some context on that.
But that the chief cause for this is literally skyrocketing health care costs.
And it would also be useful to know how that kind of issue compares with other counties or other counties.
Also, seeing these kinds of really significant increases in health care costs that are creating these problems, and we are required by law to have a balanced budget.
So it's not optional for us to deal with this.
We are required to.
But I also want to emphasize, I mean, we had a little bit of an experience with the start of Covid when lots of other places were, were letting people go.
And I think we made a policy decision to freeze hiring in order to maintain the jobs we had and not put anyone into a situation where they were going to lose their job because of Covid.

I'd like for us to discuss that as part of a policy decision as well on a budget driver, because I want to have a clear communication with our staff.
We are not talking about eliminating jobs.
Thank you.
Judge Brown: Commissioner Travillion.
Travillion: Okay, as always, I appreciate the thorough work that you do.
I am interested in when we worked with the original Texas Performance Review at the Comptroller's office, we worked with staff to have them look at their own jobs and identify things that weren't necessary that might become more efficient, and we found that particularly when we were working with first line employees and, and, and frontline managers, that they understood the process in a way.
And they could cut out a step here, cut out a step there, make significant savings.
Yet not, not damage the quality of the work that was done.
I just want to make sure that we're giving our employees the opportunity to, to take parts of the job that aren't necessary, tell us that and, and guide us towards, towards savings if we can.
I mean, we through using that process, we were, we, we really had significant savings and then people got to experience the dignity of being asked about, you know, what does it take to do your job?
Well, you should know it better than others.
So if we can if we can use our internal processes to allow our employees to, to tell us what they know about their jobs, I think that might be a good step.
Step.
It might not get everything that we need, but it can certainly create efficiencies.
>> I think it's a good time to you've talked about that, and I think it's definitely a good time to start.
I don't know, I think our window may be 1 or 2 years to really fully do that, given where we're at and budgets are due in April.
But I think we got it.
We're going to have to get there and we're going to have to figure out new ways to do things.
And so I think the best time to plant a tree was 20 years ago.
Second best time today.
So let us let us work on that.
Travillion: I just want to make sure that we're doing everything that we can do to make sure that we are protecting our existing workforce and that, and that as we go through this process, we don't lose training internally and we don't lose the things that that allow career progression.
So.
>> Yeah, one thing I'll just I'll just add that's different.
So we talked about doing the budget freeze or the hiring freeze during Covid.
That was going we had about a $40 million shortfall.
Then we bridged it multiple ways.
This is 13 or 7 to $13 million.
So significantly smaller.

And I think we're going to get there.
That was at the beginning of Covid.
We didn't see know where the end was in sight.
We had to do a lot more dramatic things.
So I don't foresee this as where we would require to have those type of significant reductions, even though we I think we'll need to take some and look for those meaningful things.
But I think messaging that would be a good thing to make sure that people aren't concerned.
Judge Brown: Mr.
Howard?
[Laughter]
Howard: I'm scared to talk.
I appreciate the strategy of like scrubbing through the earmarks.
I'd ask you to scrub all the accounts as far as, you know.
When is it?
When is it an emergency?
If we have funding set aside for an emergency, you know.
I'm curious about, you know, how do we continue to be a good partner to our partners?
You know, I've had lots of conversations before the city announced their budget issues.
Lots of concerns about the cuts to our, our nonprofit community.
That's an extension of our work and the city's work.
We rely on them to help take care of people in their most dire times.
And the federal government has cut a lot of programs around health care and, you know, mental health and how they are addressing homelessness is just upside down from how we've been approaching homelessness.
And not that different strategies might work, but the, the funding mechanisms are really stressing our nonprofit community.
And one thing I was hoping to include as a cost driver was about $5 million that we may or may not need to spend, but that we would recognize that there's work we rely to be done in the community.
That is, is having a question mark on where their funding is going to come from.
And we've initiated conversations with the Saint David's Foundation, with the city.
And with hoping to sort of take a look at some critical services that I would argue we, we need to leverage each other and figure out how to fund them.
And so I respect the lack of, you know, not wanting to take a bunch of requests from outside, but I guess from inside, from being a partner and leader in the community.
I'd like us to pencil in a number that we maybe can find to partner to, you know, when we go to those conversations that there's something there the county can use to leverage other contributions.
You know, maybe we don't need it, but maybe it's critical to saving lives over, you know, the next in the coming year.
>> If we add any, if we added more to the list and just for, for the 5 million, we would be, you know, 12 to $18 million.

