

2011 Needs Assessment & G.O. Bond Capacity Analysis

**Capital Planning Office
Financial Services**

City Council – December 15, 2011

Presentation Outline

- Needs Assessment Overview
- Needs Assessment Results
- Needs Assessment Summary
- General Obligation Bond Capacity Analysis
- Next Steps

Needs Assessment Overview

- Purpose
 - Identify priority capital needs that would potentially be funded through a G.O. Bond program
 - Infrastructure
 - Public Safety
 - City Facilities
 - Parks
 - Other needs

Needs Assessment Overview

- Focus on capital improvement projects, programs to be implemented within the context of future bond program
 - Identified through departmental assessment, business/service planning
 - Implementation in the 5-7 year CIP planning horizon
 - Serve as implementation steps for City planning efforts
 - Analyzed for cross-departmental coordination, collaboration opportunities

Needs Assessment Results

Infrastructure

- Infrastructure Departments
 - Public Works
 - Austin Transportation

Public Works

- Key Drivers
 - Repair and renovation of bridge structures
 - Gaps in pedestrian and bicycle networks
 - ADA compliance
 - Goal to construct \$10 million/year in new ramps and sidewalks
 - Pavement condition
 - Goal for 80% of streets to be in fair or better condition by end of FY18

Public Works

- Summary of Needs (\$198 million)
 - Program Needs
 - Street Reconstruction
 - Sidewalks
 - Bicycle Lane Markings
 - Project Needs
 - Bridges
 - Bike/Trail Projects
 - Neighborhood Partnering Program

Austin Transportation

- Key Drivers
 - Austin Strategic Mobility Plan
 - Regional planning initiatives
 - Staff assessment
 - Professional transportation studies
 - Citizen feedback

Austin Transportation

- Summary of Needs (\$232 million*)
 - Major Projects
 - IH-35 Corridor improvements
 - Loop 360 improvements
 - MOPAC improvements
 - Urban Rail Initiative
 - Other Partnerships with TxDOT and Travis County
 - Intersection and Roadway Improvements
 - Arterial Management
 - Traffic Signals Program
 - Traffic Calming Program

** Does not include Urban Rail Initiative*

Public Safety

- Public Safety Departments
 - Austin Police Department
 - Emergency Medical Services
 - Austin Fire Department

Austin Police Department

- Key Drivers
 - Neighborhood-based policing
 - Decentralization of department
 - Condition of facilities
 - 2000 APD Facilities Master Plan
- Summary of Needs (\$125 million)
 - New APD Headquarters
 - 3 New substations (SW, NW, CW)
 - Air Operations Unit
 - Mounted Patrol, Park Patrol facilities

Emergency Medical Services

- Key Drivers
 - Evaluation of older stations against more recent stations for standardization efforts
 - Properly sized facilities for crews and equipment, including vehicles
- Summary of Needs (\$4 million)
 - Expansion of ambulance truck bays and crew quarters at three EMS stations
 - Station 2 (6601 Manchaca Road)
 - Station 8 (5211 Balcones Drive)
 - Station 11 (5401 McCarty Lane)

Austin Fire Department

- Key Drivers
 - Improving firefighter health and safety
 - Maintaining services levels at existing facilities
 - Improving response times in new service areas
 - Rehabilitation of facilities
- Summary of Needs (\$114 million)
 - 4 new fire stations
 - New Fire/EMS HQ and Station 1 Replacement
 - Women's Locker Rooms Phases 5 & 6
 - Facility repairs/renovations

City Facilities

- Key Drivers:
 - Condition of existing facilities
 - Capacity of facilities to meet service demands
- Summary of Needs (\$156 million)
 - Building Services
 - Economic Growth and Redevelopment Services
 - Health and Human Services facilities
 - Library facilities
 - CTECC facility expansion
 - Public Works service facilities

Parks and Recreation

- Key Drivers:
 - PARD Long Range Plan
 - Parks facilities in need of rehabilitation
 - Increasing demand for Parks and Recreation services

Parks and Recreation

- Summary of Needs (\$123 million)
 - Recreational and Cultural Facilities improvements
 - Metropolitan Parks improvements
 - District Parks improvements
 - Parks Operations Facilities improvements
 - Neighborhood Parks improvements
 - Pocket Parks improvements
 - Greenbelts and Preserves
 - Parks General Improvement Programs
 - Buildings, Cemeteries, Recreation facilities, etc.

