

MINUTES OF THE CITY COUNCIL
CITY OF AUSTIN, TEXAS
Special Called Council Meeting
July 18, 1980
2:00 P.M.
Council Chambers
301 West Second Street

The meeting was called to order with Mayor McClellan presiding.

Roll Call:

Present: Mayor McClellan, Councilmembers Cooke, Goodman, Himmelblau, Mullen, Snell, Trevino

Absent: None

Mayor McClellan stated that this was a Special Called Meeting for the purpose of discussing recent financial statements and future budget consideration. "This is a special financial work session. In keeping with our goal of establishing a separate work session each month for the purpose of looking at the financial statements we have not heretofore done so in public meeting, audit management letters, and any other matters you want to bring to our attention, Mr. Davidson. There are some budget updates, too."

Mr. Davidson, City Manager, said, "Thank you Mayor. We would like to brief the Council in connection with the three items that you mentioned. We'd like to start with a review of the May Financial Statement and Mr. Nitcholas will also give the Council a schedule for the June Statement, which is almost finished. After that, I would like for Lee Thompson to update you on our progress in preparing the 1980-81 Operating Budget, and finally, we would like to distribute and refer to a special communications that I have submitted to each member of the Council in response to the Peat-Marwick-Mitchell Management letter. ...If we go ahead, Mr. Nitcholas, with a summary of our May financial statement, I would appreciate it."

Mr. Monty Nitcholas, Director of Finance, reported as follows: "The first award about the June statement. We're a little bit further along in the month than we normally would be for a finance meeting so our May information is a little bit stale, but the June statement is being prepared. We closed the book this past weekend for June and we expect to have the published report for June on Friday of next week.The May report has been distributed to you a week or so ago and at this time I will touch on some of the areas included in the May report and any questions you might have we will try to answer."

Councilmember Cooke asked Mr. Nitcholas to give them any information, in his data for the June report, that might influence figures in the May report. Mr. Nitcholas said he would do that if possible but has not yet reviewed the June report.

Mr. Nitcholas continued, "We'll look at the General Fund first and that is on page 3, with the highlights on the page facing that. I think as we reported in past reports we're looking at the revenues and resources of the General Fund. Property taxes are still slightly behind schedule. I am not making specific projections in this report because we are doing that in connection with the budget and I don't have all of those numbers together.It does appear that the tax collection will fall somewhere short of the annual budget, not by very much but by some, 2 or 3% probably of the budget figure. When it is all done property tax income will be very close to what the budget said it would be. Collections have been running a little bit slower than normal this year. The sales tax and the other tax revenue, which includes mixed drink tax, franchise tax and gross receipts tax, are slightly above last years percentage collecting at this particular point. Sales tax should exceed the budget. I will give you a guess...maybe some \$700,000 above the budget. The gross receipts tax should meet budget or exceed it slightly as you can see here to date all other tax revenues are at \$12.3 million dollars actually at this year. Last year it was at this point it was \$10.5-million. We are ahead of last year in all categories, or expect to be. In the Fines and Forfeitures Section of the revenues it is \$1.9-million to date. It's ahead of schedule also."

Councilmember Himmelblau asked, "What's happened to the Pound fees?" Mr. Nitcholas said, "I don't have last years Pound fees per se but I'll get them and compare to see where we are." Councilmember Cooke asked if in the next 90 days we can make up the \$9,000,000 on City Sales Tax. Mr. Nitcholas said that based on last years trend we should reach \$18.1-million by the end of the year, unless we have a real downfall. He said the figures reflect through April and are a little distorted because the money has come in through the State but is not yet reflected in the City.

