

Audit and Finance Committee Meeting Transcript –5/27/2015

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[9:06:31 AM]

>> Tovo: Good morning I'm mayor pro tem tovo and I'd like to call this meeting of the audit and finance committee to order. It's 9:08 and we are in the boards and commissions room. First order of business is to approve the minutes. Committee members, have you had a chance to glance at those? If so, I'll entertain a motion.

>> Troxclair: I motion we approve the minutes.

>> Tovo: Vice chair troxclair moves we approve. Councilmember Renteria seconds it. All in favor? That is unanimous with councilmember pool off the dais. Do we have any citizens who have signed up for citizens communications? And this -- if there are members of the public here who would like to talk about anything that is not scheduled for action, this would be the time to do it. Okay. I don't see anyone signed up. So there are -- first we've got quite a few items here today, and we're going to do our best to get through all of them. I'm going to does all the speakers to really keep a careful watch on their time. Our first item of business is a staff briefing on the south central waterfront initiative. Welcome. One of our committee members here and also Alan holt, so thank you, Mr. Holt, for being here. Thank you. And I should, before we get started, announce that item 5, the briefing on the major event trust fund will be postponed at the request of staff. We will take that you have in June. Any of you here for that item, please know that item 5 is postponed.

[9:10:12 AM]

>> Good morning. Good morning, I'm Alan holt and I'm a principal planner in the urban design division and it's a pleasure to be here this morning. I'm here to give you a brief briefing on the south central waterfront initiative. And let's see. Did I turn it off? There we are. And so first off we're talking about this area on the south side, obviously, from hooters to Joe's crab shack, from south first street to the creek from the lake up Bolton creek. This area is 91 acres. You could put 33 downtown blocks in this area. It's a patch work of 31 private property owners with one property, 5 acres owned by the city of Austin at 1 Texas center. I don't have to tell anyone in the room that change is already happening over there. There are many construction sites underway. There are some significant properties that are pud entitled and so they're essentially done deals. But there are 50 acres at a tipping point, which is to say that under current entitlements and current market conditions, \$1.2 billion of private redevelopment forecast within the next 10 to 15 years, according do studies we did with a hud grant in 2013. In 2013 the city council asked to us do a master plan for this area and in 2014, working with grants and partnerships, we engaged over the course of 2014 over 600 citizens, property owners, the waterfront planning advisory board established their own stakeholder committee, and as a result we heard what you would expect, everyone wants open space, connections to the water, affordable housing, great development.

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And we want something that's economically feasible. And so last fall, we produced the interim draft vision framework report, which you have in your hand. It's been online and lots of people have reviewed it. It's 66 pages. I'm not going to go through it, but I'm going to give you a few highlights. And here's the bottom line. It says, first off, for this area to redevelop in a positive way, we need three things. First we need a physical framework that we look at the whole area as a whole, not approach it as a parcel by parcel, piece by piece redevelopment, which is what zoning is geared to do. Second, we need a financial framework that captures the value of the investments going into this district-wide and we need to be traumatic about strategic about developments and, third, we need the city as a active partner. I'm going to lien on what the physical framework might look like. First off, here's a diagram of what the south central waterfront looks like today, thin line of green along the shore. And one first step would be that you would significantly -- you would add green space in strategic locations and so you can see on this diagram how 4 acres of additional green space has been added to the statesman property at key locations. These are the same 4 acres that the waterfront setback would give you maui done here is put the green space where it actually makes sense to get connections from congress avenue down to bat park or to start to connect into this layer, which is a big green street, romblas, that comes down and meets the park. Then as redevelopment takes place there would be flexible rules so that the private property owners would build into this system. You can see then the Orange spaces.

[9:14:20 AM]

Those are the urban trails that would be put in. And so there would be standards for all of these various streets, so they would be green streets. Lots of trees, lots of landscaping. Finally, we get to this physical framework, and you can see the black buildings. Those are buildings that are likely to be here in 10 to 15 years. The gray buildings, those are going to be redeveloped so those are just kind of placeholder, imaginary new buildings. Then you see the big yellow squares. Those are starting to be set up as development blocks with flexible rules. And so what the area might transform to look like -- so here's a photograph of that connection from Riverside drive down to the park. Here you can imagine it as it's transformed with sidewalks, green spaces, buildings to the street and landscaping. If we switch over to 1 Texas center block we can look in and see that we've also imagined some new connections over there, specifically we've been working very closely with the Texas school for the deaf. Here's a photograph looking at the Texas school for the deaf. This is Bolton creek. This is imagining a connection that would work along Bouldin creek from south first disreet to south congress across Bouldin creek and see the development that's happened adjacent to 1 Texas center that addresses the creek instead of turning its back, much like the way that the new library is being built. Now, the second important leg of this is the financial framework. Because without a -- these are just pretty pictures and just a dream unless there's some financially feasible way to do this. And so we looked at a similar situation in Portland, Oregon.

[9:16:21 AM]

There, in the district they had 34 private property owners. We've got 31. We have at least 5 acres of city land this they had nothing. We have 97 acres, they had 20. We came up with plans it wasn't until the city stepped in to provide some certainty that this concept plan here that had new streets, new connections, new green spaces and affordable housing could take place. So here's basically the financial framework that they worked with in Portland, Oregon. The city stepped in, said, look, we will make investments in infrastructure, we will revise some zoning, we will acquire key locations for park space and green space, provide the political support and the staffing that you need. In return, you give us open space, green space, affordable housing, and we're going to secure the financing, a plethora of tools. So in the first ten years, \$100 million of public investment, \$1 billion of private investment, 2,000 market rate houses, 400 affordable workforce family houses, 20% affordable, green space parks, mass transit with a tramway that connects area up to their health science center and sustainable building practices throughout. These are just some of the tools that they used. A whole -- the pro Bono consultant who came in and worked with us on this at the design intensive in 2014 and also in 2012, through the aia stat said it's more like a silver buckshot instead of silver bullets. So where are we going with this vision plan for the south central waterfront? First off, as you probably know, Austin is one of five cities in the United States that won a major award from the EPA this year and the EPA has hired for us cmg landscape architects out of San Francisco.

[9:18:31 AM]

This is a nationally acclaimed architecture firm. They are going to be working with us starting in -- staff is on the phone with them tomorrow. They will be here in July. And they are going to be running a three-day public teret in September and they are going to be taking the concept framework, physical framework that I've just flown through up to another level, designing that to a high degree of resolution, helping us cost that. The second is the city council's budget last September included some city funds. First city funds to go into this project. To complete this work, take this interim vision framework report and complete it this way, to make it a full fledged master plan and implementation plan, we are in -- we've gone through a rigorous rfp for the financial consultant so that we can nail the finances on this. The procurement process was just completed last night. I got the text. And so that contract electronic going to the city council on June 18. We are going to be coordinating very closely with other initiatives, specifically the downtown congress alliance and congress street state project. They have cip funds to redesign congress from Riverside drive to the state capital. We're going to be getting a jump start cmg architecture firm that the EPA has hired for us, looking at congress avenue from Riverside drive to the bridge. And then, obviously, we're going to continue to expand our expansion with stakeholders and key property owners. Today I wanted to end on the note about this financial consultant, which is a key factor that we needed all along.

[9:20:35 AM]

And it's critical that we have the financial consultant approved at the June 16 meeting so that we can begin that work in July and finish it by the end of 2015. It's also critical because the EPA and the consultant, cmg landscape architecture will be here in June to begin work, and we want to ensure that our financial advisor is working with them so that the work is integrated from the get-go and we can take full advantage of the significant federal grant that we have. Finally, this ensures that all of the planning work that we do from henceforth is really rooted in financial feasibility so that we can come up, like Portland did, with a strategy that can actually fund key infrastructure and significant affordable housing like they did there. With that, I'll close. And I've also brought Corey Walton here with me this morning. He's on the waterfront planning advisory board, which has been very involved and supportive of the efforts in the south stray waterfront over the past three years, and we would be happy do answer any questions or, Corey, if you want to say something about the importance of -- or your feelings about the financial consultant.

>> Let me only add to Alan's whirlwind presentation, you can see the complexity of this parcel. We all know what the importance of it to the city, and with that complexity all I can say is having some reality-based and economics understanding of the options, you can see how important that's going to be to accomplishing any portion of the hypotheticals that Alan presented to you.

[9:22:44 AM]

>> Tovo: Thank you both so very much for being here today and for that concise overview and all of your work on what is really going to be a transformative project if we can move it forward.

>> Thank you very much.

>> Tovo: Colleagues, what questions do you have for our group? We have just as a time check, we have, oh, about 10 to 15 minutes tops for questions in this setting because we have something like 13 presentations today. So . . . But we do have some time for questions.

>> Pool: Just real quick, will this same presentation be made to council in advance of the request for action at the council meeting?

>> Well, I'll certainly give this to council, and we may have more information that we can provide at this point about the contract itself as well.

>> Pool: It might be helpful to meet with individual members before we get to the meeting, before we get to the work session to address individual questions that may arise.

>> I'd be very happy to do that.

>> Pool: To the extent you can.

>> And so at your -- to the council offices and offer that opportunity.

>> Pool: That's great. I'd also be interested in seeing that the time line -- I'd like to have my staff or I may be able to attend the shuret and it would be great to meet the folks working on the team, the landscape team.

>> Absolutely. One of the things we'll do in the phone call tomorrow is nail down the dates in July and perhaps even September. So I'll let he know as soon as we've got those secured.

>> Pool: I would just underline what Mr. Walton has said about this is a very super important action that we're going to be taking and I want to make sure that all of the stakeholders are well-informed and the public at large understands what we're doing.

>> Yes.

[9:24:44 AM]

>> Pool: And I think there is probably a sharpened point put on our concerns about green space and the ability of our landscape do absorb runoff from the hard scape, particularly along the banks of the Colorado and also real concerns that we don't overshadow access, you know, that the setbacks are proper and expansive so that the development doesn't look like it's building up to the edges.

>> That's right.

>> Pool: Of the river banks.

>> I appreciate that. I might mention a Kim of things. I flew through the presentation it it's base on the a notion of green infrastructure. The EPA grant we have is called greening of America's capitals grant. The whole emphasis that the EPA team and the cmg architecture team will be to really make this a model of what green infrastructure looks like in an urban situation. So certainly addressing all of those issues that you raised.

>> Pool: Just one last question. It sounds like the -- achieving the award from the EPA, that grant, was a fairly substantial and significant achievement for the city. I guess there was a lot of competition for that?

>> There -- we're pleased to get it. We actually went for it in 2013 and we narrowly missed it. They encouraged us to go --

>> Pool: Congratulations to staff for that. That's terrific.

>> Renteria: How much was the city investment into this grant project? You're saying that we have to approve a contract coming up in June?

>> The 2015 budget includes \$200 to complete the planning work for this effort. We've taken \$100,000 of that to allocate toward the financial consultant and so all of the other planning work that really started in 2012 through a grant with the American institute of architect, 2013, with a grant from hud sustainable communities partnership, 2014, a grant from -- basically we've been doing planning work since 2012 but this is the first time we've invested city monies into this project.

[9:27:22 AM]

>> Renteria: Thank you.

>> Tovo: Councilmember troxclair. I had a few questions. I want to underscore a few things you said. The money is already approved, already in the approved budget so we would just be improving the contract in June.

>> That's correct.

>> I'm looking over the financial tool kit on page 23 and I assume that's the primary purpose of the financial consultant to help identify tools in the financial tool kit that would be particularly appropriate for this project. Is that right?

>> That's one of the goals, actually tasked with several things. First to actually do a pro Forma on a parcel by parcel basis for the whole area. So to actually go through and create a pro Forma to see what the return on investment would be under current entitlements, current conditions to create a baseline for determining the tipping points and what the tax increment might be. Then as we start to lay in the green infrastructure streets, parks, so on, obviously those are taking development areas off the table, putting in streets and parks. Those have a price tag to them. And so then we start running the scenarios, and so the -- of how do you start to balance the costs and the takings against potential development enhancements, development heights, and increased far. And so the -- then we get to run those scenarios with the consultant. Similar to what was done with the consultant in the downtown density bonus program. The consultant is on the hook to run at a minimum six different scenarios on top of the base so that we get to play with various scenarios.

[9:29:26 AM]

The consultant is charged with coming up with scenarios that look at a baseline 10% affordability and an aspirational 20 first affordability in terms of total market, total units developed in there. And so there's a lot of preliminary work that will be done that will inform our explorations of the modeling of this area as we lay in the green infrastructure. So after all of that is done, yes, then the consultant will be looking and giving us advise about the various ways that different economic tools from -- off this list and others might be used to approach this in order to achieve the infrastructure, affordable housing window, so forth and so on. So that's basically the consultant's charge.

>> Tovo: Thank you. In terms of the 10% to 20% -- and I like 20 better than 10 goal for affordable housing, what is your target median family income?

>> Well, let's see. I was going to see. We can confirm about that after. I guess the other question I'd have for you, to as we're setting goals for this area and its development, I'd like to be -- see a concern not just for the price of the housing, but also whether or not it's appealing to families with children.

>> Mm-hmm.

>> Tovo: And so I hope that as those units are contemplated, that they won't all be contemplated as efficiencies and one bedrooms. I think it's extremely important that most of the new development we see coming on online, in terms of multi-family housing is really not aimed at families with children, and we'll soon have a central city downtown that is singles and empty nesters and that's not the best MIX for a vibrant city.

[9:31:36 AM]

>> What I was scrambling for and left many my bag, the rfp, we set goals with those 10s and 20s and we set goals in terms of bedrooms and so forth, and so you've heard this through our committee, to have a range of housing types that would include housing for families, which is one of the reasons I was specifically interested in that one photograph from Portland, Oregon, which was workforce family housing. So we do have those aspirations.

>> Tovo: Super. I flesh. I'll look forward to reviewing the rfp and I same that's something that will be attached as our backup when this item comes forward.

>> We certainly can do that. I might mention, too, that the stakeholder outreach committee, the waterfront advisory board, that committee is listed in the front of the book. There's lots of terrific people on the committee that the waterfront board, including Francie Ferguson out in California today, we've been really thrilled and getting good advice all along. So look forward to working with you and the community as we move forward with this.

>> Tovo: Thank you.

>> Pool: One last question.

>> Tovo: Yes, councilmember pool.

>> Pool: The waterfront advisory it was, is that group going to continue? What -- do you have a -- an end of date?

>> My understanding is the waterfront planning advisory board, as you know, councilmember, is slated to disappear. However, my understanding, though, is that waterfront outreach committee will continue at least as a participant in these efforts, the shurets, financial planning, et cetera. How that remains held together and in what capacity officially, perhaps Alan can give a better explanation on that.

[9:33:42 AM]

>> Right. Again, my appreciation to the waterfront planning advisory board, which has just been tremendous in their leadership and involvement in this project over the last three years. And my understanding is, as Corey said, that the waterfront planning advisory board is slated to be phased out at the end of June. They established this committee that's on the first page. This committee has been -- they've expanded this committee recently, and, certainly, this committee has been extremely involved and important in the work so far, and I spoke with the chair, brook Bailey yesterday, whose birthday is

today, so she's celebrating that with her husband out in hill country, that perhaps at their next meeting they might decide to appoint themselves to this board after they disband.

>> Pool: If there's any role that council needs to play, maybe we can have a conversation about that subsequent to this --

>> That would be welcome, from my point of view, if the council would want to step in and take this board that the waterfront planning advisory board created and bless it, expand it, and I'd look forward to that involvement and leadership.

>> Pool: Mayor pro tem, I'd be interested in digging into that a little bit.

>> Tovo: Great.

>> Pool: Seeing about continuing the group of people who are already involved. We could benefit, I think, from their continued existence.

