



DISCUSSION ON BUDGET POLICIES

June 7th, 2007

Section 1

Power Point Presentation

Section 2

Report on Council Budget Initiatives

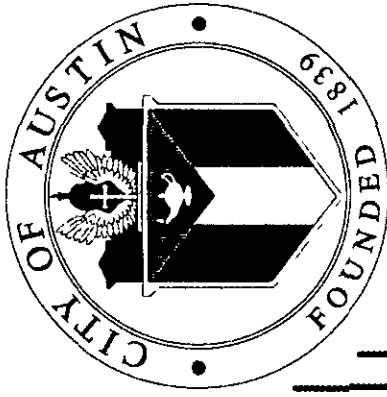
Section 3 – Backup Information

- Index of Council Budget Initiatives
- Financial Forecast presentation
 - Current Budget Q&A



Section 1

Power Point Presentation

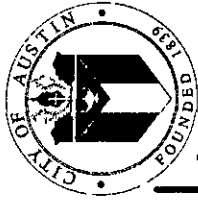


City of Austin

Discussion on Budget Policies

June 7th, 2007

Financial and Administrative Services



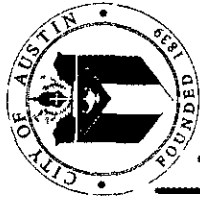
Budget Timeline

Oct 1 st	Begin Fiscal Year
Nov 19 th	Council Retreat
Feb 23 rd	Council Retreat – Follow-up
May 3 rd	Financial Forecast Presentation
May / June	Presentation to Public Safety Taskforce and Audit & Finance
June 7 th	Budget Policy Discussion
July 26 th	Proposed Budget Presentation
Aug 9 th /23 rd /30 th	Department Budget Briefings & Public Hearings
Sept 10 th – 12 th	Budget Approval Readings



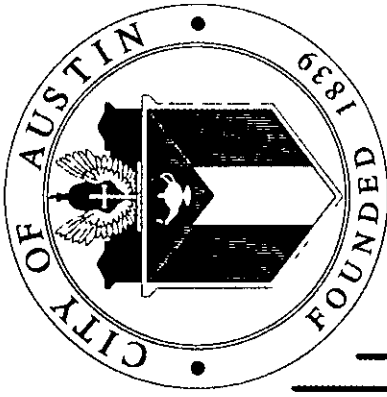
From Forecast ... to Proposed

- ▶ Forecast is not a budget, but an early projection for the next year and beyond
 - ▶ based on first five months of the current fiscal year
 - ▶ a tool to begin framing the policy discussion that precedes the development of the proposed budget
- ▶ For proposed budget development, we have 2 or 3 more months of information on:
 - ▶ revenue collections
 - ▶ actual expenditures
 - ▶ benefit costs
 - ▶ other trends
- ▶ Estimates and assumptions in the forecast will change as we go through the detailed process of building the proposed budget



Outline

- ▶ FY08 Forecast Assumptions & Projections
- ▶ Report on Council Budget Initiatives
- ▶ Discussion of Budget Policies



Forecast Assumptions & Projections

FY 2007-08



FY08 Forecast Revenue Assumptions

FY08 Estimated Revenue Increase: \$33.7 million

- ▶ Based on latest estimates, assumes lowering current tax rate of 41.26¢
 - ▶ Estimated Effective tax rate + 1 penny: 39.54¢
 - ▶ Estimated Rollback tax rate: 41.20¢
- ▶ Assessed Valuation increase is 10.5%
 - ▶ Estimated FY 2008 AV is \$66.6 b
- ▶ Sales Tax growth is 7.5% for FY 2008
 - ▶ Current year revised upwards to 9.5%
- ▶ Transfer rates from Austin Energy & AWU remain the same



FY08 Forecast Expenditure Assumptions

FY08 Estimated Expenditure Increase: \$61.2 million

Base Budget

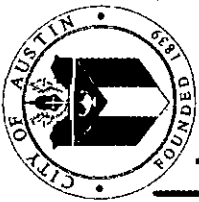
- ▶ Maintain funding to meet current service levels

Cost Drivers

- ▶ Maintain 2.0 Police Officers per 1,000 population
- ▶ Maintain Fire Enhanced Task Force Staffing
- ▶ Fund Public Safety Contracts
- ▶ O&M for new/expanded facilities
- ▶ Maintain Street Preventative Maintenance at 9% level
- ▶ 3.5% Increase for Social Service Contracts
- ▶ Investments in the Workforce

Core Service Investments

- ▶ Growth Related
- ▶ Internal Controls
- ▶ Council Budget Initiatives



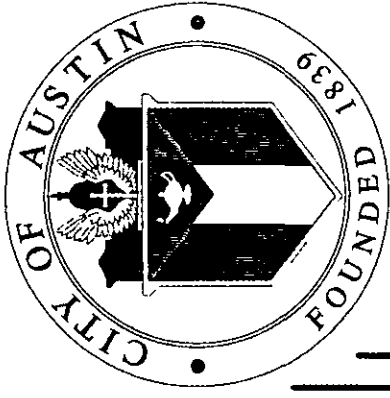
FY08 Gap

FY08 Scenarios

(\$ mills)

	Tax Rate 39 54 ¢	Tax Rate 41 20 ¢
Projected Revenue	\$568 3	\$579 2
Base Budget	\$534 6	\$534 6
Cost Drivers	<u>\$54 2</u>	<u>\$54 2</u>
Total Projected Expenditures	\$588 8	\$588 8
Gap to be Closed	(\$20 5)	(\$9 6)
Core Service Investments	\$7 0	\$7 0
Revised Gap to be Closed	(\$27 5)	(\$16 6)

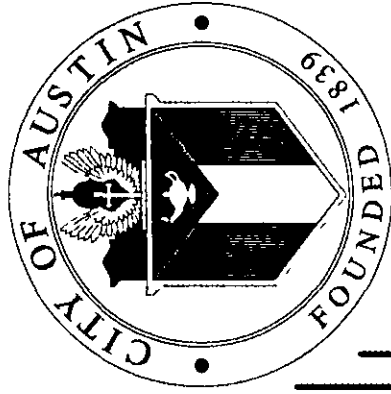
Total FY08 funding for Council Budget Initiatives of \$58 million is included in the General Fund forecast above, as well as in Support Services, Enterprise Funds and the CIP



Update on Council Budget Initiatives

June 7th, 2007

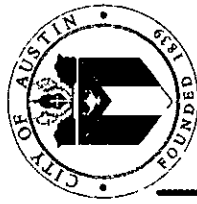
Financial & Administrative Services



Bert Lumberas

Assistant City Manager

1. Downtown Quality of Life
2. Hike & Bike Trail
3. Parks Maintenance & Parks Facilities
4. Barton Springs Pool
5. Long-Term Landfill Plan

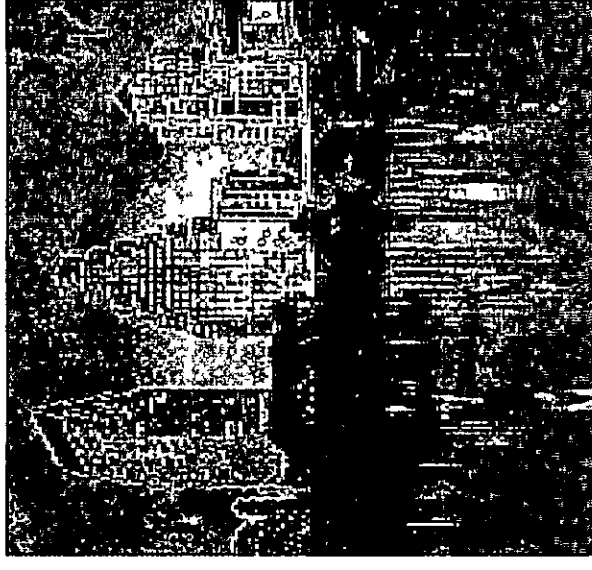


1. Downtown – Cleanliness, Code Enforcement, Policing

Rich Social & Cultural Community

Council Budget Initiative: Improve Downtown Quality of Life – Focus on Cleanliness, Code Enforcement, Policing

- ▶ **Cleanliness:** Inter-departmental task force addressing : litter, sidewalk washing & repair, alley reconstruction, graffiti removal
- ▶ **Code Enforcement:** Health inspections, traffic & parking control, code compliance for special events, fire inspections
- ▶ **Policing:** 120 Officers & 13 civilians in APD Downtown Command; 8 rangers in Downtown Rangers; 4 PSEM employees



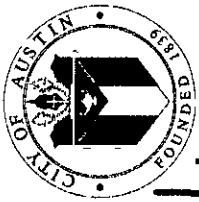
FY07 Current Resources

- ▶ \$2 1 M for cleanliness efforts
- ▶ \$900,000 for code enforcement
- ▶ \$60,000 for Downtown Rangers
- ▶ \$2 6M for APD Downtown Command *

* covers an area larger than DAA area

FY08 New Funding Needed

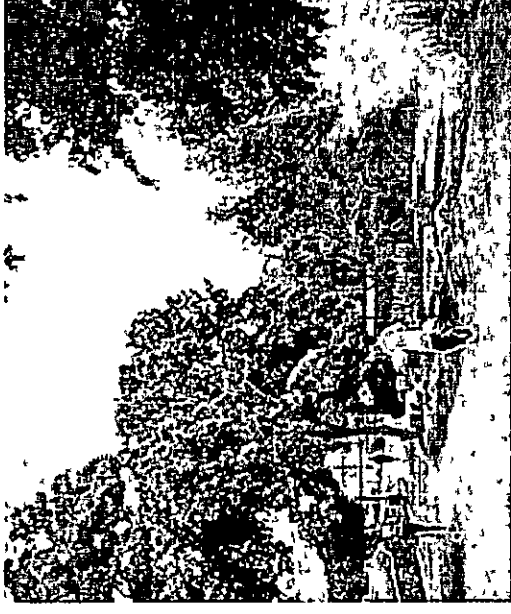
- ▶ \$550,000 for cleanliness improvement projects
- ▶ \$200,000 for 2 ROW inspectors & 1 Sanitarian



2. Hike & Bike Trail

Rich Social & Cultural Community **Council Budget Initiative: Improve Hike & Bike Trail lighting and connectivity**

- ▶ Lighting
 - ▶ reduce hazards for bikers & joggers along various sections of the trail
 - ▶ \$100,000 included in FY07 for lighting of trail section near Four Seasons Hotel
- ▶ Connectivity – Riverside Boardwalk Project
 - ▶ Town Lake Trail Foundation is funding a conceptual plan study



FY07 Current Resources

- ▶ \$100,000 for trail lighting
- ▶ \$40,000 in donated funds for boardwalk investment study

FY08 New Funding Needed

- ▶ \$250,000 for trail lighting on additional sections
- ▶ \$100,000 to begin preliminary design on Boardwalk project



3. Parks Maintenance & Facility Repair

Rich Social & Cultural Community **Council Budget Initiative: Improve maintenance of parks and public space**

- ▶ Facilities: over 1.2 million square feet
 - ▶ Additional 7 FTEs would create a pro-active and preventive maintenance program for park buildings and infrastructure
- ▶ Playscapes: 110 total
 - ▶ Dedicated team of 4 FTEs would allow for inspection & immediate repairs on each playscape 24 times per year
- ▶ Trails: over 100 miles
 - ▶ Additional 4 FTEs would improve safety by reducing repair time from avg of 5 days to avg of 2.5 days



FY07 Current Resources

- ▶ \$9.2 M & 149 FTEs for facility & parks maintenance
- ▶ \$6.0 M for renovation projects

FY08 New Funding Needed

- ▶ \$730,000 & 15 FTEs for facilities, playscapes, trails
- ▶ \$7 0 M for renovation projects



4. Barton Springs Pool

Rich Social & Cultural Community **Council Budget Initiative: Begin** **Implementation of Barton Springs** **Pool Master Plan**

- ▶ Gravel bar removal in progress
- ▶ Needs assessment
 - ▶ Pool structure, historic bathhouse, dam modifications, grounds & landscape improvements
 - ▶ April public hearing held



FY07 Current Resources

- ▶ \$500,000 for gravel removal & master planning

FY08 New Funding Needed

- ▶ \$500,000 in CIP for projects identified in master planning process



5. Long-term Landfill Plan

Healthy, Safe City

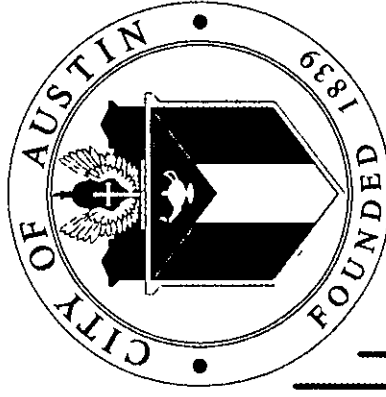
Council Budget Initiative: Develop long-term landfill plans, including economic development and recycling opportunities

- ▶ Council directed long-term planning process
- ▶ Promote waste diversion
- ▶ Decrease reliance on landfills
- ▶ Long Range Solid Waste Planning Task Force and SWAC working with SWS on RFQ for long-range plan



FY08 New Funding Needed

- ▶ \$65,000 for development of long-range plan



Laura Huffman

Assistant City Manager

- 6. Downtown Master Plan
- 7. Green WTP Redevelopment
- 8. Cutting Edge Businesses, Emerging Technology, Creative Class
- 9. Small Business and Women & Minority Owned Business



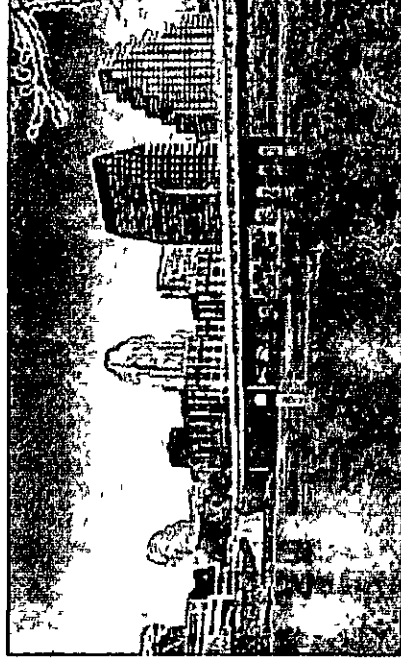
6. Downtown Master Plan

Rich Social & Cultural Community

Council Budget Initiative: Complete the downtown master plan

A Livable, Walkable, Affordable downtown

- ▶ Council-directed comprehensive planning effort
 - ▶ Stakeholder involvement
 - ▶ Integration of Downtown Neighborhood Plan & Downtown TOD planning
 - ▶ Ordinance modernizations
 - ▶ Transit issues
 - ▶ Best practices for affordable work force housing



FY07 Current Resources

- ▶ \$200,000 for Phase I assessment

FY08 New Funding Needed

- ▶ \$400,000 for work on Phase II assessment

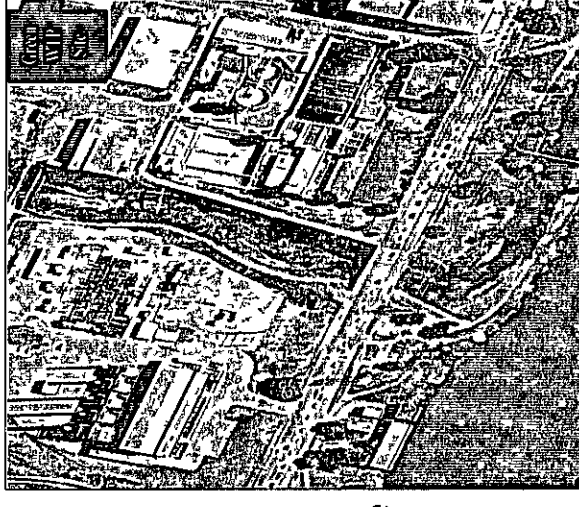


7. Green WTP Redevelopment

Vibrant Urban Fabric

Council Budget Initiative: Expedite redevelopment of Green Water Treatment Plant & Town Lake Intake Structure

- ▶ GWTP constructed in 1924
- ▶ Average GWTP production of 18.5 mgd will be replaced by summer of 2011
- ▶ Decommissioning of GWTP will provide redevelopment opportunities and provide for the extension of Nueces and 2nd Streets
- ▶ RFP for GWTP issued winter, 2007/08
 - ▶ Intake structure will have separate process
- ▶ Estimated \$27.5 M project

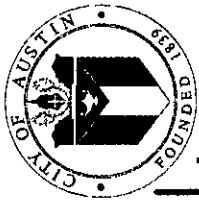


FY07 Current Resources

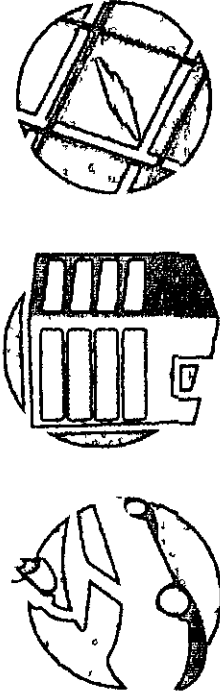
- ▶ \$8.3 M for stream bank stabilization, roadway construction and utility relocation.

FY08 New Funding Needed

- ▶ \$13.4 M primarily for decommissioning



8. Cutting Edge Businesses, Emerging Technologies & Austin's Creative Class



Sustainable Economic Development & Financial Health

Council Budget Initiative: Support Cutting Edge Businesses, Emerging Technologies & Austin's Creative Class

- ▶ Diversify our economy by focusing on emerging technology
 - ▶ Work with Emerging Technology Subcommittee
 - ▶ Focus on clean energy, wireless, gaming, biotechnology, digital convergence, & creative industries
 - ▶ Quarterly educational seminars aimed at emerging technology businesses

FY07 Current Resources

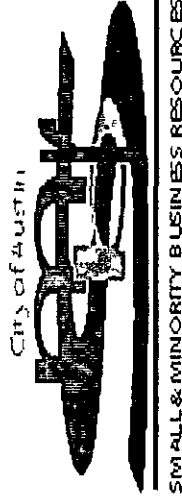
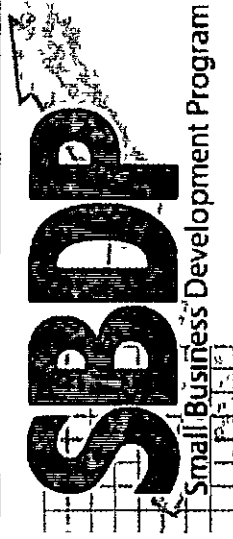
- ▶ \$1.4 M for public/private agreements
- ▶ \$650,000 for Austin Film Studios

FY08 New Funding Needed

- ▶ \$25,000 for Austin Technology Council
- ▶ \$4.3 M for Austin Film Studios



9. Small, Women & Minority Business Enterprises



Sustainable Economic Development & Financial Health

Council Budget Initiative: Focus on small business development and support women and minority-owned business enterprises

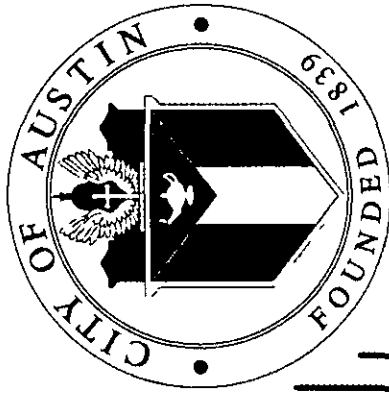
- ▶ Small Business Development Program (SBDP)
 - ▶ Business Solutions Center
 - ▶ "How To" for starting, operating and funding a new business
 - ▶ "Meet the Lender" program
- ▶ Department of Small & Minority Business Resources (DSMBR)
 - ▶ Certification
 - ▶ Contract Compliance & Monitoring
 - ▶ Manage "On-line" Plan Room

FY07 Current Resources

- ▶ \$1.6 M and 10 FTEs for SBDP
- ▶ \$3.8 M and 24 FTEs for DSMBR

FY08 New Funding Needed

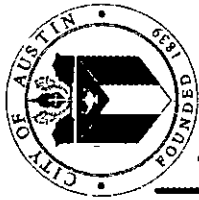
- ▶ \$84,000 including 1 FTE for "getting connected" fairs and 40 networking events
- ▶ \$120,000 for small business needs assessment
- ▶ \$350,000 including 5 FTEs for certification



