

City of Austin, Texas
Proposed Lost Creek MUD Strategic Partnership Agreement
Summary of Financial Analysis
May 2007

Estimated revenues and requirements associated with annexation are summarized below and are shown in millions of dollars. Revenues and requirements associated with the standard municipal annexation process (MAP) in which full purpose annexation of Lost Creek would occur in December 2008 are depicted in the first column and the projections in the second column were developed assuming that most annexation would occur in December 2015 under the proposed terms of the strategic partnership agreement (SPA).

The cumulative cash flows shown below cover a 25 year period and are represented in today's dollars or net present value (NPV). Projected cash flows provide an analytical tool for assessing the expected annual financial impact to the City of a proposed annexation.

- The SPA agreement includes mutually beneficial terms that have been negotiated to result in equivalent estimated value to the City of Austin over the 25 year analysis period compared to 2008 annexation under the MAP defined in State law.

LOST CREEK MUD ANNEXATION
Summary of the Net Present Value of Projected Fund Cash Flows
(in millions of dollars)

Note: All cash flow projections are estimates.

<i>Sources of Funds</i>	MAP – Annexation in 2008	SPA – Annexation in 2015
General Government	\$ 27	\$ 20
Austin Water Utility	18	12
Other Enterprise Funds	6	3
NPV of Total Sources	\$ 51	\$ 35
<i>Uses of Funds</i>		
General Government	\$ 22	\$ 13
Austin Water Utility	10	6
Other Enterprise Funds	6	3
NPV of Total Requirements	\$ 38	\$ 22
NPV of Net Cash Flows	\$ 13	\$ 13

The proposed SPA projections incorporate:

Annual property tax revenue from the Lost Creek MUD commercial area that will be annexed for full purposes in December 2007 approximately \$500,000 and annual property tax revenue from the entire district beginning after annexation in 2015 approximately \$2.3 million.

Annual payments of \$272,000 from the District to the City of Austin during fiscal years 2009 through 2015 and District funding for repairs and improvements of the sewage treatment system prior to December 2012.

Requirements for a fire service protection contract with Travis County ESD #9.

Requirements associated with other costs of service to Lost Creek based on current City service delivery (e.g., cost of police protection is estimated based on the City's policy of budgeting 2,000 officers per 1,000 population).

Estimated cost of drainage utility improvements of approximately \$2.5 million after annexation.