

# Closed Caption Log, Council Meeting, 08/17/11

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Mayor Leffingwell: Good morning. I'm austin mayor lee leffingwell. A quorum is present so I'll call this special called budget work session to order on wednesday, august 17, 2011. The time is 9:07 a.m. We're meeting in the board and commission room, austin city hall, 301 west second street, austin, texas. So we've got a couple of items on the agenda and I'm going to go in a special order. Without objection, we'll hear a briefing from the budget office on item 3 to prepare for our two action items required by state law, those are items 1 and 2. With that said, we'll go ahead with our staff briefing on item 3, which is the revenue projection.

Thank you, mayor. If you could cue up those slides, it looks like you've got those there. This first slide just outlines the agenda that we would like to follow today. As the mayor indicated, we were going to kick off the meeting with the general fund revenue update letting you know where we're at in terms of major current funding sources with the general fund and what the implications for 2012. Then the two council action items. The first is setting the maximum tax rate that council will consider throughout its budget deliberations. And then that tax rate or a tax rate will ultimately be adopted in september. We've got that scheduled for SEPTEMBER 12th, WHICH IS THE First day of budget readings. The next item to actually do is to set the public hearings on the tax rate, and those are currently scheduled for august 25th and SEPTEMBER 1st. And these are required under the truth in taxation process in the state law. Then we'll follow that with briefings from our departments today, giving a little bit more detail on their proposed budgets. We'll have austin energy, health and human services, the fire department, austin transportation, and the public works department. Then next week at our budget WORK SESSION ON AUGUST 24th, We'll continue bringing more departments before you to talk about, again, their proposed budgets in more depth than we COVERED ON JULY 27th. We've scheduled police, emergency medical services, parks and recreation, the austin public library, and the austin water utility. So that is the agenda in general and the plans for the next couple of weeks. Now we'll get into the general fund revenue update. Wanted to brief you on property taxes first. Back when we delivered the proposed budget to you on july THE 27th, WE DID NOT HAVE All of the certified tax rolls in at that point in time so our taxable values at that point were an estimate. Based on those estimates that we had in hand, we calculated the maximum tax rate and included that in our budget proposal in order to bring that budget into balance. And that rate at that time was 23 cents per \$100 of taxable value. We've since received the certified tax rolls from all of the central appraisal districts that are within the city of austin limits, and that final taxable value is 1 billion so we were very close in our estimates. We've provided three different tax rates scenarios down here in the table. At the bottom of the slide, the certified maximum after everything has been verified and recalculated is a little bit higher than the 48.23. 32 cents per \$100 of taxable value. We've also shown the pre-certified maximum here as well. The revenue change that both of those tax rates would bring into the general fund would be some additional revenue. If you went with the certified maximum, that would be 6 million in additional revenue. Going with the rate that we estimated at the budget proposal date would bring in about \$900,000 more in additional revenue, and then we've calculated a revenue neutral rate of 48 cents -- 11 cents, which is the lowest there, and that would basically bring in the same level of revenue that we had actually included in the proposed budget that we needed to balance. Then what we've done on the -- the very far right column is to show you the impact on the average taxpayer. And that is defined as a citizen or a resident or a family who owns a home that's valued in the range of \$184,000. That is the median priced home based on all of the

certified roll information that we've received from the districts. And you can see the increase there in terms of monthly amounts. The maximum would be an 11 per month. Going with the tax rate that we had originally proposed in the budget, keeping that flat, would bring in a little bit less than \$3, and then, of course, the revenue neutral rate is the lowest amount at \$2.79 increase. Sales taxes, we've continued to track pretty well in that area. We show this graph to you from time to time, and last week we provided a report to you on our latest payment, and you can see the august payment which is for june retail sales looks pretty good. 4% compared to the same month in the prior year. Now, that result, as we indicated to you in our memo, was largely affected by a very large audit adjustment. We actually look -- when the state controller provides that information to us, she provides a number of different categories that we can analyze when we get our payment each month. And what we like to look at is something called current period collections, and that kind of gives you more of a trend that you can look at over time without the various adjustments like timing adjustments, audit adjustments, those kinds of things. In august that was up 4.2%. It's kind of been in the range of around 3 for most of the year so it was a little larger this month, but again, still very positive news. Our 2011 budget, just as a 5% increase in sales tax revenue, and so we're ahead of that right now. When we came to you in july, 7%, and with the payment that we've seen in august for june taxable sales we're up to 9% on a year to date basis. We're still recommending no change in our 3% sales tax growth projection for next year. You'll recall that when john hocking comes to us in april as part of our economic forecast he looks at the factors that really co-relate the best to sales tax to try and help us pro-predict that increase. It's largely in his opinion tied to employment based on all the studies he's done. In looking at this. We did check with him to see if there were any adjustments end to make at this point in time and he indicated he still felt comfortable with projections from april and they are here, 4700 new jobs in 2012 net of public sector job losses that might occur. Hot weather. On to the austin energy transfer. Just as a reminder, the general fund transfer is 1% of austin energy's three-year revenue average, and that average is basically calculated by looking at the previous two years of actual revenues, so for 2012 that would be 2009 and 2010 as well as the current year estimated revenue. In the july budget proposal, we actually had actual revenue through may. Now we've continued to have extremely hot weather during all months, june, july and august so far has shown no -- no relenting there and so we have had higher than normal energy consumption. Based on that nformation, austin energy has taken a look at their numbers again, and it's looking like the impact of all of this hot weather would result in about a \$2 million estimated increase in the general fund transfer for 2012 and we'll continue to work with them and track that as the rest of the summer unfolds. So right now we're looking pretty positive in terms of our overall revenue picture. Of course, there is a lot of stuff, though, going on at the national level and you never know what is ultimately going to trickle down to the local economy. We've always weathered things very well related to the national situation, but still there are some budget risks and uncertainty out there. Ed, during the budget presentation in july, covered quite a bit of information about potential grant reductions both at the state and the federal level. Not only for 2012 but also looking into 2013 and beyond in eas such as cdbg and possibly home. And then you read a lot in the financial press about the potential for a double dip recession. We've listed a number of the factors that seem to bring that discussion up from time to time. And again, ed and I are cautious people so we are just reminding everyone of the risks and uncertainty that are still out there while remaining optimistic as well about the local economy. And then as we conclude the presentation, we've got three recommendations to make. The last recommendation actually segues into the consideration of council in setting the maximum tax rat that you might consider during the remainder of the budget process. But the main message here is that in light of the uncertain economic climate, and I'm talking mainly at the national level here, we all believe that we should continue to take a prudent and conservative approach to budgeting our revenue. That's served us well in the past and I think just in terms of that general conclusion it applies to myself, ed and the city manager as well in terms of making this -- this recommendation. So recommendation number 1 is that we preserve the level of revenue that was included in the proposed budget. That would allow us to go in a little below the maximum tax rate estimated, the reduced 11 cents per \$100 of assessed valuation. And again, that would preserve the level of the tax revenue that we need to remain in balance regarding the 2012 budget, and we did propose that budget at service levels that were largely intact and able to deliver those core services to our residents. Then recommendation number 2 is to continue to work with austin energy to make sure that we've got the most accurate amount of additional revenue that the general fund could see related to the hot weather. I don't think that's going to change significantly. I think the \$2 million is a pretty good

firm estimate at this point in time. But basically letting that flow into the budget stabilization reserve when we come back to you in september, kind of taking a wait and see approach for several months before proposing any additional appropriations that council might want to consider with that money. And then lastly, and this gets into the -- the item that will be coming up next is we recommend that you set the maximum proposed tax rate at the calculated maximum. 32 cents per \$100 of taxable value. And just a reminder, council is well aware of the truth in taxation process, but I want to repeat some of it for the public. This is really the first step in establishing a maximum proposed tax rate and it is required under truth in taxation laws. And so even though council may vote to set a maximum proposed tax rate, council may also end up adopting a tax rate below the maximum after your budget deliberations are concluded as we move into the rest of august and then into september. And by doing this I think you will preserve the flexibility that you have to really set the tax rate that you believe fits best with the city's needs and the ability to deliver services. And then just as a reminder, the actual tax rate will not be adopted until SEPTEMBER 12th. That's scheduled to be the first day of our budget readings. And then we've got two public hearings scheduled on august the 25th and september the 1st. So with that, mayor, I'll turn it back over to you.

Mayor Leffingwell: Okay, so this is opportunity for council to ask any questions, but first the public is allowed to sign up and comment on this item, correct? Anyway, I think it's kind of a moot question. I don't see anyone out there so we'll go ahead and go to councilmember martinez.

Martinez: Thanks, mayor. Lovely, ed, thank you for the presentation. I wanted to ask, so we see some flexibility in I guess the ultimate decision we're going to make as a council and whether or not we go to the maximum tax rate. And I think that's good news. But I wanted to ask a couple of questions. One specifically, city manager, regarding the austin energy transfer. And while it may be a dicialg 2 million in revenue -- an additional 2 million in revenue, do we look at that 2 million as ongoing structural revenue for out going years or is that just a one-time anomaly do to the inclement weather?

It typically at least lasts in over a three-year period because of that rolling three-year average. And so, you know, while it may feel like a one-time effect, it actually, you know, it will be in place for the next three years.

Martinez: So over an average of three years it may not reflect 3 million next year.

Right. Right, so ultimately you will get back to where you are in any given year and it's meant to kind of smooth the --

Martinez: So what is our policy for budget stabilization reserve? What is the minimum amount that -- per --

well, we have got -- we try to keep it at a certain percentage level in terms of our total spending. And so currently our forecast is that by the time we actually provide for the one-time capital needs and the capital replacement needs in 2012, we've got about 12% of our total spending. Now, we've been higher and we've been a little bit lower, and we're not allowed under our policies to spend any more than a third of that. And so in order to keep adequate balances in there during times when we're not seeing a lot of revenue go into there, we adjust our spending accordingly.

Martinez: And that one-third per policy can only be spent on one-time expenditures.

That is the the recommendation. I think we've deviated maybe once or twice in the past, but generally it's intended for capital.

Martinez: So under recommendation 2 if we were to adopt your recommendation to place it into budget stabilization reserve, if we allocated it months later it would go to one time expenditures and not ongoing

structural expenses.

It would probably be a good idea to do that. Now, because of the nature of the three-year rolling average, some of that could perhaps be ongoing. Our main recommendation there was to kind of take that wait and see approach. Just after all the bad news kind of stops.

Martinez: And under recommendation 1, if we were 11 rate, what does that do to us in 2013 as we look forward at cost drivers that we know are going to be ahead of us, what does it do next year in terms of preparing the council for -- are we anticipating having to go to the rollback rate if we don't do that this year?

I believe in looking at the five-year forecast, and ed, jump in here if I'm not remembering correctly, for the next probably just assuming that our cost drivers go as they have, you know, in the recent past, over the next i want to say two to three years we would probably need to go up to the rollback rate or close. And then after that point it might begin to abate a little bit. Is that --

that's correct. I mean, we would -- unless there is a significant bounce in the economy and we start seeing sales tax revenue and development revenues bounce up like they have after previous recessions where we've really kind of seen much slower growth after this recession than we're used to, sales tax growth of 3 to 4%. Under that -- you know, under that continued sales tax growth projection, we would anticipate, you know, given our built-in cost drivers of being at or very near the rollback rate in 2013.

Martinez: Thanks. And I guess for me, mayor and council, what I see is the difference of about 25 cents on the taxpayer if we go to the maximum proposed tax rate. And it generates about 6 million in additional revenue, and we certainly have some -- in my opinion, some pretty difficult funding gaps as it relates to social service contracting, in the areas where we still haven't been able to close that gap. Now, we've directed the city manager to find funds for the children's shelter and for other initiatives that we believe strongly in, but that we weren't able to fund through social service contracting so I really want us to keep that in mind as we move forward. I think if we don't fund them, it's only going to cost us more in the long run and that's just an opinion of mine, but I really believe the social service aspect of being in these tough times and making it even harder on some of these programs by not funding them I think only costs us as citizens in the community more in the long run. Any contemplation at this point of additional revenue expenditures, I'm definitely going to err toward the side of showing up our social service side of things that we cut this year. Thanks, mayor.

Mayor Leffingwell: Councilmember cole. Mayor pro tem cole.

Cole: I want to express support for what councilmember martinez has said because we see this impact problem playing out on the federal level, which is refusal to -- and at the state level, refusal to fund social service contracts and then we have an expense way above what we can pay for long term. And also just kind of being a community that cares yet balances its budget. So I would be supporting that. And the other item that i think we are seriously deficient on is our parks. And we need to see our parks as not just places where people go to relax but a lot of those programs as programs that also assist with social services. And we have targeted parks in east austin such as dottie jordan that some of those programs would seriously impact soccer, football, tennis and many, many other community activities for our youth that we also have pledged that we will help the school district with. So I would support that. But the question I have for you, leslie, when we talk about our policy of one-third and one-time expenditures over a three-year period, is there some balance we can strike between using the utility revenues for some of those social service or park needs as opposed to raising the property tax rate?

I guess in terms of the social services needs, if they are viewed as one time, you know, chances to infuse some funding into social services areas, that would be consistent with the one-time use. You know, one of the things that we ended up I think shaving back a little this year bass the book collection

at the library. That's sort of a one-time type expenditure as well. I'm not sure if I'm answering your question, but --

Cole: As we think about going to rollback rate versus how the utility transfer from austin energy is used, I was trying to figure out if we could actually decrease the amount that -- and not go to the full rollback by using some of the utility transfer.