New Initiatives

- Key Drivers
 - Projects/priorities stemming from recommendations included in small area master plans and other planning initiatives
- Estimated Need: \$208 million
- Projects include:
 - Downtown, Waller Creek, TODs, North Burnet Gateway, Airport Blvd., East Riverside Corridor
 - Neighborhood Plans
 - Great Streets Program

Additional Needs

- Open Space Acquisition – \$57 million
 - Parkland Acquisition (PARD)
 - Water Quality (Watershed Protection)
- Affordable Housing – \$75 million
 - NHCD Action Plan
 - Affordable Housing Market Study
 - Progress in Developer Assistance, Architectural Barrier Removal & Home Repair Programs

Summary of Results

Department	Amount
Public Works	\$198 M
Transportation	\$232 M
Police	\$125 M
EMS	\$4 M
Fire	\$114 M
City Facilities	\$156 M
Parks	\$123 M
New Initiatives	\$208 M
Open Space	\$57 M
Affordable Housing	\$75 M
TOTAL	\$1.29 B

Needs Assessment: Next Steps

- **January:** Staff formulation of initial staff prioritized lists
- **February:** Staff provides initial prioritized project lists to BEATF
- **February to April:** BEATF consideration of prioritized project lists; receives input from public, stakeholders, other Boards and Commissions
- **April/May:** BEATF provides recommendations to Council, staff