John Stephens

Chief Financial Officer

10. Transportation & Infrastructure Financing



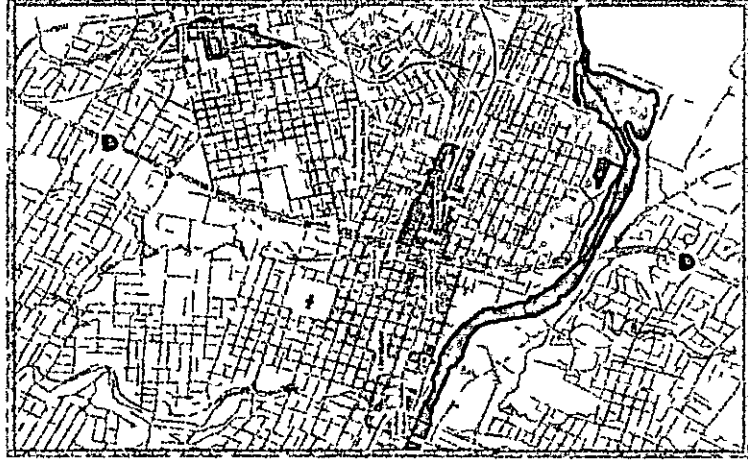
10. Transportation & Infrastructure

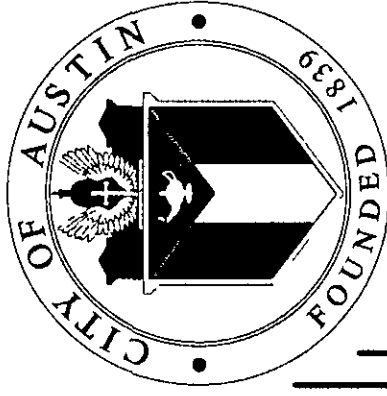
Financing

Vibrant Urban Fabric

Council Budget Initiative: Develop inventory of unfunded transportation and infrastructure projects and review potential financing options and their effect on the City's financial condition

- ▶ Audit and Finance Committee May 8, 2007
- ▶ Reviewed inventory of potential projects
 - ▶ Analyzed type of funding needed – capital vs operations and maintenance
- ▶ Reviewed tools or options for financing: TIFs, PIDs, public improvement bonds
- ▶ Reviewed draft principles to use in evaluating projects and potential financing
- ▶ Next steps: review additional information requested with A&F Committee and propose financial policies





Mike McDonald

Assistant City Manager

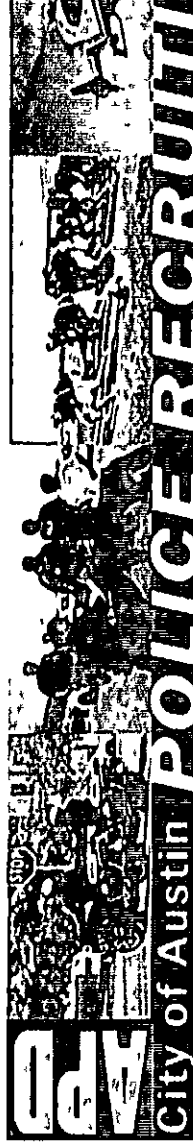
11. External Audit of Police

June 7th, 2007

Financial & Administrative Services



11. External Audit of Police



Healthy Safe City

Council Budget Initiative: Complete external audit of police to manage sustainable increases in costs over time; evaluate consolidation of police services

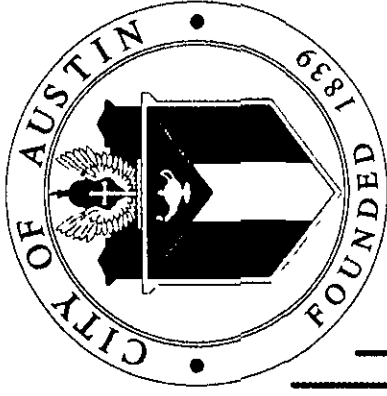
- ▶ Evaluation & analysis of operational performance measurement, benchmarking, staffing, deployment methods/models, costs
- ▶ Audit & Finance overseeing process
- ▶ Public Safety Task Force updated monthly

FY07 Current Resources

- ▶ \$315,000 for consulting services for audit efforts

FY08 New Funding Needed

- ▶ to be determined pending final audit report



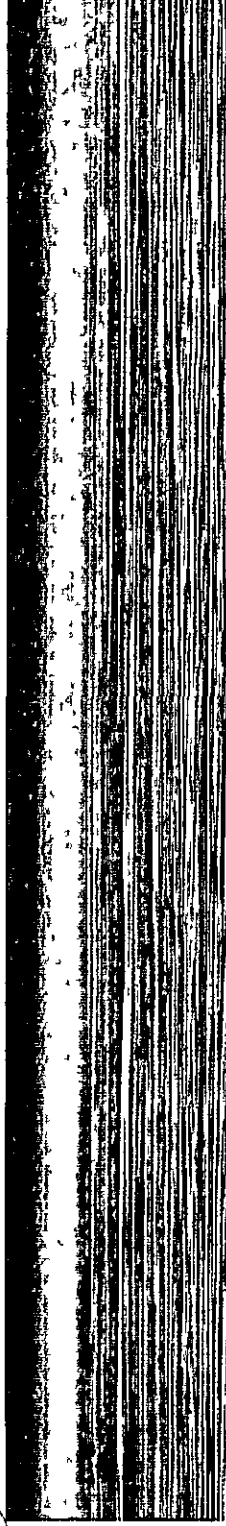
Juan Garza

General Manager, Austin Energy

12. Climate Protection Plan



12. Climate Protection



Sustainable Economic Development & Financial Health

Council Budget Initiative: Implement a City-wide Climate Protection Plan through Measurement of Carbon Emissions and Development of Reduction Plan

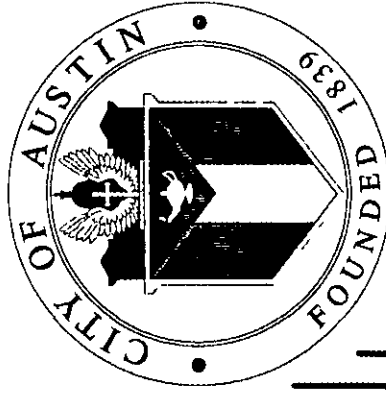
- ▶ Develop a **Municipal Plan** by making all COA facilities, fleets and operations 100% carbon neutral by 2020
- ▶ Create a **Utility Plan** with the most aggressive utility GHG-reduction and clean energy plan in the nation
- ▶ Establish a **Homes and Building Plan** through Green Building and most energy efficient building codes in the nation
- ▶ Develop a **Community Plan** for the entire community
- ▶ Provide resource and information so that everyone in Austin can “Go Neutral” and reduce their carbon footprint to zero

FY07 Current Resources

- ▶ \$100,000 for pre-planning efforts

FY08 New Funding Needed

- ▶ \$1.2 M & 8 FTEs for plan development and implementation
- ▶ \$100,000 in CIP for solar roofs



Rudy Garza

Assistant City Manager

- 13. Waller Creek Tunnel
- 14. Street Preventative Maintenance
- 15. Structural Water Conservation



13. Waller Creek Tunnel

Rich Social & Cultural Community

Council Budget Initiative: Downtown Quality of Life – Begin work on Waller Creek Tunnel Project

- ▶ Provide flood & erosion control along Waller Creek corridor
- ▶ Take more than 1 million sq ft out of floodplain and allow denser development
- ▶ With the assistance of a citizen advisory committee, plan the development along the corridor
- ▶ Additional funding beyond 2008 will be generated from approved TIF

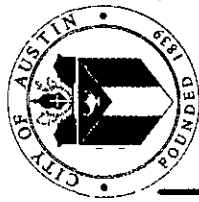


FY07 Current Resources

- ▶ \$25 M for design and project administration

FY08 New Funding Needed

- ▶ \$3.5 M for continuation of design



14. Street Preventative Maintenance



Vibrant Urban Fabric

Council Budget Initiative: Increase street preventative maintenance from 9% of street network to 10%

- ▶ Street network is comprised of 7,151 lane miles, with 73% in excellent to fair condition
- ▶ Preventative maintenance performed on those streets in excellent to fair condition
 - ▶ Preventative maintenance methods are sealcoat, crack seal, and overlay
- ▶ For FY07, CYE is to achieve our target of 9 0%
- ▶ Reliance on one-time funds allows us to meet our goal, however to maintain the goal requires replacing them with new funding
- ▶ Additional lane miles must be done through overlay method

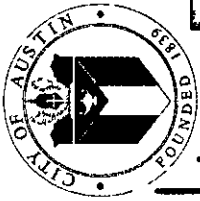
FY07 Current Resources - \$15.2 M

- ▶ \$6.1 M Transportation Fee
- ▶ \$2.0 M General Fund
- ▶ \$7.1 M One-Time Funds

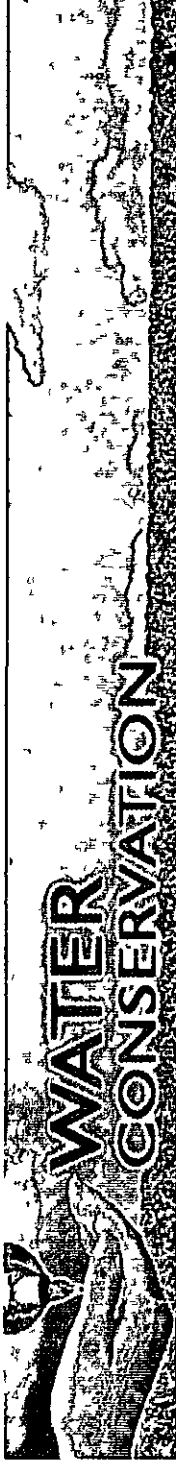
FY08 Additional Resources

Needed to Achieve 9.5%

- ▶ \$2.9 M General Fund
- ▶ \$2.6 M Transportation Fee



15. Structural Water Conservation Policy



Healthy Safe City

Council Budget Initiative: 1% per year reduction in peak-day water use over 10 years to save 25 mgd

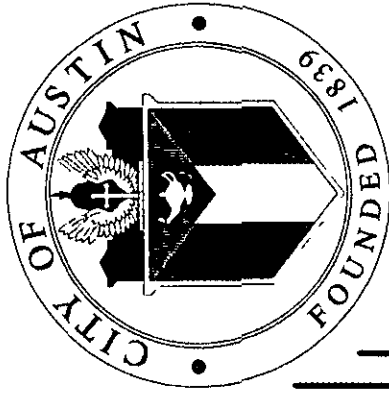
- ▶ Implementation of Water Conservation Task Force recommendations
 - ▶ Indoor strategies
 - ▶ Outdoor strategies
 - ▶ City & Utility strategies

FY07 Current Resources

- ▶ \$4.9 M & 25 FTEs for Water Conservation & Reuse
- ▶ \$12 M in CIP for reuse and conservation projects

FY08 New Funding Needed

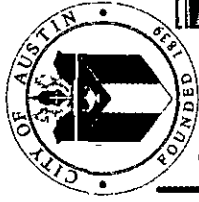
- ▶ \$3.3 M for standards, analysis, audits, leak detection, increased rebates, and public education
- ▶ \$7.9 M in CIP reuse projects



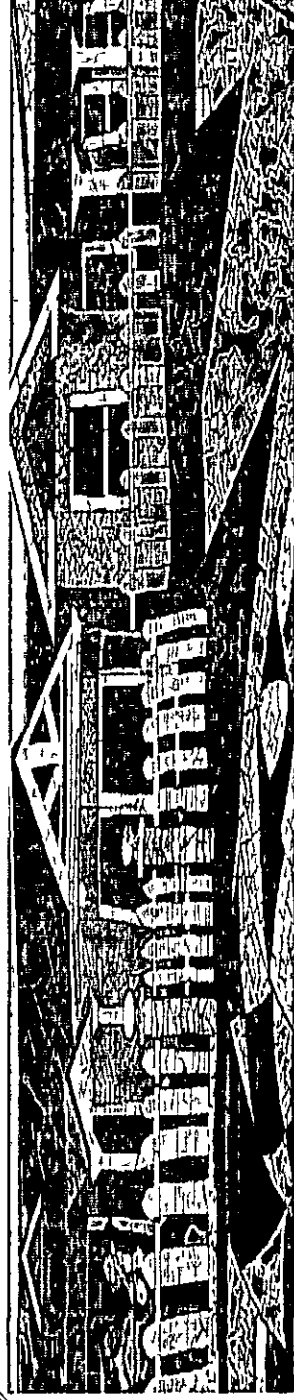
Kristen Vassallo

Chief of Staff

16. Affordable Housing



Affordable Housing



Sustainable Economic Development & Financial Health
Council Budget Initiative: Focus on Affordable Housing Initiatives,
including implementing density bonuses and the housing bond
program

Existing Council Initiatives:

- ▶ Continuation of contribution to Housing Trust Fund
 - ▶ \$4 million goal
 - ▶ \$5.8 million contribution since FY02
 - ▶ \$1 million planned for FY08
- ▶ Continuation of 40% tax increment to Housing Trust Fund
 - ▶ applies to city-owned property not on tax rolls in 1997
 - ▶ \$725,000 contributed since FY02
 - ▶ \$175,000 estimated for FY08



Affordable Housing

Housing Incentives Task Force

- ▶ Core Values
 - ▶ Deeper affordability target
 - ▶ Long-term affordability
 - ▶ Geographic dispersion
- ▶ Incentives
 - ▶ Targeted in CBD
 - ▶ FAR bonuses
 - ▶ Fast-track review
- ▶ **Recommendation**
 - ▶ \$750,000 for One year Pilot Program for development & fee reimbursements (FY09 impact)
 - ▶ \$300,000 for Housing Market Study *
 - ▶ Expedited Review **

* Will be added to one-time critical list

** Included in Forecast as part of One Stop Shop core service investments



Affordable Housing

Housing Bonds

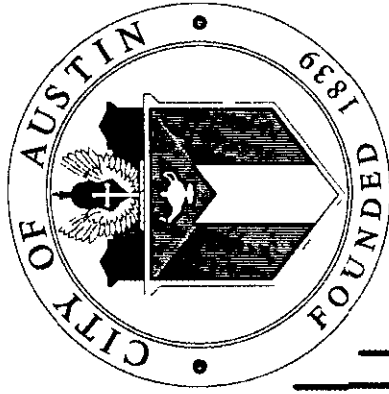
- ▶ \$55 million Housing Bonds approved November 7th, 2006
 - ▶ Increase home-ownership
 - ▶ Increase rental opportunities
- ▶ Council Approved Process
 - ▶ Initiatives directed by City Council
 - ▶ Time sensitive acquisition
 - ▶ Quarterly competitive process
 - ▶ Issuance of Notice of Funding Availability
 - ▶ Housing Bond Review Committee to evaluate

FY07 Current Resources

- ▶ \$5.0 M CIP

FY08 New Funding Needed

- ▶ \$10 M CIP
- ▶ 5 FTEs for implementation



Discussion on Budget Policies

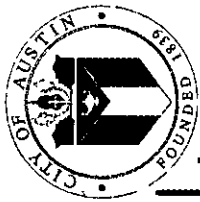
June 7th, 2007

Financial & Administrative Services



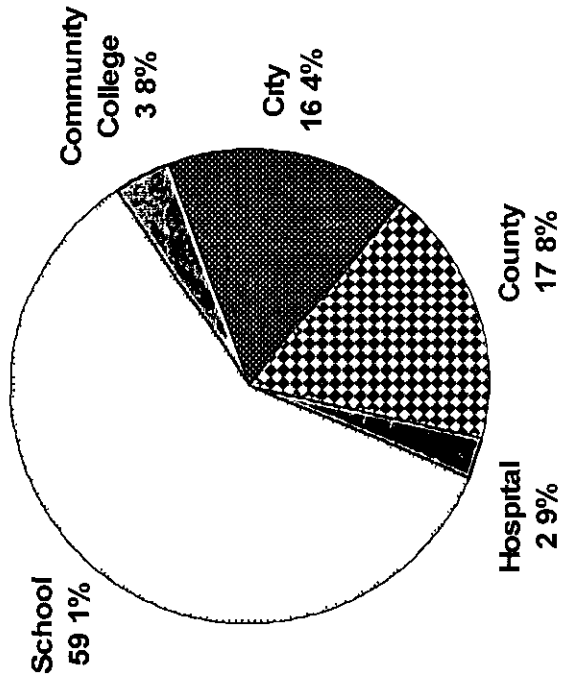
Policies

- ▶ Tax Rate
- ▶ Other Revenue Increases
- ▶ Utility Transfer Rates
- ▶ Stabilization Reserve Policy
- ▶ Workforce Investments
- ▶ Austin Water Utility Rates
- ▶ Other?

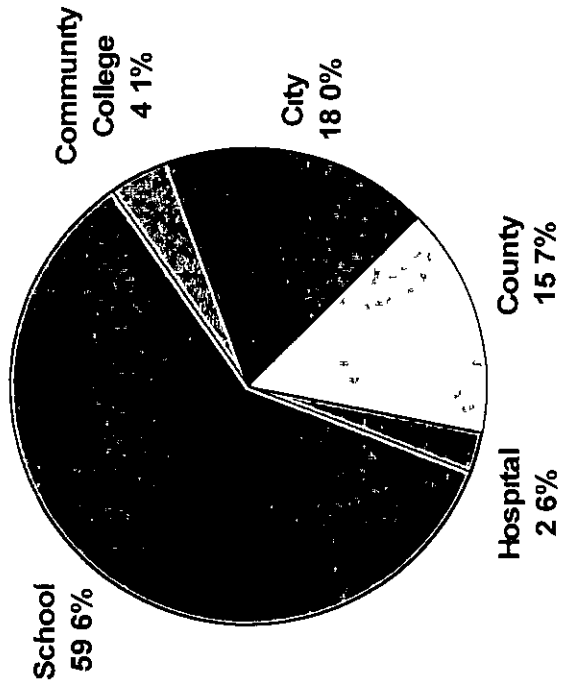


Austin 2006-07 Overlapping Property Tax

TAX RATE

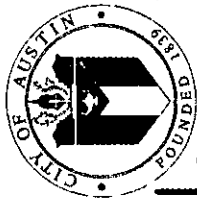


TAX BILL \$175,000 HOME



Jurisdiction	Austin	Share
City	0 4126	16 4%
County	0 4499	17 8%
Hospital	0 0734	2 9%
School	1 4930	59 1%
Community College	0 0965	3 8%
Total Tax Rate	2 5254	

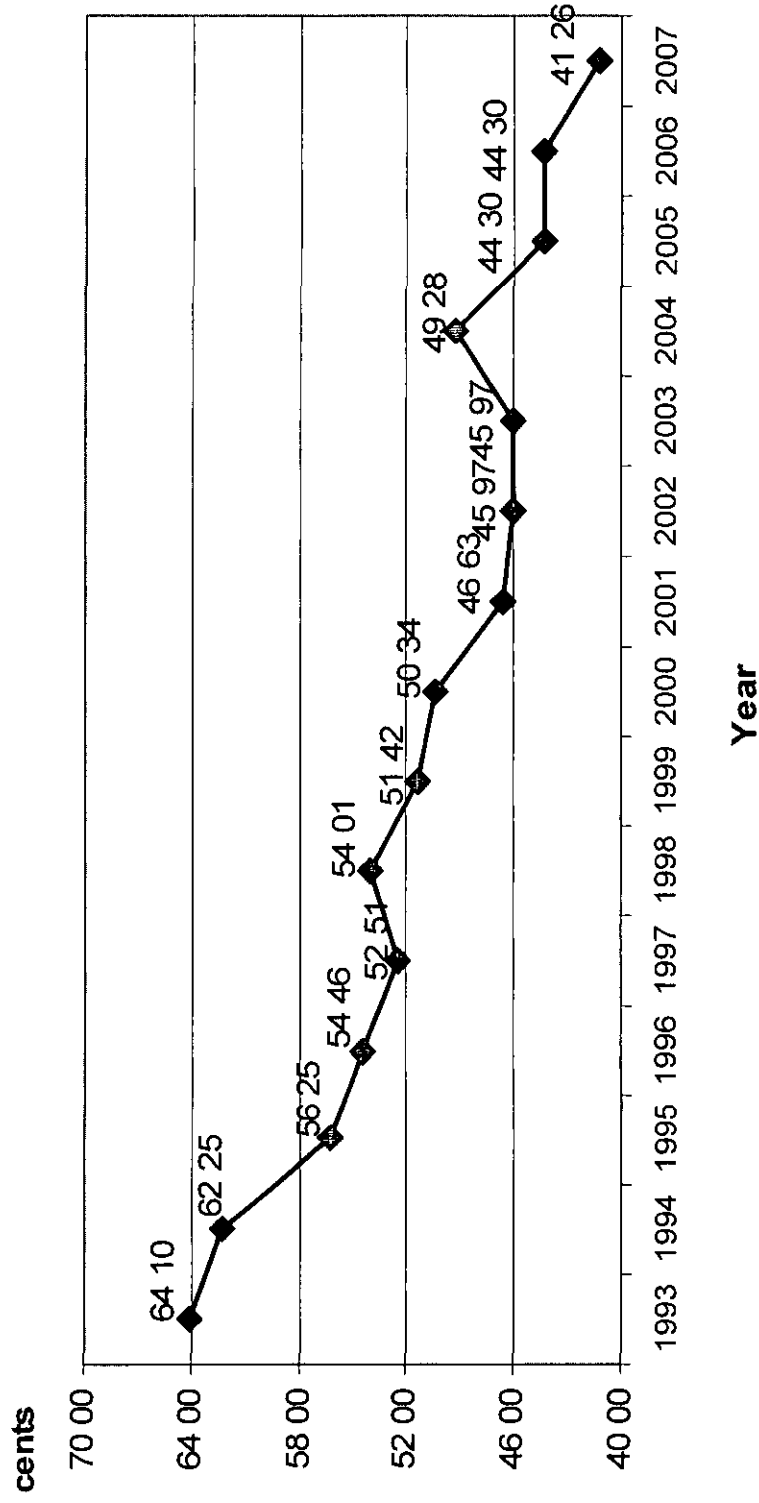
Jurisdiction	Austin	Share
City	\$722	18 0%
County	\$630	15 7%
Hospital	\$103	2 6%
School	\$2,389	59 6%
Community College	\$164	4 1%
Total Tax Bill	\$4,008	

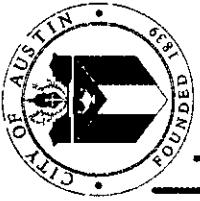


Tax Rate

Historical Tax Rates

Historical Tax Rates



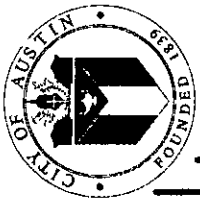


Tax Rate

- ▶ Current Tax Rate is 41.26¢
- ▶ FY08 Estimated Tax Rates
 - ▶ Effective Tax Rate: 39.54¢, a 4% reduction
 - ▶ Rollback Tax Rate: 41.20¢, a 0.2% reduction
 - ▶ results in additional \$10.9 million in revenue

Are you willing to consider going above the effective tax rate plus 1-cent?