I guess to give a more direct answer, if you are going to choose between the two, I would suggest you deal with the property tax rate and not the \$2 million that we find that we have because, again, even though, you know, the benefit of that may be recurring for a few years, it not perpetual. And again, assigning any of those dollars to a program or service that has recurring expense just wouldn't be advisable. We have as we've tried to work our way through this economic decline since, you know, 2008, it actually began about december of 2007, our strategy and approach has been not just the typical tools in the cool box, cutting costs so it gets you through the budget cycle but a combination of things. And we've used the word a lot structural. So some of our applications as you well know have been structural by design so that, you know, we could withstand any further -- the impact of economic decline. And so related to the 2 million, it really gets at that issue. If we spend it, you know, on things that are recurring in costs we're going in the opposite direct relative to how we approach managing our fiscal circumstances to date.

Mayor Leffingwell: I would agree with the city manager on that if for no other reason our traditional 1% maximum austin energy transfer to the general fund has been subject to a lot of criticism, notably from the electric utility commission very recently. But we have talked about reducing the amount of transfer for several budget cycles now. Of course, it's always hard to do, but it seems to me like this is an opportunity -- i don't know what the numbers are going to work out to be, 1% of whatever you got in there plus 2 million is 1% this year. You see what I'm saying? I mean, your actual transfer 1%, but it's actually less than that considering the fact that you are projecting \$2 million more revenue. Is that correct?

Well, I think if we were not to implement the \$2 million additional transfer, it would be less than 9.1%.

Mayor Leffingwell: That's what I'm saying. That's what I'm saying. So what would it be? 7 Or --

do you know, elaine?

Mayor Leffingwell: We'll work on that.

We'll get you that.

Mayor Leffingwell: Anyway, the objective from my perspective would be to take this opportunity to begin to ratchet that transfer down as we have pledged to do for several years.

Cole: With that explanation I would not expect to change that until we consider dealing with the property tax rate.

If I may, and that's obviously your prerogative, again, I just want to emphasize that our recommendation to you is the revenue neutral rate.

Cole: Right. Right. But as -- and the last thing is I know you are going to get me a schedule and you've already given it to me of the rest of the budget sessions, but I am planning on consistent with today's presentation making a specific place for us to talk about our changes to the budget or what we would like to see and us to work with management on that in a work session and to kind of lay that out. So

we'll be dealing with more budget issues and planning for that in the future.

Mayor Leffingwell: Work session coming on later this morning for some of the items.

Cole: Okay.

Mayor Leffingwell: Councilmember Spelman.

Spelman: Let me be sure I understand on the issue with the property tax rate stuff. Your recommendation is hold it 11 cents, the rate we thought was going to be -- it's 48.32.

That's correct.

Spelman: Explain to me the meaning of revenue neutral in this context. 11 is what you are calling the revenue neutral rate. I would expect that to bring in the same amount in property taxes as last year. Is that right?

No, what we went when we called it revenue neutral, it would bring in the amount of revenue that we proposed on July 27th in the budget.

Spelman: I see. Okay. So this is how much money you said we were going to get from property taxes -- right. So that would need to -- the tax rate would need to be at 11 cents in order to bring in the same amount of money that we need to do balance the budget that we presented to you.

Spelman: So if the expenditures don't change, we need to bring in a certain amount of money to balance. You said July 27th given level of expenditures that we needed a certain dollar amount, 48.11. That represents about what percentage increase in the total amount taken from property taxes? Looks like it's around 7 or so.

Can you repeat the question?

Spelman: The rate is 8% increase in total property tax revenues.

Rollback rate.

Spelman: Rollback rate rates. Yes. 32 cents is the rollback rate rate, 80% increase for expenditures.

As opposed to the 8. I think we'll have to get that information for you.

Spelman: It sounds like what is being labeled as revenue neutral tax rate is close to the 8.

It's not going to be significant.

Spelman: We're not talking about a big difference of 21 cents per mill. And that's why -- which answers my second question which is why is there a 79 to the average homeowner it's because we're talking about a fairly substantial increase. 11 but it is pretty close to 3.11.

Uh-huh.

The current tax rate is 45.71. We're going from the tax rate 71, it would go to 11, which would have a

monthly impact of \$2.79.

And you also take into account the value of the home last year versus the value this year.

Spelman: And the assessed values citywide gone up or down in the last year?

For single-family residential they went down slightly. The median last year was 184 had 84. This year they are 182.228.

I'm sorry, I got that wrong.

Spelman: The median house should be 182.

Right.

Spelman: 182,228?

228.

Spelman: I wrote that down and read it wrong. I think I have an understanding for where we have roughly speaking what 32 cents difference per month, three and a half bucks a year is the difference between the certified maximum and the revenue neutral.

That's right.

Spelman: We're not you canning about a big deal here, 6 million we can spend in the general fund if we didn't want to go that extra \$3.60 per year. Okay. All right. Just a technical question. We get these audit adjustment periodically from the controller. What's the nature for sales tax? Why does this happen?

They typically -- they have an audit team over at the carry-on toller's office and they go in -- controller's office and they do on site audits. We have them visit us from time to time because we charge sales tax on our utilities. And so as they actually discovered that someone has underpaid or overpaid, you can have a negative audit if they are due a refund or if additional money is collected. They usually look at a period of time too so they could cover a number of months that you now get paid all at once. And so that's why they can vary.

Spelman: It seems to me if we're getting audit adjustments -- they come in every three months or so?

We usually have some level every month. When we get the report. Now, the month in question in august, that was a quarterly payment and those are typically larger than the monthly payments. And so the audit adjustments can sometime be a little more significant during that payment.

Spelman: Are the audit adjustments tied to -- could we go back to our monthly sales tax numbers and adjust them based on the audit numbers? We get an audit, the june audit is 3% higher than it would have been but they were also april, may, maybe previous months. Is there any way we can go back and adjust out so they get a fair estimate pore what we should have gotten?

I'm not sure if we can actually get that information from the state controller's office but we can check into that.

Spelman: The reason I'm asking, I'm looking at the ups and downs and some of the ups are higher because we're getting positive higher adjustments. Some of the downs may be lower because those are

where the adjustments happened and we got the money three months later. It might be easier to track what our sales tax numbers in reality are that we won't get the payments on because of the audit problem. But we may have a more easily trackable series and also might put us in a position where if we start to dip down again we can identify it more quickly with a series which is cleaner.

Yeah, and one of the things we could report to you on a monthly basis, we've done it from time to time, when we get our payment, she breaks it down into several categories and one of them is just current period collections unadjusted. That's usually kind of more indicative what your overy'all trend would be over time and -- overall trend would be. In august when it went up 4%, the current period collections were only 4.2%.

Spelman: Okay. And that's true for the entire time series we've got a page 6. This is the total amount -- those are the payments themselves.

Spelman: Yeah, I would like to see the series for current period collections. It might give a better sense when we're improving and when not.

We'll do that as a budget q and a.

Spelman: That would be great. I'll send it in. Thank you, mayor.

Mayor?

Mayor Leffingwell: Councilmember morrison.

Morrison: Thanks. I wanted to go back to slide 5 and make sure that i understand some of the issues in terms of the effective rate and the current rate. Going back to councilmember spelman's question or clarification that revenue neutral really doesn't mean our effective rate or current rate. And so I think it would be helpful to -- if you could explain what the effective rate is and what that -- remind us what that was going to be. You told us that before.

The effective rate is the rate that you would set if you wanted to bring in only the same level of revenue that you had brought in the previous year. And the only exception there is that -- the only additional revenue that you get is from new construction or annexation. That's the effective rate. Do you know what that was?

It was 46.44.

Morrison: 46.44. And do you know -- I think it's important in terms of understanding how much more money the city needs or what impact that would have on our budget and services if we were to go with the effective rate. The difference in revenue to the general fund, so how much will we have to cut the budget proposal if we were to stay with the effective rate?

\$13.1 Million.

Morrison: So we would have to go into the proposal 1 million in savings.

That's correct.

Morrison: I think that's important to understand. The other thing you are talking about are the cost drivers, sort of the built in what it is from year to year that forces our budget to grow, our general fund



budget to grow. Can you off the top of your head mention what some of those cost drivers are? I mean probably most of them are driven by population, but if you could help delineate those.

Well, for example, some of the things that we just can't control, for example, the increasing cost of health insurance is one of those factors that we can consider to be cost drivers. The bargaining contracts that we have negotiated with our public safety personnel honoring those contracts, those are part of our cost drivers. Oh, our pension fund, providing increased contributions to our pension fund. Those are just really some of the majors. And we look at other things, for example, just increased utility costs, you know, materials and supplies, inflation basically. Things that we typically that are just not within our control. And I think ed is trying to look up the amount of the cost drivers.

Morrison: That's okay. Those are the big ones. That gives us a sense of we have to accommodate those in our budget and if we were to stay at effective rates, we would have to decrease services that we provide. So that's a bit of a challenge that we're always trying to balance. In terms of that we get a transfer from austin energy, we also get a transfer from the water utility. Has that transfer amount changed in your estimates back in july to this point?

It may have changed some. The -- the water utility isn't quite -- in other words, when we experience a lot of hot weather with austin energy people are running their air conditioners 24/7, and so there's hot water, we're restricted to watering two days a week so the water usage doesn't tend to go up as much and you don't really see those dramatic changes. So usually when we check in with the water utility, it's not nearly as significant as it is with austin energy. But it has gone up somewhat but not, you know, not \$2 million.

Morrison: And I think there are a lot of people who have given up on keeping lawns anywhere near green, like me.

Me too.

Morrison: Okay. And then I did want to mention that one of the things that you see that our electric utility commission in addition to mentioning the transfer rate, they've also raised concerns about funds in addition to the transfer rate that move from austin energy to economic growth and redevelopment. I didn't see them on our budget -- our budget briefing list. Are we going to get a briefing about their budget?

I don't believe we've scheduled one for economic growth.

No, we don't have one scheduled for them.

Morrison: I think that might be interesting and maybe I can get with you all to hear more about it rather than pawing through these documents which I'm happy to do but i know it's easier. In terms of we're going to have to look at this balance of tax rates versus the moving funds if we do have \$2 million extra coming into the general 1%, moving them into stabilization because I think that we've definitely, you know, there's -- there's a good amount of public input that we solicit and I know there are certainly some hot spots in the service cuts that I've been hearing about and I bet all of you all have been hearing about, and so I think that, you know, that's -- it's a mechanism for identifying where the -- where the proposal really is out of balance with the general sentiment. So I'm certainly interested in looking at ways to -- to keep our rec centers on the table. I think we all know that's a really controversial and difficult proposal that's on the table, and then I also want to second what councilmember martinez has said and in terms of making sure that as much as possible we shore up social services. But I know that yesterday that we were talking about one potential one-time social service issue that really would support some capital investment. So I think maybe we can take a look at finding the balance there. Because I guess what I'm -- bottom line is I see the smoothing of our transfer funds as an important piece of our stabilization. And so if -- I think that we can look -- I'm not uncomfortable looking at moving

some of that funding, some of that \$2 million into ongoing funding, for instance, keeping the recreation centers open. So I think that to be able to have that option on the table and to discuss would be important.

Mayor Leffingwell: Councilmember tovo.

Tovo: I agree with councilmember morrison's point and I take your point, city manager, that that's not a - I'm not going to articulate as well but that we're striving for structural changes to help balance the budget. When we use the example about the austin rec center and the programs taking place there and they are serving -- supporting our social service goals as well as frankly our public safety goals. If we have really great after school programs and other programming going in there. And I know the parks department has undertaken a fee analysis that may result in some structural changes and then there may be other opportunities to bring in partners to the austin rec center and perhaps the dottie jordan as well, and it seems like those are not -- that the time frame is very short to get those partnerships in place to create a structural financial soundness. So then this \$2 million could help us in terms of a stop gap kind of one-time stop gap measure. I hope we'll be open to those kinds of measures and not see it just as funding an ongoing program.

Mayor Leffingwell: Okay. Just as a reminder what -- our action item today is set the maximum rate, not necessarily the final rate. That will come at a later date. Plenty of time for those discussions as we work through the individual departments. Any more comments? Okay, so we will next take up item number 1, which is a resolution to adopt a maximum proposed property tax rate that we will consider for the next fiscal year 2011-2012, and set the date that the council will adopt that property tax rate. But before we do that, this is where we're supposed to take citizen comment. If there is anyone signed up to speak. Hearing none and seeing none, we'll go ahead with the resolution. Under state law a vote on the motion to adopt a maximum proposed tax rate that the council will consider requires a roll call vote. Staff has recommended proposed 32 cents per \$100 valuation. So at this point I would entertain a motion to adopt the proposed maximum property tax rate.

Move approval.

Mayor?

Mayor Leffingwell: Councilmember spelman moves to adopt the proposed maximum property tax rate that council will consider for f.y. 32 cents per \$100 valuation. Is there a second? Councilmember riley seconds. Any further discussion? Mayor pro tem cole.

Cole: I would like to know -- councilmember martinez and I were having a discussion -- we were all having a discussion about going to the maximum rollback rate and this is not the marks.

Mayor Leffingwell: It is the rollback rate.

Cole: And this is the maximum -- and the differential we see is from what you previously proposed ON JULY 27th.

The reason it's kind of confusing is what we thought it would be on july 27th was 48.23. Now it's 48.32.

Cole: So this is the maximum. This is the rollback [inaudible].

Thank you, councilmember.

Mayor Leffingwell: That is correct. And that is based on the 44 cents for this year. Which a portion of that is o&m, 8% above that gives you the rollback rate and that's what we're considering is 48.32.

Further comment? City clerk, call the roll.

Mayor Leffingwell: Aye.

Cole: Aye.

Martinez: Aye.

Morrison: Aye.

Tovo: Aye.

Riley: Aye.

Spelman: Aye.

Mayor Leffingwell: The motion to adopt a maximum 32 cents per \$100 valuation for council to consider adopting 2011-2012 passes on a vote of 7-0. And the next item will be to set the date for council to adopt the property tax rate for f.y. 2011-2012. Proposed time and date september 12, 2011, beginning in the austin city council chambers. I'll entertain a motion to set the time and date as proposed 2011-2012 property tax rate.