General Obligation Bond Capacity Analysis

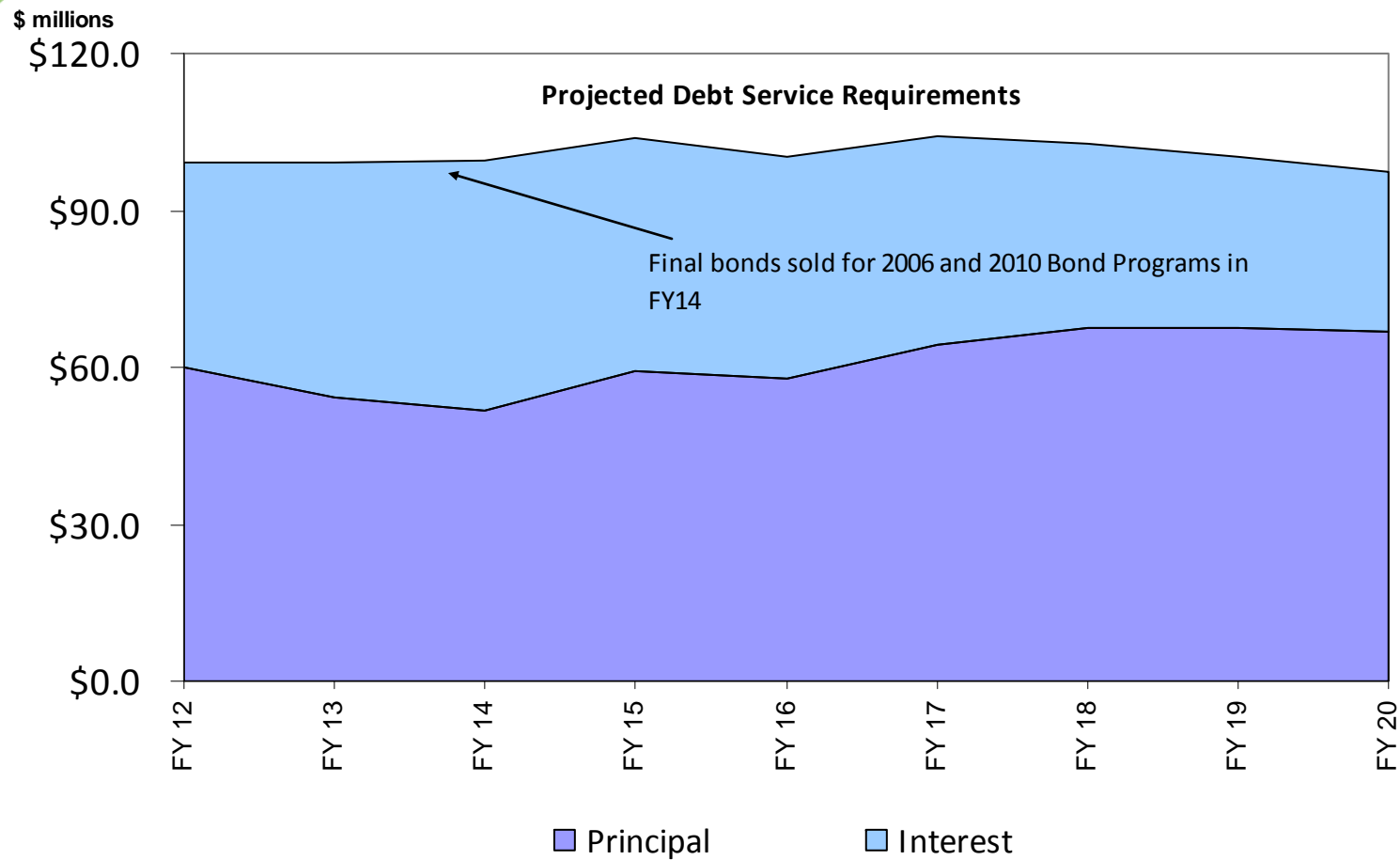
Overview of General Obligation Debt

- State Law and City Charter provide authority to issue general obligation debt:
 - To fund permanent public improvements with long-term life cycles
 - Secured by “full faith and credit” of the City’s authority to levy ad valorem taxes to pay the debt service
 - Viewed as lowest credit risk to investors
 - Attracts lowest interest rates

Types of G.O. Debt	Purpose	Voter Approval	Term
Public Improvement Bonds (PIBs)	Capital Assets	Yes	20 yrs
Certificates of Obligation (COs)	Real Property, Off-cycle capital needs	No	10 - 20 yrs
Contractual Obligation (KOs)	Equipment	No	5- 10 yrs

- Tax rate established annually as part of budget process
 - Current tax rate is 48.11 ¢ per \$100 assessed value
 - Includes 12.60 ¢ to fund principal & interest payments on bonds

General Obligation Debt Service



Rating Agency Factors

- Economy and Demographics
- Debt burden
 - Debt to assessed value (AV)
 - Financial Policy: $\text{Debt/AV} < 2\%$
 - Debt per capita
 - Debt service as percent of total tax rate
- Debt retirement
 - Percent of principal paid off in 10 years
- Financial Performance & Management
 - Depth of experience
 - Past performance against original plans
 - Financial policies, including reserve policies

Current Metrics

How Austin Compares ...

