

City Council Work Session Transcript – 03/04/2014

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>> I'd like to call to order this meeting of the austin city council work session. Mayor leffingwell is out on city business and I wanted to also take a moment to -- a moment of silence to recognize the passing away of byron johnson, a long-time city employee. Thank you. The preselected council items begin with item no.4 regarding the budget, which was pulled by council member spelman. >> Spelman: I pulled this for two reasons, mayor pro tem. One of them is because the mayor is going to be out of town at our next -- at our meeting on thursday, and asked me to pass -- >> [inaudible] [laughter] >> spelman: Okay. And he asked me -- this was a preamble to what I was going to say, rather than what I was going to announce, and that is that he would like to be in on the discussion and resolution of this issue and would like to have the final vote on this postponed until the 20th of march. >> Cole: Okay. >> I just wanted to let everybody know the mayor wants to be in on this and I understand from mr. Came canally we don't need to make a decision before the 24th of march and this won't -- >> cole: Let's consider this postp until the 24th of march. >> Council member martinez? >> Martinez: I completely agree and support the move to postpone so the mayor can be a part of it. I did have some -- a particular question that obviously we don't have to answer it today now that we're going to add some time to t but we all received the fiscal note that you provided on the potential budget impact that could happen, depending on the rate that we choose, if we increase the exemption from its current \$51,000.

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Do you have a spreadsheet that would demonstrate to us the actual effect on a property tax bill for an average home within the travis county central appraisal district based on these numbers, based on if we increased it to 53, 54, 55, and so on? >> Yes, we do. I think last week, thursday or friday, we distributed a follow-up memorandum to the work we did back in january that took into account a number of questions that the council had, and there is a table. I have a copy of it. I could circulate the memo so we all have the same memo to talk from, but in the memo it provides the scenario. For example if we were to increase the exemption from \$51,000 currently to \$54,000, for example, that would save somebody over 65 a little bit more than \$15, and potentially, depending what decisions are made on the tax rate, could shift tax burden to the people who don't qualify to a dollar 7. I think we have that information for you. >> Martinez: So that \$15 and dollar 50 impact, that's on an annualized basis? >> Yes. Yes. >>

Martinez: I definitely want to get that information out to the community so that they can digest it a little bit further before we make final decisions. >> I think it's on the third page of this. This is actually the revised memo or the additional memo we sent out last week and we've included as an attachment to that miamio memo the memo you got back in january. And one of the shifts was in regards total fiscal impact of increasing this exemption, could we do some demographic analysis, incorporate the anticipated growth in the over 65 population into our cost analysis. That was council member riley who asked for that, so

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we have worked with the city demographer, so you'll see that the costs of increase being the exemption are a little higher than what we projected, because we're working with ryan robinson, in the long-term ryan is projecting by 2040 it would grow from current level of 17.7% but we're focusing our financial analysis on just a five-year window, so the impacts aren't as dramatic in the next five years but long-term they could be even more so. >> Martinez: Thank you. >> Morrison: Could you remind us, I think we've been through this before, of the other taxing jurisdiction that we overlap with, what they do with regard to senior exemptions and in addition, for the ones that don't provide a senior exemption, are they authorized to provide a senior exemption? >> They all have a senior exemption. Travis county and the hospital district both offer a \$70,000 flat exemption. The community college does a \$115 exemption and the school districts is required to do a tax free for the over 65 population. So your tax bill, what it is the year you turn 65 is what it is until you die. Stay in that house. If you move to a different house, there's some provisions but you don't get to keep it if you move into a larger house or if you do an addition to your home. That adds value to the home, that can affect it as well. >> Morrison: Great. And I just want to mention that I hadn't realized that we're actually authorized to do a tax freeze, and so just for grins, I asked to include that information in here. You can see obviously it's very expensive. But I think we just need to make sure we have all the choices on the table. >> And I would just add to that, I don't think we stressed it in the memo, but in the previous memo we sent

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out council asked us to explore a way we could achieve tax neutrality for these folks, so as property values grow and as tax rates change, can we maintain tax neutrality for the over 65. In our initial analysis we looked at doing that by means of increasing the exemption every year and every year in order to achieve that, even though in our analysis the tax freeze scenario would be a little more expensive, extremely expensive oh less expensive. If that's the way council wants to proceed I would encourage you to look at the tax freeze option as opposed to this for a variety of reasons we could get into if you are interested in pursuing that tax neutrality option. >> Morrison: Actually, are there fundamental differences in the way it affects seniors in high-cost homes as opposed to medium-cost homes? I'm just trying to think through that. -- Well, the tax freeze would really achieve your goal of -- you're on a fixed income so your tax bill is not going to increase over time, where trying to achieve this tax neutrality through increasing the exemption, we would have to fix it to something, so we would likely try to fix the exemption amount to achieving tax neutrality for a medium-valued home. >> Morrison: Exactly. >> And

then, you know, that doesn't mean that everybody will be neutral, actually. You know, people in higher valued homes may still see increases in their tax bill. That's one of the reasons why I think a tax freeze makes more sense. The main reason though is once you increase that exemption amount it's there forever, so if you have to increase the exemption every single year for the next 20 years in order to achieve tax neutrality for that over 65 person today, well, guess what. The person that's 45 today, when they turn 65 they are going -- they're going to

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benefit immediately from this very large exemption. And so the impacts over time are even more significant for the city, really fixing that level of income from an over 65 level of income in perpetuity. 25 years from now you may have exemptions in the hundreds of thousands of dollars, which again I think the tax freeze option would make more sense if we're trying to achieve a tax neutrality for these fix the income individuals. But it's still very expensive. >> Morrison: Very expensive. I can see -- by fy '19 the revenue loss would be \$23 million. >> Cumulative, yeah. >> Morrison: Cumulative. Thank you. >> Cole: Let me just ask you, for the other taxes jurisdictions, I'm assuming that they just work their exemptions and freezes into their budget. And so if we were to do -- is that a fair assessment? >> The county, I have not talked to the county about -- and I probably should have in terms of when they last updated. I got the impression they increased theirs three or four years ago, and the timing of when they did that, I'm not exactly sure how they did that. I don't think -- I've not been able to think of a way that we could actually incorporate it into your budget adoption process. If you all are going to be adopting the budget in mid-september and we absolutely have to -- the county would have to know the information by late august in order to be sending out their tax bills, not the appraisals but -- we're talking here now, because I think what makes the most sense is to make this decision now so that when tcad and williamson county send out their appraisal notices to citizens, they will see what their home has been appraised at, what exemptions they're allowed to get, and they'll see the estimate of what their tax bills would be. That's not the actual tax

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bill, though. The tax bills would go out in the middle part of september, and they would have to have the information from us by late august in order to do the work they need to do to increase the exemption at that point in time. So you see the dilemma. We'd be delivering a budget to you on august 1 and then prior to you adopting that budget you'd have to be making a decision about what this exemption level is going to be, and I just can't think of a way that that would work. And so I really think it needs to occur now even though, you're right, ideally, we could have this discussion [inaudible] budget. It doesn't work out time frame-wise. >> Cole: Let me ask one last question. Last week you talked to us about planning to come to us with potential -- having had the forecast and having a better feel for, we don't call them unmet needs anymore, critical priorities. Would this be another one of the items that you would work into your presentations to us in april or -- >> even -- that timing doesn't work for purposes of having it included on the appraisal notices. Those will be going out mid-april and we're not going to have council until april 24. So we do have a council meeting on march 20 and we have another one on march 2. As

long as we get this information to tcad by the end of march they will be okay for including it on their appraisal notices. >> Cole: Okay. Council member martinez? >> Martinez: And I appreciate this conversation because I think obviously it's something that we have an appetite for. We're looking at, you know, potentially increasing the value rate on, you know, a very near council agenda, but at the same time I think we -- it's time to engage in a broader policy conversation, because if we do go as far as a tax freeze or to try to create tax neutrality, is there anything in our charter that prohibits us from having a conversation about shifting our budget cycle so that it could align with those