Mr. Nitcholas went on to say, "The license and permits area are somewhat ahead of last year. They are \$1.68-million at this particular time. Last year they were \$1.5-million.There was one area where the budget was way over. Building Inspection collection installation fee that goes to the city, septic tank percolation permit has no budget established for it. The budget will be increased in June. Solid waste services are right in line with the budget. The current service charges for all the various fees and charges are staying at \$1.7-million. That's about \$300,000 more than it was last year at this time. This year that's 43.7% of the budget. We expect this to be a little bit short overall of what the budget is for the year and basically, one of the factors is our EMS service, we're still behind in that particular revenue." Councilmember Cooke asked why. Mr. Nitcholas explained, "One of the reasons is that we got a late start. In the new accounting system, EMS receivables were encompassed in that. Before that they were a separate receivable. They have been encompassed in the computerized portion of the system and during the first few months of the system as you know we had some problems getting some reports out and some of the reports were bills that we didn't get out properly, so we were late in getting the bills out. That will reflect the bad debt portion of that sum because you will lose some account that didn't get billed very timely." Councilmember Himmelblau asked, "Does the change from the city operating the transfer service have a reflection on this too?" Mr. Nitcholas said he isn't sure, he thinks it will, but it needs to be checked....he said it appears it would. Councilmember Cooke asked if he could have a more detailed report on that later. Mr. Nitcholas said they will be more thorough with that in the June report.

Mayor McClellan asked about the indirect cost category. "Indirect cost," said Mr. Nitcholas, "is a revenue we receive basically from grant programs and from CIP programs that we bill for support services and administrative services. If your CIP and grant programs are not operating at as high level as they were the previous year is going to be lower. We also have some problems with our indirect cost program in general. We've been working with that thing for about 3-4 years and every year you have to re-work it to get it audited by HUD because of some of the methods they recommend and methods we are doing. What we are going to do in indirect cost and we'll be coming to you in the very near future about having an outside firm do an indirect cost study program for us. We are taking up a lot of our accountants time providing indirect cost studies and work and it is a continual effort. I have one accountant full time on it because it has to be done every year, and any time you change the organization you have to re-do it, because it effects the percentage rates in order to get it approved by the Federal government. The major purpose of the indirect cost program is to pay some of your administrative supportive costs out of the grant programs for administering those programs and up until about four years ago we didn't do that at all and we started attempting to do that four years ago and it's a very, very complicated proposal or program that you have to go through for indirect costs. It may be that during the summer months which in this case really hasn't addressed the summer months because you are talking about May 30th. It may be that during the summer months this will pick up and meet budget. I really have my doubts that it will at this particular point."

Councilmember Cooke asked about Medical Assistance. He said that is another area that seems to be down and waivering. Mr. Nitcholas said he believes that is the revenue from the medical assistance program that helps pay some of the public health costs. This was the first year it has been budgeted this way. Councilmember Himmelblau asked if it is a \$2.00 per office call that is being budgeted. Mr. Nitcholas said that he thinks this is the support of the Medical Assistance Fund. He said he needs to check further on that. "I suspect our budget was out of line this year because this is the first time we've budgeted this way and we really didn't have a good handle on how those revenues would be received."

Mr. Nitcholas continued, "In the next category the use of money and property we've already exceeded budget in that area. Interest income will probably be closer to \$1,000,000.00 rather than the \$480 that was budgeted. That's always a very volatile area, however, we think we have a better handle on budgeting that now.Revenues from interest income and rental fees are both up. We're \$100,000 over where we were last year at this particular time. Austin Housing Authority does not show because it was not received in May but the lieu of tax payment from AHA has been received and will show in the June report. The check we received was for three years.In the Miscellaneous Revenue category which are fees which are almost impossible to budget because those are things which you really don't know what's coming init is very close to budget. So if we look at the total revenues in the General Fund of 47.4 million dollars and that's about 4.6 million more than we had last year at this time. It's about 76% of the budget and that's identical to where we were actually last year, so that tells us, based on last years trends, that General Fund Revenue will be very close over all as to what the budget was, by the end of the year if it follows the same trend. On the next page from the Revenue Sources we have the other sources of funding and those are the transfers. We are doing interim transfers based on a percent of the annual budget so that the funds reflect the proper revenue and expenditure pro rata share during the year as well as at the end of the year. Prior to last year we were not doing any of these until the year end and it distorted the percentage when you talked about five months, etc.....On page 9 the General Fund Expenses, we point out in the first group of accounts the departments are.....follows the norm and it appears the departments will come in right on budget.In the General Support Services as a whole they are below budget but based on last year's trend there's more expenditures in the last four months than there was in the first eight so that should have an effect of bringing those things up to where budget is. In the fiscal management grouping these departments are under last years trend and they are within budget. It appears that they will end the year somewhere under budget as a group.In the Urban Growth Management Area, that's an area we have addressed several times because the expenditures do appear to be above budget. The Environmental Resource Management Department, the Barton Creek Watershed Operations, were fully expended through April 30th and there has been no additional budget for that so that's thrown those higher. In the Planning Department we have a note in the highlights that the increase in silver prices above normal expenditure is causing some of the problem. What we are talking about is a lot of film that requires silver but in further checking, that's not

