2018-2019 BUDGET QUESTION

Response to Request for Information

DEPARTMENT: Financial Services – Budget

REQUEST NO.: 10

REQUESTED BY: Kitchen

DATE REQUESTED: 4/11/18

DATE POSTED: 4/11/18

REQUEST: Please provide additional details concerning the cost drivers for the enterprise funds included in the FY 2019 Financial Forecast.

RESPONSE: Included with the Financial Forecast is a Forecast Report detailing each of the major enterprise funds, including their cost drivers. Attached on the following pages is the entire report.

Financial Forecast

Fiscal Years 2019-2023

General and Major Enterprise Fund Details

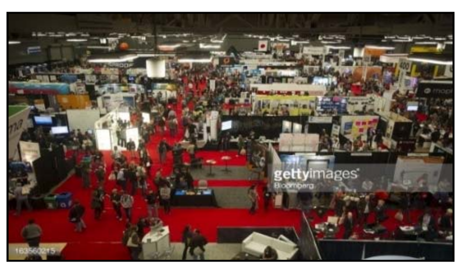
→ Five-Year Highlights and Key Changes
→ Major Rates and Fees
→ Current Staffing and Projections
→ Capital Projects











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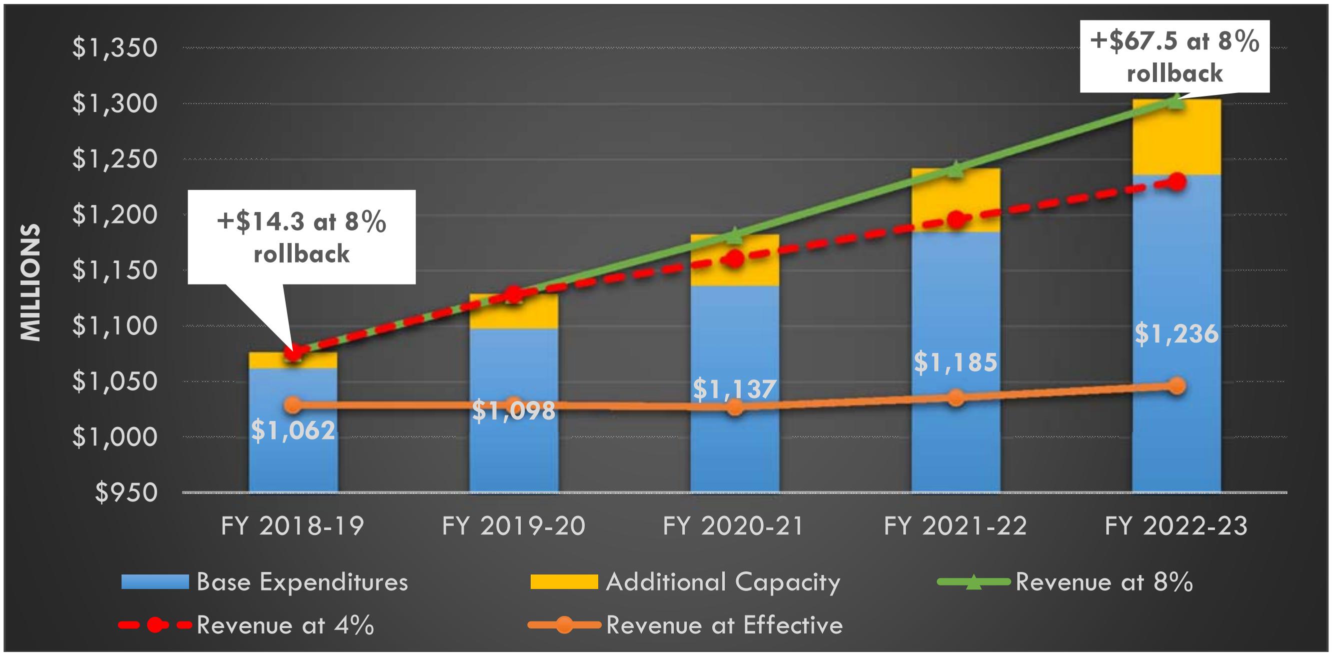
General Fund Forecast

The General Fund is the general operating fund for the City of Austin. It includes eleven departments that provide programs, activities, and services directly to the citizens of Austin, as well as to surrounding communities. General Fund revenue is sourced from five broad categories: property tax, sales tax, transfers in from the two City-owned utilities, development, and other revenue. Property taxes are a result of the tax rate per $100 of property valuation. Sales tax collections allocated to the City of Austin are 1% of the price of taxable goods and services sold in the city of Austin. Transfers into the General Fund are received from the electric and water utilities in accordance with a Council ordinance. Development revenue comprises the various permit, application, and inspection fees associated with residential and commercial development. Other revenue comprises development fees, franchise fees, fines, forfeitures, penalties, licenses, permits, inspections, charges for services, and interest.

In FY 2018, property tax revenue is estimated at $453.0 million, or 44.1% of total General Fund sources. Sales tax, the second largest revenue source, is $226.1 million, or 22%. Transfers from the City owned utilities are expected to be 15.1%, or $154.9 million. Lastly, Other Revenue and Development categories are a combined $193.1 million, or 18.8%.

The FY 2019 base revenue forecast projects assessed value growth at 10.4% along with 8% for FY 2020, and 6% for FY 2021 through FY 2023. New construction value of $3.0 billion is also projected for FY 2019 with an average of $2.4 billion assumed for FY 2020 through FY 2023. Sales tax assumptions in FY 2019 are 3% representing an increase of $5.6 million over the prior year. A 2.5% growth rate projection is included in the remaining four years. These moderate projections utilize historical experience and emphasize the volatile nature of this revenue source. Development Revenue continues its strong performance and includes full cost recovery efforts. It is projected at $49.8 million, $1.1 million higher than the FY 2018 estimate. Other revenue is experiencing a modest increase of approximately $590,000 in FY 2019 and $9.2 million over the forecast period.



Total base expenditures for the General Fund in the FY 2019 Forecast are projected at $1.1 billion, which is $35.3 million, or 3.4%, higher than the FY 2018 Budget. The largest portion of the General Fund budget, approximately 66%, is allocated to the three public safety departments: Police, Fire, and Emergency Medical Services. The community service departments, namely Parks and Recreation, Austin Public Health, Library, Animal Services, and Neighborhood Housing and Community Development collectively comprise 22% of the General Fund budget. Planning and Zoning, Development Services, Municipal Court, and Transfers/Other collectively represent the remaining 12% of General Fund resources.

For the FY 2019 Forecast, the General Fund is projecting the following major cost drivers for a total of $35.3 million:

- Wage increases of $10.9 million for employees
- Shared cost allocation plan increases for Support Services, Communications & Technology Management, fleet maintenance, and fuel for a net total of $9.8 million
- Leasing costs for Municipal Court of $3.0 million
- $3.7 million for cell phone data plans for use with body cameras, body camera maintenance, removal of reimbursement from Visit Austin for Spring Festival security, and increase to Austin Police Department's (APD) terminal pay
- Other various contractual increases of $2.8 million
- Accrued payroll for $2.8 million and Economic Incentives Reserve Fund for $1.8 million
- The recently completed Onion Creek Fire Station and 16 firefighter positions for $1.9 million
- $1.0 million for the Knox Key Security Project
- Annualization of 18 new positions for Central Library and materials increase in the amount of $0.6 million
- Reduction in the Fire Department's overtime of $3.0 million due to cadet classes and filling of vacant sworn positions

Over the five-year forecast period, the General Fund expenditures are projected to increase an estimated $213 million, an average of $42.5 million per fiscal year. No new positions are included for future fiscal years at this time. This is consistent with previous forecast projections and founded on existing base cost driver assumptions, which are subject to revision.

