

# **Financial Forecast & Economic Outlook**

Fiscal Years 2018-2022



April 19, 2017

*City of Austin, TX*

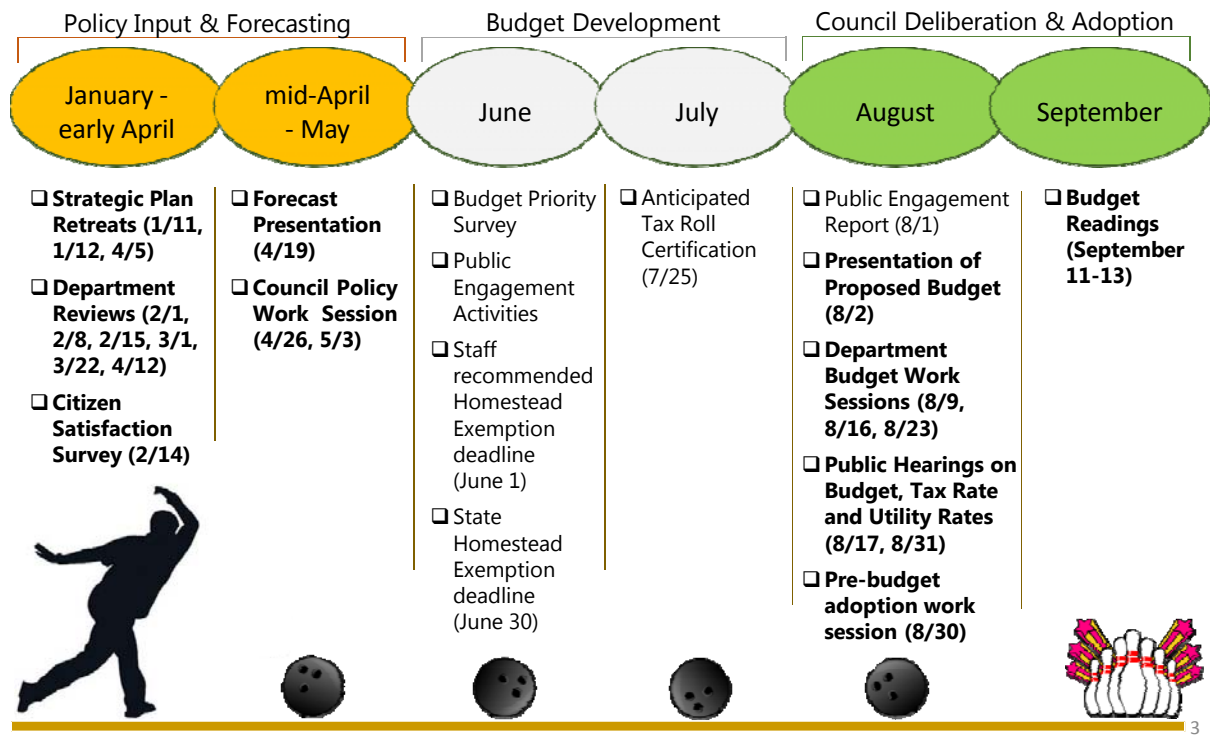


## **Purpose**

Today's Agenda

- ✓ Economic Outlook ☐
- ✓ General Fund Forecast ☐
  - Base Revenue and Expenditure Projections
  - Unfunded Council Resolutions/Initiatives
  - 5-year Forecast
  - Potential Legislative Risks
- ✓ Capital Improvements Program ☐
- ✓ Enterprise Funds Forecast ☐
  - Select Program Highlights
  - Rate Projections
- ✓ Next Steps – Policy Topics ☐

# Budget Timeline



# Economic Outlook

Jon Hockenyos

2017 Economic & Sales Tax Forecast



# Macroeconomy

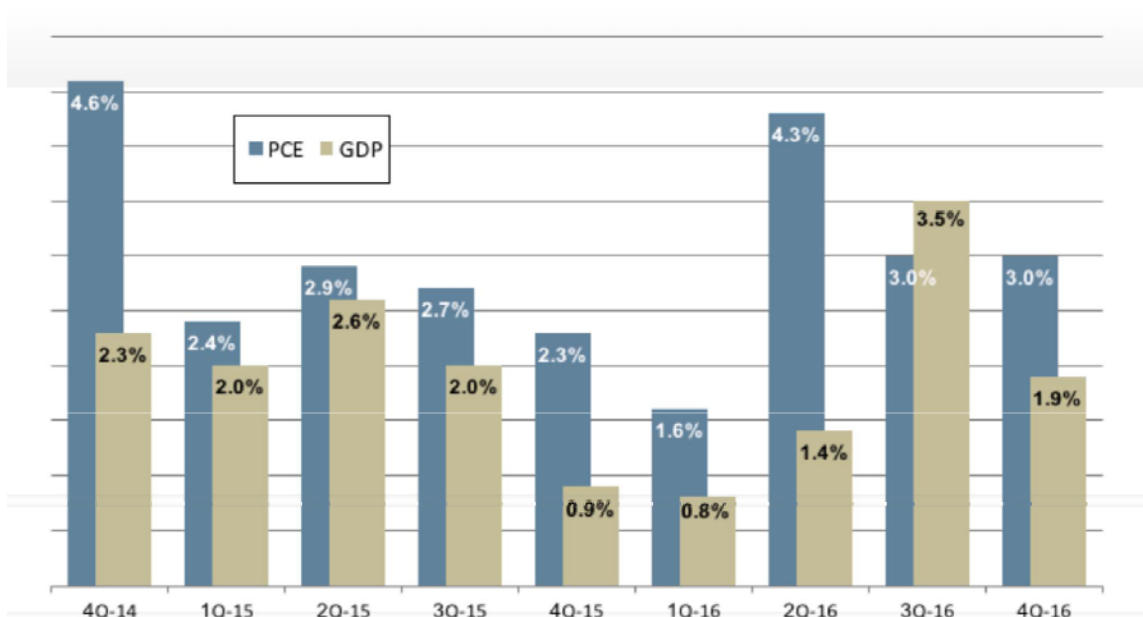
## Overview

- U.S. economy continues to modestly expand, as consumer spending/retail sales and housing activity increased at a subdued pace across most of the nation
- On the production side, there is also fairly slow growth in commercial real estate. Manufacturing activity accelerated to some degree. Lending activity is steady to slightly improved
- Based on surveys, businesses and consumers are generally optimistic about the near-term outlook but uncertainty remains about path toward tax cuts etc.
- Fed to move toward tightening over the coming months, as economic growth considered to be strong enough to warrant action
- Overall inflation is a reflection of energy - other elements stable. Aggregate figure should move toward Fed 2% target in the near future