>> Tovo: That sounds like a good item for your committee.

>> Pool: Yeah.

>> Tovo: Either as a board or it was. Good the it's relatively limited in duration, that might be a good vehicle for moving it forward.

>> Pool: Open space environment and sustainability.

>> Terrific. I look forward to talking with you more about that.

[9:35:43 AM]

>> Pool: Great. Thank you so much.

>> Tovo: Vice chair troxclair.

>> Troxclair: Sorry if I missed this in your answer to councilmember Renteria's questions, you said on the \$2,000 that's been budgeted for consultant -- you said \$100 of that is -- \$100,000 of that is for the consultant. What is the other \$100,000 set aside for?

>> What we're doing at this point is we're seeing what we're going to -- what we get out of the EPA consultant. And, obviously, I want to get as much out of that consultant as I can, and so, actually, I'm being strategic. If we can -- if dish suspect that the scope of work that they're able to accomplish for us will fall a little short of everything that we need, and so the city has a landscape architecture rotation list, and so -- and so at this point staff is holding this 100 in reserve to see once we get into the EPA work and we can understand where their work stops and where we need to supplement it, that we can, a,

either go into the L.A. Rotation list to supplement that work that way, B, if we get into the financials and discover that there's some particular financials that we need to dig in deeper, that we have those. So right now it's basically contingency money.

>> Troxclair: Thank you. On projects like this, I know we talked about affordable housing goals and then I'm guessing the -- a lot of the rest of the housing will be market, which will probably demand a pretty high price based on the location. Are we using -- are there any tools that we're using to provide housing -- top of the line? I just -- I don't know if that's -- I don't know what tool -- if the city uses any tools to fill that piece.

[9:37:51 AM]

>> Right. I'm not an expert on this either. I know there's a term "Workforce housing" which is typically for more middle-income housing -- families or individuals, and so, certainly I know that in our close collaborations with the Texas school for the deaf they have a huge staff there, you know, and they're imagining how wonderful it would be if their staff members could live there. Certainly, the city of Austin has lots of people living -- or working over there as well. So -- but that's -- that is an interest of ours as we dig in deeper and factor is really -- affordability, really working which cracking this nut is a big scope of work that the financial consultant is going to be dealing with.

>> Troxclair: Thank you.

>> Tovo: Thank you. So this will be coming to us in June, on which date?

>> On the 18th.

>> Tovo: June 18. And I think councilmember pool had asked if you you're willing to do individual meetings councilmembers who are interested, and I think that's a great suggestion, and I think I'll -- I've made myself a note to post on the council message board that we had this presentation if people want to get familiar with the project and a little bit about the item to come.

>> Thank you very much.

>> Tovo: That may send folks your way because I know timing important and we're not scheduled to take action or make a recommendation on this item today. It was just a briefing, with&we likely won't have a recommendation for the full council on that particular item.

>> Okay. Thank you very much.

>> Tovo: So thank you. Mr. Walton, did you have --

>> No. Just thank you all for your time.

>> Tovo: Thank you for being here.

>> Pool: Thanks, Corey.

>> Tovo: So just -- new people came in. I want to be sure that everybody understands number 5 has been postponed.

[9:39:51 AM]

I see a few of you who may be here to hear the major event trust fund discussion. Also, Mr. King -- is Mr. King still in the room? There you are, Mr. King. Typically we're not going to have comments on briefings, but you're welcome to come up today and do so because we're still working with our process here.

>> Thank you, mayor pro tem and chair of the committee. I really appreciate this. I'll be very brief. This is a very important project, though, as I know that you realize. I'm glad that the city is facilitating this and looking at a plan, overarching plan for this area of our city. It's very important, right next to the waterfront here. So one of the things that I think is important as we look at the financial analysis of this project is that we consider that the commercial -- as they say, we'll build these buildings, they'll go on the tax rolls and we'll generate, you know, more property tax revenue for the city, and so we look at web loci and use that for the financial impact gnaw does not factor in the reality is those commercial properties are going to protest their commercial values and get them reduced 20 to 40%. We know that's the fact, that's the case. What we should do, when we're doing the economic analysis and the financial modeling on this, we should factor that into the equation so that we understand what real impact it's going to have on property tax revenue. It's only fair that it be reflected architecturally in that model. And the other thing really we have an affordability problem, as we know, it's a serious problem. We need to up the ante, raise the bar, 25% of the units. Let's increase that because we have such a serious problem.

[9:41:53 AM]

And this is prime property right here. It's among the most valuable property in the city. So the developers, if we're going to grant them entitlements to higher heights, building heights and higher densities, then the value of that square foot of property right there is the most valuable in this city, and we should look at what that real value of of those entitlements and compare that with the value of the amenities. I call that truth in entitlements, where we look at -- it should be easy for taxpayers, for individual citizens to look at this deal and say here's the value of the entitlements we're going to be granting to these developers, and here's the value of the amenities that the public is going to receive. I

think it should be that simple. And the other thing is I really think the priorities for this area should be open green space setback from the water front because we don't have that right now in that area and to look at on going maintenance and operations of that parkland and green space once it comes online. It's nice to have that to kick things off but we need to look at the long-term there, and then how are infrastructure costs going to be paid for? Is that going to be put on the backs of existing residents of the city? So I think we need to look at the infrastructure costs for transportation, utilities, and other things that are going to be associated with that, with that project. And thank you very much for giving me this time. I really appreciate it. Thank you.

>> Tovo: Sure thing. Thanks for being here. We're going to take up some of the items between 7 and 121st, and then we are going to reserve the last portion of our meeting for the resolutions that have been brought by councilmembers. So we will get to those. We're just going to let some of our staff do their presentation so that they can get back to their work. So we're going to begin with number 11, if our staff are here and ready for that one.

[9:43:55 AM]

That, as I understand it, is an item -- or translates an item that is coming forward -- relates to an item coming forward. Welcome, Ms. Reiser, Mr. Cana Mr. Canacanally. Just so everyone is ready, our next item is going to be what I understand is a very brief audit and that is number 7, rental car concession agreement. We'll go 11, seven, eight, and take it from there.

>> Great. Good morning, mayor pro tem, councilmembers, deputy chief financial officer joined by Elaine Reiser and

[indiscernible] We're here today really to talk to you about first and foremost there is an upcoming item on the June 18 agenda item related to facilitates. We know in the last few months since this council has taken shape there's been facility issues and leases that have come forward there's been a request to get broader context with what we are doing with our facilities, what we've done and go forward plan. We thought it was the opportunity to stop and have a foundational discussion about of this strategic planning we've been doing and also to introduce to you and get feedback on a financial model for how we can deal with critical facility needs of which there are many. We'll try to go through this as quickly as we can. First and foremost we'll go through facility planning we've been working on, talk about recent actions we've been doing. We've been quite busy the last few years, and then we'll talk to you about this new model, how we can approach some of our strategic facility needs using a new, different model that we believe can be more agile and more timely and then talk about financial strategies and finally summarize where we are on the council issue.

[9:46:00 AM]

Just as a big background, the city owns or occupies over 250 facilities throughout the city, through the 300 square miles of the city, we are basically everywhere. And that ranges from recreation centers to fire stations to office buildings, to service yards, to warehouses, other administrative spaces. We have a significant amount of lease space as well. That's one of the main issues that we know we need to be dealing with in the future. Prior to 2012, really the city did not have a -- decision was made in essence independently, whether that was a purchase, least, renovation, it was really made as they arose almost on a department by department basis, without any really large strategic perspective. Our facility capital renewal were done roll on a reactive fix basis, we would have to fix those as they came up dealing with whatever financial resources we had, whether one time capital funds in the budget or ongoing operating funds. What we've seen and are going to show you is a rapid growth in our lease space basically because we didn't have enough owned assets as staff grew to meet the rising demands of services throughout the organization. Again, one of the big things we've seen, when Eric gets here he can talk more about it, is our rapid use of one-time funding for deferred capital maintenance we've been through our aging facilities, we've been investing in facilities beyond their useful life, which is really not a good practice. What we did, commissioned the first comprehensive roadmap for all our city facilities to determine first and foremost condition assessments and help craft a long-term plan, roadmap in essence to move forward. We are -- we have that plan. We're going to get it out to you. We have the full document and the powerpoint presented to domain probably about two years ago.

[9:48:02 AM]

We'll get all those documents out to you. It contained a lot of information, actually detailed facility condition assessments, just to assess the conditions of the facilities from hvac equipment to roofs to understand what our deferred maintenance costs were. We also did a logistics city, from the front line services to the citizens who are kind of driving around the city, doing this, where they're located. We also did a workplace analysis, looking at how -- that you interplays. We also looked at each of the 261 facilities and as a roadmap made a recommended or go forward path on whether to keep them, invest in them, perhaps consolidate them. It really became the basis for how we started our work. Just very briefly, we won't go into it again, we'll get you all the backup information but one of the key areas we looked at was service center logistics analysis. When we actually entered this study we thought there was ten service centers in the city this is the city staff who worked on them. It turns out we actually have 41 different service delivery points where we are sending crews to and from to deliver services. Part of that analysis looked at the dead head miles traveled by crews as they go site to site or come into work and have to get off into -- to provide their -- the service. And so from that we can really ascertain that there's some cost savings that can be really harvested if we're able to do some consolidation. We started looking at some of that and have some recommendations on moving forward.

Another big area, again, we looked at facility conditions. This is the classic red is not good. These are a lot of our fire stations. Our fire stations are in -- we have about 45 fire stations.

[9:50:06 AM]

Some over 50 years old, terrible shape, and we've begun efforts on that. The goal of course is when we have old facilities, we're investing in old facilities that really do not -- some some instances don't extend the life of the facility. All they're doing is keeping the doors open. And then, again, as I mentioned we went through an exercise between employee surveys and interviews looking at how in the 21st century are we using our workplace with obviously the rapid rise in technology and the ability to work mobilely and also, I think, as the complex nature of the city to work more collaboratively, how folks are actually using their own office space and what that means as we look at new facilities, that our facilities are matching our processes and also our workforce. So what did we do once we had this plan to make sure we could keep it alive and keep enacting it? We created a city -- city manager created a strategic facility governance team. This was an attempt to collectively and corporately look at decisions about how our facility decisions were made, whether they were leases or repairs. That committee was comprised of myself from finance, Lorraine Reiser with real estate and Eric with building services, so, again, providing a corporate view, working with the departments to make sure needs were met but also making sure those needs were adhering to this roadmap plan. What we've been doing is doing a lot of analysts, looking at site visits, doing land planning and looking at space allocation and doing financial planning to get ready. Over the last 12 to 18 months we've actually been focusing on some of the immediate solutions we've had to deal with. We've been able to acquire some land for service centers out near the airport to deal with -- for watershed and public works. And that was an exercise, again, that we did differently than we would have done in the past.

[9:52:07 AM]

Before acquiring that land, Lorraine was actually -- we commissioned a land study to make sure what we were buying could actually work as opposed to to buying it and coming back in after the fact and seeing if it could work. So those modifications in our process have really paid dividends for us. We obviously had to deal with the city hall reconfiguration due to the 10-1, getting new space for the city auditor. We've also worked on fire stations, actually started in Ernest on allowing at repairing these massive fire station issues and also looking at doing minor fixes to 1 Texas center. The fire stations, we've been working on fire stations over the last ten years to add locker rooms to some of the older station where's they did not exist. But what we had been noticing, we had been going off into a station and doing a locker room fix but leaving the rest of the station, the hvac, roof, perhaps the driveways were

untouched so in essence we might be touching a fire station once a year for a few years. So what we determined was it would be much more efficient to bundle the funds and get out and touch the station once. So that effort has begun and last year the city council approved \$5 million of one-time funds in the budget to start improving our fire stations and that work has been complete and fire station seven. This is a project that building services and Eric Stockton is leading. We've actually gone in and completely worked on that station, and it will be followed up with the locker rooms and the fire department is actually temporarily closed that station, moved the units around. Again, so we can get in and walk away with a fire station that is complete as opposed to partially complete. I'll let Lorraine talk about what we've been doing on 1 Texas center.

>> We started a realignment plan about 18 months ago and our goals were to create 100 new spaces for employees to be in that building. Or add 100 new employees. We're looking at how do we consolidate the departments because as departments grew and we ran out of space, we had them in different buildings around the city.

[9:54:15 AM]

So we wanted to consolidate the different departments in 1 Texas center and consolidate them on the same floor as much as we could did I division. Also we wanted to refresh the work spaces and create more modern collaborative space. Also create spaces for -- short periods of time and they're mainly in the field and also teleworking opportunities. We also focused on minor renovations for the new permitting center, trying to address some of the complaints of the customers. So we're hoping to actually start some construction that will hopefully -- one or two things that will create big wins with the constituents that use that space.

>> Now I want to transition into talking more broadly about our go-forward plan or go-forward discussion. Really, council, what we want to -- we're really at the point, at the beginning of this conversation. There are certainly a lot of needs, and we really wanted to begin the conversation to get feedback about these ideas before we pursue on any of these -- any initiatives that we may have because they are all in themselves kind of large initiatives for our facility needs. To start that conversation, a highlight of how we typically build facilities. Most of that involved -- part of bond elections. Sometimes they're not. Sometimes we're able to Nish nonvoter debt to move forward on acquiring land. Typically when you look at the planning stage for a project part of a bond election it starts in advance of the actual election. It gets -- either put on a bond election. Then what we go through is a series of procurements, we have to go through and get the land acquisition, site planning, that's another procurement, we might do development, design and programming.

[9:56:22 AM]

Then we'll launch into hiring the construction firm. And then we go through the construction. This process historically can take upwards of seven years sometimes to build, whether that's a fire station, rec centers -- fire stations, rec centers, administrative space, which, again, we've been essentially leasing on demand because we have not been able to really pursue large facility acquisitions. This timing, really, what it does is leaves us vulnerable to market conditions, obviously, when we have a bond program we have to map out what project goes first in the scheme of an overall bond program, in terms of our ability to have cash flow and fund debt. So not everything can go first. And so, for example -- when we get to land, depending on where we are, we have to get that project, Lorraine has to go buy the land for the fire station and it might not be the best market timing for that. And we also -- when we get delays in a hot -- kind of hot economy, we have commodity and construction cost increases. I know that back in -- as an example, back in the 1998 bond program there was a series of six new neighborhood libraries either rebuilt or reconstructed, part of the overall program on the library. When we got to 2001 and 2002, because of the downturn we had then we were actually forced to delay construction of those because of the -- we didn't want to be opening up a new library when in fact we had to kind of scale back some hours. But as a result of that, the project, when we did reunite the construction project, we were in a hot economy and the construction prices had sky rocketed and we ended up spending upwards of \$2 million to \$3 million to get the facilities complete. Again, we didn't have the agility to move around time. The facilities are complicated. While we do a very good job of doing them, we have to associate all the financial risk and the construction risk of building very what are becoming more complicated facilities, especially as we strive for certification on our buildings and other aspects to them.

[9:58:35 AM]

So given all of these issues, what we've been exploring, knowing that we have a variety of issues that we'll walk you through is really trying to look at a new model. And this is a new model that is emerging around the country. The general framework of this would be entitled p3s, or public private partnerships. Private sector funding, partnering with the government, to get our projects done. I will say that the city has had excellent experience in

>> I think some of our examples are Zack Scott. We partnered to build the Zack Scott building. The city put in money. But Zack Scott raised funds to build it. We have had a collaborative partnership. The Austin film studios. We think we can expand those partnerships to work with private finance to get some -- really accelerate accelerate our needs. The idea in this model is a premarketing engagement and due diligence doing programming work, design criteria. And you get to the point and you go and launch the rfp and let the private sector respond to your needs and see if they can build what they need to build. When we put out the rfp and rfq, the model allows us to continue the policy goals we have during the typical construction, the different requirements that we do. It is not changing our policies, just changing the process and procedure for how we get to the end product. Ultimately, what you can get to

is where a construction -- some of the work can be done by secretary. We would look at leasing or leasing back the properties. All in, we believe we can get a facility done in around three years, versus the typical 6 to seven years. What is important and really why we're here today is we have a few initiatives that we, you know, want to throw out there as a discussion.

