

TO: Mayor Watson, Council Members Harper Madison, Fuentes, Velasquez, Vela, R. Alter, Pool, Ellis, Qadri, and A. Alter  
CC: City Manager T.C. Broadnax; CFO Ed Van Eeeno  
DT: August 5, 2024  
RE: Council Member Mackenzie Kelly Budget Proposal

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Colleagues,

In preparation for our final budget deliberations on August 14th, I wanted to make an earnest plea to all my colleagues, and ask that you give this proposal some significant thought and attention.

Every City Budget recognizes that Affordability is a crucial issue for Austin as more and more residents face tremendous displacement pressure. Home prices, rents, property taxes, utilities, and other household costs have rapidly become less affordable to low- and moderate-income households.

To further illustrate that, according to a [survey reported in CNBC](#) in January, fewer than half of Americans, 44%, can afford to pay \$1,000 for an emergency from their savings, with 21% of Americans having no savings at all. Austinites are not an exception. In May of this year, [CBS Austin reported](#) that for the first time in 20 years, more people are leaving Austin than are moving here. Affordability is a major factor.

People are struggling. Families are struggling. The post-pandemic inflation has been crippling, specifically in middle and low-income households. Federal Reserve Chairman Jerome Powell said, “the burdens of high inflation fall heaviest on those who are least able to bear them.”

From 2019 to 2023, the cost of groceries has gone up by 25%. Childcare costs have gone up by 32%. The average rent for a 2 bedroom in Austin has increased by more than 50% to over \$2,200 and the median home price increased by more than 20%.

In the same time, according to the Taxpayer Impact Statement’s in past city budgets, city utilities and utility fees have increased by 17% and city property taxes by 27%. And, now, with this budget, we are asking people to pay at least an additional 8.2% in city property taxes, utilities, and fees.

We can’t keep asking struggling Austinites to pay significant increases like this. I am proposing that we adopt a 2024/25 city of Austin budget that includes no increases to city property taxes. Here is how we do it without impacting service levels.

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## **I. THE BASELINE BUDGET**

Last year, the City Council approved a [General Fund budget](#) with **\$1,352,490,489.00** in total revenues. It included more than \$40,000,000 in new spending for our public safety departments (Police, Fire, EMS), parks, libraries, social services, public health, and more. We increased property tax bills, utility bills, and almost all major utility bill fees.

The property tax burden, for the “typical residential ratepayer,” according to the approved 2023/24 budget was **\$1,781.50**. This was for a homestead valued at \$499,524 and included a maximum property tax increase from the previous year. The overall typical cost of city government, including utilities, approved by the City Council was **\$4,952.86**, a \$171.70 increase from the year before.

## **II. THE CITY MANAGER’S 2024/25 PROPOSED BUDGET**

This year, [the budget](#) proposes another maximum increase in property tax bills and associated spending. That means the “typical residential ratepayer” will pay **\$1,883.76** in property taxes - a 5.7% increase. The total cost, including utilities, is **up \$405.14 to \$5,358.00** - an 8.2% increase from last year’s approved budget. That is a very large increase over one year.

On the revenue side, the proposed budget will raise significantly more revenue for the General Fund. The claims of a looming crisis don’t seem to ring true if we look closely at the numbers. The proposed budget includes \$64,085,547 in additional property tax revenue, with some going to general revenues and the rest to service our city debt. \$24,866,992 in additional revenue will be raised from property taxes on new development.

The General Fund is set to receive more than \$60,000,000 in additional revenues from property taxes, sales tax, franchise fees, licenses and permits, transfers in, and use of city property and money bringing total revenues up to \$1,412,576,935. That is **\$60,000,000 in NEW spending**. So, when we talk about “cuts” to the budget, they are not actually cuts but, sometimes, just not adding new expenditures.

## **III. COUNCIL MEMBER MACKENZIE KELLY’S BUDGET PROPOSAL**

I am proposing that we adopt a budget with **no increase in the property tax burden for Austin taxpayers**. I will come to the budget session on August 14th, and post to the message board, an amendment to achieve this. I hope my colleagues will join me in voting in favor of this proposal.

The General Fund’s largest revenue source is property taxes, but it isn’t the only source. We also receive revenues from sales tax, franchise fees, licenses and permits, transfers in, and use of city money and property. The projected revenue increase from non-property taxes sources in the budget is \$29,000,000.

My proposal is to bring the tax rate down to a level that results in no increase in property tax bills for Austinites. We still get additional property taxes from new development. The estimated rate to achieve

this is .3449. This will have a positive impact on affordability for all, including homeowners, renters, and businesses.

Confusingly called the “No-New Revenue Tax Rate,” which is the rate that will not raise property taxes on taxpayers, we would still generate **more than \$45 million** in new revenues for the General Fund. That means we can still increase funding for police, fire, EMS, parks, public health, etc., without having taxpayers pay another increase.

To achieve that goal, on the next page, I have outlined several opportunities for increased revenues, efficiencies, budget cuts, and cost savings. The total far exceeds the required amount of \$38.5 million to get us to the No New Revenue Tax Rate. The breakdown of my proposed savings is as follows:

Revenue Increases	\$ 2,760,311.70
Department Efficiencies	\$ 12,762,956.46
Wage Increase Savings	\$ 1,010,000.00
Use of Bond Funds	\$ 25,325,617.00
Duplicative Office Eliminations	\$ 5,824,303.00
<u>Program Eliminations/Reductions</u>	<u>\$ 3,396,620.00</u>
<b>TOTAL POTENTIAL SAVINGS</b>	<b>\$ 51,079,808.16</b>