

City Council Budget Work Session 8/1/2012

>> Mayor Leffingwell: Good morning, a quorum is present so we'll bring this council meeting to order wednesday, august 1, 2012, the time is 9:13 a.m.

We're meeting in the board commission room austin city hall, austin, texas.

One item, the presentation of the city's proposed budget for fiscal year 2012-2013.

And to start off, I'll turn it over to the city manager to make a brief introduction.

>> Thank you, mayor.

Good morning, councilmembers.

I'm pleased to present to you 1 billion all funds budget.

Structurally sound.

Values our employees for their hard work and continues to make prudent investments, and best managed in our community.

The budget includes a proposed 18% increase in tax including increases for our increases.

These increases will cost a typical citizen a possible \$18 a month.

I don't take the increases lightly, they are absolutely necessary if they are to continue to take the types of investments in our community to make austin the most livable city in the nation.

As you know, the austin story is very different from the story of most other municipalities.

Cities and counties across the nation continue to struggle in the wake of the great recession.

Many have found it necessary to slash their workforces and critical services to keep the strained budgets and ballots with falling revenues.

For others, remaining fiscally solvent has required more drastic measures.

In just the past two weeks, two california cities, san bernardino and stockton, have each filed for chapter 9 bankruptcy protection and unfortunately, more are likely to follow.

Austin, by way of comparison, is flourishing.

During the past 12 months, nearly 23,000 jobs have been created in the region and our local unemployment rate has 8% while at the national level,

unemployment continues to hover above 8%.

Other bright spots for the city include one of the most stable housing markets in the nation and a revitalized development sector.

You already are aware that two new convention center hotels are on the way to downtown austin and I am likewise happy to report that the number of residential and commercial building applications are up 16% and 36% respectively from the previous year.

The success we are seeing today is due in no small part to the tough fiscal decisions that were made by this council during the past three budget cycles.

Under your leadership, the city has established a new secondary low-cost pension plan for new civilian hires, renegotiated labor contracts and more costs.

We postponed civilian studies for two years.

We eliminated vacant positions and repurposed other positions to hire priority services.

5 billion from nonpublic safety service areas and improved tax fee increases in order to protect or enhance our most essential services.

As a result of the efforts, the budget before you today is balanced and -- balanced and without any service reductions, and also without a single employee layoff, despite continued cuts in state and federal grant funds.

The budget includes funding for a number of key enhancements, most notably in the areas of public safety, park, recreation, planning and development review, code compliance, resource recovery, and library services.

And for the third consecutive year, we're recommending a tax rate that is below the state-defined rolled back calculations.

One thing I want to make very clear this morning is that we must continue to place equally high importance on value and affordability for our taxpayers as we do on providing exemplary customer service in meeting growing service expectations in our very diverse community.

When I came to austin, i established as my goal having austin known and recognized as one of the best managed cities in the country.

I also stated we would never declare we have reached that goal, but would rather let others do that for us.

While nearly five years later,
people are starting to talk.

For two years running, the
business journal has rated
austin the number one place to
start a small business.

"Forbes" magazine has ranked
us as the number one city for
jobs.

Parenting magazine lists us as
the number two place to raise
a family.

And in our most recent
community survey, overall
satisfaction with city
services rated number one
among 13 comparable cities
with populations above 500,000
leading the survey team to
declare that, and I quote, the
city of austin is setting the
standard for performance among
large u.s. cities, end quote.

While these accolades are
certainly nice to receive, we
are not ultimately what best
managed is all about.

Best managed is not about the
number of top ten lists we are
on, or even being ranked
number one, the number one
municipal service provider in
a national survey.

Instead, it's about you, it's
about all of us.

It's about the 12,000 men and
women that comprise the city
of austin workforce doing all

we can, each and every day, to make austin the most livable city in the country.

As we move forward as an organization, our greatest challenge, one that is incumbent upon all of us, i think, will be to not rest on our laurels of past success, but, instead, to continually raise the bar on what's possible.

Mayor and council by way of introduction for purposes of balance, I want to take a moment to acknowledge what i can only describe as our stellar financial services team which, as you know, is headed by our chief financial officer, elaine hart.

Our deputy city manager, greg cannaly who's somewhere here in the room, insuspect.

And I'm pleased to note also the recently promoted deputy ceo.

We want to acknowledge them for their stellar work as well as the entire staff of the financial services department.

Of course, their efforts are supported by the rest of the organization so I also want to acknowledge my office, my deputy city manager of the ACMs, THE CHIEF OF STAFF, AND All of the department heads and their financial staff as well.

All of those individuals come together to produce one of the most important projects that we provide to the council and the community on an annual basis.

And that is this proposed plan that is before you today.

So I simply want to start today by offering my sincere thanks to all of you for -- for your hard work, not just for this budget, but for what you do each and every day.

With that, mayor, with your permission, I believe the staff is prepared to present the details of the budget.

>> Thank you, city manager.

And we'll go ahead.

First I want to also acknowledge and congratulate you.

I think the record of the city of austin in the last few years is one that's envied over the entire country.

I think the record is a stellar one.

Turn it over to you.

>> Thank you, city manager, mayor.

Mayor, mayor pro tem, city councilmembers, it's a pleasure to present the

proposed budget for the fiscal '13 year.

As the manager said is here and is going to assist in the presentation.

I also would like to make my thanks to all of the folks involved, citizens, stake holders, all of the staff and management, and city manager in preparing the budget.

It's been a lengthy process and this is the culmination of all of that hard work.

I mentioned stake holders, stake holder input is really a chief role in our budget decision-making process.

The past three years we've really set the bar higher and higher on that stake holder input process.

And this year, again, we've had an inclusive and transparent process.

We had a council policy retreat beginning in february.

We had in april we had in may we had over 24 hours of financial forecast work sessions.

Following that, we had 15 public meetings at the board and commission to gain citizen input and board input on the proposed budget.

We've also had other methods for on-line input.

We started a new citizen budget question and comment section this year, much like the council budget in question process.

We continued our sneak up budget forum.

We had a budget priority survey.

And we've had extensive documentation that's been available on-line to all of the folks in the community.

We've posed the results of our citizen survey that was released in november, our horizon issues update was released in march.

We've had an annual performance report and city dashboard on our performance measures issued in the march time frame as well.

We've published an unmet service needs and demands report prior to the completion of the proposed budget so we can gain input from the boards and commissions and citizens, and we've had a menu of potential budget reductions that are available for discussion.

As the manager said, we are proposing a budget for the

general fund that is structurally balanced.

That being said, our projective revenues are sufficient to cover our projected expenditures.

We did balance this budget without service reductions or staff layoffs.

And we did include funding for some key service enhancements.

We were able to do this primarily because of the decisive actions that were taken over the last three budget years in response to the downturn in the economy.

Over the last three years, we've cut 178 vacant positions citywide, repurposes other positions to other priority needs, renegotiated the labor contracts which lowered our staff costs, we eliminated wage increases in 2010 and deferred market studies for two years, thus lowering our overall costs and long-term costs.

We balance the cuts with various fee and ratings as they were needed to avoid layoff.

The general fund budget is structurally balanced with a 2.2% increase in the tax rate.

That is below the rollback calculation for the third consecutive year.

3-cent increase projected over our five-year planning horizon and that will maintain a balanced budget over that five-year period.

67 month increase for the median homeowner.

This budget also values our employees as the manager said, we have over 12,000 employees.

This budget includes a proposed 3% salary increase for all employees.

It implements the full-year costs of market studies that were implemented in april of 2012 for civilian employees.

It increases our contributions to our employee retirement systems.

We have three retirement systems.

1% Increase for sworn police.

A 1% increase for sworn fire with an additional 1% plan for september of 2013.

And finally a 2% increase for civilian employees bringing the total contribution of the city to that system to 18%.

It's the final year of our supplemental funding plan.

Originally we started out with an 8% contribution level from the city, 8% from the employees.

Now we have a total of 26% contribution level with 18% funded by the city.

And I'm pleased to let you know that for the first time when we got the actuarial evaluation from the employee retirement system, first time since 2001, the amortization period for the employee retirement system is under 30 years which is very good.

We had an infinite funding period previously.

So you can see these continued investments have really paid off for us.

This budget, again, has no layoffs despite reductions in our federal grants, 18 positions were transferred from the grant funds to the general fund.

And they'll be funded from local sources.

How do we get to best managed?

We go down a path or a road.

It's a planned event.

Innovation is the way to get there.

Some of the examples are here on the slide recently got awards from the finance officers association for transparency.

Excellence for transparency for the austin finance on-line website that was put in place over a year ago.

We got awards from the state comptroller's office for eCHECKBOOK FOR IMPROVEMENT IN Transparency.

Five years ago, this kind of information was not available to our citizens on-line.

We also implemented innovations in our health care plan to reduce our health care increase projected for the fiscal 13 budget to 3% well below what it's been in the past.

The accelerate austin initiative allowed us to reach our payment goal being in fair to excellent condition five years ahead of schedule.

It also created jobs locally and enabled us to reach our goal earlier.

As the manager d, the results are in.

Our customer survey performed by the etc institute report

was released in november of 2011.

We were, again, beating the national average in 41 of 46 benchmark service areas in the survey.

26 Were better than the national average on our customer satisfaction, and 13% were better than the national average for value, for the -- for the taxes and fees paid.

Again, as the manager mentioned, our challenge is continuing to raise that bar.

Statistically significant improvements were made of 21 of 83 service measures and they were reported in the november customer satisfaction survey.

