

City Council Budget Work Session Transcript – 08/24/2016

Title: ATXN 24/7 Recording

Channel: 6 - ATXN

Recorded On: 8/24/2016 6:00:00 AM

Original Air Date: 8/24/2016

Transcript Generated by SnapStream

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[9:14:53 AM]

>> Mayor Adler: All right. We have a quorum so we'll start the briefings with Austin energy, I think. And then when we have the critical mass of people here we'll turn to make sure that we get through the budget work session. But let's start with the briefing. We're going to move the Austin convention center to after aviation so that we have the tourist things happening together, as recommended by Ed. So we're going to go Austin energy, Austin resource recovery, aviation, Austin convention center, and then we'll do watershed protection. And with the stopping in the middle to do budget.

>> My only edit to that, mayor, would be Austin energy wasn't obviously looking at the schedule. They weren't anticipating to go first. So they're on their way over here right now, but Austin resource recovery is here and ready. So I would say we start with them if that's okay.

>> Mayor Adler: Yes, that's go with that.

>> I think it will be maybe a second or two before Bob gedert gets over here and we will get the slide deck up on the screen. INGs.

>> Mayor Adler: Okay. What has been handed out that is at everyone's desk is the concept menu I guess through today so the most recent iteration, and what is highlighted are the items that were highlighted as posted on the message board early last week. The highlights are those things that I thought might either -- we were asked by staff to tend to this a little bit. Those were the things that I thought might not have sufficient support to merit staying on. And might send signals or concerns if we wanted to send we might need a critical mass necessary to send it. Or that we're giving rise to a policy conversation that I thought might be broader than we can handle during the budget process.

[9:17:05 AM]

Of course, we're not limited to those, nor do we have to just do those or even do those.

>> Tovo: Mayor, while we've passed can we -- we've paused can we talk about our schedule for the day? I'd propose we have a lunch break.

>> Mayor Adler: You want a lunch break?

[Laughter].

>> Tovo: Maybe at 12, 12:15 N that neighborhood, about an hour.

>> Mayor Adler: Lunch seems to be real popular. Let's shoot for 12, 12:15 and take an hour for lunch.

>> All right, everybody. Sorry for the confusion, but we are now ready to start with Austin resource recovery. I'm joined here by the director of Austin resource recovery, Bob gedert and their chief financial person, Jessica Frasier, and acm Robert Goode. And we'll go ahead and get started.

>> Greetings council. We do have a powerpoint and welcome any questions along the way as well as at the end of the powerpoint. So Austin resource recovery, our department overview, our mission is to provide excellent customer service. That's primary before any of our other activities and to promote waste reduction, increase resource recovery and support the city's sustainability efforts so that the zero waste goals may be achieved. So we focus and develop our budget based upon that mission. Some of the major accomplishments that we have achieved, we've completed a major waste composition study that was noted to council previously, noting that approximately 80% of what's going to the landfill can be recovered through our current programs if we include the composting of food wasting in that statement there.

[9:19:08 AM]

We've finalized the plan for phase 2 of the universal recycling ordinance. It is steadily improving your implementation of the recycling ordinance and we've successfully managed the additional workload caused by major storm events and continue to see more storm events. We recognize that this will be a continued trend and so we're refocusing certain parts of our department towards storm relief. Some of our service areas with some key performance data, we have some noted performance measures on diversion, and that includes average pounds of trash collected. We're trying to decrease that number. Per week. Average pounds of yard trimmings and organics were tempting to increase that number and we're showing that in our fiscal 17 projected numbers. Average pounds of things collected per week, attempting to increase our activity. The percent of waste stream diverted. Our goal is to meet the 50% goal at first and then 75% by 2020. And so that is our focus on developing our programs and implementing our programs. I take great pride in our average customer satisfaction survey for our curb side services. Many of our programs exceed these measures. 77% is the average response rate across all the program services, but we received 86% customer satisfaction on our recycling and trash collection, and we have -- from industry standards we have one of the lowest complaint ratios of our customer base within the solid waste industry. Our lost time injury waste, we continue to work on safety programs to reduce injuries.

[9:21:11 AM]

Our goal is zero. Some might say it is unattainable, but it is our goal to injure no employee throughout the year and we are steadily decreasing that that injury rate. It's 7.8 injury rates for this year. We continue to increase the number of business contacts for the implementation of the universal cycling ordinance. So that's kind of an overview. Now, diving in to the fiscal year 17 budget. Our department budgets for this fiscal year 16 is 90.8 and for fiscal year 17, 91.9 million. The increase is credited mostly due to the organics food waste collection, which I'll mention in a later slide. You will note that in the bar chart our collection services are incurring the increase, mostly through the organics collection, but also partially through the inflationary cost of health insurance and other costs for maintaining our employee base. Other services remain pretty close to the same expenditure level as last year. A slight increase in support services. And the landfill remediation. A decrease in our transfers, which offsets some of our new expenses. This chart reflects not new dollars, it's changes up or down from the previous year. And so we are requesting in this budget request 25 new positions, 19 for collection services four for collection services and zero waste programming. Total new cost in employee base 1.6 million.

[9:23:17 AM]

We also have we also have a multi-year purchase plan for new vehicles and new carts and part is the organics part of this. Part is continued efforts to increase our recycling capacity. The organics program expansional operational expenses of half a million dollars. We have our final land payment for our purchase of land in northeast Austin for our second service center and that land payment is a-million-dollar increase over the current budget. That will be our last payment and will be paid in full on that purchase. And we have a reduction in expenses as the vehicle fleet upgrade is done for prior years and not expected to have any further expense this year. And we have reduced to debt service primarily because we're moving slowly towards cash purchasing of trucks and financing fewer and fewer trucks as we move forward, trying to be a little more financially prudent and not -- and in reducing our borrowing costs by planning ahead. Our vacancy rate is -- last year, physical 15, six percent, this year, four percent. This snapshot was taken in July. I just saw their vacancy rate just yesterday and it's less than three percent right now. Citywide average is about 6.7%. So we're doing R. Doing well. I credit our hr office on the vacancy rate because we are very aggressive in filling vacant positions. We feel we have a tight space of ftes. We don't have extra space on the employee bank roll, and when we're missing an employee we are lacking in work.

[9:25:22 AM]

We are seeing the effects of that vacancy so we try to fill as fast as we can. Some of our vacancies in the operations field are filling within three months. Some of our support staff and administrative staff are filling in six to nine months. It's sometimes difficult to fill some of the positions based on salary, and we're working with hrd on that. But we're very aggressive in filling our positions. Our capital highlights for the cip fund, fiscal year 17 appropriation, \$8.1 million. Our spending plan on the cip, note that's multi-year spending plan from previous years as well as this year, 9.8. That's primarily vehicles and equipment. The organics program on vehicles and carts and a fleet technology upgrade. And this fleet technology upgrade proposal will be coming to council, I'm hoping in November. That's our current timetable. And this is a new data source, it's mounted to our vehicles and a new gps system as well as data points to allow us to serve our customers better, give us more data on our customer service, give us better routing ability on the trucks, and where we can deploy our trucks throughout the day in a better fashion. So we'll have more conversation with council on that as that comes forward. Our revenue comes from several sources, but the primary fee from the revenue comes from the residential fee on the utility bill. The base rate and the cart fees for our residential customers.

>> Gallo: Excuse me, mayor. Did we just skip page 8? That's the different fees.

[9:27:23 AM]

>> I am out of order here. We're on page 7.

>> Gallo: Oh, sorry.

>> Page 8 coming soon. The page 7 of the department revenue our estimated revenue is 86 million for this year proposed 90.5 million with the proposed rates that we have before you. Our residential rate, base rate proposal I'll note in a later slide a dollar increase recommendation. Our cart fees and our base rate is the bulk of our revenue. We have a commercial fee for our small number of commercial customers. These are commercial customers that have carts that generate too small of waste to have dumpsters. Our department does not provide dumpster service. That is a private sector service that we do not cross over on. We only supply cart service. And we have a limited number of commercial customers that have such a small waste stream they prefer our service on the carts. Clean community fee is separate from the code compliance fee and is noted on the utility bill. And with a recommended fee increase that would bring in 25 million a year. Our recycling sales, that goes up and down in the

markets. It's a low market the last couple of years. I hope to see increased numbers in that in future years. And then small other fees as associated with some of our other services. And then page 8, the total rate increases as we're proposing it in the fiscal year '17 budget, a 40-cent increase on the residential clean community, \$1.75 on the commercial clean community fee, and \$1 on the 64-gallon which covers all trash cart sizes.

[9:29:30 AM]

A note on the residential and the commercial. We do a cost of service study every January and we tend to see where our programming is and assess the programming to the customer base. So the commercial rate increase is slightly higher than the residential because a lot of our staff fuses on implemeg the universal recycling ordinance, which benefits the commercial customer base, so thus the reason for the differential there.

>> Gallo: I apologize for that. I looked at the chart and it kind of looked the same as the next one. I had my pages flipped. So on a residential customer their portion of the bill that would be related to your department would be the \$23.30 plus the 4.30?

>> On the current bill, yes.

>> Gallo: Are there any other charges that they would be seeing related to your department?

>> This is related -- no. This would be the two points on the utility bill from our department, and this is related to the 64-gallon cart. If you're in a smaller cart it would be a lower fee. If it's a 96-gallon cart it would be a higher fee, but only two points on the utility bill, the clean community fee and the residential fee. The residential fee is noted in two segments, the base rate and the cart fee.

>> Gallo: So the combination of those two is the 23.30?

>> Yes.

>> Gallo: Would it be possible for you to break down the smaller? Do you have that somewhere in here?

>> Jessica will look up that number for me here.

>> Gallo: I know the customers choose different sizes and obviously for cost efficiency they often choose the smaller size.

>> Would you like the current rate or the proposed?

>> Gallo: The current and the proposed.

>> Okay. Actually, the cart rate stays the same in our proposal. It's a one dollar base increase. The base is 13.05 and we're proposing 14.05.

[9:31:31 AM]

So that's the increase being proposed. Every customer pays that base rate. And that's for all sizes, the base rate. And the base rate primarily pays for the recycling and organics collection. That's what that 1405 pays for. Then the cart rate, I'm going to list some numbers here for you. And these will not change by this budget proposal. And they vary based on size of the cart and this pays for trash collection as well as closure of the landfill on fm 812. And each 24-gallon cart 3.85 a month. The 32-gallon, \$5.10 a month. The 64-gallon, \$10.25 a month. And the 96-gallon, \$28.80 a month.

>> Gallo: And those are the same rates this year that you're proposing for next year.

>> That's correct.

>> Gallo: So the the increase in the rate is from the base.

>> That's correct.

>> Gallo: And remind when he what the base rate pays for?

>> It pays for the recycling and the organics collection as well as storm relief activities. And brush and bulk collection.

>> Gallo: Okay, thank you. And the clean community fee pays for?

>> The clean community fee I've got it in my notes here. I anticipated that question from my staff here. The clean community fee pays for litter control, some of the business outreach as charged to the business community. Zero waste programming, the household hazardous waste and reuse and recycling center. Street cleaning. The clean Austin program, which focuses on bulky pickup in areas more frequent than the twice a year.

>> Gallo: Can you go back to the street cleaning? So that's in your department versus in transportation or somewhere else?

>> No, that's in my department and that is performed on all residential streets every two months and all boulevards once a month.

[9:33:41 AM]

>> Gallo: I've got a question and it's kind of related to street cleaning. It may not be something that you can answer, but it was something that came up. Is there a city ordinance for people to blow their lawn debris into the street?

>> There is no city ordinance that is attached to that issue. We do -- as watershed protection would know, we do oppose that activity, but I know of no city ordinance that prevents it.

>> Gallo: Thank you. I was asked that question and I did not have the answer to it. Thank you.

>> Just to finish the point on the clean community fee, some of our major bulk collection, brown field collection, dead animal collection are also paid for out of the clean community fee. So moving forward to page 9, we're proposing -- this is the major change in our proposal from fy17 to fiscal year 17 is to move forward with the organics program. I mentioned last fall a five-year rollout. The first year being this year. This year we purchased three trucks to add to our yard trimmings collection and give us a larger base to start the organics collection. We're currently on 14,700 homes on the pilot. Major planning in-house on routing and purchase plans and so forth for the implementation of that organics program. Fiscal year 17 would be year two in the proposal and it does impact the utility rate by a dollar. And as discussed last fall as well as this past may in the policy discussion.

[9:35:42 AM]

In our fiscal year 17 organics operating budget is \$1.1 million increase in cost, mostly fleet maintenance and debt service for new equipment. I noted that we cash purchase our replacement vehicles. We're debt servicing new vehicles for new programs. That's the difference there. Organics purchase of carts and vehicles at three million dollars. And the program impact over time through 2020 you will see the notes there of \$9.3 million in annual program costs # \$5.40 monthly to the base rate as discussed with council last may and 55 new positions. All of that will happen over the next four years. So that is part of our plan to proceed with the organics program with your support. Moving -- I'll take any questions. I just have one more slide here. Slide 10, the horizon issues and our challenges. Our diversion goal achievement, we're attempting to reach 75% waste diversion. Our focus right now is first to reach 50%. The goal was to reach 50% by 2015. This is 2016, we're not quite there yet. We're tuning up the recycling program, attempting to gain better participation on the recycling program. We have 75% of the residents setting out blue carts any given week of their service. Our weak point on recycling collection volumes is that not all recyclables in the households are getting collected and we feel that if we can increase the collection per household we'll be able to reach the 50%. To reach the 75% goal, which is a previous council set goal in our master plan by 2020, it involves implementing the organics program, which is being proposed in this budget here. A second horizon issue is our northeast service center.

[9:37:44 AM]

I mentioned the land payment for the land. We are interested in engaging in a land survey as well as a land plan for building construction at that site. That has not been developed and I'll be bringing that forward to council in the next year. We have also initiated a residential quality services program. This involves enhancing the recycling program by enhancing recycles that are ending up in the trash cart and not the recycling cart, but it's also enhancing our customer service and looking at missed service and looking at late setouts by our customers and also working on building discrepancies. That's a higher level focus on customer service that we're building into our programs and implementing. And the final slide, contact information, if you seek any information.

>> Mayor Adler: Mr. Zimmerman.

>> Zimmerman: I appreciate the goals. Some of the metrics you mentioned is the amount of material you're trying to divert from landfill. You also put your vacancy rate numbers down here. So what is the affordability plan? The affordability is in two parts. One is, of course, the increase in the rates to cover new costs, but the offsetting is for the ability of customers in the 96, 64 and 32-gallon cart size to downsize one size. As they divert their food waste into the organics cart that's 37% of what's going to the landfill is food waste. And if we can divert that into a third cart, recognizing new costs on the program, there is an offsetting reduction in cost for the customer as they downsize in the trash cart.

[9:39:46 AM]

That of course doesn't affect the 24-gallon cart, but that -- we feel that a majority of our customers, 95% of our customers, could benefit a utility bill reduction by downsizing one cart size.

>> Zimmerman: For the people who are unable to downsize their cart and that are already doing recycling on their own, quite a few of those I'm finding, they're going to suffer a cost increase. They don't have a way to recover that because they're already recycling their materials and they can't downsize. So they're just going to suffer an increase in cost.

>> From our studies a good majority of our customers over the five-year period will be able to reduce their cart size. We will also be able to incur systemwide cost reductions by taking some trash trucks off the road. And so in year three and year four of our game plan we hope to take some trash trucks off the routes as we reduce the amount of trash being collected.

>> Zimmerman: So one more thing about affordability. It's my view that if we were to open up to private bidding, private companies solid waste pickup, I think it's been estimated that we could save anywhere from 10% and as much as 20%. So we could have the same service we have now with probably a 10 to 20% reduction in our fees if we were to private tie the business. And I think you disagree with that, but that will be my thrust in the political campaign that we should open up the trash collection and recycling to private bidding because we could save millions of dollars. So that's my affordability plan.

>> Mayor Adler: Any further comments? Ms. Houston?

>> Houston: Thank you, mayor and thank you, Mr. Gedert for providing this information. I see Mr. Dobbs in the back that you've had this information before. Based upon what I'm paying now, I have 1.40 and then we have four dollars to go to composting.

[9:41:53 AM]

Is that right? So that makes a total of 5.40 because I'm at the lowest can and I'm in the pilot.

>> Yes. And I am in the lowest cart size too.

>> Houston: So my question is this is going to roll this out into 2017 and people who get a green cart will be charged for -- everybody will get a green cart, be charged for the green cart, and as we know in district 1 our rate of recycling is probably one of the lowest in the city. So people are going to be charged for something that they still don't know what to do with the blue cart and we've had that for how many years now?

>> We've had recycling for about a decade now in the blue carts.

>> Houston: I just want to continue on that train. So we're going to be charging people four dollars additional a month regardless of their size of cart that they currently have. And for a result that they don't even understand and don't particularly want to do maybe? Because we haven't done the education piece. And so that's why I'm continuing to ask can we roll this out in phases. And I know what your answer is going to be, but while we're trying to impact those people who are going to be charged a fee, who don't understand about composting because they're not doing recycling so they don't understand how they do that either, we're going to be charging them a four dollar fee every month for the next how many ever years of their lives and we may still have the same dire results that we have in recycling. And I just think that's unfair.

>> And I appreciate the thoughts there and I've heard you in may on that issue. We have worked on our metrics. We're looking at fine tuning the neighborhoods that have the lower recycling setout rates. We have those numbers in hand. We know where the weak points are. And they're not concentrated all in one district, but they -- a large portion in district 1.

[9:43:55 AM]

And we have hired a community engagement coordinator to focus on the weak points. We're going to engage on a pretty aggressive neighborhood program, neighborhood meetings, district meetings we'll be at, neighborhood association newsletters. We will be focusing on those weak points. I live in your district and we have a 95% setout rate. I'm proud of them.

>> Houston: I'm proud of them too, but I'm talking about the other parts of the district.

[Laughter]. I'm not very proud of and you're not either. So I just don't want them charged for something that they're not going to use. So the education piece is going to be starting when?

>> Immediately. We do have a game plan in line. We do have a community engagement coordinator hired. I have met with Jennifer. She has an excellent game plan. We will be deploying that out immediately prior to the rollout of the organics. We are looking carefully at how we route the first year implementation of the organics to make sure there was early success, not failure. We're looking at our metrics and trying to plan out the rollout for when the rollout happens.

>> Houston: I appreciate that and I appreciate the Houston tall meetings -- the town hall meetings. I think the more face to face time we get with people, the more they understand this is a serious issue, especially those that live around the landfill off of Giles road. They're very helpful. So I appreciate that. And if it's anything I can do to help you with that rollout, please let me know.

>> We will certainly take you up on that offer. And to all councilmembers, we would be happy to be in your district at your invitation to talk to your residents. I think we do see weak points in every district.

[9:45:59 AM]

A large number in district 1. But also throughout the city and we're very focused on those weak points.

>> Renteria: I went to the landfill and they wanted \$109 just for a truckload. And the other landfill to our south they wanted \$60 for a truckload. So that bulk is really saving us a lot of money. Thank you for that.

>> And we do bulky pickup twice a year. But we have 27 hot spots throughout the city that are picked up more frequently. And I think our residents really do appreciate that service.

>> Mayor Adler: Anything else? Great. Thank you very much. So I think let's go to the concept menu to make sure we're deliberate about that and would call that up. There's been a concept menu that was handed out by staff. It has some yellow highlighted items that staff has asked us to see if there's critical mass to keep these on, both in terms of the time that staff and council would spend to cost them as well as people looking at them and being concerned about the issues. I've highlighted some items that I think either may not have that critical support and raised policy issues and complexity of execution and it might go what we're capable of doing as part of a budget process.

[9:48:00 AM]

So what I would do at this point is I would just hit each of the items and see if there are seven votes to take it off. I think that's what our rule was, see if there are seven votes to do that. Apparently this is not to preclude anybody from raising any other issue or any other deal. Let's run through these highlighted ones first and then we'll double back to see if other people have something else. There are three on page 4. The first two came from Mr. Zimmerman. In fact, I see one on the bottom of page 3. And then two on the top of page 4. Do you want to address those, Mr. Zimmerman?

>> Zimmerman: Thank you. We're talking about echo, delta, Ed 2.02, 2.01, 2-point # 3.

>> Mayor Adler: Roger that.

[Laughter]

>> Zimmerman: Would you do 2.04, economic development transfer from Austin water? Do you want to consider those separately.

>> Mayor Adler: Only because -- you could speak to all of them if you would like. I have others on other pages too.

>> Zimmerman: Let me start with the ones that just have my name on them here. So the first one is the chapter 380 subsidies. And I think the chapter 380 subsidies, maybe Mr. Van eenoo could clarify this. Are the chapter 380 subsidies kind of organized or arranged or planned or developed by our economic development department, but once the chapter 380 agreement goes in place it kind of lives year to year provided -- it may be that some metrics are met?

[9:50:02 AM]

I think it's different from 2.02 and 2.03?

>> That's exactly correct. They are generally property tax abatements that are approved by the city council under chapter 380 of the governmental code and there are metrics attached to them that have to be met and if they are met there are property tax abatements that are offered to those businesses.

>> Zimmerman: And the law also specifically states that those rebates or subsidies are subjected to approval. In other words, the law does not say that we're forced to hand out those incentives or subsidies year after year. It's subject to the council's approval.

>> The contracts all include language saying subject to appropriation of funds.

>> Zimmerman: Mr. Mayor, I just want to be abundantly clear on the record is that the council by striking 2.01, is making a statement that we want some companies to live at the expense of others because these incentives mean that other companies have to pay more taxes so that some favored companies can pay less. So I want to courage my colleagues to not -- I want to urge my colleagues not to strike these issues out. We've already talked about the economic development department and the fact that for 150 years we had healthy organic growth in the city before the economic development department existed, so I don't think we can justify to our taxpayers that we should continue with these subsidies and economic development department expenses. I want to ask my colleagues to leave these in and ask for the staff to pursue these cost savings.

>> Tovo: So there's an element of this I'm interested in. I'm interested in the companies that -- knowing more information about the companies that may have protested their tax valuations this year. We have asked that question in the past and I'm not sure whether it's been asked this year, but if not I would urge my colleague to submit that question on, or I can.

[9:52:08 AM]

But I would like to know of those companies receiving chapter 380 subsidies, I would like to know what if any have gone to tcad and had their valuation cruised and I would like to take that into account. We have an existing council resolution that provides us some grounding for doing that, for looking at whether those companies have reduced their valuations, which in my mind changes some of the assumptions that undergirded those decisions to provide them with the incentives packages. So I don't know if you know off the top of your head, but that's a question we can submit.

>> I only know in regards to who has protested. Some of them may not be resolved for this year. Some of them may be going litigation. We can certainly get from tcad which are under protest and if they were reduced, how much they were reduced by.

>> Tovo: We may need that from last year too. I can't remember if it was in the Q and a from last year. I would support getting that information, councilmember Zimmerman, and revisiting this if this is voted off today.

>> Mayor Adler: So do I understand correctly these are agreements that we have executed in the past, this is now performing our side of those agreements, is that right?

>> That's correct.

>> Mayor Adler: So we've entered into an agreement where we've induced someone to do something as a city and we've said as a city this is our part of the agreement. So if we were to not do this, we would then be going back to people and saying some other prior council has agreed to do this, and -- but we're not going to do it anymore, is that right?

>> That's correct. That's correct. These 380 agreements are performance based, as Ed indicated earlier. So the only way that they would not enjoy the benefit is if they didn't perform in accordance with the agreement. And that would really be the only way. The other stipulation, as was noted earlier, is that it's contingent upon appropriation each year as was established earlier.

[9:54:16 AM]

So these are the two ways. But relative to what you said, that those exceptions that would be true.

>> Mayor Adler: So for me if the city has entered into an agreement with someone to say if you do this, we'll do that, then I think we have an obligation to do that because if we don't do that, then no one in the future should have any reason to believe that if they enter into an agreement with the city, the city will perform. The agreements we make, if we were ever to do this, can certainly contain a provision that says you can't contest your ad valorem tax value so the other question that I would ask with the mayor pro tem would be whether or not that was part of the agreements that were reached or if it was understood that they wouldn't or whatever. But for me if an earlier council failed to make that part of the agreement or that just wasn't the agreement, wasn't part of what was negotiated, then I would have difficulty changing the deal later on if someone's just exercising a right they have under law. I do support us if our 380 agreements as we go forward are based on the premise that there will be a certain amount of ad valorem tax revenue that is generated to make that explicit in the agreement so that everybody understands what the rules are. But I have difficulty, for me, not honoring and holding to an agreement that the city may have made in the past. Councilmember kitchen.

>> Kitchen: I am interested in the information that mayor pro tem tovo is requesting. I think that that would be important information for us. I do think, you know, it is important to honor our agreements. I think, though, that I'm wanting to understand another level of detail on this.

[9:56:19 AM]

I mean, those agreements are always subject to appropriations as well as performance, so appropriations is what we're about right now in terms of balancing the budget. And we have other people that we've promised things to, like our health and human services folks. You know, we've made commitments in the past about raising your health and human services budget. And we've made other commitments too that have to do with -- you know, and all of these have to be balanced in terms of dollars. And the kinds of things that mayor pro tem is asking about has a direct impact on the amount of dollars that we have available from appropriation standpoint. So I don't think it's -- I don't think it's introducing a criteria or a performance that's just totally out in left field. So with that said I'm just interested -- I'm not sure where I would stand on that in the final analysis, but I do think the information is very important to have and I would want that before taking this item off of here. Or at least I would be open to narrowing this item along the lines of what mayor pro tem tovo brought up.

>> Mayor, if I may. And we're happy to provide the information requested by the mayor pro tem and councilmember kitchen. I do want to offer a clarification with respect and regard to the comments that you made. You talked about council in terms of balancing the budget. Do you have a balanced budget in front of you as recommended. That's what these Medina counties are about and what you're discussing. You have a balanced budget in front of you. You may change it as a result of your considerations, but as it stands you have a balanced, structurally balanced budget recommendation before you.

>> Kitchen: Okay. My apologies, I used the wrong terms. I didn't mean that. I simply meant -- I was shorthanding that we have policy decisions as a council that we're responsible for making.

[9:58:26 AM]

I appreciate what you have brought forward and I appreciate the balancing that staff has had to do to bring us forward a balanced budget. I'm simply speaking to the responsibilities that the council has to weigh priorities from a funding standpoint.

>> Mayor Adler: Ms. Houston?

>> Houston: Mayor, I just want to add one other thing is that if we could find out how many subsidies are still in play. And the life of those subsidies. And have they all met the performance metrics that have been set out?

>> Mayor Adler: Ms. Garza?

>> Garza: I think this is a great discussion. I'm trying to understand -- I think everyone kind of touched on this, but when these agreements are made, are they made -- I'm sorry if this question was already asked. Are they made on a we're going to review this every year basis, or essentially taking away something -- they've met all the performance standards -- maybe this is a question for executive session. They've met everything, they've done their part of the bargain. Would stopping this create a breach of contract situation? I'm not understanding. Are we given the ability to approve these on a yearly basis?

>> Every

>> Garza: So when they enter these agreements they know that this is the agreement, but every council will be -- can look at this and take this agreement away from you. Is that correct?

>> Again, it's contingent upon the two things I spoke to earlier. These agreements are performance based so it's possible and it's occurred where they have not met the performance criteria, not enjoyed

the related benefits. And also they understand that it's contingent upon annual appropriation by the council.

[10:00:28 AM]

>> Sue Edwards, assistant city manager, if I may, the contracts are monitored from outside monitor as well as inside staff on a yearly basis to see whether they meet the performance criteria. The performance criteria are mostly creation of jobs and so each year -- in every contract -- almost every contract that the city does, we have that clause in there simply because there may at some time not be the amount of money available to appropriate. One of the things that we have talked about before is the importance of honoring contracts sometimes having to do with -- and I'm not going to speak for the finance department, but sometimes having to do with our bond rating also because it is the city's good faith and credit that stands behind an agreement. So I just want to put that out. In addition to that, with respect to councilmember tovo -- and I think councilmember kitchen's question -- we do not have in any of the agreements the criteria that the company should not be able to protest its taxes. That was something that came up after the agreements have been completed and we've not had any agreements develop since that period of time. I would tell you that because this is performance based, if the company does not perform, the company does not get paid that year. So the taxes that the company submits to the city of Austin, if they don't perform to the total agreement, if they say they are going to create 100 jobs that year and they don't create 100 jobs that year, they don't get paid.

>> Mayor Adler: Yes, Ms. Tovo.

>> Tovo: So I would support removing this for now because I think that -- unless there are seven, six people on the dais who are going to vote to support it, I'd like to start narrowing down our concept menu to things, especially the savings I would like to narrow down to really realistic concepts because I'm getting concerned we're not identifying enough funds to fund some of the priorities, so I would like to have left before me what are at least realistic ideas and my guess is that this one to cut them by 50% isn't going to be successful.

[10:02:59 AM]

And I certainly support having the discussion for all the reasons that have been said. It is subject to annual appropriation and it is -- if the money is not there, we are not obligated to follow through. On the other hand, I understand what you are saying, mayor, and I've certainly heard that argument that we made commitments to these companies and though we haven't all been part of that commitment, it was done by prior councils and we might not agree with those decisions. There is a certain amount of obligation to corresponding those through. But I would say that equation does change when we're talking about companies that have protested their tax valuations, even if that was not part of the agreement, I think it changes the basic financial assumptions that were presented to council when they made those decision. I remember from going through this before that in some cases if they are lowering their property valuation and their incentive is based on property valuation taxes that ought to be happening automatically that those incentives get reduced but for the other ones that's not happening. I support councilmember Zimmerman if he wants to submit that question and pursue that line, I would be glad to do it, we can talk about that. The council resolution -- and I'm sorry if I've already talked about this, I did bring a council resolution asking that be an explicit part of our economic incentives agreements, and frankly couldn't get that strong language passed. And so the existing council resolution is really a much -- a much softer version of that same point, but were there to be three colleagues who want to go back and resurrect that strong language, I'm certainly -- I've got it on my computer and I'd be happy to bring it forward. I think we should require that of companies who are seeking to get chapter

380 agreements with the city they not protest their tax valuations, other than typographical is in talks and other things we accounted for.