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# Macroeconomy

## GDP and PCE Growth

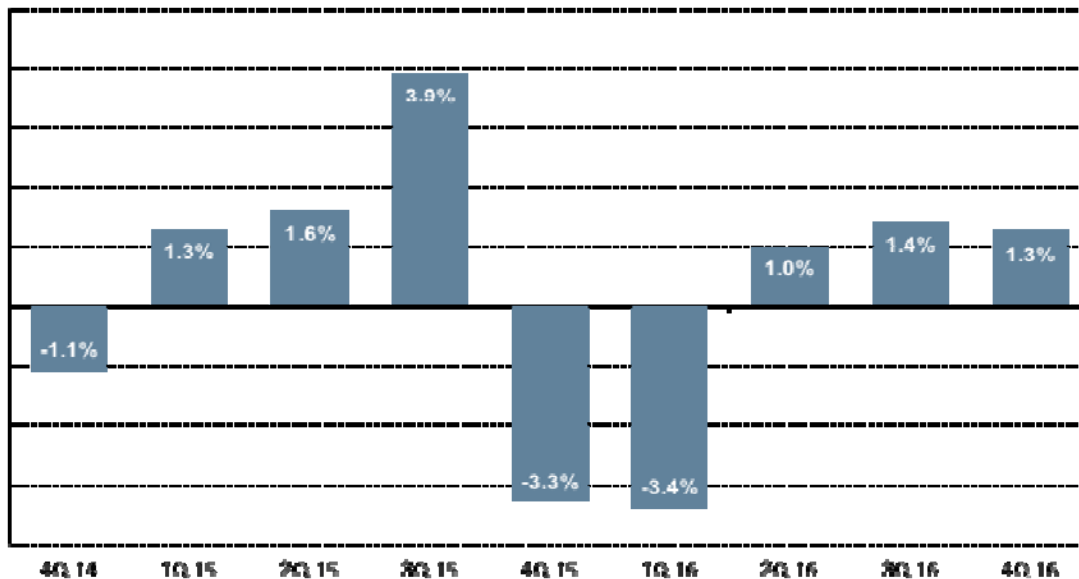


Source: Bureau of Economic Analysis, TXP

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# Macroeconomy

## Nonresidential Investment

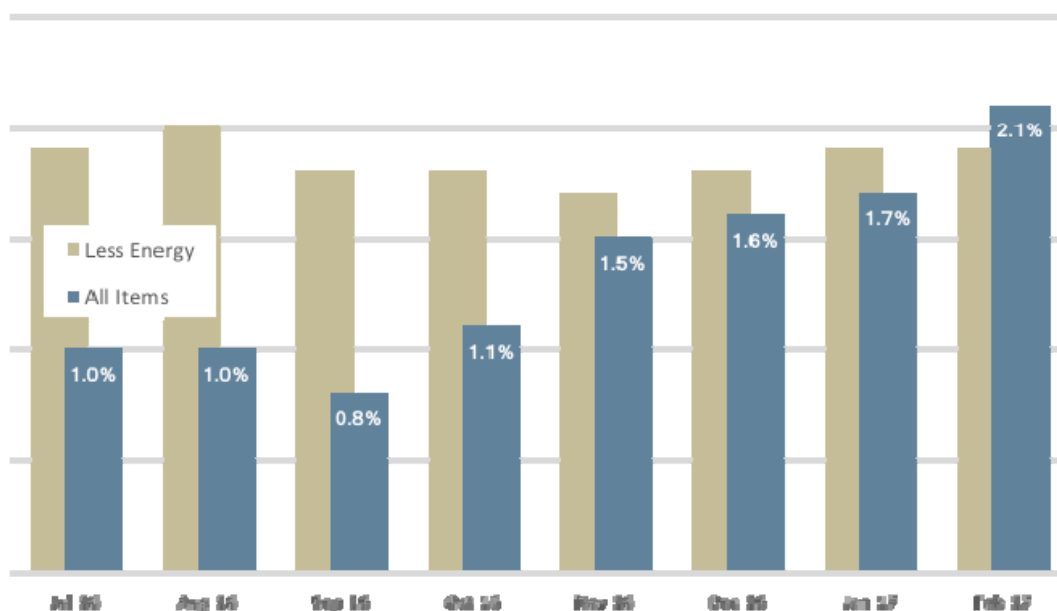


Source: Bureau of Economic Analysis, TXP

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# Macroeconomy

## Consumer Price Index (12-Month Change)



Source: BLS, TXP

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# Austin

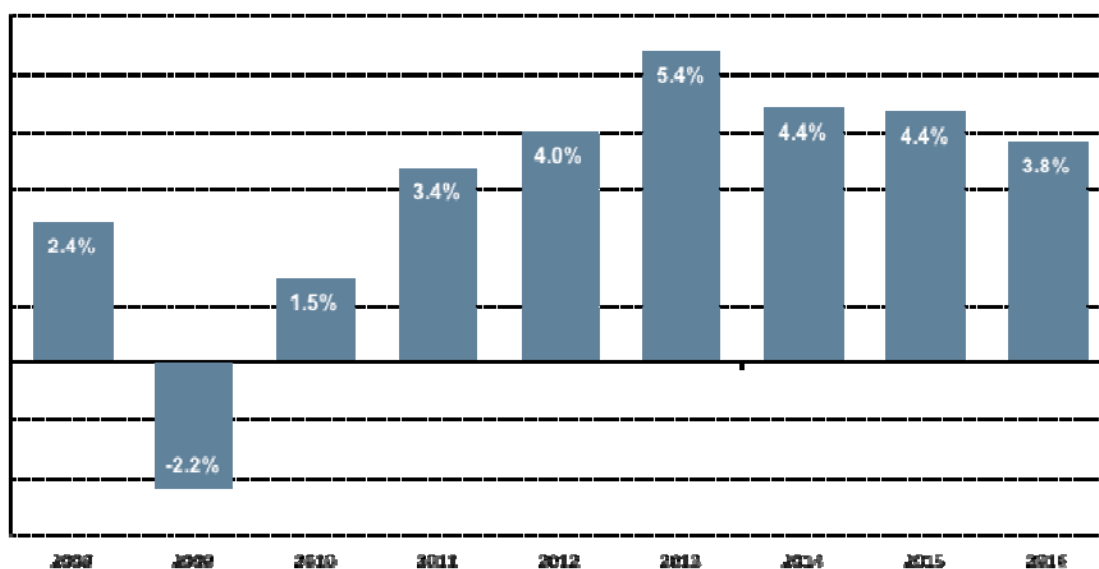
## Overview

- Growth in the Austin metro area (MSA) abated to some degree during 2016, as the combination of slower national growth, rising costs, and the law of large numbers combined to curtail the rate of expansion
- Job growth (as measured by the employer survey) decelerated during 2016, with 36,700 net new jobs added, a pace of 3.8%. The private sector now accounts for the vast majority of the above, with a gain of about 34,000 net new jobs. Most of this growth is found in the commercial sectors of the economy
- Consumer spending has returned to long-term trend levels. Patent activity reflects continued development and commercialization of local intellectual property – hope that recent dip in venture capital is temporary
- While tourism remains a strong element of the local economy, growth rates have slowed
- Housing markets remain tight, reflecting both strong demand and diminishing excess supply

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# Austin MSA

## Job Growth by Place of Employment

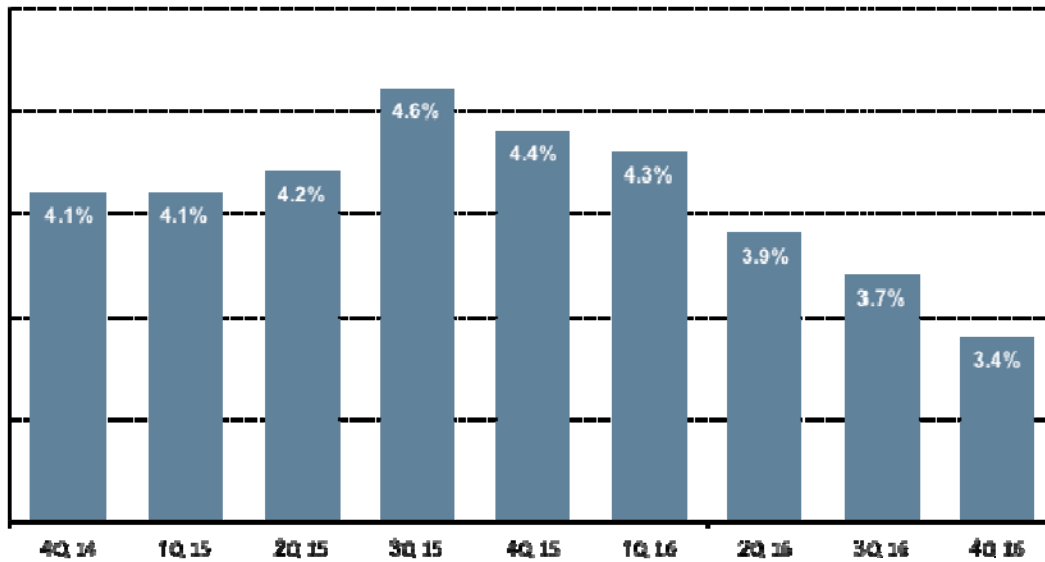


Source: Bureau of Labor Statistics (Texas Workforce Commission), TXP

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## Austin MSA

### Job Growth by Place of Employment - Recent

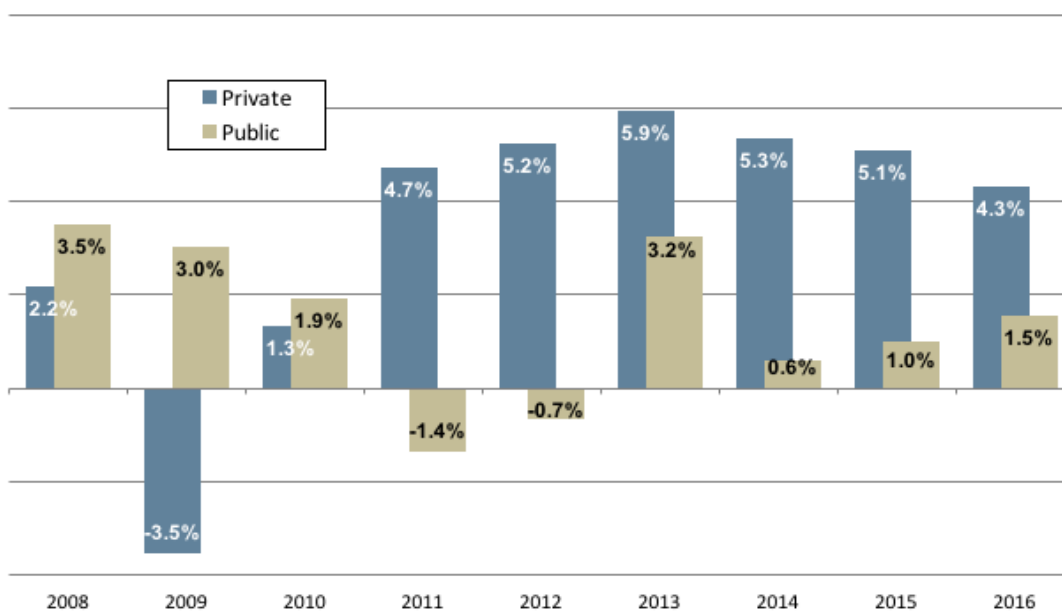


Source: Bureau of Labor Statistics (Texas Workforce Commission), TXP

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## Austin MSA

### Private vs. Public Job Growth



Source: TXP

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# Austin MSA

## Austin MSA Employment by Sector

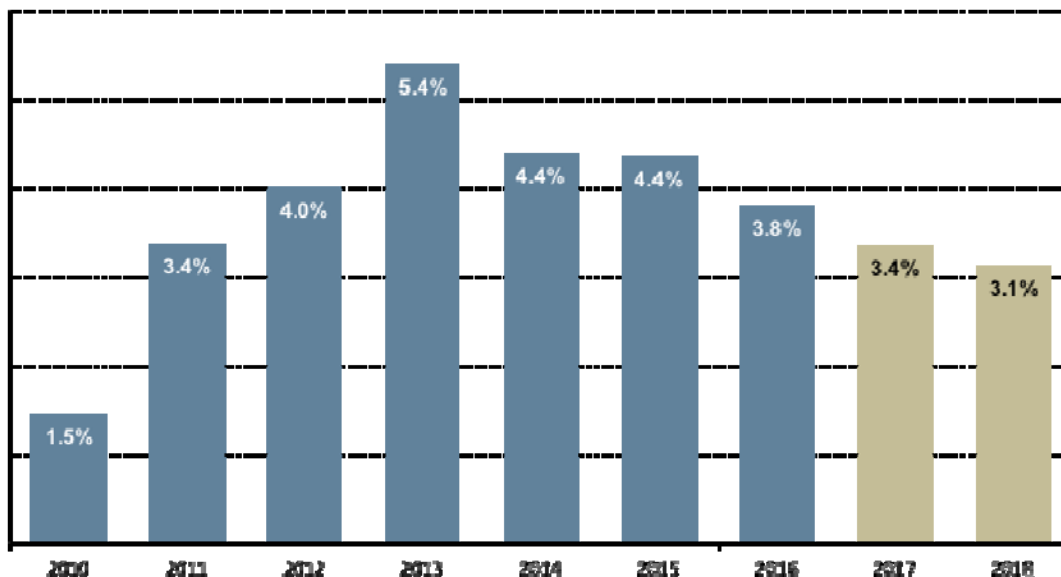
	Employment (000s)			Change (Actual)		Change (%)	
	2011	2015	2016	'11-'16	'15-'16	'11-'16	'15-'16
Natural Resources/Construction	40.0	55.3	59.0	19.0	3.7	47.5%	6.7%
Manufacturing	55.1	55.6	55.7	0.6	0.1	1.1%	0.2%
Trade, Transportation, & Utilities	139.3	164.8	171.0	31.7	6.2	22.8%	3.8%
Information	21.0	27.1	28.4	7.4	1.3	35.2%	4.8%
Financial Activities Professional & Business Services	44.8	54.0	56.7	11.9	2.7	26.6%	5.0%
Educational & Health Services	121.4	161.0	169.2	47.8	8.2	39.4%	5.1%
Leisure & Hospitality	92.9	111.9	116.4	23.5	4.5	25.3%	4.0%
Other Services	90.2	115.5	121.9	31.7	6.4	35.1%	5.5%
Total Private	33.8	42.7	43.6	9.8	0.9	29.0%	2.1%
Government	638.4	787.9	821.9	183.5	34.0	28.7%	4.3%
Total Employment	167.9	175.2	177.9	10.0	2.7	6.0%	1.5%
	806.3	963.1	999.8	193.5	36.7	24.0%	3.8%