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decision points that you just referenced for the county -- or for the appraisal district? Sorry. >> I think there is. I think by charter we're on an october 1 fiscal year and the charter requires us to have a budget to you I believe 30 days prior to the beginning of the fiscal year. So -- >> martinez: So we would need to put forward a charter amendment if we were to contemplate shifting that? And those are important factors, because it seems like in some instances we're precluded from moving forward on a policy decision until something like a charter amendment were to take place and be adopted by the citizens. >> Yeah, I think if you want to have this discussion about what level of tax exemptions we want to offer over 65 or general homestead or any type of exemption, if you have to have that discussion at the same time that you're making decisions on the budget itself, you would want your budget process to happen more along the lines of tcad's process, where tcad certifies their tax role usually by july 25 of each year. You would need to move your whole budget process up to sync those two together. >> Martinez: And there are some cities and counties that do have a different budget cycle, and I don't know what those reasons -- you know, what those reasons are, but we do know that other governments have a june 1, some have a july 1 start date. >> Those are very common, yes. >> Martinez: Okay. >> Cole: Council member tovo? >> Tovo: I have just a quick question about the memo at this point. In looking at the freeze numbers, the implications of a tax freeze, it doesn't look like this was calculated based on average -- on the cost of the medium home value owner, but looking at the cost of the median home value -- on the previous page is it right to say the annual revenue lost in 2015 would cost about \$3.90 for the only -- for the median value

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homeowner? I figured that by taking the number for increasing the exemption to 60 and the increase in exemption to 5, because that adds up to about 1.8348. >> The revenue loss we're projecting from a tax freeze in '15 would be 1.8 million. Yeah -- >> tovo: About \$3.90 per homeowner? >> Yes. >> And then beyond that -- >> well, that's -- >> tovo: We could go back to the chart too for the -- back to the cost for the median annual -- for the median value homeowner and calculate based on -- >> right. >> Tovo: Okay. Thank you. >> And that's -- I mean, just to clarify what those were, we had initially brought this forward as -- and still really are bringing it forward as if we increase the exemption. Obviously that lowers our tax base, and for any given level of tax rate that's less revenue, and so that's how we've presented this, as a loss of revenue. I believe council member spelman talked about the fact, well, it doesn't have to be a loss of revenue if we choose to offset that loss of revenue through a higher tax

rate, in other words, by increasing the burden on the people who don't get this exemption. And that's what that column shows. For that exemption of increasing the exemption of \$60,000, the general fund would lose one and a half million of revenue, that would save your typical homeowner \$45 a year but then if we wanted to get that 1.5 million revenue back we'd have to increase the tax rate enough to do that, and that would be about a \$3.22 increase to the less than 65 typical homeowner. It would also affect businesses but that's not as easy to quantify because there isn't really a typical business. You know, businesses range anywhere from maybe a half a million-dollar value to a \$2 billion value. And so it's really hard to quantify a typical business.

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But it would affect business tax bills as well. >> Tovo: And these figures all factor in. The senior population as well as disability individuals, who qualify for the exemption. Is that right? >> That 3.22 or - oh, no, it does include disabled too, yes. >> Tovo: All right. Thank you. >> Cole: Council member spelman. >> You mentioned that it's difficult to estimate the effect on a typical business because there's such wide disparity among businesses. The median value homeowner is a logical place to have one number, to pick that one number. But if we wanted to acknowledge the fact that the vast majority of people who live in Austin, granted, as Stewart Hirsch tells us every time we see him, is there a way of putting an underline in here, saying cost to the average landlord per unit, with the assumption that sooner or later any increases in taxes are probably going to be passed on to the tenants? >> I don't think it quite gets at what you're talking about, but I think if you flip over to the next page, we talk about this, putting businesses -- we tried to quantify. For every thousand-dollar increase in the exemption there would be an 18 cent per year for every \$100 of value. It gives you something if you're talking about a million-dollar -- an apartment complex, that thousand-dollar increase in the exemption would cost that landlord about \$1.80 and to the extent that gets pushed on to rents is probably a reasonable assumption that eventually it would probably all get pushed over to the rents. That's not a lot, but a thousand-dollar increase in exemption is not a lot if you talk about increasing the exemption to \$60,000. We could get out the calculators and do the math, but that's the ratio. For every \$1,000 increase in the exemption, \$1,800 in value that you're responsible for. >> I could come up with a rough estimate of the - using a cap rate with the

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value of the -- what the value of the affirm apartment would look like and apply the 18 cents per 100,000. I could put the column together based on what you provided us. >> I think so. We could even try to define a typical rental home, it can vary a whole lot. We could of course work with TCAD and maybe get the values for a handful of apartment complexes and come up with the numbers, but, you know, there's -- you know, rental markets are very broad, as are ownership markets, in terms of the value. Anything from a thousand dollars for -- you know, \$10,000 in rent. >> Spelman: I think you called it right by looking at the median home value, but of course as you've mentioned, you're going to have some expensive houses where the tax rate would have to go up by a lot more and cheap houses where it would go up by considerably less, and looking at the median is reasonable. I also want to point out

we're probably talking about an increase in rents at least sometime downstream if we increase property taxes to the landlords. >> I think we can -- we can put that question to John Hobkin when he's here in a month but I think he'll agree with us that yes, you would see the taxes converted into increased rents over some amount of time. And I think you would ask the question about, well, how much -- when we're looking at who benefits from this and who wouldn't benefit from this, on the data we're able to receive, so is it about 75% of the over 65 population currently owns their home, so they would receive a benefit, but the 25% of the over 65 population who rents are likely going to see higher rents at some point in the future as opposed to a benefit. >> Spelman: And you weren't able to mention in your memo because I don't think any of us knows yet is the difference in income or ability to pay between seniors who are living in houses and seniors who are renting apartments or condos. And I've asked Ryan Robinson to come up with an estimate for how big that disparity in ability to pay is likely to be, and he said it's complicated to do and he's

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working on it. But between now and the 20th he'll probably have at least a little bit more information on that subject. >> Cole: Council member Morrison? >> Morrison: Actually that's a topic that came up in my discussion yesterday with Brian Kelsey. He's looking at doing an inventory on affordability with regard to occupancy, and one of the things I suggested he said might be able to be done is a lot of that issue of how much you can afford -- how well you can afford to pay your taxes on a house might be somewhat tied to how long you've lived in the house. The longer you've lived in the house, the more the price has increased since you've qualified for a mortgage to live in that house. And so he's actually going to look into the possibility -- he said that there is -- and maybe you can clarify this, I know that there's some date, some year that's recorded in TCAD. I thought it was like when the title change last was recorded or when the last transaction is, I think is what he expressed. So that could at least give you a feel for how long someone has lived in the house and then you've got a whole lot of assumptions to put into it about what that might do to affordability. >> Cole: Council member Spelman. >> Does that mean that we would have the authority to charge different rates depending on the length of tenure? >> Morrison: Not at all. I was just using -- it was just going to be helpful in terms of looking at the data we have. If you want to look at how far -- the affordability for someone that's living in a house versus renting, you also might want to go the next step and say, well, let's see how long these people have lived in the house because taxes are more impossible, potentially, for people who have lived in the house for a long time. >> Spelman: That makes a lot of sense. So Brian said he would -- >> Morrison: He's going to look into it. He's going to look into it. He has a lot to do by the 20th of March. >> Cole: He does have a lot to do. I'm glad to hear that's being done because in

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essence when you bring up the issue of, well, we can pay for it in other ways with the tax shift, we want to make sure we're having equity in that shift. And it's good to know that Brian is going to get at the affordability question, we hope. Is that correct? >> Morrison: He said he would definitely see what was available and what he might be able to find. >> Cole: Any other questions, discussion on this item? Okay.