[10:05:04 AM]

That's where I am on your issue. I would vote to remove this today, but I would support bringing it back in a more narrowed fashion if we have data that supports that's an appropriate path forward.

>> Mayor Adler: Mr. Renteria.

>> Renteria: How long has it been since a company applied for -- you said -- since we implemented the -- the -- where they couldn't protest their tax?

>> I don't -- I'm going to have to double-check, councilmember, but I don't think we've done a chapter 380 agreement for the last two -- two years or more. We've not brought one before this council. So I'll double-check on it exactly, but it's been a good while.

>> Renteria: Thank you.

>> If I could just -- there's two council budget questions on the issue of chapter 380 agreements. There are questions 50 and 51. Question 50 lists the various companies that we have 380 agreements with. The term of the agreement and the -- the year it was initiated and the year it will end. The last 380 agreement we entered into was with apple and I think it was two or three years ago as sue Edwards indicated. Question 51 speaks to the incentives that have not been paid for failure to meet performance and that was Friday night lights and the Home Depot. Both had amounts withheld for failing to meet their performance metrics.

>> Mayor Adler: Any further discussion before we take a vote on this? Mr. Zimmerman first -- hang on a second. Ms. Gallo hasn't had a chance to speak.

>> Gallo: And actually this is just a suggestion. I don't know on the screen if they can actually put the number of the item we're talking about, it might be helpful with the public to understand. Is that possible? No, but I mean from the standpoint of the specific concept item.

[10:07:07 AM]

Is it possible to put that on there? It's confusing enough for us.

>> Mayor Adler: To cut the chapter 380 corporate subsidies by 50%, it says, is the item. But if we could put that -- I don't know if you have it.

>> Gallo: I just think that would be helpful to the public to understand which number of the concept, not just --

>> We can't do that from this room. I think it would have to be the atxn people, they would have to add that we're on 2.01 right now. If they can hear me, maybe they can do that.

>> Gallo: Thank you.

>> Mayor Adler: Mr. Zimmerman.

>> Zimmerman: Thank you, Mr. Mayor. Let me read briefly from the -- I have the city of Austin apple, incorporated chapter 380 economic development agreement right here. Of course this is publicly available. Under article 3, general terms, section 3.02, it says payments subject to future appropriation. And I'm quoting, this agreement shall not be construed as a commitment, issue, pledge or obligation of any specific taxes or tax revenues for payment to apple. I don't know how we make that any more abundantly clear. It's not a commitment, it's not an issue, it's not a pledge, it's not an obligation. So by striking this, we're making a choice to say, you know what? The people of Austin have plenty of money to hand over how many millions of dollars is it to corporations. And by the way, if anybody would like to make some accusations about the ethnicity of the corporations, I would prefer you make those accusations now instead of later because I have no idea of the ethnic makeup of the people that run

these corporations. I have no idea. And I don't care. We can't afford these subsidies and I'm asking to you please reconsider your vote to strike this.

[10:09:08 AM]

We're talking \$7.4 million of taxpayers' money being redistributed from companies that aren't subsidized to companies that are subsidized.

>> Mayor Adler: Ms. Kitchen.

>> Kitchen: I have a process question because I heard the mayor pro tem talk about bringing this back based on certain information, but our process -- at least our written process ends as of Monday. So I'm - I'm perfectly happy to provide for bringing items back, but I want to understand what the processes are right now because this probably won't be the only one that we may want to change in some way or bring back in a different form. So I had originally thought that what we would be doing with these is just voting to narrow them and keep them on. I don't have a preference. I'm happy to take off and bring back, but we don't have a written process for bringing back. So I just want to understand what the process is.

>> Mayor Adler: My sense on that is that -- and I don't own the process any more than anyone else at this table owns the process. But that we had said that any idea could come back at any point in time even up to the moment we're voting on the budget.

>> Kitchen: Okay.

>> Mayor Adler: I -- for me, if somebody brings something up right at the end of the budget, that would be one strike against the proposal for me because it's -- it's surfacing right at the very end and the community hasn't had a chance to see it. That doesn't mean I wouldn't vote for it or that I wouldn't expect the council not to vote for it, but it adds just a little bit more for me of a hurdle to get back on to something that we're -- or to be something that we consider if it's not on the list. So the process that we have to do it is one that anybody can add anything at any point in time, but it's not carried on the list that the public is looking at as the universe of ideas.

[10:11:17 AM]

>> Kitchen: Well --

>> Mayor Adler: And we could certainly change the process any time.

>> Kitchen: That makes sense to me. I think in the interest of, you know, transparency to folks that are -- that's the idea behind the concept menu in the first place. I think it would be better as we go through these if it's the will of the council to narrow them down and clarify them instead of taking them off and putting them back on. Just from -- just from a -- I mean everybody may have a different feeling about that, you know. We're just making it up as we go, but that would be my preference because then at least the idea is still on here.

>> Mayor Adler: If people still wanted to consider this or something similar to this, that would be my preference as well because it lets the community know at some level this concept is still at play. Ms. Houston.

>> Houston: Thank you for reading my red light even though it wasn't on. I'd like to ask Mr. Van eenoo, and it may be on page 50 and 51 of the budget Q and a, but how much are our current commitments to those --

>> The payout for fiscal year 2017 is \$14.9 million. The proposal ed2.01 was to cut those by half. That's the 7.4 million.

>> Houston: So the 14 is the payout that we're expecting for this year.

>> Yes.

>> Houston: Okay. And has there ever been -- that's okay. Thanks.
>> Mayor Adler: By the way, Ms. Gallo, the manager reports in order to put it on the overhead it requires shutting down the system so we're not going to do that today but they are going to take a look whether or not that's something they could do in the future in this room.
>> Gallo: Thank you. I just think that will help the public keep up with what we're doing.
>> Mayor Adler: Further discussion? Mayor pro tem.
>> Tovo: Mayor, just based on the conversation that just transpired, it would make sense to vote on this item and if it has enough votes it stays in current form, then if not we can do an amended.

[10:13:28 AM]

>> Mayor Adler: Is there an amended form we would want to amend it to?
>> Tovo: I would let councilmember Zimmerman have his day. It's up to you if you want to vote up and down on this.
>> Zimmerman: I would like to vote up and down on this and if anybody wants to put something forward, I obviously don't have the votes so whatever council would like to do, come up with a different version, your prerogative. I'd like a vote on this. It's pretty straightforward. I would appreciate a straight up and down vote.
>> Mayor Adler: Okay. Any further discussion? Yes, Ms. Pool.
>> Pool: I will vote against retaining this in its current form on the concept menu, but I will support bringing it back in a modified version.
>> Mayor Adler: Ms. Garza.
>> Garza: I will vote against this for now and I'd like to see what the -- what anything that comes forward with. I'm glad to see that councilmember Zimmerman is blindly against subsidies for companies not knowing ethnicities. I want to point out that context matters and if you want to continue grandstanding about this, I'm happy to call you out on it, but I would prefer to let what happened last week go, but I'm happy to call you out every time you bring it up.
>> Zimmerman: Fair enough. And I'd be happy we operate in truthfulness because none of my remarks today or prior had anything to do with ethnicity of the people. Nothing to do with it.
>> Mayor Adler: Guys, hey. Is there any further discussion on this before we vote?
>> Explain the vote.
>> Mayor Adler: So the vote will be to remove this from the list. It requires seven votes to have it removed from the list and the question will be whether there are seven votes. Those in favor of taking this off the list please raise your hand. Those in favor of retaining it -- well, actually I have to ask for the vote to remove, there are more than seven people. It's everyone here with the exception of Mr. Zimmerman, Ms. Troxclair is not present. That gets us to the next item --

[10:15:29 AM]

>> Kitchen: Mr. Mayor, we want to make a next motion to put this back on in another form. Mayor pro tem, do you want to make the motion?
>> Tovo: Sure. Thanks. I would change the language to cut chap 380 -- let's say reduce chapter 380 corporate subsidies to companies that have protested their commercial tax dollars.
>> Zimmerman: I'll second that.
>> Tovo: Again, a lot of that path forward would relate to whether there have been any companies that have done so and whether that has already impacted their existing incentive and a lot of other factors. But it allows -- that's a place holder.
>> Zimmerman: I'll second that, Mr. Mayor.

>> Mayor Adler: Is there a second to that motion? Ms. Kitchen.

>> Zimmerman: I said I just seconded it.

>> Mayor Adler: I heard you say that but there were other people trying to urge that motion and if they wanted an opportunity to second I was going to give it to them. Seeing none, you can second that motion.

>> Zimmerman: Thank you.

>> Mayor Adler: We're in essence creating a new process. Do we want to discuss is it four people to be able to do something like this or do we want to do --

>> Kitchen: I don't think this is a new process. We're basically amending what is on here. We just did it in two steps to allow councilmember Zimmerman to have a vote. So --

>> Mayor Adler: So what would the required vote be now to put this back on the deal with the amended language? Is it four people?

>> Kitchen: Good question.

>> Mayor Adler: That was the question I was asking.

>> Kitchen: I'm sorry.

>> Mayor Adler: That's okay. Ordinarily it would take a majority, that would be six people and that makes sense to put something back on at this point for the concept menu that we have.

[10:17:34 AM]

So we'll adopt that convention.

>> Zimmerman: I agree, Mr. Mayor, that would be six votes.

>> Mayor Adler: Six votes to amend something to keep it on the concept menu now that we're past that date. Again, it doesn't have to be on here to be brought up by anybody. You can bring something up at the last minute, but to keep it in what is in the public list. So let's see if there's six. It's been moved to put on to the concept menu removing subsidies for companies --

>> Tovo: Reduce chapter 380 incentives to companies that have protested their commercial tax valuations.

>> Mayor Adler: What does reduce mean?

>> Tovo: I think that would be sorted out later. I think it would be based on the information we received. I mean like -- yeah. It could be reduced down to zero or it could be reduced to 50% or, you know, whatever -- I think we don't have the information we would need at this point to nail down that -- nail down that concept.

>> Mayor Adler: Mr. Renteria.

>> Renteria: That's kind of confusing for me to vote for something that I really don't know what I'm voting on. I mean I don't know what reduced means. Reduced by one dollar or two dollars a 1,000 or 100,000. I don't know. You know. And I think we should really wait and next week you can bring that resolution back, you know, or a resolution saying, hey, I want -- I want to add this and look at it. I mean it's been over three years that one has been approved and I don't know what the effect is going to be on the past contracts that were written up in the past. I wasn't here and I just don't know all the details. So I'm kind of concerned about having to vote on something like that.

>> Mayor Adler: I'm also going to vote against this and my concern with voting for it is one I mentioned earlier, in hearing that none of the agreements that we entered into had that condition, I'm uncomfortable in posing a condition after the fact that goes to someone not exercising a right that they have under law.

[10:19:45 AM]

Any right that they have under law. I do support in every 380 agreement going forward that we put in a provision that ties the ability to be able to extend it to not protesting ad valorem taxes especially in those -- I would say we can do it any time we want to, but especially in those situations where the quid pro quo is based on the assumption of ad valorem tax revenue. But I'm uncomfortable putting in an after the fact provision that relates to someone not exercising a right they have under law unless that was made clear to them at the time that they began performance. Mr. Casar.

>> Casar: I think that there's a middle ground before what it is you've described, mayor, which is not -- I don't think right now I have comfort with reducing that -- that subsidy just because someone protested their property valuation, but instead I want to know what the facts of the matter are and if the -- and if a representation made to the council was that a certain amount of revenue was going to be generated and it was significantly less, I would want to at least understand that. And with that understanding then I may be more clear for me whether or not a reduction is warranted or wise or not. And so it's -- again, it is concept and it's a concept that could be ten cents or 10 percent or 100 percent. So I just -- I think that we're spending some time dealing again with the concept of the concepts more than just figuring out is there a sense on the dais that people are interested in pursuing this idea further, whether or not we're going to vote for it or not, we can't vote yes on everything we have our name on on this document.

[10:21:46 AM]

So it should not signal this is what's going to happen in the budget, it should signal this is what we want to talk about. I think that's all putting your name next to something means.

>> Mayor Adler: Ms. Gallo.

>> Gallo: Mayor, I agree with you. I think that my concern with supporting this were the contracts were written and it was silent for the ability for the companies to protest their taxes, I think we should honor the intention of the original contracts on this, but I do think that it seems like there is an interest in this council for moving forward a policy change which addresses that because I think it should be addressed. So I support doing that. I just at this point would be uncomfortable talking about changing something that wasn't part of the original contract.

>> Mayor Adler: Further discussion? Ms. Kitchen.

>> Kitchen: I just want to echo what councilmember Casar said that my vote to put this back on is because I think it's a concept that's worth pursuing for a lot of different reasons. I think that -- while I agree that we don't want to make agreements and then not honor them, I don't think that -- I think there's a lot more to this than that. It's not that black and white. Councilmember Zimmerman read some language to us and that's only one piece, that indicates it's not so black and white. So I think that in a time where we're having to really balance the needs across our city, I think it's very important to keep this on the concept menu.

>> Mayor Adler: Further discussion? It's been moved to put an amended version of the ed201 as stated by the mayor pro tem. Yes, Ms. Pool.

>> Pool: One last comment. I'm going to vote to put it back on for the investigation of the information. And if it turns out -- we may find out none of them have attempted to get a tax rate or a change in their valuation and that would be good information to have.

[10:23:53 AM]

I understand and do respect the issue about contracts and our legal obligations to them. I think we just find out the answer to the question.

>> Mayor Adler: Okay. Those in favor of adding this as amended back please raise your hand. One, two, three, four, five, six. So it's back on. Those opposed? Renteria, Gallo and Adler voting no, the others

voting aye. With troxclair off the dais. I would ask council to set this for executive session so that we can set the law related to this issue.

>> We'll do that.

>> Mayor Adler: Thank you. That gets us then to the next item which is ed2-02. Remove funding for the chamber of commerce from the economic development department. Mr. Zimmerman.

>> Zimmerman: Thank you. Let me speak quickly to this. The chambers of commerce are loaded with experts that have deep experience in business enterprises and these are very, very important organizations and one of the motivations here is to make sure that people recognize the Independence, that we have Independence in these very important chambers of commerce. Because whenever we have taxpayer funded projects or subsidies or whatever, any time there's money exchanging hands, it affects the perception of that organization. We need the chamber to be an independent voice that's completely independent of city government funding because I think it improves their credibility and the comments they make and the judgments they bring. So -- and I don't believe that the chambers need taxpayer support. We have a robust business community. We have companies making money. I cannot fathom why the chambers of commerce have to get taxpayer money.

[10:25:55 AM]

There are some studies, I believe, that the chambers have been doing, but those can come from other sources. We can have independent contracts to get data, employment data, economic data, they don't have to go through the chamber. I'm asking for this to be struck because I think this improves the credibility and the position of the Austin chamber.

>> Mayor Adler: Mayor pro tem.

>> Tovo: I have a question. Really related to budget question 99 which talks about this. I suddenly can't remember two things. One is where -- where the other funding is coming from. So 317,000 comes from the general fund. Where does the 711 come from?

>> It's part of the economic development allocation plan that council approves so the rest of it comes from Austin energy, Austin water and Austin resource recovery. Just allocate economic development based upon the size of revenue.

>> Tovo: Sorry, I should have remembered that. Okay. And then -- and then looking at budget question 99, can you remind me why the amounts are different for each of the chambers of commerce? I know we had that discussion maybe even last year but I can't remember the answer.

>> Councilmember, they are different because there are different requirements for performance standards and different requirements for what they would be responsible for doing during the year.

>> Tovo: So are they all set the same bought they meet the performance metrics differently or -- were the amounts based on the performance measures they laid out to the city?

>> Based on the performance measures that are laid out.

>> Mayor Adler: Ms. Houston.

>> Houston: I think last year, mayor pro tem, we raised the minority chambers up so they had the same amounts. Some had different amounts. I think that's probably what you remember is that --

>> Tovo: I do, but can you help me remember how -- how some ended up at 212-5 and some at 15-3.

[10:28:00 AM]

They are all at irregular amounts and they are not the same. Looking at the answer to -- I thought we had done that but they were set at the same amounts. But they are -- anyway, I don't know if there's a way to flash -- I'll just -- any, we don't need to get down in the weeds on this, but it's something I'm curious about and so maybe we can submit a followup.

>> I think what maybe councilmember Houston is remembering, I had an initiative that would have equalized the funding for all of the minority chambers of commerce. And I think it was to raise it up to the number that you are talking about. And I think you supported it, but I don't remember. I know that we didn't have sufficient support on the council to make that change last year. But yes, you are remembering correct. Correctly.

>> So 171 is at the top. 12-5, -- [inaudible]. From last year.

>> Mayor Adler: Okay. So the item before us is whether or not to remove item ed2-02. Is there further discussion on this item? Ms. Kitchen.

>> Kitchen: I'm interested in further discussion about the issue that was raised that we're just now talking about which is the reason for the differences amongst the different chambers.

[10:30:05 AM]

So that may be an item that we need to take away and bring back, but it seems like this budget process would be the appropriate time to make that adjustment. I understand that we didn't make it last year, but that doesn't mean we wouldn't want to make it this year. So I don't know if there's interest right now in pursuing that or if that's an item we need to take away and come back.

>> Council, if I may give you some information.

>> Kitchen: Yes.

>> Each of these chambers are different sizes with different staff and they have different abilities -- levels of ability and expertise to perform certain criteria that we have for them. So with respect to the Austin chamber, which is the largest chamber, they have certain criteria that they are performing for the city of Austin. The hispanic chamber and the African-American chamber also perform different things for their clientele within their membership and in the community itself. So they are not able to all do the same kinds of things because of the difference in their sizes of staff. So that maybe would help a little bit. And we can get specifically what those criteria are and what they are specifically doing for the community and for their membership.

>> Kitchen: That would be helpful to have.

>> Mayor Adler: Ms. Pool.

>> Pool: I'd also be interested. I had some conversations with some members of the asian-american chamber of commerce over the weekend and they were interested in looking at a way that they could maybe participate in a larger way with the city. So if we could -- maybe we could have a meeting and talk about what that would look like as far as the -- if the criteria are size, membership and staffing, and then the work that they are doing for the city, we could look at that and see what additional things the Asian chamber would like to contribute.

>> We can do that. I would share with you that every one of them wants more money and every one of them wants to expand what they are doing, but we will be happy to do that.

[10:32:11 AM]

>> Pool: That would be great. Thank you.

>> Houston: Mayor?

>> Mayor Adler: Ms. Houston.

>> Houston: Because in the asian-american quality of life they are asking for 60 additional thousand, \$60,000 for enhanced funding sod some of those connections.

>> Pool: And I think that 60,000 is for the Asian contractors association --

>> Houston: This is the chamber. Whatever they don't

[inaudible]

>> Pool: We'll get it straight.
>> Houston: You are going to get us something for the minority chambers, right?
>> There is a difference between that -- that that you are talking about and the Asian chamber of commerce. So they are different entities asking for different amounts of funding.
>> Mayor Adler: Okay. Mayor pro tem.
>> Tovo: So is somebody submitting a question to the staff or will you regard this topic as a -- as a question about how those amounts, especially for the minority chambers were set and why there's a different.
>> We'll respond to that.
>> Tovo: Thanks, I would type it up myself but I don't have a "A" on my keyboard.
>> Mayor Adler: It's not good when you lose your "A."
>> Mayor Adler: Further discussion that ed-202 be removed? Those of favor of removing this from the concept menu please raise your hand. We're voting on removing ed202. Those in favor, one, two, three, four, five, six, seven. If, those opposed? Mr. Zimmerman votes. . Car and Ms. Troxclair are off the dais. And the others voting aye. Including Ms. Houston. All right, so that one is taken off.

[10:34:12 AM]

The next one is ed203. Mr. Zimmerman. Eliminating the economic development department.
>> Zimmerman: Thank you, Mr. Mayor. First question I have for staff here is what happened with the hearing examiner for the Austin energy rate case. I know that remember we had several groups, several factions that chimed in on the economic development department \$9 million that was put in as I think it was cost of providing service. And with the exception of Austin energy, I believe every single group, consumer group, environmental group, the business groups, Samsung npx, even the impartial hearing examiner, everybody was unanimously opposed to that \$9 million, except for Austin energy. So my first question is what was the final disposition of that in the recommended settlement? Is the 9 million removed or still in?
>> Mayor Adler: There's no -- go ahead.
>> Mark Dombroski, cfo of Austin energy. The 9 million-dollar was in our 2014 test year for rates. The amount in our 2017 budget is approximately \$7 million. That amount still is contained within our budget.
>> Zimmerman: The short answer it was reduced from 9 million to 7 million in the settlement agreement?
>> No, that the city itself has been reducing our contribution to economic development department over the years.
>> Zimmerman: I'm sorry, I guess I should have brought the table or the chart. We had a chart -- I'll ask my staff to go and bring that down because it showed some areas of contention, right? We kind of boiled it down and sum advised to 12 cat gathers and the one was the \$9 million line item for economic development. The impartial hearing examiner recommended that 9 million be moved to zero.

[10:36:14 AM]

>> That's correct, in the rates which are based upon the 2014 fiscal year.
>> Zimmerman: But all the information is based on that. We had a test year. So every single number is based on that. So that's not a distinguishing factor. Right? Because all the information is based on the test year.
>> That's correct. I thought you were referring to what's in our budget for this year.

>> Zimmerman: I'm referring to the settlement agreement that the impartial hearing examiner has been working with us on. And there's been a lot of give and take between the parties. Austin energy wants something, Samsung wants something else, the consumer group wants something else.

>> That's correct. The independent hearing examiner recommended removal of the economic development funding from Austin energy's rates.

>> Zimmerman: Thank you. So what was the final disposition of that item in the settlement agreement?

>> We agreed to an agreement to reduce our revenue requirements by 42.5 million, and we are doing that without removing the economic development.

>> Zimmerman: So you are leaving the \$9 million in, in that 42 million number agreed with 9 million is still in the --

>> That's correct.

>> Zimmerman: Thank you.

>> Mayor Adler: So the issue before us -- the question with respect to Austin energy was whether or not Austin energy made a contribution to the economic development. If that decision was no, then -- then -- if there were no further changes beyond that, then the -- the \$9 million would be assumed by taxpayers as opposed to ratepayers. So that question was a taxpayer versus ratepayer issue. The item before the council right now is a separate issue. The item before the council right now is whether or not to keep on the concept menu eliminating the economic development department as opposed to whether ratepayers pay for it or taxpayers pay for it. Any further discussion on the issue of removing the economic development department, which is what ed2-03 is.

[10:38:16 AM]

>> Zimmerman: Just one more, Mr. Mayor. So on this point, people have made false accusations that I'm unwilling to compromise and that's completely not true. I would be thrilled to have a compromised position here and only reduce economic development by \$9 million. I'd be thrilled to accept that as a compromise position instead of eliminating the department entirely, to simply reduce the budget by 9 million consistent with what the impartial hearing examiner recommended. That the ratepayers not be forced to pay an additional 9 million. And I would say the same advice should hold for taxpayers, they should also not be forced to pay 9 million.

>> Mayor Adler: Any further discussion on keeping this item on? Those in favor of removing ed2-03 please raise your hand. Those opposed? Mr. Zimmerman votes no. Casar and troxclair off the dais, the others voting aye. This item is removed. Next ed2-04, eliminating the economic development transfer from the utilities, water and energy and Austin resource recovery. It would appear -- it would be cutting the economic development funding by almost \$11 million. Any discussion on that item? Ms. Pool.

>> Pool: Is this -- the funding for 2.04, was that put in place originally to help get the revenue that was needed for the economic development department to -- to do its work?

>> The economic development used to be division of Austin energy fully funded by Austin energy. Several years back we set it up as a separate department, as a separate fund with contributions coming from the city's general fund, Austin energy, Austin water and Austin resource recovery.

[10:40:27 AM]

This represents the portion that comes from you the tilts. Austin energy, Austin water and Austin resource recovery. This is the final year of the transition. Council took action to transition to a cost sharing model based upon the revenues generated by those four different funds. And so this year's budget we're fully transitioned. As mark Dombroski was mentioning earlier, the portion from Austin energy is now \$7.4 million. That's down substantially from where it had been and when it used to be

fully funded by them. Austin water 2.9 million and resource recovery should short of half a million dollars.

>> Pool: This is the last year we'll see this as a line item for the transfers?

>> Right. The change was so significant, the general fund impact was so significant that we eased into it over the next -- over four years. Those utilities will continue to pay their share based upon their relative size of their revenues. But we are fully tanks egged now to this -- transitioned to this allocation model council approved four years ago. So they will continue to pay their share into the future.

>> Councilmember, eliminating this amount of money would also eliminate fees that are currently filled.

>> Pool: And so is the -- is the goal for the economic development department to be self-funding without the transfers? Or without the assistance -- the revenue assistance of the utilities?

>> They would never be self-fund understand the sense that a utility is that charges rates. They are going to get their funding either from the general fund or from some sharing with the utilities. Right now it's a sharing model, but if council's desire was to continue to transition it away from Austin energy, Austin water and Austin resource recovery, you could do that.

[10:42:29 AM]

Just the previous direction from council was over a four-year period to transition to this model. We are now fully transitioned to this model that was put in motion four years ago. But council could certainly choose to say you want to continue down that path and over time or all in fiscal year 17 to have the general fund pay for all of it. We just haven't received that direction from council.

>> Pool: On the concept menu, there are two instances where the concepts are to take staff from an existing department and create a stand-alone department, like a department of neighborhoods I think was one and the other was to take cultural contracts out to make it some department. So a question I had submitted for an answer was what are the funding implications when we take a group of staff out from where they are currently living and have them stand alone. And so my question is -- because it felt like it was something other than simply no cost associated as all, and I'm wondering if this is an example of what the actual expense is when you subdivide a larger department into smaller departments.

>> I don't think there was any additional expense to taking economic development out. In other words, we didn't -- we already had a director of economic development, we had all the admin staff, but in some cases, I believe the department of neighborhoods called for appointing a director of it. So a director, even if it's an existing person is going to get paid more so we would have to recruit. Sometimes there can be additional costs. Sometimes you might need to add administrative staff or H.R. Staff depending how big the carve-out is. So there can be additional cost of subdividing things into smaller pieces.

>> Pool: So there are some economies of scale in keeping departments intact.

[10:44:33 AM]

But maybe we can achieve some of the other focuses by maybe fine tuning the goals for that smaller -- smaller group. Okay. All right.

>> And in terms of the funding, the reason set economic development up as a separate fund is because it's getting funds from four different entities and so we do this allocation and transfer funds to them. If we ever got to a point where they are fully funded by the general fund, we would just make them a general fund department at that point. I think this idea for a neighborhoods department, it's currently funded by general fund staff. You would be carving out a piece of the general fund department so it would still be a general fund department. So kind of just depends upon what the funding source is, you know, in terms of how we set it up.

>> Pool: Thank you.

>> Mayor Adler: My suggestion on this, you know, the power companies and other utility companies around the state that are investor owned and not related to governments have economic development missions and expenses and I think ours -- ours should too for all the reasons that happens in the private market. This was a real significant issue, the transfer, in the context of what we deal with up at the legislature as we would anticipate going back and having it and those conversations always concerned me because if we go up to the legislature and the legislature moves forward with deregulating Austin energy or adding PUC review, then we put in jeopardy our consumer assistance program and lots of other programs that we do in Austin that reflect our values in the city. But given the fact that we have a settlement at this point that's being endorsed not only by Samsung and the large on one end as well as our lower income advocate and residential advocate, my hope is is that we do that, and part of that agreement is everybody supporting it and nobody is going to legislature for four years with next two sessions.

[10:46:56 AM]

I think we have more time and a different context in which to discuss the transfers or the assumption of economic development by our utility like ever like other utilities. I would vote to this this out because I don't think that we need to do this at this point and have that policy conversation separately. I would also point out to the council that in my communication with councilmember troxclair, she indicated to me that it was not her intent to remove the funding by this, but to end the transfer. And in that context I would vote for this to come out because I would not disrupt the transfer at this point because I think there are a lot of strong policy reasons for us to keep it that way and not to further burden taxpayers with that additional

[inaudible]. Ms. Kitchen and then Ms. Gallo.

>> Kitchen: Well, okay, I had a quick process question. But I think you answered it. I was a little concerned with bringing up a concept menu item where I assume councilmember troxclair brought this up and she's not here but sounds like you talked to her. Regardless of how we feel about it, I hate to bring up somebody's concept menu when they are not here.

>> Mayor Adler: I the conversations with her. The first whether or not she wanted to hold off bringing these specific items up and she told me no.

>> Kitchen: Okay.

>> Mayor Adler: That she wasn't sure where she would be in and out and I believe that the council should go ahead and process the list. And then second independent of that she communicated to me that her intent on this was not to not have the money going to economic development, she was okay with replacing the money, but this was intended to address the -- by that comment that she was okay with replacing the money, it seems apparent that her issue here was the transfer itself.

[10:49:11 AM]

And I think that while that might have been a real important conversation for us to have and needed conversation for us to have three weeks ago, I think we're in a little different position now than we were then. Ms. Gallo.