Source: BLS; TXP

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# Austin MSA

## Job Growth by Place of Employment – History & Forecast

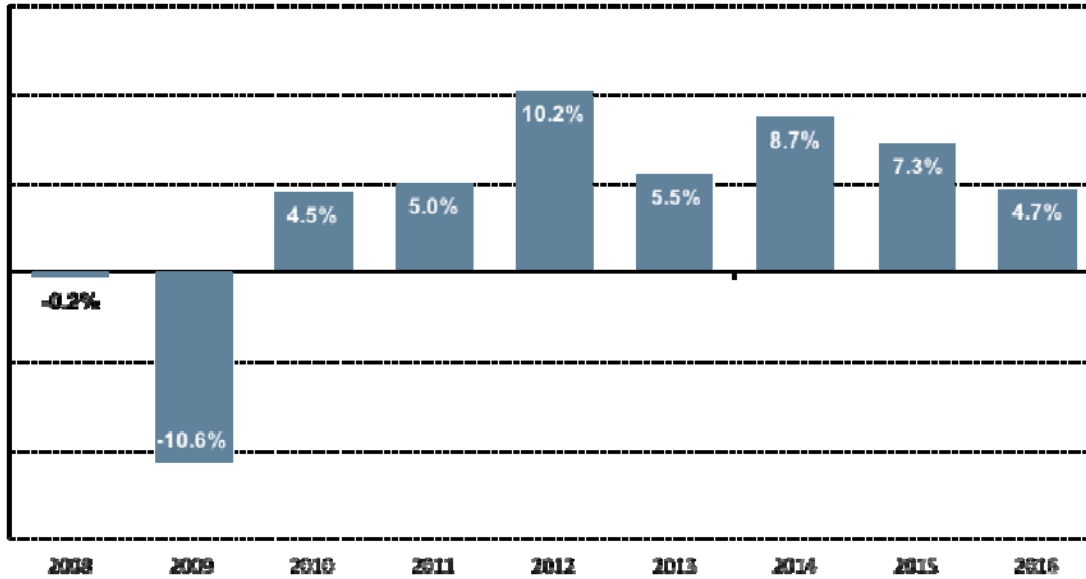


Source: Bureau of Labor Statistics (Texas Workforce Commission), TXP

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# City of Austin

## Sales Tax Growth – Calendar Year

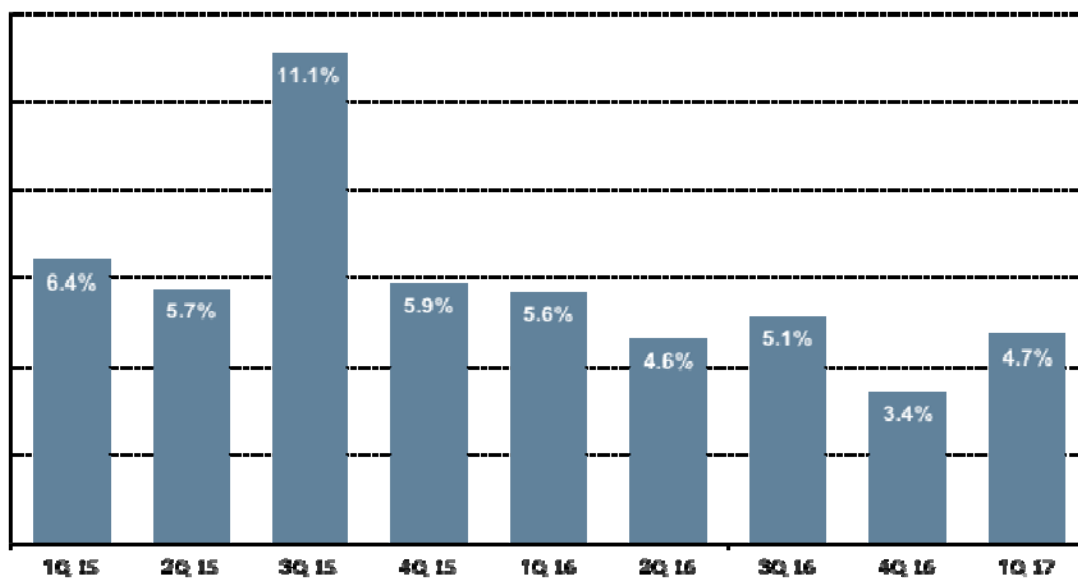


Source: Texas Comptroller, TXP

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# City of Austin

## Sales Tax Growth – Recent "Current Period"



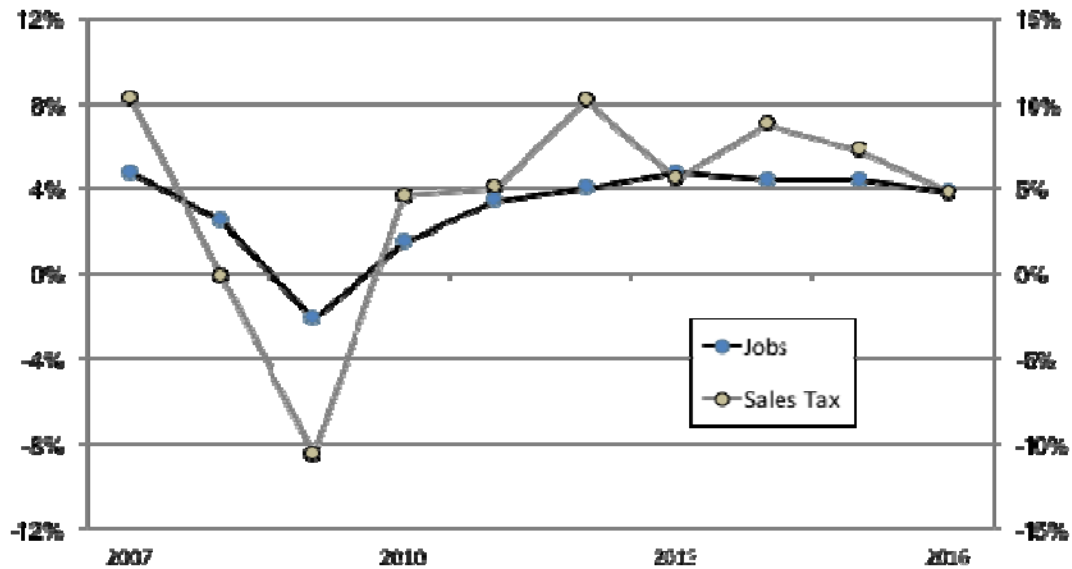
Source: Texas Comptroller, TXP

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## City of Austin

### Growth in Total Non-Ag Jobs vs. Sales Tax

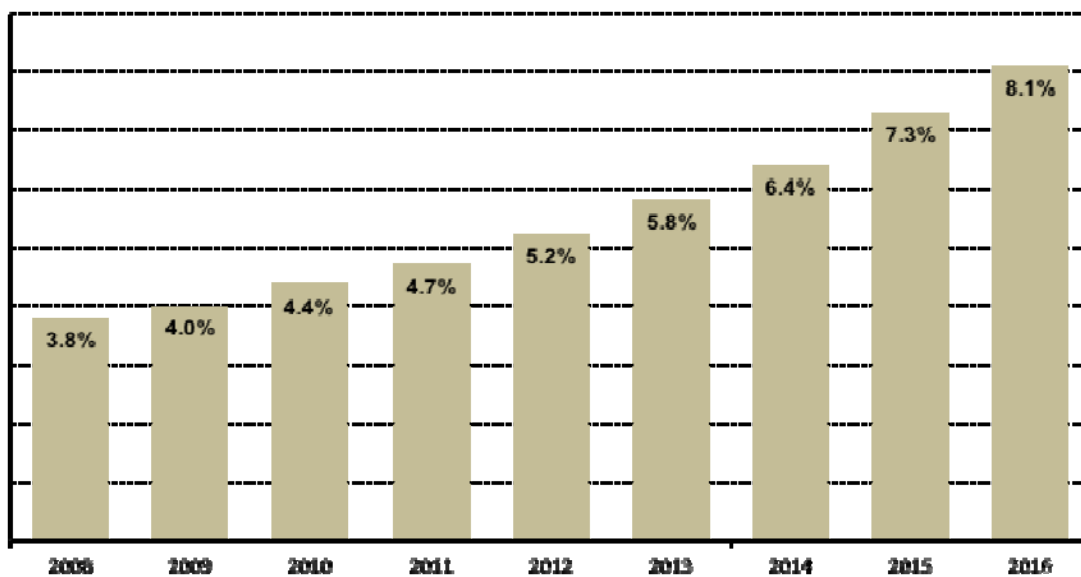


Source: TXP

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## City of Austin

### E-Commerce as a Share of National Retail Sales

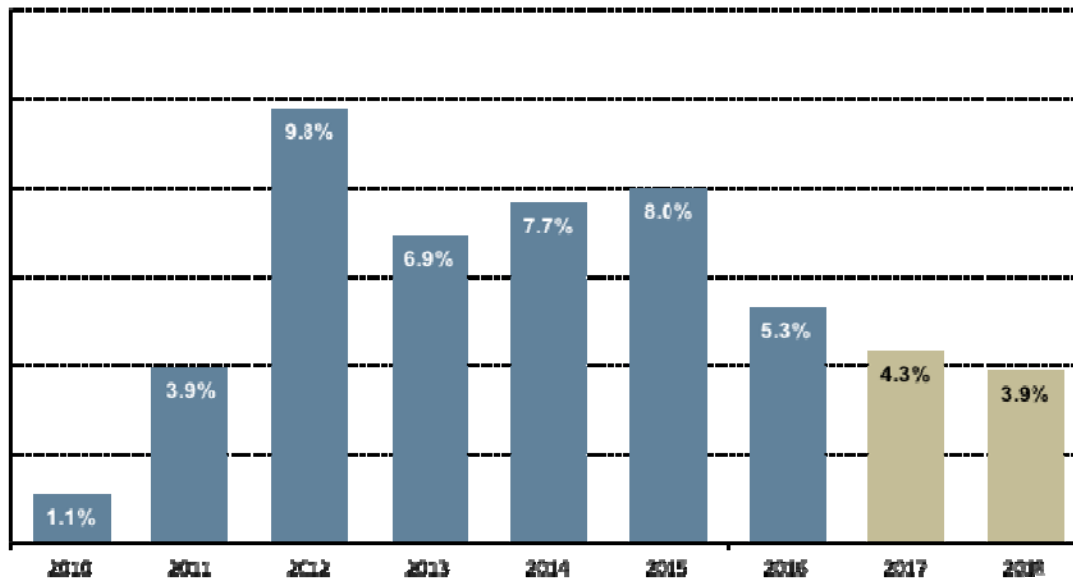


Source: Commerce Department, TXP

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# City of Austin

## FY Sales Tax: History and Forecast



Source: TXP

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## Conclusions

- The Austin area remains among the regional economic stars in the United States, with most recent employment revisions suggesting the slowdown was not as severe as initially reported. Nevertheless, overall growth is slowing, a trend expected to continue.
- Forecast is for the overall creation of 33,600 net new jobs in 2017, followed by 32,500 during 2018. Personal income should expand in the 6% range.
- The private sector is projected to create 30,900 net new jobs this year, followed by 29,800 more during 2017. Services of all kinds are where the majority of the new jobs will be found, along with other consumer sectors. All major private sector industry segments will grow, although natural resources/construction is slowing and manufacturing is largely flat.
- Austin remains highly prosperous overall, but cost pressures and mobility issues are driving activity outside the city.