We'll go to item 6, contract management pulled by council member riley. >> Riley: Actually, mayor pro tem, that is an item I was hoping to get more information on but staff had scheduling conflicts and I'll be -- I'm in the process of scheduling a meeting with them later today or tomorrow and so I would suggest we just move past that for now. >> Cole: Okay. Is there anyone from staff here to address council member riley's questions and is prepared to do so? Do you want to hear it now or -- >> riley: Actually. >> Cole: It's up to you. >> Riley: I told staff I'd be happy meeting with them later to -- I will say that it is a significant item, in excess of \$6 million affecting peas park and shoal creek trail and there's not much backup information what we're getting for that. That's why I was hoping to get more information. If there's information that can be made available on-line in the backup, I'll ask staff to do that. >> Cole: There are questions simply because of -- because it's a large item, not because we didn't recognize that the work was going on, but hopefully we'll get more information in backup. >> Riley: Right. Right. >> Cole: Item 21 was pulled by councilmember spelman. >> Spelman: I had some question for council member riley. I like the item, I think it's a really good thing that we're doing this. I remember when we first authorized sidewalk cafes, that every single department in the city was issued the

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authority to protest essentially -- essentially veto the sidewalk cafe, including the aviation department. This is exactly the sort of thing that you do when you've never done it before and haven't really thought it through. I'm glad the aviation department no longer has a veto on sidewalk cafes on congress avenue. I did want to know how permits would be better than license agreements? That struck me as interesting. >> Cole: Council member riley? >> Riley: It is interesting, and I think -- and we do have staff here who can speak to that. I see lorraine in the audience. Essentially it largely comes down to a matter of the permits going through pdr whereas the license agreements have to go through real estate, and it's [inaudible] process that takes -- in the latest instance it took the better part of a year, in a situation where it really should have been very straightforward. So the hope is we can come up with something that would be a little more streamlined, and I think lorraine or others could address that. Would you like to -- >> good morning, council, jason redfern, austin transportation department. The license agreement is like a real estate transaction and that is a more intense proposition than if you were to issue just a permit. Permitting can be done at the staff level more efficiently than -- than a legal agreement, I believe. >> Also, council members, if we are able to make it part of a permanent -- a permit process, then it would be easily enforced, it wouldn't be a contractual agreement where you would have to give a 30-day notice. And so that would also streamline it. So we're trying to -- I think what council member riley suggested, that we meet with the stakeholders and find out what the current -- what the issues are with the current

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process, and then see if there's other city processes that we can use to improve those issues. >> Spelman: Is it part of your reading of this resolution, that we need to pass an ordinance to allow a particular permit that would be consistent with the resolution? We need to create a new -- something you'd be willing to tell us? >> We could modify the existing sidewalk cafe ordinance that exists now. >>

Spelman: Why is it we decided to go with license agreements in the beginning rather than with permits?

>> The function is currently in transportation with real estate assisting, and I think that because it was a process that was already in place, it was the easiest one to modify. And so as we've gone through the process for the last few years and discovered some of the issues, I think Jason has been working really hard to look at alternative methods. >> Spelman: So we just used what we had rather than creating something new and it's clear at this point that creating something new is what we're going to have to do. >> Yes. >> Spelman: Thanks very much. >> Riley: Last thing I'll add is the last time we dealt with these issues was when we -- we started -- we had spoken to the issue of encroachments, and you remember we had been using license agreements for encroachments and we shifted to an encroachment agreement for the very same reason, that working out a license agreement creates a lot of issues just in terms of getting in a place and then enforcing it and actually the agreement process we worked out winds up being a lot simpler for everyone. And so when I heard from folks who have been having difficulty with the license agreements for a sidewalk cafe recently, I visited with staff and figured out that, in fact, there was -- this alternative was available, so we already have a stakeholder meeting set to work through some of these details, and I really appreciate staff's willingness to work with us on that to come up with

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something that's a little more efficient for everyone. >> Cole: Council member Morrison? >> Morrison: I appreciate that you brought this up. I think we submitted this exact question, which is like what's really the difference between license and permits. So it leads me to one question. When would you recommend that we -- that we not move away from a license agreement? When is it really appropriate? Because actually I -- I'm thinking about how I've heard -- I heard some time ago about how onerous just in general the license agreement is, and I don't know if it's necessarily onerous or we're just not doing our best in terms of resourcing it properly, with enough people. >> Yes, council member. License agreements are more appropriate where the improvements to the property or to the right-of-way would be permanent. And so we're going to be looking at how easily the improvements can be removed, and that really -- that's really where it changes from a personal property on our right-of-way issue versus a permanent property right. So that's what we're going to be exploring and understanding the needs of the owners of the cafes. >> Morrison: Great. Thank you, that's very informative. I appreciate it. >> Cole: Any other questions, comments? Okay. We scheduled for discussion and possible action the timing and process for potential midyear budget, amendment work session so I'll just open it up to comments and discussions about that. Last week we talked about it a lot, the sort of need to look at items that were coming forth with council member resolutions, calling for a budget amendment and wanting to look at that in a comprehensive fashion. And then we discussed the fact that staff wouldn't really be prepared to give us an analysis of the impact of those plus the potential

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property tax increase until April following the economic forecast. Ed, do you have anything additional to add to that? >> The only thing I could add, and I think everybody knows this, many of you are on audit

finance committee, that we did project -- not project, we did end fiscal year 2013 with a surplus of \$14.2 million. In other words, expenditures came in a little bit lower than we had projected and revenues came in a little bit higher. You know, and on the magnitude of less than 1% but on a large budget that turns out to be \$14.2 million. So we do have that surplus. One thing I'd ask everybody to consider, though, is, you know, for the last several years we have been very focused on maintaining a 12% reserve level, and without really making any significant service enhancements or staffing additions to our general fund budget, you can expect it to go up about 40 to \$45 million just to account for contracts, pay increases, health insurance increases, two officers -- you know, the list of things you hear from us every year about our built-in cost drivers. If we're going to maintain 1% in the fund, go up \$40 million, right off the bat you need about \$5 million more in your reserves, to keep it at the 112%. Right off the bat you need 12 million, you know you're talking about \$9 million and keep in mind this is the pot of money that we really use to fund what we call critical one-time equipment. These might be ambulances, they might be fire trucks, might be heart rate monitors, just things our operating departments need to be replaced on a regular basis. Typically we would draw this fund down by about \$14 million a year. That's just looking at the history, that's been the average, about \$14 million. We pull out of our -- >> cole: [Inaudible] for the

