

Closed Caption Log, Council Meeting, 08/26/09

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Mayor Leffingwell: Good morning, everyone, and welcome to what I believe is our last budget and I'm sure we're all glad to see this day come. [Laughter] I'm austin mayor lee leffingwell and a quorum of councilmembers is present so I'm going to call to order this special called session of the austin city council and work session on wednesday, august 22, 2009, we're meeting in the boards and commission rooms at austin city hall, 301 west second street. Today we have two items on the agenda and the first has been canceled. So we will go to the second, which will include briefings from the austin convention center and visitors bureau, economic growth and redevelopment, watershed protection, public works and transportation, and we will begin with the convention center and visitors bureau and city manager, do you want to say any introductory words?

No, I do not. You summed it up, mayor. We're ready. Thank you, mayor, mayor pro tem, city council. It's great to be here. I'm the director of the convention center department. I'd also like to introduce two of our staff members that are here, darrin upchurch, assistant director, and michelle gezelbach, chief financial officer and wanted to make noly of our budget and in list who did a lot of work on this. As I sat through these budget meetings, one of the things that's just run through in my head is the real difference between the austin convention center department and truly any of the other city departments and that's we're in an unbelievable competitive environment. Conventions and trade shows, which are our core market, literally can go to just about any major city in the country of any size. IN THE EARLY 2000s OVER \$2 Billion were the public development -- worth of public development was built on new or renovated convention centers. In addition we have over 60 hotels in the country that have over 100,000 square feet of exhibit space and they directly compete with austin and with us. Just imagine an event that can be in austin in the austin convention center may fit into a variety of single hoe sells. All the rooms, all the food and beverage, all the revenue within one thing and that created a very, very competitive environment. And that was prior to the recession. As a matter of fact, in 2008, across the country, rental rates that the conventions were charging in 2008 were less than what they were in 2000. Tremendous amount of inventory fluctuated under the market including austin where we were expanded in 2002. That is -- that is prior to the recession. That was prior to the negative media coverage on corporate events, and now that we're now in a suggestion where we're in a very much more competitive situation. So as we were sitting looking at this budget, the main focus is how we were going to remain competitive. For us that is concentrating on customer service, which is our people, the services that we both charge for but we provide to our customers, again, who have choices around the country. Number

2, making sure our facilities are well maintained and functional and sustainable and responsible, and 3, that we are continuing to keep an eye on the future. We believe that our best days as a city are well ahead of us and we need to position our facility to make sure that we're ready for that in the coming years. So that is what we really were taking a look at, and obviously with the country's recession that's made a few of our challenges a little bit -- a little bit more. So that is what we kept in mind and I want to highlight a few of the highlights for 2009. As you'll see, we are an enterprise unit that draws no general fund support and 60% of our hotel revenue comes from the hotel occupancy tax collections. I'm actually getting more tempered on this statement every day because prior to to about last week san antonio is already down 9. Dallas is down 12% in hotel occupancy taxes. And a city like phoenix which just opened a brand new venerated convention center, their average rate is down \$21 from this time last year. Our average rate is down \$6. But that is just -- there is a lot of destinations that are suffering significantly worse than us and I think we feel pretty good the fact that we're down right at this point in single digits. And part of that is is our customers did fare well this year. We are a customer service organization. Our texas base of business which is 50% of our conventions really stayed strong this year. They were flat or slightly down and that was a real benefit for us in this last year. In november of 2008, we hosted the largest exposition that we've ever hosted. It was super computing 2008. It was the largest in a number of areas that we have ever hosted and we have received verbal commitment that they would return in 2015. Very, very successful for us and showed that we can really play in the big market. For the first time ever we made the trade show week 200, that's the 200 largest shows in exhibit space in the country, and we were 184 for the first time ever. That was a great success for us. We continued to have another great south by southwest this last year. We had 5800 complimentary wireless users at one time. We think that may be a convention center record. And the funny -- not funny but the great thing about south by southwest and their leader in technology is an interesting point is both twitter and facebook were introduced at south by southwest. So that really gives us a leading edge on the technology side. And just as a testament to the fact that our customers did well, our overall nontax revenue at the convention center department this year was up 1% or 77,000. \$77,000, From f.y. '09. We've continued to make investments in our facility. We are the first city-owned facility that is pursuing our leed, leadership in energy and environment design existing bidding designation. We are continuing to invest in technology. We're working on digital signage that will make both wayfinding and give more opportunities for our customers to market themselves while they are in the facility. And we've done a lot to replace carpet and, of course, all doing it with sustainable and green products. Also painting the entire facility and I think the facility really has probably never looked any better. Our customers responded that we're meeting their expectations or exceeding it. We exceeded our goals this last year in customer service, cleanliness, how we compare to other facilities, and the great news in that is we've been able to really concentrate working with our partners with the convention bureau in, a, getting long-term commitments from our core business, and 2, making sure that in the selling cycle that we're in right now, which is really 12, 13, 14, 15, I'm talking in years, 012 through 2015, that we're capturing big business that makes a real impact to our city. And we've been very successful with that and we're feeling good about future -- future years. Here's the budget we're presenting to you for this year. You can see on the far right the fiscal year 10 proposed budget is 50 million. That is \$5 million in revenue from the fiscal year '09 budget. 3 Million of that is hotel occupancy tax. In addition, both the car rental tax, contractor revenue and interest are the remaining deficit in that number. You can see in the middle

what we've estimated as we were very clear that our hotel occupancy tax wasn't going to -- going to meet what we had set for our goals this year. You'll note that we are proposing that hotel occupancy tax would decrease by 2% next year and we hope that's scraping the bottom. And we are indicating that operating revenue has decreased from 6% from the end of this year's estimate. A good portion of that is our contractor revenue, which is declined in food and beverage sales and about 60% of that was from one large event that moved to another destination. On the expenditure side, we have taken a different financial route with our budget and decreased that by 10 million. And then we have reduced operating expenses by 2.1 million or 7%. Here's just a little history of hotel occupancy tax collections. When you talk about revenue, this is where we truly live and die, but you can see we're actually down currently 9% from fiscal year '09 budget. And if you can see beginning really in 2004, we saw a dramatic 5 million plus double digit increases every year. And really that can be translated to the hilton being built next to the convention center and that -- that size of group just going one level up and you can see how successful we were on year to year basis after the development of the hilton hotel next to our expanded convention center. For the revenue side highlights, again, 60% of our revenue is from the hotel occupancy tax collections. 5 cents and 2 cents of that comes for the expansion of the hotel, our expansion garage, and it also provides some revenue for the -- that we transfer over to the waller creek tunnel. The second is facility rental, and just a note about 80% of our facility rental comes from the austin convention center, 20% from palmer, contractor revenue would be the next. Highlights on our budgets with expenditures, 52% of our -- of our expense is our personnel, contract you'lls, commodities and capital outlay. That's both event operations and support services. Our debt represents 30 -- 36%, and then our contractor expenses is -- is next. We are proposing three new f.t.e.s. One is transfer from pard which will go to palmer, and two in operations personnel, one of them is in a revenue producing position. Highlights as far as expenditures, we have cut our event operations by 7%. 5 Million of that is in capital outlay, and the second largest is in our contractuals. We are working to increase efficiency sustain ability both in purchasing and recycling and we've continued to increase vees in our infrastructure. Our crip spending highlights, our first will be an office reconfiguration which we're going to be able to move three our four units that are spread throughout the facility into one. One area besides creating efficiency within our operations that allows us to correct a major flaw in our facility right now. The older section on the south side does not connect to the newer side and it connects on level 1. You have to come from level 3, go down, then come up and over. For full event facility users it's very confusing and we are building and currently in the process of building a walkway which will connect that -- those two areas together. We only have a couple of utilize the entire facility and that will make us a much better host for full event users that want to use all the facility and make us significantly more competitive in the marketplace. Summary of budget cuts, we have gone a different financial route with our plan and we have delayed about 4 million of that. Again, we also have reduced capital outlay expenditures which would be tables, chairs, dance floors, risers, by almost \$1.8 million. We're looking to do everything we can to make sure that we're spending the least amount of money as possible in the next -- you know, year. We have reduced our contractuals. On our security service, we've saved \$85,000 [inaudible]. We are prioritizing our budgets and our projects and doing as much stuff as we can in-house. Pavers, you know, anything that we can to keep our in-house staff busy in keeping expenses down. Challenges and unmet needs, clearly the uncertainty of the hotel tax collections is the biggest concern on my mind, and, of course, financially, you know, we'll steer the near term future. During that

time we have to maintain a high level of customer service. This is a great opportunity to continue growing our market share and because of the competitive market we can't -- we can't move back. We are looking at ways with the walkway between level 3 and 4, one of our other unmet needs is our south side or the older side of the facility doesn't have the meeting rooms that can sustain a bigger program. So our occupancy in the facility is way tilted toward the north or towards the hilton side. So we're looking at ways we can carve out space to add more break-out meeting rooms that gives a better meeting room package on the south side and help balance our occupancy. And last is as we saw the hilton take us from one level to the next, more hotel development and certainly a large convention hotel would take us from being our average group being around 1500 rooms to being about 2500. And that will put us in a whole different market segment that, a, is very, very competitive right now. For example, we -- we were able to capture a piece of business in 2014. We competed against san antonio. It was 2400 rooms. They used four hotels and two chains. We had nine hotels and five chains. So the buying power is significantly greater in other destinations. You are talking about moving people around, it concerns people about community and things like that and more hotel development will definitely help us grow and continue to be a force in our marketplace. We are very involved and actively working with a variety of other city departments on our green initiatives, including the leed eb, which we are the first city owned facility that is pursuing that. We are continuing to make -- listening to our customers so that we improve the products and services that we deliver, that we charge for, if you will. And what we have done during that time in listening to our customers is we've done a real focused reorganization of some of our staff. We've actually taken one department and two departments into one and it's streamlined the delivery of customer service to both our show management and then their customers withdraw exhibitors which we sell electrical and plumbing and other services too. So listening to them, we really made some steps forward on our organization. And I guess last is we are really -- want to be an active partner with the convention and visitors bureau who will be presenting after me in making sure that we're capturing the best business that we can for austin. And we have -- we refocused our sales and marketing strategy, rebranded for the logo. We've got some new advertisements for industry trades that really better highlight what we're trying to say as a destination. And we've also really pinpointed our salespeople to partner with their salespeople so that we're making sure that we get all the right information that we can to make sure that we're -- we're getting the business. It's a negotiation every time and we are now trying to use our strengths, which one of them is technology and to make sure that we hook all the business that we can. And again, that is very, very important that we are a good and supportive partner with the convention and visitors bureau, who does a tremendous job in selling us. And really their charge and most important thing is we're 10 and 11, the selling cycle is really past us at this point and has been. It's 12 and beyond that we've got to make sure that we're continuing to layer valuable business that makes sure that we're livable in a vital city into the future. And with that, I'll open up to any questions. My associate bob lander will be up after.

Mayor Leffingwell: Questions? Councilmember shade. And then councilmember riley.

Shade: I'm curious, and thank you for the presentation and having your team here and all. I'm curious to know how does our percentage of -- you showed us the revenue being 60% from the hotel occupancy tax. How does that compare to other convention centers in the country?

