City Council Budget Work Session Transcript –5/06/2015

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>> Mayor Adler: We are at the Austin city council budget work session. Today is Wednesday, may 6, 2015. We are in the boards and commissions room. 301 west second street, city hall. The time is 9:50. A quorum is present. In fact, we are all here, with the exception of councilmember Garza, but I want everyone to know that councilmember Garza is fine, but at home and watching so she is kind of with us here, paying attention and following what's going on. Ann kitchen is not here. I think her family is still here. We're going to go ahead and proceed. There are two items that are on the agenda. One of them is the service area and department briefing that's available to us today on the budget. And then the second item is the initial look at the homestead exemption issue. I think there's been a list of departments that's been handed out to everybody and all of the staff that you see on that is available to answer questions. We have also posted, I think, called meetings on budget for the 13th and the 20th. If this group decides they want to have that additional time. Remember we put that on just in case. I don't know at this point how many questions we're going to have. I know that last week we had a lot of council committee meetings that were being held, so a lot of the

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council spent a considerable amount of time sense our last budget -- since our last budget presentation doing committee work. I was able to watch a lot of those committees myself, so it probably will be the 13th or the 20th before I really get into the questions that I would have. That said, I don't know how long this process will take, but the suggestion is that we turn it over to ed to kind of tee it up for us and how the staff is here with an eye to hitting things in blocks and then releasing staff as their blocks are no longer pointed so they can go. And then picking up the homestead exemption depending on the questions that people have. Does that sound okay? All right. >> Thank you, mayor. Ed van eenoo, deputy cfo. You may recall on April 22nd we did our kickoff -- what we call our kickoff of the budget process with our five-year economic outlook and financial forecast. We did an overview presentation on that day and had a very lengthy and good discussion about that. I think we spent five or six hours talking about the overview presentation and then in the afternoon we heard from our three largest enterprise operations, Austin energy, Austin water and aviation. So council had an opportunity to ask questions of all those enterprise operations. What we communicated to council on the 22nd and what we had also put together in a memorandum explaining our forecast process to council is that today is really intended to give you an opportunity to just ask questions of all these other enterprise operations and departments in regards to their financial forecast. In addition to the powerpoint presentation we gave you a lengthy financial forecast report. You've had a couple of weeks to sift through that and prepare your questions.

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We have staff from all these departments waiting in the bull pen eagerly to respond to any questions that you may have. I'm suggesting the order here because history would indicate that there's typically not as many questions for our internal service departments as there are for things such as infrastructure services, development services and public safety. So if we could get questions cleared in regards to our internal service departments we will then release all those departments to go back to their offices and to work. So with that by way of a setup I guess I would just turn it over to you and I think it would really be in your lap to see. I could point you towards your financial forecast binder, page 53 of that financial forecast report is the section about internal service departments. And we didn't do a departmental by departmental analysis for these departments. There's quite frankly not a lot to talk about there because in the forecast we're not forecasting any significant staffing additions or changes in services. So there are -- but that's in the report, that's where this section starts. And with that I would turn it back over to y'all and see if there's any questions for any of these departments, and we have staff here ready to respond. >> Mayor Adler: So the question Teed up for us is whether or not that the point folks have questions for the internal service departments. >> Zimmerman: The first question I would have is I got something in my email that had gone back to an earlier budget cycle where there had been some cuts. I guess this was the 2009 economic recession. And I didn't have the

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context for that because I had mentioned last meeting I was looking for budgeting information from departments that would say here's what would happen if we have a three or five percent drop. Here's if we had a revenue neutral budget. Here's if we had a five percent budget increase, et cetera. I was asking for those budget scenarios to be presented by the departments so we could examine those. Is that still part of the MIX or is that request going to be honored? >> I think the way we're trying to address that is that in what we've presented in the financial forecast is kind of what I loosely characterize as the status quo budget. It's our best effort to forecast the requirement. In addition to that the departments have submitted what we call initial funding requests and those are outlined in this document as well. This is where departments are saying we might want to expand our library hours of operations. We might want to do a better job of maintaining the parks. Here's what we need to do it. So that's in the document as well presented as a funding request over and above what's in the forecast. Now, currently we're scheduled for may 12th we would be releasing a menu of potential budget reductions. So the opposite of that. In order to reduce the parks budget this is what -- by five percent is what we've asked, in order to reduce the parks budget by five percent this is what it would look like. In order to reduce the police budget by five percent this is what it would look like. And that's scheduled to come out on may 12th. >> Pool: Mr. Van eenoo, you presented us with the Numbers essentially at I think just about at the rollback rate, is that

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right? >> The forecast that we presented? >> Pool: Yeah. >> I think it was about six-10th of a penny below the rollback rate. I have that number. >> Pool: Serious prepared Numbers to show us what the forecast would look like at the effective tax rate? >> I have the effective tax rate as well. So at the rollback rate in terms of dollars at the rollback rate you're looking at $6.1 million of more revenue. And at the effective tax rate you would be looking at $27 million less avenue. >> Mayor Adler: Six million less than -- >> Than what we forecast. The financial forecast that we brought forward that said given these built in cost drivers, we are projecting a tax rate of 0.4750 to keep our budget in balance. The 0.4750 is below the rollback rate but above the effective tax rate, so those Numbers I just quoted is if you were to move from 5750 to the rollback threshold, $6.7 million more revenue. And if you wanted the effective tax rate for your starting point of the budget, that woulding $27 million less revenue. >> Pool: So about a 37-million-dollar delta there? >> Mayor Adler: The forecast rate was the 5750. >> I'll read you all the Numbers. The forecast tax rate to balance our -- the rate we're forecasting to balance our fy 16 budget is 0.4750. That generates avenue of $507.2 million. Property tax revenue of 507.2 million. The rollback rate is 0.4807.

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And that would create revenue of 513.3. >> Mayor Adler: Which page is this? Is this in the -- >> I am reading from the presentation we have scheduled for you on item number 2 on your agenda, but I don't believe -- I don't believe these figures were in what we presented on the 22nd. >> Mayor Adler: Go ahead. I wanted to be sure I wasn't missing. And then the effective tax rate. >> It's 0.4495. And that would bring in revenue of $480.2 million. >> Pool: So these Numbers are specifically the property tax revenues, is that correct? >> Yes. >> Pool: Do you have a separate figure for the other income that the city receives that -- or maybe I should ask are there other fees and revenues that go into the general revenue? >> Uh-huh. >> Pool: Because the total budget is over a billion dollars, right? >> The total general fund budget is currently $854 million. We're projecting that to increase to $905 million in fiscal year 16. The overall budget, the all funds budget is about three and a half billion. And those other revenue projections were included in our forecast presentation. I'm just trying to find the page, but we laid out our assumptions for sales tax growth not only for this year, but into the future. We laid out our assumptions about development revenue, our utility transfers and then all the other revenues such as municipal court fines, E.M.S. Fees for services, all that other stuff. So we did put those Numbers in this report. >> Pool: And then if the sales tax bill that the

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legislature is kicking around were to pass, I think they would lower the sales tax by a modicum, a small amount on the tax, but is it about 25%? >> I know the state legislature is kicking around the definition of the roll back tax rate and instead of it being defined as eight percent above your operations and maintenance it would be only four percent. I've also seen bills that would do it at six percent, which would be 25 percent less than the eighth. I'm not familiar with something -- >> Pool: I thought I read something over the weekend of reducing the state sales tax. >> The state, not the city's portion, which is one percent. The state is looking at reducing their sales tax piece. >> Pool: That would have no impact on the city's portion that's collected. >> That's right. >> Pool: As far as we know. >> It would not. >> Pool: Okay. Thanks. >> Mayor Adler: The projections you're making in that regard is I recall you're assuming seven percent growth of property tax revenue. >> We're assuming five percent growth or 6.7% sales tax growth. We're continuing a five percent growth for the remainder of fiscal year 15 and a continuation of five percent growth in fiscal year 16. >> Mayor Adler: That's for sales tax. >> That's for sales tax. Our 10 year compound growth for sales tax is 4.8%. So five percent rate consistent with that. Our economist Jon hockenyos says he anticipates based on the economic activity he's seeing sales tax growth in the neighborhood of seven percent, but we always like to be on the conservative side of his estimates because the issues it creates when we overshoot that number are significant. So we certainly -- >> On the property tax it's seven percent, I think? >> In terms of the -- in terms of the valuation growth we are still projecting nine percent

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valuation growth in fiscal year 16. That's a bit more aggressive than what tcad is projecting, but given our past history with tcad I still think it's a conservative estimate of where the tax roll will ultimately be certified at. Nine% growth in assessed valuations is what we're projecting for fiscal year 16 and then seven percent in 17 and 18. >> >> Mayor Adler: And then you assumed that the development fees would stay at the same rate for significant growth, but not an increase in the amount of funding. >> That's exactly right. I feel like there's some risk there. I don't think it's too substantial. The question is when do we need to start bringing the revenues down, and it is truly a multi-million-dollar question. Our development revenues for fiscal year 16 we're projecting to end the year at 28 -- for fiscal year 15, the fiscal year we're in we're projecting or development revenues for all the permitting activity and inspection activity that's going on with all the cranes you see in the area, we're projecting $28.2 million, which by a long shot will be the highest we've ever seen in this city's history. We are projecting that unprecedented level to continue in fiscal year 16, but not to grow further. And at some point in the further out years of the forecast, we are projecting that we will reach capacity and the cranes will start coming down and things will settle down a little bit and that development revenue will start to develop. It's a difficult thing to predict exactly when that will occur. It's dependent upon market conditions and a whole lot of factors that are really outside of our control. >> Mayor Adler: So that I understand big picture, you're saying that generally speaking to keep services the same or as contained in the budget, including things that are in the budget, but would be new, like the library, that the overall increase is just under six percent. >> If memory serves it was 5.2 percent growth. >> Mayor Adler: I don't know what I just did is I

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took the nine 05 and divide it had by 854. >> I will trust your calculator over my memory. >> Mayor Adler: Probably not a good way to do that. So overall then the funding revenue streams, if we were to do that, have to go up collectively by that same six percent. You're assuming sales tax will continue to go up substantially, but it's at five percent. So with respect to that revenue source we lose ground. >> Right. >> Mayor Adler: And we assume great guns for development at the incredible levels we're at right now, but that they stay current. So that's a zero percent growth in that fund. So we lose ground on that fund. >> That's right. >> Mayor Adler: The transfers that we're looking at coming from the utility, were you projecting increased transfer payments? >> We were, but strictly from the water utility side. We're projecting the Austin energy transfer to stay flat for the fifth executive year. I believe the overall increase in the transfer was 2-point some million dollars in the water utility, but much less than the seven percent you would need to keep pace. >> Mayor Adler: The energy remains constant, no increase, so again we lose ground to the six percent that we need. So far we only have one revenue source that is exceeding. The sales tax is below our rated growth transfer from Austin energy is below that rate of growth, the water at two billion dollars is significantly below that rate of growth. The development fee is constant zero rate increase, so we're below that too. >> Yes. >> Mayor Adler: Then we assume then some increased appreciation in the property tax element? Which goes up to -- which is at seven percent assumed? Nine percent assumed.

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So that nine percent helps us make up some of the staggered -- >> The revenue growth isn't nine percent because we're actually projecting a tax rate lower than what it actually is. But that is the one -- that's the one revenue that the council has the most control over is the tax rate and the amount of revenue that we generate through property taxes so that does become our balancing mechanism for the general fund budget. >> Mayor Adler: Just to lay this out, I'm trying to get the big picture -- >> Pool: Mayor, I did want to add we are looking at fee increases in a couple of different areas. One of them is parkland events. I think there's a resolution and staff had been directed to look at increasing those before the budget was passed so there would be more revenue there potentially. And we're also considering changing development fees. I think there was some conversation about that as well. >> Mayor Adler: No. I think those are the levers that we have. So there are then two levers that we have, the property tax revenue would go up because there's some measure of appreciation, that element of it, but it's only nine percent, so there's a stagger to be made up. There's also some additional property that wasn't in the base before that exists in the base now. That also makes up some of the stagger associated with those other elements. And then we can set -- then we have the development fees and then other charges that the city has. Which has an increase. Do you know is there a way to quantify -- is that -- are those fees helping up to make up the stagger as we've set those? Or are they just making up the growth? >> They are not helping us make up. We're projecting one percent growth overall for this collective body of what we call "Other" revenue. You remember the development revenue is probably one of the largest pieces of that, the fees and fines. That's projected to be flat. We're projecting one percent growth for everything else,

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parks, fines, library fees, rec program fees, all that stuff. >> Mayor Adler: So my understanding is with all the revenue sources that we have, they're not -- back up. With the growth that we see in terms of the salaries that we're committed to by contracts, opening up the new library, everything we've committed to in the budget, we have a six percent -- a five to six percent growth rate. Which we have to make up in revenue. Most of the revenue sources that we have are increasing at a rate that is below that. Sales tax below that, the transfer from energy below that, the transfer from water is below that. The fees, even with the increases, are below that. So the driver that we have available to us is the property tax. And we take into account we're setting the property tax effective there's a nine percent increase in appreciation, which makes up some of the stagger. We have additional property that's being developed because now we have buildings that didn't exist before, so we've increased the extent of our base. That helps make up that stagger for the other revenue sources that are less. And then the last element we have is setting the rate. And in this case while the -- in order to be able to make up that final bit of stagger, you're saying that we have to raise the tax rate above the effective rate to the place that you have in your forecasted budget. >> That's exactly correct. At the expenditures we're projecting to maintain the services that have previously been approved by the council, yes. >> Mayor Adler: All I can say is thank goodness we're in a city like Austin because a lot of other cities aren't looking at the appreciation we're having. They're not looking at being able to hold real high expected increase in sales

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tax, they're not looking at a lot of the increases that we have baked in to ours. But that ultimately I guess is the issue that we have. That's the one driver that's left. So that's how we get to where it is that we are here and we either cut services or we adjust the rate in order to be able to make up that. >> Or you can look at the other fees that councilmember pool was talking about, but those are usually not huge drivers. You talk about increasing the fees you charge for a summer swim program. It's not going to be a huge amount of revenue to balance your budget on typically. >> Mayor Adler: Finally the last question I have is when we're looking at the projected forecast budget that you have in that last step you didn't cut expenses, you kept kind of an equal service plus the things like the new library that we've added on, and your final conclusion was in order to make up that stagger, but to keep services constant, it was about seven dollars a month or about $84 in increased property tax to the median home. In Austin. >> That's correct. >> Pool: I have one other question. We have a lot of development underway. Is there a way for the city to project the property tax that will spin off of the new development over the next period of time or do you wait until they're actually complete and then put a valuation on them based on the Travis cad. >> The way we present the Numbers in the forecast is just here's the total tax revenue we're projecting off of the total tax roll and the growth in the tax roll is growth in the existing values and the new construction, but we have the ability to peel out just what's the additional revenue coming from the new

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construction at the tax rates we're proposing. We could respond to that as a budget question if you would like to see that broken out. I just don't have them with me now. >> Pool: That would be great, yeah. >> Gallo: I have a question. You know, the concern that I have through this construction is based on the concern that I hear from the citizens, which is it's hard for the average homeowner orator Nan, particularly the homeowners to understand that when we're in this economy that is probably the best economy we can be in at this point, that it's still -- it still requires us to increase their cost to maintain even when we are growing and producing and building and expanding our tax base so much. And you know, I think that when we talk about budgets and we talk about being flat, it's really not that we're flat over last year, because last year's budget assumed increases. So, you know, our transparency of conversation I think is real difficult for citizens to understand because once again, we talk about their utility bills going up, needing to raise their utility bills and needing to raise their tax bills. We talk about, you know, the tax rate will come down. The reality is because the value is going up, their tax bill really isn't coming down, it's going up. And I just think that's really hard for the public to understand, and that's certainly something that all of us heard last year as we were campaigning is that if we can't control the ever-increasing cost for our citizens when we're in a really good economy and have a very expanding tax base, when will we ever be able to do that? So it's just -- I'm trying to kind of circle around that whole concept and

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concern that I think we heard over and over again. And I think as we make these discussions and talk about this that really talking about the issues from the standpoint that yes, we say this is a flat increase or this is based on flat, it's really not. It's still based on a percentage or a projection of increases. So not to -- I'm just struggling with all of that because I think that is a really important issue to the people that put us all here. >> Mayor Adler: In terms of information presentation, and again, I'm trying to familiarize myself with where the data is to find and be able to make sense of this. And it would be helpful I think to know -- I don't know if it's something that you could aggregate in a way where we looked at each department or each one of these, these agencies and departments, that would show us where they were and would pull in the information that's coming on the 13th. Where we say if the department was making cuts this is where the cuts would be made, but also to see the department by department that same way, that same place, to be able to say, but if we really want to do the best job we can do for the citizens of Austin, these are the additional programs that would be real helpful to do. Is there a way to do that without going three places or is it the best thing to go three places? >> We could put them in one document, but I think it would still be two questions. So appendix B to your financial forecast report is the initial funding request from the department in prioritized order. So the first one just alphabetically is animal services. What we're forecasting in the budget is what animal services -- >> Mayor Adler: Hold on

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just a second. Which document are you looking at? >> I'm looking at this binder of information we presented to council on April 22nd. The very first tab of that is the written financial forecast report. The second tab is the presentation we made to council, which largely tracks to the written report. The written report -- the written report ends on page 76 and then we start up with a couple of appendices. >> Houston: Which page are we on now? >> The appendix is labeled b-1. You have to find the last page of the report, page 76, then go a little further and you will find appendix B. That's the list of all the funding requests from departments that would answer that question, mayor. If we really wanted to do an even better job in animal services, here's what that department would be requesting in priority order. >> Pool: I did have one thing to say that kind of surprised me knowing how the city is growing and -- and this is to councilmember Gallo's points, I was surprised that the revenue, spinning off of that, was not more than what you're saying it is. I just thought that the revenue Numbers would be higher because I know the city is in tremendous growth. That's why I was asking when do we start seeing the additional income, the additional revenue? And I guess that must be a couple of years out. I know we're looking at a big development on bull creek road, for example, and there are varying estimates on how much that land will be appraised for once it's all online. Anywhere from 200 million to 500 million. But that would not be in any of this, right, until it's actually zoned and on the tcad rolls? >> It is and it isn't. When you look at the out years of our financial forecast for assessed

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valuation growth it's really a percentage, so we're trying to capture the fact that just -- this is a very popular place to live. People are moving here and that's driving up property prices, but also that new development is going to be coming online and so in addition to the nine percent growth we're projecting for fiscal year 16 we're projecting an additional seven percent growth after that and another seven percent growth after that. So we are projecting growth. Now, we're not getting into the specifics of exactly when do we think bull creek will develop. Will it be 17 or will it be 18? But I think we are capturing the concepts in the percentage percentages. I think after today the percentages go down because there's a lot of uncertainty the further away you are from today so we try to be more conservative in the outyears of the forecast. >> Pool: And then the other lever of that forecast is that it costs the city more to deliver services than in previous years just like our home budgets and the price that we see at the grocery store, for example. The city is not immune to those same cost increases. >> Not at all, no, that's exactly right. And I'm just looking from our presentation and playing off what the mayor was talking about is on page 75 of the presentation, not of the report, but of the presentation we made, we lay out these kind of what we call built in cost drivers, the cost of doing business as Normal. We offer health insurance to our employees. We are projecting based upon our current experience and the current status of the employees' benefit fund and our actuarials that do the work, we're projecting a 13% increase in the city's contribution to those funds because health insurance gets increasingly complex, the cost of prescriptions increasingly goes up and so that's not about increasing service, that's about just maintaining the level of health insurance we offer to our employees.