>> Gallo: And I appreciate you talking to her and it might be helpful -- I know she's going to be not as consistent with being here because she's getting ready to have a baby, but we can also work on getting some written statements from her too if that would be helpful. And I agree with her feeling on this and this is why I wanted to bring it to the attention is that I think that -- that we as a council I think always want to try to produce a system and produce a policy that is transparent to the people in Austin. And I think when we take payments to utility bills and actually those are not paying for the cost of providing

those utilities, but they include amounts that get transferred into other departments to support other programs, I don't think that is as transparent as we can be. And I think that -- that our reason for supporting a conversation on this, and we also had the hearings examiner who came before us and said that he recommended that we quit doing the transfer from Austin energy into other departments. And it's certainly not to say that the work these other departments are doing is not important and I think a lot of that is worth a conversation, but I think the funding for doing those programs should be within those departments' budgets. And so if we don't take this up now, I think that is a conversation that we need to have because we've heard it from the legislature. Just because we've worked out an agreement that keeps hopefully the legislature from dealing with this with us, it still is something that's been indicated to us that there is a concern. And once again I think funding for department items need to come out of that department instead of being transferred from the utilities.

[10:51:16 AM]

All the people in this community talk about their concerns about their utility rates going up and their utility bills going up and I think that those bills need to reflect the cost of service to them and providing those utilities and departments need to have budgets that pay for what they do. So that's -- that's -- was our reason for putting this forward. If it doesn't stay as part of the budget conversation, I think it's a really important conversation for us to have. It was a previous council that started this process and I think we as a council have the ability to correct it so it becomes more transparent to the population.

>> Mayor Adler: I support you putting that on the Austin energy agenda if that happens that way. Ms. Houston and then the mayor pro tem.

>> Houston: I didn't mean to have my light on. Thank you.

>> Mayor Adler: Mayor pro tem.

>> Tovo: I know we're not going to have the policy conversation now so I don't want to get really off -- I know there are difference of opinion on this, but I support the transfer after reading quite a bit on the subject about other utilities and the legal memos that have been provided to us and a lot of other information both this time around and last time around and I feel it is an appropriate -- appropriate funding mechanism. But if we have that policy conversation, then we'll have time to talk in more details.

>> Mayor Adler: Before us is removing this item, ed-204. Those in favor of removing it raise your hand. Those opposed? Gallo and Zimmerman voting no. The other voting aye. Troxclair off the dais. That item is removed. The next one that we have here is pb1-01. Pb1.01. Page 6. This is increasing the amount city employees contribute to the -- 10% from existing 8%.

[10:53:21 AM]

I don't know what exactly the words are but this is increasing what the insurance contribution of city employees.

>> Zimmerman: Retirement.

>> Coers is city employee retirement system.

>> Mayor Adler: Mr. Zimmerman.

>> Zimmerman: I want to put up an overhead that shows the history of the increases to this system. It's kind of hard to read. Basically from about 1981 to good 2005, we increase 6 to 8%. So over 24 years we increased only 2%. From 2006, 2013, about eight-year period, we increased contributions 10% so we're up to 18%. In spite of those increases, if you turn to the next page, there's a second page on on the back, the retirement system is about a billion dollars under water. And last year instead of growing by 4%, 6%, whatever their projections are, the fund actually lost money. And it wasn't a particularly bad year for investors. So this should be very, very deeply concerning. Of course it's not for this year. By the time this

turns into a detroit-type catastrophe, if and when it does, all these councilmembers will be term limited out so the easiest thing in the world to do is just to kick the can down the road and ignore the whole problem. That's the easiest thing to do. But it looks like a fiscal catastrophe waiting to happen. So this simply proposes that we ask the employees to increase their share from 8% to 10% because taxpayers have been forced to increase contribution by 10%.

[10:55:28 AM]

We're only asking an additional 2% out of employees who benefit from this.

>> Mayor Adler: Mr. Van eenoo, is 8% set by state law?

>> Yes. It's in the state statute, it's also in the statute the city contributes 8%, but then the city council approved a supplemental fund of 10% that councilmember Zimmerman talked about. Putting on my attorney's hat, I do believe this would take legislature action to increase to 10%.

>> Analysis about annual contribution.

>> Mayor Adler: Can you repeat the question?

>> Ott: We have actuarial analysis on an annual basis. It informs us as to our level of contribution.

>> Right. And that is, I believe, the city's contribution rate should be at 18.49 last time I looked at that actuarial there was two actions that happened. One we increased the -- you know, when we looked at the actuarials for the system they were not very strong numerous years ago so not only did the city agree to increase the contribution to keep the fund on sound basis, but also a second tier, a lower benefit tier was approved and created and went through the state legislative process to get that second tier created. While the funded status has not improved, it's still a little below 70%, about 68%, the amortization period I believe is the more important metric has improved dramatically. It essentially went from infinite, meaning the fund would ultimately run out of money, it's now down to 33 years. So on our current assumptions for investment returns and the current contributions, the fund would be fully funded, 100% funded within 33 years. I can speak to part of the reason that the -- the funded status hasn't improved is because the ers has started moving to become more conservative on their actuarial assumptions.

[10:57:36 AM]

They used to assume eight and a quarter percent annual return, now down to seven and a half. It makes them look worse but you are being more conservative in regards to what expected returns are. That's about all I can say on it.

>> Pool: Mayor, if I could add.

>> Mayor Adler: Ms. Kitchen.

>> Kitchen: I just had a quick question. I was reading this and it indicates that -- you mentioned the statute. So there's a provision in the statute at the employee's election they can raise it if they so choose. It says something about does not authorize or permit any increase except by a majority vote of the covered employees. Is that right?

>> I've not read the statute, but it sounds like the information that's been provided.

>> Kitchen: So the employees would have it within their power to raise the amount if they wanted to. Is that right?

>> We would be happy to take a look at the statute to clarify that.

>> Kitchen: Thank you.

>> Pool: I was just going to offer the council's representative on the employee retirement system as a trustee, as is Ed, and I can confirm we are looking at more conservative valuation numbers. There was a point where that 8% and 7% looked like that was -- and it was happening, but the numbers are tighter

and lower now for the interest being earned on the portfolio, which is fairly comprehensive. And I think the important piece here is to ensure the stability of the fund because this is one of the biggest benefits that our employees look forward to is the retirement piece that they earn. And in order to address the -- the actuarial soundness, was it about five years we created the tier 2 or the second tier of funds? >>
>> Somewhere around there?

[10:59:38 AM]

>> So new employers are actually paying in more than older employers did.
>> They are not paying more, they're getting a lower benefit.
>> Getting a lower benefit. Thank you.
>> Tovo: So mayor, are you --
>> Mayor Adler: If you would take over the helm and I will duck out as soon as this call comes in.
>> Tovo: I think we're probably ready to vote on this item, and the vote would be to take it off. If you would raise your hand if you want to take this off the concept menu? And that is Renteria, gal, Casar, Adler, pool, Garza, kitchen. Councilmember Houston, I didn't see -- okay. And to keep it on? Councilmember Zimmerman. So that is removed. Our next highlighted item is on page 8 out of 48 and this is to present the budget at the fiscal year budget at the effective rate. Councilmember Gallo, do you want to speak to that?
>> Gallo: Thank you. The reason for putting this on here is as a proponent of keeping tax bills the same in this community. We hear about the concern of affordability over and over again and our ability to address affordability is to control what we have control over which is setting the tax rate so that the sales tax bills remain the same for year to year. We are blessed with a healthy academy, we are blessed with an economy that has resulted in a lot of new growth, which is new tax value. Ed, I know there's been calculations as far as what new tax dollars and amounts would be, but it's my sense of what would be at the effective rate also.

[11:01:40 AM]

Do you have those numbers by any chance?
>> I think your staff asked us to look into what property tax revenue was generated just by new construction and annexation, and that piece of the valuation increase I think was about 13.8 million. 13-point something million dollars of revenue just from new construction and the remainder of the property tax and the existing property values and the net of the tax rate.
>> Gallo: And I think we added into that sales tax rate and additional fees.
>> I don't know if that was done. Was that done as a budget question?
>> Gallo: The point being that we have had a lot of new growth and additional income coming into the city that if we were fiscally conservative in our approaches would be able to use that to fund new services. The whole purpose in this -- obviously, I don't think it's something that the council would support leaving in, but it's just to remind us that if we were able to set the tax rate at an amount that would allow the tax bills to be the same this year as were they were last year for residential, for our residential population, then we also have other funds coming in that would help offset that.
>> Tovo: Commitment.
>> Zimmerman: Thank you, mayor pro tem. Obviously I'm in favor of this item. I wanted to be a co-sponsor of this item, but that's obviously a given that I'm in favor of this. I think looking ahead to the next city manager that we should hire, in the next budget process I think that this item right here, 3.01, ought to be a standard budget item procedure. We should prepare a budget, two budgets. One of them

that assumes eight percent growth in spending or whatever the city would like to do, if it's dreams could come true on how much money they could spend.

[11:03:44 AM]

And another one would be a revenue neutral as far as property taxes go. An effective tax rate budget. So we ought to have a budget that only has increases based on the growth of assessed value. So I think this should be a policy going forward that we automatically get two budgets. One at the effective tax rate, not assuming any increases to anyone, and then another one that is the city staff's desire to tax more and take more revenue. So that's obviously why I'm supporting this. I think this should be a standard measure. I think we should have gotten this issue back in -- we should have gotten an answer to this back in April or May of this year. Obviously I'm supporting this.

>> Tovo: I guess I would ask the sponsors, given that we have whole departments that approach this amount of -- were we to pass this concept, we would need to reduce the overall budget by \$36 million just looking at some of the total cost. Animal services is 13 million. Our whole library system is 48 million. I didn't know if you had any suggestions on where we would find those savings?

>> Gallo: And if I may be -- Ellen is speaking remotely, but I think it's courteous to her to read what she's just texted me. She said to please mention the op Ed that was recently published urging a serious focus on affordability. And the comment, if we can't reduce taxes in time of record revenue, when can we? And the numbers that I was asking you for she actually quoted in the article, so let me just read those. I think once again I'm going back to what we wanted to do was find out that if we adopted a tax rate that was based on the effective rate, which would give our taxpayers the ability to have tax bills that were similar to last year instead of those going up, because we know as we push the mobility bond into this we're talking about increases in people's tax bills already.

[11:05:45 AM]

That amount was indicated by budget as being about 36.5 million. And Ellen's article, she talks about the property tax revenue from new construction is expected to increase by 10.2 million. Sales tax is expected to increase by 8.5 million. Hotel occupancy taxes could increase by 11.2 million. Licensing, permit and inspection revenues could increase by 9.1 million. Charges for services other than utilities could increase by 2.4. Parking revenue, 900,000. Other taxes, alcohol tax such as alcohol tax 1.7. So that those total well over 40 million. So the point being that we had additional revenues to get to that point to be able to increase our funding the different departments, but as I think as we all try to maintain affordability in this community that the answer to you is that we should look at our departments being able to manage within a budget and we are also blessed in the time that we are in right now that we have healthy revenues coming in from other sources that would give us almost \$40 million of additional spending if we were to set a rate based on the effective tax rate. Thank you for allowing me to share her comments since she can't be here.

>> Tovo: I would say I want to talk about some of those because we have to set fees based on the actual costs. I'm all for raising fees, but I'm not sure without more discussion, I'm not sure we can actually effect those changes she suggests. Mayor, I'm not clear whether I should be calling on you or whether you should be leading the meeting?

[Laughter]. I'll turn it over to you one way or the other.

>> Mayor Adler: I want you to call the meeting and I appreciate you doing this so I can duck out quickly. You know, the discussion of taking it back to the effective rate has a lot of rhetorical appeal. But I agree with the mayor pro tem when you go past the rhetorical nature of wouldn't it be great if we didn't charge property taxes or we didn't increase anybody's property taxes.

[11:07:55 AM]

In this case this year's budget, general fund budget is going up just over \$50 million. About \$55 million, 56. Is that right?

>> 56.

>> \$56 million. If we were to go to the effective rate that would cut that increase by 36.4, which would leave about \$20 million left over for us to spend from all sources. Which would not give us enough money to spend what is being proposed in the public safety budget. So if we were to adopt this, the first place we would need to start cutting is the public safety budget because the budget as proposed exceeds what would be left. After we were done cutting the public safety budget then we would have to look at every other department in the city and start cutting those budgets from what's proposed. And even if we were to let those budgets increase with population increase, there wouldn't be enough money in budget to be able to do this. So I understand the rhetorical desire for us to be able to say that we should do that, but as a practical matter in the real world, it doesn't work. That's not to say I don't think we should be prudent and diligent with respect to the money that we spend, but in a city that's growing the way the city of Austin is growing, and we take a look at the fact that the expenses that people are being charged in the city when they say Austin is unaffordable, I'm looking at the affordability study to come back to us, that we would be penny wise and pound foolish if we were to make those kinds of cuts.

[11:10:02 AM]

I don't think that's what people want us to do. And my call was canceled, so I can take back over. Mr. Zimmerman.

>> Zimmerman: Thank you, Mr. Mayor. Let me speak quickly on why this is such an important thing to do. I've got a lot of fiscal conservatives not just in district 6, but all over the city, that might even be resentful of their demand for scanned spending as a rhetorical question. It's actually a constituent demand, not a rhetorical question. So I differ with you on that. But the reason that this exercise is so important and this demand from constituents is so important is because it's a perfect way for this 11 member elected body to evaluate our city management and our department heads. I'll give you an excellent example. We just had a contest over the police body cameras. We had a contractor willing to come in and save about eight million dollars in the public safety department. And Mr. Mayor, you're correct, we would have to look for savings in the public safety department and we could find those in the body camera contract. There's about eight million dollars of savings there ready for you. But I think we would all agree that it is impossible for this body to micromanage 13,000 employees, \$3.7 billion of expenditures. We cannot possibly do that. But what we can do is we can demand a budget that is at the effective tax rate that would require some cost cutting measures that would have to come from department heads. And here's the key to this. We could have a department head that could have two approaches to cutting costs. Let's take the fire department. If we have a very astute and very competent manager, that fire department could probably come up -- that fire department management official could come up with one and a half million dollars of savings in management, eliminate some duplicative management positions, some contracts that probably aren't worth the money we're paying for them, but they could come up with \$1.5 million of savings that would not dramatically affect service.

[11:12:08 AM]

Or that department head could say we're going to close a fire station. That information is important to us as an elected board because if they find cost savings that minimize the effect on our constituent, that department head deserves a pay raise. The one that wants to shut down a fire station deserves to be fired. And that's the kind of information large scale that we as a council can handle. We can handle very large issues. We can look at management and say, are you maximizing the pain to our constituents or are you minimizing the pain to constituents? And that's a broad policy decision that this council could make. And we would have this information if we demanded an effective tax rate budget.

>> Mayor Adler: Council, by way of housekeeping matters it looks like we have a few more of these to go through? Should we let staff leave and come back after lunch? Thinking that we'll finish this and then we'll take an hour break and then come back? Okay. So for staff, we're not going to call any of these issues before lunch. The briefings issues, everybody here for a briefing can leave, if that works.

>> I think so.

>> Tovo: And mayor, I'm sorry, I know you talked about this earlier. Next up we have Austin energy, is that right?

>> Mayor Adler: Yes.

>> Tovo: And after that is aviation and then the convention center. Is that the order for the day?

>> Yes.

>> The concept menu you're going to continue now or after lunch?

>> Mayor Adler: We're going to continue the concept menu and then we will break for lunch before we do any of the briefings. So anyone here who is here for a briefing can leave and come back after lunch.

>> All right. Continuing on the question is whether we keep fr 3.01 on the concept menu. Further discussion? Ms. Gallo.

>> Gallo: I have to respond to the rhetorical question comment. I think controlling spending and managing our tax dollars wisely is not a rhetorical question.

[11:14:14 AM]

I think that we have the ability on this council-- the spending that we can do and the funding we can provide for our community are endless and we will never have enough money to do all of that. And so at some point the council has to make judgment decisions and I think what we have heard from our community is controlling the expenses so that utility bills don't continue to go up, so property tax bills don't continue to go up is something really important to our community. And that's a hard decision. That's not the easy road. It's like raising your family and developing a family budget. It's much easier to say yes than no, but at the same time when you have limited resources, which the city does, we just have to make those decisions. And they're not easy decisions and every group that comes before us has a valid reason for the city to consider funding them. So it is not -- I take offense to fact that proposing a way of planning in the city and budgeting to control our spending in a way that it doesn't keep people's utility bills and property tax bills continuing to go up from year to year is not a valid conversation and it's not rhetorical. I think it's something that all of us heard. So I just wanted to say that, that I think that once again this whole message is that an option we have as a council is to also say we will control the spending. It is a hard decision when we have to choose between programs, which we all have to do all the time. We have programs that we want to support and we support those in lieu of something else that perhaps another councilmember wants to support, but at the same time we also have to support the voice in community that just says when is the city going to quit going up on everything? And I think that is an important part of this discussion.

>> So let me clarify what I meant about rhetorical because I think it is important for us to discuss budgets. And we have all the budgets in front of us to discuss what we can cut or where we should add and that's the process we go over 30 days.

[11:16:21 AM]

To cut \$36 million out of the budget requires us on its face, if you're going to do this by department, to cut two and a half million dollars out of public safety. By rhetorical I mean it's easy to say let's cut \$36 million. It's harder to say these are the two and a half million dollars that we want to cut out of the public safety budget and that's even without doing any of the community policing work or any of the other things that people have asked us to consider. What makes it rhetorical for me is that -- and it goes back to what the mayor pro tem mentioned a moment ago. It's easy to say let's cut out \$36 million. Heck, let's cut out \$50 million. Let's cut out more than that. Let's cut out a lot. The harder part of the conversation is to say this is the element that I want to cut out. And to me that's not rhetorical. That conversation is the conversation that we have by virtue of the concept menu with the discussions that we have. But I join with you, I think it's real important for our taxpayers that we have those measures of conversations. Conversations about should we cut this program or should we cut this funding or should we cut this, I don't think are rhetorical, and there are elements of those in specific line items. It's the global nature of this that to me makes it rhetorical because I don't know what it means. I don't know if what we're saying here is we're going to actually cut the police budget or we're going to cut out a department or we're going to -- that's what I meant by rhetorical.

>> Gallo: I thank you for that. I think the frustration is it's the culture that we start with. So it's the culture that we start with a budget that's presented to the council that automatically increases property tax bills.

[11:18:29 AM]

That's the frustration. So when you talk about the hard part, the easy part would have been to come forward with a budget this year that kept people's property bills the same because then we have a conversation that as a council we feel like this new program is important and it's important to part of our community, and we want to support it. So we support it from a standpoint of adding to a budget, but adding to a budget that has already been responsive to the community when they say every year our property tax bills go up, every year our rates go up. I think it's frustrating when we come forward with a culture that we've started addressing this budget where already the tax bills are going up. So we're put in a position of being the bad guy if we want to cut something. But it's just -- I think it's unfortunate that that's the way the conversation and the budget conversation moves forward. And perhaps that's one of the things that we need to address.

>> Mayor Adler: And in terms of a process issue I join you in that. We talked about doing that a yearbook when we look at individual departments in terms of departmental reduce to actually drill down to what the department was doing and to go through them. And I think the manager set up a process for that and I'm anxious for those departments to come back because I think that will actually get us to the kind of conversation that you're asking for.

>> Gallo: But I don't think it's our place to do that. I think that we hire city staff to do that and to come forward. All I'm saying is that I think the overlying concept is do we as a council want to look at a budget that's presented to us each year that automatically is an increase in taxes, where in order to do anything we have to pull things out, to add things to it. So it's just the conversation that I have an issue with.

[11:20:32 AM]

And getting into all the departments, no. I think we have great incredible city staff and we've got good leadership, and they have the ability to manage their budgets in the best way possible, but I think the

direction from the standpoint so where we want to be in the end is important from what comes to the council. And if this is a council that's going to say, you know, it is okay with us to continue to increase property bills each year, then that's the kind of budget that we bring forward to start talking about, and that's where we are this year is we basically are dealing with a budget that says it's okay for everyone's tax bills to go up. That's not what I hear the community say. I hear the community be really frustrated with ever-increasing property taxes and ever increasing utility bills.

>> Mayor Adler: Mr. Casar.

>> I would say to that I certainly think we need to be as critical as we can with every choice in budget, but ultimately the choices that we make are not about us being the bad guys or good guys about cutting things or adding things, but even if the manager had added something. And it's up to us to cut and add to that recommendation, and much of what's been added has been because of council direction for particular goals of programs being added or performance in particular departments. And so I think that-- the things that we asked for to be included in budget could not all fit within the manager's budget if you look at the ifcs that have been listed. So to some extent I think what we're seeing reflected in the manager's budget is a reflection of what prior councils and this council has decided are priorities, and for us to meet these priorities it means the tax rate goes downward, but with increased valuations the tax bills go upward.

[11:22:53 AM]

So that is ultimately something that I think we have decided to do in order to continue to improve services and invest in the community. And I value the diversity of opinions on that. But ultimately I do want to say that while I will certainly be working hard on making adjustments, that I appreciate the hard work on the departments to put out the budget we have because it is responsive to many of the resolutions and the directions of the council, even if it doesn't satisfy all of our resolutions.

>> Ott: I guess I couldn't agree more. And if we look at the current budget that we have and the impact that it's had on our abilities to provide a budget preparation for '17, it's a function of adding things to budget that this council wanted last year. So there's always an existing service level expectation across the range of things that we do. They existed when you all came in to office and we had no basis for making an assumption that we could reduce that level of programs and services. Certainly not to extent that going back to the effective rate woven tailed. So we offer a budget based on the previous conversations we've had and in regard to a level of service that's reflected in the budget that exists at the time. Obviously this council, any council enjoys the prerogative to give direction, to reduce the budget in any form or fashion that collectively you choose to do. So when I hear a conversation about the prospect of, you know, reducing revenues down to the effective rate, that's certainly a prerogative that council has. And we would figure out how to get that done. But from my standpoint and the staff's standpoint in terms of preparing a balanced budget that is structurally balanced and responsible relative to a program and service level expectation that's in place, taking into account that on an annual basis those costs are going to increase just because costs increase on an annual basis, that becomes foundational to the recommendation that we make -- that we make to the council.

[11:25:24 AM]

I'm not even sure at the effective rate that I would know how to choose right because that would be such a significant impact on the general fund operation. So in regard to the mayor's comments about rhetorical I think I understood what he meant. I don't think he meant he spoke for himself. It's not important to focus on the budget from that perspective. And indeed it is, but that would result in some pretty dramatic changes in the level of service that the community has become accustomed to. And I

think some of the same people that you all are speaking for would also be the ones that would have an adverse reaction to some of the consequences associated with that kind of reduction.

>> Casar: And I was about to wrap up my comments and just say that I appreciate the manager's comments and that's not -- and my compliments on balancing the budget for the skill to do that. That doesn't mean I'm necessarily satisfied with the status quo and the way we have to do this work. If I had my druthers I would have more ability under the state law and the constitution to raise taxes even more on people that have even more of an ability to pay and reduce the tax burden for those who have even less, but we all have to function within the constraints that we're in and the status quo, and it's hard work. And so I appreciate your budget and appreciate the council's work to figure out what we remove in order to add for other priorities.

>> Mayor Adler: Anybody who hasn't had a chance to speak want to speak to this issue? Councilmember Garza.

>> Garza: I don't think any one of us is okay with increasing property taxes. It's like, you know, a growing family -- if a growing family -- I'm thinking every time there was another child in our family my child started for promotion because he knew he needed more money.

[11:27:36 AM]

And if I family doesn't increase their revenue coming in to take care of what's going on, that's irresponsible. And so yes, we have increases in our revenue because we're a growing family as a city. And so I don't see a situation where we would ever unfortunately -- not because we would want, but to not raise taxes. And if we're going to beat this drum of affordability and cutting taxes, that's the road that the state goes down. And look at the crumbling state buildings and there's children in foster care sleeping in offices because we don't know -- because there's not funding to do something with that. So I appreciate my colleague's fiscal conservative, I guess, theory, but there's some realities we have to face. And many of the drivers in our spending are wages and health care. So are we saying we're -- and it's not an easy math equation, like we have this much in, so -- there's buckets and there's only ways that we can spend certain types of money. So it's not an easy math equation that can be done. I think the mayor spoke to most of this, it's the practicality of the situation that we're in, and I don't know what it's going to take to -- I hope those of us who are against this are not painted as some tax and spend liberals because, you know, if there ever comes a time when, you know, if we see families, homeless mothers and children on our streets, is that the point where we're going to say, okay, now I understand why we need taxes? So let's just -- and aside from that, back to -- I know we've had this discussion. This was my issue about how we get things on the concept list. I understand giving people a voice but we have limited time and we have already spent three hours on the issues that didn't have a chance of passing, so again I want to reiterate for next time if I have the ability to be here next time.

[11:29:58 AM]

I think it should take more than one person to put something on the concept list because I think we have limited time and we don't have time to talk about every single one of these issues. I wish we did.

>> Mayor Adler: Do you want to briefly close the argument? You can go ahead.

>> Zimmerman: Let me finish up my remarks. I heard the words cost drivers bantied around. And remember we all have the same cost drivers, higher health care costs. If you're a business you suffer some wage inflation. The cost increase that the city government says justifies their increases are the same drivers that my constituents say I can't afford more taxes because I have cost drivers. And the city management says you have to pay more taxes because the city has cost drivers. But let me just finish with this. Look at the way this item is worded. I'm reading from fr 3.01. It says this item would require

cutting the general fund budget by 36.4 million. Let me read that in a very different way that says essentially the same thing. Listen to this carefully. This item would require justifying the general fund budget increase of 36.4 million. Think about how this perspective affects everything we do. Our city staff says the item would require cutting the general fund budget by 36.4 million. My perspective is, this item would require justifying the general fund budget increase of 36.4 million. And that is the perspective problem and the complaint that my constituents have with the incumbent city management. So I just have to put that in. There is a perspective here and it's always against the people who pay the bills.

>> Ott: Well, I don't think that's accurate. Do you want to respond?

>> I was thinking that staff's justification for the tax rate increase before the council is the 1700 pages of budget documentation we've provided you explaining the different budget changes, the highlights, the performance metrics, why we're making these -- that is the intent of the proposed budget is to be staff's justification for the budget we're recommending.

[11:32:19 AM]

>> Mayor Adler: Even beyond that we don't have to go to 1700 pages. You distill those into just a few pages per department where the departments are specifically saying these are the increases, this is what those increases are for, they're laid out for council. That is specifically in the departments that we go over here sitting at the table. Mayor pro tem, do you want to close us out on this?

>> Tovo: I wanted to say if we were in a place where we had a plan for cutting \$36 million that we could all agree to, then I think that would be a good idea. I'm not going to support it for the reasons I said earlier, but I would ask -- I know we have a concept menu process and we've had a timeline and things had to be submitted by Monday, but as I mentioned on Monday, I'm certainly going to look for other ways to make cuts because there are some things on this list that I think are really high priorities and we don't have a proliferation of ideas on the concept menu for how to obtain that revenue that we would need. So I would just say if there are proposals, real specific proposals for ways we can trim and places we can trim, I'm certainly open to considering them, even after today. To get back to a point the mayor mentioned earlier, it is hard to consider those later in the process if we don't have the information, so I rely really heavily on the budget questions for the kind of data I need to make an assessment on whether these concepts, especially if they come up later, whether those concepts are fleshed out enough to make a what I regard as a reasonable vote for me to take.

>> Mayor Adler: And I join with the mayor pro tem on that. I would really like to see specific recommendations for cuts that we could consider. Any further discussion? Let's take a vote. Those in favor of removing fr 3.01 from the concept menu, please raise your hand? Those opposed? Gallo and Zimmerman voting no. Others voting aye, troxclair off the dais.

[11:34:21 AM]

That gets us I think to page 9 of 48. This is fr 3.03. This is change water rates for multi-family customers with fire demand meters. Mr. Zimmerman.

>> Zimmerman: Thank you, Mr. Mayor. So we had quite a few constituents come to us who were adversely affected by some Austin water utility administrative decisions that left them in a terrible position of having their charges increase, some four and five hundred percent. I know the concentration of these various condominiums and shared family residences are varied across the city, but I think most of our districts do have some condominiums that are very, very negatively affected. I would call them corner cases. A policy that generally makes sense, but there are some people that are caught in corner cases. And maybe to summarize or try to simplify some things that are complicated, if you have an eight inch meter coming into our apartment complex for a fire emergency you would have to have a high

quantity of water for firefighting purposes. However, what the community uses on a daily basis, 364 days out of the year or more, is going to be a two-inch meter. So Austin water utility decides to charge at the eight-inch rate instead of the two-inch rate. So we're asking for more detail and more study from city staff because the issues are not as simple as I just made them, but the principle is. The principle is we have some condominiums and shared family areas that are being overcharged. They're corner cases to a policy and this issue is asking for some detailed numbers. And I'm asking for the council not to strike this, but rather to move it forward. I'm asking for six votes to move this forward because nearly all of us have constituents that are very deeply concerned about this and they want us to move this forward.

[11:36:32 AM]

>> Mayor Adler: So that you understand, council. I highlighted things that I thought either would not have the votes to keep on or involved policy questions that I thought might be more broadly -- more broad than we could really handle within the budget making context. And it was in that latter regard that I had identified this item.

>> Zimmerman: Can I ask that quickly just to respond? It's a good point that you just made about the policy discussion. We've been unable to move the policy discussion forward because there's no interest really in the city bureaucracy to take care of these corner case people. It's a small group of people. We've asked staff to work on it. They won't work on it. There's not going to be a policy discussion. This is our opportunity to have that discussion.

>> Mayor Adler: Ms. Kitchen?

>> Kitchen: I think all three of these items that are highlighted relate to how the rates are decided. And I think that these are items that are coming forward. They're sort of left over from the discussion we had last summer when we talked about the duf and the changes to the calculation and things like that. So these are the things that we're learning and the staff has learned is they have put this into implementation. So I think we do need to discuss it. I'm not certain what the proper forum is for that. When we went through the rates last year we went through the public rate utility and then we brought it forward because it was a process that we had to go through to determine the rate structure. Recently staff brought back to us a couple more simple adjustments to the duf that we voted on and passed. So I would like to talk about all these three. I don't have a preference in what form we do that in, I just know that timewise it's something that our staff would need direction on relatively soon if there was going to be any change in this policy.