Cole: Move approval.

Mayor Leffingwell: Mayor pro tem cole moves to set the time and date of september 12, 2011 at 9:00 a.m. Is there a second? Councilmember spelman seconds. Is there any discussion? All in favor say aye. Opposed say no. Pas voted of 7-0. So we go on to the next item. By state law since we adopted a proposed maximum tax rate that is above what state law calls the effective rate, we must set two public hearings on the proposed tax rate for f.y. 2011-2012. Staff recommends the setting of the hearings on thursday, AUGUST 25th, 2011, AT and on thursday, SEPTEMBER 1st, 2011, AT 4:00 P.m. Council chambers 301 west second street, austin, texas. I'll entertain a motion on that item to set the public hearings on the proposed tax rate for f.y. 2011-2012. Councilmember morrison moves approval. Of those public hearing dates. Is there a second? Councilmember martinez seconds. Discussion? All in favor of that say aye. Opposed say no. Passes on a vote of 7-0. That includes the briefing on items 1 and 2 so without objection we'll go the our second staff briefing item 4 on the city budget.

And the first department that we have up is austin energy.

Mayor Leffingwell: Mr. weist, you have the floor.

Good morning. I'm larry weist and elaine hart, senior vice president and cfo of austin energy and I'll try to go slow and careful through these slides. Sometimes I go a little fast so please stop me in the middle if there's any questions on the way. 12, let me back up and say a little bit about austin energy, that austin energy is the 9th largest public power utility in the united states. 8 billion in assets. Over 1 billion in annual revenue. This service area is 437 square miles. 50% Of which is outside the city limits of austin. And that serves parts of travis and williamson county. Currently this month for 421,000 electric customers. 11,300 Miles of distribution and 1706 full-time employees. 12 our use of funds, the slide that's up there, is the source of funds compared to budget, we will spend more than our revenues and we will will have a deficiency for f.y. 12 of \$76 million. I'll talk later about our rate work that we have coming up this year to try to close that deficiency. The base revenue of 53% over on the uses of funds and the nonfuel o and m and the fuel, those combined are for the total power supply and the operations of the utility. The other components are debt service, capital program and general fund transfer that you were discussing earlier. Cost drivers for this next fiscal year. The citywide personnel changes has

affected austin energy to the opportunity of -- with salary adjustments, health insurance, supplemental retirement contributions, transmission expense related to operating and the rising cost of the texas grid is 3.8 million. We have additional coal and nuclear operating plant expenses from a variety of sources of 2.7 million. And then conservation information technology requirements 2.6 million. We will be converting the remainder of austin energy's facilities to all green choice energy this coming fiscal year which is additional cost of 1.4 million. That is energy that we procure and sell and meter to our own buildings. Franchise fees, we're now franchise fees and that is about a million dollars. Related to capital improvement plans, we have about an 8 2 million increase debt 7 million, and a transfer to capital of 2.5 million. Cost containment. For the third year in a row austin energy will have no new positions added. There's six vacant positions that have been eliminated. And \$12 million of other budget reductions. Some of the larger ones is 5 million eliminated from one-time expenses. A million dollars has been deferred on solar rebates. And on that I want to say that budget reduction options across all of austin energy were implemented and that in consumer programs what has happened in the past is even though that's the budget, if we run out of funds during the course of the year we've come back and asked tore a budget amendment because we have so many interest in the program. So I want to make sure the council understands that. The \$630,000 has been reduced for line clearing, electric line clearing. That will not reduce the scope of what we're -- of our responsibilities but we found better ways to use the money so we've reduced there. We've shortened the rate review process and that saved about \$500,000 in the reduced scope, done more work ourselves frankly too. And then we've had 400 -- about a half a million dollars in reductions for building expenses and et cetera. [One moment, please, for change in captioners]

this month, the 29th of august, we will post to the website our rate recommendations. Those will have actual structured rates of what the residential class, commercial class and our charges and what some of our other building features would look like, some of the line items. That document will be delivered to the council offices. I'll be working with the city manager as early as next week on it, and that is is working document, it is a draft, it is information. It is not a decision tool. It is strictly a piece that we take to the first special meeting of the euc on the september 1st is when we will actually begin discussing rates. And then on the 19th we will euc's regular meeting where we'll do that. And then tentatively I would like to come back to the council and give you an update as part of our work -- as part of our quarterly report in october so the council will have an idea of about where we are and the discussions with the euc and what's happening with the rates. And then we go back for another special meeting with THE EUC ON OCTOBER 3rd. And october 17th we have our regular meeting. And at the end of that we -- the meetings will be all held at the town lake center and we will have hopefully a consensus by the euc and by the staff and we will work out the details about what we want to bring to the table and that will happen in the following months.

The representations to council, generally we're talking after that from november 2011 to january 2012. And we have no fee changes that are included in that. This is strictly electric rates. To the budget, the beginning balances amended an estimate and there's really not a lot of new changes from the past fiscal years in this budget. We've -- the largest item is that we have a continued deficiency in our budget which means we need to raise rates in this year and this fy budget we have \$75.4 million needed. Now, again I said that we would come back after the rates were approved and we would do an adjustment for that number based on the revenue that we would expect to get from rate increases next year. The strategic reserve, just to point that out, that strategic reserve is a requirement of our fiscal policy that we have 120 days of working cash. We have have to have some excess funds for fuel supply. So that is a policy driven amount of strategic reserves that sit there for our operations. Budget highlights, I think that rates for this next year is the number one issue, and our customers have benefitted from more than 15 years of stable electric rates. The base electric rates have been unchanged since 1994. What has changed is we've had a fuel charge and we've added resource acquisitions so that has changed since that time. A combination of cutting costs and using come lated balance funds -- fund balances, excuse me, have been needed to balance the budget for the past three years. I've been at austin energy about a year. We've done some additional cutting this year, but i will speak to the fact that they have been cutting in the past years as well. I believe the organization has done a prudent job of cost management. These efforts alone are not enough. They're not sufficient. To the rate review is underway and it's going

to be a busy fall going through this process and with the rate review. Some highlights from our operating budget, outside of the rates, which I've discussed, the transmission rider will recover the increasing Texas grid costs. We receive revenue from the use of our transmission in the operations of ERCOT and we also pay for the use of the system in ERCOT. That is going up. And there's over \$12 million in operating cost reductions that we've implemented and the general fund transfer 1 percent is maintained. And our strategic reserve is sustained. In the spending highlights for this year, the capital plan, we have planned capital improvements reduced by 15 million. A billion dollar five-year plan with 605 million debt funded. The large item in that chart is in 2015 and 16. That is in addition to our Sand Hill generating facility of additional thermal generation in that year. The other capital that's out there that's significant, we're doing a substation or two, and ongoing distribution system improvement. Those are the highlights in that area.

Other capital improvements in this budget that are significant is the billing system, the system that bills all of the city services is being transformed and rewritten and a new product is being rolled out. The new system is being rolled out this fall. That's a 41-point-of-million-dollar project. It will be completed and online this October. The system control system, we are moving from the existing control center that's at the end of Second Street there and that is being moved out to the new one. That's under construction. 7 million, and that work has been ongoing for several years in the planning stages as you know. The Holly power plant decommissioning, I'm happy to sit here and say that it's actually being taken apart. And we've got it in the budget and we're on with the project. And that's a total cost of 24.3 million. Transmission system improvements, we have substation improvements that we need to make, the Mueller substation and then the Dunlap substation for FY '12. And I discussed the Sand Hill energy center expansion, it's a total 8 million, but is being deferred and some of that capital shows up in 2015-2016. Last but not least, we have to maintain a great credit rating. And the goal is to try to get to double A. And currently this is the -- where we sit with respect to AE's individual credit rating as a stand alone utility versus the city as a whole. There's a couple different ways the agencies look at that. Some performance measures to make sure that we are continuing to have a high level of reliability are we have met our goals for system reliability. There's a measure of frequency of interruptions on our distribution and transmission system. And these performance measures are very high for the industry and Austin Energy and the city should be very proud of the performance of our operation people. This summer we haven't had a lot of storms, haven't had a lot of rain, so that should help us out as well going forward. The -- notwithstanding some other projects coming along this year that we're looking at right now, the goal for 2012 is that we would be at 17.6 percent renewable. And into that fiscal year my expectation is that we will probably meet or exceed that, and we'll be showing this slide and every time we do an acquisition we will be updating this so that the council knows where we are. And with that, that's a quick run-through of Austin Energy's budget and I'll take any questions.

Mayor Leffingwell: I think it's important to stress that this is a deficit budget for Austin Energy and has been for the last couple of years. We basically are closing that deficit with surplus funds from previous years. We continue to do that. And so when you think about potentially adding to the transfer, maintaining the 1 percent by adding two million a transfer, you're really -- that money doesn't come out of net profits, it comes out of gross revenue. And that just exacerbates the deficit that we would -- that we would experience if we did that, just to bring that up. But another reason why the 1% is becoming more and more tenuous as we go along is the fact that we're currently -- I know you're in the process of revising your business plan right now, but the business plan that we're currently operating under shows a large percentage of that revenue, which is fuel surcharge. I think the last I saw is about 30, 35%. Is that still about right?

That's right.

Mayor Leffingwell: And that in fact kind of hits you both ways. I mean, you don't realize any net increase -- any net increase in revenue to you, but you still have to pay 1% to the general fund. If that's clear. I know it's kind of confusing. It's not a pass-through. So even though it's not benefitting you in any way as the other part of that gross revenue; you still 1% out of it, so it's kind of a double charge in a way. So that's another reason that we need to be strongly looking at ratcheting down the transfer rate

sometime in the future as soon as we can. Do you have any comment on that?

Well, I don't. It has come up by the way, that very point that you raised has been raised there. It is a policy issue. And we run the business and there's policy decisions, and I think that I will say I've been asked that the transfers by municipally owned utilities to the cities that own them is very common. In fact is done across the country. And this issue has been raised by probably all of those policymakers as well as to how to handle that. And I don't have any other comments beyond that, but I look forward to the guidance from --

Mayor Leffingwell: I'm not suggesting that we do away with it. I'm suggesting that we be as totally honest about it and up front about what we can. Because especially now as you go to a potential rate increase for next year, you mentioned that our service area is, what, 437 square miles and 15% outside of Austin, but that's not 50% of the customers, that's 50% of the land area. And 10% of those customers are outside the city --

It's about 16 percent, I think, something like that.

Mayor Leffingwell: But 2500 or so of those people, if they decide to contest your rate, you may have to justify it at the state level. And that will certainly be an issue I think that will be raised at that point. City manager, did you have a comment?

Ott: Not much further Weiss has said. I guess the only thing that I would note is I suspect what council already knows, that any -- the general fund has significant reliance on that transfer amount. We're talking an amount of dollars that's in excess of \$100 million. And when you look at that in the context of the operating budget itself -- not the whole budget, but I'm talking about the general fund operating budget, 100 plus million dollars relative to 630, 640, whatever the number is right now, is pretty significant. Certainly in the context of it all disappearing. I know that's not what council would ever contemplate, but there is that trade-off that we have to be mindful of in the future if you choose to engage in that kind of policy discussion.

Spelman: Mayor?

Mayor Leffingwell: Councilmember Spelman. Spelman.mayor.

Spelman: If our city customers or the 16% of our total customers that are outside the city of Austin were being served by not a municipally owned utility, but a private utility, presumably that private utility would have to take profits to distribute to the shareholders, am I right?

Yes.

Spelman: Do we have an estimate for what is the average percentage of total revenues that are distributed to shareholders by privately owned utilities?

We can get that for you, but off the top of my head I can tell you this discussion has come up. And rates of return are around 10%, 12%, in that area. Maybe even higher. Every state -- group or state regulators have different requirements.

Spelman: Sure. Some regulators actually require the rate of return to be less than some amount, for example.

That's correct.

Spelman: Presumably the shareholders will want as much as they can get, recognizing that if you're not municipally owned utility, you're in a competitive market. That's right. And lots of times they get different rates of return, depending on whether it's revenue or capital or projects where they have different kinds of rates of return.

Spelman: We'll have to have a longer conversation about about this and I'll ask you for probably a budget ask you and ask you for more information or at least a sense for where i could get more information. It sound that if the prevailing rate of return in the private sector is 10 or 12 percent and we're only charging a profit back to our sharedders, meaning the utility transfer back to the 1 percent, then we're taking less of a profit than the average private utility would be taking. Is that accurate?

That may be, but we need to find out and do that research. I'd be happy to do that.

Spelman: It seems to me that that's the right question for us to be asking? Because we're in a competitive market with a bunch of privately owned utilities. There's a prevailing practice among those utilities, and there's no good reason I think for us to take considerably less than that 10 or 12 percent. I think the mayor will disagree with me.

Mayor Leffingwell: No, actually, I do agree with you. And I do regard the transfer as a payment to the shareholders, which are the people of the city of austin. And as I've said when i started speaking a minute ago, I'm not advocating that we do away with that. But I think the contention of those customers outside of the city of austin is that they don't get that rebate. They are not benefitting. They are not shareholders, so they're not getting that payment, but yet they have to pay it. I'm not supporting that argument, I'm just saying that's what the argument is.

Spelman: Of course, they wouldn't be getting that if they were served by txu instead because they wouldn't be sharedders in txu either.

I think that's a good point. If they want the same kind of benefit that stint owns, then they need to have an equity interest. And I suspect there's a way to calculate, you know, what we would charge them to have an equity interest in austin utility. He suspect it would be unaffordable for them.

Spelman: Or we could talk about annexation.

Cole: Well, it's already a city.

Spelman: We could talk about maybe a hostile takeover. [ Laughter ]

Cole: Mayor, I have a question.