the crux of the Planning Department being over budgeted at this time. It has to do with the budget adjustment that needs to be made for some of the grant programs that they are involved in. There are some carry overs from last year." The Mayor asked for the information which Mr. Lillie will send to Mr. Nitcholas.

Mr. Nitcholas continued with a summary of page 11. "Public Safety group is close to budget trends but we have to also understand that a small percent change in this particular group can mean more dollars than a small percent change in a smaller grouping. They are actually exceeding last year's percentage rate of the total year by some 70.4% versus 65.7%.It will appear at this time that the public safety area will slightly over extend its budget. That's mostly in the police area. In the Public Works and Transportation area the budget is slightly above the budget estimates. Engineering is still spending at a faster pace. We haven't determined why but they are slowing down a little percentage-wise. It's down to 75.1% of the year so they are coming back in line. Based on last year's trend these departments could exceed the budget as a group. Of course there is some control in the Public Works area as to how much you spend for what for the things you might have to put off until next year so that can be controlled to where they will meet budget. In the Recreation area both departments are below budget estimates at the current pace. They should be right on budget by the end of the current year."

Mr. Nitcholas continued, "In the health area EMS, public health, and medical assistance it's found those three departments are right in line with the year at 66.7% of budget expended. In the Social Services group, there are some corrections in Human Services which we had said was way overspent. We had some CETA programs where money had not been funded for administration at that time and we have done that and it is back as far as the budget. It appears at this point that it will be right in there." Councilmember Himmelblau said the Human Relations looks a little high. He said it is about 2% above budget at this time. One of the things that can happen, he said, in a small budget is that if a department head leaves he draws his accrued vacation and sick leave and that impacts the budget considerably. ... The transfers in are made throughout the year based on pro rata portions of the budget. So they do not actually indicate anything and will be re-evaluated at the end of the year.This year to date we've spent \$11.4-million more than we've taken in in revenues in the General Fund. Last year at this particular time that amount was \$6.4-million. As you know that's basically a planned reduction because we anticipated in the budget this year that we would spend more than we took in reduced fund balance to some extent. So it is along the lines of the plan."

Mayor McCellan asked for figures on what cash available was at the end of last year and what our projection is for the end of this budget year, and where we are. Mr. Nitcholas said he would get the figures.