Fund Summary *(in millions)*

	FY18 Estimated	FY19	FY20	FY21	FY22	FY23
Beginning Fund Balance	0	0	0	0	0	0
Revenue & Transfers In	$1,024.5	$1,062.4	$1,097.9	$1,136.7	$1,184.9	$1,236.4
Expenditures & Transfers Out	$1,023.8	$1,062.4	$1,097.9	$1,136.7	$1,184.9	$1,236.4
Change in Fund Balance	$0.7	0	0	0	0	0
Ending Fund Balance	$0.7	0	0	0	0	0
Average Monthly Bill (Typical Rate Payer)	$104.18	$109.61	$117.04	$125.10	$133.28	$141.38
FTEs	6,740.30	6,764.55	6,764.55	6,764.55	6,764.55	6,764.55

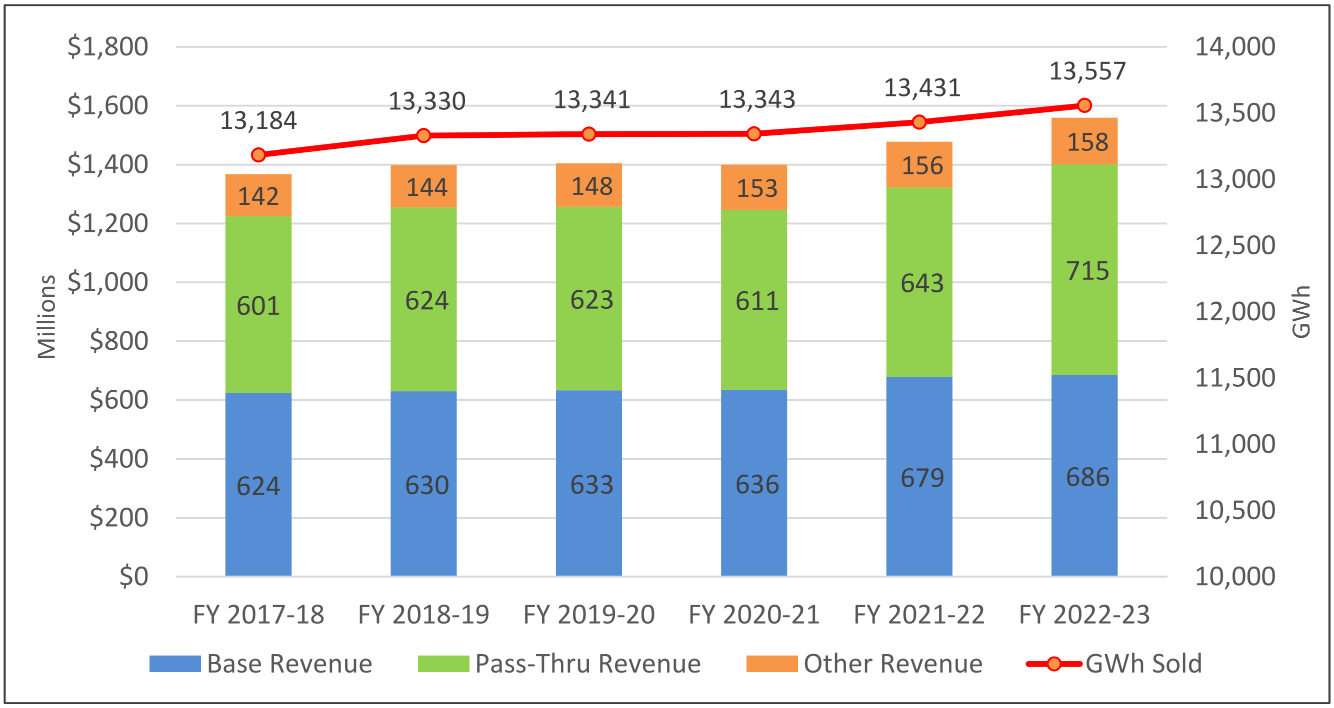
Austin Energy Forecast

Austin Energy (AE) receives about 90% of its revenue from sales of electric service to retail customers. Base revenue, which supplies AE with its operating revenue, and pass-through revenue, which recovers specific costs with no return to AE, each make up about 50% of electric service revenue. Base revenue is derived from the number of customers, usage levels and base rates. Other revenue includes transmission revenue, infrastructure rental, chilled water services, customer fees, and interest income.

Throughout the forecast horizon, AE's energy sales in kilowatt hours (kWh) are projected to increase at a compounded annual growth rate of 0.6% based on expected customer growth. Consequently, base revenue remains relatively flat, increasing only $11 million from FY 2017-18 through FY 2020-21. Base revenue increases by $44 million in FY 2021-22 primarily due to an anticipated rate review, which is forecasted to remain within the 2% affordability goal.

Changes in pass-through revenue are driven by rising power supply costs and wholesale transmission costs. These costs are generally attributed to a change in power supply sources and increasing wholesale transmission costs from the Electric Reliablity Council of Texas (ERCOT) market. Pass-through revenue is expected to increase from approximately $601 million in FY 2017-18 to $715 million in FY 2022-23.

Other revenue, including transmission and interest revenue, will increase by $16 million to $158 million by FY 2022-23 due to increases in transmission revenue, chiller revenue, and revenue for infrastructure attachments from private corporations. In the chart below, the gigawatt hours (GWh) sold trend line indicates stable, and slightly increasing, energy sales over the forecast period.



Austin Energy's major expenditures are power supply costs, wholesale transmission costs, operating and maintenance expense, debt service, investment in capital improvements, and transfers to the City and the General Fund. For the period of FY 2018-23:

- Power supply costs increase from $413 million in FY 2017-18 to $508 million in FY 2022-23. These costs remain relatively flat through FY 2020-21 and increase in the later years, as generation units are retired at the Decker Power Plant in FY 2020-21 and the Fayette Power Plant in FY 2022-23, coupled with the acquisition of additional renewable power supply. Austin Energy recovers these costs through the Power Supply Adjustment charge.

- Wholesale transmission costs, recovered through the regulatory charge, increase approximately $3 million per year rising to $154 million in FY 2022-23. These costs are the result of investment and on-going maintenance by transmission service providers of the wholesale transmission grid that is coordinated by ERCOT.

- Controllable operating and maintenance expenses are forecasted to increase an average of 2% per year. From FY 2017-18 to FY 2022-23, operating and maintenance expenses, excluding power supply and regulatory pass-through costs, increase from $427 million to $468 million.

- The Capital Improvement Program (CIP) includes continued investment in infrastructure and technology to secure the utility's grid and remain in compliance with all state and federal guidelines, as well as new plants for increased chilled water capacity and the new Bluff Springs Substation. The five-year spending plan is projected at $1 billion. Cash transfers to CIP average approximately $81 million per year and total $484 million from FY 2017-18 to FY 2022-23.

- Annual debt service increases from $100 million in FY 2017-18 to $136 million in FY 2022-23. The increase is attributed to financing about 50% of AE's CIP.

- The General Fund transfer is $109 million for FY 2017-18, increasing to $117 million by FY 2022-23.

- Other City transfers and payments average $55 million per year over the time period, increasing from $49 million in FY 2017-18 to $63 million in FY 2022-23.

- $40 million is expected to be transferred to the Contingency Reserve, Power Supply Stabilization Reserve, and Capital Reserve funds in FY 2018-19. The reserves will be fully funded by FY 2021-22 to comply with the financial policies.

Austin Energy will add 10 FTEs in FY 2019 to replace existing temporary and contract staffing to meet current program requirements. Looking into the future, the utility is projecting an annual staffing increase of 10 FTEs for the support of programs and continued customer growth.

The following table reflects the fund's financial forecast and the bill impact of a typical residential customer for FY 2018 – FY 2023.

Fund Summary *(in millions)*

	FY18 Estimated	FY19	FY20	FY21	FY22	FY23
Beginning Fund Balance	$370.8	$392.2	$396.0	$398.2	$355.0	$355.6
Revenue & Transfers In	$1,367.6	$1,398.7	$1,404.4	$1,399.6	$1,478.1	$1,559.3
Expenditures & Transfers Out	$1,346.2	$1,394.9	$1,402.1	$1,442.9	$1,477.4	$1,558.2
Change in Fund Balance	$21.4	$3.8	$2.2	($43.3)	$0.7	$1.1
Ending Fund Balance	$392.2	$396.0	$398.2	$355.0	$355.6	$356.7
Residential Monthly Bill (Typical Rate Payer uses 860 kWh)	$87.00*	$87.65*	$87.65*	$87.65*	$90.35*	$90.35*
FTEs	1,749	1,759	1,769	1,779	1,789	1,799

**The Typical Residential Monthly Bill reflects changes to the base rates only from FY 2020 through FY 2023. The numbers do not reflect changes to the PSA, Regulatory Charge, or Community Benefit Charge since those are unknown at this time.*