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# Economic Outlook

## Appendix



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## Austin MSA

### Detailed Forecasts

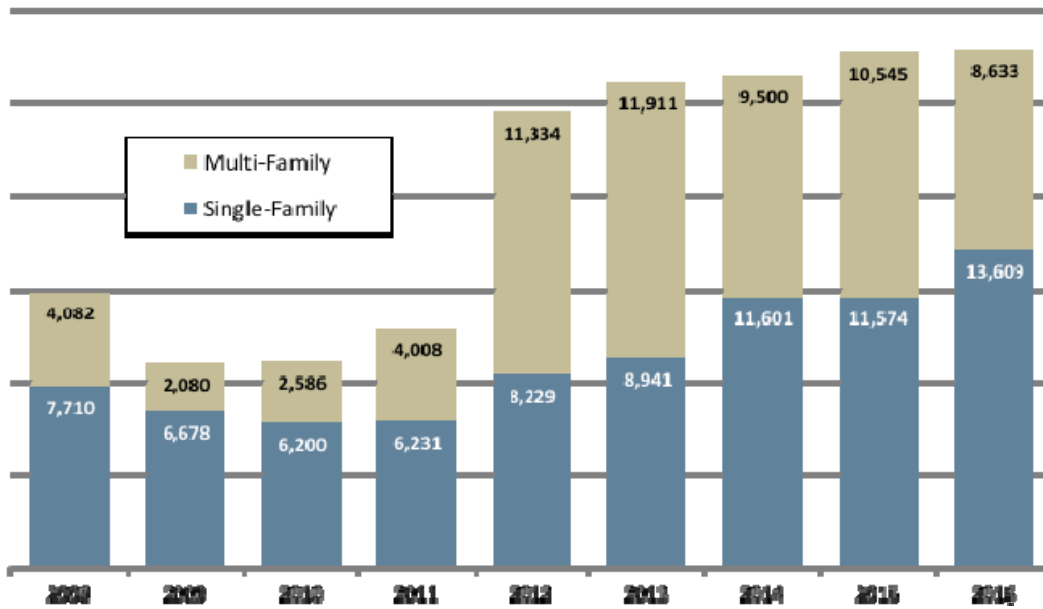
(000s)	2015	2016	2017	2018	2019	2020	2021
Natural Resources/Mining	55.3	59.0	60.5	61.7	62.9	64.2	65.5
Construction	55.6	55.7	55.8	55.9	56.3	56.7	57.1
Manufacturing	164.8	171.0	177.3	183.6	190.0	196.5	203.0
TTU	27.1	28.4	29.7	31.0	32.3	33.5	34.8
Information	54.0	56.7	59.4	62.1	64.7	67.4	70.0
Financial	161.0	169.2	176.5	183.0	188.7	193.8	198.1
Professional	111.9	116.4	120.8	125.2	129.6	133.8	138.0
Education/health	115.5	121.9	128.3	134.7	141.1	147.5	153.8
Leisure	42.7	43.6	44.5	45.3	46.2	47.1	48.0
Other Services	55.3	59.0	60.5	61.7	62.9	64.2	65.5
<i>Total Private</i>	787.9	821.9	852.8	882.5	911.8	940.3	968.1
Government	175.2	177.9	180.6	183.4	186.3	189.1	192.0
<b>Total Employment</b>	963.1	999.8	1,033.4	1,066.0	1,098.1	1,129.5	1,160.2
<b>Population</b>	<b>1,998,104</b>	<b>2,056,405</b>	<b>2,093,562</b>	<b>2,131,559</b>	<b>2,167,719</b>	<b>2,201,592</b>	<b>2,233,333</b>
<b>Personal Income (millions)</b>	<b>\$102,072.2</b>	<b>\$109,534.7</b>	<b>\$116,438.2</b>	<b>\$123,423.9</b>	<b>\$130,560.1</b>	<b>\$137,810.0</b>	<b>\$145,171.8</b>

Source: TXP

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## Austin MSA

### Building Permits

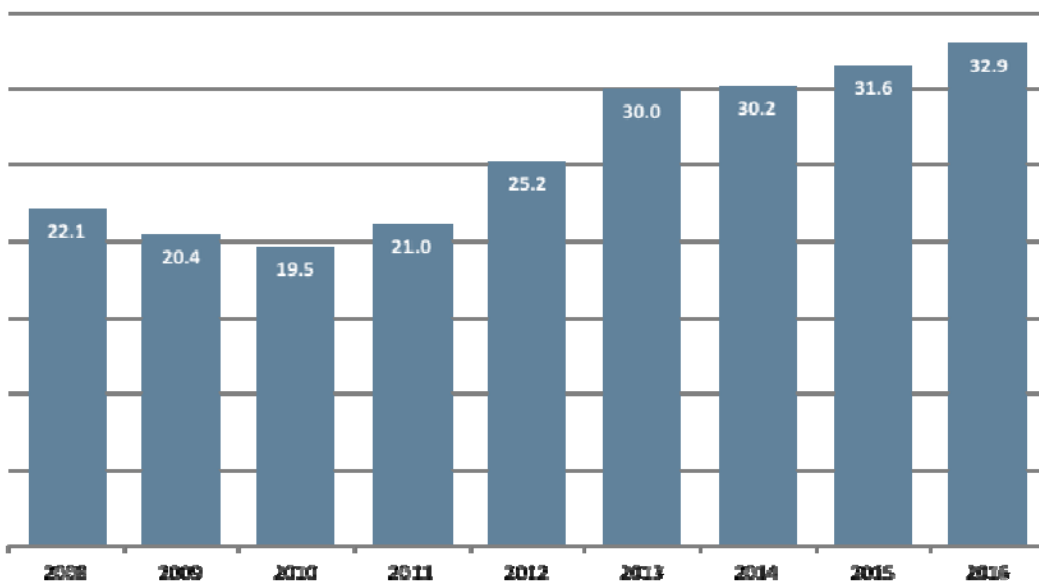


Source: TXP

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## Austin MSA

### Home Sales (000s)

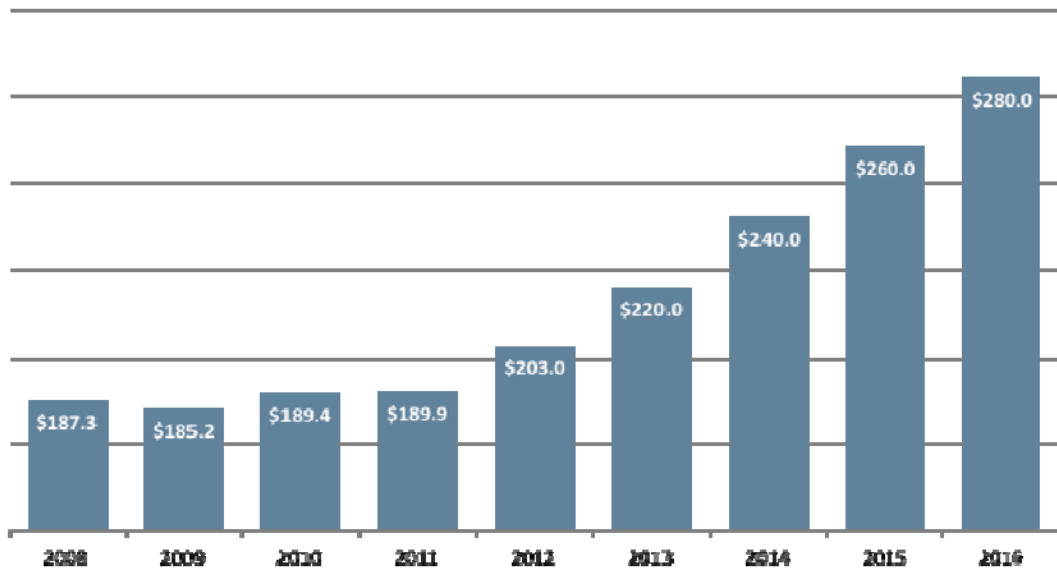


Source: TXP

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## Austin MSA

Median Home Price (000s)

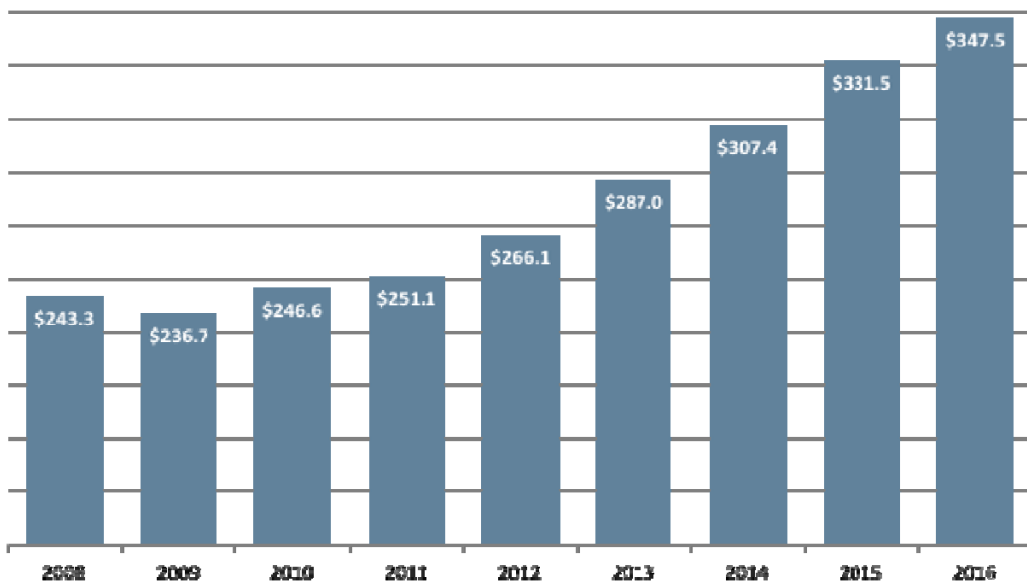


Source: TXP

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## Austin MSA

Average Home Price (000s)