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That one line for the general fund is $9.3 million of additional cost just going from 15 to 16 in order to maintain the same health insurance benefit. So in aggregate, you know, we identified $49.5 million of cost drivers just associated with labor contracts, health insurance. One of the big line items in there is 82 additional officers. That is one area where we have always -- I think predating my time as the city's budget officer, has always included additional officer staffing levels as part of our financial forecast. So 82 officers, though, $6.9 million and that's just six months' cost. So there's a lot of cost drivers in a large organization with 13,000 people. And that 49 and a half million dollars of cost drivers needs to be balanced somewhere. The mayor mentioned that's about 5.7% growth. That's a little higher than our long-term average. Our long-term average is the number I was thinking of earlier, about 5.2%. I think the 10 year annual compound growth rate is about 5-point two%. It increase surprise is they ma our forecast is 5-point #% because we're typically conservative when weewee do the future and then we dial in our projections a little more tightly and maybe we're able to come down. Not always, but that's kind of the general trend of things. But if you have 5.7% growth in your cost, yeah, your revenues need to grow by 5.7% to stay balanced. So in terms of the questions about how well the economy is doing and why do we still need your tax bills to increase, well, taxes -- 42% of our general fund budget comes from property taxes so that needs to increase by 5.7% at least to keep up with everything else, but as the mayor was saying, if your utility transfer is

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fixed at 105 million it's not growing by 5.7% F your development revenue is set to be stay at an all-time high, not go higher, but stay at an all-time high, that's zero percent growth. If all your fees and fines for your little things is about one percent growth, you kind of see where the math works out. The property tax revenue actually needs to grow by more than 5.7% to keep the whole equation in balance. And the 6.7% growth we've seen year to date, that's better than our long-term average. Our long-term average is 4.8%. We are seeing higher growth in sales tax revenue than what we've seen historically. That's the state of the current economy. We are admittedly being conservative in our projections and saying that we recommend to council that you only project five percent growth because it's a very volatile revenue source and even though you're seeing 6.7% now you should probably stay well below that to take a conservative posture. But I'm just restating a lot of what's been said, but that truly is the dynamic of the general fund budget. >> Houston: Thank you, mayor. We jumped in to the hard part of things and I have just some simple questions to ask, if that's okay. We talked about internal service department and then we just kind of went over that. So I have some questions that you perhaps have told us in a presentation, but I don't remember. So if we could go back. I'm looking at page b-44, and this is about how do we it decide what's entry level, mid level as far as what we put in the budget for particular full time equivalent costs. So we're asking for a security coordinator and it says 67,000, 278 and then a

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one time cost of 26,000. So there are sometimes that we have that and sometimes it's no one-time cost. What is the one-time cost for? >> Given the dollar amount I'm guessing it's a vehicle and I'm scanning through the description to see if -- ideally these would explain what the one-time cost is for. >> As far as security officer it would probably be the vehicle and the radio system that they use. So you would only have to purchase that one time for that new fte to have the equipment to do the job that you're asking them to do. >> Houston: Okay. So that's equipment and vehicle and equipment. Okay. So the coordinator, that starting salary is and a one time cost of $1,200 so is that equipment and -- >> Eric Stockton, our building services officer is coming up to maybe help us understand a little bit about these. >> Houston: It's not just those. You know, throughout the document we've got a person that's going to do criminal background investigation. They start at $93,000 and a one time cost of $7,000 and then we've got somebody to coordinate the Austin new year's at $81,000. Are those all entry-level positions? I'm not asking about yours specifically. I'm asking how do we determine what the entry-level position is for those? They seem awfully high for a coordinator of one event during the year. >> For all of these positions it would be our departmental staff working with our human resources staff to identify what the appropriate position is. We would forecast those positions entering at a market rate, so whatever the going market rate is for that position. They could come in below market. They could come in above market

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but conspirator these Numbers we assume the market salary. I will say that these Numbers include salaries and benefits and the benefits are a substantial portion for a salary of $50,000, you know, you could expect benefits to be, you know, up to another 30 or $40,000 beyond that when you look at retirement costs are 18%, fica medicare another seven and a half percent. Whatever your wage is, 25% on top of that, and health insurance is $12,000 an employee. So $12,000 as a percent of a $50,000 salary is another 25% so retirement, fica, medicare, health insurance, all that, that can be about 50% of salary. So a $50,000 job becomes a $75,000 cost in this report. >> Houston: Okay. So the issue for the people in the district where I work -- where I work? Is about property taxes and that Austin seems to be one of the highest paid employees in the state and that if Austin is growing at the rate we say it's going to be growing and that people want to come here anyway, I'm just telling you what the perception is. I know that y'all think that's not the reality, and so I hope that you will help me be able to explain that to the people. But the perception is that Austin has some of the highest paid employees in the state, and I just want to put that on top of the issue about the increase in property value. I just need to get that out on the table. >> Sure. I will say that our human resources department does quite a bit of work with respect to market studies, and I know that -- well, here's mark Washington, if he wants to pick up. I know that we have some dollars in the forecast from or market study based on some of the work that they've done. >> Good morning, mark

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Washington, human resources director. So, in general, we do compare our salaries to the market. Now, in the public safety portion of our workforce, our salaries have been very competitive and for sworn employees had been historically leading the market. But for non-sworn employees, there are what I would consider significant portion of our workforce that is behind the market, about a third of the workforce lags in terms of their pay compared to other similar-sized jurisdictions. In terms of the budgeting of positions, I think what Mr. Van eenoo said is correct, in terms of there's entry-level salary and in order to fill vacancies, which is another concern as we try to balance the workforce, as we advertise jobs, particularly attracting people with skills, they typically will not come for the entry-level wage of a job, unless it's a true entry-level position. But if it's one that requires previous experience, typically we do have to be competitive and pay at market at times and other times be even more aggressive. But as he said, there are times where what's budgeted is not the actual salary paid. Sometimes it's a little less and sometimes it's a little more. >> Houston: Thank you, Mr. Washington. But as I'm saying, I'm talking about the perception in the community. >> Sure, sure. >> So perhaps you could study -- the study that you have that demonstrate what you just said, so that there's some information or data for someone like councilmember Houston to be able to use to be able to address that perception would be helpful. >> Absolutely. We can provide information about the market pay of our jobs.

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>> Mayor Adler: Okay. The presentation issue, ed, in this exhibit a and B, the -- when we're presented the data by agency, they're grouped as you have them grouped on this, and it's similar kinds of groupings to what we had before. The -- and an exhibit like si B where we're talking about what the priorities would be is not in alphabetical order by department, it's alphabetic Cal but it's also intermixed and it seems like it might be intermixed by grouping. So, for example, on the page that Ms. Houston was just on, page 44, begins with actually -- page 44 begins with the first one of the entities that are in the internal services department. >> Yes. >> Mayor Adler: What comes after that? Are those all of the internal severances department? Some of them are skipped, and that might mean they just don't have something. They're not going to be found elsewhere in this? >> That's correct. >> Mayor Adler: All right. So that's grouped by that as well? >> This document is really -- it's the general fund department's and our internal service fund department's. It's general fund departments coming alphabetically first and the internal services department coming alphabetically second. We don't do this initial funding request process. We don't do this for our enterprise operations. Since our enterprise operations really are kind of funding silos, we ask them to forecast for you all what they feel their staffing requirements are. So I believe Austin resource recovery came to mind. They're forecasting a need for an additional 15 positions. They just included that in their financial forecast. It's talked about in the report. But for our general fund departments, with the exception

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of large -- largely with the exception of application we ask our general fund departments to do this process and our internal service departments to do this process of identifying their initial funding requests because we know full well within the constraints of our general fund revenues we're not going to be able to fund them all so we want to set forth a process for evaluating all the requests and looking at the priorities and then ultimately making a recommendation on these requests after we've gone through these discussions with the council, after we've gone through our public engagement activities, as part of the budget proposal that will be made to council on July 30, staff would potentially include some of these requests in that proposal. >> Mayor Adler: I understand. My question is an organization question. So if I begin with building services on page 44 it looks like I'm at the first one of the internal services departments and I would expect then -- if that was the case I would expect for each of them to follow alphabetickicly except fleet services is the very last thing addressed on 64. So fleet services I would have expected to see somewhere between financial services and government relations. In a second we're going to have this chart, we're going to have another chart that's going to have the things that would be the cuts, and I'm just trying to find maybe an easier way to organize this so that when I was looking at building services I would know I was looking at the universe of building services and when I was looking at another one I know I would be looking at -- does that make sense? >> It does. And fleet is last because it is a separate fund. It's not in the support services fund. But when we present that report next week, we'll try and work on divider pages and an order that makes a little more sense based on your comments. >> Mayor Adler: I think that would be helpful. If you could just reformat that and get that back -- >> We certainly can. >> Mayor Adler: That would be helpful too. >> We can do that. >> Mayor Adler: Thank you. Ms. Gallo and then Ms. Tovo.

[10:38:19 AM]

>> Gallo: So I have a question. This we're looking at in the B section, is that the wish list of all the departments? But is it what you've used to do the projections that we talked about a little bit earlier? >> These are the requests from the departments. None of these requests are included in our forecast Numbers. >> Gallo: So none of these items in B are included in the Numbers you gave us as far as effective tax rate, roll back tax rate, none of those -- this does not include any of those? >> No. No, our forecast is all about kind of trying to maintain the status quo, and this is all about things that departments would like in order to do an even better job than they currently do. So these are not included in the forecast projections. This would all be additional money that would increase those cost drivers that I've talked about $49.5 million of cost drivers, these would all be over and above them. >> Mayor Adler: Ms. Tovo. >> Tovo: So I guess I just want to touch base on sort what have our plan is, and I know we outlined it initially but I've lost track of what it is we're going to do. Are we going to sort of focus right now on asking our questions of the different departments, or are we going to move forward? I think the beginning of the discussion, the questions about the effective tax rate and things, are those part of a presentation you're planning on doing? >> That information just happened to be in the presentation that I'm planning on doing for item number two on the agenda. >> Tovo: Okay. >> But that was a coincidence. There's not really information germane to this discussion in that presentation. That just happened ton in there. >> Tovo: Okay, thanks. We'll have that in a little bit then. Is it still appropriate I guess to ask our questions now of the different departments? >> Mayor Adler: It would be. That's where I started. I said does anybody have any questions of the department. >> Tovo: I didn't mean to miss that opportunity but I do have a few. >> Mayor Adler: Also to lay out -- we also have now

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scheduled also on the 13th and the 20th where we'll also get there and there will be an opportunity for anyone to be able to ask questions too. And it might make sense in anticipating the lead-up to the 13th and 20th if anyone wanted to have any particular department present to be able to answer questions that would be helpful. Getting something on the 13th for a meeting on the 13th is difficult to do because, one, we don't get to process the information ahead of time and, second, we can't identify who we would want to be there. On the 13th you'd be bringing everybody back again. So if there's any way at all to get that prior to the 13th, that would be helpful -- that will make the 13th a more useable day. But we have right now the 13th and the 20th also available to us to ask questions as well as. >> Tovo: Right. I have a few -- I do have a few particular ones about the initial funding request. So if -- I know councilmember Houston asked one. If we're ready to do that for it's not too late to do that, I'd like to do that. If we'd like to move on, that's fine, I can do them through q&a. >> Mayor Adler: No. Go ahead. >> Tovo: Okay. Let me start with one more human resources, and it is b51. And I have questions about several of the human resources requests, but I'm just going to focus on this one right now. This is the one for municipal civil service. And so I wonder if somebody from human resources could talk about it. This is a position that would prepare and present cases for appeal case brothers the municipal civil service. And I'd like to ask you a little bit about the rationale for that. We've always had an administrative hearings process at the city, and so I imagine you have had staff within human resources that help present that information to the administrative law judge. So can you help me understand why shifting to the municipal civil service commission format would require additional human resources staff than what we

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currently have? >> Okay. Mark Washington, human resources director. So as we began implementing the new requirement and we began hearing cases going before the commission or the commission has been hearing cases, what we tried to do, because of the requirements of consistency and the fact we have a large organization, unlike police and fire we have one department that follows one process in police and one department that follows another process for fire. And they only have to be consistent in that one department. We have to have uniformity to some agree in our processes -- agree in our processes across almost 30-plus other departments. And so this position help to vet and review issues related to discipline across each department and help with better decision quality in terms of employee outcomes that deal with terminations, demotions, suspensions and will also be able to represent the department in the hearings. What we've heard from our city attorney's office when we began putting this forward, because of the number of increases in cases from municipal civil service there was just not the staffing available in the law department to dedicate an attorney to help prepare some of the cases, and so because of the demand and increase that has been brought on by the new change in our personnel system, we've just seen a higher caseload and, as a result, propose having a person to assist in that process. >> Tovo: You have a couple questions based on what you said. I guess in terms of the consistency across departments I would have assumed that was always something that human resources staff had to do

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because they were presenting cases just, again, not before a commission, but before a judge. So I'm not really sure how that plays into it. If what you're saying is that there's an increase in workload and there is a need for more staff, why would -- why is this -- why is this a consultant position and not a leg staff member? Then I guess I would ask why is it in human resources and not in law? I'm not really sure I'm really understanding the rationale here. >> Just for clarification, so it was a hearing officer that we were presenting cases to, independent hearing officer, and the title says consultant, but it is a staff person. It's not an external consultant to the organization. So it is one of our internal employees that consults -- consults management. It's not a consultant external to the city of Austin. It's a staff person. And then your last question, we have discussed this with the law department. We've had recent discussions about it, and this submission preceded our most recent discussions and so we're still trying to identify the best resource to help the city in terms of positioning ourselves. I don't know if Ann would like to comment on that. >> Well, my understanding is that there will be a position that will come from y'all and go into the law department so that we can have more help with the municipal civil service, and I think the difference is the civil -- more people are filing appeals, grievances and going up to the civil service commission than before it was formed. So -- >> Tovo: It's an increase in workload issue? >> Correct. >> Tovo: Okay. All right. Thank you. That's helpful. I have a few more, but it looks like other people. >> Mayor Adler: Ms. Houston? >> Houston: Let me segue on that. The one right above that, Mr. Washington, can you tell me

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what that one-time cost of $7,300 is for the background? >> I can't. I'll need my staff to help me with the details. My assistant director will come. >> Houston: So when it says consultant it's really not a consultant, it's a staff position? >> Correct, correct. That's just the job title internally. >> Houston: Okay. >> It's a one-time cost. >> Assistant director -- >> We'll get that for you here shortly. >> Houston: Okay. >> I'm sure one-time costs are -- >> Houston: Put your mic on. There you go. >> I believe that is one-time cost for office equipment and computers and stuff to -- for the fte, and to get them outfitted but I'll -- I will confirm that. >> Houston: Okay. Thank you. >> Zimmerman: Thank you, Mr. Mayor. I haven't made many comments on this yet because to me this is kind of a frustrating exercise because what we've been presented with is another massive increase, you know, in city government spending. It's been my observation from working in lots of companies, large and small, including companies like general motors, compaq, tens of thousands of employees, you always end up having people in departments and positions that really honestly are virtually worthless and what I mean by that is those people could stop showing up for work and not get paid and no one would notice they were missing. And that's typical of all large organizations. And so to me the frustration of today's meetings is we -- we're now talking about additions to the already unaffordable increase, right, and the cost to city government. So I'm waiting for the Numbers

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that come out on the 12th that show what kind of cuts could be made to the spending. The other thing we're going to push ahead with immediately is a resolution that I hope my colleagues will consider that says that city government wages, especially the non-sworn -- I know the sworn employees have contracts. That's a different matter. But the non-sworn must not be allowed to increase faster than the median income in the city at large. Because there's been a tremendous imbalance in growth of salaries between city government employees and working working in the private sector. That's my biggest concern, is that the growth in salaries of city government employees has outstripped what's happening in the private sector, the people that are paying the bills. And I think there's some consternation about that so that's what I'm looking forward to. That's why I'm not participating much in these conversations. >> Thank you, mayor. Ed, because I'm going to ask you to do something. I think it might be worthwhile for you to try to recast section B here that we're talking about, because as I listen to the conversation, it sort of feels like this section is being received as though it is -- it is a budget request, let's say, and of course the departments are still working on actually submitting their budget requests for '16. This might otherwise be cast as -- in the context of the forecast, unmet needs. I think there was a question that was raised earlier about, you know, here's what we do today. I think it was you, mayor, what would that look like up against if the departments had the opportunity to talk about, to describe what additional things would they do if they wanted to enhance their operation. And these are the kinds of things in section B that -- this is how they would respond to that.

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Now, when they actually submit their budget requests to us, their requests may include some of these things that are unmet currently or they may not. In the course of our deliberations, mine along with our budget team, as we're crafting our recommendation for '16, we may or may not take from this list, but ed or Elaine, can you add to what I'm saying? I think it's important to recast this. This is here. It's a fork -- you know, it's them talking about unmet needs really. >> I just wanted to start out, one reason that we pair our forecast information with the unmet needs or the initial funding request is that if you'll recall we talked about our public engagement process for the budget, and our work with the boards and commissions, getting this information out early so that the boards and commissions during may and June, when they meet with their departments, can look at the kinds of things that that department has forecast and some of their initial funding requests. Then we can get feedback from not only their advisory commissions but also from the public and the town hall meetings during may and June before the manager finalizes his recommended budget. So it's important that we get this kind of information out prior to those final decisions being made for the proposed budget that's then delivered to the council. So that's really the timing of why this report comes out. It could have been issued as a separate document and not embedded in this forecast report. This year we put them all together. Ed, do you have anything else to add to that? >> Well, I would characterize and I think I did characterize on the 22nd this financial forecast is a beginning to the process. It's not the end of the process. And that I would view it as setting the table, so to speak. This is us getting ready for a

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big Thanksgiving dinner that's not happening until September but we need to get the stuff out on the table before we have that dinner. There's really three things we're trying do. From a yep fund perspective we're saying what are the cost drivers we are experiencing as a city for the current staffing levels and the current level of operations. So these things we've been talking about, health insurance increases, wage increases, our labor contracts. And then also to fund any council initiatives, so, you know, we have council-approved chapter 380 agreements, we're forecasting the additional costs we'll need to honor those agreements. We have council has approved the construction of a new central library, the forecast includes the staffing to operate that library. We have a council resolution that directed to us include in our forecast back pay 40 firefighters who didn't receive a contract for two years so we have money for that in the forecast, and the lone star rail agreement that was passed by council in December, we include funding for that. So for all these initiatives and all this direction we've received we're trying to forecast what our cost drivers look like. That's number one. Number two, what do our revenues look like. The economy is doing well but what do all the revenue projections look like, how do those two come into balance or not? They're not in balance every year. Sometimes we're projecting a budget gap. This year we are not. Then the third thing is to say, you know, over and above our built in cost drivers our departments absolutely have service demands that are placed upon them by the community that they can't currently meet. Animal services is a good example. They are really struggling with keeping up for the appropriate care for all the animals under a no kill situation. So that's what we're trying to capture in the unmet service demands or initial funding requests or unmet needs. There's different wows for these but these are things the departments are saying, hey we need these additional staff, resources over and above what you're forecasting in order to meet the service demands placed upon us. Those are the three components

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of the forecast. And, again, just to reiterate what the manager said, these funding requests are not in the forecast. They all would be over and above the forecast and you'll see potentially some of those in the budget proposals that delivered to council on the 30th and then of course council has the discretion and has always taken the discretion since I've been here to make changes to that proposal. In other words, you may choose to add some things that staff didn't recommend from this list or to take some things away. So that's the process and that's really the purpose of the forecast. So I hope that kind of clarifies things a bit. >> Mayor? >> Mayor Adler: Ms. Pool and then Ms. Gallo. >> Pool: One of the things we're missing here is having done this before for this council. And so what we don't have is how -- how -- what decisions we made last year and, when you mention the gap, I was thinking in terms of once you've done something before, then you can look back and see sort of the process and find a pattern and kind of a way to proceed. And we don't yet have that because this is our first go around except for of course mayor pro tem tovo. So I was curious, is there a way for us to get a little bit of background, maybe history, maybe the last two or three budgets, where council has made up for some programs that weren't in the budget, where council came in, funded things? I think there was a -- some of that work was done in September last year. There were some programs that were brought in and able to be funded. I know the library hours were expanded due to some monies that were left over, so to speak, at the end of the budget year. And then, also -- so that would be like a good year. And then, also, when you mentioned the gap, I thought in terms of the years when we

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managed through the recession, where as the city manager mentioned last time we met we did not lay off staff. How did council move through that? What decisions in what areas were made so that we can get sort of a foundation, I feel like we don't actually have a firm grounding on the kinds of decisions and how they've been made by previous councils. It doesn't mean we're going to do exactly the same thing, of course, but it would be helpful to know in this sea of information where's the even keel. And for me, that would be understanding and learning how it's been handled in previous years, both in good years and in bad years. >> We can certainly provide you with a list -- >> Pool: If that makes sense. >> Mayor Adler: Almost like a case study. I mean, so what happened last year when there were significant changes that were made by the council? 12, $14 million, as I recall, worth of changes in a good year. And then maybe going back to where we were five or six years ago, when there was a -- there were cuts that had to be in essence made to the budget itself. How did that -- what happened in that? Both those case studies I think might be real helpful for us to have. Ms. Tovo. >>

Tovo: I'll add another one too. Last year -- and this probably isn't unusual. I was part of, what, three budget cycles and I'm sure it was a similar process before, but two budget cycles ago, the tax rate we felt like was too high and so we spent a lot of time also as a council looking for -- looking for items to cut as well as some unmet needs that the staff had presented us were added in. And those, I think, happened primarily in September.