I think the models are different in just about every city. I think there are some destinations that have a much shortage percentage of the tax and I think right now they are in -- they are really facing difficult times. So I guess my anecdotal answer would be I think we are in a good position financially compared to some of the other models that are so worried now about revenue and not necessarily driving economic impact.

Shade: And has the convention center always had roughly 60% of your revenue been from hotel occupancy tax? I mean that's been the norm over history?

Yes.

Shade: And I mean I was trying to do a little bit of research and it seemed to me that one of the things that I came across is that we actually have one of the highest percentages of hotel tax going to the convention center. Like the third highest in the country, I think. But that doesn't seem to --

well, again, it depends on what it goes to. You know, what other -- if you have other debt, if you do your own parking. I mean we do have two facilities that we're operating and three -- and three parking facilities.

Shade: So it's not really comparing apples to apples?

Not really. Again, I think the models are different. One of the things that we've tried to do is we try to really concentrate on customer service. More like a boutique building where some of our competitors, they are a shell, they are a facility. They don't provide any services. They outsource everything. Which, you know, if you put for-profit people, you get for-profit attitude, which not necessarily isn't wrong.

Shade: Just different.

But it's just very different. And again, we're trying -- other goal is if we get events in and they drive economic impact, the money will be there. Not how are we going to get nickels and dimes out of our customers.

Shade: When will our bonds be retired? I know that's a big part of --

the venue project is in 2019. 2019.

Shade: So that will change the economics significantly once we get to that --

that's the 2 cents that is used only for the expansion site of the facility, the expansion garage and moneys do go to waller creek tunnel for that project as well.

Shade: I'd love to get a comparison of how we are with -- you know, who we're competing with in terms of how much money, and I don't know who I would get that from, but I am kind of curious because it's --

I mean it's a strategy. I'm not saying I'm for it or against it, but I'm wanting to know how I could compare apples and apples and get a sense if -- the sources of funds being so dependent on hotel occupancy tax and how volatile that is I'm just curious and how we compare to others. I assume that will get better. Thank you.

Mayor Leffingwell: Councilmember riley.

Riley: Thank you for the presentation and congratulations on the convention center's success during some difficult times. Seems like you are weathering the storm pretty well and I'm impressed that nontax revenue is up 1%. I wanted to ask about one very small component of that and it relates to the new convention center parking garage. Does the convention center actively maintain the retail space in that garage?

In the expansion garage?

Riley: That's right.

Yes, we do. Can you give us any report on the status of that space? Are there tenants in those spaces?

In -- on our fifth street garage there is not.

Riley: Is that space just sitting empty and not generating revenue?

Correct.

Riley: How many square feet are we talking about?

I'm not sure. I think it's about 10,000 square feet. I can get you that exact number.

Riley: I would appreciate that.

Mayor Leffingwell: Councilmember spelman.

Spelman: Let me follow up on councilmember shade's question. I know periodically you conduct an economic survey to estimate the amount that out of town conventiongoers and local economy. Do you have a sense of how much that is or whether the latest --

bob would be better --

councilmember, I have that in my presentation.

Spelman: Terrific. I'll hold on it then.

Mayor Leffingwell: Thankery much. Excuse me. Coal cole you talked about spending plan highlights and

one of the things you mentioned was the third and fourth level connector. Can you explain that a little bit?

Yeah, that's the -- when the facility was expanded, we have a series of meeting rooms that are on the south side that are on the third floor. And on the new side we have a series of meeting rooms and ball rooms that are on the fourth floor. And they are literally almost adjacent -- about 100 yards away from each other but they don't connect. We will actually build a walkway that will go through our pre-function space and land on an escalator bank and connect the two sides of the facility together. So right now if you are on the third level, you have to go down to the first, you go over, then you come up and it's really confusing and it doesn't flow very well. And that will solve that issue.

Cole: Do you have any cost estimates on that?

About 2 million.

Cole: Okay. I remember when we decided -- I mean and I was not on the council to do the convention center expansion and connect that with the waller creek tunnel expansion which was i think back then only 25 million, and I believe you just told councilmember shade that that would retire in 2019. Is that correct?

The two cents venue fund and it is 2019, correct.

Cole: Okay. The last question I had was to -- well, I have two more questions. Councilmember riley asked about the property on the fifth street side that was vacant and unused. Do you have any idea of the value of that property?

The value -- the rental for that space or the value of the entire -- it's part of our garage and then austin energy also has a cooling treatment as part of that.

Cole: So we're fully utilizing it.

The -- the rental space right now is being used for storage. The garage is obviously being utilized.

Cole: Okay. The last thing I wanted to talk about, and I know landers might be able to give us also some insight into this, is the challenge that we have with hotel rooms and being able to enter into even bigger markets and potential increased revenues. I think you said that we have about -- did you say 2500 hotel rooms available?

There's 5500 down -- 5500 rooms downtown. The wheelhouse right now for the size of events is about 1500 rooms on their highest night. And another big hotel would allow us to get -- be much more competitive in that next -- in that next phase of events. Two of them, two events we actually were able to capture for this year, one of them we captured this year for future years. One of them is american college of chest physicians for 2014. And that's 2400 rooms. Again, nine hotels. We competed against

san antonio and denver for this piece of business. But the example is they are going to be selling -- their exhibitors are going to be selling chest physician equipment and pharmaceuticals. Their attendees will be doctors, 30% international who stay longer, spend more money. That's the type of event, the mid-sized medical event that another hotel would put us right in that wheelhouse.

Cole: And the reason i brought that up is I am hopeful that the convention bureau and acvb are participating in the downtown plan and that the council had some sense of what we're trying to accomplish downtown [inaudible].

We are.

Mayor Leffingwell: Councilmember morrison.

Morrison: Thank you. Just one question. You mentioned that it looked like the bulk of your budget cuts comes from reducing the transfer to the c.i.p. I wonder if you could put that in context a little bit and how much is that reduction , what the general policy and approach has been in the past.

We plan for the 10 million. Because of where the hotel occupancy tax and revenues, we decided that 4 million of that we would postpone. And then the 6 mi remaining we've used go debt and enable to finance that portion of it. We're going to put the 6 million -- didn't transfer the 6 million and we've issued debt to -- for the c.i.p.

Morrison: Thank you.

Mayor Leffingwell: City manager.

So you are saying sort of a shift in your policy from, you know, revenue financing capital projects to a great he reliance on debt financing?

Yes. In order to keep our ending balance where we feel comfortable.

Mayor Leffingwell: Okay. Thank you. We'll hear next from the convention center center and visitor bureau. Mr. landers and friends.

Thank you, mayor, members of council and city manager, thank you for allowing us to be part of this today, part of the convention center department [inaudible] from our staff and we're -- you probably are - - sounds like, mayor, we're all sick to death of hearing about the downturned economy. We're not going to disappoint you. We're going to hear about it some more. [Laughter] but you know, we -- we know this is a year of choices for many businesses, for government, for those having to deal with what we're dealing with so we have a strict no whining policy. The information we'll give you is for your information and consumption and we know what we have to work with. We're all about what we can do with what we have, not about what we can do with what we don't have. We'll get to that. We're going to be about 18 to 22 down next year's budget. And that is due to kind of the rollover effect of what's happened in the

past couple of good years and we've had extra funds rolling into our budget. We'll get to that in a few minutes. But the -- the hospitality industry probably is among the top five hardest hit economies in the u.s. this year. In fact, it's the most dramatic downturn in u.s. Recorded history. You look at the slide and it highlights where we were two years ago. We compare ourselves to 16 other cities by an outside source on a regular basis, on a monthly basis, and just kind of look at trends, see how we're doing and revenue prevailed the room, occupancy and average rate. And two years ago 100% of all the destinations that we compared ourselves to were over 60% occupancy. In '08 it dropped down to about 80% or 88%. And if I put my glasses on, i can probably get the right numbers. And this year only 13% were tracking over 50% occupancy. That's kind of bad news. We have bad news and we have kind of pretty bad news. The pretty bad news is that of all those cities, and we can go to the next slide, if you don't mind, I can forward that, you'll see through june '09, and these are the cities we compare ourselves too regularly, we call it our competitive set, but we compete with just about everyone out there as mark alluded to. Through june we led all cities that we compare ourselves to for the first time year to date in occupancy. San antonio, the number was a little bit off. The latest numbers, they are down almost 15% year over year. Fort worth and the arlington market down about 20%. And our market down significantly less. So although we have seen some stress, you know I think the lack of additional inventory in our market and the fact that we think we positioned ourselves well over the last couple of years has at least kept things going in a rather neutral playing field. What we have done the last few years and why the economic situation is kind of an inopportune time, it's not opportune ever, but for news our gestation as a convention destination particularly, we've spent the last four or five years really making austin a more prominent choice, as mark talked about, for national or international conventions. And mark mentioned the super computing show and this was really a team effort that when we came here last year, they said I'm sorry, we will not be back. We love you guys, we've gotten the best service we've gotten ever from a convention center, but we're too big. And through the efforts of not only members of council but miael dell and others in the community, they are coming back in 2015 and they are going to adjust their size to what we have to offer. That says a lot about what these guys do and how we take care of business there. We've positioned ourselves as a choice. We used music at just about every turn and that's one of the fun things we have that a lot of cities don't have to hang their hat on. So we don't do anything outside of this market unless we highlight some of the vibe that we sell as austin. So it's something that I think has helped us tremendously over the last couple of years. Councilman spelman, you asked about the numbers and we talked about choices. We were going to update these numbers this year. We'll see if later in the year we can have additional funds. These are about a year and a half old, but they are done by global insight, one of the leading research firms. Total annual visitors to the austin market service area is about 19 million. That basically counts from san marcos to georgetown. Annual spending is about 5 billion and probably the two numbers that make a lot of sense in this setting are almost 80,000 jobs and almost 300 million in taxes. Interesting research just completed in our business was that -- and I found out really salient to what's happening today, we talked about occupancy tax. What we found is of the taxes that a visitor drops in a destination when he visits, only 45% of those taxes that he spends are occupancy tax. The rest of them go to the other taxes that they drop in the area. Now, if you think about that in terms of or in the context of the fact they don't use any services, so the multiplier on that is tremendous and the jobs that spread the taxes through the community also are very important. How we measure our matrix, our main matrix for measuring what

we do in the convention and visitors bureau world, and by the way, we noticed that we wanted to get a slide in at the last minute. Noticed best practices from all departments and we too are involved with a best practices scenario. As a matter of fact, our convention bureau was the first in the state of texas to be recognized as an accredited convention bureau. I think we're on the same page there and I just wanted to let you all know that. We've increased our production with the addition of new hotel inventor as we talked about by about 100% over the last 10 years. And as mark mentioned, we have reached somewhat of a plateau. You see the last three years that we have been hovering around that 400,000 room night threshold. And we have seen a tremendous amount of interest from groups above the capacity we currently have to offer. And that's what he was referring to. One of the things that is extremely important as we go forward in this year is i talked about making choices and priorities is that, you know, there's a lot of things we know we should be doing and there's a lot of things we know we would like to be doing. Y'all will probably hear from some of those folks local events, for instance that is correct need our support and should get our support in a lot of cases. But in these times, it's going to be very important for us to really focus in on what makes the most significant economic impact for this city and that is obviously the convention and meeting and leisure business. So that is kind of core to what's happening with us and we're going to try to stay focused on it and try to not sacrifice that area as we move forward. 2012, Which mark talked about, could be the best convention year. We're set up now to make that happen. He talked about the american college of chest physicians and we were up against major competition for that. Just so you kind of get a feel for how that works, that is -- that individual piece of business was something that we worked on for almost four years. It's a little bit more complicated and somewhat more competitive than generally thought. So that was a major team effort and our office in chicago actually worked on that for four years to get it to happen in 2014.