Howard: Right.
>> So I don't think you're proposing that, or maybe you are.
And we're not going to consider outside requests as a part of that.
But that's not to say the court can't consider outside requests or fund outside requests.
Howard: I guess what I'm saying is that the changing landscape that that, you know, tomorrow we might wake up and find they've cut all mental health care for children or something.
Judge Brown: Don’t give them ideas.
[Laughter]
Howard: Well, I'm just, we don't know.
And so to not have any budget to partner in the community.
>> Yeah.
>> So I think one thing that I just want to level set is, and could you tell me what's the departmental base budgets?
>> Sure.
So the, yeah, let's see here.
Whoops.
Hang on one second.
>> It's in the guidelines.
>> Well did you want the, the actual base, base though?
One second.
>> What I was going to say is this is a great opportunity to speak with our partners on where we intersect.
And if those are the appropriate places for us to intersect, where there could be some duplication of effort.
I don't I'm not convinced that, you know, I think that's something that we throw out, like, let's, let's make sure there's no duplication of effort.
And I think that's an appropriate conversation to have.
But, but I guess what I'm saying is you have an overarching target budget or departmental budget in the county that that we have access to right now.
Right, and can be used and leveraged in different ways.
And so if there are opportunities to leverage those dollars differently, this is a great time.
And this is a great way to have that difficult conversation.
With regards to additional funds.
When we do that earmark review, you can look at those earmarks and say, well, this earmark is not as is not prioritized for the you know, the court has decided this earmark is not the priority right now.
Let's put that aside and talk about it.
So I think there's, there's ways to have the conversation you're wanting to have, not knowing what the investment could be in the future.
But I do think it invites and it really should invite that difficult conversation of, well, let's put everything on the table.
What are our assumptions?

And I know the fed, you know, I understand there's pressure from outside of this discussion, but it is a discussion that as a community, we should be having and there might be some opportunities.
Howard: So when in the calendar?
So the last thing I'll say and then I'll yield the floor about like not having budget hearings, you know, like maybe not the same kind we've always had, but I, I want to know that y'all are going to come back to us and talk to us about scrubbing.
You know, the earmarks or whatnot, or give us, you know, in another month.
What's it looking like?
Or when we get the.
>> We can do that, revenue estimates.
And hopefully each one's going to get better.
Howard: So but the calendar does.
Well.
It gets sort of set in stone.
And there's nothing on there about briefing the court.
>> Well we generally have in the past briefed the court in June.
We can make, we can make that briefing a richer discussion based on what you're, what I what I hear that you're, you're wanting to know as far as what work we've done on either.
The, the, the awkward thing about the June 1st is what it's been in the past as a consolidation of we received this many budget requests.
We have over $500 million worth of capital requests.
It doesn't have to be that sort of discussion.
It can be a discussion on, you know, we talked to you in April on earmarks.
And this is where we're let's talk about earmarks.
Again.
We got to look at it anyway.
So yeah, we can have a June update that's, that's more suited to what I think you're talking about.
And that's pretty traditional.
>> We have multiple ideas and levers that we are brainstorming about constantly to think about how we can bridge the deficit.
And if you want resources for other things, we can talk about that part of that discussion.
So we're not coming here empty handed.
We've got lots of ideas on what we need to do.
We're always thinking, worst case scenario, what do we do?
Judge Brown: Okay.
>> We’ve got ideas.
Judge Brown: Great.
All right.
So thank you all very much.
I know a tremendous amount of work went into this, and I apologize for having to hurry it through a little.
I know we have some folks that want to comment on item two and three today.