[10:00:41 AM]

This is where we have from a project initiation where we have the dialogue with council on the front end, about the idea on the models and go forward with the initiatives. Throughout any initiative that we work on, whether that is a new facility, new rec center, we look at obviously extensive community stakeholders during the preengagement process and obviously, continue engagement -- engagement process through the end. We want to talk about the process. The idea is innovative financing, the idea that there is patient money out there on the sidelines to invest, obviously through the term. These can be done through credit tenant leases. A developer would build a building. Because we are a tenant, they get a good credit and in the end, we would have this asset. We would still have the asset we own at the end of it, they would be made through availability payments. The process is made through unique discovery options. Build to suit and lease to own. They could be very valuable. They're hard dollars to get in a budget each year is to get money to upkeep our facilities, and also, we believe there is a quicker time line. Again, in a big picture, we believe we can transfer risk to the government -- to the private sector and still maintain flexibility and agility in policy goals and standards about how we pursue construction. Again, the types of actual financing agreements, the general category is again, P 3. That is an umbrella term. A new term is third party tax exempt financing. Because we're involved in the transaction, we can get close to city debt ratings on any project that would be done.

[10:02:44 AM]

So just as an example, we wanted to -- I will let Lorraine talk to you about where we are right now and are kind of coming back to our lease issues.

>> Currently, we lease about 190,000 square foot of office space, administrative and warehouse, at about four million a year. We incur repeated up-front costs, such as move costs, technology, connection, space, furniture. All for an asset that we don't own. For instance, like silicone lab moving the auditor over there. And the near term availability of large contiguous spaces is very difficult. It is harder and harder. We're having to piecemeal departments out in smaller spaces because finding large space nearby has been almost impossible. Also the demand for office space is -- it is expected to rise additional 30% over the next three years. The cost of office space, especially in the central area has increased considerably every year.

>> So again, we believe there is a model where there could be third-party financing.

[Audio skipping]

>> Continuing our lease on demand or ongoing capacity for other core municipal infrastructure needs. Just as an example, we tried to do an apples-to-apples comparison here. Looking at a new 225 thousand square foot facility and again currently lease 190 thousand square feet. However, a lot of that space is overcrowded and overcramped for our existing workforce. This -- this example is not even really allowing for growth, but we have a model that would show what we need from a growth perspective.

[10:04:53 AM]

If we continue on our lease on demand model over the next 30 years, about \$250 million on leases. If we go our traditional build model, 210 million. And if we can explore this third party financing option, again, where we still continue our city policies about procurement and other policy goals, we can lower that cost by another \$35 million. So again, we think this is a model that has significant cost savings, gets us an additional -- gets things built a lot faster and can be more agile to how we respond about our conditions and gets us away from our lease on demand model. To help us really explore this concept -- and it is a growing concept. It is an idea of looking at third-party financing to help build government facilities. Been done in California with a lot of courts -- the court system. In San Diego, there is a big -- I'm sorry. In Long Beach there is a big court. In Atlanta as well. Some other cities are looking at disposing property, putting them back on the tax rolls to get other policies built with them or getting them consolidated with this approach. We realized we needed help. This was a new way of looking at this concept, so we released an rfq last spring to provide guidance and expertise on development of new facilities and looking at different financing mechanisms. This development advisor approach was something new for us. We went through an extensive rfq process. It was a nationwide search, we had companies from Australia bid on this effort, cbre which is the world's leading commercial real estate services was the top pick. What was so fundamental about their team that they brought to the table -- and it is a full team.

[10:07:00 AM]

They have implemented public institution groups where they are coming in to the state of New York and reinvesting the state's investment portfolio and tackling what they need to tackle here. They have a full service team, architects, engineers and construction developers to help us ascertain a good go-forward path. We believe this would set the standard for how local governments around the country can deal with facility needs. What is unique about the contract is it is minimal annual funding for the up-front,

ongoing conversation for them. Minimal funding for planning and consulting. It allows us to engage with them for face-to-face projects as we go to council. That was the goal to get a contract in place. For each effort that we would come to council and get authority on the front end as opposed to coming in with a giant multimillion dollars contract on the front end and picking at it. This would be a more transparent way to attack a problem. Each time we believe there is a model this can be used under, whether it is council, we believe this is a quicker start to finish than our traditional model. So what we're -- so what we have been doing, the three of us, as well as all of our teams and around the city, the departments, it is trying to identify, take the 15-year road map and identify, what are the most critical and pressing issues? And so first and foremost, one of them is a stand-alone development services center. Obviously, this is something that has been talked around for a while. It is consistent with the findings in the Zucker report. Currently, right now, within one Texas center, the planning and the development services department occupy six floors. It is not conducive to the business of permitting to go up and down around floors.

[10:09:03 AM]

It adds to some of the issues that we have seen. We have seen certainly models around the country. In fact, we were in San Antonio a month ago to look at a facility they built about 10 years ago, that is a stand-alone permit center. You can walk in, and the customers have a bank of customer service reps where they can get through the process quickly. The value of that effort is that it would then free up significant space in one Texas center where we can move folks in off of lease space among other initiatives. And we think the association you had earlier with Allen with what happened in the southcentral district. The other priority is the dart center, the 2006 bond program. We have been unable to move forward on it. The parks department went through site analytics. It is impossible to build in its current location. It sits on top of a landfill. We believe there are opportunities next to the headquarters and next to Zack Scott to look at Daughtery arts over there. The new central library will open next year. There is a restaurant space in that ground floor along the creek. It is critical to get a restaurant tour in. We tried -- we went out and were unsuccessful through city processes to find a restaurant tour. We believe cbre is one of the leading, not only national but within Austin will help assist us in looking at potential tenants. We have public safety headquarters and issues with 183 expanding. We will affect the warehouse and where that is in techni center. What we would bring forward to is an initial request. We're here to really start the discussion, first and foremost, it is programming for development services center.

[10:11:08 AM]

Before we [audio skipping] Whatever we move forward with. This is a basic first step in looking at programming needs. Same thing with Daugherty arts. We're looking at that site around toomie road. We are looking at the programming for that area and see if we can get Daugherty arts over there. If there is a possibility of that and finally central library. There is one other piece that Lorraine is exploring and putting on the council action.

>> There has been several asset identified, some by council, some by staff as underutilized facilities. Some have current operations in them. 411 Chacon. So we would like to go ahead and have them look at that and look how we can best utilize the site. How can we provide those services, either as part of the development or in somewhere close.

>> Tovo: Thank you very much. Question, council?

>> Are we working collaboratively and on which projects?

>> We have with the count and have future meetings set up. We have talked with the county about the new courthouse they're building. We had a brief conversation about combining the courthouses. They weren't as interested in that. So we also talked about office space. Leasing office space out of that, where we had the council meeting during the time we were renovating city hall, we used the county courthouse.

[10:13:13 AM]

We also go to the county first and also the school district when we have needs. That's part of our process to see if they have anything we can lease from them. We're currently leasing space out of the county office buildings as well. We also share our warehouse space with aid and the convention center. We are also looking at being collaborative on a sobriety center. Whenever we can, we try to use that as a first option.

>> I also understand they may be looking at selling some of their land parcels. We may be sure to have a look at whatever that list contains, that may be helpful to us in trying to [audio skipping] Create our different --

>> Yes, I notice you mention also 411 Chacon.

>> Yes.

>> Last year council directed us to start initial appraisal work to see what the properties valued at and some environmental work. We need to look at uses there. Where can they relocate? We don't want the cost to be so expensive to relocate that the land doesn't add much value forever us for low-income housing or other goals the council indicated they want in that area. So this would be programming to look at what could be done with that site. And what of our facility uses that are there now, is there

anything that could stay there as well as reach these other goals. So this is the first-step look. This process is to give you input every step of the way, versus us coming back with a fully-developed recommendation.

[10:15:23 AM]

>> Do you know the time limit you will work on this and bring that information back to us?

>> If council passes this item on the 18th, then for 11 Chacon probably six month to a year before we come back with a recommendation.

>> Tovo: Chair troxclair.

>> Troxclair: Thank you for this. I appreciate the opportunities to think outside of the box and best leverage our resources. You said on one of the slides, you mentioned, I think we have 190 thousand square feet of leased office administrative warehouse space. I'm curious, do you know about how many square feet of office or warehouse space that we own?

>> That we own? Trix .

>> Troxclair: Yeah.

>> I can get that for you.

>> Troxclair: I was wondering the general percentage. Are we leasing 10%.

>> I would say a small amount is leased.

>> One Texas center is two thousand 99 independent square feet. We are leasing an entire one Texas center.

>> Troxclair: That is helpful. I'm curious, what was the challenge in attracting restaurant tenant to the library.

>> We went out, we advertised in "The Wall Street journal." We went all over the country in advertising. We had zero bidders. There were a couple of things when we went out to the market and talked to people, one is they felt the city was too complicated. Because of the amount of finish out and things. We wanted to have a million dollars brought to the table because the city didn't want to finance that part. The idea of bringing cbre on board to look at that, they already are the main lessors of restaurant in the downtown area.

[10:17:32 AM]

They've got connections, they go to the conferences to get restaurants here in town. They have a more intimate reach with that group than we have.

>> Troxclair: The complications of dealing with the city was the main objection?

>> Uh-huh.

>> Troxclair: The agenda item coming before us on June 18, is that just an authorization? Or will there be a funding request associated with that.

>> Council member, the funding is included in the budget. We haven't finished the scope. We wanted to get feedback on this kind of portfolio analysis related to the assets. We're finalizing the scope, but we're looking at the range for all of these, again, all of these are quite complicated in the range of 250 to \$275,000, and that funding is available in the current year budget. No funding requests, it would be a work authorization request for cbre and their team to be, again, initiate these efforts. These are not -- again, working through programming on any one of them will be valuable to us, whatever path the council ends up choosing.

>> Troxclair: Great. Thank you.

>> Tovo: So we are really pressed for time. I do have a lot of questions for. I will just ask a few and then figure out another way to get them to you in advance for June 18. Can you help me understand where this was included in this year's budget? I don't recall talking about this model before today. And it is not clear to me where it was included.

>> The funding for --

>> Tovo: This dwaement.

>> The funding for this kind of contract is under the city manager's authority. It is in the support service fund.

>> Tovo: So it wasn't identified for this purpose?

>> No. And then we had funding allocated for -- we have funding in the one Texas center effort that would go toward funding.

[10:19:38 AM]

It is in the baseline operating budget. I don't think council member we called it out as a line item in the budget -- in the budget. It was kind of our ongoing facility -- our facility planning funding that we have been working on. But I don't think we highlighted as a part of the budget document last year.

>> Tovo: I will ask, one of my general questions here today. When you contract go forward are we approving the scope of work? And what I'm getting at, I'm not sure that we have spent anytime as a council, the prior council or this one, prioritizing the items that would be included on this list. You mention 411 Chacon. You may have information at this point that suggests relocating the existing city services on that site would be very costly. And that that is not really our -- that is not necessarily a short term project. So -- and I see that the development services center is listed on here as one of the priority programs in here. But we haven't had a council discussion about whether it's more important to immediately respond to the recommendations of the Zucker report in revamping one Texas center. Versus doing something like putting our money toward rehabbing a building and having the sobriety center approximately we haven't had those priority discussions about what is really critical for this city in the next -- in the short term. When and where will that happen if we approve a contract that asks cvre or somebody else to move forward and start doing some initial groundwork on any one of the projects?

>> Mayor pro tem, that is why we're here today to initiate this conversation.

>> Tovo: Ok.

>> There have been requests as we brought up leases. That is exactly -- we wanted to initiate the conversation with this discussion with this potential agenda item.

[10:21:41 AM]

Again, instead of launching into the agenda item, we wanted to give context about where we have been and some of the big issues, the city has been facing. Certainly, that is a dialogue we would certainly welcome. Again, we knew this was a beginning point for this conversation.

>> Tovo: Ok. Thank you. Let me say, I really appreciate the other kinds of comprehensive work to look at facility needs and moving away from reliance on lease space. That is all very good. I'm very excited about this. I just have questions about taking this next step without really coming to agreements on what the highest needs are.

>> These things we highlighted here are what the consultants as they looked through our facilities and now the Zucker report, these are recommendations that come through various consultants. But, you know, again, we're open to whatever is the priority of the council.

>> Tovo: Ok. Thank you. I appreciate that.

>> Certainly, one of the issues, again, we believe -- for example, even on the development services just doing programming work would allow us to understand what our needs are, however we would solve those needs. They would not be unused on a go-forward plan. And then obviously, critically, too, is the new central library restaurant.

>> Tovo: Sure. That seems like a very natural one to move forward with, more quickly. But from my perspective based on previous council action and initial action as a council committee. I would say the sobriety center would be a high priority on this list. As council member Poole mentioned -- member pool mentioned, there could be items coming online, that could help us with the Daugherty center option. I hope we can talk further about those items. Other questions. Thanks so much. Appreciate it. Colleagues, we have kind of an unworkable schedule here today.

[10:23:42 AM]

I'm going to ask if anyone would object to having the presentations that we requested for item 12 e-mailed to us.

>> Pool: That's fine.

>> Troxclair: Yeah.

>> Tovo: Is that ok with you council member Renteria. Occasionally we would like to have those e-mailed instead of presented. So the staff who are gathered here can move on. Council member Renteria, you are comfortable with that. We ask that the relevant staff e-mail those to us for item 12.

>> Mayor pro tem, we'll get them posted as backup on this item in the website so they're available to the public.

>> Tovo: Thank you. I think we did get print copies for all of them. I think -- are there any concerns about doing that Ms. Hart?

>> No.

>> Tovo: I said we would have an audit presentation about audit number 7. Let's take 10 to 15 minutes, no more, so we can get through some of the other items. At about 11:10 to 11:15. We will switch to the council resolutions.

>> The good news, I think this will be pretty quick. I'm Cory stokes, acting city auditor. Walt was the assistant auditor. And Walt will present this quickly.

>> We undertook -- I think we have slide presentation here. All right. There we go. We undertook it to determine whether procedures are in place within the aviation department to make sure the fees collected are in compliance.

[10:25:53 AM]

From the audit, the aviation department had agreements and earned 10 to \$12 million in each of the years. When we began this audit and began it in the summer of 2013. We found that aviation had not audited car rental concession fees since 2009. However in October 2013, aviation hired an external cpa firm to review three of the nine company companies. Rather than duplicate their work [audio skipping] And to allow time for the external auditors to complete their work. The last of the three external reviews was delivered in October of 2014. What we found and we reviewed the results of the external auditors is found one company owed \$15,000 in concession fees. And another of the three they looked at was not reporting revenue for offsite airport locations. And aviation notified the companies in writing of the results, and had required an action plan from the companies. Because they've addressed the risk related to rental car concessions and are continuing to do so, we have concluded our audit without any recommendations from us. That concludes my presentation.

>> Tovo: Thank you very much.

>> Pool: I had two quick items. One, I would like to urge the aviation department to step up monitoring of all concessions so no fees are ever not collected. So it is not the city's fault if the money isn't paid timely. And I would also like to have a conversation here to revisit the concession fees that we are charging. I'd like to look at the 10% and consider a different percentage.

[10:27:57 AM]

>> All right.