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And then the -- and I will say the staff -- you know, we worked with the staff to identify some of those potential cuts, and you presented us with a range of options because the will of the council was to bring down the tax rate from where the staff had proposed. And then last year, as you said, there were -- it was a little bit of both. Some things cut and added. And those I think were -- those two years might be useful, just as snapshots where that work would have happened in September and you'll see it reflected on some of the motion pages from those budget days. >> Mayor Adler: Does that make sense to you? >> Tovo: The year we're talking about with the recession was not one I followed closely as a citizen so I can't speak to that. >> Mayor Adler: Almost at a relatively high level, a case study for those that said this was the issues that were presented generally speaking, this is how the council approached those. We're not looking for an in-depth analysis or play by play. But something that would be able to provide guidance to our council that's going through the process the first time. >> Excuse me. I suspect we could create those scenarios at a high level. I would tell you that no one budget year or experiences is the same, obviously, and so when I think back to my first year or two here, of course we were in the midst of the great recession and so we -- you know, we approached that in a way that has been -- you know, subsequently that has been different because we were -- we were not -- it was not back then simply an exercise in cutting the budget. You know, we approached those budgets with certain criteria and priorities in mind. One of them was, obviously, as is the case every yeah, we wanted to come out of the other side structurally balanced, but not simply an exercise in cutting the budget because in

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some cases, you know, we -- well, we were committed to no layoffs. You heard me say that before. We were looking at it as an opportunity to make improvements where we could. In some cases consolidate some things. So it wasn't simply an exercise in cutting the budget. More recently, in the last few years, as we came out on the other side of the recession, we've found ourselves with some surplus funds and in one case we found, in the course of the fiscal year, the council did some budget amendments to take advantage of those surplus funds. I can recall another scenario where we delivered our budget recommendation and it became clear to us that it did not reflect some of the priorities of the council as a whole, and after hearing some of that conversation, we went back and modified some assumptions and did a variety of things that -- and, frankly, seemed a greater degree of risk in some cases but ultimately developed funding that we identified based on certain assumptions that then council utilized to make decisions about whether they were going to fund a list of things that they had described to us that were important to them. And I think -- I think maybe councilmember pool was remembering that exercise, and I think councilmember tovo, too, was remembering something similar. So we could certainly reach back and look at those and try to describe those circumstances and the process we went through at a very high level in the case with two or three previous budgets. >> Mayor Adler: Okay. I think that would be helpful. I think it's a good idea. Councilmember pool. Ms. Gallo. >> Gallo: I'm going to go back to the affordability discussion

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because I understand the economic projections and the forecast that's presented to us, but I think an important conversation for us to have also, because of what we've heard with the public's concern of increasing utility bills and increasing tax bills, is how -- if in fact we want to hold the line that's on those. If we want to say we're going to be the council that truly addresses affordability and truly steps up to the table and says we're going to hold costs down so that we don't have to have those increases that come forward, how do we have that discussion, and where does that discussion come in as far as being presented to us? Because I do think that is a public interest out there. You know, all they're hearing at this point is discussion on a budget that would increase their utility bills and increase their tax bills. So how do we help have the discussion of what we would do as an option to talk about to hold those bills? >> I'm very glad you asked because I -- honestly, I think that is the -- one of the fundamental purposes of the work we're doing here in April and may, is to set the table, as with -- with issues that staff sees. You know, the forecast that I described that's needed to fund policy initiatives that have been put 234 place by previous councils, what is it going to take to fund that. But this is really the opportunity for council to react to that and to say I would like to see a budget that doesn't have a tax rate increase or I'd like to see a resource recovery budget that doesn't have a rate increase and, you know, we can do that work and present those options to council as we go through the budget process. So there really is a purpose -- that really is the purpose of these discussions like this, to get all those issues out on the table. >> Gallo: How did we -- maybe it is in here already. How do we get an idea of what was previously decided,

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determined, implemented by previous councils that we are now having to address in this budget? How do we get a sense of what -- where those are, what they were, and how much the impact is? Is that already here somewhere that I haven't found or is that information we can -- >> The information really is in past budget documents. If you look at the current year's budget, the fiscal year '15 budget you'll see described in there what we call significant changes. So -- and you'll see a reconciliation of things that council added to the budget from the time that staff proposed it. They made a number of changes to the budget and so we reconcile those things. I think some of the discussion we're talking about is can we create a simplified version of that because looking at three years worth of budget documents to pull out those elements is a difficult task so I think we've heard the direction from council and that we would try to do that work for you, pull out a high-level summarized list of some of those actions. Not just actions that occurred during the budget process. It's actions that occurred during the midyear agenda process where council, through a resolution or ordinance, directs staff to do certain things or they enter into agreements that have fiscal consequences in future budgets. >> Gallo: So that be organized by departments? Just because I think as we try to figure out how to more easily be organized and stay organized through this process, I think that would be very helpful. Could that -- you know, where some of this concern comes from is we talk about approving items on the agenda that are contracts that a portion of the contract is being paid for in the current budget. But a portion of the contract we're getting ready to approve is being paid for in future budget fiscal years. It would be helpful to know, you know, are you assuming as part of the forecasting and watching those increases? To me that's very -- it's a

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little concerning because we're obligating future councils, future budget cycles to those amounts, and they probably are higher than what they have been, and so each time we bring up something that's a multiyear contract that impacts budgets over several years in the future, how do we register that so that we know what that impact is over and above the current budget cycle? I just -- you know, the whole process -- >> Mayor Adler: You're trying to figure out how to discern that. It may be cheaper if we enter into a three-year contract to buy toilet paper than a one-year contract. Even though it's a three year contract and ear ostensibly committing future councils, those future councils would have wanted to us enter into that three year contract so that the toilet paper we knew we would have to buy costs less than if we did it every year on a one-year contract. >> Gallo: But it it's a higher amount -- my concern would be if we look at something and ask the question what was the previous contract, and the briefs contract was 70% of what the new contract is, then we're automatically saying to the budget cycle we've just increased your budget because of us authorizing this contract that's increased in price. I just -- you know, it just happens kind of over and over again, and I notice it as we go through agenda items that on these multiyear contracts a lot of times it's for an amount that's higher than what has been in the previous budget. And it does have an impact on future budgets. So it's just -- it's part of that dialogue and that consciousness of what we're doing for future budgets in the actions that we're doing right now. >> Mayor Adler: Manager, did you have something you wanted to add? >> I think so. I think so Elaine, responsible for our purchasing, just a small piece of that, I mean, you know, one council technically can't commit future councils to much of anything, but in those contractual situations that are

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multiyear, I think there is generally language within those contracts that indicate that it is contingent upon future allocations of funds. So if it -- if the funding -- if it allows that flexibility, so you don't have that hard commitment in future years by incorporating that language. Elaine, do you want to expand upon that? >> Yes, manager, that is true. On the face of the rca, that is the language. You'll see typically when they're paid for, especially out of the operating budget, you'll see five months of the contract amounts to this amount and is included in the current year operating budget of such and such department, and the remaining months are contingent upon future budgets being adopted. So there is a clause in the contracts that allows you to get out of them if the council doesn't appropriate during the next budget cycle. The other thing is on the contracts, the departments that use those contracts actually budget at that level. They keep track of those when they submit their budgets, and so they should be keeping track of those purchase orders and feeding those into the systems that we use to develop our budgets. So those increases are being tracked in there. And so as they do their next year budget, the '16 budget, which they're now working on, they'll be looking at the contracts they built in to last year's budget and looking at those kinds of changes and making those updates in the systems that we use. So I do think that that data is getting into the new budget proposal as you were suggesting. So we do have a means of tracking that. >> Houston: Mayor? >> Mayor Adler: Ms. Houston. >> Houston: I want to thank you city manager rot for agreeing to help me because this is my first

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time doing this, and it's so familiar to everybody in this room except for perhaps me. And I need some context. There are things moving through health and human services that we need to get it done to get in the budget process, and I'm not sure when that happens. When do we interject new issues, new funding requests? So all of that process part is missing for me. I mean, I got the forecasts. I understand some of the issues in this document but I'm not sure where -- how the process works. If somebody has explained that to me, I don't remember it. But I don't know how we move things from a resolution like the quality of life initiative, have money attached to those, equity, parity, I don't know when that comes into this conversation so I would hope some kind of broad, overarching conversation about that. It doesn't have to be today. >> Okay. [Laughter] >> We're pleased to receive that kind of input, and interest as expressed by council at any time. Ultimately, on -- you know, we will -- as ed has indicated come back with our recommendation for '16 and that will be for your consideration. But then I think at that point, through your deliberations in regards to the budget, that is an opportunity for councilmembers to put proposals on the table, whether that be from your committee or from you as an individual councilmember, to see if in fact there's support from the council for incorporating whatever that interest is into the budget. And then we would account for that by making some adjustment in our recommendation. But certainly right now and as we go forward up to us crafting our recommendation for '16, we welcome understanding and

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knowing about the various interests that council has collectively and as well as individually. >> Houston: And it may be that I just need a tutorial myself. >> Okay. >> Houston: Everybody else might know what the process is and are very comfortable with but because I have to budget -- balance not only what the needs are, the unmet needs, the requests are, but also the people in my district, the property taxes, they've just gotten their appraisals and they are outraged already. And I haven't even opened mine yet. So I've got to balance all of that so I just need to know where in the process does that -- >> Understand. We're happy to sit down with you and go true that. >> Houston: Thank you. >> Mayor Adler: Ms. Houston, you are not alone. [Laughter] >> Pool: Could I be in that meeting too? [Laughter] >> Mayor Adler: I think almost all of us are going through this for the first time and have the same questions. >> Councilmembers, we'll be glad to make ourselves available as needed. And sit down with you and walk through the process or documents or whatever you'd like us to do. Ed or I or Greg, any of us would be glad to meet with you. >> Mayor Adler: Okay. I think the high level -- Ms. Houston, I think the answer is as you see things you identify that you want to include in the budget, now is the time to communicate it and then there will actually be the period of time we're going through the budget in probably august/september time frame, August time frame, where people are coming together with those lists and saying I want to do this and I would propose we cut that in order to be able to pay for it or not. But during that period of time there's a lot of that kind of activity that happens in this process. Ms. Troxclair -- I'm sorry. >> I guess would I just say really briefly on the process this is new to us as well, this new committee structure, 11 committees so I fully anticipate we're going to have to adjust a little to your new committee structure. I can tell you in past committees every year the audit finance committee will make a recommendation about the city auditor's budget. They're not directing the staff

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to do anything with it, but they're making a recommendation to the full council that the city auditor's budget be established at this level, the health and human services committee would do a similar things, make recommendations to the full council in regards to funding of those issues. So I just put that out there. That's how it's been handled in the past. As the new committee structure, new day, it doesn't need to be handled that way in the future but we have received that kind of input from council committees in the past and we're paying attention and anticipate we'll get that kind of direction or input currently as well. >> Just to -- little bit of difference, though, in ed's example, we talk about, you know, the auditor, we're talking about one of council's appointed officials, which is a little different than when we try to compare that to, you know, the health and human services department. So there is that bit of a nuance to be mindful of. >> Mayor Adler: Ms. Troxclair. >> Troxclair: Okay. Councilmember Houston, I have opened my property tax bill. [Laughter] >> Troxclair: And I have outraged, so it's pretty scary out there. And I too am already starting to hear feedback from my district and concern and asking what we're -- what the new city council is going to do about it. The affordability issue was such a big theme and all of the campaigns last year. So I also want to echo councilmember Gallo's request that we are presented with an option of what it would look like if we committed to not ask our constituents to may pay more than they did last year in taxes and to not raise the cost of living and what that -- what that would look like. I know this is not easy and we're all still trying to figure it out and understand what this all means, but I think that having the ability to see what that would look like would be helpful. So -- I guess -- and I think

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that this question would be answered by councilmember pool's request to see a comparison of what happened in recent budget years, but, you know, when we're sitting here talking about the -- even though there's incredible growth in the city the rate of grown has stayed the same, so there's -- would you say -- you know, we're looking at 7% consistent growth year after year. But there was some years that the rate of growth significantly increased. And the revenue that was coming into the city was significantly more. So we need to understand what happened with that money. Did we spend all the money? Because, you know -- in a regular -- in a regular person's budget -- and I know that I'm incredibly oversimplifying this -- if you get a bonus of $100,000.01 year and then the next year you don't get the bonus but you're maintaining the -- maintaining your same salary or maintaining 3% -- a salary that is keeping up with 3% inflation and one year you get $100,000, even though that doesn't happen year after year after year of a -- a person would put that into their savings, they would maybe invest, they would put it into their retirement, they -- and some people would go out and buy a boat and spend it all, but -- so I'm trying to understand when -- I am understanding what you're saying, in that we're not seeing -- because we have seen such consistently good economy, we're not seeing a significant increase from where we were last year but at some point we did see a significant increase so I just need understand where that money went. And I think that that would be accomplished by the context of what councilmember pool asked, but that would be what I'm looking for, if that helps you in compiling that information. >> We'll pull together some of the cost drivers over the last few years, but the other factor

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that we need to consider is the reliance of the general fund on the property tax as a revenue source has increased over time, as ed said earlier, the general fund transfer from Austin energy has been held flat for five years and as that amount did not grow, you had to supplant that revenue source with something else, and that would either have been the property tax or the sales tax to the extent we had a higher assumption, and so that would -- that does factor into it, your percentage reliance on the property tax as a revenue source plus weighing that against the cost drivers in each of the years for those budgets. >> And we'll be glad to pull together high-level summary information I can I think you can use to look at that. >> Troxclair: Okay. Now I think that this comment is going to veer totally off of where I was going, but so -- but what you've said bringing up the Austin energy transfer that makes me think there are other cities in the state that don't have municipal-owned utility and don't have an energy transfer at all and they are still able to somewhat maintain their city and their city services. So maybe that's a question that I need to explore on my own, outside of -- that might be too big of a question for right now. But what I -- so when you look at -- when we look at the difference between the information that's in the financial forecast and the things that are included and then we had a conversation earlier between the difference -- the difference between that and the appendix, which is appendix B, which is additional funding requests, and it was characterized as the -- that in appendix B that would be what you would need to improve the level of service. But in the financial forecast, we are increasing budgets.

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We are increasing staff. I mean, we're not maintaining exactly the same spending as we did last year so I'm trying to understand. So, I mean, I was looking specifically at the internal services, and I might have lost my page now, but I was looking at internal services since that's where we started. You know, and there's an -- there's nine, we're adding nine staff, you know, luckily the fleet division saved over $5 million on fuel, which is great. But overall we are increasing -- we are increasing budgets and staffing. So where is the -- where is the decision line between what is collidincluded in the financial forecast of a department saying we are adding this position as it does outline for all of these departments and them saying we would also like this position? >> In the dividing line is going to vary depending upon the type of funding source. Let me do the enterprise operations first, where, you know, they really work more as a siloed funding operation. Those enterprise operations are projecting their staffing needs to meet service demands and showing that to council as part of the forecast. Again, I bring up the Austin resource recovery department. They're funded through rates they charge to customers for resource recovery services through your cart fees and they're projecting a need, I believe it was for 15 additional staff. So that's been included in the forecast for resource recovery, and we ask our enterprise departments to actually incorporate into their forecast their additional staffing projections because we want to show council how long those staffing projections affect the rates they're going to be charging. We don't want to show council no additional staff in arl and a rate that's lower and come back

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and say we decided to add 15 staff and increase the rate. We're trying to show council our best estimate of what our enterprise needs are going to be and how that will affect rates. It's a little bit different for our general fund departments. And our internal services departments where given that there's a lot of departments who are all relying on the same source of funding, same source of general fund dollars, there needs to be a process for evaluating all these needs and looking at it in the context of the tax rate. So there the dividing line is really if we're opening a new facility, so the new central library keeps coming up. That's an unusual circumstance. We're opening up a major new facility and we've included 48 positions in the budget to operate that facility. If we an exsome new land or annex a portion and the city boundaries go and that annexed area has pools or park issues we'll include the staff in the parks department needed to maintain that acreage or operate the pool so that's kind of another thing we include in the financial forecast and that's really about it with the exception of our police officers. We have always collided additional police staffing based upon the needs to keep up with growing call volumes and a growing city. So that's kind of the difference between enterprise operations and a general fund operation. That's why we have a whole bunch of unmet service demands. We're saying these demands are things the department would like to have but they're not really related to maintaining existing operations, they're not related to annexed areas, they're not related to opening a new facility. They're just over and above what they might like to -- over and above those things. >> Zimmerman: I think I could add that to shorten all that

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it's a judgment call. It's a judgment call. You mentioned 48 employees, right, that would be needed to staff the new library. I'm sure I could find somebody at the library department that says we can't possibly staff it without 55 people. So it still comes down, right, to a judgment call. Right? I know I could find somebody at the library that could tell me 48 is not enough people to handle the new library. So it still comes back to somebody is making a judgment call, and I think that was really what her point was, who's making the judgment call. I think that was her question. >> Was that your question? >> Zimmerman: It's a judgment call. >> Troxclair: I mean, both of the responses helped. >> Well, I think that's right but I think it's based on a level of expertise by those folks that, you know -- you know, that are responsible for, you know, the programs and services that will operate in this case out of the new central library facility. We certainly are relying on them to make a judgment call about what's -- staffingwise what's required in order to provide the range of services and programs that are going to be provided through that facility. And that's -- that's -- I think that's true throughout the organization, that our business executives are making those kinds of judgments, but, you know, it's not -- it's not swag. It's based on a range of experience and expertise that tells them that a certain level of resource is required to do what they need to do. >> Mayor? I'm sorry, just -- I think that's a good place for this conversation. And thank you for that. Thank you for that. But so the library issue is not just the staffing of the downtown library. The library issue is libraries throughout our community. So I would hope that as we have