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history. >> Going back to 2007 to 2014. So over the last eight years we've averaged \$14 million, that's just, you know, for a city with 12,700 employees and public safety functions, there's a lot of technology and computers and vehicles and all that, you know, bulletproof vests, all that type of stuff that our staff need to do their jobs. So that's about \$14 million a year that we fund out of that stabilization reserves for critical one-time items, and again, just very, very early, we're not even to our forecast yet, but, you know, 5 million of that 14 million surplus needs to go to maintaining a 12% reserve. You might have \$9 million at a very early projection in regards to that, you know, how much we might project having in the '15 budget process. So I just threw that out there. I think you've all heard that of about, but that's, you know, why the reserves are really important to us and why we try to be conservative on our revenue estimates, is because we know we're going to need surpluses in future budget planning. In regards to the timing, there was something in some of these discussions if we want to tap into that surplus to fund immediate priorities, the timing might be better to do it after the financial forecast, and there's really -- I don't think there will be anything that we'd be able to bring forward to council prior to April 24 that would be anything new and revolutionary, because, you know, we won't have estimates from tcad prior to early April, is usually when she gives us her estimates for the tax roll. It's not certified but her early estimates are in aim. So we wouldn't have any new information on that. That's a huge source of revenue. Utilities are still working on their projections so we won't have estimates on what the utility transfers will be until after March sales tax estimates and working John H. On job growth projections, we wouldn't have that until end of April. So I don't think we'll have a lot from the staff

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perspective to say this is kind of how fiscal year '15 is looking prior to what's already on your calendar,

which is that april 24 forecast session. >> Cole: So ed, let me summarize by saying, it doesn't sound to me like you think at this point we have much reserves, simply because we have 14.2 that you talked about, but if we want to keep our 12% financial policy in the reserve fund, then that would require a 5 million contribution, and then one-time critical needs on average run about 14 million. 14 million. >> On a I'd say about 14 million. What we don't know, because it's what we start doing in the forecast is work with the departments about how are you estimating the current years going. A lot of this talk is about how last year ended better than we projected. The discussions about how we are currently doing in this year, they're going on right now, and so between now and the end of the year if the departments end of realizing some savings and our revenues continue to be strong, we have a little bit of additional revenues, then those numbers all change, but we're still very early in fiscal year '14, and, you know, so we don't have -- at this stage we don't have estimates that we're going to have a bunch of savings. We're only four or five months into the fiscal year. So I do want to put it out there in all candor that those numbers do change and almost surely will change between now and the time we come back to council in august with a budget, but so early in the year, we don't have any really good estimates yet about how we think we're going to end the year. It's just too early. We have a little bit better estimates by the time we do all that work I talked about and bring it back to council on april 24. I mean, our departments right now are doing their own look at their expenditure projections and their own forecasts, and that's just -- by the way, that's another piece of work that wo be done prior to march 20 or march 27. That work is going on right

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now. Departments doing their forecasts and that information has to come to the budget office and then becomes part of what we deliver to you all on april 24. >> Cole: City manager? >> Yeah, just -- you all have heard from me already on this particular issue in regard to the surplus, I think in written form a month or two back, and I only speak in part to reemphasize that and to underscore ed's comments, which of course are consistent with that. Ed had talked about the \$14.2 million surplus and in order to maintain the 12% needing about 5 million of that. Of course the balance ordinarily would be used to support those things that have one-time cost. If you'll recall last year, again, because of the need to allocate some of these same dollars for other kinds of things, you all know what they are, we nevertheless, if my recollection serves me correctly, had funded some of those one-time things in the general fund, which I -- you know, resulted in some of that upward pressure we felt on the property tax rate. And, you know, there is that relationship. He didn't say it directly, but it is. And the reason that I raise it again is in light of the correspondence I sent you some time ago about our desire to try to do as much as we can to keep the property tax rate flat. You know, ideally I'm sure everyone would like to see it be reduced, as the council was successful in doing relative to the last budget, but certainly we want to make every effort to keep the rate flat and not increase it. So this whole conversation and the decisions that you make I think will have significant impact on our ability to do that. >> Mayor pro tem? >> Cole: Council member mike martinez? >> Martinez: Ed, can you remind me what we budgeted for this fiscal year, for

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one-time critical needs? >> In fiscal year '14, \$15 million. >> Martinez: And so I'll go back even further to January of 2013 when we were in a similar situation coming off of a healthy financial year, you know, healthy economy. We spent \$10 million on affordable housing, and then we got into the budget discussion in April and we were told we're in a difficult situation because you spent that \$10 million, yet last January 2013 we were told repeatedly the expenditures of this fund have no effect on the tax rate moving forward. We got through the budget and as the city manager just mentioned, we were able to fund pretty much all of our priorities and reduce the tax rate. Now we're here again in the new annual year with a \$14.2 million surplus, if you will, and we're being told these same cautions as, we can't spend this because we need to use it for the upcoming budget. The point I'm making is we were able to do all of that last year in light of being told it's very gloom and doom need to be very cautious and careful. We understand the nature of our budget, I understand that, but this council has demonstrated its ability to make difficult decisions and fund priorities and reduce the tax rate. And I think we'll do that again this year. >> Well, if I might, and Ed, I'm going to ask you -- >> Cole: City manager Marc Ott. >> -- To help with this. It wasn't without some expense, at least railroads to risk tolerance and I think Ed knows what I mean by that in regard to changing some of our assumptions about sales tax and other things. Can you expand upon different assumptions that were made that were less conservative in order to create this context within which the council was able to address the very things that you talked about. Can you speak to that, Ed? >> I think I can.

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, You know, one of the real volatile revenue sources that we are faced with is sales tax, and sales tax has been doing well lately. It's not been doing nearly as well as it typically does rebounding from a recession, but it has been doing well. We're currently at 6.6% growth for the year and we assumed in our budget process, we assumed 4% growth. 4% growth, you know, we've had a lot of discussion about that, it is -- that is north of where our long-term annual compound growth rates have been. If you go back in time and look historically, there's big ups and there's big downs. There's years it's been as much as 10, 12% and there's years where it's been negative 8, 9% but overtime it's averaged out to a growth path of 3%. So to me there's really no doubt about it. If we spend too much time or if we have too many budgets in a row where we're assuming growth beyond that 3%, we'll be setting ourselves up down the road where we find that everything we funded is unsustainable. So we did bring forward -- staff brought forward a budget to council that maintained that 3% long-term growth path for sales tax. You know, part of how we were able to achieve the slight tax rate reduction was by being more aggressive on that. And we also shifted a number of things over to debt. So the manager talked about the fact that we moved some things into our operating budget because we didn't have sufficient critical one-time funds. We did that but in order to free up money to meet other council priorities we shifted some things, and it actually issued quite a bit more contractual obligations than we would have in a normal year, which has an immediate benefit of there's more money to go around in the current year, but over time you're going to have to pay those bills and your debt portion of the tax rate is higher over time as a result of that. So it is about risk tolerance at the end of the day, and going to 4 or 5% sales tax numbers may be good in the short-term, but it was always that longer term consideration about,

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you know, how sustainable is it and what condition will the city be in if we see one of those negative 5 or 6 or 7% years. >> Cole: Council member tovo? >> Tovo: Thanks for that additional information, ed. Can you just go over one point a little -- again? You -- I think I heard you say that the budget -- that the fiscal year '14 budget assumes a 4% -- 4.4 -- I'm sorry, a 4% -- >> 4%. >> Tovo: Tax growth rate for the first several months of the fiscal year have actually been at 6.6%? >> Yes. >> Tovo: So do you have a sense of what that difference is? What that amount -- >> well, each 1% in the sales tax is about \$1.8 million, so if we keep tracking along at 6.6%, we'd be, you know, about \$4 million more revenue than we estimated. >> Tovo: As of right now? >> Not as of right now. If we're at 6.6 now and if all the future months through the end of the fiscal year also were at 6.6% growth by the time we got to the end of the year we'd have about \$4 million more revenue. I'd have to, you know, go back and figure out how much ahead we are right now, but I mean, it's probably -- that's a quarterly report number, so say about a million, about a quarter of that 6.6% through the first six months would be about a million ahead of where we thought we would be. >> Tovo: That's kind of an interesting number to consider if we were interested in moving forward with considering whether the items we passed last week are preorts to be funded -- priorities through our one-time critical funds. I would argue at least we know we have -- we have that information about where our revenues are in terms of projections and we know it exceeded the projections, not by a lot, not by enough to fund all three of the items we discussed last week, but -- you know, and I'd also point out, I mean, one -- one issue that I hope