Are you talking -- who are chest physicians? I'm sorry. I'm just curious. I can't wait until the end. Silicone?

No, chest physicians are those that -- they do bypass surgery, they do emergency chest cracking surgery.

Shade: Okay.

It should be an interesting thing.

Mayor Leffingwell: Didn't you ever watch "mash" councilmember?

There is an association virtually for everything you can think of and we're chasing most of them. But it is more competitive and complicated than people would generally think so I wanted to point that out. We will, like I said, convention sales is where we want to hang our hat. We want to make sure we raise the bar. One of the things we've done in the last year I think that before we knew it was happening, but I'm glad we did was that we added a person in our -- in the southeast. We found someone -- we were looking for someone in the southeast market and normally that person would here with us in austin. Kind of the trend in the industry is to be in market with the customers. We hired a person, took her away from the jacksonville convention bureau in florida and moved her to atlanta. She will handle the

southeast region and the african-american market nationwide. She is a great find for us. That's a high point for us and something we're very proud we got accomplished. Before we found out what was happening with the budget. One of the areas that we -- that we will be making and unfortunately have to make a sacrifice in the coming year is the area of marketing and advertising. We -- this was going to be our year to really ramp up especially in the leisure segments what our position in the market. We think we can extend stays. We stay pretty full on the weekends just in the state of texas, but we've gotten so much interest from around the globe about austin as a leisure destination, but it does take some dollars to invest, go into those markets and increase perception. And so we really need to find guerrilla warfare ways to keep austin top of mind and not lose the momentum we've gained over the last few years. We think that -- I don't know if we got lucky or we were prudent or smart but we think we've been effective and efficient in the last couple of years in what we've invested in our website. It's been recognized as one of the top five websites in the travel world. The webbies picked five websites, three were countries - - two were countries, one was a state and two were cities and we were one of those five for our web development and it's something we've been working on the last two year. One of the things that we also started working on early this year that we're not going to drop, we're going to keep investing, we've always had a multicultural flare or section or bent to our site, but we're going to ramp that up significantlien incrementally as we can. We're ramping up all phases of it. The one area we're really going to ramp up this year is what we're calling the visit back austin. There will be a black portal on our website. We've gone into a partnership with a local company and we're going to spend a little money to make that happen. This guy has got some tremendous ideas on how we can solve some of the problems that we see and the perception of austin as a great destination for all markets. Gay and lesbian market also will be addressed. We've been working with them and I think they know now that we need to communicate both ways to make their efforts known, what they are trying to do. It is a very lucrative market. Something we want to concentrate on. Talked about budget. This is kind of what we're up against statewide. And as you can see, you know, we're -- humbly we think we've done a fairly good job increasing the perception of austin, making it a great saleable destination with a budget that obviously is not comparable to our immediate competition. For instance, san antonio will probably spend in two months in advertising what we'll spend in the entire year. You talked about and you asked about the percentage of occupancy tax that goes to convention centers and I don't have the answer for you. I do have the answer as to what the percentage of occupancy tax that goes to convention bureaus across texas. The average is just below 30% and we are just at the -- above the 10% level actually. 15% Shows. How the bids are allocated in austin. 5 Cents of the 15 cents goes to convention center, 6 cents 45 goes 05 goes to the arts. Significant thing about this is that unfortunately the way this is the semantics every other state has a sales tax. We call it hotel occupancy tax and half of that goes immediately the state. We are listed, austin, austin, houston, dallas, fort worth are list understand the top 10 highest taxes when you check out of a hotel, which in fact it's really not true. It's not apples to apples. We're up there but we're not the highest. San antonio and houston are both higher than we are. They are both at 17 cents. Plus. One of the things in our budget that we've developed as you can see the last few years is we've increased the private donation to what happens on the public side. And we make gains in this every year and we're now proud to say that we can -- you know, we're almost up to 25% and it's one of the highest thresholds of any convention bureau that is nonmembership and we're a nonmembership bureau. Okay, getting down to the numbers, our proposed budget includes roughly \$7

million in hotel occupancy tax, \$2 million in private funding. We know that this is going to be a tough year. Within that budget we take care of a lot of moving parts. We run the sports commission, we run the film commission, we have the music office, as you know we support the minority chambers and administer historic building improvement fund. All those things are integral to what we do in the destination and we're proud to be able to have the opportunity to sell austin and see it amongst our competition. We do stand apart and we take great partment I'll entertain any questions.

Mayor Leffingwell: Thank you, mr. landers. Any questions? Thank you very much. You must have done a good job. Councilmember morrison.

Morrison: landers, thank you very much. I appreciate that. I have two topics I wanted to ask you about. In terms of the need for more hotel rooms to be able to expand into larger, do you -- maybe you are the wrong person to be asking, but I know that we have some hotel projects conceived. Maybe not being built right now. Do you have an estimate of those that are -- that we at least have ideas of going forward with sometime in the future of how many rooms those were add like the marriott?

The main thing we need to have happen and we have been working closely with -- we work closely with developers and hotel companies every day is that we have a proliferation of 300 [inaudible] and therefore mark talked about having to use nine hotels for a convention. It makes the choice very difficult for a meeting planner to use that many hotels because there's so many moving parts when they do it. So we have a lot of hotel rooms in downtown austin compared to other cities but we need that other big property. The fact that the white lodging mayor got people missed the debt market by a few months is probably one of the worst setbacks. We have about a million room nights sitting ready to book when that thing goes in the ground.

Morrison: How many rooms?

That was going to be a 1200 room project. They had one that -- they had one that was kind of a mirror project to the one that was being planned here developed in indianapolis and that project is up and is about six months from completion. It's 1400 rooms. Indianapolis pretty much a similar market, a little bitter convention center. They have just been putting business in their hand over fist because it's a mid-sized market, big service area like ours and more attractive destinations than at love cities in that rust belt.

Morrison: But you are in indianapolis and not austin.

Trust me, if we would go head to head with them, it would not be the same situation for them.

Morrison: I have in-laws in indianapolis. The second thing, in terms of heritage marketing and the historic preservation funds that come from the hotel-motel, could you give us context on how that happens? We've gone getting some questions, some folks from the historic preservation community. We wanted to shed a little more light on that.

That was kind of an institutional plan that i inherited. And it is in essence a program that was conceived to develop or fix the historic -- the facades on historic buildings. It was supposed to fix the facades on historic buildings that related to tourism. We kind of lost a little sight of that and I think we've gained some sight on that recently. It's in our budget this year. It's always been in our budget. We've donated almost \$2 million to fixing historic buildings in austin. The -- the plan is that the historic landmark commission reviews the applicant's project and we fund. And we have about this year -- in this budget year, although we're down considerably more than the percentage we've dropped them, we've dropped them down a little bit and we're going to spend 150,000, which is fairly comparable to what we spent in the past.

Morriso AND I GUESS ONE Of the concerns is that the percent of the budget that's going to the historic area is decreasing, and what I might suggest is w have an off-line conversation and pull some of those folks to hash through the numbers and make sure everybody understands.

I think that would be good. The main reason being that the numbers that I know you've seen are not accurate. There used to be a separation of heritage marketing from the rest of marketing. We don't separate those by virtue of the fact that our auditors have instructed us to put it all together, et cetera. So heritage marketing, which is a huge part of what we do and everything that we do, in fact, one of our three biggest initiatives this summer to sell leisure business had a heritage marketing component. That in the past would have counted to that percentage as a heritage marketing effort and we counted it as marketing effort.

Right and I heard you say that in the tough budget year you are focusing somewhat on the convention and business side of things and not so much on the leisure side. I presume that that might have a little bit to do with having to move away somewhat from the heritage stuff?

Well, we need to stay focused on our commitment to you all and to the citizens that we don't evergo to the general fund to -- for the convention center. And we're committed to that and unless we're out there selling group rooms, that won't happen. So we're -- you know, we know that leisure business is important and we're continue to go keep our efforts on a maintenance level, but yes, group business is extremely important to our future.

Morrison: Okay. Thanks, I'll look forward to getting something with some other folks and maybe some staff that can help us.

Mayor Leffingwell: Just to make sure I understand, you're saying that the amount of money that you spend out of your budget for historical items is the same as it's always been, you are just not showing it?

It is. For historic -- promotion of historic programs, I've got a long list of things we do and to market the history of austin. We're not philadelphia or boston, I understand, but we throw that -- we throw that into - it is interesting. For leisure business, it's like 88% of all vacations include some aspects of museums,

culture, history.

Mayor Leffingwell: Can you show that on paper?

I've got it right here.

Shade: But the grant program, that dollar amount has been roughly around 150 to \$200,000?

\$200,000, Yes.

Shade: Every year for the last many years.

And several years that wasn't even -- we budgeted \$200,000 that wouldn't get used. We spend our money to produce 10 different neighborhood walking tour brochures, collateral, the staycation was wrapped around heritage marketing. It is in our rack brochure. Mark would be glad to share it with you.

Mayor Leffingwell: All that's good. I just wanted to make sure that we did have a good response.

We kind of was tipped off this might come up and I think the number that councilmember morrison had we used to spend 16% on heritage marketing and now we don't, that's not true. It's just completely and totally wrong number.

Mayor Leffingwell: Councilmember shade.

Shade: I would like to ask a followup question on the grant program that as you explained is administered by the landmark commission.

Right.

Shade: And they have a committee and they have some -- they have some -- you know, a process for applying for these grants. I've had an opportunity to take a look at some of the grants that have been spent over the last several years, and I guess my question is if they are not -- how is it assessed as to how it directly impacts tourism? Is there a process in place for that? Because, you know, they are very good projects, but my understanding of the occupancy tax, it's used to promote tourism and we have many historic sites and the facades of buildings related to tourism, but some of the things on the list that I'm looking at I don't see how they put people in beds. I guess that's my question, what's the process for that.

There is a small committee of the landmark commission that basically controls it. There is no hospitality representation on that committee I've always thought there should be. They are the ones that pay the taxes. I think some of the expenditures in the past, although I think they've come around a little bit recently although it would be hard to notice that some of them in the past, fixing the windows on matthews elementary school or giving money to projects that are clearly not even in the realm of tourism

let things go astray. I think it's administrative and I think we can make it work. To be successful marketers of tourism, what is good for heritage, what's good for old buildings is good for us. So we support it whether or not we agree on whether we should pay for it, that's another conversation.

Shade: One of the things I'm struck by is one of the graphs you presented is showing us at the very bottom of Texas cities in terms of the percentage of hotel tax that's going to our CVB. We're at the very bottom. So if we're at the very top in terms of in the highest realm strategically for the convention center itself and at the lowest on the -- you know, the folks that market it, I guess I'm curious is that a strategic decision and where does that -- what's the history behind that?

That's before our time. That was a policy dig -- you know, it is a lot like and you look at put your business hat and look at a \$2 billion investment in infrastructure in the city and we're spending 7 million to market it. It doesn't really add up. How we could adjust the percentages, I don't know because we have to pay the bonds for the convention center, which I think is the most important aspect of the budget.

Shade: Right.