Spelman: I'm not quite finished. I would like to make a point on that, if I could, and that is that we have one of the best and most robust energy efficiencies, solar rebate programs, a variety of very innovative programs. You don't get those everywhere.

Spelman: Yeah.

All of the customers benefit from that, whether you live in the city of austin or lakeway, wherever you live, you benefit by fantastic publicly owned utility that delivers very economical power, reliable, and with these programs that are all part of the rates.

Spelman: And those are available to people who are not official shareholders in the program, even if

they're in the city.

Anybody in our service area.

Mayor Leffingwell: And I disagree with all that. So therefore I think that it is very important that we maintain austin energy as a city owned utility. So all the things I'm talking about are in part designed to ensure that that takes place. And I agree that people who are austin energy customers not within the city of austin limits benefit greatly from that transfer of the general fund. They drive on our roads, they use our public facilities. Many of them work in the city of austin. I'll just say I'm laying out what the opposition argument is, has been and will continue to be.

Spelman: Mayor, I have a couple more questions. On page 18 of your presentation, larry, you've given us what in a way is the worst case scenario.

Our page numbers are different. Could you tell us the heading?

Spelman: Fy '12 budget. And the budget 2012 has a deficiency of 75 million, which I believe I heard you say if we were not to change the rates based on our current cost and our current rates, we would be losing \$75 million this year.

That's correct.

Spelman: Of course, that's not true. We're going to change the rates in january.

I hope so.

Spelman: January '12 is your best guess for when you will come back to us with a change in rates and presuming we approve that change in rates, which will bring up to revenue neutrality, you won't be losing money anymore, that 75.4 will ratchet upwards.

It will start to lift out, to be positive. It probably won't lift out the full amount that first year. It depends on implementation and the revenue. The general revenue number that we're trying to get is about 112 million.

Spelman: So you want that excess or deficiency to be -- currently we're talking about a deficiency of 75.4. And your goal is to have that number what?

It needs to be zero.

Spelman: I thought i heard you say 112.

I was saying in our total annual need of revenue above our cost, to cover our costs, is about \$112 million a year.

Spelman: Right. So we're fairly close. But what you want that excess or deficiency to be is zero or maybe just a little bit positive.

Right.

And in the first year in 4 is 4 because the increase in rates, but it will not be zero either because we will have a quarter and a little bit more where we're losing money at that rate and then we should be



revenue true u.n. tral thereafter.

Yes.

Spelman: So the situation is not as dire as it is on this graph and I'm happy about that. Last question. If you're talking about -- i think it is -- I'm not casting any aspersions at all. I think it is interesting we have a citywide wish list as the suggested budget amount in the right-hand column of our budget lines. On page 23, performance measure highlights, you're budget fog a credit rating of double a rather than a plus, which I think is a lovely thing and I'm happy that that's where we're hoping to go. Is our current a plus standard and poor's rating with a positive outlook or a neutral outlook?

It's with a positive outlook.

Spelman: Okay. What's the basis of that positive outlook as you understand it?

Well, I haven't been before the rating agencies in this job, but I have been before them many times. And knowing what I know about what they're looking for in an electric utility, we have a strong growing economy, we have a willingness by the policymakers to look at rates and make adjustments to rates to make sure that our revenue is there. We have a good reliable system. I mean, it's all good news. And then -- and that's what they're looking for. But they want to make sure that there's fiscal stability in this utility going forward. And I see it with austin energy and it comes down to the willingness of our customers to accept the rates that we're looking at. And then as we move forward my whole -- my goal is that we can raise that credit rating.

Spelman: We have a growing economy. We're willing to do what we need to do in order to keep the financial system stable.

That's very important.

Spelman: Our financial ratios and the other indicators from the balance sheet and income statement are all up to the policies, that they meet or exceed the policies of the city and they meet or exceed the standards around the industry. Is that accurate?

They do. In my opinion.

Spelman: How does one get an increased rating? Do you go to standard and poor's, moodies and make a pitch to them?

You ask them. You schedule it with our financial advisors here at the city is pmf and they arrange it. We sit there across the table and tell the whole story. Tell the whole story about the utility, what we're made up of, how we operate, our different strategies moving and the strategic direction that they see is really important. You're going to rechief these renewable targets by 20/20. What are the financial impacts of that. What have you put in place? Our affordability goal and some of the metrics we put in place I think is stable to them. They view that as a good sign.

For example, when we actually approached s and p several years ago with our general obligation bond rating and just said hey, we think that we really meet the criteria for a triple a credit. And they considered that during our next rating meeting. We had a number of discussions about all the positive things, for example that, larry is talking about related to the utility, and that's how that rating materialized. So anyway, what he says is it's very true, they look a lot at debt service coverage ratios and I know y'all are trying to -- you've increased your goal there in trying to get a little bit higher there.

Spelman: I remember hearing you say a few weeks ago that you were trying to get the debt service

coverage ratio over 2.0. 5, which is the city's standard right now. Am I getting that right.

Yeah, I think so.

That's correct. Typical for an a plus and a double a would be over a two times coverage. Because we've been running these deficits, our coverage has gone down the last few years. So we're looking with this rate review to help stabilize that and grow it back to be consistent with our current credit ratings.

Spelman: Good. What would then be the effect on our financial position of having a better credit rating? Presumably we would be able to sell bonds at a lower interest rate. How much lower would the interest rate probably be with the double a rather than the a plus?

You know rg I'm not sure exactly what that is, but we can get that information for you.

Okay. We'll ask at some point.

Mayor Leffingwell: I think we have gotten that information. It's approximately \$25 million per \$100 million of debt over a 30 year period.

I'll go back and check that out and get that to you.

Spelman: If it's the water utility, I remember that.

Mayor Leffingwell: Yeah. And the other comment I was going to make, I've been to a few of these, I may have been to the one you were talking about if it was several years ago. But the answer -- the real answer to what are they looking at? They're looking at everything. They're looking at everything not only about the utility, but the management of the utility and other affiliated enterprises and the general fund. It all kind of works together.

The local economy, really your financial policies. They truly look at everything.

They look at the vulnerability of your customer base, you know. Do you have two customers that are huge that could leave? They look at all of that. I wanted to point out something about the credit rating that's important too. We're a commodity rating utility. We have a 24 hour scheduling operation. We're a counter party to other deals. So if our credit rating is up, we are viewed as a better credit risk by other counterparts. That's another hidden benefit that hasn't always been there in modern times in this operation.

Spelman: So you will be able to eliminate --

well, I don't want to check that. I'm saying that is another place that we're viewed -- our credit is viewed. Whether that turns into real dollars or not is a different story. But that's the way we do counter party analysis as well in our risk management is that we make sure that the counter parties we're doing deals with have good credit as well. And there's limits to that transaction based on those credit ratings.

Spelman: I see. That's good to know. Thanks very much.

Mayor Leffingwell: Comof. Councilmember tovo.

Tovo: I have a few questions. I think I understand from the budget detail that we'll have a reduction in conservation rebate and incentives of about 800,000. Is that about right?

Yes, I think that's about right. That's been reduced in budget.

Tovo: And I see that it has dropped -- it looks like our investment in that has been reduced since 2008 from 4 down to the proposed 15.4 million. And I wonder if you could give us a sense of how those reductions, what look like pretty consistent reductions over the last several years might impact our efficiency goals as they are laid out in the generation plan.

Well, first of all, I do not believe that they will affect our goal of meeting our efficiency targets and our generation plan. It is a demand side target. It's a capacity target that we have as a result of these energy efficiency programs. I'll point out that despite what -- despite what we budget and despite what we have in for rebates, we basically have to sell our programs and they're based on consumer demand. And consumer demand for some of them has gone up and down with it. Sometimes -- frankly, I think it has a lot to do with the economy is that some people want to invest in energy efficiently, they frankly just don't have the dollars. So we have these slowdowns and speedups in the programs depending on what the staff comes up with. For example, our solar program is slowing down significantly. So we added another amount of rebate to it and that picked the program up again. So that's what happens, it goes up and down. And as I said earlier, with respect to funds to fund customer improvements, we will come back and make a budget amendment if we run out of our targeted funds for this year for fiscal year.

Tovo: Maybe this would be appropriate to submit as a budget question to get a sense of those cuts will take place and the energy efficiency programs. And it looks like also -- I think you called it out in some of the decreases, the solar rebates and incentives have also been scaled back. I think your response is the one you just summed up here that you will come back if you need more of it again. I guess I'll submit a budget question to see whether there will be any anticipated impact on again meeting our goals as laid out in the generation plan from these decreases, but you don't believe there will be.

The goal is far enough out in years that we don't have a linear target per year, but I will say that since I've been here coming up on a year now that I have engaged with Carl who runs our programs and we have a lot of innovation, a lot of ideas and I think you will see a very successful program going forward. And in our rate design we will have a new solar program. We'll have a new green choice program, which is not relative to what you're talking about. But we will have a new solar design program that will be out and part of our rates package.

Tovo: Great. I look forward to hearing more about it. Again, you called this out in your discussion. I wonder if you could talk about why Austin Energy's share of operating costs for the South Texas nuclear plant and the Fayette plant have increased.

Let me talk about the South Texas project. Each unit gets refueled on 18 month cycles, so they don't always line up with our fiscal year. So one year you would have a refueling outage and that make up the power that we lose off of the project. And residual costs from that. They go up and down on that. On the Fayette project it's like everybody where else. There's been improvements they've made at the coal facility and others that do impact the budget.

Tovo: So some of those are capital improvements. Are any of these the ones to make it cleaner, the capital improvements that were designed to make it more environmental.

Some of it is debt service, like the ISO project. That was a cash project done the last time. LCRA is the majority owner and operator. And we sit on an operating committee and the budgets are flushed through that. We do the same thing at South Texas project. So we have representation to make sure that the numbers are in the best interest of us and watch the budget very closely. But at the end of the day the budgets are approved and we get a piece of that. We're the minority owner in the South Texas project. We own a very small amount relative to the other two partners.

Tovo: And I guess my last question -- thank you for those answers. My last question I noticed one of

the cost drivers you talked about are the salary adjustments. And I assume that's in relationship to a market study? Or are these the proposed two percent increases?

This is the proposed two percent in the budget.

Tovo: Thank you.

Riley: Mayor?

Mayor Leffingwell: Councilmember Riley.

Riley: Larry, just a few questions. First, up to the slide 14, just the pie charts with the budget. I want to ask about the transfer. 1% transfer rate. This pie chart there on the right on use of funds indicate general fund transfer of 8.5%. Can you help me understand the difference?

That's a percent of our requirement. 1 is a percent of revenue calculated over the three-year average. It's a different calculation.

Riley: And then I noticed that there's also other expenses, 2.8%. To what extent -- do those other expenses include any other amounts transferred to the city or is it a transfer to the general fund all within the 8.5%?

That other expenses includes worker's compensation on behalf of our employees. Excuse me, our liability reserve administrative support and our additional requirement supplemental contributions are all in that number.

Riley: When we talk about the transfer rate of # .1 -- 9.1% disrks that include all of the funds that are transferred from Austin Energy to the city for uses that are not directly related to the generation of power. Can you elaborate on those 1% that are not directly related to the distribution and generation of electricity?

First of all, that amount ends up being another \$50 million roughly. 50. 50 Million.

Riley: In excess of the 9.1?

Yes. And that has to do with shared services for all the other pieces of -- because we're in -- we're part of the city. So we have all that shared services that we do. We fund economic growth and development and all of those individual funds, we have accounting for that. I don't have it here in this page, but we can get that to you.

Riley: Where would that be represented in this pie chart on the use of funds?

That's in the o and m, green area.

Riley: The non-fuel area.

That's correct.

Riley: So if you added in all those amounts that are not directly related to the production or generation of electricity, what would our actual transfer be at that point?

On a percentage basis, 13-point something percent.

Riley: That has been a subject of some contention for some time. Particularly the electric utility commission has been raising concerns about the transfers that go beyond the 1 percent that are not directly related to the production and distribution of electricity. Do you consider a goal for the utility to bring the transfers down within the 1 percent or do you see any issue with maintaining those additional transfers be outside the 9.1 percent? And by the way, just for way of context my understanding is that other utilities such as cps in san antonio, they actually have all of their transfers within that fixed transfer rate. They don't pile on additional transfers beyond that. I think that's accurate.

Yeah, I believe that's accurate too. Let me point out a difference. Like cps has their own retirement system. The employees are not part of the city's retirement system. So there's some marked differences in how they're governed and everything else. So it's different. Having not worked for other municipal utility before, but I've worked for public power for a long time, the shared service concept is -- I know it's universal. That happens, all the municipal utilities because it's -- it's the best synergy. But to any energy we've never entertained or worked on anything to change that. Since I've been here. I don't know what the history has been.

It also works in the flip side. We provide billing services that we charge other city departments for as well as a 311 call center that we operate. It works both ways. And much of what we pay of the 50 million is a payment for services that are rendered by other city departments. We don't manage our own fleet. The city manages our fleet on our behalf. In addition to that, there are the administrative support is a cost allocation of administrative costs of the council, the clerk, the city management, the city's finance department that provides oversight for us. So that sharing of that administrative cost is typical across any corporation or any company or any public entity across the country.

The reliance on the transfer alone has decreased. In the last 25 years the total that you're suggesting has been relatively stable. There's been ups and downs, but it's been in that 140 to 150-million-dollar range.

Riley: Okay. And lesl, I guess this is really a question for you. You're aware of the concerns from the electric utility commission about funds transferred from the utility to the city that that exceed -- that -- that 1 and are not directly related to the production or distribution of electricity. And that the electric utility commission has grown increasingly vocal about that as the rate case has approached. In the past we've talked about efforts to scrutinize that and look for ways of providing funding for things like egrso that are currently dependent on the utility. Do you consider that a concern for the city? Is there an ongoing need to examine the total amount transferred and then try to 1% or do you think that the uc is just off base on this.