Council Discussion

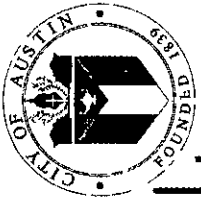


Revenue Initiative

- ▶ Revenue Initiative occurs every two years
 - ▶ FY 2008 is NOT a scheduled year for this comprehensive Revenue Initiative
 - ▶ Opportunity to review fees throughout the city and adjust/add accordingly for inflation and/or cost of service

Should we review fees to determine if adjustments are needed?

Council Discussion



Utility Transfer Rates

- ▶ Utility Transfer Rates
 - ▶ Transfer from Austin Energy is 9.1%
 - ▶ Transfer from Austin Water Utility is 8.2%

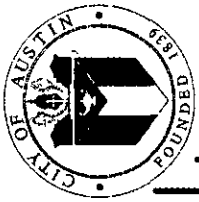
Should we assume maintaining our current utility transfer rates?

Council Discussion



Budget Stabilization Reserve Fund

- ▶ At end of each year, excess revenue and unspent appropriation deposited into this reserve
- ▶ Fund may be used for capital and one-time expenditures, but not to exceed 1/3 of total amount in the reserve, with 2/3 reserved for future years



'One-Time' Critical Costs

Preliminary Requests for FY08

Vehicle Replacements	\$ 8.4 million
Technology replacement & upgrades	\$ 5.9 million
Service Incentive Enhancement	\$ 2.5 million
1% Retirement Contribution	\$ 1.5 million
Department Capital Items *	<u>\$ 4.9 million</u>
Total	\$23.2 million

Amount Available from Stabilization Fund

per Financial Policy

\$15.1 million

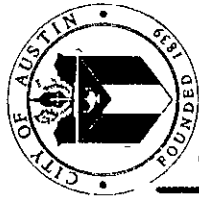
* updated to include funding for Housing Market Study



Budget Stabilization Reserve Fund

Are there any changes you would like us to make regarding the Budget Stabilization Reserve policy ?

Council Discussion



Workforce Investments

- ▶ Pay for Performance
 - ▶ 3.875% for Civilian Workforce
 - ▶ Allows for up to 25% "Exceeds"
- ▶ Continuation of:
 - ▶ Market Study program
 - ▶ Service Incentive Enhancement
 - ▶ Bi-lingual program

Are there any changes to these Workforce Investments?

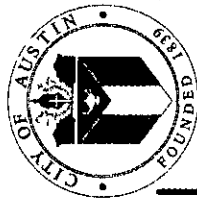
Council Discussion



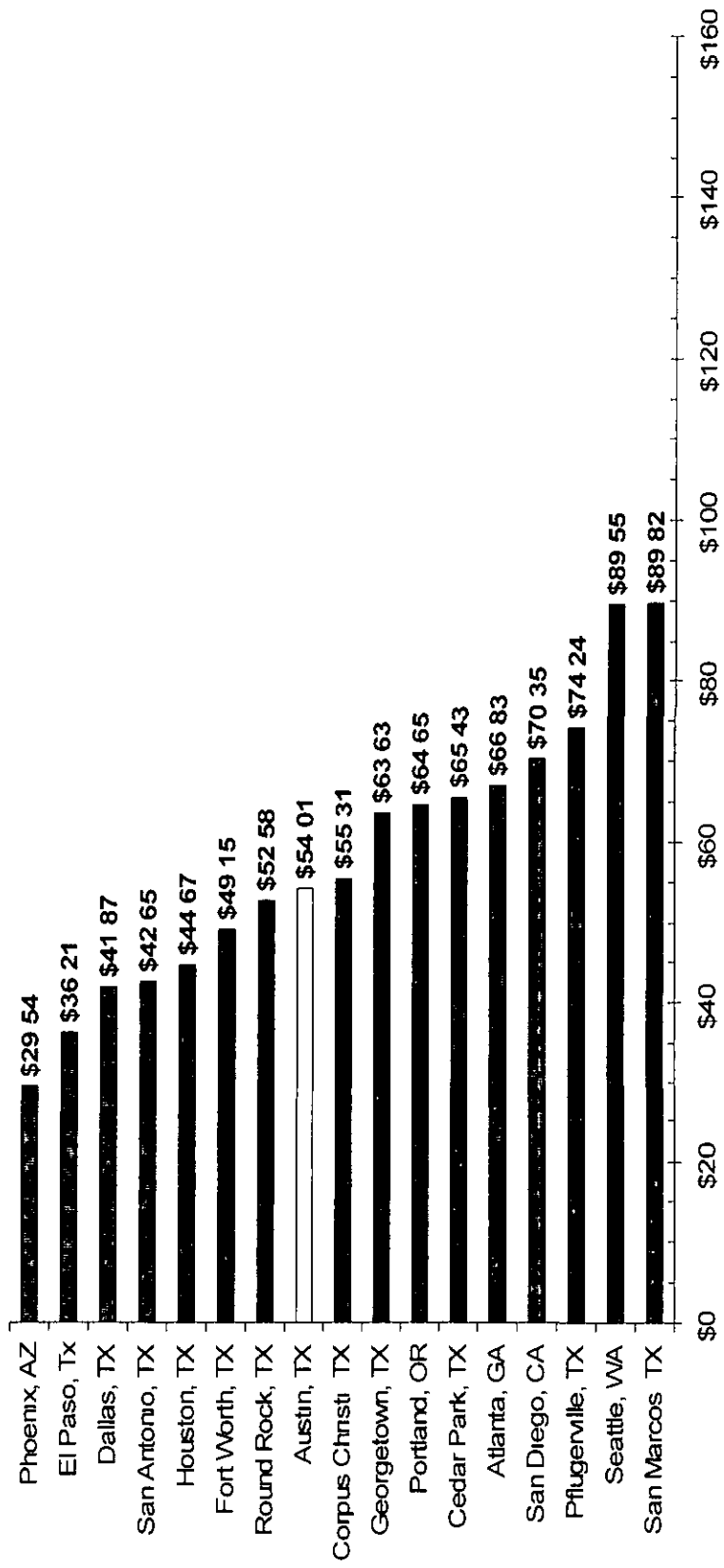
Austin Water Utility

- ▶ Debt service is expected to increase over the forecast period to fund capital improvements estimated at \$1.3 billion
- ▶ FY08 includes additional O&M funding for Water Conservation, repair contracts to improve water leak and main break response
- ▶ Rate Impact:

	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>Total</u>
Combined						
Rate Increase	9.8%	7.0%	7.0%	0.0%	0.0%	23.8%

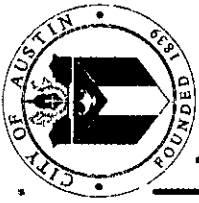


Austin Water Utility



Do you support this rate implementation plan?

Council Discussion



Policy Discussion

Other Areas for Discussion?

Questions / Comments



Key Dates

July 26 th	Proposed Budget Presentation
August 9 th	Budget Presentations & Public Hearings
August 23 rd	Budget Presentations & Public Hearings
August 30 th	Budget Presentations & Public Hearings
September 10 th – 12 th	Budget Approval Readings



Section 2

Report on Council Budget Initiatives

CITY COUNCIL PRIORITIES
AND
COUNCIL BUDGET INITIATIVES

Report on
CURRENT STATUS
and
FUTURE RESOURCE NEEDS

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The Vision

The City of Austin's vision of being the most livable city in the country means that Austin is a place where all residents participate in its opportunities, its vibrancy and its richness of culture and diversity. Austin residents share a sense of community pride and a determination that the City's vision is not just a slogan, but a reality for everyone who lives here. Local government plays a critical role in determining a city's quality of life. Local government services can make a resident's life easier or more stressful and turn non-residents away or invite them to join in Austin's future. When Austin is viewed by others, it receives high marks. Austin's rankings reflect a City government that keeps its vision in the forefront while planning for the future.

City Council Priorities

Austin's City Council has been defining its policy priorities since the early 1990s. Council priorities support the vision and provide an organizing framework for planning and service delivery. Beginning in June 1993, the City created a report called Strategic Choices which noted that while setting priorities might seem simple at the time, few governing bodies did it. These priorities were updated and supported by a series of issue papers in 1997 that outlined policy priorities to position Austin for the future. Those priorities were Youth, Family and Neighborhood Vitality, Public Safety, Sustainable Community, and Affordability.

In November 2006, the City met to reassess the City's vision and priorities. Council reaffirmed the long-held vision of being the most livable city in the country. After a follow-up worksession to wrap up the work begun in November, Council adopted new four priorities, supported by strategic goals, in April 2007.

- Rich social and cultural community
- Healthy, safe city
- Vibrant urban fabric
- Sustainable economic development and financial health

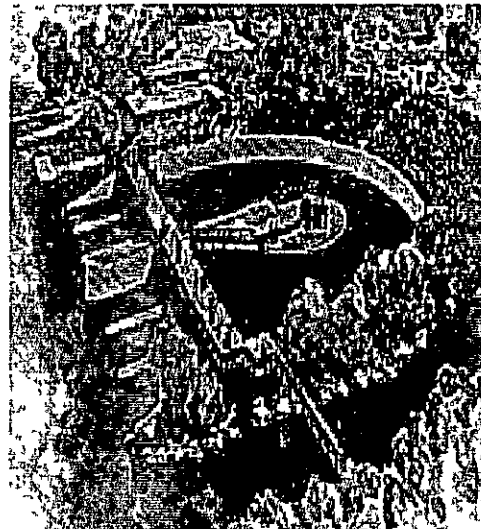
These Council priorities continue to serve as an organizing framework for how the City does business, providing the continuity and direction needed to develop business plans that build upon each other, year after year, to help achieve longer-ranging goals. Corporate planning processes help tie department efforts together into a cohesive inventory of plans that achieve specific purposes, yet also meld to support the City's overarching vision of livability. A report on each of the new council budget initiatives follows.

Council Priority: Rich Social and Cultural Community

Council Budget Initiative Begin work on the Waller Creek Tunnel



Proposed Inlet at Waterloo Park



Proposed Outlet at Town Lake

Project Description

The Waller Creek project is a stormwater bypass tunnel that will include the stretch of Waller Creek from Waterloo Park (12th Street) to Town Lake. The project will take more than 1 million square feet of prime downtown land out of the floodplain and allow denser development. The tunnel will be 22-feet in diameter and almost one mile long.

Status

In March 2007, the Travis County Commissioners Court voted to join the City of Austin in the creation of a Tax Increment Financing (TIF) District to fund the construction of a bypass tunnel along Waller Creek.

The project has received the endorsement of community and stakeholder groups, including the Austin Chamber of Commerce, Austin Chapter of the Associated General Contractors of America, Austin Convention and Visitors Bureau, Austin Parks Foundation, Austin Revitalization Authority, Downtown Austin Alliance, Downtown Austin Neighborhood Association, Greater Austin Hispanic Chamber of Commerce, Austin Hotel and Lodging Association, Livable City, Pecan Street Owners Association, the Real Estate Council of Austin, and the Women's Chamber of Commerce of Texas.

An internal project management team has been formed under the joint leadership of the Public Works department and the Watershed Protection and Development Review departments. An executive steering committee

led by an Assistant City Manager will monitor the progress of the project. Periodic briefings are planned to keep the City Council and Travis County Commissioners Court fully apprised of the status and progress of the project. A citizen advisory committee has been formed and convened for its first meeting in May 2007. The committee will be in effect throughout the life of the project to help master plan the development along Waller Creek that will now be possible as a result of the tunnel project.

Staff has been refining cost and other estimates as part of the project and financing plan required for establishment of the TIF, including the completion of additional economic analysis and modeling of debt structure. The current estimated project cost is \$127,547,000 plus operations and maintenance costs that will be incurred after the tunnel is constructed. The project will be funded with the City contributing 100% of its tax increment and other resources as required, and the County contributing 50% of its tax increment over a 20-year period. All risk that the tax increment will not be sufficient to pay for the tunnel will be assumed by the City. The TIF District would stay in place for 20 years, after which time the City alone will pay all tunnel costs.

Preliminary Milestones and Target Dates

Refinement of project and financing plans – May and June 2007

Creation of TIF – June 2007

Execution of interlocal agreement with Travis County – July 2007

Begin 2-year design process – September 2007

Issuance of debt to fund project – Date not yet determined

Begin 4-year construction process – August 2010

Estimated New Funding for Fiscal Year 2008

Interest earnings on venue bond proceeds	\$ 3.5 million
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Due to the complex nature of a tunnel project, design is expected to take approximately two years, with design tentatively planned to begin in September 2007. Venue project funds of \$28.5 million are currently available and are earmarked for the tunnel project. \$25 million has been previously appropriated for the tunnel project with funding derived from venue bond proceeds. \$3.5 million will be proposed in the fiscal year 2008 CIP budget, to be funded by interest earnings on the venue bond proceeds. These funds will pay for design (\$27.6 million) and a portion of estimated project administration costs (\$0.9 million).

Estimated Resources Needed Beyond 2008

The remainder of funds needed to complete the tunnel project is projected at \$99 million in today's dollars. These funds will be appropriated and debt issued to back the appropriation as the date for construction nears, currently estimated to start in late summer or early fall of 2010.

Council Priority: Rich Social and Cultural Community

Council Budget Initiative Improve downtown quality of life



Description

The City of Austin and the Downtown Austin Alliance provide a wide range of services in downtown Austin. In addition to customary municipal services in the downtown area, the City of Austin also contracts with the Downtown Austin Alliance (DAA) and the Pecan Street Owners Association (PSOA) for managing the Downtown Austin public improvement district (PID) and the East 6th Street PID, respectively. The PIDs are primarily funded by a supplemental property tax assessment of 10 cents per \$100 of valuation for property owners within the district.

Status

A report was presented to the City Council in March 2007, which outlined funded and unfunded recommendations for making improvements to cleanliness and code enforcement. The full report, entitled "Recommendations to Improve City Services to Downtown Austin 2007", is available at www.ci.austin.tx.us/redevelopment and is located in the special reports section.

Cleanliness, Pedestrian Safety, Attractiveness An interdepartmental City taskforce is actively working with the DAA to implement cleanliness improvements and to research opportunities for further enhancements. Current City resources of approximately \$2.1 million are already dedicated to these efforts. Planned implementation efforts emphasize litter abatement, sidewalk washing and repair, alley reconstruction and cleanliness, graffiti removal, tree grates, and bike racks. Research areas include a pilot program for installing and maintaining news racks and regulation of automated teller machines. Additional funding recommended for fiscal year 2008 totals \$50,000 to purchase and install additional ashtrays to help reduce litter from cigarette butts. Capital improvements funding of \$200,000 will be allocated to sidewalk repair in fiscal year 2008 and \$300,000 to reconstruct 5 downtown alleys. The

estimated cost of these efforts was included in the City's recent five-year forecast

Code Enforcement Staff continues to emphasize code enforcement in the downtown area. Enforcement of the City code is a broad undertaking, ranging from health inspections, traffic and parking control, managing code compliance by special events, to fire inspections. An inventory of current City resources already dedicated to these efforts is supported by budgeted funds totaling approximately \$900,000. Additional funding recommended for fiscal year 2008 totals \$200,000 for 2 additional inspectors for right-of-way management to monitor the growing number and frequency of events in downtown Austin and 1 additional sanitarian for downtown restaurant inspections. The estimated cost of these positions was included in the City's recent five-year forecast.

Policing The City provides patrol services for the downtown area. The Austin Police department's downtown area command covers 3.68 square miles and is staffed by 120 police officers and 13 civilians. Funding for the downtown area command totals \$2.6 million. The DAA funds and operates the Downtown Ranger Patrol program. APD funds a civilian position to supervise the program. The Rangers do not have arrest authority and have a split responsibility of 80% safety and 20% ambassador duties. Staffing currently includes 8 full-time equivalent Rangers. They are on duty 7 a.m. to 8 p.m. Parks patrol is also funded by the DAA and secures parks and green spaces within and immediately adjacent to downtown. The Parks patrol operates seven days a week and consists of four assigned officers from the City's Public Safety and Emergency Management Department. No additional policing resources are proposed for fiscal year 2008.

Estimated New Funding for Fiscal Year 2008

Cleanliness	\$ 0.1 million
Code enforcement	\$ 0.2 million (includes 3.0 FTEs)
Downtown alley reconstruction	\$ 0.3 million
Downtown sidewalk repair	<u>\$ 0.2 million</u>
Total	\$ 0.8 million

The estimated cost of these efforts was included in the City's recent five-year forecast.

Estimated Resources Needed Beyond 2008

Current annual resources of \$5.7 million will continue to be budgeted for the downtown area in addition to new positions proposed for fiscal year 2008 that will carry forward into the future (estimated at \$200,000 for right-of-way inspectors and sanitarian).

Council Priority: Rich Social and Cultural Community

Council Budget Initiative Complete the downtown master plan

Project Description

As a city, Austin is already seen as one of the best in the country, with a long and growing list of "bests," including

- 1st place - "Best Large City for Relocating Families" (The Worldwide Employee Relocation Council (ERC), Primacy Relocation and Sperling's BestPlaces, June 2004)
- 1st place (for the second consecutive year) - "Top 10 Cities for Hispanics to Live In" (Hispanic magazine, August 2005)
- 2nd place - Top Creative Class Cities (The Rise of the Creative Class, Richard Florida, 2002)
- 2nd place - "Ten Greenest Cities" list (Vegetarian Times' July/August 2005)

At the heart of all these accolades are Austin's citizens, their love for the City, and in a very tangible sense, downtown. Downtown Austin is the city's central business district, the entertainment hub, the primary tourist destination, and home to City, County and State governmental activities.

Downtown Austin, however, is in a period of transition. On the one hand, downtown is experiencing tremendous growth in the housing sector as demand for downtown housing continues to increase. On the other hand, downtown is struggling to maintain its retail and office market share as office buildings and shopping centers are being built further away from downtown in order to accommodate a growing suburban population. The downtown master plan will help achieve the City's vision of a downtown that is livable, walkable, and affordable.