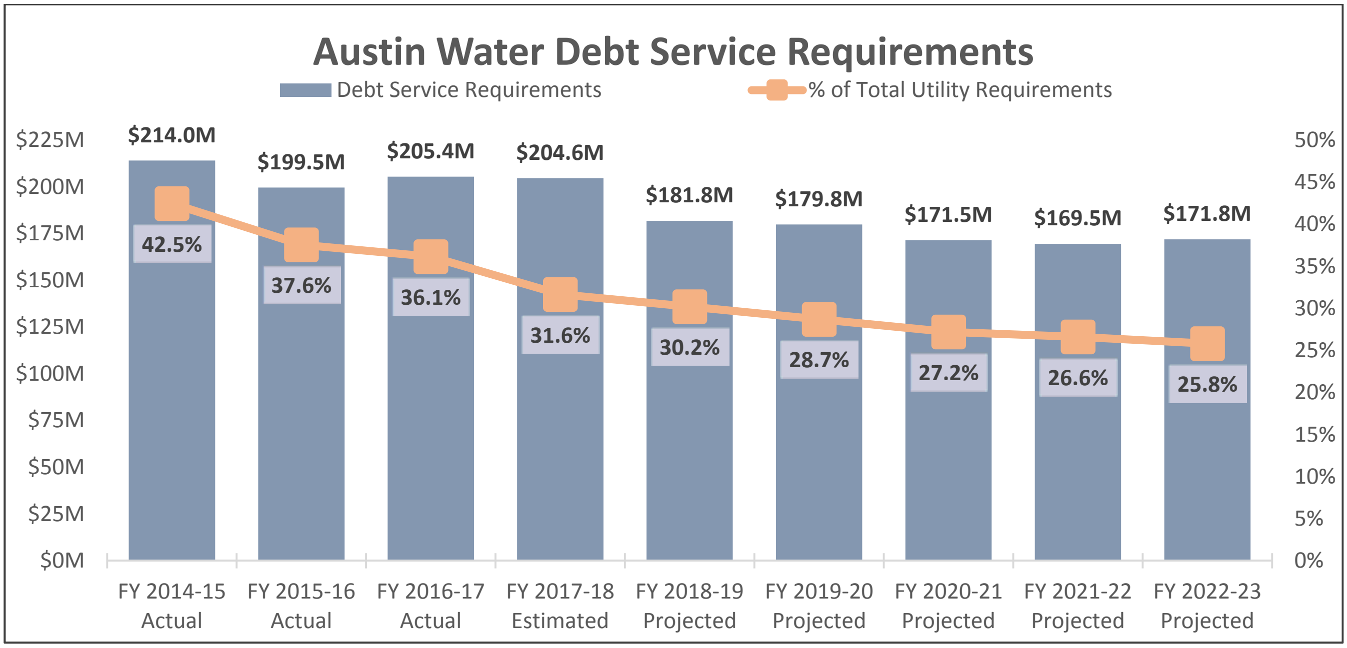
Austin Water Forecast

Austin Water receives approximately 98% of its non-transfer revenue from sales of water and wastewater services to retail and wholesale customers. Of this, water service revenue generally accounts for about 52% of total non-transfer revenue, wastewater service revenue accounts for 46%, and reclaimed service revenue and other revenue accounts for the remaining 2%. The projected number of accounts, total billed water consumption during a billing period, total billed wastewater flows during a billing period, and the appropriate rates drive service revenue.

The FY 2017-18 total revenue current-year estimate includes the system-wide water and wastewater rate reduction approved by Austin City Council on March 8, 2018, which will take effect on May 1, 2018. There are several reasons Austin Water is able to provide a rate reduction. First, during the recent central Texas drought, rates were increased significantly to offset the reduction in water demand; however, water demand has since stabilized, resulting in additional revenue. Second, Austin Water's financial benchmarks have improved significantly due primarily to the ability to defease debt (pay off debt early).

The rate reduction is the result of the 18-month 2016 Cost of Service Rate Study, which included significant stakeholder participation in the review of Austin Water cost-of-service methodologies. As a result of the approved rate reduction, FY 2018-19 non-transfer revenue is projected to decline by $4.8 million, or 0.8%, as compared to FY 2017-18 estimates. Future years also forecast revenue with the assumption that the rate reduction remains in place until the next-planned rate increase in FY 2020-21. Total non-transfer revenue is expected to increase by $41.5 million, or 7%, from FY 2019-20 to FY 2022-23 because of customer growth and forecasted rate increases.

The chart below shows the impact of Austin Water's recent debt management efforts. Austin Water's debt service requirements (represented by the blue bars) have declined from an actual $214.0 million in FY 2014-15 to a projected $171.8 million in FY 2022-23. Over the same period, the percentage of debt service requirements out of the utility's total requirements (represented by the orange line) is projected to decrease considerably, from an actual 42.5% in FY 2014-15 to a projected 25.8% in FY 2022-23.



Austin Water's major expenditure categories include operating and maintenance costs, debt service payments, and transfers to other City funds, including the General Fund, Utility Billing Support, and Administrative Support transfers. Expenditure assumptions for the FY 2018-19 through FY 2022-23 financial forecast include:

- A $22.8 million decrease in debt service requirements from FY 2017-18 current-year estimates to FY 2018-19 projections attributable to ongoing debt management efforts that include a $60.0 million Capital Recovery Fee and operating cash debt defeasance transaction planned to happen in spring 2018;

- A stable General Fund transfer throughout the five-year forecast period, ranging from $46.7 million to $47.9 million; and

- A modest staffing increase throughout the five-year forecast period, adding 15.0 positions in FY 2018-19 and 9.0 positions in FY 2019-20.

Fund Summary *(in millions)*

	FY18 Estimated	FY19	FY20	FY21	FY22	FY23
Beginning Fund Balance	$214.8	$180.2	$188.5	$178.4	$183.2	$190.0
Revenue & Transfers In	$611.8	$611.0	$617.2	$634.4	$643.0	$660.8
Expenditures & Transfers Out	$646.4	$602.7	$627.3	$629.6	$636.2	$664.9
Change in Fund Balance	($34.6)	$8.3	($10.1)	$4.8	$6.8	($4.1)
Ending Fund Balance	$180.2	$188.5	$178.4	$183.2	$190.0	$185.8
Average Monthly Bill (Typical Rate Payer)*	$80.91	$80.79	$80.79	$82.41	$82.41	$84.05
FTEs	1185.0	1200.0	1209.0	1209.0	1209.0	1209.0

**The Average Monthly Bill includes the Reserve Fund Surcharge and Community Benefit Charge.*

Austin Water's five-year CIP spend plan balances renewal and replacement of critical infrastructure and investments in new technology, including smart meter technology and system expansion, and is focused on capital investments to build and improve water and wastewater treatment facilities and wastewater collection facilities. Total planned spending from FY 2018-19 through FY 2022-23 is $910.5 million. Noteworthy projects for water and wastewater treatment facility improvements are the Treated Water Discharge System and Power Distribution Upgrade for the Davis Water Treatment Plant, Trains A&B Blower Replacement and Tertiary Filter Improvements for the South Austin Regional Wastewater Treatment Plant, and the Tertiary Filter Rehabilitation for the Walnut Creek Wastewater Treatment Plant. Additionally, the Parmer Lane Interceptor project will focus on constructing new wastewater infrastructure. All of these projects are currently in the construction phase.

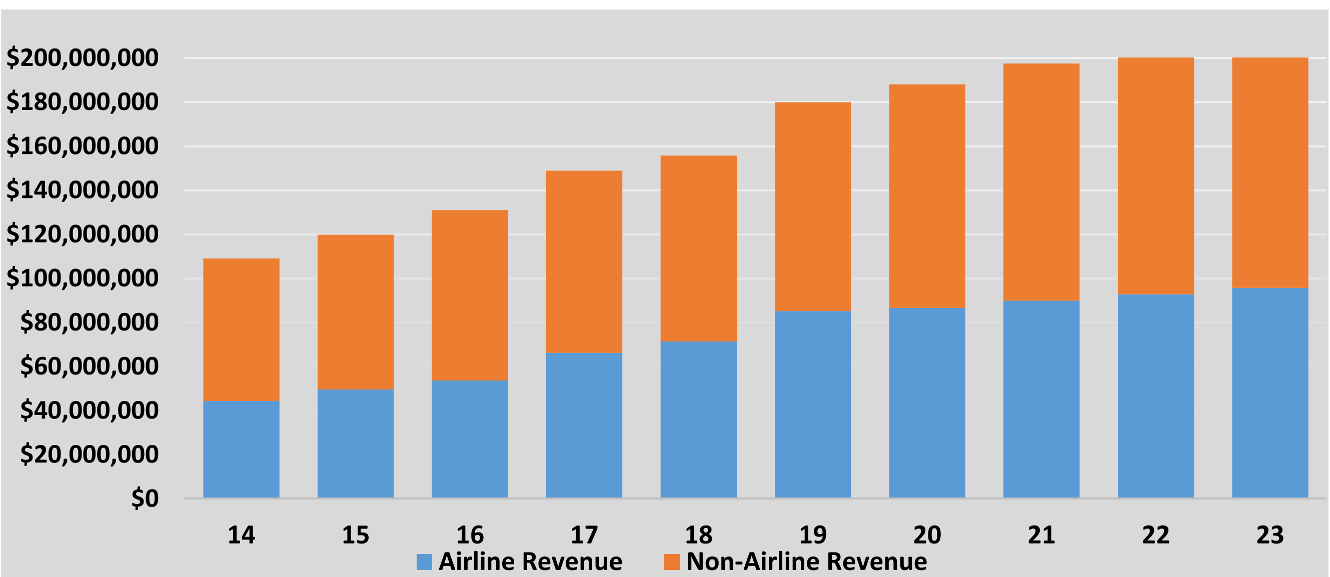
Aviation Forecast

Austin-Bergstrom International Airport (ABIA) operates as an enterprise fund of the City of Austin and is self-sustaining; therefore, the Department of Aviation does not receive tax revenue and functions without relying on the City budget or taxpayer. Austin's airport has operated in this fashion since 1982; funding to finance operating expenses and development is generated by fees and rent paid by airlines, concessions, and passengers. In addition, ABIA receives grants, including federal Airport Improvement Program (AIP) grants. In order to comply with federal regulations and to ensure ABIA is eligible to receive AIP funds, all airport revenue is retained to fund the capital and operating costs of the airport.