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this discussion that we also pull into it the staffing and funding for the neighborhood libraries too because it may very well be -- I mean, you know, it's hard to make economic and fiscal decisions, but it may be that at some point we're faced with having to make choices between things, not just two fully -- to fully fund something and fully staff something but to say, you know, we're going to look at this picture and thank you for letting us though what you think is the appropriate funding and staffing for the downtown library, but what we're hearing from neighborhoods is that we have issues out in our neighborhoods with our neighborhood libraries and they have needs also. And so it becomes a balance. And so hopefully, because not any of us except for one member have done this before, I would assume at some point as we start talking about the budget that we will actually have presentations from the different budget departments that talk about current staffing needs, projected staffing needs, defishsies so that we can have that -- deficiencies so that we can have that whole conversation, not just of the downtown library and staffing but the conversation of the city-wide library needs. So it's expanding the conversation, the dialogue city-wide which I think is the Lunn we were all elected to expand this conversation city-wide. Is that part of the process too, at some point do we have all the information so we can balance the needs of libraries in our community? >> Yes, our process does include for that. Once the manager and financial staff present the proposed budget, which is the manager's recommended budget, it is your budget as a council to change it, however, you will. And subsequent to that meeting, we do have a couple of work sessions where we have the departments come through and do presentations of their budget. So if there are particular things that council would like to see if those presentations,

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if we hear those up front we can make sure that those are added to our standard template of kinds of information we present. But there are departmental presentations after the overview of the 800-some-odd page 2-volume budget we will issue but then there's the departmental presentations and they're followed by q&a session with the council, you can stop them, ask some questions, and as the city manager said you've got the professionals there, and they will know their budgets. And then you will also have public hearings on the budget as well as the tax rate. And those all happen in the month of August. And then towards the first part of September usually the 8-10 we'll have three days set aside for council budget readings and typically that's where the council makes their adds or cuts to the actual document. They'll adopt the budget and then they'll make amendments to THA >> Mayor Adler: So I understand the schedule associated with councilmember Gallo's question, so during the month of June the departments are speaking to the relevant commissions about what they're doing. So they're engaging in those conversations at a commission level. >> May and June. >> Mayor Adler: May and June, potentially with committees and committees might want to set that after a commission is done. And the staff goes away and then comes back with its budget proposal at the very end of July, July 30th. Now we have then a budget proposed in front of us. Is the session with the individual departments something that occurs after that point? >> Yes, sir. >> Mayor Adler: So sometime after July 30th going through what each one of these budgets we would then have a conversation about where they are in the budget, what else they could cut that's not cut and what else they could have that

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would increase their budget so that they could better provide the services provided. And we have the public hearings at the end of August, August 20th and 27th, so these meetings with all the staff have to occur sometime between July 30th and August 20th. And right now there's the report that comes out on August 1st. We're expected to adopt a maximum tax rate on August 6, so a week after we get the proposed budget, and then we have two work sessions on the 10th and the 12th. Is that when we're bringing out all of the departments to talk about adds and subtractions from those budgets and then you would assimilate all that the public hearing would -- I guess I'm concerned there doesn't seem to be -- there's not a lot of time. >> There never S. Is. I see you're reading from the schedule in the notebook. >> Mayor Adler: I'm on page three of the presentation a tab. It's after what you have, a later tab, forecast presentation. And it's page 3. >> Renteria: When are we going to start discussing about the homestead exemption and what kind of money are we really looking at? Are we looking at adding, but we haven't even talked about if there's going to be a cut, you know, if we do offer the homestead exemption. And how are we going to handle that. >> Mayor Adler: We're going to have a discussion on this as soon as we're done with the homestead exemption. My preliminary Numbers would -- one way to look at the homestead exemption would be for us to decide the budget, what we're going cut and what we're going to add. And then not change that. And just layer on top of that a homestead exemption.

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In other words, not cutting any services, not providing any additional services. The only thing we do is we adopt a homestead exemption, but still stay below the rollback rate. And my preliminary look at those Numbers would seem to indicate that you could cut the actual taxes that people pay by half by doing that. And that's with no cut in service, that's with no -- but the mechanics of that we're about to discuss when we discuss the homestead exemption. So it's a way for us to potentially not make budget cuts and still end up with a greatly reduced or even no increase in actual taxes paid by the median home. But we'll get to that conversation in a second. >> [Inaudible - no mic]. >> Mayor Adler: I'm looking at the tab in the notebook that's called forecast presentation. I'm looking at page 3 of the budget timeline. >> Pool: Mayor, also this document was in front of some of us, but not all of us. >> [Inaudible]. >> Pool: Okay. This is on the general homestead exemption overview and analysis. >> [Inaudible - no mic]. >> Pool: Right. It has the same cover, but this is the afternoon's -- I just wanted to mention some people at the table here got it and some didn't. This was sitting here. So it may have led to a little bit of confusion. >> But to go back to your discussion of the amount of time that we need, just because I know we kind of got sidetracked there, to hear from the different departments, was the question can we do that in two work sessions? Because I think that's really -- I really want us to be able to spend some time on that because I think as we talk about looking at this list of -- the wish

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list and the affordability issue that really getting a sense from the different departments on their fiscal desires and budgets would be very helpful. >> Mayor Adler: And part of that we're going to have. So sometime by may 13th or prior to may 13th we're going to get the forecast budget. We'll have the information by department as to what, if they were making cuts, they would look like. And we'll know by department what would be the additional things they would add in order to better do those services. We have meetings on the 13th and the 20th. So it would be possible on the 13th or the 20th for anybody on council -- either we can pull back all the staffs the same way we did today or people on the bulletin board would say I would like to have this department present on the 13th or on the 20th and then you could walk through with the department people. And we probably should take use of that time on the 13th and 20th to begin engaging in that kind of conversation, but we should have all that information by the 13th and maybe a day or two ahead of time if it would help us get ready for the 13th. >> We were planning on releasing the report by the may 12th deadline. This will be some extra work, but we can get it done, I think. And it will only be the general fund and internal service funds, not the enterprise funds. They have not done this work. >> Mayor Adler: Okay. At least we could engage in conversations for those and that would then give us a familiarity and decrease the work later on, but have every department to come up and say this is my budget, this is what I would do if I had additional money that would help and these are the cuts that if I was forced to make them, I would make. Ms. Tovo and then Ms. Troxclair. >> Tovo: I wanted to say a couple of things. I did have some questions

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about other internal service department items, but I'm going to -- just so we're clear, I'm going to submit those through the Q and a or ask them independently because I know we have a lot of staff waiting and I don't want to keep them waiting if nobody else has questions. So I wanted to make sure the mayor heard that, but I'll touch on that again. I was saying I did have other questions for internal service departments based on their potential additions, but I was saying I'm going to do those through the Q and a process because I know we have a lot of department representatives waiting until we conclude that section. I wanted to say I'm going to ask them through the Q and a process in case nobody else has questions and we can kind of conclude the internal services departments and move on. I wanted to ask a couple of questions, make what I think are a couple of reflections on the forecast and just make sure that my Numbers are right. The first one, several councilmembers talked about wanting to know what the options would be basically for keeping the effective rate, effective tax rate. And it's my understanding based on the Numbers you gave us that we would then be asking staff to identify 27 million dollars' worth of additional cuts. And I think it might be helpful -- I don't know if we'll have time for it today, but just to look at the cost drivers to see what -- likely some of the cost drivers are not -- the nature of those is that they're not optional. So we would need to ask you to dig deeper and look for those 27 million dollars' worth of cuts outside of the homestead exemption tax and whatnot. But that's in effect what would need to happen if we were asking to you present us with a budget that stated the effective rate. Is that number correct, 27 million? >> That number is correct. And again our staff are currently working on a menu of potential budget reductions that will be in excess of $27 million. It's going to be roughly five percent of the general fund budget.

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So we'll be putting that out to be part of this table setting for council's discussions and that would just be an additional information to what we've already put in the forecast. It would be the counterpart to the department's additional funding request. This would be the department's potential budget reductions. >> Tovo: Thanks. I remember in one financial presentation we had a staff member who pointed out -- I want to be sure I remember this correctly -- that if you look at page 14 and page 20 together, those two charts together more or less make the point that the staff member made, which is that really our property tax and our sales tax revenue together make up -- really go toward about the same amount, but our public safety budget does. So together we're anticipating about 65 points -- I didn't add up the taxes, but of the revenue that we're anticipating 65-point 7% comes from property tax and sales tax. And in the general fund, police, fire, E.M.S. Add up to 68.7%. So that just helps provide some perspective because our fire and public safety are under contracts and those are part of our big cost drivers but our property tax and sales tax together don't quite up with what we need to pay our public safety costs every year. I think it's a -- very eager to see the reductions that you're proposing, but sometimes we talk about -- I think sometimes when this comes up in conversation we hear about things, particularly very small expenditures relative to the overall expenditures that people think we shouldn't fund because their costs are going up when a lot of our costs are things that most of our communities support,

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public safety and having safe homes and neighborhoods. I'm real eager to see the reductions because I know they're not real easy choices out there. I guess that's just a comment. And I want to make the point that I'll submit my questions. >> Mayor Adler: I think it will be helpful and we'll all learn from our questions and then we'll have the opportunity not just today to bring all those departments back, including the internal services on the 13th and the 20th. We have that opportunity available as well. Ms. Troxclair? >> Troxclair: Thank you. I have a couple more questions that I had written down throughout our conversation that I wanted to ask. Back to councilmember Houston's question about the process and when things are included in the budget when we make certain requests. I just want to be really clear and I think that question probably came out of our discussion that health and human services committee the other day when we were looking at directing the city manager to implement some thing. So I just -- and kind of the answer from the mayor was this is the time that we need to they will them what we want. I do think there's a very distinct difference between vocalizing our interests and what we want to see in the budget and passing a resolution that directs the city manager to include something in the budget. And that was the point that we got, that we all got stuck on in that committee the other day. So I just wanted to clarify that and make sure that we are understanding that difference. >> At this point in the budget development process what we're receiving from council, what we're receiving from boards and commissions and all the other ways in which we solicit comment and input regarding the budget for fy 16 we receive it as input that helps to inform and

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serve our efforts to sculpt a recommendation for 16. Those things that are suggested are not lost on us. There's no guarantee that they will be part of my recommendation, but they won't be lost. And to the extent that council has expressed interest in a list of things, we will talk about those in the course of making our recommendation to council and even offer options for how council might choose if that's the collective will of council to fund those things. But they may or may not be part of the recommendation that I ultimately make to the city council. >> Troxclair: If we were considering a resolution that specifically directed you to incorporate certain benefits into the budget, and that is different than what -- than the process that you just described, that would be -- that would be a mandate. That wouldn't be something that you would take into consideration and potentially recommend. That would be the council directing you to do something. >> It is. I will respond to your direction by showing you how, telling you how, giving your recommendation on how you might fund that. It still may not be my recommendation even though that is what you've asked for. We will certainly respond by telling you how to accomplish that, but it still may not be part of my overall recommendation. >> Troxclair: What else was I going to ask? So can you tell us on average or just general hi how many of the requests that are in the appendix B that are above and beyond what's included in the financial forecast are typically granted? >> Quite frankly, very few. Every year we have this dynamic of our cost drivers is putting upward pressure on the tax rate and as

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always we hear concern from council about affordability and we routinely see -- the list we're seeing here before us this year and I'm just trying to find the page where it kind of summarizes it, but I think the list of potential budget reductions -- I'm looking at the first page of appendix B. So a total general fund and service department funding request. It's 192 total requests, a total of $33.3 million of recurring costs. $15 million of one-time cost and 330 new positions is our department's request for additional funding. History would indicate that very few of those would be funded in the budget because of all the other budgets that come to bear on the process. >> Troxclair: Thank you. And then I wanted to ask the difference between -- I wanted to get a better understanding of the city has a fund balance that is somewhat equivalent to a savings account. I'm trying to reconcile that in my mind with -- if the city does have quote, unquote, a savings account and if so what kind of percentage and what are the requirements of the money that be kept in that account and how is it maybe similar to the state's rainy day fund? >> I am not one to really speak about the state's rainy day fund. I can certainly talk about how we treat our general fund ending balance and you should look at it as three buckets of funds. This is all about financial policy that council has put in place. $40 million is what we call an emergency reserve. A fixed $40 million that we keep should there be some significant disaster that required immediate access to funds. The second amount is not a contingency reserve, that's one percent of our operations budget. So our overall general fund

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budget is $854 million currently. Not all of that is related to operations and maintenance. Some of it is transfers and whatnot. Nits the neighborhood of $27 million annually is that one percent contingency reserve and that's largely similar to the emergency reserve. It's not something we tap into unless there's a significant event. The rationale behind these and the things you would tap into them for are defined through our financial policies. The remainder of our general fund ending balance is what we call a budget stabilization reserve. So after those first two reserves are met, any additional funds that we end a fiscal year with. So 854-million-dollar general fund budget and if our departments end up realizing a bit of savings we might end the year with five or six million dollars of savings. That will flow into that reserve. If our general fund revenues do better than what we projected, that additional revenue will go into the stabilization reserve. The policy that we have about the stabilization reserves is that's really a good source of money to fund one-time monies R. Things. When you think about a bank account, when you have a bank account it may make sense to use that one time money to buy a new vehicle as opposed to paying for that vehicle with debt. You me want to tap into your savings account. You wouldn't be able to last too long if you're using that savings account to pay your mortgage payment. That savings account would be drained. Our savings account, that stabilization reserve is really the same thought process behind it. We use that source of funding to fund one-time capital equipments that our general fund departments need to do their job. So some of the things we fund might be air bottles that the fire department uses when they enter a building that's on fire. We might replace bulletproof vests in the police department. Heart rate monitors come to mind. The equipment that -- these are three public safety

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departments, public safety departments are very intensive with regards to capital equipment they need to do their jobs. A lot of the stabilization reserves go to fund those types of things. The policy is that stabilization reserves should never be drawn down by more than one-third in a year. If we have $30 million in the reserve the policy would be that we could draw down by up to 10 million for those one-time type of purchases. If the reserves are more than that the third draw down is more. If the reserves are less than that the third do you draw down is less than that. The final thing I would mention because I think it's really important although it's not an official part of our financial policies is the overall level of reserves as a part of your general fund budget. We have advocated with previous councils of maintaining that at a minimum of 12%. So that's another dynamic that we're looking at is we're looking at those capital equipment needs of those departments and looking at how much of that stabilization reserves to draw down to fund those types of things. We are wash keen in trying to maintain our overall deserves. It's a critical factor that our bond ratings look at when they're assessing us from a credit risk. That's how our reserves were, how our bank account largely works. >> Troxclair: Thank you. I appreciate that. One last thing and I know every time we meet we're adding more to do to-do list and we did that today. I understand if you feel like your staff time is already too strained. But I was curious if it would be possible to see what our tax rate looks like compared to other big cities in Texas, Houston, Dallas, Fort Worth, San Antonio -- >> It's the lowest. >> Troxclair: And then see a percentage of -- I realize all the cities aren't going to have the same departments, but the percentage of money in those

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cities that is allocated to different departments. So we can see -- I know that Austin is a very different city than all of those cities and we do have different culture and different priorities and all of those things. That would be helpful for me to be able to compare in a relatively high overview way, oh, we're spending much more in economic development and that's paying off because we're attracting a lot more people to Austin or we're spending much more in parks or whatever any department. I know there may not be complete overlap, but just as a percentage of the whole budgets being spent in different areas so we can have a comparison of where we may need to look a little bit closer. Do you think that would be something that's doable? >> With regards to the tax rates you will see that soon. We had a question from councilmember Zimmerman at our last meeting about tax rates and the portion of the tax rate personal of the tax rate allocated to the portion. The percentage of tax rates across other Texas cities with operations from maintenance and debt, that will be getting posted here very shortly. The other aspect we could do the work. I don't know that you're going to -- I don't personally think it would be that meaningful because the differences between departments or between cities and how they operate are so significant. So in this city we fund our public works department through a user fee. I think that's somewhat usual. I think every other city you will see those funded out of the general fund so that will completely change your percentages. Some of those cities will surely have -- instead of having a support services fund where the costs are allocated out to all the different departments, some of the different cities will have support service functions like human resource functions and finance as part of the general fund. So the percentages all are affected by that and it's so

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not apples to apples. I don't know that the percentage comparisons would be that meaningful. We can certainly do the work. >> Troxclair: Even what you just said there would be helpful to me to say there are other cities that are funding the general revenue and the bond program. Even the differences may be informative, but I don't know. It may be if you're saying the quality of the information would not be comparable with the amount of work that it would take your staff, that's something that I would certainly understand. And I can try to do this research myself or have my staff help me compile this if you think it's too big of a project. I have no concept of how much time or effort that might take. >> Having thought about it a lot, I think it's kind of a black hole in that by the time you start trying to do all these comparisons that you never would find -- you would never find the end of it because you really need to look at services. If one city is spending five percent on parks and another is spending 10% on parks, I know some cities where the maintenance aspects of parks is done by public works, so that would explain why right there. But in every one of those possible scenarios and they just go on and on and on, you're picking up the phone and calling the city and trying to find out what exactly are you doing in what you call parks versus what we're doing. >> Troxclair: Okay. We'll start with the tax rate information. >> Every city will put out a pie chart of what their general fund looks like. This is how much money we bring into the general fund and this is what we spend it on and in terms on the revenue side this is how we collect our general fund revenue, whether it's a utility transfer or property tax or sales tax. We could compile that information easily, but just trying to do a meaningful comparison of this pie chart, this slice of the pay pie on that city's budget, relative to that slice of the pie on our city's budget I think would be next to impossible. >> Mayor Adler: Ms. Gallo?

[11:55:01 AM]

>> Gallo: In talking about departments and their presentations to us and wish lists and budget constraints, I'm curious how the city rewards or encourages or recognizes departments that implement cost saving measures and come in below budget -- do we have an incentive for departments to do that? >> I think we may do some things and I'll need staff to help with it. On our convention center business, Anthony, and we may do some things, align in Austin energy, it seems to me or not. >> Airport. >> Airport. Excuse me, with the airport. But those couple of examples aside I don't know that we provide any monetary benefit for the kinds of performance examples that you gave. We certainly do acknowledge accommodations to employees who have done well. Obviously that performance is taken into account during their annual review. But those are some of the ways that we do it with the few exceptions where I think we have monetized responding to that kind of exceptional performance. Anthony? >> The convention center as well as the airport currently based on performance based customer service set at the end of the year, based on the metrics being achieved, a percentage of the employees for both of those enterprise operations. Those are the only two that come to my mind where there is some incentive based on their level of performance and a lot of it is tied to

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customer service initiatives as well as the work that each of those departments employees do on an annual basis. >> Certainly we would welcome the opportunity to provide that kind of recognition to employees in the sense of some sort of monetary reward, but we don't -- that's not the case today. >> I think maybe what you're addressing is customer service, which is very important and really important for our city to provide for our citizens, but I guess my question was more directed if we're -- if we've all participated and are tracking towards trying to address affordability, that's a joint effort on everyone's part. I was just curious if the city has anything in place where you actually -- there's actually an incentive to a department to come in under budget or to implement cost saving measures rather than just meet their budget for the year and next year put in a budget that's higher. It's a culture question that I'm asking more than anything else. >> It is a culture question. And I think that the drive to do things cost effectively to look for opportunities to reduce costs, streamline operations, I think it is already part of the culture in our organization. I think our executives and the employees work and look for those opportunities all the time. In my range of experience there have been programs that I've been a part of creating. I can recall one many years ago called reduce the cost of government services. So to the extent that employees came up with innovative ideas that came up with veer final cost savings they shared in the benefit. In other words, they got a percentage of those savings as a reward for their innovation. We've not done that here. I think certainly in the

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past when we were in the midst of dealing with the recession we made a similar appeal to the organization and they came up with hundreds of ideas, some of which were implemented, but it was not monetarily based in terms of a reward. >> Gallo: I don't know how the other councilmembers feel about that, but I know we've got such a bright, caring group of employees with the city, that if they could become partners with us in trying to figure out how to save money and how to keep taxes and utility bills from going up and how to keep the city more affordable, that even if it's not -- monetary would be great and there's a good incentive, but making sure that we recognize those efforts and that there are efforts within our departments to do that. >> Again, I want to say that we do recognize that kind of innovation all the time and in fact the city and the various departments are often recognized by other independent organizations that pay attention to what cities do and acknowledge, you know, innovative work that comes out of the cities. A variety of things that we do -- as I trust you know -- are recognized national Lind in some cases internationally. But we're open to suggestions if you have more specific ideas. >> Gallo: I think the city departments know that, I think we probably know that, I think you know that, that is, councilmember Houston and a lot of us have said, I don't think the public necessarily know that they have partners within the city that are really helping to control cost. So if we can do something to help publicize that, to make that something that's big and great and we can let the citizens of Austin know that we are working towards that, it's a win-win on our part. >> We'll look forward to opportunities to do that. >> Gallo: Thank you. >> Mayor Adler: Okay.