[11:38:43 AM]

So I just highlight that here. I think if we get through the whole budget process and we don't have this discussion at some point, then it will put us later in the last part of September which means that effectively -- I don't know. It may be too late anyway for the staff to make any kind of changes for this year because there's programming that has to occur and stuff like that. But regardless, I think if this is something that we want to address we should do it before too long. So I guess I'm looking for guidance on the proper format to do that in and I'd like to understand what that is. Instead of just saying later.

>> Mayor Adler: Ms. Houston?

>> Houston: There have been some real concerns in the district regarding the drainage utility fees so I would really like to have that conversation. I'm not sure in this context it's the right place to have the conversations, but I think some unintended consequences occur because of the way the fees were developed and we voted on it. So I think that's a legitimate conversation to have, I'm just not sure it's in this context.

>> Mayor Adler: Mr. Renteria?

>> Renteria: Yes. I too would like to see that, but I think this is items that should be going through our committee. Or did it go out through committee? I know that this came up. This summer did it go through the committee?

>> No. Last year it did, the whole duf went through the committee. We brought it through public utilities committee last year, but we haven't this year. We could bring it up in the committee. I'll leave it to the chair.

>> Renteria: I think this should be going through a committee so we could find out what is going on. After some of my -- I've had some of my constituents contact me about concerns, especially about the multi-family environment demand meter part of it, but I would like to know and learn a lot more before we start working on this. I believe it should go through the committees and have it come back and see if we can solve this problem.

[11:40:45 AM]

>> Mayor Adler: I'll get back to you, some people haven't had a chance to talk yet.

>> I think all of these were kind of grouped together so I want to speak and certainly would have supported these concept items. We all knew I think as we went through the drainage recalculation that it was setting up a new system that we had a staff that really worked hard to try to work through all the possible consequences of it. We had to do it for legal reasons, but I think what all of us have experienced over this last year is the unintended consequences. System that's been set up. And I'd say that it should be part of the budget conversation just because I think we need to do something quickly and I'm concerned that if we have a process to goes to committee and then it does something else and then comes back to council, the reality is I was at a homeowner's meeting last night and it was a town home community and their rate went from I think previously the rates were just under \$10 a resident. And now they are paying almost \$30 a resident, per month, for a drainage fee. So this is really a substantial problem. And it's an inequity issue too because what's happening is their fees are so high because their private streets are considered impervious coverage, and that is not true of single-family or condominium complexes or town home complexes where the city is public. It's public streets. So we treat private streets and public streets totally different than the standpoint of the calculations. And if we're going to count streets as impervious coverage, then we should be doing it for families with public streets in front of them. And I would never encourage that because I never thought that was the intention. One of those unintended consequences has been in that interpreting the calculations we don't calculate the -- the staff does not calculate public streets as part of impervious coverage, but they do calculate private streets and it is resulting in a huge inequity in the bills that are being charged on these drainage fees to the communities that are even single-families that we have.

[11:42:58 AM]

We see single-family neighborhoods and we're talking about approving zoning cases on properties where they have private streets instead of public streets. From a fiscal standpoint that's great, but the residents are penalized. I think we can address it from a policy standpoint, but I'm concerned about the length of time because if you're talking about somebody that's paying almost three times the amount that they were paying and you're talking about a year for this to go in place, that's a pretty big substantial -- and it's not equitable. It's not fair that we treat streets differently in the calculations.

>> Mayor Adler: I put it on here not because I didn't think we need to deal with it or it was the unintended consequences if we tried, I was concerned if we tried to do it in the budget process that we might have just as many unintended consequences as before and I wasn't sure, like councilmember kitchen was asking, what's the best way for us to tee up that issue. And sending it back to water or

asking with a resolution saying hey, now we've had a chance to see that for a year, please fix these unintended consequences and come back to us and tell us how you would do that. The reason I listed this is so that we could talk about whether or not this was the right place to do that. That's why. Mr. Zimmerman and then councilmember kitchen.

>> Zimmerman: Thank you, Mr. Mayor. I appreciate that very much. My staff was good enough to bring to me, these are the recorded public utility committee meeting minutes. The date was Wednesday, January 20th, 2016. We had quite a bit of discussion on this if you remember. It was item number 6, briefing and public comment regarding fire demand water charge practices. And we had extensive testimony from our constituents, like you remember. And maybe we'll go and get the video and highlight this, but the bottom line is we were told by city staff that nothing could be done because it's a budget item.

[11:45:02 AM]

Here we are on budget discussions and now I'm here, nothing can be done because it's a policy decision. When we had the policy decision and we were told nothing could be done because it's a budget decision. So if we kick this can down the road again the next time it couples up, if it comes up, there's nothing we can do because it's a budget item. So here we are at budget time, let's stop kicking the can down the road. We need to answer our constituents on this. I'm not blaming staff for deliberately charging customers. They were unintended consequences of a policy we tried to apply fairly. Now is the time to fix this. I ask for your support.

>> Mayor Adler: The attorney points out that at least the second one of these would require a code amendment associated with the change.

>> Kitchen: And I just --

>> Mayor Adler: Hang on a second. Let me go to pitched and we'll come back to you, Ms. Gallo.

>> Kitchen: I think the staff has done a fabulous job with this stuff and these are issues that were brought to my attention and other people's attention to. So I think the too is well aware of -- they've done as much as we can essentially. So these items are just highlight and we have to make some decision about them. I think on balance I would come down on the side of let's go ahead and do this as part of the budget process. So what this means is that if it takes an ordinance, then we need to have the discussion and put it on the agenda to do that. If that's what it takes. I'm happy to work with my fellow councilmembers to bring forward whatever it is, in whatever form, so that we can have this discussion, you know, now, I guess. So rather than -- rather than say that we will get through the whole budget and then take it up.

>> Gallo: I was going to say the same thing. Staff has been remarkable in dealing with this because it just seems like every different town home community, zero lot line communities that have been impacted about this, staff has been great sitting down with each of those communities.

[11:47:10 AM]

Instead of individual billing they went to one central billing so the homeowner associations all of a sudden got these multithousand dollar bills that then they were responsible for dividing up. And staff every step of the way they have really worked with each community and tried to figure out -- they've gone back out to calculate impervious coverage. They've just been wonderful. But I think it is now on our shoulders to correct the inequities here. And if we can do it as part of budget and quickly follow it with the resolution and the ordinance amendments to do that, I just don't want -- I don't want to be in a situation where we don't do something as part of this budget to correct it and then we find out that the

ordinance amendments that we're doing would not be able to be put in place with the change in fees until next year. So inc. That's the concern that I would have.

>> Mayor Adler: Mayor pro tem.

>> Tovo: Thanks. I don't believe we covered this point, but couldn't we adjust the fees midyear? I know we -- I know we passed the most part of our budget adoption, but we can also amend them?

>> Sure. The code addresses the duf so you have to change the code in order to change the structure that you have for the drainage utility fee and then you could do a budget amendment later.

>> Tovo: And I know that we're planning to do a cost of service -- water cost of service study within the next year and I didn't know if that related enough to this that it could become part of that process as well? Were we not to get through it in this budget time.

>> Good morning,

[indiscernible], Austin water. Austin water is starting -- sorry. David Andrews with Austin water. We are starting a cost of service study in September of this year. Our plan would be to complete that cost of service study in the spring of next year so that it would be available for the next budget cycle for any type of rate changes.

[11:49:21 AM]

Just referring back to the fire demand meters, it was anticipated that the fire demand meter issue would be brought up as part of that cost service study. That's what we recommended to the PUC is that cost service study that we're now into. In fact, the customer that had testified before the PUC committee has agreed to be on our public involvement committee for representing the multi-family as a small multi-family customer. So those kind of issues will definitely be in the forefront as we move forward in our cost of service study.

>> Tovo: Thank you. That's helpful.

>> Mayor Adler: Ms. Houston.

>> Houston: And mayor, most of the items highlighted have to do with residential properties. I've gotten concerns from houses of worship and the unintended consequences that have happened. So I would like to have the conversation.

>> Mayor Adler: Should we take a quick vote on this before the mayor pro tem leaves?

>> Zimmerman: I'd love to have those added on here. There's another corner case that had a lot of consequences. I'd like to have those added.

>> Mayor Adler: Ms. Kitchen.

>> Kitchen: You would like to leave these on the menu now and see if we can bring something forward to have people talk about these rather than take them off right now. I think there's an interest in seeing these addressed and there's a little bit of -- we've thrown out some ideas on how to address it, but I don't think we've reached any conclusion. I don't think there's any point in taking them off today. Give us time to work on them and then bring back something more specific.

>> Mayor Adler: Given that request to do that, what I'm concerned about is this forum doing that, there's so many big bites we have to take here and so many things that need to be resolved.

[11:51:22 AM]

So if there's a shorter bridge than opening up the whole duf deal, that's going to take a significant period of time. I would be willing to give you time to take a look at that. But I'm hoping that we don't spend a day in precious budgets time on that kind of an issue because we could do that on 50 different issues.

>> Kitchen: But it does impact the budget.

>> Mayor Adler: All these decisions probably impact the budget. It's just on how much time we want to spend on this as a proportionate part of the whole thing. That isn't to say there aren't unintended consequences. It's purely finding the right place to do it. We could certainly tee it up right now to have this conversation and do a budget amendment right afterwards, so when you talk about how to do this, my request would be that you also take a look at that strategy as well as maybe something that fits better and let the community come in more and talk about the unintended consequences of fixing an unintended consequence.

>> Gallo: I think that's the issues we've had.

>> Mayor Adler: We'll talk about the unintended consequences of fixing the unintended consequence. I want to give them a chance to be able to talk too.

>> Gallo: I think what would be helpful is to give legal a chance to address this is that if we made a budget change that would be reflective of removing the private streets from the impervious coverage and you're saying that we would need a change in the ordinance first. Could we make the budget change and then that would be implemented at the point in time the resolution -- the ordinance change was made? So that would be a question is can we make the budget -- instead of saying we'll do the ordinance and then we'll do a midyear budget, we're talking about six months from now, eight months from now, can we do the opposite, implement the budget change, but it wouldn't go into effect until the ordinance was changed to reflect it.

[11:53:33 AM]

>> I'll take a look at that.

>> Gallo: That would be helpful.

>> Houston: I was going to suggest that the staff who do this all the time and whose letters I send them all the time about this issue, if they had a path forward that would not have us spend so much time on it, if they thought about it and have some suggestions on how we could look at the unintended consequences a little quicker.

>> Mayor Adler: Let's do that. Let's not take this off this agenda right now. Let's give a chance for Ann and don and you as well to visit with staff and make a recommendation back to us as a collective group on what might be the best way for us to hit those issues. So without objection I will pass on these issues and go to the next highlighted items. Next highlighted items past those three get us to --

>> Houston: When you find it can you give us the page number?

>> Mayor Adler: Page 19 of 48. I think that's the next highlighted numbers I see. This first one is to build five new fire stations. And I put this on here again -- again, I'm not saying that we don't need five new fire stations. I was just wondering if given the larger context this was something that was above bite size that we could handle as part of this process. Ms. Kitchen?

>> Kitchen: So this would be a capital item, I assume, but we don't have a dollar amount. So do we not have the answer for that? I'm not understanding what the question is, why would this not be on our budget?

>> Staff is working on a report that I don't believe has been released yet. There's a council resolution directing staff to report back on funding strategies for five new stations, including the capital costs or perhaps a public-private partnership opportunity as well as the operating costs.

[11:55:43 AM]

I know the fire department has been collaborating with financial staff and real estate services on that. I think you will get that report soon before budget -- before budget action would be taken. And I think somewhat from a practical standpoint I don't know that this could have any effect on fy17 because I don't know that there's any chance we could get a station built in fy17 so there would be no station to

staff. I think a council discussion about your reaction to that report and the funding strategy and how would all this get done is a good decision have. I honestly don't see any way that there would actually be a financial consequence for the fy17 budget given the time it takes to construct a station and to actually be incurring any costs actually related to that.

>> Mayor Adler: Would it impact the cip budget for 17?

>> I think the only way it could impact the cip budget is if council were to take an action to issue certificates of obligation for it as opposed to going for a voter approved bond program. Or I do know that we're really looking into a p3 possibility where we wouldn't be issuing bonds for that. But in any event, it would have a capital budget amendment in that case, potentially if they actually thought the construction was going to start in fy17, that would be dependent upon I availability of the land, do we even have a place to put these stations at this time. So all that analysis is happening and then what if any budget amendment would be required in fy17 would have to be following that report again. I just don't see -- given we had a fire station added to the 2012 bond and it's still under construction. These things take awhile to get figured out and get the location ironed out, get the funding in place.

[11:57:43 AM]

>> Garza: I was the lead sponsor on this resolution. And so I mean, I totally understand practically speaking why this wasn't -- the the conversation doesn't really need to be had at this moment. The goal of this resolution was to bring -- was to let it rise to the top so we have a comprehensive plan. So I think there was a deadline -- it said for consideration during the 2016-2017 budget process. It didn't say and show me the money, so to speak, for this coming year. It was just -- the purpose was to have a plan that we could see that this is thousand we could get these five fire stations online. With that being said if it's still a priority at this council because we pass this resolution that this is an important issue, but practically speaking it will not affect this coming budget. So I guess I would be fine taking it up.

>> Mayor Adler: And by taking it off, I don't mean to diminish the importance of this or the need for us to have this conversation as well. But that said, those in favor of taking this off this budget concept menu, please raise your hand? Those opposed? Mr. Zimmerman votes no, the others voting aye with troxclair and the mayor pro tem off the dais. Develop a contract for services with eisd number 4. I had put on for the same reason, not because it wasn't an important thing for us to discuss and resolve because I think it is an important issue, something we need to resolve. The question for me was only whether this was the right forum for us to do that in. Yes, councilmember pool? In. Councilmember pool.

>> Pool: I had conversation with Bob nix and he said the Travis county commissioners were going to be - progress on what happened if any in the commissioners court.

[11:59:45 AM]

I think there was some adjusting of the costs as well. Or maybe acm, Ariana.

>> I can answer the one question, I do not know the discussion with Travis county commissioners court. We did have a brief meeting with Danny hobby this morning and he was just wondering what our recommendations were and he wanted to be sure that we were kind of in alignment together. But -- and I want to -- so we have completed our report and attached a memo and I turned it over to the city manager's office and I think that acm is prepared to pass that along shortly.

>> We should be releasing that here this week.

>> Pool: So where does that put us on whether we should allow this to remain pending or remove it from the concept menu? I'm kind of thinking we leave it be until we can read what the report says, what

the memo says and get the information from Travis county because it sounded like there would be some shared financial responsibility.

>> So I'm just going to be up front and honest. Asay that my recommendation is that we do not incur a cost of about \$1.5 million to operate fire stations outside of the direct city proper. That I believe that there are ways that we can do that without incurring that \$1.5 million cost or even a shared cost with the county. I would rather take that \$1.5 million and put it towards phase 6 of the locker room project or to the construction of new stations inside the city limits. But I believe there were options that were discussed that weren't the preferred options obviously between the two groups, but I think there are options that we can do to help improve the service to those areas but it would be through a pay for service.

[12:01:53 PM]

In other words, they would pay us to provide the service and we would not absorb all of their employees.

>> Pool: Okay. And some of the numbers that I saw reduced the -- the amount due in each fiscal year by having it roll into additional fiscal years so that the actual impact in fiscal 17 would be about 124,000 and half of that would be shared -- half of that would be the city of Austin's responsibility and the other half would be Travis county potentially, so it would be \$62,000.

>> And that was sort of -- it was a discussion with the financial committee about -- it was kind of like an earnest money that the esd4 would provide, but in all reality we think -- my recommendation and it is in the report is that it would -- the recommendation is that the esd4 pay for the entire next fiscal year services and in the meantime gives us time to discuss what some of our other options are in regard to providing service on a regional approach.

>> Pool: Okay. Okay. That makes sense. It means that we're not abandoning the idea.

>> No, we're not.

>> Pool: Okay. And I would be comfortable with that, mayor, so if -- if indeed staff were going to continue the conversations, including Travis county and with esd4, and if moving forward financially this year is not indicated.

>> That's correct.

>> Pool: But we may be looking at that for fiscal 18.

>> That's correct.

>> Pool: Then that -- that satisfies my questions.

>> Mayor Adler: Ms. Gallo.

>> Gallo: One of the stations is in district 10. It's in an area where there's a lot of concern for wildfire risk, and I would suggest we leave this on the concept menu to at least have Bob Nix be able to speak to us.

[12:03:53 PM]

He was the one that came before us at the council and has really been the catalyst behind trying to work through this both with esd4 and Travis county so that it becomes a cooperative arrangement with Travis county. And my understanding is that the first year costs for this budget would be split between Travis county and Austin and then the future budget cycles that if the 1.5 I think -- at the point they were talking about it, the city would be responsible for a million and Travis county would come up with a half a million. But I do think that we should give him the opportunity since there was an ask for a smaller amount of money in this year's budget to get it started. He and the neighborhoods that are impacted by this particular station have really spent a lot of time and effort on this and I would leave it on the

concept menu to see where we are on that. But I do understand that it's a fairly -- it's a relatively small amount for '17 to put us in the place to be able to move forward on this.

>> Mayor Adler: My only hesitancy is we saw what happened last year, we parsed a lot of things that were multiple year and two months to go and this year we're seeing the annualized costs of those things which is one of the reasons where we are we are in this budget. I agree with councilmember pool and with you and everybody that that is something we need to pursue. It sounds like we have a path to be able to pursue that, and given everything that we have to discuss on the budget, that seems to me to be the better place to get from here to there than committing ourselves to 63,000 this year, but now committing us in effect to another million dollars where we start off with next year. Given the other priorities that we have in the fire department. Also on Mr. Nix's list of important things to happen including the restrooms and the other things alike.

[12:06:00 PM]

So I'm not -- I don't feel real strongly about this, but I would probably vote to take it off just because there's so much stuff here for us to be dealing with, that just seems to be a better path.

>> Gallo: How much of our staff time are we currently providing at no cost for that station?

>> I'm not sure. Can you ask me that question again? I'm not sure how to answer that.

>> Gallo: So it's my understanding that AFD provides backup service for the station and so my -- at no charge, and so my question was this past year how much has been that dollar value?

>> I couldn't answer that question in regards to the amount, but yes, we do provide mutual aid to E.S.D. 4. And technically mutual aid is when the entity arrives on scene and they deem that they need additional help, they will ask for mutual aid. But there are many times when they don't have units available or the event is large enough that they only have the one unit available. And so we will automatically dispatch people just because we know it's the right thing to do. I don't know the dollar amount, but I think we could probably come up with some dollar amount by the number of calls that we've run into that particular esd.

>> Gallo: Thank you for that. It's my understanding the city is incurring costs in providing that backup service and this is a station that I believe there was a house that burned to the ground because they were unable to provide service more quickly and it is in a real wildfire risk area. So as long as we can provide the service, and I just saw Mr. Nix walk in so if he has anything to add, we're talking about the esd4 conversation.

[12:08:07 PM]

I just -- I'm concerned and I know that you are concerned which is why you brought forward the five fire station. This may be an opportunity that we have where the facility is already there and built. I want us to do the right thing based on the substantial need in that area for fire coverage that's not being addressed appropriately. We bring properties in in limited annexation and they are responsible for their own public safety service, but at the same time we as a community understand that if we -- we have a wildfire that starts in that area with all of the canyonlands and with all of the greenbelts that have basically no access by road to them, that our neighborhoods that are full purpose and paying taxes were going to be impacted by those. So it's just -- it's trying to figure out how to do the best thing possible with the resources we have and I just want to make sure that we don't miss an opportunity to do something that --

>> Mayor Adler: I want to change my mind and not recommend we take this off so this conversation can be taken off line. But I would like the people who are having this conversation to come back to us again

with the suggestion as to whether or not this is the right place or vehicle or moment to deal with this issue.

>> Gallo: Thank you, mayor.

>> Houston: I two of those esds so I would like to be part of this conversation. I was ready to have it taken off because I think our staff has worked in good faith with the union to try to work out a path for it and they are continuing to work on that. We don't have the information from Travis county about their financial skin in the game and from what -- when I talked with Mr. Nix, we would be short a million -- a million five going forward, starting in 2018. And I can't commit to that for the people of Austin so I would prefer that we take it off and continue these conversations off line and see what Travis county is willing to commit to.

[12:10:07 PM]

>> Mayor Adler: Okay. Mr. Zimmerman.

>> Zimmerman: Thank you, Mr. Mayor. As chair of the public safety committee, of course I have a huge interest in this and I would like to add if Mr. Nix could make a few remarks about his conversations with Travis county on the way some of the funding might work. If that would be agreeable to the body, could we hear from him just a minute? I think that's important to the conversation whether we take it off or not or whether we vote or not.

>> Mayor Adler: And partly the reason to take it off would be to obviate the need to have the long extended conversation. And if the votes aren't there to take it off, maybe we could move that conversation but still have that conversation and see if there's a critical mass of people that say hey, this is the time to do this.

>> Zimmerman: Fair enough. Point of order, if there's not the votes to take it off so we leave it on.

>> Mayor Adler: That's right. I'm going to recommend that -- councilmember Garza.

>> Garza: I have the same concerns and issues as the one we just did take off. I don't want that to signal -- I would prefer this stays on for now. It's important that these remain a priority and if resolution going back to the previous item, it -- it asked for certain things and there was -- I mean there's be it resolves with strong shall language, so I really hope that even if we're -- if we don't -- if the money is not going to be there for any of these new fire stations or esds, I hope staff follows up on what was asked for in these resolutions that was a proposal with funding options and then also report every budget to tell us where we are on adding these. But I would prefer that this stay on for now.

>> Mayor Adler: Okay. There is there a motion to pull this one off?

>> Houston: I'm going to make a motion and we have time to hear what Travis county does -- is today Tuesday or Wednesday?

[12:12:09 PM]

Seems like I've been here for my life time. See what happened on Tuesday.

>> Mayor Adler: Let's take the vote. Those in favor of pulling this item ps102 off. Raise your hand. Ms. Houston, Mr. Renteria. Those opposed? The rest of the dais with the mayor pro tem and troxclair on. This will stay on for right now. I would urge people that are in this to meet and have the conversations and come back and help the rest of the council understand if this is the moment or the time or the process to be able to deal with that. There are some things that are highlighted and there are things I had not highlighted. And I think these are things that the staff had asked us to take a look at. As additional items. One of those is this item that's on page 22. It's ps2.01. And I think there was a conversation about this yesterday. Councilmember Garza, do you want to address this?

>> Garza: Sure. I guess I'd like to know why it's highlighted by staff and it -- to reiterate what I said the other day, it says to not exceed one percent. You know, I just spoke to the -- about our budget and the practicality and making cuts and I understand the implications of making cuts at the same time. There were three resolutions that spoke to even by prior council, by this council the need to invest more in our health and human services. So again I -- you probably won't hear this often, I agree with councilmember Zimmerman in that it is -- we are at a -- in a tough situation because we don't know exactly where we can find money.

[12:14:11 PM]

And I would prefer to stay on with the direction, of course, with my co-sponsors agreeing, that to still try to find some amount of money, it doesn't have to be 6.8, I wish it could be 6.8, but just some amount that could be brought forward that doesn't affect front-line operations, is not pulling people out of units or closing stations or anything like that. I'd still like to see what staff can do to bring forward something. And we're still -- my staff is still combing through budget looking for surpluses in departments to see where we can -- if we can't get any suggestions, we're certainly going to bring some forward.

>> Mayor Adler: Discussion on this item?

>> If I could just say really quick that is highlighted because it's just the tbd highlighted. All the tbds are highlighted. So we don't have a dollar amount.

>> Mayor Adler: And in terms of the discussion, it's not only staff but one of the things I found intriguing about this proposal when you sent it around was the conversations with the Apa and the afa and the ems association. Certainly if they can identify -- if they are aware of cost savings measures, we would want that to daylight as well. Ms. Pool.

>> Pool: To that end I do think that there were some items that were raised subsequent to this appearing on the concept menu. For example, from our emergency management services folks. Their budget is rather smaller than the others and I know that this is -- it's a percentage and it is not to exceed number, but I think there was some interest at least from ems's perspective to have additional conversations. We are looking to fund -- to increase their budget so that we can move them from a 48-hour workweek down to a 42-hour workweek and we don't want to do anything that would have a negative impact on that, for example.

[12:16:21 PM]

And there may be some other considerations specific to ems that would certainly probably come out as we discuss this further and kind of shape it.

>> Mayor Adler: Ms. Kitchen.

>> Kitchen: I would also say with regard to ems, we're also looking at some specific programs, and I know the mayor pro tem brought forth some programs that relate to homeless task force which impacts ems and the community paramedic program, but these are the kinds of programs that really pay for themselves and so I would not want to exact those kinds of programs. Other than that, I'm generally supportive of this item. And I think we should keep it.

>> Mayor Adler: My sense is is that given the sponsors and the people that are here, this doesn't come off and I think it's not necessarily directing at hitting that dollar amount, but just going back to those folks and reemphasizing, taking another look and see what those things were ag and also checking with the associations to see if they have things. So I'm going to move pass this item on to the next item that we have, which is, again, a tbd item flagged by staff. It's q11.30. Page 33 of 48. So we want to address this -- Ms. Kitchen.

>> Kitchen: Yeah, I think this is probably one they are in the process of figuring out the pricing on it. It should be a low dollar amount. These were recommendations made by the senior commission and certain other entities about making sure that we include in our scripts information about elder abuse and that sort of thing. It should not be --

>> Mayor Adler: Are we okay with this staying on? Okay. Then that gets us to --

>> Mayor?

>> Mayor Adler: Go ahead.

[12:18:27 PM]

>> Pool: Does that also through -- the language used by 311 and 911 operations, is that only Spanish -- anyway, I would like to know which languages would be affected.

>> Kitchen: This would affect all the languages. My thinking was that there are certain languages that they use right now. Certainly open to expanding this if they need to include additional languages.

>> Pool: That's what I was going to ask. I know that there are --

>> Kitchen: We can get that information.

>> Pool: That would be great, if we know which ones are being used and in the Asian community there's a whole array of dialects and, frankly, languages that may not be reflected in the lists that we have.

>> Mayor Adler: Councilmember Garza, then Casar, then Houston.

>> Garza: I just wanted to -- housekeeping. Page 2248, q1.06, which is councilmember Renteria's, is the exact same as my -- it is on page 33, q1.27. And there were two recommendations out of that quality of life with this organization so I spoke to them and she said that the 69 is the right number and so just for housekeeping reasons I think we can move -- I think we can take off yours if that's okay, councilmember Renteria, and add your name to mine.

>> Renteria: That's fine. I heard that also.

>> Mayor Adler: Ed, did you get that? Okay. Thank you. That takes us then to 35 of 48. Ut2.01, removing funding for the downtown Austin alliance. Mr. Zimmerman.

>> Zimmerman: Thank you, Mr. Mayor. This is similar to my proposal for the council funding of the chamber of commerce. Downtown Austin alliance.

[12:20:28 PM]

Very well connect group, very important business leaders. I just can't fathom why we have to force people to pay 150,000. That money can come from other places besides the -- besides our constituents. The work is important, but it should not be forced out of our ratepayers and taxpayers. Pretty simple.

>> Mayor Adler: Okay.

>> Zimmerman: And I guess it's a policy decision. Either we fund the daa like this or we don't. And again, I don't support any of this kind of funding. If it's west side, north side, south side, east side, suburbs, downtown, it's all the same. We should just stop the mandatory payments like this.

>> Mayor Adler: Okay. Ms. Pool.

>> Pool: I just had a real quick question. Since this is part of the public improvement district, are we contractually obligated to have the \$75,000 from each of those two departments? And my follow-on question would be if -- could we, even if we are, instead of taking \$75,000 from Austin water utility, simply have how much needs to go to daa come directly and solely from the convention center. I know that the moneys from the H.O.T. Taxes are required to be spent downtown and for tourism. I think there could be a policy argument for having all of the money come from the convention center allocation and free up that money for Austin water since we are taking money from the utility in some other ways.

>> My understanding that the currently is long-standing agreement that \$75,000 would come from each of the entities. I think we would need to get back to you in regards to both of your questions in regards to what kind of contractual change would be required for the city to pull out of that, and also in regards to your second question, could we have convention center pay for it all. That's the work we would want to do if council decides to move this forward, I think.

[12:22:31 PM]

>> Pool: Okay.

>> Mayor Adler: Okay. Ms. Gallo.

>> Gallo: And so could you help us also understand the funding for daa? Because I believe there's a tax that is implemented through the downtown area to support that. I know this conversation came up when we were trying to find the funding for the downtown restrooms and, you know, it just seems to me that some of the things we're being asked to pay for really are things that I think the entities that are paying that tax downtown assume are going to be paid for and so we kind of seem to be merging over the line with continuous asks to the city taxpayers for things that are really downtown benefits.

>> I know how -- Elaine Hart, chief financial officer. How the pid is set up is that everyone in that footprint, that boundary within the pid, pays a certain assessment, a certain dollar amount per hundred dollar valuations. And typically how it's structured -- I would have to double-check to see if this is set up exactly that way. Both water has facilities and convention center have facilities in the footprint or boundary of this pid so they are not -- my understanding and it's based on memory is that they are paying a set amount, not the cents per hundred dollar valuation and the pid was set up specifically to address needs in the downtown area, to make the downtown area more attractive to entice people to come down to the downtown area, and that was the original intent. But I can't provide much more detail about the specifics. I'd have to -- of the specific programs, I'd have to get that information for you.

>> Sue Edwards, assistant city manager. There was in the agreement because the city of Austin does not pay taxes that this amount would be in lieu of paying taxes since we are in the district and we do benefit from the pid programs.

[12:24:43 PM]

We do have a list of the pid programs and the items they provide and we would be happy to send that to all of you.

