

Closed Caption Log, Council Worksession, 5/7/08

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MAYOR WYNN: THERE BEING A QUORUM PRESENT, I WILL CALL TO ORDER THIS COUNCIL WORK SESSION, WE ARE CITY HALL. OUR POSTED AGENDA IS A CONTINUATION OF PRESENTATION AND DISCUSSION OF THE CITY'S FINANCIAL FORECAST AND ULTIMATELY PRESENTATIONS FROM OUR ENTERPRISE FUND DEPARTMENTS. COMMENTS?

THANK YOU, MAYOR. WE APPRECIATE HAVING THE OPPORTUNITY TO WORK WITH THE MAYOR AND COUNCIL REGARDING THE CITY'S BUDGET AND OVERALL FINANCIAL CONDITION. AS YOU'LL RECALL, LAST WEEK OR A COUPLE WEEKS AGO WE BEGAN THIS PROCESS BY TRYING TO HAVE A DISCUSSION WITH YOU IN A MACRO CONTEXT ABOUT THE ECONOMIC CONDITIONS IN THE REGION AND THE CITY AND GIVE YOU SOME PERSPECTIVE WITH RESPECT TO THE CITY'S REVENUE PROJECTIONS BOTH IN TERMS OF PROPERTY AND SALES TAX AND ALSO LOOKING AT THE EXPENDITURE SIDE JUST TO GIVE YOU A SENSE OF THE CONTEXT WHICH WE BELIEVE WE'RE GOING TO BE LOOKING AT AND PREPARING THE BUDGET FOR THE NEXT FISCAL YEAR. CONTINUING THAT CONVERSATION TODAY, THE INTENT OF THIS WORK SESSION IS TO SPEND THE TIME THAT WE HAVE FOCUSED ON OUR ENTERPRISE BUSINESSES AND THE ORGANIZATION, AND OF COURSE AS EVERYONE KNOWS WE HAVE SEVERAL OF THOSE AS THEY ARE LISTED ON YOUR AGENDA THIS MORNING. LIKE WE DID A COUPLE OF WEEKS AGO, THOSE PRESENTATIONS WILL COME TO YOU MORE OR LESS IN A MACRO CONTEXT, TRYING TO GIVE YOU A SENSE OF WHAT'S GOING ON WITH EACH OF THOSE BUSINESSES AND THE CONTEXT WITHIN WHICH THEY WILL BE PREPARING THEIR ACTUAL BUDGET REQUEST FOR THE NEXT FISCAL YEAR. DURING OUR LAST WORK SESSION, COUNCIL HAD A NUMBER OF QUESTIONS YOU PUT TO US. I BELIEVE YOU ALREADY RECEIVED THE STAFF 46 GENERATED RESPONSES TO THOSE QUESTIONS. THOSE QUESTIONS AND ANSWERS HAVE BEEN POSTED ON THE WEB SITE. AND AS I MENTION THE WEB SITE, I REALLY WANT TO SPEAK DIRECTLY TO THE PUBLIC THAT I HOPE IS PAYING ATTENTION TO THESE WORK SESSIONS IN THAT THAT WEB SITE IS ALSO A LOCATION BY WHICH THEY CAN PARTICIPATE IN THIS PROCESS AS WELL. SO AS I DID AT THE START OF OUR FIRST WORK SESSION, I ENCOURAGE THE RESIDENTS HERE IN THE CITY OF AUSTIN TO UTILIZE THAT, TO BE INVOLVED, TO ASK THEIR QUESTIONS, TO MAKE SUGGESTIONS TO US AS WE PROGRESS TOWARDS ULTIMATELY PUTTING TOGETHER OUR BUDGET AND MAKING A RECOMMENDATION TO THIS COUNCIL. AT THE END OF THE PRESENTATIONS TODAY, AND

YOUR DISCUSSION IN REGARD TO THOSE PRESENTATIONS, STAFF WILL BRIEFLY GO OVER OUR NEXT STEPS IN TERMS OF THE BALANCE AND THE SCHEDULES ASSOCIATED WITH OUR SERIES OF WORK SESSIONS AND THE TOPICS WE'LL BE COVERING. OF COURSE, IF YOU PAID ATTENTION TO THE SCHEDULE YOU KNOW WHEN WE HAVE OUR NEXT WORK SESSION WE WILL BE FOCUSED ON THE GENERAL FUND SIDE OF THE CITY'S FISCAL PLAN. SO WITH THAT, I SEE THAT MY WATER DIRECTER IS STANDING OPPOSED FRONT AND CENTER AND IS READY TO ROCK AND ROLL. OUR ASSYST TENT CITY MANAGER, RUDY GARZA, IS ALSO THERE. SO WITH THAT, YOU'RE ON.

MAYOR WYNN: QUICKLY, COUNCIL, I APOLOGIZE AT 10:00 I HAVE TO CHAIR A BCC MEETING AT THE COUNTY COMMISSIONER'S COURT SO I WILL BE LEAVING HERE IN ABOUT 30 MINUTES AND OF COURSE MAYOR PRO TEM WILL EASILY TAKE OVER. GREG, WELCOME.

THANK YOU. AUSTIN WATER UTILITY DIRECTER.

DID IT WORK?

I BROKE IT ALREADY? [LAUGHTER] AND WE'RE STARTING OFF WITH AUSTIN WATER TODAY. TO BEGIN WITH, BY WAY OF INTRODUCTION AND OVERVIEW, SOME THINGS I'LL COVER TODAY, JUST WANTED TO GIVE YOU A SENSE OF SOME OF THE THEMES OF THE FIVE-YEAR FORECAST. ON THE RATE SIDE, WE WILL BE PROJECTING MODERATE RATES THROUGHOUT THE FORECAST PERIOD. ON GROWTH, PROJECTING MODEST CUSTOMER GROWTH AT 1.4% THROUGHOUT THE PERIOD. WE WILL SEE CONTINUED PRESSURES WITH ENERGY RELATED FUNCTION, POWER AND CHEMICAL. WE'LL BE MAKING INCREASED INVESTMENT IN OUR SUSTAINABILITY PROGRAM, CONSERVATION AND CLIMATE PROTECTION. OUR CIP PROGRAM WILL REMAIN STRONG WITH \$1.4 BILLION IN CIP INVESTMENT AND THE START OR COMPLETION OF SEVERAL KEY PROJECTS. AUSTIN WATER PLANT WILL CONCLUDE A KEY DOWNTOWN SEWER AND TUNNEL PROJECT. OUR RATES WILL REMAIN COMPETITIVE IN THE FIVE-YEAR PERIOD. WE WILL HAVE HIGH VALUE FOR OUR CUSTOMERS, HIGH WATER QUALITY. AUSTIN WAS VOTED THE SECOND BEST CITY FOR WATER QUALITY IN THE NATION AND WE'RE VERY PROUD OF THAT AND BEING IN FORBES MAGAZINE SO THAT IS THE THEME TODAY IS THE VALUE CREATION FOR CUSTOMERS IN THE NEXT FIVE YEARS. WITH THAT, WE'LL START WITH THE RATE SIDE. WE'RE PROJECTING THROUGH THE FIVE-YEAR PERIOD IN 2009, 7% COMBINED RATE. AND THEN WE'RE GOING TO STABILIZE AND BE LEVELLIZED TO THE FIVE-YEAR FORECAST AT 4.5% EACH YEAR. THE HIGHER PERCENTAGE OF THE RATE IS GOING TO COME FROM WATER, THAT IS REALLY BEING DRIVEN BY THE PLANT FOR CONSTRUCTION. THAT IS A LITTLE FLIPPED. THE LAST FIVE YEARS WASTE WATER RATES WERE A LITTLE HIGHER AND THAT WAS DUE TO AUSTIN CLEAN WATER. BUT THAT PROGRAM WILL CONCLUDE IN 2009 AND SEWER RATES WILL DROP TO A LOWER PERCENTAGE OF OUR COMBINED RATE AND THE WATER WILL BE THE MAIN DRIVER IN THE FORECAST PERIOD. I MENTIONED MODEST GROWTH, ABOUT 1.4% GROWTH, PROJECTED EACH YEAR IN THE FORECAST PERIOD. THAT GENERATES ABOUT \$5 MILLION PER YEAR IN REVENUE THROUGH GROWTH. WE'LL ALSO BE WATCHING CONSERVATION CLOSELY ON THE REVENUE SIDE. WE

SEE MANY BENEFITS FROM CONSERVATION, LONG-TERM COST DEFERRAL, REDUCED COST IN ENERGY AND CHEMICAL WATER RIGHT ISSUES BUT WE DO NEED TO MONITOR OUR REVENUE PATTERNS AS WE IMPLEMENT MORE CONSERVATION CHANGES. WE ARE DESIGNING RATE CHANGES TO ENCOURAGE CONSERVATION AND WILL BE WATCHING THAT CLOSELY IN TERMS OF HOW IT IMPACTS REVENUE. ON THE O.&M COST SIDE, WE ARE PROJECTING COSTS PRESSURES TO CONTINUE. WE ARE PROJECTING \$15 MILLION IN O&M COST INCREASE. WE'LL SEE SIGNIFICANT COST INCREASES IN OUR POWER AND CHEMICAL COSTS, GOING TO THAT IN A LITTLE MORE DETAIL AND OTHER INFLATIONARY AREAS. ON THE CORPORATE MANAGED COST SIDE, A LOT OF THESE ARE SOME PLUG NUMBERS FROM OUR CORPORATE BUDGET OFFICE BUT WE SEE CUSTOMER CARE COSTS GOING UP NOT FIVE-YEAR PERIOD, THEY'VE NOTIFIED US OF THAT, AND TRADITIONAL AREAS LIKE HEALTH CARE AND SOME OPERATING TRANSFERS. AN EXAMPLE, WHEN I TALK ABOUT O&M COST PRESSURE, HERE IS A FIVE-YEAR LOOK BEHIND ON THE RISING CHEMICAL COST, WHICH SAKE O&M COST, IN THE LAST FIVE YEARS, CHEMICAL COSTS HAVE NEARLY DOUBLED. ONLY 12% OF THAT IS DUE TO INCREASED PUMPAGE AND GROWTH AND THE REST IS RISING CHEMICAL COSTS. WE ARE NOT ALONE WITH THAT. EVERY MONTH I MEET WITH TEXAS DIRECTERS AND WE ARE ALL SUFFERING FROM THE RISING COST INDEXES AND WE WILL BE DOING OUR BEST TO TRY TO STABILIZE THOSE BUT FOR THE FORESEEABLE PRESSURE IN OUR COMMODITIES. ON THE SUSTAINABILITY SIDE, I WANTED TO MENTION SOME OF OUR KEY FOCUS AREAS. WE'LL BE THROUGH PREDOMINANTLY OUR CAPITAL PLAN, FOCUSING A LOT ON CLIMATE PROTECTION. WE PLANNED IN THE FIVE-YEAR PERIOD A SIGNIFICANT INVESTMENT IN UPGRADING OUR BLOWERS, WHICH IS OUR LARGEST ENERGY USE AT OUR WALNUT CREEK PLANT AND WE WILL SEE SIGNIFICANT REDUCTIONS IN ENERGY THROUGH THAT PROJECT. WE'LL BE PUTTING SIGNIFICANT DOLLARS IN REHARNESSING OUR BIO GAS, OUR METHANE FROM OUR HORNSBI FACILITY AND USING THAT TO USE HEAT FOR THE PROCESS. ON A SMALLER SCALE SIDE BUT NOTE WORTHY, WE WILL BE DOING SOLAR PANELS ON ROOFS. WE HAVE A LARGE REPLACEMENT ROOF IN OUR GLENDALE CENTER AND WE WILL BE WORKING ON THE LARGEST PANEL ROOF APPLICATION AND WORKING ON REPLACEMENTS FOR HYBRID FUELS AND OTHER AREAS THERE. ON THE WATER CONSERVATION SIDE, WE ARE IMPLEMENTING THE TASK FORCE RECOMMENDATIONS. WE HAVE A NEW WATER SCHEDULE ON MAY 1. WE WILL BE ASKING FOR FTDs TO SUPPORT OUR EFFORTS. WE HAVE A GROUND BREAKING FOR A TANK TO BRING RECLAIMED WATER TO OUR LARGEST CUSTOMER AND BRINGING THINGS TO OTHER LARGE CUSTOMERS SUCH AS THE AIRPORT HOOKING ON TO OUR RECLAIMED WATER SYSTEM. THIS IS A GRAPH WE BRING IN EACH TIME AND WE TRY TO INDICATE WE ARE COST CONSCIOUS AND WORKING VERY HARD TO SEE THAT OUR WORK PORTION IS PRODUCTIVE THIS GRAPH DESCRIBES OUR EMPLOYEE GROWTH VERSES OUR CUSTOMER GROWTH. YOU CAN SEE THE EMPLOYEE GROWTH, THE FTEs, AT BOTTOM IS FLAT AND STABLE FOR NEARLY A 15-YEAR PERIOD. WE HAVE ALL-TIME HIGHS FOR THE NUMBER OF CUSTOMERS SERVED PER EMPLOYEE, THE NUMBER OF PIPELINE MILES SERVED PER EMPLOYEE BUT WE SEE THE FTE COUNTS GOING UP MODESTLY IN A FIVE-YEAR PERIOD. WE WILL REMAIN VERY PRODUCTIVE AND TECHNOLOGY AND OTHER TOOLS TO SEE THAT OUR WORKFORCE CONTINUES TO

PRODUCE AT A HIGH LEVEL WE WILL BE LOOKING AT ADDITIONAL STAFF. WE'RE IN ESSENCE BUILDING A NEW THIRD UTILITY, THE RECLAIMED WATER SYSTEM AND WE'LL NEED STAFF TO SUPPORT THAT CONSTRUCTION AND OPERATION OF THAT THIRD UTILITY. THE MAYOR MENTIONED THE BCP TODAY, WE ARE THE MANAGING AGENCY OF THE BCP LANDS AND AS WE OPEN THAT UP TO ADDITIONAL PUBLIC ACCESS TO TRAILS THAT LOO LIKELY LEAD TO ADDITIONAL STAFF TO MANAGE THAT PUBLIC ACCESS AND TRAIL SYSTEM. THAT WILL DRIVE OUR COST FOR FTEs. WE LOOK A HIGHER LEVEL LOOK AT RETIREMENT AND WE SAW SOME TREND, WHICH IS NOT UNUSUAL IN OTHER PARENTS OF THE CITY ALSO, BUT AN EXAMPLE ON THE RETIREMENT SIDE IN A LITTLE MORE THAN THE FIVE-YEAR FORECAST PERIOD OVER 50S ABOUT OF OUR PROFESSIONAL STAFF WILL BE ELIGIBLE FOR RETIREMENT. THAT IS SOME OF OUR HIGHEST KNOWLEDGE WORKERS AND IT TAKES LONGER TO REPLACE AND TRAIN THOSE FOLKS SO WE WILL HAVE TO GO TO THE HIRING PROCESS IN THE FORECAST PERIOD. FOR '08/ '09 WE ARE FORECASTING ADDITIONAL STAFF. WE'RE WORKING ON THE FINAL NUMBERS HERE BUT THESE ARE MORE STRICT STAFF TO GET AT -- STRATEGIC STAFF TO GET AT THE CAPITAL PROGRAM AND OUR PROFESSIONAL STAFF OR ENGINEERS. I WANT TO CREATE A BUSINESS PROCESS IMPROVEMENT GROUP TO CONTINUE WITH OUR WORKFORCE PRODUCTIVITY, OUR TRAINING FOR STAFF ON HEAVY EQUIPMENT AND SOME REVENUE RECOVERY INITIATIVES. THIS IS A SUMMARY OF OUR FIVE-YEAR FUND SUMMARY. WE ARE, WE'LL BE IN COMPLIANCE WITH ALL CITY POLICIES, OUR DEBT COVERAGE IS, WE WANT IT TO BE ABOVE 1.5%, AND YOU CAN SEE AT THE BOTTOM THAT WE'RE MEETING THAT. WE TARGET 20% OF OUR CAPITAL PROGRAM, PAY AS YOU GO, AND WE'LL BE MEETING THAT. WE TRY TO MAINTAIN A 30-DAY OPERATING FUND, WE'LL BE MEETING THAT SO THIS FIVE-YEAR FUND SUMMARY DESCRIBES THE NUMBERS BEHIND ALL THAT BUT WE'RE MEETING ALL THE POLICIES WE'RE PROJECTING ALL THE POLICIES IN A THREE TO FIVE-YEAR PERIOD. ON THE CAPITAL SIDE, ABOUT ALMOST 1.5 BILLION OF CAPITAL PROJECTS THROUGH THE FIVE-YEAR PERIOD. ABOUT A 60% RATIO OF WATER TO WASTE WATER, AND AGAIN THAT FLIPPED IT. PREVIOUS THREE WAS MORE WASTE WATER THAN WATER BUT AS WE'RE WINDING DOWN AUSTIN CLEAN WATER PROGRAM AND WINDING UP THE WATER TREATMENT PLANT FOUR, WE'RE SEEING 60% WATER CAPITAL AND 40% WASTE WATER. WE WILL BE IN THE HEART OF CONSTRUCTION IN THE FIVE-YEAR PERIOD OF TIME AT NEARLY HALF A BILLION DOLLARS IN TOTAL INCLUDING ALL TRANSMISSION SYSTEMS THROUGH THIS FIVE-YEAR PERIOD AND THROUGH 204 FOR WATER TREATMENT PLANT FOUR. -- THROUGH 2014. ONE THING WE LOOK AT IS THE MIXTURE OF NEW CAPITAL IMPROVEMENT PROGRAM JECTS EXPANDING PRACTICES -- PROJECTS EXPANDING. 42% FOR REHABILITATION FOR EXIST INFRASTRUCTURE. I THINK WATER TREATMENT PLANT FOUR IS PULLING THE NEW INFRASTRUCTURE PORTION OF THE BAR GRAPH A LITTLE HIGHER THAN TRADITIONALLY IT HAS BEEN BUT NOTHING WE'RE TOO CONCERNED ABOUT. THAT WILL TURN TO A MORE EVEN MIX IN THE FUTURE YEARS AS WE COMPLETE WATER TREATMENT PLANT FOUR. SO KEY PROJECTS TO MENTION IN THE FIVE-YEAR FORECAST, I DESCRIBED WATER TREATMENT PLANT FOUR. WE'RE ALSO MAKING SIGNIFICANT INVESTMENTSMENTS IN OUR DESIRED DEVELOPMENT ZONE. IT IS WORK, WE'RE SEEING MANY DEVELOPMENT INTERESTS AND WE'RE TARGETING OVER \$42 MILLION IN PIPELINE

EXPANSION TO SERVE OUR DESIRED DEVELOPMENT ZONE. THIS IS TRANSMISSION, LARGE INTERCEPTOR WORK, PUMP STATIONS AND TANKS. WE'RE TARGETING 52 MILLION IN DISTRIBUTION REHABILITATION AND SPECIAL INTEREST ON UNDERSIZED AND UNDERPERFORMING ON THE CENTRAL BUSINESS DISTRICT, WEST CAMPUS AND SOME OTHER AREAS. OVER \$42 BILLION TO REBUILD THE MAIN WATER SYSTEM, INCLUDING THE MAIN TRANSMISSION SYSTEM TO THE UNIVERSITY OF TEXAS AND WE WILL SPEND ABOUT ANOTHER 13 MILLION TO DECOMMISSION BY THIS FALL AND WE'LL BE READY FOR THE PROCESS OF THE REDEVELOPMENT. ON THE WASTE WATERSIDE, WE'LL BE WINDING UP ONE OF THE BIGGEST CAPITAL INVESTMENTS IN THE CITY'S STREET, THE AUSTIN CLEAN WATER PROGRAM. \$31 MILLION BETWEEN NOW AND THE SPRING OF 2009 TO COMPLETE THAT PROGRAM. WE'RE IN VERY GOOD SHAPE THERE. WE MEET WITH EPA EVERY SIX MONTHS AND THEY ARE HAPPY WITH OUR PROGRESS. WE LOOK FORWARD TO THAT BEING CLOSED OUT IN JUNE AND THAT WILL BE A SUCCESSFUL END TO THAT PROGRAM. WE'RE TARGETING \$260 MILLION IN CONTINUED REHAB AND EXPANSION OF THE SYSTEM. THE KEY PROJECT IS THE WASTE WATER TUNNEL THAT WILL SERVE ALL THE DOWNTOWN AREA AND FUTURE GROWTH. THAT WILL BE THE KEY PIECE OF INFRASTRUCTURE THAT WILL ALLOW DOWNTOWN TO REDEVELOP IN YEARS AND THAT WILL START IN THE FIVE-YEAR FORECAST PERIOD. ANY WE WILL PUT SIGNIFICANT DOLLARS IN OUR PLANTS IN WALNUT CREEK AND THE SOUTH WATER REGIONAL WASTE WATER PROJECT. WE ARE STARTING IN THE PROCESS OF A COST OF SERVICE. THAT MAY BE A TERM YOU'RE NOT FAMILIAR WITH. ABOUT EVERY 10 YEARS WE DO AN ACCOUNT PROCESS WHERE WE PERFORM A COST OF SERVICE, IT IS NOT TO RAISE ADDITIONAL REVENUE BUT IT LOOKS AT HOW WE RAISE THAT REVENUE FROM A DIFFERENT CLASS OF CUSTOMERS, INDUSTRIAL, COMMERCIAL, RESIDENTIAL, WHOLESALE. SO WHILE WE DON'T GENERATE MORE REVENUE, HOW THE CUSTOMERS PAY, HOW THEY IMPACT THE SYSTEM IS EXAMINED, SO IT IS AN IMPORTANT PROCESS TO MAKE SURE THE RATES ARE BASED ON SERVING THE CUSTOMER CLASSES. WE ARE IN THE MIDDLE OF THE PROCESS NOW, WHERE WE HAVE A CLOSE SECTION OF DIFFERENT CUSTOMER CLASSES AND THEY ARE WORKING WITH US ON THE COST OF SERVICE ISSUES. WE EXPECT TO SEE KEY THINGS THAT GO OUT OF THE COST OF SERVICE THAT WILL IMPACT THE COUNCIL LATER IN THE FALL AND IT IS BETWEEN WE'LL BE DISCUSSING WITH YOU, ONE IS CONTINUING TO IMPLEMENT CONSERVATION RECOMMENDATIONS. WE WILL LOOK AT RATE DESIGN TO ENCOURAGE ADDITIONAL CONSERVATION WITH VARIOUS CUSTOMER CLASSING, INCLUDING MULTI FAMILY AND COMMERCIAL. AND WE WE WILL BE EXAMINING LARGE CUSTOMER, RIGHT NOW THEY ARE GROUPED AS ONE AGGREGATE CLASS AND WE'RE LOOKING AT GROUPING THEM AT SEPARATE CLASSES. AGAIN, THAT IS LARGE CUSTOMERS IMPLEMENTING CONSERVATION MORE. AND WE'RE LOOKING AT MOVING ALL CUSTOMER CLASSES TO A TRUE COST OF SERVICE. NOW THE OTHER CUSTOMER CLASSES SUBSIDIZE OTHER PARTS OF THE CUSTOMERS IN THE UTILITY AND WE WILL REEXAM THAT AGAIN AND DISCUSS THAT WITH COUNCIL IN THE FALL AND WINTER OF 2009. THE COST OF SERVICE SCHEDULE IS TO COMPLETE THE PUBLIC INVOLVEMENT PROCESS THROUGH THIS SUMMER. IN THE FALL, WORK WITH COMMISSION AND COUNCIL BRIEFINGS, JANUARY 2009 IS A TARGET DATE FOR

FINAL COUNCIL REVIEW AND APPROVAL FOR THE NEW COST OF SERVICE AND THEN IMPLEMENTATION IN APRIL OF 2009. AND THAT SCHEDULE MAY ADJUST A LITTLE BIT AS WE WORK THROUGH THESE FINAL ISSUES. JUST TO MENTION ON A FEW PERFORMANCE MEASURES THAT ARE KEY FOR THE UTILITY. ONE OF THE MOST IMPORTANT MEASURES FOR SERVICE WATER UTILITY IS CLARITY OF WATER. AND TECHNICAL FOLKS CAN'T SAY CLEAR WATER, THEY HAVE TO USE SOMETHING CALLED NETROHUMIDITY UNITS. WE ARE WELL BELOW THE FEDERAL STANDARDS. WE HAVE WORLD CLASS PLANTS THAT PRODUCE WORLD CLASS WATER SO YOU CAN SEES FROM THE GRAPH WE ARE IN FINE SHAPE FROM THE QUALITY OF THE WATER. ALL OUR WASTE WATER PLANTSES HAVE PERMITS THAT GOVERN THE QUALITY OF AFFLUENTS THAT LEAVE THE PLANTS. WE ARE WELL BELOW OUR PERMIT LIMITS FOR THIS WE DON'T SEE ANY PROBLEM WITH OUR PLANTS LEAVING PERMIT LIMITS THROUGHOUT FORECAST PERIOD. THIS IS A SLIDE OF OUR RESIDENTIAL RATES AND THE YELLOW BAR RIGHT IN THE MIDDLE IS THE TYPICAL COST TO RESIDENTIAL CUSTOMER IN AUSTIN, AND YOU CAN SEE COMPARED TO OTHER CITY-BY-CITIES IN TEXAS AND THE -- OTHER SISTER CITIES, TEXAS AND THE REGION IN GENERAL, WE ARE STRONG FOR TYPICAL WATER AND WASTE WATER RATES. THERE IS A LOT OF VALUE EMBEDDED IN THAT, JUST IN WHAT YOU PAY FOR MONTH. ONE THING WE INCLUDE IN THAT IS PRESOFTEN THE WATER, WHICH ADDS CONSIDERING VALUE TO OUR CUSTOMERS. IF YOU HAVE TO OWN A WATER SOFTENER, THAT CAN ADD 10 TO 20 DAR MONTH. MANY DON'T NEED WATER SOFTENERS. WE HAVE ALL THE PIECES OF THE PUZZLE ASSEMBLES. WE HAVE LONG-RANGE WATER RIGHTS, 50 YEARS. OUR COLLECTION AND DISTRIBUTION SYSTEMS ARE STRONG. WE'RE CLEARING THE STRAIGHT WITH EPA, IT IS REALLY A MATTER OF EXECUTION FOR US, NOT TRYING TO FIND MISSING PIECES. I THINK THE COUNCIL AND THE COMMUNITY HAS DONE A WONDERFUL JOB OF ASSEMBLING ALL THE PIECES AND WE NEED TO EXECUTE WELL DURING THE FORECAST PERIOD AND BRING THAT ALL TOGETHER. AND THAT'S IT, I BELIEVE. I WOULD BE HAPPY TO TAKE ANY QUESTIONS YOU MAY HAVE.