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we can factor into this discussion is that some of the surplus resulted from savings, and in the area that is most relevant to the item I brought forward, and that's the asian american resource center, some of those savings were within the parks department, and their anticipated spending on utilities was about \$800,000 more than the estimate came out to be. Now, that's not all savings because had they spent that much on increased utility costs they would have exceeded their budget, but there were about, as I understand, \$150,000 of real savings that they -- that accrued because they did some -- some careful work to achieve those savings. And so that's just another -- another consideration that I think we should bring to this discussion about whether or not to fund some of those critical one-time -- one-time needs that we considered on last week's agenda. >> Cole: Well, just to try to put this in context, last year we had an immediate crisis with affordable housing, and that drove the decision to have the midyear budget session. And then -- but we spent -- we spent money for other items besides the affordable housing. Of course we did, and we had requests for other critical needs, but because of that \$10 million gap, I think -- I'll speak for myself, that drove the need to have a midyear session because we've never had one since I've been on the council. And then we went into our regular budget session, and the city manager put forth a budget, and we were all working feverishly on making changes to that trying to come up with additional dollars for various interests that were critical to the city. And then the city manager came up with another list of potential cuts and changed forecasts, in the sales tax, and presented those, and we used a lot of those and then we came up with additional

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cuts and prioritizations and still managed to reduce the property tax and a lot of things we considered priority items. Now I think we're faced with the decision of whether or not we want to do that midyear again or do we want to do all of that when we get all the information from professional staff and do that as part of the budget? Or later? I know in the past we have been hesitant to do that midyear without an overarching kind of critical need because it sort of opens up the need that we look at at budget time for every department, social services, floodplain, parks, and so this year if we decide to do that, and we've done it once already without an overarching issue, then I would expect we will be hearing from community members just the same as we hear from them during the budget process. So our decision is almost do we want to do two bites at the budget, and that's what I think we should kind of be focusing on. Any comments or thoughts? >> Spelman: Mayor pro tem? >> Cole: Council member spelman. >> Spelman: One thing that I haven't heard yet is -- well, two things. One of them is do we have a list or when do we get get a list of one time critical needs that add to the \$14 million that we tip through pay for out of that budget surplus. >> Council would get that list as part of us delivering the proposed budget for you. It's on august 1 with a list of one time items which is not everything that the department has asked for. We never have enough funding to do all of that. You know, but the list will be substantial. I mean, getting to I think what mayor pro tem was

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talking about, there will be requests for -- you know, for facility needs at our animal shelter. There will be requests for expansions in ems. There will be requests for driveways that need to be replaced at fire stations. So there will be a lot of requests. We will not be able to -- even with the \$14 million, if that was all available for these types of things, we will not have enough funding to meet all of those needs. So I do think it's an important consideration when we're making these decisions off budget cycle. Council doesn't have the benefit of knowing everything that's out there from the operating departments, what all their needs are. >> Spelman: So typically decisions on those one-time critical needs are made during the budget cycle with money which was saved, surplus from the previous year? That's the way we usually do it. And decisions made by the council with -- working off of that list of unmet needs, they're provided to us as part of the usual budget cycle, is that right? >> It is. >> Spelman: And we won't get that until sometime in may -- you won't get that list, I think we're calling it critical priorities, this year, until april, may? May? I guess you're working through it now? >> Well, the critical priorities are a little different -- it's more than just a name change. In the past we were doing unmet service demands. You know, we typically might get, you know, over a hundred requests totaling maybe 35 to \$40 million in hundreds of new ftes, and clearly we don't have the latitude in the general fund budget to do that. That kind of laundry list of everything the departments would like to see added to their budget would come out to council in mid-april. We've decided to take a different approach this year in light of the manager's direction to staff to have a no tax increase budget. We didn't see the utility in creating this very long list that we know there won't be a way to fund, but we did want to still task the departments with, if there's

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something that is affecting your operations that is of absolute critical nature, then bring that forward as part of your budget proposal but bring it forward with a proposal for how you would allocate your existing resources. We know you might have to take something away from project or program a to fund priority x, but that's the budget model that we've set up for this go-around because we just don't see a way that we're really going to be able to address many, if any, of the -- of what we used to call unmet service demands, you know, with a constant tax rate. It's just not going to happen. So I want to be clear. The critical priority is more than just a name change. And so a long-winded answer to your question is we want to bring forth critical priorities to council as part of the budget we delivered to you in august, would be, you know, we have some critical priorities in this department and we're recommending shifting resources from this program to this program in order to address those. That work will be happening as part of the budget this year as opposed to here's a list of what we want funding for. >> Spelman: All right. Let me rephrase it slightly. I think I understood what you were saying. >> Good, I'm not sure I did. >> We used to do 35, \$40 million worth of unmet needs. And you think that number is going to shrink, not because -- it's not just a name change but because we're asking people, to the extent you can meet those unmet needs within your current budget by shifting your priorities around, we want you to do that. >> Right. >> But there's going to be some leakage, there will be some stuff that you can't just get to by shifting things around. That's a critical priority. Is that the way I understand you correctly? >> I don't -- I don't -- maybe. [Laughter] what we're saying is that if there is something out there that is such a critical nature that maybe it's a health and life safety issue to the community or to our employees, that it just absolutely has to be addressed, then we want to find a way to address t but

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it's not going to come from that -- that way of addressing isn't going to just come from a growing pot of revenue. That's going to come from something we are currently doing. We may need to shift monies around in order to address those critical priorities, and the departments will know better -- you know, better than anyone what qualifies as a critical priority, what is something that just literally can't wait, regardless of the fact that we can't throw additional revenue at the need, that we actually need to take it away from something else. They're the ones who will be the experts and be able to assess that. But it's not the things that don't get accomplished through that process that become critical priorities. Those are the critical priorities. >> Spelman: I understand. That means if we -- we used to pull from a list of 35 or \$40 million of one-time only unmet needs, and that's what we used the \$14 million or so budget surplus for. Given the way we're restructuring our instructions to the department, they're going to give us a much shorter list of things that they simply can't do with the current capacity, and is it clear that we're going to actually have \$14 million of unmet one-time only demands that we will need that \$14 million for? Do you see what I'm saying? >> I do, but that list of \$35 million was generally recurring, ongoing things. So that's what we call the unmet service demands where -- just happens to pop to mind, I think last year as a result of the study that was done, the police department was requesting an additional 47 officers. I think they got 45 in the budget, and they were requesting an additional 47 for a

total of 92, because that's what the study indicated they should have. That's an ongoing recurring cost and it's one that we didn't fund this year. >> Spelman: Yeah. >> You know, this year, the way it's different is if that is an absolute critical priority and we have to do it, then the question

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becomes, well, what can we stop doing in order to meet this critical priority that's putting -- it's putting it on the departments to look for ways they can reallocate resources to meet what they identify as critical priorities. The surplus we're talking about, they are one-time dollars. It would not make sense to take \$14 million that's sitting in our bank account as one-time money and allocate those to police officers. That's what we're looking to use for one-time items. The list of -- the total universe of everything departments are asking for, for one-time items is not something that we've typically brought forward to the council. It's something that we work with the departments on. If it's vehicle-related we work with our fleet manager on them. We have an it governance process to really review the critical technology priorities, but what we're bringing forward to the council at the end of the day is here's our recommendation how to spend \$14 million to meet critical one-time needs but it's not the whole universe of what was asked for. >> Here's what I'm getting at. Is that there were three things which came out of the council meeting a couple weeks -- or last week, that a majority of council members thought were high enough needs that we ought to get them to the point where we could actually spend some money on them. At least a couple of those cases required more work on your part or the department's part to sharpen your pencil and get a real number. Those would go on the list -- I think from the majority of the council's point of view those would go on the list that we previously would have funded with that \$14 million surplus. A majority of the council would like to consider those three things in the same pot as vests, as new cars, as other equipment needs, which are typically paid out of that one-time-only pot, \$14 million. But it's -- if it's not -- I think what I heard you saying is usually that -- we don't get a list.