>> Gallo: That would be great. Thank you.

>> Mayor Adler: Okay. Take a vote on removing this item. Those in favor of removing ut2.01 please raise your hand. Houston, kitchen, pool, Adler, Casar, Gallo and Renteria voting no. Mr. Renteria, Garza and Troxclair and the mayor pro tem are off the dais. Zimmerman votes no. The others voted aye. I'm sorry?

>> I think you just said he was off the dais.

>> Mayor Adler: Oh, I'm sorry. Because he's clearly not. Troxclair, Garza and the mayor pro tem off the dais. That's removed from the list. Next is ut202, eliminating composting.

>> Gallo: Could I follow up on that one 201, the questions I asked about shifting the entirety of the amount that's funded over to the convention center so that the water utility does not have to pay a part. Would you still be able to answer those questions for me or do you need to have some other formal directive?

>> We can provide a response through our budget questions.

>> Pool: Great. Thanks so much.

>> Mayor Adler: Thank you. Thank you, staff. Eliminating composting. Mr. Zimmerman.

>> Zimmerman: Let's point out a correction in the language. We proposed to eliminate compulsory composting charges. The way it's worded it's perfect for a false ad. We eliminate compulsory composting charges of \$1.8 million. So what I've been finding from recent door knocking, we have more people that I thought that are already doing composting so they are going to realize absolutely no savings because they are already composting.

[12:26:51 PM]

Others don't have enough materials to make a compost collection worth it. That's probably the majority of my constituents. They strongly disagree with the city's contention that this composting material, a huge amount of material that is going to amount to some kind of savings for them. It just simply isn't true. So I'm opposing this. I'm opposing mandatory or compulsory composting. That's the key. We need affordability. We're already paying too much and we could save this 1.8 million. I guess the capital improvement of 3 million is even a more significant number, but it's a way to at least reduce the fees slightly by not forcing people to compost. Or not forcing this 'em to pay for composting. Even if they are forced to pay, they are still still not going to have anything to compost. There's quite a few people that don't have a significant amount of material so it's a waste of money to them.

>> Mayor Adler: Further discussion? Those in favor of taking this item off the agenda please raise your hand, off the concept menu, please raise your hand. Opposed? Zimmerman voting no. How do you want to vote? Vote yes. Zimmerman voting no. Ms. Gallo, how are you voting?

>> Gallo: So I'm --

>> Mayor Adler: You voted yes on that.

>> Gallo: I'm voting to remove it, but I will not vote to increase the utility bills and so I think the utility department needs to -- if this is an important program, they need to run the program within their current budgeting.

>> Mayor Adler: Everybody votes aye, Zimmerman votes no with the mayor pro tem and troxclair off the dais. This item is removed. That gets us then to --

>> Kitchen: Could I do a time check? It's 12:30. Lunchtime. Could we break for lunch and then come back to these?

>> Mayor Adler: We could.

[12:28:51 PM]

I think there are like five items left. Do we want to try to get through these next five items or break for lunch? Councilmember Renteria.

>> Renteria: Also there's Iq 121 on page 31. My understanding is that this -- this got in the hispanic quality and the group that was asking for that money was a neighborhood contact team which is not allowed to handle any money so I don't believe that I -- I don't know. I talked to Dela Garza and mentioned that [inaudible] And it's -- it was submitted in the concept menu on the quality of life, but this -- the group that put it on there was the neighborhood contact team. And by my understanding they are not allowed to handle money, the contact teams are not. So I think that we could delete that item.

>> Houston: Is it 21 or 20?

>> Renteria: No, it's ql1.21 on page 31.

>> Houston: Okay.

>> Mayor Adler: Let's do this. It's 12:30. Let's consider that item and the ones left, let's come back at 1:30. We'll knock out the remaining items on this list and then we'll go to the Austin energy briefing. So we'll stand recessed until 12:30. Until 1:30, rather. Thank you.

[Recess until 1:30]

[12:56:11 PM]

[1:47:11 PM]

>> Mayor Adler: Why don't we go ahead and start with the Austin energy briefing, since we have enough people to do that, but not enough people to do the concept menu, and that way we can keep moving forward.

[1:50:19 PM]

>> Mayor Adler: All right. We're ready for Austin energy to take us through that. Mike, as we did this morning, we'll do a briefing since we don't have the critical mass to do the concept menu. After this is over, we'll check and see if we have the critical mass. If we do, we'll go back to the concept menu. Mark.

>> Mark, Austin energy chief financial officer. And we have our new general manager, Jackie. We're pleased to have her on board.

>> Mayor Adler: Ms. Sergeant, become on board again.

>> We -- as you know, our budget document was presented or prepared back in June. And so the documents that you have in your binder reflect the budget estimates we were using prior to our rate hearings. The numbers I'm going to share with you today have all been updated with all of the information so far that we've had through our negotiated settlement process with all the rate interveners.

[1:52:20 PM]

The numbers in this book will not match what's in your budget book. And to the extent that anything changes, I'll try to point that out for you today. Our change -- we presented our pass-through -- rates on Monday. My staff went through the numbers again. We believe that we can give a .5% discount on the power supply adjustment that we had presented on Monday. It's a slight amount, but we believe we can reduce that, our green choice revenue is going to be higher than estimated, we're pleased to pass that on to the ratepayers on November 1st. Then we have the remaining schedule. August 25th, you have a public hearing. That's tomorrow. And that's on our rate hearing. And if you so choose, you can extend that to the 29th. And have a final decision on those rates. On September 12th to 14th you're going to have your hearings and adopt a budget. And that is the budget document that you see in front of you in your binders. We're going to amend that budget and bring it back, you'll vote on September 22nd, where rates and budget will come back together.

>> So, our department -- as you know, our mission statement is to safely deliver clean, affordable, reliable energy and excellent customer service. And we believe that our budget helps us achieve that mission. Some of our accomplishments last year were to continue our outstanding reliability with better than industry standard performance. And this is measured in the duration and frequency of outages. And I'm pleased to announce that we are below industry average. And we're below our targets. And the investments we're making in our grid modernization and our meters will help us continue with that.

[1:54:22 PM]

As you know, we've completed our cost of service study, close to the finish line on adopting those rates. We've reduced our power supply this year. At the beginning of the budget year last year, we reduced it again in April of 2016. It is the lowest it has been in 13 years. We increased our renewable energy portfolio, bringing on 150 megawatts of utility-scale solar. And this does not include the 450 megawatts that we had approved that will be coming online in August 2017. We began the work on our generation resource plan to 2025. And that will be coming to you in -- I believe it's the end of September, early October, on a resource plan. We've begun our energy storage project for community solar. We hope to have that groundbreaking here shortly. And we'll give you an update on that, and as a part of our resource plan. And I'm glad to pronounce that we have positive financial results, in both terms of our debt service coverage, is 3.0 or higher. We have excellent cash liquidity standards. Our debt to equity is very strong. All indicating that we are in a aa bond rating.

>> I would take note, I know we have -- our goal to be 55% renewable. And you can see down there that in '15, 23.1, '16, 20.9, 35% renewable by the end of the fiscal year. Department expenditures -- as you've been briefed, both in April and in August, we are requesting to convert 45 of our contract employees and temporary employees into city employees.

[1:56:27 PM]

There is a slight additional cost of that, and it's mostly involved in cost -- benefits. But these folks have no additional facility cost, because they're already working at Austin energy in our call center. They just become city employees at that time. Set of bars. You see it's a modest increase in cost. Our customer energy solutions, as you can see, very minor growth in there. Electric service delivery, there is about a \$17 million increase there. And again, that's mostly due to our grid modernization efforts to improve our reliability. Power generation, market operation and resource planning -- the majority of that increase is associated with the decommissioning requirements we have now for our three plants, fayette, sand hill, and decker. Our power supply budget continues to decrease as a reflection of the current market conditions, and our support services, transfers, and other requirements is also decreasing. And decrease is mainly associated with a decrease in our debt service, a decrease in our economic development contribution, and a decreasing amount of transfers to our reserves. Our general fund transfers included in here as increasing from 105 to \$108 million for next fiscal year.

>> The next slide gives you some dollar figures of some of the things I've already described for you. I would note that we continue to decrease our expense for ourselves and our other utilities, as a result of the change in policy that you allowed last year and continued efforts on our employees as far as debt collection on that for all of our utilities.

[1:58:29 PM]

We have a slight increase in south Texas nuclear plant. This is associated with the refueling cycle, so they refuel every 18 months. And every third year we get two refueling cycles within one fiscal year, so that's the reason why those costs have gone up. And they'll go back down again the following year. Our vacancies right now, our vacancy rate is 8.2. But when you take into account our active vacancies -- so a number of those positions have been filled. We have signed letters from employees who have accepted employment. We're just waiting for them to start. Our vacancy rate is 5.4%, the 90 positions. We continue to make good strides in keeping those positions filled. I do want to call out the excellent support, from assistant city manager mark Washington and hr director Julia Hayes, they've worked in excellent fashion to help put together a plan to help fill these positions. We continue to expect improvement on these numbers going into next year.

>> Mayor Adler: On the slide just in front of this, the decrease in bad debt expense went down by \$9 million. Can you hit that real fast?

>> Sure. It's a decrease in bad debt. As you know in 2014, our bad debt reached an all-time high of about \$21 million. So we requested and received a change in that policy. And we've been able to reduce that bad debt not only for early for -- Austin energy but all utilities that we collect for. Our goal is to get half of 1% of our retail revenue. And we're getting close to that.

[2:00:30 PM]

We'll get about 1% next year. Of course that benefits all our customers in future rate cases, because that expense that we don't collect that has to be paid by the other ratepayers.

>> Mayor Adler: Okay. Thank you.

>> Capital highlights, our proportions is 210 million and our spend plan is 221. The difference there is we have a number of projects that cross over physical years, so you authorize payment a previous year. We're actually paying or completing that work this fiscal year. We have no large single projects in our capital plan, so the majority of this is to continue to operate and maintain our system. About \$100 million goes into our distribution system. Mainly to address reliability. Power generation, \$61 million, continue to operate and maintain our plants. Transmission is about 26 million. And I would note that transmission is not paid for out of our retail rates. That's paid for out of -- from our wholesale transmission business, we assess those charges on other utilities that use our lines. Support services is about \$34 million. Our major projects include the sand hill energy center, a water clarification system, and we're relocating our environmental lab from the holly street plant out to decker -- excuse me, sand hill. Transmission circuit upgrades, distribution growth, reliability projects -- this is the backbone of electric utility. We continue to make that investment for our customers. We have on-site generation upgrades at the domain. And we continue to work on our 1.6 mega-watt commercial battery at the Mueller development and part of the shines project.

[2:02:36 PM]

This is partially funded with a doe grant that we received last year.

>> Our department revenue -- and, again, these are updated based upon the negotiated settlement numbers that we've been presenting to you during the rate hearing. So this is our current picture. Base rates continue to decrease from what was amended last week from 658 million to 603 million. Our power supply adjustment is decreasing from 433 to 362 million. And I would note in 2014, our power supply adjustment budget was 501 million, going to 361, so that's \$140 million reduction for our ratepayers that they've experienced since 2014. Community benefits, revenue is flat. Regulatory revenue is slightly up. And a good portion of that is just due to load. Transmission revenue is flat, and other -- interest is also flat. So we believe it's a good story, this will benefit our customers.

>> Some of the numbers here, our total revenue is decreasing by \$120 million over last year's budget. A good portion of that is our power supply and our base revenues. Right now our base revenues are expected to change on January 1st of 2017. However, our pass-through charges that are also decreasing, we're going to pass those back on October 1st as soon as we can get the billing system set up to charge those lower rates. Excuse me, November 1st. November 1st. We do have an increase in transmission revenue, and, again, that is paid by our wholesale customers not our retail customers.

[2:04:42 PM]

And our other revenue, the majority of this is our infrastructure attachments, our pole attachments. We continue to make great strides on that. And you've been hearing about the pole attachments lately. This is for the wired believe it's still pending before council on that decision.

>> Some other changes in our budget is we are opening up batch five and six customers to allow them to convert to green choice. We had some customers that were paying higher rates under those contracts, and given the fact that our power prices have decreased, we believe it's appropriate to modify those contracts with the customers. And they will pay lower rates, but they're still going to continue their support for renewable energy.

>> The value of solar is going from 10.9 cents to 10.6. This is a reflection of current market prices within ERCOT. We'll introduce the community solar adjustment for those customers who elect to participate. So they will pay a community solar adjustment of 4.3 cents rather than the power supply-- supply adjustment. Here is a typical monthly bill hours on average, which was an average residential customer in 2015, the latest year we had full data on. And as you can see, column FY2016 approved budget, that's what we got approved in our budget last year.

[2:06:44 PM]

And what we're proposing FY 2017 based upon that negotiated settlement. We see the average bill decreasing by 3.9%. And for our customers on the customer assistance program, they will see a decrease of 9.9%.

>> The energy efficiency demand response, individual program budget is before you. And one of our goals is to do demand-side management and 200 megawatts of local solar targets in a selective manner. And we believe this budget accomplishes that. The budget also includes 200 million of additional energy efficiency services, which is a part of our rate settlement. And any unspent weatherization funding from this fiscal year will be included and rolled over to the next budget through a budget amendment.

>> Some of the challenges that we face in the future that we want to share with you is we continue to make efforts to meet the affordability goals, which is keeping the average rate increases at or below combined annual 2% rate increase. As you know the last several years we've been decreasing rates, so we are well in compliance with that. And to remain in the lower 50% of comparable Texas utilities on rates. The last couple years we have been above that 50%. With these rate decreases, we expect to make progress on getting that 50%. And we should have those final numbers, I believe, in November of this year.

[2:08:47 PM]

And once we have the state averages, we'll come back and report to you on our progress. The clean power plan which sets limits on our carbon dioxide could reduce costs. We continue to monitor this closely. As you know, the Austin energy supported the clean power plan. With the exact effects of that is, we don't know yet. But we continue to monitor and report back to council on that. Our cash reserve levels and cost containment -- we've been able to accumulate our reserves over the last few years. One of the reasons why we were able to reduce rates now. And so we continue to hope that our rates will provide enough margin for that. Another concern of ours is cybersecurity and our required compliance with liability standards. Cybersecurity is on everyone's watch. We are participating with industry trade groups on this, and we are standing up a cybersecurity group within Austin energy to ensure compliance with that in conjunction with the city. And workforce challenges. We have about one-third of our workforce is eligible for requirement in 2017. That has us concerned, both in retaining talent as well as recruiting. So we're going to make efforts to increase the attractiveness to come work at Austin energy.

both in terms of training and pay. That's the only way we're going to be able to stay competitive in this industry.

>> And here is contact information for any of us on the executive team.

[2:10:48 PM]

And with that, I'll be glad to take any questions.

>> Mayor Adler: Were you able to reach -- finalize an agreement with Sierra club and public citizen?

>> My understanding is we do have an agreement in principle. We're drafting up the documents, and I believe they're expecting to sign on.

>> Mayor Adler: Good job. Any questions, comments? Mr. Renteria.

>> Renteria: When you said about the workforce challenge, are you reaching out to any of the community college, or how do y'all plan to go about getting these -- the workforce that y'all need?

>> We have -- in addition to our Normal recruiting, we do work closely with ACC as a part of our apprenticeship programs. We are also working with the city with recruiting veterans out of ft. Hood who many of those have the skill sets we need for Austin energy. I'm pleased -- I understand that Austin energy will be the second department to take advantage of that program. We've already begun working with them on that.

>> Renteria: Great. And if you could just reach out to my office when y'all are doing this kind of recruiting, I would really like -- we have a huge -- not huge, but it's a big unemployment rate there in my district. And I would like to try to work with y'all and see if we can manage some of these younger people that are looking for work.

>> Absolutely.

>> Renteria: Thank you.

>> Mayor Adler: Ms. Houston.

>> Houston: Just a question about the workforce. Are the vacancies posted online, and do they go to the workforce commission, or how do you get that information out?

>> The -- as a city department, we list all our jobs on our e-career website as they become open.

[2:12:53 PM]

And that's our main.

>> Houston: So if people go to the workforce commission to look for a job, they won't see it there?

>> Perhaps someone from hr can talk about how that connects with the workforce commission. I'm not clear on how that works.

>> Houston: This is not that conversation, but those of us that have high unemployment in our communities need to know how people who don't have access to their website to be able to do that. So if you could just tell us after the fact, that may not concern anybody else, but . . .

>> So, mark Washington. So, the jobs are posted on the website, but they are also -- locally, we have collocation at the workforce solutions, with the workforce commission, and the site, and we have one south on airport and one north to share information about local opportunities in addition to wherever they may post or advertise opportunities for the city of Austin. So we do partner with workforce solutions. As well as the employment figures as well.

>> Renteria: Mr. Washington, if you could give me some of that information, also, because we have a newsletter that we distribute out in east Austin online. So I would like to help you out on that advertising.

>> We could do that.

>> Mayor Adler: Okay. Any other questions? Yes.

>> Garza: Mayor, you mentioned the settlement talks. Is tomorrow the better forum to have specific questions about the rate case? Is that -- would that be the better forum?

>> Mayor Adler: Tomorrow is a public hearing. So now would be a good time to ask questions about it if you wanted to.

>> Garza: Okay. I deeply respect the work that y'all do.

[Chuckling] Because, you know, learning to be a board member for Austin energy has been -- millions of binders that I'm still having a hard time understanding how all the different things work, frankly.

[2:15:01 PM]

[Chuckling] But I'm glad to hear that we're close to a settlement. But understanding, though, that still includes the tier one having an increase? Is that right? Tier one users?

>> That's correct.

>> Garza: Okay. And so I'm trying to understand -- it sounds like, you know, we're dealing with levers here. And if you move a lever one way, it's going to affect another lever somewhere else. So, how do we get to where we have the agreement that -- if we accept this settlement, but we still don't want an increase in the tier one, what other lever does that affect? Does that throw the settlement out? Is there room for us to be able to do that?

>> Mark Dreyfus, he's working with the parties.

>> Councilmember, I would note that the settlement includes a severability provision, that states that should anything change, the parties reserve the right to change their positions on the settlement. I just say for Austin energy, this issue about the first year is a difficult one that we raised with you all year, and that's really a tradeoff among our revenue stability and how that first tier is structured, and our reliance on the top tier to balance our revenue. And so we think we've hit a reasonable balance. The materials that we showed you on Monday showed, you know, an example of a customer who would have, I think, 460-kilowatt hours a month on average, or about a \$6 annual bill increase.

[2:17:02 PM]

Others will be higher, others will be lower. But in order to address the summer-winter differential in our revenue stability, we think that the change in the tiers is appropriate.

>> Garza: Okay. I'm -- and I understand that's your position. And I understand that to be -- when we had this discussion earlier. I guess I wish I had more specificity on, if we keep tier one, how that affects everything else. But we'll continue to ask some questions.

>> Mayor Adler: Ms. Kitchen.

>> Kitchen: Yes. Just with regard to the settlement agreement, so, who all would be interested in the tier one from the parties perspective? I know there's a lot of moving pieces. And if it's better for us to have this conversation another time, just let me know. I know there's a lot of moving pieces and a lot of people that are involved in the settlement. So I had been thinking that the distribution across residential was a discrete set of stakeholders. And so -- which would give us some room to have some discussion in that area without impacting the other stakeholders' position. I certainly understand that they all have the opportunity to change their position. But I think my question is more like -- obviously there's an interest that -- for Austin. And I really appreciate y'all's thinking on this and striking the balance. But are there other stakeholders that we need to be concerned about?

>> Well, clearly the consumer advocate --

>> Kitchen: Right.

>> And the low-income advocates would be interested. I can't speak for any other parties and tell you what their thinking is.

>> Kitchen: Okay.

>> As to whether it's an integral part of their decision-making.

[2:19:05 PM]

>> Kitchen: Okay. All right. This remains an area that I'm interested in and I'm concerned about. And I certainly appreciate the position of Austin energy on striking a balance. But I still have some concerns about where it is.

>> Mayor Adler: My sense of the question you were just asked by councilmember kitchen, and then also by councilmember Garza, was if we kept the settlement agreement all the same, but just focused on the tiers, and the distribution of the \$5 million as being distributed across residential lines, kept that constant, but wanted to decrease the rate further in tier one such that it didn't change anything out of the residential construct, how would you do that? What would it look like? What are the challenges that you obviously see associated with that? So that we could have that conversation.

>> Yeah. And I think just to give you the flavor for that, if we were to keep the dollar -- the total dollar amount in residential the same and move down the tier one rate, then we'd have to raise the rate in at least one of the Ortiz. Other tiers. We would like to do that in the middle, a large gap. But we'd prefer to do that instead of the top tiers because of the same revenue stability issue that we've discussed with you. And then we would also have to adjust that outside city customer rates, because they're based dependent on a step down from the inside city customer rates. And so we'd have to adjust those as well somehow.

>> Mayor Adler: Well, my sense is that there would be information that you need to come back to the council with, because the council keeps getting to this place -- some of the members of the council keep getting to this place.

[2:21:10 PM]

And I think what you're being asked is, if we were to do that, what would the impact be so that's not as abstract a question, but this is what you're recommending, this is what the lines look like with respect to tier to tier, this is how it impacts rates, this is how it impacts conservation steps. But I think that what the council's asking -- or at least some of the councilmembers are asking for is what that would look like contained within the residential component. And then an issue as to whether or not any of the stakeholders would care. Which I think would involve anybody who is representing an out-of-city person. It would represent a low-income person, a residential person. I'm not sure it would impact anybody outside after that, but at the very least, it would mean probably touching base with those three to see what they thought. Mayor pro tem, then Ms. Pool, then Mr. Casar.

>> Tovo: One idea that was suggested -- and I've brought this up each time, because it continues to be a concern for me. And one suggestion that I've heard was to take money from the reserves -- that has been contemplated to replenish reserves, or create a -- base for reserves and apply it to the residential rate area as an offset. Were I to propose that, I think I would propose taking it out of the rate stabilization fund which I have concerns about anyway. It seems to me that that might be another option that wouldn't have the impacts all around. That you described. I'm not sure if it would impact the out of city rates or not, if you're just applying -- you know, cutting the revenue requirement for that and applying that back to the residential rates.

[2:23:11 PM]

To the tier one.

>> I urge caution, that's like using a onetime revenue for a recurring expense.

>> Tovo: How so? It would be a recurring -- I mean, you've set the rates to continue to do the rate stabilization fund as well, reserves fund as well.

>> That's correct. It's set -- with the new rates, our net income, our operating margins are set to drastically reduce. Our ability to re-greenwich-- replenish reserves is decreased. Right now that's okay because we've been able to replenish them up to the level we need, at least 150 days of operating cash. If we move that cash out to fund ongoing costs, that would decrease the reserves faster than we could replenish them.

>> Tovo: I can never keep the names straight. That's why I mentioned not the emergency or contingency reserves, but the rate stabilization fund, which has been not -- I mean, we haven't been funding the rate stabilization fund. It's proposed under this rate structure to fund it. But I may be the only one who might disagree with that plan. There has in the past been disagreement about setting the rates to replenish or create that fund. We're not replenishing it if it's at zero, but, to bolster that fund. I wasn't looking at draining any of the other reserves. We can talk more about it.

>> Mayor Adler: Okay. Anything else on this? Mr. Zimmerman -- I'm sorry. Yep. Thank you.

>> Pool: That's okay.

>> Mayor Adler: I'm getting old. Ms. Pool, then Mr. Casar.

>> Pool: My interests and questions are along the same lines. I'd like to see if we could craft a simple hold harmless for the people in the lowest tier rather than increasing rates on the people who are doing the most conservation.

[2:25:11 PM]

There have been a couple of different suggestions offered up here. The rate stabilization, and maybe just adjusting the rate slightly. But if we could manage a hold harmless for tier one. And then the other piece that I talked about last time we had a conversation was on trying to set -- find a place, either a sub-fund or include a fund for starting to accumulate the revenue that we need for paying off the debt for fayette. And I think it was a contingency fund that maybe was mentioned last time we discussed this, would be the fund that we maybe could either put it in there and target -- have it listed to begin some real efforts to put aside the money for.

>> Right. And that was one of the discussions we've had with Sierra club and public citizen, was to earmark a portion of the contingency reserve for that need. And so we would recall our council approval to use any of those funds for anything other than that. We need council approval to use anything in our reserves. And I believe that's acceptable to them. And we could accomplish that without increasing the need for additional reserves, so.

>> Pool: Okay, great. And I'm sorry, was somebody --

>> I just want to be clear, that is explicitly one of the terms of the agreement that we have reached with Sierra club and public citizen, and that is being incorporated into the joint agreement document.

>> Pool: That's terrific. And would that -- okay. So that would be in the settlement document. And then official action on council's part, then, would be at some point in the future to create the resolution to create that fund and make that designation?

>> I think it's just going to happen by the approval of the rate ordinance.

>> Pool: Through the rate ordinance. Okay. All right. Thank you. That's very good information.

>> Mayor Adler: Okay, Mr. Casar.

[2:27:13 PM]

>> Casar: So since there has been some direction or ask of staff to put together some ideas on the residential tiers, I wanted to put one or two of my ideas out there so that maybe we have some -- sorry, we're dealing with a lot of menus today. I was going to say menu of options. Whatever. We have some options. I certainly had concerns with raising tier one from the conservation and rewarding conservation perspective. But given the information that we got about how many of our low-income customers -- and likely customers that are like them -- are in the third and fourth tier in the summertime and how much of a shock that could be to a family's budget, I like parts of the settlement proposal for bringing down tiers three and tier four. And what I wouldn't want is for this council to have to take a divided vote between just A and just B. And so if there is some middle perspective that the utility could bring to us -- that doesn't mean that we may not pick A or B, but at least we don't get put in a place where we are choosing either to try to continue rewarding conservation at this level, but lose all that benefit to three or four, or choose just to keep -- things the way they are because we don't want to lose those benefits to three and four who are so many people in need in the summer. One idea that was kicked around was as a middle place between the settlement and the current slope might be what if we take some average, or weighted average between summer and winter rates, is that somewhere in between. Just, I think, for the council to be most successful, I know it's not easy to put together all these options, and charts, and data. But frankly, I would rather be in a position where we're not just choosing between the existing slope and the settlement, maybe there are other ways we can help to significantly reward conservation, but then also provides some greater level of relief to three and four in the summer given the challenges of people who are so often, I think, in the C.A.P. Program, y'all showed us almost 70% of those customers in the summer being in tier three and four.

[2:29:26 PM]

And I do have an interest now for us to try to provide some relief there if we can. Of course the weatherization programs are probably the longer-term solution, but in the short term, providing some relief to those tiers would be helpful. Let us know if there's ideas for other options or middle place for the council to land on.

>> Mayor Adler: And to that end, I would send a plea out to the ether and everybody who's watching this, because when we started this process, I was intuitively thinking that there was a correlation between tier one and our C.A.P. Customers. And that by -- if we wanted to most protect the people that were in our customer assistance program, we would do that by addressing tier one. But based on the data that you've shown, the opposite appears to be true. And the greater impact on the C.A.P. Customers appears to be relief in tiers three and four. If that's not true, if there's other data out that somebody else has in relation to that, I would very much like to see that, because that's the data that we're seeing at this point. And then similarly with respect to the conservation issues, when I look at the slope lines that have been presented to us, it appears to me that if I were to pick the slope line that would do the most for conservation in the city, I would pick the slope line that was part and parcel of the settlement agreement, because I look at the slope line across tiers. So as I look at the data that's been supplied from Austin energy, it appears that if I'm concerned about conservation and I'm concerned about low-income people, I would affirmatively want the line that's been presented as part of the settlement. But if there's additional data out there that would suggest something different than that, then I would very much like to see it.

[2:31:27 PM]

Mr. Zimmerman.

>> Zimmerman: Thank you, Mr. Mayor. I'd like to go back to your presentation on page 14 was the horizon issues and challenges. Let me just put that up. The bottom item here, workforce challenges, continued turnover among supervisory and specialized staff. And then it ends, very competitive labor market for these skill sets. So I just want to talk about that for a second and understand where the competition comes from. Is it competition from southern power or duke energy? Is it competition from San Antonio, you know, city public service and other monopoly energy providers? Tell me a little bit about that competition, because I'm going to put up a slide next that shows we might be around 15 to 16% of our workforce is paid over \$100,000. But let's talk about this first, about the market.

>> Sure. The majority of what we call our hard-to-fill positions, distribution electricians, line workers, power systems engineers that are highly trained and specialized, some of our other craft skills substations. And some of our professional staff such as the regulatory-type analysts that we have. Most of our competition comes from other electric utility providers. So that includes the ones you named, the investor-owned utilities, as well as our public power entities. It also includes engineering firms and consulting firms that hire that type of skilled staff. And so all of those are competitors for us when it comes to our workforce.

>> Zimmerman: So along those same lines, one of the things companies like IBM -- they'll retire people. Actually, sometimes they ask them to leave because they're very highly paid. They'll go ahead and make an early retirement and come back as consultants.

[2:33:27 PM]

And that's a very different pay structure. You might be paying more per hour, but you don't have the same pension obligation. So there could be some advantages, right, of bringing in consultants and not necessarily saying you have to hang on to high-priced employees, especially for pension purposes. Our pensions are in trouble here. So, when you say workforce challenges, you're talking about just your ability to find people period, or is it a fiscal issue where you might have to pay more for professional help, or that you just can't find them?

>> I think the challenge is recruiting them to come here to Austin. Certainly it's more expensive than some other areas, and whether our pay is competitive with that. We don't pay relocation like many private companies. If we're going to-- recruit from another area, we don't pay relocation. They're looking at their compensation as the main economic driver for making that decision.

>> Zimmerman: The compensation could be different versus whether you're looking for a generous pension or -- more money upfront, there's a lot of ways to carve up the money.

