

**RIVER PLACE
ANNEXATION FINANCIAL ANALYSIS ASSUMPTIONS
December 2008**

The City of Austin is proposing to add the River Place area to the City's Municipal Annexation Plan (MAP) on December 18, 2008. If the City Council adds the River Place area to the MAP, annexation would occur on December 31, 2011. River Place Municipal Utility District (MUD) comprises the largest portion of the annexation area. Parcels located outside the MUD boundary that would become surrounded by the full purpose city limits if not annexed at the same time as the MUD are included in the annexation area as well. In addition, adjacent parcels located below the 504.9 foot mean sea level elevation along Lake Austin that are already partially in the City's full purpose jurisdiction but not currently assessed city property taxes are also included in this analysis.

The estimate of costs for city services is based on current spending for provision of services. The analysis is not intended to identify or predict exact costs or revenues. Rather, the analysis provides a general estimate of the financial impact of the proposed annexation in today's dollars. The City's revenue sources and cost drivers are diverse. Since inflation predictions vary and are likely to offset each other over time, no inflation rate was used in the analysis.

The proposed annexation of the River Place area generates an expected net present value for the cumulative 25 year cash flows of \$8.4 million to the City. This number is derived by analyzing the City's estimated revenues and expenditures in the area proposed for annexation over a 25 year period commencing with annexation in 2011, discounted to the present using a 5% interest rate.

Taxable Appraised Value

Based on the 2008 Travis County Appraisal District Records, the taxable appraised value (TAV) is \$501,827,563. Property tax revenue is based on taxable appraised value.

Land Use Assumptions

Single Family Residential

974 existing single family homes, average household size is approximately 3.2 persons. Final build out is projected at 1,037 homes.

Multi Family Residential

There are 5 apartment units.

Current Population Estimate

Based on the City's demographic standards, the current estimated population is 3,125.

Commercial Development

There is a country club with 13,000 square feet of retail space.

Key Revenue Assumptions

There are three main sources of revenue to the City:

Property Tax – The City’s adopted tax rate for the Fiscal Year 2009 approved budget is \$0.4012 per \$100 of appraised value and this rate is assumed for the annexation financial analysis. This tax rate is composed of two parts. The rate used to generate revenue to support operations and maintenance is \$0.2762 per \$100 of valuation in FY 2009 and the rate that generates revenue to provide debt service support which is \$0.1250 for FY 2009. Tax rates are approved by the City Council as part of the budget adoption process every September.

Sales Tax – Sales tax to be collected by the City of Austin upon annexation is limited to the sales tax derived from Austin Energy billings for electric service and sales tax from the retail operations of the country club. The annual sales tax revenue from utility billings is estimated \$15 per account and the retail sales tax revenue assumption is based on annual receipts \$1.50 per square feet.

Enterprise Fund Transfer – An annual transfer of 8.2% of Austin Water Utility revenue is made to the General Fund.

Other – Other sources of revenue include franchise fees, estimated at \$71.20 per residence per year and interest revenue. To state the financial analysis conservatively, no interest income is included in any fund for purposes of this analysis.

Key Expenditure Assumptions

Assumed District Bonds

As of the last available audited financial statement September 30, 2007, the River Place Municipal Utility District had bonds outstanding in the amount of \$9.7 million. These bonds were initially issued to fund capital water and wastewater projects. Any bonds still outstanding as of January 1, 2012 will be assumed by the Austin Water Utility. The debt service required for the projected outstanding MUD bonds is included in this analysis.

Emergency Service District (ESD) Reimbursement

Section 775.022 of the Texas Health and Safety Code requires compensation from the City of Austin to Travis County ESD #6 upon annexation of the River Place MUD area. Upon annexation, the taxable appraised value of the ESD, the taxable appraised value of the area annexed, and the ESD debt will be used to calculate the actual amount of compensation to be paid by the City.