So it's something that we inherited and I think it probably could be looked at as we go into the future.

Shade: I think it's something that I definitely want to look at in the future but I think it's all the more important why the programs that we do have in place that are part of your budget, for example, the landmark commission programs that we're talking about, that they absolutely have to drive people to beds, you know she because we are -- we are doing -- you know, we're doing a lot given the fact that we're at the very bottom of our peer cities in Texas and I commend you for that and I think the same would be true with what we're doing with our chamber of commerce. And I have been looking into that and I want you to know I'm very concerned about it.

Yeah, we fund minority chambers in Austin \$275,000 a year.

Shade: If those things are coming out of the budget and not directly related to the work you are trying to do to promote tourism, I have concerns about that and I'd like to look into that further.

Cole: Mayor, I have a couple questions.

Mayor Leffingwell: Councilmember Cole.

Cole: First of all, I think I'm going to direct this to legal because it's my understanding that your requirement that the hotel occupancy tax first and foremost promote tourism is set out in statute.

That's accurate. I would ask Lela Fireside, who is the lawyer [inaudible] to address that.

Good morning. Councilmember Cole, yes, you are accurate that the Texas tax code does set out the

requirements for how you spend hotel occupancy tax and they call it in the literature talking about it the texas two-step. First you put heads in beds and then you look at the use to make sure they fit under the list.

Cole: So when we -- well, can you expand on after you put heads in beds and then you look at the uses, some of those uses I know is historic preservation, but are there a couple of other uses?

Yes, there -- there is an ever growing list of uses. And I don't have the statute in front of me, but you just sort of look at the list that's on there to figure out whether or not it's something that fits under the requirements. And historic is one of the listed and approved uses. The facilities are supposed to either be at or near the convention center or in an area that tourists will go to.

Cole: And I brought that up because I remember specifically the councilman bull house and that was very important to the heritage society and they asked to us take that house and actually put it across the street in palm park next to the convention center. And we also need historic work done on rush square, which is right next to the convention center, and we also need work done at symphony square, which will be on waller creek where we have made a significant investment. So I too would like to be a part of the conversation with councilmember morrison and councilmember shade as we look at these funds and how we're actually allocating and prioritizing them to actually promote tourism as we're required to do under the statute, and I think members of the heritage society as well as the chamber -- chambers should all be a part of that discussion.

Mayor Leffingwell: Mayor pro tem.

Martinez: Thanks. I appreciate the line of discussion because it's all interrelated. But I want to go back to the first point that you made in your closing comments and it goes all the way back to the convention center hotel that's contemplated on congress and second street. And all of these bottom lines will naturally increase if we're able to increase, you know, occupancy rates. What are we doing to try to ensure that that project does occur and comes back on line as soon as possible?

I've been in touch with the and president of white looking to try to get them back to the table. I've also talked to the landowner. We sat down with them and had a couple of meetings and see if we could reinvigorate their interest. They kind of felt like they somewhat got a bad break. I think they created some of their own bad breaks, which we frankly told them, but they are very responsible developers and taxpayers. They own 21 hotels here and currently have probably one of the only hotels under construction in the world out at the domain and and they are extremely well thought of. We've gotten them back to the table and they said with some type of public-private partnership they would be interested in coming back to the table. The way they put it, and this is a very astute individual to runs that company, he says a lot of cities want another big convention hotel. I says this is the only city he knows that needs one. So that in my eyes, you know, kind of solidifies our opinion that -- and you would get no push-back from any of the existing hotels in this town to have someone with the marketing ump. Of a marriott or hyatt or a brand of that significance.

Martinez: Hopefully we can continue this conversation and I'd be glad to help move it forward and invite staff to participate in the discussions and see if there is something we can do. Appreciate it. The on or about comment I want to make, it's probably not going to come as a surprise to anyone but it could be totally from left field, and it relates to the vacant space in the garage and it relates to historic preservation and it relates to brush square. When this garage was being built, I was actually in the fire department and I suggested that we take that bottom floor, instead of making retail space, turn it into a state-of-the-art fire station. So that we can restore brush square and eliminate the parking lot and make potentially a museum, an historic center there. Well, it's several years down the road, a lot of water under the bridge. Bottom line is we've got vacant space that's never been occupied in the bottom of that garage and we have brush square that's sorely needing total refurbishment as we have a 10-year debate on whether or not to move the parking lot and make the firefighters park in that garage as one of the contemplated ideas. I really think that the idea is still -- it still carries merit that at some point we are going to have to build a new downtown fire station. That fire station is historic. It's very limited in what we can do to expand it. It's limited in the space that is needed for the amount of equipment that's there and the amount of personnel. So I would like to see if we can restart this conversation because it does have a multi-pronged effect on so many of our values and goals as it relates to downtown historic preservation, convention, visitors, tourism. I really think that it's going to take some strong leadership because our firefighters need to have the facilities that are necessary to do their job, but we also need to do everything we can to improve our convention and tourism capabilities and, you know, that particular area of the convention center I think has historically been talked about as really needing some refurbishment. So I'm hoping we can continue this conversation in greater deal and move forward.

Councilmember, over the last several years, staff has spent numerous times meeting with interested parties. There's actually -- there continues to be issues surrounding that specific garage that prevents us from entering into any type of agreement to rent it out, lease it out or even to renovate it or modify it for any office space or any other use because, again, some of the issues related to that entire site. And I think until that gets resolved, we really are at a standstill.

Martinez: If only Dick Cheney had been shooting the rifle.

I have a followup question for Mr. Garza.

Mayor Leffingwell: Don't have to be quite so subtle there, Mayor pro tem. [Laughter]

Cole: Mayor, I had a followup question.

Mayor Leffingwell: I've got something first, then you are next. I think we have heard clear consensus on the council we need to take another look at the process for allocation of bed tax funds for historic preservation.

Shade: And chambers and cultural --

Mayor Leffingwell: And what.

Shade: The chambers, the whole group coming out of that.

Mayor Leffingwell: Certainly we can take a look at that as well. I was just pointing out that i concur that we need to go forward with taking a look at the process and how we can make that better and make sure it's not abused and I would add councilmember shade's request to that also with the allocation of funds for the chambers. So thank you very much, mr. landers. And now I believe next have --

I think sheryl had a question.

Cole: This is real quick.

Shade: About chests and beds.

Cole: Chests and beds.

Mayor Leffingwell: Very chaty today, councilmember.

Cole: You're not cutting her off.

Shade: My mic doesn't go off. I apologize. I'm sorry.

Cole: I just wanted to follow up on mayor pro tem martinez's questions about the fire station. And some of the public safety issues downtown and having to do with the convention center. It's my recollection that we contemplated a small substation or a fire station as part of green and I'm trying to get a sense of would that minimize the impact of the need of a fire station in brush square or have we looked at that or done any analysis of that?

Councilmember, I think that I can get with the chief and with assistant city manager McDONALD TO GET YOU AN Appropriate answer for that. I'm not aware of the planning for that.

Cole: Okay, well, let's just visit about that off line. It's not directly related to presentation.

Mayor Leffingwell: Mayor pro tem.

Martinez: The negotiation of green is currently underway and that was one of the contemplations was to carve out, you know, some square footage from the development to either create a satellite station or public safety response station for the western part of downtown. So until the full negotiations of green is complete you won't really know what's going in there, but it certainly was a suggestion and idea that was taken under advisement.

Cole: Lets you and i visit off line about that because I think we have the same issue because the police

station is actually on waller creek and we received a recommendation that we contemplated to lease substation in the central office. So we'll visit.

Mayor Leffingwell: Mr. Lazarus, you're up next. And councilmembers, remember, we do have the opportunity to submit questions in writing and we are -- we have four briefings to go. That last one took an hour and 15 minutes. The first one took an hour and 15 minutes. Okay. The floor is yours.

Thank you very much. On behalf of the members of the public works department, it's my opportunity and privilege to present our budget overview for the upcoming fiscal year. My name is Howard Lazarus. I have the honor of being the director of the public works department and I'm joined by Susan Cox. Susan gets to play a doubleheader this morning. Susan joined us in March and with her help we've been able to put greater transparency and accountability into two departments that have such a large impact -- departments that have such a large impact. From a public works perspective we're going to focus on two main mission areas, management of the capital improvement program and also infrastructure maintenance and repair. We also though do -- are responsible for the bike and pedestrian program which is integrated into both those programs and also the child safety program and we will touch on the child safety fund. This briefing is not project specific. We're going to talk about and touch on from a budgetary standpoint how we use the resources we have. If there are questions about specific projects, we can address those separately. We're going to take a dashboard approach. Something a little new. A lot of numbers will be thrown before you. I'll try to make sure as we go through them that we fully explain the accuracy and precision of those numbers and also the challenges to calibrate those to show they are accurate measures. I want to start with our department vision and we want to be looking to the future and how we manage our infrastructure, taking a collaborative approach both internally and externally and doing a way that embraces the values Austin has in terms of being an environmentally responsible city that provides an exceptional and sustainable quality of life to all of our residents and businesses. This is the first of the promised many dashboards we'll look at. Start in the lower right, the total budget is about \$67 million and that draws primarily from three funds and those are shown there, capital projects management fund, transportation fund and child safety fund. Capital projects management fund is drawn from capital dollars. It's not the general fund operation. And you can see that there is and that is due to the increase in this workload partially driven by our Accelerate Austin program but partially more work is leaning to construction. There is a slight decrease in transportation fund. There is a loss of 129 FTEs that went over to the transportation department which is a fully charged, fully loaded stand-alone department this fiscal year, and then there's a net reduction of 8 FTEs from the department. Finally the child safety fund, that's lost is one that went over to the transportation department. That's where it was performing its function and as part of separating the two departments we went through a complete reconciliation of all personnel. The slight decrease in spending really is due to eliminate unsustainable spending practices we've had in the past where we spent out more money than we received and spent down the balance. In order to make sure the fund is sustainable we've made sure we reconcile with income. That all adds up to \$67.3 million, you see. Some of the impacts and the controls the council had expressed concern about, we did lose between all of funds about 49% of our general fund transfers. That impacts not only public works but also transportation and contracts and land management. So it is all three departments. I mentioned the eight public works positions and transportation fund that were reduced, those were long-standing vacancies and we were able to do