Status

In December 2005, the Austin City Council adopted a resolution directing staff to initiate a planning process for Downtown Austin. The resolution called for the hiring of a national consultant with downtown expertise to develop the Downtown Austin Plan, working with stakeholders, including but not limited to state, federal and local government, Capital Metro, downtown neighborhood associations and downtown business groups, affordable housing advocates, parks groups and environmental organizations. The resolution called for the consultant's scope of work to include the following:

- Implement ordinance modernizations, including but not limited to FAR standards and procedures for modifying where appropriate, height standards and procedures for modifying where appropriate, and, funding ordinances for infrastructure
- Identify right-of-way for passenger rail and dedicated bus thoroughfares
- Develop a program and procedure for the sale and development of government-owned land
- Identify east-west and north-south rail lines and dedicate station locations downtown
- Integrate the Downtown Neighborhood Plan and the TOD Ordinance Convention Center Station Area Planning effort into the Downtown Austin Plan and Ordinance
- Identify strategies and best practices for affordable work force housing in the downtown area

In August 2006, staff issued a request for qualifications for a consultant with extensive experience in urban downtown planning and financial modeling, to assist the City and the community in the creation of a vision for the development of downtown Austin for the next 20 years, and to develop strategies to achieve that vision. On October 5, 2006, the City Council selected a consultant team lead by ROMA Design Group. In early May, contract negotiations were completed and work has begun.

Preliminary Milestones and Target Dates

The first phase of the plan, which is underway, will analyze baseline conditions, articulate a community vision for downtown, and identify priorities for achieving that vision. The expected completion for the first phase is October 2007.

The second phase, which is expected to take about one year, will undertake implementation of the highest priority items identified in the first phase.

Estimated New Funding in Fiscal Year 2008

Consulting services to address major priorities in the second phase of the master plan

\$ 0.4 million

Estimated Resources Needed Beyond 2008

Additional resources may be needed in the future depending on the recommendations in the completed downtown master plan.

Council Priority: Rich Social and Cultural Community

Council Budget Initiative Improve hike and bike trail lighting and connectivity



Description

There is a 1.1 mile connectivity gap in the Town Lake hike and bike trail on the south side of Town Lake along Riverside Drive and lighting along the trail is needed.

Status

Trail Connectivity There is currently no capital funding identified to connect the gap in the Town Lake trail. Staff in the Parks and Recreation department (PARC) is working with property owners who are redeveloping within this 1.1 mile stretch to secure easements, park improvement agreements, land dedication and construction to facilitate connecting the gap with private investment.

The Town Lake Trail Foundation is providing \$40,000 for an investment study for a Riverside boardwalk project. The current estimated



construction cost of a boardwalk above the water is in the \$12 - \$15 million range. The investment study will be used as a comprehensive resource for all stakeholders, provide a needs assessment to identify how to close the gap, and provide tools for fundraising.

and increasing community outreach

Lighting PARD is partnering with Austin Energy to provide low level lighting to reduce hazards for bikers and joggers along dark areas of the trail PARD received an allocation of \$100,000 in the fiscal year 2007 budget and is currently moving forward with the installation of lighting along the Town Lake trail section near the Four Seasons Hotel The lighting project is intended to assist trail users in identifying trail conditions rather than fully illuminate the trail, consistent with efforts to reduce light pollution around the lake

The additional 4 sections of trail identified for lighting were Shoal Creek Peninsula, Railroad section, Rainey to playscape section, and in front of the Radison

Preliminary Milestones and Target Dates

Completion of Town Lake Trail Foundation investment study –
August 2007

Completion of the first phase of trail lighting – August 2007

Estimated New Funding in Fiscal Year 2008

Trail lighting	\$ 0 3 million
Preliminary design – Town Lake boardwalk project	<u>\$ 0 1 million</u>
Total	\$ 0 4 million

Five trail sections were identified as needing lighting An additional \$250,000 is included the forecast to continue the planning and installation of additional sections

Additional funding of \$100,000 is in the forecast to allow the city to begin the early steps of preliminary design for the Town Lake Boardwalk project

Estimated Resources Needed Beyond 2008

The full implementation of lighting for all 5 identified trail sections will require an additional \$350,000 beyond fiscal year 2008

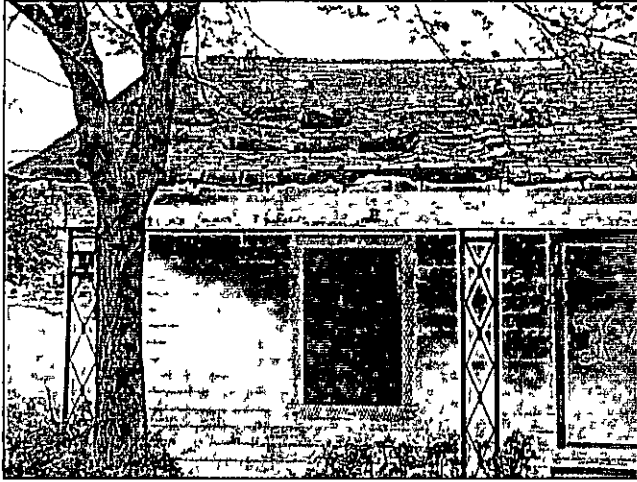
The design and construction of the boardwalk to complete connectivity is estimated between \$12 million and \$15 million and will require a coordinated public-private fund raising effort

Council Priority: Rich Social and Cultural Community

Council Budget Initiative Improve maintenance of parks and public space

Description

The Parks and Recreation Department is responsible for maintaining over 16,000 acres of parkland, over 1.2 million square feet of park



Chestnut House

facilities and 110 playscapes. As Austin continues to grow, the demands on these parks and public spaces will increase accordingly. The maintenance of parks and public space includes not only parkland maintenance, but also maintenance of its many buildings, including recreation and senior centers, and playground maintenance.

Status

Funding that was cut during the economic downturn has not been fully restored, yet Austin continues to grow in population and in park amenities that need to be maintained. Investment in this area will help the department achieve the staffing needed to protect and preserve parks, facilities, and public open space at an acceptable level. Current parks and facility maintenance resources include \$9.2 million and 149 FTEs. The 3 areas below are components of the facility and parks maintenance activities.

Facilities Maintenance The PARD facilities maintenance group has been in need of additional employees since the downturn. In 2004, the facilities maintenance division operated with 28 employees, in 2000, staffing was as high as 39 employees. The current staff of 28 employees must maintain over 75 facilities and there are several new facilities coming online over the next few years, including the Turner-Roberts Recreation Center, the Gus Garcia Recreation Center, and the Mexican American Cultural Center and the Town Lake Park. The addition of 7 employees in fiscal year 2008, at an estimated ongoing cost of \$380,000 each year, would result in a 25% increase in scheduled preventive maintenance, as well as fewer unscheduled repairs.

Playground Maintenance PARD currently has 110 playscapes. State and federal laws specify minimum safety standards that must be maintained in the parks systems. Although these standards are addressed through the efforts of current parks maintenance crews, these crews are stretched thin and additional resources are needed. The addition of 4 employees, at an estimated ongoing cost of \$175,000 each year, would provide additional resources that would help address playground maintenance needs.

Trail Maintenance There are 100 miles of trails in the Austin park system, including approximately 30 miles of granite gravel trails. The 10-mile Town Lake hike and bike trail has the highest profile and is the most used. Repairing ruts after rains and resurfacing worn areas are accomplished through the efforts of 3 employees and usage continues to grow. Some trail conditions are left waiting for repairs for up to 5 days. The addition of 4 employees will allow ruts to be repaired in half the time it currently takes. These additional resources would also allow trail resurfacing to be completed annually rather than simply responding to spot repairs for trail hazards or heavy rains. The estimated annual cost of these additional resources is approximately \$180,000.

The need for all of these additional resources was included in the City's recent five-year forecast.

Preliminary Milestones and Target Dates

Not applicable

Estimated New Funding in Fiscal Year 2008

Facilities maintenance	\$ 0.3 million (includes 7 FTEs)
Playground maintenance	\$ 0.2 million (includes 4 FTEs)
Trail maintenance	\$ 0.2 million (includes 4 FTEs)
Renovation and rehabilitation in bond package	<u>\$ 7.0 million</u>
Total	\$ 7.7 million

The estimated cost of these efforts was included in the City's recent five-year forecast.

Estimated Resources Needed Beyond 2008

The bond package approved in November 2006 will provide funds totaling \$36.6 million to continue renovating parks amenities from 2009 to 2013. Funding is focused on replacing or rehabilitation of existing infrastructure that has a severely impacted life expectancy, including roof and HVAC replacement, playscape renovations and improvements, pools and major renovations to various PARD buildings.

Council Priority: Rich Social and Cultural Community

Council Budget Initiative Begin implementation of the Barton Springs Pool master plan

Description

The goal of the Barton Springs Pool master plan is to return the site to its former glory, when the water was cleaner and the experience of the pool was more enjoyable

In early 2007, the City hired Limbacher and Godfrey Architects to develop a short and long term needs assessment that will be incorporated into the master plan by the end of August 2007. The firm's



assessment includes the historic bathhouse, a new south gate, upstream and downstream dam modifications, grounds and landscape modifications, as well as the restoration and modifications of Eliza Springs, Old Mill Springs and Zilker ponds. The final master plan will include recommendations for additions and renovations to the

swimming pool, buildings and surrounding grounds that respect the fragility of this unique natural and historical setting and also accommodate the significant user demands on Austin's most popular park amenity.

Status

On October 19, 2006, the City Council adopted a resolution confirming its intent to appropriate \$500,000 in the annual capital improvements program until the full implementation of the Barton Springs master plan. This annual funding could be used for debt service depending on the total funding requirements of the final master plan.

The first town hall meeting to receive input on the master plan was held on April 16, 2007, at City Hall, and 42 people signed up to speak. Representatives of the following groups attended the hearing – Austin Neighborhood Council, the Polar Bears, the University of Texas, the Sierra Club, Barton Springs/Edwards Aquifer Conservation District, the

Boy Scouts, Friends of Barton Springs Pool, Save Our Springs and the Save Barton Creek Association

Preliminary Milestones and Target Dates

Meetings with stakeholder groups – ongoing throughout the summer

First public hearing to receive input on preliminary plan – April 2007

Presentations to boards and commissions and City Council – May and June 2007

Report on preliminary design – June 2007

Second public hearing to receive input on preliminary report – August 2007

Update on preliminary report to boards and commissions and City Council – July and August 2007

Final report issued – September 2007

Estimated New Funding in Fiscal Year 2008

Barton Springs Pool repairs and improvements \$ 0.5 million

Funding of \$500,000 for projects identified in the master planning process. The estimated cost of these efforts was included in the City's recent five-year forecast.

Estimated Resources Needed Beyond 2008

The City Council has resolved to appropriate \$500,000 each year until improvements recommended by the master plan are implemented. As the final plan nears completion, staff will develop a plan to finance the recommended improvements for Council's consideration.

Council Priority: Vibrant Urban Fabric

Council Budget Initiative Analyze available funding sources to respond to City-planned projects, as well as requests for transportation and infrastructure projects from outside entities

Project Description

For quite some time, the City Council has been considering how anticipated growth in the population of Austin will impact the City and how to position the City to deal with the demands created by this growth. One of the outcomes of these discussions has been a question about how to finance transportation and other infrastructure as well as how to provide affordable housing opportunities in a denser urban environment. Further, the City has received requests from the Capital Metropolitan Transportation Authority and the Austin San Antonio Rail Corridor to help fund circulator and rail projects, respectively.



Map of potential TIF districts in central Austin

The most frequently suggested source of funding for these costs is a Tax Incremental Financing (TIF) district. As a first step, Council directed staff to develop an inventory of potential projects and a comprehensive financial analysis with the goal of helping to understand the City's financial capacity and collective impact to the long-term financial condition of the City.

Status

On May 8, 2007, staff presented to the Audit and Finance Council Subcommittee an inventory of projects that are now or might in the future be funded by future TIF zones, an analysis of the impact of creating of a number of such TIFs in the City, and an inventory of other financing vehicles that could be considered. The presentation concluded with a proposed policy on when TIFs should be established.

To provide background and context, the presentation included a 20-year history of General Fund revenues and expenditures along with an explanation of how the effective tax rate is calculated. In addition, an inventory and analysis of funding vehicles ranging from TIFs to public improvement districts to issuing public improvement bonds was provided.

The inventory of asks included every project or request that could be identified at this time. The projects shown in italics do not yet have estimable costs. The inventory of asks includes: 1) existing TIFs and commitments, including Mueller, Waller Creek, Seaholm and the City Hall TIF, 2) external requests from Capital Metro for a downtown circulator and from the Austin San Antonio Rail Corridor for participation in commuter rail along the I35 corridor, 3) *the downtown master plan*, 4) *nine transit oriented development station areas*, 5) future densification outside downtown, such as SH 130 and North Burnet Gateway, 6) *the Homestead Preservation District*, 7) Green Water Treatment Plant redevelopment, and 8) *corridor plans including East 7th St Phase II, Riverside, South Lamar and South Congress*. For the projects that have estimable costs, staff identified over one-half billion dollars of infrastructure needs in these areas. Further, annual debt service related to these costs is estimated at \$29.3 million and operations and maintenance at \$4.5 million for a total of almost \$33 million. At current tax rates, the City would have to raise its tax rate by 5.21 cents to cover the identified costs. Again, not all costs have yet been identified.

Summary of Commitments and Asks for Transportation and Infrastructure Projects

	O&M	Debt Service	Total
Current commitments	\$ 2,050,000	\$ 9,001,777	\$ 11,051,777
Uncommitted			
Asks from other entities	\$ 4,555,556	\$ 9,074,963	\$ 13,630,518
Internal projects	\$ -	\$ 20,246,092	\$ 20,246,092
Subtotal – Uncommitted	\$ 4,555,556	\$ 29,321,054	\$ 33,876,610
Impact of uncommitted asks - estimated increase (in cents) to tax rate @ \$6.5M per cent	0.70	4.51	5.21

Presentation to Audit and Finance Council Subcommittee – May 2007

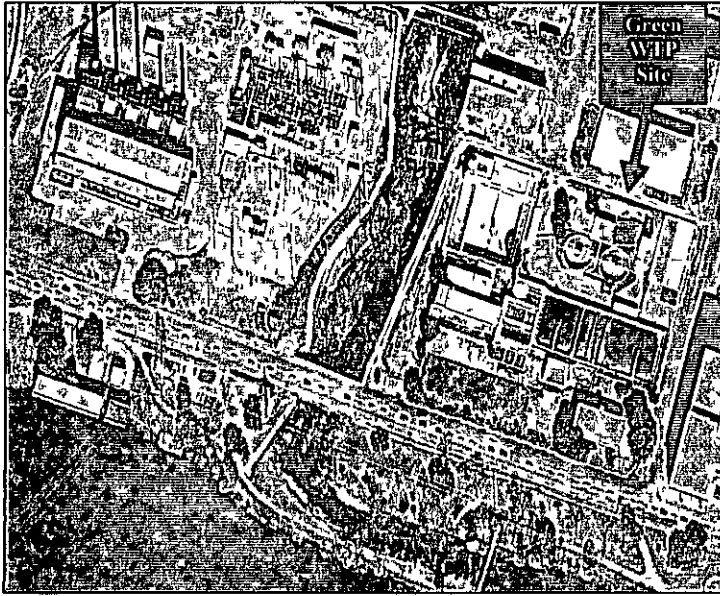
Address questions from the Subcommittee – June 2007

Subcommittee considers proposed financial policy – June 2007

Council considers financial policy as part of annual budget – July 2007

Council Priority: Vibrant Urban Fabric

Council Budget Initiative Expedite redevelopment of Green Water Treatment Plant and Town Lake intake structure



Project Description

The City of Austin currently operates the Green Water Treatment Plant in downtown Austin. The plant was constructed in 1924 and its current average capacity realized is 18.5 mgd. The plant's source water is from the Colorado River and includes water from Barton Springs and surface water flows from the Barton Creek

Watershed. Because of plant conditions, operational and maintenance reliability risk, site congestion, and uncertainties in meeting future Safe Drinking Water Act (SDWA) requirements, the City Council has decided to decommission the existing plant in the near future. The Austin Water Utility's demand and treatment capacity projections indicate that the City will need to replace the existing plant's capacity by the summer of year 2011. To meet this need, the City plans to construct a new plant to replace the existing plant, which will provide unique redevelopment opportunities in downtown Austin once the plant has been decommissioned and demolished. It is envisioned that the Town Lake Austin Energy intake structure will also be included in future redevelopment plans.

Status

In August 2005, the City Council passed a resolution directing the City Manager to create a timeline for the decommissioning and demolition of the Green Water Treatment Plant and to recommend a planning process for appropriate future uses of the property. In October 2005, the Council further directed staff to begin the process of relocating Austin Energy's Energy Control Center with the long-range goal of increasing the amount of developable land in the central business district. In February 2006, the Council resolved to designate a site for the development of a new central library on the Green Water Treatment Plant property.

In addition to decommissioning and demolition, the major elements of redevelopment include stabilization of about 400 feet along the stream bank of Shoal Creek. Necessary street extensions starting with Nueces Street from 3rd Street to Cesar Chavez and then 2nd Street from San Antonio to Shoal Creek will be constructed as well. Great Street standards will be incorporated as part of these extensions, working with the chosen developer to coordinate the street work and parking needs in the most efficient manner. The Public Works department has assigned 4 employees to manage the street projects and design is underway. The current estimated cost of the street improvements is \$6.5 million and the project is expected to be completed by August 2011. General obligation bonds approved in 2000 provide the funding for the street extensions.

Total infrastructure costs are expected to be \$27.5 million and include Shoal Creek bank stabilization, roadways, electric utility relocation, water and wastewater utility relocation, and decommissioning and demolition. All costs other than roadways are expected to be reimbursed from future land sale or lease proceeds. A feasibility study is underway, including review of affordable housing and density options.

Preliminary Milestones and Target Dates

Decommissioning and demolition – April 2007 to February 2010

Includes water main relocation to allow reliable east-west water flow prior to decommissioning, planning, preliminary engineering, design, bidding process, decommissioning and demolition.

Street extensions – November 2005 to August 2011

Includes preliminary design, final design, bidding process and construction.

Issue request for proposals for redevelopment – Early 2008

Council selects developer – Fall 2008

Complete negotiation of master development agreement – Early 2010

Estimated New Funding in Fiscal Year 2008

Decommissioning	\$ 12.5 million
Street extensions	<u>\$ 0.9 million</u>
Total	\$ 13.4 million

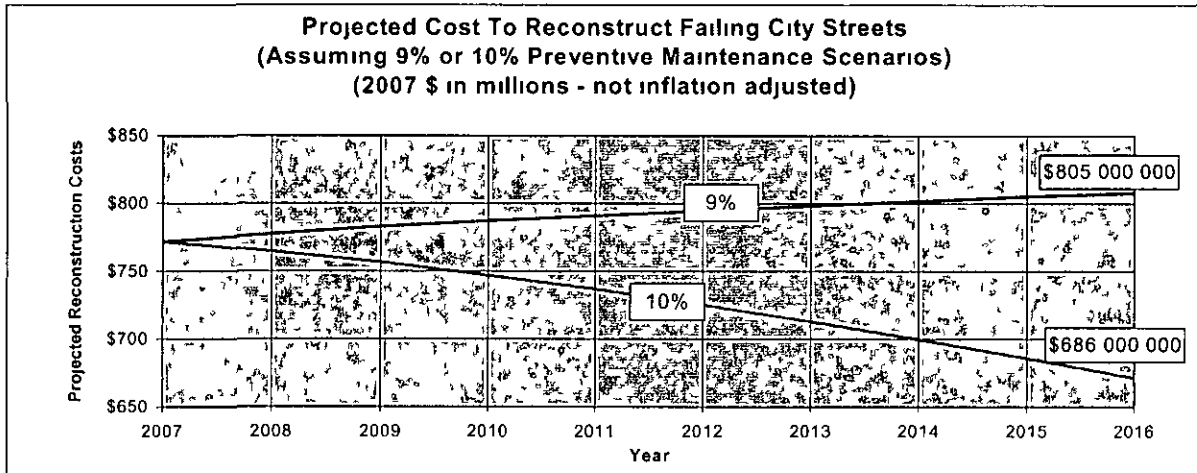
The infrastructure costs of the Green redevelopment project are estimated at \$27.5 million. \$8.3 million has been already budgeted. \$13.4 million will be proposed in the capital improvements program in fiscal year 2008, primarily for decommissioning.

Estimated Resources Needed Beyond 2008

The remainder of funds needed to complete the infrastructure is projected at \$5.8 million in today's dollars. These funds will be appropriated as the date for decommissioning and demolition nears, currently estimated to start in 2009.

Council Priority: Vibrant Urban Fabric

Council Budget Initiative Increase annual street maintenance of lane miles from 9 percent to 10 0 percent



Project Description

The City's street network is currently comprised of approximately 7,150 lane miles of streets. The Public Works department maintains a comprehensive inventory system which assigns a quality rating to each street and lane mile in the City's inventory (A - Excellent, B - Good, C - Fair, D - Poor or F - Failed).

Operating funds are normally used to provide street maintenance, while capital improvement funds are used on streets that have degraded below fair condition and must be reconstructed. It is cheaper to maintain a street than to reconstruct it. Currently, about 27% of the network is in the poor to failed condition category.