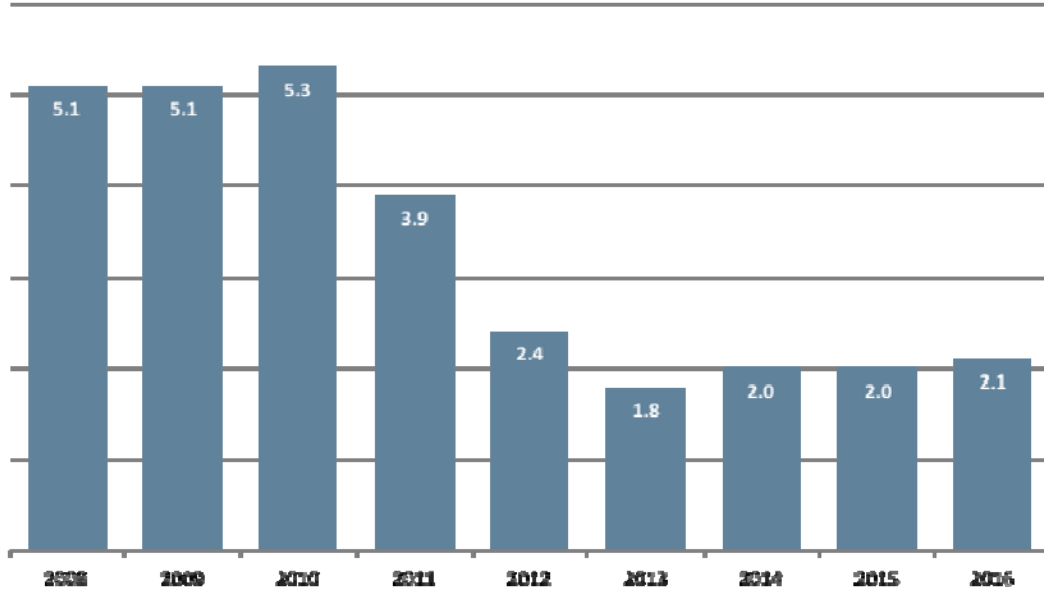


Source: TXP

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## Austin MSA

### Months of Housing Availability

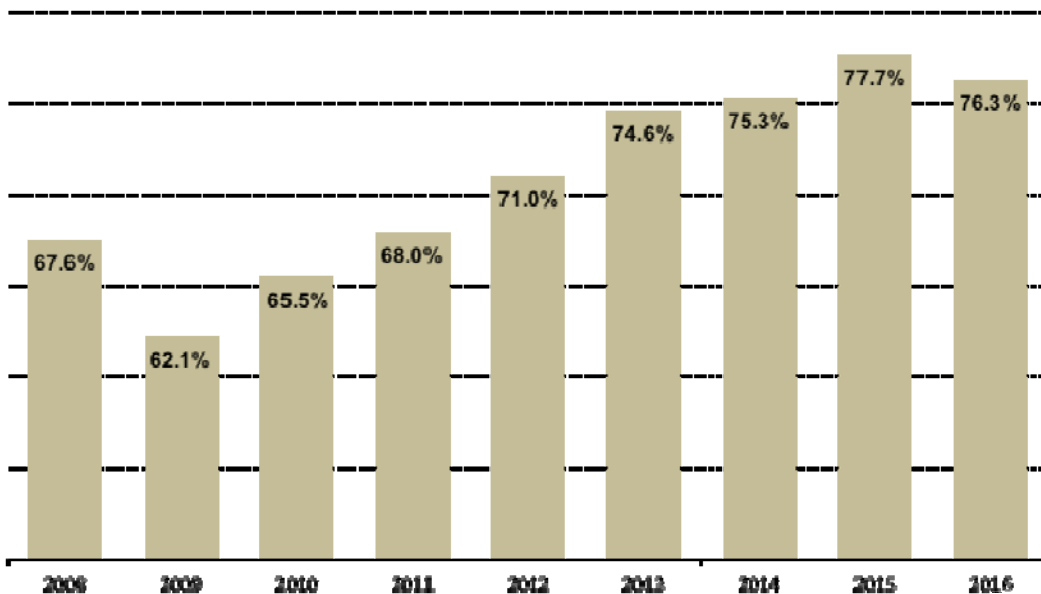


Source: TXP

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## City of Austin

### Hotel Occupancy Rate

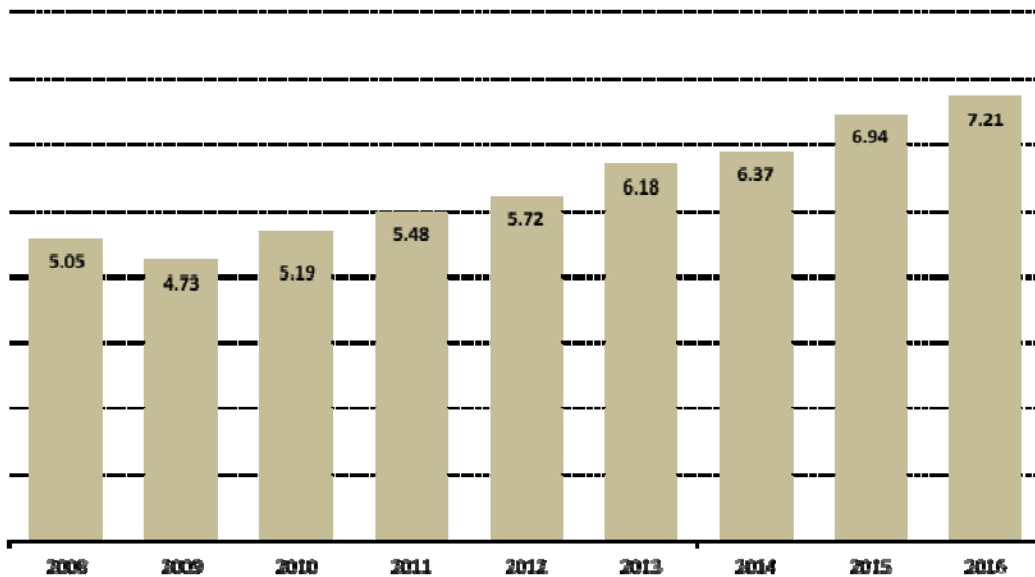


Source: Source Strategies, TXP

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# City of Austin

## Hotel Room Nights Sold (millions)

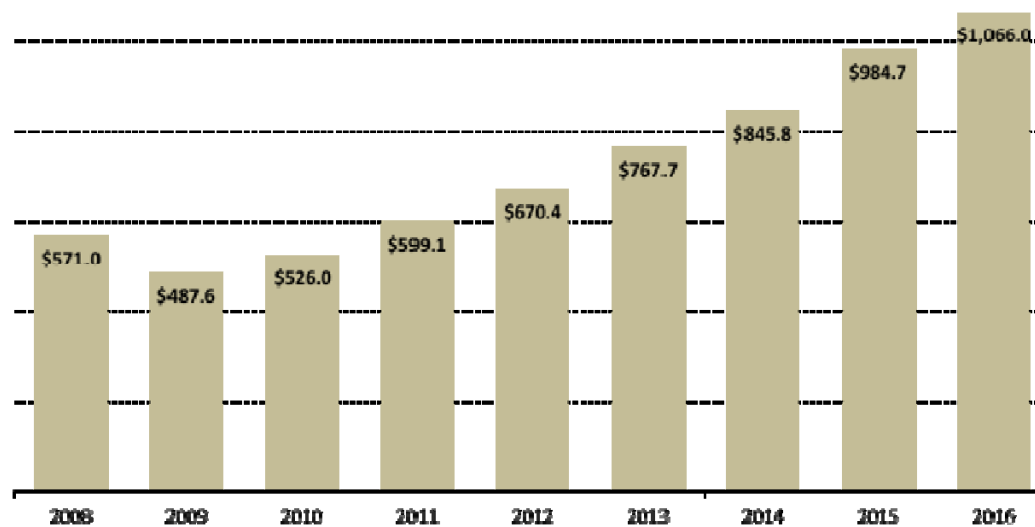


Source: Source Strategies, TXP

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# City of Austin

## Hotel Room Revenue (millions)

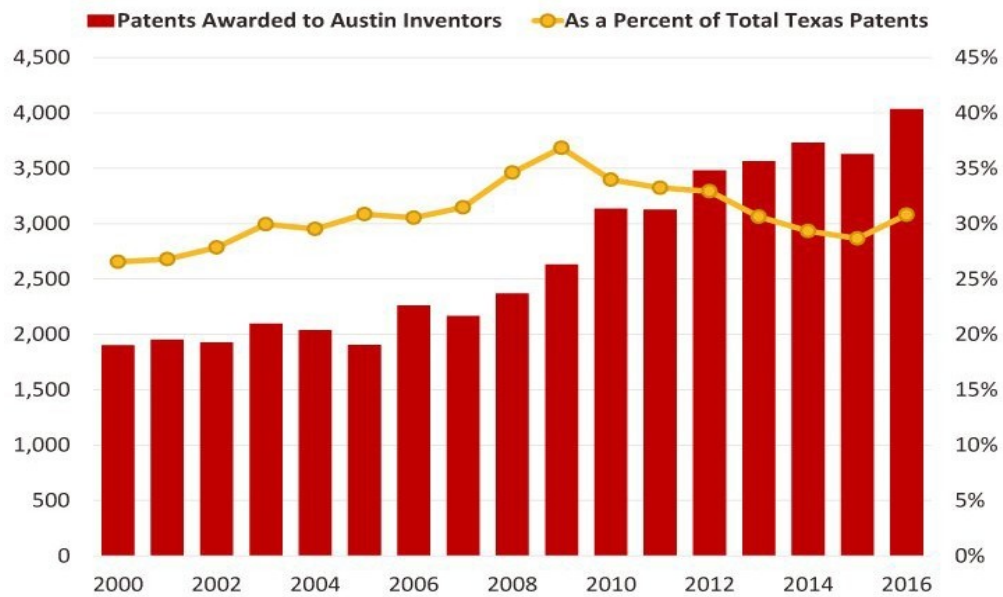


Source: Source Strategies, TXP

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# City of Austin

## Patent Activity

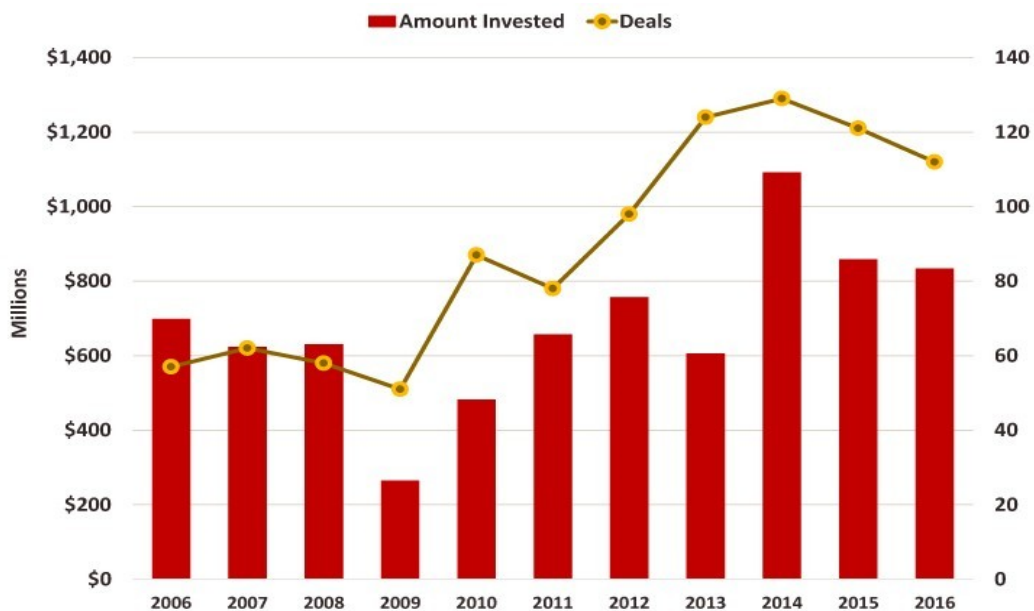


Source: Greater Austin Chamber of Commerce, TXP

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# City of Austin

## Venture Capital Invested



Source: Greater Austin Chamber of Commerce, TXP

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# General Fund Financial Forecast