Today's presentation will cover these items, our all funds summary, our general fund revenue detail.

Then we'll move to budget highlights for the general fund, our expenditures and departmental plans.

Then we'll cover internal service funds, those funds provide services to other city departments.

Our enterprise funds, which are our funds to charge fees and our more fee-based.

And then we will conclude with our cross jurisdictional rate analysis and the next steps.

The city is a unique municipal operation including many, many businesses in addition to the general funds.

To name a few, we include austin energy, the electric service department.

Austin water, the water utility.

We run an airport and also a convention center.

We set up a series of separate funds that account for each of these activities separately to provide transparency to the public.

The all funds summary and the total budget for the city for 1 million.

It's depicted in this slide here, in the pie chart.

Of that, this -- this gives you a broad overview of what is included in the budget, the green area on the left is austin energy, which represents 37%, the turquoise in the upper right is 14%.

The general fund, the navy in the bottom section of the slide, and it represents 21%.

Those are the three largest pieces of our budget.

Beyond that, internal services or departments who serve other city markets are 7%.

This is a summary of our personnel changes for the year.

As I said, the term personnel in the proposed budget is over \$12,000.

In this budget, we're proposing 166.2 new positions.

Of that, 64 positions will be in the general fund.

And that includes 22 new police officers, four new firefighters, and six new paramedics.

Of the 22 for the austin police department, 12 will be 911 call takers and dispatchers that were previously funded through grants.

You see, we're eliminating nine positions, those are grant positions all vacant that will be eliminated in this budget.

The trafer shows the shift of the departments, there are some grant funded positions shifting to the police department.

And the net change citywide is
157.2 positions.

I want to note that the austin
convention center for the
third year has asked for no
NEW FTEs AND AUSTIN ENERGY IS
IT ASKING FOR NO NEW FTEs FOR
The fourth consecutive year.

The additional staffing is
critical to our meeting our
service demands.

And programs.

This last slide is a summary
of our major rate and fee
increases across the city.

You will see the prior year,
the 12 or the current year
monthly rate in the left-hand
column to propose the
increases and rates.

In the middle column.

And the dollar change on a
monthly basis.

The total monthly cost is
08 for the typical rate
payer or taxpayer.

This includes the enterprise
funds and the property tax
bill.

For the property tax bill,
it's \$1.67 of the.08.

The remaining of these fee
increases and rates are
proposed rates the council has
not approved yet.

These are for the typical rate payer.

For that, I would like to turn it over to ed who will go over the general fund highlights.

>> Good morning, mayor, mayor pro tem, members of the council.

I'm the deputy cso for the city.

It's been done by several people, but I just can't not do it myself which is to thank a whole lot of people because later today you'll receive a 1500 page two-volume budget document.

You've seen with the slides we're doing today -- I think the slides that we're doing today are going to take us over 400 slides of power point information.

Let's hope there's nothing called death by powerpoint.

But the point is there's a whole lot of work that goes into this and there are a lot of people to be thanked.

Probably 30 or 40 property directors right now in the bullpen or in the lobby ready to run in if you have questions of an operational nature that are beyond our ability to respond.

If you see bloodshot eyed people walking around the city, a good chance they're financial people that work for the city.

Thank all of them.

A number of departments have started creating departmental budget committees that meet on a regular basis just to work through a whole variety of budget issues.

I want to thank all of those folks.

The boards and commissions as always, they've been very open to making time on their busy agendas to listen to the budget staff come and talk to us about budget matters and take it seriously and a number of them have provided input back to council offices, i know.

And last, but certainly not least, I want to thank the roughly two dozen folks I have up on the third floor that work very, very hard to make all of this possible and they just do an excellent job and i could not be prouder to be part of a group of people than I am to be part of the budget office and that group.

I mentioned a couple of things later today, we're going to deliver the budget.

Last year it was the cow budget.

Then the guitar budget.

This will be the cow budget.

I hope you like the cover.

We're going to be releasing later today a summary of our unmet needs.

We produced a list, I think back in april, we provided a list to council of what our departments are brought forward with the undermet 6 million of needs they identified so putting together a summary report to remind you what all of the unmet needs were and which we've been able to find a way to fund in this budget and which are the ones we are not able to fund.

So that will be a way for you to quickly and transparently see what we've added to this budget and we'll provide you with the summary of community engagement efforts and we will also be posting for the community and for whoever wants to look at it this presentation, both the power point slides as well as the video of the presentation.

So that will all be getting released later today.

Taking a look at our general fund budget.

Our sources of funds.

5 million is
what we're projecting for
fiscal year 2013.

The bulk of that coming from
property taxes, roughly 42% of
it.

22% From sales taxes.

19% From our utility
transfers.

And a little aside from all
our other funding sources.

A pie chart that looked
different than it did in
fiscal 2008 prior to the
economic downturn.

If you turn the dial back five
years, you see property taxes
of 31% of our total general
fund pie sales taxes following
a number of years of really
good sales.

We're up to 28% of our budget.

The utility transfers are at
about 21%.

And all our other sources were
at 20%.

So the pie has changed as the
economy has turned down sales
tax revenue have lagged.

The utility transfers have
dropped as a result of the
budgets and the other sources
remain stagnant.

We continue that in to fiscal year '13.

2 million
of additional revenue.

That's over and above where we estimate to end the year in fiscal year '12.

\$34 Million of that from
5 million
increase in sales tax
projected.

5 Million increase in
utility transfer.

That's all coming from the
water utility.

The transfers are staying flat
in '13.

And increase in the other
revenue category with most of
that coming from a revitalized
sector and a lot of activity
that we're seeing through the
city.

So we're going to take
probably ten minutes and walk
you through some of the
details of each of the four
broad revenue categories.

First in regards to property
tax, our certified tax role
for fiscal year 2013 came in
4% higher than where it was
in 2012.

You can see the numbers up
6 billion tax base
9 billion of that

increase being new property value.

At a proposed tax rate of 29 cents per \$100 of taxable value, that generates the tax revenue that I showed you on the previous slide.

18 penny increase in the tax rate that we have of 48.11.

We're taking a liberty and rounding that to 2.2.

It's a lot easier to say than 2.18.

2 penny increase in the tax rate that we currently have.

It comes out to be an impact 67 per month for the owner of an immediate value home according to the Travis County appraisal district is \$178,000 in the current tax role that was recently certified.

You can see on the slide the split between the proportion of the tax rate that goes to fund operations and maintenance versus the portion that goes to fund debt.

This gives you a little bit of an historical context.

On our tax base in the city of Austin, this is about as good a new story as you'll see.

I guarantee you you won't want to see this slide for most other cities across the nation.

You can see pretty stable and steady growth in the city's tax base, pretty rapid growth in the earlier part of the decade.

A dip down in 2011, but then we came right back.

It was a relatively minor dip.

We got most of the drop back in 2012 and here in 2013, we are now back above where our tax base was at the peak of 2010.

So we've seen and been blessed with a very stable property tax base here in the city of austin.

And just to give you some context, if you look at the next slide, it's -- it's truly an amazing context when you look at the change in average home prices from what typically is viewed as the peak of the housing market in 2007 to the bottom of the trough if you let me use that word in 2011.

The city of austin is only one of -- it's one of only two of the largest municipalities that saw an increase in property values in that time.

And ours was the largest, a 5% increase in average home prices between 7 and 11 and the drops we're seeing of other municipalities are truly staggering, in some cases, 40%, 50% in higher drops and the average price of homes which, of course, not only had a huge impact on the homeowners, but a huge impact on the cities that rely on that tax base in order to provide services to their communities.

Taking a look at sales tax, a lot of arrows on this chart.

Show you the information in two ways, 18 months of data looking at the total sales tax collection.

That's what you see on the top line is our total monthly change in sales tax collection.

That includes a lot of white noise, corrections, prior year adjustments, auto year adjustments always going on at the state comptroller's office.

The bottom slide tries to clean out that noise and look at what are the current sales that occurred and how do those occur from month-to-month.

So they both provide useful information and tell a similar story that retail sales are strong in the city.

We've seen really good growth in the last 18 months.

It's a volatile sales tax -- sales tax is a volatile source of revenue.

I like to put this slide up once or twice a year to remind folks of that that over the last decade we saw two significant recessionary periods and a six-month span where our sales tax changes went negative, significantly negative.

We can see the recession we just came out of with 18 months of negative sales tax returns.

And, you know, we're well out of that now.

And we're doing well.

But it's always good to caution everybody against getting too aggressive on your sales tax progressions because they're generally not sustainable.

You know?

It's a bit of a roller coaster ride.

So you have to be prepared for those downturns in the economy.

When you put it on an annual basis and sales tax return, that's what the bars are

telling you, the change in annual sales tax.

You can see the downturns that occurred in the early part of the deck caped.

And just recently, we went back and took an average of the last ten years of actual data.

So for 2001 and 2011 inclusive of everything, what's been the annual average increase in sales tax revenue that came out to be 2.3%.

So I drew a line on there of 3% so you can have a context for how our current sales taxes are doing and what our projection for 2013 is relative to that historical context.

So we have been seeing retail sales ahead of that historical growth rate.

We are projecting in 2012 a 5% increase and in 2013, we're 5% increase which albeit higher than what we saw for the previous ten years, I earn -- certainly believe it's a prudent sales tax budget for us to build a budget on.

5% starts to get up to 4%, 5%, or 6%, then you have a concern with what's going to happen in the next downturn.