Status

One of the biggest challenges facing us in increasing the amount of preventive maintenance we do on our street network is our current reliance on one-time funding, including remaining funding from the Capital Metro quarter-cent program, the Capital Metro Build Central Texas program, and a refund in 2007 from the Liability Reserve Fund. The total available one-time funding in 2007 is \$7.2 million, however, in 2008, this available one-time funding drops to only \$4.4 million. This difference in 2008 will be covered by a transfer from the General Fund that was included in the 2008 forecast of \$2.9 million.

A further challenge in doing increased preventative maintenance is the mix of maintenance methods available to us. Public Works currently performs about 60% of the preventative maintenance program through

sealcoat, which costs \$11,000 per lane mile. However, there are no additional lane miles in the network that need to be sealcoated – any additional lane miles in the program in 2008 must be done through overlay, which costs \$61,000 per lane mile on average. In addition, our overlay costs are increasing because we have to rely on external resources to perform additional overlay. The cost per lane mile for our recently approved overlay contract is \$88,000 per lane mile.

In fiscal year 2008, we will analyze the cost of funding that would be required to perform more in-house overlay, which would include start-up costs – the cost of a new service yard, the cost of additional equipment, as well as additional personnel costs. This analysis will determine the best mix of resources used in the overlay and in our overall preventative maintenance programs.

In fiscal year 2007, the Public Works department will spend approximately \$15.2 million and dedicate 82 FTEs to achieve our preventive maintenance goal of 9.0% of the City street network.

This \$15.2 million is funded by \$8.1 million in operating funds – from transportation fund revenue and general fund transfer and by \$7.1 million in one-time funds, primarily Capital Metro ¼ Cent & Build Central Texas CIP Funds.

For fiscal year 2008, we are proposing to increase our preventative maintenance goal from 9% to 9.5% through an additional \$2.9 million in General Fund transfer, through a 12.8% increase to the transportation fee, and through increased efficiencies in the preventative maintenance program. The increased transportation fee will generate an additional \$2.6 million and will mean an increase to a single family residence of 48 cents per month.

Preliminary Milestones and Target Dates

Not applicable

Estimated New Funding in 2008
Increase General Fund transfer \$2.9 million
Additional \$2.6 million in transportation fee revenue

Council Priority: Healthy, Safe City

Council Budget Initiative Complete external audit of police to manage sustainable increases in costs over time Evaluate consolidation of police services



Selected photos from the Austin Police Department's recruiting website

Project Description

The Office of the City Auditor and an outside consultant are conducting an evaluation of the operations and administration of the Austin Police Department, the Office of the Police Monitor and law enforcement groups within the Public Safety and Emergency Management Department. The project includes evaluation and analysis of operational performance measurement, benchmarking, staffing, assessment of deployment methods and models, as well as cost drivers, barriers and opportunities for reducing costs. In addition, the project will include an evaluation of the viability of consolidating all law enforcement functions across the city, including the airport police, parks police and city marshals.

Status

In February 2007, the City Council approved a contract with the consulting firm MGT of America, Inc. in an amount not to exceed \$315,243. The consultant is currently completing field work, supported by staff in the Office of the City Auditor. The Council's Public Safety Task Force was created in December 2006 to advise the Council on all matters related to public safety and will include in its meetings regular updates on the progress of the assessment from the consultant and the City Auditor. The City enters into contract discussions with the Austin Police Association in the fall of 2007. In preparation for labor contracts that expire at the end of fiscal year 2008, it is anticipated that this report will provide valuable data and analysis that can help make labor discussions more productive for both parties.

Preliminary Milestones and Target Dates

Regular updates on audit progress to Public Safety Task Force

Consultant issues report – September 2007

Presentation to Audit and Finance Committee – December 2007

Follow-up on implementation of recommendations – to be scheduled approximately six months after issuance of audit report

Estimated New Funding in Fiscal Year 2008

Pending the results of the audit, new funding needs for fiscal year 2008 will be determined

Estimated Resources Needed Beyond 2008

At this time, no additional resources are estimated beyond fiscal year 2008

Council Priority: Healthy, Safe City

Council Budget Initiative Approve and Implement Structural Water Conservation Policy.



Project Description

On May 3, 2007, the Austin City Council unanimously approved a resolution directing the City Manager to implement the recommended measures developed by the Water Conservation Task Force. Over the next ten years, these measures are expected to save over 32 million gallons a day in Austin's peak season.

Since the City's Water Conservation division was created in 1992, the estimated cumulative savings numbers achieved through conservation and water reuse efforts are 11 million gallons per day (MGD) average day water savings and 15 MGD peak day water savings. To meet the City Council's Water Conservation Task Force goal of a 1 percent per year reduction in peak day water use over a 10-year period, aggressive and strategic conservation policies will be necessary. This is a total savings goal of 25 MGD.

Status

A few of the key conservation measures included in the Structural Water Conservation Policy are highlighted below.

Indoor strategies

- Accelerating the replacement of old plumbing fixtures through mandatory retrofit requirements,
- Requiring the use of submeters for water billing in multi-family properties,
- Changing the plumbing code to prohibit inefficient equipment, and
- Establishing efficiency standards for commercial clothes washers.

Outdoor strategies

- Expanding the Water Use Management Ordinance,
- Requiring new residential irrigation systems to meet design standards and permitting requirements, and
- Requiring regular irrigation analyses of automatic irrigation systems at large commercial, institutional, industrial, and municipal properties, as well as high-volume residential properties.

City and Utility conservation strategies

- Providing funds for leak detection contract and reclaimed water projects,
- Adjusting utility water rates to encourage conservation

Current resources include a \$75,000 contract for leak detection services to survey 600 linear miles of distribution system pipe to further reduce water loss. Other efforts, such as the winter leak detection and the wholesale customer conservation programs, are currently underway using existing staff. In addition, the Utility has budgeted \$4.9 million, including 25 FTEs, for continuation of conservation and reuse programs.

Preliminary Milestones and Target Dates

Issue a rule designating the twice a week watering days – June 2007

Revise the Water Use Management Ordinance to make the watering days and times mandatory – August 2007

Revise the Water Use Management Ordinance to require the retrofit of inefficient fixtures – November 2007

Estimated Funding in Fiscal Year 2008

Operations and maintenance	\$ 2.1 million (includes 9.0 FTEs)
Rebates	\$ 1.2 million
Reclaimed water projects	<u>\$ 7.9 million</u>
Total	\$ 11.2 million

The operating, capital outlay, and CIP funding will be used for the implementation of the following programs: the Expanded Water Use Management Ordinance, residential irrigation standards and permits, expanded commercial and multi-family irrigation standards, routine irrigation system analyses, audits for high-volume residential customers, leak detection contract, CIP funding for reclaimed water projects, wholesale customer conservation, and a comprehensive public education program. Rebates are associated with plumbing fixture retrofit requirements and the pressure reduction program. The estimated cost of these efforts was included in the City's recent five-year forecast. Operating costs include a reallocation of 9 FTEs and \$700,000 from other areas within the Utility. In addition, \$875,000 has been included for public education including \$150,000 for the Water IQ program, an increase of 50% over the current year.

The estimated water savings from these measures are calculated to be peak day 1.17 MGD in fiscal year 2008.

Estimated Resources Needed Beyond 2008

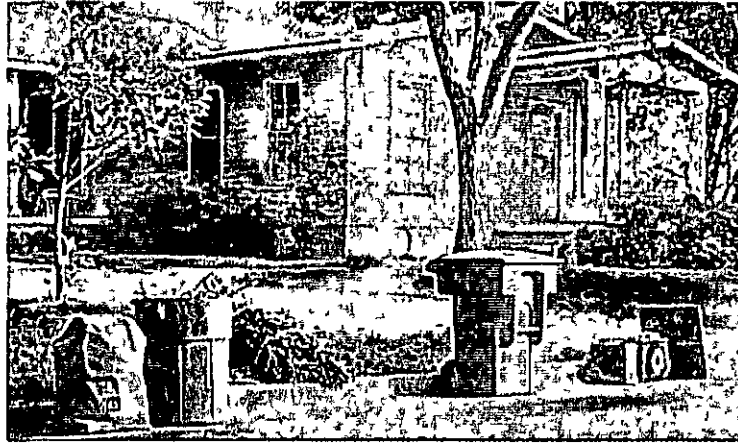
The recommendations adopted on first reading by the City Council's Water Conservation Task Force will require additional funding over ten years of approximately

- \$0.6 million for annual operating expenses, including 8 FTEs
- \$5.6 million in additional rebate funding
- \$250,000 in capital expenditures for hybrid vehicles
- \$15.4 million in accelerated capital improvement program expenditures for the reclaimed water system

Note: The total CIP spending of \$23.2 M is \$13.5 M higher than the Task Force recommendation due to additional investments in the water reclamation initiative.

Council Priority: Healthy, Safe City

Council Budget Initiative Develop long-term landfill plans, including economic development and recycling opportunities



Project Description

On January 12, 2006, the City Council approved a resolution adopting guiding principles for the delivery of solid waste services in accordance with a long-term regional solid waste management plan. This comprehensive plan, emphasizing reduction, reuse, and recycling of waste, will encompass a priority of actions based on an analysis of the projected impact on landfill capacity and related issues in Travis County. The establishment of a multi-faceted solid waste management facility could be managed and operated by the City of Austin (in cooperation with other governmental entities in the region), by a private landfill operator, or by some combination of these entities. This facility would be organized into an environmental enterprise zone to foster local and regional economic development. Additionally, the facility will promote waste diversion (recycling) methodologies to decrease the City's and this region's reliance on landfills, and to meet the Council's Zero Waste Initiative. After the plan is developed and approved by Council, Solid Waste Services (SWS) will request the funding requirements.

Status

In conjunction with the Long Range Solid Waste Planning Task Force and an ad hoc committee of the Solid Waste Advisory Commission (SWAC), SWS is drafting a Request for Qualifications (RFQ) to secure the services of a consultant to provide a framework for Austin to meet its long-term solid waste management strategic goal, as well as the Council's Zero Waste Initiative, while assuring that the City of Austin continues to maintain adequate disposal capacity within the region. SWS included funding of \$65,000 in the five-year financial forecast recently presented to the City Council for consulting services to complete the plan.

Other issues being considered concerning long-term landfill plans are

- remaining capacity within existing permitted facilities in the region,
- availability of suitable land within the region for permitting of new facilities, and
- assurance of competition or other means of controlling costs if new competing facilities are not available

Preliminary Milestones and Target Dates

Presentation of Zero Waste plan to SWAC & Council – June 2008

Estimated New Funding in Fiscal Year 2008

Consulting services for waste management strategic plan \$ 0.1 million

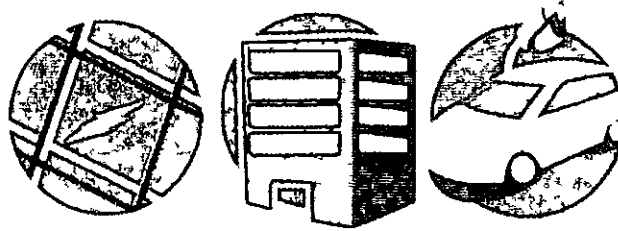
The estimated cost of these efforts was included in the City's recent five-year forecast

Estimated Resources Needed Beyond 2008

At this time, additional funding has not been estimated beyond fiscal year 2008

Council Priority: Sustainable Economic Development and Financial Health

Council Budget Initiative Support cutting edge businesses, emerging technologies and Austin's creative class as the key to our present and future economy



Project Description

The City Council is committed to actively addressing how the City of Austin can continue to diversify its economy and build on its reputation as a center of high technology by focusing on emerging technology. There are a number of emerging technology areas that would enhance our economy, such as gaming, wireless, clean energy, biotechnology, and digital convergence. Austin is well suited to capitalize on these areas and on creative industries such as film and music. The City Council has identified support for cutting edge business, emerging technologies, and Austin's creative class as one of its key objectives for developing economic opportunities and economic diversity in Austin.

The Emerging Technologies Subcommittee of the City Council meets monthly to consider emerging technologies public policy issues and provide direction to City staff on implementing the emerging technologies initiative.

The City's Small Business Development Program (SBDP) hosts a variety of networking and educational events for small business owners. SBDP includes classes and events tailored to Austin's creative class, such as artists and musicians, because they contribute to the economy as small businesses. In the current fiscal year, two SBA loan workshops for musicians and business legal classes covering copyright and intellectual property and entertainment legal contracts were conducted.

Status

In the current fiscal year, the City continued its support and promotion of emerging technologies and small business development by its on-going participation in a number of strategic public/private agreements including Create Austin, ATI Clean Energy Incubator, ATI Wireless, Opportunity Austin, and Skillpoint Alliance. In the fiscal year 2007 budget, approximately \$1.4 million and 1.5 FTEs are allocated to these efforts. In addition, \$650,000 was appropriated to begin working with

the Austin Film Studio to implement capital improvements, such as digital convergence and other technology improvements, soundproofing, security and fire suppression. Ultimately, the City will invest \$5 million in the film studio as approved by voters in the bond election this past year.

The City Council approved the creation of an Emerging Technology Coordinator position with the adoption of the 2007 budget. This new position, which has been recently filled, will work with the Creative Industries Development Manager to lead efforts involved with the emerging technologies initiatives and provide support to the Emerging Technologies subcommittee.

Preliminary Milestones and Target Dates

- Complete the strategic plan for implementing the emerging technology program, including strengths, weaknesses, opportunities, threats (SWOT) analysis to determine Austin's competitive advantage in emerging technologies. Coordinate research efforts and resources with other entities wherever feasible.
- Conduct research into organizations, including international opportunities, that provide early stage start up capital (angel investor organizations and venture capital organizations) to emerging technology companies and communicate this information to the emerging tech community.
- SBDP will also begin hosting quarterly educational seminars for small businesses in emerging technology-related fields.

Estimated New Funding in Fiscal Year 2008

Sponsorship, conference and seminars	\$ 25,000
Austin Film Studio improvements	<u>\$ 4,350,000</u>
Total	\$ 4,375,000

EGRSO will provide a sponsorship to the Austin Technology Council (ATC). ATC is a non-profit whose goal is to help technology firms grow in Austin. Included in the sponsorship is participation in the Center of Innovation conference at an estimated cost of \$15,000. SBDP will also propose funding of \$10,000 in the proposed fiscal year 2008 budget for emerging tech seminars.

\$4.4 million in 2006 bond proceeds will be appropriated to continue and complete the \$5 million Austin Film Studio Project as approved by voters in the bond election this past year.

Estimated Resources Needed Beyond 2008

This is a new initiative that is intended to increase the City's competitiveness in emerging technology as compared to other high technology regions in the country. Accomplishing this initiative may at some point involve tools, such as incentive packages, to attract companies in various emerging technology sectors, but the cost of these tools cannot be estimated now.

Council Priority: Sustainable Economic Development and Financial Health

Council Budget Initiative Focus on small business development and support women- and minority-owned business enterprises



Project Description

Small Business Development Program (SBDP) The SBDP is a division of the Economic Growth and Redevelopment Services Office that functions as an information portal for small business owners doing business in the Austin area. It provides its customers with “How To” information and referrals to small business services. It provides access to technology, business software, and other resources through the *Business Solutions Center*, and it also provides technical assistance with starting a business, successfully operating an existing business, or preparing to apply for a commercial loan. The SBDP operating budget is \$1.6 million and includes 10.0 FTEs.

Department of Small and Minority Business Resources (DSMBR)

DSMBR administers the City’s Minority and Women-Owned Business Enterprise (MBE/WBE) procurement program, which includes certification and contract monitoring. DSMBR also manages the Disadvantaged Business Enterprise (DBE) program for projects and programs that have oversight from the federal government. In addition, DSMBR provides contract monitoring services for small and minority businesses in construction-related industries and manages the on-line plan room. The DSMBR operating budget is \$3.8 million and includes 24.0 FTEs.

Status

Small Business Development Program SBDP will continue functioning as a small business information portal in fiscal year 2008, and will expand the program for assisting small business owners to navigate the City’s development process within existing funding. This effort began in 2007 with the reassignment of an employee within the division to serve as the first full-time outreach coordinator. An aggressive schedule of presentations to local business and community groups has been

developed, and this effort will continue to grow during 2008 as the outreach coordinator integrates the periodic support of other division employees into the outreach plan. Additional resources were included in the City's recent five-year forecast of approximately \$84,000 for a "getting connected" information fair and a new event coordinator to plan and host up to 40 networking and educational events annually. In addition to these resources, the division will propose funding of \$120,000 for a small business needs assessment study to gather updated information about the needs of small business owners and will use the information to ensure that services are structured to meet these new and changing needs.

Department of Small and Minority Business Resources The City resumed the function of determining the eligibility of small businesses for participation in the MBE/WBE procurement program in 2007. Since that change, internal processes have been reassessed and adjusted, and staff has been realigned to provide more resources for vendor certifications and contract monitoring. During the transition, DSMBR has been using temporary employees and will propose the addition of 5 permanent positions for fiscal year 2008. Staffing would include 4 business development counselors and 1 associate. Additional funding will also be proposed for staff training related to certification and contract compliance, estimated at \$15,000.

Preliminary Milestones and Target Dates

Complete small business assessment study – Summer of 2008

Estimated New Funding in Fiscal Year 2008

Small business outreach	\$ 0.1 million (includes 1 FTE)
Small business needs assessment study	\$ 0.1 million
MBE/WBE certification, contract monitoring and training	<u>\$ 0.4 million</u> (includes 5 FTEs)
Total	\$ 0.6 million

FTEs include 1 new event coordinator for the small business development program and the addition of 5.0 FTEs in the MBE/WBE certification program.

Estimated Resources Needed Beyond 2008

The results of the small business needs assessment study proposed by the Economic Growth and Redevelopment Services Office for fiscal year 2008 will help determine how services should be structured and delivered in the future and what resources will be needed to deliver these services effectively. Current annual resources of \$5.4 million for both organizations will continue to be budgeted with new positions proposed for fiscal year 2008 estimated at \$0.6 million that will carry forward into the future.

Council Priority: Sustainable Economic Development and Financial Health

Council Budget Initiative Implement a climate protection plan through measurement of carbon emissions and development of reduction plan



Project Description

The Austin Climate Protection Plan, as passed by Council on February 12, 2007, directs staff to take the following actions to make Austin a carbon neutral community by the year 2020

Municipal Plan

Make all City of Austin facilities, fleets and operations totally carbon-neutral by 2020

Utility Plan

Implement the most aggressive utility greenhouse gas reduction plan in the nation through dramatic increases in conservation, efficiency and renewable programs. Require carbon neutrality on any new generation. Establish a CO² cap and a reduction plan for all utility emissions.

Homes and Building Plan

Make Austin building codes for both residential and commercial properties the most energy efficient in the nation.

Community Plan

Develop a comprehensive plan to reduce greenhouse gas emissions from sources community-wide.

Go Neutral" Plan

Provide mechanisms for all businesses and individuals to reduce their carbon footprint to zero.

Status

Austin Energy will provide renewable energy for all city facilities by 2009. Fleet is developing a baseline inventory of all city vehicles and will endeavor to make all future vehicle purchases flexible fueled or biodiesel. Austin Energy's baseline greenhouse gas inventory is complete and certified by California Climate Action Registry. Austin Water Utility is working with Austin Energy to create a similar baseline inventory. All

other inventories of City facilities will begin in FY 2008

Communications and Technology Management is developing a website with a carbon calculator that will include Austin-based climate offsets for purchase

Staff is actively working on additional advertising of energy efficiency programs, research and development of new renewables and carbon neutral generation, and the establishment of voluntary carbon caps. The first set of code changes to make all new construction more energy efficient will come before Council in August.

The Municipal Energy Management program continues to work with departments on their Departmental Energy Reduction Plans. Purchasing, Austin Energy and Fleet staff have begun preliminary meetings to develop departmental inventories and emission reduction plans.

Preliminary Milestones and Target Dates

Website launch – June 2007

Hire additional staff for program implementation – October 2007

Begin departmental inventories and emission reduction strategies –
November 2007

Report to City Manager – March 2008

Estimated New Funding in Fiscal Year 2008

Program administration	\$ 1.2 million (includes 8.0 FTEs)
Solar roof installation on City facilities	<u>\$ 0.1 million</u>
Total	\$ 1.3 million

Eight additional employees will be required for the implementation of the plan. Five of these employees will develop and maintain the inventories and databases, research and implement the use of alternative products and processes, develop outreach and recognition campaigns, provide educational activities, and build business cases for new processes that will bring Austin to a carbon neutral future. One new employee will work in the Green Building program on the Commercial Energy Code program, and two new employees will be needed in Demand Side Management to assist with the increase in the solar program.