Passenger traffic in the United States has historically been correlated with the nation's economy. During economic contractions, there is a notable decline in passenger volumes while during the subsequent economic expansions there is significant growth in passenger volumes. Therefore, the airline cost per enplaned passenger is one of the Aviation Department's key indicators of the airport industry and measurement of airplane costs and revenue trends.

The FY 2018-19 goal for airline cost per enplaned passenger is $11.17, a 6% increase over the FY 2017-18 goal of $10.54. The increase is primarily due to increased operating expenses allocated to airline cost centers. Providing quality facilities while controlling costs is critical to maintaining a reasonable cost per enplaned passenger.

The Department of Aviation receives approximately 48% of its total revenue from airlines and 52% from non-airline fees in includes parking, concessions, rentals and miscellaneous fees. Landing fees and terminal lease revenue are projected to increase 19%, while non-airline revenue is expected to increase 12%. Passenger traffic is projected to increase by 5% annually over the next five fiscal years. Aviation's goal is to generate at least $12.96 of non-airline revenue per enplaned passenger in FY 2018-19.



The FY 2018-19 forecast includes airline payments of $34.4 million in landing fees and $50.8 million in terminal rent and other fees. The airlines' landing fees are based on the estimated landed weight of commercial and cargo carriers and are set to recover the City's costs for the construction, operation, and maintenance of the airfield. Terminal rents are paid by the airlines and are intended to recover the capital, operating, and maintenance costs associated with the airlines' use of the terminal.

Major adjustments to revenue include the Terminal Expansion and the West Lot A Parking Garage and other planned capital improvements.

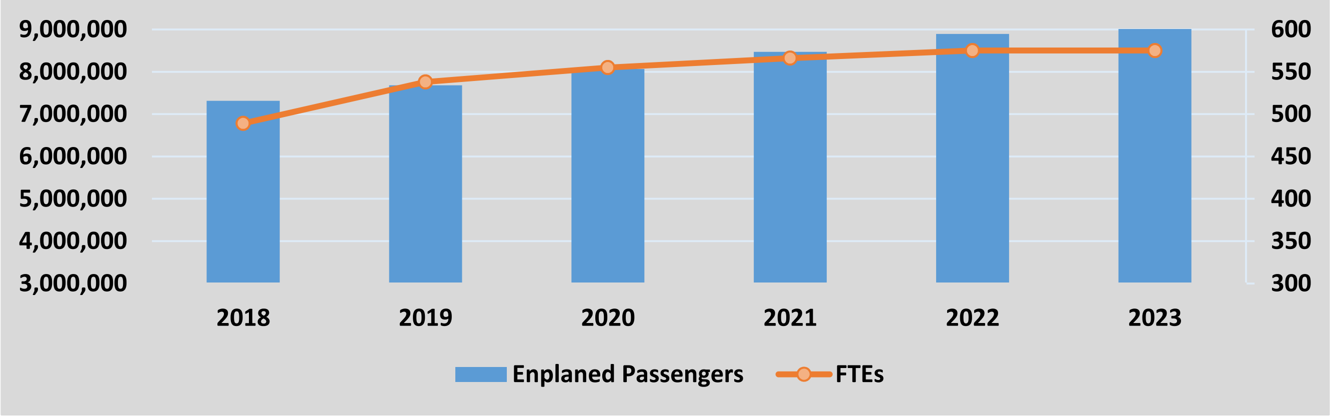
- The Terminal Expansion is part of the larger Apron & Terminal Expansion and Improvements project, which will add nine airplane gates to the existing terminal, permitting additional and larger aircraft access to and from the terminal building and increasing domestic and international travel capacity. The terminal expansion includes construction of over 200,000 square feet of space and is scheduled to be complete in spring of 2019.

- The parking structure will provide much needed parking capacity while keeping the development in a smaller footprint, as compared to surface parking facilities. The structure will also incorporate a consolidated administration facility for Aviation administration and staff, thereby allowing the existing mezzanine level within the terminal to be converted into revenue-generating concessions and services for our passengers. Construction of the two lower levels of the garage is expected to be complete by Thanksgiving 2018. The remaining levels of the garage and the administration building are scheduled for completion in spring of 2019 and summer 2019, respectively.

Expenditure assumptions for the FY 2018-23 Financial Forecast include:

- $7.9 million for 86 additional positions over the next five years to accommodate airport growth, including staffing the new terminal and parking garage;
- $10.5 million in additional debt service payments starting in FY 2018-19 and increasing gradually over the next five years related to the completion of the terminal expansion, parking garage, and various other projects at the airport; and
- $6.2 million in various contractuals and commodities related to overall growth at the airport over the next five years.

Aviation is forecasting an additional 49 positions in FY 2018-19 to keep pace with the airport's record growth, while concentrating on filling existing vacant positions. Looking into the future, the Department is projecting an additional 37 positions over the remaining five year forecast period. The growth in expenditures and additional positions tracks the projected increase in enplaned passengers over the next five years, as shown in the graph below.



The estimated Austin Enplaned Passengers is projected with an average annual growth rate of 5.0% (2019-2023)

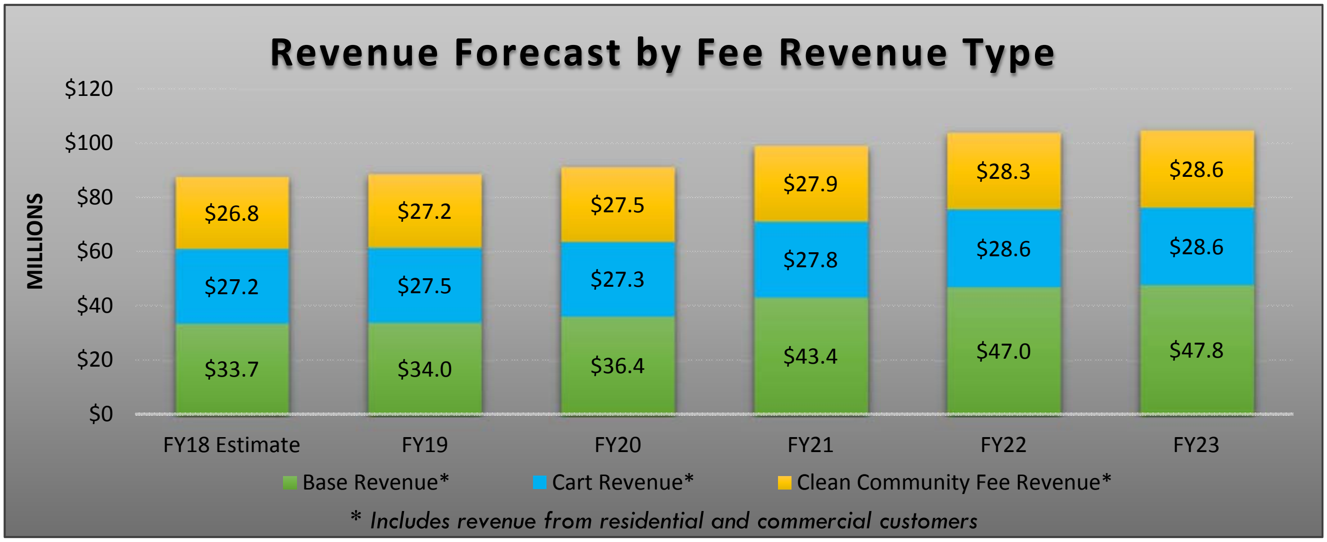
Airport Operating Fund Summary (in millions)

	FY18 Estimated	FY19	FY20	FY21	FY22	FY23
Beginning Fund Balance	0	0	0	0	0	0
Revenue & Transfers In	161,716,420	189,185,854	198,749,443	209,040,690	217,789,127	227,139,280
Expenditures & Transfers Out	161,716,420	189,185,854	198,749,443	209,040,690	217,789,127	227,139,280
Change in Fund Balance	0	0	0	0	0	0
Ending Fund Balance	0	0	0	0	0	0
FTEs	489.00	538.00	555.00	566.00	575.00	575.00

The five year spending on capital improvements, which includes completion of the Terminal Expansion in and the Parking Garage and Administration Building in FY 2019 and a Consolidated Maintenance Facility in FY 2020, is projected at $1.3 billion. The Department is also considering an additional terminal and infill project on the west side once the current east terminal expansion is complete to accommodate continued passenger growth over the coming years.

Austin Resource Recovery Forecast

Austin Resource Recovery (ARR) funds programs and services through three major user fees: base customer fee, trash cart fee (varies by trash cart size), and the Clean Community Fee. These fees comprise roughly 95% of ARR's total revenue. ARR also has various rates for miscellaneous special services. The FY 2019 Budget will not include rate increases for the department's three major user fees.



The base customer and trash cart fees paid by residential curbside customers comprise the majority (64%) of all ARR revenue. Curbside collection service customers are mostly residents of the City of Austin living in single-family homes and multi-family residences of four or fewer units.