How are we going to sustain the ongoing commitments to expenses that we made if our sales tax turned negative again.

So those are our projections for fiscal year '12 and '13.

I think we're certainly in good shape to meet that fiscal year '12 number of 5% year to date.

Eight payments into the fiscal year were up 8%.

So we're certainly in really good position to meet the 5% target for fiscal year '12 so I feel confident we'll be able to achieve 3.5% in 2013.

But, again, not to beat a dead horse, but caution against going much beyond that because of the ongoing sustainability of it.

>> Thanks, mayor.

>> Spelman: Real quick on the last two points you made.

5% For 2012 wasn't our projected sales tax growth when you presented the budget last year, right?

>> No.

>> Spelman: Next year you're projecting at 3.5%?

>> Yes.

>> Spelman: This year we're on page for 8%?

>> Through eight payments, the year-to-date growth is 8% above last year.

>> Spelman: Thanks.

>> Mm-hmm.

Next source of revenue is the general fund transfer from the two utilities.

Yellow bars show austin power utility.

The blue are from the water utility.

The steady and stable growth historically.

You can see interestingly the percent of total fund revenues it's been dropping.

We're at 24% of total fund revenues of this source back in fiscal year '97 and '13, it's down to just shy of 19%.

We expect that to continue to decline over the next five 4% by fiscal year 2017.

In regards to the revenue source, the budget does include the change to the calculation for austin energy.

1% of gross revenues.

We've changed that with council of just over 12% of nonfuel revenues and established a floor of \$109 million until the new calculation method gets us beyond.

So if we're going to switch immediately to a pure calculation using this new approach, the transfer would have dropped significantly in fiscal year '13.

So council approved sending \$105 million and we'll stay there until the 12% of nonfuel revenue gets us above 105 and we'll start floating it again.

We project \$105 million for the next two or three years.

Development revenue has certainly rebounded.

We're projecting we're going to end fiscal year '12 at 7 million and combined result of the fee study that council recently approved as well as the approved development activity.

We're continuing to see or
4
131
million in fiscal 2013.

You can see on the graphic where that puts us relative to the peak years of 2007 and 2008.

You can see where it puts us relative to our historical trends.

I would expect the future trends to be a little higher than the historical trends given that council did just approve a rate increase for the fees to get the cost recovery for the services closer to the true cost of service.

A lot of bullets on this slide.

It's there for your context.

But largely what it shows you is all the other types of revenue sources are staying stagnant.

Charges for services, which is our emergency medical services, parks and rec, health and human services, are some of the largest categories there.

We're projecting those flat from '12 to '13.

Franchise fees we're projecting just a small population growth-related increase there from \$33 million to \$33.3 million.

Fees and penalties, largely collected through our municipal court for traffic fines, parking violations, court and arrest fees, we're

projecting those to remain flat.

And in the interest earning this is what we talked about a lot in the past, it.

>>S a source of revenue that used to bring in a little over \$8 million a year.

We're projecting that for fiscal year '13 at \$684,000 based upon an investment pool yield of 0.41%.

Start on the expenditure side of the budget.

The general fund budget as you well know is predominantly allocated to the safety fund projects, police, fire, emergency medical services with 64% of the general fund budget projected to go to the areas in fiscal year 2013.

If you were to take a look back and you provided the slide for council in the past, it's part of the financial forecast.

If you go back and look the last eight, nine, ten years, it's been consistent with the services comprising 2/3 of the general fund budget and the remaining 1/3 going to fund the community service department's planning and development review, municipal court, and then the transfers and other requirements in support of our support service

functions and community --
communications and technology
management services.

Now with the budget changing
from fiscal year '12 to '13,
where are the increases
occurring?

Police and fire are the two
largest departments by a long
shot.

So not surprising that the
largest dollar increases are
occurring in the large
departments with the largest
built-in cost drivers related
to employee wage increases,
health insurance, not a
surprise that the largest
dollar increase is occurring
there.

I think the more interesting
story on this slide really is
where the percentage increases
are occurring and you can see
8%,
increase occurring in health
7%
increase in planning and
development review, and an
4% in our library
department.

And I have a few slides
following this just to give
you a few tidbits, highlights
of what's driving those
changes and then later in
august, we have our general
fund departments and
enterprise departments will be
coming back to council and
give you a whole slew of more

details about the changes in their budgets.

So some of those general fund highlights are downtown austin community court.

We're proposing to add two new case managers that we think will enhance services to repeat offenders.

Both by serving offenders who appear in court and outreach and engagement activities to help those offenders before they're brought to court.

And our animal services department for fiscal year 2013, we're establishing that as a stand-alone office.

I need to correct myself.

It's not a department we're going to be establishing this as a stand-alone animal services office.

We do have funding in the budget for animal services for the operation of tlac as an overflow facility and converting a halftime vet to fulltime to help with the increased animal population they're serving at the new facility.

And health and human services earlier this year, the city council approved continually four-year animal funding for

[09:52:01]

the main interlocal agreement that we have with atcic.

7 million in the budget to provide annual funding for that critical service.

5 million of social service programs, basic needs programs that have previously been in the sustainability.

What we're doing is we're transferring some of those programs back into the health and human services department's budget, which into the general fund budget which effectively shifts costs that had previously been funded by enterprise departments because the sustainability fund was funded by transfers of the water utility company and the drainage utility.

We shift costs from the enterprise operations to the general fund and it's part of our longer-termed strategy for trying to better align the services with the most appropriate funding source that we have in the city.

So that's a significant change for proposing for fiscal year 2013.

>> Tovo: I want to better understand that.

In effect the enterprise services that have been doing the funding, the programs that do the sustainability fund are no longer contributing to the support of the programs.

Now they're going to be funded entirely through the general fund?

>> That's where we're heading.

But not getting through in 2013.

It's about \$6 million that flows into the sustainability fund, the bulk of it comes from the austin water utility, resource recovery pitches in a fair amount and the remainder came from transfer from the drainage utility and the transportation fund.

And this year's budget, we would be zeroing out, eliminating the transfer from the transportation fund and the drainage fund and we're reducing the transfer that normally would come in from the water utility.

But, again, we're not affecting the program.

What we're proposing to do is take some of the programs that are truly social service-related programs and

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putting them to the health and human services department where we think they belong so it provides an increasing cost for the general fund.

A reduction in cost in the enterprise operations.

And it also -- we get to it a little bit, it frees us up a bit built to allocate additional sustainability funds to the health department which was in need because of the loss of federal grant funding.

>> Maybe I can submit some of the questions in the q&a process.

But is there a council resolution or some policy direction that I missed before I got here that is guiding these shifts?

>> No, no council policy.

The policy is set.

That's the longer term strategy is to move away from the sustainability as a source of funding for the housing programs, the social service programs and to be shifting those costs back to the general fund.

>> I suppose the general fund -- that's a strategy.

My concern is that while these programs may not be impacted,

others might be because the money has got to come from somewhere.

What will the sustainability fund primarily be supporting?

What kinds of -- I can make a case that housing and other needs are sustaining a healthy community.

What's the primary focus will this sustainability fund become?

>> The primary focus of it has been and continues to be in the '13 budget funding.

Neighborhood housing programs, it's a key source of local funding for them.

It also funds a number of social service contracts, right now it's focused on the basic needs contracts.

Not all of the funding to

[09:56:00]

basic needs.

Just an additional source of funding.

That that is what we're going to continue to use it for in 2013.

Staff agrees with the nature of those programs.

Just trying to shift the funding of those programs to the general fund where we think it's really a -- a closer nexus between the service and the mission of the health department than there is between those important services and the mission of some of our utility functions.

>> So over the long run, would the end goal be that the social -- the basic needs social service programs all be shifted out of the sustainable sustainability fund and the health and human services budget and then the sustainability fund would be used primarily for neighborhood housing?

>> I think even -- I think that would be our transition and then at some point I would certainly even recommend that the housing department to the extent it needs local funds if the local funds come from the general fund as opposed to enterprise operations and enterprise operation dollars be left for things that are of more of a true enterprise nature.

>> Thanks for that explanation.

>> And -- and I would just add, although -- while there's not specifically policy direction from the council here, it's been a lot of discussion about taking money

out of the utility silos and funneling it to basically unrelated purposes.

And that -- we had a lot of discussion about the electric utility doing that.

We also, I know I've raised that question several times with regard to the water utility.

And I do think -- I don't want to get into the discussion, I want to let you finish your presentation, but just speaking for myself, I do think that's the direction we need to be going.

>> Morrison: One quick follow-up.

I wonder if staff could help us find some documentation about when the sustainability fund was first created and the discussion around that or the

[09:58:00]

resolution.

That would be helpful to make sure we understand the context.

>> We can do that.

I think it was in the early 2000s, BUT WE'D BE GLAD TO GET That information to you.

>> Morrison: Great, thank you.

Wrapping up health and human services, three positions funded by grant funds, a public health nurse, toxicologistcommunity government health manager.

All are important positions but in reduction in grant funds we need to shift the positions from the grant fund to the general fund.

We're doing that in the fiscal '13 budget.

Then the council policy retreat, the council asked us to look for ways to continue funding the youth programs that are currently funded out of the hollywood neighborhood program.

In 2012, some of the programs refunded were youth leadership development with the girl scouts.

We gave money to put there.

Funds for an afterschool dance program and also for after school art programs.

These aren't ongoing commitments, these aren't the types of programs where every year we give dollars to the same agencies but they're the same agencies we funded from the good neighbor programs.