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Here's what we want to spend that \$14 million on this year, council. This is something which is done through an administrative process for the most part, and once you decide, okay, here's what we think is really important, then it becomes a budget item and we pass it. And it seems to me that opening that up a little bit so we have a better sense for what it is that we would be giving up if we decided, for example, we get a commercial kitchen into the asian american resource center, that's \$700,000 or so of value that we would not be able to spend on something. What is that something? Right now we don't know because ear making those decisions yourselves, and then presenting with us the budget item rather than giving us the list. >> Well, I think -- if I may -- >> cole: City manager. >> The challenge that mr. Trevino is trying to illustrate, that this is so early in the process that we don't know yet, and the process that we go through in terms of those one-time critical needs. I mean, we have -- we'll have that conversation much later on, you know, and that's why he's saying, among other things, that, you know, not until sometime after the forecast will we be in a position to offer any useful information in regard to this conversation. The other part of this is, and I say this to you not just in the context of austin and our

experience last year in terms of midyear, and the current conversation. Over the years I have certainly been part of municipal organizations that have done some sort of a midyear budget adjustment, but usually, you know, in my experience it has been a function of things that occur subsequent to the adoption of the budget that when they occur don't immediately require one to go back, chief financial officers, look at it this way and make some sort of budget amendment, because it is understood that in the normal course of things, that that is going to occur from time to time. And so, you know, the

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orientation from their standpoint is to simply -- those things -- those things accumulate and they gather them up and then to sort of clean up the budget there is some kind of then midyear budget adjustment. That's typically, in my range of experience over these 30-plus years, is what that accomplishes. We seem to be talking about it and using it a little bit differently in the sense of it almost feels like we -- you know, we approve a budget, our fiscal year starts on october 1, and then this is almost -- almost sounds like, feels like now we're going to take another bite at the apple because we have an opportunity, which again in my range of experience, midyear budget amendments were intended for that, and I would make a mild argument that the kind of practice that our conversation represents and what we did last year is not a good financial practice, is not a best financial management practice, quite frankly, because we're talking about sort of these one-off kinds of things, you know. Not to point at anyone in particular, but generalizing that the nature of what we're doing is one-off kinds of things, and I might add, out of context, which is your point, out of the larger context within which, you know, this conversation actually -- you know, actually ought to occur. So I certainly recognize that we did it last year. I guess I want to go back to something that you said, and it was not simply the \$10 million that drove why we did a midyear last year. Certainly that was one of the issues, but along the way, after october 1 in the last budget cycle, there have been a number of other things that had come from various council members, plus in the course of the discourse regarding the adoption of this budget, there were some things that were offered up by council either through resolution, directing us to take a look at them, you know, a number

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of them just didn't get funded. And so what we recognized was we had -- we had an accumulation of all of these issues, big-ticket items, certainly the 10 million, and others that had significant cost implications, and we felt, again, being constrained in terms of the kinds of surplus we're talking about today, you know, if that accumulation exceeded that number then too, it made more sense to bring all of that forward to council so that you could see it all and in that larger context, if you were going to use surplus funds you could make decisions by balancing priorities. Again, not an advisable practice because it's one-off kinds of things. I think that last year when we did this it was extraordinary, particularly in light of what happened on the affordable housing side, because no one would have anticipated that. But not a best practice, in my opinion, to deal with one-off issues out of context the way we're doing here today, talking about today. >> Cole: Council member spelman has a follow-up, I believe. >> Spelman: Let me simplify this, because there's a lot a whole lot of words here. Last year we gambled and we won. The economy delivered, we ended up with enough money so that the spending of \$10 million and a little bit

more was okay, and the reason we gambled, from your point of view, it was an accumulation of a lot of demands. But I think the majority of the council would not have been willing to go to a midyear budget adjustment last year in the absence of our critical need for affordable housing. Had the affordable housing bonds passed in 2012, I don't think we would have had that budget adjustment in 2013. Now, I don't know whether a majority of the council is here but it seems to me it's really good practice for us, if we're go to gamble once and live, take our money and leave the casino because if you gamble a second, third or fourth time you're going to lose, and I think the consequences of a loss are greater than a win, unless you're talking about

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something which is really critical like affordable housing. The second issue is the context issue, and what I hear you and ed saying is in order to get to -- to make any decisions about one-time critical needs in context of all the other one-time critical needs, we have to wait until all of those became available to us and that's going to be a part of the regular budget process, is that accurate? Unless we're talking about a r emergency where we have to do something to protect public health and life, and that would be something which we would be able to take up right away in the: The: -- But you would wait until you have the context of the next budget, and that would be sometime in august we'd be taking it up. >> Yeah, and I would only add one other thing to remind you what you recently adopted unanimously and that is your affordability direction, you know, to the manager, the context within which you asked us to be mindful of as we prepare the budget for next year. >> Cole: Council member morrison. >> Morrison: Thank you. Just a couple of things. One, just to add to last year's budget, midyear budget amendment, we also had a couple of things that passed during the election that actually had impacts on our budget, civil service and ten one and some of that had to get -- we had to address that. With regard to doing things in context, I -- I understand that we want to -- for me we want to look at did something occur, is there -- is there something that we want to correct and to some degree I think that one of the items that we considered actually is something that occurred, and that is we realized all of a sudden that one of our resource centers was in some way substandard. So to me that is important to keep in mind. When it comes to doing things in context, I understand we want to know, do we have to do it now or should we do it later when we can see things in context. That makes sense. But it works both ways.