The residential component of ARR revenue is driven by the number of customers, base customer fee amount, and trash cart fee amount, which varies by trash cart size. In FY 2019, $1 million in projected additional residential revenue, as compared to FY 2018 budget, is related to an increase in the projected number of ARR residential customers. Current customer growth assumptions are based on projected population growth, which is then adjusted to estimate growth in number of households likely to require ARR residential services.

Residential curbside customers pay the base customer fee and a trash cart fee. The trash cart revenue is budgeted based on the projected distribution of cart sizes across the customer base multiplied by the associated cart fee amount. Customers can choose from four trash cart sizes and pay less per month for smaller cart sizes. The base customer charge and trash cart fees cover the direct expenses of the following ARR programs: trash collection; recycling collection; yard trimmings and curbside compost collection; brush collection and processing; and bulk collection.

ARR also services around 2,000 commercial customers. Beginning January 1, 2015, commercial premises have been required to be serviced by a licensed private collection service provider, known as a "private hauler." Commercial customers serviced by ARR prior to that date may continue to receive ARR services. Therefore, commercial revenue is expected to continually decrease as this class of customers diminishes.

Clean community services are provided to all residential and commercial customers in the ARR service area and include: street sweeping, dead animal collection, citywide litter control, landfill closure and post closure requirements, citywide bulk collection and Clean Austin program, Zero Waste program development, and Brownfields remediation. Residential Clean Community fee customers receive the included benefit of access to the Household Hazardous Waste facility within the Recycle & Reuse Drop-off Center. Additionally, implementation of the Universal Recycling Ordinance and ARR's business outreach team are funded by the commercial Clean Community fee exclusively. The FY 2019 budget includes an increase in revenue of $0.9 million as compared to FY 2018 budget from these fees due to anticipated customer base growth.

Over the next five years ARR's capital spending, projected at a total of $90.6 million over that period, is focused largely on the regular replacement of vehicles and carts along with vehicle fleet technology upgrades. Program expansion efforts are expected to include curbside compost expansion completion and weekly recycling implementation. ARR also continues to work towards the repair of storm damage and subsequent closure of the former FM812 landfill.

The major expenditure categories within ARR's operating costs are: staffing, fuel purchases, maintenance of vehicles, debt service payments, landfill and recycling processing contracts, as well as transfers to capital funds and support services transfers. Major expenditure changes impacting revenue included in the FY 2019 through FY 2023 Forecast are:

- The expansion of Curbside Compost Services to an additional 52,000 households in FY 2019 at a cost of approximately $1.4 million and the addition of 2 positions. The final expansion phase will conclude in FY 2020 with an additional roll out to the remainder of the ARR service area. Associated new vehicles will be purchased with debt.
- Increase in the cash transfer in FY 2019 by $2.5 million for a total transfer of $10.1 million from ARR's operating fund to the capital fund for the purchase of replacement vehicles and equipment.
- Weekly recycling is scheduled to begin in FY 2021. This will require 27 new FTEs and is associated with a projected $3.00 increase to the monthly base customer fee. ARR anticipates a capital investment of $4.2 million in additional vehicles to be purchased with debt to support this initiative. Expansion of the current recycling service from biweekly to weekly collections was identified as part of the Austin Resource Recovery Master Plan.
- The Vehicle Fleet Technology Upgrade project is well underway and scheduled for completion in FY 2020. With this increase in capabilities we require 6 new FTEs and $0.8 million to manage this system and the additional data it will produce upon full implementation.

In FY 2018, staff has focused on cost containment measures and made a concerted effort across the department to reduce expenditures. This will result in a larger ending balance and enable the Department to avoid rate increases in FY 2019. The FY 2019 Budget will take advantage of that ending balance and therefore will show expenses about $2.9 million greater than revenue. ARR will still meet the requirement to retain a reserve equivalent to $1/12^{th}$ of annual operating expenses.

Fund Summary *(in millions)*

	FY18 Estimated	FY19	FY20	FY21	FY22	FY23
Beginning Fund Balance	$11.5	$13.7	$10.7	$7.8	$8.2	$8.5
Revenue & Transfers In	$93.4	$94.2	$96.8	$104.7	$109.5	$110.6
Expenditures & Transfers Out	$91.2	$97.1	$99.8	$104.3	$109.2	$110.7
Change in Fund Balance	$2.1	($2.9)	($2.9)	$0.4	$0.4	($0.8)
Ending Fund Balance	$13.7	$10.7	$7.8	$8.2	$8.5	$8.4
Average Monthly Bill (Typical Rate Payer)	$24.30	$24.30	$25.35	$28.35	$30.00	$30.00
Residential Clean Community Fee Bill	$4.70	$4.70	$4.70	$4.70	$4.70	$4.70
FTEs	462	464	485	517	519	523

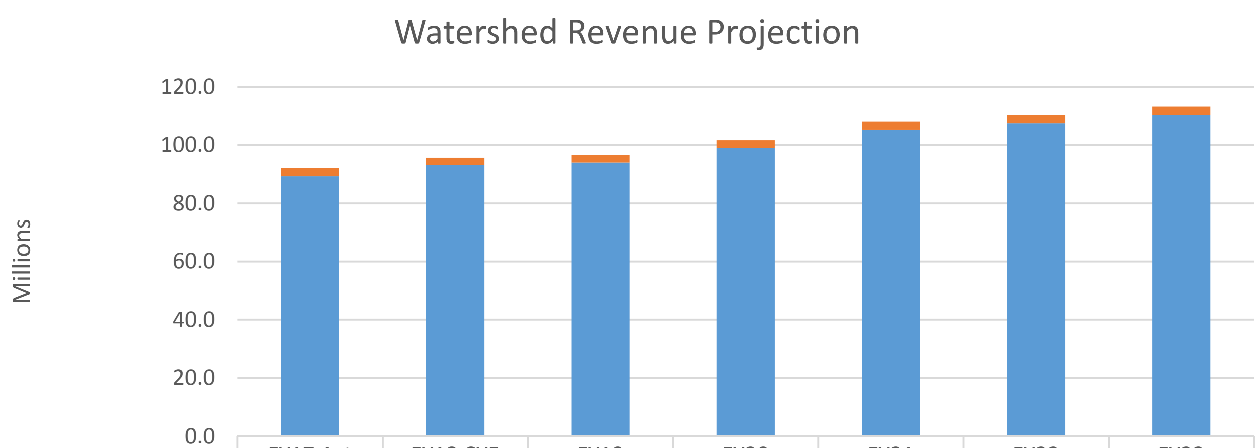
Watershed Protection Forecast

Watershed Protection receives about 97% of its revenue from the drainage charge (DUF). The drainage charge is calculated individually for each property, both residential and commercial, based on the amount and percent of impervious cover. Less impervious cover means a lower drainage charge.
Impervious cover includes:

- Rooftops
- Patios
- Driveways
- Parking lots
- Other surfaces that do not absorb rainfall

Impervious cover has a significant impact on stormwater. It increases the amount and speed of stormwater runoff. It also increases the amount of pollutants in stormwater. The drainage charge pays for a wide variety of programs to help with flooding, erosion and water pollution across Austin. Crews clean trash and debris from Lady Bird Lake, maintain our drainage infrastructure, and respond to more than 3,000 service requests annually. Watershed Protection staff responds to the pollution hotline about environmental spills and emergencies 24-hours a day. Staff also coordinates numerous projects to help reduce the risk of flooding and erosion.

Other revenue includes inspection and development review fees related to Watershed Protection programs.



	FY17 Act	FY18 CYE	FY19	FY20	FY21	FY22	FY23
Non DUF Revenue	2.8	2.6	2.6	2.7	2.8	2.9	3.0
Total DUF Revenue	89.3	93.1	94.0	99.0	105.3	107.5	110.3

Increases in projections for the drainage charge revenue are related to increases in impervious cover due to new development across the city.

The major operating expenditure categories within WPD include Flood Risk Reduction, Water Quality Protection, Infrastructure and Waterway Maintenance, Stream Restoration, Watershed Policy & Planning, and Support Services. Additional expenditures include payments for previously issued debt and transfers to fund capital improvements and transfers for shared City services.

Expenditure assumptions for the FY 2019-23 Financial Forecast include:

- A $2.5 million increase in FY 2018-19 for 27 additional full-time positions. Many of these positions will replace existing temporary positions providing the department with the stability of full-time staff in key positions. Positions related to computer-aided design modeling, engineering design and geospatial analysis will support the core mission of the department. Staffing increases and contractual services are also projected in FY 2019-20 through FY 2022-23 to meet growing demands for drainage infrastructure operations and maintenance;

- A $2 million increase in FY 2018-19 for contractuals and commodities, including legal services, testing, engineer and survey services, garbage and debris removal;

- Capital investment of $35 million projected each year for the next five years. This investment will provide the community with design and construction of essential projects to reduce flood risks and improve water quality. Some large projects include: Little Walnut Creek – Jamestown Dr Storm Drain Improvements, Walnut Creek – North Acres Storm Drain Improvements, W. Bouldin Creek – Del Curto Storm Drain Improvements, and Citywide – General Stormwater Infrastructure Maintenance Projects;

- Fleet maintenance increases of 5% and fuel increases of 4% for heavy equipment and other vehicles utilized by the department; and

- Administrative support transfer increases of 5% for City shared services.