[12:01:06 PM]

Do y'all want -- I'm sorry? Do y'all want to break, eat lunch, come back here at say 1:00 and do the homestead exemption? Let the rest of the staff go? Does that work? Can you hand out that homestead exemption packet to everyone up here so that people can have it for the next hour? >> Mayor, before you break up I'm asking members of my executive team, including you, Ann, to join me in my office for lunch. >> Mayor Adler: We'll stand recessed until 1:00.

[12:30:39 PM]

>>> >>> >>> >>> >>> Hems, Helms, Helms, high pressure system, high pressure system, high pressure system, homestead exemption, million dollars, million dollars,. >>> >>> >>> >>>

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>>> >>> >>> >> Test test test test test test this is a test of the Austin city council captioning system. >>> >>> >>

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>> Mayor Adler: I will call the meeting to order. All right. So we have one, two, three, four, five, six, we have a quorum. We're going to reconvene the city council meeting, it is 1:30. We are continuing with our agenda and the only thing that's on our agenda for us to address at this point is our general homestead exemption initial look at that. Do you want to -- >> I do. Staff has a presentation on this topic, mayor, we passed the presentations out prior to lunch, but it looks like this. Just like the forecast presentation, but says general homestead overview and analysis. If anybody doesn't

have this, I have extra copies that I would be happy to pass out. Mayor, can you -- we have one? Everybody has one, looks like. So the agenda we have planned for this presentation is to provide you with an overview of the homestead exemption resolution that council passed that led to us being here today to provide you with a timeline for council taking action on establishing a homestead exemption percentage, to provide you with some background information related to definitions and legal matters relating to the homestead exemption. We then run a bunch of Numbers and we have some city-wide results to share with you as well as a district analysis and a discussion about this concept of tax incidence and then finally plenty of time at the end for council discussions and questions. In regards to the resolution that council passed, you can see the number there was apparently passed on February 12th, 2015. Council directed staff to analyze the tax incidence and impact of implementing a

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20% homestead exemption and they wanted us to take a look at how it would impact homeowners, representers, commercial and -- renters, commercial and industrial property owners as well as the city budget. There was direction to look at this over a number of time periods, one years, two years, four years, they wanted to look at it in aggregate, by district as well as by income, which I will tip my hand a little bit right now that that's very difficult. And I think that I told you back on February 12th, short of some significant influx of data that I wasn't aware of, that we were going to be challenged to do that income analysis, but at the same time I think we will information that will help you in regards to that discussion. Council wanted to us consider revenue uses, tax rate changes, reductions in services and present all to council by may 12th, which relative to February 12th was a heck of a lot of time to work on it. We did not receive data from T cad to do any of this work until last Monday, I want to commend Eric Nelson and a lot of his staff who have done an amazing job crunching an amazing amount of data to get us here today. The calculations are complex, let me leave it at that and we'll move on to the next slide. In regards to the timeline, here we are on may 6th, a full six days before council's deadline with our initial presentation and briefing on this concept. Today we're going to be providing you with the general fund revenue impact that will occur from a 20% homestead exemption as well as the change in tax burden by different property classes. We do have a district by district analysis and again that discussion about tax incidence. We've talked about this a number of times already, but on may 12th staff will be providing to you under a memorandum a report a machine yew of potential service re-- menu of potential service reductions, we have asked our department to -- equaling 5% of their budgets. I anticipate by the time all of that work is done, we'll be putting out a report with some in the neighborhood of

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$40 million of potential budget reductions. Potential. They could be used, if that's what council chooses to help offset the revenue implications of a homestead exemption. >> I'm going to ask you to recast that a little bit. Certainly at the end of the day council can use. But in the first instance we are going to use as part of our process for developing our budget recommendation, correct? >> That is correct. >> All right. >> On may 13th, we will come back with our second briefing. Basically the rest of the story. We will present to you what I think is going to be some really interesting look at how this might impact rental properties as well as talking about those multi-year implementation options that you all asked for. Today's presentation is really focused on a one year, do it all in one year and be done with it. The multi-year options get to be quite a bit more complicated but we are working on them. On may 20th, if there's any additional information requested by council today or on the 13th or at any point in time in between, if there's additional things that you would like us to look at, we would target the 20th for getting that information back to you. We continue to recommend, as we did back on April 22nd when we presented a timeline to council, continue to recommend June 4th council meeting for you to take action on this item. The state deadline isn't until June 30th, that would be an extremely difficult date for staff to work with in terms of preparing a budget proposing it to the city council by July 30th if a decision is nod made on this homestead exemption until June 30th, I think we would essentially be dead in the water in terms of trying to get a budget recommendation to you on the timelines we're required to do that. We are recommending June 4th date for action. By way of background on the homestead exemption, I think it's going to be very difficult for us to get through this conversation

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without having a common definition of what these things called effective and rollback tax rates are. Defined under state law, I will try to give the definitions here. There's always something called the nominal tax rate, what we are currently charging. The nominal tax rate for next year would be the same rate, 0.49. The effective rate designed to produce the same amount of tax revenue as in the prior year when applied to properties taxed in both years. So if we generated roughly 400 some odd million dollars through property taxes in fiscal year '15, the rate we charge in fj '16 would be the rate that would generate the same amount of revenue this year off of properties taxed in both years. The rate holds you harmless relative to new construction. So the effective tax rate, you could actually generate more revenue under the effective tax rate as a result of new construction being added to the tax roll. But properties are taxed in both years the rate is designed to give the same amount of revenue. I show up here a cut and paste from the state comptroller's truth in taxation guide about how the effective tax rate is calculated. A highly simplified version of the calculations. Prior year's taxes plus current value times 100 gives you the rate. I will talk about these rates, I mentioned them earlier at the beginning of agenda item 1, but I have them in a slide coming up. The rollback tax rate starts to get more complicated. It's the rate that produces 8% more reeve new for maintenance and separations than we had in the prior years when applied to properties taxed in both years plus the amount needed for debt service. Starting point let's look at property tax, carve out the chunk needed for debt put it

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over here. Rest for operations and maintenance. This operations and maintenance piece can grow by 8%, then we just add the debt portion back and we calculate a rate that generates that much revenue. Essentially what the rollback rate calculation is. In a situation like we're seeing in Austin where the property values are growing so rapidly, even the roll back rate this year is anticipated to be at or maybe a little bit below the current tax rate. So you can see the -- there are situations where your rollback rate is actually lower than has your current rate is if your property values are growing very rapidly. Just highlight here all of these calculations, I want to make clear to everybody there's really no wiggle room in these calculations. They are very met closely laid out in state law about how you calculate these rates. They have to be publicly noticed. We will notice what our effective tax rates are as we go through the budget process. And, also, that the calculations I'm putting up here are highly simplified. The actual worksheets that are provided by the state comptroller to do these calculations, I kid you not, seven pages long, 40 steps with multiple substeps, they look worse in the federal tax return. Very complicated. I just say these simplified calculations I show you up here is great for discussion purposes, but you're not going to be able to duplicate our Numbers trying to run these formulas. You might come close but you're not going to be able to duplicate them. Also the complexity makes it really difficult to do this work. As we start looking at all of the things we talked about, looking at the 20% exemption one years, two years, four years, in aggregate by district. There's a lot that goes into that. So this is not one of those cases where just on the fly we're going to be able to run what if scenarios. We're going to be a account to hear from council scenarios that you are interested in, we're going to go back and work through need met close calculations to -- meticul outside

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calculations. You hear the terms used by our appraisal districts. Market value is essentially that arms lent transaction, something that you don't actually know until you have that arm's length transaction. You might have an idea what the market value of your house is, but you don't know it for sure until you actually sell it and get a deal agreed to. That's what market value is. Appraised value is an evaluation of that market value at a specific point in time and that's something that the appraisal offices do. Appraisal offices are directed by state law to appraise properties at 100% over market value. They do the best they can to do that, somewhat of an impossible task because again you don't know that market value for sure until the property sells. Assessed valuation also called the taxable valuation then is the difference from appraised value, what your home is actually valued at for the purposes of taxation. There's a number of things defined in state law that allows a property to be valued at less than the appraisal amount. So general homestead exemption, over 65 or disabled exemption, historic home exemptions, there's provisions that could allow for a tax freeze for individuals over the age of 65. Homestead properties values can't grow more than 10% in any given year, there's a cap on their growth. For all of those reasons when you look at your appraisal notices, your taxable value or assessed value can be significantly below what your appraised value is. In regard to legal matters, this is where I get to play an attorney for one slide. The general homestead exemption is defined under the Texas tax code section, 11.13, paragraph N. That's a cut and paste. I'm not going to read it. The key aspects are that the general homestead exemption only applies to resident homesteads, must be owner occupied then you can declare it as a homestead, you can get some of your

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value exempted depending upon what your jurisdiction has granted. Must be established as a percentage of appraised value. School districts have an opportunity to do flat based, but cities do not. Also must be adopted before July 1st. That's the deadline I showed you on a previous slide of a June 30th deadline which again would be very unworkable from staff's perspective. >> Pool: Real quick question for you. The difference between the minimum, the 5,000, which is the set amount, which is not particularly regressive versus the 20% maximum percentage exemption, can we have a dollar figure that is something less than for instance 20% of the median or something, are we able to translate the 20% exemption into a static dollar amount? Like the $5,000 is a static dollar amount. >> You are not. Even the $5,000 static dollar amount in the city of Austin is contrived by us establishing an extremely low percent. So we established a percentage of 0.01%, so that has the effect of if you have $100,000 home, one/100 of a percent is very small, but the state law says the minimum has to be $500,000. If you own a $10 million home, it still doesn't get you above 5,000. So you also would only get $5,000. The state law says 5,000 is the minimum that you can offer, that's the only -- there's nothing to have the minimum be 10,000 or 15 or 20, it's only five. >> Pool: Does that mean then that you don't know the answer? Or the answer is no? That we could not say 10,000. >> The answer is no. >> The answer is no. >> Pool: I realize that the previous council walked through all of these permutations previously, I did follow it last summer, but I wanted to engage that conversation here as well.

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>> I can give you at least one update on that. We have learned that senator Watson's bill in the senate to aplow for a flat homestead exemption passed senate, on to the house. Possibility somewhere down the road we could, but not now. >> Pool: Does it have a dollar attached to it or what are the city decides. >> Whatever the city decides up to a certain cap. >> Pool: Thank you. >> On this issue I think the Numbers that came to the council last year, if we were to do a $75,000 homestead exemption, capped, $75,000 homestead exemption as compared to a 20% homestead exemption, would mean roughly it would be five times 75 or $375,000. If we were to do a $75,000 capped exemption, it would mean that everybody would get homestead exemption up to the first $375,000 of value in their home. So $375 home would get the full 57,000, somebody with a home worth a million dollars, I think there are about 1800 of those people, those people would only get the same exemption up to the first $375,000 in value. The cost to do 20% for everybody, we have heard that number before, $36 million. Do you know what the cost would be to the city if we could do a $75,000 capped exemption? >> Pool: Something less than 36 million. >> Mayor Adler: It would be less than 36 million because there would be a lot of rich people that wouldn't get -- it would cost us $31 million. So the difference between a 20% exemption and a $75,000 capped exemption is like 19%. The first 80% -- 20%

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homestead exemption if you did it all, is the equivalent of a capped exemption of 75,000. I was surprised by that number. I would have thought when you capped it at $75,000 that the cost would go substantially down, but apparently 81% of the benefit of even a capped exemption goes to the first $375,000 in value. >> Pool: I just wanted to add in the concern about the regressive nature of the percentage. If we could make sure that's also top of mind when we talk about homestead exemption, we keep in mind that the people, I personally would very much like most to assist middle to lower income folks and there's a difference in levying a percentage tax versus a -- a static number and the static number is less regressive is my understanding. >> Mayor Adler: Just so that we are -- so we're on the same page. There's no question but that if we could do a homestead exemption at a flat or capped amount, it is more Progressive than doing a 20% homestead exemption. But I've heard some people suggest that doing a 20% homestead exemption is regressive. And I think there's a slide in here that will cover that in a second. Because a property tax itself is regressive, which means that a poor person has to pay a bigger proportion of their income on property taxes than a rich person does, the property tax is regressive, so I'm in favor of cutting a property tax however you can cut it. And even a percentage cut of a property tax is not rearing. The way I think easiest to -- regressive. The way to understand this, most people know at some intuitive level that a sales tax is regressive, a sales

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tax is regressive because a poor person when they pay that 8% or whatever% they're paying in sales tax is it's a bigger portion than a rich person's. Everybody understands that. If we could cut all sales taxes about 100% he would be doing a very Progressive things. Cut by 20%, it would be a Progressive things. But if you were to cut sales taxes by 20%, who would save most of the money? Rich person would. Because rich person buys more things. But that doesn't suddenly make cutting the sales tax a regressive thing to do. It's a Progressive thing to do and remains a Progressive thing to do because what people are feeling is how much they are paying as a percentage of what they have to spend. When I was out talking to people over the last year, including now over the last several months, what people come to and they say is, given what I have, I can't keep paying how much I'm paying on this tax. So for the 50% of homeowners in this city that own homes less than $200,000, a percentage cut in property tax will be feeling, to them, better than it will feel to a rich person because they will have saved a greater percentage of their income, which is what makes it Progressive. Not as Progressive as a flat or a cap, which I worked on for years when I was at the legislature and I hope the senator and representatives S enfronia Thompson if she's listening, please help get that through the house. It's all relative, but still I would argue a good thing. >> Just a scheduling question. If we're hearing that this is passed through the senate at this point, with the dollar amount cap. >> Mayor Adler: Say what? >> What you just mentioned with the legislature, how

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quickly does that allow us to implement that? Just assuming that it still continues to -- >> Mayor Adler: This is actually a fair complicated deal that I haven't discussed with staff yet. But in order for this to happen, even if it passes the legislature, it then has to go to a vote of the citizenry of Texas because it requires a constitutional amendment. Which means the election would be in November. After we would adopt a homestead exemption. The wrinkle for us is that in order to get the bill out of the senate, the senator agreed to a provision that says that if someone is already enjoying a 20% homestead exemption and the city later adopts a flat homestead exemption, then that person is grandfathered and will be able to take the higher of whichever two of the exemptions there are. So as we get into our debate and discussion, there may be a real significant difference if it looks like that's happening between passing a 20% homestead exemption all in one year and phasing it in over three or four years. Because if we phase it in over three or four years, even if those people are grandfathered, it's going to be a limited number to a limited amount. So that's an interesting question and it's a fairly complicated question and we'll know more here over the next two or three weeks and then ultimately we then have to take a look at those kind of variables. >> Gallo: So if we were to pass an ordinance, I'm going to say with the 20%, but our preference would really be to pass an ordinance that was capped, can we pass an ordinance that addresses both, one we can do now, one we can't do quite yet, and then the ordinance would say

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whichever is the lesser amount? Or whatever goes in effect later, there's no grandfathering, basically I'm looking for a way to do it where the grandfathering of the more expensive route with the percentage would drop away when we could put the other in place. >> Mayor Adler: I was thinking about asking that same question and then I thought to myself, since we really haven't posed this question, hasn't been really time to think about it. Before we asked our legal department to opine on that legal issue, I would like to give them a second to be able to study it and I would like a second to be able to argue it before we ask for that. So I would say if we could defer asking that question, I would like to defer asking that question. >> Gallo: But we will because that will be -- seems like good, forward thinking, planning. >> Mayor Adler: Absolutely. >> Gallo: Okay, thank you. >> Mayor Adler: Thank you. >> All right. So we anticipated there might be interest in what other local taxing entities are doing. That's what this slide is about, what's offered across the jurisdiction in regards to a general homestead exemption. You can see in the green bar the city of Austin with it's 1/100 of a percent homestead exemption, which has the effect of being a flat $5,000 exemption, although it's technically a percentage based exception. Travis county and aid, and A.C.C. One percent. Which kind of has the same effect of a $5,000 flat exemption, although at very high valued homes they are going to be getting more than $5,000 and then the state has a $15,000 state mandated flat exemption. We also include this for contextual information the senior disabled exemptions and the jurisdiction officer historical exemption. Looking at our other large Texas cities, Houston, Dallas, Fort Worth, all offer a 20% exemption, San Antonio does not have a general homestead exemption.

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>> Gallo: I have a real quick question for you. Do you have at hand the percentage of the tax bill that is city of Austin's share versus Travis county, the school district, et cetera? >> It's about 20%. 20, 21, 22%. >> Aisd -- I mean city of Austin and Travis county are fairly similar. >> I think Travis a little bit less than 20, Austin a little bit more than 20, school districts about 52. >> 252, yeah. >> Percent of the tax bill. >> Yes. >> 52. >> Pool: I just wanted to raise that issue to remind everyone that no matter what we do, it will be a change -- I guess you could even argue not necessarily on the margins of the tax bill, but the real driver of our tax bills are the school district taxes. >> Right. >> Pool: And not all city of Austin residents pay aisd taxes. Is that right? >> That is absolutely right. But then they would pay some other school district and there is some fluctuation on the school district tax rates but not tremendous and I think in pretty much every case the school district is the biggest, a 50% chunk of the bill whether it's aid or another district. >> That is on slide 54 of your forecast presentation that we give to you last week. >> Uh-huh. Okay. So let's take -- this is Travis county appraisal district's annual appraisal cycle. Just to give you an idea of where we are in the process and where they ultimately end the process with

certification. During the months of September through December, they do what they call discovery, this is a lot of field work, they are actually out there reviewing different properties, looking at new construction and et cetera doing all of their field work that they calibrate their mass

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appraisal models on. In January through April they are actually doing the appraisal work, as well as processing any new exemption applications that would come in during that time period. Mid April, we just passed that point, they have noted, mailed out their notices of appraisals to taxpayers, I have heard some people have opened them and some people are too afraid to open them [laughter]. But they are out there. May 15th is an important date. That's the date that -- that tcad will hand over the tax roll to the arb, appraisal review board. That's an important date for a number of reasons. That's when the appeals process begins. And there are a lot of appeals. Approximately 90% of commercial properties in the city will appeal their values and not that high but a large percent of homeowners will also appeal their values to the arb. It also starts the clock ticking for the deadline for a taxing entity to challenge the tax roll, if they feel it's not been done appropriately. There's a 15 day deadline from the date that tcad turns the tax roll over to the arb to file that challenge. That will be may 30th would be the deadline for an entity to challenge the tax roll. June 1st is the deadline for property owners -- >> Mayor Adler: I'm sorry. Hold on a second. Sorry. .>> Tovo: So last year -- my understanding the may 30th deadline, if we were to move forward and file a challenge petition as was contemplated by the previous council and we've hired an expert and I understand we're going to get that work back next week. But is that our deadlie to file a challenge petition? Beyond may 30th. >> That is our deadline. I believe it's may 30th or 15 days after the tax roll is turned over to the arb. Last year there was a delay in getting it turned over to the arb so our deadline was a little bit later, so the deadline this year will be may 30th. >> Tovo: Wow, it was June last year.