- A Look Back at the FY 2017 Forecast
- FY 2018 Base Revenue and Expenditure Projections
- Unfunded Council Resolutions/Initiatives
- Five-Year Financial Forecast
- Potential Policy Topics for Council Consideration

Ed Van Eenoo, Deputy Chief Financial Officer

City of Austin

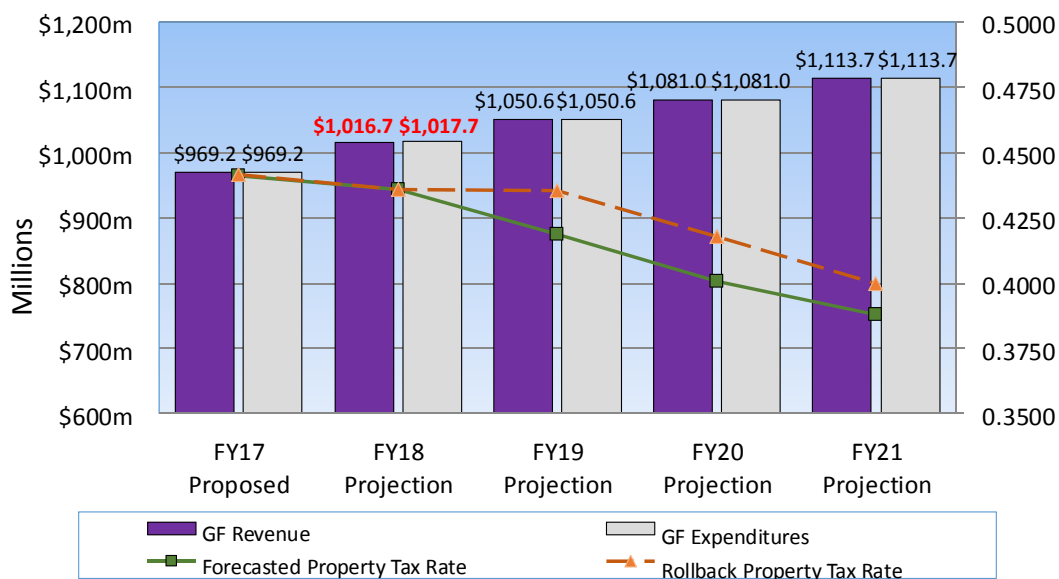


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## Updated Five-Year Outlook

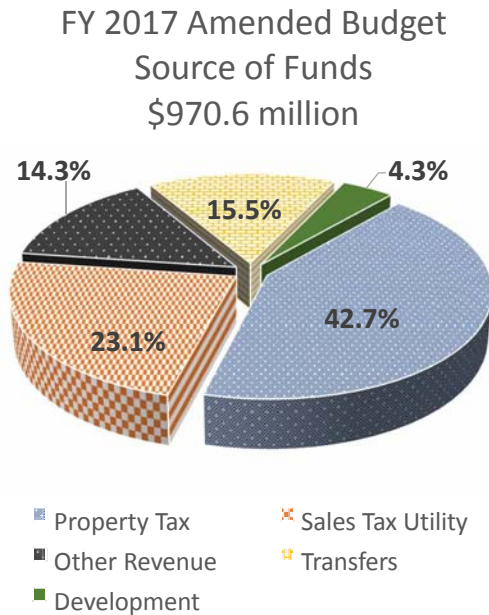
*Projected Baseline Expenditures vs. Revenue*

Presented August 31, 2016

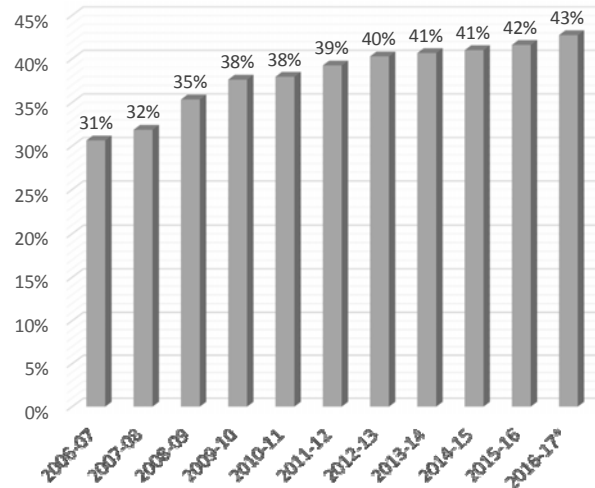


Projections based on cost drivers associated with existing programs, approved annexations, and new facility opening dates. Projections do not include funding for new initiatives.

## Current General Fund Revenue



Property Tax as a Share of Total  
General Fund Revenue



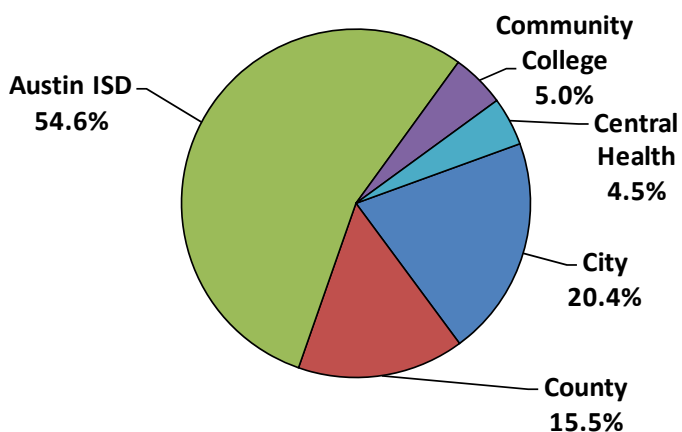
\* Amended

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## Overlapping Property Tax

### Property Tax Bill for Median-Valued Non-Senior Homestead

Jurisdiction	FY 2016	FY 2017	Change
City of Austin	\$1,087	\$1,133	\$46
Travis County	\$841	\$856	\$15
Austin Independent School District	\$2,729	\$3,025	\$296
Austin Community College	\$248	\$279	\$31
Central Health	\$237	\$246	\$9
<b>Total Tax Bill</b>	<b>\$5,142</b>	<b>\$5,539</b>	<b>\$397</b>

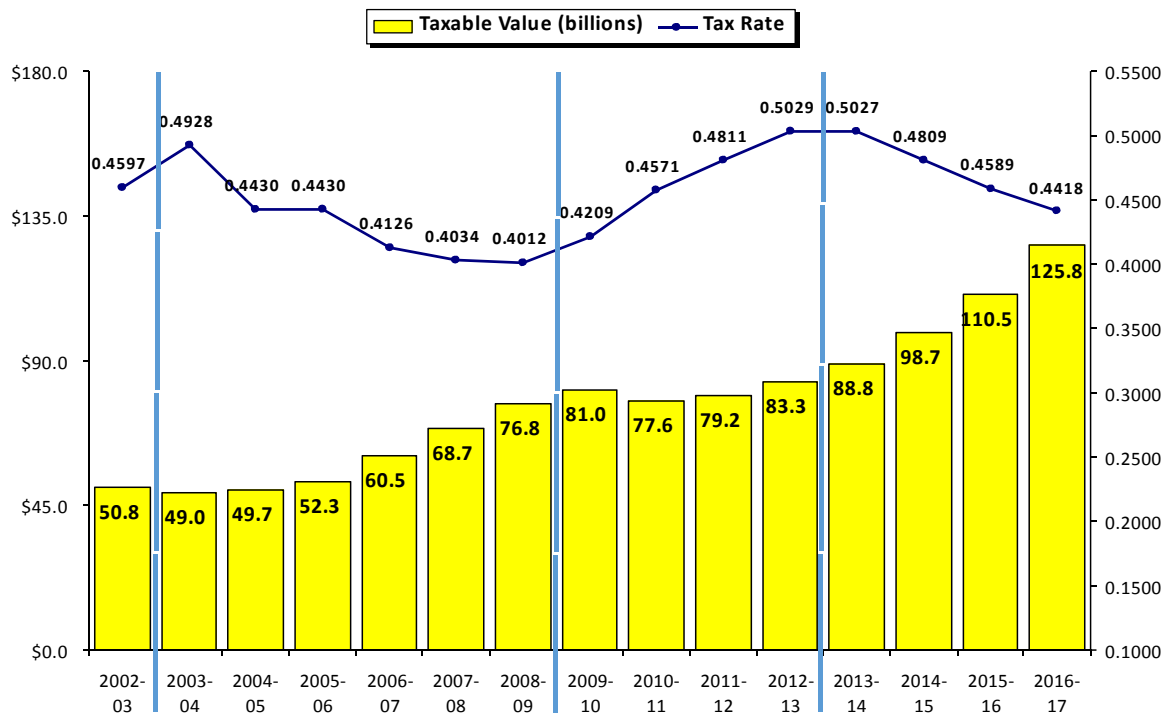


School District Tax Rate

Jurisdiction	FY 2017
Austin ISD	\$1.19200
Del Valle ISD	\$1.52000
Eanes ISD	\$1.21250
Lake Travis ISD	\$1.40750
Leander ISD	\$1.51187
Manor ISD	\$1.51500
Pflugerville ISD	\$1.54000
Round Rock ISD	\$1.33250

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## Austin Property Tax Base



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## Property Tax Projections

Fiscal Year	Projected Assessed Valuation Growth	Projected O&M Revenue at Effective Rate	Projected O&M Revenue at 5% Rollback Cap*	Projected O&M Revenue at 8% Rollback Rate
FY 2018	8.9 %	\$417.0 m	\$454.0 m	\$454.0 m
FY 2019	8.0 %	\$422.1 m	\$482.6 m	\$496.5 m
FY 2020	8.0 %	\$421.9 m	\$509.9 m	\$539.6 m
FY 2021	6.0 %	\$423.3 m	\$537.2 m	\$585.0 m
FY 2022	6.0 %	\$424.0 m	\$565.4 m	\$633.7 m