>> Tovo: I saw Mr. Smith here earlier. There you are. I couldn't find you behind. Please join us, in case there are questions for you.

>> Troxclair: Do we have a time line? The last bullet said the aviation department is taking on this issue. And will come back with recommendations, is there anytime line on when to expect those?

>> I think that is a question Mr. Smith may be able to answer.

>> Um -- is this thing on?

>> Red is on.

>> We have over 100 contracts at the airport for different firms doing different things. So it is usually, probably a three to four-year cycle before we get around to each one to do an audit. We don't do an

annual audit on every one of those. But the audits go back to cover the period that was in that particular gap. So generally the audits cover the periods of time for us to evaluate whether or not anything that was due to us did not come to us. And then we generally negotiate with them over the amounts that are in question and discuss any penalties because there is interest charges on what they owe us if we have a finding. Generally, those are negotiated out.

>> Troxclair: Ok. But in light of the current findings, are you addressing the issues that have been identified so far? You're not saying it will be three to four years before a resolution.

>> They've been addressed and relatively minor in a substantial revenue contract, \$15,000 was not significant. It has already been taken care of.

>> Troxclair: Ok.

>> Tovo: Council member Renteria.

>> Renteria: I'm curious.

[10:29:57 AM]

You have -- the location is 10 miles from the airport. Is that 10 miles from like when you are getting off right out of the door there. You have 10 miles radius? That surrounds the whole report, that the rental cars have to report?

>> Yes. It is basically a circumference around the airport. That is in the existing contract. But that contract disappears effective October of this year. The new contract does not have that clause in it. So people just pay the concession fee on the cars that they rent at the rental car facility on airport property.

>> Renteria: Ok. I was wondering. I said that must be pretty hard to go out and try to locate all these rental cars. I mean, 10 miles is a pretty wide distance from the airport. I'm sure that we're probably about 10 miles away from there.

>> It is just -- they've -- over the years, we've identified identified them. This contract has been in place for more than 10 years. It has fallen into a pattern. But like I said, that clause has coming is out of the contract this October.

>> Renteria: Thank you.

>> Pool: I had a follow-up. Mr. Smith, as far as the review of the concession and percentage fees, did you say those contracts are all expires in October of this year?

>> The rental contracts are. As part of the new facility, to facility the facility we negotiated a contract with the companies. The opening date for the new facility is October. So the new contract goes into place effective that period of time. Today, they're still operating under the same contract we've been operating under the last 10 years.

>> Pool: Can you tell us the differences between the old contract and the new one in place in October?

[10:31:58 AM]

>> I'd have to give you -- the contract is about this thick. Yes, there is a lot of detail in there. Different areas that they're renting from us to store cars, things like that, that are marked up. The lease rates that they pay for that land that they're renting from us, things like that.

>> Pool: Have the terms of the contract already been determined? And it just comes to council for approval?

>> Those contracts were negotiated and approved at the time that the -- we authorized the construction for the new facility.

>> Pool: Ok.

[Audio skipping] Will go into effect in October?

>> Right. Already approved. It is just the effective date starts in October.

>> Pool: Ok. I would be interested to know what fee is being charged. The one here, we have concession fee of 10% of car rental agency's gross receipts. I would be interested in.

>> That hasn't changed.

>> Pool: Ok. What is the term of the new contract?

>> I'd have to check.

>> Pool: Ok. And just real quick, what was the reason for eliminating the 10-mile radius?

>> It was just something that was negotiated in a long list of things that rental cars and what we wanted and rental cars wanted. The rental cars did not want that fee charged any more. The amount of money that we were bringing in from that was not significant, relative to some of the other things we wanted to -- from the rental car companies in tomorrow's -- terms of operation at the airport. We had to balance things off. We are trying to drop the amount of emissions, things generated at the airport. The traffic pattern, things like that at the airport are all things we trade back and forth in negotiating the contract.

[10:33:59 AM]

So amongst all of those large issues, one of the things we decided was to give up on that requirement for the 10-mile radius. In general, people in the community didn't particularly like it. It didn't generate a whole lot of revenue. We thought it was in our interest to get something else in exchange for that.

>> Pool: Ok. That makes sense. I would like to see a comparison of what was and what will be. It doesn't -- you may want to send it to the other members of the committee here. And maybe we can have a conversation about it.

>> Ok.

>> Pool: Sometime in the next month or two. Thank you.

>> Tovo: Ok. Other questions? Committee, I'll entertain a motion to accept the audit. Vice chair troxclair moves acceptance. Council member pool seconds it. All those in favor. That is unanimous on the dais. Thank you. Ok. I have a question for our staff. Number nine is presentation of the six-month reported audit recommendations upon I need some feedback on whether that is something that we need to formally accept or is that an item that you can perhaps provide to us? Counsel, any objection to having the comptroller provide that to us. Council member pool, are you ok with that?

>> Pool: Fine.

>> Tovo: Troxclair.

>> Troxclair: We have a bond sale, a pid, and you feel like an hour and a half isn't enough to get through that?

>> Tovo: We can try. We have two relatively large presentations left. And I think we'll need -- I think we'll need at least 20 minutes per council resolution.

[10:36:00 AM]

I think we will need to wrap up all of our presentations by 11:20 and at this point, we have just about 20 minutes for each of the two presentations.

>> Troxclair: If we don't --

>> Tovo: Are you comfortable with that? Ok. Thank you, we'll do that then.

>> If you would like a private briefing on that, we can meet with you, if that is what you would like.

>> Troxclair: That's fine.

>> Tovo: That is what we will ask that you e-mail it to us and individual council members will be in touch with any questions. Thanks. And if you have any questions, I'm happy to put it on June's agenda for follow-up. So we have two briefings ahead of us. One is number 10, and the other is number 8. We will start with number 8 and our bond council, talking about the upcoming bond schedule. And then we will move on to the representatives here for wild horse ranch. Again, colleagues, we have about -- let's try to spend 15 to 20 minutes on each of those.

>> I'm here with several representatives. Just here to talk to you. We're entering bond sale season. We wanted to present a go-forward road map. So we're here to talk today about a general obligation bond sale that is coming up. Our typical August sale and Austin utility refundings. We'll just keep going through it.

[10:38:01 AM]

There it is. Council, you have it in front of you, so we will go through it. There it is. So as a reminder on the general obligation bond sales, this is dealing with our public improvement bonds and our other debt big-picture reminder that the tax rate we have has two components, om rate and you have been discussing and the debt service rate that is related to the debt service on bonds that we have issued. That is set each year at the level to make sure payments are made. The estimated tax rate you see here, and this will change as the assessed value certified roll comes in. It is sufficient to cover the existing debt service and the planned debt sale we will have this August. Again, these are the different types of general obligation debt we have. We have public improvement bonds associated with bond elections and we also have certificate obligations, this is nonvoter approved bonds. This is related to the certificate of obligations. The go debt, -- G.O. Debt, that is from the property tax rate or other revenue, nontax supported, oftentimes we issue debt but another internal fund is paying that debt service and it is not coming from the property tax rate. Quickly, the steps to issuing the debt. The debt -- the bond sale we'll have this August, the work on this actually began last spring in advance of the 2015 budget when Kim and her group worked on the development of the cip plan.

[10:40:01 AM]

That led to the capital budget that was approved by council in September for the current fiscal year. The way we issue our debt, and our appropriations for the capital program, we actually appropriate those funds and then we come back and sel the de a a later date. Thiss a cash management tool. We don't want toell the nds and sit on them. Construction ojects, the neyoes not flyut the do O day on this is a

certain management tool where we don't have to pay extra interest costs on debt we're reimbursing. This is when we adopt the capital budget. This is dealing with the policies on cash management. We will do the bond sale this August. In the setting for our needs for the upcoming budget. I will turn it over to Kim. She's going to walk you through our upcoming -- right now, we're not finalized our preliminary bond sale. This is kind of our working number. Kim will walk you through that fairly quickly.

>> Good morning, Kim Springer, deputy service officer. Like Greg mentioned, there are three that we do pbs, certificate of obligation and contractual obligations. I will do a quick run through of the breakdown of each of the components of the upcoming sale, as it appears, it will play out at this point. First with the pbs, it is total of \$114.6 million. This is broken out between three different bond programs. From the 2006 -- we'll sell \$43 million for the new central library.

[Audio skipping] You notice a skip 20 six and 12. We have sold all of the debt related to the program. The bond program, it is broken out amongst three different categories and programs. For transportation we'll sell \$32 million.

[10:42:03 AM]

Austin film studios will sell one hundred million -- \$100,000 for that project. Parks and recreation for its various parks and facilities projects, will be selling 17.3, for library facility improvements, which includes renovations at a number of the branch libraries. There is 715,000. Health and human services facilities improvements is in at over \$4 million. The public safety improvements is \$6.9 million. The 2013 was focused on affordable housing. Over the life of that it will be a total of \$65 million. Click. For the certificate of the obligation, [audio skipping] We have building improvement on extremely important renovations needed at a number of the fire stations. Greg and Lorraine in their presentation noted the one-touch approach that we're taking with the stations and everything. That is a component of it. You also see with the central library, \$12.5 million in cos. This is part of the council approved funding plan for the project that includes a combination of 06 bonds, certificate obligations and transfers from the general fund. Improvements, the latter half of the Co are all -- Greg noted the tax supported versus nontax supported. These are supported by various other funding sources. The C home 33. Million supported from revenues collected from the tax increment financing zone. The Wal creek tunnel. 11.1 million is created by the tif for that project. The home buyout.

[10:44:03 AM]

That is the total of the funds for council to support buyouts in the onion creek area. From the contractual obligations, of course, a much shorter term debt. Communications and technology

management has 9.2 million and associated with the cotton project, which is the telecommunications networking, and gators, the greater Austin Travis county radio system. Austin water will need to purchase equipment to support their operations. \$2.4 million for those needs. And similarly with our golf public works and Austin transportation departments, they also have various capital equipment needs and can you see the 1.4, 2.5 and \$695,000 respectively.

>> As Kim mentioned this includes three types of general obligation bonds. Public improvement, certificates of obligations and contractual obligations. Certificates of obligation are naub voter a -- nonvoter approved debt, the notices are required to be issued for two consecutive weeks with the first being published at least 31 days or more prior to the date the city anticipates adopting an ordinance for the issuance of the certificates. This allows voters to gather 5% of qualified voters should someone want to challenge the issuance of the bonds.

>> So with that, mayor pro tem and council, that takes us to the June 4 council item on the council, which is the approval. This is an annual process. We bring this forward so art and his team can move forward on the notice protocol.

[10:46:05 AM]

And we work with the bond sale. We target August 27. The items Kim reviewed. We will finalize that and bring back art and Dennis waily are working on that. Mayor pro tem, we can stop if you have questions about this piece or go on to the water piece?

>> Tovo: Thank you. I think we should stop here and ask questions. Are there any?

>> Troxclair: That is a lot of information. I might need time to process.

>> Tovo: Sure. I think we are posted for action on this item today.

>> For the notice of intent, I think it is just a review. It is just a review of it. It will come to the full council for approval. We are -- -- our typical practice is to bring that notice of intention to the audit and finance committee and we thought it would be to talk about the bond sales.

>> Tovo: You don't need a recommendation from us today?

>> We do not.

>> Tovo: Thank you. Let's move on to water, and maybe there will be questions about this first section in a bit. You know, actually I have just one. Can you remind me, the certificates of obligation and contractual obligations, the difference in terms of the time, their purpose. Give us the one-liner you have done when you presented it initially.

>> Certificates of obligation are used for offbond cycle needs for real estate issues, land acquisition and oftentimes we're using them to issue our tif bonds under the tif regime. 20-year debt. Contractual obligation are seven-year debt, shorter term for vehicles and equipment.

>> Tovo: Typically certificates of obligation for an acquisition or something along those lines.

[10:48:08 AM]

For equipment, firefighter gear, things of that sort, if it were needed contractual obligations.

>> Again, part of the financial policies are cash management instead of burning up all of the annual operating cash, better bang for the buck, low interest rates we can get with our credit.

>> Tovo: I want to make sure the difference is clear.

>> Pool: Slide four gives a concise summary of that also.

>> Tovo: Vice chair troxclair.

>> Troxclair: If they're not voter approved help me understand how they originate? This is just the city staff identifies priorities and brings forward -- brings them to council for approval?

>> Council member, they're not -- the debt themselves are not an individual action. They're usually tied to a budget action. Policy issue. For example, if you look at the home buyouts, after the floods in October 2013, there was a discussion at council from a policy discussion to move forward on buyouts. There were several buyout packages, but this one would be actually funded by the drainage utility fund to pay the debt service. It is issued under the general government credit. Although the tax rate itself will not fund it, we utilize our credit to issue that debt. That policy came forward for the buyouts. I think council directed staff to look at a buyout amount. It was determined to be \$20.5 million. The funds were appropriated. Now we're here to sell the debt for that appropriation using this instrument, the certificate of obligation. So all of these items are similar. I think as Kim mentioned, the central library. We went through -- in 2010, council asked us to look at a financing model for the library. This was part of the discussion. And the seahome and waller creek are part of the financing and this is part of that approved by council.

[10:50:09 AM]

>> In essence, the bond sales lag -- lag the policy discussion. They lag the budget action. They're kind of coming in as the last step. And then the project gets complete.

>> Troxclair: You mention most of those under the projects list. The same holds true for the building improvements and those listed under the contractual obligations?

>> Yes, ma'am. For the building improvements we talked about earlier today. They're part of what we came to council and discussed as part of the improvement for the fire stations. And then the same thing with the contractual obligations. These types of equipment. These are more routine. These are typically tied to just the kind of ongoing business of running the utilities, running our public works departments, making sure they have the vehicles and equipment to do the street paving, same thing at water utility. This becomes a cash -- from a financing perspective, it is more efficient to use the financing vehicle of contractual obligations than it is to use cash.

>> Troxclair: What is the golf capital equipment? Do you have more information about that?

>> That includes a variety of different mowers, cart path edgers, I can give you quantities even, if you would like.

>> Troxclair: Ok.

>> It is similar to what the water utility and public works department, the equipment they need to keep doing their job.

>> And the equipment needs to meet certain criteria. Useful life, et cetera.

>> What do, do a significant review with the departments to make sure one, they're providing a complete and detailed list of all the different equipment types, quantities, meeting minimum thresholds on price, so that -- because we don't want to use debt for things that shouldn't be purchased with debt. And also making sure that they have that proper lifespan. Like art was mentioning. We make sure they will last a minimum of seven years before they need replacement again.

[10:52:19 AM]

>> Tovo: Councilmember pool.

>> Pool: Remind me what our bond rating is? I understand it is good?

>> Triple-a bond rating. The highest we can attain. We see if they can bump us another notch. That doesn't exist.

>> Pool: We'll have to make another notch. The last question, what interest rate do you anticipate these bonds will be sold at?

>> I'm Danis Whaley with financial management. It will happen in August. My crystal ball doesn't really go out two months. But looking at current rates. Somewhere in the 3% range overall, I guess for 20-year

debt. Don't hold me to that or write that down. We'll see what happens. That is kind of where we are right now.

>> Pool: This thanks so much.

>> Tovo: Thank you. Get to the next section, that would be great.

>> Good morning, mayor pro tem and council members, I'm David anders cfo Austin water. Here to present a presentation on the 2015 bond financing that will be coming before council on June 4. The refinancing is like taking debt that we currently have existing and refinancing it to some of the lower rates that we currently have in the market. Our estimated par value will be about \$280 million. This will provide debt service savings of approximately \$72 million through 2020. That is primarily in the 17 and 18-year. 2017-2018 year, where we had significant spikes going forward. This refinancing is allowing us to levelize some of the debt in the later years.