MAYOR WYNN: QUESTIONS, COUNCIL? COUNCIL MEMBER KIM.

COUNCIL MEMBER KIM: WHAT IS THE TRANSFER RATE FOR THE WATER UTILITY TO THE GENERAL FUND FUND?

I BELIEVE 8.2%.

COUNCIL MEMBER KIM: 8.2%, SO THIS CHART THAT SHOWS TRANSFERS, WHAT DOES THAT INCLUDE? SLIDE NUMBER 12, IT SAYS TRANSFERS, 76 MILLION IN 2008.

I BELIEVE THAT'S OUR TRANSFERS FOR THE GENERAL FUND TRANSFER THAT MAY INCLUDE SOME COSTS FOR ADMINISTRATION SERVICES THAT WE GET FROM THE GENERAL FUND, HR DEPARTMENT, WE PAY A PORTION OF THOSE COSTS.

COUNCIL MEMBER KIM: SO YOU ARE CHARGED BASICALLY AN OVERHEAD COST BY THE

CITY.

CORRECT.

COUNCIL MEMBER KIM: ANT TRANSFER RATE GOES TO OTHER SERVICES AND PROGRAMS.

CORRECT.

COUNCIL MEMBER KIM: AND ALSO, THERE IS SOMETHING MENTIONED ON SLIDE 15 ABOUT TRANSFORMING TO UT. WHAT IS THAT FOR?

THAT IS THE WATER SYSTEM, THE RECLAIMED WATER MAIN THAT WOULD BRING WATER FROM THE 51st STREET MAIN AND THE PIPELINE THAT WOULD BRING RECLAIMED WATER TO THE UNIVERSITY OF TEXAS. UT INSTALLED PURPLE PIPE FOR RECLAIMED WATER AND BY GETTING RECLAIMED WATER TO THEM, WE WILL REDUCE THE BAND ON THE POTABLE -- REDUCE THE DEMAND ON THE POTABLE WATER PROGRAM.

COUNCIL MEMBER KIM: WHERE ARE THEY PLANNING TO USE THE RECLAIMED WATER, WHAT PART OF THE CAMPUS?

FOR COOLING TOWER, IRRIGATION SYSTEMS. A LOT OF THE TRADITIONAL USES YOU DON'T NEED POTABLE WATER OR DRINKING WATER FOR, THEY WILL SWITCH TO THE RECLAIMED SYSTEM.

COUNCIL MEMBER KIM: IS IT STAYING ON THE MAIN CAMPUS. THEY ARE NOT TAKING IT TO ANYWHERE ELSE OUTSIDE THE MAIN CAMPUS.

I DON'T THINK SO.

COUNCIL MEMBER KIM: AND THEY WOULDN'T BE ALLOWED TO?

WE ENCOURAGE RECLAIMED WATER BUT WE WILL WORK WITH ANY APPLICATION, WE WOULD WORK TO EXTEND IT TO SERVE OTHER AREAS IN THE FUTURE BUT I DON'T BELIEVE THE UNIVERSITY OF TEXAS WOULD BE DOING THAT WORK.

COUNCIL MEMBER KIM: WE WOULD BE THE PROVIDER OF THAT RECLAIMED WATER.

YES.

COUNCIL MEMBER KIM: THEY HAVE THEIR OWN SYSTEM ON CAM TAKE THAT RECLAIMED WATER.

WE TAKE IT TO THEM AND THEY DISTRIBUTE IT WITHIN THEIR OWN CAMPUS.

COUNCIL MEMBER KIM: ALSO, THE WATER RATES, LOOKING AT SLIDE 24. I KNOW YOU SAID WE'RE PROJECTED TO INCREASE 32% IN FIVE YEARS. WATER RATE, NOT THE WASTE WATER RATE BUT THE WATER RATE SO WHERE WOULD THAT BE PROJECTED IN TERMS OF RANKING WITH OTHER CITIES. I MEAN, WE CAN'T TELL WHAT THEIR RATES NOBODY FIVE YEARS BUT HOW WILL IT BE COMPARATIVELY.

ARE YOU ASKING JUST FOR WATER?

COUNCIL MEMBER KIM: JUST FOR WATER, YES. THE REASON I'M ASKING IS THE SEMICONDUCTOR MANUFACTURERS USE A LOT OF WATER, THEY SAID THAT IN PHOENIX, BASICALLY PORTLAND, PHOENIX, THEY COMPARE WHERE THEY GET THEIR WATER FROM BUT ESPECIALLY IN PHOENIX THEY PAY MUCH LESS FOR WATER SO THEY'VE ASKED IN THE PAST WHY ARE WE PAYING SO FOR WATER IN AUSTIN.

IF WE HAVE GRAPHS THAT BREAK THAT OUT BY INDIVIDUAL UTILITIES AND CUSTOMER CLASSES, THIS IS THE RESIDENTIAL GRAPH, COY GET YOU THE GRAPH FOR COMMERCIAL AND INDUSTRIAL AND I THINK THAT WOULD HELP YOU UNDERSTAND THAT BETTER. AND I'VE TALKED TO SOME OF OUR -- AND THEY'RE INVOLVED IN OUR COST OF SERVICE AND THE LARGE INDUSTRIALS ARE WORRIED ABOUT THE COST OF WATER AND THAT IS SOMETHING WE'LL BE WORKING WITH THEM ON TO MAKE SURE THEY CONTINUE TO WANT TO MAKE INVEST. S IN AUSTIN AND WATER COSTS ARE -- TO MAKE INVESTMENTS IN AUSTIN AND WATER COSTS ARE MANAGEABLE FOR THEM.

MAYOR WYNN: MIKE.

COUNCIL MEMBER MARTINEZ: I WOULD LIKE TO SEE MORE APPLES TO APPLES COST OF SERVICE PER GALLON BY THESE PEER CITIES. THIS IS ONLY AN AVERAGING OF SOMEONE'S WATER BILL IN EACH CITY AND I DON'T THINK THAT GIVES THE INFORMATION I THINK WE'LL NEED IN DETERMINING WHETHER WE ARE AT AN EFFECTIVE COST RATE IN TERMS OF MAKING DECISIONS WITH THIS YEAR'S BUDGET. I JUST WANT TO SEE A BETTER COMPARISON.

ACTUALLY FOLLOW-UP WITH MORE DETAILS FOR YOU.

COUNCIL MEMBER MARTINEZ: THANKS.

MAYOR WYNN: COUNCIL MEMBER COLE.

COUNCIL MEMBER COLE: I HAVE A QUESTION, IT WAS SOMEWHAT ALARMING WHEN YOU SAID WITH NEW FTEs, WE WILL HAVE 50% OF THE ELIGIBLE WORK FOR FOR RETIREMENT.

SEVEN YEARS. 50% OF THE PROFESSIONAL STAFF, ENGINEERS, ACCOUNTANT, THOSE FOLKS WILL BE ELIGIBLE FOR RETIREMENT. 40% OF THE TOTAL WORKFORCE WILL BE ELIGIBLE FOR RETIREMENT SO IT IS GROWING CONSIDERABLY THROUGH THIS FIVE-YEAR FORECAST PERIOD AS A LOT OF THE BABY BOOMERS WILL ENTER THE RETIREMENT WINDOWS. THEY HAD MEET ALL THE CRITERIA FOR RETIREMENT, THE 24-YEAR THRESHOLD OR OTHER CRITERIA THAT WOULD MAKE THEM ELIGIBLE TO RETIRE.

I HEARD ABOUT THAT IN TERMS OF THE GENERAL ECONOMY BUT ARE WE WORKING ON PLANS FOR SUCCESS ON THAT?

YES, I'VE WORKED ON THAT WITH OUR GROUP, AND TARGET, FTEs IN OUR PROFESSIONAL STAFF TO GET READY FOR THOSE RETIREMENTS BUT I THINK THE WHOLE CITY IS GOING TO HAVE TO PULL TOGETHER AND WORK TO MANAGE THIS EXPOSURE, THAT IS NOT JUST UNIQUE TO AUSTIN WATER, I'M SURE, MANY DEPARTMENTS WOULD SEE THIS KIND OF DATA TREND AND WE'LL HAVE TO WORK TO SEE THAT WE'RE SUCCESSFUL THERE.

IF I MAY JUST SUM MEANT THE DIRECTOR'S -- SUPPLEMENT THE DIRECTOR'S COMMENTS, THIS SAME OCCURRENCE IN TERMS OF PEOPLE THAT ARE POISED TO RETIRE AND SO SUCCESSION PLANNING IS REALLY A HIGH PRIORITY, YOU KNOW, FROM THE ADMINISTRATION'S PERSPECTIVE. THAT ISSUE IS MORE CRITICAL IN SOME DEPARTMENTS AS COMPARED TO THE OTHERS. FOR EXAMPLE, ASIDE FROM WATER IN AUSTIN ENERGY, WE HAVE SOME PRETTY SIGNIFICANT CHALLENGES IN THAT REGARD, AND I THINK, I'VE ALLUDED TO THAT FACT FOR SOME OF NEW MY VARIOUS MEETINGS WITH YOU SO IN REGARD TO THAT PARTICULAR BUSINESS, WE'RE GOING TO HAVE TO BE VERY AGGRESSIVE, YOU KNOW, TO RESOLVE THE PERSONNEL CHALLENGES THAT WE HAVE THERE AND THAT WE'RE GOING TO NEED TO DEAL WITH THOSE ISSUES IN THE CONTEXT OF THE NEXT 18 TO 24 MONTHS AND OUR DIRECTOR HAS BEEN VERY AGGRESSIVE AND HAS DEVELOPED A STRATEGY THAT I WILL BE DISCUSSING WITH EACH OF YOU IN THE VERY NEAR FUTURE.

MAYOR WYNN: COUNCIL MEMBER McCRACKEN.

COUNCIL MEMBER MCCRACKEN: GREG, YOU DESCRIBED WHAT SYSTEM REHAB IS BEING DONE IN DOWNTOWN AND IN THE UNO AREA. IT'S PREDOMINANTLY ON THE WATER DISTRIBUTION SIDE. WE HAVE A LOT OF SMALL DIAMETER WATER MAIN, WHEN I SAY SMALL, WATER MAINS BELOW THE MINIMUM SIZE STANDARDS, THESE ARE OFTEN VERY OLD, BRITTLE CAST IRON WATER MAINS. SOME IS BEING REPLACED BY THERE ARE LARGE CHUNKS OF THE SYSTEM THAT ARE NOT BEING REPLACED THROUGH REDEVELOPMENT AND WE PLAN TO COME IN DURING THE FORECAST PERIOD OF TIME AND TARGET THOSE PIECES AND REPLACE THEM WITH MODERN INFRASTRUCTURE, 8-INCH WATER LINES SO WE CAN SEW THIS TOGETHER IN A MODERN DISTRIBUTION OF PIPES. THAT IS WHAT WE'RE TARGETING TO HAVE WHO THE CENTRAL BUSINESS DISTRICT AND UNO AREA UPGRADED

TO MINIMUM 8-INCH WATER SIZING AND ABOVE.

COUNCIL MEMBER MCCRACKEN: AND WHAT SIZE ARE WE NORMALLY LOOKING AT DOWNTOWN AND WHAT SIZE OF UPGRADES ARE WE NORMALLY LOOKING AT IN THE UNO AREA. IT IS PROBABLY DIFFERENTS RIGHT?

IT IS BASED ON DEMANDS IN THE AREA, CHARACTERISTICS. NO WATER MAIN IS LESS THAN 8-INCHES, SO AS WE UPGRADE WE WOULD INSTALL NO WATER MAIN SMALLER THAN 8-INCH. WE ARE EVEN LOOKING AT SIMPLE THINGS. SOMEONE HERE HAD CREATIVE IDEAS THAT WE HAD WATER LINES ALSO PARALLELED BY NEW WATER LINES, MAYBE THE OLD ONES IN THE ALLEY AND NEW ONES IN THE STREET AND SIMPLY HOOK CUSTOMERS FROM THE OLD LINE TO THE NEW LINE AND ABANDON THE OLD INFRASTRUCTURE SO THERE IS WAYS TO IMPROVE PERFORMANCE FOR THE CUSTOMERS WITHOUT REPLACING THE LINE BUT HOOKING THEM TO A NEW ONE. SO WE WILL LOOK AT THAT STRATEGY FOR THE UNO AND CDBG AREA.

ARE WE FINANCING FINANCING THIS WITH REVENUE BONDS OR SOMETHING ELSE?

TRADITIONALLY IT IS A LONG-RANGE REVENUE BONDING AND 20% OF OUR CAPITAL PROGRAM IS PAY BECAUSE SO IT WOULD BE A COMBINATION OF EQUITY, FINANCING CASH AND LONG-TERM REVENUE BONDS.

COUNCIL MEMBER MCCRACKEN: WHEN WE ISSUE THE REVENUE BONDS, IS THE EXPECTATION WE ARE GETTING ENOUGH REVENUE TO COVER FROM THIS FUTURE LINE TO COVER BOTH THE CAPITAL COSTS OF THE LINE AND THE FUTURE ONM ASSOCIATED WITH THE WATER DELIVERED TO THAT LINE? OR IS THERE SOME SUBSIDIZING GOING ON?

IT IS EXPENSESIVE TO REPLACE IN URBAN ENVIRONMENT, IT IS REALLY SOME OF OUR MOST EXPENSIVE WATER LINE REPLACEMENT IN A CONCENTRATE THE AREA, SO I'M NOT SURE --

COUNCIL MEMBER MCCRACKEN: IF YOU HAVE A REVENUE BOND, IN OTHER WORDS THE DEBT SERVICE IS PAID BACK THROUGH THE FUTURE REVENUES EXPECTED TO BE EARNED BY THE WATER WE SELL TO THAT LINE OR THE HE WAS WATER THAT IS DELIVERED THROUGH THE LINE, RIGHT?

CORRECT, BUT WE RAISE RATES AS WE ISSUE DEBT AND IT IS KIND OF A MIXTURE OF THE PROCESS. IT IS NOT A REVENUE-NEUTRAL DECISION. WE DON'T LOOK AT A WATER MAIN AND SAY IF WE, THE CUSTOMERS ON THIS MAIN, WE WON'T REPLACE THIS MAIN IF THE CUSTOMERS AREN'T GOING TO VENERATE ENOUGH REVENUE -- GOING TO GENERATE ENOUGH REVENUE. IF THE CUSTOMER IS ON THE MAIN AND IT NEEDS TO BE REPLACED, WE WILL REPLACE IT.

LET ME GIVE IT A SHOT. WHEN WE REPLACE THE REVENUE AND RATE MODELS, IT IS NOT REASONABLE TO BELIEVE ANY PARTICULAR DEVELOPMENT COULD IN FACT, THROUGH SIMPLY RATES COULD PAY FOR THAT YOU ARE OWN INFRASTRUCTURE. WE'RE TALKING ABOUT MILLIONS IN DOLLARS FOR INFRASTRUCTURE REPLACEMENT. THEORETICALLY THE PAY BACK WOULD MEET 30, 50 YEARS FOR ONE PARTICULAR DEVELOPMENT SO THAT IS WHY AS WE APPROACH THIS, IT IS A SYSTEM-WIDE APPROACH SO THE REVENUE RECOVERY IS FROM A BROAD PERSPECTIVE AND RATES ARE APPLIED ACROSS-THE-BOARD. I'M NOT SURE IF THAT IS WHAT YOU WERE GETTING AT

COUNCIL MEMBER MCCracken: THAT IS ONE THING AS WE TRY TO UNDERSTAND WHETHER NEW DEVELOPMENT PAYS FOR ITSELF OR NOT WE TRY TO GET A BETTER UNDERSTANDING WHAT IS THE COST, FOR INSTANCE. WE'VE HAD QUESTIONS IN THE PAST, DOES DENSITY PAY FOR ITSELF OR DOES IT REQUIRE SUBSIDIZING BY THE REST OF THE CITY, FOR INSTANCE. SO AS PART OF THAT, JUST TO HELP US UNDERSTAND AND IT SOUNDS LIKE IF, FOR INSTANCE IN DOWNTOWN OR UNO, IF THERE IS A WATER UPGRADE, WE WILL SELL A LOT MORE WATER AND ISSUE REVENUE BONDS TO PAY FOR THOSE PIPES BUT IT IS NOT PROJECTED THAT THE REVENUE BY THOSE SERVED BY THE PIPES ARE SUFFICIENT TO COVER THE DEBT SERVICE AND O&M ASSOCIATED WITH THAT PIPE?

PARTICULARLY IN THE REHAB THERE IS NOT NECESSARILY ADDITIONAL WATER BEING SOLD. FOR NEW DEVELOPMENTS, AGAIN, THERE WOULD BE AN INCREMENTAL INCREASE IN WATER BUT SIMPLY TAKING A CHART, THE LAST CHART OF \$55 A MONTH FOR A TYPICAL RESIDENTIAL CUSTOMER, AND YOU'RE TRYING TO RECOVER 15, \$20 MILLION WORTH OF REVENUE, AGAIN THE PAY BACK FOR THAT SPECIFIC PROJECT WOULD BE MANY, MANY DECADES BEFORE IT HAPPENS. SO THE EXPECTATION IS NOT THAT, YOU KNOW, UNO CUSTOMERS WILL SIMPLY PAY FOR THEIR INFRASTRUCTURE IMPROVEMENTS ON THEIR OWN.

THE CAPITAL COSTS YOU ARE TALKING ABOUT IS ASSOCIATED WITH, YOU KNOW, APPLIED TO THE SYSTEM, A SYSTEM-WIDE COST IN TERMS OF COVERING THAT DEBT, SO, YOU KNOW, FOR SOME NEW DEVELOPMENT, THE SYSTEM, IN AFFECT, IS SUBSIDIZING TO SOME EXTENT AND SUBSEQUENT DEVELOPMENTS THAT OCCUR THROUGHOUT THE CITY THAT TAKE ADVANTAGE OF THE WATER SYSTEM WERE LIKEWISE BEING SUBSIDIZED BY THE SYSTEM SO IT IS A DYNAMIC PROCESS AND AS MR. GARZA POINTED OUT, THERE ARE A NUMBER OF FACTORS THAT GO INTO DETERMINING HOW WE FINANCE A CAPITAL PROGRAM. AS OUR DIRECTER INDICATED, OFTEN TIMES IT IS A COMBINATION OF CASH FINANCING AND DEBT FINANCING BUT IT IS THE FUNCTION OF A FAIRLY SOPHISTICATED ANALYSIS THAT TELLS THEM WHAT THAT RATIO NEEDS TO BE.

DO YOU HAVE OTHER QUESTIONS?

THIS IS JUST INTERESTING. THIS IS I THINK, ONE OF THE GREAT VALUES OF THESE WORK SESSIONS, WE NEVER HAD AN OPPORTUNITIES TO HAVE ACCESS TO INFORMATION LIKE WE

ARE ALL GETTING THIS MORNING SO THIS IS, IN A WAY, THE FIRST TIME -- WE WENT THROUGH, MAYOR PRO TEM AND COUNCIL MEMBER COLE AND I HAD THE LAND USE TRANSPORTATION COMMITTEE ABOUT A MONTH AGO SPECIFICALLY ABOUT UNO. I THINK IT MIGHT BE HELPFUL FOR US TO GET A SENSE, FOR INSTANCE, OF THE FOLLOWING: IN THE UNIVERSITY NEIGHBORHOOD OVERLAY, WHICH IS PART SYSTEM REHAB, WE SAW THAT REDEVELOPMENT IS NOT GOING TO FILL IN THE CHUNK, GREG, LIKE YOU IDENTIFIES BECAUSE FOR INSTANCE A CHURCH IS NOT LIKELY TO REDEVELOP IN WEST CAMPUS AND IF IT HAS A 2 OR 4-INCH WATER MAIN PIPE IN FRONTS OF IT AND IT WOULD HAVE NEW APARTMENT BUILDINGS GOING IN THAT REQUIRE 16-INCH WATER LINES ON EACH SIDE, THE NEW DEVELOPMENT IS STILL GOING LEAVE THAT 2-INCH WATER MAIN IN FRONT OF THE CHURCH UNLESS YOU HAVE A WAY TO REPLACE THAT GAP. THAT SAID, WHAT IS THE NET IMPACT OF THE SYSTEM TO THAT SCENARIO FINANCIALLY? AND SO I THINK RIGHT NOW I'M JUST TRYING TO UNDERSTAND THAT BETTER, BUT THIS IS A HELPFUL START.

OKAY.

I HAVE A COUPLE OF QUESTIONS, SEE IF THERE IS ANYBODY ELSE. ONE, ON PAGE 11, WHEN YOU'RE TALKING ABOUT YOUR NEW FTEs, AND I THINK THIS IS A GOOD PLAN TO STRATEGICALLY BEGIN TO THINK THROUGH FOR RETIREMENTS AND PLAN FROM THERE [LAUGHTER] IT MAKES US ALL WONDER. BUT I WANTED TO HAVE AN IDEA IN YOUR BUSINESS PROCESS IMPROVEMENT SECTION, WHAT DO YOU ANTICIPATE THAT THAT FUNCTION WILL BE FOCUSED ON.

WE WILL BE FOCUSING ON IMPROVING INDIVIDUAL WORK PROCESSES. MY ONLY COMMUNITY I CAME FROM, WE TOOK SOME TECHNIQUES FROM THE PRIVATE SECTOR, SIX SIGMA, LEAN, IF YOU'VE EVER HEARD OF THOSE, BIG COMPANIES, GENERAL ELECTRIC, PRACTICE, IT IS A TECHNIQUE FOR ANALYSIS AND TEAM-BASED PROBLEM SOLVING. YOU TAKE A WORK PROCESS THAT HAS TOO LONG A CYCLE TIME, MAYBE CUSTOMER WAIT TIMES ARE TOO MUCH, YOU HAVE A WORK BACKLOG, AND YOU PUT YOUR TEAM TOGETHER AND APPLY TECHNIQUES TO BOOST THE PRODUCTIVITY OF THAT OR IMPROVE THE PERFORMANCE THAT YOU WANT TO GET AND YOU DO THAT CONTINUOUSLY. TOYOTA CORPORATION IS A BIG LEADER IN THIS AREA AND I WAS HEAVILY INFLUENCED BY THEM IN THE PAST SO THAT WOULD BE KIND OF THE NATURE OF THIS.

PROCESS IMPROVEMENT.

YEAH PROSES IMPROVEMENT. WE DO 80 TO 100 PROJECT AS YEAR ONCE WE GOT OUR LEGS UNDERNEATH US.

GETTING BACK TO SOME OF YOUR INFRASTRUCTURE NEEDS THROUGHOUT THE CITY, WE TALKED LAST WEEK AT COUNCIL ABOUT THE TODs, THE TRANSITORY AND DEVELOPMENTS, I THINK WE HAVE FIVE WE'VE DESIGNATED. I DON'T KNOW IF THE PLANNING GROUP THAT IS PLANNING FOR THOSE STATIONS HAS REALLY ASSESSED ALL THE INFRASTRUCTURE

AROUND THOSE STATIONS BUT I WONDER IF YOU'VE TAKEN A LOOK AT THE WATER AND WASTE WATER INFRASTRUCTURE AROUND THOSE NEEDS AND HAVE SOME IDEA OF WHAT WE WOULD NEED TO DO TO, I'M SURE SOME OF THEM ARE IN PRETTY GOOD SHAPE AND SOME OF THEM MAY NOT BE. I JUST WONDER IF YOU SPECIFICALLY TAKE A LOOK AT THOSE AREAS?

YES, OUR SYSTEM PLANNING GROUPS HAVE BEEN DIRECTED TO LOOK AT THOSE AREAS. WE'VE STARTED THAT PROCESS, WE HAVE A GOOD SENSE OF INFRASTRUCTURE NEEDS, A LOT OF THEM, AND WE'VE CREATED A BRAND NEW CAPITAL PROGRAM IN THE FIVE-YEAR FORECAST FOR INFRASTRUCTURE FOR TODs, WE ARE AWARE OF THAT AND RAISING THE CAPITAL PROGRAM AND WE'LL MAKE SURE WE MAKE THE INFRASTRUCTURE UP AS THOSE TODs TAKE OFF.

SOME DAY WHEN YOU THINK YOU HAVE IT ALL WRAPPED, I WOULD REALLY LIKE TO HAVE -- EXCEPT I WON'T BE HERE [LAUGHTER] BUT BRUCE WOULD LIKE TO HAVE A REPORT FROM THE LAND USE COMMITTEE ON WHAT YOUR ASSESSMENT IS WHEN YOU ARE FINISHED.

I WOULD MAKE A NOTE AND ELECT TRICYCLE DO THE SAME THING AS PERHAPS GENERAL FUND DEPARTMENTS RELATING TO DRAINAGE AND THE STREETS, IF YOU'VE NOT DONE THAT TO DO THAT ALSO. AND THE REASON BEHIND IT IS AT SOME POINT DOWN THE LINE, WE'RE GOING TO BE LOOKING AT THE INFRASTRUCTURE NEEDS AROUND THOSE TODs AND WE NEED TO BE ABLE TO ASSESS WHETHER IT IS A SMALL NEED OR A BIG NEED AND WHO IT BELONGS TO, WHETHER IT IS UTILITIES OR THE GENERAL FUND SO WE CAN BEGIN TO MAKE SOME ASSUMPTIONS ABOUT HOW THESE WILL BE PAID FOR AND I THINK PERHAPS MAYBE THE THING TO DO IS TO HAVE A FINANCIAL POLICY THAT SAYS THE CITY WILL BE RESPONSIBLE FOR THE MAJOR PUBLIC INFRASTRUCTURE AROUND THE TODs, AND THEN THAT LEAVES US OPEN TO COMING UP WITH WHATEVER FINANCING TECHNIQUE MAKES SENSE, DEPENDING ON THE NEED AND WHOSE IT IS. SO THAT IS KIND OF THE GOAL WHERE I'M TRYING TO HEAD. OKAY.