without those due to greater efficiencies. We have deferred some facilities improvements that we need and some equipment upgrades. They are not critical but are things as part of a long-term greening of our fleet and being more responsible with the equipment that we have. From a cost control standpoint, all of our work is competitively bid. So it is a good environment to be out putting work on the street. We've gotten better coordination of work among entities working in the right-of-way and that improved efficiency through better use of inspectors, project managers and less replication of work. We've implemented a shared services model among the three departments. All of us share human resources assets, financial assets and administrative assets. So that in separating those departments over the last couple of years from public works, we have not increased the burden to the city. As you would expect we have minimized discretionary costs, out of state travel. We are still training our workforce but we're using conference calls for remote learning and e-learning to a greater extent. Finally, council expressed an interest as to what the impact is on the ratepayers. We have an increase in the transportation user fee of 66¢ per month per single-family residential user. I'll get into that in a little more detail as we get into the transportation funds. The capital improvement program dashboard I'm going to start this the lower left corner and work my way around it. The graph under the work in progress shows the value of work that comes out of the city's ecopri system public works is managing and that total is about \$1.67 billion. It represents about 62% of the total capital program. The cpmf is funded by really a burden or a -- it's the labor aid plus the indirect load and those come out of the capital fund. Again, it's not a general fund obligation, it's a capital. And some other sources of money. There are bond moneys in there, cap metro moneys, there's a whole lot of different moneys that go into the management fund. Our project spending next year is going to double and that's really related to the fact that we are moving more projects into construction. Next column over I've computed what I call leverage. It's significant because this past year for every dollar of management effort we spent we got \$10 in terms of services and construction. Next year that will go up to \$16. Even though we're spending more, we're getting more for the management effort we put forward. Backlog is interesting. Backlog, the calculation is essentially the number on the red bar is the work in progress divided biannual spending. We've cut about four years off the backlog. What we would try and do is sure the amount of time -- we're not getting into whole negative situations so that we face our borrowing appropriately so that we can meet the many demands the city has. s a moment ago. Going down the right side, performance matrix that we have for the capital program. All those are at or exceed the requirements that we have. The 4% for project management costs are very much competitive with other campus type environments in cities. And finally we were achieving about 30% savings over our cost estimates for work we're bidding out and the total dollar value as a percentage to the total to minority and women owned business awards is about 28%. Each particular area that's specified in the ordinances we're approximately at or exceeding those requirements. So with small business, smbr, we've got a great program going forward, one that complies with the letter of the law but the spirit. One program of particular interest is our accelerate austin program. I want to report where we are. We've adopted a red, yellow, green approach to managing and monitoring the program. Right now from the baseline we established everything is on track. The graph to the right you can see that everything has moved out of preliminary engineering. We have two projects complete, five under construction, 31 that are in design. What you'll see over the next quarter, the first quarter of the upcoming fiscal year there will scheduled starts, then things will get high gear with nine contracts coming to you for construction start. We're well on our way to make sure that we meet the goal of

getting the moneys committed by the end of calendar year 2010. The other item I would like to highlight is the savings. That's \$7 million is off the 21 millions. So it's generally in line with the 30% I talked about. One of the advantages we can use those savings to do some other things. 5 Million of that 7 million was going into the sidewalk program this year which is allowable under the bond ordinance and makes up for the fact there's not a separate sidewalk bond proposition in the '06 bond program. So I think that will be received very well. It's a great story in terms of what we're doing with efficiency and savings. In summary, we did lose a million and a quarter general fund transfer to the cpmf, but due to the involve work and efficiency, it is more than compensated by the workload. We are moving to an environment of more direct cost charging. That's positive because it not only allows our sponsor agencies to see where dollars go, it provides greater transparency to the citizens so they can see how we're spending the capital dollars. The large workload that we are undertaking places stress on support entities and I'm going to take a 20-second-timeout and advertisement to say we're charter members of the contract and land management fan club. They've been very good about helping us prioritize, getting the work out the door and have led the way in greater delivery methods which helps us to do some things that keep the money local to the greatest extent that we can do that. They've been a great partner to us and we're going to continue to load them as much as we can. We have large several complex construction projects that also requires some different skills among our staff, and we're training our staff to make sure that they can look at those projects. We're going to require project management plans for all the large efforts now and do that well in advance of starting construction. So we're up and ready to go before those efforts get on the ground. We've worked with the budget office to improve our project empty and reporting systems. They are making a big effort and big investment and we're also big fans of theirs in that regard. Overall all of our program needs on the capital side are being met. Switching gears and he getting into the infrastructure, maintenance and repair program. Last year we launched a program to improve the quality of pavements throughout the city and we state fiscal year '08 as pretty much the base year. We had goals to address 10% of the inventory each year. We want to increase the number of services rated as fair or better to 80% by 2018. So that gives us a percent goal, but because inventory is changing and growing, we also wanted to have an absolutely measurement and that means we're going to improve -- to be fair or better by 2018. The question is how are we doing. The next graph shows a stack of blocks. Thank you. I think there's a lot of information on this chart. What I would like to stress is total inventory has grown and will grow through the end of 10 by about 276 lane miles. Number of excellent will be up by over 9% or 160 lane miles. That's a lot of numbers on this chart. But what it shows is that the numbers on the top which are getting bigger, the numbers on the bottom will start to go down as we address pavements that are unsatisfactory. The review for this year, inventory grew a little bit. We did address almost 12% of the inventory. Improved 134 lane miles versus 80. And the year end estimate is that we'll make improvement of 7% of the inventory to being fair or better. As we look to next year, we're going to address 10.3%. Why is that number going down? We're going to do m overlays which is more expensive. One of our aces up our sleeves there is a million and a half dollars of federal stimulus money and you will see the interlocal agreement at the next council meeting to accept that money. At the end of the year we'll be over 76% rated fair or better. Are we going to do the work? Next year we're going to address central austin. I will caution to you realize that on an annual basis, there are geographical differences in where you invest the money and that's due to efficiencies of working in one area as well as taking advantage of projects where we can integrate capital dollars to

achieve greater collaboration. We do need to work around those c.i.p. projects. Breaking it down a little further, you can see most of the investment is in central east austin, particularly on the overlay portion. Majority of the work of that 5 million in additional moneys that we're going to get will go through the system and wind up in central east austin. We're going to make a major investment there in this coming year and future years. Again, the older parts of the city are where we need the investment. Central vest austin, numbers are down a little bit. We're working around cleaning up under the austin clean water program as well as waterline improvements. Once those projects work their way through, we will either have the streets addressed through the capital program or using the moneys in collaboration with the water utility efforts. On a cumulative basis, you can see on the top two charts we're ahead of the red line in terms of lane miles improved and inventory status and continue to hope to exceed those goals. Bottom right corner, we are about to [inaudible] 10% of the inventory per year. Long-term funding, last year when we came to you with the budget we showed you the long term of what we need to achieve program goals. 14 per residential single-family user increase. 66 to make up for the loss of 5 million in the general fund transfer into the transportation fund. What's also significant there is in fiscal year 11 we talked about starting a mobility fund at the end of the election. Those moneys will be available in f.y. 11. That \$150 million is only per pavements and streets. It doesn't address all the other transportation needs that rob will talk about. There was a follow-on bond requirement. The 2014 bond ordinance with the money available in f.y. 15. There is increase in next proposed increase of about 10% in next year's budgets for a couple reasons. We anticipate the price of asphalt going up and the price of paving follows the price of asphalt. There are other -- there are some other operation at needs that we need to consider and we may look at maybe a further loss of some general fund dollars. So we'll see where we are as we go through and it is a program for next year about 10% and eventually the rate of increase does settle out to the rate of inflation. In summary, as I said we lost \$3.5 million. We're about 42% of the general fund transportation. That's made up for by the increase in transportation user fee. There is a net elimination of eight vacant positions in public works. Our challenges, our program needs are pretty well met for the upcoming year with the assumption the [inaudible] increase will be incorporated. We did defer some equipment and upgrades. We have addressed the substandard roads a couple weeks ago council approved our participation in the capital area pavement engineering council so that we can on a go forward basis work with the other sure surrounding jurisdictions so that the roads that are built if and when they are annex to do the city will be acceptable. So we don't annex work requirement. As we said, the facility improvements that we need will be addressed in future years. Finally, our best managed city initiatives. We broke it into four areas and trying to be creative we came up with a acronym which means we can be better in terms of creativity probably. [Laughter] underachievement, we tried to do the dashboard approach to look at quantities, efficiency and process to achieve greater transparency in what we do. [One moment, please, for change in captioners]

also reduce runoff, put more permeable surfaces in the neighborhood and figure out how to turn runoff into an asset. A couple of weeks ago I talked about safety leadership and management. We want safety as a core value and not just someplace to manage. We have great staff. We need to grow and improve the expertise. We will find better ways to invest in our staff. Down the street and bridge, we are implementing a team leader, supervisor and career initiative that creates more opportunities to grow internally. We're looking at creating division managers where people that start in the stretches and

realizes that the college of hard knocks is important to everybody. The last tng I want to talk about is the new adopted mascot. Shovel ready, the department with a heart. It is a matter of not only internally creating a caring and nurturing environment, but letting the public know we do know how to say yes, and we want to address their problems in a way that is compassionate and consider of where they were and where they live and be the kind of public works department they can all be proud of. That completes the presentation. first time I had seen that. That is really good. Questions? Councilmember riley? I want to ask a couple of questions about street services. I have had questions about that. I may need to meet with someone offline to ask about that. For now, let me ask a couple of questions, about slide 12, where we look at the infrastructure maintenance and repair program. I notice that there are significant variations of the types of approaches applied in different areas. The northwest area there was a large component of slurry seal. And in the northeast component we see a comparable component of crack seal. Help me understand the difference in the two and why different approaches in different areas.

One of the things to do a better job of is matching the pavement application of the street we're addressing. It is based on paving conditions. In the northwest parts of the city, the pavement is not oxidized and not as many cracks. We can go through, put a surface layer on them and extend the life of the pavement and provide a seal and nonskid. And others, we have to seal the cracks, level the pavement and overlay to get it to a better condition. Worst case, capital improvement project to revive a street that has fallen into distress. Some of the things on the website that will help you, we have here a paving guide so i can send it to you. I didn't print it out because most of it is on the website. And being newer and greener, i didn't want to print it up. I will give that to you. If you bear with me, I will bring my rock box of paving samples and give you paving 101.

Riley: that would be great.

Put you two in a room by yourselves.

I may be the only one in the city with mason jars with paving rocks in them.

Mayor leffingwell: may be. you were talking to the environmental aspect of it, you mentioned advances in pavement technology, I think you mentioned moving away from asphalt. I have encountered impervious pavers as an option for parking lots. I was interested in hearing you say how we can treat water as an asset to allow the earth to absorb water. A citywide move in that direction for low impact, council will get a lot of support for that. I'm delighted to hear that public works has taken the same approach. Can you help me understand exactly what you meant when you mentioned moving away from asphalt. Are there some things you could just highlight? Are we talking about pervious pavers or other approaches?

One of the standards is moving to concrete pavements instead of asphalt, that the doesn't increase pervious pavements but it gets off the reliance of asphalt. There are cases, where you mentioned, pavers could be applicable. Also, robert hinojosa, one of my assistant directors, there are different pavers, in iowa, corn is everywhere. Some products like that, that could serve as binders for the aggregate. One of the thing it's best managed initiatives, I didn't talk about was becoming a leader in the

national infrastructure. What we want to do is find out what others are doing. And kind of test it, get some opportunities to look at other things. We have a great partnership with ut that we're going to stand upon. We also want to improve our relationships and we started focusing on that. And houston phillips to get them involved. But the initiatives, really deal with alternatives to asphalt as a binder, maybe concrete and more pervious material. And going off the deep end, seeing what else is out there and see what is out there that we can test out riley thanks.

Mayor leffingwell: Councilmember spelman? you were say about the rocks. You say 30% reduction. You have more to spend; is that right?

That is correct. you mentioned two and a half of the 70 we are spending on that. What will you do with the rest of it?

It is all bonded money in prop one, it has to be street work. you are working your way to the project?

We can add more projects to the bottom of the list if we have savings, we can add more projects. consistent with the objectives of prop one?

Correct. did you consider not spending all of it? Reducing coasts, total?

We can do that. A budget issue more than anything else. Our department is geared to spend money, we can do that efficiently and effectively. you are good at what you do. I understand. Apropos, we are talking about 66 transportation fund. Who pays for that?