Fund Summary *(in millions)*

	FY18 CYE	FY19	FY20	FY21	FY22	FY23
Beginning Fund Balance	$16.4	$15.7	$10.2	$6.4	$6.3	$6.0
Revenue & Transfers In	$95.7	$96.7	$101.7	$108.1	$110.4	$113.3
Expenditures & Transfers Out	$96.4	$102.1	$105.5	$108.3	$110.6	$113.5
Change in Fund Balance	($0.7)	($5.5)	($3.8)	($0.2)	($0.2)	($0.3)
Ending Fund Balance	$15.7	$10.2	$6.4	$6.3	$6.0	$5.8
Median Single Family Charge (Typical Rate Payer)	$11.80	$11.80	$12.43*	$13.15*	$13.50*	$13.83*
FTEs	319	346	357	367	367	367

**The Average Monthly Bill reflects changes to the base rates only. The numbers do not reflect changes to the amount and percent of impervious cover for an individual's property and/or parcel.*

Public Works Forecast

The Public Works Department (PWD) works for all of us by building and maintaining our streets, bridges, sidewalks, and urban trails; delivering city capital and neighborhood partnering improvement projects; and providing safe routes to school. The forecast is focused on core services following PWD guiding principles to remain dependable and devoted towards providing quality value to our citizens and customers.

PWD revenue is derived from a portion of the Transportation User Fee (TUF), which is shared with the Austin Transportation Department (ATD), direct charges to capital projects and a cost-recovery allocation to sponsor departments, and collections from a child safety trust fund defined by Local Government Code, Section 106.002.

The forecast includes an estimated additional 33 positions in FY 2018-19 across various divisions. Seven of these positions will be covered by the TUF and will address growing workload with managing contracted street maintenance efforts, asset management, and support services. The Capital Projects Management Fund (CPMF) is estimating 25 positions which will be covered by direct charges to capital projects and a cost-recovery allocation to sponsor departments to address the growing capital delivery workload from other City departments, including Austin Water, Aviation, and ATD as part of the 2016 Mobility Bond. One position will be covered by revenue in the Child Safety Fund and will support the coordination and management of projects for the Safe Routes to School Program. Looking forward, the Child Safety Fund is estimating a need of 2.75 additional positions in the future to support program growth in education needs and safe routes to school.

Revenue from the PWD portion of the Transportation User Fee, which is shared with the Austin Transportation Department, is forecasted to increase by 5.3% or $3.7 million in FY 2018-19 and another 28.9% over the remaining forecast period. PWD is projecting an increase to the residential portion of the TUF of $0.75 per month in FY 2018-19, along with increases of $1.85 per month in 2019-20, and $0.55 per month increases annually in FY 2021-23.

Revenue from the CPMF is forecasted to increase by 16.9% or $4.7 million in FY 2018-19 and another 10.2% over the remaining forecast period, and the Child Safety Fund revenue is forecasted to increase by 24.0% or $0.6 million in FY 2018-19 and another 35.5% over the remaining forecast period

The major expenditure categories within PWD include street preventive maintenance and repair, bridge maintenance, right-of-way maintenance, sidewalks, urban trails, infrastructure management, capital delivery, safety education, and school crossing guards. Expenditure assumptions for the FY 2019-23 Financial Forecast are to support the core operations which include:

- $3.0 million for contracted asphalt overlays;
- $1.5 million for in-house overlay ADA ramp, curb, and gutter improvement program;
- $1.0 million per year for street preventative maintenance; and
- $1.0 million per year for sidewalk repair work

Transportation Fund Summary *(in millions)*

	FY18 CYE	FY19	FY20	FY21	FY22	FY23
Beginning Fund Balance	$18.7	$12.7	$3.2	$2.4	$3.7	$4.6
Revenue & Transfers In	$69.8	$73.5	$79.2	$85.0	$87.9	$91.4
Expenditures & Transfers Out	$75.8	$83.0	$80.0	$83.7	$87.0	$90.9
Change in Fund Balance	($5.9)	($9.5)	($0.8)	$1.2	$0.9	$0.5
Ending Fund Balance	$12.7	$3.2	$2.4	$3.7	$4.6	$5.1
Average Monthly Bill (Typical Rate Payer)	$7.85	$8.60	$10.45	$11.00	$11.55	$12.10
FTEs	332	339	339	339	339	339

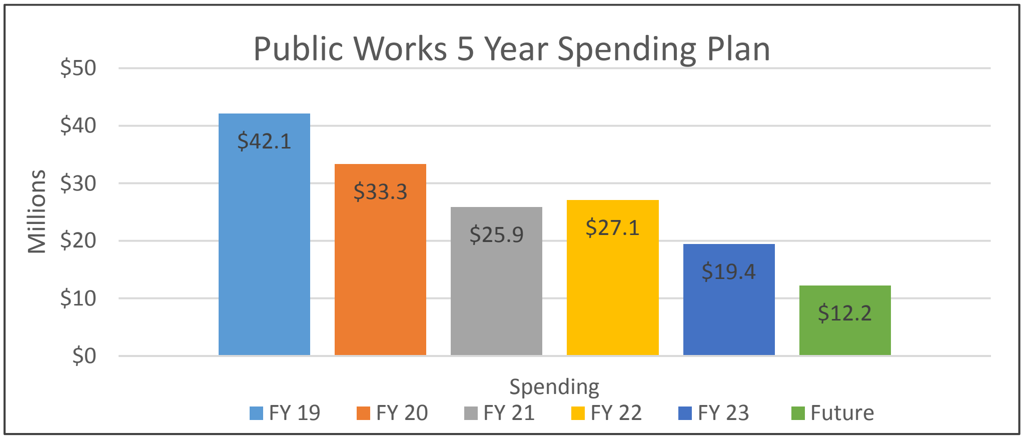
Capital Projects Management Fund Summary *(in millions)*

	FY18 CYE	FY19	FY20	FY21	FY22	FY23
Beginning Fund Balance	$0.1	$1.5	$2.1	$3.5	$4.8	$5.9
Revenue & Transfers In	$27.8	$32.5	$33.3	$34.1	$35.0	$35.8
Expenditures & Transfers Out	$26.4	$31.9	$31.9	$32.8	$33.9	$35.0
Change in Fund Balance	$1.4	$0.6	$1.4	$1.3	$1.1	$0.8
Ending Fund Balance	$1.5	$2.1	$3.5	$4.8	$5.9	$6.7
FTEs	177	202	202	202	202	202

Child Safety Fund Summary *(in millions)*

	FY18 CYE	FY19	FY20	FY21	FY22	FY23
Beginning Fund Balance	$0.2	$0.1	$0.1	$0.1	$0.1	$0.2
Revenue & Transfers In	$2.5	$3.1	$3.4	$3.6	$4.0	$4.2
Expenditures & Transfers Out	$2.6	$3.1	$3.4	$3.6	$3.9	$4.2
Change in Fund Balance	($0.1)	($0.0)	$0.0	$0.0	$0.1	$0.0
Ending Fund Balance	$0.1	$0.1	$0.1	$0.1	$0.2	$0.2
FTEs	14.25	15.25	17.0	17.0	18.0	18.0

The five year spending on capital improvements is projected at $160.1 million, which includes spending on street reconstruction, projects associated with the Capital Metro Quarter Cent program and Neighborhood Partnering Program, and various projects as a part of the 2016 Mobility Bond, including sidewalks, urban trails, and Safe Routes to Schools.