Estimated Resources Needed Beyond 2008

CIP funding for solar roof installation on City facilities will total \$10 million over a five year period. Future budgets in Austin Energy will absorb the additional CIP costs for carbon neutral generation and the additional energy costs due to City facilities being served by renewable energy. All City departments may see an increase in building costs due to green building technology for construction of new City facilities, higher capital outlay costs for flexible fuel and hybrid vehicles, and additional O & M costs for carbon-conscious contracted services, and waste reduction. Energy management programs may reduce the amount of energy required in City facilities over the long term.

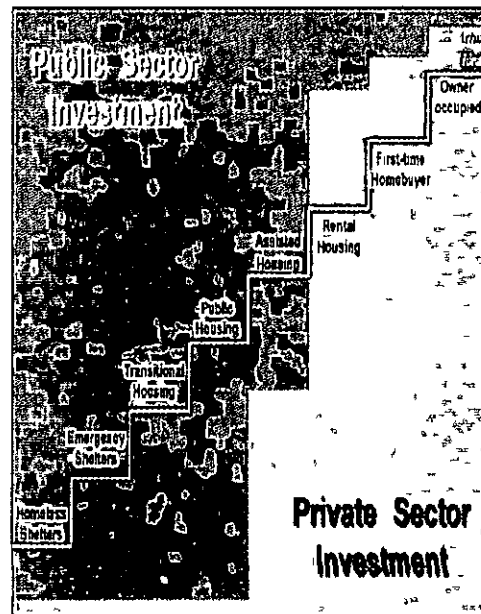
Council Priority: Sustainable Economic Development and Financial Health

Council Budget Initiative Focus on affordable housing initiatives, including implementing density bonuses and the housing bond program

The Neighborhood Housing and Community Development department (NHCD), through a service agreement with the Austin Housing Finance



Corporation (AHFC), manages housing gap financing programs and direct housing services programs under the framework of the Housing Continuum and S M A R T Housing. In addition to building on these successful efforts, the City Council has taken action to enable the creation of new and additional tools to achieve deeper affordable housing levels with the following major initiatives. NHCD has requested support for these activities in their base request as well as a continuation of the Housing Trust Fund for the ninth year.



1) Affordable Housing Incentives Task Force

Project Description

The City Council created an Affordable Housing Incentives Task Force comprised of real estate professionals, private and nonprofit housing developers, affordable housing advocates, academics and neighborhood representatives to explore ways to provide incentives for the construction of affordable housing in Austin.



Mural at 11th & Waller

Artist: John Yancy. Artisans: Luis G. Alicea and Steven B. Jones

Status

On May 17, 2007, the task force presented its report to the City Council, followed by staff recommendations. These include key core values of deeper affordability targets, long-term affordability, and geographic dispersion, as well as zoning incentives. Recommended zoning incentives

in the downtown area are targeted at floor-to-area ratio bonuses, fast-track development review, and the waiver or reimbursement of all City and development fees. The recommendations also included incentives designed to promote affordability of multi-family and single-family residences. Developments that achieve core values would receive additional fee waivers and other incentives.

Staff indicated they would return to Council at the budget policy discussion for fiscal year 2008, outlining a high-level implementation plan for the upcoming year and identifying additional resource needs. This conceptual plan is summarized briefly below and staff will continue to update Council as they refine the plan, working with the task force and stakeholders.

- Implement a one-year pilot program in 2008 with a budget cap of \$750,000 for development and other fee reimbursements, in addition to the existing S M A R T Housing™ fee waiver program.
- As part of the pilot program, implement a per-unit cap based on the type of development, such as central business district, downtown mixed use, and vertical mixed use.
- Implement a reimbursement policy for 2008 projects that access the \$750,000 pilot program funding (S M A R T Housing™ will continue to operate on a fee-waiver basis). Reimbursements are projected to occur in 2009 and beyond.

The proposed pilot program will enhance affordable housing tools that are currently available, help expedite affordable housing efforts in the downtown area, and allow staff to gauge the level of participation during this first year. Program requirements will be formalized with developers through the execution of agreements that will be monitored for compliance and performance. In addition to the funding outlined above for reimbursement of fees during the pilot period, the forecast included additional employees in the Watershed Protection and Development Review department that can help expedite review throughout the development process.

Preliminary Milestones and Target Dates

Council to consider amendments to S M A R T Housing™ resolution, incorporating tools recommended by the task force – June 2007

Council to consider additional action as implementation plans and criteria are refined– September 2007

Estimated New Funding in Fiscal Year 2008

Affordable housing incentives pilot program

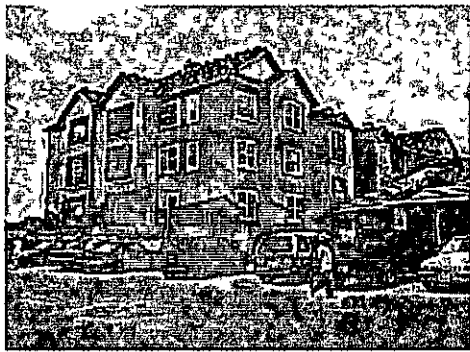
Housing market study \$ 0 3 million

Estimated funding of \$0 3 million includes approximately \$300,000 for a housing market study to provide the underlying data needed for effectiveness

Estimated Resources Needed Beyond 2008

Additional resources may be needed in the future for implementation of recommendations to be presented to City Council in September 2007. The reimbursement of fees under the \$750,000 pilot program is expected to occur in 2009 and beyond. Funding of \$200,000 is recommended in 2009 for a housing strategic plan, recommended by both the African American Quality of Life committee and Bond Oversight Committee. Estimated costs of the employees to manage these new programs will also be ongoing in the future.

2) General Obligation Bonds



Project Description

In November 2006, citizens of Austin approved the use of general obligation bonds to increase homeownership and rental opportunities for low-to-moderate income households. The bond package includes \$55 million for affordable housing. The bonds will be apportioned into a \$33 million allotment for affordable rental housing and \$22 million for

homeownership over a 7-year period. Rental projects assisted with general obligation bonds must serve households with yearly incomes of no more than 50% MFI, and with a goal of assisting households at 30% MFI and below. Homeownership projects assisted with general obligation bonds must serve households with yearly incomes of no more than 80% MFI, and with a goal of serving households between 50% and 65% MFI.

Status

Council approved a process for allocating housing bond funds and three categories by which bond funds can be accessed, within prescribed limits:

- 1) Initiatives directed by the City Council,
- 2) Acquisitions that are time-sensitive, and
- 3) Quarterly competitive process

AHFC will issue a Notice of Funding Availability (NOFA) once each quarter, through which applications will be accepted for proposed affordable housing developments

Members of the Housing Bond Review Committee, which includes five public citizens, including two Community Development Commissioners and three persons representing housing and/or finance related fields, were appointed and recommended the first project for the housing bonds, the Stoneridge Apartments. The Stoneridge redevelopment project, approved by the City Council on April 19, is a vertical mixed-use rental project that will provide 10% of developed units at 80% MFI for 40 years under the vertical mixed-use ordinance. By infusing general obligation bond funds of \$710,000 and leveraging a \$398,000 fee reimbursement agreement, the City will be able to “buy-down” rents for 10% of the units (at least 30 units) from 80% MFI to 50% MFI for 40 years. The total investment is \$1.1 million, or about \$37,000 per unit.

The housing bond program will be managed by five employees, with funding for oversight provided by bond proceeds issued each year during the program. The annual cost of the program is estimated at \$306,000.

Preliminary Milestones and Target Dates

AHFC will issue the first competitive NOFA – June 2007

Estimated New Funding in Fiscal Year 2008

Program management	\$ 0.3 million (includes 5.0 FTEs)
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Estimated Resources Needed Beyond 2008

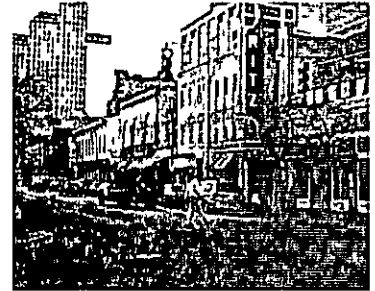
Program management	\$ 0.6 million (includes 10.0 FTEs)
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In addition to the 5.0 FTEs proposed for fiscal year 2008, additional employees will be needed in the future as the housing bond program progresses. Additional monitoring will be required to manage anticipated development projects.

3) Other Council Affordable Housing Initiatives; including, Vertical Mixed Use Developments, Affordable Housing Partnership Agreements (Green Water Treatment Redevelopment), Transit Oriented Developments, Downtown Affordable Housing.

Vertical Mixed Use Developments and Affordability

The commercial design standards ordinance was adopted by the City Council on August 31, 2006, and included vertical mixed use standards that provide incentives for affordable housing. Housing staff is working to draft rules and the appropriate ordinances, as well as developing guidelines for implementation. Housing is working with the Neighborhood Planning and Zoning department (NPZD) to educate neighborhood groups on vertical mixed use standards.



Status

The vertical mixed use ordinance will provide for affordable housing in four categories for developers that choose to receive the increased zoning entitlements, as outlined below:

- 1) The developer must provide 10% rental units affordable to 80% median family income (MFI) or less, or neighborhoods may opt-in/opt-out to require affordable levels as low as 60% MFI or less.
- 2) The developer must provide 5% of ownership units reserved for households at 80% MFI or less, plus 5% of units reserved for households at 100% MFI or less.
- 3) AHFC will have the right of first refusal on an additional 10% of rental units.
- 4) AHFC will have the right of first refusal on an additional 10% of ownership units. A code amendment is required to accomplish this and will be drafted for Council consideration.

A senior property agent and a senior planner in AHFC are recommended to manage these programs as well as the pilot incentives program at an estimated cost of \$144,000, and will coordinate with the senior planner. Together, these two AHFC employees will be able to implement and monitor affordable housing development agreements, and provide support for City projects that are either planned or currently underway, such as the redevelopment of the Green water treatment plant, the Rainey Street area, the downtown master plan, public utility districts, and transit oriented development, just to name a few. Additionally, House Bill 470 was passed in the recent 80th Texas legislative session, which improved the viability of a homestead preservation district as a potential tool to promote affordable housing. The district will be located in east Austin and will give the City the authority to create a community

land trust, a land bank, and the ability to utilize tax increment financing for affordable housing. The establishment of the homestead preservation district will require City Council and Travis County action to implement.

Preliminary Milestones and Target Dates

Neighborhood “opt-in/opt-out” deadline for applications to NPZD, which provides a process to identify which parcels in which neighborhoods are eligible for the program and at what affordability levels – June 2007

Estimated New Funding in Fiscal Year 2008

Senior property agent and senior planner for program administration and special projects	\$0.1 million (includes 2 FTEs)
---	---------------------------------

Estimated Resources Needed Beyond 2008

Additional resources may be needed in the future depending on the results of the opt-in/opt-out option for neighborhoods and developer participation in the program.

We want Austin to be the most livable city in the country.

Council Priorities

Rich Social and Cultural Community

Health, Safe City

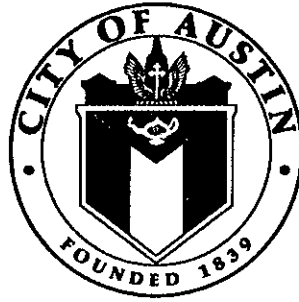
Vibrant Urban Fabric

Sustainable Economic Development and Financial Health

In millions of dollars

	Budgeted - 2007		Additional Resources - 2008	
	Operation	CIP	Operation	CIP
<u>Rich Social and Cultural Community</u>				
Waller Creek	0 0	25 0	0 0	3 5
* Downtown Quality of Life				
Cleanliness	2 1	0 0	0 1	0 5
Code Enforcement	0 9	0 0	0 2	0 0
Policing	2 7	0 0	0 0	0 0
Downtown Master Plan	0 0	0 2	0 0	0 4
Hike & Bike Trail (lighting & connectivity)	0 0	0 1	0 0	0 4
Parks and Public Space Maintenance	9 2	6 0	0 7	7 0
Barton Springs Master Plan	0 0	0 5	0 0	0 5
Subtotal	14 9	31 8	1 0	12 2
<u>Vibrant Urban Fabric</u>				
Funding Future Development	0 0	0 0	0 0	0 0
Expedite Green Water Treatment Plant Redevelopment	0 0	8 3	0 0	13 4
Increase Annual Street Maintenance of Lane Miles from 9% to 10%	15 2	0 0	5 5	0 0
Subtotal	15 2	8 3	5 5	13 4
<u>Healthy, Safe City</u>				
Complete External Audit of Police to Manage Sustainable Increases in Costs	0 3	0 0	0 0	0 0
Approve and Implement Structural Water Conservation Policy	4 9	12 0	1 3	7 9
Develop Long-Term Landfill Plans	0 0	0 0	0 1	0 0
Subtotal	5 2	12 0	1 4	7 9
<u>Sustainable Economic Development and Financial Health</u>				
Support for Cutting Edge Businesses	1 4	0 7	0 0	4 4
Focus on Small and Minority-Owned Business Development	5 4	0 0	0 6	0 0
Citywide Climate Protection Plan	0 1	0 0	1 2	0 1
Focus on Affordable Housing	0 0	5 0	0 0	10 0
Subtotal	6 9	5 7	1 8	14 5
Total	42 2	57 7	9 7	47 9

* Downtown Quality of Life does not include ongoing funding provided through the Downtown Austin Alliance in the amount of \$0.6 million



Section 3 – Backup Information

- Index of Council Budget Initiatives
- Financial Forecast presentation
 - Current Budget Q&A

COUNCIL PRIORITIES & BUDGET INITIATIVES				Retreat	Discussion on Budget Policies	
Priority	Rich Social and Cultural Community				Rich Social and Cultural Community	slide order
Sub-Priority	Downtown Quality of Life				Downtown Quality of Life	
1	Lumbreras	Waller Creek Tunnel Project			1	13
2	Lumbreras	Clearliness			2	1
3	Lumbreras	Code Enforcement			2	1
4	Lumbreras	Policing			2	1
5	Huffman	Downtown Master Plan			3	6
Sub-Priority	Parks and Public Space maintenance				Parks and Public Space maintenance	
6	Lumbreras	Hike and Bike Trail (lighting & connectivity)			4	2
7	Lumbreras	Parks Maintenance & Park Facilities Repair			5	3
8	Lumbreras	Barton Springs Master Plan Implementation			6	4
Priority	Vibrant Urban Fabric				Vibrant Urban Fabric	
Sub Priority	Plethora of TIFs for Transportation & Other Projects				7	10
9	Stephens	Transportation-Oriented Developments				
10	Stephens	Commuter Rail & Downtown Circulator				
11	Stephens	San Antonio Rail Corridor & Station Areas				
12	Stephens	Corridor Plans				
13	Huffman	Expedite Redevelopment of Green Water Treatment Plant & Town Lake Intake Structures			8	7
14	Garza	Increase Annual Street Maintenance of Lane Miles from 9% to 10%			9	14
Priority	Healthy, Safe City				Healthy, Safe City	
15	McDonald	Complete External Audit of Police to Manage Sustainable Increases in Cost over Time and Evaluate Consolidation of Police Services			10	11
16	Garza	Approve and Implement Structural Water Conservation Policy			11	15
17	Lumbreras	Develop Long-Term Landfill Plans including Economic Development and Recycling Opportunities			12	5
Priority	Sustainable Economic Development and Financial Health				Sustainable Economic Development and Financial Health	
18	Huffman	Support for cutting Edge Businesses Emerging Technologies and Austin s Creative Class as the Key to Our Present and Future Economy			13	8
19	Huffman	Focus on Small Business Development and Support for Women and Minority Owned Business Enterprises			14	9
20	J Garza	Develop Implement and Measure Citywide Climate Protection Plan			15	12
21	Vassallo	land Housing Bond Program			16	16



City of Austin Financial Forecast

May 3rd, 2007

Financial and Administrative Services

May 3rd 2007

Financial & Administrative Services

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Budget Timeline

Oct 1 st	Begin Fiscal Year
Nov 19 th	Council Retreat
Feb 23 rd	Council Retreat – Follow-up
May 3 rd	Financial Forecast Presentation
May / June	Presentation to Public Safety Taskforce and Audit & Finance
May 24 th	Budget Policy Discussion
July 26 th	Proposed Budget Presentation
Aug 9 th /23 rd /30 th	Department Budget Briefings & Public Hearings
Sept 10 th – 12 th	Budget Approval Readings

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Continued Cautious Optimism

- ▶ Strong Economy
- ▶ Strong Revenue Growth
- ▶ Large & Increasing Cost Drivers
- ▶ Vital Core Service Investments needed
 - ▶ Growth related
 - ▶ Internal Controls

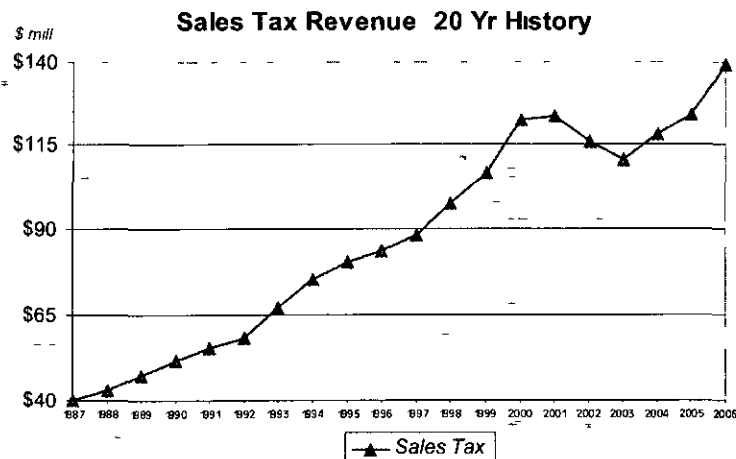
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Growing ... but Volatile



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Outline

- ▶ General Fund Summary
 - ▶ Revenue
 - ▶ Expenditures
 - ▶ Budget Stabilization Reserve
- ▶ Council Priorities
- ▶ Enterprise Funds

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General Fund

General Fund Summary Financial Forecast FY 2008 - FY 2012 (\$ millions)

	2007 Estimate	2008	2009	2010	2011	2012
Revenue	539.0	568.3	601.6	638.1	664.2	692.1
Base Budget Prior Fiscal Year	481.6	534.6	568.3	601.6	638.1	664.2
Cost Drivers	37.5	54.2	53.3	52.6	50.2	53.3
Core Service Investments	15.7	7.0				
Total Projected Expenditures	534.8	595.8	621.6	654.2	688.3	717.5
Gap to be Closed	4.1	(27.5)	(20.0)	(16.1)	(24.1)	(25.4)
Additional Tax Revenue		10.9	11.3	11.9	12.3	12.6
Revised Gap to be Closed	4.1	(16.6)	(8.6)	(4.1)	(11.8)	(12.8)

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General Fund Revenue

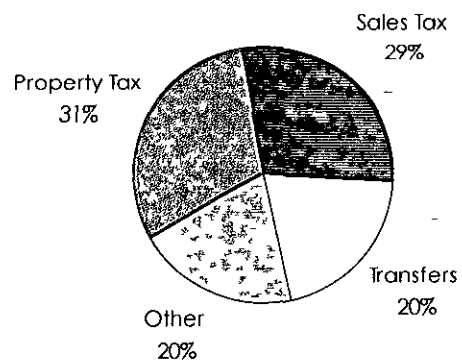
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General Fund Revenue Categories



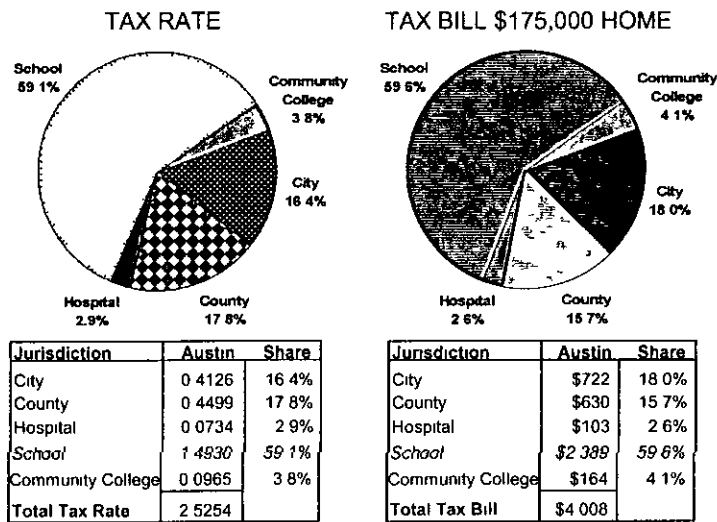
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Austin 2006-07 Overlapping Property Tax