I completely echo what elaine just said, it is 1% of gross revenues, basically runt back to the taxpayers of austin. Now on economic development it's my understanding -- and really when you start looking from utility to utility, it doesn't seem to me that there are necessarily consistent practices, but it's not unusual for utilities to fund some level of economic development. So I don't think that's inconsistent with what we're doing here. And one of the things that larry mentioned I think because there have been some comparisons to cps with, for example, their transfer kind of encompassing everything, their transfer rate I think is around 14 percent. So it's significantly higher 1 that we've got today.

Riley: Right. Although if you add in 50 million, the --

right, although if you add in the 50 million, the actual percentage would be higher. Do we know what that would be?

We don't know the exact higher.

50% Higher.

Riley: So it would be somewhere around the same as cps.

Yes.

Riley: Okay. And I do want to get back to the issue that the mayor raised about the inclusion of the fuel charge within the transfer. I hear you say that's a policy matter. And I have to say that when I have raised this issue as a concern in the past that I have been told, well, we'll figure that out when we get to the rate case. We recognize that there's an issue there that really ideally that the transfer formula would not include funds connected with the fuel charge, but we'll have to sort that out when we get to the rate case. Do you expect staff to be presenting recommendations with respect to the proposed rates?

Well, it will sort of indirectly get handled through the rate case because what we're proposing is -- this is probably for a longer discussion when we talk about rates. But what we're proposing is that in our new rate structure, you remember since 1994 what happened is they took additional generation costs and put those out in a bucket and called them fuel charges. We're bringing that all in and put that in the rates. For example, we know south texas project, fayette, we know what the resource costs are and everything else. We need to put that inside of our rates. So our rates themselves, the revenue that they generate is what is subject to the transfer. So you're kind of going to have the same thing, it's just that it will be calculated on a bigger bucket instead of two right now that is here on that chart. So right now that chart you add the green and the orange, that's the combination of the total operating revenue for fuel and everything that we have. And so -- but the policy of setting this up initially and what was set up on, I'm not -- I haven't been in that discussion. Frankly, about what -- where it started.

That's before my time too. [ Laughter ] [overlapping speakers]

Riley: You think by reducing our dependence on fuel charges, then we'll indirectly address this problem?

Right, there's revenue from rates and then there's revenue from the fuel charge.

Riley: But long-term don't we still get right back into the same position here in now? After we set rates we can expect that the fuel charges will be growing over time, so we will see the same problem reoccurring in the future?

We also have a financial policy that requires us to look across the service study every five years and that's to protect us from going another 17 years again. So there will be regular updates that would reassess that fuel adjustment and pull it back into the main rates.

Riley: Back on january 25th, 2010, the uc passed a resolution recommending that we implement a new formula, which substitutes non-fuel revenues for gross revenues in the transfer formula that we do so in a way that's revenue neutral and does not impact the bond rating. Why would we not simply make an adjustment to the actual formula to fix the problem so it doesn't recur in the future.

Under the new rate design that we have, the fuel charge and the rates are all one. The fuel going forward would be just risk from gas exposure. That's what it's designed to be. So now going back to what the transfer is calculated on, under current rate design the amount would go 1 on the green piece, right? So that was kind of an angle, I suppose, but the uc to say this is a way to get it down it should only be on that because that's historically what it was. But that's in 1994 and previous. Since 1994 austin energy has made tremendous investments in other power acquisitions and other-- so it gets tangled up

in a policy discussion and I think -- I've learned a lot by it and I think going forward in our rates we'll probably be addressing it again. In the rates discussion is my expectation.

Riley: I expect the uc will likely be continuing with that same issue as it considers the rates. A couple of slides after that we talked about the cost containment efforts. I wanted to ask quickly about the solar rebates. You mentioned that the budget reductions include a million dollars in deferred solar rebates. And can you just elaborate on the -- what we've seen lately in terms of demand for those rebates and what effect that this deferral would have?

Well, we've -- until recently we've had the solar program slowed down. We added the 50 cents a watt improvement. And that has changed it a lot. And so we have a lot of demand out there. I heard the other day, for example, that we have -- there's so many customers that want it, the installers are having trouble getting labor to keep up with the demand. So it goes up and down. And as I said before, what we did when we addressed our budget is each one of -- we did some reductions generally across all city departments. Austin energy did its job and reduced and the different program operators or different responsibility centers that work for me all went in and looked at their budgets. So in the energy efficiency and the solar rebate side and everything they went in there and scrubbed their budgets and figured out they could take less money in these programs. But when we discussed it, what I discuss it had with them, I was really clear that if we're going to do anything to affect consumers, that if we run out of consumer money for these programs, that we will come back and do a budget amendment to get the funds there so that we don't slow the programs down. It's very important to us.

Great.

Riley: At the bottom of that page you mentioned the proposed reductions of \$15 million and the capital improvements plan for the coming year. Can you explain where that 15-million-dollar reduction would come from? Is that just a matter of putting off the planned expansions? Sand hill was a couple of years out. What is that \$15 million coming out of?

The majority of it, about \$15 million, is coming out of electric service delivery projects that were either postponed or the scope reduced due to the slowdown in the economy. So that was a good bit of it.

To add to what elaine just said, I put a little pressure on folks saying we're not growing our electric system as much as -- it's hard in this business to forecast what's going to happen with the economy and everything, but housing starts and all of our operations out there, I've asked them to scrub that and look at that and make sure that we're realistic on what we respect to serve in terms of new growth.

Riley: Okay. The wind contracts we've been looking at are not actually considered capital projects at this point.

No, they're not. They're strictly purchased power, long-term purchase power agreements.

Riley: Aren't we looking at the possibility of owns those facilities somewhere down the road?

20 To 25 years down the road, right.

Riley: Okay. And then lastly I wanted to ask over on the -- about the customer information system replacement, has that been -- the new building system that we've been talking about?

Yes. It's called a summer information system, cis. The new term for it is c, c and b. Customer care and billing system. It bill bilz for all of the city's services.

And so what can customers expect to see in terms of that change going into effect and when could they

expect it?

The cut-in date is this october. They are currently running simultaneous operations right now to test the system. So they're in sort of the test and implementation mode. Hopefully it's a seamless transition and it will be a new billing format and it will be explained. And we probably will need to roll out some type of presentation on that at some point so that we can -- or information so everybody can understand what it's going to be.

Riley: We can expect that to launch somewhere around october?

Yes.

Riley: Great. Thanks very much.

Morrison: Mayor?

Mayor Leffingwell: We do have four more departments to go and councilmembers can always submit questions for the budget. I'm going to recognize you in a second, councilmember morrison, but it's been brought up several times and it's a fact that austin energy transfers more money than the nine percent outside of that direct transfer rate. And I guess I want to point out that all of those 1 specific entities that the funds are directed at have a direct link to austin energy's. It's a rate of return on -- for austin energy. In other words, the economic growth and development benefits sales of electricity for austin energy. So for all of those things there has to be a direct link and it's not just a total off the wall donation. Councilmember morrison.

Morrison: Thank you, mayor. I do understand that we've got a lot more to go. So I first want to remark that I'm not going to ask any questions about the transfer rate or make any comments about it. [ Laughter ] I just really want to follow up on something that councilmember riley just brought up on the customer information system. Or now it's called care and billing. I like that duality there. Care and billing. We want our money, but we'll take care of you. You have on here that the cost is 41 million. I know that we recently did an audit. There were some schedule adjustments, some funding adjustments or cost adjustments from that. October was the revised rollout date, so it sounds like everything is on track and we're sort of through the problems that we had. Mother more it's a --

Morrison: It's a huge software system and that's one of the questions i wanted to ask. Recently we approved a budget amendment for an amendment to the contract. And I thought that the contract was something like 50 to start and the budget amendment was a six-million-dollar amendment, which was 10%, which sort of raised some concern. You only have a 51-million-dollar cost here. Am I remembering incorrectly.

This is the capital side of it. There's an o and m side of it and a capital side of it. This was on the capital piece of it.

An o and m side on the cost?

Yes.

For billing services.

For billing services. I have to have elaine explain it.



Morrison: We had a contract with, was it ibm, for 50 million. So some of that is o and m?

Pieces of it or. O and m for maintenance of the cost wear. In subsequent years that kind of maintenance is considered o and m, not a capital item.

Morrison: Okay. It was in the original contract.

Yes.

Morrison: So that's why it was larger. Thank you.

That's my recollection.

Morrison: Thanks.

Mayor Leffingwell: Councilmember tovo.

Tovo: One last remark following up on the first si programs. I'm glad to hear you say you would come back if that requires additional investment. But I guess I would just throw out for my colleagues that I wonder if this is really an appropriate area to reduce. Our energy efficiency program it would seem our ratepayers best opportunity to lower our cost on a month-to-month basis. A lot of our customers are struggling today and we've talked about the rate increase and the impact on their monthly burden is going to get larger in the upcoming year. So I would like -- it decreases me a little bit to see our -- our proposed reductions to one of the programs that can actually help them get some of their costs, reduce some of their costs. I don't know if you have any comments about that. But I'll throw that out as a concern.

Well, I do. It does seem a little counter intuitive to what our -- intuitive to what our goals would be. But the hope is in the marketing of our program is that we're not reducing our staff or the people that do the work and we're only doing more to try to penetrate the market further. We just took a look at what are consumers asking for from the programs. How much money are they asking for. And we're trying to project it as close as we can. I hope that we overprescribe it and oversell it and they want to do more for the very reasons you've laid out. I want to also point out that in our new rates there will be a line item where you will see in our proposed rate design, there will be an energy efficiency charge that will help separately fund energy efficiency programs. So out of our -- out of our process that was one of the important aspects that came out of this. So it's a discrete line item in the billing that will fund energy efficiency programs.

Mayor Leffingwell: Councilmember martinez.

Martinez: On the last point, larry, if you could provide to us as we move through the budget process kind of a breakdown of the energy efficiency programs. It's my understanding that a large portion of that is rebates for installation of solar panels, for upgrading washer and dryers, refrigerators, things of that nature. Not specifically things like weatherization. That being the smallest part of that. And if the weatherization side to me that I think impacts the low income customers more than anything. So I just want to get a true picture on what that overall energy efficiency program is. And I think what we're going to see is in large part it's cutting back on rebate programs as opposed --

I'm holding quite a bit of detail on it right here. I think we'll get it to your offices. And if you have any detailed questions, you know, just ask us and we'll get through the system and we'll respond to it. We'll get this to you.

Cole: He just have one question, mayor. This is not so much a question, but more of what i would like to

see come back consistent with what councilmember spelman pointed out, which is that we receive -- private companies receive a return on investment and our transfer to our general fund is a transfer on investment, but also the amount that a private company actually spends in-house on similar programs would also be an amount on top of that for us to be able to support to -- especially customers outside of the city what we do to benefit them. Thank you, mayor.

Mayor Leffingwell: Any other questions?

Cole: Did you understand in a?

Yes, I did. It's a good point.

Mayor Leffingwell: Thank you very much. We'll go to the next department, health and human services. And what a way to welcome the new director.

Good morning. Shall I begin?

Yes.

My name is carlos rivera, director of health and human services. I want to thank you for the opportunity to come before you today and present the department's fiscal year '11-'12 budget. I want to introduce the folks that are with me. Abigail smith from animal services. She is our chief animal services person. And kimberly mattox our chief administrative officer. In addition, I also want to recognize shannon jones, who is our deputy director. phil wong our medical director and health authority. Public health issues are around us on a continuous basis, so I want to thank you for the privilege of leading this department in terms of addressing the health and wellness needs of the city of austin. The mission of the health and human services department is to promote and work in partnership with the community in an effort to improve the health and wellness of our residents. We often hear conversations about gun violence and accidents as causes of death or leading causes of death, but the fact of the matter is chronic disease issues cause more death than accidents, murders, fires, all other causes of death combined. So again, we feel privileged to serve constituent in this capacity and look forward to -- to serve the city in this capacity and look forward to building the infrastructure to have a strong health and wellness capacity. The health and human services department's total 5 million, which funds 519.75 f.t.e.'s. Our sources of funds are the general fund, which provides 7% of the total budget. 3% of our budget and 41% of our f.t.e.'s. Health and human services receives more grant funding than any other department in the city. The department leverages \$900,000 in general funds to 9 million in grant awards from federal and state government. Hhsc will continue to strategically pursue grant opportunities to provide key services to the community. Hhsc also receives 3 million of funding from the sustainability fund and 2 million in expense funds which include indirect cost recovery from grants and reimbursement from other departments. [One moment, please, for change in captioners] funding for the operation of the animal shelter, serving approximately 21,000 animals per year. As well as our animal control function and prevention services in the community. 4 million, the human services program funds youth development service, day labor and neighborhood centers. Support services has a total of \$5.1 million. The remaining funds provide , personnel and management and management functions. Our cost drivers. The citywide adjustments totaling \$534,000 so the main cost driver which include increased personnel costs related to insurance and wage adjustment. Increases in fuel and fleet maintenance costs. \$229,000 To the public health program which increased -- and additionally funds to address salary compression for sanitary and supervisors identified in fiscal year analysis -- fiscal year 2011 analysis conducted by the city. Animal services has a \$981,000 increase primarily for the animal services implementation plan. 512,000 Of this increase is result of the moratorium on euthanasia and includes funding for food, medical SUPPLIES AND FIVE FTEs TO Address operational issues. Animal services is also receiving \$121,000 which includes one animal care worker for the operation of the new animal senior advises center. Our budget reductions. The hhsc budget reflects reductions totaling \$920,000. This includes a reduction in h.i.v. rapid testing kids. However, hhsc has identified alternative funding sources to testing kits needed in