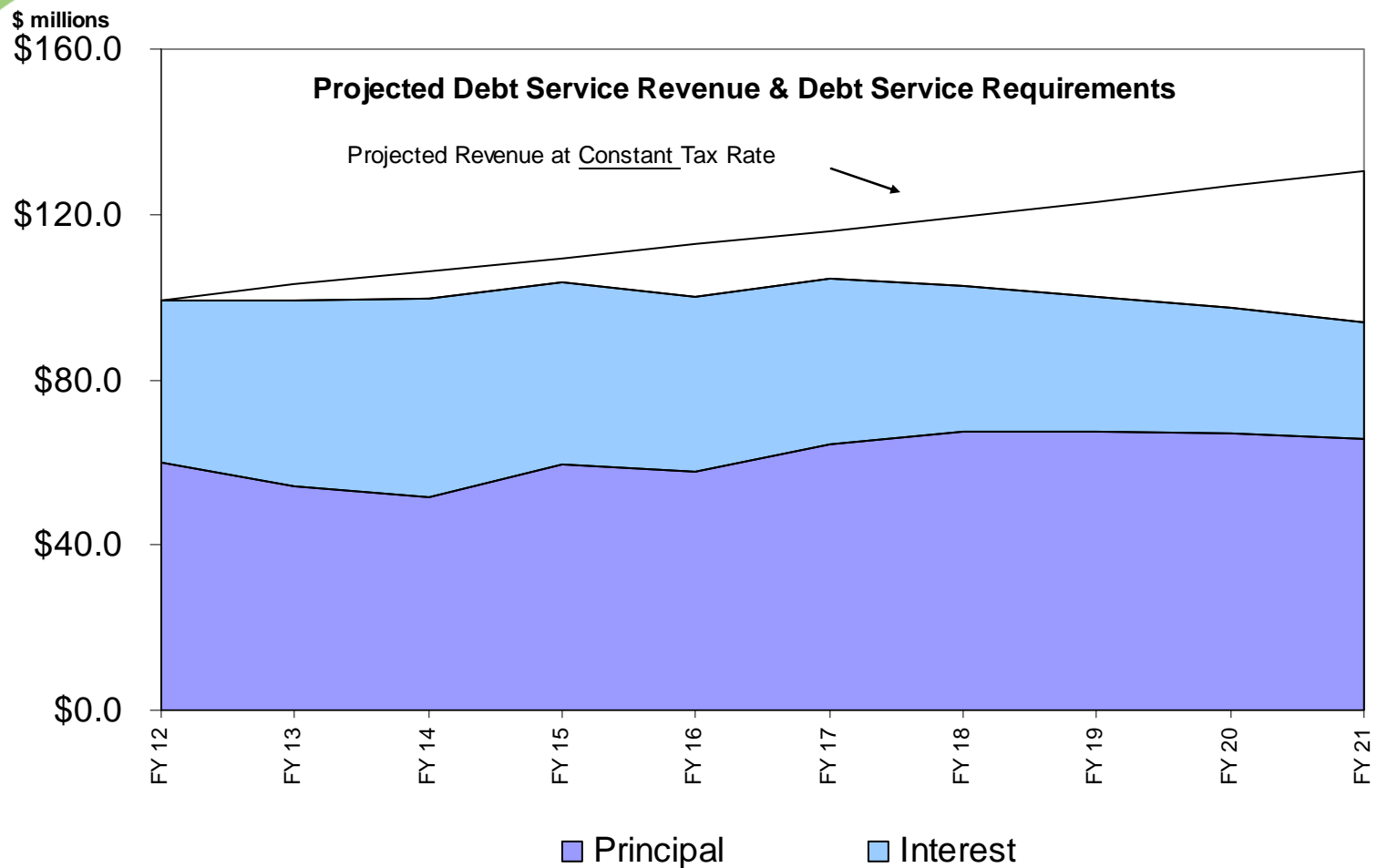
	<u>Debt per Capita</u>	<u>Debt to AV</u>	<u>Bond Rating</u>			<u>Debt Service % of Tax Rate</u>
			<u>Moody's</u>	<u>S&P</u>	<u>Fitch</u>	
Austin	\$1,287	1.24%	Aaa	AAA	AAA	26%
Arlington	\$933	1.87%	Aa1	AA+	AA+	32%
Corpus Christi	\$858	1.50%	Aa2	AA-	AA	33%
Dallas	\$1,532	2.22%	Aa1	AA+	N/A	33%
Forth Worth	\$773	1.43%	Aa1	AA+	AA+	18%
Houston	\$1,433	2.16%	Aa2	AA	AA	25%
San Antonio	\$944	1.71%	Aaa	AAA	AAA	37%
Moody's Median (cities > 500,000 pop.)	\$1,525	2.20%				

Source for Debt per Capita and Debt / AV: Fiscal Year 2010 CAFR's

Capacity Analysis – Assumptions

- Current debt service tax rate of 12.60 cents is starting point for analysis
- Reflects planned bond sales of \$239 million for 2006 and 2010 bond programs
- Debt service structured to repay more than 50% of outstanding principal in 10 years
- Conservative growth in assessed property value
- Conservative borrowing rates
- New bonds to be sold over 6 years
- Preserves long-term bonding capacity to address capital needs beyond a 2012 bond program

Capacity Analysis - Assumptions



Modeling Potential Bond Programs

- 4 scenarios
 - Debt service tax rate
 - Constant, 1-cent above, 2-cents above, 3-cents above
 - All scenarios assume a 3% annual growth in assessed value

Scenario	Tax Rate	Bond Election Amount	Tax Rate Impact		
			FY14	FY15	FY16
Scenario 1	constant (12.60 cents)	\$385 M	constant	constant	constant
Scenario 2	1-cent above (13.60 cents)	\$500 M	+ 1 cent	constant	constant
Scenario 3	2-cents above (14.60 cents)	\$625 M	+ 1 cent	+ 1 cent	constant
Scenario 4	3-cents above (15.60 cents)	\$725 M	+ 1 cent	+ 1 cent	+ 1 cent