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What I don't hear in the process that's being done by staff right now is how do we insert what we think are critical needs into your process. It's staff driven and obviously we have to define that, but I just wonder if there isn't a way to address that question at this point, and just to be clear, it's not -- I don't know that I would vote to identify all three of those items as critical needs. >> If I might take a shot at the last part, how do you do that. The first answer would be anytime, and the rest of my answer would be in the normal course of the budget development process, and for coun and the general public, you know, I kind of think of that officially in terms of kicking it off is when we do the forecast. And as you know, once that's done, we have a serious of meetings and presentations with council. They occur in this room, and all of those and other ways that you communicate with us are opportunities for you to

tell us about what you think are critical needs. You know, understanding ultimately that you have and I have a responsibility based on a whole lot of things to deliver you what we think, you know, is a good, solid, responsible budget recommendation, but I think there are any number of opportunities for you to share that -- share your perspective about critical needs. >> Cole: Council member martinez? >>

Martinez: Yeah, just -- appreciate the conversations, and I agree with your analogy, although I wasn't -- I wouldn't start using things like gambling as a descriptor, because we could go as far as to say that projecting that the sales tax growth rate for this year of 4% is a gamble as well. >> It is a gamble. >>

Martinez: I know, but I

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think it is a calculated decision based in sound policy framework. And so I agree with the city manager that it's probably not the most ideal scenario to be making one-off decisions in the middle of a budget year. I don't disagree with that. But when I hear what council member morrison is saying, I agree with her as well in that we don't have any other way to do it, because we aren't a part of the conversation that builds up to this critical needs list. And so if making one-off decisions in the middle of the year is a risky or not the best budget practice, I would suggest that creating a budget that goes to almost roll-back rate with hundreds of vacancies is equally irresponsible, and I'm glad that you all and that the budget office has heard the work of the council over the last year and intend to come forward with a budget that doesn't increase the tax rate. But midyear one-off decisions is all that we have available to us, and it's not a gamble and it's not risky. It's well thought out. It's done in the public's eye, and if four members of this council think it's a priority -- and by the way, the \$10 million in 2013 passed with only four votes. It wasn't a unanimous council. There was only four of us that supported us, but if there are four of us that support it, then it moves forward. The same will happen with these last three items on last week's agenda. If four of us get to a point where we think it's a priority we'll adopt them and move forward. I want some full context in this conversation as we lead up to building this next year's budget, because I think pointing to us today and saying something like this is a risky conversation that we're having in midyear, I don't think it's risky. The risk is that we not have this conversation, and if we're not sharing it with the public, that to me is much riskier. >> Cole: Let me put an idea -- city manager? You don't want to be a council member. Council member ott.

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[Laughter] >> just a small vernacular, not pointing, because our intent is not to point at council. That's a little too confrontational for me, and certainly recognize that ultimately council gets to decide, but, you know, in terms of asking for things in the course of the year, I've seen that sense I've been here. You know, it happens all the time in austin on any given thursday, it happens. And the city manager is directed to do it and that means go find the money. So that's -- that's really not where I was placing my emphasis in my earlier remarks. The practice I'm talking about is larger and more significant than that. You know, it -- it is -- last year was unique in the sense that the magnitude of what we were talking about was significant. It was because it was -- it was so significant that it drove me to bring -- gather it all up and bring it to you, you know. And so the caution is about that kind of practice in particular. And as

opposed to what has happened since I've been here on any given thursday, there may be an ifc from council that asks us to look into this and give you, you know, some funding options, and right now, I mean, when I think about the resolution, the ifc from council member riley and the one from council member tovo, those two resolutions by themselves don't feel unlike anything that I've seen in any previous year. The difference is they've sparked, as they anticipated they would, because I had those conversations with them -- it sparked the larger issue, the larger conversation that you're having right now, you know, about midyear budget

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amendments in a context that is different from the range of experience that I talked about before. And what I think this context that we're talking about it is not the best practice, because last year and then again this year and the year after that, and the kinds of decisions that we've made over the last year or so that enabled us to be responsive in that kind of context, I agree with our budget officer and deputy cfo, I don't believe that it's sustainable over time. And I believe that it is -- it's educated, calculated, you know, guesses, you know -- decisions that we would be making. And I like gambling. At some point you lose. >> Cole: Let's try to -- let me try to reach some consensus here. What -- do you have a comment -- before I do that -- >> tovo: I think I actually have a few comments and a question, but, you know, we've had this discussion in the past, and I know I've had it with you, city manager, about the iocs that come forward that ask you to look for funding or have a fiscal note attached, but I'm not really aware of any that have happened in this fiscal year yet. So it would be useful to have a sense of that. , You know, I think that's -- I think that's one reason why we're having this discussion about the midyear budget amendment, because it's -- you know, we understand that that PRACTICE OF HAVING IFCs Come forward in a scattered manner doesn't allow us to consider the full fiscal impact. So I'm not really aware of ANY OTHER IFCs THAT HAVE Come forward, that have required a budget amendment in this fiscal year. >> I can't [inaudible] right

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now. And I won't ask the staff to -- you know, to do that. I do trust that you're not unfamiliar with the practice that I'm talking about when I speak to any given THURSDAY AND IFCs. To be even more candid than that, there are times when, you know, we make accommodations otherwise that require an expenditure as well that never, you know, make it on a council agenda simply because the manager has the authority to make that possible. And I won't expand on that any further as well. So we'd be happy to go back for this current fiscal year AND TAKE A LOOK AT IFCs And characterize the extent to which there were any financial and/or budget implications associated with carrying them out. >> Tovo: I think that would be useful. And I would just ask for for the manager's suggestions. I think we have -- as council member said, the asian american resource center, there has been developing information. We passed a budget measure in this year's fiscal budget to start a program of cong agree gat meals. We had an -- cong gat meals, we had a discussion about this last year that we can't really fulfill under the ways that it was envisioned, and I know the staff are working hard on an interim measure that may -- that may be more costly because we don't have a facility that can really support that program. So it does seem to

me, you know, whether it rises -- yes, we're not seeing it in the context of some of the other critical one-time needs, but we do have a significant issue there that needs to be addressed and it is a matter of equity for many members of our community and it is -- it will impede the progress of

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a program that we all voted to support. So there are some challenges there that we need to talk about how to address and when, and what the costs will be of not addressing it now, because there are -- it would seem to me there are some financial costs of not addressing it right now because the construction costs will increase, as we talked about I think at last week's council session. There may be costs -- cost benefit -- I think it would be useful to see a cost benefit analysis of doing that work, say, over the summer, rather than during the fall when the facility is more likely to be booked. Waiting for something like that may in the end cost the city more than it would be to go forward and do it in a more expedient manner. So I hope if we decide not to do a midyear budget amendment I hope we'll still have some of that staff analysis available so we understand what it costs to postpone a decision if that's an action we plan to take in upgrading that facility at some point in the future. We could have all that information available. >> Cole: Let me put an option on the table. What fee we bring back for budget amendments all the items from council that have not been funded, as you spoke about the kitchen at the asian american center, and we bring those back for a vote, and then we use our good-faith effort to not have to bring budget amendments after we have the presentations from staff in april, and then we'll have the choice of bringing those AS POTENTIAL IFCs BETWEEN May and the budget -- when we actually adopt the budget, are handling them in the budget process. And what I'm trying to do is clear the deck and say that we're going to consider these in a comprehensive manner based on information that we need to make a prudent decision after we hear this in april but go ahead and make a decision about the items that we have in the pipeline. How does that -- council member riley? >> Riley: I would be supportive of bringing forth a comprehensive listing of the items we're talking

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about so we have them all on the table and can have a more intelligent conversation. I would add that I agree with the city manager's comments that in general that is the best practice to make our funding decisions once a year in the course of the budget process. But I also agree with the notion that was articulated by council member tovo, that we should retain some degree of flexibility to provide funding midyear, and I would suggest that for me, that the times when that would be appropriate are when we have some degree of comfort that the item is something that we -- that arises to the level of priority that we expected, that we will choose to fund it in the coming budget cycle -- or would choose to fund it in the coming budget cycle. And secondly, very importantly, that there are significant risks or costs associated with putting it off until the regular budget cycle, and I would suggest if we don't have that flexibility, then that in itself would be a gulf of mexico bell -- a gamble. That is a reason to me, if we foreclose the opportunity to consider exceptional circumstances where there is a high priority item that really warrants consideration outside of the regular budget cycle. And I think there should be a fairly high bar to make as to why -- what the risks are, what are the risks, what are the costs associated with

putting it off until the budget cycle. And in general I would -- my sense is that that bar would still be somewhat higher for recurring items than for one-time items. If I see something that's going to be a recurring expense, my gut feeling is that -- I would typically expect to see that in the budget cycle when we really can consider the full context, but where there is a one-time extraordinary expense that we feel really would -- we would likely choose to fund in a budget process and there are significant costs or risks associated with not doing it now, well, I think -- I