We looked through the last ten years and the average amount

of programs that went to those activities was \$95,000.

We're recommending to include \$95,000 in the health and human services budget to continue to fund those types of community events in the wake of the holly good neighborhood program ending.

WE WANT TO ADD TEN NEW FTs TO
The library system.

They've seen significant reductions in staffing in the last decade.

This restores some of those positions and will help them to meet the growing demand for library services they're experiencing.

Establishing a budget of \$150,000 for their temporary staff.

They rely heavily on temporary staff to keep the doors of the libraries open.

They've never had a budget for it.

They robbed peter to pay paul, so to speak, to find funding in other areas of their budget to fund the temporary staff.

That would give them a dedicated budget to hire temps and keep the doors open and provide services.

We're including an increase of \$138,000 to the materials in cataloging budget and the additional two custodial positions to meet the growing facility needs of our library.

In our parks department, we have \$652,000 that will be an increase in preventive maintenance contracts.

This will provide a whole variety of facility maintenance services including inspections, fire devices, fire protection systems and boilers, roofing and floor repairs as well as facility entrances and sidewalk improvements that will bring those facilities into a.d.a.

Compliance.

So we have a lot of aging and aged facilities in our parks system and this increase will allow us to improve the preventive maintenance.

The budget includes \$220,000 of additional funding for our specialty programs such as the creativity club that will allow us to meet the continued high demand for those programs.

We have 9 1/2 positions in the budget to staff a variety of cultural centers, including the planned grand opening of the austin american cultural center in april of 2013 and

THE FOUR FTEs FOR THE PARK
Maintenance activities.

>> Mayor Leffingwell: Asian
american.

>> Yep, asian american, I'm
sorry.

We're going to need one of
those next.

Okay, planning development
review department earlier this
year, the city council
approved a new fee study.

They approved the 11 positions
to improve the timeliness of
the development review
process.

We're proposing an additional
three positions in the fy-13
budget to implement the
conquer austin plan that was
approved earlier this year.

In the fire department, we
added three positions in the
same pdr amendment to help
with the review and processing
of our development plans.

We're proposing to increase
the overtime budget by
\$522,000.

The department currently has
116 basic positions in the way
the fire department operates
is when the positions are
vacant, they back fill them on
overtime basis.

Significant overtime costs associated with that.

We're proposing the increase until such time we can get the vacancies down.

THREE FTEs ARE BEING ADDED FOR
The personal protection equipment maintenance program and for the fire department.

The community coordinator and specialist are needed and the highlight of the fire department really isn't even in the budget yet, but it's the recent award of the safer
1 million of funding that will allow us to add 36 firefighters and we'll be able to achieve four person staffing in the remaining three aerial trucks in addition to the three rescue units will be moved up to four person staffing in 2013.

That's a good news story that we heard we received that grant.

In the police department, we have 22 officers to maintain the ratio of two officers per thousand.

We're proposing a april start date for those officers so the costs of fiscal year '13 are a little less than they
2 million.

And you can see the annual 9 million that would begin in fiscal year '14.

12 Positions using 911 dispatchers funded by the ar grant.

That grant went away.

We're moving the positions into the general fund in this budget.

We're replacing grant funds used for the austin regional intelligence center with general fund dollars and we're proposing to upgrade ten officer positions to detective ranks again with the april 1 start day.

In our emergency medical services department, I think one of the real high lights is not staffing related but more so equipment related.

We're replacing 55 of our cardiac monitors on to the 8 million which will give them the latest and most modern cardiac equipment available.

We are also including the full-year cost of the 12 paramedics that were added mid year 2012 for operation of the miller station and another six paramedics we're proposing for a new demand unit at the medic five station for \$582,000.

Moving on to the fund level.

These are things that kind of happened outside of the context of the department budgets.

This is the transfers and other requirements piece of the general fund budget.

We have a \$6 million increase in the general fund transfer to the communications and technology management fund, a large number, obviously.

So I want to talk a little bit about it.

5 Million of that has to do with the fact that the fund has some ending balance in 2012 that it was able to utilize the fund operations that we didn't need for the fund transfer.

That's for the general fund.

The transfer to support ctm is lower than it otherwise would have been because they were drawing down the available ending balance.

Can't draw down the balance more than just one time.

So in fiscal year '13, we're seeing an increase in the transfer amounts because the ending balance is not there to do that again.

5 million
of that increase is related to
ongoing capital replacement
needs that had been funded in
previous years it last couple
of years, we funded them out
of the budget stabilization
reserves which is consistent
with the financial policies.

This is the replacement of
computer equipment, monitors,
printers, things of that
nature.

We had been funding those out
of our funding stabilization
reservings but not really a
sustainable way to continue to
fund the ongoing capital
replacements.

You can't fund them out of
reserves forever.

You can do it for a few years
when your economy is
struggling but you need to
start budgeting out of your
operating budget or you'll get
drained.

That's moving us from some of
the ongoing capital
replacements, moving way from
funding those out of the
stabilization reserves and
moving back to funding them as
ongoing operating costs.

The remaining \$2 million is
related to a variety of cost
increases, a lot of the
standard things, wages,
insurance, retirement, and
some other costs that I'll

talk about when I get to the ctm slide.

The story is very similar for the increase in the transfer to the support services fund.

That fund as well had some ending balance of 2012 that they're able to draw down to help us keep the departmental rates low in fiscal year 2012 and helped us balance the budget that year.

But in the fiscal year '13 budget, we don't have the benefit of that ending balance.

3 million of the increases is related to that.

There's another roughly \$1 million of increase which is related to our contract and management -- contract management department and our office of real estate services.

The two functions that had previously been funded out of our capital projects management fund with some of the reorganizations that the city managers implemented had been moving those two functions out of the contract.

We're moving those to the support services fund.

So there's no change in the cost there.

It's a transfer from one fund to the next.

But the general funds transfer to the support services fund as well as our enterprise transfer is going up as a result of the departments now being part of that fund and their new savings elsewhere because of the capital project management fund thereby lower.

6 million increases in that fund related to cost increases, wages, insurance and a variety of other things that I'll talk about shortly.

I wanted to wrap up the general fund discussion with high lights from the capital side of the budget with the highlights being in the areas of library parks and planning and development review.

Fiscal year 2013 budget for 6 million appropriation to the related new central library project.

That project is on schedule on budget.

The construction is set to begin in september of 2013.

We're anticipating a grand opening spring of 2016.

Moving on to parks and recreation where the parks are

spending down their bond funds.

That project a 2013 year 8 million, with improvements to parks including the Conley Garerro senior activity center, renovation at Bat Ol Knew pool, and improvements and new play escape at Dove Springs park.

And including \$2 million in their budget so they can begin work in the land development code which is required following the approval of the 5 million appropriation for our great streets program.

All right, move on to talk a little bit about our internal service department and the highlights from those department ms.

-- Departments.

Cory: Mr. Mayor?

>> Mayor Leffingwell: Mayor pro tem.

>> Cole: Before you go on.

I meant to ask you this earlier.

You showed the chart on 13 with the basic breakdown of O&M versus debt.

And because we're headed into a bond session.

Election I don't know if we'll go over it any further, I'd like for you to spend a few minutes on this chart explaining how we calculate the debt portion and go ahead, explain that.

>> Well, the debt portion is one of those things that i mean the short story, it is what it is.

That the voters have approved a certain amount of debt for the city to enter into.

The city also issues certificate of obligation and contractual obligations for various things as it goes through its business.

And there's a certain amount of debt service which i believe if memory serves is in the neighborhood of \$100 million of annual debt service on our go debt programs, our COs, AND OUR KOs.

And that service rate that's needed to fund that for fiscal year 2013 based upon property tax base that has been certified.

The rate that's needed to fund 08 cents

>> Cole: We're setting that now when we passed the september 2012-2013 budget?

Is that correct?

>> That's correct.

>> Cole: So we are confident because of the way we fund our debt, which is set first, that we're going to be able to make that obligation?

>> Yes, we'll be able to make that obligation.

>> Cole: Thank you.

>> Mayor Leffingwell: It is important to remember too that the debt service portion of the property tax does not enter into the calculation of the rollback.

If it did, the rollback rate would be much higher than it is.

>> Cole: I was not expecting a tax increase in connection with this bond initiative.

>> Mayor Leffingwell: Correct.

>> Cole: Yet we were going to fund it confidently.

>> Mayor Leffingwell: Right.

>> On to the internal service departments.

The internal service fund is the largest internal service fund.

You can see all of the departments there funded by the services fund.

I wanted to go through a few of the highlights.

I talked previously on the previous slide about our contract manager department and services office transferring from the management fund into the support services fund.

So the support services fund is going up as a result of that transfer, the property taxes fund is going down.

It's just a shift.

2 million in the budget for smbr department, for a new disparity study, which is legally mandated once every five years to determine whether disparity exists between mbe and wbe groups participation and certain groups opportunities.

It's a requirement of operating the smbr programs.

We have five positions we're proposing to add to our billing services departments.

That's two electricians and a blumer to allow for preventive maintenance at city facilities.

They're also requesting a research analyst to maintain the asset management system and a financial consultant to assist with their increased workload related to contracts

and budgets and financial matters.

There's four positions in the law department in their ethics and compliance unit.

An additional four positions in the human resources department, one being a civil service coordinator that would help support the transition of ems to civil service ranks.

One administrator to develop and implement strategies for the city's compensation band fits system.