fiscal year 12. Immunization area, in fiscal year 11 hhsd has seen decrease in demand for flu vaccine due to increased availability of free or low cost vaccines through the private sector. Hhsd will be able to maintain the same level of flu vaccine dose distribution as fiscal year 11 which is roughly 9,000 doses. The department has identified efficiencies and other savings within the program to ensure stable service provision to the community. We will also continue to have shots for tots clinics and mass flu vaccination clinics in fiscal year 12. Our staff -- and we've had staffing reductions, although hhsd is eliminating several positions in this budget, the budget does not involve any layoffs. Staff will be transferred to other positions within the department. The department continues to explore opportunities to achieve greater operational efficiencies in order to provide services to the austin community. Funding -- and also funding for temporary positions throughout the department will be reduced. Hhsd is reducing unallocated funding designated for social services contracts by \$200,000. And finally, hhsd is reducing various contractual and commodity expenditures department-wide which include right sizing of expenditures in mileage and decreasing travel and training in the department. The department will rely more on internal human resource and the citywide human resource function to provide needed training. To date we've received notification that -- that we will experience a reduction of \$1 million in awards from our grant sources. Additional reductions are possible over the upcoming months. The fiscal year 12 proposed budget includes reductions in public health emergency preparedness, community service block grants, and the office of public health practice. Hhsd is evaluating the demand for services related to thighs reductions and will engage the community for input. There are also f.t.e. impacts. One-time increase of \$626,000 in sustainability funds is being used to address grant program and personnel funding reductions. This funding provides a life support for impacted programs through fiscal year 12. Of the 15 positions affected by the reduction in funding we will retain 12 positions and we are working with corporate to find placement for remaining employees by the end of the grant period in december. Our budget highlights. In the public health area, the public health program provides an array of services through the communicable disease, environmental and consumer health, health promotion and disease prevention and vital activities. As for the best managed city initiative, we are leading texas and the nation in national accredited taste. This is something I want to thank the team for especially shannon jones for his leadership in this area. Through accreditation on the national level, the cdc and the adread taste board seek to standardize public health across the nation. We are on the cutting edge of this effort and very pleased to be there. We will also be -- towards this effort we will also be receiving a \$30,000 grant provided by the national association of city and county health officials to begin the implementation process which should be taking roughly two to three years. At the end of the this process austin will be one of the first -- well, the first health department accredited in texas and one of the first in the nation. We have been honored this year by business from national public health officials and it's due to the influence of the city of austin, also the efforts of the public health staff. Our most recent visit from the director of the center for disease control allow for an opportunity to exchange ideas, strategies and discuss collaborations on programs to fund and address the six winnable battles namely smoking, aids, obesity and nutrition, teen pregnancy, auto injury, and health care infections. These are core areas that we need to pay attention to and make a wise investment in in order to address the health and wellness needs of our residents. Certainly there's more needs in the health and human services department can address on its own so we will be counting heavily on our partners through -- to leverage resources to best meet those needs. Hhsd has been championing tobacco-free worksite. Example of organizations that have become tobacco free austin-travis county health and human services, houston-tillotson university, community care, austin's volunteer health clinic, capital metro, central health, people's community clinic, and austin-travis county integral care. We look forward to this upcoming fiscal year as an opportunity for us to continue our partnerships and creating an environment that truly encourages and assists our residents in making good health decisions on their own behalf. Animal services, as mentioned earlier, animal services will open their new center in november 2011 at the betty dunkerley campus. Animal services has successfully met or speed exceeded the 90% live out come goal for the last seven months. Austin is the first major metropolitan area to meet this goal. Kudos to abigale. Excellent work. Social services contracts. In fiscal year 2011, we initiated a fundamental change in the way the city invests in social services and that's in no small part due to leadership of the city council and also the city manager's office. We are very grateful for that support. Social services contracts 6 million in contracts for services ranging from basic needs to youth and child care services, homeless services, mental health and substance abuse. Hhsd anticipates that 70% of homeless persons receiving case

management through our funding will move to safe and stable housing. In other words, of the -- we manage 1,162 clients, homeless clients, and of that population roughly 800 or so will find stable housing. Additionally, 1,026 clients will receive workforce development services. And our human services area, the program directs -- provides direct services to low-income adults throughout the community and links them to other resources through our neighborhood centers. Hhsd is pleased and troubled by the number of individuals served. Certainly serving 55,749 unduplicated individuals gives us a sense of pride and a sense of privilege. However, that number is also a very large number compared to our population so it gives us reason to pause and think about the economic environment and just the general environment in which they live in, how we can better assist these individuals in meeting their day to day needs. Additionally, 1300 youth have completed job readiness training. Performance measure highlights. The increase in homeless persons moving to safe and stable housing could be attributed to the increased capacity for case management by the contractor who operates the austin resource center. As you can see from the numbers, homeless people receiving case management services increase on a yearly basis. Last fiscal year, 670 folks received services. This year we estimate that 808 will receive services. And though we're proposing 808 receive services next year, we hope to achieve a higher level of service in that. The number of immunizations given at shots for tots clinics has steadily been increasing. The 48,000 estimated for fiscal year 2011 is increase of 12% over fiscal year 2010 and increase of 29% over the performance of fiscal year 2009. So again, we take great satisfaction in making sure that our young people are prepared to go to school and prepared and have the opportunity to live a disease-free life. Hhsd continues to strive to 0 inspections per fixed food establishments per year. Fiscal year 2011 estimated performance is a 5% increase over fiscal year 2010 performance. Animal services has successfully achieved or exceeded the 90% bench mark for live outcomes for seven months in a row. So that concludes our presentation and we'll take questions.

Mayor Leffingwell: Questions? Councilmember morrison.

Morrison: Thank you and welcome. I have a couple of questions. In terms of the reduction in flu vaccines, you said we're still going to be able to manage but we expect to see the demand and I hate to bring it up again but the austin energy decrease in solar energy, but if you see a demand in front of us that comes up up unexpected, i assume you will come back and ask for a budget amendment to be able to take care of that and I would hope that you would.

Yes.

Morrison: Great. In terms of -- I'm concerned about our neighborhood centers. It sounds like they are being hit by the community block grant decreases and we're looking at a reduction of three positions. And I know that there are -- there have been discussions recently about whether some of our centers are really adequate to serve the needs just in terms of the facilities maybe be outdated and all. Do you have any comments -- i guess I'm just thinking long-term infrastructure and of course sustainability with the growing needs and all. Do you have any comments on like the state of our neighborhood centers and where we really might be trying to think about putting some focus for improvement?

Assistant city manager. Councilmember, what I can say on that is generally in this arena similar to what community care does when they look at facility and the service that they provide, they try to maintain flexibility because in the sense that you really want to look at the demographics of what's in particular parts of the community, where the great greatest need is, as a matter of fact, the department has transitioned to mobile services in terms of trying to get more services in a mobile format and not have it tied to a particular facility, and the reason that is is because the demographics change. You want to go where the folks are from one year to the next versus having to be tied to a particular facility. I will tell you the staff is looking at that and assessing that carefully. In the plan in terms of how we would approach neighborhood health center services, we're taking that into consideration knowing that there's going to be a pretty big reduction in the csbg funding. This program has been around for probably 28, 29 years so folks are very much accustomed to the services, but to answer your question much more succinctly, we're going to be very flexible, look at where the need is and then direct as many resources as we can

understanding that we've got some challenges with the funding.

Morrison: I know -- that makes sense and it makes sense to enter into a more sustainable scenario. I know in particular concerns have been raised today about the Montopolis neighborhood center and whether -- what kind of functioning state it is in. Do we have any plans to be able to raise that, and city manager, did you have a chance to visit that center? It seems inadequate.

And I would agree. And my -- my hope or my interest is in seeing some opportunity to perhaps address that at our next bond program. The community centers I've been in, I've found a number of them to be in significant disrepair. It's like other assets that we have. It's like swimming pools that are 30 and 40 and 50 years old and haven't gotten the kind of attention they've needed over time. We're simply going to have to address those or we're going to find more and more that we're going to have to shut things down.

Morrison: Appreciate that. Then I just wanted to comment to my colleagues really talking about public health and the great work really in trying to raise us up on a national level in public health. I think that we all need to keep in mind and understand that, of course, we want everybody to be healthy because that's just a nice quality of life issue, but public health is an educational issue because kids that aren't healthy don't do as well in school. It's also, you know, an economic vibrancy issue. Businesses look at how healthy a population is when they are making decisions about where to move or where to increase. So our investments in public health are really broad, almost infrastructure investments in our people.

Mayor Leffingwell: Councilmember Tovo.

Tovo: I have just a couple quick questions. First of all thank you and thank you for all the really important work you do in our community. I have a couple questions about some specific budget items. We've talked about the immunization program and I saw your responses to Councilmember Spelman. I want to clarify it is just a reduction in expenditures on flu vaccines; is that correct?

Yes.

Tovo: But you expect -- despite the reductions that is correct you will be able to serve the same number of users as you are currently.

Yes.

Tovo: How is that possible?

Well, again, last year we -- according to the stats, we purchased 12,000 vaccinations. They weren't able to use them all so they were redistributed to the community. We are aiming to have on hand the number of flu vaccines necessary to vaccinate at the same level as last year. In the event that we have additional folks in need of services, we will seek to purchase additional vaccines or refer them to our partner providers.

Tovo: Thank you. I was just curious if you've ever done any looking at -- I assume you probably do look at what some of the other clinics charge and what's a comparable fee. Have you ever contemplated doing a scale -- I'll speak from my own experience. For a while the shots for tots was the only program in town that was actually carrying I think it's pronounced dysemmerol free vaccines and I took my daughter there and it was less expensive than going to the pediatrician. For some of those clinics it might be an opportunity to charge a little more for the flu vaccine. Not across the board because we want those available for families for whom about \$10 is about what they can pay, but seems like for some users with private health insurance they might be able to pay a little more.

I would agree with that assessment. I've been in austin two weeks -- [laughter] -- three weeks actually. And one of the requirements for the texas school system is that the child -- my children be vaccinated for hep a. I took my daughter to john's because it was a quick solution to an issue. And we will review our opportunities in this area. I would agree with you, we're insured, we paid the rate that was asked of us. If there are opportunities to capture additional revenues without causing any distress to our more underprivileged individuals, then we would certainly do that and explore it.

Tovo: Absolutely and i want to underscore that just for users who have the option of going to their pediatrician and have private health insurance, not for users who really depend on that as their only option. Of securing vaccines. I had a quick question about something that was in the budget in the contemplated cuts and maybe this is more appropriate for a budget, a written budget question, that's fine, but there was a position noted in the potential budget cuts. It was an 8 6 -- about \$86,000 line item for downtown austin alliance liaison. I just wanted a little bit of information about what that position entails and I don't see it in the proposed budget. Would you prefer I just submit it as a budget question.

If you have detailed programmatic questions I think our assistant director can -- that position is -- was set up several years ago. Coming back to the health department and it is purposed for working the downtown alliance on homeless issue, permanent supportive housing issues and liaison-type positions to work with the downtown alliance and other folks to be a conduit with the department and the city.

Tovo: But they are not a caseworker, as I understand it, they are kind of a communications liason.

Yes.

Tovo: That was a contemplated cut but not one that appears in budget before us.

That's correct.

Tovo: And I guess one last question on 164, in the list of significant changes, there's an expenditure change noted for an animal cruelty detective salary increase. And I had a question about that. It was a salary adjustment of about \$43,000.

Yes, that's an adjustment with the agreement we have with austin police department for our apd cruelty officers and it's an adjustment in those expenditures.

Can you tell us how many employees -- detectives we're talking about?

Two.

Tovo: So it's about 20-plus thousand dollar salary increase per?

I don't know that this is actually an increase to a particular officer. It's being added to the budget for salary adjustments. I don't know what's exactly. I can get that detail.

Actually there are three.

Tovo: Are the salary increases being driven by the contract? The mandated contract to increase it?

Yes.

Tovo: Okay. Thank you.

Mayor Leffingwell: Councilmember Riley.

Riley: Just a couple questions on the performance measures. First with respect to homelessness, I'm glad to see that -- well, 2010 to 2011 we saw significant increase in the number of homeless persons who moved by safe and stable housing, over 20% increase from the previous year. Up to 808 in 2010 to 11. Then we expect that to stay the same this year. What do we attribute that jump to between -- up to this fiscal year? I know there were a number of federal funding sources that became available this year. Is that -- is that why we were able to see such a significant increase?

Vince, assistant director for human services. Yeah, we did have the state housing and homeless program that was in effect this past year and also the federal stimulus funds for hhrrp. Finishes we're hoping that we can continue some of the momentum next year, but there will definitely be an impact in that transition out of homelessness. We're also a little more efficient in our tracking systems for hmis. , If. Hmis.

Riley: On funding sources both state and federal, do we expect those to remain intact?

No, the state one is going away completely and the federal -- the federal one is phasing out in september, september, october.

Riley: But the expectation is as a result of the efficiencies that we're achieving with the improvements in hmis we'll be able to maintain the same levels of success even as those funding sources dry up?

We're certainly hoping so. You know, we still have some challenges in case management and, you know, I am concerned about some of those -- some of that ability to keep up, but we're certainly hoping that we can do that. And I think that we've got a lot more focus on homeless prevention now with -- in some of the new proposals that we'll be looking at and so we're hoping that we can keep that number about the same.

Riley: Does that -- this is just related to case management at the arch. This does not include at the community core.

No, it's case management that we track through the hmis system and it's not just as arch, it's also with our providers.

Riley: YEAR WE ADDED Two case managers at the community court. Do these numbers through --

I'll have to check on that and I would assume they could, but we'll get a written response on that.

Riley: Okay. Thanks. And then on the live outcomes at the shelter, rather actually of the -- on the intake, I notice that there was a significant increase in intake as of 2009-10 but no change to 2010 and 11 and we project no change to 2011 and 12. There's been a lot of fluctuation. In 2009 and 9 we had a significant decrease and we went to significant increase. Help me understand what drives those fluctuations in the live intake at the shelter.