No one signed up for item one, this.
We're going to vote now on item one.
We have a motion and a second.
Is there any further discussion?
>> And just a clarification for the clerk that we are going to change that one table and update that scrivener's error on the, on page 17.
>> Page 17.
Judge Brown: That's fine.
Shea: And just to clarify, do we want to include a policy direction that we consider a hiring freeze in place of staff or a position?
Judge Brown: Not at this point, no.
>> We'll bring anything like that back to you, I think.
Let's take this first step, and, and then we'll take any other necessary steps at the appropriate time.
Shea: That is my preference.
Judge Brown: Okay.
And folks, we're about to go to people that signed up to comment next.
But I just want to make clear, is anybody here to comment on one, not item 2 or 3?
Okay.
Not.
All those in favor.
Please raise your hand.
>> Thank you.
We really appreciate it.
Shea: Thank you.
Thank you for all your good work.
Judge Brown: Thank you very much.
Okay.
And then, I know, as folks.
So I have to leave at 5:00 today.
I have to pick my daughter up.
You can't push that back.
But I want to make sure that folks that came to testify have a moment to do so.
So I'll call you all up.
We're under items two and three.
So if you sign up for either or both of those, this is the time to comment.
And, I guess, so I'll read out who I've got signed up here, if y'all.
Well, that just, oh, there it is.
Okay.
Julie McCullough, are you here still?
No Julie, or Jolie?
Jolie, going once, going twice.
Okay.
Eric Bogosian.

All righty.
Seth Minetta Dylan.
Okay.
Cecil Matson.
And Jackson Downs.
Okay, well, we're going to, I guess, end the comment.
Is there anyone else here that wants to comment on item 2 or 3 today?
>> Are there any callers?
Judge Brown: There are no callers as far as, Leo, is that correct?
Any callers?
I don't think there are any callers.
Okay.
>> No callers, judge.
Judge Brown: Okay.
So we'll move on from the comment portion now.
And, I don't know, is there.
So y'all that were presenting on two and three, is there anything else that you want us to do.
Tell us today I know there's no action on it or I believe there's no action on them, but is there anything else you wanted to tell us?
Howard: Because there's action on improving.
Judge Brown: Kind of cut you off a little bit.
I think we already did that.
Honestly, I could be wrong.
>> Judge, for the healthcare fund update.
I haven't done that yet.
Judge Brown: That's a good point.
[Laughter]
Which I think I actually called that up technically, but.
>> You already called it up.
It's still.
Judge Brown: So that's, that's a chunk of time for the healthcare update.
It's set for 30.
Who's doing that item?
>> This team is here.
But to, we will be very.
Judge Brown: You don't have to talk right into the mic, just.
>> Oh, sorry.
Judge Brown: There you go.
Yep.
>> To, we'll, we're ready to present the health care information.
However the one item going back to three was that I had requested, should the court choose to go ahead and approve our methodology guidelines for looking at the, the labor market and our compensation methodology.
That is what is pending on that item.

Judge Brown: Okay.
For some reason, I thought we had done that in a previous court session, but maybe I'm wrong.
So you had made a motion to do that?
Okay,.
Howard: I'll second it.
If it hadn't been seconded.
Judge Brown: Okay.
Motion from Commissioner Gomez, second from Commissioner Howard.
Any discussion, Court members?
Shea: What is this that we're, what the motion is on, which one?
I've lost track of which item we're on.
>> It is for item three.
The compensation methodology.
Shea: And we are voting on the compensation methodology?
>> Yeah, that that's the methodology that we use to look at the labor market.
The job's a very strategic process that lays out various steps that we would go through.
It is not binding the court to any recommendations on putting making changes to pay groups at this time.
This is purely more or less codifying the methodology used to do the analysis.
Shea: And this is essentially a continuation of the mss?
A form of it?
>> Yes.
Yes, ma'am.
It's, it's just really laying out and codifying those details for the methodology.
Shea: And in the past, we'd asked you to look at longevity and other.
>> Longevity was going to be.
Finance took that up okay.
Shea: And so that'll be part of what you're looking at.
But we're not obligating any funds.
>> No, ma’am.
Shea: We're just approving the approach to it.
Judge Brown: All right.
Thank you.
Motion and second, any further discussion?
Do you have any commenters?
All those in favor, please raise your hand.
Thank you.
Passes unanimously.
Thanks.
All right.
So now health care, let me just read it out to make sure I think I did.
But.
Ann Marie, always better safe than sorry.