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Property Tax

- ▶ 31% of total General Fund revenue

Assumptions

- ▶ Tax Rate (current year 44.30¢)

- ▶ FY 2008 39.54¢ — effective tax rate + 1.0¢
- ▶ FY 2009 40.59¢ — effective tax rate + 1.5¢
- ▶ FY 2010 41.34¢ — effective tax rate + 0.5¢
- ▶ FY 2011 41.14¢ — effective tax rate
- ▶ FY 2012 40.91¢ — effective tax rate

- ▶ Assessed Valuation (current year \$52.4 b)

	Growth Rate	Total AV	New Property
▶ FY 2008	10.5%	\$66.6 b	\$2.0 b
▶ FY 2009	5.0%	\$69.9 b	\$2.2 b
▶ FY 2010	4.5%	\$73.0 b	\$2.0 b
▶ FY 2011	3.0%	\$75.2 b	\$1.8 b
▶ FY 2012	3.0%	\$77.5 b	\$1.5 b

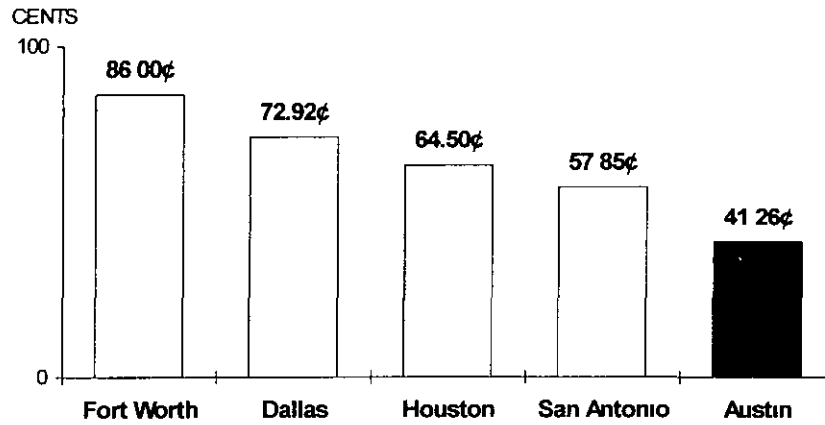
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Property Tax Rate Comparison for 2006-07



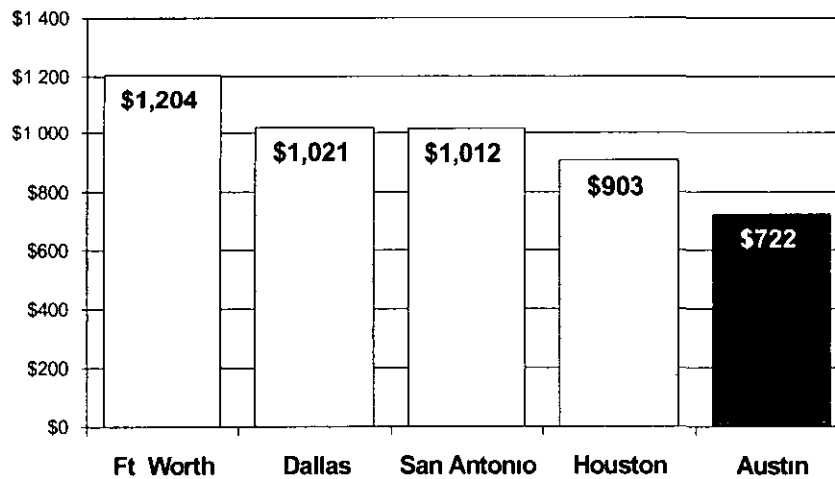
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Property Tax Bill – \$175,000 Home Comparison for 2006-07



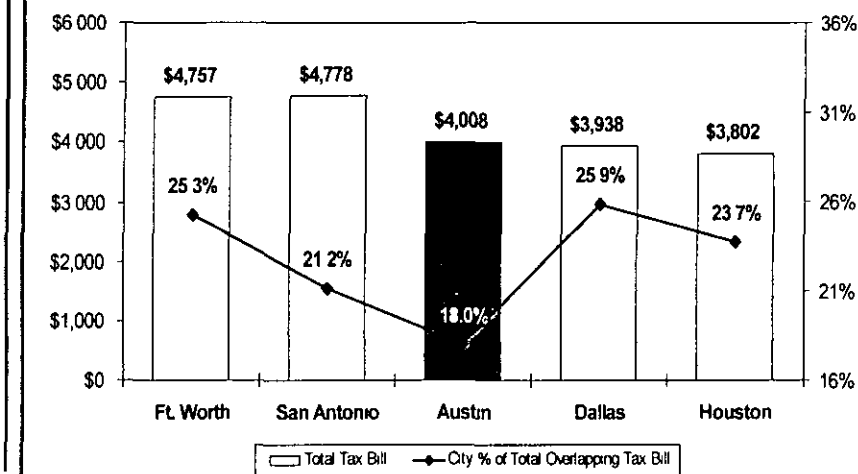
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Overlapping Property Tax Bill Comparison for 2006-07



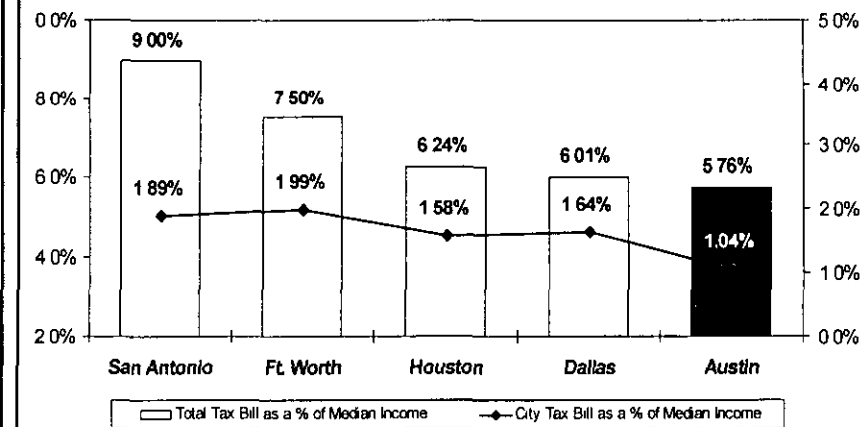
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Property Tax Bill As Percentage of Median Income Comparison for 2006-07



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Sales Tax

- ▶ 29% of total General Fund revenue

Assumptions

- ▶ Revised current year growth upwards, from 8.1% to 9.5%
- ▶ Continuation of robust economic recovery
- ▶ Growth rates
 - ▶ FY 2008 7.5%
 - ▶ FY 2009 7.5%
 - ▶ FY 2010 6.5%
 - ▶ FY 2011 6.0%
 - ▶ FY 2012 6.0%

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Other Revenue

- ▶ Moderate increases in other revenue such as development, franchise fees and charges for services

Utility Transfers account for 20% of total General Fund revenues

- ▶ Transfer rates
 - ▶ Electric Utility 9.1%
 - ▶ Water Utility 8.2%

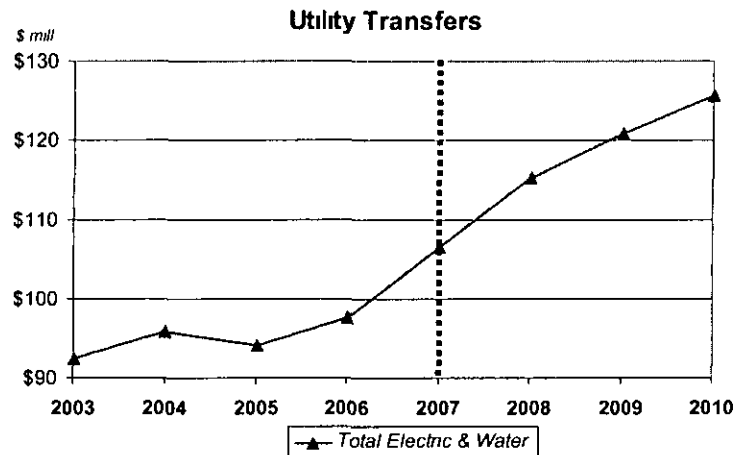
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Transfer Revenue History



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General Fund - Forecast Revenues

General Fund Total Forecast Revenue (\$ millions)					
	2008	2009	2010	2011	2012
Property Tax	174.4	187.8	205.8	213.3	220.7
Sales Tax	164.0	176.3	187.7	199.0	210.9
Utility Transfers	115.2	120.8	125.5	130.5	136.7
Others	114.7	116.7	119.0	121.4	123.8
Total Revenue	568.3	601.6	638.1	664.2	692.1
Increase	33.7	33.3	36.5	26.1	27.9
Base Cost Drivers	54.2	53.3	52.6	50.2	53.3

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General Fund Expenditures

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Expenditures

- ▶ Base Budget
- ▶ Cost Drivers
- ▶ Core Service Investments

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Forecast Assumptions

Base Budget

- ▶ Maintain funding to meet current service levels
 - ▶ Public Safety Public Health & Social Services
 - ▶ Parks programs & Library services
 - ▶ Permitting, Review & Inspection

Cost Drivers

- ▶ Maintain 2.0 Police Officers per 1,000 population
- ▶ Maintain Fire Enhanced Task Force Staffing
- ▶ Fund Public Safety Contracts
- ▶ O&M for new/expanded facilities
- ▶ Maintain Street Preventative Maintenance at 9% level
- ▶ 3.5% Increase for Social Service Contracts

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Forecast Assumptions

Cost Drivers - Investment in the Workforce

- ▶ Pay for Performance
 - ▶ For FY08 3.875% for civilian workforce
 - ▶ FY09 onwards 4.5% for the entire workforce – both sworn and civilian
- ▶ Market Adjustments
 - ▶ Market study program included in each year
- ▶ Continuation of Reward & Recognition
- ▶ Health insurance increase of 15% in FY08, 10% thereafter
- ▶ Continuation of 1% retirement contribution
- ▶ Increase in training funding for front-line employees

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Forecast Assumptions

Change in FY08 Cost Drivers
(\$ mills)

Category	FY08 April 2006	FY08 May 2007	Change	Major Changes
Public Safety	\$24.1	\$32.4	\$8.3	<ul style="list-style-type: none">* Officers for 2.0* Police Overtime* Fire Overtime* EMS Overtime* Vacancy Savings
Other Departments & Transfers	\$12.5	\$21.8	\$9.3	<ul style="list-style-type: none">* Street Preventative Maintenance* Health Insurance* Temp to Perm including Library Security* Social Service Contracts 3.5%* Turner/Roberts & Gus Garcia Rec Centers* Class B Misdemeanor Services* Expiring Health Grants* Bilingual pay full year costs of current program
Totals	\$36.6	\$54.2	\$17.6	

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Forecast Assumptions

Core Service Investments

- ▶ City-wide effort to identify key investments for operational needs
 - ▶ Original requests total over \$18 million
 - ▶ Forecast includes \$7.0 million of investments
 - ▶ Primarily fall into two categories
 - ▶ Growth Related
 - ▶ Internal Controls

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Forecast Assumptions

Core Service Investments - Growth Related Highlights

- ▶ Graffiti Abatement
- ▶ Permitting, Plan Review, and Building Inspection
- ▶ Urban Design
- ▶ EMS Peak Load Unit
- ▶ Parks Facility Preventative Maintenance
- ▶ Materials for our Libraries

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Forecast Assumptions

Core Service Investments - Internal Controls

- ▶ HR resources for Muni Ct, Police, PARD
- ▶ Finance resources for Police, Fire, PARD
- ▶ EMS Communications
- ▶ Fire Dispatching

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General Fund

General Fund Summary Financial Forecast FY 2008 FY 2012 (\$ millions)

	2007 Estimate	2008	2009	2010	2011	2012
Revenue	539.0	568.3	601.6	638.1	664.2	692.1
Base Budget Prior Fiscal Year	481.6	534.6	568.3	601.6	638.1	664.2
Cost Drivers	37.5	54.2	53.3	52.6	50.2	53.3
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Additional Tax Revenue		10.9	11.3	11.9	12.3	12.6
Revised Gap to be Closed	4.1	(16.6)	(8.6)	(4.1)	(11.8)	(12.8)

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Budget Stabilization Reserve Fund

- Per City's Financial Policies
 - At end of each year, excess revenue and unspent appropriation deposited into this reserve
 - Fund may be used for capital and one-time expenditures, but not to exceed 1/3 of total amount in the reserve, with 2/3 reserved for future years

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'One-Time' Critical Costs

Preliminary Requests for FY08

Vehicle Replacements	\$ 8 4 million
Technology replacement & upgrades	\$ 5 9 million
Service Incentive Enhancement	\$ 2 5 million
1% Retirement Contribution	\$ 1 5 million
Department Capital Items	<u>\$ 4 6 million</u>
Total	\$22 9 million

Amount Available from Stabilization Fund **\$15 1 million**

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Council Priorities

- ▶ Outcome of Feb 23rd Council Retreat Follow-up
 - ▶ Confirmation of Council Priorities
 - ▶ Determined Initiatives for each priority

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Council Priorities

Rich Social & Cultural Community

Downtown – Waller Creek Tunnel, Cleanliness, Code Enforcement, Policing

Parks & Public Space – Hike & Bike Trail, PARD maintenance, Barton Springs Pool

Vibrant Urban Fabric

TODs, Commuter Rail & Downtown Circulator, San Antonio Rail Corridor & Station Plans, Corridor Plans, Related Funding/Infrastructure

Green Water Treatment Plan & Town Lake Intake Structures, 10% Street Preventative Maintenance

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Council Priorities

Healthy, Safe City

Completion of Police External Audit, Water Conservation Policy, Long-term landfill plan

Sustainable Economic Development and Financial Health

Support Cutting Edge, Emerging Technologies, and Creative Class

Focus on Small Business Development and Support for Women & Minority Owned Business

City-wide Climate Protection Plan

Affordable Housing Initiatives

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Council Priorities

- ▶ Effort is underway to address each of the 21 initiatives
- ▶ Partial or full funding for continuation of effort is included in this forecast
- ▶ Will be refining for policy discussion & the proposed budget

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Enterprise Funds

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Aviation

► Revenue

- Passenger traffic grows at 3.0% in the forecast period, consistent with population growth
- Total revenue projected to increase approximately 3.5% per year for the period

► Requirements

- Requirements are projected to grow at close to the same rate as revenue each year
 - Forecast includes cost increases associated with security mandates, maintenance and personnel
- Annual contributions to capital fund average \$9 million for improvements or expansion

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Austin Convention Center

► Revenue

- 2006 bed tax collections up 22% over 2005
 - Bed tax accounts for about 60% of revenue
- 2006 rental car tax revenue up 27% over 2005
- Projecting more moderate growth in facility rental revenue, contractor revenue, and hotel tax revenue in the forecast

► Requirements

- Continued investment in technology will enhance facility amenities and services
- Ongoing equipment replacement
- Facility repairs & improvements

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Watershed Protection – Drainage Utility Fund

- ▶ Revenue
 - ▶ No rate increases for the forecast period
 - ▶ Forecast based on 1.7% annual customer growth
- ▶ Expenditures
 - ▶ Continuation of infrastructure and system improvement projects from Master Plan
 - ▶ FY 2008 Transfer to CIP is \$17.7 million
 - ▶ Ranges between \$13.7 million and \$16.7 million for remaining years
 - ▶ \$95 million in funding for drainage projects also included in the November 2006 bond program

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Solid Waste Services

- ▶ Revenue
 - ▶ The PAYT program has not had a rate increase since its inception in 1997
 - ▶ SWS base revenue, with no rate increase, is projected to increase annually by 3%
- ▶ Expenditures
 - ▶ Forecast assumes implementation of single-stream recycling and closure of the FM812 Landfill, as well as funding for code enforcement
 - ▶ Growth in cost drivers (personnel / fuel / commodities) is expected to outstrip growth in base revenue
- ▶ Forecast shows ending balance declining below level needed per financial policy – rate increase needed in 2009

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Austin Energy

- ▶ AE base rate has not increased since 1994
- ▶ Over the forecast period, average growth in base revenue with no rate increase is 2.2% annually
- ▶ Debt service is expected to increase over the forecast period to fund capital improvements estimated at \$921 million
 - ▶ Primarily distribution and transmission projects
- ▶ A rate increase may be needed in 2011

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Austin Water Utility

- ▶ Debt service is expected to increase over the forecast period to fund capital improvements estimated at \$1.3 billion, primarily
 - ▶ Treatment plant improvements
 - ▶ Extensions & improvements to respond to growth in demand in northeast and southeast service areas
 - ▶ Rehabilitation of aging infrastructure
 - ▶ Improvements to the reclaimed water system

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Austin Water Utility

- ▶ Over the forecast period, average growth in base revenue is 2.0% annually
- ▶ Includes additional O&M funding for
 - ▶ Water conservation
 - ▶ Environmental protection
 - ▶ Repair contracts to improve water leak and main break response times

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Austin Water Utility

- ▶ Combined Rate plan

	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>Total</u>
<u>Last Year</u>	7.2%	6.0%	6.0%	0.0%	0.0%	19.2%
<u>Revised</u>	9.8%	7.0%	7.0%	0.0%	0.0%	23.8%

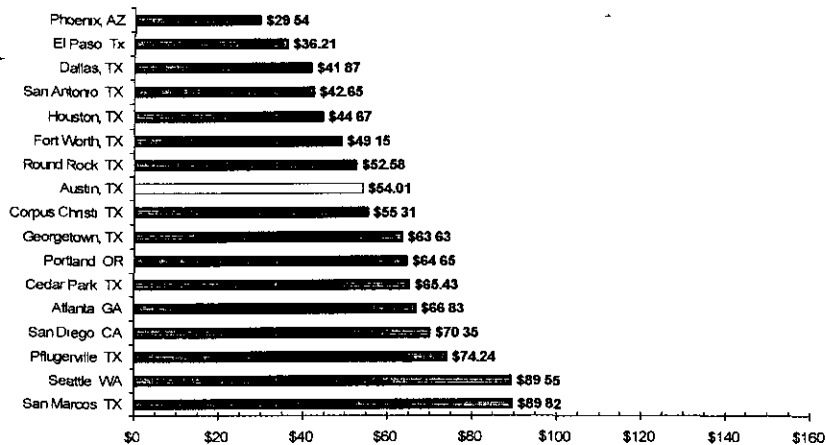
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Austin Water Utility



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Key Dates

May 24 th	Budget Policy Discussion
July 26 th	Proposed Budget Presentation
August	Budget Presentations & Public Hearings
September 10 th – 12 th	Budget Approval Readings

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2007-2008
Index of Council Budget Questions
Updated 5/17/2007 3:39 P M

Department	Question Number	Council Member	Question	Date Received	Status
Austin Water Utility	1	Kim	Why is the water rate higher for Austin compared to other Texas cities and Phoenix Arizona?	5/3/2007	Posted
Public Works	2	Kim	How much would the City save in street reconstruction costs by increasing street preventative maintenance from 9% to 10%?	5/3/2007	Posted
Financial Services - Budget	3	Martinez	Please provide a detailed summary of purchases under \$49,000 (City Manager's Authority) for FY 2007	5/14/2007	Posted

**2007-2008 PROPOSED BUDGET
RESPONSE TO REQUEST FOR INFORMATION**

DEPARTMENT Austin Water Utility

REQUEST NO 1

REQUESTED BY Kim

DATE REQUESTED 5/3/07

REQUEST Why is the water rate higher for Austin compared to other Texas cities and Phoenix, Arizona?

RESPONSE.