City Services:

- **Emergency Medical Services** – No additional emergency medical service operations costs for the Austin Travis County EMS are expected to be assigned to the City of Austin due to the proposed annexation.
- **Fire** – No additional costs to provide fire service to the River Place area is anticipated. AFD will provide First in Unit responses from AFD station 39 and will seek to enter into automatic aid agreements with ESD # 4 and ESD # 6.
- **Police** – The analysis assumes the equipment need and operating costs for police services will equal approximately \$200 per capita. This estimated per capita cost is consistent with the City's policy of maintaining 2.0 officers per 1,000 population.
- **Health** – No additional requirements for environmental or public health services are assumed.
- **Code Enforcement** – Estimated requirements of \$10 per single family unit for code enforcement by Solid Waste Services is included in the analysis.
- **Library** – No estimated costs for a library facility are included in the analysis.
- **Parks and Recreation** – The financial analysis includes a standard assumption of 5 acres of parkland per 1,000 population and \$300 per acre for annual operations and maintenance.
- **Public Works and Transportation** – Maintenance costs for signs, markings and signals are estimated, per model standards.
Signs & Markings - \$75 per residential acre
Signal Maintenance - \$250 per year for 1 signal
Streetlight Maintenance - \$500 per year for 12 street lights
- **Austin Water Utility** – The MUD is currently a wholesale water customer of the City of Austin.
- **Other Enterprise Funds** – The Solid Waste Services Fund and the Drainage Utility Fund will receive incremental user fee revenues at annexation. It is assumed that the fund operations and maintenance costs are supported by these fees. Solid Waste Services may be continued by private haulers for the first two years following annexation.

River Place MUD

SUMMARY OF ALL FUNDS:

Annual Summary-First Five Years After Annexation

	2010-11	2011-12	2012-13	2013-14	2014-15
BEGINNING BALANCE	-	-	117,520	(444,164)	(1,215,246)
SOURCES OF FUNDS					
General Government	-	2,333,854	2,364,368	2,373,132	2,390,658
Austin Water Utility Fund	-	1,923,661	2,564,880	2,564,880	2,564,880
Solid Waste Services Fund	-	370,571	371,297	371,297	371,297
Drainage Utility Fund	-	96,426	96,598	96,598	96,598
Transportation Fund	-	61,657	61,777	61,777	61,777
TOTAL SOURCES OF FUNDS	-	4,786,170	5,458,919	5,467,683	5,485,209
Less: Interfund Transfers	-	(157,740)	(184,030)	(192,794)	(210,320)
NET SOURCES OF FUNDS	-	4,628,430	5,274,889	5,274,889	5,274,889
REQUIREMENTS					
General Government	-	708,636	710,026	710,026	710,026
Austin Water Utility Fund	-	3,431,359	4,780,905	4,999,067	3,465,998
Solid Waste Services Fund	-	370,571	371,297	371,297	371,297
Drainage Utility Fund	-	96,426	96,598	96,598	96,598
Transportation Fund	-	61,657	61,777	61,777	61,777
TOTAL REQUIREMENTS	-	4,668,650	6,020,603	6,238,765	4,705,696
Less: Interfund Transfers	-	(157,740)	(184,030)	(192,794)	(210,320)
NET REQUIREMENTS	-	4,510,910	5,836,573	6,045,971	4,495,376
ANNUAL FINANCIAL IMPACT	-	117,520	(561,684)	(771,082)	779,513
ENDING BALANCE	-	117,520	(444,164)	(1,215,246)	(435,733)

Cumulative Impact Summary

	Through Year 5	Through Year 10	Through Year 25
TOTAL GENERAL GOVERNMENT	8,319,511	16,764,046	36,680,087
ENTERPRISE FUNDS:			
AUSTIN WATER UTILITY	(7,693,800)	(8,116,911)	(19,985,219)
SOLID WASTE SERVICES	-	-	-
DRAINAGE UTILITY	-	-	-
TRANSPORTATION	-	-	-
TOTAL ENTERPRISE FUNDS	(7,693,800)	(8,116,911)	(19,985,219)
GRAND TOTAL ALL FUNDS	625,711	8,647,135	16,694,868

NPV of 25 Yr Cash Flows

\$8,393,590