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We're going to have very limited time to study what our consultant is providing us with next week before we determine, as a city, whether or not to move forward in that direction. >> That is correct. There is limited time but it's possible to do it if that's the way council directs. >> Tovo: Okay, thank you, we're addressing that information next Tuesday? Okay. Thanks. >> So during that may 15th all the way through June and into July, the arb is processing the appeals and once they get 90% of the value through the appeals process, tcad can then certify the tax roll. That typically happens right around July 24th, 25th, which is five days before we deliver the budget to council. So one of the last really important pieces of information that we receive that allows us to dial in the exact tax rate calculations. I put it up here because it really does create a conundrum, a state law created conundrum in terms of this discussion that we're having. We can't do these calculations we're about to show you, we can't do them without real hard certified data until July 25th. You can see the conundrum in the time lines. That said you can see the Numbers here and it is from the appraisal notices and tcad and Williamson cad have mailed out and we're making assumptions into what that appeals loss will be. All I'm trying on to say is the Numbers will be different when we get to certified tax roll, but they're not drastically different, but we're working off estimates as opposed to hard certified Numbers. Final background slide is a table in terms of the forecast Numbers and the stuff we were talking about this morning, the third line on that category shows what we forecast. Shows the tax rate and the tax revenue that we forecast in order to balance the budget. A tax rate of 4750, revenues

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of $5.72 million, and that's $33.7 million more than what we're projecting in fiscal year 15. So the tax year we're in currently is fiscal year 15. You can see on there the effective tax rate would be 4495 and that's $42.8 million. Remember that's the tax rate that's intended to produce the same amount of revenue in the previous year from properties tax understand both years, but as a result of new construction and new value being added to the roll it actually generates 6.7-million-dollar revenue. Then the final number on there is the rollback tax rate which we calculate at 4807, which would be $39.8 million more than what we're projecting for '15 and equally as important at $6.1 million more than what we had forecast. So it's kind of like the wiggle room we had from what we're forecast we will need to balance our budget and the maximum amount of revenue that council Korean educate without potentially triggering a roll back election. >> Pool: So as we talk about different tif's that would capture tax revenues from increasing values, how does your office determine and push those into the budget. >> Gallo: I guess what I'm thinking of now would probably be the lone star tif. Eventually we'll have the milestone property in there also, but the lone star tif and what's existing right now. >> You may remember in our forecast we included -- we had to make an adjustment to it, but the final number was $2.4 million is what we're projecting we'll have to transfer to the lone star tif in fiscal year 2016 based upon the 50% crept and the Numbers we're getting from tcad. That is baked into the Numbers we're getting so far. That's because council has approved a 50% increment for

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that tif. >> Gallo: The last council approved that, but my understanding that if that came up for discussion again that that -- had the opportunity to be removed. >> It was contingent upon certain things happeningly legislature. It hasn't happened yet. But we're tea party keeping a place holder if it's needed. If we get to July 30th and the triggers that needed to be hit aren't hit, they will not be part of our budget proposal, but we wanted to have it in there, we want it set for discussion as we're in the table. >> Councilmember Gallo, I also wanted to point out that unlike the other tif's that the city has for waller creek and Mueller, there is an adjustment. If you look at the roll back calculation on the slide there's an adjustment for the incremental values that is allowed in the calculation of the roll back rate. For the chapter 311 tif's that is not allowed for the lone star tif. So that's why the lone star tif revenue is treated differently. It's just a difference in the law. That tif was created under the transportation code, not the tax code. >> So the last thing I'll add on this slide and I hope it's being added for the sake of clarification instead of being more confuse being, when you budget reductions when you look at the tax rate of 0.4750, that number changes as the percent exemption changes. It's a bit after bouncing ball. You look at a 20% exemption the rollback changes. It changes depend pong your inputs into the calculations. So again, it's a complicated

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calculation, it's a bit after bouncing ball, but I don't want anybody to get too concerned when they start seeing some of these Numbers and all of a sudden I'm quoting a roll back rate that's different than what you see up here. It's different because we changed the underlying assumptions. You will see that right away on the next slide. These are what the citywide results look like as we move from our current homestead exemption exemption of 1-100 percent, which is baked into our financial forecast Numbers, as we move to a 20% homestead exemption. That's what we're showing on the blue scenario. So scenario one is if we were to keep our tax rate at the forecast level of 0.4750. What we forecast was a zero dollar forecast gap. We were predicting a balanced budget. If you leave the tax rate there at 4750, but increase your exemption from one-100th of a% to 20% we end up with a 32.5-million-dollar budget gap. $32.5 million less revenue if we implement a 20% homestead exemption as opposed to a 1-100th of a percent exemption. The second scenario says okay, what if we were to take our tax rate up to the rollback threshold. The rollback threshold has changed here. It's now 4886. So the additional revenue we would generate at that tax rate of 4886 as opposed to 4750 is $13.3 million. So now you would be looking at a 19.2-million-dollar budget gap. In scenario two we're talking about a 20% homestead exemption, but at the maximum tax rate without potentially triggering a roll back election. That would be a 19.2-million-dollar deficit. The third scenario we wanted to look at is what tax rate would we need to hold the general fund -- to make this revenue neutral. We do a 20% homestead exemption, that results in less revenue, but what tax rate would we need to charge to keep our revenues the same? The answer to that is

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0.5083, that would generate two and a half million dollars more revenue, leaving the general fund whole. You will see on some of the subsequent slides, the net effect of that is the tax burden to homestead properties is still less and the sales tax burden to non-homestead properties is now higher than it was. We're trying to reflect that on subsequent slides. >> >> Tovo: You may have been about to ask the same question. Before we move on if we could spend a minute here. I want to take a minute to quietly look at this and ask you a question. As I understand scenario two, and I know you just explained this, but I need to make sure I'm following. This scenario would be along the lines of what I think the mayor was describing before. If you increase the tax rate for all of the -- for everyone, going up to the rollback rate, we would end up with $13.3 million more than contemplated the forecast rate. But that would leave us -- if we did a 20% homestead exemption and went up to the rollback rate, that would leave us with a gap of 19.2. >> Exactly. >> Mayor Adler: And the corollary question to that since it's not what I'm recommending we do, there would be an option 2-a potentially or a fourth option that says what happens if you weren't trying to do all 20% at once, but you were going to phase it in over three or four years, could you raise the rollback rate -- could you set your tax rate at the roll back rate, the .4886, however you change the assignment, but instead of doing 20%, only do five or six percent and end up with zero budgeted gap. >> Yes, that's called the purple option. You will see that in a few slides. So we've got blue, gold and

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green here and a few slides you will see a purple option that does exactly what the mayor just outlined. But still for now, still looking at an idea of doing a 20% exemption all in one year on -- how does that look in regards to reductions in tax burden for homestead properties and increase in tax burden for non-homestead properties. So outing seeing the same three options here. All of them seeing a 20% reduction in one year but at three different tax rates. It just popped into my head that the 50.83 is beyond the rollback level. Council has the ability to approve a tax rate beyond the rollback level. We just then potentially could open ourselves up to a roll back election where the voters could say we don't want that tax rate, we want to roll you back to the rollback level. So you see the three different scenarios, the change in general fund revenue and the incidents between homeowners and non-homeowners. In the first scenario, the 4750 scenario, we're not talking about changing the tax rate at all from what we're forecasting. All of the savings would accrue to homeowners and there would be no shift in burden to non-homestead properties. If you do a 20% homestead exemption but increase the tax rate, the reduction in tax burden to homeowners is not as great. It now is only $28.7 million and you can see over on the right the additional tax burden for non-homesteaded residential properties and then all other properties, commercial and industrial properties. Again, it doesn't fully offset the revenue reduction. You still would end up with a budgetary gap. And then in the green scenario where there's no change in general fund revenue, the tax rates increased enough to keep the revenue the same. Your change in homestead tax burden is $23.2 million less and all that additional tax burden gets shifted to

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the other properties. I know a lot of you are probably like this with Numbers and they don't add up, so I put a footnote on there saying that the way the tif's are handled in all the calculations, the tif's are separate from the general fund and when you increase your tax rate your tif's get additional revenue as well. So don't get too wrapped around it, essentially from a general fund perspective, this keeps the general fund neutral, but they also generate additional revenue for the tax increment financing Zones, and that's why the Numbers don't add across. It's not a huge difference, but that's the reason. Sorry for the complexities, but there's really no way around it. >> Gallo: I just want to make sure I'm understanding. When we talk about the tax burdens on these items, is the tax burden the tax bill based on last year's value, the tax bill based on this year's projected value with the projected increase in value that you're projecting? >> These Numbers are using the Numbers that tcad has just mailed out to everybody. We're using those Numbers. And then the tax rates that we're forecasting for -- and the rollback rate that we're forecasting. >> Mayor Adler: And again with respect to this slide, this is if we do the whole 20% in the first year. >> Yes, sir. >> Mayor Adler: If we were to do it rolled out, then there would be a purple one in here that would show a zero change in gf revenue? >> Yes. >> Mayor Adler: And I guess correspondingly it would show less of homestead savings, less of an increase for nonresidential property and zero. But that purple one will be coming up later. >> It is because this is all about 20% and it kind of got confusing. Okay. So then finally, -- can

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we go back? >> Mayor Adler: Ms. Tovo? >> Tovo: Sorry to keep slowing us down. On page 16, that's where you are. If we look at the gold, the gold column there for a minute, so we implement 20% in one year, we go to the rollback rate, we're going to bring in $19.2 million less in general fund than we would need. Homestead tax burden goes down by 28.7. Non-homestead residential tax burden, so those are our rental properties. >> Rental, single-family, apartment complexes. >> Tovo: I have a quick question about that after I ask this question. So they're going to experience $4.3 million more in tax burden and then the change in all other properties tax burden goes up by 5 I 4 and those are our other commercial properties. >> Commercial industrial, land. >> Tovo: When we were talking about the challenge position and the different categories of tax -- the different ways of classifying properties, I thought that multi-family properties were actually classified as commercial. So where are we seeing them in your scenario? Are they falling in that all other properties tax burden in that last column or two those fall under the non-homestead residential? >> Non-homestead residential. Apartment complexes are not classified as residential, they're classified as multi-family. >> Zimmerman: They can't be homesteaded in other words. >> Tovo: I understand they can't be homesteaded, but I thought when we were talking about this in the different classifications that tcad uses and maybe that's the distinction. I thought that one of our concerns-- one of the concerns that was raised -- I don't mean to get us too far off track, but was that if we talk about commercial

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properties generally, we're going to capture multi-family properties within that because they are classified by tcad as commercial properties. >> We are not capturing those. We are looking at commercial properties, but that does not include apartment complexes. Apartment complexes are categorized by tcad as multi-family and we are not looking at multi-family in the study we're having done. >> Tovo: Okay. And that helps me know where they are in this column. >> Yep. >> Mayor Adler: Non-homestead residential property would be multi-family units, single-family for sale, second homes. If somebody owned more than one residential property in town, it wouldn't pick up the second one of those. >> The non-homestead category would pick up like a second home that's not your homestead, it would. >> Mayor Adler: Thank you. >> Zimmerman: The other clarification there is if you have mixed use, let's say retail on a ground floor, and residential above. Is it county appraisal district that does that division of the value between what's commercial and what's residential? >> They're going to be designated as spiritual parcels, so a good example of that is a W next tort door to us where part is a hotel, part is multi-family, part is retail on lower floor and their all separate parcels. >> Zimmerman: They show up as separate parcels on the rolls even though they may be the same contiguous building? >> It's the same contiguous building, if you if there was portion of that that was an apartment, I don't think there is, but if there was we would pull that O we would have that the data to pull that out. >> Zimmerman: It's the responsibility of the county appraisal district do do that division. They have the legal authority if there's a dispute about what's residential and what's not, it would be tcad that would handle that. That's not us, right? >> It is not us. >> Gallo: Thank you for being patient with these questions. Having been a tax arbitrator

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before I know that the appraised values that we see now from tcad are not going to be the same amounts that are certified. That typically I would think that they would drop. Could we prepare these same Numbers using the percentage drops that we saw last year and the difference between the may appraised values and the August certified roll?

Do you have access to that information? >> These Numbers do assume value loss. So based upon our conversations with tcad, the chief appraiser has made an assumption about what that value loss will be. Quite frankly, I disagree with her and we're assuming less value loss than what she is projecting, but these Numbers -- all these Numbers up here aren't just taking the values that she noticed, it's also taking the values that she noticed after what we think will happen during the arb process. >> Gallo: So the values that you're using, I had written down they were the tcad appraised values that just went out. That we're using those values. >> They are. That's the data we have, but then we are backing out from those Numbers the assumed loss that will occur during the appeals process. >> Gallo: Between now and the certified roll. You're already using that. >> Yes, ma'am. >> Gallo: Thank you for clarifying that. >> It's an estimate. We're making a guesstimate about what that value loss will be as it goes through the appeals process. It's informed by past history, but it is an estimate. On this next slide we're looking at the same information, but now instead of looking at it in terms of aggregate we're trying to boil it down to an individual parcel and the parcel we're using is a median valued homestead at $227,272. You may recall when we did our financial forecast we talk about tax burden relative to the median home. And there it was 222,000. The difference is that when we're doing it in the forecast we're looking at all single-family homes, whether they be a homestead property or a rental property.

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Here we're looking at just that subset that's just homestead. So in other words, the median valued homestead is a little bit higher than the overall median, 227,000. And you can see what the change in tax burden would be at those three different tax rate scenarios. At 4750 that median homeowner would see a reduction of $216. By increasing to the rollback rate that would come down to $191. And then at the 5083, the tax burden reduction is $155. The other column says what's going to happen to those non-homestead properties, and the value we chose we felt the value that was the most apples to apples was to just take the same $227,272. For every $227,272 of value for a commercial property, this is the additional tax burden they might look at. And so although we're not really doing our rental analysis here, I think we've got some good work we're going to present on the 13th about the rental analysis, you can get a little bit of a glimpse at what the rental impacts might be if you look at that -- on that third option, that revenue neutral option where the homeowner-- the owner of a 272,000-dollar median home saves $155. Well, hypothetically the home right next to it that's the exact same home, but it's rented, it's not a homestead and it's rented, that property owner would pay $76 more per year, which is about a little more than six dollars a month. So as you start looking at what's the impact on rental properties that's just one little glimpse there in this scenario that rental home, that's exactly the same as our median home, that property owner might be looking at six dollars a month more in taxes. We're going to try to do that same work for apartment complexes and some different scenarios on the 13th. I know that's a point of interest for council. >> Gallo: Okay. Got one more question, I'm sorry.

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The graphs are great and easy to understand, but when we talk about the burden, that really is not their actual change in their tax bill for this year over last year because with the forecast rate, we're assuming that their tax bill will go up. And so this $216 is not --

when somebody says my tax bill last year was X number of dollars and this year because I'm an average homestead of $227,000 my tax bill is going to go down. It's going to go down from the increase that they're going to have at the forecasted rate. Is that -- am comprehending all of that correctly? >> On the 22nd our forecast -- at the tax rate of 4750 our forecast was that the typical homeowner would pay $84 more. So if we don't do anything and we land the budget exactly as we forecasted it, we would see an 84-dollar increase in that median home property and then this is saying at a 20% homestead exemption you would see a 216-dollar reduction from there. So you described it perfectly. On the next slide then is this purple option. Everything we've talked about so far is doing a 20% homestead exemption. >> Mayor Adler: So the net would be under the first one to be 216 would be the reduction and 84 would be the increased tax, so it would be like $132. >> Yes. >> Mayor Adler: Would be the net tax impact on that person. Roughly, more or less. >> Eric is telling me there's a nuance there in a sense if you remember what we did for the forecast was the median valued overall home whether it's rental home or homestead of 222 and here it's just the homestead. There's that nuance, but yes, it's within the margin of error, that's exactly right. So everything we've shown you so far in terms of this blue, gold and green scenario, all are looking at 20% homestead exemption. All of which have challenges in regards to you're either

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lookingty budget gap or looking at exceeding the rollback tax rate. We wanted to run a fourth scenario that looked at what would be the level of homestead exemption that could be offered in fiscal year 2016 given our set of forecast assumptions, what's the maximum homestead exemption that could be offered without creating a budget gap and without exceeding the rollback threshold? And it takes a number of iterations to get to the answer because of how it's all interrelated, but the answer is six percent. When you go to six percent your roll back tax rate comes down again. So here we're talking again about being at -- at near the rollback tax rate is actually 4826, but you're basically at the roll back tax rate here to do a two percent tax exemption. The rollback is now 4824. It keeps moving as you do your assumptions. That would create no change in general fund revenue. It would in aggregate save your homestead properties, reduce their tax burden is a better way to save it by $5.2 million. It would increase the tax burden on non-homestead residential properties by 2.4 million and increase the tax burden on all other commercial industrial personal property by 2.9 million and below that we do the same 227,000-dollar scenario. So the owner of a median valued home you would see a reduction in their tax bill of $49 and an increase in the tax burden per $227,000 of value of $17 for all non-homestead properties. Again, that's relative to the forecasting increase of 84. >> Mayor Adler: May I ask a question about this? So let's assume for the sake of argument that we go through a budget process. You have a forecast budget for us that evens out with a tax rate of 47 and a half pennies. Let's assume that when we go

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through our process we do the heavy negotiating on what services to cut, if any, or what employees to cut, if any, or what cuts to make if any. And we go through the goals that people have in terms of money for the hispanic quality of life commission recommendations or whatever it is that we do. And let's assume just for the sake of argument that having gone through what will be a very difficult process, we come up with the same number that you had forecast. So that we would then if we stop the budget process, which is where budget processes have stopped in the past. We've now gone through the negotiation and we've decided these are the things that we're going to fund, these are the things we're going to cut, and we end up by saying let's go with your forecast rate of the 47.5 pennies. If we did that the average taxpayer, the average homeowner, would see their rate go down, but their taxes go up. The same thing that we've seen for the last however many years in this city. They would see that happen. And again that's where our process normally stops. But what -- if this year we said at that point in time we don't want to change any of the negotiations that we've made with respect to what we cut, we're not going to cut anything else. We're not going to add anything else. We're going to keep that deal set that we had just negotiated. The only thing that I want to do is raise the tax rate from wherever it was we ended up to whatever the rollback tax rate is. So I'll pick up that gap, whatever that is, and I'm going to apply however much that is to a homestead exemption. That's the only thing that I do. In other words, I cut nothing from the budget. I don't cut any services.

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I don't change any of the deals. I don't decrease any of the money to the hispanic quality of life commission or the training program I wanted to fund or the employees. I don't change anything. The only thing I do as the last step, which is the last step that the councils have not done before, the last step I say the only thing I want to do is take the tax rate up to the eight percent so as to do a homestead exemption. That is what you're showing here, right? Automatically that would calculate to six percent of the 20%, which would be just under a third. That's why three to four years -- four years would be five percent. Three years would be 6.75%, whatever it is. The only thing that happens different is that a homeowner of a median valued home would see their property taxes go down from $84 to $34. Roughly. $35. >> 35. >> Mayor Adler: They would see it go down from $35. And there would be a tax shift that went from homestead property to all the other properties. And the anticipated increase to say a 227,000-dollar rental unit, and a 227,000-dollar rental unit, I was running the calculations here, is probably twice the value of the average two bedroom apartment in this city. We have to run those Numbers and see if I'm right. But on that unit it would go up by -- the taxes would go up -- if it was passed through, and I'm not sure it would be, but even if it was passed through to that unit, which is above the value of the average rental unit in this city, it would go up about $1.50 a month if it was passed through?