[10:54:24 AM]

The net present value debt service savings will be 20.5 million, which is about 6.7%. City financial policies require net present value savings of at least 4.25% for us to move forward. So we'll be continuing to monitor that as we move through finalizing this transaction. I do want to caution I do want to caution -- the market conditions could significantly impact savings over the next month or so, or two months before we finalize this transaction. Some of those could change the par value feasibility of this particular refinancing altogether, so we wanted to mention that if we are not able to achieve the 4.25% savings required by financial policy, that we will not do this transaction. Of course some of the benefits of this transaction is to improve some of the coverage ratio that continues to lag significantly due to some of the revenue shortfalls that we've had over the last several years due to some of the water consumption changes that we've experienced. And as I mentioned, it creates a level debt service over the next five years that will help us through this period. Just from a timeline perspective, this transaction will be a parameter sale that will come before council on June 4th. That parameter ordinance allows for the sale of bonds within a specific period of time, typically about 180 days. The council would give us approval that during that timeframe, based on market conditions, we would transact this bond sale moving forward. In June we go to the rating agencies and present this transaction to them and get the ratings for the Austin water utility, and then in July the bond pricing actually will happen where we actually lock in the interest rates and the savings.

[10:56:38 AM]

And then close those bonds in August. But we wanted to provide this briefing to you so that y'all would be aware that on June 4th, this would be coming before council as a parameter bond sale. And with that, I'll answer any questions that you might have.

>> Tovo: Councilmember pool.

>> Pool: How many years does the refinancing add to the payout of the debt?

>> It should not add any time to the payoff of the debt. Average life of these refundings is about ten years. And the bonds being refunded is about the same.

>> Pool: Is that additional ten years from the date of the refinance, or from the original date?

>> Today. You have the average life of the bonds being refunded and then the average life of the refunding bonds. Our attempt is not to extend the average life of the refunding bonds.

>> Pool: Okay.

>> I didn't say that right.

>> Pool: It's not added --

>> It doesn't extend the final maturity.

>> Pool: Great. Thank you.

>> Tovo: Councilmember Renteria.

>> Renteria: When you sell that report, can you also sell the bonds, if you could report back how much money we're saving, potentially \$20 million. It could be a little less. Could you tell us how that affects the water rates that we are paying?

>> Sure. Depending upon the final market transaction and the savings that are realized, we could provide information on how that would impact that. But, you know, one of the goals of this transaction is to levelize our spike in 2017 and 2018. So, it does allow us to, you know, levelize that debt service.

[10:58:39 AM]

Some of that is being used primarily for the increase in our debt coverage. Our debt coverage ratio is significantly lower than what our aa credit rating should have. And so, because of our financial position over the last several years, a lot of these savings are going to be to improve that financial benchmark going forward. And with that, that will help levelize some of our rates into the future. But we can provide an update on that.

>> Renteria: All right. And if you can also just give us some information on that spike that's going to happen. What will happen if we don't sell this? I mean, if you don't sell the bonds, if it's below four-point --

>> 4.25.

>> Renteria: Yes. That means we're going to be pacing a high spike coming in 2017?

>> Yeah. What we presented to council as part of our financial forecast did not assume that any of these savings would be included. So, as we move forward, if this particular transaction were not to meet those thresholds and we didn't do that, then we would be sort of at the levels of our financial forecast going forward. But as if we are able to achieve this, that will levelize some of that debt and will tend to, in the future, potentially levelize those rate increases, as well.

>> Renteria: Thank you.

>> Tovo: Okay. Any other questions? Okay. We'll see those on our agenda in June. Thank you. Thank you.

>> Tovo: All right. We now have a presentation from our staff about the wild horse ranch pit petition, and I believe this is coming forward on our agenda?

[11:00:40 AM]

Ms. Hart, are you doing the presentation?

>> I am the presenter on this. And we'll have some wild horse representatives come. They have a powerpoint that they can do, and/or they're available to answer questions.

>> Tovo: Great. I think at this point, we have, as I said at the very most, 20 minutes. So if we could just kind of be mindful of time for questions on that, that would be great. Why don't we start with the presentation, and then we'll see if we need the powerpoint from our wild horse representatives? Otherwise, we'll just do questions.

>> Okay. I have a fairly lengthy powerpoint here. But I can go through it pretty quick. And this will be the first of two meetings that we'll have the wild horse presentation material. This is an overview of pids, public improvement districts, as well their petition to create a pid. And then the second meeting will be for staff to present the findings on the request to create the pid and the feasibility study. Here are the items that I intend to cover. An overview of what a pid is, what the city of Austin's policy objectives are when it creates pids, the process for creating a pid, issuing the bonds, and at the annual actions required by council. What's been the experience in Texas, in Austin, and briefly cover the wild horse pid petition. And then next steps. Pids are just one of in economic development tools. I've listed them here. I won't

go through the list. You're -- familiar with many of them. Public improvement districts are allowed through the Texas local government code, chapter 372.

[11:02:40 AM]

Either a city or a county can create these special purpose districts. Again, they're an economic development tool. They're used to fund the public improvements or the infrastructure, or they can be used to fund municipal services in a specific, defined geographic area. They are created only at the request of the landowners, who make that request via a petition. The petition is filed with the city clerk. And it has to be more than 50% of the owners of the taxable real property liable for the assessments under the proposed petition. So that's a lot of words, but, again, it's the landowners who ask for the creation of the pid. Special assessments are the source of the funding and the cost of the infrastructure or the public improvements is apportioned or divided up to be paid by the landowners or the property owners that will benefit from the public improvements and/or the services. The pid creation is a discretionary act of the city council or the county. Basically, there are two kinds of pids, one is operating and maintenance, and I believe the economic development department is working on a position paper on a policy on operating pids, and the other kind, capital improvement. I'll cover those in a couple of extra slides. The operating pids, again, they require special assessments. And those are used to pay generally for services, or often, smaller dollar capital improvements that are used to supplement city services in the area that the pid -- in the geographic area of the pid. The city of Austin has three authorized operating pids listed below, and economic development is bringing information forward to you.

[11:04:46 AM]

In each case on these, I've given you the reference to the council resolution that created and originally established the pid. Again, we're focusing today on these capital pids, ones that have special assessment bonds or debt issued to them. The special assessments pay for the public improvements related to the pid land development. There are two types of -- two ways that the special assessments can be accumulated. One, they can be accumulated on a pay-as-you-go basis. Once you accumulate enough assessment revenue, you can use the money for improvements. That's one way. The other way is to issue the debt, the special assessment revenue tax-exempt bonds. Those can be issued either by a city or a county. Again, the city has three capital pids that it has already authorized, Whisper Valley, Indian Hills, and Estancia. Some of Austin's policy objectives, certainly, to promote economic development. But, again, one of the objectives is to support superior development, especially in our desired development Zones. To gain land use control for the council in the extrajurisdiction, and -- often to plan for the long-term annexation of the property. In the case of these three, they were justified to gain limited

purpose annexation, gains you the land control, and you set the date for the full-purpose annexation when you set up the pids. You hear the term, often, let's have growth pay for itself. I view this as a way where growth can pay for itself. Growth in the pid is actually making the payments on the special assessments that are for the public improvements that are benefiting that particular area.

[11:06:54 AM]

It also, sometimes, offers an opportunity where the city can redirect or re-purpose current capital improvement funding to other higher-priority projects. If we had projects in this area, and we were to use pid financing instead, then that other financing could be reallocated to other projects. And, again, our policy objective as adopted by prior councils has been to provide extraordinary public benefits in exchange for the use of the tax-exempt debt we are issuing. I've listed a few items where those benefits are shown. You may have additional environmental improvements. There may be open space, affordable housing, or public transportation facilities in these areas. Those are examples of the public benefits. And then a reminder that the city will ultimately take ownership of the pid assets. During the construction, they are constructed to city specifications. They're coupled with inspections and acceptance by the city. These policy objectives were adopted by the council on December 18, 2008. And you can see the list there or the policy objectives, and I've already provided a summary of those. The only thing here is that in this policy, I've listed the range of services and improvements that were allowable, and in particular, they identified the same list that is provided in state law. This is very difficult to read, but, it's an excerpt from the state law. Almost anything can be considered a public improvement, as you can see. This is a very wide-ranging list of items. And this is coming, again, from the chapter 372 of the local government code.

[11:08:59 AM]

In addition to the overall pid policy, there are specific financial policies that relate to the capital and debt management related to tax increment districts. This policy was adopted in 1996, and it has remained unchanged since then. It provides that all projects be evaluated for credit-worthiness, that any of the bonds that are issued, there are specific criteria for debt service coverage, additional bond tests, and debt service reserves. All of these are protections for the bondholders to get a better interest rate on the bonds. And it also talks about the maturity of the bonds. They shouldn't be -- they should be on or before the termination of the district. And that we should consider all other alternatives before we turn to tif or pid bonds. So, why would a developer need a pid? Why would they come to us and petition for a pid? Well, to build out a -- to build from raw land to a development is really a significant amount of cost before you even get to selling a single lot or the house, you've got to put in the roads and the

water/sewer extensions, and many other factors. So there's significant costs prior to you actually getting any revenue. And since the great recession, it's been much more difficult for developers to obtain bank funding for these raw land development projects. Commercial banks have different regulations. They're just simply not willing to provide upfront funding, irregardless of how well-funded the developer is, or how substantial they are. So, they've turned more to private equity and asset-based loans.

[11:11:03 AM]

And many of these are more expensive than they could get from a commercial bank loan, if they could get a commercial bank loan. So, pids have been identified as a tool to get the upfront cost in to start developing the land lots and sell the lots to a home developer for development of the homes. And they can get them at more advantageous rates. One of our pids has a commercial loan paying a 15% interest rate. What we can get on a aaa rating is 3%. These types of bonds, pid bonds, are not aaa rated. They'll have a higher interest rate, but, they're certainly not 15%. So, overall, it reduces the developer's financing cost, and cost of the lots. Here's a list of some of the pid projects that have been done in Texas. They are a national tool that is used, but the Texas legislature actually adopted the first public improvement district laws in 1987. They weren't used much prior to 2007. And most of those were financing homeowner association facilities and pay-as-you-go capital improvements. In 2007, city of trophy club issued the first pid bonds, and we've kind of taken off after that. There's some of the cities that have issued them. The size of their pid debt, interest rate, and terms are there. I've highlighted the three in blue lettering there for Austin, just for your information. This chart is extremely hard to read unless you have the paper copy. I apologize, but it really is an overview of all three of the existing pids that the city of Austin has approved, as well as the far right-hand column is comparable statistics on the wild horse ranch proposal.

[11:13:14 AM]

This includes both the date that the pid was created, the number of acres, the zoning status, the annexation status, and I want to note here that all three of the prior pids have been limited purpose annexation. This will be our first full-purpose annexed pid, although the law allows for in-city and outside-the-city pids. And again, there is a description of the development, a listing of the public improvements. Most of them are roadways, water, and wastewater extensions, parkland, trails, and things of that nature. And then, the amounts of the bonds that have been issued for each of them. The terms on the three existing pids are 15-year, and wild horse has asked for a 30-year term. And then you can see the interest rates on each of our transactions. I mentioned that the pids were not going to get as good an interest rate as our aaa bonds. Again, these are affected a little bit by the timing. You'll notice

whisper valley and Indian hills were in 2011, and interest rates were a little bit different then. So you've got higher interest rates. Estancia was in 2013, and we were seeing lower interest rates at that time, so that's part of the difference in those ratings. So, very quickly, let's go through the process to create a pid. Again, we talked about the petition by the landowners is submitted to the city clerk. It has to be verified against the requirements of the law to make sure that it's a valid petition. Then we enter a period where city staff is having conversations with the petitioners. We review their petition, determine whether it's in compliance with state statutes, and then perform a feasibility -- what's called a feasibility report in the legislation so that we can advise the council on the benefits of the public improvements.

[11:15:30 AM]

Then the last step is, the a lot of public noticing that will be required, public hearings on the creation of the pid prior to the council taking action. And once the public hearings are held, the council's got six months before they can pass -- before they need to pass a resolution to authorize the pid creation. We talked a little bit about this, the special assessment bonds are actually issued by the city, not by the pid. They are styled as in the box below. You can see the estancia, this is the headline on the page of the official statement, the market offering document in investors. It's got the amount. It says city of Austin. It says special assessment revenue bonds. They are tax-exempt. And then it names the pid. So that's how they're styled and identified. So they are city of Austin debt, although they are not secured by the full faith and credit of the city. That's why they have a different credit rating. They will not have the aaa rating. The source of repayment is the special assessments -- the developer is the owner -- and so they're making the payments until any homes are actually sold. At that point, the special assessments are then transferred or billed to the homeowners. That's how that works. The key here on securing the bonds and providing protection to the bond-holders is the land appraisal. You'll get an actual appraisal report on the land prior to issuing the bonds. And then a value-to-lien ratio. So, if you have a value-to-lien ratio of 3:1, and your property is valued at \$30 million, you're probably only going to issue \$10 million worth of bonds, because you want a higher value to the land than you do for the debt.

[11:17:48 AM]

And then in the event of default, the only protection you have is forecloser, sale of the lands. The other protection for the bondholders is a debt service reserve fund. How I'm doing on time? I'm not doing good. Head me -- let me figure out what I won't do. Annual process is key. The council has three meetings they have to take action on. Here are the things that you have to do. And they're all after you have created the pid and issued the debt. They're all related to the annual budget, the annual assessment, the annual service plan, and getting the assessment roll and the rates adopted, and then

incorporating all of that into the city budget. Ongoing responsibilities we have every time we issue pid debt, it has to go to the Texas attorney general for review. We have ongoing financial disclosure quarterly with the securities and exchange commission on all this debt. We have to maintain our compliance with the internal revenue service to make sure that the tax-exempt status of the bonds is protected, and other calculations for them. And then we have the ongoing council actions and the staff functions. So, let's talk about the wild horse pid very briefly. The development is a master plan mixed-use community. It is fully purposed annexed, and located in the desired development zone on sh-130 corridor. I've given the council a large 11 X 17 map, also. But, wildhorse is east of 130, and it's just north of whisper valley. The landowner filed their petition with the city in may of last year. They amended it recently to add some different landowners. The term sheet, generally, a summary of it, they would like to issue up to a maximum of \$42 million for improvements to be constructed and funded with the special assessment bonds.

[11:19:58 AM]

The maximum appraisal value to lien -- the minimum would be three to one. The maximum years of capitalized interest would be two years. And then they would like a maximum term for each series of the bonds of 30 years. So if you sell bonds, if they're phased, you sell them today. They'll go out 30 years. If you sell another set of bonds in ten years, they'll go out 30 years. So your relationship with the developer is going out 40 years with the way this is styled. And then, they have indicated -- tax rate in special assessments would be 25 cents per hundred dollar of assessed valuation. And that would be at the full build-out of the pid. The other thing that they're offering is, Travis county has a funding participation commitment on the table to cover a third of the cost of the wildhorse connector roadway. And I think that's about 5 million or so? There's a list of the landowners that filed a petition. This is the updated list from April 30th. This is a description of the estimated 42 million in public improvements, the roadways, the water and sewer improvements, the parks, the trails, three swim centers. You'll see that first subtotal is 42 million, and the lower amount is additional development cost that they intend to put into this development. Next steps, there. We'll continue to review the petition, prepare our feasibility report, finalize that with any additional discussions with the petitioners. We'll be back, audit and finance to present that report.

[11:22:01 AM]

I'd like to get the written report out before then to council. I think it will be long. That's June 24th. And then, I expect, if based on feedback from the committee, that we could proceed with public notices. We'll look at that. But to meet some of the timelines that Travis county is imposing, we need to move

fairly quickly into July, August, September timeframe if we can hold the public meetings. But we've got to get notices out to the landowners. They petitioned us, so they're going to expect the notices, and that's not a problem. And then the rest of this powerpoint is for your information only. Can we go to the wildhorse? We're here -- we'll answer any questions if you want to see the pictures, see what they've provided.