They're also requesting a programmer analyst to update the city's personnel system and increase the time and attendance support and also the hr manager position being transferred to them from the financial services department.

In the financial services department, we're proposing four new positions, two accountants, a programmer analyst, and a contract administrator that helps with the increasing workloads in the department.

And then finally in our public information office, we're proposing a community engagement consultant that would specialize in minority engagement that would have foreign language skills.

Then the reclassification of two positions is being proposed in the offices of city auditor in the amount of \$31,000.

Second large communication fund is the city management.

Some of the highlights include ongoing technology maintenance and replacement of computer and software line sensing, a assessment and strategic plan.

That was the number one recommendation of the i.t. discovery committee.

It includes research policies and practices with the goal of producing an organizational-wide plan that would help guide and inform the city's investments in technology.

We have some significant capital items for ctmc, including upgrades to the greater austin travis county radio system, gators, a \$32 million project that will be implemented over six years with costs being shared with the regional public safety partners including the county aisd and the university of texas and the upgrade will include replacing microwaves, radio and dispatch console equipment, and other items that have reached the end of useful life.

Another large captive project,
8 million for phase two of
the city of austin
telecommunications network.

This project will upgrade the
city's fiberoptic network to
accommodate the proliferation
of video web streaming,
training, video
teleconferencing, event
monitoring.

All of these things that have
surpassed the existing systems
transmission capabilities and
we anticipate this project is
going to roll out over a
four-year period.

7
million for replacements
including network of storage
needs, mobile data computers,
and voiceover internet
protocol.

And finally an upgrade to the
criminal justice information
system that's a requirement of
the federal system that's used
by law enforcement agencies
that they used to run
background checks, criminal
history, and licenses and to
obtain other information
related to cases.

>> Mayor?

>> I wanted to add one element
here, the citywide i.t.

Assessment, the city manager
and I had a long ongoing
discussion about that and we

did have a discussion about this proposal at e.t.t.

And I think there's some surprise that this was the approach.

That it was going to cost that much.

So I think we're going to have continued conversations about that and I'll look forward to working more with etm and the provision.

>> Mayor Leffingwell: That was the upgrade you were talking about, councilmember?

>> Morrison: I was talking about the assessment and the strategic plan, the \$1 million that's number two under the operating highlight?

>> Mayor Leffingwell: Okay.

>> Morrison: So stay tuned.

I'll have more to say on that.

>> Mayor Leffingwell: Look forward to it.

>> Okay, we're going to move on to our interprize departments and I would just like to remind you here these are intended to be a one-slide high-level overview.

These departments will be coming back to the city council, not all of them.

But some of the biggest enterprise operations will be coming back to city council on august 22 to provide you all kinds of details about their budgets, but we wanted to at least leave you with some high level -- high level highlights.

First with the convention center, the hotel occupancy tax, collections continue in a positive upswing in 2010.

7 million for projecting to end 2012 at \$50 million and 5 million increase in 2013.

Cost containment remains a top priority for the convention center for the third consecutive year.

They're proposing a budget WITH NO NEW FTEs.

And they have some significant work that we're going to be doing on the cip side of their budget.

\$9 Million of new appropriations and fiscal year 2013 as they're planning to make a number of improvements including rebuilding escalators, parking garage repairs, and upgrades to at the electrical capacity out at the convention center.

The austin energy I think you all well know in 2007.

He improved the increase in electric base rates in 2004, and the result of the increases is the impact to a typical user, a 1,000 kilowatt user of \$6.63 a month.

The utility is actively engaged in holding costs at fiscal year 2012 levels.

Fourth consecutive year they're proposing a budget with no new positions and they are also, deferring noncritical maintenance and some i.t. projects.

The total budget increase for 8 billion.

2 billion budget, that turns out to be about 2% with a lot of those costs being things that the utility does not have control over, things such as debt service payments, increases in fuel costs, increases in the operating costs of the nuclear and coal power plant, and the transmission billout costs that are set by ercott.

So a lot of the increases are what we characterize as noncontrollable.

side, there's \$228 million of planned 1 billion over the five-year planning horizon, \$180 million related to investments in power production and alternative

energy projects and another \$20 million in fiscal year '13 will be for the fiscal control center, \$5 million for the decommissioning of the plant 5 related to customer billing and projects.

Going on austin resource recovery.

They're proposing in this budget a new rate structure that is continuing their design changes that are intended to encourage recycling by their customers.

Their base rate which should have been on this chart but is not, the base rate is proposed to increase by 75 cents by \$8.75 to \$9.50 a month.

So everybody will pay that base rate.

Beyond that, you'll pay based upon how much you throw away on a per gallon basis with a proposal of 16 cents per gallon for the smaller carts, the 24, 32, 64 gallon carts.

So it's a flat per gallon amount.

If you have a larger gallon cart, you'll be paying more.

There's a premium being placed on the individuals that continue to use the 96 gallon cart charging 25 cents a gallon for those users.

Aver overall impact is 2/3 of their customers is a \$1 increase per month.

Another source of funding for the department is the clean community fee formerly known as the anti-litter fee.

Nick still known as the anti-litter fee.

There's a resolution coming forward to council to change the name of that fee.

That fee funds litter maintenance, tree cleaning, hazardous waste disposal, code compliance activity, and also a \$1 increase to customers in 50 a month increase to the commercial customers.

Some of the operating budget
HIGHLIGHTS, WE HAVE FOUR FTEs
That are being added to implement the universal recycling ordinance that requires multifamily and commercial properties to begin offering recycling services.

TWO FTEs IN THE BUDGET TO
Improve customer service.

The department's goal is to increase citizen satisfaction with quality of curbside collection from 85% to 90% being highly satisfied.

They're adding two positions to enhance the quality control in customer service.

AND FOUR FTEs AND \$2.4 MILLION

In the budget to enhance marketing outreach and education efforts on a whole variety of zero waste initiatives, things ranging from mattress recycling, pilot programs, to a new business recycling assistance program.

Education on the single plastic bag -- plastic bag use ban.

A mailing campaign, a public education so they have really aggressive and innovative activity in the planning to fund in fiscal year 2013 as part of the goal to get to zero waste by 2020.

8 million
of planned spending for fiscal
4
million in new vehicle purchases and \$7 million related to the Harold Court facility environmental remediation project.

Regards of the Austin transportation department, this department is proposing 5 new positions in fiscal year 2012, two of them related to taking to the annual program for Austin Energy.

1 1/2 To help administer the vehicle for higher and valet parking programs.

A business consultant that will assist them for the long range and strategic planning

effortings, and then the public information office specialist that will help enhance community engagement efforts.

On the capital side, they're 3 million in new appropriations for the downtown initiatives, including urban rail planning and way finding and another \$783,000 will be transferred to the great streets program.

I do want to mention here that the department anticipates bringing back to council on august 23 a proposed change to the funding model for the great streets program.

Currently it's 30% of parking meter fees in the downtown area.

Answer for the great streets program.

The department is going to be requesting that that program continue but the hours that it applies to be for the original hours of operations, not the extended hours.

And so that's something that you'll be hearing more about and we'll be coming back to council in august.

I wanted to make you aware of it in this presentation.

The department is funded primarily through the

transportation user fee that funds the public works department.

We're proposing a 7% increase in that fee which would cost the typical house hold or every house hold 51 cents per month.

Going on to the austin water utility.

You all know, we've seen a presentation from mickie fishback.

They went through a very, very long working group.

Process with the joint sub committee and austin water utility, financial planning, and the results of that were and the recommendations of the joint sub committee involves a two-day rate change in fiscal year '13.

Phase one in effect november 1 and have a systemwide increase 8% on reclaimed watterver.

Phase two of the rate change will then actually implement the water rate recommendations of the joint sub committee.

The proposed changes include eliminating the current revenue stability fee, redesigning the fixed revenue structure for all customer classes, creating a new water

revenue stability reserve fund to offset revenue shortfalls.

So there's a lot of changes.

It's a fairly complicated rate structure that you've seen a little bit already.

They were presented at the council.

You'll hear more about it on august 22.

The combined impact of those 77 per month increase for the typical water utility user.

The budget includes funding FOR 26 NEW FTEs.

13 Of those are related to the operation and maintenance of water treatment plant four and another five to enhance water conservation and quality programs.

Four, related to the needs of just expanding growing utility system.

And an additional four that will assist them in enhancing their planning and long-term business practices.

I do want to mention that the departments currently in the process of developing a long-term staffing plan.

If you go back and look all the way back to 1996, they've

only added a net 13 positions in all of those years.

And the utility has obviously grown a lot since that time.

So pretty substantial staffing needs in the department.

They are able to defer the staffing increases for quite a number of years, again, proposing 26 staff in the '13 budget and anticipate coming back to council and continue to discuss about staffing needs in the utility.

And a long-term staffing plan for them.

As you all know, it's a very capital-intensive operation.

Fiscal year '13 spending plan 6 million, a \$1 billion of spending plan -- spending anticipated over the five-year horizon.

\$238 Million of that \$1 billion being related to the construction of water treatment plant four.

And then other projects include waste water facility improvements, expansion of our replanned water system, and funding for new and replaced vehicles.

Aviation, strong revenue growth, it's projected to continue.

They're projecting in fiscal
7% increase in the
landing fees.

5%
increase in nonairline
revenues.

One of the key metrics for the
airline industry is the cost
per passenger and they're
always working diligently to
keep the cost down.

Projecting a modest increase
in that metric for 2013.

Some of that is related to the
BUDGET TO FOUR NEW FTEs TO
Enhance management and
facility maintenance as well
as i.t. support.