>> Sure. When we do our recruiting, we try to focus on, it's not just salary. There's also these other benefits that you receive. And those individuals look at the total compensation and not just a salary.

>> Zimmerman: Let me go to the next slide here. Let me look at some of the numbers and get you to comment on this. It shows our departments here -- it's a little hard to see. But I believe we show about 264 employees in Austin energy that are over 100,000. I don't have that in context, because I don't know what San Antonio power is doing. I'm not sure what other municipalities are doing.

[2:35:28 PM]

But do you have any feel for how we compare in terms of our highest-paid staff compared to other providers? Because I don't have the context here. I wish I did.

>> Sure. I think you have to break it down by type of work being performed. So I would say for our engineering staff that we are well below market. And we're actually conducting a market study now for some of those specialized engineers. Many of those folks are over 100,000. And the same goes for our distribution electrician threes. It takes about four years to go through our training program. And they

are highly specialized and very sought after. And we're losing those to area utilities because they can offer higher salaries. And so some of those are hitting there. Our position such as public accountants and things like that that we need. Some of those are in market. I'm not going to say we're significantly below market, but certainly comparing to firms like my old firm KPMG, we're not even close salary wise. And for the executives, I'd say on par, the executives are well below market when we do that comparison.

>> Zimmerman: Okay. I appreciate that little dive there. Thanks.

>> Mayor Adler: Anything else before we move on?

>> Pool: We also talked about the weatherization program. And I think I was looking to see if we could overlay the homes that had been weatherized to see what kind of reductions in those upper tiers that their electric use had been. Are you able to get us any of that information anytime soon? Hi, Ms. Kimberly.

>> Debbie Kimberly, vice president, customer energy solutions. I'm happy to report that this year, we're on a record pace. We hope to weatherize between 60700 homes.

[2:37:31 PM]

Last year we weatherized 521. On average the energy savings per home amounts to about a thousand kwh a year. So that's what we're seeing with the approach that we're taking right now that is predominantly attic insulation, duct ceiling is a big part of that, weather stripping, and solar screens. We're seeing good results.

>> Pool: If we are able to lower tier one, everybody is in tier one. You have your first 500 megawatts of energy in tier one. That helps everybody in residential. To the extent that the upper level folks with the - C.A.P. Program are using the higher amounts of energy, if we have the extended programs and effort, and focus on trying to get their homes better-weatherized, that will help them all around as well. And I think we have some items in our concept menu that would put money towards that. That's a good plan. If we are able to hold harmless the tier one folks, that also helps the people in tier three and four, because they're first paying in tier one before they get up to tiers two, three, and four.

>> Mayor Adler: Okay. Anything else?

>> Casar: I would just say that while that is true, the bill would go down less for lower-income customers, which I know you understand.

>> Pool: Absolutely. And more people would have that benefit. More people would have the benefit. Yeah. And so for me, it's the combined programs. It's the weatherization and as much as we can do in order to make the homes more efficient, then people hopefully won't even be doing up into the tiers three and four if they're not able to -- and who are also in the C.A.P. Program.

[2:39:36 PM]

>> Mayor Adler: I think we're done. Thank you very much. Council, let's go back to the consent menu as requested for action, see if we can work our way through that. We still have three more briefings to go. I think we were at item -- on page 35, ut2-03. Page 35 of 48. Item ut2-03. Reduce total expenditures for energy, water, and resource recovery so that there's no increase in consumer bills -- customer bills. This is a tbd item.

>> Zimmerman: Sorry, what page?

>> Mayor Adler: Mayor pro tem --

>> Tovo: I was just --

>> Mayor Adler: 35 of 48. Any discussion, mayor pro tem has said we should take the vote on that. Any discussion?

>> Mayor Adler: Ms. Gallo.

>> Gallo: I would say the amount is to be determined, so it would be nice to know the amount before we talk about removing it, I think. I think Austin energy has already addressed the no increase in customer bills from residential particularly. And I think it would be interesting to know the amount from the other two departments, what that would result in before we do it. You know, once again I think it becomes an affordability issue. I hate to sound like a broken record, but the people that talk to me say the same thing. And I think we should at least know the budget amount if we tried to maintain utility bills that did not go up every year, and we kept them from going up there year. And I'd like to -- I would suggest that we leave it in until we know the dollar amount that we're talking about.

[2:41:40 PM]

>> Pool: Mayor, I have a question about that.

>> Mayor Adler: Ms. Pool.

>> Pool: I was under the impression that one of the reasons why we were looking at taking some of these off was the fact that it would take a lot of staff effort to bring us back what the dollar figure would be. And if there wasn't -- if we weren't really interested in pursuing it, that we would rather have them spend their time on the items that we are actually pursuing. And further, the agreement that we're looking at with the settlement with the rate case, if we start changing elements of it we may lose the commitment of folks.

>> Gallo: That's why I said it sound like there's three components of this, Austin energy, Austin water, and Austin resource recovery. It looks like we addressed it in Austin energy.

>> I think if there's an interest in figuring out the dollar amount of the reduction in order to have no rate increase, I think I have staff here from the water utility that could speak to this, but I think it's pretty straightforward. It's a matter of if you want us to come back with, here's what staff would recommend to cut in order to make that happen. I think that's a fair bit more work to determine, for resource recovery to look at what programs would that cut in order to make that happen, versus we would need to cut a million dollars.

>> I think the initial conversation would be the dollar amount. I think that would give the council the impact.

>> That would be fairly easy for us to do.

>> Mayor Adler: That's basically just math.

>> Yeah, it's just math.

>> Mayor Adler: Right? The harder question is, something that said, you know, cut whatever the amount would be from it. That's the harder question. That's what I was kind of going back to this morning. And at some point I would love for us to figure out how we have that departmental review, which we had talked about a year ago in terms of the sunset review.

[2:43:42 PM]

We talked about we would take a look at departments' budgets from one side to the other. And the manager, I think, did that in three departments. We haven't seen that result yet. And ours turned into the, kind of, the global affordability audit. But I would still like to figure out as a city how we would return to visit that so that we're not debating just additions or subtractions from budgets, but actually looking at budgets. But the question is, again, on this -- in this process, whether or not that's something that fits where we are in the budget process now. Mr. Zimmerman. Mr. Zimmerman.

>> Zimmerman: Thank you, Mr. Mayor. So I want to support councilmember troxclair and Gallo on keeping this in. It falls under that category of making informed decisions. There's also an issue of political will. There's a lot of theory floating around about affordability and what could be done, but if

I'm city staff, I'm looking for political will from the elected council to get serious about cost controls and about affordability and reducing bills. And so when city staff sees that we don't even have the political will to ask the questions, there's going to be absolutely no political will to reduce expenses if we don't even have the will to ask the questions. So I encourage us to please keep this in here. Let's get the information and try to move forward with some kind of savings.

>> Mayor Adler: Any further discussion on this item? Councilmember kitchen.

>> Kitchen: I'd like to keep it on the agenda. I think -- think it's information coming back to us. I don't see a problem with keeping it on.

>> Mayor Adler: Yes, mayor pro tem.

>> Tovo: I'm sorry.

[2:45:42 PM]

>> Do you want to use this one?

>> Tovo: Sorry. Has this also been submitted through the q&a process? Because that would be one way of getting that information without having it be something that we need to, kind of, keep in play as a concept. I see some heads nodding.

>> Well, to answer your question, I think it would get a lot more attention and visibility if it were left on the concept menu. This has more visibility, and I think more importance that -- than just a q&a section.

>> Kitchen: My comment was not so much that. It's just that we don't have the information yet. We can ask for it through the q&a process so there's no reason to take it off. There may be action people want to take with regard to it.

>> Mayor Adler: Is there --

>> Kitchen: It's premature to try to take it off, it all I'm saying.

>> Mayor Adler: Is there a reason why we're picking these three departments? I mean, we could ask for how much we'd have to cut from each department, if each department spent only the amount of money that they spent last year as well.

>> I think --

>> Mayor Adler: We could ask that question.

>> Ellen's not here, but I think the concept is that these are related to utility rates. And there is an interest in the public for not having our utility rates go up every year. And I think it's important to note. You know, it just seems like the process is always backwards. Instead of starting with a budget from the departments that say this would be our budget if we kept our utility rates the same as they were last year, we start with a budget that automatically assumes that we're going to go up on utility rates. So it just seems to become always a different conversation, and being put in a bad place about, well, then we have to talk about what we want to cut. I would just like to know what the dollar volume is, because I do think that is important to people, as we just had the discussion about the drainage fees, and we, you know, fortunately were in a place with Austin energy that we're going to be able to see the utility bills remain the same or even go down.

[2:47:48 PM]

But I think in these other two departments, we need the opportunity to know what the dollar amount would be to maintain the same utility bills this year as last year.

>> Mayor Adler: Mayor pro tem.

>> Tovo: I've answered my question. Now I see the reference. The question has been asked in the q&a, there's just not an answer yet, or wasn't when we printed this list out, which was yesterday.

>> It's still not been posted. That one is in final review. It will be posted soon and includes all of the major utility rates and fees, not just the three in this concept.

>> Tovo: Okay, thank you. So we will get that information that way. Thank you.

>> Mayor Adler: Okay. Do we want to keep this on pending the answer that that question? Hmm? My sense is that there's not six votes on the dais, so let's keep that in. That gets us to ut2.05, amend the general fund transfer calculation by reducing the multiplier by 1%.

>> Mayor Adler: This would reduce the reimbursement that Austin energy pays -- Austin energy and water pay for the services received from the city. Which would mean either we would cut our budget by that amount, or we would charge -- we would have to increase property taxes to pay for -- to the taxpayers, which we probably wouldn't be able to do unless we made sufficient cuts to open up that availability to be able to.

>> You've already set your maximum tax rate.

[2:49:49 PM]

You wouldn't be able to increase it enough to generate \$14.2 million at this point.

>> Mayor Adler: Okay.

>> Casar: Can I just move that we --

>> Mayor Adler: Okay. Mr. Casar moves we take this one out. Any further discussion? Mr. Renteria. He's going to vote aye. Any further discussion? Those in favor of taking this item out, please raise your hand.

>> Mayor Adler: One, two, three, four, five. Insufficient.

>> One, two, three, four, five, six.

>> Mayor Adler: Raise your hands again, please. Sorry. Thank you. Those opposed to taking this out, raise your hand? Mr. Zimmerman. Those abstaining? Ms. Kitchen and Ms. Gallo abstain. It's taken out, the others voting aye with troxclair and Houston off the dais.

>> Zimmerman: Point of order, I thought it was seven people.

>> Mayor Adler: You're right. It is.

>> Zimmerman: It's still on.

>> Mayor Adler: It stays on.

>> Mayor Adler: That one stays on.

>> Pool: That was 2.5?

>> Mayor Adler: That was ut2.05.

>> Pool: So what I would ask, if we're going to continue to carry a number of these with some pretty big numbers, is that we all be prepared to show where you're going to find the money for the cuts. If we are going to cut -- because it can't just be across the board and just -- we have to identify what programs we want to reduce or eliminate. Does that make sense, mayor?

>> Mayor Adler: I think that would be good information for people.

>> I think we have to give people -- let's have some patience with people. We're working our way through this. Some of these things -- this is the first time we've had some discussion about what we want to take off.

[2:51:52 PM]

Some people may be ready to take things off, some people may not be, and that's okay. So I really -- what's really important to me is having the discussion.

>> Mayor Adler: Well --

>> Pool: I think that's what we're asking for.

>> And I think the reality with our budget, we have -- I don't know what the dollar amount is for all the add-ons are -- I don't know if you've calculated that out for all the concept items that are additions to the budget, but we don't have room at our tax rate before we get to rollback to be able to add those on without taking things off. And so, you know, we keep voting to remove the items to take things off, but then we've got a whole big, long list of -- I don't know what the dollar amount. But I assume it's pretty substantial.

>> There is a summary sheet at the beginning of your packet. \$35.5 million for the general fund, of adds.

>> Gallo: So I mean, it's kind of -- we're going to get to the point that we can't-- even add anything until things are taken off. We've started with the takeoff portion. To be successful on the add-on portion, things will have to be taken off.

>> Mayor Adler: I don't want to make people take uncomfortable votes. If we're not going to vote to take anything off, we should probably stop and go to additional briefings. But part of it is to start setting the parameters for how much we can add into the budget by knowing what are the cuts that people are willing to make or not make. And it was that general kind of guidance -- you know, if we go through all the cuts and people aren't willing to cut but X dollars, then we know that the things we add have to stay within that X dollars. But at this point, I would say that there is \$35 million in play that people on this council are willing to cut. And so the issue was whether or not we wanted to -- as we go through this process -- to give ourselves a little bit more guidance as to what is realistic or not realistic so as to avoid us doing all of this on the last day that we're together trying to do the budget.

[2:54:08 PM]

Which is why I had posted this a week earlier and had said to people, hey, let's not post anything to come off the budget. And let's not bring anything to cut off the budget until it's been posted and people have a chance to think about it, and the community has a chance to see it. And then let's tee it up for a conversation and discussion. But what I don't want to do is to go through -- I mean, I'm almost tempted at this point to stop going through this and just go to the briefings. Would that be a more constructive use of our time? Mr. Renteria.

>> Renteria: Mayor, by this vote that we just did, we're telling our staff to come back and find \$14 million in cuts. This is basically -- I think that's what we just said on this vote, is for Ed to come out there and come back with us and see where we're going to cut \$14 million, you know. I thought that was the process.

>> Mayor Adler: I think that's what we're asking Ed to do.

>> That's not the way I'm voting. And perhaps I'm not understanding what we're doing here. You know, I think if someone brings forward an item like this, then they have to be prepared to argue for it. Which means they have to be prepared to argue for, as councilmember pool said, for what the tradeoff is and where the cuts are. I don't think this is direction to staff -- or at least -- maybe I'm not understanding the process. But I don't read this as telling staff to go find 14 million in cuts. I just read this as, we just decided to keep it on the menu so that this person or whoever else is interested in it can bring forward some more ideas around it. If we're going to be -- maybe I'm not understanding the process, because we're not voting today on everything we finally want, you know. I mean, we're not even going through taking off things that cost more. We're only taking off some of these other things.

[2:56:10 PM]

And we've made some progress. I mean, we certainly have taken off some things that people are really clear that they don't want to go down that road.

>> Mayor Adler: Can we be explicit about that? With respect to that item, we're just leaving it on here. But you're not being given responsibility to go and actually find \$14 million of cuts in order to demonstrate how that would actually impact the budget. Is that what we're trying -- I mean, I'm fine -- to me, that's the functional equivalent of --

>> Zimmerman: Can I make a suggestion?

>> Mayor Adler: Of taking it off. But that's because I was looking at it differently than you are. So we're creating a category of things that are going to be left on but staff doesn't have to do further work on.

>> Zimmerman: I was going to make a discussion.

>> Mayor Adler: Yes, Mr. Zimmerman.

>> Zimmerman: We need some way for people to continue making suggestions for savings, and that item could be it. We could use it as a catch-all for proposals to reduce spending. We need to reduce spending in places. As it was already pointed out, there's way too much stuff on this concept menu that can't be paid for. So, I mean, for the people proposing increases, right, in the budget, this could be used as a placeholder to say I want to propose a reallocation in the budget under this particular \$14 million item. That gives the staff to say, yes, it's been authorized for us to look for those cuts.

>> Mayor Adler: I understand that. And -- but at some point, also, what we were trying to do was to not have on the last day of budget when we're all sitting around the table someone say, I propose to cut a million and a half here. The public hasn't heard it. It hasn't been vetted. It hasn't been discussed. It wasn't daylighted. There wasn't opportunity for stakeholder groups to come forward, but because it's the last day of our budget, the council will take a vote on whether to make that cut or not make that cut.

[2:58:12 PM]

In past years on the last day of the budget, that kind of thing has happened. So the goal here was to try to daylight those issues earlier so that there could be conversations in the public. And so that's why we're trying to daylight those things earlier. So if there were subcomponents of that item that we just talked about, the \$14 million, then I think it would be really good to put those down so that the public could see those, and there could be a week worth of discussion not in the public, among stakeholders and the like, rather than -- for me -- and I'm fine saying ut205 stays on the list, staff doesn't have to take any action. But that doesn't tell the public very much. It doesn't -- and that puts the onus on the councilmember that put that on to actually flesh it out.

>> Right.

>> Mayor Adler: If they want it to be seriously considered as part of the discussion.

>> Kitchen: And I think that's important. The onus is on the councilmember who put that forward. And if there are any other councilmembers that want to work on that. I just think that, you know, I absolutely agree we don't want to be doing this on the last day. But today's the what, the 24th?

>> Mayor Adler: Okay.

>> Kitchen: We still have -- I mean, we're not near the last day yet. And we just started this process. That's all I'm saying is that it's okay to leave a few things on here. And it's okay to be clear to the staff that we're not expecting the staff to go find cuts.

>> Mayor Adler: So let's go ahead and take the vote on ut205 with the instruction being that staff is not expected to go find \$14 million in expenses.

>> [Off mic]

>> Mayor Adler: Well but staff understands their assignment, if this is carried forward, to actually advance it. And that's why Ed was asking us to address these and tell him whether or not he's supposed to do work. Or we can just have a discussion

[3:00:24 PM]

-- again, we're just trying to give instruction to staff on whether they should spend time or not spend time on that.

>> Kitchen: I think we can easily say "I don't know anybody around the table who wants to tell the staff to go find 14 million in cuts." Am I wrong? Is there someone that thinks that the staff should? If not, then we have a consensus that this is not instruction to the staff to go look for money.

>> Mayor Adler: I am fine with that consensus.

>> Renteria: Mayor, that's the only way that I could support this, just to make sure, emphasize the whole fact the staff is not going to go out there. I prefer somebody comes in there and gives a reduction of 1%, they come in with their projects of what they want to see cut, you know, whether you want to do away with the animal pound or you want to do away with one of the fire stations, you want to do away with, you know, maybe putting the ems people back to 48 hours a week. You know, I want to see what's going to get cut. We have earlier \$36 million and I think we're going to continue to see the huge amount of money coming in. And with -- with no -- nothing in the background of what's going to happen with that money. How we're going to cut it. And if we want to go through this exercise to feel good and put these kind of amounts in there and just -- just as long as we keep the city out of it, staff out of it, I'm fine with it.

>> Mayor Adler: Okay. Mayor pro tem?

>> Tovo: I just want to thank councilmember Renteria for surfacing that question. We are at two and a half weeks out, by my calculation. From now until budget adoption. I think we, as has been noted, we do have some real needs on here that I think will get a council majority support and we haven't identified yet ideas that have majority support to fund them. So, you know, I am starting to get to the point where I'm a little stressed about the time that we have and the more that we -- I feel like the more I can focus on sort of what looks like it's going to be successful, the better.

[3:02:24 PM]

So thank you for raising that question so that our staff also have a sense of where they should spend their time.

>> Mayor Adler: Let's look at the next item that we have, I'm sorry, Ms. Gallo?

>> I want to remind us again what we're looking at on the additions to the budget, we are already really close to the rollback rate on is \$35.5 million. The only way to get those into the budget he is to find that -- is to find that amount of cuts. They go together. And the sad part about where we are at this point is the cuts have been proposed by a handful of councilmembers and all of the councilmembers have proposed additions to the budget. So -- so at some point the people, the councilmembers that are proposing these additions have got to be partners in finding places to cut the budget in order to -- to let those be added. And I think that this is very backwards at this point because the responsibility of -- of councilmember troxclair for explaining it, it doesn't feel like a partnership at this point. So it's just -- you know, I don't want to pit us against each other. But the reality is we have 35 -- over \$35 million worth of additions and in order to get those \$35 million into the budget, we've got to find at least that amount of cuts in the budget.

>> Mayor Adler: I guess that's what I was hoping from Ms. Troxclair with respect to this. To say let's cut \$14 million out of the budget, it could have been 18, it could have been 12, if we're going to cut 14, why don't we cut 28? What I would really like to have -- more helpful for me is to -- is the specifics. To say I think we can do without this department. And then let's have a conversation about -- let's bring in the stakeholders and let's bring whoever we need who -- but to just pick a number is not helping me.

[3:04:35 PM]

>> But the concern that I have these are the only number that's have been presented for cuts at this point. I'm just saying --

>> Mayor.

>> I would like to say something else -- [multiple voices]

>> Mayor Adler: Hang on.

>> Gallo: I'm concerned as we talk about \$35.5 million of increases that councilmembers want to put in, my concern is that we have gotten buried in these discussions on the cuts. But it's just -- there's a limited number of cuts to get us to the 35 million and I think it is -- it is a conversation of the whole council, not just a person that brings the idea forward. I think it is the responsibility of the entire council to say that -- to get to the 35, we need to take this concept and here's where we think it needs to be. That it's not just councilmember troxclair's responsibility and it's not staff's responsibility. It is the council's responsibility to come up with those ideas.

>> Mayor Adler: Ms. Houston, did you want to say something?

>> Houston: Well, I was going to say it seems like we're getting agitated. Maybe it's time to do a briefing and see if we can just kind of calm down and come back and do something different. I don't want us to be pitting against each other. I can feel the tension beginning to build in the room. Rather than have that occur, maybe we just do a briefing and come back and try to finish this by the end of the day.

>> Mayor Adler: Okay. Let me finish this up. I don't want to cut people off. I understood that point. Me, Ms. Garza?

>> Garza: She's not here to speak for herself, I would hate for her intentions to be mischaracterized. I don't think councilmember troxclair is wanting us to make these cuts so we can go spends the money. She wants to make the cuts. I don't want this to be characterized as help us find you the money so you can spend it because that's not what's going on here. And -- yeah. So it's -- I think it is important to, if we want to have difficult conversations about where we're going to find this money, it's going to take way longer than we have time for at this point.

[3:06:36 PM]

So ... Um ... Anyway.

>> Renteria: Mayor, one -- I just want to let people know that you don't cut revenue to cut programs.

>> Mayor Adler: Ms. Kitchen?

>> Kitchen: I'm just thinking from a process standpoint, thank you councilmember Houston I'm taking a deep breaths. I'm thinking from a process standpoint, because, you know, if we're saying that -- and I'm open to however we want to do it. But I think we should treat it all the same. If we are saying we bring forward an item like this, it's our responsibility to say where those are coming from, then does that mean that when we bring forward an item to add something, that we have to say where we're going to get that money from? I mean, we've got a lot of money on here for a lot of very good programs and I submitted them myself, too. But when I submitted, I didn't say, some of them I did, some of them I didn't. I didn't say, okay, I would like to spend this much more on this program. But I haven't yet identified where that money is coming from. Does that mean I can't bring forward something and have it stay on the concept menu until and unless I say exactly where that money is going to come from?

>> I see it differently. If you are saying I want to do this program in resource recovery and it costs two million dollars to do, you approximate you the that concept on because it's a two million concept to do it. Everyone knows that it's two million, everybody knows the program that you want to add. I think you can also come back and say I move we cut \$2 million out of Austin resource recovery and this is the program that I would cut out of Austin resource recovery that equals the \$2 million. I see those as being two separate things. The question that we have

before us is: How does staff handle a question that says I want to cut \$2 million out of the budget somewhere. Or out of this department. But doesn't have the corresponding program with it.

[3:08:38 PM]

And what staff is asking us to do, are we supposed to come up with that program or is the council going to give us that program? And generally speaking, if it's on here, the staff has been interpreting that question as saying if you are asking us to cut \$14 million, we'll help you cut \$14 million and we'll come back to you with a proposal that cuts \$14 million if you want us to go through that exercise. And that's the question that they're asking. If we're saying the \$14 million is there but we're not asking you to go do that, that answers their question. They don't have to go find 14 million-dollar and come back to us. If we went to staff and said cut \$35 million out of this budget, they would do that. They would come back and say "This is how you cut \$35 million." They are asking for direction from us as to what they should do. What I understood now with the direct until, 14 million, that's kind of a placeholder, we are not asking for staff to go back and identify -- we're not asking them to go through that exercise. If we want them to go through that exercise, then we should probably take a vote on it then it would require a substantial amount of staff time and exercise to go through. So I'm fine leaving that on there with the understanding that they are -- that's different, I think, than when you come in and say we have a \$2 million we want to add to, everyone sees exactly what that program is.

>> Kitchen: I understand what you are saying now. I was -- maybe I was misinterpreting that I can put an item on here, but I don't know how I'm going to pay for it yet. So --

>> Mayor Adler: But that's fine because people are putting items on there. Eventually we're going to run into a place where there's month money in the budget -- no money in the budget to do it unless we start identifying places the money has to come off -- I'm real eager to engage in the conversation.

[3:10:41 PM]

On the next one, UT 3.01, does living room is recommending a speak -- Mr. Zimmerman is recommending a very specific revenue source and he's saying, we should increase the fee for the use of reclaimed water by -- so that it generates an additional \$3.4 million for the water department. That's very specific recommendation that I think is appropriate for us to vote on, if we -- if there were seven people that didn't want, that could say hey we're not willing to pursue that, to me that's very specific. That one I understand. That one is easier for me to -- to deal with. Let's go to that UT 3.01.

>> Tovo: I think it's very good we're talking about the concept menu. Clearly there's a lot of discussion to happen around here. I want to point out for the record there are other proposed cuts within -- I know it's a lot of pages, 48, but there are other proposed cuts. We're just not talking about today. There are also a lot of fund shifts. Again we're just not talking about those. I just want to be clear to the public that it's not -- I think we are all actively engaged in that budget work and, you know, my office certainly has been.

>> Could I ask mayor pro tem, what are those -- I'm not aware.

>> Tovo: Sure.

>> Zimmerman: Can you point them out quickly?

>> Tovo: I think councilmember Houston is right, I think we are at the point where we ought to get back to the briefings. Sure, page 46 out of 48, 2.09 on through 2.13 are all proposed cuts. I will say I asked a couple of offices who didn't want to support cuts so, you know, there are -- there are proposed cuts on here, there are proposed funding shifts nut nut we are all actively engaged in this process.

[3:12:46 PM]

>> Zimmerman: I appreciate you pointing those out, thanks.

>> Mayor Adler: There are more than those. Let's go to a briefing. We will take Ms. Houston's sage council and go to a briefing --

>> Zimmerman: Point of order. Can I make a motion that we go ahead and table the concept menu discussion for today.

>> Mayor Adler: I think that's a good idea. I think we need to think collectively as a group if -- how we use this tool as a way to help us daylight issues prior to the last day that we are altogether. Two goals. One is to daylight issues so that they can be actually engaged in debate and discussion. The second is to tell staff what it needs to work on. With respect to that, Ed, I think that you should -- if there are items on this, that would take time for you to do, don't do the work, but highlight the item so that council can see what those items are that take substantial work and when we get-together, this is set every day on our agenda, if there's critical mass for people to tell staff to go ahead, hey, we want you to find \$14 million or whatever it is, we can literally do that the next day. So if you would just identify on the budget item those things that would take time to do, then we'll -- we'll ask -- we'll give council the opportunity, every day, to have council instruct you to do that work. Let's try it the other way. Okay? Let's do the next briefing. Ms. Houston?

>> Houston: Mayor, I just wanted to say in fact I do ask every advocacy group that comes in and says we need more money, we need more money, some of them are sitting here. I said to them, where do you suggest that I get that, I would appreciate it if you would come back and say this is where you could find some additional money to fund what we need. So I do do that.

>> Mayor Adler: All right.

>> Bring matching funds in. Go find some matching funds.

[3:14:47 PM]

>> Mayor Adler: All right. We'll -- we'll table the hearing on the concept menu. And, Ed, do you want to take us through the next --

>> Sure, we're going to move on to the aviation department next. In your presentation packets you have to skip over Austin resource recovery, which we've already done, flip to the aviation department.

>> Mayor Adler: To be clear we're not going to come back to the concept menu today.

>> Zimmerman: Point of information quickly, the next time is when? What day will we bring it back.

>> Mayor Adler: We have set it on the agenda. If the will of the council exists we can do it any day -- whenever we want to do it.

>> Zimmerman: Thank you, Mr. Mayor.

>> So Jim Smith from the aviation department is here with his chief financial officer, David Arthur and Sue Edwards, assistant city manager, they are going to take you through the presentation.

>> [Indiscernible].

[No microphone].

>> Mayor Adler: Now you are on.

>> The mission for the aviation department is to connect the central -- central Texas to the world and we try to do that by providing an Austin style experience when people are using the airport. In terms of some of the major accomplishments recently, we have worked very hard over the last several years to try to make Abia the airport of choice for central Texas. It sounds like an innocuous statement, the air service is a very competitive industry out there. And we compete directly with other airports, as well as more specifically San Antonio. To that end, over the last three years, we've had more than 27 new routes added to Austin, five of which are international.

[3:16:53 PM]

We now have 17 carriers at the airport and 53 non-stop destinations. All that adds up to today we now have 43% more people using Austin than San Antonio. So we have significantly increased our competitive advantage. In order to support that increase in our service, we have to build infrastructure. Fundamentally, the airport is a speculative landlord. We build very expensive facilities and then try to find airline customers to lease those facilities out. So in anticipation of additional growth, we now have a nine gate expansion underway, an apron expansion, which is all of the concrete that the planes park on, as well as a new parking garage. All of those projects add up to about a new \$500 million in expenses in our capital program. In terms of some of our key performance data, non-airline revenue per passenger is one of them. Obviously, we are not a tax-supported department. We have to raise the revenue from our various revenue sources in order to support the activities in the capital program at the airport. Lost-time injury rate per the equivalent of 100 employees, we operate in a very risky environment, so safety is a critical component. We try to create the best environment possible for all of the people who work at the airport. The percentage of passengers ranking overall satisfaction with the airport as "Excellent" we monitor that on a regular basis to determine whether or not the people are generally pleased with the level of service that they're getting at the airport. Finally, airline costs per airplane passenger. We don't get the airlines to choose Austin if our cost structure gets out of whack relative to our competitors. We constantly have to pay attention to make sure that we remain competitive.