"The hospital Fund income is up over last year," continued Mr. Nitcholas, "by about \$3.3-million. At the same time expenses before depreciation are up \$3.9-million, so we really are not any better off than we were last year over all in the net income before depreciation. In the other sales and services in the income section, the comparison there is this year \$435,000 versus \$1,200,000 last year and the reason for that is that there is a Medicare-Medicaid payment that has not been received yet, that was received last year. With that included when it comes in, your net income would be almost the same as it was last year at this particular time.In the Hospital Fund comparison overall the revenues are 72.6% of budget through May. This is a little higher than last year at the same time of the total year. The expenditure part of this is the same as expenses on the previous page except it does include capital outlay, so it's a little higher figure because it's expenses plus capital outlay as the expenditures that are made out of the fund, again, without depreciation being included. Expenditures are about 69.6% of the budget at this point. \$23.5-million over \$33.7-million operating budget. We have transferred in \$900,000 from the General Fund to support the hospital and the cash flow. Over all, our resources, with that \$900,000.00 transfer in finds us with resources of \$733,000 more than what is available at that point. Total revenues of the Airport Fund are up 13.8% above May of last year. Expenses are up about 181,000 and overall the net income before depreciation is up about half a million. One of the major increases in the income is the concession area.The auditorium Fund income statement compared to last year in May shows that income this year including the hotel occupancy tax is 1.4-million versus 1.2-million next year. So we have a little over \$300,000.00 increase over last year in income. Expenses are almost identical to where they were last year. They are \$73,000 increased, but the net income this year as compared to last year at this particular point is about \$205,000 more. 82% of the revenue has been realized at this point which is higher than last year. In the expenditure area it's very close in line with the budget, about 66.4% of the budget being expended at this time.The income statement for the Golf Fund shows that this year our income is about \$44,000 greater than last year. Expenses are about \$63,000 over last year so we've slipped a little. Our net income before depreciation, or our net loss before depreciation is \$226,000 versus \$227,000 last year."

Councilmember Himmelblau asked, "When we get into the budget could we have some figures as to what green fees in other municipalities are? I think we are low."

"The revenue and resources of the Utility Fund through May 31" said Mr. Nitcholas, "show a total electric revenue at \$99.3-million. That's about 53% of the budget. Last year at this particular time we collected 54% of the budget and we had a rather mild summer. This would cause you to anticipate fairly high revenues this summer, which I am sure we all realize with the way the weather has been. ...On page 45 we look at expenditures by departments and the cost center within the department. Overall in the Electric Utility it was 57% expended of the budget which is in line. In the Water Utility, we're 61.3% expended and the Wastewater Utility, 57.9%." Councilmember Cooke said, "We're showing fuel as the big ticket item on Electric Utility at 55%. How much of that is being influenced by Fayette, or do we

anticipate the system is under a higher demand. The last time I heard it was 849. Is that the high right now that we're at. We're at 55% of budget. Do we expect that to escalate as the system is on line or are we going to see a moderation in that soon because of both generators of Fayette being on line?" Jorge Carrasco, Assistant City Manager, stated, "It is my understanding that the generation from Fayette is attributing about 60% of the energy requirement. Most of that was factored in so some of it was anticipated but energy during the summer months has been much higher than projected. I believe for June alone the energy generation was 28% of June a year earlier, so we may be sustaining the amount of energy from Fayette as anticipated in the budget, but total generation may be much higher and that may contribute to increased cost. The percentage of generation will fluctuate according to the season and depending on the kind of generation requirement. So it may be a little bit lower at times during the fall or spring." Mr. Nitcholas continued by saying, "Administration in the Electric Department specifically had a one time expenditure for insurance that really pulled it up there. There are two areas in Electric and one in Water or Wastewater that indirect cost has not been properly applied to and a result they show on over expenditure. In others words part of the costs in there should have gone to CIP. We have corrected this and through the June report it will show the proper expenditure alignment. As a matter of fact, what happened is when we put in a new system we had three different indirect costs in the utility. We had two overhead costs we charged, and then we had the indirect cost. It was put in a lower rate than it should have been because we had the two overheads and were using those. When we converted to the new system we did away with the overhead cost but we did not raise the indirect cost to offset it. We've found this problem and we've addressed it and corrected it and the June report should show the expenditure percentages down to where it should be." Mr. Davidson said this is a large item in the budget and said, "We are going to present for the Council some special tabulations of what we expect to spend for a year for fuel as compared to what was in the budget. What we anticipate total revenue to be, including the payments from Houston Lighting and Power for the capacity contract, and also for the energy sales that have taken place since that contract went into effect. That also will be a substantial impact on the total revenue to the system. We'll have an update for Council on those revenues so you can see exactly where they came from and how we propose to allocate them in future years."