MAYOR PRO TEM, JUST YOUR COMMENTS RAISES ANOTHER QUESTION FOR ME BECAUSE WE SEE IN CASES LIKE ALAMO DRAFT HOUSE DOWN SIXTH STREET AND JAY BLATS ON EAST SIXTH STREET, WHERE THESE PROJECTS ARE HELD UP BECAUSE THE INFRASTRUCTURE CAN'T SUPPORT THEM IN SOME WAY, WHETHER THAT IS A GAS LINE, WATER LINE, WASTE WATER LINE. DO WE HAVE A FINANCIAL POLICY THAT IF THE DEVELOPER CHOOSES TO BEAR THE COST OF A PUBLIC INFRASTRUCTURE IMPROVEMENT, DO WE HAVE A FINANCIAL POLICY THAT SOMEHOW MAKES THEM WHOLE FOR THE INVESTMENTS THAT THEY'VE MADE IN THE PUBLIC SYSTEM? YOU KNOW, ONE OF THE CASES SPECIFICALLY WAS A VERTICAL MIXED USE PROJECT ON EAST 6th STREET THAT SIMPLY COULDN'T, IT WAS BUILT, CONSTRUCTED, DRIED IN, IT COULDN'T OPEN BECAUSE THE WATER LINE COULDN'T HANDLE IT, DIDN'T HAVE THE CAPACITY. I DON'T RECALL IF IT WAS WATER OR WASTE WATER BUT IT REQUIRED THEM TO MAKE A SUBSTANTIAL INVESTMENT TO THE TUNE OF 400 TO \$500,000 SO THEY CAN BEGIN SELLING THEIR UNITS AND I'M WONDERING DO WE HAVE A POLICY

THAT SPEAKS TO MAKING THOSE PRIVATE PROPERTY OWNERS WHOLE IF THEY MAKE THAT KIND OF SUBSTANTIAL INVESTMENT.

OUR SER ORDINANCE DESCRIBES THE PROCESS BY WHICH WE REIMBURSE FOR REDEVELOPMENT OR NEW DEVELOPMENT. AND THE UNDERLYING PRINCIPLE OF THAT IS THAT WE TRY TO DETERMINE THE SIZE OF THE WATER LINE OR SEWER LEAN THAT THE NEW DEVELOPMENT NEEDS, AND THEY PAY THEIR SHARE OF THE INFRASTRUCTURE THEY NEED. IF WE MAKE THAT BIGGER INFRASTRUCTURE, MAYBE WE WANT TO REGIONALIZE IT, IF THEY NEED AN EIGHT-INCH LINE AND THEY SAY WE NEED A 16-INCH LINE FOR THE FUTURE, WE PAY THAT DIFFERENCE BETWEEN THE SMALLER INFRASTRUCTURE AND LARGER, AND IF THE INFRASTRUCTURE GETS TO SUPER SIZE, IF WE WANT A LARGE TRANSMISSION SYSTEM, WE'LL PAY 100% OF THE COST. BUT IF IT IS JUST A BASIC THEY NEED AN EIGHT-INCH LINE OR 12-INCH LINE THAN IS WHAT THEIR DEVELOPMENT NEEDS, WE DON'T REIMBURSE THEM FOR THAT COST, WHAT YOU MIGHT DESCRIBE IS THE LOCAL INFRASTRUCTURE THEY NEED FOR THEIR INDIVIDUAL DEVELOPMENT.

EVEN IF OTHER PROPERTY OWNERS WILL BENEFIT FROM THAT INFRASTRUCTURE IMPROVEMENT?

IN REDEVELOPMENT APPLICATIONS, THAT IS TRUE. CURRENTLY, IF THEY INSTALL THE INFRASTRUCTURE FOR THEIR DEVELOPMENT THEY NEED, SAY FOR FIRE FLOWS AND ANOTHER ADJACENT PROPERTY OWNER BENEFITS IN THE SENSE THEY ARE CONNECTED TO A NEWER PIECE OF INFRASTRUCTURE, WE DON'T REIMBURSE THEM FOR THAT LOCAL COST. OBVIOUSLY THAT IS JUST A REDEVELOPMENT ISSUE BECAUSE NEW DEVELOPMENT THERE IS TYPICALLY, BUT THAT IS THE CURRENT --

I THINK WE WILL SEE MORE CONCERNS LIKE THAT COME UP AS EAST AUSTIN, SOUTH AUSTIN FOR THAT MATTER, ALL THIS URBAN IN-FILL WE'RE TRYING TO ACCOMPLISH, I THINK WE WILL CONTINUE TO SEE THIS ISSUE COME UP AND I WOULD LIKE FOR US TO AT LEAST TRY TO EXPLORE SOME OPTIONS AS TO HOW WE CAN, I DON'T KNOW, CREATE THE INCENTIVE SO THAT DEVELOPERS WILL REDEVELOP THEIR PROMPTS AND STILL TAKE -- THEIR PROPERTIES AND STILL TAKE ADVANTAGE OF THE INCENTIVE WE'VE CREATED. IT IS LIKE WE HAVE A FINANCIAL INFRASTRUCTURE THAT COMPETES WITH INCENTIVES.

I CERTAINLY UNDERSTAND THE POINT THAT YOU MAKE AND I GUESS I WOULD SUBMIT THAT THE POLICY THAT GREG JUST CHARACTERIZED IS WORKING FOR YOU NOW. YOU KNOW, PARTICULARLY IN THE FACE OF THE KIND OF GROWTH AND DEVELOPMENT THAT YOU ARE SEEING. THE OTHER THING I WOULD POINT OUT IS THE FINANCIAL POLICY WITH RESPECT TO THIS INFRASTRUCTURE ISSUE THAT HE CHARACTERIZED IS NOT UNUSUAL. I MEAN, THERE ARE MANY, MANY CITIES THAT APPLY THIS KIND OF POLICY RELATIVE TO, YOU KNOW, WATER INFRASTRUCTURE, WATER AND WASTE WATER INFRASTRUCTURE, AND WE WANT TO BE MIND 68 THAT, YOU KNOW IN REGARD TO THESE ISSUES WE ALWAYS HAVE TO MAKE SURE IT IS A GOOD BUSINESS DECISION FOR THE UTILITY ITSELF AND I THINK IT'S

FAIR TO WHATEVER DEGREE, DEPENDING ON THE PARTICULAR CIRCUMSTANCES, SOME OF THE COSTS SHOULD BE BORN BY THE DEVELOPER BECAUSE OF SOME BUT-FOR SET OF CIRCUMSTANCES.

WEIGHING IN ON THIS CONVERSATION I THINK IT IS VERY IMPORTANT, NOT ONLY DO WE HAVE TO THINK ABOUT YOU THE UNIQUE CIRCUMSTANCES IN AUSTIN IN CONNECTION WITH THE TODs BUT THE BURNETT GATEWAY WARE AND THAT IS THE THE AREA WE ARE CONSIDERING BEING OUR NEW DOWNTOWN SO WE NEED A PLAN RELATED TO THAT.

WITH HE HAVE A GOOD SENSE OF THE WATER AND WASTE WATER IN THAT AREA BUT WE HAVEN'T REALLY CRAFTED A FINANCIAL POLICY, BUT WE HAVE A PRETTY GOOD SENSE ON THIS, YOU WARRANTED AN UPDATE ON THAT.

MAYBE WE WILL DO THAT IN LAND USE TRANSPORTATION.

CITY MANAGER, SINCE WE'RE ON THIS TOPIC, IT IS SOMETHING THAT I THINK A LOT OF CITIZENS, ESPECIALLY THE NEIGHBORHOOD GROUPS ARE INTERESTED IN, WE'RE SEEING ZONING CASES AND ASKING THE CAPACITY OF THE LINES AND WE DON'T HAVE THAT INFORMATION. NOT SAYING THAT WE NEED THIS WITH EVERY SINGLE CASE THAT COMES BEFORE US BECAUSE SOMETIMES THIS IS ADDITIONAL CAPACITY AND BUILDING UP TO THE CURRENT ENTITLEMENTS WITHOUT EVEN REQUIRING ZONING, SO WHAT DO CITIES DO, I DON'T KNOW IF IT IS THE COMPREHENSIVE PLAN OR THE CIP PLAN TIED TO THE COMPREHENSIVE PLAN BUT AS WE'RE LOOKING AT DOING VERTICAL MIXED USE WE NEED TO BURY POWER LINES, HAVE WIDE SIDEWALKS AND HAVE THE DRAINAGE SO WE HAVE A MORE DEVELOPABLE AREA AROUND THE TODs, ALL THE THING THAT IS TOUCH ALL THESE INTERPRICE FUND FUND -- INTERPRIZE FUNDS, THEN WE HAVE BILL LIMITATIONS ON SALES TAX AND PROPERTY TAX. HOW WOULD YOU RECOMMEND WE TACKLE THIS?

THAT IS A PRETTY LARGE QUESTION [LAUGHTER]

IT IS THE BUDGET.

AND IN THE ISRAELI PALESTINIAN CONFLICT -- [LAUGHTER]

I DON'T KNOW THAT I HAVE A SUBSTANTIVE ANSWER FOR YOU TODAY WITH RESPECT TO THE ENTERPRISE OPERATIONS THAT DEAL WITH INFRASTRUCTURE. WE ARE CONSTANTLY ASSESSING THAT SET OF CIRCUMSTANCES IN TERMS OF OUR CAPACITY AND ABILITY TO MEET THE GROWTH AND DEVELOPMENT THINGS THAT ARE OCCURRING IN OUR CITY. I KNOW WE'RE DOING THAT IN THE WATER DEPARTMENT. AUSTIN ENERGY IS CONSTANTLY ASSESSING CAPACITY SO WE'RE DOING THAT, YOU KNOW, BASED ON A NUMBER OF DIN FACTORS AND HAVE A -- NUMBER OF DIFFERENT FACTORS AND VARIABLES, ECONOMIC GROWTH, POPULATION GROWTH AND THOSE KINDS OF THINGS. I'M NOT SURE TODAY I KNOW HOW TO TRANSLATE THAT INTO SPECIFIC TERMS BUT WE ARE CONSTANTLY

FOCUSED ON MAKING SURE WE HAVE THE CAPACITY, PARTICULARLY IN TERMS OF OUR UTILITIES AND INFRASTRUCTURE TO MEET THE DEMANDS IN OUR CITY.

SO THEN ARE YOU SAYING THE FINANCING PLANS FOLLOW THEN THE LAND USE POLICIES, NOT -- IS THAT BASICALLY WHAT DEPARTMENTS DO, THEY LOOK AT OUR BLOWING, THEY LOOK AT WHERE THE DEVELOPMENT IS GOING AND PLAN ACCORDINGLY AND THEN WE FIGURE OUT WHAT THE COST REIMBURSEMENT --

WELL, WE CERTAINLY MAKE PROJECTIONS ABOUT WHAT WE THINK IS GOING TO BE NEEDED IN TERMS OF SYSTEM EXPANSION AND WE CERTAINLY LOOK AT LAND USE PLANS, COMPREHENSIVE PLANS AND SO FORTH TO MAKE A DETERMINATION ABOUT THAT, WHERE WE EXPECT GROWTH TO OCCUR IN THE CITY AS IN THE CASE OF THE WATER DEPARTMENTS WHERE WE HAVE SOME OF SENSE TO DEVELOP AND GROW THE CITY ON THE WATER AND WASTE WATERSIDE, FOR EXAMPLE. I KNOW THAT SIMILAR KINDS OF ANALYSIS GOES ON WITH RESPECT TO AUSTIN ENERGY TO MAKE SURE WE MEET THOSE KINDS OF DEMANDS AS THEY OCCUR.

THANK YOU.

WE PROBABLY NEED TO MOVE ON OR WE WILL BE HERE UNTIL --

I HAVE ONE LAST QUESTION. I WANTED TO SEE HOW MANY CITIZENS OF AUSTIN ARE BEING SERVED BY AUSTIN CENTS CCNs AND WHAT THAT -- ADJACENT CCNs AND WHAT THAT COST IS TO US. I KNOW WE HAVE SOME FOLKS THAT ARE CITIZENS OF AUSTIN IN OUR CITY LIMITS BUT SERVED BY OTHER CCNs AND I WOULD LIKE TO KNOW WHAT THAT NUMBER IS AND HOW MUCH TO COSTS.

AND I HAVE ONE TECHNICAL QUESTION. I KNOW THE 130 LEGISLATION, THE CITY WAS LOOKING AT A MODEL THAT LOOKED AT SOMETHING LIKE A PUBLIC IMPROVEMENT DISTRICT AND WE'RE SEEING THAT COME FORWARD TOO. MY UNDERSTANDING TO DATE IS IT IS BASICALLY BEEN DONE THROUGH VOLUNTARY SELF ASSESSMENT OF PROPERTY TAXES. IS IT POSSIBLE ALSO TO HAVE A VOLUNTARY ADDITIONAL ASSESSMENT ON THE WATER RATES, OR ELECTRIC RATES, AS PART OF THE PUBLIC IMPROVEMENT DISTRICT. I'M NOT SAYING A LEVEE IN FAVOR BUT I DON'T KNOW IF THAT IS POSSIBLE AND WE'RE LOOKING AT THIS ISSUE IN SH 130 AND THE CITY HAS BEEN SUPPORTING LEGISLATION TO CREATE SOMETHING LIKE THAT IN THAT AREA. THAT IS A TECHNICAL QUESTION, IS THAT SOMETHING THAT IS LEGALLY AVAILABLE TO US?

I WILL HAVE TO ASK THE LAWYERS ABOUT THAT I'VE NOT EVER HEARD OF IT.

WE WILL GET BACK TO YOU ON THAT.

ONE MORE COMMENT ON YOUR PLANNING. I BELIEVE DO YOU FOR YOUR WATER CAPACITY

AND ACCESSIBILITY FOR WATER, YOU LOOK AT, WHAT, 50 YEARS FOR YOUR WATER SUPPLY AND WATER SUPPLY PLANNING AND I THINK YOU LOOK AT A LONG-TERM ALSO ON JUST YOUR BASIC INFRASTRUCTURE PLANNING. I DON'T KNOW IF THAT IS FIVE YEARS OR 10 YEARS, BUT DO YOU HAVE FAIRLY LONG-TERM PLANNING HORIZONS FOR YOUR UTILITIES.

YOU ARE CORRECT.

OKAY. ALL RIGHT, GREG. LET'S GO ON, IF THERE ARE NO OTHER QUESTIONS, TO OUR SECOND GROUP, PUBLIC WORKS.

AND WE HAVE WITH US TODAY JOE RAMOS, ACTING DIRECTER AND ROBERT GOODE, OUR CITY MANAGER IN THAT AREA.

GOOD MORNING. JOE RAMOS, ACTING DIRECTER FOR THE PUBLIC WORKS DEPARTMENT. I WANT TO THANK GREG FOR GETTING YOU WARMED UP, LOOSENEED UP.

WHO WOULD THINK WE COULD TALK ABOUT WATER TILL TELL UTILITY FOR AN HOUR.

I'M HERE TO DISCUSS THE PUBLIC WORKS TRANSPORTATION FUND. THE TRANSPORTATION FUND COVERS NUMEROUS TECHNIQUES WE USE IN THE DEPARTMENT FOR MANY REASONS. STREET PREVENTATIVE MAINTENANCE, WHICH INCLUDES OUR CRACK SEAL, CHIP SEAL AND OVERLAY PROGRAMS. OUR STREET REPAIR PROGRAM WHICH INCLUDES GUARDRAIL REPAIR, POTHOLE REPAIR, STREET SANDING, BARRICADING DURING FLOODING EVENTS, BRIDGE REPAIR AND MAINTENANCE. WE CURRENTLY EXPEND APPROXIMATELY 700,000 DOLLAR YEAR ON BRIDGE MAINTENANCE. CONCRETE REPAIR AND CONSTRUCTION, WHICH INCLUDES UTILITY CUT REPAIRS, SIDEWALK REPAIRS AND CURB AND GUTTER REPAIRS, WHICH IS TIED IN TO SOME OF OUR OVERLAY PROGRAMS IN THAT WHEN WE COME IN TO OVERLAY A ROADWAY, WE TRY TO REMOVE SOME OF THE PONDING ISSUES THAT WE HAVE SO THAT WE END UP WITH A PRETTY DECENT ROADWAY IN THE END. ALSO, TRAFFIC SIGNALS AND MARKINGS THIS INCLUDES OUR SIGNS AND MARKINGS OPERATIONS, SIGNAL TIMING, SIGNAL LIGHT REPLACEMENT. WE ALSO HAVE TRAFFIC CALMING WHICH WAS A RECENT ADDITION SINCE IT WAS FUNDED RECENTLY. WE'RE CURRENTLY EVALUATES NEIGHBORHOODS AND INSTALLING TRAFFIC CALMING IN NEIGHBORHOODS LATER THIS YEAR THIS FISCAL YEAR. ALSO A BICYCLE PEDESTRIAN INFRASTRUCTURE, WE'VE RECENTLY EMPHASIZED INSTALLATION OF NEW SIDEWALKS IN THE PAST FEW YEARS, AND WE'RE ALSO EMPHASIZING ADDITION OF BIKE LANES THROUGHOUT THE CITY AS WE GO FORWARD. THE TRENDS AND ISSUES CARRIERRINGNO CARRIERRINGCONNECT 57600 A BIG ISSUE FOR US, IT INCREASED 20% FROM 2003 TO 2007. ALSO, OUR INVENTORY OF STREETS IS GROWING AT APPROXIMATELY 180 LANE MILES PER YEAR SO WE NEED TO ADDRESS THAT GROWTH AND PLAN FOR IT ACCORDINGLY. OF COURSE, OUR LABOR COSTS ARE GOING UP AS AN INFLATION ISSUE, PAY FOR PERFORMANCE AND BENEFITS, COST, ET CETERA, CONTINUE TO INCREASE. THIS NEXT SLIDE SHOWS JUST ILLUSTRATES THE GROWTH THAT WE ANTICIPATE AND THE GROWTH THAT WE'VE SEEN THUS FAR. AS YOU

CAN SEE IN 2003 WE HAD APPROXIMATELY JUST OVER 6400 LANE MILES OF ROADWAYS IN THE CITY LIMITS AND WE ANTICIPATE BY 2013 HAVING APPROXIMATELY 7900 LANE MILES. SO THAT IS AN ADDITIONAL BURDEN THAT WE'LL HAVE TO BE TO ABSORB AND PLAN FOR. THOSE THAT WE HAVE THAT WE'RE PUSHING FOR THAT WE HAVE IN MIND IS ACHIEVING 80% OF OUR ROAD INFRASTRUCTURE IN GOOD TO EXCELLENT CONDITION, FAIR TO EXCELLENT CONDITION BY THE YEAR 2016. CURRENTLY, WE'RE AT APPROXIMATELY 70% IN FAIR TO EXCELLENT CONDITION. TO ACCOMPLISH THAT, OUR GOAL IS TO MAINTAIN 10% OF OUR NETWORK AND ON AN ANNUAL BASIS. CURRENT LEER WE ARE BUDGET -- CURRENTLY, WE ARE BUDGETED AT 9.5% AND LAST YEAR WE HAD A DISCUSSION AND WHERE THAT WAS LEADING US. THIS NEXT SLIDE ILLUSTRATES WHAT I JUST MENTIONED, THE 10% GOAL OF MAINTENANCE AND IT WOULD GET US TO APPROXIMATELY 80% BY 2016. THE TYPE OF MAINTENANCE ACTIVITIES THAT WE'LL PERFORM --

I WANT TO GO BACK TO THE PERCENTAGE, THE 80% FACTOR THAT JOE JUST ALLUDED TO BECAUSE I WANT TO MAKE SURE THAT I UNDERSTAND THAT 20% OF YOUR ROAD NETWORK WILL BE IN POOR CONDITION, EVEN IF WE ACHIEVE THAT GOAL SO THAT IS REALLY WHAT WE'RE TALKING ABOUT HERE. AND I WILL HAVE TO CONCEDE THAT WHEN I WAS MEETING WITH PUBLIC WORKS TO GO OVER THEIR BUDGET, I WAS, I GUESS, SURPRISED TO HEAR THAT 20% POOR STREETS IN OUR CITY WAS AN ACCEPTABLE PERCENTAGE AS A MATTER OF POLICY. SO HE SAID THE OTHER WAY, TALKED ABOUT ANY WORK FROM EXCELLENT TO FAIR THAT MAKES UP THE 80%, BUT THAT OTHER 20% MEANS 20% OF THE STREET INVENTORY WOULD BE IN POOR CONDITION.

AND THAT SENSE, IF WE'RE COUNTING FAIR AS BEING IN THE CATEGORY OF GOOD --

NEW YORK NO, WE'RE NOT. WE'RE COUNTING FAIR AND GOOD. THERE ARE FOUR CATEGORIES, POOR, FAIR, GOOD AND EXCELLENT.

YOU SAID THE 80% FIGURE INCLUDED FAIR.

MY UNDERSTANDING 80% IS FAIR, GOOD AND EXCELLENT.

SO 80% GOOD INCLUDES FAIR.

WHAT PERCENTAGE IS FAIR WITHIN THAT?

I DON'T KNOW. MAYBE THEY KNOW THAT. DO YOU HAVE THAT?

WE CAN GET THAT. WE HAVE IT READILY AVAILABLE BUT I DIDN'T BRING THAT WITH ME. IT IS THE MAINTENANCE PROGRAM THAT NEEDS ALLUDING TO THAT THAT INVESTMENT ALLOWS TO YOU MAINTAIN THE STANDARD THAT HE IS TALKING ABOUT, SO I MEAN, IF AS A MATTER OF POLICY, IF 80% OR 20% POOR STREETS IN YOUR INVENTORY IS ACCEPTABLE, THAT MEANS THAT WE ALSO HAVE TO COMMIT TO A CERTAIN LEVEL OF MAINTENANCE

INVESTMENT. OR IF IT IS NOT IN A HIGHER PERCENTAGE IN MAINTENANCE, PROBABLY A HIGHER PERCENTAGE ON THE CAPITAL SIDE AS WELL.

I WILL ASK A QUESTION RELATING TO THAT. YOU DON'T HAVE TO GIVE THE ANSWER NOW, BUT THIS PAST AND THIS CURRENT BUDGET WE ADDED ADDITIONAL DOLLARS IN THIS YEAR'S BUDGET TO TRANSFER TO THE TRANSPORTATION FUND TO, FIRST OF ALL, TO SIMPLY MAINTAIN A 9% THAT WE HAD LAST YEAR BECAUSE WITH INFLATION GOING UP, YOU HAVE TO ADD MORE TO JUST STAY THE SAME. SO MY QUESTION IS GOING TO BE HOW MUCH ARE WE ADDING THIS YEAR JUST TO STAY THE SAME AT 9.5%.

RIGHT.

IF YOU DON'T KNOW IT NOW, YOU CAN GET TO IT.

ACTUALLY HAVE THOSE NUMBERS LATER ON, WE'LL PRESENT THOSE NUMBERS. BUT WE DID LAST YEAR, I THINK THERE WAS AN INFUSION OF \$2.9 MILLION TO KEEP US AT THAT PERCENTAGE BUT WE SPENT ONE-TIME FUNDS FROM THE TRANSPORTATION FUNDS TO MAKE IT THERE SO WE HAVE TO MAKE THAT UP REVENUE SHORT FALL.

THE INFLATION FACTOR, YOU REALLY DO SEE IT WHEN YOU TRY TO MAINTAIN EVEN THE LEVEL DID YOU THE YEAR BEFORE.