[Inaudible].

Sorry about that. There are a number of factors that would drive that. I think the most recent decrease in intake is as a result of the programs that have been put into place to accomplish that specifically and on purpose. So those are programs like owner surrender, people making an appointment and going through counseling to see if there are other alternatives. Partner groups such as apa in forecast programs set up outside the intake building. We've proactively tried to divert animals and we've also increased our ability to return animals to their owners in the field without ever having to do an intake.

Things such as that. You would also see fluctuation with regard to weather patterns. We've seen a reduction this year because it's been so hot and dry for so long, there are fewer animals being born and they are not coming in.

Riley: At of 2010 and 11 we are estimating no change.

I'm expecting it to level off and stay there. To balance out the fluctuation in the success of our prevention programs and what we might see in larger litter sizes and more of them next season.

Riley: Okay. And with the opening of the new shelter, are there any additional considerations with respect to the -- our expectations on live intake?

I don't -- I don't really expect it to change based on the new location. You know, more than 50% of the animals come in through animal control as strays and so i don't think that will really fluctuate very much. In fact, I expect it to hold steady.

Riley: Great, thanks. Councilmember riley, if i could clarify a couple of things. On the homeless numbers going on up, one thing I would add to that, the other thing that we're doing pretty much up front is we're looking at any type of development that's occurring through neighborhood housing. We're obviously looking at the permanent supportive housing goal the city council has set. That is very much something that we're facilitating not only looking at the opportunities for units but also the opportunities for case management. That's why this number is up there even though there's still concerns about the funding. The other part is the hmis system, going through significant changes that we're making some very good investments in in terms of how that system is going to be utilized and how robust that system is going to be. As a matter of fact, through the city manager's leadership, certainly been looking at best practices but the key thing to that is that it's going to provide us the data that we need on a realtime basis and some of you are aware of the miami model for those that visited that location where in essence they have the data every day to where they know at a moment's time where units are available and where folks can be facilitated on a realtime basis. And then also very comprehensively bring about the needed services that they need. There's a lot of investment going on with hmis system which we believe is going to be able to help facilitate folks much quicker and put them in the place that they need to be.

Mayor Leffingwell: Councilmember martinez.

Martinez: Just want to thank you for the presentation. Mayor, I have another commitment that I have to attend to. I have a staff member that's going follow up and I'm sorry I'm going to miss the fire department, but steven's dad works for the fire department and he's my staff member. I apologize for having to walk out but I have another commitment.

Mayor Leffingwell: Any other commitments on this topic? Thank you very much. We will now go to the fire department.

> Well, chief.

Can I start?

Mayor Leffingwell: Yes.

Thank you for the opportunity and we will try to be fairly quick through this process and hope you have a limited number of questions for you and try to get you back on track and get finished in time. Do I have the clicker or do you have the clicker? Go like this and the slide changes for me. As you can see by this slide, and I'll quickly go through this, the largest source of funds for us come from the general fund at almost 96% and the largest user of funds are the emergency operations, the fire and emergency



response at a little over 81%. The cost drivers, almost all of those personnel costs are part of either the collective bargaining agreement or increases in benefits for all city employees such as health insurance. The nonpersonnel issues, the only one that I really want to make any further comment on would be the one that says tcfp certification increase. That's the texas commission on fire protection and that is a state agency that regulates firefighter certification training, et cetera. And this past year just -- just approved, like three weeks ago a cost -- a fee increase that certifies firefighters and it went from \$30 per firefighter to \$85 per firefighter. And I do want council to know that we didn't let that go unnoticed. I actually created a position paper and got the other five city fire chiefs, the large city chiefs to sign on representing over 11,000 firefighters we presented this position to the commission back when they were considering the fee increase, and yet they ignored our plea, if you will, not to have such a significant increase. So I do want people to know that there is a great value to the commission, but it's very difficult to deal with some of those unfunded mandates when you have a thousand or more firefighters. So I do want you to know that we didn't ignore that and just say oh, well, it's just another cost. So we spent almost \$100,000 a year in examination fees and certification fees for the austin fire department. The budget reductions, just a quick couple comments on some of that. I do want to say that out of the allocated funds that were allowed for the reductions, it ended up being \$20 million out of the total budget. 112 Million of our budget or 84% of our budget goes to combat operations and communications. So what was left was about \$20 million in which we were seeking to make those budget reductions. And of that 20 million, 16 million are attributed to personnel. So pretty difficult to find some of those reductions without having some impact on personnel. But we do realize that we have to be part of the greater whole and help contribute to budget reductions within the city. The budget highlights, I'd like to make some comments there. And I'm not going to read these to you because I know you can all read them. I just want you to know that leverage on duty firefighters to provide strategic neighborhood education after key incidents, and I just want to talk about that just a little bit. After that pinnacle fire which was the wild land urban interface fire we had at the y there, we created a public education campaign and distributed over -- or touched base with over 44,000 homeowners that live in the wild land urban interface on ten tips that they can use to protect their home from wild land fires and have found that to be very effective. In fact, have had much better attendance, we've taken advantage of that since that fire, had much better attendance at all types of neighborhood community meetings that we have been talking to homeowners on what they can do to help protect themselves as well. So and we will continue to do that. As you probably know, we just kicked off a campaign about safe outdoor cooking, and our next campaign that we're going to do, and this isn't necessarily after a key incident, but it's after a repeated number of fires that have been caused by improperly discarded smoking material. So we are going to continue to use our -- our personnel and leverage our on-duty personnel in the best way that we can to be proactive not only reactive in regard to emergency response. The upgrade on the rescue equipment is things like our positive pressure ventilation fans. It is what you probably know as the jaws of life. And we are buying some new pieces to our rescue equipment that allows us to cut through the -- the new fabric that cars are made of. Cars are now made lighter and the material, the metals that they are made out of are much harder to cut through so we have to buy new equipment to keep up with the technology. And then finally, the last bullet there, using technology to increase the service level, social media, smart phones, user driven data analysis. I just want to talk about a couple things. One is social media. We have kicked off a program where we're using twitter to use in highrise buildings and we are sending messages to followers that tells them about evacuating the building, and it will also give messages to those individuals when it's time and safe to return back to their homes. And at some point we're going to expand that program, but we have tested it in two of our three test sites. The third site is a campus building and we're going to test that program once all the students are back and in the building. Then we're going to expand it even further. We've talked about using it with aisd in messaging systems, and it's not to like nice messages, just evacuation and important processes and programs and critical emergency information. And we have done a followup with the two that we've tested at and 100% of the users expressed satisfaction with using twitter and getting the information and the correct information. Then second one I want to tell you is just sort of a nice story in regard to smart phones. The medical director reviews every single cpr call and they listen to the tape that's attached to the aed, the automatic external defibrillator and hear this tick tick tick and go what is that. And they call the crew and the lieutenant says that's my iphone. We downloaded a metronome app and established rhythm for chest compressions. The medical director goes what a great idea. They are looking to do that on every

single aed in the city, to establish that rhythm for chest compressions. Just, you know, that's really coming up from the employees, but really just like wow, good idea. How smart. And then the last, the user driven data analysis, there's a little icon up there of click view. And we are using this software and putting the data analysis in the hands of the users. And what's interesting is it started out as Saturday of a mandate that battalion chiefs use this software and data analysis to help manage their battalions. And then pretty soon we're getting requests from captains and lieutenants, hey, we want access to this too. And by using this data analysis in many different aspects, we have reduced in some cases some of our response times as much as 8 to 30 seconds. And that so we're really excited about using technology to help us do our jobs better and to help provide better service to the community. The -- the next slide on the performance measure highlights, really didn't want to make a lot of comments on that, just that overall you can see we've made pretty steady or at least met our performance measures in regard to the number of unintentional fire deaths, you may or may not know that I have a campaign and overarching vision that everybody does their part and we have zero fire deaths. In the 2010-2011 year so far we've had four fire deaths, two were in structure fires and one was in a vehicle accident and one was another unfortunate incident that occurred on New Year's day where individuals were carrying an open container of gasoline and flicking a lighter. And obviously poor judgment, poor decision, resulted in a fatality. But the intent is that we do reduce our fire deaths to zero, and through proactive approach such as education and not always through regulations. But that is our intent on that one. And that is it. Transportation, actually I'll go back and leave it at that for now.

Mayor Leffingwell: Questions? Let me just say I'm glad that we -- I think last year we had an unintentional fire death goal of four and I'm glad we've changed that from goal to estimated.

Thank you. I appreciate that too. Just like the performance measure used to be six and I went no, it's not okay.

Mayor Leffingwell: Well, semantics. Councilmember Spelman.

Spelman: I understand we're on a time frame so make it real quick. I was really happy to have had a chance to take a look at your click view, your user driven data analysis system. I wonder if you could explain how it is that just providing information to your captains and battalion chiefs was sufficient to reduce response time and achieve other good things for your department.

Well, the way that we're able to reduce some of that response time was is a battalion chief looks at -- response times are calculated from the time that the call comes to 911 to the time that they arrive on scene. So there are certain segments of it and one segment is called turnout time. That's the time it takes individuals to get from wherever they are in the station out to the truck and get their gear on and then get on the truck. So looking at that, they were looking at why is my turnout time so long and how can we reduce that. And then we also looked at some of it was in the communications center. We were able to reduce some of that time as well.

Spelman: So what happened is some of the captains found their call turnout time was longer than others and they contacted the captain with the short one and said what do you do that causes yours to be shorter than mine, maybe I can do the same thing.

That's correct. It's competitive and it's a best practice and what are you doing. It's also, like I said, firefighters are competitive so they want to have the best of that and not decrease their response time by exceeding speed limit or violating safe driving policy at the same time.

Spelman: I understand they understand that you are watching them in that respect.

That's right.

Spelman: Is it in your best guess could this sort of system being used in other departments around the city?

Oh, I absolutely think it could and I'm not the expert. When it comes to technology I'm like put the bread in and I want the toes out. Toast out and this program delivers toast.

Spelman: Thank you.

Mayor Leffingwell: Councilmember morrison.

Morrison: Thanks for your presentation. On the one hand in our budget reductions it says we're limiting recruit to go local events. We're no longer recruiting nationwide.

I'm sorry, I meant to comment on that. We are going to continue to recruit nationwide. We're going to limit on site recruit to go local and local meaning the state of texas primarily. We will advertise and market nationwide and possibly even after, you know, we finally get our employment process completed and we can find out if some of our recruiting had any big effect from a certain part of the country, then we may target certain areas of the country. But not just, you know, look for markets that have good demographics, but also look at where we've been successful.

Morrison: Okay, so I'm not sure I understand, so are we recruiting outside of texas?

Yes.

Morrison: And we're only bringing to austin if they are from texas, is that --

no. We're going to recruit throughout the state of texas, but we're going to not do on site. We're not going to send people outside of the state or even, you know, further away than the state of texas to do recruiting. We will do advertising and marketing and if we find a market that we think might, you know, be valuable for our recruitment efforts, then we'll evaluate that and determine if we should send people there or not.

Yes, I was going to comment but the chief covered it. In years past assistant city MANAGER michael McDonald, public safety department. But in years past we had the ability at random send public safety to different locations. And what the chief is saying now is that we're going to -- because of what we're under, we're going to have more of a local focus here in the state of texas. However, if a particular market outside the state of texas reveals and we've made a lot of progress there, then we'll look to one-time funds wherever we need to -- maybe go to that specific location but we're not going to be spending people nationwide as random as we used to.

Morrison: On the next slide there is a bullet that continues to recruit aggressively by targeting underrepresented demographics and I would think that would work out.

We're going to limit the expenditure of funds for travel as much as we can. If we find there's a market that needs some on site attention, then we'll work with our budget within that.

Morrison: Okay. Thank you.

Mayor Leffingwell: Any other questions? Thank you very much.

Thank you.

Mayor Leffingwell: Councilmembers, we're down to four now. We're going to defer the last briefing on public works and we'll just take it. We'll have to defer that until our august 24th or add that agenda but councilmember martinez is gone and I assume mayor pro tem cole is gone although I'm uniformed on that subject. We'll go ahead and hear from the transportation department.

And we'll try to do that presentation with as much brevity as possible, mayor.