>> Tovo: Council, do you have questions for Ms. Hart, or the representatives from wildhorse, remembering that this is the first of two presentations we'll see? We'll see you back at our next audit and finance meeting. Vice chair troxclair, and then councilmember pool.

>> Troxclair: How many requests for pids does the city receive, and then which -- what criteria is used to decide whether or not to bring them to council?

>> To my knowledge, this is the fourth we've received. The criteria is the policy that was adopted in 2008 that outlines the policy for the guidelines for --

>> Troxclair: So this is the fourth, then we've approved the three previous?

>> Yes.

>> Troxclair: Okay. And the -- I think the tax rate was somewhere in here, maximum tax rate of 25 cents per hundred dollar valuation, based on the value of the properties that will be sold. What is the general idea of how much the homeowner could be expected to see as a result of this?

[11:24:07 AM]

>> I don't remember the Numbers, but I want to say the median home out there is in the 200 to 250,000 range.

>> Yes, councilmembers, my name is Pete. We're here on behalf of the wildhorse development. And, yes, Elaine and her staff have done an awesome job working with us on this. It would boil down to about \$500 a month. I mean, \$500 a year.

>> Troxclair: And the commitment from Travis county to fund a third of that road, is that -- are you going to be able to access that with -- regardless of the approval of the pid from the city of Austin?

>> Councilmember, the backstory on the wildhorse connector is, it is a project -- we're already your business partner on an extension of palmer lane. We're building as we speak a \$9 million public/private partnership with Travis county, city of Austin, and us as the developer. Wildhorse connector connects into that palmer lane extension. And basically goes east-west. That money for wildhorse connector phase one and phase two, which is east of wildhorse, was approved by Travis county voters in the Travis county 2011 bond election. And that's the deadline money that's expiring. Travis county commissioners

court has given us until August to bring the development agreement in. And in part, we're also talking to city of Austin public works about using these pid moneys to help fund the city of Austin's third part of the wildhorse connector. We'll advance the funds, and then we'll be paid back out of the city of Austin proceeds and the pid funds.

>> Troxclair: Okay. So -- but if the pid is not approved --

[11:26:07 AM]

>> If the pid is not approved, we're not sure we'll be able to do the wildhorse connector on a timely enough schedule to be able to match the county bond money.

>> Troxclair: Okay.

>> This helps us accelerate that project.

>> Troxclair: Okay. And it seems like there is a pretty significant difference between this pid and the ones that we've approved previously. I don't know where -- oh, this, page 15. I mean, this would be the first -- you know, when homeowners are looking to buy something outside the city, when they don't have some services -- when they know that full services may not be provided by the city. It's typical to use other development funding mechanisms in order to provide those services, and I think the homeowners would expect to pay a fee associated with those services. But I am concerned that someone who looks to buy a home within the city of Austin, you know, we're working so hard to keep affordability under control. And an extra \$500 a year is a pretty big amount of money. And I'm a little bit concerned that someone buying a home in that area might not be fully aware that on top of their full taxes, they'll have to pay for the city, they'll be responsible for this extra assessment. I want to explore between now and then the, you know, what that means. What approving a pid that's already within the city limits, what that could mean for precedent-setting for the future.

>> Councilmember, I know that we're pressed for time today. I'd like to extend an invitation for a personal briefing, a tour of the project, much more in-detail presentation. We have inundated Ms. Hart and her staff with the feasibility study and the backup material. The city of Austin hired its own outside consultant to review the materials we submitted.

[11:28:08 AM]

And so, we have a really high degree of detail, part of which includes a comparison of the annual tax expenses and assessment expenses of this community compared to a dozen other communities,

because we do have to walk that balance. We don't want to get ourselves into a situation where we have an unmarketable product. But we are truly trying to address that missing middle with this project. And we have a number of the imagine Austin tenants that we have aimed at open space, quality of life. And this is the actual eastern-most edge of Austin. So we are east Austin, and we're trying to be as inclusionary as possible.

>> Troxclair: Thank you.

>> Tovo: You raise a good point though, vice chair troxclair. And I hope that that's a conversation we can continue to have.

>> Yes.

>> Troxclair: Next month. Because it is different, despite all the amenities and the vision that you have for this community, it would be different from past pids. Councilmember Renteria.

>> Renteria: Yes. I really just want to learn a lot more about it, because, you know, all the other ones were limited, you know, purpose jurisdiction. And this one is a full-purpose. What's the difference? Are we obligated to provide immediate service to this development?

>> If it's full-purposed annexed, you're supposed to provide full municipal services just like you have elsewhere in the city. And I think the issue here is, once they do -- if development goes forward without the pid, then we're obligated to provide the funding for roadways and recreation centers and swim centers and that sort of thing. And currently, there's not bond authority.

>> We prefer that the city of Austin would spend the \$40 million for us and bring these sorts of improvements into the area, but that's probably not going to happen any time -- lay all this stuff down and then ultimately, you guys are going to own all this stuff, anyway.

[11:30:29 AM]

>> Tovo: Had you finished your point?

>> It's what Pete's saying. This accelerates projects in a specific area. It has the landowners or the property owners, homeowners, eventually, pay for what they would normally get through a city bond election, which, right now, there are no projects for this area in any of our authorized bonds. And so, we would have to have the election, and then the bonding authority. So, this is a way to stimulate economic development in that particular area, and to do it at a little bit higher interest rate. But to provide the public -- that's part of the feasibility study, is are there sufficient public benefits, extraordinary public benefits to justify this economic development, and the use of the pids, frankly. And part of it is the acceleration of the development in that particular area.

>> Tovo: Councilmember pool, did you have a question?

>> Pool: I want to take this opportunity to look a little more broadly at other work that the council is engaged in east of 183, and which we discussed in the context of the Decker Lake golf proposal at our last council meeting, where the mayor and councilmember Houston and I engaged in a conversation about what development is being planned east of 183, and to engage a comprehensive look at all of the different projects that are either pending or currently underway. And a lot of the genesis of that idea, at least for me, was after meeting with you gentleman about the Wildhorse Pk, thinking that the superior and extraordinary development, two of the adjectives describing the kind of development that would happen here, in exchange for the tax increment funding tool from the city would assist with bringing quality and sustainable and resilient development to parts of town that have not yet seen that occur.

[11:32:47 AM]

And so, I just thought I'd take this opportunity with the two of you here to invite you to participate in a conversation that we hope to have with developers so that the city can understand all that may be happening there, and also that would inform the community of the efforts and hopefully we'll have a comprehensive vision for what, ultimately, may be laid down as far as hardscaping and amenities. So, really, no response, but I just wanted to issue that invitation.

>> We absolutely want to be at that table. And I think given the opportunity to address those points, that the council will be very happy with what we're proposing.

>> Pool: Thank you.

>> Tovo: Yeah, I think that makes important sense, given your proximity to the tract that we've been talking about recently, which is Walter E. Long park, and the possibility of a golf course there. I want to mention, we don't really have time to address it. In looking at your planned unit development map that was on file with the city, I notice there's a proposed golf course in one of the sections of your plan, or the Wildhorse plan. So, I think as this area is being discussed, and various plans being considered in relationship to one another with the intent of stimulating economic development in this area of town, I think it's very important that all of those proposals are carefully looked at in relationship to one another. So, thank you. We'll see you again in June. I appreciate you being here. Vice chair Troxclair --

>> And please don't hesitate to call us.

>> Troxclair: I appreciate the point about the comprehensive plan for east Austin, but I am concerned.

[11:34:51 AM]

I mean, it seems like we're on a much tighter deadline with this particular decision than it sounds like the mayor -- that we are -- than we are probably able to be on in developing a comprehensive plan for east Austin. I mean, I think it's important, but at the same time, it seems like we're going to be forced to make a decision on this a lot sooner than we will have a comprehensive plan developed.

>> Yes. Our original request for this pid put us on a schedule where we made a conscious decision not to try to do a crammed-down, and get the old council to approve it. We felt we would be better off coming to the new council, because you guys, as Ms. Hart said, we're going to be living together with this thing for quite a while. And so, we made the choice to pull back on the throttle last year, let you guys get your feet on the ground. That's -- we're just bumping up the deadline with Travis county. And so, you know, we don't want to appear pushy, but we do have a couple deadlines that we've got. Thank you.

>> Tovo: Okay. Appreciate it. Thank you very much. Colleagues, we have two resolutions, council resolutions to discuss, and we really need to discuss both before we adjourn. On the other hand, we have at least one city event happening at 12:00 P.M., and another committee meeting that half of us are involved in starting at 2:00, and a council meeting tomorrow. So we really can't go long in our committee meeting today. So I would say we adjourn absolutely no later than 12:10, which affords us, really, just 15 minutes per resolution. So, councilmember pool, why don't you walk us through -- and then we are scheduled to take -- to make a recommendation on either one of these before the full -- that would go to the full council.

[11:36:56 AM]

>> Pool: All right. The effort for e-filing circles around effective and efficient use of technology so that campaign finances can be more easily tracked by members of the public to ensure transparency and accountability in all matters related to campaign financing. The ethics review commission worked on a draft resolution, and they had input from a number of other people relating to -- who have done a lot of work on ethics and campaign finance reform, specifically Fred Lewis. He is out of the country currently and can't be here to make a presentation, but you will see in the backup that the ethics review commission, after having a public hearing and working through previous attempts to have the city adopt an electronic filing requirement for campaign finance reports has now come forward with a recommendation. And I see that Bob from the city clerk's office is here. I don't know if you're here to offer any support from a staff level on this particular resolution?

>> Just to answer any questions that you have.

>> Pool: That's great. Why don't you come on up. We may need you. And Jannette Goodall is here, our city clerk. So, the idea is to encourage creation of an online searchable database of campaign reports. We do file, these documents are PDFs online. You can search with a PDF, but you can't search across PDFs, so it makes that information-gathering more difficult for everyone. So, this is to direct the staff in our its

department to complete the conversion, or the adoption to an electronic filing system for transparency and innovation.

[11:39:08 AM]

I will say that there is a senate bill 1435. Yesterday it was placed on the general state calendar. And this one, according to the house committee report, relates to the electronic filing of reports of political contributions and expenditures and personal financial statements by certain office-holders and candidates, and the content of those statements, and then creates a criminal offense. My understanding of this bill is to allow entities to make use of the ethics commission filing system. So we would not have to create our own system, which I think was one of the obstacles previously. And give us a little additional information about the filing systems.

>> Well, we met with the Texas ethics commission, representatives from the clerk's office met with the Texas ethics commission back in November. And basically, to get a status update on where they are with their new e-filing system. As you may know, they've had an e-filing system for many years that they allow local file stores use, but they have been developing for the last couple of years a revision to that system. And it's currently in beta. They are hoping to have that out in time for the July 15th filing deadline. I asked them as many different ways as I could think of, could we have access to that application, could we get access to the data captured by that system, and they were very clear that they did not have the funding or the resources to do that. And that their top priority was for state filers, and it wasn't even --

>> Pool: I think we're getting a flash flood warning, if I were to guess. That's what that beeping is. Go ahead.

>> So, our hope was, they encouraged us -- us to petition the legislature to force their hand so they would have to provide support to local filers.

[11:41:20 AM]

Absent that directive from the legislature, their plan was that that they would provide minimal support to local filers and they would probably not even retain the data. They would allow local filers to use the system to generate a PDF and then discard the data, which seems like a terrible waste.

>> I agree, yeah. So if we are able to access their system, then, we'll be able to bring the information into our archives and collect it and save it, is that right?

>> There would need to be some discussion with them about how we would actually do that data transfer. In other words, would the filer capture the data locally and then deliver that to the clerk's office and we would upload it to a database? One of the obstacles that the ethics commission -- they expressed concern about the security. They were very reluctant to provide the city direct access into their system for security reasons. So, that's an obstacle we'd have to overcome. The local filers would have to deliver the data, or we could get the state to agree to let us to have access into their system, or if they could provide us with a download of that data that we could upload

into a database, we would have to work out the details of what that transfer would look like. There's a lot of different approaches we could take to do that.

>> Pool: So this resolution would essentially authorize staff to continue down this road, working with the Texas ethics commission and our information technology management folks, and the city clerk's office in order to hopefully have this functionality available at least by January of 2016 at the city level, is that correct? Am I close?

>> Well, my interpretation of this is that what is being requested here goes beyond that and to actually build a system that would essentially do what the state system does, that would actually require building an application that filers would use to provide their data to the city.

[11:43:38 AM]

So, it would --

>> Pool: And I think that may be because we were running into obstacles with the ethics commission.

>> Right.

>> Pool: So I would still like -- and we may need to adjust the resolution to include that specific task in it, because if there is a way to make use of an existing system, it would make things simpler for everybody. But I recognize that that may be an obstacle that can't be overcome. I would hate to have that obstacle at the state level -- ethics and campaign finance reform effort that we're undertaking here.

>> I would just point out though, that of the two pieces, if you think of this online campaign finance as two big pieces, one chunk is the collection of the data from the filers, and the other being the provision of that collected data to the public. The second part is actually pretty straightforward. We can get the data, we can put it in a database, and we have an online data portal that we can provide and distribute that information. It's the collection piece that's the complicated part. And it's the one that has tripped us up over the years where we've talked about this. For example, we've talked with our colleagues in San Antonio, representatives from their it organization and the clerk's office there. They've built their own system. It took them a couple of years, and they spent on the order of \$700,000 to do it. We talked to our colleagues in the city of Dallas. They also built their own system from scratch. They told us it took them about 12 to 18 months and cost them about \$700,000 to create. That's where some of the Numbers came from for the early estimates. There was an effort to outsource this to the local hacker/developer community. After a year of them working away on it, they came back to us and said, the technical requirements of this system, we can't meet them. We can't do this. And so they wanted to back out of working on this.

[11:45:42 AM]

So, it's that first piece. So, of the distribution of the data, again, we have an online data portal. We have a tool to do that. The collection of the data, that is providing a tool where a person can authenticate themselves, securely upload that data into a staging

area where they could hold it and then come back when they need to and not have to do it all in one session, pick up the data where it's left off before ultimately submitting it into a production system, it's that whole process of securing that and authenticating the filers, that's the complicated piece. If we could leverage the state system, that would save us so much effort, because they've invested over a million dollars in developing this system.

>> Pool: Right. Can you tell me again when you'll know how soon that would be available?

>> I think it depends on the legislature. I don't think they made a decision yet on whether or not they would authorize --

>> So we'll know that soon. And I just want -- there are actually two "Be it, therefore, we involved" clauses here. One would be -- excuse me, three. One would be to bring back an ordinance to council requiring candidates to use an electronic format. The second would be to develop the e-filing system. And then the third would be to develop the queries. It sounds like we may have information soon from the legislature about whether or not the state tool would be available. And councilmember pool, were you suggesting -- is the mayor the lead sponsor on this, or is your office?

>> Pool: My office is, but he's working -- he and his staff are working with mine on this, and some people in the community as well as the ethics review commission.

>> Tovo: I've been part of that, I want to be clear on the sponsor.

[11:47:43 AM]

Were you suggesting you might adjust a clause to incorporate the possibility that the second be it, therefore, resolved directs our city manager and clerk to develop the software. If we have a state option, you wouldn't want them to develop their own?

>> Pool: Correct.

>> Tovo: Are you offering this today for committee consideration with the assumption that it would be revised before council to reflect that possibility?

>> Pool: Yes.

>> Tovo: Okay. Super.

>> Okay.