Right?
Okay.
Receipt item six, receive an update on the Travis County Employee Health Care Fund for the period of October 1st, 2025 through December 31st, 2025.
>> Judge Brown and commissioners, my name again is Stacy McClure.
I'm the assistant director of Total Rewards.
Before I turn this over to Shannon, still the county benefits manager, in Monica Budd, who is our health and wellness program coordinator, administration administrator, and Mark O'Leary with NFP, who is with our firm that does our action, actuary guidelines.
I'd like to frame today's discussion with one key point.
The county is not alone in facing health care costs.
Pressures across the market, the whole country is facing health care costs, pressures.
The medical costs and the prescription costs have continued to rise due to higher utilizations, whether they be chronic conditions, behavioral health needs and pharmacy spending.
In this environment, preventative and early intervention are not just.
Wellbeing strategies.
They're going to be cost management strategies that the county will be looking more in depth to try to enhance those.
To address some of these high cost items that we have looked at, I'm going to go ahead and turn it over to Shannon still right now to brief you on our FY 26 Health Care quarterly report.
And she has additional items here.
Monique also has information about our Care and wellness program.
That would be great for you all to hear all the great things we are already doing in.
Mark O'Leary is here to talk about the actuarial cost and where we're going forward.
So, thank you, Shannon.
>> Good afternoon, judge, Commissioners, Shannon Steel, benefits manager.
I'm going to briefly review the quarter one FY 26 cost and then go in more detail about the FY 25 cost.
Drivers that I had discussed in December.
But we'll go into a little more detail today.
So briefly on first quarter, we are showing a year to date budget to actual as being at 2.8 million higher than the budget.
This is not an this is typical in the first quarter.
As we start paying claims.
Day one, October 1st before we start receiving revenues.
So we're still looking at this weekly on how we're doing.
But that's not unusual to be in a shortfall in the first quarter.
Next slide.
And then just briefly from October from the start of FY 26, from the end of 25, we do have an increase of 210 employees and retirees.
Well, 210 employees and 37 retirees.
So our utilization is also going up because of the more members on the plan, which is part of what we faced in FY 25.

Next slide.
So to go into more depth about what occurred in FY 25, I got a slide from both UnitedHealthCare for medical and the one from Optimox for prescription over our cost over time for medical.
The ten year this slide shows that from FY 24 to 25, there was there was a 15.1% increase in overall costs the prior year, 23 to 24 was only a 3.6% increase.
And you can also see it has fluctuated up and down.
Self-funded plans typically in the past, would have a year or two bad, several years of good, and it was like a roller coaster.
And that is with all self-funded plans.
In my 30 years of experience looking at them.
Next slide.
So going to prescriptions, we only have a five year trend.
We've only been with Optima for five years, but they give me the trend from 24 to 25.
It was 11.2% increase.
Prior 23 to 24 was 7.8.
Prescriptions have fluctuated both from utilization number of prescriptions, but also as newer prescriptions come on the market.
They're, they're the more expensive ones.
So there's there is a cyclic turn of that of the years that there's a lot of new brands that are expensive.
And then they the next year, some of them go generic.
So that does fluctuate as well.
Shea: What's the Pmpm column, please?
>> Oh, sorry.
Per member, per month.
So, and member would be all members on the plan.
Employees, retirees and their dependents.
The Y-o-Y is year over year change and per member per month is that.
So three main causes of our higher costs in FY 25 were the overall medical cost increase, both volume of or number of claims, and the per member per month cost of per claim or per member.
So.
So it was overall medical cost increase volume and cost per claims.
And then the pharmacy cost increase were both utilization and the cost per prescription.
And the third factor was the catastrophic or large claims over $100,000.
So a claimant that had over 100,000, it was an increase of quantity more than the cost per case.
So this slide shows the conditions that are driving that medical spend.
And this is all, all claims the I guess lighter blue.
Oh go back up one.
Yeah.
So the lighter blue would be the catastrophic.
Those over 100,000.