[3:18:56 PM]

>> Houston: Can I ask a question.

>> Mayor Adler: Yes, Ms.

>> Houston: That's under 50%. Passengers ranking over all satisfaction excellent.

>> If you count very good, are which is a 4, then you would be up about 85% overall in terms of what people are ranking.

>> Houston: It was difficult for me to understand that when I saw it. Thank you.

>> In terms of our use of funds, departmental expenditures, for the coming proposed budget. We are anticipating our expenditures going up approximately \$10 million. That's accompanied by our revenue going up approximately \$10 million. We are asking for an additional 41 positions as part of the operating budget and that's necessary to cope with the new facilities that we're bringing online as well as coping with the construction activities which will be ongoing for the next two to three years, which requires some additional manpower to bring the old airport into the new airport. In terms of some of the highlights there, we go over the 41 positions as well as some of the other expenses that add up. In addition to some of the other services provided by other city departments, that are requiring some additional expenses as well. In terms of our vacancy rate, it's currently about 9.9% with 41 positions currently vacant. Similar to the other discussions, like I just had with the electric utility, we're having difficulty with key positions and attracting them to the airport. Some are very airport-oriented that we have to recruit from other cities and others are just electricians, plumbers, obviously Austin right now from construction trades is a very competitive environment.

[3:20:56 PM]

And we're having a little difficulty attracting the people we need to do the work. In terms of capital highlights, our 2017 appropriation is 203 million and our spending plan is 276. The differential there is from promises extended over from -- from projects extended over from previous years. As you can see a breakdown there of the terminal and apron improvements, nine gate expansion, landside improvements

like another parking garage and other improvements as well add up to the \$276 million. In terms of source of funds in our revenue, as I mentioned, the revenues anticipated to cover the increase in expenses, up about \$10 million, we'll be getting that, our revenue from the airlines as well as our parking as well as some of our other concessions, rental cars, food, beverage and retail and audio].

>> To build a lot of facilities relatively quickly in order to remain attractive to the airlines to continue to produce air service. So we are trying to -- to deal with that right now. And the final one would be to continue to build and sustain relationships with other business partners and community stakeholders.

[3:23:01 PM]

For us to recruit air service, it's a community-wide effort. We are recruiting airlines to come to central Texas. And we also have busy needs and business partners who are looking for business traffic routes, so we have to partner up with the chamber of commerce, not only the greater Austin, but from the surrounding region about 18 counties. And also in addition to that, there's the leisure industry that is necessary for us to attract air travelers. There we partner up with Austin convention and visitors bureau, as well as other partners from around the area to help us sell 7 and convince the airline -- help us sell and convince the airlines they can make a flight in Austin instead of putting it into another market. The airlines assets have wheels on them and they are very easy to move. So if the airlines are not pleased with how they are performing in a certain market, they just pick up and mover it to another market. So far we've been very successful. Part of that is the key of the partnerships we've been able to develop and work with, which we are getting great help in recruiting airlines with. With that, I would be happy to answer any questions that you have.

>> Mayor Adler: Ms. Pool?

>> Pool: Thanks, Mr. Smith for the update. Can you talk to us a little bit about the status of general aviation at the airport and the facilities that they have for general aviation.

>> Right now we have two fixed base operators, which is probably the norm for airports our size. We also have a third fbo under construction. That would under end basically giving us more facilities. The bulk of those facilities are geared towards business travel. In other words, large companies and their corporate jets. However, there are T hangars at the airport, there are tie-downs at the airport which cater to the small piston driven aircraft individuals may own.

[3:25:10 PM]

There are other airports in the area that service that same group, like Austin executive, San Marcos, Georgetown. Relating to a question that we've discussed in the past and the lack of additional T hangars, the primary driver for that, we sat down and talked with all of those other airports, you cannot build T hangars for the rents that some of the people are willing to pay to cover the costs. So unless somebody is subsidizing the construction of the T hangars, it is not a model that you can recover your costs on, to cover the costs of building them. That's why nobody is building additional T hangars today. The rates that we are charging for the T hangars at abia are about 200 a month cheaper than what they are being charged at Austin executive. Austin executive feels that they are undercharging by about \$200 a month. In order for them to justify building new T hangars. So T hangars are a difficult situation. They cost more than the rents can support and as a result not many of them are getting built right now.

>> Pool: What about the fueling stations? I know I'm not saying the term correctly, the pumps. Do we have enough vendors providing the fuel so there's some price competition? Some downward pressure on the price per gallon for the fuel?

>> The new fbo will add some competition. But tops at our facility you are dealing with only three entities, so that doesn't generate a whole lot of competition. You also have the other airports that

surround abia that sell fuel, too. And some people will go there to fuel. We just lease the land to the fbo, the fixed base operators, that provide the services, the general services.

[3:27:11 PM]

So the fuel cost is really part of their business model and how they determine they're going to approach their customers and what they need to do in order to get a return on their investment.

>> Pool: Then the last question that I have, I went to the insurance, there was an issue about insurance and there was some uncertainty about whether there were increases in the insurance or not. Can you just kind of summarize that issue and where it stands today?

>> There's been no change in the insurance for the last three years. There was a letter that went out earlier this year that was a miscommunication. It was immediately corrected by I think it was signature it was the one that sent it out, one of the fixed base operators, they corrected it. The bottom line is there is no change in the insurance requirements.

>> Pool: Great, thank you.

>> Mayor Adler: Mr. Zimmerman?

>> Zimmerman: Can you say that again? I was going to ask the question on insurance. I thought abia for some reason was asking for \$5 million of coverage where most of the other Texas airports were asking for 1 million.

>> No, that's not the case.

>> Zimmerman: Can you go into that in detail? Where did that \$5 million come from?

>> That was part of the miscommunication that I referred to that signature sent out in a communication and they immediately corrected it.

>> Zimmerman: That was signature aviation? Your two jet providers are atlantic and signature. I landed at the airport there. To answer councilmember pool's question. Back when the fuel dropped as we know the price of oil dropped, I was buying aviation gas [indiscernible] At under \$3 a gallon at Georgetown and Taylor airports. Austin was still over \$5. No one is going to come to abia for piston gas. You don't want them coming there because they will compete with your jet traffic. I kind of got that. But I am on that list of people that want to see a friendlier general aviation environment and what that looks like we will probably have to talk off line.

[3:29:13 PM]

I do want to get with you off line to talk about general aviation. Let me go back to page 2, if I could, on your presentation on the departmental overview, nine gate expansion and apron expansion. You mentioned 500 million a rough number that I wrote down. Where are we on the south terminal expansion? Or are we anywhere on that? Is any of this money going towards helping with that project? I haven't heard anything about the south terminal expansion?

>> The south terminal is going through remodeling. January or March it should open, allegent will be there.

>> Gallo: First part of 2017.

>> Yes.

>> Zimmerman: So are we contributing toward that improvement?

>> Nothing.

>> Zimmerman: That answers that. Final question for you, the airlines a year ago were complaining that they didn't have a long-term contract for their gate leases. Has that been resolved? That part of the increase in fees that you noticed? Do they have a new contract now?

>> No, we are still dealing with the airlines. The bottom line is in the current environment it is not to the airport's advantage to have a long-term lease with the airlines. We've explained that to the airlines. They want the lease so that they can tie up certain Gates. So the -- the bottom line is that we remain in negotiations and they are coming in next week as a continuation of those discussions. Our current proposal to them is to expend the existing lease through -- through 2018 when the nine gate expansion opens up. And that would cover them until that -- that facility is ready and then we would engage in -- in a negotiation for a longer term lease, once the -- once those nine Gates were done.

[3:31:15 PM]

>> Zimmerman: Sure. Obvious through, they are looking for predictability and -- in their business model. You mentioned that the aircraft has wheels on it, wings, they can fly it off somewhere else. One of the things that they are looking for is predictability in their cost model. They do have long-term contracts at other airports in Texas at this time, right?

>> Yeah, every airport is different in terms of what they have. But we also point to our predictability that it's -- it's going to be up over 16 years, we've been pretty consistent with our rates with the 16 years that we've had them out there.

>> Zimmerman: Okay. How long ago did the current contract expire, the one that we are renewing, I guess on an annual basis, sounds like --

>> Two years. It's expired, we've been carrying it on a month-to-month basis since then.

>> Zimmerman: Month to month, not year to year, but month to month?

>> We're trying to give them a longer term, but they haven't agreed to all of that yet.

>> Zimmerman: Is there a reason why we couldn't at least do year to year intentions.

>> That's what -- extensions.

>> That's what we're trying to work on now. Through 2018 until the new dates are done.

>> Zimmerman: Okay. Thanks for being here -- new Gates are done.

>> Zimmerman: Thanks for being here.

>> Houston: Thank you for being here, Mr. Smith. Two quick questions. Where are we on the stylized entryway? I haven't heard about that lately?

>> You mean the arts in public places project?

>> Houston: Right.

>> I would have to go back and check on the timeline. I'm not familiar with where they are. The arts in public places.

>> Houston: Can you let us know, please, because I think that was a several million dollar project if I remember correctly.

>> Yeah, we will get back with you.

>> Houston: Did you feel any better about having interns out there at the airport over the summer? Did you feel positive about that? We can do it again?

>> Um, they did good work. They -- we anticipate having them back next year.

>> Houston: Wonderful, wonderful, thank you so much.

[3:33:20 PM]

>> Mayor Adler: Ms. Pool?

>> Pool:

>> Thank you for bringing up the internship program, we do have that on a concept menu to continue with that. I thank you for making room for the leadership academy out there. I think a lot of folks learned a lot from being out there. Quick follow-up about the art in public places installation. Those

funds are not coming from the airport budget, right? They are part of the cultural contracts art in public places hotel occupancy taxes funds; is that right? Or not?

>> No.

>> Pool: Okay.

>> Every capital project which the airport does is -- well, other city projects, 2% of the cost of that project goes into a fund that then arts in public places determines what type of projects they are going to do.

>> Pool: And that -- is that federal legislation that put that in place or state legislation?

>> City.

>> Pool: City okay.

>> Decision.

>> Pool: Thank you.

>> Mayor Adler: Anything else? I just wanted to add my congratulations. When you look at airports that you are competing with across the country, you look at the tiers of the hub airports, Austin is not -- among the hub airports like Chicago. When you look at the universe of other airports in that group, my recollection is that there were 20 some odd of those, if you look at how that group has performed over the last five to seven years, in that period of time, a lot of them are struggling as airports and Austin is -- is mopping the very top within that group. So congratulations for you and your staff on how you are competing and managing that.

>> Thank you.

>> Mayor Adler: Anything else? All right. Thank you very much. We'll go to the next one, which I think is Austin convention center.

[3:35:21 PM]

>> Yes. If you will flip to the front of your presentation slide deck, we will do Austin convention center and then flip all the way back to the end to do Austin water. Mayor pro tem.

>> Tovo: While the next group is coming up, I wanted to ask councilmember pool, I see in the concept menu that you have talked about internships at abia but not the convention center. Are those separate or --

>> Pool: So the convention center and Mr. -- You can probably answer this, they have already continued it. And the aviation department did not.

>> Tovo: Ah thanks for explaining that. Since we were talking about it I wanted to clarify it.

>> Pool: But the aviation department said if we would like them to continue the program they would be willing to do it.

>> Tovo: Thank you.

>> Mayor Adler: Good job.

>> Good afternoon, mayor, council, mark

[indiscernible] Director of the Austin commence center. Joined by Julie Joseph, our financial manager, Michelle our chief financial manager, Carl Stefan assistant director, and of course Dr. Washington our manager. We are very pleased to have this discussion with you regarding our 2017 proposed budget. The mission of the Austin convention center is to providing outstanding event facility and our services so that customers can have a positive experience. We had a very successful year this year and continue to grow on business and mature. And I think as a force for our size in the convention and trade show industry. Thank you. We -- we became the first city department to realize carbon neutrality this year. We are a Leed gold facility as we received in 2011. We have been recognized by some of our peers as best managed including the pma, the professional convention management association, which of course we've talked about will be here with their annual convention in January of this year.

[3:37:22 PM]

They recognized us as one of the best high-tech convention facilities. We're very honored with that. We have a number of key performance data, of course. How our customers feel about their experience at the convention center is paramount. We have continued to have very consistent high scores, very -- to say that our customer service, our 250 employees provide and continue to have industry leading responses, our customers have continued to grow and the results and scores of our building have dropped a little bit and we are proposing that to drop and that is really the fact that our building is -- continued to get small as our customers grow. But with that in mind, still 95% of our customers say that they will return to the convention center. Of course, we will get into this a little bit later in the presentation, but really one of the key things in performance we look and we want to support is our hotel community. Of course, are very well discussed at our hotel community is continuing to do well and grow and succeed with very high occupancies and average rate in the -- those occupancy tax distributions have continued to grow. Practical maximum occupancy in convention centers is between 50 and 60%, we are hovering right there in the middle and very comfortable with where we are there. In 2016 you approved our financial policy and covers our operating and maintenance expenses with our ending balance and that remains about 230 in the comfortable area. Right in line with our policy. Going on to uses of funds, we are proposing a total 2017 budget of 102.2 million and with the 276.75 full-time equivalent, there is a request of 10.75 jobs, those are spread throughout the operation.

[3:39:38 PM]

And are in -- the majority are in the servicing of our guests. You will see 34.8 million for the convention center operating. That is up. A couple of million due to city-wide cost drivers. The significant increased requirements of our events, of course, led by pma and their significant contribution that they will need for that event. The rest of our expenditures will remain relatively the same. All of the transfers, the majority of that number, 26 million of the 30 is for capital improvement projects. Budget highlights and changes from last year's budget, 9.3 increase from the hotel occupancy tax. 11.75 new positions in our budget. One of those will be -- is recommended to be transferring the position to economic development department. The support -- the programming of the African-American cultural and heritage facility development [indiscernible] Development is actively involved, they have a contract with the district and the black chamber of commerce who occupies the other half of the building and can better synergize, optimize and synergize those -- that opportunity. We do have one removal of a one-time transfer to parks of 5 million. We do annually pay for the debt on parks and we've made one big payment last year that we won't be doing this year. Our vacancy rate at the convention center is 6.8 and at palmer events center 2.8, averages to 6%, which is lower than the city average of 7.8%.

[3:41:41 PM]

Capital improvement highlights, we have an fy '17 multi--year appropriation plan of 50.5 million. Of that in 2017 we spent 9.2 million. A big part of that is improving and repairing our two parking garages, if you will notice the picture on the bottom right hand there is our second street parking garage. We will be installing a new set of elevators on the San Jacinto side of that facility, beautiful glass elevators, we are very excited about that project, that will help that very busy parking garage flow much, much better. We are very excited about that project. Source of the funds, as you will notice, the big number on the left is hotel occupancy tax. 65.4 million. That shows that two parts of the bucket that the convention center receives. First, of course, I will go through these in detail, but first is the 4.5 and then also the 2 point

venue occupancy tax. You will notice the rest of our revenues stayed relatively flat. Of course that is really what we are here to do is the Austin convention center is here to attract events that generate out of town visitors. We have a hotel community that is now enjoying over 80% occupancy -- [lapse in audio] -- Grow and see those occupancies grow. We are -- we are one of only two convention centers that I know of that give back a portion of the anticipated rental or the hotel occupancy tax rental that we will get as rental fees in order to remain competitive. So if a customer is driving significant hotel room nights that can really affect their fees and in a good way.

[3:43:44 PM]

We also have a strategy that our leisure and our festivals very much fill up our weekend. So our strategy from the get-go is we want to fill the week. We want to have our events come here during the week so they can fill our hotels and restaurants when the demand is lower. 70% of our total customers meet from the week which allows leisure and other things to happen during the weekend. We also really looked to fill low demand periods. You may know the rooster teeth is over the fourth of July. We had a group in early January which filled the city, the time where occupancy would have been very, very low. It would be very, very difficult for city to run as high of an occupancy as we have if we didn't have the convention center that laid the foundation and filled in those times that are very difficult to fill. In addition, we actively schedule, what makes the best sense, what we would call best managed for the city. That is scheduling around all of the other things happening in the city. We have very deliberately scheduled the right events on top of Austin city limits, Texas relays, and we've actually moved business for events include grand prix at Cota in order to open up the hotel inventory. We really want to work in concert with everyone to help the hotel occupancy growth. If everyone is successful, ultimately we are. That is ultimately what we have done in order to help see the hotel occupancy grow in the significant amounts that it has. Revenue highlights, again talking about the hotel occupancy tax. 18.1 million. You will see the breakdown between the convention center and the venue portion. We see a contract or revenue increase of 2.1.

[3:45:47 PM]

That is our food and beverage and our audiovisual, the third provider. And then rental car is slightly up, 8.4 increase. That, of course, goes to the palmer event center. So here is hotel occupancy tax and the current break down. And how it is currently done under chapter 351 of Texas state law, the city has allocated a total of 7 cents, four and a half of that goes to the Austin convention center. For our operating and our debt. 1.45 cents goes to the tourism and promotion fund and that currently goes to the Austin convention and visitors bureau through their contract. And 1.05 cents goes to the cultural arts program that is managed through economic development for the total of 7 cents. In addition, through chapter 334, we have the special two cent convenient view which goes to the hotel -- which goes to the convention center expansion, the Hilton side or north side of the facility as well as 25 million of the waller creek tunnel bond requirements have been paid out of that two cents. So the legal uses of hotel occupancy tax, covered by state law, city code, in the case of the convention center, bond ordinance, Texas state law, chapter 351 which I referred to as a two-pronged test to see if it is a legal use, first. Must be used directly to promote tourism in the convention and hotel industry; and then second, meet one of the nine more defined uses. Only seven of them are applicable to Austin. The two that aren't are due to our population. You can see the convention center or visitors industry, administrative costs for convention and registration, advertising and promotion for tourism and conventions, promote arts, certain historic or restoration programs, transportation systems for tourists

only adding signage directing tourists, I'm assuming transportation would be buses if they need to be transported back and forth between the convention center and other venues in the city.

[3:48:18 PM]

Fortunately for us we have a very walkable downtown and most of the conventions don't need buses. The city code established the current allocation of the 351. Again, that is the seven cents and the convention center allocation of chapter 315 and 2% that are assessed under chapter 334 are pledged to the revenues that currently cover the convention center debt. As relates to issues and challenges into the horizon, the competitive nature of the convention and trade show industry is absolutely continues to be most competitive. Every city has a beautiful, nice convention center. Many newer and of course larger than ours. San Antonio finished their expansion project this year. Now has double the amount of space that we have. Grade A, excellent facility. Nashville is now 350,000 square feet. 100,000 larger than us with a brand new two-year-old facility and they have some great new hotel products and are doing very well. A lot of other cities, Seattle, San Diego, Baltimore, are also considering expansion projects right now. We have increased demands from our customers. We are getting a very sophisticated and growing and robust events, we are asking more and more from us and from our facilities. The convention center is aging. And it is under quite amount of use. We have to continue to invest into it. Information technology has always been something that has been very important. One of our core values, we need to continue to be a leader in that. If we want to continue to be a leader in the industry. Last, you know, is a master plan. Of course as we've talked about. We have a drafted master plan that we have presented to council.

[3:50:22 PM]

We are hoping to return to the economic opportunity in November to discuss our expansion and hopefully have the opportunity to move forward on that. As part of the 14 point resolution that council gave to us, this past fall, we have continued with the community engagement process. I would like to thank councilmembers Houston and Renteria for agreeing to host a town hall meeting. It actually is going to occur this Saturday from 2:00 to 4:00 at the Zaragosa recreation center. We appreciate that and look forward to continuing our dialogue and appreciate your support of Austin convention center and visitor industry. I'm here to answer any questions.

>> Mayor Adler: Yes.

>> Just -- council -- assistant city manager told me I forgot to speak about the intern program. We had 15 intern programs that went through there. They actually blew us away. They were great with the kids. The one that was assigned to our office was absolutely fabulous. He met with people with your office. We said we were at a district format. Yes, sir, my councilmember is councilmember Pool, I would like to do it, I would like to get into government. She went and met with law, our attorney met with her as well. And gave my assistant Deanna probably the sweetest note that I have ever seen. We really got a lot out of the program and really look forward to doing it again next year.

>> Pool: Thank I, that is terrific. That is exactly what I think all of us were hoping would happen. Thank you.

>> The kids were young adults. We took it serious. We put them to work. And we spent time really preparing for them and they delivered. They were great, great group of kids. I begged them, I said, our industry both government and more so our visitors, we have a growing visitor industry here, we need great talent.

[3:52:28 PM]

Please come and join us. Go to college, come and join us and we look forward to having Ya.

>> Mayor Adler: Okay. Comments? Ms. Garza?

>> Garza: Thank you for the heads up about that town hall this weekend. I don't think that I will be able to attend, but I'm curious to see the results of it. When you talk about convention center space and you compare it to other cities, are you specifically just talking about like our Austin convention center and the space of that? The reason that I ask that is because we have been able to create an economy here that, you know, we're seeing an increase in hotels, but many times those hotels have convention center space. Most of the time I have myself attended a convention, I never go to the city's convention center. I go to the hotel's convention area. So is that part of the equation when we're talking about convention space?

>> It is except for the events that we will be booking that will be occupying the convention center will also be utilizing the meeting space in specifically our big hotels because of the size and the robust nature of them now. Of course, they will have their own in-house meetings that they book and of course we get hotel occupancy tax for that and we try to piece those in and around our city-wide events. But we need for the event that are looking at it now, we need more meeting space, more exhibit space within the close proximity to move the needle forward.

>> Garza: When you have let's say a big convention coming in, too big for the Austin convention center to fit, do you have partnerships with other hotels say we can accommodate these things here and then whatever-whatever hotel will accommodate the rest of your needs or do you just say no, we can't handle you, we're too big.

[3:54:32 PM]

>> That's how we're jamming stuff in right now. We are getting in probably nine out of 10 groups that we get the convention center now have to have the Hilton. They have to have the Hilton to use their ballrooms and meeting space or they would not fit. A good portion of them also have to have the JW Marriott at the same time. So you could be going -- that's part of our walkability. You can go from a session at the convention center to the Hilton and Marriott and back all in one day. So we are absolutely needing to do that. But the challenge is if -- if the exhibits that they need don't fit in our 247,000, they won't come. They won't put that anywhere else. If their big general session doesn't fit in our big ballroom, they won't come. Generally they would also say we need these core things in the facility. We can put some ancillary stuff over at the facility, but these core meetings have to stay within one building because they want them to come and see the exhibitors. That's just what they want. If you don't have the big space, the big meeting rooms, and ballroom space, you just won't get past that. That's currently where we're at with a lot of the opportunities that we're bidding on into the future.

>> Garza: Okay. I guess I almost think it's a good thing that when -- that they will move to another hotel because that takes them past a store front they might not have walked into. I think it almost helps. We help them spend their money more. We have them walk around the city.

>> We have really been encouraging what we call the campus concept within a meeting. We've had to do that in order to retain customers and help them grow. It's also or the of, you know, the south-by-southwest campus concept that they have been successful with. People are trying it to see how it works in their meetings, to how it goes.

[3:56:33 PM]

But again there is core things that they say have to happen within a facility. And if you can't accommodate those, we can't be there. And that eliminates a lot of the market. Especially in the medical

market. Because big meeting rooms where they want to give continuing medical education, there will be big av setups and docs will come in there and get their continuing education in their specialty.

>> Garza: Okay. As we continue to have this conversation about whether we're expanding our convention center or not, I think to have the most transparent conversation it would be good to know how much convention center space we have total, like how much exhibitor space I guess is the right -- that they have total, not just including the convention center would be good to know.

>> Okay.

>> Garza: Thank you.

>> Houston: Thank you. And part of councilmember Garza's question may be answered in what I'm about to ask. How much is the fairmont, how much convention space is involved in housing the fairmont and when will it open?

>> It's scheduled to open in the summer of 2017. I'm going to go off memory here, but I think they have 60,000 square feet of total exhibit and meeting space, I believe.

>> Houston: There will be a connection between the fairmont and the convention center?

>> Yeah, they are planning this summer to build an open air -- build an open-air walkway that would land on our back patio right by ballroom ABC on the south side, yes.

>> Houston: Thank you.

>> Mayor Adler: Mayor pro tem?

>> Tovo: I have

>> Tovo: I have a couple questions. Thank you very much for the responses. Some of which were in last week's q&a, and the budget q&a. I had asked the staff to post all the questions I submitted through last week's q&a related to accb through the budget q&a too so they'd be in one place for future years but I do have some follow-up questions.

[3:58:45 PM]

The first is -- relates to item -- question 189 -- question 1889 which talks about the transfers to the general fund, the question was in the past the general fund and Parmer event center have made transfers to tourism and promotion fund. It looked like that happened through 2014 and I asked whether there was such a transfer in 2015 and 2016 and then what was proposed for 2017. The answer was there was a transfer of 125 from the Austin convention center in 2015 and fiscal year 2016. So, in other words, the convention center transferred that money to the tourism and promotion fund to go to acab.

>> Correct. As part of the -- the convention bureau's contract, the city was to fund them \$125,000 for the music and film office, specifically those two items. That historically had come out of the general fund. During the recession, it went over and we put it into palmer and then after further review indicated -- found that that was not the best use of the rental car, rental car tax and then we paid it out of the hotel occupancy tax. And then basically looked at the contract and based on the contract and the 1.45 that they already were receiving for the city, we found that additional money we were given -- opposed to the contract so we eliminated that requirement in the 2017 bureau contract.

>> Tovo: I know you addressed this a little Thursday so I apologize for covering the same ground. I think I still don't understand. There was an additional music piece for which there was additional money, it came through the general fund and stopped coming through the general fund. It went through the Parmer event center. Then it was determined that funding wasn't -- ought not to be going in that direction so then it switched to the Austin convention center and was funded through hotel/motel tax and now [overlapping speakers] -- Being opposed to the contract.

[4:00:58 PM]

>> The contract indicates that the bureau gets -- or city code, the bureau gets 1.45 of the holt occupancy tax. If you add that \$125,000 on top of that --

>> Tovo: I got you.

>> -- It was more than the ordinance.

>> Tovo: So in this year there will not be a transfer from the comp or any -- comp or any of those other funds.

>> Correct.

>> Tovo: Thank you. I wanted to require that.

>> That requirement in the bureau's contract has been taken out too.

>> Tovo: Okay, thank you. I wanted to talk a little bit about the African-American cultural heritage district funding that's being transferred. Back in, let's say, fiscal year '14, the -- there were two ftes who were put in the Austin convention center department budget for a total of \$127,178, and this is the subject of a budget question in that year. So there were two ftes in the convention center budget for the African-American cultural heritage facility, and that led to a conversation at council about whether the other cultural centers could also become transferred, could also be transferred to the Austin convention center budget. And I had a lot of conversations with leela and others about that, and there were distinctions made between the African-American cultural and heritage facility and the activities that they do and the other cultural centers and the advice was not to make that transfer. So I guess my questions are multiple. One is, I still don't completely understand the answer to 185 about why it's going to back to EdD and I'm interested in knowing whether the funding -- whether the funding is now coming out of EdD and also your budget talks about .85 ftes and -- .75 zest in fiscal year 14 there were two. Those are three questions, where is the funding coming from?

[4:03:02 PM]

Is there still funds in the convention center. Anyway if you want to tackle that --

>> First, we had two employees in our budget and only one of them was actually filled and only we found was required. So it was only ended up being one, one position at the ahcf. And we originally took operation of the facility, there was certainly H.U.D. Requirements and requirements through neighborhood housing that had to be filled -- filled within the community facility. We believed at that time due to both the event space and the visitors center we can also book events and kind of have a dual purpose facility, we could both meet the very strict requirements of H.U.D. And the neighborhood housing, as far as providing it for kids and that whole work plan for arts and things that they had to do, but then at times when it wasn't being used we could rent it for customers, for events, and other maybe weddings or other things like that. And that would make it what we would then believe a legal use of our funding. What beended up having occur was -- we ended up having occur was most every opportunity we had to rent the facility ended up going over an event that was booked in the community room, and we had do make decisions on whether we were gonna host a paid corporate reception or not have kids learning how to dance in the room. And we made -- we continually made the decision on the community aspect. Courses were lined to the H.U.D. Funds and neighborhood housing requirements and, therefore, at the end of the day what we had hoped to occur at the building didn't acquire -- didn't happen as -- exactly that we occur. And web that the best use of our funds would be to not staff just that staff person and that economic development lines of -- better in the facility.

[4:05:09 PM]

So we're giving them one fte. We're not funding that fte. We're giving them the fte.

>> And could I add to the record -- the comment. As the discussions were evolving, it was not just an operational decision. What we were advised by the law department, that without the ability to utilize that facility for paying customers and promoting expedients tourism that we were in jeopardy of risking our funding status in terms of the state statute in our local law. So that was the consideration bringing that back to the general fund like the other park facilities.

>> Tovo: Okay. So only one of the two positions were funded. That position is going to economic development. It will be funded by economic development?

>> Correct.

>> Tovo: But it's no longer one fte, it's .75 fte?

>> Go ahead.

>> It's one. The position that was identified is actually budgeted at the convention center as .75 at the Austin convention center and .25 at Parmer but it makes up a total of one fte.

>> Tovo: But it looks like parmer going to continue to fund .25 of it?

>> No. There's no funding going with it, but it is a whole fte that is being transferred.

>> Tovo: Why is it listed as an expense on the convention center changes? I'm not reading this correctly.

>> Do you have a page none?

>> Tovo: I'm sorry. Maybe it's a different .25. There is a .25, but maybe it's completely unrelated. Okay. So economic development is now gonna be picking up all the costs of the staff for African-American cultural and heritage district. I guess I'd like to have a little bit more conversation about that maybe offline because I -- you know, again, we had considerable -- I had considerable discussion offline about it when it was transferred in, and it was operating -- I mean, I understand the dilemma you're describing, but it was, I thought, part of the rationale is that there was a chamber of commerce -- that the black -- what is now the black chamber of commerce was operating out of that facility and that was part of the rationale for having it under the operational umbrella of the convention center, because of the synchronicity there so just operationally it seemed like people were supportive of that connection.