It comes on the energy bill each month. The very bottom, transportation infrastructure charge. Every property owner gets assessed that charge. any commercial property owner, any residential property owner will get exactly the same charge or does it depend on the number of units aware and tear on the streets?

Depends on the type of unit. Duplex, multifamily pay less, than a single-family, per unit. I remember many years ago grocery stores ended up paying more per unit per grocery store. What is the sliding scale based on commercial use.

I have details here I can look them up. I want to be sure I'm accurate. The amount they pay is more or less consistent with the wear and tear of streets surrounding associated with the use?

That is theing assumption, yes. how much is the increase -- well, let me first, everybody is paying for this, because everybody either owns a house, duplex, condo or rents one and the owner is paying for it, which presumes the owner is rolling it in the rent. We are all paying for this increase in some way. How much are we taking in with that proposed increase here?

There are two parts. The total increase is about \$7.7 million. The part that is due to the addition we added to make up of the loss of zero funds is 3.5 million. We have \$1.14 as the average. That would be

four or 5 million. On top of that we added the \$3.5 million loss. The total increase is 7.7 million.

Spelman: ok. The transfer is that out of sale taxes, property taxes and other fees and this will be paid for out of the transportation fund, which is basically a new tax? This is a tax which has been levied for a long time and we're increasing the size of that to make up for the difference, correct?

That is correct. Part to make up the difference and part of the increase is to recognize that we need to increase the amount of resources dedicated toward the operation and maintenance of transportation system. which we haven't spent as much on in the last few years?

Spelling was flat into the MID '90s AND THIS DECADE. Last year it increased. It needed to be adjusted. my apologies for taking up all the times. I think everybody else know the answer. I don't. I think we passed a bond issue in 1998, which was at the intention of bringing dnf arterial connector streets up to level. Did we accomplish that objective?

We have arterials not rated a. I have to look at how monies were applied. We have annexed more areas. we may have done that with the streets at the time we took in more streets which didn't start that way?

We can give you a better, more complete answer.

Spelman: I like that. I will ask you about it later. Thanks. anything else before we hear from transportation? Thank you very much, howard. Good job. Welcome mr. spiller.

Good morning. Thank you. Here it is. Thank you. Let me just jump right into this. This is a presentation of the transportation department's budget. It is our first budget. So we'll try to answer whatever questions, comparisons to previous year budgets is difficult, again, because it is the first year of budgets that we can make some correlations there. Just to highlight how the organization or the department is set up, we have three primary set up. We have transportation, public works and transportation planning focus to give us that forward-thinking -- forward-looking approach to transportation. Under there, we have the right-of-way management group, that comes over from watershed protection. The office of special events, that is proposed and directed by council. And also the transportation planning function in whole. One thing to point out, as you noticed our budget support, susan cox here, manager was also up here for public works. We have strived to set up a relationship or new department that has a very cost conscious focus in that we did not hire on budget resource project manager staff. We have elected to partner closely with public works since they're used to handling similar type subjects as we are. We are buying the services from public works to set up a sufficient relationship with another department. Hopefully that will be something that proves beneficial to the city as it moves forward. Little background. One thing we did was establish a mission statement so this is what we're working under. As you might expect, our mission is to deliver a safe, reliable, sustainable transportation system. We are very focused on our responsibility to the environment as well as the economic strength of this. And we're multimodal. So it is [inaudible]. It is about a lot of different transportation modes. Transit, bicycle, pedestrian, we're interested and concerned about all of them and committed to conducting business in a customer

focused and friendly manner. We know that is a concern of the city manager and city council, that we want to be proactive and positive in our relationship with the public. Supporting that mission is a set of goals that we have developed and measure specific items to make sure we're meeting that mission. I won't read these, but it includes being regionally minded because we believe we represent between 70% to 50% of the population, depending on what you call the region. We think it is important that we take on a regional-minded approach. We will be data driven. We're also focused on being sustainable and green as we move forward. Customer focus is a key measure of success as we move forward. Some of our major accomplishments this year -- again, these were activities started by the city manager, and we picked up on it and helped support that. We were able, through the campo transit working group to get an approval of an initial urban rail concept, which i think was a big step forward. Many of you commented on the striping innovation, the shadowing of the white and yellow markings. We seem to be one of the first cities in this part to do that to increase daytime visibility. We can talk about that later if you want to. Pay stations, deploying pay stations rapidly. Many of you have been getting comments about that. We are currently two to three months ahead of schedule and well under budget on that deployment. We're proud of that. Continued safety improvements within our street right-of-way activities. Those are on private contractors working within the right-of-way. I have some amazing statistics I would be happy to send later that show how a concentrated effort on safety over the last half dozen years had driven our in the right-of-way accidents at construction sites, almost to nothing. It is really a success story, to be proud of as a city. And we have also launched the austin mobility program with direction from council. That will be included in this budget as we move forward. So that is another major effort on behalf of the city and city manager. To give you a better understanding, I'm an engineer and I finally had to draw a flowchart to understand how the funds flow in and out of the transportation program or the transportation we span two different funds, the transportation fund, sharing that with public works and real estate. Also parking fund. The parking fund, we're actually establishing and funding as a separate fund. As you can see there, monies from the general fund, flow into the transportation fund, as do funds from the parking fund. And those two funds, the parking and transportation fund then directly fund our program as a department. Our program as a department has a total budget of 2 million, spread over the two independent funds. We do send money back to the general fund. It is a little bit of a roundabout way that we do that. I will explain that when we get to the parking fund better. But we absorb the costs basically for parking enforcement that generates revenue through the municipal courts that goes back into the general fund. Without enforcement, you can't have the courts generating the funds. That is basically the consent. Little bit of a roundabout wa to do it. Give you a little background. We're going to jump straight into the transportation fund portion of the budget, which is about 10.2 million. The majority is directly from the top, if you will. 67%. Expense refunds and right-of-way generate the remainder of that budget, proposed budget for next year. If we look at how we spent that fund, you will notice two things. A big part of the pie chart is all in brown. In your budget material, that was all called traffic management which represented 9% of the total expenditures. I have broken that out by individual product, if you will, that we provide for on your behalf. As you can see, that ranges from markings, the actual stripes and so forth that we put on the ground, transportation engineering signs and signals. Eats up the majority of our budget or represents a majority of our budget. One stop shop, again, that we are absorbing from watershed management. We did functionally this year, but this year in the fy 2010 budget is the first year the budget is actually reflected as part of this

new department. And in the transportation we're ABSORBING FTEs FROM WHAT HAD Formerly been in neighborhood planning, going forward. Support services would seem like a large per cent, 7.3%. There is one or two employees that got% into that percentage pie that should be in another division. If it looks large, the 150 employees underneath the support services number offsets the percentage a little bit. We will fix that in the coming year and move the employees into the correct division. It is a minor issue. When we go to the parking management fund, both the budget and the revenue and the expenditures total \$4 million. So it is a revenue-generating and expenditure-type fund. As you can see there, there is a variety of distributions, about 67% is the parking enterprise. The management we fund ourselves. 7% Goes to the general obligation debt service. That is on the new pay stations. We also distribute money directly to two very significant and important projects. West campus district cip improvements. 100% Of the parking meters or pay station revenue in that district goes to project in the west campus area. Similarly, in downtown, about 16% of the revenue that is generated by the pay stations or parking meters goes to the downtown great streets project. That is about 30%, I'm sorry of the revenue generated. Represents 16% of our total revenue. Those are two that are important that I suspect would otherwise be funded by a general fund expenditure if we weren't diverting money to them. They're important from a transportation perspective, it is an important part of our program. The other thing I wanted to point out. Although the parking enterprise expenses represent 67% of our total expenditure budget, understand that about 1/3, about 22% of the total budget is what we spend on parking enforcement that generates revenue in a different department. So that is a revenue-generating capability that we bring to the city that you might not otherwise have. Talk about budget cuts. We eliminated four vacant positions that had been vacant the entire year in traffic signals program -- the four vacant position total within the department, we eliminated from the traffic signal program. We absorbed two and a half fte has from zoning. Those were general positions. We absorbed them into the transportation department without increasing our general fund subsidy. We looked at the positions we had and moved some of them to the enterprise fund and these new planning ones came in as general funded we did not increase the general fund. The net reduction or savings 5 FTEs. As howard said, we reduced our general fund transfer by about half. That is about \$3.5 million. There were several methods on how we replaced that, as he mentioned. Challenges and unmet needs as we move forward. We are launching a transportation department, a new department in a fiscally constrained time frame. We think it continues to be important. We know from both resident surveys and greater austin chamber of commerce surveys, over and over, transportation, congestion, mobility is an issue on behalf of the community. So existing staffing, although we are creating a department of about 150 people. When we look at the various departments there has not been any significant expansion of the staffing over the last three years. As a professional, I would tell you that we are very efficient in what we're doing. Since we have been created as a department, we've asked staff in the department to look at what we're doing and basically speedup everything we're doing. So I'm very proud to tell you that your transportation department is doing a lot of stuff, has had a lot of achievements in the first year. We get calls on a regular basis from other cities d communities scratching their heads asking us how we do things. We're very involved in what we're doing. Department response, again, has been to this challenge is creatively restructure to meet the needs. We have been taking a self-look at how we are organized in work groups and do things differently. We have focused on interdepartmental partnering. Again, something the city manager has beenoft quoted is it doesn't matter who is credited just as long as it gets done. That is our

mantra this year. And making sure we use dedicated cip staffing where appropriate. Making sure we protect the program budget and working on the cip budget. Projects we do that, by billing to the cip projects. Other challenges, the barricading program as directed a couple years ago by council to set up remains unfunded this year. There are challenges with the funding model that was developed to fund that. We have reacted by trying to meet the goals of reducing those costs by working with the industry to looking for new ways to dot barricading for special events and reduce those costs. And looked at other ways to reach some of the same goals. That is an issue that remains unfunded. Special events planning and office is direct bide council this year. We have not staffed yet, the ideal for that, I believe is to fund that off of parking permit, or parking revenues as well as permits as we go forward. Those revenue sources have not yet proven themselves. We are just now getting pay stations up and running where we anticipate more revenue. We will need to come back to council to ver vie the use of those -- ver vie the use of those. We areify the use of those -- verify the use of those. We are about by february, we anticipate having about 650 installed, then by september. That gets us to the potential of the revenues quicker. That is what we're looking for. Also using or proposing to use the vacant positions we have not been able to use in the barricading program to staff the office of special events. We think that is a way to further lower the costs for event providers and we will have a discussion with you over that as we move forward. . Another challenge is we have an expensive piece of equipment that is not performing. Our long-line striping machine, for the second year in a row has been out of service 60% of the time. That is an issue with the machine. Other cities that are using this are [inaudible] same issue. Our response is that we have been using private contractors to pick up the slack. That is probably not sustainable over the long-term and exploring various funding options with finance to see how we might get a more modern machine to start taking care of that. .. In our efforts to meet the best-managed city initiative, we credit city council and the city manager in helping us to set up a new department that really does focus on what has been, over the years, a primary concern of citizens, businesses, residents in this region. By having a department dedicated to transportation, it will focus more attention to that, in terms of technical. We are launching the strategic mobility plan, launching the urban rail program. And focusing on an enterprise model. We want to make sure we incorporate the efficiencies that come from an enterprise or private business toip model as woo move forward. We received support from businesses and the community as moving forward. We are committed to being open to the folks. With that, I thank you. . Thank you. when i saw that striping vehicle, i thought it was the new light rail. [Chuckling]. I'm glad to find out it is not.