Then the darker blue is, is all the other claims.
So you can see from FY 23 2425 how it increased for these, these five different medical categories.
Excuse me, factors influencing healthcare is a new category that the medical community created or spun off two years ago.
Now this would include any of your treatments for cancer, your chemo therapy or radiation, as well as your preventive exams and other medical exams.
For FY 25, 30% of this category was cancer treatment.
Shea: Can you say again which category you're looking at?
>> The very first one it says factors influencing health and care.
Yeah, they, they broke that off from neoplasms and other and lumped it into this category where it includes.
So part of that being higher is good because our preventive exams have increased.
But like I said 30% of this is the neoplasm related treatments.
Musculoskeletal would be your back surgery, spine surgeries.
We had a couple of them in FY 25 that were for congenital spine surgery, back surgeries, and then other knee replacements, hip replacements, and that with our, I guess, aging population.
Mental disorders is in there.
A lot of this is due to advancements in or increase in treatments for autism.
There were some of the catastrophic claims that were that fall into that category in FY 25 were the, the claims were over 100,000 for those people, as well as that category includes depressive disorders, substance abuse and anxiety related disorders.
Circulatory would be your heart attacks.
There was one complicated case in FY 25 that was had lots of comorbidities.
It was heart stroke and some other things.
So but it fell into that category of the cardiac.
Claims.
And then the last is injury and poisonings.
Injury being sprains strains.
But there was also a large burn claim that factored into that next slide.
And then to break that down further for the for the catastrophic claims, we had 105 catastrophic claims.
Those over 100,000 in FY 25, compared to 75 in 24 and 72 in FY 23.
So for FY 25.
Our total trend for medical was 15.1% and 10.6 points.
Of that were the large claims.
This slide also has the bottom left graph shows where the catastrophic claims fit in in order of their severity, and then the bottom right graph shows all claims.
The distributions of all the claimants.
So what it shows is that 12% of the members had zero claims.
And then if you go to the far right, the 36% is of the.
I'm sorry, 1% of the members had 36% of the claims.

So the way this graph is working is the lighter blue is the number of members, and the dark blue is the percent paid of the total costs.
So 36% of our costs were 1% of the members.
And that's significant because previous years, the catastrophic claims have not been that high of a percentage of the total costs.
Howard: So could this go right back down?
>> Yes, it could.
I'm, I ordered my crystal ball, but I don't have it yet.
But yes, we are seeing and I'm knocking that some of them have resolved some of the larger claims have resolved or not ongoing.
And then there's just others that we're watching.
So and anything new of course, we don't know about yet.
So yes.
And that's what I was talking about.
And self-funded plans.
You have a bad year or two.
And then good years and bad.
But I have Commissioner Shea mentioned other counties.
And Stacy mentioned across the country.
I'm reading reports and NFP will speak to what they're seeing on their end, but it is happening everywhere.
Last year, whatever reason, large claims hit all over.
So we're hoping it all levels out.
Next slide just kind of illustrates this is a slide I put in in December.
But it just showing the number of claims and the number of stop loss claims for the catastrophic spend.
>> Shannon, if I can interrupt you right there, I just want to point out, and she already mentioned this, but our number catastrophic claims in FY 25 was 17 in the previous fiscal year it was seven.
So it doubled our number of catastrophic claims doubled.
So to your point, Commissioner Howard, we will hope to see that trend trickle back down to maybe 7 or 8 catastrophic claims.
It just was horrible timing this year.
And it came towards the end of our fiscal year.
>> Yes, yes.
>> So, thank you, Shannon, for letting me interrupt.
>> Oh, no problem.
And then for prescriptions.
So the next slide, this is the prescription top 20 disease states, which is pretty much most of the disease states.
The top five make up.
Oh, I'm sorry, I lost my.
>> Hey I've got the top two make up 52% of the entire, the.
>> The top five make up 65% of the total paid for all the prescriptions.