On page 47, 48, 49, we show an income statement for the Utility compared to last year." Mr. Nitcholas pointed out. In the income areas revenues are \$22.3-million above last year's income at May 31. Expenditures, which are shown have \$14.7-million above last year on May 31. This gives you a net income situation of about 7.6 million more on May 31 than you had last year at the same time. An interesting summary that we have been trying to perfect and put together is the one at the bottom of that page which is Summary of Net Income Requirements compared to last year where we list the annual requirements basically from the budget of the net income, show what prior year balance we had planned to use to fund that and to give

you what the net income requirement for the year would be from the utilities. And to show you then what the net income to date is and to show what net income, growth income less expense, has to be generated during the last four months. In looking at that last year during the last four months we had to generate \$40,000,000 of net income to fund all the requirements. This year we have to generate \$48.9 million in the last four months to meet the requirements that were established in 79-80. On page 53 we have a summary income statement of the inter-departmental funds which are the inter-department service funds and what this page shows is that we are making some progress in funding those. Last year we started trying to raise the rates to the other departments in order to try to get these on a funded basis and we are making some progress in this area. The one that wags the entire internal service fund group is the Vehicle Services because that's the big dollar volume. We have some problem with this report. In checking it this morning I noticed there are some figures at the bottom of the page that don't really say what they mean and I need to re-examine it a little bit but I think you can see the net income figure is a good number. Page 55 is a layout of the Revenue and Expenditure for the Debt Service compared to last year, and this is G.O. Debt Service at approximately the same level of revenue over expenditure this year as last year. Page 57, we're still not happy with what we are putting together for the Transit Fund. I'm sure you're not either. We have a lot of work to do in this area. This is one of the few new priorities I've assigned to the new controller to address this Transit Fund area and try to give it more detailed figures that we can use on a regular basis. I would point out in the Transit Fund area that expenditures this year over last year is about \$2,000,000.00. On page 59 we look at the budget comparisons for the Transit Fund. There again you see the Transit System operation expenditures are almost up to budget already at this particular point. On the last few pages is a summary look at the General Government Capital Projects fund. We are attempting in this particular schedule to show you where we are at this particular time as far as fund balance, uncommitted fund balances, and General Obligation bonds by different groups. So, if you have any questions on those we will be glad to try to answer them."

Councilmember Cooke commended the staff and all city departments that have attained the 10% fuel reduction for this last month. He said he knows it has been difficult, especially with the hot weather, but a lot of employees drive without air conditioning.

Lee Thomson, Budget Director, appeared before Council and stated: "We wanted to take this opportunity to update you on the progress of the proposed 80-81 budget and to review schedule Council has approved. The Operating Budget is just about finished and we anticipate getting the volume to Council July 31. In anticipation of that budget delivery date an Operating Work Session was set by Council for August 4, Monday from 9 in the morning until 2 p.m. and we're looking forward to taking that opportunity to present a brief budget overview to provide summary information on city-wide budget issues and expenses that you will find in a number of city departments and then to begin department presentations, and then these will be continued August 6 at a 3 p.m. work session. Public hearings are scheduled on September 9 and 10. Council has also established a public hearing on proposed use of GRS for the 24th of July. On the CIP side we will begin the work sessions

this afternoon and we have an Agenda for you and we can go over that later."

Later discussion was held to set dates for CIP public hearings. They will be held at 7:00 p.m. on July 21 in East/Northeast; July 23 in south; July 24 in Central/West and July 28 in north part of city. Places will be announced later.

After a little more discussion the meeting was adjourned.

ADJOURNMENT

Council adjourned its Special Called Meeting at 3:30 p.m.

APPROVED

Carole Keeton McCallen
Mayor

ATTEST:

Grace Monroe
City Clerk