AND THIS SLIDE, GOING ON, THIS SLIDE HERE ILLUSTRATES THE TECHNIQUES THAT WE USE CURRENTLY IN HOUSE. WE HAVE OUR IN-HOUSE PERSONNEL PERFORM CRACK SEAL, SEAL COAT AND ASPHALT OVERLAY. THAT MAINTENANCE PROCEDURE IS IN AN ATTEMPT TO AVOID STREET DETERIORATION, ONCE THE ROADS FALL INTO THE FAILED CATEGORY, BASICALLY ALL WE CAN DO THEN IS RECONSTRUCT THEM. I CAN GIVE YOU AN EXAMPLE OF WHERE THE PAY OFF IS. STREET MAINTENANCE HAS OFTEN BEEN COMPARED TO CHANGING THE OIL ON YOUR CAR. I REMEMBER BACK IN THE LATE '80s THIS ISSUE CAME UP, DO YOU MAINTAIN THE VEHICLE AND CHANGE THE OIL AND FILTER AS YOU GO OR DO YOU NOT CHANGE IT AND WAIT UNTIL THE ENGINE BLOWS AND YOU HAVE TO RECONSTRUCT THE ENGINE. VERY SIMILAR TO ROAD RECONSTRUCTION. IF WE DON'T APPLY TECHNIQUES AS THE INFRASTRUCTURE AGES, IT TENDS TO DETERIORATE. WE WILL HAVE WATER IN OUR SUB GRADE AND BASE MATERIAL AND WE LOSE THE WHOLE STRUCTURE OF THE ROADWAY AND AT THAT POINT WE CAN'T COME BACK IN AND CHIP SEAL AND OVERLAY BECAUSE WE ARE THROWING MONEY AWAY. IT IS NOT GOING TO FIX THE FUNDAMENTAL PROBLEM THAT THE ROAD STRUCTURE IS COMPROMISED. AT THAT POINT WE SPEND ANYWHERE FROM 650,000 TO 1.3 MILLION PER LANE MILE OF ROADWAY TO RECONSTRUCT TO WHEREAS IF WE PROVIDE MAINTENANCE ON A ROADWAY, WE CAN, YOU KNOW, CRACK SEAL A ROAD FOR \$1,500 A LANE MILE AND GO UP TO INCREASE OUR MAINTENANCE STRATEGY UP TO MILL AND OVERLAY WHICH COSTS US CURRENTLY ABOUT \$66,000 A LANE MILE. SO YOU CAN SEE THE BENEFIT OF EXPENDING THE FUNDS UP FRONTS TO MAINTAIN OUR ROADS WAYS. NEXT, WE HAVE OTHER NEEDS BESIDES THE ROAD

MAINTENANCE. WE HAVE UPGRADES IN REPAIRS REQUIRED TO OUR TRAFFIC SIGNAL SYSTEM, OUR LED LIGHTS ON THE TRAFFIC SYSTEMS HAVE REACHED THE DESIGN LIFE AND ARE IN NEED OF REPLACEMENT. YOU CAN SORT OF TIE THIS TO OUR MOBILITY ISSUES THAT WE'RE CURRENTLY HAVING IN WE TRY TO TIME OUR SIGNALS SUCH THAT IT WILL INCREASE OUR MOTORING PUBLIC'S ABILITY TO MOVE UP AND DOWN THE STREET WITH LESS STOPS, STARTS AND STOPS, WHICH WILL ALSO, YOU KNOW, HELP OUR AIR QUALITY ISSUES. WE ALSO, AS I DESCRIBED BEFORE, WE HAVE A NEED FOR FUNDING OF NEW SIDEWALK CONSTRUCTION. WE ARE, AS I STATED PREVIOUSLY, IN THE PROCESS OF UPDATING OUR ADA TRANSITION PLAN AND THAT WILL BE COMING TO COUNCIL SHORTLY. ALSO, OUR PARKING METERS HAVE REACHED THEIR DESIGNED LIFE AND WE NEED TO EVALUATE REPLACING THOSE. WE HAVE A NEED FOR BRIDGE MAINTENANCE SYSTEM, WE HAVE A PROGRAM TO MAINTAIN BRIDGES BUT WE DON'T HAVE A MANAGEMENT INFORMATION SYSTEM AS WE DO FOR ROADWAYS. SO WE, THOSE ARE SOME -- ANDS WILL TRAFFIC CALMING, AS I STATED BEFORE. THERE HAS BEEN A BIG NEED BY THE COMMUNITY HERE RECENTLY REQUESTING TRAFFIC CALMING. OTHER NEEDS THAT WE HAVE HERE ON THE NEXT SLIDE ARE SOME OF -- WE HAVE SOME I.T. NEEDS, AS I MENTIONED BEFORE. A BRIDGE MANAGEMENT INFORMATION SYSTEM, WE NEED SOME DATA COLLECTION FROM OUR ROADWAY SYSTEM TO CONTINUE FUNDING THAT, AND WE NEED TO CONVERT OUR PAVEMENT MANAGEMENT INFORMATION SYSTEM. IT IS A RATHER AGED SYSTEM THAT IT IS TIME TO UPGRADE IT. WE ALSO HAVE AN ISSUE WITH OUR COURTYARD THAT YARD IN THE PAST HAS BEEN USED AS A BIT OF A LAND FILL AND WE NEED TO GO BACK AND DO OUR DUE DILIGENCE AND ADDRESS THAT ISSUE. WE ALSO HAVE A NEED FOR SERVICE YARDS. WE HAVE A -- ONE OF OUR MAINTENANCE OPERATIONS IS IN A LEASED FACILITY THAT HAS BEEN MOVED THE PAST FEW YEARS ON NUMEROUS OCCASIONS AND THEY DON'T HAVE A HARD HOME OFFICE TO OPERATE FROM. THIS IS THE GROUP THAT SERVICES THE CENTRAL PARTS OF THE CITY. THEY CURRENTLY HOUSED IN AN OLD CAR RENTAL FACILITY ADJACENT TO THE FORMER MILLER AIRPORT. AND WE WOULD DESIRE, IF POSSIBLE, A YARD ON THE WEST SIDE OF TOWN OR NEAR THE WEST SIDE OF TOWN TO WHERE WE COULD PROVIDE ICING OR SANDING SERVICES WHEN WE HAVE, ONE OF THE FEW TIMES FORTUNATELY THAT WE DO HAVE ICING ISSUES, IT TAKES AS YOU WHILE TO REACH THE WEST SIDE OF DOWN BECAUSE MOST OF OUR FACILITIES ARE ON THE EAST SIDE OF TOWN. WE ALSO HAVE AN ISSUE WITH RESPONDING TO STORM EVENTS WHEN WE HAVE DOWNED POWER LINES, DOWNED TREES, POWER LINES BLOCKING THE ROADWAY, AND FLOODING SITUATIONS WHERE WE NEED TO BARRICADE ROADWAYS. SO THAT AFFECTS OUR RESPONSE TIMES WHEN WE GET CALLS FOR THOSE TYPE OF ISSUES. WE ALSO HAVE OUTGROWN MOST OF OUR OFFICE PAYS. WE HAVE MOVED SEVERAL OF OUR PERSONNEL FROM OUR OFFICES TO OUR FIELD OFFICES BUT WE PRETTY MUCH TAPPED OUT OUR CAPACITY OUT THERE. THE LAST SHEET HERE IS A SUMMARY OF OUR TRANSPORTATION FUND. AS YOU CAN SEE FOR THIS YEAR, WE'RE FORECASTING AN ENDING BALANCE OF APPROXIMATELY \$1.6 MILLION. THAT WILL BE OUR BEGINNING BALANCE FOR NEXT YEAR, AND WITH ALL THESE PRESSURES BEING INCORPORATED INTO OUR BUDGET, WE WILL END UP WITH A NEGATIVE BALANCE OF \$7.7 MILLION. WITH A 9.5% MAINTENANCE RATE ON OUR

INFRASTRUCTURE. AS YOU CAN SEE, THAT TREND WILL CONTINUE FOR THE NEXT FOUR YEARS AFTER THAT. WE HAVE IDENTIFIED A FUNDING SHORT FALL AND WE WILL IDENTIFY OR LOOK AT DIFFERENT ALTERNATIVES INTO MEETING THAT SHORT FALL AND BRING INFORMATION BACK TO THE COUNCIL AT A LATER DATE AS TO HOW WE CAN ADDRESS THOSE SHORTCOMINGS AND DIFFERENT MECHANISMS AVAILABLE TO ADDRESS THAT.

THANK YOU VERY MUCH. IS THERE QUESTIONS?

I GUESS CAN YOU GIVE US A GENERAL SENSE OF WHAT YOU ARE THINKING NOW, IT MIGHT BE HELPFUL FOR US TO BE ABLE TO BE PARTICIPATING IN THE THOUGHT PROCESS TOO?

I THINK WE LOOKED AT THAT TIME BRIEFLY AS WE COULD PROPOSE A RATE INCREASE AND THEN STEP IN A RATE INCREASE OF ABOUT \$1.66 OVER THE NEXT FEW YEARS. TO ADDRESS ALL THESE SHORT FALLS. THAT WOULD BE THE WORSE CASE SCENARIO TO ACCOMPLISH EVERYTHING WE'RE ASKING FOR.

IS THERE ANY ABILITY CURRENTLY UNDER STATE LAW TO DO THINGS LIKE HAVE LOCAL OPTION VEHICLE REGISTRATION OR SOMETHING LIKE THAT? LINKED UP WITH THE USE OF OUR SYSTEM.

SORT OF A USER RELATED SYSTEM?

YEAH.

THOSE ARE THE TYPES OF SCENARIOS WE'RE GOING TO LOOK AT TOO WHAT OPTIONS WE HAVE AVAILABLE TO US AND WE'RE GOING TO RESEARCH THOSE TYPE OF MECHANISMS TO DEAL WITH THE SHORT FALL. SO WE'LL BE LOOKING AT THOSE.

YOU MIGHT WANT TO LOOK SEE IF THERE IS ANYTHING WE ASK OUR DELEGATION AND LOBBYIST TO SEE IF WE CAN GET PERMISSION TO DO.

WE SURELY AREN'T THE ONLY CITY GOING THROUGH THIS ISSUE.

NO THIS IS ACROSS-THE-BOARD STATEWIDE. NOT NATIONWIDE.

I HAVE ONE QUESTION. ARE THERE ANY OTHERS?

I HAVE ONE OBSERVATION BUT YOU GO FIRST.

NO, I WAS JUST WONDERING ON YOUR FUND FORECAST ON THAT PAGE, LOOKING AT YOUR 41.6 MILLION OF ESTIMATED REVENUE FOR NEXT YEAR, WHAT PROPORTION OF THAT IS FROM THE GENERAL FUND AND WHAT IS FROM YOUR OWN TRANSPORTATION REVENUE?

IT'S CLOSE TO 9 MILLION --

I'M SORRY, WHAT?

IT IS CLOSE TO 9 MILLION ON THE GENERAL FUND SIDE.

ALL RIGHT, THANKS. ALL RIGHT.

I WAS JUST OBSERVING, THERE IS A VERY HELPFUL CHART, SLIDE 30 OR PAGE 31 OR SLIDE 31 ON THE GROWTH OF STREET INVENTORY. AND THE REASON I BRING THIS UP IS SOME OF YOU ALL MAY HAVE HEARD THERE IS AN URBAN MYTH OR RUMOR THAT THE CITY OF AUSTIN HAS NOT BUILT A SINGLE MILE OF NEW ROAD SINCE THE MID '80s, YOU KNOW, THIS KIND OF -- YOU KNOW. WE'RE SEEING SINCE 2002 ACTUALLY WE'VE HAD A, WE'VE ACTUALLY BUILT 1,200 MILES OF NEW ROAD LANE MILES OF NEW ROAD, SO IT APPEARS THAT BETWEEN 2002 AND 2050 WE'RE EXPECTING TO INCREASE 25% OF NUMBER OF ROAD MILES SO TO THE EXTENT ANY OF US IN THIS ROOM OR OUT IN THE COMMUNITY ARE HEARING THAT RUMOR --

I'M WONDERING WITH RESPECT TO THIS CHART, DOES THIS CHART ONLY REFLECT OUR ACTIVITY IN TERMS OF BUILDING NEW ROADS, IT IS REALLY INDICATING AN INCREASE IN OUR INVENTORY FOR A VARIETY OF DIFFERENT REASONS, ONE OF WHICH FOR EXAMPLE IS OUR ANNEXATION PROGRAM, AND OFTEN TIMES WHEN WE GET A DECISIONS TO OUR INVENTORY THROUGH ANNEXATION, OFTEN TIMES THOSE ROADS ARE NOT CONSTRUCTED TO CITY STANDARDS SO IT IS A LESSER ROAD IN TERMS OF QUALITY WHICH MEANS THAT OUR COST IN TERMS OF MAINTAINING AND/OR UPGRADING THESE ROADS JUST INCREASED. NOW IT MAY BE INCLUSIVE ALSO OF NEW ROADS THAT WE HAVE IN FACT, PUT IN PLACE BUT I JUST WANTED TO CAUTION THAT THE SIMPLE ARITHMETIC MAY NOT ACTUALLY BE ACCURATE. I THINK THAT GENERALLY SPEAKING, THERE IS NEW INVENTORY, NEW INVESTMENT BY THE CITY, YOU KNOW, INCLUDED IN THIS.

THIS IS AN ACCUMULATION MUCH ALL METHODS, WHETHER IT IS NEW ROADS, OR SUBDIVISIONS ACCEPTED BY THE CITY.

IF THERE ARE NO OTHER QUESTIONS, I DON'T EVER SEE YOU OVER THERE, YOU BLEND INTO THE WALL.

CAMOUFLAGE [LAUGHTER]

I DIDN'T KNOW YOU WERE A WALL FLOWER.

I WANTED TO SEE IF WE CAN GET A SEPARATION OF KIND WHAT HAVE COUNCIL MEMBER McCRACKEN WAS ASKING AND THE CITY MANAGER OF NEW ROADS WE'RE BUILDING OPPOSED TO DEVELOPMENT PROJECs THAT GIVE US 50 OR 60 NEW ROADS THAT THEY

DEVELOP AND BUILD THEMSELVES.

SURE, WE HAVE THAT BREAK DOWN AND WE CAN PROVIDE IT.

THE OTHER QUESTION I HAVE IS DO WE HAVE A POLICY THAT SPEAKS TO URBAN IN-FILL DEVELOPMENT OR IT DEVELOPMENT ANYWHERE IN THE CITY FOR THAT MATTER WHERE KIND OF STEPPING BACK TO WATER UTILITY QUESTIONS EARLIER, LET'S SAY A PROJECT, RIPS THE CENTER OF A ROAD TO DO WATER, WASTE WATER IMPROVEMENT AND THEY ZIP IT BACK UP. WHAT IS OUR POLICY IN TERMS OF THE QUALITY OF WORK THAT IS REQUIRED? WHAT I SEE IS WHEN THESE DEVELOPMENTS ARE DONE, WE HAVE NICE NEW DEVELOPMENT WHERE IT ONCE DIDN'T EXIST, WE HAVE THE WORSE POSSIBLE ROAD IN FRONT OF IT AND IT IS JUST LEAF THAT WAY UNTIL WE SOMEHOW FIGURE OUT 20 YEARS LATER IN THE BUDGE TOTE BOND FOR IT OR PAY FOR IT. I SEE THIS MORE AND MORE OFTEN AS WE'RE GROWING AS A CITY, AND I WANT TO KNOW, DO WE HAVE A REALLY STRICT POLICY THAT SAYS IF YOUR PRIVATE DEVELOPMENT RIPS UP OUR ROADS, YOU NEED TO BUILD IT BACK THE SAME OR BETTER STANDARDS THAN BEFORE YOU TOUCHED IT.

WE DO HAVE A POLICY AND IT IS A RATHER EXPENSIVE POLICY FOR THOSE WHO TEAR UP THE ROADS AND WE GET A LOT OF RESISTANCE AT TIMES. WE DO HAVE A STANDARD POLICY FOR ROAD REPAIR. AND IT VARIES DEPENDING ON HOW MUCH OF A ROAD IS TORN UP. THERE ARE TIMES THAT WE CAN ACTUALLY PARTICIPATE WITH WHOEVER IS REPAIRING THE ROAD. IT IS NOT UNCOMMON FOR, SAY, A UTILITY PROJECT TO COME IN AND INSTALL THEIR FACILITY, IN THE PROCESS THEY DIG UP THE ROAD AND THEY END UP WITH A RATHER WIDE TRENCH REPAIR. WE DO HAVE THE ABILITY TO CERTAIN EXTENT TO COST PARTICIPATE TO GO AHEAD AND REPAIR THE WHOLE ROADWAY. BUT THOSE FUNDS ARE LIMITED, WE JUST HAVE A CERTAIN AMOUNT OF FUNDS WE SET ASIDE TO ACCOMPLISH THAT THERE IS ALSO, WHEN THERE IS A DEVELOPMENT AND THEY ARE DEVELOPING ADJACENT, THEY HAVE A BOUNDARY STREET, THERE ARE REQUIREMENTS THROUGH THE DEVELOPMENT PROCESS WHERE THEY HAVE TO EITHER UPGRADE THEIR SIDE OF THE ROADWAY OR POST A CERTAIN AMOUNT OF FISCAL THROUGH THE DEVELOPMENT PROCESS TO ADDRESS SOME OF THAT SO IF THE CITY COMES IN IN THE FUTURE, SAY, FOR EXAMPLE, WE HAVE A CIP PROJECT TO RECONSTRUCT THAT ROAD OR UP GRADE THE ROAD, WE CAN THEN TAKE THOSE FUNDS AND APPLY THEM TO THAT ROAD CONSTRUCTION. AND I KNOW WE'VE DONE THAT ON A FEW CASES. I KNOW PARTS OF OUR LANE, WE ACTUALLY CASHED IN THE MONEY THAT A DEVELOPER HAD PUT UP AS A BOUNDARY STREET FISCAL ISSUE SO THAT WAS REALIZED.

WHO IS RESPONSIBLE FOR ENFORCING THIS? DO WE SEND SOMEBODY FROM PUBLIC WORKS OUT TO IN IN THE ONCE IT IS DONE?

-- TO IN THE ONCE INSPECT ONCE IT IS DONE.

WATERSHED PROTECTION HAS THE PRIVATE SIDE INSPECTION AND THEY HAVE THE SAME STANDARDS, THEY REVIEW TO THE SAME STANDARDS AND THEY DO ISSUE PUNCH LISTS WHEN THEY COME OUT AND SEE THE REPAIR IS UNGULATING OR NOT APPROPRIATE THEY CALL THE BRIDGE OR STREET PERSONNEL TO CONSULT WITH THEM. SO THEY DO CALL US OUT ON A CASE-BY-CASE BASIS.

ARE YOU TALKING ABOUT THE ACTUALLY DEVELOPERS?

THE INSPECTION STAFF AS THEY GO THROUGH THE PROCESS.

OKAY. ANOTHER QUESTION I HAD IS, ARE WE LOOKING AT TRYING TO TAKE ADVANTAGE OF SOME VERTICAL MIXED USE TO IMPROVE THINGS LIKE TRAFFIC SIGNALS AND CROSSWALKS AND THINGS OF THAT NATURE? CAN WE INCORPORATE THAT INTO COMMUNITY BENEFITS WE ARE SEEKING.

WE ARE CURRENTLY. WE NEED TO LOOK AT THAT AND WORK WITH OUR OTHER DEPARTMENTS TO MAKE SURE WE ARE IN THE PROCESS AND WE HAVE THE OPPORTUNITY TO PROVIDE INPUT. BUT WE CAN GET WORKING ON THAT.

YOU MENTIONED TRAFFIC CALMING DEVICES EARLIER IN YOUR PRESENTATION. WHAT IS THE PROJECTED BUDGET FOR TRAFFIC CALMING DEVICES AND WHAT IS THE POLICY FOR WHO CAN REQUEST THEM AND WHERE THEY. GO YOU WILL OPEN THE FLOOD GATES WHEN YOU TELL PEOPLE YOU WILL HAVE TRAFFIC CALMING DEVICES.

I THINK THE FLOOD GATES HAVE ALREADY BEEN OPENED. WE'VE RECEIVE A LOT OF CALLS FOR TRAFFIC CALMING AND WE HAVE A PROCEDURE SET UP WHERE WE INCLUDE THE NEIGHBORHOOD AND WE HAVE SORT OF A BACK AND FORTH. WE CONSULT WITH THEM, WE MEET WITH THEM SO IT IS A PROCESS THAT TAKES SIX TO NINE MONTHS, AND THEN IF AT THE END OF THAT SIX TO NINE MONTHS WE HAVE A PLAN THAT WE'RE GOING IMPLEMENT AND THEN WE GO FORWARD AND IMPLEMENT THAT PLAN. SO AS LONG AS THAT IS, IT CONTINUES TO GET FUNDING, THEN THAT WILL BE AVAILABLE. IF YOU RECALL LAST YEAR, WITH IN THE BUDGET PROCESS, WE INCLUDED FUNDING TO ALLOW FOR PUBLIC WORKS TO ACTUALLY FORMULATE A STREET CALMING WORK CREW, AND THEIR CHARGE IS GOING TO BE TO GO OUT THERE AND ACTUALLY CONSTRUCT THE TRAFFIC CALMING THAT HAS BEEN AGREED TO AND THAT WE CAN DO AT A LOT LESS EXPENSE THAN WE COULD BY CONTRACTING OUT. WE DISCOVERED THAT PREVIOUSLY THROUGH OUR OTHER EFFORTS, SO WE'VE GOT THOSE PERSONAL, THEY ARE ABOUT READY TO BE HIRED AND THE EQUIPMENT IS COMING IN. WE'RE GEARING UP TO LATE THEY LATER THIS SUMMER, YOU WILL SEE CONSTRUCTION ON THE TRAFFIC CALMING PLANS.

DO YOU HAVE CONSTRUCTION THAT REQUIRE AS ROADWAY TO REACH CERTAIN WARRANTS.

MAY I SUGGEST IT MIGHT BE USEFUL FOR THE WHOLE COUNCIL IF WE PROVIDE IN WRITING THE SPECIFICS OF THE PROGRAM IN THAT REGARD. THERE ARE A NUMBER OF CRITERIA THAT GO INTO PLAY WHEN A NEIGHBORHOOD MAKES SUCH A REQUEST FOR TRAFFIC CALMING AND IT IS A VERY DELIBERATE PROCESS AND EVEN IN FT. WORTH WE HAD A VERY DELIBERATE PROCESS THAT THE CITY WENT THROUGH AND THE ENTIRE NEIGHBORHOOD WENT THROUGH. IT IS NOT LIKE ONE OR TWO PEOPLE CAN REQUEST TRAFFIC CALMING AND THEN IT OCCURS. IT IS A VERY DELIBERATE PROCESS.

ADDITIONAL QUESTIONS?

YES. I THANK YOU FOR YOUR WORK ON STREET MAINTENANCE AND WE'VE BEEN ADDING TO THE IN THE PAST FEW YEARS. [ONE MOMENT PLEASE FOR CHANGE IN CAPTIONERS] CROSSWALKS. WE'RE DOING THAT ON CHAVEZ. I'M WONDERING IS THERE MUCH OF A COST DIFFERENCE IF WE ARE GOING TO BE REPLACING SOME OF THOSE CROSSWALK SIGNALS THAT WE COULD DO COUNT DOWN TIMER INSTEAD. WHAT WOULD BE THE COST DIFFERENCE?

THERE IS ONE. IT'S HIGHER, I'M NOT EXACTLY SURE. I DON'T REMEMBER OFF THE TOP OF MY HEAD BUT I'LL GET THAT INFORMATION TO YOU.

IT MAKES SENSE TO DO THEM WHILE WE'RE REPLACING THEM. ALSO SIDEWALKS, I THINK THAT WE'RE BECOMING MORE PEDESTRIAN ORIENTED THAT WIDER SIDEWALKS ARE NECESSARY AND IN GOOD CONDITION OF COURSE. AND THERE ARE PLACE WHERE IS THE SIDEWALKS ARE VERY NARROW AND PEOPLE FEEL UNSAFE WALKING ON A SIDEWALK, ESPECIALLY WITH YOUNG CHILDREN WHEN THE TRAFFIC GOING BY THEM IS AT A RELATIVELY HIGH SPEED AND THAT COULD BE SOMETHING LIKE 30 MILES PER HOUR OR EVEN 25. I WAS ORNDING IF WE HAVE A POLICY THAT ALLOWS DEVELOPERS OR HOME OWNERS TO SAY IF YOU'RE GOING BE DOING SIDEWALK WORKS TO BE ABLE TO GIVE MORE OF A RIGHT-OF-WAY FOR WIDER SIDEWALKS. ARE THERE PROGRAMS AROUND THE NATION WHERE THERE'S A COMMUNITY GOAL OF HAVING GOOD, WIDE SIDEWALKS WHERE THEY CAN ACTUALLY SAY, YOU KNOW, MY PROPERTY BENEFITS BY BEING IN A NEIGHBORHOOD THAT'S MORE WALKABLE AND THEREFORE I'M WILLING TO GIVE MORE OF AN EASIMENT FOR THE SIDEWALK NOT ONLY FOR MYSELF AND MY FAMILY, BUT ALSO EVERYONE IN THE ENTIRE NEIGHBORHOOD?

I BELIEVE THAT WOULD BE MORE OF A LAND DEVELOPMENT ISSUE THAT THEY WOULD HAVE TO BE INCORPORATED INTO OUR PROCESS. I KNOW THE TRANSPORTATION CODE, CRITERIA MANUAL DOES STIPULATE SIDEWALK WIDTHS DEPENDING ON WHERE THEY'RE LOCATED. THEY'RE A CERTAIN WIDTH IF THEY'RE BEHIND THE CURB YOU HAVE TO WIDEN THEM. BUT WHAT YOU'RE ASKING ADDITIONAL RIGHT-OF-WAY THAT WOULD BE PART OF OUR LAND DEVELOPMENT AND I THINK WE NEED TO REASSESS AS TO IF WE'RE TALKING ABOUT EXISTING RIGHTS-OF-WAY THAT'S A WHOLE DIFFERENT MATTER. SOME OF IT, WHEN IT GOES TO REDEVELOPMENT CAN BE ADDRESSED THROUGH, I WOULD SUSPECT THE LAND

DEVELOPMENT PROCESS ONCE IT'S CHANGED. OTHERWISE, WE'D HAVE TO DEVELOP SOME OTHER KIND OF MECHANISM.

IN MANY OF THE EXISTING NEIGHBORHOOD WHAT WE'LL RUN INTO IS IF WE GO OUT AND TRY TO PUT IN ANY KIND OF SIDEWALK PEOPLE HESITATE TO GO GIVE ANY RIGHT-OF-WAY BECAUSE IT'S COMING OUT OF THEIR YORD. SO THERE'S THAT CONFLICT. AND ONE OF THE POINTS I WANTED TO MAKE TO REEMPHASIZE WHAT JOE SAID IS WE DON'T HAVE FUNDS FOR NEW SIDEWALKS. THE FUNDS IN THE BOJT THIS YEAR ARE TO REPLACE OR RECONSTRUCT SOME SIDEWALKS THAT ARE BROKEN AND TRIPPING HAZARDS. THERE ARE NO FUNDS FOR NEW SIDEWALKS, FOR GAP PROJECTS. I THINK THAT'S A CONFLICT FROM WHAT I SEE THAT WE'RE LOOKING AT IN THE COMMUNITY FOR MORE WALKABLE NEIGHBORHOOD. I THINK THAT'S A DISCONNECT WE NEED TO WORK ON.

I AGREE. THANK YOU. ANY OTHER COMMENTS?

I JUST HAVE ONE QUICK OBSERVATION. I UNDERSTAND THAT WE'RE AT 70% AND WE'RE TRYING TO GO TO 80% AND THAT REALLY ISN'T ENOUGH AND WE DON'T HAVE ANY FUNDING FOR NEW SIDEWALKS, BUT I'M TRYING TO DETERMINE HOW YOU ARE MAKING THE DECISION ON WHERE THE STREET MANT SENSE IN GOING. ARE WE FOCUSING ON THE DESIRED DEVELOPMENT AREAS OR WHERE WE KNOW THE GROWTH IS, OR PARTICULAR NEIGHBORHOODS? I THINK WE NEED TO RHYME OR REASON WE CAN EXPLAIN TO THE PUBLIC PUBLIC.

WE HAVE AS I STATED BEFORE A PAVEMENT MANAGEMENT SYSTEM. OUR ROADWAYS GET ASSESSED HALF OF OUR STREET NETWORK GETS ASSESSED EVERY YEAR. SO IN ANY GIVEN YEAR, ANY GIVEN ROADWAY HAS BEEN ASSESSED WITHIN THE LAST TWO YEARS. SO WE HAVE A DATA BASE THAT WE KNOW WHAT THE GRADE ON ANY GIVEN STREET IN OUR NETWORK IS. SO WE APPLY THE TECHNIQUES TO THE APPROPRIATE ROADWAY RANKINGS. SAY FOR EXAMPLE, YOU HAVE A ROADWAY THAT IS IN VERY DECENT SHAPE, IT'S IN TACT, PROFILE IS GOOD, IT'S SMOOTH. THE ONLY THING IS IT'S OXIDIZED, IT'S GETTING BRITTLE. SO THAT IN CASE WE WOULD COME IN AND APPLY A SALE OVER IT TO JUST KEEP IT IN SHAPE. YOU DON'T COME IN AND OVERLAY A ROADWAY BECAUSE THAT'S NOT WHAT'S REQUIRED. NOW DEPENDING ON THE PHYSICAL CONDITION OF THE ROADWAY, THAT DICTATES WHETHER OR NOT WE APPLY A CRACK-SALE, CHIP SALE, AN OVERLAY. SO WE DON'T WANT APPLIED THE WRONG TREATMENT ON THE WRONG ROADWAY. ANOTHER EXAMPLE IS, IF WE HAVE A ROADWAY WHERE THE ASPHALT IS CRACKED AND BROKEN UP, WE DON'T WANT TO COME IN AND APPLY A SEAL, A CHIP SEAL PROCESS BECAUSE IT'S NOT GOING TAKE CARE OF THE PROBLEM WITH THE RIDING SURFACE NCHL THOSE CASES WE WOULD COME IN MILL THE RIDING SURFACE AND REPLACE IT WITH A NEW SURFACE THAT'S AN OVERLAY PROCESS. SO IT DEPENDS ON, WE HAVE A GRADING SYSTEM. ALL OF OUR ROADWAYS HAVE BE GRADED AND WE LOOK AT APPLYING THE APPROPRIATE, UM, TREATMENT TO THE ROADWAYS. AND THAT'S WHAT DRIVES HOW WE SELECT THE CERTAIN

TREATMENTS ON WHAT ROADWAYS.