8 million essentially
what the airport does, they
transfer the excess revenues
to the capital fund to help
meet the needs of future
capital improvements,
8 million in
fiscal year '13.

5
million in new appropriations
in fiscal year 2013 with the
focus of their cip program
being on a variety of terminal
facility improvements.

Refurbishments, railway
safety, and great projects as
well as overfill parking, a
lot of improvements.

Co-compliance.

We're recommending some significant staffing enhancements there.

The department currently has 69 positions and proposing to add an additional 19 positions with six of those being field positions and three more administering positions related to the expansion of the private waste hauler monitoring and licensing activities.

>> Designed to expedite the resolution of compliance cases by providing property owners the potential to resolve them more quickly and less expense through mediation at the department level as opposed to having it blow up to a court of law type case.

And I mentioned previously, that of the code compliance department as well as the resource recovery received funding from the clean community fee.

And we're proposing a \$1 per month increase for residential 50 per month for commercial customers.

Going on to public works, we're PROPOSING 11 NEW FTEs FOR FOR A tree maintenance and planning crew, four to manage increasing workloads and then I think we have an innovative approach for three positions for a career progression initiative.

Designed for field employees in the street and bridge division seeking career advancement.

There's 165 non-supervisory positions in this division and the purpose of these three new positions would be to assist this group in developing the skills they need to further advance their career in the public works department.

In regard to the public works 3 million is being allocated to bike and pedestrian improvements and roughly \$9 million for the ladybird lake boardwalk that's going to be getting under construction and .4 million for street reconducts of third street and as mentioned under the transportation department proposing a 7% increase in the transportation user fee to fund not only this department but the transportation department.

Neighborhood housing and community development, service much of their funding from the federal cdbg and home grants, a \$178 million reduction in those grant funds as we mentioned back in april.

8 million of reductions that occurred in fiscal year 2013 -- 2012, they've been offset by a one-time grant awards and to try to mitigate service impacts proposing to shift five

positions over to our housing trust fund.

And then as I mentioned also previously as part of the changes making in the sustainability fund and moving those program costs into the general fund, that freed up some dollars that could be allocated to the housing department.

To again, help with the drop in grant funds, the additional half million from the sustainability fund to neighborhood housing and community development.

In regard to the capital budget, .5 million of the \$5 million that was approved as part of the 2006 bond program has been appropriated.

The last \$175 million is anticipated to come to council this month and fully appropriated and projecting a 4 million on affordable housing programs in fiscal year 2013.

So the short story here, they've seen significant drop in grant funds and we've been able to kind of band-aid together an approach to keep them whole for fiscal year '13 but want to put council on alert we expect funding challenges in fiscal year 2014 and beyond for this department.

A lot the actions have been taken to address shortfalls in '13 and we're going to have to

undertake a comprehensive review of the programs and identify funding options that are going to be for sustainability in the future and tomorrow's council meeting, you'll be seeing a presentation from the housing department on their action plan that's required to receive those federal grant funds.

I believe this is our last enterprise department.

Watershed protection, funded through a drainage utility fee.

7% increase which would have a 60 cent per month increase per equivalent residential unit.

The highlights are related to the capital program and in particular, to the continuation of infrastructure and system improvements outlined in their master plan.

One of the highlights is they're increasing their transfer to their capital program.

Increasing from \$19 million to \$21 million in fiscal year '13, part of their long-term funding strategy to implement the drainage master plan over a 40-year period.

Capital budget, a number of 9 million planned for fiscal year 13.

\$23 Million related to the waller creek tunnel project and another \$10 million for at

watershed protection master plan
5 million for
erosion and flood control and
7 for
water quality remediations.

So I think five of the seven of
you have seen these slides
before.

This is the work we've done with
the joint subcommittee of the
school district, the city and
county trying to take a cross
jurisdictionality look.

The tax rates projected and the
impact it has collectively on
the citizens of austin and i
wanted to share some of that
with you to close out the
presentation.

>> I wanted to share some of
that with you, the full council.

This slide shows the potential
timeline of tax elections, the
best information we have right
now.

We're heading toward a
november 2012 projected bond
election for the city of austin.

We're projecting it at
\$385 million, though that's not
been decided yet.

It's just the number we're clue
including at this point in time.

The school district anticipates
\$350 million to \$500 million in
may.

Followed by november of 2013
with a likely tax rate election
of five cents.

And they've informed us they may
need to go beyond five cents.

The maximum would be nine cents.

The numbers we're putting
together, we're assuming it's
five cents and then the acc
projecting a bond election in
november of 2014 of
\$600 million.

And the things below that dark
blue line are things we don't
have as much information on.

Urban rail has been discussed.

At one time it was discussed as
part of a november 2012 bond
election.

That's been delayed and at this
time, we're anticipating
somewhere between 2014 and 2017,
urban remain would make its way
back and see a bond election
related to that and there's
discussions from the central
healthcare district related to
the medicaid transformation
waiver and we've been able to
get very little information from
them.

A lot of things still up in the
air and we don't know at this
time, they've not informed us,
when that election might occur
or how large it might be.

So we go on to the next slides, we show you a couple of different scenarios and that potential tax rate election from central health is not in any of them.

You look at the color schemes, we tried to match them to the next slide where you've got things in red and things in green.

You go to this next slide and the blue line is the base situation.

So essentially says if we don't do any of the things on the previous slide this is what we project as the tax rates collectively.

42 In fiscal year '13, largely flat all the way through the next five years.

To \$2.40 in fiscal year '17.

The red line corresponds to the items in red on the previous slide.

If we were to go ahead and get voter approval for all of those things on the previous slide.

The tax rate projections would be the red line and the green dotted line, the additional amount that rail could add in regard to tax rates.

Trying to do the same for the utility bills, we try to do for

all of the different entities
and define a typical user.

And so our typical user we're
using here is the city of
austin, owner of a median valued
home, \$178,000, and then assume
that home grows at a rate of 3%
annually and assume in regard to
the utilities all of the
typical, 1,000-kilowatt per hour
and we
put of the numbers to it and
take a look at what is the
average tax bill from all of
these different jurisdictions
expected to look like for the
typical user over time?

And the number that I'll
highlight you on the one in the
far right column, the compounded
annual growth rate.

It gives an indication of what
the year over year growth we're
anticipating.

If all of these things were put
into effect and the bottom line,
6% in the tax and
utility bill of our residents
over the next five years if all
of the different bond rates and
tax elections highlighted on the
previous slide were to be
approved by voters.

Final slide, next steps in the
budget process, we'll be back
before council on august 15th
in the morning with budget
presentations from library,
health and human services, pdr
and planning and development
review and also, we need to --

pard and planning and development.

And we need to start the process of setting the tax rate and the first step is to approve a maximum tax rate.

Not approving it, just setting a number that will be the maximum tax rate you would consider as part of the budget adoption.

We have typically recommend it be set at the rollback calculation and ask council to set a maximum at the august 15th meeting.

AUGUST 2nd, FULL DAY WORK
Session to hear from the --
AUGUST 22nd, TO HEAR FROM THE
General fund departments and
several of our enterprise.

Austin energy and austin water
and code compliance and
august 23 and 30, a whole array
of public hearings and
SEPTEMBER 10th, WE'LL BE BACK
To seek your approval for the
fiscal year '13 budget.

Happy to answer questions.

>> Mayor Leffingwell: Mayor pro tem.

>> Cole: I wanted to look at the timeline of the tax elections.

You presented it to audit and finance and the general subcommittee.

I want to make sure I understand the tax rate forecasts between '12 and '17.

The top green line, what does that correspond to?

>> The -- let me explain the red line, then it's easier to explain the green.

>> Cole: Ok.

>> The red line corresponds to everything on this slide I'm about to switch to.

It corresponds to the tax rate that would be needed to support the projected city of austin bond election, the school district bond election, the school district tax rate election and austin community colleges bond elections.

So everything on this slide in red corresponds to that red line there.

And then the green line is if we were to do all of those things, plus urban rail, that the tax rate needed to support that program.

>> Clerk: And so we don't have any number or information -- specific information about the medicaid '11-15 waiver from central health?

>> I do not.

>> Cole: That's the only thing not part of the potential calculation.

>> That's right.

>> Cole: When we look at the potential impact to the typical homeowner without rail, this really corresponds to the red line, is that correct?

>> That's correct.

>> Cole: Ok.

And so when we look at it, over a five-year period, is it correct that you're calculating a combined annual growth rate of 6 in total for all of those jurisdictions?

>> Yes, that's all in, everybody.

>> Cole: Ok.

And that's everybody, excluding central health and excluding rail?

>> That's right.

>> Cole: Ok.

So -- help me understand, there was I think in the general public and media, a premise that our property taxes have went up 38% over the last 10 years.

I don't know if you saw the article.

And so on the one hand, I think the public gets confused, and when we say -- even with all of these jurisdictions, we're only 6%, which I think is true, and then we look at a calculation over a 10-year period that suggests we're raising property taxes 38%.

>> Well, this number is an annual number, so you know, let me get a little loose with the math, over 10 years, you'd expect it to be 36% if we continued with the annual increases of 3.6%.

>> Cole: Ok.

So the calculation over a long period of time that could get you over 30%.

>> Yes, that's right.

>> Cole: Ok.

But still, our annual numbers are on target?

>> Our annual numbers are at 3.6%, on target.

And you look at it relative to -- you know, the typical wage increase in the 3.5%.