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If that otofor that unit, for a 227,000-dollar -- >> The $17. >> $1.50. And so that rental unit, and again I haven't had a chance to do the math, but it would be just under -- between 1500 a month and $2,000 a month if it was passed through. Then the rent would go from $1,500 a month to $1,501.50 a month, if it were passed through. Right? But -- and in that scenario, then, you haven't cut any services, you haven't cut anything you're spending money on. You have effectively reduced the rate the newspaper uses to measure tax increases, by looking at the median family home from $84 down to $35, and for a rental unit that's worth $227, $227,000 if it was passed through, the additional rent would be less than a dollar fifty a month, is that right? >>

That's correct. >> Mayor Adler: The reason, to my colleagues on the panel, the reason that I advocate this is because it does not require any cut in spending. If we want to do cuts in spending, great. But it's independent of this. After we've decided what spending cuts we do. It has nothing to do with what additional programs we fund. After we've decided everything else that we want to fund, this is effectively the very last thing that we could do. Unfortunately, our timing's not going to let us do it as the last thing, so we have to anticipate it. But the way that you set it out conceptually for me, the very last thing we do after we've decided everything we're going to cut and spend, those get lobbed, nothing changes. There is an opportunity for us to make a not as much as we would probably like, but a real

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savings in taxes that homeowners have to pay, with what I believe would be no real increase to tenants. Because I don't think at that level it would get passed through, and even if it did it would be really small. We could do it at the very end. Conceptually, I believe the balance between the property tax burden for residential property and commercial property has gotten out of kilter. And this is one of only one or two tools that we have as a city to be able to adjust that. In year two we could do it again. And in year three we could do it again. And in year four, whatever's left, we could do it again. And that's why this is something that I support. Sorry to interrupt. >> Mayor. >> Mayor Adler: Yes, Ms. Pool. >> Pool: I like the sound of that, and I think I'm glad you laid it out for us so clearly and gave us time to think about it. I was going to say, that would also set the stage, as you then pointed out, for additional steps in the out years. So that would -- it does sound like some appreciable reductions that are fair-handed. It would not overly burden renters. It would allow us the ability to provide the expected and desired city services, and we would make some real reductions in the property tax bills that would continue to increase over time in a phased-in process. I appreciate you laying that out early. The other plus to that is that if we continue to look at this approach, prospectively by the

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time we get to year two, we will know what the change to the legislation would be. We can also factor that, because then that would be a reality, and we could add that into our conversation. >> Mayor Adler: And in my mind, what happened with kirksville just happened here within the last 24 hours. So it's new to me. But it goes to Ms. Gallo's question earlier. I would have difficulty grandfathering people at a 20% rate in year one, but if it was a 6%, I need to run out the Numbers, I don't know the grandfathering would hurt us relative to the cap we would be doing anyhow. It has that additional advantage for me that I didn't know about 48 hours ago. Now that I've seen the amendment that Kirk put in his bill. >> Casar: And I will -- I think that the way that you laid it out, mayor, has been the way I've thought about it. With one or two additional sentences at the end of what you said. Now seeing where his presentation is going, I think those points may be more salient as to where my struggle is when we get to the end of the presentation. I want to hold on to your thought, because as councilmember pool described, I think it's an easier way to think about this. Also, if we are essentially, then, generating $5.2 million of additional revenue from the whole city, thinking about how that revenue is disbursed to whom and where becomes a question under the council. We can have a bit of that question. >> Mayor Adler: Ultimately, if we were to raise the tax rate from the forecast amount to the rollback number, so you raise an additional $5.2 million, we could take that additional

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$5.2 million we could spend it on something that we all thought was an incredibly worthy goal. That would mean that the tax rate for the median home would go up from 84 cents -- $84 to maybe a hundred dollars. So, ultimately, the question for us as a council is going to be, do you want to use the homestead exemption -- no. Do you want to use the increased tax rate up to the rollback rate to generate an additional $5 million, take everybody's property tax up to a hundred dollars or whatever it is, or do you want to decide what the budget should be and then use the homestead exemption to effectively drop people's rate? And my preference would be -- and I know we need to look at that -- may not be to take a look at how much could we raise if we raised our tax rate up to the rollback amount, and we wanted to spend all of that money however we wanted to spend it. Because there are a lot of people in your district, as well, having trouble with the property taxes. I would rather us to go through the same kind of discussion and debate the city council did a year ago, and look at all of those things that would be worthwhile expenditures. And make our decisions and make those hard cuts and beat our heads against each other as we're going to do on those issues. And then, having done that, I would then say, the last thing we should do, having already cut those deals, since we have a tool to drop everybody's taxes, we should -- their homestead taxes, we should go ahead and do that. But I recognize that there are other people that might say, you know, let's raise the tax rate up to the rollback rate and because there are certainly lots of worthy ways to spend however

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much money we could raise if that was the direction. Just not the way that I would personally approach that. Yes. >> Tovo: I stepped out of the conversation for a couple minutes. I'm confused about why we're talking about these two alternatives exactly. The staff haven't proposed increasing to the rollback rate. >> Mayor Adler: No, they haven't. >> Tovo: The forecast rate was lower. I'm not sure why -- I guess I'm not following why we're talking about either going to the rollback rate and spending the money on programs, or going to the rollback rate to fund a homestead exemption. Those are not the only options. >> Mayor Adler: There are lots of options. On page 18, the scenario the staff presented us was, what if we took the tax rate up to the rollback rate, but kept things revenue neutral so that there were no cuts in services, no cuts in any programs, there was nothing like that. The question would be, what kind of property tax reduction, relative property tax reduction would that result in for homeowners. What would the impact be on renters if it was passed through. Mr. Casar said, if we were going to raise it to the rollback place, there might be other ways to use the money. That's the conversation. >> Tovo: Thank you. >> Casar: The most respectful way, I was saying -- >> Tovo: There. >> Casar: In the mayor's plan, raising it to the rollback rate. The way he's constructed it, it sounds like a tax reduction because it would be for homeowners. We're increasing it to the rollback rate. If we're -- if we choose under this construction to raise the tax rate to the rollback rate, it may be interesting to -- it's interesting to me to say, well, you raised it to the rollback rate, what could we do if we raised it to the rollback rate.

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Under the scenario, that's what we've done. >> Mayor Adler: Right. >> Thank you. >> Mayor Adler: Now I think you're caught up. >> Tovo: Thanks. >> Mayor Adler: Okay. >> Look at this a little bit on a district basis. You know, to some degree, people are perplexed by why for every $227,000 of value for a non-homestead property, you're talking about a $17 increase in the tax burden only. The answer is down there in the red box. We're talking about a tax of $178 billion. When you carve out a $227,000 chunk, the individual impact, you know, that $17 is not a huge amount. You know. But this is what the $107.8 billion looks like across the districts, with a very wide range from $5.1 billion of total value in district two to a high of $20.1 billion in district nine, not surprising, downtown with the high rise buildings. And a general trend that values on the western districts being greater than property values in the eastern district in aggregate. This slide, when I first saw it, I found really fascinating. This is taking that $107.8 million putting it into those three categories we've been talking about. Homestead properties, non-homestead residential properties, single and multifamily units, apartment complexes, and then the commercial/industrial and everything else, personal property and vacant land. And then all the colors are the different districts. If you focus a little bit on the homestead one, you can see by a big chunk the largest overall portion of homestead values reside in district ten, with district eight also having a

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very large homestead valuation presence. Non-homestead and commercial, not a big surprise the red district, the, downtown has a lot of value in multifamily properties, and district seven having a large presence in the commercial/industrial sector. In aggregate, I did the percent percentages, 33% of the total tax roll homestead, 30% non-homestead, 37% in the commercial, industrial, everything else. This next table is drilling down a bit on just the homestead piece. And so again, we see the districts. The second column, the percent percentages, the percent of the Numbers of homesteads. I believe we have 126,000 homestead properties in the city of Austin. You can see 15% are in district ten. At the top of the chart, 10% in district one, etc. Over to the right, you can see the aggregate value of those homestead properties by district. And the far right, the median. We talk about a median homestead of $227,000 when we do the analysis in aggregate. The range is quite significant from a low of $111,000 to a high of $455,000 for the median home value. The median means half the properties in that district per tcad's database are higher, half the property are lower-valued. >> Mayor Adler: Yes, Ms. Tovo. >> Tovo: This is a question bridging 21 and 22. Is there any way to distinguish -- I would guess the answer is no. Would there be any way to distinguish rental properties that are being used as short-term rentals?

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I would assume the appraisal district is not tracking that. I don't know if we've ever overlaid it with our list of registered short-term rentals. One of the things I was looking at on page 21 are the high number of non-homestead single and multifamily units in district nine. A lot of those are rental properties. My guess is that based on the Numbers I've seen, district nine also has a large number of short-term rentals. It would be interesting to know how those fall into this. But, I guess that is what would be required, overlaying the appraisal district records with our codes registration records. >> And hoping the addresses match up neatly, because they don't always. >> Tovo: And if it's a duplex and the owner lives in one side, where is that getting classified? >> Those would be -- >> Tovo: Homestead only. >> Separated out in tcad's database as a homestead and non-homestead parcel. >> Tovo: Within the same tract, okay, thank you. >> Casar: I think that the point that Ms. Tovo is referencing with short-term rentals rings true for a variety of categories of non-renter-occupied uses of residential property that's not homesteaded. And so, I wonder if there might be a way -- I think part of the conversation here is how do we -- if we, indeed, want to shift the tax burden, how does it not get shifted to people who are just trying to live in a place, whether they own it or not. I understand the difficulty of figuring out how many are homes for sale or empty or short-term rental, but, it would be interesting. You have it broken out into residential homestead, residential property that's non-homestead, and then other, other properties. That middle column of residential non-homestead, it would be interesting to know how much of that is residential

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non-homestead because there's folks renting in it versus how much is residential non-homestead because it's a house for sale or somebody's second vacation house, or somebody using it as a short-term rental. I know that's very difficult. It's probably the vast majority of the second column is just property that's residential being rented out. But I don't know if that's 90%, 95%, 85%, just to know how much to really think about that being a column that has two categories, or if it's so largely one category. I'm trying to think, is that middle column, how much is entirely people living in rental property, and how much is the second home the mayor mentioned. >> If I may, yeah, thanks for articulating more of the distinctions. One of the reasons I'm interested in that question is, to me, if we're contemplating a proposal that could shift the burden to those other columns, I am certainly concerned about shifting tax burden to renters. I'm less concerned about shifting it to properties that are being used for commercial purposes, which short-term rentals are. They're almost akin to the properties in the third column rather than the second. If we have no way of distinguishing those and if we don't -- we're not in a position of making those distinctions in terms of our exemptions. >> Mayor Adler: I would love to know what that number was. I haven't been able to find a service or something that cuts that and discerns that. The Numbers that I was using for my analysis, in case anybody's watching this on TV, if the total value of the rental unit was $272,000, I was trying to figure out what that unit would correspond to as a rental property. So, I know that when you value a rental property, to come up with 272,000, you take the net income and you divide it by a capitalization or interest rate. If I have $10 in the bank, I

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know the bank is paying 10% interest. If I know that I have $100 in the account, I know that if it's paying 10% interest it's going to pay $10, I can do the reverse. If I get $10 interest and I know it pays 10% rate, I know how much money I have in the bank. By reversing that, when you have an apartment or rental unit and its value is $272,000, I would divide that, in essence, multiply by the rental rate, 7%. In this market, that's not a bad number to capitalize rental income on a piece of property. If you use 7%, a net operating income of 19,059, the income the owner, the landlord would get every year. They have expenses, the ones that are taken out are vacancy, collection, and management fees. It could range from 20 to 30%, probably for people watching this, they would say it's more than that. I used a 20% number to be conservative. And I gross that 19,059 up by the 20% to come up with, then, the rent that you would need to generate in order to have value of 272. So I took the 19,059, added to that the additional rent I would need to pay my operating expenses, and it comes to the $22,841 for -- I guess, $23,823. So then, if I'm generating $23,823 every year from this property, I divide that by 12. That mean the rent I have to get from that property is $1,985.25. That is more than what the average two bedroom apartment rents for in this city. So one thing we could do is we could ask to see, if we're

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really concerned about how this impacts the average renter, we could figure out what the value is of the -- we could look at what the average rent is that's paid by a renter in in city for a two-bedroom pardon me, which I -- apartment, which is close to $1,200 now. That's not necessarily the people we're trying to protect most. If you look at rents across the city, that's fairly close. You could scale that number. For a unit that rents for $1,985 a month, it would be $1.50 would be the increased rent if the property tax was passed through entirely on the $272 unit. And that's assuming that all of the properties in that middle classification are rental properties. That assumes -- so, if some of them are second homes, and if any of them are short-term rentals, then the impact on renters is even less than that. And if I wanted to look at a $600 a month rental unit, not at a 1985 value, but a $600, I'm bringing it down by a third. It wouldn't be $1.50 a month, it would be 50 cents. Would a landlord jump the rent from $600 to $600.50? My personal belief is the landlords charge everything the market will let them charge. They're just doing that right now. So I just don't see that passing. Even if it did get passed through for a $600 unit, it would be less than 50 cents a month. >> Casar: If I hadn't been elected, I above been watching on TV with popcorn. [Laughing] >> Mr. Mayor, getting back to mayor pro tem tovo's point, if there were some way to be -- that we could figure out where

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the short-term rentals are, because they are commercial properties -- and I'm not sure they're captured in the third column. >> They're not. >> Houston: There's no way to figure that out. Most of them don't register. That's the fallacy in the shorter-term rental program, most of them don't register. So there you go. >> Mayor Adler: Mr. Zimmerman. >> Zimmerman: I was going to say, if I were watching by TV, I would've thrown my popcorn at the TV and said, there you go again. We need tax relief, you're talking about a dollar a month, ten dollars a month. My rent and taxes have been going up consistently for 15 or 20 years. Throw the popcorn at the TV, there you go again. These incremental increases have been happening, they've accumulated over 20 years. It's not affordable. It seems like a little bit but it's the wrong direction, even if it's only 50 cents, it's in the wrong direction. It's higher rents and more taxes. >> Mayor Adler: But for homeowners, it would be -- for the median homeowner, which is only -- someone who has a home at the 227 or whatever it is, it would mean $50 less in property taxes than would otherwise be spent. That's a step -- >> Zimmerman: I got that, you're right, I can do math. We need to see relief for everybody. We can do that if we tackle the spending problem, get relief for everybody. [Laughing] >> We have someone here -- popcorn -- happening here. [Laughing] >> Mayor Adler: Ms. Pool. >> Pool: What the mayor was trying to say was, the increase in that hypothetical is not large. And so, as we attempt to scope our understanding of the effects of our conversations and any final decisions that we make, it's really important to set the

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parameters. And is it 50 cents a month, $45, or are we dropping $50 a year or a month? That kind of thing. It's useful, and I appreciate, popcorn or no, that you're attempting to set out some examples with some specifics so that we can test drive it. >> That's right. >> Houston: And Mr. Mayor, I think this is an example, we can do both and. We can't do all of one and none of the other. We have to look at doing both. I appreciate your math. I was amazed that you were -- did you do that right there sitting? Oh, good for you. >> Zimmerman: He's a smart guy. >> Houston: He's not an engineer, though. [Laughing] [Clapping] >> Mayor Adler: Limited as I am. [Laughing] >> Mayor Adler: Ed, I'm sorry. >> No need. So, my next slide, for all you folks who like Numbers, is going to be a dream come true. These are the same three scenarios we've been looking at, but now trying to break it down by district. I'm not going to go through all of them, but the blue column, these Numbers track back to what you saw on slide 17. You saw that saying we thought a full 20% homestead exemption at the forecast tax rate of 47.50 in acgate would result in a reduction of $32.5 million. For the median home, $216 annually. That varies quite significantly by district, depending on how many homesteads a district has, and the value of those homesteads. I'll ask if there's any questions on the chart. That's what it's showing. >> Casar: I might surprise you and say for me, clarify this. That's the median reduction for

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the median homeowner in that district? >> Yes, for the median-valued home in the district, which varies for all the districts. >> Casar: The total reduction is interesting and important, but you have a number there which is how many homeowners there are in that district. That was probably used to get to that total reduction. Instead of asking for less Numbers, I guess, I'm about to say I wish there were more. Although the median reduction of $134, for example, in my district, may not really seem like that much less than 250 or 275 in someone else's, it's only going to 30% of the people. Only 30% of the people in my district would enjoin that reduction as opposed to 50 or 60 or 70% of the people in other districts that own their homes. Is that accurate? >> I made the command decision on this slide to go with% as opposed to Numbers, but, there's 132,000 homesteads in the city, multiply by the percents, that's how many homestead are in each district. One, 10%, 10% of 132,000 is 13,000, there's 13,200 homes that would save $142 each at the median, some save more, some save less. >> Mayor. >> I could give you those Numbers, but, it's 132,000 times the percents on this slide. >> Quick question. I looked at this and I was kind of shocked to see that district six, where I've lived for 15 years, I don't understand how it can be dead last in the percentage of homesteads. Is this a percent by the total number of homesteads per the tcad roles? >> And Williamson cad, in the case of district six. >> Zimmerman: You added in

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Williamson county. >> Yes. >> Zimmerman: Okay. But there's Avery ranch in

Williamson county, so. There are -- you know, there are rentals and apartments, but I'm surprised at the number. Yeah. Dead last. Huh. >> Mayor Adler: Maybe you have a lot of bccp property in your district. >> Zimmerman: Off the tax rolls. >> Mayor Adler: But you would have less -- >> Zimmerman: It's partially -- >> Mayor Adler: Sparsely populated. You would have less homesteads than relative to the city. Except the district should be set by the same constant number. >> Zimmerman: Yeah. I just don't get it. >> Mayor Adler: It's still 85,000 people. >> Zimmerman: Yeah, so. I'll chew on that later. >> Mayor Adler: We'll all be chewing on that one. >> Zimmerman: I'll get with ed later. >> The final slide on that district section is going back to the purple scenario where now instead of a 20% homestead exemption, it's a 6% exemption. We presented those aggregate Numbers on slide 18. In aggregate, the reduction in tax burden was $5.2 million. In aggregate, the reduction in tax burden for the median valued home citywide was $49. And, again, you can see the variation by district here on this slide. >> Mayor Adler: Let me ask a parallel question to this. So, what this shows to me is that if we were to do even a phased-in homestead exemption, if I was looking at the benefit of doing a homestead exemption, the benefit is greater in districts eight, nine and ten than one through four, that's what this chart shows me, the benefit. But if I was also doing a 6%

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homestead exemption, instead of doing that I raised the rate, so as to keep it revenue-neutral, there's another slide that would be the corresponding slide to this that would show me not only who gets most of the benefit, but who pays for most of that benefit. And in this case, it would seem to me intuitively that since the cost for paying for this homestead exemption is going to the owners of the commercial and industrial properties, as well as to the apartment owners in town, but most of the cost is going to those other areas, because it's a bigger area, that one of the problems we have in this city is that those capital assets are owned way disproportionately by people who are in the upper income areas of our city. So if I were to look and see who's paying the cost for the benefits that people are receiving, I would expect to see that an overwhelming amount of the cost is being paid by the people that live in districts eight, nine, and ten. And the cost to the people who are living in districts one, two, three, and four, is correspondingly and relatively very low, because those populations in our city don't own a lot of commercial property, and don't own a lot of industrial property. So what I'd really like to see is the chart next to this that says, "And this is where the cost of this burden falls based on where people live," so that I could really see what the net impact is. Because, again, my gut tells me that if you were to look at the