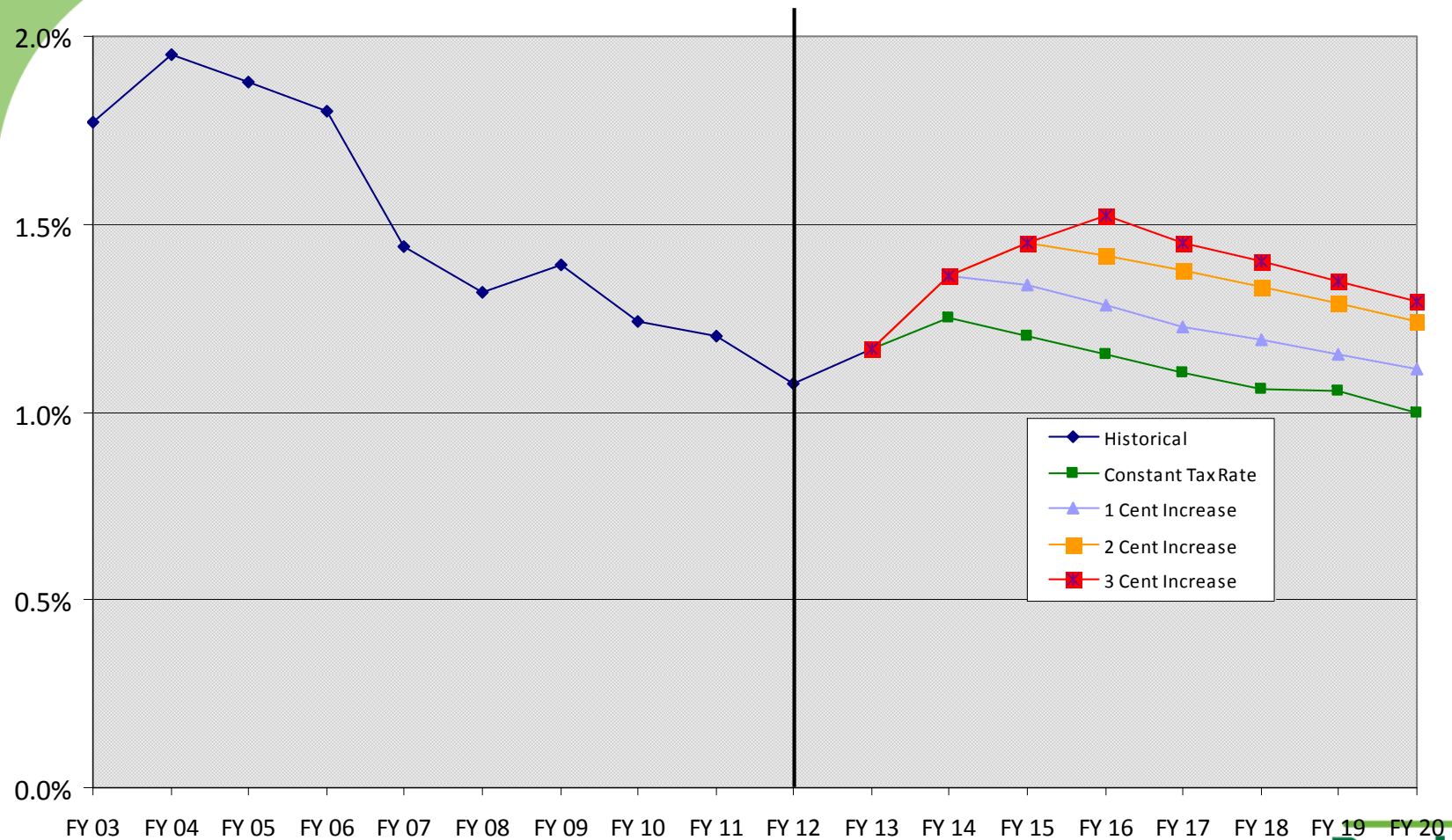
Estimated Effect on Property Tax Bill

	Impact on Tax Bill
<u>Scenario</u>	<u>Typical Home</u>
Constant	\$38
1-cent above	\$60
2-cents above	\$83
3-cents above	\$105