>> Tovo: Questions for councilmember pool or our staff?

>> Yeah. One thing I'd also like to point out -- excuse me -- even if we do use the state system, you should keep in mind that the state system will only allow use of the state's -- the Texas ethics commission's forms. The city has a number of schedule in addition to the state forms that of course would not be within the scope of the state system. So, we would still have to work out some protocol for how we collect that information electronically.

>> Renteria: So basically, this resolution is going to force us to file reports electronically? We can't submit a paper form? And there's going to be penalties if we don't do it?

>> Ms. Goodall, do you want to describe the current submission system?

>> Let me just pop in here for a minute. It would direct the city manager to develop an

ordinance. If the ordinance passes, then it would do the things you suggested. This is just the first step in asking the city manager to develop that ordinance.

>> Renteria: Yeah, and that's what I'm trying to get to.

>> Tovo: Sure.

>> Pool: And I think we do currently -- go ahead.

>> So, currently, we accept the filings in hard copy. But we also have a rule that if it's over a certain dollar amount, you file a CD, which basically was just an electronic copy of your hard copy form, not necessarily the data itself.

[11:50:02 AM]

And so, we would have to figure out what it is you want -- what information you want collected electronically.

>> I think maybe the way to approach this -- and I realize we're short on time -- but currently, people who have raised over -- is it \$500? What is the lower level? At any rate, there's a lower threshold, and the majority of the candidates in the last cohort that went through was 78, did file some version of an electronic form. We had to copy onto a CD, the last time I did that was years ago.

[Chuckling] And then hand that in so that the clerk's office could upload it so that it could be viewed online. They didn't have to do the scanning themselves. This would bypass that putting it on a CD step and go directly online for the upload.

>> And this is actually a case where the code really didn't keep up with the technology.

>> Pool: Right.

>> My understanding is we asked for cds because at that time, we did not have the equipment to scan efficiently and get even a PDF copy out on the web. And so, we currently still scan on, because that is the notarised copy, the hard copy, not what was on the CD. So the CD is kind of a backup if something happens.

>> Tovo: Vice chair troxclair.

>> Troxclair: And I think that we may be talking about two different issues here, because there is a difference between just being required to submit something electronically or on a CD and actually filling out the form electronically. The CD could just be a copy of something that was written by hand.

[11:52:05 AM]

And so, as far as the first be it resolved clause -- first of all, thank you councilmember pool for taking this issue on. I know that it's been something people in the community have pushed for a long time. It would certainly make it easier for -- and more transparent. But, I want to make sure that when we implement it, we implement something that we can actually achieve. So, I'm looking at -- I don't want to develop an ordinance that requires candidates to do something electronically that the city does not have the software or we're not providing the program for them to be able to do that. Because right now, that doesn't exist. So, I don't know how to reconcile those two -- that issue.

>> Pool: That's what this would also contemplate, is having the staff work on that interface. So that we could eventually take in campaign finance reports the same way state-elected officials do it. They do it on a form that's online. Political action committees and different standalone pacts, that's how -- we want to bring that system locally.

>> Troxclair: Well and I guess my other question is, speaking of the state program, unless something has changed in the recent year or so, the current state program is not -- the current online program is not compatible with all different computer types. You have to use -- you can't use a Mac if you download a separate program, that makes it compatible so someone can fill a form out electronically. So, even if we were able to adopt this state software, use this state software somehow, there are still technology issues we may have to overcome. I would hate to put a candidate at a disadvantage just because they don't have the right computer -- computer or require them to pay someone to file their reports for them.

[11:54:09 AM]

>> That was the case with the old application, but the new one is entirely a browser-based application.

>> Troxclair: Oh, great.

>> Yeah, the old one actually was a downloadable executable that you had to run locally. It used an access database. So, it had certain technical limitations. The new application is entirely web-based, and it actually uploads data directly into a centralized -- a series of centralized databases.

>> Tovo: Vice chair troxclair was still speaking.

>> Troxclair: No, I'm glad to hear that they kind of overcame that obstacle. Yes, it would be great if we were able to use that data. And I guess the third thing that I was thinking about, looking at the resolution, is even if we are not able -- even if we continue conversations and see the end of the legislative session and are not able to use the ethic's commission's software, based on the amount of time that it took the other municipalities to develop similar programs, do you feel like January 1st, 2016, if this resolution was passed and you did move forward, do you feel like January 1st, 2016, is enough time for that program to be developed?

>> I think it may depend on what the main priority is. If the main priority is to get it -- to get the data in electronic format that we could get published on the data portal that the media can compare everything, we could probably do something where we have folks just submit that data to us as a csv file or excel spreadsheet that we could then upload.

[11:56:10 AM]

If you're wanting us to build an entire electronic filing system where you submit your filings from home automatically, that may take longer. I'm not a technical expert.

>> Troxclair: You said 12 to 18 months it took Dallas?

>> Yes.

>> Troxclair: I would think, I'm sure councilmember pool can weigh in, I would think if we are going to go down this path, that we would want the most robust and searchable and usable system possible. So, I guess my preference would be to make sure that if we are going to take on the project of doing something ourselves, that we truly dedicate the time and resources that we need to build something that is going to be effective in the future.

>> Sure.

>> Councilmember pool, are we able -- I know that this is something that we want to move forward, but do we need to vote on it today or can we take time to work out the language issues and details that were brought up, and vote on something at the next audit and finance meeting? Is there --

>> Pool: Sure. I think that would be fine. And we will have a better feel for whether 1437 passed. It is on the house calendar. It moved pretty quickly through the system at the state, and it looks like it was not opposed in committee, either in general investigating in ethics or senate state affairs. The author is Judith, the sponsor on the house side is Sara Davis. So, we may know pretty soon. In fact, maybe momentarily whether any action was taken on -- to be able to hook up with the state, because we wouldn't have to create a whole new system.

[11:58:16 AM]

It would be a lot less expensive. That's what I was contemplating.

>> Not only that, sorry to interrupt, but, not only that but as the state ethics commission changes its forms, which they do, they would make changes to their own system. So by leveraging their system -- they don't normally notify us when they make a change. If we have our own separate system, it would require us to monitor the state's forms. Any time they made a change in a form, we would also have to. We would have ongoing maintenance to keep the system synchronized with the state's forms. Again, if we could leverage the state system, that takes that off the table, as well.

>> Pool: I think what I'll.

>> Pool: I think what I'll do, mayor pro tem, councilmember troxclair, I'll check in with our colleagues at the capitol and see what the status is of the legislation and we'll adjust the resolution request going forward, and what I might suggest, because time is -- I think there is some time urgency, I will circulate it around to the offices and maybe if there's an opportunity for us to act on it before our next audit and -- because that would be the end of June. And then so this -- it's possible that this wouldn't get to council until August, and I think losing two months would be actually -- have a negative effect on any ability that we might have WHE momentum and if we do get the okay from the ethics commission and the slaughter, I think it would be good to -- legislature I think it would be good to move forward with it sooner rather than later, if that's okay.

>> Tovo: Sure. You have two options I think. If there are several clearly identified items, I can see -- well, let me ask the other committee members. If you -- one issue

has been identified to adjust the language to take into account that the staff may work with the city, with the state system.

[12:00:22 PM]

Would you like to make a recommendation or vote on it today, or would you prefer -- understanding that if we don't, it may just move to the full council?

>> Pool: It would be nice just to -- committee that you support the effort and -- or not. Because I do think this is important to the community at large. There have been a number of conversations at the legal women's voter level has a work group avid supporting forms, I think we are indicating and signaling our support for the same with the rules that regulate the behavior and the processes that we engage in on a campaign level.

>> Troxclair: I certainly -- support the effort but I think it would probably be more effective for us -- I don't know that I'm comfortable voting -- making changes right now and voting on the specific language right now. And I think that it may be most helpful and most effective if we come to the full council with language that has addressed all these issues and that we have been able to vote on so that they have the confidence that we've thoroughly thought through it and we've come one the best way to proceed rather than trying to make changes right now and then not having time to really have that conversation. So, I mean, I have no problem saying I generally support the effort to get searchable and electronic campaign filings pip just want to make sure that what we do is really -- it's really going to be the best thing.

>> Renteria: And I would also -- I would also like to wait because, you know, if there's an opportunity by going through -- and partnering with the state, then we should wait and take that, take that route because, you know, it saves \$844,000, but we don't really know if that's going to be the total cost.

[12:02:36 PM]

So if there's a way that we can -- we'll find out tonight or tomorrow, then we should wait for that route.

>> Pool: Sure. That sounds fine. We may have a better estimate on the cost. My understanding in talking with staff it was significantly less. The 844 was a rather older figure and based on having to develop a system entirely like Dallas did. The amount was -- I can't remember if it was \$10,000, significantly lower. I liked that number better too.

>> Tovo: Okay. It sounds as if the committee is generally favorably disposed but is not prepared to vote without seeing more -- without seeing some revised language. And councilmember pool will make some revisions, talk to the council offices you've been working with, and then decide whether the time allows you to return to this committee or to go to full council. We certainly heard some interest in seeing it back again next month, but you'll have to think about the timing.

>> Pool: That's great. Thank you all.

>> Tovo: Everybody okay? All right, councilmember troxclair, vice chair troxclair.

>> Troxclair: So this is a resolution that has to do with vacancies that have been vacant for over 12 months. We have a speaker. Do you want to --

>> Tovo: My goodness. Thank you, vice chair troxclair. Mr. King, you had registered to speak for three minutes on item number 6. Would you like to speak before or after the -- why don't you speak, and then we'll have councilmember troxclair --

>> One minute because I realize you all are on a tight time line. I wanted to provide input. I think it's good to go through the process to look at the vacancies and then take that money, instead of leaving it to the city to decide how to allocate the unspent dollars, that the council should have a say in how those monies are either used to help reduce -- pay for the property tax exemption that's on that -- being considered or reduce taxes or redirect them to other priorities in the city.

[12:04:46 PM]

So I would just like to find out, you know, what specific job vacancies there are, to get more data on which ones seem to remain vacant longer than others and why. Is it because the salary is not high enough, it's not competitive? Because really the council, y'all have deliberate lady funded those positions at that level to provide services to the citizens. And so I am concerned that the vacancies are there because we're not getting the impact of those services to our citizens that you, as the council, you have approved. So I do agree with looking at this and y'all explicitly deciding what to do with that unspent money, but I am concerned if we're not filling these vacancies the services are not being provided to our citizens. And to see what -- why do we have the vacancy level? I calculate it at roughly 7.5%, is our vacancy level, and if we are going to redirect that money, then would I suggest that it be redirected to help fund our parks and recreation for economic development in east Austin and to help residential property tax abate -- all taxpayers reduce the taxes. So thank you for listening to my comments. I appreciate it.

>> Tovo: Thank you, Mr. King. Vice chair troxclair.

>> Troxclair: Sure. Thank you for those comments, Mr. King. I know this has been on the radar of the last council and was a topic that was discussed during the last budget cycle, was taking a look at our vacancy rate and making sure that we're doing what we can to reduce the vacancy that's were continuing. I think there has been improvements made. It seems like from the graphs that we've been shown in our budget discussions we have gone from an 11% to 7% vacancy rate. So I think that that's wonderful progress. So this was intended to give us a little bit more of a structured framework so that we don't have to constantly ask how many position do's we have available that have been vacant over a certain amount of time. This would kind of give us every budget year anything that has been vacant for over 12 months, would -- that funding would then basically just be rolled over into general revenue for the council to, you know, use how they want to.

[12:07:01 PM]

It would be a credit, pretty much, for the next budget cycle. And of course in the -- in the climate that we are in, where we have an affordability crisis but also a lot of priorities we're wanting to fund, I think that this would be not only a good financial tool but also just from a transparency sake a good way for to us keep track that we're kind of mid mid starting from a clean slate every year basic premise, just for background, we have as of fy15, we had over 1,000 vacancies and there's 136 of those positions having vacant for over 12 months and those 136 positions total \$8.5 million. So it is quite a substantial portion of money. Just looking at the most recent list of vacancies, there was one vacancy, I think it was in the building services department that had a salary of \$116,000 that had been vacant since 2011. There's office of real estate services position that's been vacant since September 2008. There are a couple that have been vacant since 2005, 2008, 2012. So it's not to say that those positions -- I know of course that there are extenuating circumstances sometimes. There may be issues with the pay isn't great enough or we have a very specific expertise that we're seeking and it takes a long time to attract the right person to that position or -- so I certainly understand that there are extenuating circumstances, and this is not at all intended to ignore those, but then it would just be -- they would -- those departments would then just have to come back to council and say, hey, we had a hard time finding the right person but we really still need the service, can we continue this for the next year. There would be no problem having departments come back to council during the budget cycle and continue that funding. But Luke I said, I think this would be a way for to us kind of keep track of the positions out there and make sure that we're allocating money to the intended purpose.

[12:09:10 PM]

>> Tovo: Councilmember pool has a question for you. Thank you, vice chair troxclair.

>> Pool: Couple questions. When it says in the fourth whereas that funding allocated for these positions exceeds 8.5 million, does that also indicate that the money is spent, money has -- money has not been spent? Is ed going to respond?

>> I don't have the information on the 136. I have a different report.

>> Pool: I guess where I'm going with my question is the positions aren't filled so that money remains in the general fund or wherever -- whatever account. Has the money been encumbered in order to spend on staffing salaries? How fungible is the money.

>> Money is -- if the fte is not filled, sometimes the department will hire a temporary with that same budget money because they have not been successful in filling the position. So I can't -- without knowing where this analysis came from, I can't tell you if that money is all unspent, if that's the amount budgeted --

>> Pool: Got you.

>> -- Some of it may have been spent for temporaries or overtime, backfill.

>> Pool: That would be good information to have because I -- and my next question is, if we do away with fte slots, how much effort is required in order to LE generate that fte slot and argue for its inclusion and expansion of staff? In other words if we reduce the

number of ftes at the city in a department and we find out that we need additional support and we don't have those slots available, how much effort is and I had what is the time frame that is, on average, does it take in order to bring a new position online?

>> It typically takes about three months, and it varies a lot.

[12:11:13 PM]

I would say kind of closely maybe -- loosely maybe three nos get a position filled.

>> Pool: I'm not talking about putting the ad in. I'm talking administratively, what do we need to do in order to put a new fte online so then you can advertise? The staff has to come forward with information that validates and justifies the need to now add another fte back in once we've cut. Is that correct?

>> It would take council action to cut the positions, and it would take another council action to add them back. To the extent we're talking about this as part of the fy16 budget process it could theoretically be done seamlessly in the sense those positions already exist and the budget staff proposes to council will include the number of slots that staff is recommending, you know, to get the job done. And then if council -- as always, if council wants to increase or reduce the number of slots in the budget, you could do so. So I guess it depends how it's -- how it's implemented. I mean, if in this resolution it's envisioned that council would direct staff to bring back a -- an ordinance amending the fy 2015 budget to reduce this number of positions, then those positions would be off the table. You would not be able to fill those -- staff would not be able to do anything with those positions until the next cycle, if staff were to then recommend they be added back, it wouldn't be until council approved them being added back in October that that recruitment process could start again. I guess it depends a little bit on exactly how the wording of the final resolution. I think the way I saw it now wasn't directing staff to come officially cut the positions. It was saying if the positions were vacant for over a year, the savings from the positions should revert back to -- I guess it would need to be from the fund in which the vacant position existed.

[12:13:20 PM]

That's what happens now. If a department has a expression it's not filled -- vacancy and it's not filled, there's savings at the end of the year, those resources revert back to the fund's ending balance and get reappropriated by council in the next subsequent budget.