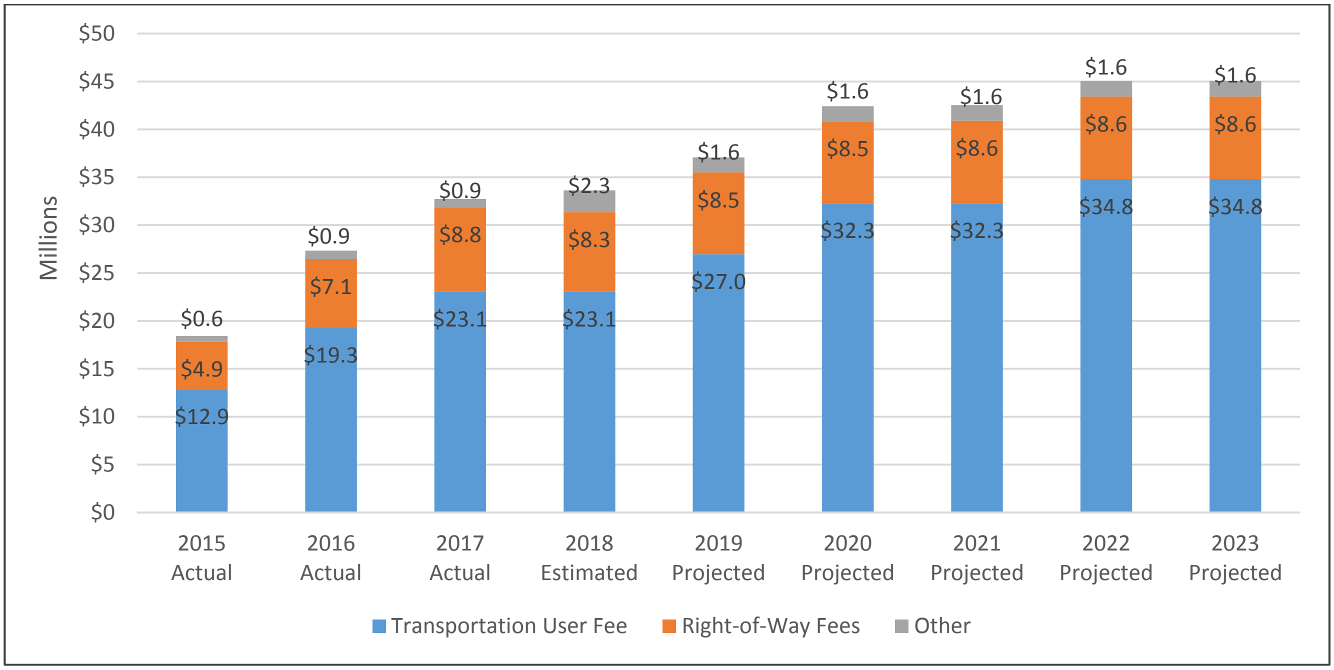


Austin Transportation Forecast

Revenue from Austin Transportation's portion of the Transportation User Fee, which is shared with the Public Works Department, is forecasted to increase by $3.9 million in FY 2018-19 and another 29% over the remaining forecast period. ATD is projecting an increase to the residential portion of the TUF of $0.62 per month in FY 2018-19, along with increases of $0.85 per month in 2019-20 and $0.40 per month in FY 2021-22. Over half of the FY 2018-19 increase will be for the annualized cost of 10 positions and associated office lease costs for the Corridor Program Office (CPO), which transferred to ATD's operating budget in FY 2017-18 and initially covered by a one-time drawn down of the fund ending balance. The remaining TUF increase will be used for additional ATD staff and various program enhancements.

Revenue from right-of-way and development fees is estimated to come in almost 20% higher than budgeted in FY 2017-18 due to higher than anticipated development activity. Revenue for the remainder of the forecast period is projected to remain flat.

Revenue from pay stations, parking meters, and permitting ground transportation providers is estimated to increase by 13% or $1.6 million over the forecast period due to increases in taxicab, street valets and downtown parking in core areas, and expansion of parking districts in West Campus, East Austin, and Mueller.



The major expenditure categories within ATD include operating and maintenance of the signal system and active transportation network, long-range transportation planning, right-of-way management and special events, transportation engineering, parking management, and transfers to fund capital improvements.

Expenditure assumptions for the FY 2019-23 Financial Forecast include:

- $0.6 million related to the Smart Trips program and transportation demand management programming;
- $0.4 million for IT contract support related to the AMANDA billing system to further assist in upgrades, including providing an online payment portal;

- $0.3 million to help implement and construct small-scale mobility and/or safety projects such as curb ramps, operational improvements at intersections, curb work, and sidewalk gaps;
- $0.3 million for a staff augmentation contract to create outreach and education/promotional materials to support ATD's smart mobility initiatives;
- $0.2 million for a contract with Capital Metro to assist with transit speed and reliability; and
- $0.2 million for implementing an ADA transition plan for signals and crossing.

ATD is projecting an additional 29 positions in FY 2018-19 across various divisions. Twelve of these positions will be covered by parking meter revenue and will address parking enforcement expansions throughout the city, the Smart Mobility and Mobility Electric/Autonomous Vehicles programs, and development of the Shared Mobility Services Plan (EV/AV). Seven positions will be funded by ROW fees and will address both the growing workload related to development in dense areas of the city and for projects spanning larger geographic area (Google Fiber, small cell, Smart City technologies, etc.). The remaining 10 positions will be covered by the TUF and will work on various initiatives such as traffic signal performance and maintenance, signs and markings implementation, development of the Austin Strategic Mobility Plan (ASMP), transportation demand management, Traffic Impact Analysis (TIA) review, special events, and support services.

Mobility Fund Summary *(in millions)*

	FY18 CYE	FY19	FY20	FY21	FY22	FY23
Beginning Fund Balance	$8.8	$5.5	$1.0	$1.0	$0.2	$0.9
Revenue & Transfers In	$35.0	$39.1	$44.5	$44.6	$47.1	$47.1
Expenditures & Transfers Out	$38.3	$43.6	$44.5	$45.4	$46.4	$47.4
Change in Fund Balance	$(3.3)	$(4.5)	$0.0	$(0.8)	$0.7	$(0.3)
Ending Fund Balance	$5.5	$1.0	$1.0	$0.2	$0.9	$0.6
Average Monthly Bill (Typical Rate Payer)	$3.67	$4.29	$5.14	$5.14	$5.54	$5.54
FTEs	205	222	222	222	222	222

Parking Management Fund Summary *(in millions)*

	FY18 CYE	FY19	FY20	FY21	FY22	FY23
Beginning Fund Balance	$3.6	$3.2	$1.0	$0.6	$0.6	$0.7
Revenue & Transfers In	$13.5	$14.0	$14.2	$14.5	$14.8	$15.1
Expenditures & Transfers Out	$13.9	$16.1	$14.6	$14.5	$14.7	$15.1
Change in Fund Balance	$(0.5)	$(2.1)	$(0.4)	$0.0	$0.1	$(0.1)
Ending Fund Balance	$3.2	$1.0	$0.6	$0.6	$0.7	$0.6
FTEs	67.5	79.5	79.5	79.5	79.5	79.5

The five year spending on capital improvements is projected at $501.4 million, which includes significant spending on the 9 corridors in the Corridor Construction Program, Regional Mobility partnerships with TxDOT, and various bikeway and intersection safety improvement projects as part of the 2016 Mobility Bond.

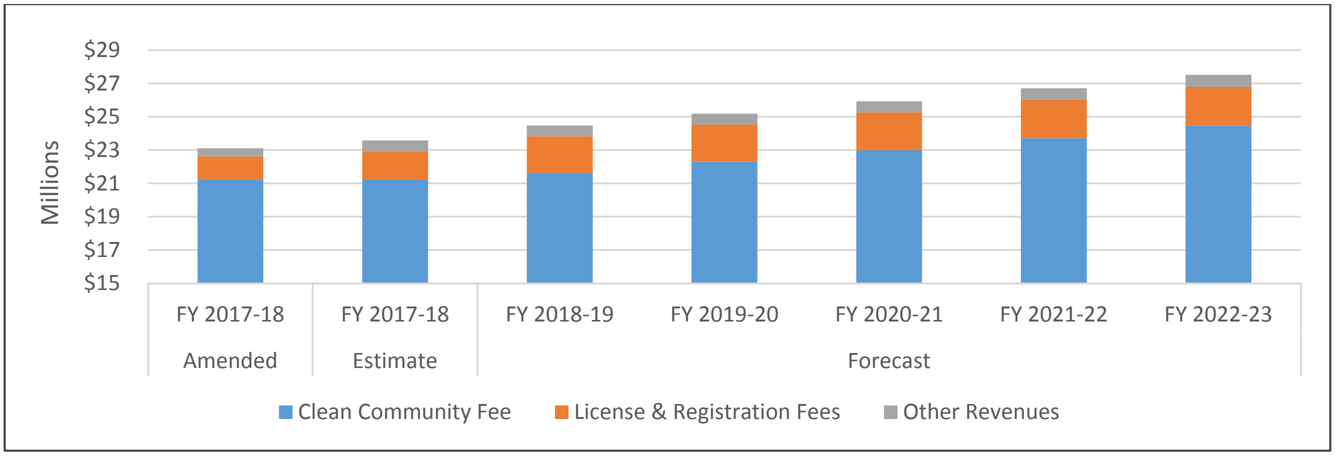
Austin Code Forecast

The Austin Code Department (ACD) receives approximately 88% of its revenue from the Clean Community Fee (CCF). The purpose of the CCF is to provide funding for code enforcement services that protect residential communities and commercial properties throughout the City and to recover the costs of addressing property maintenance, land use, and nuisance code violations. An additional 9% of revenue is comprised of license and registrations fees collected from the Short-Term Rental (STR), Waste Hauler, and other programs, while other code compliance penalties and revenue sources comprise the remaining 3% of revenue.

ACD projects that the CCF will remain at its current level over the next five years. Growth in the number of customer accounts will result in a $0.40 million increase in CCF revenue in FY 2018-19 and a $3.2 million increase by FY 2022-23.