When reviewing average customer monthly bills from multiple cities, it is easy to compare the actual results of bill calculations between cities, however, it is very difficult to determine why those cities have higher or lower average bills. There are many reasons why a city's average customer monthly bill differ from other city's average customer monthly bill, including

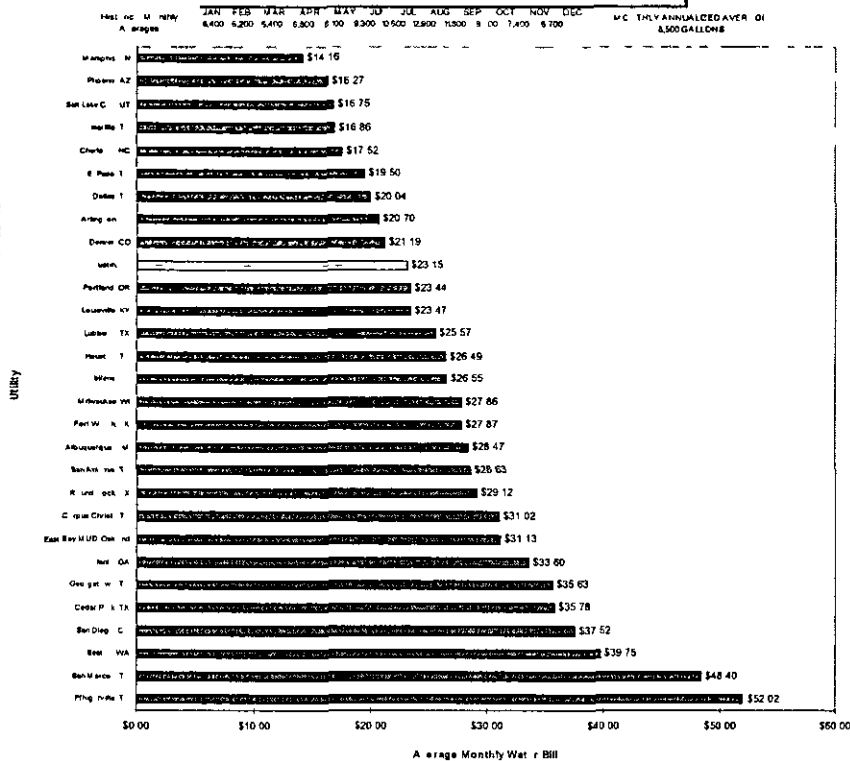
- Different rate structures
- Utility system characteristics
- Topography
- Growth in the city / population
- Regulatory environment
- Conservation efforts
- Financial – operations and capital spending
- City policies

While it is difficult to explain the differences between average customer monthly bills of cities, below are some specific details to explain at least some of the difference in Texas cities and Phoenix

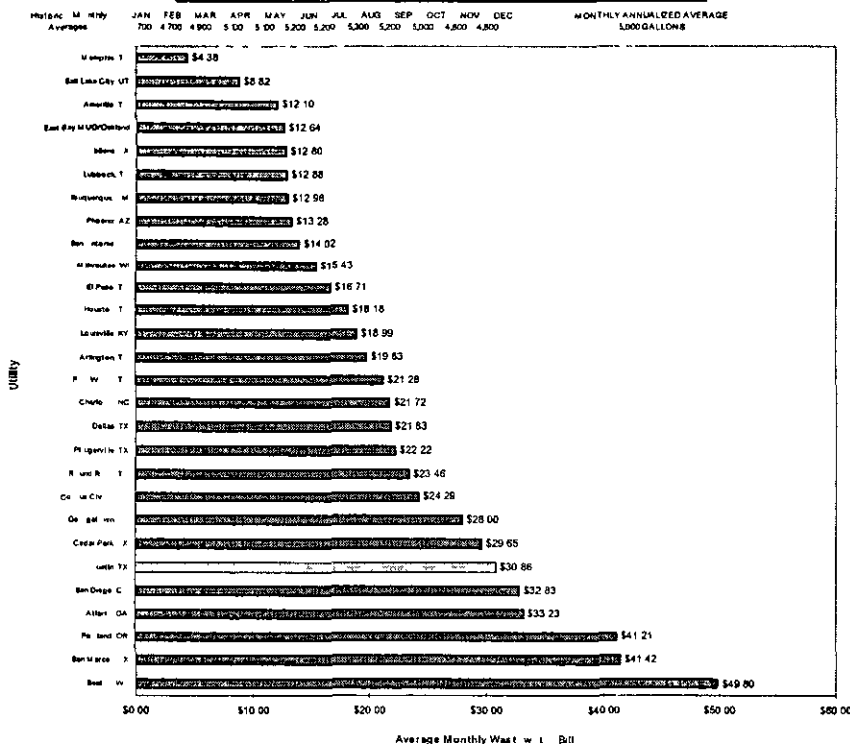
General

Austin's combined average customer monthly bill is \$54.01. This combined monthly bill consists of an average water bill of \$23.15 and an average wastewater bill of \$30.86. For the major Texas cities, only Dallas and El Paso have a lower average water bill than Austin. However, for the average wastewater bill, Austin has the highest average bill of all other major Texas cities. One of the primary reasons for Austin's higher average wastewater bill is recent wastewater rate increases related to the increased wastewater capital spending on the Austin Clean Water Program and other major projects such as the expansion of the South Austin Regional Wastewater Treatment Plant. Additionally, the methodology a city uses for wastewater averaging impacts each city's wastewater rates, thus the bill comparisons to Austin. The wastewater average methodology impacts the resulting average flows for the city which determines the rates that must be charged to recover the appropriate amount of revenue. Below are graphs of the separate water and wastewater average monthly bill comparisons by city.

AVERAGE MONTHLY BILL COMPARISON WATER INSIDE CITY RESIDENTIAL CLASS Existing Rates (Austin Average Water Consumption)



AVERAGE MONTHLY BILL COMPARISON WASTEWATER INSIDE CITY RESIDENTIAL CLASS Existing Rates (Austin Average Wastewater Flow)



San Antonio

San Antonio has an average water bill that is \$5.48 or 24% more than Austin, and an average wastewater bill that is \$16.84 or 55% less than Austin. In the past, San Antonio had water bills significantly less than Austin. This was primarily due to the fact that they used ground water sources and only had to marginally treat their water before distribution to their customers. San Antonio does not have major treatment plants like we do in Austin. As you can see in the graph above, San Antonio now has an average customer water bill that is 24% higher than Austin. This should only continue as San Antonio deals with its water supply issues which will require significant capital investment in raw water reservoirs and treatment plants.

On the wastewater monthly bill, San Antonio has a significantly lower average bill than Austin. In fact, San Antonio has the lowest average wastewater bill of all major Texas cities. San Antonio's system (SAWS) is the only wastewater treatment agency in its area. There are actually more wastewater customers (355,000) than water customers in their 560 square mile service area, which provides more density and economies of scale than Austin's 185,000 wastewater customers with a similar sized service area. In serving significantly more customers in a smaller service area, San Antonio can spread its fixed costs over more customers, thus reducing its overall rates.

Dallas

Dallas has an average water bill that is \$3.11 or 13% less than Austin, and an average wastewater bill that is \$9.03 or 30% less than Austin. One reason that can explain some of the difference on the wastewater bill is the wastewater averaging policy of Dallas. Austin uses a 3-month wastewater averaging period and uses the 2 lowest months to determine a customer's wastewater average. The resulting average customer in Austin has a wastewater average of approximately 5,000 gallons. Our rates are then determined based on the 5,000 gallon average wastewater flow, which is also the basis for our monthly bill calculations for the comparisons. Dallas uses a 4-month wastewater averaging period without dropping any months. This results in a higher average wastewater flow for the customer of approximately 6,100 gallons. Dallas then sets their rates based on their wastewater flows. The rates are then lower than Austin's due to the increased amount of wastewater flow units (1,000 gallon units). When comparing average customer monthly bills between these two cities, we use Austin's average of 5,000 to calculate all bills in other cities, regardless of those cities average customer flows. This provides consistency in the calculation, however can explain differences in the results based on rates that were determined using different wastewater average methods.

Using Austin's average wastewater flows of 5,000 gallons per month, Austin has set rates to recover 100% of Residential revenue requirements. Austin's residential revenues using 5,000 gallons wastewater flow generates \$62.1 million per year at existing rates. If Austin used Dallas' 6,100 gallons wastewater flow, Austin would generate \$76.2 million per year. Austin would be collecting more than the revenue requirements and would need to decrease the rates per 1,000 gallons. If Dallas kept their rates static, but the average wastewater flows generated from their 4-month average was 5,000 gallons per customer like Austin, they would fall significantly short of their revenue requirements and would have to increase its rates. The wastewater averaging methodology is critical to understanding why average customer monthly wastewater bill vary between cities.

Houston

Houston has an average water bill that is \$3.34 or 14% higher than Austin, and an average wastewater bill that is \$12.68 or 41% less than Austin. In Houston, the wastewater bill is calculated on a gallon for gallon basis of the water consumption. Whatever a customer's water consumption for the month is the gallons that are used to bill wastewater. During winter months when Houston's average customer might be using closer to 5,000 gallons, the customer's average monthly wastewater bill in Houston might be lower than Austin, however during the summer months when water consumption is higher, Houston's wastewater bill will be significantly higher. The wastewater bill in the current graph is based on Austin's billed wastewater flows that are generally 5,000 gallons each month during the year based on our wastewater average methodology. This is why Houston's average bill is so much lower. If Austin used the same basis for billing wastewater flows (gallon for gallon) the rates per 1,000 gallons would need to be reduced significantly. Otherwise, the AWU would generate 76% more revenue than needed to cover revenue requirements. In future updates of this graph, Austin will begin calculating Houston's wastewater bill based on Austin's average customer water consumption. This will more appropriately reflect the fact that Houston bills their wastewater on a gallon for gallon basis of their water consumption and do not use a wastewater average. If this was done during the previous survey, Houston's average wastewater bill would have been \$29.86 instead of \$18.18, which is within \$1.00 of Austin's average wastewater bill of \$30.86. Additionally, on April 1, 2007, Houston had a water and sewer rate increase. For the last few months, using this revised comparison methodology, Houston's average wastewater bill would be \$30.68, within \$0.18 of Austin's rate. During the proposed budget development process, the Utility will revise the bill comparison to include any rate increases and adjust for the gallon for gallon wastewater billing basis of Houston.

Fort Worth

Fort Worth has an average water bill that is \$4.72 or 20% higher than Austin, and an average wastewater bill that is \$9.58 or 31% less than Austin. Similar to San Antonio and most other utilities, Fort Worth's wastewater average methodology based on 3-months of water use produces a higher wastewater average than Austin's methodology. It is not as significant as the Dallas example above, but still creates some of the variance. When Austin used the 3-month average calculation method, the average residential wastewater flow per customer was approximately 500 gallons more per month than it is now.

One significant aspect of the Fort Worth wastewater system is the ability for one plant to treat 100 percent of the city's wastewater flows. Austin has 2 major wastewater plants, with a total rated capacity of 150 MGD. Austin currently treats 30 billion gallons annually (BGY). Fort Worth has only 1 wastewater plant with a total rated capacity of 166 MGD. Fort Worth treats 39.7 BGY. The economies of scale created by having only one plant vs. two plants are significant, especially when they also serve a larger wastewater population (157,000 more). Having only one plant allows Fort Worth to have reduced operations and maintenance costs.

One more possible reason for the variance between the residential average bills is the wholesale vs. retail ratio. Austin has a retail and wholesale wastewater service area population of 745,000 and 28,000 respectively (wholesale only 3.6%). Fort Worth's is 625,000 retail and 305,000 wholesale (wholesale 32.8%). Fort Worth's rate differential between inside and outside city customers are much more pronounced (both the minimum and volumetric charges) than the Austin Water Utility's. This would generate more revenue from the outside city customers that can reduce the needed revenues from the inside city customers. The monthly bill comparisons uses the inside city rates when comparing to Austin.

Topography differences between Austin and Fort Worth also impacts the rates and monthly bill comparisons between these two cities. Due to Fort Worth's relative flat topography and use of gravity systems, it operates only 30 (mostly small) lift stations, the largest with a capacity of 4,500

gpm Due to Austin's hilly and rocky topography, there are 116 lift stations (many large) and a few with capacities approaching 160,000 gpm Every lift station adds capital infrastructure (up to \$20 million each) and O&M (electricity, etc) costs to the AWU system

El Paso

In this year's national rate survey, El Paso had an average water bill that was \$3.65 or 16% less than Austin, and an average wastewater bill that was \$14.15 or 46% less than Austin Similar to San Antonio, much of their water supply is from groundwater, which significantly lowers treatment capital and O&M costs From the 1960's through the early 1990's 80% to 95% of El Paso's supply was from groundwater Over the last 10 years this has decreased to approximately 60%, while surface water from the Rio Grande has increased Since their long term water supply needs are shifting to surface water as the population grows, the treatment plant costs will increase dramatically in the future El Paso currently has only 65,000 acre/feet of water rights from the Rio Grande Project With the increase in surface water needs as the population grows, El Paso may face large water rate increases in the years to come

El Paso feels their entire surface water supply and current groundwater supply will run out by 2020 due to population growth Because of the limited water in the Rio Grande, they do not have the option Austin did to increase surface water rights (1999 \$100 million LCRA Agreement) They will face higher costs to expand reclaimed water or import water to meet future demand They also have an option to pull from other groundwater sites that would require an expensive water desalinization treatment process There is current litigation regarding proposed water rights at these alternate sites With current projected needs through 2060, El Paso Water Utilities would need to purchase 22,300 acres of land just to acquire the water rights that require desalinization

Some of the historical wastewater infrastructure capital spending needs for El Paso was decreased through the use of federal grants and low interest loans All three of their wastewater plants received some form of funding assistance The H R Street WWTP (49 MGD capacity) received a 75% federal grant through 1988 The Northwest WWTP (35 MGD capacity) received a Texas Water Development Board (TWDB) low-interest loan for 75% of the project in 1987 Finally, the R R Bustamante WWTP (51 MGD capacity) received a TWDB low-interest loan for 75% of the project in 1991 One of the reasons that El Paso might have been able to secure federal grants that other cities have not could be that their median family income was and continues to be significantly less than the other major Texas cities Austin has built or expanded its wastewater treatment plants with little to no federal grants

El Paso has also had a history of rate increase "shock" In 1990 they had a 45% increase In 1998 it was 17% In 2004 it was 35% The AWU typically has had more rate increases that are generally smaller This helps avoid rate shock With the issues El Paso has in the near future relating to water sources and treatment plant issues, it will not be long until their water rates surpass Austin's

Phoenix

Phoenix has an average water bill that is \$6.88 or 30% less than Austin, and an average wastewater bill that is \$17.58 or 57% less than Austin When comparing Austin to Phoenix, one of the significant differences between the cities is the amount of debt per customer of each city Based on information for FY 2006, Austin has a debt per customer of \$8,100, while Phoenix has a debt per customer of approximately \$5,000 There are probably many reasons that Phoenix's debt is proportionately lower than Austin One reason is that Phoenix will see significant economies of scale relating to one of their wastewater plants Phoenix jointly owns a large wastewater treatment plant with 4 other cities in the area This facility is a 179 MGD plant which is 139% larger than either of Austin's wastewater plants This facility serves a population of 2.6 million and a service

area of 929 square miles. The other wastewater plant that Phoenix owns is much smaller than Austin's plants and serves only a section of Phoenix residents. The fact that Phoenix owns a share of the larger plant reduces their proportionate capital costs to construct and expand facilities and allows them to reduce operating costs by sharing with other cities.

Additionally, Phoenix has a much more dense utility system than does Austin. Phoenix serves 394,000 customers within a 517 square mile system. Austin serves 200,000 customers within a 540 square mile system. In serving significantly more customers in a smaller service, Phoenix can spread its fixed costs over more customers, thus reducing its overall rates.

**2007-2008 PROPOSED BUDGET
RESPONSE TO REQUEST FOR INFORMATION**

DEPARTMENT Public Works

REQUEST NO 2

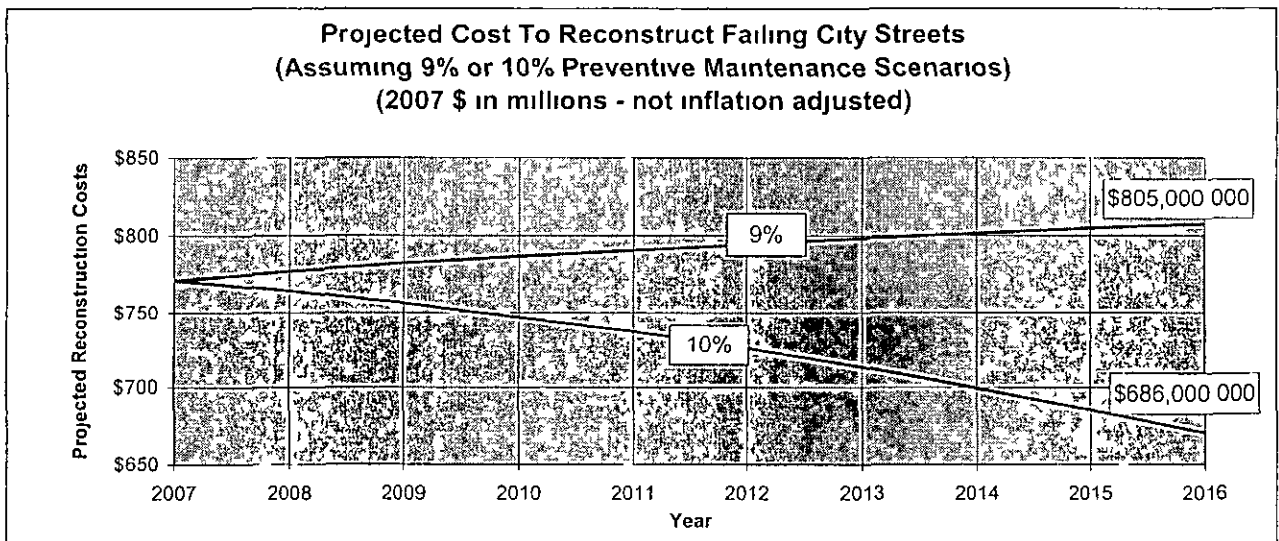
REQUESTED BY Kim

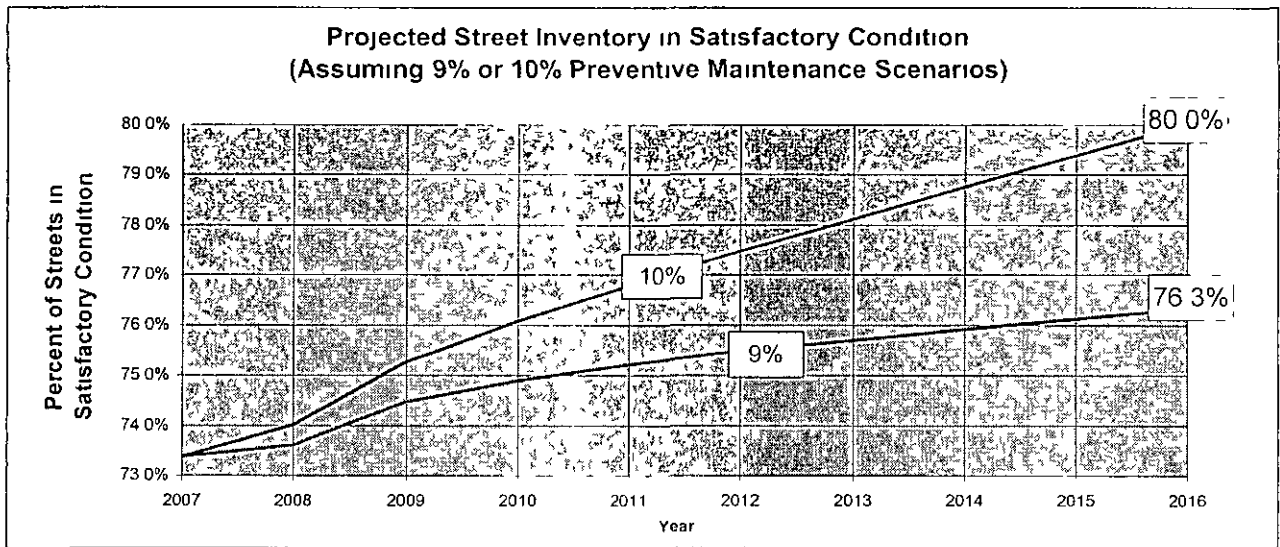
DATE REQUESTED 5/3/07

REQUEST How much would the City save in street reconstruction costs by increasing street preventative maintenance from 9% to 10%?

RESPONSE

The following charts display the cost of reconstructing the backlog of poor and failed streets and the projected impact on the street network over the next ten years using the 9% or 10% maintenance levels





As you can see, under the 10% strategy, the cost of reconstructing poor and failed streets is projected to decrease by approximately \$119 million over the next 10 years

**2007-2008 PROPOSED BUDGET
RESPONSE TO REQUEST FOR INFORMATION**

DEPARTMENT FSD - Budget

REQUEST NO 3

REQUESTED BY Martinez

DATE REQUESTED 5/9/07

REQUEST Please provide a detailed summary of purchases under \$49,000 (City Manager's Authority) for FY 2007

RESPONSE

We will be able to provide a detailed summary of purchases under the \$49,000 City Manager's authority for the first six months of 2007 by June 29th, 2007. This will include the following information about each contract:

- Department
- Vendor Name
- Business Enterprise Code
- Exception Code (purchase type)
- Commodity Class & Description
- Commodity Code & Description
- Contract #
- Amount

This will be in the same format as the information provided on purchases under the City Manager's authority for 2005 and 2006.

While all of this information is being captured in the financial system, information is not readily available in an existing report. Instead, this will require the creation of a specialized query, which will be ready by June 29th. This query will move to the top of the "to do" list for programming staff, but as a result may impact the delivery of other specialized reports for departmental business needs.