And cost of living increase, fuel gets more expensive.

I mean, just consumer price index, inflationary forces will be in the neighborhood of 3%.

So, you know, to me it's not a big surprise, you see a compounded annual growth rate of about 3.6%.

That's what you would expect.

>> Cole: That's what we mean by combined?

>> Yes.

>> Cole: So when we talk about increases, I think you hit on it when you talked about the cpi, but I want to connect it to the property tax assessed values because a lot of times we're seeing increases in assessed value on top of our rates and we can't control the increases in the assessed values, is that correct?

>> We certainly don't control or have any say in the appraised values that the different appraisal jurisdictions come out with.

There's the interplay between the appraised values and the tax rates and, you know, you can see that when the appraiser says the values are going up.

Our tax rates otherwise are -- generally come down and vice versa.

If your appraised values are coming down, the tax rates go up to generate the same amount of revenue.

>> Cole: So we're at the mercy of our our prosperity?

I say that, because we see a increase in our sales taxes and we're happy when people are earning more and then see the property tax values go up and as we said, our tax rate, we see an increase in the revenue coming in and that's good for the city in terms of services, at the same time, we have to be careful of not overdoing that for the consumers.

>> I think that's correct.

>> Cole: Ok.

You're taking care of that?

>> I certainly am.

[Laughter]

>> Cole: Thank you.

>> Mayor Leffingwell: I think it would be useful, I'm not asking for this, it would be useful to see those relative to cpi or some index.

Some appropriate index.

Which would -- looks like, sounds like would probably show a fairly flat trajectory.

>> I mentioned cpi.

I don't think that's the right indicator, it's based upon a basket of goods and quite

frankly, that doesn't look like ours.

But I wouldn't rely too heavily on cp being the correct gauge what drives municipal cost increase.

But I understand what you're looking for.

>> Mayor Leffingwell: But would provide a cost to the consumer because the consumers -- consumer's basket is similar to the cpi.

>> Sure.

>> Cole: I would like to follow up with that request also.

We talked about it on a previous slide, no other city would not want the type of numbers that we have in terms of our prosperity.

And it would be nice to see that in the context of what we charge for our tax rate and tax values.

Especially from our peer cities.

And I think you've done that before.

>> We've done it for our tax --

>> Cole: Yeah, for our -- our --

>> Mayor Leffingwell: Briefly, to accompany the follow-up questions later on -- and cookies.

But I wanted to clear a deck
on --

>> Spelman: Page 49.

We have property taxes, which is the first five rows and we have a total property tax value which you show is increasing and the compound annual growth rate of 2% over the next five years.

And then we've got city of austin utilities and fees which cgr is going up and the total 6% on an annual basis.

Is that about right?

>> That's right.

>> Spelman: Is there anything else that the local government is going to cost me that's not on this graph?

>> Sales tax.

>> Spelman: Ok.

Development fees?

>> Uh-huh.

>> Yes, I mean, it depends upon what you -- what you do, so if you're doing a room addition or bidding a new home, development fireworks participating in rec program, fees.

If you need to call ems, either you or your insurance company will pay fees.

So if you have a lot of parking tickets you'll pay some fees.

[Laughter]

>> Spelman: Not lately.

Ok.

So city stuff.

Capital metro which takes sales tax money and spend it's on the bus system and maybe something else some day.

Anything else besides that?

If I wanted a chart like this that rolls up all of the costs of local government.

Ok.

From the standpoint of the average homeowner, most people don't have a sense for where their money goes, just knows that the trash gets picked up, the lights stay on, there's a bus that comes by, somebody handle that is and it costs them something.

Can we roll all of those costs up into one slide, like 49 or one piece of paper, one table, that includes the whole thing and gets us to the bottom line, here's our compound cost of local government is going to do.

Including the city of austin.

A relatively small piece of that whole puzzle.

Is that something that's doable?

>> I think -- it.

>> Mayor Leffingwell: I think I've seen those numbers for a total, like everything, federal, state, local, around 40 plus percent.

>> Spelman: I would exclude the federal government as something I have no control at all.

Lord knows, I have no control over the state legislature although I really wish I did.

But we have control what happens locally, I was wondering if we could get a local number.

This looks reliable.

What we need to add to it to be all in.

>> I think this is reliable and I think we could come up with something to do for sales tax, which is obviously a large source of revenue.

Most goes to the state, doesn't come to the city.

But I think we can do something reasonable, on a typical payer perspective.

At the typical income levels and taxable income and figure that out.

Beyond that, it strikes me as being extremely messy to try and

determine in regards to development fees.

>> Spelman: Ok.

>> What's the typical person -- you know, I don't know what it would be and seems messy and i don't know that it would be that much relative to other dollar amounts.

I think sales tax would be a value-added improvement to our analysis and I think we can come up with something for that reasonably well.

>> Spelman: Two observations.

One is that when do you that, it's probably not going to have a big effect on the compound 6% is about twice the rate of inflation.

If you use cpi or whatever, whatever you use.

And an argument could be made that local government has a -- as a whole should not be taking more out of people's pockets, meaning our increase on an annual basis should be about the rate of inflation, maybe a little bit more or less.

But twice the inflation, means we're taking on a percentage basis out of -- more out of people's incomes.

Is that -- if that question is put to me, how would you respond to it?

>> I think I would pick up some of the themes I was going to mention to the mayor, I don't 8% if you peel of the onion, to get to the 8%, it doesn't look a whole lot like our basket of goods looks like.

That basket includes food expenses.

We don't really buy food that much.

A little bit but not much in the way of food.

The basket of food goods for the consumer doesn't include personnel costs.

8% a year.

>> Mayor Leffingwell: That's almost always the case we have --

>> we have cost rates that exceed the inflation rate.

>> Spelman: That's what is going on here.

What's different about ours which drives the inflation rate?

>> One good example could be we have some contractual obligations with respect to public safety.

You were alluding to the inflation rate as being 1.8%.

We have wage obligations of 3%.

And I suspect there are other examples that we could point to where we -- we have little if any prerogative but to fund those things.

The context in which we talk about the budget, part at least, are uncontrollable cost drivers that we have to -- simply have to deal with and at the outset, oftentimes, they exceed, generally, exceed that rate.

>> Spelman: On a short-term basis, two, three, four-year period, something like our contracts with the public safety unions are not controllable.

On a long-term basis, of course, they're completely controllable because we can negotiate whatever rate makes sense to the citizens of austin.

>> In terms of the current contract compared to the previous one, we have brought that cost down considerably, if we were to compare the last two contracts.

So d in regard to that issue, we have focused on that.

>> One large difference between the grocery basket, we have several large very capital intensive surprise funds, austin energy and austin water and each

has over a million five-year capital program and to fund those programs and capital improvements is in these rates and the estimated bill for those.

Sew that will drive some of this number up as well.

>> Spelman: Why is it that we are -- I think I know at least part of the answer.

But I want to get a better sense.

Why having a capital intensive enterprise fund is going to cause our costs to go up faster than the rate of inflation?

Is it the nature of the capital itself or the kinds of things we have to buy with the capital.

The population growth inside of the city?

>> Some is growth related.

Some is the timing of when you have to build the capital.

Just as we finished a pretty large program for clean water, now we're building a treatment plant.

So when you buy a power plant, there will be a spike in capital costs for a while.

But it's a long-term asset and there's intergenerational cost and you try to spread the cost

out over time by issuing the debt on it.

But it will affect your rate to extent and not necessarily tied to a cpi index.

>> Spelman: Sure.

>> There are construction indexes specifically for electric utilities that are very different than other construction programs.

That's the nature of the enterprise.

>> Spelman: So if we're heavily capital intensive in construction cpi goes up faster than the rate of inflation, our costs will go up faster than the rate of inflation.

If we're dealing with a highly labor intensive business, if labor costs are going up faster than capital costs and it could be my cpi market basket is only going up 178%, but the labor portion of that is actually going up faster than that, my salary going up a little faster than the rate, although not bloody much, and I think it's largely true for a lot of people and there's knowing to be that -- that component of the cpi going up faster.

I'll probably have more to say and ask about that but it's a general observation if our costs are going up faster than the rate of inflation, it's true

we're taking a bigger percentage out of people's paychecks and people are entitled to know why it is we're taking a higher percentage and what they're going to get in exchange.

And that's something we have to -- I think work on a better answer for that over the next few weeks.

One other observation to make on this page 49.

And that is that the top row for the city of austin property 2% '12 to '13 for the typical homeowner by projecting up by 5% in '14, 3% in '16 and 5% again in '17 and wondered why is it going up a little now but more in the future?

What's going to be driving those increases over the next five years?

And is it conceivable we ought to be smoothing that increase out?

>> You calculated those percentages?

>> Spelman: Yeah, yeah.

>> Off the cuff, I could I would anticipate it would have to-to-do with the timing of the debt service hitting on our bond election.

You know, doesn't necessarily -- do the bond election in 13 and

by the time you issue the debt,
it's later and you don't pay the
debt service until after you
issue the debt.

So the bond election we're
proposing in 2012, the tax rate
impact, you would see later on,
you're not going to see them
immediately.

>> You'll have that in addition
to the completion of the 2006
and 2010 bond programs not fully
spent at this point.

>> Spelman: So what's driving
the changes in property taxes
are not anticipated changes in
operation and maintenance
expenses?

We don't know what those are
going to look like yet.

We haven't come up with a budget
yet for '14, '15 and '16.

>> We have the projections for
the other stuff as well.