In addition, ACD projects a $0.8 million increase in License and Registration revenue in FY 2018-19 and a $0.9 million increase by FY 2022-23 due to a projected increase in the number of licenses issued. The addition of seven positions to the STR enforcement team in FY 2017-18 will enhance the department's ability to proactively identify STRs operating without a license. We expect these positions, coupled with escalated enforcement protocols, will increase the number of active STR licenses. Similarly, the Waste Hauler licensing program is also escalating enforcement activities to increase the number of licensed operators.

ACD has also increased its enforcement efforts in other divisions, resulting in a forecasted increase in other revenue sources including collections of fines and penalties assessed through the Building and Standards Commission and Administrative Hearing Process. These projected increases total $150,000 in FY 2018-19 and $240,000 by FY 2022-23.



ACD is projecting a budget increase in FY 2018-19 of $1.3 million, or 6%, from FY 2017-18. Across the five-year forecast period, an average annual budget increase of 3.5% is projected. Expenditure assumptions for the FY 2019-23 Financial Forecast include:

- $0.5 million for five Investigations and Compliance positions added between FY 2019-20 and FY 2022-23

- $0.3 million for increased rent due to relocations related to the redevelopment of the RBJ campus.
- $97,000 in ongoing costs and $13,000 in one-time costs for one Human Resources Advisor position in FY 2018-19 to assist ACD with the increasing demands associated with performance management, employee relations, payroll administration, employee injuries, ethics and integrity complaints, and workplace investigations.
- $97,000 for AMANDA case management database reporting and mapping upgrades associated with CodeNext.
- $27,000 to annualize the cost of 23 positions added in FY 2017-18, which is the net amount after backing out one-time equipment and vehicle costs.
- City-wide cost driver increases related to interdepartmental support.

Fund Summary (in millions)

	FY18 Estimated	FY19	FY20	FY21	FY22	FY23
Beginning Fund Balance	$0.2	$0.3	$0.5	$0.6	$0.8	$1.0
Revenue & Transfers In	$23.6	$24.5	$25.2	$25.9	$26.7	$27.5
Expenditures & Transfers Out	$23.5	$24.3	$25.1	$25.7	$26.5	$27.4
Change in Fund Balance	$0.1	$0.2	$0.1	$0.2	$0.2	$0.2
Ending Fund Balance	$0.3	$0.5	$0.6	$0.8	$1.0	$1.2
Average Monthly Bill (Residential Customer) – Code's Portion of the CCF	$4.25	$4.25	$4.25	$4.25	$4.25	$4.25
FTEs	146	147	149	150	151	152

Austin Convention Center Forecast

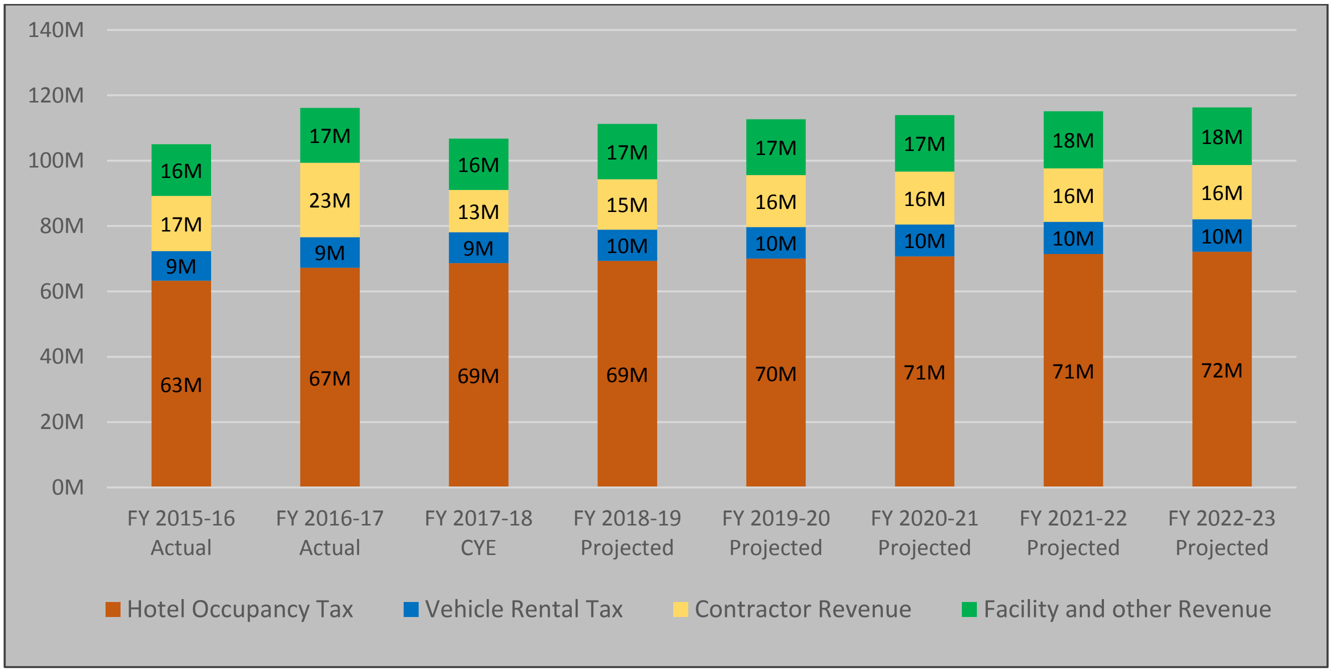
Austin Convention Center facilities provide customer-friendly meeting spaces to attract out-of-town visitors to the city of Austin, thereby contributing to a prosperous Austin economy. In FY 2016-17, there were 35 new events, of which 21 were new conventions. The money spent by visitors while in the city of Austin translates into increased retail sales for local businesses and generates additional sales and Hotel Occupancy Tax (HOT) revenue. FY 2018-19 total revenue is projected to increase 4% over the FY 2017-18 budget and 2% over the FY 2017-18 estimate. FY 2018-19 revenue is below FY 2016-17 actuals due to a large one-time event in FY 2016-17.

HOT revenue is the largest single revenue source for the Austin Convention Center. In FY 2016-17 HOT revenue contributed to 58% of the overall revenue for the Austin Convention Center Department (ACCD). Current collections show a steadying growth trend and HOT revenue is projected to increase 1% annually during the forecast period.

Contractor revenue increased significantly in FY 2016-17, primarily due to revenue received by ACCD'S catering and concession services contractor. This was due to a one-time special event that had food and beverage services valued at $4.3M. Future year projection growth rates of 1%-3% are based on event bookings/sales projections and outside influences such as the openings of the Fairmont and Marriot hotels.

Vehicle Rental Tax revenue is the largest single revenue source for the Town Lake Park Venue funds that includes the Palmer Events Center. Town Lake Park Vehicle Rental Tax collection has remained steady due to other transportation options available to travelers. This revenue stream is projected to increase 1% annually for the forecast period.

Facility, parking and other revenue has remained steady and is projected to increase slightly for the forecast period based on the event booking schedule.



The Austin Convention Center and Palmer Events Center must operate within an extremely competitive market. The facilities must be well maintained, with continual building improvements and technological investments made.

Major expenditure categories include:

- Operational Requirements: FY 2018-19 budget includes 4.25 new positions to support event and attendee needs within the sales, security and IT areas. One of the positions is a conversion from temp to fulltime.
- Debt service and other Transfers: Debt service transfers remain substantially the same with the exception of a $3.9M decrease in FY 2019-20, reflecting the final payment for Series 2004 bonds for the Convention Center.
- Transfers from the Operating funds to the Capital Improvement Project (CIP) will continue for ongoing capital requirements of aging facilities and future facility development.
- The FY 2019-23 planned CIP spending totals $55.6 million. The FY 2018-19 CIP spending plan of $18.5 million includes projects that are underway, as well as planned projects, that will enhance the customer experience through building and IT improvements and equipment replacement. Also included is a land purchase related to the Marshalling Yard/Warehouse project that will enhance project design options. The main component of the $37.1 million projected spending for FY 2020-23 is for the Marshalling Yard/Warehouse project, which will address a critical department need by creating a staging area for client move-ins and move-outs, as well as for an off-site shipping and receiving warehouse facility.

Fund Summary *(in millions)*

	FY18 Estimated	FY19	FY20	FY21	FY22	FY23
Beginning Fund Balance	$32.7	$25.6	$33.7	$34.7	$36.4	$36.9
Revenue & Transfers In	$109.4	$111.3	$112.7	$114.0	$115.1	$116.3
Expenditures & Transfers Out	$116.6	$103.1	$111.7	$112.2	$114.6	$115.5
Change in Fund Balance	($7.2)	$8.2	$1.0	$1.8	$0.5	$0.8
Ending Fund Balance	$25.6	$33.7	$34.7	$36.4	$36.9	$37.7
FTEs	295.75	300	300	300	300	300