No, sir. I think i asked this at the last council meeting about the parking enterprise fund. And going back to my recollection of the discussion when the parking enterprise was created that it would be primarily intended to be to build parking structures, parking structures owned and operated by the city. And the direction at the time, again, according to my recollection is that each one of the structures would be self-supporting. As each unit would support itself and that there would be no parking meter money as a part of the parking enterprise. So is there a parking meter money in the parking fund?

Yes, sir, there is. Parking enterprise is comprised, right now of the parking meter program, to set that up as an organization that can self-fund itself. And manage the on-street parking. It is my belief that the coordination of both onstreet and off-street parking is an important relationship. Because if you are not managing both of them together, it is difficult to -- well, i understand. I may eventually agree with you.

But the point is, if indeed -- I think it was the direction of council not to do this, i think it would be somewhat inappropriate to do it without changing that direction.

I would agree. And I'll be happy to work with you to find out how you would like to proceed. Absolutely. all right. Anything? Questions? Ok. Thank you very much.

Thank you. watershed protection. A new, somewhat modified department. lee and associates.

Thank you. Mayor, mayor pretem, council members and city manager. lee, the director for watershed protection. Next to me is a -- is diane gonzales. We have our team mere, mike, and pat. I'm here today to provide you an overview of your proposed fiscal year 10 budget. In this presentation, I'm going to brief you of our mission and operations and what we have accomplished in last year, challenges we face and our financial plan. The mission of the watershed protection department is to protect lives, property, and the environment of our community by reducing the impact of flooding, erosion and water pollution. We accomplish this with programs aimed at maintaining and improving water quality, reducing flood impacts on lives and property. Stabilizing stream banks to minize property loss caused by erosion while maximizing the use of waterways. Providing adequate maintenance of drainage infrastructure. Master planning and oversight of regulatory standards, programs and initiatives. And providing incentives and information to brownfield property owners for cleanup and ultimate redevelopment of their properties. On this slide, I have summarized several key accomplishments from our major program areas. This fiscal year, all flood hazard mitigation programs were complete 57 property several different watersheds and fema grant program funds. The program also completed construction on a number of projects that include dam modernization. Culvert upgrades and storm drains. For example, in these photos, you can see the improvement after the storm drain project. The water quality protection program strives to protect our community and project life by preventing, evaluating and reducing water pollution. The highlights from this fiscal year, for example, include the continued success with our award winning water quality education campaign. In addition, staff conducted an extensive public process to update the city's environmental criteria manual. This is the first time it is updated in 20 years. Our infrastructure and waterway maintenance program provides onsite maintenance services to citizens. This year, we sharpened our tools in pipe inspection and repaired seven miles. Compared with about one mile in previous year. This work is essential in determining the condition of buried infrastructure. Lastly, austin clean water program was recognized as one of the top 10 infrastructure practicals in north america by forbes for making the greatest impact on the american quality of life. Through close partnership with the program, we significantly improve urban creeks water quality. Extensive creek restoration took place in '62 of the 100 projects completed by austin screen water program. -- Clean water program. Fiscal year 2009 was also a year characterized by cutting measures. The management undertook a proactive approach in the fiscal oversight. The enterprise side was internally reviewed and treated as rigorously as the general fund side. For example, all vacancy were required to go through an internal review process to hire. We estimate it resulted in approximately 187,000 from additional savings from 32 vacancies on the enterprise side. Each manager was asked to scrutinize their respective operations for available savings opportunities. As a result of our efforts, we were able to reduce overtime payments by \$60,000 within the field operation division. In addition, a significant cost savings strategy was continued with great success. The project is a five to six year cip project to build a citywide drainage utility

database. It is a large research and data entry project that used plans and documentation. When originally scoped in 2006, cost estimates to perform this project using outside consultants was estimated at over \$12 million. To save costs, we teamed up with consultants, used our own team members and hire several temporary employees to perform some of the tasks. The resulting savings is close to \$400,000 per year with an anticipated savings of over \$2 million over the life of the project. The department's goals for fiscal year 10 budget is limit increases in operating cost, better align revenue with expenditures and move toward a \$30 million capital improvement project or cip transfer. We currently rely on two main funding sources. Monthly drainage fees and the 2006 geo bonds, which fund a portion of our cip project. For fiscal year 10, the department's revenue budget reflects a 4% increase in revenue. Largely due to a requested increase in the drainage fee of 50 cents per month for equivalent residential unit. You may recall I mention the need for such an increase during the last year's work session. The reason is to reduce the reliance on general obligation bonds to fund the cip. The drainage fee has not been increased since fiscal year 2006. Expenditures are increased by 4% as a result of the minimal inflation a \$1 million increase in the transfer to cip and addition of three full-time employees. In response to the challenge of the city's current drainage structure to multifamily customers. The department's consultant completed a study that evaluated a lower rate for customers who have a significantly lower impact on the drainage system. The department is proposing a new reduced monthly rate for high-rise residential structures with seven or more floors. This new cut is referred to as vertical construction and updates to the drainage utility ordinance to reflect this new additional vertical construction class will be presented to council at an august 27th meeting, tomorrow. The study also recommended that a comprehensive study of all customer classes be performed beginning fiscal year 10 to assess whether a tiered rate should be developed for all customers based on their impact to the drainage system. Show in this charge are the department uses the funds for various programs and services. You can see that approximately 30% of the drainage utility supports our cip pictures as shown by the yellow shaded portion. For fiscal year 10, the department will have a total 5 million appropriated for capital improvement projects. Sources for this funding include the previous mentioned utility fund, cip transfer and 2006 bond issuance and cip earned interest. Project categories include flood, water erosion and water treatment. Through our master plan we strive to ensure these projects achieve multiobjectives wherever feasible.

Individual projects receiving substantial new appropriations include first water creek tunnels and land acquisition. Utility relocation and boat house construction. Second, onion creek housing buyouts in environmental reformation. The blunt creek long bow localization. And storm drain improvements and brodie lane water quality retrofits. This will also affect williamson creek. The challenges facing the department are generally consistent from year-to-year. The department must maintain the ageing, and growing infrastructure. This included about 800 residential ponds, 6,000 commercial ponds and 160 miles of storm sewer lines. The red maps represent storm sewer pipe that is at least 50 years over and up to well over 100 years old. This provides perspective for the magnitude of the challenge. The growth in increasing urbanization including the redevelopment produces flood control and water quality issues. For example, staff had fielded 8,000 flooding complaints in the last 10 years and 22 miles of theesh rhodes banks which require stabilization. This doesn't take into account the fact that new erosion problems are arising continuously at the rate of about 500 feet per year. The department's master plan

indicated the funding need of 2 billion or \$30 million per year over a 40-year horizon. However, this figure is only addressing a portion of the city's aging infrastructure that is in need of upgrade or replacement. This leads me to the department's third major challenge, to reduce reliance on general obligation bond funding. Fiscal year 13 will be the last year of issuance from the 2006 bond program. To continue to address the projects identified in the master plan, the department must become a self-supporting utility. The fee increase proposed with upcoming fiscal year, coupled with spaced increases in subsequent years will help us move in that direction. Under the city manager's leadership, the department is spearheading initiatives to help make Austin the best-managed city in the nation. We have fostered strategic partnerships with external agencies and created cooperative agreements with other city departments to assist in reaching our goals. Some examples are, first, watershed protection lacks the effort to create a green neighborhood and city initiative in conjunction with the 11 other departments and 30 nonprofit groups. It has yielded a citywide [inaudible] to our citizens. Second, the division has taken on responsibility this year for the heavy maintenance needs of over-100 ponds owned by the city's general fund department. This effort will both improve care of the ponds and decrease the burden of general fund during a time of limited resources. Third, the water treatment plant for environmental commissioning process developed jointly with Austin water utility is a continual review process to keep the project on time and minimizing budget with little environmental impact. Fourth, leverage dollars from sources such as FEMA and Corps of Engineers. The city has been able to obtain up to 45% of the flood mitigation costs from federal sources.

The department has also been recognized as one of the national leaders in data driven education and policy. The Center for Watershed Protection, which is considered an industry leader in storm water management strategy recognized our water policy protection program as a superior storm water program. The center singled out our creek monitoring program because it is a unique, in that it measures the chemical, biological and recreational health of a waterway. Mayor Leffingwell, you may also recall the department's work with council to pass an ordinance banning the sale and use of seal ants containing cold tar. I do recall that.

Yes. The ban which is the first of its kind in the nation was based on scientific research on the impact of such seal ants of product organisms. Finally the association of state flood managers recognize Austin as one of the 11 communities in the country that exemplifies the aspect of notice adverse impact floodplain management. The association noted, Austin takes seriously the need to provide not only adequate but exemplary protection for its citizens and their environment. In summary, we will continue our leadership in formulating strategic partnerships as well as data driven education and policy as part of our fundamental best managed city initiative. And this concludes my presentation. Me I ask any questions you might have? Mest heff thank you. I have a quick one. I think -- thank you. I have a quick one. I think it is a quick one. The watershed study, I think done and completed in 2001. Very extensive study. I don't think it has been updated since then. Basically called out an \$800 million need for work on erosion and water quality and flood control in our 14 major -- our 14 major creeks. I don't think we made much headway on that. The funds sources were the drainage fee and as you pointed out, geo bond money. We made a little more since the 2006 bond made. But I have the feeling that the 800 million has grown since 2001, rather than decrease.

Right. We tried to estimate in about 1.2 billion.

Mayor Jefferingwell: ok.

Over 40 years. So we're thinking about the \$30 million transfer to cip. yeah, it definitely won't be done by total reliance on the drainage fee. At the same time, that brings me to my question. You mention that you are going to look at vertical development, which makes sense in computing the drainage fee. So obviously, that alone, that action alone would probably cause the drainage revenue to come down. Is there a plan to make the total number of revenue neutral when you do this study?

We have done some estimate of the potential revenue drop because the vertical construction class addition. The revenue reduction is around 200,000 to \$260,000 at this time. It is not a significant impact to the revenue. so there will be a decrease in the total revenue as a result of this?

Yes. I have another subject. I will save it for another day. I will bring it up. I know one of the major efforts that we're talking about in water conservation had to do with storm water recovery. And two years ago we talked about watershed protection working with the water utility to see what can be done with regard to that. Seeing how much water we can -- how much water we can recover through our storm drain system, rather than letting it flow back into the colorado river basin. We will talk about that later. But I think that is one initiative that is never really been followed through on that we perhaps need to take a look at, going down the road. Councilmember riley? one quick question of follow-up regarding the drainage fee for some residential structures. You mention you have a future study of other customer classes, are you expecting there might be other classes that might warrant some increase in the drainage fee for a particular class of customers that actually impose greater cost than they're currently bearing?

That is correct. can you give us an idea of the types of class of customers you are referring to and the scale of the increase in fees you anticipate we might receive upon the conclusion of such a study?