So yes.
So inflammatory conditions, which would be your rheumatoid arthritis, Crohn's disease, arthritis and those kind of inflammatory things.
And then diabetes being the second on the far left, the Q stands for current year.
And the next column is previous year.
And the benchmark is the public sector benchmark of where they're in those categories.
So yes, so inflammatory conditions, diabetes oncology, the cancer prescriptions are expensive, but they're really helping patients.
Heal or get better and or live longer and or sometimes resolve their condition.
So they are expensive, but they are being very helpful to the cancer patients.
>> Yeah.
I just want to repeat, looking at the numbers, I think just, there's a lot of information, but, but the top two are 52% of the cost, but only 16% of the prescriptions.
>> Yes.
>> So that is driving those top two alone are shaping.
I mean there's, there's 20 things here.
I'd focus on the top two because that's a small percentage of the population.
Very expensive drugs.
>> Right.
Judge Brown: Are you going to get into things that we could do proactively at the end of this?
>> Yes.
Yes.
Judge Brown: Okay.
>> And that's, that's actually I was going to skip to that.
Judge Brown: Okay.
>> So we already are working on, we already have a lot of cost containment management programs with UHC and with Optumrx.
They're promoting them more.
There is outreach when it could be outbound or inbound, when, when someone's newly diagnosed with cancer.
Uhc, case management reaches out to them and they help them through.
There is an 89% engagement in those programs for the claimants from FY25.
So they do have great success with involving those members in those things.
But going forward, we're looking at plan change options, additional.
Assistance we could provide.
And then the wellness care programs.
>> Could you give us like a.
[Laughter]
One minute overview of what, what kind of wellness programs you already have in place, preventative programs?
And we are working to enhance those in the coming year.
>> Yeah, sure.
So of the top five drivers, the conditions that we can influence are going to be the modifiable, modifiable life behaviors.

So that's going to be the preventative screenings, early detection MSK health and awareness engagement with primary care and preventative care.
Mental and emotional well-being.
And then those modifiable lifestyle behaviors.
So that's going to be exercise and stress reduction and nutrition.
So just some of our numbers from last year we had a total of 1300 participants in our different programs.
We had throughout the year.
I've categorized everything to match those cost driver conditions.
So when a program is being designed and, and implemented, it's based off of the data that we have.
We had 43 total engagement opportunities, including 147 total preventative screenings last year.
We also had our flagship Renew Wellbeing fair.
We had over 300 employees and retirees attend that event.
There was 112 screening services, and we achieved a 96% satisfaction rate.
After the, the event was over.
So we have another one coming up.
Our second annual is going to be April 23rd, so we definitely want to get the word out.
The more participation of course, the better.
And that's where we're headed from the care department standpoint.
>> And Shannon, do you need to wrap up, or could we?
>> Yeah.
>> Move to Mark?
>> yeah, move to Mark.
>> But to add to what Monique was saying, Monique works closely with the UnitedHealthCare health coach to develop the classes, programs, what they're offering and as well as training sessions.
So just to add to that, we're, we're really utilizing the health coach.
And then Mark, you want to speak to the nation and what you're seeing?
>> Sure.
Yeah.
Good afternoon, judge and commissioners.
Thank you for having me.
My name is Mark O'Leary.
I work with NFP.
Stacey introduced me earlier.
We are and I know it's been mentioned before and I heard the question earlier.
I don't recall who, who I think Commissioner Shea you asked about other counties and what their how do you compare?
I don't I don't have that.
I know I wrote it down, I know several other people did, but from a national basis.

I work for a company that has is owned by a larger organization, and we have what we call national meetings, and we just came out of one in February, and we're all a little shell shocked by the experience of our colleagues, just in general from last year.
Nationally, we're seeing health care trends in the in the 9 to 15% range right now, the, the a lot of these are forces that are just simply beyond the employer's control.
It's because of, they're happening at the provider level.
They're happening with regards to use of increasing use of AI in the provider setting.
And there are things that we just expect at this point to continue for the next several years.
And they're hard to they're, they're hard to address through just simple plan changes.
But we're going to we're going to take a stab at plan changes.
But we are our clients are certainly asking us clients like yourself, what does the future hold?
Where is this going?
And we're being very upfront that we, we are hoping this is a one time reset.
I think I said that previously in December, but there are no indications that we are on a one time reset.
We may be on an upward double digit cost trend increase, and it's due to due to a number of things that we feel like are, are not fully realized yet in the health care system.
And we have to differentiate between the health care system and the insurance system.
This is not an insurance.
It's an insurance issue in the sense it's affecting you, but it's your cost are being driven by the health care system itself.
And so we're advising our clients.
We're just going to have to be, be vigilant and hawkish over the plans for the next several years to try to identify ways to moderate what we expect to be double digit increases.
So I'm sorry to share that with you.
But we also we also try to be realistic.
You know, the county has in previous years experienced very low cost increases.
Anything below 6% was way below market.
And you have had those years where you've been at twos and fours and zeros and that looking back, those are those were successful years because we didn't have the same economic pressures in the system.
But now we have a we have a different environment altogether.
The post-Covid economic environment for health care is, is daunting.
We feel like everyone's aware of this.
And as regulators, you're aware of it.
And so we do hope that the regulators at all levels, federal, state, local will be helping out with that.
But we don't know what impact that will have just yet.
Judge Brown: What is your role in this?
>> My role is to help the county develop the budget for the future and do some other projects for the county.
So.
Judge Brown: Specifically with health care?