Good morning mayor and council. Robert schiller, director of transportation. I want to go a quick run-through of the transportation department. Just remind everyone our mission along with public works is deliver safe, reliable and sustainable transportation system. It is also to do our work with the utmost customer focus and transparency that we can within the community. And that's -- those are two tenents just two and a half years ago. An overview where we get our funds from. As you see on the left we receive about equal funding from the transportation user fee and the other half mostly from parking management. We also get funds right-of-way fees but the bulk of the source of funds are from either the transportation fund or from the parking management fund. In terms of uses, most of our funds go into the management of our traffic system. That includes problem solving for citizens when they call in. But also our signal system and so forth. Our parking enterprise takes up another 20% and then, of course, transfers out in other activities. But it's about a budget of 3 million proposed for or previous for 2011-2012. When we look at the transportation department expenditures and the cost drivers, I just want to point out three areas of our overall planned expenditures where we're seeing some growth. Arterial management, our signal systems we are adding THREE FTEs TO CONTINUE TO Improve our overall costs there. That is an increase of about 390,000 for those technicians. We're also looking at additional transfers out, support services requirements, debt and our parking enterprise is currently scheduled to grow by the staffing that we've absorbed this year but also to sustain that over time. If we can look just at the parking management fund, one of the things I want to make sure you see is that the current plan is for some investments out of that fund, transfers out. The lower table there shows where those transfers are currently planned to be going. debt service, that was a confusion this year, we do have debt service on the meters that we bought two years ago so that continues and starts to step up over the next several months or several years, rather, and then some significant investments in both transportation in the DOWNTOWN C.I.P.s OR Investment priorities. In terms of revenues and rates, just some proposed issues that will be coming up, there's some additional after hour inspection fees action license agreements. We anticipate some significant additional development this year which will generate starting to have some needs for additional after hour inspection fees and so forth so we want to be responsive to the community on that. The development community. Of course, we've been talking about the extended pay parking hours, but also the transfer of the valet again. That's an accounting issue moves it from the general transportation fund into the parking management fund. We've started those studies to reevaluate the valet parking fees this year already. Some budget highlights, as i mentioned just previously, the current budget contemplates transportation initiatives as well as downtown initiatives coming out of the parking management fund. And we are intend to go continue to move forward with those. And then I just wanted to move on to performance measures, again trying to move through this quickly. One of the numbers that I want to point out here that you will see in terms of performance measures is our number of tickets in 2010 went down significantly, almost 20,000. That's not a problem. That's actually a response, unanticipated response from the improved meters. So that was an unanticipated consequence. I actually think that was a good measure. We would anticipate those to go up as we move into 2011 and 2012 with the expanded enforcement that we're having throughout that system. Another measure that's often been discussed and I think we've got some better understanding, the goal of the city to reach a 39% citizen approval of traffic flow goes back to the citizens satisfaction survey. And when we relooked at that good, one of the things we found is the national average is 39%. Our goal was to equal the national average or beat it, which is not a bad measure. And so as you'll see there in austin, we generally show about a 27% satisfaction so we have a gap of about 12 percentage points and so we have an action plan and actually have been pursuing this. First of all our strategic mobility plan that we are in the throes of completing and should be publishing within the next month or so really starts to address a long-term change in direction for the transportation department to start taking on some of those larger not just congestion but also mobility issues within the community. And we know that from the 2010 bond passing that in fact we're starting to deploy some of

those projects that will make a difference. Moving our signal to a small management approach really focusing on that flow as opposed to capacity and level of service, but moving towards how do we maintain that flow of traffic on our major arterials. Certainly we've talked about modernizing the signal technology and this year council approved the advanced transportation management system purchase and that is moving ahead. One of the things we found is that our current signal control technology was at the cutting edge of the innovations in signals. Unfortunately that was 10 or 15 years ago so now we're at the back end of that technological wave so it's time to renew that effort and we're doing that. We're investing in improved driver information, trying to manage the expectations and information understanding of the system and then, of course, doing retiming of the signal system in the cbd. You can drive from south to north and north to south fairly without getting stopped on our major arterials so we'll be keeping that going. Other major performance issues, I would like to point out some of our more projects. First and foremost on behalf of the city we were awarded an even vision central texas innovations award for our mobility plan and our prioritization of projects approach so we're very proud of that. We also added nearly 70 spaces on south congress and have actually with back-in angled parking. That was a fairly controversial project with many of the businesses concerned. Halfway through we started getting emails and calls from many of those businesses about how well it was working, that they were thrilled. We're excited to continue finishing that project with some additional improvements. The 2010 mobility bond I've already mentioned. Again this year we also facilitated 150 special events and special events and emergency response. Of course, the w next door, our crews turned out to make sure that traffic was not completing snarled over those days when we were making adjustments to the network. And then we achieved another year and I'm going to knock on wood because I don't want to jinx it, we still have a couple months to go but thus far we've achieved another year of no deaths in the rate of way due to due diligence and inspections that we do. Our city should be very proud of a continued record of that. Assuming we get through the next several months we'll be able to claim that. In terms of looking forward to planned efforts, the signal system modernization, we'll start to see dividends pay out this year. We have deployed the first 50 backup units on critical intersections and we'll be trying to do the next 450 on a basis of making sure our busiest, most important intersections are facilitated with that backup. Regional studies, we kicked off the i-35 development program with txdot. We are getting nibbles from other agencies with interest to supplement that contract and extend that corridor to look at a larger area so we're excited about that. That project will look at ways to improve the efficiency of i-35 staying within the current footprint, doing something very different with how we manage those lanes. And then also four other major corridors that we're starting to look at as that phase 2 of the strategic mobility plan as we start to think about flow in and out of our city. Ordinance reviews, I want to give you a heads up that it's time to take a look back at the special events ordinance. We've now been implementing it for two years and as predicted there's probably a few tweaks that both the residents of our community as well as the promoters and I can tell you staff would like to make. I think they are minor tweaks, but I think it's time to tighten up that ordinance a little bit. And then I know valet parking regulations have been in the news just today on npr. We have started the stakeholder outreach in terms of taking a look at what needs to be incorporated. And then we believe that the rainey street district will be coming due for parking management this year. I know there's been interest at the council but there's also interest from the neighborhood to begin managing parking in the rainey street district area so we'll be moving forward with that also aswell. All big projects. We continue to move forward with urban rail. This last week we had a manufacturer visit town with a 100% low floor battery operated vehicle. Lots of public interest in that. They are continuing environmental impact and funding plan moving towards a first investment in a regional system plan later this year. That's the plan with that. And I'm done.

Mayor Leffingwell: Questions? I was out there for the trolley car, urban rail car visit and it does have the capability to go four or five miles without being attached to an electrical wire tether.

Yes, sir.

Mayor Leffingwell: Which would be very handy in certain areas where it's difficult to put overhead wires. I also noted that the engineers compartment does in the have a steering wheel which if you think about it kind of makes sense. But it's odd. [Laughter] [one moment, please, for change in captioners]

Spelman: I understand that congestion is a bigger problem in austin than it is in most cities our size. And I understand there's a lot of dissatisfaction with being able to get around because of the congestion. But I also understand that most of our congestion problem is on i-35, mopac, 183 and 290. And is not on north and south lamar, guadalupe or other city streets. So why is it that people are so dissatisfied with traffic flow on major city streets if our congestion rate on major city streets is not that much different from other major cities?

I think two factors are at play here. Yes, it's hard to make sure that the respondents are referring to major city arterials. So it's difficult to think about congestion and not mix-up i-35 as a major arterial. I suspect that's a piece of it. So that's one major piece that I would say, and i don't remember what the other second piece was. [ Laughter ] that would be the one that i would say right there.

Spelman: I can imagine too if you just get off of i-35 and you're in any delay that have you on some arterial will be a problem for you.

The other thing is i think the general public does believe that traffic congestion is a problem. As a traffic engineer and practitioner I believe traffic congestion is a symptom of an underlying problem as opposed to in and of itself. So the problems in this region are different. The underlying cause of congestion may be different here than in houston, for instance. So here because of a lack of other freeways, the ones we do have have to carry the brunt of the demand, and there's just too much demand for those individual facilities. As you know, I've said that we can only load the downtown grid from two car in all directions east and west, i-35 and mopac. Other cities can do it from all around there, 360 degrees, and they get a better loading of their downtown grid. Our downtown grid actually travels very well during most of the day. The challenge is getting the traffic into that grid.

Spelman: Right. You were talking about the distinction between a capacity and a flow approach to managing the arterial traffic. If you could elaborate on that a little bit, I'm not quite sure why flow and capacity should be at odds.

Well, level was service, for instance, and capacity -- or capacity referring to level of service at intersections is focused on a single intersection. Whereas we believe when you talk about know it's more about reliability and passage through a corridor. And so if you can reliably get from south lamar and oltorf to downtown, for instance, in 15 minutes, delay at a single intersection along there really doesn't matter whether you're located at one intersection or four or five intersections. So focusing on flow, if we could provide that reliability and provide a constant flow for people and make them feel thaik liar moving, even if they're moving them at slower speed through individual intersections, that results in better flow overall.

Spelman: So it's more of a systemwide approach rather than a case by case, intersection by intersection approach.

Yes, sir. It also allows you to bring in other con at the present time sept like limiting access, reducing the number of driveways, combining driveways. Looking for ways to have transit move through the corridor more efficiently, even if that perhaps affects other drivers differently than the people on the bus. If you can move more people through by allowing the bus to control or have some control over the signal, it will change the flow rate of more people theoretically.

Spelman: It would certainly reduce my agriculturevation rate if i find myself in the right lane and there's a bus in front of me and it takes me fiveinutes before I can pull out behind it, I get unhappy even if my flow is pretty good.

And to summarize, if the speed limit is 30, did you bu you have to stop two or three times, versus if the signals are set for some lower speed, say 25, and it allows you to move through, you will feel like the

flow has improved.

Spelman: If I could set my cruise control at 18 miles per hour and just go, I would be a happy guy.

Yes.

Spelman: Similar question. You're talking about regional cities and the one which I think will be more strategically available, at least potentially as the i-35 corridor study. Could you give me a couple of examples for how it is we might be able to improve capacity or flow on i-35 with the same footprint?

Yes. I'll try to paint the easiest example picture for you. If you watch during the peak period coming north across the colorado river on i-35, the main lines will often be plugged. And the adjacent frontage roads will often be wide open or relatively l'd open. Wide open. Many of the traffic across downtown bridges are headed so one idea is could you move those downtown access to south of the river, have that demand now use the frontage road across there -- there's lots of issues to work through. I'm not pretending that it's that easy. But there's certainly -- that's underutilized capacity. Does that then open up capacity on the main line to perhaps use definitely, for instance, as an hov lane for express bus to get directly in to downtown at another grid location. And so that's just one example. Another example maybe using flow meters like we see in dallas and houston to meter the traffic getting on to the main line because as you know if you have a solid queue of traffic going on, cars on the main line have to bunch up to allow cars in. If you have an even flow that allows that flow on the main lines to work better. Those are two ideas that are being considered. The idea of also converting shoulders where we have full shoulders for use by other means, express bus, hov, is another concept that we need to look at. So again, staying within the footprint basically, but using things -- using lanes differently than they are today.

Spelman: When do we expect to get that corridor study completed?

We have asked the stunt as -- and txdot is also interested in this, to come back with short or early improvements mid and long-term improvements. So we would hope that early ideas for solutions would come back as early as this november. It won't be a final product. It will be more powerpoint format. How that might work, hopefully that might spawn some early projects that could be funded as early as 2012 either through proposition 12 funding through the state or perhaps bond election or whatever funding mechanism. Longer term solutions to the corridor would come in the following year in terms of proposals, but the way we're approaching this is to try to develop a series of incremental projects that together would improve the corridor as opposed to a grand corridor project that would perhaps require construction throughout the corridor.

Spelman: And certainly would require millions and millions of -- maybe millions of dollars.

It would probably still cost millions with m's, not billions with b's.

Spelman: Even a reconstruction of i-35?

The proposed improvements.

Spelman: I was contrasting your proposed i improvements in the short-term that are millions with m's, to a wholesale change of i-35 in a traditional ways that would require b's and a whole bunch of them. Thanks, rob.

Mayor Leffingwell: So looking for traffic solutions to i-35 I believe is the most important objective that we have given it's the fourth most congested road segment in the entire united states. More congested than anything in new york or chicago or dallas or houston. And everybody knows it, but there are lots of

different things that we can do while we're waiting for this rebuild of i-35. Talking about locations and on and off ramps. I can think of several that just don't seem to work very well for me at least. But another alternative i think that's got to be on the table -- I don't know what the answer is, is taking traffic off of i-35 and putting it on sh 130, which has plenty of capacity. So addressing i-35 and also mopac. And you mention creating new lanes on existing shoulders. So it's really good to see that we're moving forward on those two most important projects, but we also have to keep in mind that it is a multimodal approach and there are different solutions for different roads and different parts of town. And we have got to continue to look at that, and we are continuing to look at that and we'll hear more about it in the very near future. So welcome to the toughest job in town. So far you're doing a great job and I appreciate it.

Thank you.

Mayor Leffingwell: Councilmember riley.

Riley: Rob, I just wanted to ask you about one particular performance measure that I didn't see, and that relates to mode chair. A number of cities have addressed the issues with access into the central business district through measures that affect the percentage of people entering downtown through -- in single occupant vehicles. This past year we've seen the launch of some significant new efforts in that regard, in particular the downtown austin transportation management authority, which i appreciate your participation in. I didn't see it mentioned here. I wondered does the department consider mode share a performance measure in any way? I know that we look at the national average of satisfaction with traffic flow on major streets, but we could also look at national average -- national averages on mode share, compare ourselves to that and look at our progress on that over time? Is that something that this department would consider a performance measure?

Councilmember, that has not been one of our formal performance measures, although it is something that we track. In fact, I was just looking at community survey data yesterday gathered in 2009 and very happy to report that both the city of austin and the metro area has the highest per capita transit ridership in the state of texas, has the highest per capita other transportation means other than the single occupancy vehicle.

Riley: In the state of texas?

In the state of texas percentage. And that's compared to other large cities, dallas, houston, san antonio, el paso, arlington, corpus christi I think are the cities that we looked at. The one thing that was interesting is it shows i believe where a community invests in alternative modes people will follow and use that. I think here in constituent of austin it shows a high number of percentage of people bicycling and using other modes as well as transit. Not unsurprisingly, houston and dallas have higher numbers of hov users than we do, high occupancy vehicles, but they've also invested in carpool lanes and so forth. So certainly we can look at how we can bring that measure in to our sort of universe of measures of effectiveness. Our challenge is getting a data source every year to measure that. But it's certainly something we can work on.

Riley: But the community survey that you mentioned is available on a year to year basis?

I don't know that answer.

No, it's a different community survey from the satisfaction survey. This is the census, u.s. Census.

But I think that particular -- that batch of census data I thought was available on an annual basis.

I don't know that. I would have to look into that. If it is, I think that would be an easy way to track that.



Riley: I'm glad to hear you're looking at that. I think it would be very helpful to keep an eye on that and would consider including it as a performance measure in the future since that would be well aligned with the efforts throughout downtown community.

Right.

Mayor Leffingwell: Anything else? Okay. So as I mentioned previously, the public works department presentation will be deferred until our next meeting on August 24th. So that is it for today. Without objection we stand