[4:07:32 PM]

And that hasn't changed, as far as I know, right?

>> Right. I think the intent of having it promote to [indiscernible] Was the plan, but, again, as director tester stated when the decisions were made in terms of use of the facility, the decisions were not aligned with the incident. So the staff had been bringing this to our attention to try to remedy it with them over the past more than a year or so, and I think what we realized is that we were unsuccessful in getting the programming method changed and hence the reasons why they're recommending the transfer back to a general fund department.

>> Tovo: Thanks. And I guess my last question is, do you plan on having other community engagement town halls? I've certainly received those questions from some residents in my district since the convention center does fall within district 9, there is a lot of interest in it. Some of them may attend this weekend's town hall as well, but I think there were looking for other community engagement opportunities.

>> We would love to do that. Absolutely.

>> Tovo: Thank you.

>> Mayor Adler: Ms. Houston.

>> Houston: Thank you, again. I have -- everybody has questions about hotel occupancy taxes. Under -- on slide ten, it says to help promote the arts. Do you provide any funding to Zachary Scott?

>> That would go through economic development, through that 1.05. That he manage that on behalf of the city.

>> Houston: Okay. So that transfer that you talked about, other transfers on page 3, all of the transfers - some of those transfers primarily go to economic development. Where do the other transfers --

>> No. Excuse me. That would be --

>> Mayor Adler: Page 9.

>> That would go to -- back to the city for -- yeah, that would be -- yeah, of the 30.4 million on page 3, the far right column 2, .26 million went to capital improvement plan, 3.8 to other funds, which includes support services, ctm workers' comp, C.I.P. Management, wireless, and .5 went to the park debt.

[4:10:09 PM]

Am I saying that right?

>> I think you're saying that right. In regards to the Zack Scott, so the 1.05, the 15% of the hot taxes that, cultural arts piece isn't administered by the convention center. That goes to the cultural arts fund where it's administered by the economic development department and it's \$200,000 that goes to Zack Scott of those cultural arts funds. And that .16 was \$200,000, the allocations for '17 haven't been approved by council yet.

>> Houston: If I remember correctly, and I might not, wasn't that an extra \$60,000 that went for administration?

>> There is an additional 60,000 for maintenance, but that's not coming from --

>> Houston: Where does that come from?

>> That comes from the economic development department's budget, which is allocated out to -- in the way I talked about earlier, Austin energy, Austin water and the general fund. The maintenance Pete is in their budget. The \$200,000 comes from the cultural arts contract.

>> Houston: Thank you. On page 10 again, certain historic preservation or rest administrator racing programs -- restoration programs, that is that ever been used for that? If so, what?

>> Yeah, the heritage grant program, that is currently administered through the convention and visitors bureau. They command a certain amount of their budget, I think it was 200,000, that they budget on an annual basis to give heritage grants.

>> Houston: So have we already had them come through to find out if they've given any of those grants out and, if so, how do people apply for them? Have they been here before? I mean, I can't remember. Mr. Van eenoo? No, the Austin convention visitors bureau that do the heritage grant program.

>> They will be presenting their budget in -- soon and they can hit on that part.

>> Houston: Okay.

>> Make sure they hit on that.

>> Houston: I didn't know that they did that. I don't know that anybody knows how the -- to write a grant proposal to ask them for funding.

[4:12:13 PM]

So. . .

>> September 22 is the day for the convention bureau.

>> Houston: I was thinking about that because we're always trying to find out ways to preserve and restore roast rosewood so I didn't know what the grant criteria was. Thank you. Uh-oh, when annstands up and Ms. Fireside walks over --

>> You're in trouble now.

[Laughter]

>> I just wanted to let you know the program is on the convention and visitors bureau website. There is a grant application that these various programs go through. They have to meet the requirements of

state law. Not only to show that they're bringing in tourists and convention visitors, but also there's an additional requirement for historic facilities that they are -- in the vicinity of the convention center or in an area that's frequented by tourists. And so the application is very clear about that, and people have to document that, and then there's an additional requirement that, once they've met that test, whatever restoration project they propose goes through the historic landmark commission to make sure that it's historically appropriate. And that program is administered by the convention and visitors bureau, and then I review all of the applications to make sure they meet the hotel tax statute and then the city manager's office signs off on those. So it's a fairly robust program, and it has benefited a number of local programs facilities and also even some of the city facilities that the parks department has, have also been recipients of these grants.

>> Houston: I was thinking about the Mexican-American cultural center, which is in walking distance to the convention center.

[4:14:17 PM]

So I was just trying to figure out what that was and how people could apply to --

>> Sure. And I'm sure they can get you the link to the application so that you can see what it looks like on the website.

>> Houston: Thank you.

>> Mayor Adler: Mayor pro tem.

>> Tovo: Thanks. I'm sorry, I had a couple more questions. And the list of past recipients for the heritage tourism grants, heritage preservation grants, are noted in budget question 200. I think it just got posted a day or so ago. But it was also part of last week's council q&a. I had a couple questions about that -- well, really very quickly, I was looking back again at the timing discussion we had last week, about the timing of the contract for accb and then our budget process and then accb presents its budget later and we had lengthy discussion about that last week and don't need to repeat it but I'm wondering how those dates got out of sync. Clearly whatever we adopt in the budget has an impact on what that contract amount is and right now the contracts don't seem to be synced up. And I wonder if maybe the date for the accb was set at a time where our fiscal year for the city was different. Is that possible? I guess that's a Mr. Van Eenoo, I think it was around 1999. It looks like it's been -- the contract for accb. Anyway, it was just a curiosity but I think it would be useful to sync those up so we do our budget deliberations and then we have the budget presentation from accb and then we adopt the contract. Just something to think about, because we are in a position then of approving a contract for a particular amount that we could, as I see it, change during the annual appropriation budget a couple weeks later. And then we hear their budget presentation and they adopt their budget.

[4:16:19 PM]

>> This was aye, I guess, an odd year because -- or different year because the contract came up. So be-- I think we agreed to a five-year contract so we won't have to do this contract conversation for a few years. But we will do the budget conversation every year, and I think the bureau will be happy to present at any time that was -- at your leisure.

>> Tovo: Well, again, in five years I think you'll be in the same situation again of having a discussion about how much to award the accb as part of their contract but for the annual budget process -- before the annual budget process is concluded. It seems like it's gonna continue to be in that off-state, but --

>> I can tell you that I -- years back we would have accb do a budget presentation right after mark was done during the convention center presentation, accb would come and talk about their budget, but I don't recall a time where, as part of budget adoption, you're also approving that contract with accb. It's

always been we approve the budget for the convention center, part of which is an allocation for accb within the actual contract for accb, like any contract that's being funded through this budget comes back through council for the actual approval.

>> Right. It just happened in the other order this year, the contract came through first before the budget discussion. Anyway --

>> Mayor Adler: That's relevant -- before you move past that, that -- because it came that way, there were already givens and commitments that had been made so the council wasn't working with as open slate as might other otherwise be possible if that conversation could have come first in order to be able to establish what the commitments were.

>> There was already planning assumptions we gave them on budget that they had already done and of course they turned their budget in in June per contract. So, yeah, they had been working on assumptions for this fiscal year for quite some time.

[4:18:21 PM]

>> Mayor Adler: Right.

>> Tovo: And that kind of leads into my second question. We had Mr. Noonan was talking about \$1.8 billion -- I don't want to misquote him but that they were expecting to receive back from the revenues, and I think after a lot of discussion I was trying to figure out how that was -- where that money was coming from after discussion that Shannon in my office had with your staff. As I understand that -- I just want you to correct it. It almost sounded like we owed them that \$1.8 million. As I understand it, the hotel/motel tax revenues came in \$1.8 million in excess of the estimate so that was the \$1.8 million that we were talking about last Thursday. Is that accurate?

>> That's correct. So we budget very conservatively so that we hit the budget because the ramifications of coming in lower are pretty difficult on an organization because you start from behind any quarter that allocations are low and any fiscal year. So part of their terms, any overage would come in the following year or any underage which they actually had in one year -- we had that first part of the fiscal year before, they owed us, owed some money, but they get that overage after the next following year and in this particular case it was 1.88 million jats I just wanted to make sure we had a moment to talk about that today because I wasn't clear after we had that discussion whether there had been a removal of \$1.8 million from their contracted amount and that was -- you know, we truly did owe that to them. I mean, it was -- this 1.8 came in in excess and the typical practice, it sounds like, is to forward the excess to the accb but that was not -- I mean, they did not get shorted from their contract amount that was approved last September.

[4:20:29 PM]

>> Right.

>> Tovo: They received all of the money that was in their contracted amount that we approved last September, they have received for this year's work?

>> I think in the current contract, it may say that they are --

>> In the term of the contract.

>> Yeah, that any overage they would be able to get if I'm saying that correctly.

>> I don't have the contract with me.

>> Tovo: I think we have it in our office.

>> It works that way, any excess from one year is part of their following year budget. It's a term in their agreement.

>> Tovo: And then their budget would be approved -- would not yet be approved, though, until September?

>> Correct.

>> Tovo: Okay. All right. Thanks.

>> Houston: Mayor, I have one last question about security.

>> Mayor Adler: Ms. Houston.

>> Houston: How do you solve security? Do you have a private security firm that secures the convention center? What do you use?

>> No, ma'am. We do that in-house with our own full-time employees. We actually have two security units. One is building, and they protect our facility and the people and monitor the cameras. Those are uniformed personnel. Then we have event security, which is a revenue-producing event that customers utilized for a -- show guards, vanguards, checkers, people that work in the service yard. The great thing about that -- that is unique. Not many facilities do event security. They let other companies do it. Bethink it's a real advantage for us because we give them part-timers training, connected to our security unit and they can tanning directly if there's any issues in making sure that we keep everything in a -- calm and orderly. We also have a contract with department of security in aid for licensed police officers that help us monitor thereafter and -- traffic and get things in and out.

[4:22:33 PM]

When we need money moving or anything like that.

>> Houston: Thank you.

>> Mayor Adler: Anything else? Thank you very much for your presentation. Last one, watershed protection.

>> All right. Good afternoon, mayor, council, Joe, director of the watershed protection department. I'm joined by Peggy McCallum, our new chief financial manager, assistant city manager, sue Edwards. I have our executive team here with me, as well as a few staff, and as always the electric Ed van eenoo.

[Laughter] Anyway -- hey, we're the last department. Come on.

[Laughter] Liven things up here. We're happy to present our proposed fy2017 budget. As we go to the slide about our department overview, the watershed protection department protects lives, property, and the environment by reducing the impact of flooding, erosion, and water pollution. Extreme weather and old and outdated drainage system and rapid growth have made accomplishing this mission challenging. And kind of to set the stage for this past fiscal year, while still recovering from the Halloween flood of 2013 the memorial day flood of 2015, this past fiscal year saw two more major flood events, Halloween flood of 2015 and the may -June flooding of this year.

[4:24:37 PM]

Both of those major floods were declared federal disasters and I'd really like to thank not only the watershed staff but all departments staff, fire department, police, ems, pard, any and everyone on staff, our citizen volunteers, our partner agencies. A lot of people. We mobilized a small army to respond to these floods and I know a lot of you visited the shelters and I want to thank you all also for not only participating in the response but also the process afterwards to see kind of where we go into the future. As one of those next steps was the creation of the flood mitigation task force. You'll see that over this past year, we facilitated a staff over 50 flood mitigation task force meetings related to that, either full task force meetings or their subcommittees. And I think I also need to acknowledge this task force. They were 22 -- actually 21 members, volunteers, from your offices, appointed by your offices, that spent a tremendous amount of time not only learning about our flooding experiences, what we do as a city for

flooding, but also spending a lot of personal time researching and making over 230 recommendations back to this council. I know you heard that report. As far as the home buyout process is concerned, we worked very closely with the real estate office to move 195 more families out of the floodplain. Watershed places a high priority on public outreach. This year our programs are recognized at the local, state, and national levels. The national weather service just informed us that this September, during national preparedness month, our department will be highlighted on their website and national social media accounts as a weather-ready nation ambassador that has gone above and beyond to ensure their employees, customers, and stakeholders are prepared for extreme weather.

[4:26:41 PM]

This past year we received the Texas floodplain management association's community outreach project award for outreach strategies such as atx floods.com, social media campaigns and the poster quest. Finally the Barton springs conservation district gave us their groundwater stewardship award for our watershed protection department, which provides hands-on learning experience to local medical school students. This year we created a web viewer. In our department's effort to be as transparent as possible to allow the public to log on to this web viewer to see the data that we use to prioritize the worst problem areas in the city. They can go on and see do we have their neighborhood listed as a priority problem it it's something we've been working on for several years, an outshoot of our master plan and we're happy to share the data that we have on watershed problems with our community. Turning to our performance measures, the first row there you'll see is the number of structures protected from flooding through construction projects. That number goes up and down year to year, based on the cycles that we're in as far as project execution, whether we're in design or construction. But what I really want to draw your attention to is the second bullet. Council, we have over 1,000 miles of storm drainpipes in the city of Austin. That's enough to stretch from here to Chicago. And we are currently replacing less than 1 mile per year. The amount of storm drainpipe replaced has been dropping over the last four years as the 2006 bond monies were exhausted and the fact that a lot of our storm drain replacement crews have been working on emergency repair projects to repair washed out roads and bridges from the 2013 floods and the two 2017 floods. So we've had a diversion of our staff but also just a matter of not having the resources available, but we have a plan to address that.

[4:28:48 PM]

And, finally, our environmental staff continue to preserve and protect our creeks, Lakes, and confer by building water quality controls, responding to spills 24/7 to reduce pollution and you can see a couple of their measures there. So to address those infrastructure needs I talked to you about, we are proposing to increase funding and staff. Of the 35 new positions proposed, 28 are dedicated to maintenance with an increase of 2.6 million, as you can see on the left side of this chart. We propose to add two ftes for engineering support under flood hazard mitigation, and four ftes in the drainage fee billing office under other programs to support our new drainage rate structure. You also see that we have increased transfers to our C.I.P. Program by 1.8 million, again, these are for -- typically for construction projects and we'll get into that little later. On the far right there is an increase of \$2.3 million in transfers, which includes funding for seven additional development services staff as part of their single family infill inspection program. And I think you heard the director talk to you about that program. So budget highlights, I said earlier that many of our budget items were aligned with recommendations from the flood mission task force. Throughout their 230 recommendations, the task force repeatedly emphasized the need to improve and expand inspection, maintenance, and repair of our drainage system, to provide staff and resources to design and construct small scale flooding solutions and to increase capital funding

for flood mitigation. We have done that through this budget, and we will hopefully as we get into our five-year forecast continue to see where we can enhance it along the lines of the task force recommendations. To improve service delivery, new field crews will concentrate on smaller scale jobs to repair and replace storm drains, eroded channels, clear ditches after storm events.

[4:30:50 PM]

I think what's happened we've had crews work on very large projects that should have been done maybe as a C.I.P. And spent a good six or seven months at just one location in the city. And when you look at our storm drain crews, we have two storm drain crews one for north and south Austin, and we can't have one crew in one place for half a year. And so another thing to help us with that is looking at idiq contracts, indefinite duration indefinite quantity. These type of contracts are really made for a watershed department because you can use them to augment your staff, especially after a major flood event. So what we've done is included 300,000 here to allow for some seed money to get that contract going and see how best we can use that. I'm hoping in future years to have additional funds so that a lot of our citizens have said, gosh, right after the storm event there's a lot of debris in the channel blocking it and we're afraid of another storm event coming. Typically our crews would go out, two open waterway crews one for north Austin and one for south Austin, would go about their business. It's right after those storm events we need a lot of resources in the field quickly, that's why we think the idiq contracts are the way to go to be more responsive to our citizens. We're also allocated four ftes for our drainage fee office. Council, you're very aware that last year we implemented a rate change and we are now moving from where we used to have 30,000 customized bills to everyone in the city now has customized bills. That's over 200,000. We had two people taking care of 30,000. We're proposing to add four people for the remaining 170,000, knowing that we're gonna use some temps in there too. We didn't want to fully staff up. We want to see if there's some economies of scale and start to ramp that up but we definitely need the assistance there to administer the new billing system.

[4:32:57 PM]

Going to our capital project highlights, now, capital solutions are typically construction projects that address existing watershed problems. With \$2.2 billion of backlog and roughly 5,000 structures in the floodplain, we have a lot of work to do. And when you look at these numbers I want to note that -- and ask you to keep in mind not a single neighborhood project can cost anywhere from 5-\$10 million. That's compared to a total appropriation for this year of 31.6 million. We are doing a lot of work in terms of planning and engineering for projects, getting geared up for -- whether it's future years' funding, pay as you go for construction, or future bond issue. We are moving forward with the upper Onion Creek study that's proposed to be wrapped up early next year. Also, we're gonna be updating the Shoal Creek flood study, and I know a lot of you may have been hearing about this, but the last study that was done on Shoal Creek and how to fix the lower portion of Shoal Creek was a tunnel by the Corps of Engineers. And so what we wanted to do is take that report off the shelf, dust it off and make sure that if we're going to solve the problems of lower Shoal Creek we leave no alternative off the table. Certainly to the degree that if we cannot provide a hundred-year protection, which may require a tunnel, that we look at lower levels of protection, maybe a 25 year or ten year flood event protection. So we also have -- so flood mitigation is our highest investment, also master plan projects which include a lot more flood projects that are integrated with erosion and water quality. That's kind of what we mean by master plan, is that we're trying to integrating all three of our missions. When you talk about master plan projects you'll see things like the West Bouldin master plan before we're addressing flooding issues there as well as erosion

water quality issues within watershed and some of our buyout programs like the Williamson creek buyouts are included here, we'll also be doing restoration of the area which has a water quality environmental benefit.

[4:35:09 PM]

Department revenue, in this coming year we anticipate \$88.6 million in revenue, with about 98 percent coming from the drainage utility fund. We are in essence an enterprise fund that relies primarily on the drainage fee. We also have some development revenue from our work to support development services, and in fact we have allotted a small amount of non-amount of money to do a fee study along the lines of what Rodney Gonzalez is doing to look at cost of services to see if we need to adjust any of those fees. Department revenue is projected to increase by \$4.2 million with 3.6 million of that coming from the drainage utility fee revenue. While this drainage utility revenue is increasing, the base drainage rate is actually decreasing from .005 to .0048 dollars per square feet of impervious cover per month. You may ask, how can you have increasing revenues when you're decreasing the rate? And really that's because the revenue increase that you see is largely due to the expiration of the single family discount, which council put in place last year, to phase in the increase in charges for some of our single family customers. And that applied to those -- that portion of the single family category that was expecting to see an increase. There were others that actually saw a decrease for -- you know, the smaller homes are the ones with less percent impervious cover. Now with the expiration of this discount everyone in the city is paying the same rate per impervious cover according to the formula that was passed by council. So some examples. This table gives examples of the impact of the new base rate and the expiration of the single family discount. The median single family customer will see an increase in their monthly charge of about 98 cents per month. Now, again, I said earlier last year's single family discount only applied to those homes that had an increase in their bills.

[4:37:12 PM]

That affected about 100,000 of the 160,000 single family accounts. The remaining 60,000 single family accounts actually saw their bills go down or stay roughly the same or go down last year. And with this new proposal, those same single family properties, about 60,000, will see a slight decrease again. Another 40,000 multi-family complexes and commercial accounts will also see a slight decrease in their bill. So look ahead, challenges for the future, again, I can't say this enough. Our generation has inherited an old and outdated drainage system. This is especially true in our urban core where many of our storm drainpipes exceed 80 and even 100 years in age. With rapid growth, infilling and limited resources, we will struggle to meet the needs of our community. In just the past five years we have seen a 230% increase in drainage complaints and service requests and of course that aligns with just the major storms we're having. In the last ten years we've had a 56% increase in the number of stormwater controls that we need to maintain. With the exception of the waller creek tunnel crew added a couple years ago, watershed has not added a single crew in the last ten years. So new resources are critical but so is the strategic selection of our projects and the use of new contracting mechanisms and we look forward to putting those in place in the next few years. While recently floods have sharpened our focus on flood control in this city, we also need to ensure that we are protecting what helps make Austin a special place to call home, the beauty and integrity of our creeks, Lakes, and aquifers. So with that I'll be happy to answer any questions. And to close, all of the department presentations I'd like to say that if you see a flooded roadway, turn around, don't drown. Please. Thank you.

>> Mayor Adler: Thank you.

[4:39:27 PM]

Questions? What will it show with respect to the -- will it show -- what will it show on that chart?

>> I'm pretty sure it's gonna show the median, but Ed will answer that.

>> For watershed? Specifically?

>> Mayor Adler: We presented that on the 27th and specifically for the drainage utility fee we're projecting a 98 cents increase to \$10.80.

>> Houston: Can you give us the page number on the 27?

>> Page 16 of the presentation from July 27.

>> It's also on page 8.

>> That has all the different fees. Although the Austin energy one of course will be different.

>> Yeah.

>> Mayor Adler: Yes, Ms. Kitchen.

>> Kitchen: I just want to thank you all. You've had quite a year, as well as our community. So I really appreciate how much y'all have done. So I just want to say thank you.

>> Thank you.

>> Mayor Adler: Look forward to you guys being active participants in the citizen bond commission. That is gearing up.

>> We look forward to it.

>> Renteria: Mayor.

>> Mayor Adler: Mr. Renteria.

>> Renteria: I have a question on the -- on onion creek, right behind the golf course, I guess, there, south of champion, are you all in the process of buying those homes out?

>> We are currently in progress with a study called the upper onion creek study, which will make recommendations to council as far as how to proceed next. They're looking at a range of options. I know some of the early out recommendations indicated a buyout was feasible but they're also looking at flood walls and detention ponds.

[4:41:29 PM]

I know there was a recently council resolution that asked for funding options for limited buyouts.

>> Kitchen: Councilmember Renteria, I have a concept menu item for -- you may recall we passed a resolution asking the -- I don't remember when we did this, asking the staff to come forward with some ideas for us about where we might look for some very limited buyouts for the upper onion creek area. And we put that number at about 5 million, so the amount that I put on the concept menu is 1.25 million. We thought we'd get started -- we could try starting with that because this would be a voluntary program for a very limited number of homes, and I might add homes that were damaged at the same level and substantially damaged, like other areas that we are buying out homes on now. So that's a very limited program, and, you know, we may -- we'll just have to see how much is needed, but the thinking is to start with 1.25 and we've -- it's only concept menu, I've located with the help of staff, identified a way to fund that that doesn't have an impact on the budget and if the council so desires, we can do that. So --

>> Renteria: That's good to know because some people have been asking me about --

>> Kitchen: Okay.

>> -- You know, what their plan was because a lot of these people are now selling their houses out and people are coming in and buying them.

>> Kitchen: Yeah.

>> Renteria: And because it's such a great location.

>> Kitchen: Mm-hmm.

>> Renteria: And so incorporation wanted to find out exactly what was the plan so that I could -- if someone standard me the question, I can say, hey, this is what's gonna go on there.

>> Kitchen: Okay.

>> Renteria: Thank you.

>> Mayor Adler: Ms. Pool.

>> Pool: Thanks for the presentation. It was really helpful. I have two questions. I think my staff has been working to go through the items that are in the budget that Lyft what the flood mitigation task force was looking for, and you mentioned there were a number of things on your page for -- that tracked with their recommendations.

[4:43:39 PM]

And maybe -- you probably have all of their recommendations broken out and cross-referenced with --

>> We do. Actually, if you want just a short litany, I can just tell you that --

>> Pool: Please do. That would be really great.

>> Sure. We're proposing to add two more open waterway crews, to expand our erosion crews, add two more storm drainpipe crews, we're adding a commercial pond inspector -- this is something that at a lot of the public neighborhood meetings I've gone to in some of your districts we hear from citizens that it's the development upstream and the bonds not working so we felt it is very important to add resources to our inspection staff that inspects all those private ponds to ensure they're boring. That was in line with their recommendations. We also added a drainage investigator, complaints investigator, to be more responsive to our staff because, you know, those -- the demand for that has gone up 230% in the last 4-5 years and we do want to be more responsive there. We also added engineering support to our flood hazard mitigation, watershed engineering division, something that didn't jump out but I'm very excited about, is we put another hundred thousand dollars into our public education outreach, specifically targeted at not aid but all schools within the city, especially those that are located with floodplain on their property. And that was something that I think I really have to give credit to [indiscernible] From the flood mitigation task force who zeroed in on that with experience down in the dove springs area so we're funding that and also the idiq contract. We have a lot of things in the budget and certainly I didn't tell you every single one, but I think that was also the topic of a budget question as well.

>> Pool: Okay, great. And the last question I have -- and maybe it's the last question entirely. I don't know. It's been a long day.

>> Mayor Adler: No.

>> Pool: On page 9 you show the aging and undersized pipes, the infrastructure that needs replacement.

[4:45:45 PM]

You do also have a map that shows if the bonds pass and we know that we have some of the horizontal infrastructure -- drainage items for the corridor plans, which ones would be picked up from your map?

>> Yeah, we have been very -- working very closely with the capital planning office and the transportation department. We have shared with them all of our maps in terms of not only the age of those pipes but also, you know, any sizing issues, you know, if they're only carrying the ten year storms. We have shared that. In fact in some of the corridors we've actually done some pretty detailed studies so I think that's really gonna be beneficial for the capital planning office and transportation department, and they've been very receptive to hearing that. So --

>> Pool: Great.

>> A applaud them.

>> Pool: Thank you so much.

>> Mayor Adler: Couple quick real global questions, not so much for you guys but real quickly, Ed, this morning we had Austin energy. They had that the average monthly bill, I think, was showing a reduction of \$3.59 when they presented that this morning. When you look at the major rate and fee change chart that you had provided, I think it -- that number 3.59 at this point would replace the --- the negative 3.59 would replace the positive 1.74. Is that right? So that would be a swing of \$5.33. So at this point, where we sit, it would appear as if we were to approve all of the fees, all of the property taxes associated with this, that we would be looking at a \$7.15 per month increase to the average homeowner. Is that about right?

>> I think that's right.

>> Mayor Adler: \$7.15. Okay. I don't remember what it was last year, but it's -- it was, like, \$5, I think.

[4:47:50 PM]

It was five and change, I think.

>> Pool: Is that none -- is that -- is that \$7 number then a new one down from what we had?

>> Mayor Adler: From 12.48 it would now be \$7.15.

>> Pool: Great, thanks.

>> Mayor Adler: Which gets us relatively close to where we were last year. Then the last thing I would say, this concludes our sessions. I think that the way that you presented them this year, the format that you used, taking us through the changes, I think, really -- we had a lot more robust conversation this time than last time, in part probably because we know more than we did last time, but also because of the way that it was presented and the information that was brought to us I think really hit -- presented more closely to what the questions were that the council -- that the council had. So I'm real appreciative of the process that we went through. I think you and the budget staff and all of the city staffs and all the departments did a pretty incredible job this year. Of presenting this information and data to us. We have now a little over two weeks to do the next part, and I look forward, council, to us picking back up the concept menu or something to help us in that process as we move forward. Everybody looking for places to cut because we'll need those. But I just wanted to thank staff. I think you guys did -- Robert, I think everybody did a pretty incredible job. So thank you.

>> You're welcome. Thank you.

>> Pool: Thank you, guys.

>> Mayor Adler: Ms. Houston.

>> Houston: Mayor, this might not be something that Mr. Van eenoo can do, but there are gonna be more precious on the taxpayers than just the city of Austin. I saw in the paper today where central health is about to increase their percentage, aisd has already talked about theirs.

[4:49:55 PM]

So is it possible at some point in the future to put -- Texas gas service already sent out letters saying they're increasing their rates. Is there some way we can compile all of that to kind of see what the total impact may be on this mythical person, average taxpayer? Because all of those things impact people who pay taxes in the city.

>> We took a look at that overlapping property tax bill on slide 37 of the July 27 presentation. Obviously, ours has already changed a little bit because of the Austin energy change, and one or two of the other entities may have changed. But at our next work session, which is August 31, we could end up -- provide an update to that slide.

>> Houston: That would be very helpful.

>> Mayor Adler: I think that's a good idea, both those slides, both city of Austin as well as the overlapping chart. I think it would be helpful and I think that Travis county announced yesterday what they anticipated theirs would be, both for these and for taxes as well. Mr. Renteria.

>> Renteria: And if you can, can you include the amount also of how much money that we're going to be giving back to the state? If we're gonna be looking at the history, if you can also include how much money we're going to give back --

>> Specifically the aid and their recapture payment?

>> Renteria: Yes, please. Thank you.

>> Kitchen: Mr. Mayor, I wanted to remind everyone -- I can't remember the details, but we did a taxpayer impact statement last year, and I think there was some discussion about doing that across the jurisdictions. I don't remember. Councilmember troxclair had been working on that. So circle back with her and try to remember. I think there was some discussion about doing a taxpayer impact statement across the other taxing industries -- taxing entities so that we would have a document we could see that.

[4:52:00 PM]

I don't know what the status of that is.

>> Those were discussions at councilmember Garza regional affordability committee last year. I know Travis county does it. City of Austin does it. It's in the budget document.

>> Kitchen: Yeah.

>> We also published it in the "Austin american-statesman," I believe Travis county just puts it on their website but I know they do do it. I can't speak to what the multitude of other taxing entities in the region are doing but there wasn't anything in the council resolution passes about the taxpayer impact statement. I don't believe any action was taken at the regional affordability committee to somehow try to do a joint --

>> Kitchen: I think it's just an aspiration at this point.

>> A lot of people are doing their own version of it.

>> Kitchen: Okay.

>> Mayor Adler: All right. That said we'll go into recess and see you all -- we're adjourning. We'll see you all tomorrow. We're adjourning.