>> Pool: Okay that was my understanding of what happened with the funding on the ftes. So I would like additional information on how many of these are filled currently but maybe with temporary and not full-time. And I also would like some contextual work that was done on the previous budget protests where there was a change and reduction in the number of vacancies or percentage of vacancy that's the city manager was authorized to continue, I think maybe mayor pro tem was active in that effort.

>> Tovo: Well, I was here. It was really another council office. It was councilmember Martinez for the most part. Actually, in last year's budget cycle and the one prior to

that, I believe, there was a lot of discussion around vacancies and that would come through councilmember Martinez's questions in the Q&A process, and then there was council action to reduce and reuse that funding.

>> Pool: How much was it reduced last year?

>> I think there was 23, that rings a bell 23 FTEs were ultimately reduced through process of looking at the long-term vacancies, working with our departments, talking to them about some of the questions that were just mentioned, why are they vacant, why have they been vacant for so long? In some cases the job titles have been sitting for a while and they were retitled in order to attract the candidate being resought. At least in 23 cases the position was just determined that it could be eliminated from the budget. And that's what was done. You know, one thing I wanted to mention in addition to what Elaine was talking about is we also do budget what's called a vacancy savings.

[12:15:21 PM]

And so, you know, in an organization with 13,000 -- roughly 13,000 authorized positions we know we're never going to have those all filled at any given time. The vacancy rate, at least for the last year or so, ever since those changes were put in place last year and the vacancy rate had been in double digits, we were able to drive it down to about 7% of 13,000 is 910 vacant positions. At any given time it's a treadmill for any variety of reason, that's transition and turnover and takes time to get those positions filled. You end up at a steady state of ebb and flow but maybe 800, 900 vacant positions. So as part of our budget planning we anticipate we're never going to be fully staffed up and budget what we call a -- we call it vacancy savings. It's actually a negative number. If we might have otherwise budgeted a million dollars we might only budget them -- we might budget them 7% less than that, \$930,000 in this example, in anticipation that there's going to be some vacancies throughout the year. So when you start looking at these vacancies and start thinking about it in terms of savings, it could be reallocated, you need to take that dynamic into account and then of course the dynamic that in many cases departments that have high turnover for any number of reasons, parole is a good example, if lose a position but still need to run a rec center they take an hourly employee currently working 15 hours a week, they need to work 20 or 25 a week until they get that FTE back and they can still get the work done in that manner, but that vacancy savings then gets eaten up by those additional hours. Even the question of how many of these positions are being backfilled by a temporary is really difficult to get at because we may not add a temporary to backfill the position. We may just increase the number of hours our existing temporaries are working and then overtime is a big domestic, particularly for the fire department where they run all their apparatus at 4% staffing so they currently, because of the consent decree and all the issues you're well aware of they have not run an academy for a very long time, have over 100 vacancies currently.

[12:17:36 PM]

I'm looking at my list. 64 of those positions have been vacant for longer than a year but every single one of those seats is being backfilled on an overtime basis and it actually costs them more to do because they're paying time and a half.

>> Tovo: Thank you, Mr. Van Eenoo.

>> Pool: Appreciate all of that. It's really important. I appreciate vice chair Troxclair's effort on this. I think the reality is this is incredibly complex and there are many complicating factors that pulling out the one, X number of vacancies over a Y time frame equals Z dollars really needs to be contextualized so we understand where they are and why, and the other effects on the workforce that we're trying to mitigate here before I would be able to support something like this going forward.

>> Tovo: Vice chair Troxclair.

[Laughter]

>> Troxclair: I just wanted to add to the conversation about the temp employees. I just want to underscore that we are only talking about vacancies that have been vacant over 12 months. So they -- those departments still have that funding for the entire year. So if they are -- if they don't hire someone but are using a temp to fill that position, they still have full funding to do that. And of course I'm sure in the case of, like, the fire -- fire department, they would -- we all understand the issues that they've been facing, and would have no problem continuing, continuing to fill those vacancies. I think or -- continuing those positions. I just really think the difference is when we're talking about -- the difference -- with this resolution, the difference would be once we come to budget cycle, instead of having a department say we need one -- we're wanting to file -- we're wanting to add one additional position, we would have the information of, well, there's been two positions within that department that have been vacant for over a year and then they're asking for a third.

[12:19:45 PM]

So it would just provide us with, I think, a little bit more fuller picture of the status of the department and where the funding is going. And so if those positions aren't being filled, I just think it would give us more -- yeah, more of a context in order to make our budget decisions because a lot of times, you know, as we're learning through this budget cycle, we really are only made aware of -- not made aware, but a lot of the discussion is only focused around the changes being made. So vacant positions that are rolling over from 2005 are not necessarily specifically talked about or specifically looked at, and this would just make sure that we're starting with a clean slate every time and hiring -- and providing funding and hiring people that we have a specific need for. So -- and, again, I -- this is just -- this would just allow us to reallocate funding. There -- we would have a separate amendment, you know, during the budget cycle. This doesn't make any decisions of what to do with that funding at all. That would be all during the budget process. But it would provide us with a little bit of additional funding to say, yes, we want to continue these positions or we have other priorities or we want to reduce our spending. I mean, I think it would just provide -- it would be a tool to provide us with a little bit more flexibility in a really tight budget cycle that we're facing and I think

it would be a common sense measure that wouldn't lead to any reduction in services, in city services. So with that context and with that time line in mind, I would -- I mean, I'd like to hear from the rest of the committee members on whether you would be comfortable at least moving this idea forward to have a conversation at the full council about it.

>> Tovo: Councilmember Renteria?

>> Renteria: Well, I really don't have a problem with it, but it's -- it seems like the money is going back into the general fund anyway on that savings from even the positions.

[12:21:47 PM]

I guess every year y'all just re-- are y'all just refunding that position? Is that what you're saying? That's -- I don't have any problem with that, sending it forward, if it's . . .

>> Tovo: I guess -- so I think, generally, I agree with the -- I agree with the intent to really look carefully at positions that have not been -- that have been vacant for a long period of time. It would be my strong preference that we do that in the way that it's been done in the past and ask staff for that information through the budget process and ask the staff to provide us with information about why those are vacant. I would -- if this is being contemplated for action today, I would want Ms. Hart to weigh in on whether these Numbers -- I think I heard her say that these Numbers don't match the Numbers she had and I would not want to forward something that has a discrepancy in the Numbers. And I guess I would say I'm not sure -- I think I want to understand the intent of the be it resolved here, that we would be asking the city manager to process a budget amendment that allows council to reallocate the funding for any vacant positions but we already have that discretion during the budget process. So help me understand what the time frame would be for this. If the resolution passes then the city manager would return with a budget amendment reallocating the funding for this fiscal year, councilmember troxclair? Or -- and I -- yeah.

>> Troxclair: So I think that the -- and correct me if I'm wrong, but we may have a little bit of confusion in the fact that right now -- so,, say there is an employee -- we'll use this office of real estate services employee that's been vacant since 2008.

[12:23:50 PM]

That funding continues to roll over to the office of real estate services. It's not redeposited in G.R. And redistributed. It gets folded into the budget the only positions we typically look at when we're looking to make budget changes are the new positions above and beyond this that they're coming forward asking for. So I think the intent of this resolution is to not just continue rolling it into the same department, but to send it back to G.R. So that we do have an idea of how much money that is and we can either reallocate it to the department to continue that vacancy or -- to continue that position or we can choose to do something else with that money.

>> Tovo: So I think what I could support -- one, I would want Ms. Hart to know -- to weigh in on the Numbers -- I could support asking the city manager during the budget process, when he brings forward the budget proposal, to provide us with a list, with a report on any city positions that have been vacant for more than 12 months, what departments, what departments those reside in, and some explanation of why the department feels that position is still justified and why it's been vacant. And really that's more akin -- than we've gotten in the past but it would seem to me that might achieve the aim or at least part of the aim that you're describing, which is to make it a very intentional action of council to review those positions and say they've been unfilled for seven years and we haven't -- and there's not a good explanation or not one that we feel is worth approving the money for, that we're going to look carefully at those.

[12:25:51 PM]

That's sort of where I land on that.

>> Troxclair: Do you want to address her Numbers questions first? We collated the -- this information in -- included this information in the resolution just to give context what have -- the kind of Numbers that we're talking about when we're talking about vacancy rates, and I think -- I mean, it cites this was from chief financial officers report from fy 2015 but obviously the Numbers -- the number of vacancies vary every month - - I mean, vary by the day.

>> We report on it every pay period. I don't know what report you were looking from is all. The 8.5 million, again, I don't know if that was the budget amount. I don't know, ed, if you had looked at this before. The 8.5 million, I don't know if that's the budget amount or the spent -- what was unspent. I'm assuming it's the budget amount.

>> Troxclair: Yes, it was the budget amount. We took one of the reports and we looked at the 136.5 positions that have been vacant for more than 12 months we added up the amount of money that had been budgeted for those positions, and it totaled \$8.5 million. That's where that number came from.

>> I just don't have the exact report Ms. Troxclair was pulling from. I don't have a problem with that. If it's in the whereas, we can check the number and get with her office if we can't find the number. I do think your suggestion of a specific report with a proposed budget of those positions that are older than 12 months, that have been kept in the proposed budget is probably getting at what councilmember troxclair would like to do. We do have a fairly rigorous process in the June time frame, during budget development, where we look at the staffing for each department. We present that to the council in the budget as the full fte number for that department. But then, as you say, we do highlight the changes, the adds or, in some cases, the elimination of positions that are no longer needed that are vacant.

[12:28:02 PM]

Or they may be transferred, if they're vacant -- where we have additional needs. And that does cut down. By doing it in the budget development process before we do the

proposed recommendation to the council, it does save a little bit of the administrative work rather than just administrative work required to add a new banner control number or new fte so that we can track them and track the budgets. But I --

>> Troxclair: And I guess the difference between the -- kind of the -- my intention was kind to have put a system --

>> Renteria: I have to go.

>> Troxclair: Okay. Can we at least -- can we then maybe do something --

>> Tovo: Yeah. Vice chair troxclair, I have to say that I think -- I think the resolution as it is, I probably couldn't -- now that I'm looking at it, would I want a discussion of the firefighters. I would want there to be that kind of context, and then if we're talking about how much the positions exceed, then would I want the piece of information in there about -- from councilmember pool. So I think we're in the same position we were in before, where we can wordsmith and maybe come up with something we can all agree on or a more general point, but in any case, I think your main support ser about to leave. So if I leave it to you to determine how you want to move forward at this point.

>> Troxclair: I mean, I would, just because of the timing that we're up against with the budget, and I think this would be an important part of our budget discussions or I would like it to be included in our budget discussions so, I mean, my preference would be to forward something -- to forward some kind of recommendation to the full council. But I of course wanted to bring it to the committee first. And I understand that you're uncomfortable with maybe some of the wording but if there is a recommendation that we can look -- do you have specific wording suggestions that would make you more comfortable?

>> Tovo: I think what I could be comfortable with at this point would just be the -- just nine be it, therefore, resolved and not necessarily the preceding, though I would be comfortable with that being filled in as a substitute motion or something like that, but the city manager is directed to review and report on any city position that has been vacant for more than 12 months as of may 12, 2015, and provide that information along with the budget proposal that is presented to council in July 2015.

[12:30:31 PM]

So it would basically -- so it -- you know, I understand if you would prefer to see if you get some council sponsors for your original intent, but that's kind of where I could land in terms of my comfort level, just that last clause.

>> Troxclair: Okay. I would be comfortable with at least voting something out of this so that we do have the direction or a recommendation, and I'm comfortable with the language that you mentioned.

>> Tovo: Councilmember pool has a quick comment and then we need to let --

>> Pool: I would just say, aren't we already doing this? It sounds like we don't need this additional direction to the city manager.

>> Well, I would say, I think Elaine touched non-a little bit. As part of our Normal budget planning process, when a department says we need a new position X, we are

asking those kind of questions. Well, you already have two of those same positions, so why would you need an extra one? Depending upon the justification, they may get one or not. Particularly in last year's budget we saw, you know, departments more so than ever before moving their positions around. We have a need here, but, oh, by the way, we have a vacancy here we haven't filled for a year. Instead of asking for a new position for this we're going to redirect existing resources to fill that need. And that's I think a large reason why you've seen not only the overall vacancy -- but also the long-term number of vacancies has come down a lot.

>> Troxclair: But --

>> I think in -- either way, you're -- go ahead.

>> Pool: I think we're going to get what we're looking for. I don't see the need to pass an additional resolution onto council to create additional work for staff and at the council level when it appears that we will be getting this information. Maybe you can initialize the specifics and perhaps make the report more robust, but I would also make the point that the resolution that I was hoping to pass through this committee also was tied to a budget time line, which was why I was urging some kind of action this month as well.

[12:32:38 PM]

But I --

>> This is also --

>> Pool: I am going to decline to support this and leave it to staff because my belief is that this activity is already in train with the city manager and staff in our budget process.

>> We can respond just via a request. We don't need a direction from the full council to provide a list of all the long-term vacancies and explanation as to why they've been vacant.

>> Troxclair: Well, I mean, unfortunately, councilmember Renteria had to leave so I don't know that we'll --

>> Tovo: We still have a quorum.

>> Troxclair: Okay. I think the short answer and I certainly understand if councilmember pool needs more information, but the short answer that is that we don't do this right now, we don't automatically reallocate any vacancy that's been vacant for -- any position that's been vacant for more than 12 months we do not automatically reallocate that funding to G.R. So I want to be clear in what we're talking about. And that I -- I understand -- yes, of course we can request -- I mean, as I have done, requested information about the current vacancies and things like that, but this -- the resolution that I propose would have set up a new kind of automated system to make sure that we're -- that we are keeping up -- we are keeping on top of vacancies. And, you know, I don't want to prolong the conversation much longer. I think the difference between what mayor pro tem suggested and I suggested, this, again, it would be an automated system where the default is, yeah, if you've been vacant over 12 months, come and tell us why you need to continue the funding, whereas the default currently

and even with the report is to continue funding for that position and roll it over automatically to the next budget cycle. So I think it's a different -- so then it would be the council's initiative to say, well, this specific position, why do you need it rather than the department's initiative to come to council and say this is why I need it.

[12:34:39 PM]

I think it's a difference of the default position, and I'm -- I think it is -- I think that when we're talking about \$8.5 million that is, you know -- has -- just sitting out there and some of these positions have been vacant for, you know, six, seven, eight years, I think this is something that we need to talk about and bring to the attention of the council. So whichever way -- however we can do that would make me happy.

[Laughter]

>> Tovo: Well, vice chair troxclair, if you're comfortable with that recommendation, you might -- or comfortable enough or if you'd prefer to -- extrapolate see -- wait and see if you can get support for a whole resolution?

>> Troxclair: Sure, it doesn't sound like councilmember pool is inclined do support this and I think I would need three votes to forward a recommendation out of the audit and finance committee. And although councilmember Renteria was supportive, we lost him.

>> Tovo: So we are -- I think that -- we'll have to figure out what the next step could be, but you're right, I believe you do need three votes. And I apologize that we did not get those before we had to conclude. So we'll -- whether to put this on next month or --

>> Troxclair: I think probably, then, I understand we were strapped for time today but I do think this is an important issue and I wanted to bring it to the committee first but do I think I would have support to bring it to full council so I might go that route then, with your input, and councilmember Renteria, as well as the city staff I've been working with on this issue, I can see if there's support to bring it to full council, knowing that we've had this discussion and knowing there's not a tremendous audit and finance but still be able to have the conversation before we get too deep into the budget cycle.

[12:36:47 PM]

>> Tovo: Sounds good. My apologies to everybody who has been here, running so long. We're going to have a tighter agenda next time. Thank you all four your participation. We stand adjourned at 12:40 [meeting.

[Meeting adjourned]g1