Basically, the drainage fee was determined and decided using a -- like, if you put all the sizes, different sizes impervious cover of different sizes of houses, multifamily, different condo projects, commercial buildings and the distribution of the sizes would be normal distribution. For each administration, we pick a standard rate, just like one rate as an average rate per residential unit. That is what we call it. And so to attach the extreme end of the normal distribution, you would have specifically very large impervious cover, kind of big houses. And then small like vertical construction, small units. Because of the average -- that you can see distinctively, if you see over seven story. If you have high rise building, the average impervious cover for that unit will be smaller than if it is just a single story. That is the other end. Basically, it is just a different way to classify the sizes of different impervious cover.

Riley: ok. I know you indicated you expect that would be done sometime in the future. Can you give us an idea of the time frame you have in mind.

We want to start that study fiscal year 10. So starting very soon.

Riley: great. It could be done -- how long would a study like that take?

I would think within one year we should be able to do the study. when we are sitting here next year, is it possible ..

Watershed deputy director. We anticipate we can get some results in in as early as a year. There is a tremendous amount of data collection to characterize the customer base. I don't know if we will have the opportunity to characterize the customer base but running different rate structure scenarios. What we anticipate is having the bulk of data collection done in the 50 year. It will probably be two fiscal years before you see a proposal of a rate structure going beyond vertical construction.

Riley: thanks. Mayor?

Mayor leffingwell: Councilmember spelman. I will ask about the actual amount of the rate. On slide five, you have budget facts, which I presume are with respect to the drainage fund section of the watershed prediction department, not the general fund section?

That is correct. revenues, expenditures this is all drainage fund stuff?

Yes. this weird arc nomly. I'm trying to understand what happened. The improve the budget for fiscal 2009, revenues, 55 million, expenditures, 58 million and ending balance of 7 million. The actual estimate for how much we're spending is a little less for revenue. A lot less for expenditures but the ending balance went up by 3 million bucks. What happened there?

The ending balance for the first column, was a projected in the budget.

Spelman: right.

So that was projected a year ago when we proposed it. And then this 2009 estimate is what is actually happening. a project for how much would have been in at the beginning of the year during the budget process and it turns out we had more there than we thought even when this year started?

That is correct.

Spelman: ok. What is the right size for a fund balance for drainage utility? We have been hearing from other enterprise funds they need to maintain a 30-day reserve.

We use the principle of 45 days balance for our budget. 45 days is that 4 came from as you worked your way back from 45 days?

We have reduced it to 30 days. 4 million ending balance proposed in 2010 budget is a 30-day reserve?

No, that is more than a 30-day reserve. So we are actually using our ending balance to offset our expenses exceeding the revenue. So we're using that partly to fund our cip. Transfer.

Spelman: ok. But if your ending fund balance at the end of whatever happens in 2010 will be \$8 million. We were proposing last year 7.4 million. 4 million at the end of the year, that was going to be ok. We're not increasing revenues or expenditures much, fund balance up by a million bucks it seems that might be a million dollars we don't need to take in and we can end with the same amount we were proposing last year and we will be ok.

The ending fund balance is a timing issue so when we put forward the proposed budget at that time, we don't have the actual ending balance. So the amount that we have now is \$10 million as an ending balance. So we are actually proposing to reduce our ending balance over the next series of fiscal years to be more in line with the 45-day reserve requirement. Or the actual in the reserve requirement amount is 30 days, but we try for 45. And that would be about three and a half million. as we have been discussing the last couple of weeks, this is probably not the best season for us to be increasing the size of that fund balance.

Right. We are deliberately letting it drop. what you are talking about here is talking that reserve and allowing it to drop over the next couple of years but not dropping it too much in one year?

Correct. is there any particular reason why we should do this over a two-year period instead of a one-year period?

If we were to let it drop, say, not increase, request an increase at all and the drainage fee, we would use almost all of the excess fund balance.

Spelman: ok.

So what we are also trying to do at the same time is increase the drainage utility transfer to cip. Because as victoria mentioned in the presentation, we rely on the 2006 bond monies to partly fund our cip. And we have identified a \$30 million annual fiscal requirement for that. So we're also trying to gradually increase the transfer to cip from the drainage utility fund.

Spelman: ok. But you don't want to do it all at once? You want to do it slowly over time?

Yes.

I think the concern is not just wanting to bring the fact of these reserves to match the 45-day financial policy issue that she's alluding to. But as she indicated the cip is funded by a combination of the bond program and revenue financing, which is a source for. You heard the order of magnitude in terms of capital challenge they have. I think they're early trying to err on the better side of conservatism so in the

relative short term don't severely impact their capital, capital objectives. I think dialing it back over a couple of years is a reasonable approach. thank you very much. thank you for your presentation.

Thank you. that brings us to last but not least, economic growth, our most controversial department. [Laughter] welcome ernie and associates.

Good morning, mayor, mayor pro tem and council. I'm rodney gonzales, the acting democraticor of the economic office. With me is rosie hellisy and the financial manager, sennobia hope grab and several division managers for the department. It gives me great pleasure to present the egrso organization department accomplishments and proposed budget for next fiscal year. Egrso is the economic development arm of the city of austin and austin energy. The department works jointly with the local chambers of commerce, technology organizations, several boards and commissions in this endeavor. Egrso was created to lead the economic development, small business development, cultural art and emerging technology programs of the city. The mission of the programs is to create a cultural and economic environment that enhances the vitality of the community in a manner that preserves austin's character and environment. Egrso is comprised of four disdifferent divisions and 45 dwoies. Redevelopment and special projects. Small business development program and cultural arts program. The work done within each division is distinct with a common thread toward facilitating job development. Toward this goal, the department has achieved a number of accomplishments throughout the current fiscal year. Beginning with green water treatment plan. The egrso completed the process in june 2008, which led to the council selection of a developer with whom we had been negotiating the redevelopment of the site. At the redevelopment project, the master developer continues to make significant strides toward the eventual plan build out. The seton family of hospitals, dell research institute and home depot, over 1,000 new permanent jobs have been added. In the realm of house, 141 new multifamily units and 540 single-family homes sold. We estimate there are many that call miller home. With the greenways, over 75 acres of parks and open space are available to the austin community. Amenities at the parks include picnic areas, play scapes, hike and pike trails, shading seating and amphitheater. Economic development. Two loan recipients completed the renovation practicals. Annie's and el sol moved respectively, doubling their size and job creation. Working in conjunction with the city's development departments, expediting permitting hand review was provided to one west bank. Resulting in the selecting usa ain't as the location of -- austin as the location of brand location. They invested 12 million in the facility and creating 600 jobs. One west bank is planning a ribbon cutting this september. Moving on to small business development, the small business mapping program was launched and can be viewed online at [explore local austin.org](http://explore.localaustin.org). Over 375 local businesses have a web presence about their business type, contact information and location can be viewed online. We continue to see an annual increase in the demand for small business services offered. This fiscal year we anticipate 3,600 visits to the business solution center where entrepreneur can use workstations to use business planning software and use our subscriptions to obtain bid information, marketing, demographics and real estate and research information. The business solutions center continues to be a major resource for entrepreneurs. And we anticipate serving 200 entrepreneurs who referred to sdpd bid open program. It educates the entrepreneurs about the city's developmental process.

Before moving on to cultural arts, I want to take the moment to remind entrepreneurs watching this

presentation that services provided by spd are of now cost to you. [Chuckling].

A little commercial.

In the realm of cultural arts there were awards given, and other programs. Another significant accomplishment is the doubling of attendance for this year's opening of the people's art gallery. Over 900 people attended the opening this year. In 2008 the readers of the austin chronicle named the people's gallery the best place to see local art. Egrso is fortunate to see a number of boards. They're recognized the city's investment toward economic development. There are several listed. I will touch on a few. Miller road received honoral mention for the 2009 award program. Mueller was also the best master plan community in 2009 by the austin business journal. The small business development program was finalist in the greater austin chamber award program and envisioned central texas george shift award program. And there was the spot at national league of cities showcase. The showcase is an annual exhibition of successful create of programs. Mlc selects 30 to 40 programs each year that they highlight and are provide to be accepted into this year's showcase. Moving to fiscal year 2010, the operating budget is proposed at 8.8 million. This does not include the funding for cultural contracts which is funded through the hotel-motel tax. The pie chart breaks down the budget across the specific budgets and functions. The economic development and redevelopment programs including redevelopment for all projects, such as mueller, city home, second street retail and the energy control center. In economic development, this division works with the local chambers of commerce for the retention, attraction and recruitment. Also the emerging technologies program and international and sister city's program. The small business development program includes biz open, the business solution center, bid aid and the special events we host such as meet the lender. This year's meet the lender drew participants and 31 exhibitors. In the cultural arts department includes operation staff to support the cultural contracting program and the art and public places program. The workforce development piece is new this year and represents the funding for the existing contracts that were transferred from the sustainability fund. And the administrative and support services area captured departmentwide appropriations that support all programs. The overall operating budget for egrso represents 6 million increase from the current face fiscal year. The bulk of the increase stems from the transfer of 3 million for funding workforce development contract expenses. The other increase from the transfer of one fte for music and one-time expense from relocating staff from one to another location and relocation and reconfiguration of the business solution center. Egrso has achieved budgetary saving for the fiscal year 2009 and 2010. We reduced travel expenses for training. Conducted an internal review of pager allocation, resulting in the reduction of page ares from 28 to 13 and implemented enhanced internal controls for purchases whereby the director signature, my signature is required for certain expenses. Fiscal year 2010 there are no expenses for previous programs. We had a one time expense and these will not be ongoing expenses. There -- allocations for the programs. The number of unduplicated customers served by the information and referral services is estimated at 1900. Whereas this number was 768 two years ago. And we estimate over 3,600 visits to our business solutions center whereas this number was 1200 two years ago. And in our cultural arts division, we continue to see an increase in the number of public artworks installed, which are funded by 2% allocation of cip projects for the art and public places ordinance. However, the maintenance of existing art is a challeng the departments are responsible for the respective public art but with limited resources funding is nonexistent for

maintenance. Both of the areas represent unmet needs. Like other departments we're doing our part to maintain the high degree of customer service provided to our programs and services. That brings us to the final part of our presentation. An outline of the goals egrso has planned toward being the best managed city. [One moment please for change in captioners].

We'll then begin aligning succession plans with areas within the department where we know future opportunities will exist. By focusing on keeping a high caliber workforce, we can ensure the continued success of the department. Mayor, mayor pro tem, this concludes my presentation and I'm glad to take any questions at this time.

Mayor Leffingwell: Thank you. Any questions? Thank you very much, rodney. I believe this concludes -- oh, all right.

Are you going over the schedule?

I think we have one slide -- [inaudible - no mic]. It's the same slide we showed you last time, but we wanted to recap it one last time and we mind council that we will be back before tomorrow once in the morning on an item to set the maximum tax rate, which staff will be proposing at the roll back level of 42.09. And later in the afternoon we'll be back for the third and final public hearing on the budget. Looking into september, for the 14th through the 16th, we have three days of budget approval readings scheduled. And on the tax rate adoption, september 14th would also be our first public hearing on the tax rate. Second public hearing on the tax rate occurring september 24th. And then adoption of the tax RATE ON OCTOBER 1st. And again, I mention it had last time, there's a little bit of a disconnect between the budget adoption schedule and the tax rate adoption schedule this year resulting from the delay we experienced in receiving the certified tax roll. So that's the schedule and we wanted to recap it for you.

Mayor Leffingwell: Questions about the schedule? And I believe that is all we have for this morning, so without objection, we stand adjourned.

End of Council Session Closed Caption Log