IT'S DIVEN BY CONDITION?

YES.

AND I GUESS THE ONLY THING THAT I WOULD ADD THAT WE MIGHT CONSIDER IS AREA NEEDS.

RIGHT. AND TYPICALLY, MAYBE MOODS HAVE DEVELOPED AT THE SAME TIME OR MOST OF THE TIME WHOLE NEIGHBORHOODS THE ROADWAYS WERE CONSTRUCTED WITHIN THE SHORT SPAN OF EACH OTHER, AND YOU'LL SEE THE TYPICALLY THE WHOLE NEIGHBORHOOD TENDS TO BE IN THE SAME CONDITION. SO, AND THAT'S WHY YOU'LL SEE SAY FOR EXAMPLE OUR CHIP SEAL PROGRAM, WE'LL GO IN AND TREAT THE WHOLE NEIGHBORHOOD BECAUSE MORE THAN LIKELY, TYPICALLY THE ROADS ARE IN GENERALLY THE SAME CONDITION. NOW, THAT'S NOT 100%. YOU MIGHT HAVE ONE ROADWAY THAT'S IN REALLY BAD SHAPE FOR ONE REASON OR ANOTHER, YOU MIGHT HAVE A DIFFERENT TYPE SOIL GOING UP A STREET SO YOU HAVE DIFFERENCES JUST WITHIN THAT STREET, SO THAT'S NOT 100%. BUT GENERALLY THAT'S HOW WE APPLY OUR TREATMENTS.

WELL, I AGREE WITH THAT BASING IT ON CONDITION, THE ONLY THING IS I THINK WE NEED TO MAKE SOME CONSIDERATION FOR GROWTH PATTERNS.

UNDERSTOOD.

IT IS IMPORTANT TO DO THAT, BUT AGAIN, THAT COULD AFFECT YOUR ABILITY TO ACHIEVE THE STANDARDS THAT HE TALKED ABOUT EARLIER, SO IF THAT (INDISCERNIBLE) FOCUS WAS GOING TO BE TAKEN INTO ACCOUNT, IT MAY AFFECT THE LEVEL OF INVESTMENT THAT YOU NEED TO MAKE IN YOUR OVERALL INFRASTRUCTURE.

WELL WE NEED TO CONSIDER THAT AS A POLICY MATTER, ESPECIALLY IF WE LOOK AT OUR CORRIDORS AND WE'RE TRYING TO DIRECT.

ALL RIGHT.

THANK YOU VERY MUCH. THANK YOU FOR THE PRESENTATION. OUR NEXT SPEAKER IS SOLID WASTE SERVICES.

WE HAVE WILLY ROADS OUR DIRECTOR OF SOLID WASTE SERVICES HERE.

GOOD MORNING MAYOR, PRO TEM, COUNCIL MEMBERS, CITY MANAGERS. I'M PLEASED TO PRESENT THIS FIVE-YEAR FORECAST. (INDISCERNIBLE) PROVIDES TWO ESSENTIAL SERVICES TO THE COMMUNITY, SOLID WASTE MANAGEMENT AND CODE ENFORCEMENT.

SOLID WASTE MANAGEMENT CONSISTS OF WEEK-TO-WEEK RECYCLING AND GARBAGE COLLECTIONS AS WELL AS OTHER SERVICES. TO OVER (INDISCERNIBLE). (INDISCERNIBLE) INSEWER SURES THAT QUALITY OF LIFE ENSURING THAT CITY CODE ARE CORRECTED. WE'RE GOING TO SPEND A FEW MINUTES TALKING ABOUT OUR INDUSTRY AS A WHOLE AND THEN TO THE CHALLENGES WE'RE FACING HERE IN AUSTIN. THE SOLID WASTE MANAGEMENT INDUSTRY FACING A NUMBER OF CHALLENGES. OPERATIONS HAVE BEEN IMPACTED GREATLY BY THE EXISTING AND FORECASTED ECONOMIC CONDITIONS OF THE COUNTRY. (INDISCERNIBLE) INDUSTRY IS PERSONNEL AND (INDISCERNIBLE) INTENSIVE. TO FEAR AND LABOR COST ARE MAJOR COST DRIVER FOR OUR INDUSTRY. (INDISCERNIBLE) HAVE INCLUDED A FUEL MONTHLY COST TO THIS UNEXPECTED COST. NEW TECHNOLOGY WHILE PROVIDING IMPROVED EFFICIENCY AND ENVIRONMENT TALL QUALITY HAVE GENERALLY BEEN INCREASING THE COST OUFROPERATIONS. HERE IN AUSTIN, WE ARE VERY PROUD TO SAY THAT WE'RE AT THE FOREFRONT OF THE SOLID WASTE MANAGEMENT. LATER THIS YEAR WE WILL IMPLEMENT RECYCLE CITY-WIDE TO ENCOURAGE OUR CITIZENS TO RECYCLE MORE. WE'RE ALSO DEVELOPING A LONG-RANGE SOLID WASTE PLAN THAT WILL IDENTIFY INITIATIVES TO ACHIEVE ZERO WASTE GOALS. HOUR, WE ALSO HAVE SOME MAJOR CHALLENGES. IN THE AUSTIN AREA, LANDFILL OPERATION AND CAPACITY ARE A CONCERN. WITH 15 LANDFILL RESOURCES ARE PROJECTED TO BE DEPLETED BY 2018. THAT TH IS NOT JUST A CITY OF AUSTIN CHALLENGE, BAA REEJ NAM CHANGE SINCE MORE THAN 33 COUNTIES UTILIZE OUR AREA LANDFILLS. I WILL NOT TALK ABOUT SOME OF THE EXISTING ANTICIPATED BUDGET CHALLENGES OVER THE NEXT FIVE YEARS THAT WE FACE IN SOLID WASTE SERVICES. SOME OF THE OPERATIONAL ISSUES AND COST DRIVERS FOR SOLID WASTE SERVICES INCLUDE WASTE DIVERSION. RECENTLY AMOUNTS THAT WE ARE GOING TO BE, EXCUSE ME. THE CITY OF AUSTIN IS A RECOGNIZED LEADER IN THE INDUSTRY IN THE WASTE DIVERSION FIELD. (INDISCERNIBLE) BECAUSE OF THE COUNCIL'S SUPPORT FOR THE IMPLEMENTATION OF OUR PROGRAMS. THESE PROGRAMS CONSIST OF THINGS YOU THROW. OUR REGIONAL MATERIAL RECOVERY FACILITY. (INDISCERNIBLE) WHICH IS A COUNTY-WIDE FACILITY. AND THE COMMERCIAL MULTIFAMILY RECYCLING ORDINANCE WHICH MANDATES RECYCLING FOR AKAFRMENT COMPLEXES AND BUSINESSES. AND OUR PROGRAM THIS YEAR, WE WERE INTRODUCE (INDISCERNIBLE) RECYCLING WHICH WILL BE IMPLEMENTED CITY-WIDE. THIS EMPTY IS PROJECTED TO INCREASE LANDFILL DIVERSION BY 40%. ALSO REDUCE THE IMPABT PACT OF THE CARBON FINGERPRINT OF OUR SUITE. TO SUPPORT THIS NEW DIVERSION INITIATIVE A NEW FACILITY IS UNDER DESIGN WHICH WILL PROCESS RECYCLABLE MATERIAL COLLECTED BY AUSTIN. BUILDING ON THESE EFFORTS AUSTIN HAS EMBARKED UPON A MAJOR INITIATIVE CALLED ZERO WASTE. THIS EMPTY CONSISTS OF THREE ELEMENTS. FIRST YOU TAKE THE CONVENTIONAL APPROACH OF INCREASING LANDFILL WASTE DIVERSION OF MATERIALS UNDER THE CITY'S CONTROL BY ENHANCING EXISTING RECYCLING PROGRAMS. SECONDLY, WE'LL PROVIDE AN INFRASTRUCTURE TO UTILIZE AREA LANDFILLS. AND FINALLY AFFECTING CHANGES IN PACKAGING. THIS WILL BE ACCOMPLISHED THROUGH EDUCATION, PUBLIC ENTITIES AND PUBLIC/PRIVATE PARTNERSHIPS, LEGISLATION INITIATIVES WILL BE KEY TO THE CHANGES WE'RE TRYING TO RECEIVE IN THE WASTE INDUSTRY FOR THE CITY OF

AUSTIN. (INDISCERNIBLE) TO THE SUCCESS OF ANY EFFORT IS EDUCATION AND DEVELOPING MARKETS. HIGH CONCEPT OF A SOLID WASTE ENVIRONMENT TALL AREA IS ENCOMPASSED IN THE GREEN DISTRICT INITIATIVE. THIS FACILITIES PROPOSED TO BE LOCATED AT THE CITY OF AUSTIN FM 812 LANDFILL. AND WILL INCOMP RATE RECREATIONAL OPPORTUNITIES, EDUCATION PARTNERSHIP AND ECONOMIC INC. BAY TOR FOR RECYCLING JOBS AND MARKETS. OUR CODE ENFORCEMENT PROGRAM. (INDISCERNIBLE) CODE ENFORCEMENT IN 2002 A NUMBER OF INITIATIVES WERE IMPLEMENTED BRING THE DEPARTMENT THE INCREASE AVAILABLE RESOURCES. BY DOING THIS WE'RE ABLE TO DECREASE THE NUMBER OF DAYS REQUIRED TO OBTAIN COMPLIANT ON MANY OF OUR CODE VIOLATIONS IN SEVERAL OF OUR DISTRICTS. WHEN A (INDISCERNIBLE) WAS INCREASE EDUCATION, PARTNERSHIP WITH VARIOUS CITY DEPARTMENTS AN NEIGHBORHOOD ASSOCIATIONS. (INDISCERNIBLE) PUBLICLY ENHANCE THESE SERVICES BY TAKING THIS SAME PROACTIVE APOACH AND SPANNING THESE INITIATIVES FOR THE FORECAST. THE FH # 1 LANDFILL, WE'RE TRYING TO CLOSE THIS LANDFILL IN 2009. AFTER WE CLOSE, WE'LL BE REQUIRED TO PROVIDE LANDFILL POST CLOSURE SITE FOR THE NEXT 30 YEARS. RELY TOTALLY ON PRIVATE LANDFI OPERATORS TO MEET THE COMMUNITY NEEDS. THREE, SOLID WASTE SERVICES WAS A MAJOR PARTICIPANT TO USE LIEZ DIESEL FUEL ALTERNATIVE IN OUR FLEET. PROGRAMS ADDITIONAL RESOURCES TO PURCHASE ALTERNATIVE FUEL VEHICLES, HYBRID AND PLEX FUEL VEHICLES. A PROGRAM IS ALREADY UNDERWAY IN WHICH IT'S USING COME PRESIEVE GAS IN SOME OF OUR FLEET AND WE ARE INTRODUCING BIO DIESEL IN OUR FLEET LATER THIS YEAR. MAINTENANCE FACILITY IS ESSENTIAL TO MAINTAIN CITY OPERATIONS FOR SOLID WASTE SERVICES. AS WE CONTINUE TOED A ADDITIONAL CUSTOMERS, WE MUST (INDISCERNIBLE) OUR GROWING CUSTOMER BASE. WE ARE GOING TO LOOK AT SOME OF OUR OPERATIONS. (INDISCERNIBLE) WE ONLY HAVE ONE SERVICE CENTER WHICH IS OVERCROWDED AND LANDLOCKED. SO ENSURE SAFE AN COST-EFFECTIVE TO THIS COMMUNITY, A SECOND FACILITY WOULD NEED TO BE CONSTRUCTED DURING THIS FORECAST. PROJECTED CUSTOMER GROWTH. THE CITY OF AUSTIN HAS EXPERIENCED HIRER THAN NORMAL POPULATION GROWTH FROM 1997-2008 WE INCREASED OUR CUSTOMERS BY OVER 37,000 HOMES. THE CURRENT GROWTH ESTIMATES FOR AUSTIN IS PROJECTED INCREASE FOR SOLID WASTE SERVICES OF OVER 22,000 HOMES IN THE NEXT FIVE YEARS. 13, 900 OF THESE HOMES WILL BE DUE TO INFILL GROWTH AND ANNEXATION ADDS ANOTHER 8, 400 HOMES IN THIS PEER YAD. THIS GROWTH WILL RESULT IN PUBLIC EXPANSION OF GEO GRAPHIC AREAS AND WASTE MANAGEMENT SERVICES TO THE COMMUNITY. WE TALKED ABOUT FUEL EARLIER AND I WANT TO PROVIDE YOU WITH THIS CHART WHICH SHOWS FROM 1997-2008. THE INCREASES IN COST FOR FUEL FOR SOLID WASTE SERVICES DEPARTMENT. THIS CHART AFFECTS A FUEL INCREASES OF APPROXIMATELY 500% DURING THAT TIME FRAME. THIS CAUSE MAY ALSO INCREASE IF FUEL MARKETS DON'T STABILIZE, AND IT WILL ALSO BEGIN TO INCLUDE INCREASE AS INCLUSION OF ALTERNATIVE FUEL. MY SUMMARIZE OPERATIONAL ISSUES AND PROPOSED INITIATIVES TO PRESENT COST DRIVERS THAT WOULD NEED TO BE ADDRESSED DURING THE NEXT FIVE YEARS. THE SOLID WASTE SERVICES GAR GAUGE RATES INCREASED IN 1997,. USING THIS RATE THIS PERIOD WAS USED BY ACCOMPLISHMENT AND OPERATIONAL

IMPROVEMENTS SUCH AS ADDING AUTOMATED GARBAGE COLLECTION COLLECTION TIME AND ROUT OPTIMIZATION. ALSO DURING THIS PEER YAD WE ADDED REVENUE ENHANCEMENT INITIATIVES TO MAKE SURE CUSTOMERS WERE PAYING THE CORRECT FEE FOR THEIR GARBAGE THEY WERE RECEIVING. AND ALSO BEEN EXPENDING DOWN OUR FUND BALANCE. THE SOLID WASTE SERVICES IS PROJED TO BE IN COMPLIANCE AT THE END OF THE CURRENT FISCAL YEAR. HOWEVER, FOR POST MANAGEMENT, OPERATIONAL IMPROVEMENTS AND FUND BALANCE ARE NOT IN THE FIVE-YEAR FORECAST. A RATE INCREASE WAS I IDENTIFIED DURING LAST YEAR'S BUDGET TO COUNCIL. SOLID WASTE SERVICES WILL BE DEVELOPING A RATE PLAN THAT WILL LIKELY IMPROVE A RATE INCREASE FOR EACH YEAR OF THE FORECAST. INSTRUCTION TO PROPOSE INCREASE, WE WILL CONSIDER THE PHASING OF NEW BUDGET INITIATIVES OVER THE NEXT FIVE YEARS AND INCORPORATE SOLID WAIST ADVISORY COMMISSION. SOLD CASTE WASTE GOALS ARE PROVIDING THE HIGH QUALITY OF SERVICES AT THE LEAST COST STILL REMAIN. THIS GOAL TO AUGMENT TO INCLUDE INCREASED DIVERSION OF LANDFILLS AND FLEET CARBON FINGERPRINT.

GOING BACK TO YOUR DISCUSSION OF THE RATE PLAN INCREASES, IS THERE INVOLVED IN THAT SOME ANALYSIS OF WHAT IT WOULD TAKE TO -- THERE'S BEEN A LOT OF TALK ABOUT INCREASE THE DIFFERENTIAL BETWEEN A 36 AND 90 GALLONS. IT'S HARD TOO SEE WITHOUT SOME ANALYSIS WHAT THE IMPACT OF THAT IS GOING TO BE, BUT DEFINITELY THAT WOULD EXPEDITE OUR GOAL TOWARDS ZERO WASTE IF WE COULD INCENTIVE VISE GOING FOR THE LOWER COST CONTAINER.

COUNSEL MEB, WE AGREE WITH YOU, HOWEVER, WE DO NOT WE ARE PROPOSING IN THIS FORECAST NOT TO DO ANYTHING WITH THE RATE INCENTIVES UNTIL AFTER WE IMPLEMENT SINGLE STRAIN RECYCLING TO SEE HOW THE CUSTOMERS REACT TO THAT CHANGE.

YEAH, I WAS JUST GOING TO SAY, I WOULD EXPECT WITH THE IMPLEMENTATION OF SINGLE STREAM YOU'RE GOING TO SEE A BIGGER CLAMOR FOR THE 30-GALLON CONTAINERS.

THEN AT THAT POINT THAT'S SOMETHING WE NEED TO TAKE A LOOK AT. BECAUSE WE NEED TO BASE OUR RATES ON OUR BUDGET.

SO FULL IMPLEMENTATION OF SINGLE STREAM BEGINS IN OCTOBER, WHEN IT IS GOING TO BE THROUGHOUT THE CITY?

WE'RE PROJECTED TO COMPLETE THE IMPLEMENTATION IN JANUARY OF 2009.

OKAY. SO THAT'S PRETTY FAST. THAT'S GOOD. AND ONE MORE QUESTION, IF I MIGHT. LOOKING AT THE FUEL CHART, WHICH IS KIND OF GOING OFF THE CHART IN THE LAST COUPLE OF YEARS, I KNOW JUST A MONTH OR SO AGO WE COMMISSIONED SIX NEW GARBAGE TRUCKS WHICH WERE CNG-POWERED AND WE ALSO HAVE A FUELLING FACILITY OUT THERE ON AT YOUR FACILITY. AND MY UNDERSTANDING IS THE COST OF THAT FUEL IS

ABOUT, WELL, PROBABLY ABOUT 1/3 THE COST OF REGULAR GASOLINE RIGHT NOW AND PERHAPS EVEN LESS THAN THAT AS THE PERCENTAGE OF DIESEL FUEL. SO WHAT ARE OUR PLANS TO EXPAND THAT OPERATION AND INCREASE THE NUMBER OF CNG-POWERED TRUCKS. BECAUSE I UNDERSTAND THAT GRANT MONEY IS AVAILABLE FROM THE STATE MORE THAN WHAT WE'VE USED SO FAR TO TRY TO ADVANCE THAT PROGRAM?

WELL THAT'S WHEN THE POWER IS WORKING VERY WELL FOR SOLID WASTE SERVICES. HOWEVER WE'RE SEEING SOME LIMITING FACTORS IN THIS BECAUSE WE ONLY HAVE SIX TRUCKS THE COST OF THE FUEL IS NOT BEEN REALIZED TO THE EXTENT THAT YOU ARE TALKING ABOUT. WE ALSO SEE BECAUSE WHEN WE HAVE ONE FUELLING LOCATIONS AND BECAUSE WE'RE COVERING AN ENTIRE TOWN ON OUR HEAVIER DAYS WHEN THE TRUCKS ARE IN OUR YARD-COMING FLEET AND ON OUR HEAVIER DAYS WHICH ARE IN THE GROWING SEASON, WE HAVE TO BE CAREFUL FOR NOT SENDING THEM OUT TOO MANY TIMES TO THE ROUT BECAUSE SO THIS IS A LIMITING FACTOR BECAUSE WE ONLY HAVE ONE FUELLING STATION.

JUST AS A MATTER OF INFORMATION, I WAS OUT AT TEXAS GAS COMPANY THIS MORNING AND THEY WERE SHOWING OFF A HOME, CNG DISPENSER THAT YOU CAN INSTALL IN YOUR HOUSE IF YOU HAVE \$4,500 LAYING AROUND AND ACTUALLY POWER YOUR PERSONAL VEHICLE THAT WAY. SO IT SEEMS LIKE WE COULD EASILY EXPAND THE NUMBER OF SERVICE CENTERS FOR CNG.

THIS IS SOMETHING WE'RE WORKING WITH THE FLEET DEPARTMENT ON THIS AND SEE IF WE CAN GET ANOTHER FUELLING STATION AND SEEING HOW WE CAN INCORPORATE THAT INTO OUR MIX OF TRUCKS.

ANY OTHER QUESTIONS? THANK YOU VERY MUCH. OUR NEXT DEPARTMENT -- IF I CAN FIND IT, IS FIENS UTILITIES, VICTORIA LEE AND ASSISTANCE CITY MANAGER LOR RA HUT SON.

GOOD MORNING. I'M VICTORIA LEE, I'M HERE TO PROVIDE AN OVERVIEW OF OUR MISSION, AND OUR NEXT IN THE ISSUES AND THE NEXT FIVE YEARS OF FINANCIAL FORECAST. (INDISCERNIBLE) AND DEVELOPMENT REVIEW DEPARTMENT IS COMPRISED OF TWO MAJOR AREAS. DEVELOPMENT REVIEW ALSO KNOWN AS ONE STOP SHOP AND ALSO THE LARGE SHIP PROTECTION. AND THE LAST STOP SHOP IS SUPPORTED MOSTLY BY GENERAL FUND. AND TODAY AIM MAINLY PRESENTING INFORMATION ON THE GAIN MAJOR UTILITY FUND THAT SUPPORTS THE ACTIVITIES IN LARGE SHIP PROTECTION. AS ITS CORE, OUR LARGE SHIP PROTECTION MISSION IS TO PROTECT LIVES, PROPERTY, AND THE ENVIRONMENT FROM IMPACT OF FLOODING AND EROSION AND ALSO WATER POLLUTION. AND THERE ARE MORE THAN SEVEN THOUSAND HOMES IN THE FINGERPRINT OF 100 YEARS (INDISCERNIBLE), AND ALSO MANY HOMES IN THE NUMEROUS LOW-WATER CROSSING AREA WHICH POSE A BIG THREAT TO THE FLASH FLOODING. AND THE EROSION AND POLLUTION CAN ALSO FURTHER THREATEN OUR PROPERTIES, AND THE QUALITY OF LIFE THAT WE VERY DEARLY HOLD HERE IN AUSTIN. ACROSS THE NATION, THE FEDERAL STATE

AND LOCAL GOVERNMENT ARE ALL FACING EMERGING ISSUES OF AGING INFRASTRUCTURE THAT'S PRESENTED BY PREVIOUS DIRECTORS. THIS IS LIKE A COME ON SCENE, AGENT INFRASTRUCTURE AND ALSO INFLATIONARY COST OF FIXING THESE INFRASTRUCTURE. AND IN AUSTIN, WE'RE ALSO FACE A BIG ISSUE OF GROWTH MANAGEMENT BECAUSE OF THE URBAN INPHIL AND ALSO THE YOU ARE URBAN SPRAWL. AUSTIN IS UNIQUE IN OUR COMMITMENT TO ENVIRONMENT. AUSTIN IS DEMAND GOOD WATER QUALITY AND ALSO PROTECTION OF OUR GREEN SPACE, ALSO CRITICAL ENVIRONMENT FEATURES. BUT SUSTAINING ALL THIS COMMITMENT REQUIRES AN INVESTMENT IN STAFF INTENSIVE ENVIRONMENT TALL PROGRAM AND INFRASTRUCTURE. HERE IN AUSTIN, WE HAVE OUR OWN GROWTH MANAGEMENT CHALLENGES STORM DRAINS ARE UNDERSIZED WHERE WE'RE NOT CONSTRUCTED IN URBAN CORE AREAS SUCH AS THE U KNOW AREA AND FIRST STREET WE'RE UNDER SIZED. IN ADDITION PROTECTING THE VALUE AN FUNCTION OF OUR NATURAL FLOODPLAINS AND CLEAR RUNNING CREEKS IN THE BOTTOM SPRING ZONE IS ALSO IN THE FAST-GROWING STATE HIGHWAY 130 CORRIDOR REQUIRES PROPER PLANNING. SO HOW DO WE PROVIDE FOR ADEQUATE FLOODING EROSION CONTROL AND ENVIRONMENT TALL PROTECTION? HOW BEST DO WE PROTECT OUR CITIZENS AND PROPERTIES AND ALSO THE ENVIRONMENT? IT REQUIRES PROPER MIX OF CAPITAL PROJECTS AND UP GRADING PROGRAMS AND THE APPROPRIATE REGULATIONS AND RULES. SO TO REACH OUR GOAL, WE NEED TO HAVE A ROBUST CAPITAL IMPROVEMENT PROGRAM. WE ALSO NEED ADEQUATE OPERATION STAFF AND APPROPRIATE RULES AND CRITERIA. CAPITAL NEEDS ARE NOW ESTIMATED TO BE 1.2-1.4 BILLION DOLLARS RANGE. NOW MEETING THESE NEEDS CONTINUE TO GROW AS OUR POND INVENTORY INCREASE AS YOU CAN SEE IN THE CHART, WHENEVER THERE'S A NEW SUBDIVISION, WE'LL HAVE NEW PONDS TO MAINTAIN. AND THE SAME FOR COMMERCIAL SIDE, THE COMMERCIAL PONDS THROUGH OUR GIS, MACING EFFORTS WE IDENTIFIED MORE THAN TWO THOUSAND MORE COMMERCIAL PONDS THAT WE NEED TO INSPECT.

WOW.