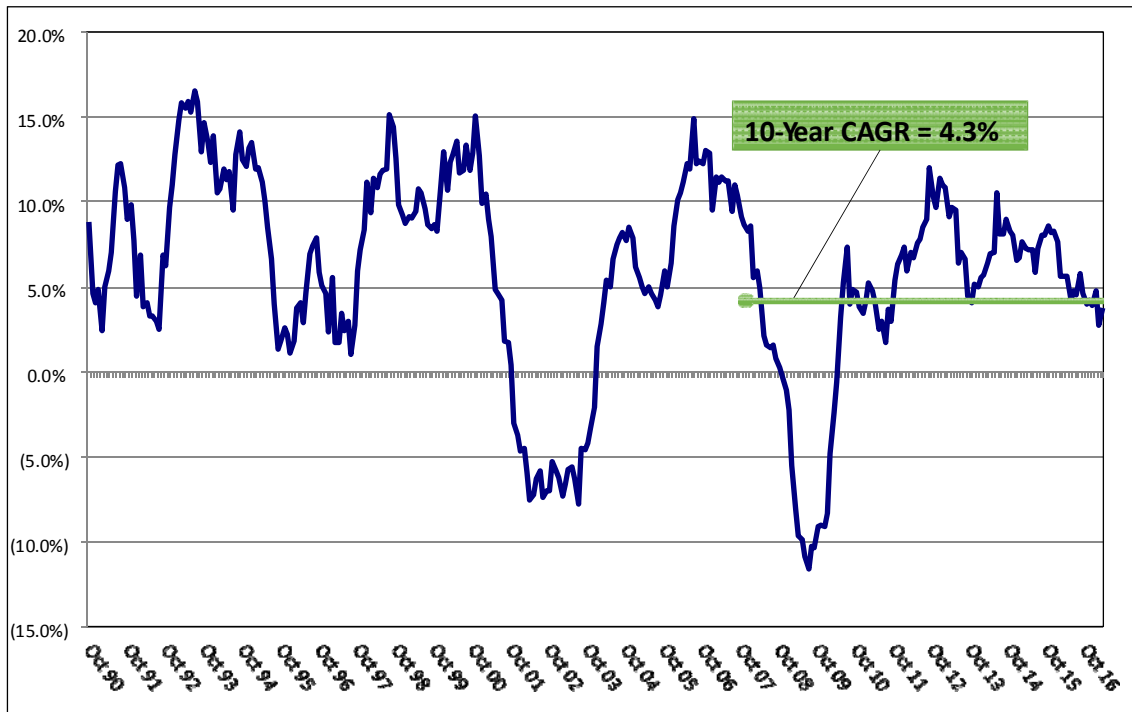
\* Current bills under consideration at the State legislature would not go into effect until FY 2019. Therefore, FY 2018 revenue is projected at the 8% rollback rate.

- Estimated new construction value of \$2.7 billion in FY 2018, average of \$2.1 billion projected in out years
- Preliminary estimates reflect multifamily growth of 18.3%, commercial growth of 14.7%, and residential growth of 6.6%
- \$5.20 per month impact to "typical" homeowner at 8% rollback rate

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## Sales Tax Revenue Trend

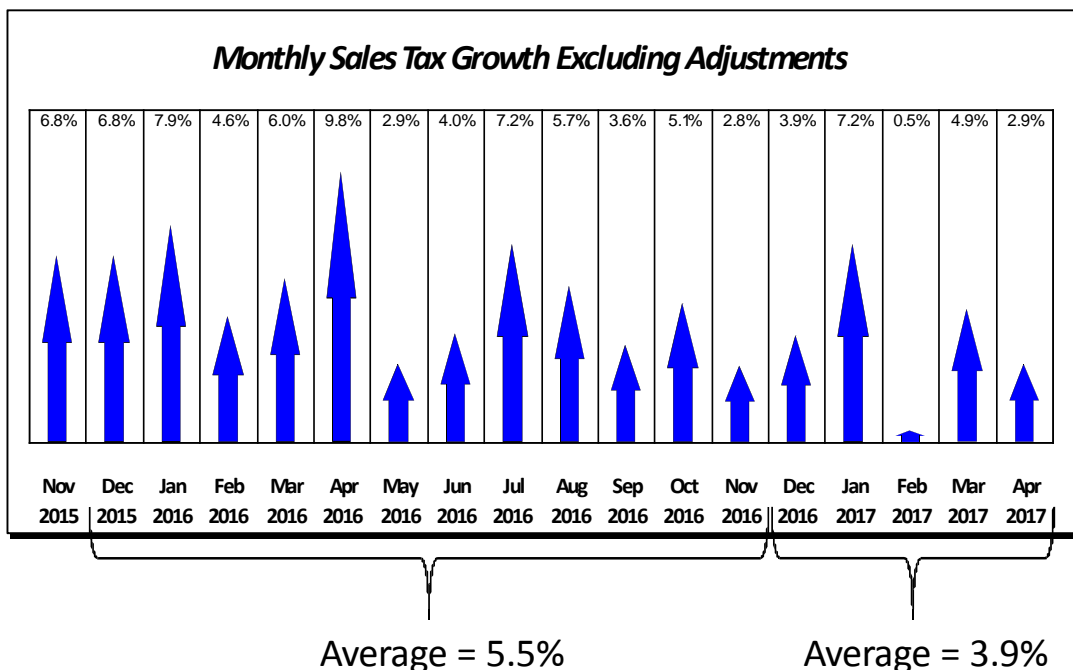
6-month rolling average of monthly changes in sales tax



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## Sales Tax Revenue Trend

Growth in monthly current collections



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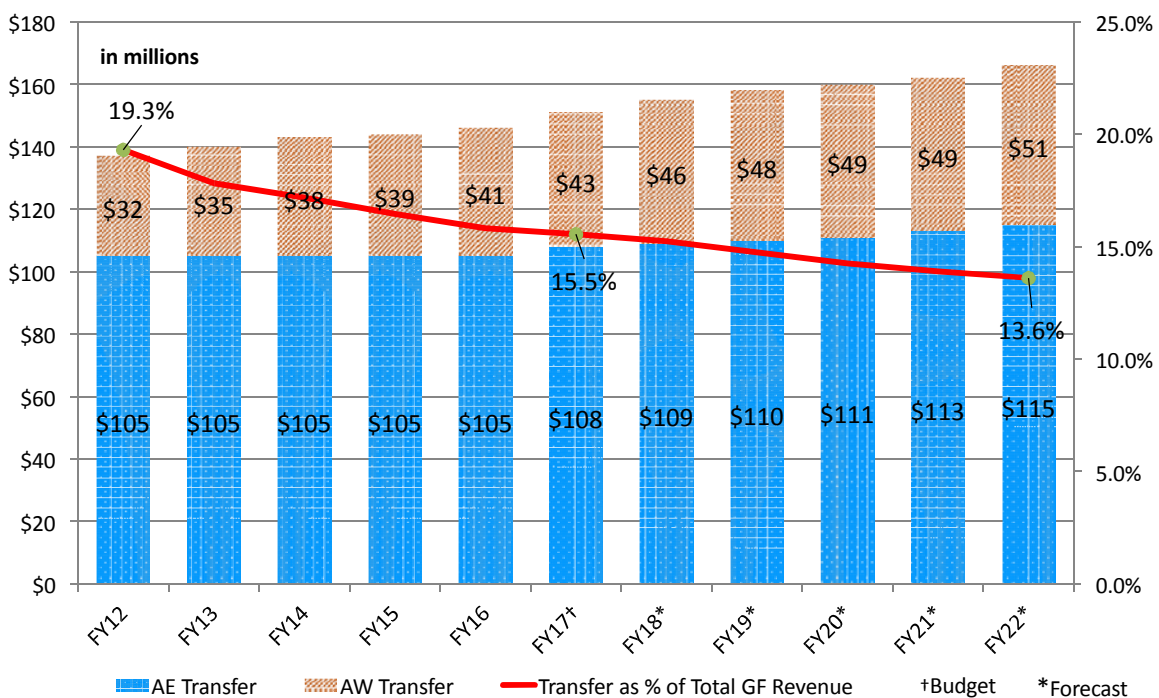
## Sales Tax Assumptions

Forecast		
Fiscal Year	Growth Rate	Total Revenue
FY 2017	4.3%	\$221.8 m
FY 2018	3.5%	\$229.5 m
FY 2019	3.5%	\$237.6 m
FY 2020	3.5%	\$245.9 m
FY 2021	3.5%	\$254.5 m
FY 2022	3.5%	\$263.4 m

- Projected growth for FY 2017 = 4.3%, below budgeted growth rate of 5.4%
- Forecast for FY 2018 and subsequent years represents expectation of return to more moderate and sustainable growth pattern
- *Conservative forecasting—a best practice viewed favorably by rating agencies*
- Critical to nurturing strong reserves – RESILIENCY!

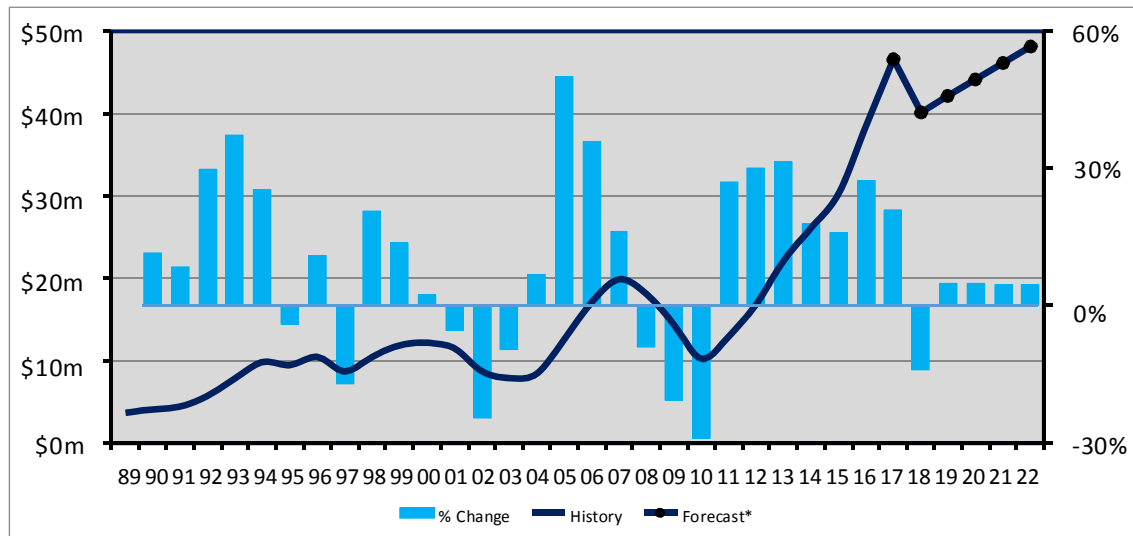
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## Utility Transfer History