- Projected increase in tax bill by 2016 for a \$200,000 home

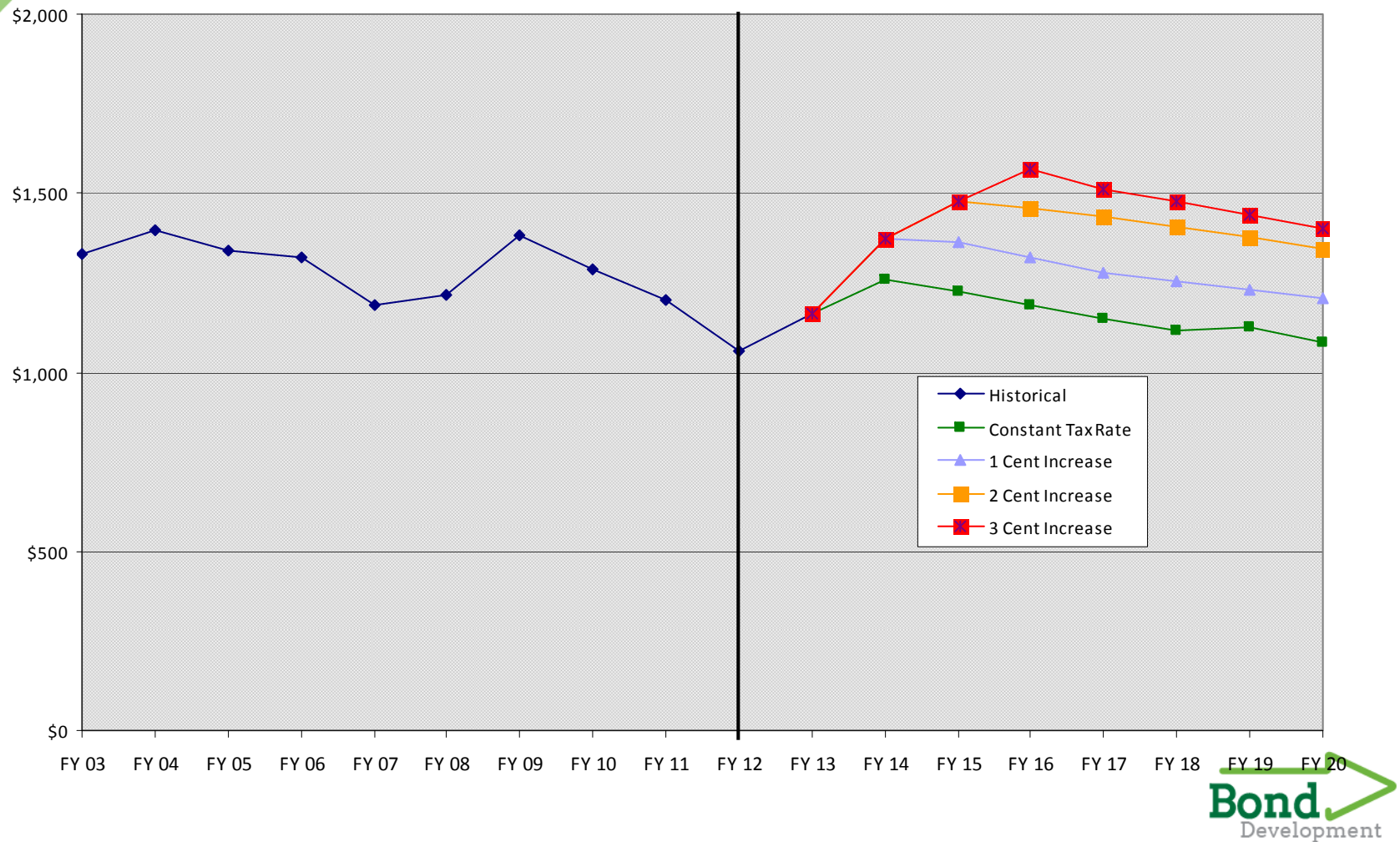
Debt to Assessed Value

Debt / Assessed Valuation
Historical & Projected for Bond Capacity Scenarios



Debt Per Capita

Debt / Per Capita
Historical & Projected for Bond Capacity Scenarios



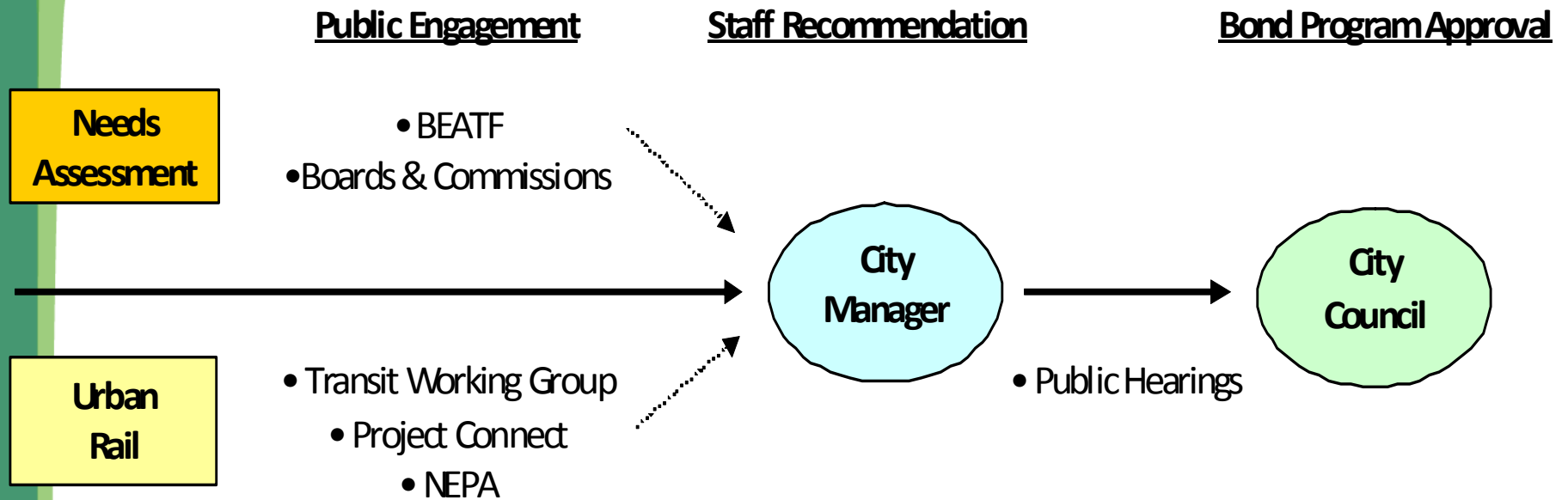
Next Steps

Considerations

Considerations in Determining Bond Program Amount

- Maintaining financial metrics within historical ranges considered by credit rating agencies
 - Debt to assessed valuation, Debt per capita
 - Overall affordability for residents into the future
 - Increases in O&M tax rate likely necessary in upcoming years to pay for cost increases in basic City services
 - Utility user fees to increase for infrastructure
 - Overlapping tax burden
 - Preserving long-term bonding capacity for future needs
- * Final staff recommendation to Council in late spring/early summer**

Public Engagement



Next Steps

Bond Election Advisory Task Force

- Starting point is \$1.3 B Needs Assessment
- Develop 3 potential programs
 - \$200 M, \$300 M, \$400 M
 - Similar in size to 2006 bond program, after adjusting for change in funding methodology for watershed protection projects (cash generated by drainage fee)

Urban Rail

- Continue evaluation of system – alignment, segments, phasing
- Financial analysis with various levels of general obligation bond funding
- Feasibility of other funding sources to be assessed
 - Federal funds, tax increment financing, etc.

Calendar

	Needs Assessment	Urban Rail
January	<ul style="list-style-type: none"> • Initial staff prioritization • BEATF organization 	<ul style="list-style-type: none"> • High-capacity transit system integration ideas
February	<ul style="list-style-type: none"> • Staff presents Initial Prioritization to BEATF • BEATF considers prioritized lists • BEATF receives public input • BEATF provides recommendations 	<ul style="list-style-type: none"> • Financial Analysis
March		<ul style="list-style-type: none"> • DRAFT High-capacity transit system
April		<ul style="list-style-type: none"> • O&M costs
May / June		<ul style="list-style-type: none"> • Discuss Phasing
June / July	<ul style="list-style-type: none"> • City Manager Finalizes Bond Program Recommendation 	
August	<ul style="list-style-type: none"> • Public Hearings on Bond Program Recommendation • City Council Approves Bond Program 	

Questions & Discussion