>> Specifically with health care.
Judge Brown: And you advise the county on how to go about that or what's.
>> Yes, exactly.
We work as a, I'm a third party consultant and we advise the county on we do the budget projection for the future and then we advise them on how you can help reduce the budget through plan changes and other things.
Judge Brown: So in that second part, what, like, it seems to me that, yeah, there are some things that are inevitable, like high costs of certain prescriptions, but I assume there's still room for us to do better on getting people to do screenings, getting people to go see their doctor once a year, you know, exercise.
And I love that.
We had a thing where 300 people came, but we've got, what, almost 6000 people at the county.
So it seems like I bet everyone up here would help try to publicize or have a competition to do that.
We can compete with the city on who can get a higher rate or something, but it seems like from what I've seen on this and from talking to you all before, there actually are things we could do to change this in future years.
And it's not just we can't do anything, right?
>> Yeah, not you can't do anything.
What, what happens is that if, if someone is changing their behavior, it has to be changing behavior for the long term.
And what has occurred in many cases is people will change, but then they regress back to what we call their normal, their normal behaviors.
And so it really that long term change requires commitment and effort and incentives.
And sometimes that's hard to do for organizations, to put incentives in place, because it can seem a little forceful.
Judge Brown: But you're the one who's going to tell us these great things we can do, right?
>> I'm, I'm we're laying out a we're laying out an entire grid, a matrix of, of suggestions that the county could, could, could implement that would have a cost impact to the plan for the long term.
Absolutely.
>> Yeah.
We're in the process of that as well as we're in the middle of the our request for proposals for the pharmacy benefit manager that his firm is helping us evaluate those proposal responses.
>> Love to see that.
Great.
When it's ready.
Judge Brown: Yeah.
And maybe more, more updates because this is yeah I don't know when we last had an update a lot of news to get all at once.
So maybe more updates would be good.
Commissioner Shea.

Shea: I've understood that a number of, of, of drugs are manufactured overseas.
How much are tariffs affecting the increase in costs?
Just roughly, is it a factor?
>> We did see it, but I don't I don't have a number today.
But it's, it's not more than 5% to 10% because the.
Shea: The 5 or 10, 5% to 10% that the total cost increase?
>> Yes.
5% to 10% cost increase.
Shea: Still seems significant.
But a lot of those prescriptions are generic, generic low cost.
Shea: Okay.
Low cost.
So we're, we're making many of the tariffs on top of the lower cost.
It's adding to the cost.
And then we have a fabulous system of employee clinics.
They don't charge co-pays.
You generally can get in quicker.
And we have excellent doctors.
So I think that should really be promoted to the to the staff.
And frequently the staff has no idea.
So we need to do a better job of telling staff the resources we're providing to help them be healthier.
Judge Brown: Thank you.
Commissioner Travillion.
Travillion: So my question is more have we seen a period of time in the last decade or two where we have seen similar indicators to what we see today?
I mean, have we, you know, did we see the same type of thing ten years ago, 15 years ago, and what were the circumstances and how long did it last?
Hopefully this is cyclical and it won't just continue to skyrocket.
Have we seen a period that is comparable to what we're seeing today?
>> There has been not as significant as this, but as the, for example, cancer treatments have progressed in the early detection.
There's been cycles where that that that was but not as significant as this one.
>> You have not, where the, the things that we're facing like cancer treatments, for example, they go up every year at a at a rate of about 20% to 25% cost increase.
And that's, that's more recent.
In the past, we saw maybe 10% to 12%.
So it's, it's doubled, and cancer is a big one.
The new GLP-1’s have, have resulted in costs going up by almost 50%, because you have someone taking a medication that was $20.
Now taking medication, it's $1,000 a month.
County was paying $20, now it's paying $1,000 for that.
So those are the kinds of things that are getting pushed into the system that we have not experienced before.