SO THE GREEN DOTS IN THIS CHART REPRESENT ALL THESE NEW PONDS THAT WE HAVE FOUND AND IDENTIFIED. WE ARE ALSO MOVING FORWARD WITH NEW RULES FOR CONSTRUCTION SITE RUNOFFS. THIS NEXT SLIDE SHOWS OUR FIFE-YEAR BUDGET FORECAST. WE'RE NOT PROPOSING A RATE INCREASE FOR 2009, HOWEVER, WE WILL RETURN NEXT YEAR WITH A PROPOSED RATE PLAN FOR YOUR CONSIDERATION. OUR GOAL AS INDICATING THIS SLIDE IS TO MAINTAIN A RATE THAT PROVIDES FOR SOME STRATEGIC NEW STAFFING FOR AREAS SUCH AS PONDING SECTION AND ENVIRONMENT TALL INSPECTIONS, AND FULLY FUNDS OUR CIP PROGRAMS. THIS MEANS THAT THE DEPARTMENT'S TRANSFER CIP IS INCREASED OVER THE FORECAST PERIOD SO THAT IT IS ABLE TO MEET ITS OWN CAPITAL IMPROVEMENT REQUIREMENT BY YEAR 13, THE FINAL YEAR OF THE '06 BOND PROGRAM. TO ACHIEVE THIS LEVEL OF FUNDING, THE MONTHLY RESIDENTIAL RATE WOULD NEED TO INCREASE FROM APPROXIMATELY 7.15 PER UNIT TO A LITTLE BIT OVER \$10 PER UNIT BY END OF THIS FORECAST PERIOD. AGAIN, WE WILL CONDUCT A DETAILED RATE PLAN STUDY AND BRING IT FORWARD FOR YOUR

CONSIDERATION. THIS NEXT SLIDE SHOWS A GRAPHIC REPRESENTATION OF OUR CIP PLAN FOR THE FIVE-YEAR FORECAST PERIOD. WE ARE PROPOSING TO ALLOCATE FUND IN OUR CORE MISSION AREA, CONTROL, EROSION CONTROL AND ALSO IN WATER QUALITY PROTECTION. AND YOU CAN SEE THAT ALL CAT PILL PROGRAM REALLY PROVIDES A MAJOR PART OF THE FUNDING, IT'S ABOUT 38% OF THE CIP BUDGET. NOW I'D LIKE TO GIVE YOU SOME EXAMPLES OF OUR CIP PROJECT, SUCH AS THE CENTRAL BUSINESS DISTRICT STORM DRAIN IMPROVEMENTS, WATER CREEK WALL WATER QUALITY RETROE FEET T ONION CREEK DIXIE DRIVE BUYOUT AND ALSO UPGRADES TO OUR EARLY FLOOD WARNING SYSTEM. AND FINALLY, SOME SAMPLES OF WHAT WE DID IN YEAR 2007. OUR STORM DRAIN CREW CLEANED OVER 75,000 FEET OF STORM DRAIN LINE AND INSTALLED OR REPAIRED OUR ALMOST 200 FEET OF PIPELINE AND WE RECOVERED 776,000 GALLONS OF POLLUTANTS SO THEY WOULD NOT FLOW INTO OUR CREEKS AND RIVER, OUR WATER AND WE ACQUIRED 160 PROPERTIES AS PART OF THE VOLUNTARY BUYOUT PROGRAM. AND WE ALSO RECOVERED 270 TONS OF LITTER IS FROM THE PIPELINES. SO IN SUMMARY T DEPARTMENT WILL CONTINUE TO ADDRESS OUR CORE MISSION IN CONTROL EROSION CONTROL, IN WATER QUALITY PROTECTION. AND THE CHALLENGES IS THE INFLATIONARY COST OF FIXING INFRASTRUCTURE, ALSO GROWTH MANAGEMENT. AND TO MEET ALL THESE CHALLENGES, WE ANTICIPATED PERFORMING A RATE PLAN STUDY, AND WE WILL BRING IT BACK BEFORE THE COUNCIL FOR YOUR CONSIDERATION AND IMPLEMENTATION OF THE INCREASE WILL BE PROPOSED IN THE NEXT BUDGET CYCLE. SO THIS CONCLUDES MY PRESENTATION.

GREAT. QUESTIONS?

YOU MIGHT HAVE COVERED IT HERE, BUT WHAT PERCENTAGE OF THE DRAYAGEAGE FEE IS DEDICATED TO CAPITAL IMPROVEMENTS? THE PLAN WE HAD FOR WATERSHED PROTECTION THAT WAS \$800.05 YEARS AGO AND WE WERE GOING CHIP AWAY AT THAT?

A MAJOR PERCENT T BIG PERCENT IS CONTRIBUTED TO THE CIP PROGRAM. MOST OF OUR FUNDING --

AND HOW MUCH IS THAT FORECAST FOR THIS YEAR?

LY CHECK, OVER 80%.

ON PAGE 53, SLIDE 53 THE DEPARTMENT HAS PUT TOGETHER KIND OF AN OUTLOOK OF THEIR FORECAST FUND SUMMARY, AND YOU CAN SEE THEY'VE HIGHLIGHTED THE ANNUAL CIP TRANSFER TO GET AT THE NEEDS OF THE MASTER PLAN, I THINK THAT SHE'S BEEN TALKING ABOUT, AND THAT'S HIGHLIGHTED BECAUSE THAT REALLY IS WHAT'S DRIVING THEIR NEED TO GET THAT MASTER PLAN IMPLEMENTED.

OKAY. SO IT LOOKS LIKE WE'RE A SMALL INCREASE EVERY YEAR, RIGHT?

COUNCIL MEB IF YOU LOOK AT THE YELLOW HIGH LIGHTED LINE IT STARTED AT 17.3 AND

ENDS UP AT 30.1. WHAT THAT'S SHOWING YOU IS WHAT SHE'LL BRING BACK NEXT YEAR IS A RATE INCREASE THAT WOULD ALLOW THIS TO BE A FULLY FUNDED ENTERPRISE FUND WHICH MEANS THERE WILL NOT BE A NEED FOR FUTURE OBLIGATION BONDS IN ORDER TO FUND THESE CIP PROJECTS AND THAT'S WHAT THAT INCREASE IS SHOWING YOU.

AND THERE WAS WITH SUBSTANTIAL AMOUNT IN THE 2006 BOND PACK AGE TO APPLY TO THIS.

LOOKING AT THE SAME SLIDE, HOW DO WE END THIS YEAR WITH A \$4.8 MILLION BALANCE AND BEGIN '08 -- OKAY THAT WAS LAST YEAR. HOW DID WE END IN '07, 08 AND START THIS YEAR WITH SEVEN?

WE HAD TO TRANSFER -- WE USED OUR ENDING BALANCE AS CIP TRANSFER, WE USED UP SOME OF THE BALANCE FROM THE PREVIOUS YEAR.

AND COUNCIL MEMBER, LET ME WEIGH IN. I THINK WHAT WE'RE LOOKING AT HERE IS THERE IS -- THIS IS THE FIRST KOL LOOM YUR LOOKING AT IS THE APPROVED BUDGET COLUMN AND WZ KE DO WITH THE CITY, WE DO ESTIMATES OF WHERE WE'LL BE AT THE END OF THE YEAR. WHILE WE DON'T SEE THE ACTUAL COLUMN ITSELF, WHAT I THINK THE DEPARTMENT IS LOOKING AT IS THAT THEIR ENDING BALANCE FOR THIS YEAR WILL BE ACTUALLY \$7 MILLION, WHICH WOULD BE THE PROPOSE. PROPOSED BEGINNING BALANCE FOR NEXT YEAR.

SO WHEN WE'RE LOOKING AT THE 07, 08 LINE WE'RE LOOKING AT THE PROPOSED BUDGET AND NOT ACTUAL NUMBERS?

IT IS THE NUMBERS BUT WHAT'S NOT ON THIS SLIDE IS THE ESTIMATE FOR WHAT THIS YEAR IS LOOKING LIKE. SO IN THE END WHEN THEY START WITH THEIR APPROVED BUDGET AND AS THEY GO THROUGH THE COURSE OF THE YEAR THEY'RE MONITORING THEIR REVENUE AND EXPENDITURES. WHAT WE'RE PROJECTING RIGHT NOW IS THE FUND WILL WIND UP WITH A \$7 MILLION ENDING BALANCE. WHAT WHAT WE'LL SEE WHEN WE PUBLISH OUR SECOND QUARTER REPORT WE'LL HAVE THAT COLUMN IN THERE SO EVERYONE CAN SEE HOW IT ROLLS NOT NEXT YEAR.

AND THAT INFORMATION IS ACTUALLY IN THE BACK OF THE BOOK AS WELL. THE AMENDED VERSE VERSUS THE ESTIMATED IT'S ON PAGE NINE AT THE VERY END.

IS THERE A QUESTION ABOUT WATER QUALITY. I KNOW THERE WAS A PIE CHART HERE ABOUT WHAT WE SPEND OF THE WATER SHIP PROTECTION REDEVELOPMENT FOR WATER QUALITY, IT SAYS 10%. ONE THING THAT I'M INTERESTED IN IS AN URBAN CREEKS INITIATIVE TO REALLY PROMOTE KEEPING OUR URBANE BAN CREEKS HEALTHY AND PREVENTING POLLUTION. I KNOW SOMETIMES IT SAYS HERE THAT OPERATION HIGH LAITHS THAT YOU'VE RECOVERED POLLUTANTS FROM SPILLS AND BUSINESS INSPECTIONS. BUT IN ADDITION

NOT ENVIRONMENT TALL BENEFITS OF PREVENTING SPILL SPILLS AND PREVENTING PEOPLE DUMPING INTO THE CREEK, WHAT IS THE FINANCIAL BENEFIT, IF ANY, FOR KEEPING OUR URBAN CREEKING HEALTHY AND CLEAN? IS IT IN TERMS OF, LIKE, HAVING FEWER STAFF TO DO SPILL RESPONSE? OR IS IT ANYTHING IN TERMS OF EPA, OR ANY FINES OR THINGS THAT WE WOULD HAVE TO PAY FOR FOR KEEPING UP WATER QUALITY?

UM, I THINK THAT THE FACT OF THE QUALITY WOULD BE THE GENERAL HEALTH OF OUR CITIZENS. SO THAT WOULD REDUCE THE LONG-TERM IMPACT ON HEALTH COST. AND ARE YOU LOOKING FOR SOME SHORT-TERM BENEFITS OF THE WATER QUALITY IMPROVEMENT?

RIGHT. I MEAN WE DO THIS TO IMPROVE WATER QUALITY AND I'M WONDERING IF THERE ARE SOME THINGS THAT WE PREVENT HAVING TO PAY IN THE LONG RUN BECAUSE WE'RE KEEPING UP OUR WATER QUALITY. I'M JUST TRYING TO UNDERSTAND THAT BUDGETARY IMPACT IF THERE IS A CONNECTION.

PERHAPS I CAN THINK OF ONE THAT WE DON'T HAVE TO RESPOND AS MUCH TO THE TCEQ OR -- (LAUGHTER). SO THAT IS KIND OF A PREVENTATIVE MEDICATION THERE.

AND OF COURSE THE HEALTH OF BAR TON SPRINGS WHICH EVERYONE ENJOYS.

COUNCILMEMBER McCRACKEN?

I'VE BEEN TOLD BY SOME FOLKS WHO'VE TRIED TO BUILD WET PONDS THAT THE CITY IS NOT ALLOWING WET PONDS TO BE BUILT ANYMORE BECAUSE OF THE REQUIREMENT OF THE WATER TO KEEP THEM FILLED AT ALL TIMES. DO YOU KNOW ANYTHING ABOUT THIS? IS THIS ACCURATE?

I'M NOT SURE OF THE TOTAL FOR BIDS OF THE BUILDING WET PONDS. WE'RE STILL (INDISCERNIBLE).

MICHAELLY WITH WATER SHIP PROTECTION, I THINK I CAN ADDRESS THACHLT THERE HAS BEEN AN ATTEMPT BY THE WATER UTILITY TO ALLOW RECLAIMED WATER INTO THE WET PONDS AS MAKEUP WATER. ON THE PARALLEL TRACK THERE HAS BEEN A GROWING AWARENESS THAT SOME OF THE WET PONDS WHEN WE HAVE A DRY SUMMER, ARE GETTING LOWER THAN WE'D LIKE, SO THEY'RE USING TOTABLE WATER. SO I THINK ERE WHAT WE'RE SEEING IS A CONFLICT WHERE OUR WATER IS SAYING IT'S NOT GOOD TO TURN ON THE FIRE HYDRANT AND YET WHAT ARE THE OTHER SOURCES IN A DROUGHT. THERE'S NO A PROHIBITION BUT I THINK THE GROWING AWARENESS OF WATER CONSERVATION WITHOUT A READY SUPPLY IS DRIVING THIS CONFLICT.

OH.

DO Y'ALL HAVE A -- IT STRIKES ME THAT THAT'S A VERY SOUND POLICY TO NOT TRY TO TELL

THE WET PONDS TO THE POTABLE WATER AND YET THERE'S ONE THING PEOPLE LEARNED ON THE FLIP SIDE FROM THE LADY BIRD JOHNSON THAT WATER UTILITY ITSELF IS FUNDING IS THAT WET PONDS HAVE THE HIGHEST (INDISCERNIBLE) CAPACITY. SO WHAT ARE THE -- DO WE HAVE A STRATEGY FOR OTHER SOURCES OF WATER SO WE COULD HAVE, CAPTURE THE STRONG CARBON IS IT AS STRINGS OF WET PONDS?

WE DO. IT'S TWO-FOLD. FIRST OF ALL, WE HAVE UPDATED OUR WET POND REQUIREMENTS TO INCREASE THE DRAINAGE AREA THAT'S REQUIRED TO DRAIN TO THESE. IN ORDER TO KEEP THE POND FULL, YOU'VE GOT TO HAVE A BIG WATERSHED TO DRAIN THE WATER TO GIVE YOU THE VOLUME. AND SO WE ARE RESTRICTING WET PONDS TO LARGER DRAINAGE AREA TO GREATER THAN 20 ACRES. SO FOR SOMETHING THAT DRAINS ONE CITY BLOCK YOU CAN'T DO A WET POND. NUMBER TWO, WE'RE WORKING WITH THE WATER UTILITY TO LOOK AT WAYS WE MIGHT BE ABLE TO USE RECLAIMED WATER AS AN ALTERNATE SOURCE TO FILL THESE UP. RIGHT NOW IT'S A STICKY ISSUE BECAUSE THE RECLAIMED WATER HAS A LOT OF NUTRIENTS IN IT. WE'RE WORKING ON THAT WITH THE WATER UTILITY TO SEE IF WE COULD USE THAT AS AN ALTERNATE SOURCE.

IT STRIKES ME THAT THE INTEREST IS TO HAVE A REDUCTION IN THE USE OF POTABLE WATER, AND SO IT'S JUST ONE WAY TO DO THAT IS TO REQUIRE LARGER CATCHMENT AREA OR DRAINAGE AREA BUT IT MIGHT BE THAT FOR INSTANCE WE COULD DO THINGS LIKE CONDENSATION OR OTHER TECHNIQUES THAT COULD ALSO BRING IN THE SUPPLEMENTAL WATER SOURCES ON A RELIABLE BASIS AND THE DRAINAGE AREA WOULD BE ONE WAY TO DO THAT. IS THAT POSSIBLE?

ABSOLUTELY. AND I THINK THAT'S AN AWARENESS KIND OF THING. IT'S CERTAINLY NOT PROHIBITED AT THIS POINT, BUT I THINK IT'S MAKING EVERYBODY AWARE THAT THERE ARE OTHER SOURCES AND LET'S USE THEM AND ENCOURAGE THEM.

CAN WE -- I THINK THAT THE PERCEPTION IN THE DEVELOPMENT COMMUNITY IS THAT THE ONLY THING THAT'S POSSIBLE NOW IS TO HAVE A VERY LARGE DRAINAGE AREA, UH MEAN IT SOUNDS LIKE WHAT FOR WHAT YOU'RE SAYING THAT THERE ARE OTHER WAYS THAT WE ARE ALLOWING THAT, BUT IT'S NOT BEING UNDERSTOOD AT THE MOMENT. CAN WE -- IS THERE A WAY TO HELP GET THAT EDUCATION OUT THERE?

I THINK WE CAN START WITH OUR OWN STAFF, AT LEAST, AND POW WOVING AND SAY, WHAT ARE WE GOING TO DO SO THAT WE'RE CONSISTENT WHEN WE TALK TO DEVELOPERS SO WE GOT STRATEGIES THAT ARE REALISTIC AND WHEN WE HAVE THESE APPLICANTS COMING IN THAT WE ALL GIVE THE SAME STORY AND PEOPLE ARE STARTING TO TALK ABOUT THE ACCEPTABLE METHODS. I THINK WE CAN START INTERNALLY BY GETTING CONSISTENT. JSHLGS AND ONE THING WE CAN DO IS WORK WITH THE MAJOR HOME BUILDING ASSOCIATIONS AND DEVELOPMENT ASSOCIATIONS AND GET THE WORD OUT THROUGH THEIR CONFERENCES AND MONTHLY MEAD MEETINGS AND THINGS LIKE THAT TO

INCREASE AWARENESS AND WE'RE HAPPY TO DO THAT.

ENED THEN WE HAVE OTHER WAYS THAT TO LARGE DRAINAGE AREA. THIS GETS @ OTHER POINT WHICH IS TOD ORDINANCE, I CAN'T REMEMBER IF IT WAS WATER UTILITY OR PROTECTION THAT CAME UP AS REALLY FORWARD THINKING, GREEN INFRASTRUCTURE, RECOMMENDATIONS FOR THE TODs. YOU KNOW, WE'VE HEARD JUST LOCALLY AND ALSO FROM THE NATIONAL EXPERIENCE THAT WHILE WE WILL ALWAYS OF COURSE NEED MASSIVELY INC. NEARS METAL KIND OF PIPE SYSTEMS THAT THE SUSTAINABLE ORGANISM MOVEMENT WHICH IS IN OUR OWN WORK INTERNALLY HERE HAS IDENTIFIED MORE NATURAL METHODS FOR ACHIEVING DRAINAGE AND STORM WATER AND WATER QUALITY PROTECTION AND PROTECTION THAT PERHAPS THAT CAN BECOME AN INCREASED EMPHASIS SO THAT WE CAN GET DRAINAGE THAT IS MORE IN SINK WITH OUR ENVIRONMENT TALL VALUE DONE AT A LOWER COST. CAN YOU TELL US WHAT OUR STRATEGY IS AND IF THAT WOULD REDUCE COST SAVINGS.

I'M ACTUALLY WORKING ON THE RESPONSE TO I BELIEVE IT'S SECOND READING ON THE TODS TO THAT. BUT WHAT WE'RE LOOKING AT IS, YOU CAN REDUCE THE RELIANCE ON TRADITIONAL ENGINEERED STRUCTURAL SOLUTION BY USING WHAT WE CALL LOW-IMPACT DEVELOPMENT. WHAT THAT MEANS IS MAKING MORE USE OF OUR LANDSCAPED AREAS FOR THINGS OTHER THAN PRETTY LANDSCAPE. WE CAN DRAIN CERTAIN AMOUNT OF WATER TO THEM AND RELY ON THEM FOR INFILL STRAGS FOR REDUCING FLOODING AND IMPROVING WATER QUALITY. BUT IT'S ONLY A PORTION WHEN YOU HAVE HIGH DENSITY, WE TYPICALLY STRIVE FOR HIGHER IMPERVIOUS COVERS AND THAT'S GOING TO PRODUCE MORE RUNOFF. SO WE TAKE WHATEVER WE CAN AND ROUT IT INTO THE GARDENS, THE RAINWATER HARVESTING SYSTEMS, THE FORCED PAYMENT, ETC, BUT WELL STOOE STILL NEED TO RELY ON SOME PONDS BUT IT DOES REDUCE THE COST OF HAVING TO BUILD ANOTHER SYSTEM OF A CONCRETE WATER QUALITY POND. SO, I DON'T HAVE HARD NUMBERS, BUT YOU CAN JUST SEE THAT IF I ONLY HAVE TO BUILD ONE LANDSCAPE AREA AND KI DRAIN HAFRL OF MY ROOFTOP THERE, THAT MEANS I CAN REDUCE THE SIZE OF MY POND. SO THAT'S THE KIND OF PROGRAM THAT WE'RE LOOKING TO ENCOURAGE IN THESE TOD AREAS AND IN THE CITY IN GENERAL. AND TO THAT EXTENT, WE'VE MODIFIED THE ENVIRONMENT TALL CRITERIA MANUAL WITH SIX INNOVATIVE WATER QUALITY TREATMENT AND HOW YOU CAN MEET CITY WATER QUALITY CODE BY USING SOME OF THESE THINGS LIKE RAINWATER HARVESTING, POUR ROUS PAVEMENT, AND WAETING STRIPS. WE'RE MOVING AGGRESSIVELY AND WE'LL UPDATE YOU MORE IN THE TOD PRESENTATION.

IS IT YOUR JUDGMENT THAT THAT IF WE WERE TO IMPLEMENT THIS EFFECTIVELY ON A BROAD SCALE THAT THAT COULD REDUCE THE ULTIMATE COST TO THIS SYSTEM ALSO OF EVEN IF BY AN INCREMENT OF THE BIG ENGINEER SYSTEMS IN WHICH WE CURRENTLY HAVE A HAEFIER RELIANCE?

IS THE QUESTION WILL THE CITY REALIZE A COST SAVINGS THROUGH MAND INNOCENCE OF

THE SYSTEM?

YEAH. IF WE START KWLUZING THESE TYPES OF LOW HCH IMPACT SYSTEM OPS A BROADER SCALE THAN WE CURRENTLY DO, THEN IF WE'RE THERE BY ABLE TO RELY LESS HEAVILY ON OUR BIG ENGINEERED PIPE-TYPE SYSTEMS WOULD THAT HAVE SAVE SNGS

I CAN'T GUARANTEE A MAINTENANCE COST SAVINGS BECAUSE MOST OF THE IMPLEMENTATION OF THESE SYSTEM WILL BE IN THE PRIVATE OR COMMERCIAL SECTOR AS OPPOSED TO THE RESIDENTIAL. SO AS WE KNOW THE CITY IS RESPONSIBLE FOR THE MAINTENANCE OF RESIDENTIAL WATER QUALITY STRUCTURES. IT WOULD BE VERY DIFFICULT TO HAVE THESE DECENTRALIZED SYSTEMS SAY ON EACH RESIDENTS TO MEET OUR WATER QUALITY CODES. SO FOR EXAMPLE, IF A DEVELOPER CAME AND HAD 120 HOUSES AND I'M GOING TO PUT TWO RAIN BARRELS AND A STRIP ON EACH HOME, YOU IMAGINE THE DIFFICULT OUR INSPECTORS WOULD HAVE LOOKING AT THESE AND THEN HAVING OUR MAINTENANCE CREWS COME N. THAT'S WHY WE'RE RESTRICTING THESE TO A MORE COMMERCIAL APPLICATION T. COMMERCIAL APPLICATION THEN BEING RESPONSIBLE FOR THEIR OWN MAINTENANCE, IT WILL BE A DIFFERENT COST, I CAN'T ANSWER IF IT'S GOING BE A LESSER COST FOR MAINTENANCE. YOU'RE GOING TO, INSTEAD OF HAVE PEOPLE COME IN WITH BACK HOES TO REMOVE PIPES AND SAND FILTERS YOU'RE GOING HAVE LANDSCAPER WHO ARE GOING DEAL WITH IRRIGATION SYSTEMS AN MAKE IG SURE YOU HAVE THE PROPER PLANT MIX.

AND MAYBE IN THE FINAL THOUGHT OF THIS IS THAT, I KNOW THE CITY HAS BEEN A PARTNER WITH THE LADY BIRD JOHNSON WILD FLOWER CENTER AND PARTICULAR THE WATER HAS BEEN ON THE SUSTAINABLE INITIATIVE. AND THIS IS LOOKED AT AS THE USE OF NATIVE LANDSCAPES WHICH REQUIRE LESS WATERING AND CERTAIN IMPACTS OF CAR BAN SECRET STATION. THEY WERE EASIER TO MAINTAIN IF WE GET THE MIX RIGHT, HOWEVER, THERE ARE SOMETIMES WE CAN HAVE MIXES THAT PRODUCE MORE PA LIEU TANTS AND OTHER MIXES THAT CAN PRODUCE PERSONALLY NO POLLUTANTS AT ALL. IT MIGHT BE THAT WE COULD START DOING THESE IN PARKS, AND SO WE START TRANSFORMING OUR PARKS THROUGH THESE SUSTAIN ABLE LANDSCAPE INITIATIVES TO START USING OUR PARKS FOR DUAL-USE FUNCTION ALSO TO START CAPTURING STORM WATER THROUGH USE OF MORE NATIVE LANDSCAPES FOR INSTANCE.

WE ARE ON THACHLT WE HAVE A PROJECT THAT IS 90% DESIGN RIGHT NOW. IT'LL BE IN ON THE BLEND CREEK GREEN BELT, STACY PARK AREA. IT'LL BE TAKING EXISTING STREET RUNOFF THAT'S NOT TREATED THAT GOES INTO THE STORM DRAIN, WE'RE GOING TO BE PUTTING CURB CUTS IN AND USING SOME OF THESE LOW-IMPACT DEVELOPMENTS TO INFILL STRAIT THE WATER TO USE IN EXISTING PUBLIC LAND. SO WE ARE MOVING FORWARD ON THOSE.

THAT'S A GREAT EXAMPLE OF WHY IT'S GREAT TO LIVE IN AUSTIN.

MAYOR PROTEM AND COUNCIL MEMBER YOU'VE ASKED A SERIES OF QUESTIONS ABOUT OUR TODS AND BURNT IN ORDER GAIT WAY. MAYBE ONE THING WE CAN DO IS COME BACK TO YOUR IN THE LAND AND TRANSPORTATION COMMITTEE AND BRING TO YOU EACH OF THE INFRASTRUCTURES AND TALK TO YOU ABOUT HOW WE'RE GOING TO REKRAKT EVER CRAFT PROGRAMS AND UTILITIES TO ADDRESS URBAN CORE VERSES THE TRADITIONAL URBAN PATTERN. I DO THINK PART OF WHAT YOU ALL ARE TALKING ABOUT IS THAT IT'S A DIFFERENT UTILITY STRATEGY WHEN YOU'RE ADDING DENSITY TO THE URBAN CORE. WE CAN BRING BACK ALL OF THE UTILITIES AND TALK TO YOU ABOUT HOW WE'RE GOING TO DO WATER, WASTE WATER AS WE PLANS FOR TODs AND OTHER DENSE NODES.

YOUR RIGHT ON TARGET. DID YOU HAVE ANY COMMENTS?