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think a best practice would be to retain some degree of flexibility to be able to consider that out of the cycle. >> Cole: Mr. Spelman. >> Spelman: I think history needs to record that as the Riley rule. I like the way you broke that down. >> Cole: Council member Martinez? >> Martinez: Going back to -- I guess your proposal is what you made. The only, I guess, caution that comes to mind is that we have agenda items on every week that directs the city manager to engage with stakeholders and have meetings and come back to us in 90 days, and that to me is a budget impact, in my mind. That is an unanticipated project that those departments are being handed, if you're saying we're going to clear the deck and not impact -- until we get the budget process, I think that would include not directing the city manager to work with stakeholders and have all these meetings and come up with a recommendation 90 days from now. We have two items on this week that direct them to do that. And I know that in the past practice the city manager does everything he can to take those directives and incorporate them into the adopted annualized budget for those respective departments, but in some cases where it gets out of the norm he comes back and either, you know, expressly tells us it's going to cost too much or we have to have a budget adjustment. So I just want to throw that out there, because I think your proposal, as stated, would preclude us from putting items on the agenda moving forward that would have that impact. >> Cole: I would not -- I would -- the items where we're taking staff to take action I don't consider them direct budgetary items, but I would agree with you in terms of costing staff time they can be evaluated that way.

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I'm not disagreeing with that at all. And -- and I would be happy to adhere to that. In fact, I like the way council member Riley laid it out and I'm going to turn to him for a motion on this, because we are posted for possible action if we want to take it. We don't have to take that action, but I think we should decide how we're going to go forward given all this discussion. Unless you guys don't want to do that. I like the way council member Riley -- go ahead, city manager Ott. >> I'm confused about the prospect of you taking action on something that council is in a position to do at any given time. >> We're just posted for discussion and possible action and I'd like us to be clear about what we have decided, and I think that council member Riley articulated that well, which is that if it's a one-time expenditure and it is exceptional and it's going to involve a risk to not do it, those should be criteria that council considers before we make an ifc, and that we would go with that as a criteria between now and the budget process. And the items -- well, I'm looking to you for guidance on this, council member Riley, because my original proposal was simply to deal with the items that have already been brought forward, and then

we use good-faith effort not to bring any more until we're ready to deal with the budget. Council member morrison? >> Morrison: I agree that the point that council member riley made are good points and I think that maybe what we could do would be to just ask to see potential budget amendments for the items that are on the table, and we can have a discussion in the terms that council member riley mentioned that we can look at, is th cost to not

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doing them now. We can look at is it a recurring -- or would it be find to just consider it within the budget, but I think that that would be a good conversation to have, to have all four potential budget amendments in front of us together and to have that conversation. >> Cole: Council member riley? >> Riley: And I would note that the item posted for today strictly in regard to the timing process for a potential midyear budget amendment work session, and so I wonder if this is something that we could handle within the scope of the regular work session that we're going to have two weeks from now, I think is the next one. >> Cole: Would you like to take some time and let the mayor -- >> riley: Our regular tuesday work session before the next council meeting, after this week. Is this something that we could include on that -- on the agenda for that session? To actually take action on those items, and it would be up to the sponsors of those items to ask that they be placed on the agenda and then to make the case as to why they warrant funding out of the budget cycle? >> Tovo: Mayor pro tem? >> Cole: Council member tovo? >> Tovo: So I think -- I know the resolution I brought forward with council member morrison did just that. It asks that those come back either on -- either at our budget work session or on march 26 or 27, I've forgotten which date is the date we have our meeting, and I believe that may have been the same language that was used in your resolution, council member riley, and the austin technology council resolution as well. So that's how those will come back to us. They'll either come back at our budget work session or at -- on march 27. I think the discussion was do we want to evaluate them all together -- do we want to do it in the course of a regular council meeting or do we want to have special time set aside, and I would say it does make sense, you know, given the kind of thorough discussion we're going to need to have about whether these are priorities, whether it needs to wait until the more appropriate -- the regular

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budget session, I would argue for having it in a work session. But I don't know that staff will be ready with all of the analysis we've asked them to do on each one of those by -- you know, in two weeks. >> Cole: Do you have any comments on that? >> Tovo: I'm not sure who could answer that because they're all individual departments doing that. >> The one I'm most familiar with, and -- would be the kitchen at the aarc, and I certainly think staff would be done scrubbing through the numbers on the cost estimate of what those renovations would require. So I can only really speak to that one. We would certainly be ready on that item by the 27th. >> Council member riley, I'll entertain a motion. >> Riley: So I would suggest that we include an item on our next regular work session agenda that would allow for consideration of whatever budget items council members would like to bring forward, and if council members would like to see some more formally stated policy, then we can also allow room on the

agenda for some policy with respect to the action on those budget items. >> Cole: And I'll second that. And I'll second that. Any further comments, discussion? Council member spelman? >> Spelman: I'm not certain how I'm going to vote on any items we'll be considering I but it's much more likely I'd be voting a any of those items if I had information that will not be available until april if we start our budget process or have our economic forecast. In advance of the economic forecast I think we're taking a gamble and I'm very unhappy with the prospect of gambling on this \$14 million being used for any particular purpose without the context of knowing what other purposes we might be putting it to.

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So if you would be willing to gamble on getting my vote, you will have a much higher likelihood of succeeding in getting my vote in april, not in march. So I'll be voting against the motion as currently stated. >> Cole: Thank you. Any further comments? All those -- oh. Council member morrison? >> Morrison: If we were to do it in april after the forecast, that would be after april 24? Did I hear you correctly? >> That's right. >> Morrison: So we're talking actually may. So I'm g support this motion. There's always the option to put it off till may once we look at it on the 20th. >> Cole: And I feel the same way. I think we should get them all in front of us and make that decision at one time, with the information that you told us, and I'll summarize that briefly, which was that we have 14.25 million, usually go for our 12% reserves and then about 14 million also for our critical needs. That being said, all those -- council member martinez? >> Martinez: I'll just add one -- I'll be supporting this for the reasons I already stated, but if we could add some direction to staff, I really did appreciate the suggestion that council member riley made in what I believe was -- what sounded like a budget policy moving forward. And so if staff could work with council member riley to come up with potential language for that budget policy, because I don't know if there are unintended consequences for what was stated or if it precludes us from doing something moving forward. But I would like to explore the options of actually implementing that as a budget policy moving forward. >> I think the policy is certainly happy to work with council member riley on establishing a policy along those lines. I do want to get clear, we're talking about coming back on march 18 at the tuesday work session prior to the march 20 council meeting agenda for further discussion about what staff

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will bring back in terms of ordinances or actually coming back on the 18th with a work session on ordinances to -- >> cole: For further discussion and possible vote on individual items. And I'll be happy to work with council member riley and you on that policy because I do think we need it. All those in favor say aye. >> Cole: Aye. >> Aye. >> Cole: Those opposed say no. That passes on a vote -- on a vote of -- >> [inaudible]. >> Cole: 5-1 with council member spelman voting no, and the mayor out of town. Thank you. Thank you. With that -- without objection I will adjourn the meeting of the Austin City Council Work Session.