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net impact, the real winners in this would be the districts one, two, three, and four, because the benefit they would be receiving would be less than the cost they were paying in. And the people in districts eight, nine, and ten, while they're receiving a bigger benefit, would be paying an even larger percentage of the associated cost. Can you do that second chart, and then to give us the net number? >> I think that's really one -- one of the failings we've had as staff is trying to address that issue, because on the Numbers we've been showing you here by district, we clearly can tie ownership of a home to the district it's in. In terms of rental properties, you know, we can't even do that for rental properties, let alone commercial properties, let alone corporately held entities. A lot of the discussion is touching on tax incidence, I'm going to tee up for discussion as opposed to hard analysis on the next, you know, section. One of the interesting things you're going to see in the nextsection is estimates that 20% of the tax burden is shifted outside of the state. Maybe a cooperately held company owns a property here, the shareholders across the globe with paying for that tax rate. I'm going to touch on that a little bit in the next section. But I don't feel that staff has anywhere near the data to do what you're describing. We did try to, you know, footnote the dynamic. We're trying to be as -- have everything on the table. We footnoted this, the figures we're showing here are the reduction in the tax burden for the homestead properties,

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period. True incidence. In this scenario, we're talking about a 6% homestead exemption and increasing the tax rate to keep it revenue neutral. Commercial, industrial properties pay more, but, where is the residents of that ownership, not only for the city of Austin, but across the country and across the globe? I am going to talk about that next. If nothing else, I think we'll be able to take away it's an extraordinarily complicated dynamic. >> Mayor Adler: The benefit is coming just to people who live here, but the cost of it, some significant amount up to 20% is being shifted out of state? >> That's done by complicated tax incidence work done at the state level. >> Is that because the information that we have to go on is the addresses of the, either the tax address, or the address of the business? >> We have the address of the business, and there will be, like, an ownership person listed. But it might not be the person actually owning the property, particularly when you're starting to think about things like apple and corporately held properties, who do you apply the additional tax burden to a large manufacturing plant, a national corporate manufacturing plant, what individual, what district do you apply that tax incidence to? >> Pool: A simpler example might be a mom and pop in district seven but the people who own it live in district nine. >> That's a simpler example, but we don't have that information. >> Pool: Right. >> Even to take it one step further in a database, it depends on how that field has been keyed in there. If the owner's name is Elaine

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hart in one field, but the owner of the business name is E. Hart, they won't match up. And so, it just -- there's -- >> Pool: Right. >> There's no reliance that the data would ever tie out. >> You can imagine, you know, like, a law firm that has five partners. There's going to be one partner listed as the owner, it's owned by five who could live in five different districts. It's . . . >> Mr. Mayor. This will be my last piece for the day. I think the difficulty for me in this discussion is I do understand that we have a tax burden that's falling more and more upon everyday property owners and homeowners, and would like to see some of the shift to commercial and industrial owners. But then if -- the question is, if we make that shift, if we increase taxes and we want to increase taxes on Samsung or Driscoll or whoever, some of the people living in Korea or somewhere else, what would we do with that money? That's why I made the point we were going -- if we were considering going to the rollback rate, let's talk about going to the rollback rate. And imagine if we were to get another $10 million, and we did that by taxing the driscolls or the formula 1s, whatever large property owners you chose. And then we put up a chart like this one saying, well, we know that we have this extra money, let's spend 13 times more of it in district ten than in district four, you can understand the difficulty in my supporting that kind of a move, even if it has its justifications. So, if we are going to increase the tax rate and generate more revenue, it becomes a struggle for me when, you know, one district is getting 13 times

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more of the benefit of that increase in revenue, even if the property tax rate is regressive and even if there is some pouring of my district that is going to see some benefit, which many of those folks will appreciate. I talked to them about that. That's the difficulty for me, and that's why I'm trying to work through this and talk through it with you all, because I know that folks are clamoring for relief, but it's just -- when you see these Numbers, it becomes difficult to say well my district will get 1/10 or 1/13 of the relief of raising property taxes on commercial and industrial owners. And I know we don't have easy and immediate tools at hand to solve that, but I'm going to be thinking about what ways we can make that possibly more equitable, if at all possible. I'll think about that, and I encourage and urge y'all to touch base with me by the message board if you have any ideas considering this chart. >> Mayor Adler: Ms. Troxclair. >> Troxclair: One idea is to lower the tax rate across the city. For everybody. [Chuckling] But, but, in absence of that, I mean, you touched on it at the end. This is the tool that we have readily available to us. So when you said earlier, only 30% of the people in my district would see property tax relief, I mean, I know that 30 -- compared to zero, compared to nothing, compared to no help they're getting right now, to me it's not only 30%. It's we have the opportunity to help at least 30% of people in everybody's district. For me, it's not an issue of -- and I know I do have a lot of homeowners in my district. But regardless of the number of

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homeowners in my district, I would say any percentage of people in district eight would be so grateful for any kind of relief. And I think when you look at it from the example of how much money can we raise, and how can we spend it, you have to understand also that you're talking about raising the cost of living for all the people that you're raising that money from. Unless we're -- if we're talking about raising the tax rate, the only way that I can support it is if we're trying to give some financial relief to as many austinites as we can. I don't think you can say, how much money can we raise and where can we spend it. Then we're just adding to the initial problem of having an unaffordable city, and having people struggling to pay their bills. And the last thing that I wanted to mention is that, you know, as a homeowner, and also as a realtor, property taxes are a huge barrier to homeownership. That's a huge portion of someone's monthly payment in their mortgage. And by reducing the cost -- by reducing property taxes for -- by offering the homestead exemption, we're removing a barrier for someone who may be on the brink on being able to afford a home in Austin. My hope would be that if, you know, we're helping 30% of people in your district right now, my hope with this homestead exemption is we can increase the number of people who are going to be able to afford to buy homes. >> Mayor Adler: Okay. >> Casar: I guess my only response is to lobby for state income tax. >> Mayor Adler: Ms. Tovo. >> Tovo: I appreciate the conversation. It's been very interesting. We've covered some good territory. I think for me, part of the complication is that we're not just, you know, if we're looking

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at an option that increases the tax rate and shifts the burden, we're shifting it to renters, as well. I'm concerned about that, especially in a district like mine that has almost 72% renters. It's a concern. When I knocked on doors, I was hearing, certainly, from property owners that they were struggling to stay in their houses and budgeting, you know, trying to anticipate how long they'd be able to do that. I also heard it from renters in this area. We have a majority of renters across the city, so I know that's true for other districts, as well. And so for me, you know, looking at the 6% option, the shift to commercial is 2.9. And I think there's been a lot of discussion and frankly, a fair amount of evidence in the papers that commercial properties are perhaps not shouldering their fair share of the burden. I really look forward to the report we're going to get next week to see if there are options we might explore with regard to that. But while we would be shifting 2.9% to commercial or commercial properties, we'd be shifting just a little less to renters. So, I just hope that that will continue to be part of our discussion. We're not just shifting burden from homeowners to commercial properties, we're -- there's that middle category in there that we have to pay attention to, and it's almost the same amount as our commercial properties in terms of the amount. So, anyway, again, I appreciate the discussion and the different creative points. And I also appreciate your point, mayor, that some of those costs may not be passed along to renters. That certainly may be true. But, it will definitely be a consideration for me as we move forward. >> Mayor Adler: Okay, Ms. Houston and then let's finish with the report. I think you wanted some additional direction going forward. We want to get to that, too. >> Houston: This won't be long. I just want people to understand that ten years ago, homeownership was higher than

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10% in district one. That saddens me, because those are historic homes that people could not afford to live in because of the property tax burden. We're not going to solve that today. These are probably -- half of those are probably historic neighbors, and the other half are probably new neighbors. But, you know, we've got to do something to give people a chance to stay in the homes that they've had for generations. And so, whatever that option is, we need to look for it. >> Mayor Adler: Did you? >> Renteria: I just want to say that in my district, it's really -- the homeowners are really getting a big hit, you know. Even mine, I have to put $440, now 450 bucks, dollars a month just to, you know, pay my taxes. So, I mean, just because it's a low-income area, the tax -- the homes are so close to the central city that, you know, the property value is very high. And, I mean, I'm having people that's selling their houses because they can't afford the $7,000 tax bill that they get even in the bend area where it's not a high income, but their value is going up because they're living closer to the city. You know, Dawson, all of these places are just experiencing a high increase. And if -- even if we give them a small relief, at least it's a relief from the increases of the utility bills that are going to come and hit them. We're going to get a double whammy, and if we don't offer some of these homeowners sop homeowners somekind of relief, we're going to be losing the middle class families. They're moving. They're not staying here in Austin. >> Mayor Adler: You can continue taking us through the presentation. >> We've touched on some of

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these concepts. One thing the council asked for is to get our heads around this incidence equation. Just in the conversation we've had, it's very difficult and complicated. And we haven't been able to get to where we would have liked to have been on staff perspective, but I think we have some good information that will help stimulate your conversation on the topic. So, definitionly, the tax incidence is an economic analysis that tries to distinguish between the initial impact of a tax and its ultimate incidence. We've been talking about impact on renters. If you increase your tax rate, that increases the tax burden for the owner of the rental property. That's the initial. The ultimate incidence, what's going to be the owner's inclination to pass it on, and ability to pass it to renters, where will the incidence of the tax lie is the question. And that's a very complicated equation and it requires all kinds of heavy economic thinking and data, and analysis to do it. You know, things such as how the producers and consumers respond to price changes. If you have a lot of other options and the price goes up, and you have a whole bunch of other options, the producer of the product might not be able to pass on any of the increase in the price. A lot of this incidence work is done in regards to business tacks that are assessed by the state, the franchise tax and depending upon the market conditions, there's a competitive mark, is there a monopolistic market, supply and demand all comes into the equation of what is the ability to pass that tax on to the consumers. My favorite quote from this state report on tax incidence is, tax incidence analysis is complicated because it's difficult. I would argue that it's difficult because it's complicated, but, that's

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splitting hairs. Even to the point where they're looking at the tax incidence of property tax revenues, as you know, your property tax is a de-conduction -- deduction on your federal tack return, that increases your tax bill but results in a higher deduction on your tax return. Depending upon your income level, depends how much of a reduction that is in your tax bill. They are getting down into that level of analysis, and it is very difficult and it is very complicated. And we just don't have the data or in-house expertise to develop a model like that. The state has developed a model like that. The state, on a biennial basis, the legislative budget board publishes through the Texas comptroller a tax incidence. And one of the tax incidences they look at, is the tax incidences of school property taxes, which could give us interesting information. Just by pointing out, we reached out to the legislative budget board and asked them to take the tax incidence model and apply it to our situation. The short story is, no, we can't do that. The state already, Texas statute only allows them to do work for the state legislature. This is one table in what is a very lengthy report. Hopefully you can read this better in your slides, your handouts than here on the screen. But this is looking at the tax incidence of school property tax revenue across the state of Texas. When you look at that and see at the bottom the total, 30,931, that's 30,931,000,000, and that's the statewide property taxes that are collected across all the school districts in the state. And then they do all that complicated analysis that I was talking about to look at where is the ultimate, final incidence of that tax burden.

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They look at it by income quinntile, and the exported number. 21.3% of the total school property tax burden is exported out of the state. So this could be anybody who owns a home in Austin for rental purposes, but lives outside of the state to a corporation that's paying school property taxes but is owned by outside shareholders. I thought that was a fascinating number, that 21%. The other result is in terms of the incidence across incomes, it's not a big surprise that the higher-income quintiles pay a higher portion. They tend to own their homes, and much more likely to own a high-valued home. 36%, state estimates 36% of the school property tax incidence is borne by the highest-income, versus 5.9% borne by the lowest-income. Despite the trend, school property tax and prosecute tax property tax revenue in general is Progressive. It represents 6.4% of the lowest income, which is what a regressive tax is. Just the last slide here -- >> Mayor Adler: I'm sorry. Before you leave that last slide. My takeaway from this goes back to the net cost of doing a homestead exemption. We have a chart that shows how much more money flows into the richer districts. How much less money flows into the poorer districts. That is a very dramatic chart, but it is only half of the equation.

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Because the ultimate answer is not just, where's the benefit going, but who's paying for that benefit. And what would really be nice to have is, what's the net number? After you look at all the money that flows in and out, what's the net number in my district, which is a number we're never really going to be able to get because they don't know that. But, again, my gut tells me that if you're looking just at the homeowners and income, six times as much and more if you go to the top 5% or top 1%, it's being paid by the districts -- people who are living in the districts that are getting most of the benefit. That's just the point. So, to me, as I'm advocating for my constituents in districts one through four, that's why I look at it and don't think that that shows the whole picture for my constituents in that district. That there are other issues that I think control. And I think those are part of it, including what councilmembers Renteria and Houston just said, as well. >> Zimmerman: Quick question on the 21.3% exported. Maybe you don't know this. It was my understanding a lot of these very expensive commercial properties are owned by the real estate investment trusts, these various corporations. Sure, the tax bill is going to go to those out-of-state entities, but a lot of people have triple net commercial leases. They just turn right around and bill it to the people who are renting the commercial spaces. And they, in turn, pass the cost on in their service fees, right? So, again, it's difficult. I wonder if it can be done. How do we know? >> Mayor Adler: In this particular report, this is the final incidence. >> Zimmerman: They've taken all of that into account?

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>> Mayor Adler: If you look at the incident report, which I would add was one of the few things I actually got accomplished when I was at the state legislature for ten years, there would be an initial incidence that would show you the first level of that. On their model, they look at all of the pass throughs and how that's happening to come up with a final incidence. >> Zimmerman: They have knowledge of the commercial real estate terms? I didn't know that information was publically available. How would they know? >> They're using some databases that they have available to them, but a lot of this is based on a number of assumptions. So they have some databases they use. They have some economic data, as well. But, I mean, our look at this report indicated there are just an awful lot of assumptions that certainly could be challenged in producing the

report. But they really wouldn't spend much time talking in details to us about it. >> Renteria: Mayor, another thing -- you know, when you are in the commercial, rental, or commercial business, you know, you get to deduct those taxes. I live -- my residential house, I can't deduct those taxes because I can't meet that number that they require, which is over $10,000 to meet my -- the deduction. So I have to eat those taxes. You know. The business and commercial they can write it off on their income. They might not make as much if you increased it, but I'm sure they're not hurting that badly. But we as regular homeowners that go out there and work and earn an income, we don't have that luxury of writing off or property taxes. So, that's another reason why, you know, we're hurting so bad. Because if we could -- if the government had given us the

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ability to write that off, I'm sure there wouldn't be as many people complaining about it. >> Mayor Adler: Mr. Casar. >> Casar: We could perhaps talk later offline about it, Mr. Mayor. We generally don't use the framework that you just discussed this in when we talk about other taxes. For example, just because more folks in district ten or the high rise in district the pay for our libraries doesn't mean district nine or ten gets more libraries than two or four, or the same thing for pools. That's why I'm having trouble sorting that through. If you'll think about that for me, before the next work session, I just want to make sure we're being consistent with the way we think about those pieces. Because then the net would be that way on all sorts of things. Of course district ten is paying for the perks more, but, generally, I think past councils and probably this council would agree that doesn't mean district ten should proportionally get that many park. >> Mayor Adler: As a general rule, I agree with you. The difference cognitively that you and I are having right now is, I'm looking at it as the very last step. So I'm looking at it once we decide everything we're going to do, I have one last step. It may be -- it'll be interesting for me to watch politically how this council works through the exact issue you've raised on one side, and Ms. Troxclair has raised on the other side. And I look forward to participating in that discussion. My hope is at the end of that time once we've cut that deal, there's something we can do at the very end of it that can provide relief that doesn't mess up that bargain that I'm sure we'll be able to come to at some level. I see it as an add-on at the end, is all. Finish the slides, please. >> Sure. My next slide summarizes my talking point for this slide,

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other than the last bullet saying, personally, this is my opinion, I would expect similar results for the city of Austin. If we could get the lbb to run this model for us and to do it on city property taxes as opposed to scroll property taxes, I really don't see any reason why that tax incidence would be dramatically different. In other words, higher income quintiles would pay a higher portion of the tax burden, but, it would be a highly regressive tax. I talked with my staff about this. We thought it through. Even though we can't get them to run their model for our specific local situation, I don't believe the results would be dramatically different than the table we're looking at right now. Finally, looking ahead to our may 13th work session, we will be coming back with a more detailed analysis on the impact on rental properties. We touched on that today. We'll have more on that next time. We will also see if we can give you any information that would be relevant in regards to short-term rentals, but we've already talked about the challenges with that to the point of, are they registered or not. We'll look at the multiyear implementation options. And, again, just a reminder, the potential budget reductions will be released under a separate memo on may 12th, the day before the work session. That's our plan. If there's anything else this body would like us to be working on over the course of the next week, we'd be happy to do our best on that, as well. >> Renteria: When you do the short-term rental, can you bring it in under classes? There's class one, two, and three. >> That was not a firm commitment. That was a, we'll try. We'll see what data we can get from our permitting system and ability to map that against tcad's database and, tcad's ability to accommodate the request and the timeframe. We will try. >> Renteria: The reason I >> Renteria: The reason I brought up that is class 1 you usually

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just homestead exempted classes that class one people are just renting them for like two weeks or three weeks at a time and that's it. I don't want it to affect the outcome by not including those classes. >> Understood. >> Mayor Adler: Ms. Houston and then Ms. Tovo. >> Houston: I'm sure that you all saw this in the statesman in April, but we're going to put it up hopefully if the technology works about the appraisal rates in districts. And if you look at that you'll see that just like councilmember Renteria said, there are parts of Austin that are being penalized for being in the desired development zone. And if you look at -- of course now I can't see it. [Laughter]. If you look at some of the rates in the yellow, some of those have gone up 18%. Can you read them off up there, somebody that can see. >> Mayor Adler: 16%, 18%, 15%, 17%, 27%. 21%. >> Houston: Thank you. That's higher than anything that's not in the desired development zone. So we're being penalized because our market -- our assessed values are going up at such extreme rates that it's hard for anybody to keep up. >> Mayor Adler: Ms. Tovo. >> Tovo: Just on an earlier point, I was thinking out loud about the short-term rentals. I never anticipated that you would try to answer some of those questions by next week. I just wanted to add that it would be interesting to do, but I wouldn't say in the -- given all of the other work that you have to do and the points that councilmember Houston hand councilmember Renteria raised that, one, some of them won't be registered and some that are registered will be registered as homeowners short-term relations. I'm not sure -- unless anybody else feels

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strongly I wouldn't ask you to do that research for us. [Laughter]. Sorry. Next time I'll make it clear. I'm just thinking alloyd and not asking you to find that info. Thanks, councilmember Renteria, that was an important point to bring up as well. >> Troxclair: I just wanted to say thank you again for all of the work that went into preparing this presentation. I know y'all had a lot of information to calculate in a very short amount of time and this was a great way to help us all digest the issue that we're facing. So thank you for making this available to us. >> Mayor Adler: Again, I would add to that, this is very complicated and incredible amount of work, having just gotten the Numbers for us, but I think this was also very helpful to clarify and identify the issues that are involved. A good presentation. Thank you. >> Houston: Mayor, he's never said a word. Would you like to say something? You did all the work. [Laughter]. >> Elaine and Eric, my compliments to you, thank you, you and your team. [Applause]. >> Mayor Adler: Anything further? We stand adjourned for the council meeting tomorrow.