ON THE STORM WATER REUSE, OF COURSE WE DISCUSSED THAT IN WATER CONSERVATION TASK FORCE, THE COUNCIL-APOINED TASK FORCE AND IT'S A COMPLEX THING BECAUSE IT'S KIND OF BALANCING ACT. YOU CAN'T USE ALL OF THE STORM WATER OR YOU LOSE YOUR CREEKS. SO THAT ISSUE IS CURRENTLY BEING STUDIED I BELIEVE JOINTLY BY YOU AND THE CITIZEN WATER CONSERVATION TASK FORCE THAT'S SITTING RIGHT NOW ALONG WITH OTHER THINGS. AND RECLAIMED WATER, OUR ADOPTED POLICY, COUNCIL-APPROVED POLICY IS GOING TO REQUIRE ALL COMMERCIAL USERS TO USE RECLAIMED PAT WALTER IF IT'S AVAILABLE. AND FRANKLY I DON'T THINK THAT'S GOING BE A PROBLEM BECAUSE IT'S COST ABOUT 1/3 THE COST OF TREATED WATER. BUT IF THERE ARE PROBLEMS WITH NUTRIENTS AND GOLF COURSES ARE A SEPARATE NICHE, THEY'RE NOT SUBJECT TO THIS REQUIREMENT NOW BECAUSE WE REALIZE THEY HAVE SPECIAL PROBLEMS. IF THEY HAVE A PROBLEM WITH EXCESS NUTRIENTS IN RECLAIMED WATER, WE NEED TO KNOW ABOUT IT PRETTY FAST, I THINK.

JUST TO CLARIFY T ONLY CONCERN WE HAVE WITH EXCESS NUTRIENTS IS WHEN IT WOULD BE USED FOR MAKEUP WATER IN A WET POND.

NUTRIENTS ON THE GRASS.

ABSOLUTELY. FOR IRRIGATION I THINK IT'S REALLY SIMILAR PAT CALL USE.

I WAS WONDERINGER CAN YOU MAKE A COPY OF THAT PRESENTATION TO ANYONE WHO WANTS IT? NOT OBJECT LAND USE, BUT SOMETHING I'M VERY INTERESTS IN WORKING ON. I'D JUST LIKE TO HAVE A COPY OF THAT AS WELL.

ABSOLUTELY. THAT'S A BROAD ENOUGH ISSUE TO WHERE IT MAY BE WORTHWHILE TO BRING IT TO THE FULL COUNCIL. BECAUSE HOW WE CRAFT OUR INFRASTRUCTURE POLICIES, I THINK WILL OBVIOUSLY REQUIRE FULL COUNCIL APPROVAL TO THE EXTENT WE MAKE CHANGES.

THANK YOU VERY MUCH. LET'S MOVE FORWARD WITH AUSTIN ENERGY. SCHEDULED FOR

ABOUT IN THE ANOTHER 35 MINUTES SO WE'RE GOING TO HAVE TO THINK ABOUT WHAT WE'RE GOING TO DO. I DON'T WANT TO HURRY ANYBODY. (LAUGHTER)

HURRY ANYBODY BUT YOU ONLY GOT 35 MINUTES.

I'LL SPEAK FAST. WE'RE SENDING A CHECK OVER. (LAUGHTER)

BIGGER CHECK?

YES. I WOULD LIKE TO START THE PRESENTATION TALKING ABOUT THE STATUS OF THE ELECTRIC INDUSTRY AS A WHOLE BECAUSE THE ISSUES THAT WE FACE AT AUSTIN ENERGY ARE REALLY THE SAME ISSUES THAT ARE BEING FACED BY YUMENTS AROUND THE STATE AND NATION. FIRST OF ALL, THE TEXAS ELECTRIC MARKET, THE ELECTRIC RELIABLE COUNCIL OF TEXAS INSTITUTES A STATE-WIDE NOTABLE MARKET ON DECEMBER 1ST OF THIS YEAR. AND WE ARE EXPERIENCING NUMEROUS SYSTEM AND PROCESSES COST RELATED TO THAT IMPLEMENTATION. WE'RE ALSO EXPERIENCING TRANSMISSION CONGESTION COST RELATED TO THE TEXAS ELECTRIC MARKET. THE ELECTRIC INDUSTRY, IN GENERAL, IS EXPERIENCING RISING FUEL COST, PARTICULARLY IN NATURAL GAS AND COTRANSPORTATION COST AND EXTREMELY RISING COMMODITY PRICES THAT I'LL GO INTO LATER. THE ELECTRIC INDUSTRY A VERY LABOR CAPITAL INTENSIVE INDUSTRY AND WE ALSO EXPECT INCREASE COST FROM ENERGY AND CLIMATE CHANGE POLICIES THAT WILL BE COMING DOWN WITHIN THE NEXT FEW YEARS. AND FINALLY, WORKFORCE DEVELOPMENT IS A MAJOR ISSUE THROUGHOUT THE INDUSTRY AND CERTAINLY IS AS AUSTIN ENERGY. WE HAVE A TREMENDOUS NUMBER OF PEOPLE PLANNING TO RETIRE AND VERY FEW PEOPLE COMING INTO THE WORK FOS. I THINK I SAW A STATISTIC FOR SOMETHING LIKE 300,000 ENGINEERS IN THE BUSINESS AND THEY WERE GRADUATING ABOUT 500 A YEAR ON THE COLLEGES. IN TERMS OF OUR REVENUES AND RATES, WE HAVE THE SAME BASE RATE IN PLACE SINCE 1994, THERE IS NO RATE INCREASE IN THIS FIVE-YEAR FORECAST FOR AUSTIN ENERGY. THAT'S BASED ON A 2.2% ANNUAL GROWTH IN BASE REVENUES AND A 1.8% ANNUAL GROWTH IN OUR CUSTOMERS. WE DO EXPECT FUEL RATE INCREASES AS I MENTIONED EARLIER, THERE IS BOTH RISING NATURAL GAS COST THAT WILL BE PASSED THROUGH TO OUR CUSTOMERS AND WE JUST ENDED A LONG-TERM 20-YEAR CONTRACT ON COAL TRANSPORTATION THAT HAS BEEN RENEGOTIATED AND THAT WILLED A INCREASED COST TO THE FUEL COST FOR OUR CUSTOMERS GOING THROUGH. IN TERMS OF OUR REVENUE, 90% OF OUR REVENUE IS COMING FROM SELLS OF ELECTRICITY. ONE% FROM INTEREST INCOME AND OTHER REVENUE SUCH AS TRANSMISSION REVENUE MAKES UP THE DIFFERENCE. IN THE NEXT SLIDE IN 2009, WE EXPECT EXPENDITURES OF \$1.2 BILLION, APPROXIMATELY. (INDISCERNIBLE) COST ARE INCREASING, AN INCREASE OF \$84 MILLION OVER LAST YEAR. THAT'S ALMOST ENTIRELY FUEL. 2009 COST FOR FUEL IS \$460 MILLION OF THAT \$837 MILLION. IN FACT, THE O AND M WITHOUT FUEL ACTUALLY DECREASES \$1 MILLION FROM 2008 TO 2009. REMAINDER OF OUR EXPENDITURE ARE DEBT SERVICE AT 15%, CIP TRANCE PER AT 11% AND WE'RE ANTICIPATING THE GENERAL FUND TRANSFER OF THIS NEXT YEAR TO BE \$93 MILLION. THAT'S 7% OF OUR EXPENDITURES

WHICH IS CALCULATED BASED ON 9.1% OF OUR TRANSFER RATE FROM OUR GROSS REVENUES. OUR 2009-2013 FORECAST IS ON THE NEXT SLIDE. I THINK THIS MAIN THING I'LL POINT OUT IS THAT YOU SEE A BEGINNING BALANCE OF 277-AND-A-HALF MILLION DOLLARS DECREASING TO AN ENDING BALANCE AT THE END OF THE FORECAST TO \$95.8 MILLION. THAT IS PRIMARILY ONE-TIME CAPITAL IMPROVEMENTS COST AND I'LL BE GOING THROUGH THOSE IN A LATER SLIDE. THE ENDING BALANCE IS BEING USED, AS I SAID, TO BALANCE THIS FIVE-YEAR FORECAST. WE HAVE HAD BETTER FINANCIAL RESULTS IN FISCAL YEAR 2006 AND 2007 THAN WE PROJECTED EARLIER. OUR REVENUES HAVE BEEN ABOVE BUDGET AND OUR EXPENDITURES HAVE BEEN UNDERBUDGET. THIS ALLOWS US TO DEFER A BASE RATE INCREASE BEYOND THIS FORECAST. NOW, THERE ARE SOME CAUTIONS ON THAT STATEMENT. THERE ARE AT LEAST THREE AREAS THAT COULD CAUSE A BASE RATE INCREASE. FIRST, THIS IS A VERY VOLATILE INDUSTRY TODAY IN INCREASE CAPITAL CONSTRUCTION COST AND OTHER COSTS COULD CAUSE AN INCREASE. SECOND, THERE IS NO NEW POWER PLANT INCLUDED IN THIS FIVE-YEAR FORECAST. WE DO NOT SEE A NEED TO START A NEW POWER PLANT IN THE NEXT FEW YEARS, BUT IF THE COMMUNITY AND COUNCIL AND AUSTIN ENERGY DECIDES TO BUILD A NEW POWER PLANT, IT COULD CAUSE A BASE RATE INCREASE RIGHT OUTSIDE OF THIS FIVE-YEAR FORECAST IN SIX OR SEVENTH OR EIGHTH YEAR. AND THEN FINALLY, THIS FORECAST DOES NOT INCLUDE ANY COST FOR CARBON LEGISLATION. AGAIN, WE EXPECT CARBON LEGISLATION, WE EXPECT IT TO BE COSTLY, WE DO NOT KNOW WHAT IT IS YET, AND WE EXPECT THE IMPACTS WILL PROBABLY BE, AGAIN, RIGHT OUTSIDE OF THIS FIVE-YEAR FORECAST. AGAIN FUND TRANSFER IS CURRENTLY FORECAST FOR \$93 MILLION FOR NEXT YEAR, RISING TO \$105 MILLION IN 2013. THIS IS BASED ON THAT 9.1% TRANSFER RATE THEY MENTIONED EARLIER, WHICH IS A PERCENTAGE OF GROSS REVENUE OVER A THREE-YEAR AVERAGE. CIP HIGHLIGHTS, WE HAVE \$873 MILLION IN CIP IN THIS FORECAST. SOME OF THE MAJOR PROJECTS ARE FIRST THE FAYETTE POWER PLANT PROJECT SCRUBBERS POLLUTION CONTROL DEVICES. THE TOTAL COST TO AUSTIN ENERGY IS \$224 MILLION WE'RE 50% OWNERS. THE TOTAL PROJECT COST IS \$448 MILLION, AND WE ARE EXPERIENCING COMMODITY AND CONSTRUCTION COST INCREASE WITH THIS PROJECT. WHEN WE STARTED OUR COST WAS \$150 MILLION. THE SAN HILL ENERGY CENTER, 100 MEGA WATTS AFTER PEEKING NATURAL GASZ KWHUNTS ARE BEING ADDED. WE EXPECT THOSE TO BE ONLINE BY LATE SUMMER OF NEXT YEAR. WE HAVE INCLUDED A TOTAL COST OF \$60 MILLION, AGAIN, WE'RE EXPERIENCING RISING CONSTRUCTION COST WITH THAT PROJECT. THE CUSTOMER INFORMATION SYSTEM IS BEING REPLACED FOR AUSTIN IN ALL CITY DEPARTMENTS. WE'RE EXPECTING A TOTAL COST OF \$19.5 MILLION WITH THAT PROJECT. THEN AS YOU KNOW, WE ARE REPLACING THE ENERGY CONTROL CENTER ON WEST AVENUE WITH REN NAIGS VEGAS OF TOKYO BUILDING. RENOVATION WITH THE \$17 MILLION AND WE PAID \$16 MILLION FOR THE BUILDING. AND THEN FINALLY WE HAVE AN ON GOING EXPANSION OF OUR DISTRIBUTION BECAUSE OF HIGH GROWTH RATE AND THAT IS APPROXIMATELY \$60 MILLION A YEAR AT THIS POINT FOR OUR DISTRIBUTION SYSTEM. NEXT SLIDE JUST EMPHASISES THE RISING CONSTRUCTION COST THAT WE'RE EXPERIENCING EVERYWHERE. THE HIGH MATERIALS COST FOR STEEL, COPPER AND CONCRETE IS TRANSLATING INTO HIGHER COST FOR

TRANSFORMERS AND SO FORTH. RISING WAGES IN THE FIELD AND THERE'S A TIGER MARKET FOR THE PEOPLE WHO CAN PROJECT MANAGE THESE LARGE PROJECTS. ONE INDEX THAT WE FOLLOW CLOSELY ON UTILITY CONSTRUCTION COST HAS INDICATED THAT THE ELECTRIC UTILITY WE'RE EXPERIENCING 25-35% COST INCREASES COMPARED TO GENERALLY 8% IN THE INFLATION OVER THE LAST THREE YEARS. COST DETERMINES ALONE INCREASED BY 17% DURING 2006. CHALLENGES THAT WE FACE. THE NUMBER ONE CHALLENGE I THINK THAT WE FACE AT AUSTIN ENERGY IS WORKFORCE DEVELOPMENT. AS I MENTIONED BEFORE, A NUMBER OF PEOPLE ARE READY TO RETIRE IN THIS INDUSTRY, AND BETWEEN RETIREMENTS RETENTION AND RECRUITING, WE HAVE A MAJOR ISSUE. 31%, 452 EMPLOYEES WITHIN AUSTIN ENERGY CAN RETIRE WITHIN FIVE YEARS. 57% OF THE EXECUTIVE TEAM AT AUSTIN ENERGY CAN RETIRE IN FIVE YEARS. AND FRANKLY, THERE'S MANY OF THE HIGH PERCENTAGE OF THAT GROUP CAN RETIRE WITHIN TWO YEARS. WE ARE WORKING WITH THE CITY'S MANAGERS OFFICE ON AN AGGRESSIVE PLAN FOR THIS ISSUE. OTHER CHALLENGES RELATE TO THE AUSTIN PROTECTION PLAN AND (INDISCERNIBLE) AUSTIN GENERAL COMMUNITY. THE NATIONAL ENVIRONMENT TALL COMMUNITY. WE HAVE A FUTURE ENERGY RESOURCE PLAN THAT KEEP THE LIGHTS ON IN THE COMING YEARS. WE ARE FACING CHALLENGES WITH OUR RENEWABLE ENERGY GOALS. WE HAVE AN AGGRESSIVE GOAL OF 30% BY THE YEAR 2020. THE CHALLENGE IS NOT DUE TO LACK OF WILL OR MONEY, BUT DUE TO A LACK OF SUPPLIES IN THE RENEWABLE ENERGY FIELD AND LACK OF PEOPLE TO IMPLEMENT THESE SUPPLIES. YOU MAY RECALL WE HAD TO SHUT DOWN OUR GREEN CHOICE PROGRAM FOR TWO YEARS BECAUSE WE SIMPLY COULDN'T GET THE WIND THAT WE HAD CONTRACTED FOR FROM WEST TEXAS TO AUSTIN. WE STILL EXPERIENCE SIGNIFICANT TRANSMISSION CONGESTION COMING OUT OF WEST TEXAS. AND WE ARE ALMOST RATIONING OUR GREEN CHOICE AT THIS POINT UNTIL MORE COMES ONLINE. THE SAME OCCURS IN THE SOLAR FIELD IN TERMS OF SILICON AND SOLAR. SO THE RENEWABLE ENERGY GOALS ARE GOING TO BE VERY DIFFICULT FOR US TO MEET SIMPLY BECAUSE OF THE SUPPLY AND DEMAND MARKET OUT THERE FOR RENEWABLE ENERGY. AND FINALLY THE AUSTIN ENERGY CO2 PLAN IS GOING TO BE EXTREMELY DIFFICULT FOR US TO COME UP WITH A PLAN THAT ACTUALLY REDUCES OUR CO2 FINGERPRINT FROM WHERE WE ARE, WHICH IS PRIMARILY FROM FAYETTE POWER PLANT. WE WILL BECOME THE COUNCIL I BELIEVE NEXT MONTH WITH A CO2 CAPITAL REDUCTION PLAN AND GO INTO DETAIL THAT THE TIME. OTHER ASPECTS OF THE AUSTIN CLIMATE PROTECTION PLAN, WE'RE ON TARGET TO MAKE ALL OUR CITY FACILITIES FLEETS AND OPERATIONS CARBON NEUTRAL BY 2020. IN PARTICULAR, HIRING CITY FACILITIES WITH RENEWABLE ENERGY, IF WE GET THE WIND AS WE HAD CONTRACTED FOR IT, WE WILL BE AHEAD OF SCHEDULE IN MEETING THAT GOAL. HOPEFULLY BY THE END OF THIS YEAR. GREENHOUSE GAS INSPECTION STORY FOR CITY DEPARTMENTS ARE UNDERWAY. WE HAVE THE STAFF IN PLACE TO DO THAT. AND WE HAVE COMPLETED THE FIRST PHASE OF OUR ENERGY CODE CHANGES AND WENT INTO THE SECOND PHASE AT THIS POINT. WE ARE DEVELOPING WEB SITE AND CARBON CALCULATOR WEB SITES FOR OUTREACH AND OUR CARBON OFFSET PROGRAM. AND FINALLY WE HAVE AN ENERGY RETROFITS TASK FORCE UNDERWAY DEALING WITH BOTH THE ENERGY CODE CHANGE AND OTHER ISSUES. SO IN SUMMARY, WE

CONTINUING OUR ACHIEVEMENT OF THE STRATEGIC GOALS AUSTIN ENERGY MAINTAINS A VERY STRONG FINANCIAL POSITION DURING PERIODS OF REALLY ECONOMIC STRESS AND WE ARE EMBARKING ON A PERHAPS PLAN TO DEAL WITH OUR RESOURCE PLAN.

SOME QUESTIONS?

ONE QUESTION QUICK, THE ECC REPLACEMENT IT WAS MY UNDERSTANDING THAT WAS SUPPOSED TO BE COST NEUTRAL TO AUSTIN ENERGY. IS THAT THE CASE OR NOT?

I'M GOING TO ASK LANE HEART TO SPEAK TO THE NUMBERS ON THAT. OUR LATEST ASSESSMENT IS \$35 MILLION?

THE TOTAL COST OF THE PROJECT, PURCHASING THE BUILDING AND RENOVATION IS ABOUT \$33 MILLION. AND WE HAD A RECENT ESTIMATE OF THE SALE POTENTIAL OF THE EXISTING PROPERTY AT ECC OF ABOUT \$14 MILLION. SO IT WILL NOT BE COST NEUTRAL.

OKAY. MATTERS STANDING AT THE TIME THAT IT WAS ADVERTISED THAT WAY TO BE THAT AUSTIN ENERGY WOULD NOT SUFFER ANY FINANCIAL LOSS BY MOVING THE ECC.

WELL, I DON'T BELIEVE IT IS COST NEUTRAL, AT THE SAME TIME WE WILL BE HAVING A MORE ADVANCED AND BETTER FACILITY IN THE NEW FACILITY. AND THERE ARE ASPECTS THAT WE NEEDED TO CHANGE ANYWAY.

I HOPE WE CAN FIND SOME JUSTIFICATION ALONG THOSE LINES, BECAUSE OTHERWISE THERE REALLY ISN'T A JUSTIFICATION UNLESS YOU'RE MODERNIZING AND GETTING SOME OTHER BENEFIT BY VIRTUE OF MOVING FROM THE EXISTING SITE WHICH IS WORKING JUST FINE RIGHT NOW.

AND LANE WAS POINTING OUT THAT SITE A LARGER FACILITY THAT WE HAVE. WE WILL BE MOVING STAFF FROM OTHER FACILITY INTO THAT FACILITY AS WELL. SO WE ARE BOTH MODERNIZING AND CONSOLIDATING --

MULTIPLE USE?

YES.

OTHER QUESTIONS? OKAY. LET'S MOVE ON THEN. THANK YOU VERY MUCH. WE HAVE THE AIRPORT NEXT. AVIATION WITH JIM SMITH AND ROBERT GOODBACK.

MAYOR PROTEM, COUNCIL, IN AN EFFORT TO BE TIMELY, PLEASE TRY AND MOVE THROUGH THIS THING AS QUICKLY AS POSSIBLE. THE DRIVERS OF THE FORECAST -- IS THERE SOME WAY TO MAKE THESE THINGS GO? THE DRIVERS OF THE FORECAST FOR THE AIRPORT ARE GROWTH MAINTENANCE AND THE BUSINESS ENVIRONMENT. AND LIKE MOST OF YOUR

OPERATIONS, OBVIOUSLY AUSTIN HAS BEEN GROWING AND DOUBLING IN SIZE EVERY 20 YEARS AND THE AIRPLANE IT'S BEEN MORE ACCELERATED. FOR THE LAST YEAR YEAR WE'VE BEEN GROW TATH RATE OF 8% PER YEAR. THERE'S BEEN A LOT OF DEMANDS PUT ON THE AIRPORT IN THE LAST SEVERAL YEARS TO COPE WITH A VERY RAPID GROWTH. IN ADDITION FROM A MAINTENANCE PERSPECTIVE, YOUR AIRPORT IS NOW TEN YEARS OLD. AND LIKE ANY OTHER FACILITY IT HAS MAINTENANCE NEEDS THAT ARE STARTING TO GROW. ON TOP OF THAT, WE HAD TO POSTPONE A LOT OF REGULAR SCHEDULED MAINTENANCE AFTER SEPTEMBER 11th AFTER THERE WAS REDUCTION. SO WE'RE STIM, TO SOME DEGREE CATCHING UP WITH SOME OF THE MAINTENANCE ISSUES. AND FINALLY, THE BUSINESS ENVIRONMENT, MOST OF YOU ARE FAMILIAR TWR FR READING THE PAPERS OF WHAT'S GOING ON RELATIVE TO THE RECESSION, FUEL COSTS AND THE AIRLINE INDUSTRY WITH VARIETY OF MURJ MERGES AND DOMESTIC CAPACITY ALL THOSE THINGS CREATE AN EXTREMELY UNCERTAIN ENVIRONMENT FOR THE AIRPORT TO DO SOME PLANNING IN FOR THE FUTURE AND WHAT TYPE OF FACILITIES THAT WE NEED. THE NEXT SLIDE TALKS ABOUT THE PASSENGER GROWTH AND TRIES TO SHOW FROM 2004 THROUGH CURRENTLY WHERE WE'VE COME INTO 2004 WE WERE A LITTLE OVER 7 MILLION PASSENGERS AND THIS YEAR WE'LL FINISH OVER NINE MILLION PASSENGERS. THAT'S DRIVEN BY THE STRONG POPULATION GROWTH T JOB GROWTH AND THE HIGH MEDIAN INCOME THAT WE HAVE HERE IN AUSTIN RELATIVE TO THE REST OF THE STATE. THIS NEXT SLIDE TRIES TO ILLUSTRATE THE CATCHMENT BASEMENT. THIS IS USED WHEN WE TRY AND MARKET OURSELVES TO THE AIRLINES OF HOW MANY PEOPLE ARE AVAILABLE TO FLY OUT OF AUSTIN. YOU CAN SEE FROM THE LINES THERE, WE HAVE A 1-HOUR DRIVE, A 90-MINUTE DRIVE AND A 2-HOUR DRIVE WHICH IS WHAT THEY'LL LOOK AT. YOU CAN SEE, WE CAN CAPTURE ALL OF NORTHERN SAN ANTONIO WITHIN AN OUR-AND-A-HALF DRIVE WHICH HELPS US WITH THE NUMBER OF HOUSEHOLDS WE CAN TELL THE AIRLINES THEY CAN GET OUT OF AUSTIN. THE FORECAST FOR 2016 AND 2026 FROM A PLANNING PERSPECTIVE WHICH WE HAVE TO WORK WITH FAA TO CONSTANTLY UPDATE OUR MASTER PLAN FOR THE AIRPORT. AND THE FIVE-YEAR FORECAST AND OUR PROJECTS ARE REALLY DESIGNED AROUND 2016, THAT'S FOCUS THAT WE ARE TRYING TO DESIGN FOR. BUT YOU CAN SEE BETWEEN NOW AND 2016, OUR PASSENGER NUMBERS WILL CLIMB TO OVER 12 MILLION PASSENGERS. THERE'S WE CURRENTLY HAVE 25 GATES AT THE AIRPORT, THERE'S GOING BE A NEED FOR 25 BY 2016. AND OVERNIGHT PARKING POSITIONS. THESE ARE THE POSITIONS WHERE PLANES CAN PARK OVERNIGHT AND THESE ARE NECESSARY IF YOU'RE GOING HAVE AIRLINES FLYING INTO YOUR COMMUNITY. WE HAVE 46 TODAY WE'RE GOING TO NEED 64 BY 2016. THE REASON I'M TALKING 2016 IS BECAUSE IF WE STARTED THESE PROJECTS TODAY IT WOULD BE FIVE YEARS BEFORE THEY WERE IN PLACE AND OPERATIONAL. SO THEY REQUIRE ACTION TODAY. FORECAST ASSUMPTIONS REVENUE WE PROJECT IT'S GOING TO GROW 3% A YEAR. RELATIVELY CONSERVATIVE NUMBER BUT IT COULD BE SOME WHAT OPTIMISTIC GIVEN THE STATEMENT OF THE AIRLINE INDUSTRY. AND WE'RE GENERALLY PREDICTING OUR EXPENDITURE WILL GROW AT THE SAME RATE AS OUR REVENUE. NEXT SLIDE TRIES TO GO OVER THE FORECAST FROM THE CURRENT TO 2012/2013. YOU CAN SEE FROM THE TOTAL REVENUE IS PROJECTED TO INCREASE 31% WHILE OUR EXPENSES ARE PROJECTED