And then the provider contracts.
So UnitedHealthCare negotiates agreements with the local hospitals.
Those are going up, on average about 20% a year.
They have historically gone up 5% to 7% a year.
So all that's kind of getting played out into the cost side of things, not the utilization side, but just the cost.
So it is a little different than what we've experienced before.
Travillion: So.
So is there any way for us to intervene when there's some life saving medicine that, you know, last year was $100 a month, and this year might be $1,500 a month?
Anything that we can do collectively to address that type of issue?
>> I know the county's got a lot of programs in place to protect against or to redirect.
>> Right, right, right.
And then with as far as prescriptions go with the new proposal, that's part of what we're asking is what other cost saving measures and or advocacy member advocacy that they could provide to help educate a member on.
You should try this.
And, you know, and in more of a and they also, you know, some of them work with the doctors directly instead of leaving it up to the member to figure out those kind of things.
Yes, we are looking at enhancing those to help educate the members on that.
>> At the grassroots level, you getting someone to switch from a drug that's prescribed by their doctor that the, the third party pharmacy benefit manager that you hire getting a phone call from that is hard to do.
It is it is very difficult.
But we're looking at new programs with the PBM.
The PBM, RFP that will actually do a little bit more of that outreach to members who are taking high cost drugs and make them aware of alternative medications.
And if they're interested, they will support the member talking to their doctor.
It's very difficult, though, to, to go through that change, to navigate that.
Most people are inherently not inclined to do anything other than what their doctor says.
That's just that's our very nature.
So it is it is challenging, but we are looking at more, I guess, more assertive ways is the right way to put it, but it's more information in the hands of the consumer themselves.
Travillion: Last quick question, and that is, is there any way to identify the federal or state legislation that led to the changes in policy, that led that has led to some of the costs driving up?
I mean, the last budget that was passed by, by Congress took significant dollars out of Medicaid and took significant dollars out of other places.
Any way to identify where you know what is driving the cost at, at the rates that we're seeing today?
>> The only thing that we can maybe point to would be the, the enhanced federal subsidies, which, you know, there's two types of federal subsidies for individuals.
There's the general subsidy and then the enhanced subsidy, which was not passed with the latest round of the budget.

But even that really only affects individuals.
It doesn't affect the employer group space, but it does trickle down into the cost of the hospitals because they're seeing higher rates of unpaid bills, in essence, and as a result, they need to push those costs back to the private sector because they can't push it back on Medicare, because Medicare doesn't reimburse very well.
And it has a very fixed formula.
So they're shifting those costs back to the employer side.
And there, there are some that's where we're seeing those higher rate increases by the, the providers themselves.
Travillion: Has Pew or anyone has, have we had a foundation look into that type of thing. Specifically.
Last time I was at Naco, they laid out state by state things that were changing the number of rural hospitals that were closing in, the impact on, on the state because of that?
>> I have not seen that, we can take a look and see if there's any, I have not seen it, but maybe somebody else has seen it.
Judge Brown: One thing that I do want to encourage, so this obviously healthcare has so much to do with our budget and how much money we have.
I want to make sure Travis is, y'all are talking to him at the very beginning of this process going forward, and before it goes to the benefits Committee or whatever.
Just I'd like him to be in the room from the very start.
Okay.
Thank you.
>> And Judge Brown, I just want you to know that even as these health care costs are going up, Monica and I and all of them are and will be doing, putting out more information in trying to identify programs in ways that we can have people take preventative measures so we don't have long term situations going on.
If, if we can help mitigate those items.
Judge Brown: Thank you.
Do y'all need anything else from us?
Any other questions, Court members?
Howard: That was Monique, right?
She said.
>> Oh, I'm sorry, did I.
[Laughter]
I'm sorry.
Shea: And are you relatively new?
No.
>> Yes, I am.
>> Well, a year now.
>> A year now.
It's been a year now.
Shea: Oh, is this your first time presenting?
>> Yes.
Shea: Great job.

Welcome.
>> Thank you.
Judge Brown: All right.
Emory, we good?
>> I think this is just an update.
And then the only open item is item two.
But I don't think you're taking action on that.
That was just to receive the committee's recommendation.
So I think that is the other pending item you had open.
Judge Brown: All right.
Great.
Thanks very much.
We'll adjourn court at 4:54 p.m.
Thank you.
Shea: Thank you all.
[Music]