All of that is built in.

Based on demographic projects,
two officers per thousand.

Dialing in additional officers
and anticipated increases in
wages and health insurance, 3%
and 10% is the assumptions for
the out-years.

We build those in and make
assumptions about the property
values and what happens with the
property values is going to

change how much revenue we've collected any given tax rate.

It's all in there.

>> Spelman: Ok, would it be safe to say that the first response was that debt service is driving this train.

Is it mostly debt service?

Small part, or mostly l and m?

Even steven?

>> In terms of the increases, we could split it out for you, but I would have to do digging to see how it's split out.

Both of those.

>> Spelman: I wouldn't presume you to come up with a number off the top of your head, but I'll be asking about it later on.

>> Mayor Leffingwell: To make sure I have understand, we're -- we've got a flat trajectory at least for the next few years on the proportion of property tax for debt service, remaining the same.

I'm having a hard time seeing how old debt authorization comes back and change that is.

Or you don't understand how it works.

>> The tax rate is not going to change.

Our projection is we can have \$385 million with no change in the tax rate.

That's not to say that the debt service requirement doesn't change.

>> Mayor Leffingwell: I thought that's what this chart was about.

The one bill was reference, the entire -- the growth and entire property tax in which the debt service portion is remaining fairly constant.

At least now, what the forecast is.

>> The debt service rate is remaining constant while this focus forecast, but the property values are projected to grow.

>> Mayor Leffingwell: So unless you're forecasting in these out-years, an increase in the debt service rate, that's not the cause of these increases.

>> We're not projecting --

>> the short answer is yes to that.

The --

>> Mayor Leffingwell: Yes I'm right?

>> Yes, you're right.

>> Mayor Leffingwell: Council member morrison.

>> Morrison: [Inaudible]
because the general fund --
sorry.

Thank you.

I wanted to ask how it ties to
slide three.

Our general fund budget is
structural balanced and then the
3% increase
projected over the five-year
planning horizon.

3 centss per year
included here in slide 49?

>> It is, and the increase is
not related to the debt side of
it.

>> Morrison: Right.

>> The debt -- and the
1 pennies over the
next four years for a total of
3.3.

That's what our current
projections indicate.

>> Morrison: 2 this
year and then spread out over
the next four years?

Is 1.1?

>> That's right.

>> Morrison: And a lot of the
driver, slide 49, is the 3%
increase in property value
because presumably the person is
still in the same house.

>> That's right.

>> Morrison: Got it.

All right.

So that's a relatively speaking
1 cent spread out over four
years is very low.

>> Right.

>> Morrison: Ok.

>> Sure.

>> Morrison: Compared to what
we've been looking at.

2 centss, what percent
was that?

That was a number I wasn't sure
about.

Less than 8%.

>> Oh, the tax rate?

>> Morrison: Uh-huh, the tax
rate increase.

>> From 48.11 to 50.29.

So actually 2.18.

>> Morrison: And percent wise?

We're less than 8%, what percent
is that?

>> Yeah, it was -- the rollback
that maximum 8% rate was 50.5.

>> Morrison: Right, and what is
the 2.2 centss percentage wise?

-- Maybe you can give me that later.

That's what I was interested in asking.

I have a couple of comments i wanted to make.

I understand there's a lost of conversation after the central health about possibly doing a tax rate election this year and I think we'll know soon.

So maybe when we get that information it will be interesting to get an update on this chart.

Although it's important to note their contribution to the overall tax bill is pretty low.

It's \$115.

So -- I think that will be helpful information and for clarification, the 1115 waiver, that's not about taxes.

That's just something that they think will play a major role in their finances this year and that's why they were holding off to figure that out if that came through.

Iuate to make one other -- i want to make another comment.

On slide 42, we talked about smart came to our public health and human services recently because we've been following and having

conversations on the situation with woodridge apartments and what the significance of that is and the told us about the plan for a proactive multifamily inspection program which I think is great but part of the conversation around that also is that some of these older multifamily properties are critical to affordability in town.

They're some of the most affordable and we want to make sure that we're going to be helping incentivizing, maintaining them, as opposed to if one particular property is sort of in bad shape, they may be inclined to sell it off, demolish it and build higher-cost apartments.

So one of the things I think important to do is really to partner this program with making sure that we can have some opportunities to discuss with these folks ways that they may be able to get funding if they need, and in terms of low-interest rates.

If they maybe want to enter into a long-term affordable housing program with the city or something like that, but I think those two programs need to be paired together so that we really get the future that we're I think looking for.

And I don't know if there's any thought -- I assume if we get more housing bonds approved, we

will be funding some more home repair and maybe multifamily repair and we could align those two but that's a really great opportunity to bring those two kinds of ideas together.

>> Evaluate that with your input.

Is at any time something that we've had a whole lot of conversation about at this point in regard to the particular complex that has had so much notoriety lately.

That's a private enterprise and so how we would ordinarily respond to a set of circumstances like that, in addition to red cross, for example, it was awkward and in this -- in this particular case, but your point is well taken in terms of what we propose here and seeing if we can develop strategies that would help to incent better behavior --

>> Morrison: I know the issue of how we have respond properly with a private enterprise in a situation like that.

I'm not talking about that.

I'm talking about how do we make sure we have a strong affordable housing preservation program.

>> Did you have something else to add.

>> Yes.

>> Assistant city manager.

Council member, actually that's one of the strategies we're looking forward to.

And we have talked to Carl about that, because there are receivership -- possible receivership programs.

As you mentioned, some incentives to try to make sure we have the affordability.

But that's one of our preservation strategies moving forward and that's something that staff is already looking at trying to incorporate into our affordable housing discussion and certainly the bonds will hopefully get us there.

>> Morrison: I appreciate that, and goes beyond any multifamily properties that might be identified.

If we know properties are about 40 years old, they can go one way or the other.

Be rehabbed or demolished and build likely much more expensive housing.

Thanks.

>> Mayor Leffingwell: Other questions?

Council member Martinez.

>> Martinez: Council member Morrison is right.

We talked about this in the health and human services subcommittee meeting.

One of things that we discussed that I'm not sure that betsy has on hand in terms of information.

Before we go and ask the citizens for potentially \$70 million more for affordable housing, that we establish a baseline and know where we are today and ensure that we're not going in reverse.

In terms of spending more money on affordable housing yet losing existing stock.

That's really the crux of it.

I think the community is going to be supportive of spending millions more on affordable moving forward.

Affordability moving forward.

What I would like to see is a baseline that lets us know we're making progress toward achieving the goals of affordabilities that needed for citizens, as opposed to spending millions but on the back end, losing the complexes at a faster rate than we're affording affordability.

Does that make sense?

>> Absolutely.

Thank you.

>> Martinez: Thank you.

>> Mayor Leffingwell: Council member tovo.

>> Tovo: I know we'll get the budget detail this afternoon and some of my questions will probably be answered in that.

But in instances where there's
ADDITIONAL FTEs PROPOSED.

Say, the transportation department, the -- sorry, maybe that's not a great example.

5 for the vehicles, rather
THAN TALK ABOUT FTEs, I'M
Going to talk about this.

Oh, it is a fte.

175 For the vehicles hiring a valet parking project.

Does the budget detail we'll receive calculate out what the cost recovery is for those
FTEs IN TERMS OF THE FEES THAT
Will be assessed through those programs?

Or is that something that will -- we'll need to follow up with a budget question.

Basically when bringing on new staff, and maybe code inspection for the multifamily program is one of them, will we receive in our documents today an analysis of how the fees and potentially any new or increased fees might support those positions?

>> I think in some cases you may see language that would talk about that.

Maybe for the planning and development review, adding 11 positions and the cost is fully recovered through the fees being charged.

In that one you mentioned, i think in those, probably request for additional information.

>> Tovo: Great, I know we had that discussion with regard to planning and development revenue and this is something that -- development review.

I guess my other more general question, when you have something like the austin transportation department, one of the departments with a proposed increase in fees and i think it was -- I've forgotten what the amount was -- does the budget detail that we'll receive this afternoon talk about how these individual new positions factor into those fees?

Or is that a budget q & a?

For example, how much of the -- I think maybe a 50 cent fee or something like that, increase, proposed for the austin transportation department, how much of that -- how much of that is attributable to for example, the new public information specialist or the new business process consultant.

>> It doesn't break it out position by position or line item by line item in that way, it's just going to say these are the cost increase, whether they be built if for wages and insurance or new positions to fund new or enhanced services.

It's a total cost and in order to fund that total cost, here's the rate that's required.

So it's done at a global level and if you're interested in the details we can get those for you.

>> Tovo: Great.

I think that's it for now.

Thanks.

>> Mayor Leffingwell: Ok.

That's it?

And next session is when?

>> AUGUST 15th.

9:00 A.m.

>> Mayor Leffingwell: Look forward to that.

We start on the, I believe with the police, fire, ems.

>> It's actually our community services department and planning and d. review.

>> Mayor Leffingwell: Council member martinez.

>> Martinez: I'm reminded of last year's schedule that looked eerily similar, we're going to try and do a budget presentation on seven departments, in one day?

And if I recall, last year, we never even got through the first three or four, much less all seven in that one day, had to schedule an extra meeting and postpone some items.

ON AUGUST 27th, AND WITH SEVEN Departments, it's going to be a long, long day, if we get through all seven.

>> Mayor Leffingwell: That's a good point.

We'll take a look and see if there's some adjustment can be made.

Without objection, we stand adjourned at 11:20.