TO INCREASE 25%. SO THESE BASED ON OUR FORECAST AND LOOKING FORWARD WE'RE STILL TRYING TO MAINTAIN A STRONGER REVENUE PICTURE THAN OUR TOTAL REQUIREMENT FOR OPERATION. AND HISTORICALLY WHAT'S BEEN HAPPENING WITH REVENUE AND TOTAL REQUIREMENTS TRIES TO SHOW YOU FROM 2004-2007, YOU CAN SEE OUR REVENUES HAVE GROWN FROM 66-82 MILLION DOLLARS. 24% GROWTH OVER THAT PEER YAD WHILE OUR TOTAL REQUIREMENTS HAVE GROAN FROM 59-64. SO AGAIN WE'VE HAD A STRONG REVENUE PICTURE RECENTLY AND WE'RE FORECASTING THAT THAT WILL CONTINUE FORWARD. THE NEXT SLIDE TALK ABOUT EXAMPLE OF PROJECTS TO COPE WITH GROWTH. WE'RE FOCUSING ON 2016 AND PREPARING THE AIRPORT FOR THE 12 MILLION PASSENGERS THAT WILL BE HERE THEN. JUST COMPLETING A PLAN REQUIRES ABOUT \$550 MILLION IN NEW PROJECTS AT THE AIRPORT TO PUT IN THE APPROPRIATE FACILITIES THAT ARE GOING BE NECESSARY TO KOIP WITH 2016. AND WHERE IS THAT MONEY GOING TO COME FROM? OBVIOUSLY WE USE THE CASH THAT'S LEFT IN THE AIRPORT'S CAPITAL FUND TO HELP GRANTS FROM THE FAA, WHICH ARE DECLINING, WHICH GET SMALLER EVERY YEAR AND THEN FINALLY THE BALANCE WE HAVE TO FINANCE WITH SOME TYPE OF BONDS. WHAT I HAVE IN THE NEXT THREE PAGES ARE EXAMPLES OF PROMPTS THAT WE HAVE TO PROCEED WITH THE FIRST ONE IS BASICALLY THAT YOU REMAIN OVERNIGHT APRON. THIS IS EXPANDING THE CONCRETE APRON WHICH IS OFRNT EAST SIDE OF PARPT IN ORDERED A PARKING POSITIONS FOR PLANES. ALSO WE NEED THAT APRON BUILT SO WHEN WE EXPAND THE EAST SIDE OF THE TERMINAL, IT HAS SOME PLACE TO BE BUILT ON. THIS IS APPROXIMATELY A \$72 MILLION PROJECT. YOU'VE ALREADY AUTHORIZED THE DESIGN OF THIS PROJECT AND HOPEFULLY WITHIN A SHORT TIME WE'LL BE COMING TO YOU WITH SOME CONSTRUCTION CONTRACTS. TERMINAL EXPANSION, IT'S ESTIMATED WE'RE GOING TO NEED AT LEAST NINE MORE GATES BY 2016 IF WE'RE GOING TO COPE WITH THE FORECASTED GROWTH. AN AGAIN IF WE STARTED TODAY IT WOULD BE FIVE YEARS BEFORE THOSE GATES WOULD BE HERE. THE PLAN CALLS FOR EXPANDING TO THE EAST WHERE WE DON'T HAVE AS MANY GATES AS WE HAVE TO THE WEST. SO IT CREATES A MIRROR IMAGE OF THE WEST SIDE OF THE AIRPORT. AND THEN THIRD, OUR PROJECT IS A NEW RENTAL CAR PARKING GARAGE FACILITY F. YOU GO DOWN TO THE BOTTOM YOU CAN SEE THE OUTLINE OF TERMINAL AND THEN YOU CAN SEE THE EXISTING GARAGE AS YOU MOVE UP. WHAT WE'RE TALKING ABOUT IS WHERE LOT A IS CURRENTLY, WHICH IS A SURFACE LOT, IS WE WOULD BUILD A FOUR-STORY PARKING GARAGE ON THAT LOCATION, THE FIRST TWO FLOORS WOULD SERVE THE RENTAL CAR COMPANYINGS SECOND TWO WOULD BE ADDITIONAL PARKING FOR THE AIRPORT. AND THAT PROJECT IS ESTIMATED AT \$157 MILLION AND THE RENTAL CAR COMPANIES WOULD HAVE TO CONTRIBUTE TO THE FINANCING OF THAT AS WELL. IN ADDITION TO THE PROJECTS THAT WE HAVE TO MOVE AHEAD WITH TO COPE WITH GROWTH, THERE ARE PROJECTS THAT WE NEED TO DO AT A TEN--YEAR-OLD AIRPORT Tost JUST TO MAINTAIN THE INFRASTRUCTURE. EXAMPLES OF THESE THINGS ARE AIRFIELD, LIGHTING AND PAVE. REPAIR. AS IT RELATES TO THE AIRFIELD WE'RE REQUIRED TO UNDERGO INSPECTIONS BY FAA SO WE CANNOT ALLOW MAINTENANCE ISSUES TO EXIST. WE HAVE FLEX ABLE ON THE LAND SIDE BUT NOT ANT AIRFIELD SIDE. SO A LOT OF THOSE PROJECTS ARE DRIVEN BY THE REQUIREMENTS TO

MAKE SURE THAT WE'RE METING THE LATEST REQUIREMENTS OF FAA IN COMPLIANCE WITH PART 139. IN ADDITION WE HAVE GARAGE REPAIRS SECURITY UPGRADE REQUIRED BY TSA, AIRPORT ROADWAY SIGNAGE. I DON'T KNOW IF YOU'RE FAMILIAR BEEN OUT TO THE AIRPORT BUT YOU CAN SEE ALL OUR SIGNS ARE FADING, THEY'RE 11 YEARS OLD AND THEY NEED TO BE REPLACED. TELECOM DATA FACILITY AND TERMINAL IMPROVEMENT PROJECTS ARE ALL EXAMPLES OF VERY EXPENSIVE PROJECTS THAT WE NEED TO HELP MAINTAIN THE AFA SILTS. AND FINALLY MOST UNCERTAIN THING TO TRY AND FORECAST INTO IS THE BUSINESS ENVIRONMENT IN THE AIRLINE INDUSTRY. YOU'RE FAMILIAR WITH THE FACT THAT THE COST OF FUEL FOR THE AIRLINES THAT COST OF FUEL HAVE GONE UP 61% JUST SINCE LAST YEAR AND 300% SINCE '02. NO AIRLINE TODAY IS MAKING MONEY, AND THE ONLY ONES THAT ARE GOING TO SURVIVE ARE THE ONES THAT HAVE A STRONG CASH POSITION TO CARRY THEM THROUGH. THE COST OF INFRASTRUCTURE MATERIAL MATERIALS CONTINUES TO RISE AND YOU HEARD FROM FROM THE ELECTRIC UTILITY T STEEL AND CONCRETE CONTINUE TO GO UP. IN ADDITION, GOING TO THE CREDIT MARKETS THE BECOMING MORE CHALLENGING WITH THE CURRENT ENVIRONMENT IN THE CREDIT MARKETS. AND THEN YOU'VE GOT AIRLINE MERGES THAT YOU'RE FAMILIAR WITH. DELTA IS TRYING TO MERGE WITH NORTHWEST. UNITED TRYING TO MERGE WITH U.S. AIR AND ALL ARE TRYING TO REDUCE DOMESTIC CAPACITY. THEY'RE TRYING TO GAIN PRICING POWER AGAIN. SO BY REDUCING THE NUMBER OF SEATS THAT ARE FLYING, THEY CAN DRIVE THE PRICES UP TO THE POINT WHERE THEY CAN COVER THE COST OF FUEL. SO THERE'S A LOT OF DYNAMICS GOING ON IN THE AIRLINE INDUSTRY WHICH BOTTOM LINE IS THERE ARE GOING TO BE FEWER SEATS FLYING OUT OF AUSTIN BERGSTROM THIS YEAR THAN NEXT YEAR BECAUSE EVERY AIRLINE IS TRYING TO REDUCE IN ORDER TO GAIN STRONG PRICING POWER. FINALLY, THE ISSUES TO BE ADDRESSED OVER THE FORECAST PERIOD, THE BIGGEST ONE IS WHEN TO EXPAND THE TERMINAL. WE HAVE TO PROCEED WITH THE REMAIN OVERNIGHT PARKING POSITIONS, WE HAVE TO PROCEED WITH THE PARKING GARAGE WAS THE RENTAL CARS ARE ALREADY OUT OF SPACE AND THERE IS HIGH DEMAND FOR ADDITIONAL PARKING T. GATES HOWEVER WITH THE UNCERTAINTY OF THE ENVIRONMENT, WE FULLY ANTICIPATE THAT SOME OF THE EXISTING GATES WILL BE RETURNED TO US IN THE COMING YEARS, SO WE'RE ESTIMATING THAT AT LEAST FOUR GATES WILL BE RELEASED BY THE AIRLINE BACK TO US. THAT SHOULD GIVE US SOME LEVEL OF FLEXIBILITY. SO WE'LL BE RECOMMENDING TO YOU THAT WE NOT PROCEED WITH THE GATE EXPANSION UNTIL THERE'S MORE CERTAINTY IN THE AIRLINE ENVIRONMENT BEFORE WE PULL A TRIGGER ON A 20 # MILLION DOLLARS PROJECT. THE SECOND MAJOR ISSUE IS RELATIVE TO OTHER METROPOLITAN AREAS. AUSTIN IS WILLFULLY UNDERSERVED A AS IT RELATES TO THE AVIATION MARKET. IF YOU GO INTO DALLAS FORT WORTH THERE'S AVIATION AIRPORTS ALL TO HELP THAT COMMUNITY AND TO KEEP THE PRESSURE OFF THE COMMERCIAL AIRPORT. YOU DON'T HAVE THAT IN AUSTIN. SO WHAT YOU HAVE THE AUSTIN IS A RESULT OF NOT HAVING ALTERNATIVE GENERAL AVIATION FACILITIES IS A LOT OF DEMAND ON THE COMMERCIAL AIRPORT TO SOLVE ALL GENERAL AVIATION PRONS AND THAT IS A MANNING ISSUE FOR THE LONGER TERM. SO THE GENERAL AVIATION ISSUE IS NOT GOOD AND IS ET GETTING WORSE IN THIS AREA AND IT'S PROBABLY SOMETHING THAT

WHILE THE CITY HAS NOT TAKEN THE LEAD ON IN THE LAST SEVERAL YEARS, TX DOT HAS THE CITY MIGHT WANT TO CONSIDER TAKING A STRONGER LEADERSHIP POSITION IN TRYING TO SOLVE THIS PROBLEM BECAUSE NOBODY ELSE THE STEPPING UP RIGHT NOW TO DEAL WITH THAT ISSUE.

IN FACT, IT IS OUR INTENT TO TAKE THE LEADERSHIP ROLE IN ADDRESSING THAT ISSUE.

AND THAT IN SUMMARY IS THE PRESENTATION FROM THE AIRPORT.

I'M GOING TO LOOK TO LEE FIRST.

SAVE FOR LATER.

ANY OTHER QUESTIONS. SUPER. THANK YOU VERY MUCH. AND WE HAVE OUR LAST PRESENTATION, AUSTIN CONVENTION CENTER MOVING FORWARD.

GOOD AFTERNOON OR GOOD MORNING I'M MARK TESTER, I'M THE DIRECTOR OF THE AUSTIN CONVENTION CENTER DEPARTMENT. I WAS VERY ENCOURAGED WHEN I WATCHED THE ECONOMIST JON HOCKENYOS IN THE RECENT FINANCIAL FORECAST AND PRESENTATION TO YOU REALLY INDICATE HOW A ROBUST HOSPITALITY COMMUNITY IS OVERALL MAKING POSITIVE EFFECTS TO THE AUSTIN ECONOMY. AND I THINK WHAT YOU'LL SEE OR WHAT WE FEEL IS THAT THE EVENTS THAT ARE DRIVEN THROUGH THE CONVENTION CENTERS BOTH THE AUSTIN AND PALMER EVENTS ARE REALLY THE BACKBONE OF OUR HE OR SHE TALENT COMMUNITY. WE NEED TO CONTINUE TO WORK TO IMPROVE OUR FACILITIES IN ORDER TO REMAIN COMPETITIVE IN A VERY, VERY COMPETITIVE MARKETPLACE. GOING ON TO THE SLIDE HERE. RIGHT THERE. THE CONVENTION CENTER MARKET HAS NEVER BEEN MORE COMPETITIVE. ANNUAL SPENDING PUBLIC CAPITAL SPENDING DOUBLED AT \$2.4 BILLION OVER THE LAST DECADE. INCREASED THE NUMBER OF CAPACITY OF SQUARE FOOTAGE IN THE COUNTRY BY OVER 50%. WE ARE AT THE SAME TIME THE NUMBER OF EVENTS HAS REMAINED RELATIVELY FLAT. BUT EVEN MORE SO AS IT RELATES TO A MID-SIZED MARKET LIKE AUSTIN IS THAT THERE'S OVER 60 HOTELS THAT HAVE OVER 100,000 SQUARE FEET OF EXHIBIT PLACE THAT HAVE MADE THE MARKETPLACE MORE COMPETITIVE. AND THE RESULT OF THIS COMPETITION ARE REALLY TWO-FOLD. NUMBER ONE IS RENTAL FEES ACROSS THE COUNTRY ARE ON A DECLINE. NUMBER TWO, IT FORCED US INTO ENACTING THE NEW PRICING STRUCTURE WHICH GIVES CREDITS FOR USAGE, FOOD AND BEVERAGE SPEND AND FREQUENCY OF RETURN AND ALSO CREDITS FOR COMING IN NEED-TIME PERIODS. THE NEW PRICING IS REALLY PUT US BACK, I BELIEVE IN A COMPETITIVE STANCE, BUT IT DOES MEANLESS REVENUE AND MORE RELIANCE ON US ON THE OCCUPANCY TAX TO COVER OUR EXPENSES. WE DID PROBABLY TAKE A LITTLE BIT IN REALIZING THAT THIS GROWING TREND THAT THE NEW PRICING STRUCTURE WAS NEEDED AND WE ARE BEHIND PACE ESPECIALLY IF (2) 010-2011. WE REALLY ARE NO A CYCLE WHERE YOU ARE BOOKING EVENTS FOUR TO FIVE YEARS OUT. NUMBER TWO IS THAT TO BE COMPETITIVE, QUALITY EXHIBIT SPACE AND MEETING ROOMS

AREN'T ENOUGH ANYMORE. ESPECIALLY AS IT RELATES TO THE NEW HOTEL QUALITY SERVICES THAT ARE AVAILABLE AT HOTELS LIKE THE GAY LORD NATIONAL THAT PROVIDE QUALITY FOOD AND BEVERAGE OPERATIONS, BUSINESS CENTERS, BAGGAGE STORAGE, CONCIERGE AMENITIES AND ALSO WELL-APPOINT ROOMS WITH THINGS THAT ARE REALLY NOW CUSTOMARY. AND THAT HAS PUT US IN A VERY, VERY COMPETITIVE SITUATION, AND THE BOTTOM LINE IS I THINK THIS IS A VERY POWERFUL SLIDE IS THAT WE REALLY IN A SITUATION WHERE WE NEED TO INVEST SIGNIFICANT CAPITAL EXPENDITURES BACK INTO THE FACILITY. IF YOU'LL LOOK WHEN THE FACILITY, THE EXPANSION OPENED AND REALLY, WE PUT NOTHING BACK INTO THE FACILITY THAT A GUEST WOULD ENJOY OTHER THAN FIXING A ROOF AND DOING SOME OTHER NECESSARY ENVIRONMENTS, NECESSARY THINGS. SO IN ORDER FOR US TO REMAIN COMPETITIVE, WE REALLY NEED TO PUT MONEY BACK INTO THE FACILITY. GOING INTO OUR REVENUE, THE HOTEL OCCUPANCY TAX HAS REALLY, HAS BEEN GROWING BY DOUBLE DIGITS AMOUNTS AND WE WILL ACTUALLY EXCEED BUDGET THIS YEAR BY \$3 MILLION. THAT HAS -- THE HOTEL OCCUPANCY TAX DOES MEAN OVER 50% OF OUR REVENUE. OUR DECREASE REVENUES BECAUSE OF OUR NEW PRICING STRUCTURE EVEN MEANS MORE RELIANCE ON THE HOTEL OCCUPANCY TAX. WE ARE PROPOSING OR ESTIMATING A MODEST 2% INCREASE FOR 200 #/2009, PRIMARILY THAT IS TU TO IT BEING A LEGISLATIVE YEAR AND THE HOTELS GENERALLY DO VERY WELL DURING LEGISLATIVE YEAR. BECAUSE 2010 A BEING NOT A LEGISLATIVE YEAR AND B, BEING WELL BEHIND OUR BOOKING PACE, WE ARE ESTIMATING THAT A 1% DECREASE WILL HAPPEN IN 2009/2010. AND AGAIN, OUR PRICING STRUCTURE WILL RESULT IN DECREASING RENTAL REVENUE AS WE GO ALONG. OUR EXPENDITURES, WE'RE REALLY GOING TO CONCENTRATE, AS MENTIONED BEFORE, ON MAINTENANCE AND UPDATING OF THE FACILITIES. WE HAVE BEEN A SCENE IN ONE OF OUR COMPETITIVE ADVANTAGES HAS BEEN OUR LEADERSHIP AND OUR TECHNOLOGY. AS TECHNOLOGY CONTINUES TO CHANGE, WE NEED TO CONTINUE TO INVEST IN THAT INFRASTRUCTURE, NEW SERVERS, FIREWALLS THAT TYPE OF THING ARE NEEDED AS WE CONTINUE TO MOVE ALONG. WITH THE CITY CULTURE BEING A GREEN DESTINATION AND IN REALLY WHAT IS A NECESSARY REQUIREMENT, WE ARE PURSUING TO GET OUR LEAD EB CERTIFICATION, WHICH IS A TWO-YEAR PROCESS. LEAD IS THE LEADERSHIP IN ENERGY AND ENVIRONMENT DESIGN THAT WILL COST BOTH SIGNIFICANT MONEYS FOR CAPITAL IMPROVEMENT AND ALSO IN OUR OPERATING BUDGET IN ORDER TO GET THAT CERTIFICATION. THAT IS PRETTY MUCH A REQUIREMENT NOW TO BE COMPETITIVE. IN MANY OF THE RPs WE RECEIVED, THAT IS ONE OF THE QUESTIONS, WHAT ARE YOU DOING TO GIVE BACK TO BE GREEN AND TO RECYCLING? SO THAT'S DEFINITELY SOMETHING THAT WE ABSOLUTELY HAVE TO PURSUE TO, UM, TO REMAIN COMPETITIVE. AND WE ALSO DO REQUIRE NEW FTEs AND THEY'RE REALLY ALL IN THE SERVICES OF OUR GUESTS. WE ARE IN THE CUSTOMER SERVICE BUSINESS, AND WE DO NEED SOME INCREASED BOND USE TO HELP US IN GIVING THAT ENHANCED CUSTOMER SERVICE. WE ARE PROPOSING THAT THE 2008/2009 EXPENDITURES WILL EXCEED BUDGET REVENUE. THIS IS PRIMARILY DUE TO THE CAPITAL IMPROVEMENT PROJECTS THAT WE'RE PROPOSING IN THE TECHNOLOGY AND INCREASED PERSONNEL. WE HAVE STABILIZED OUR DEBT, AND THAT WAS PRIMARILY WE DID THAT THROUGH REFUNDS

WHICH REALLY HELPED US BE FISCALLY SOLVENT AFTER 9/11. GOING TO THE NEXT SLIDE, UM, JUST REALLY IS AN OVERVIEW OF OUR REVENUE AND OUR EXPENSES. YOU CAN SEE ON THE HOTEL OCCUPANCY TAX, THAT IS A VERY BIG NUMBER. THAT REALLY STRESSES TO ME AS THE DIRECTOR THAT IN ORDER FOR US TO REMAIN FISCALLY STRONG, WE NEED TO HAVE A FACILITY THAT IS GENERATING SIGNIFICANT ROOM NIGHTS INTO THE CITY AND INTO THE ECONOMY. THE RENTAL CAR TAX, WHICH IS REMAIN RELATIVELY FLAT, THAT DOES GO TO THE PALMER EVENT CENTER. WE ARE PROJECTING A SLIGHT INCREASE IN OPERATING REVENUE THIS NEXT YEAR THAT IS PRIMARILY DUE TO THE AMOUNT OF BOOKINGS THAT WE HAVE ON THE BOOKS RIGHT NOW. HOWEVER, WE ARE PROJECTING THAT THROUGH THE NEXT FIVE YEARS THAT THAT NUMBER WILL DROP SLIGHTLY. AGAIN, THAT IS WITH OUR GOAL OF BOOKING AND MAINTAINING EVENTS THAT DRIVE HOTEL ROOMS IN ORDER TO REMAIN COMPETITIVE, WE'RE GOING TO HAVE TO BE MORE CREATIVE IN WHAT WE OFFER BOTH IN RENTAL AND OTHER ADDED VALUES SUCH AS FOOD AND BEVERAGE DISCOUNTS, BLENDING AND MORE UPGRADED AMENITIES THAT WILL COST US MONEY. LOOKING AT EXPENSES SIDE, OUR OPERATING EXPERIENCES REMAIN RELATIVELY FLAT. OUR DEBT, YOU CAN SEE A SLIGHT JUMP FROM THE LAST TWO YEARS, AND THEN THAT LEVELS OUT. THAT IS FROM THE REFUNDS THAT WE SAW, THAT WE ENJOYED WHEN THE ECONOMY WAS LITTLE SOFTER. AND WE ARE, UM, PROJECTING \$7.2 MILLION IN CAPITAL IMPROVEMENT PROJECTS, AISLE TOUCH ON THAT A LITTLE BIT. AND THEN WE DO BELIEVE THAT A SOLID CAPITAL IMPROVEMENT PLAN OF \$2.2 MILLION ON AN ANNUAL BASIS WILL HELP US KEEP THE FACILITY UP TO SPEED TO COMPETE WITH, AGAIN, NOT ONLY CONVENTION FACILITIES IN EVERY MAJOR CITY IN MID-SIZED CITY IN THE COUNTRY, BUT ALSO THOSE HOTEL MEGA HOTELS THAT SUCH AS THE GAYLORD TEXAS. GOING TO THE CAPITOL IMPROVEMENT PLANS, WE ARE PROPOSING THAT WE DESIGN THE TRINITY STREET ENTRANCE TO THE CONVENTION CENTER. CURRENTLY, WE DO NOT HAVE A RETAIL FOOD AND BEVERAGE OUTLET. WE HAVE A LESS-THAN-STATE-OF-THE-ART BUSINESS CENTER. A LESS THAN ACCEPTABLE GIFT SHOP. WE HAVE TO WELCOME, TO CONSIDER. SO SIGNAGE THAT WOULD INDICATE THAT IF YOUR FLIGHT IS ON TIME, WE HAVE TO PERMANENT BAGGAGE STORAGE FOR OUR COAT OR BAGS. I THINK THAT IS A VERY NECESSARY ITEM IF WE'RE GOING TO REMAIN COMPETITIVE. OUR CARPET OUR AIR WALLS ARE IN DESPERATE NEED OF REPLACEMENT. AND CURRENTLY, THE ADMINISTRATIVE STAFF FOR THE CONVENTION CENTER IS LOCATED IN THREE TOTAL SEPARATE AREAS, AND IN ORDER TO INCREASE COMMUNICATION AND EFFECTIVENESS OF OUR STAFF, WE REALLY NEED TO RECONFIGURE OUR OFFICE ADMINISTRATIVE AREAS AND GET PEOPLE TOGETHER. ESPECIALLY THE DEPARTMENTS THAT REALLY INTERACT WITH EACH OTHER. OOPS. AT THE PALMER, WE DO NEED TO DO SOME ELECTRICAL UPGRADES. WE NEED SIGNAGE AND MARKERS TO HELP OUR CLIENTS GET TO THE RIGHT PLACE AND THEN WE DO NEED SOME WORK TO OUR AIR-CONDITIONING AND HEATING UNITS.

THANK YOU VERY MUCH. ARE THERE SOME QUESTIONS? WELL FOR THOSE OF YOU WHO HAVE QUESTIONS, WHY DON'T WE JUST SUBMIT THEM IN WRITING AND WE'LL GET THEM ALL ANSWERED AND THAT WAY WE'LL CLOSE OUT ALMOST ON TIME. SO THANK YOU VERY

MUCH.

WE WANTED TO JUST QUICKLY REVIEW NEXT STEPS WITH YOU, IF WE COULD AND THEN CLOSE THE SLIDE THAT'S UP HERE RIGHT NOW IS JUST A RECAP OF THE OVERALL BUDGET TIMELINE THAT WE SHARED WITH YOU AT THE WORK SESSION ON APRIL 23RD. AND THEN IF YOU COULD MOVE ON TO THE NEXT SLIDE PLEASE. IN TERMS OF THE MONTH OF MAY, WE WOULD BE COMING BACK TO YOU ON MAY 14TH TO DO GENERAL FUND DEPARTMENT BRIEFINGS, WE WOULD LOOK AT PUBLIC SAFETY ON MAY 14TH, POLICE, FIRE, EMS AND THE MUNICIPAL COURT. AN THEN WE'D BE LOOKING AT NONPUBLIC SAFETY DEPARTMENTS FOR YOU ON MAY 21st. AND THOSE ARE LISTED HERE AS WELL. NEIGHBORHOOD PLANNING AND ZONING, LIBRARY PARKS AND RECREATION, HEALTH AND HUMAN SERVICES, NEIGHBORHOOD HOUSING AND COMMUNITY DEVELOPMENT AND THE GENERAL FUND PIECE OF WATER SHE'D PROTECTION AND WATER REVIEW. COMING BACK TO YOU ON JUNE 4TH FOR WRAPUP AND OTHER BRIEFING MATERIAL AS NEEDED. AND THEN BACK IN LATHE JULY TO SUBMIT THE PROPOSED BUDGET. AND THEN ONE MORE SLIDE JUST TO REITERATE WHAT THE CITY MANAGER MENTIONED AT THE BEGINNING OF THE PROCESS. WE HAVE GOT THE QUESTION AND ANSWER PROCESS UNDERWAY TAKING QUESTIONS FROM BOTH COUNCIL AND FROM CITIZENS AND THOSE WILL BE POSTED ON OUR WEB SITE. THE ADDRESS IS LISTED UP HERE. ANOTHER EASY WAY TO GET THAT IS GO TO THE CITY OF AUSTIN MAIN HOME PAGE, THE CI.AUSTIN.TX.US. THANK YOU.

AND THEN FINAL MAYOR PROTEM, THIS IS JUST IN CLOSING OUT. I JUST WANT TO TAKE A MOMENT TO ACKNOWLEDGE ALL OF THE STAFF INVOLVED IN GETTING US READY TODAY. I'M SPECIFICALLY TALKING ABOUT THE DEPARTMENT HEADS AND THEIR VARIOUS FINANCIAL ANALYST THAT WORKED WITH THEM IN PUTTING TOGETHER THESE PRESENTATIONS TODAY T. ACMs WERE INVOLVED, AND OF COURSE AS ALWAYS GREG, OUR BUDGET DIRECTOR OR LESLEY OUR CFO WERE VERY MUCH INVOLVED IN PULLING ALL OF THIS TOGETHER. SOY WANTED TO ACKNOWLEDGE THEM PUBLICLY AND EXTEND MY GRATITUDE TO THEM. THANK YOU VERY MUCH.

THANK YOU.

THANK YOU. OUR MEETING IS ADJOURNED.

End of Council Session Closed Caption Log