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## Development Revenue



FY 2017 estimate = \$46.7 M; FY 2018 forecast = \$40.2 M

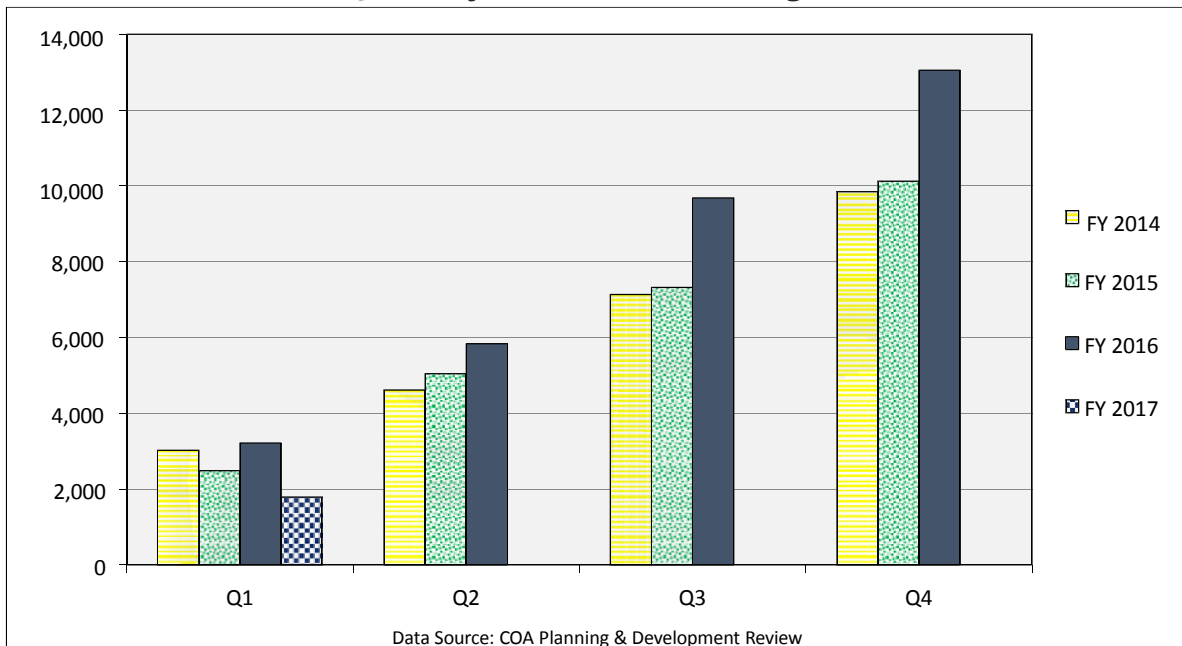
- Project over-recovery of expenditures in FY17 due to elevated activity levels
- Ongoing cost-of-service study will align revenues with eligible expenditures

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## Development Revenue

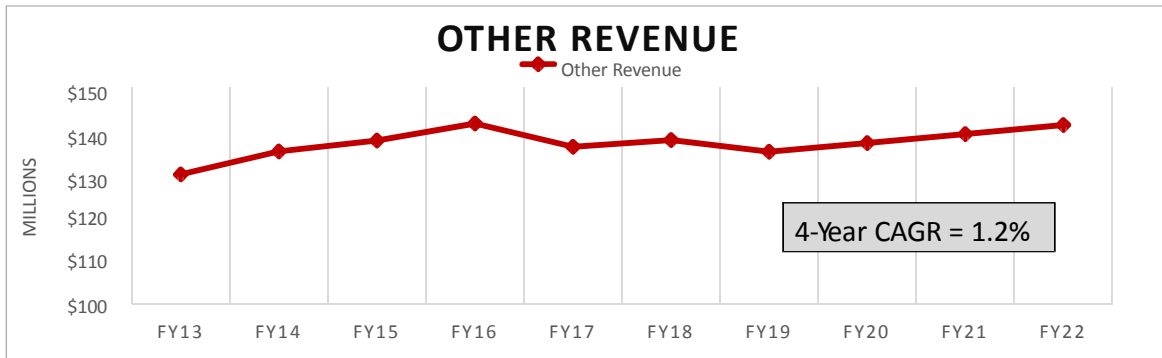
### Permit Volume

#### Cumulative Quarterly Residential Building Permit Units



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## Other Revenue

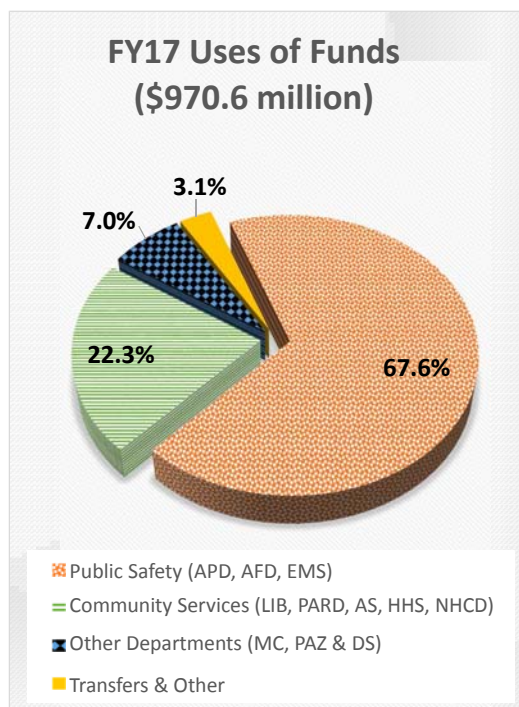


### Major Components of "Other" Revenue:

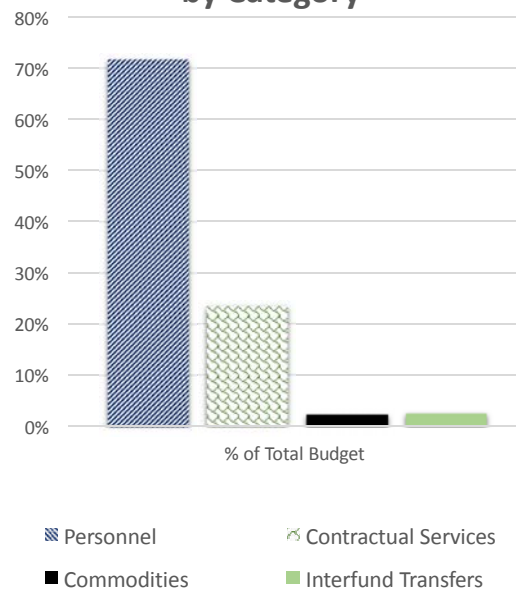
- EMS revenue: \$42.6 million
- Franchise Fees: \$37.4 million
- Other Taxes (primarily Mixed Beverage): \$12.3 million
- Municipal Court Fines: \$12.1 million
  - Decrease in FY 2017 of \$3.3 million, primarily due to lower traffic fines

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## Current General Fund Expenditures



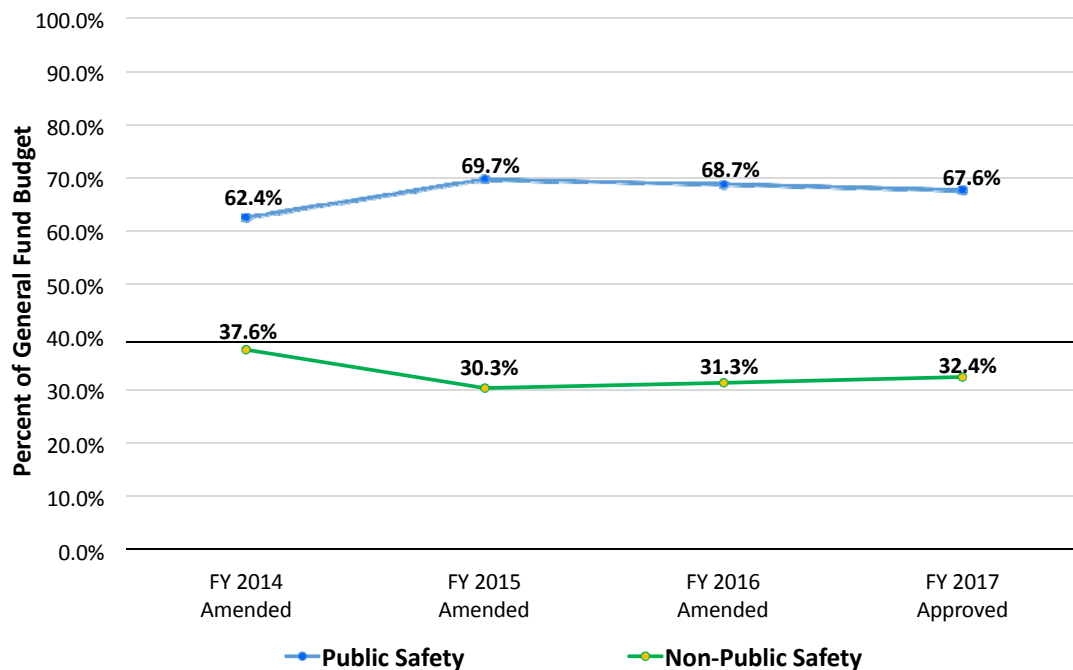
### General Fund Expenditures by Category



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## General Fund – 4 Year History

### Percent of General Fund: Public Safety vs. Non-Public Safety



\* Beginning in FY 2015, administrative and personnel cost centers were allocated to departments from the General Fund level.

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## Projected General Fund Cost Drivers

### FY 2018 Built-in Cost Escalators

Item	Amount
<u>Placeholder</u> for markets, COLA, PFP, and contracts <u>or</u> new positions	\$17.5M
City health insurance contribution increase of 5%	\$4.6M
Communications & Technology Management cost allocation	\$4.4M
Support Services cost allocation	\$3.9M
Increased Fire overtime pay	\$3.5M
Fleet maintenance and fuel costs	\$2.6M
Various contractual and commodities increases (all departments)	\$2.0M
Increase transfers EDD, 311 Call Center, WCI, Accrued Payroll, CPMF	\$1.9M
Final staff and supplies for new Central Library opening	\$1.9M
Annualized costs of new positions added in FY17 (66 Positions)	\$1.8M

#### Definitions:

COLA – Cost-of-living Adjustment

CPMF – Construction Project Management Fund

EDD – Economic Development Department

PFP – Pay for Performance

WCI – Workers Compensation Insurance

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## Projected General Fund Cost Drivers

### FY 2018 Built-in Cost Escalators (Continued)

Item	Amount
Increase transfer to Liability Reserve Fund	\$1.4M
Sobriety Center (opening spring 2018)	\$1.2M
Onion Creek Fire Station partial year funding (June opening)	\$1.2M
Body Cameras for Austin Police Department	\$1.0M
Increase to replenish Economic Incentives Reserve Fund	\$0.9M
Implement 42-hour work week for Emergency Medical Services	\$0.6M
Increase transfer from \$500,000 to \$1.0M to Golf Fund	\$0.5M
Increased Fire terminal pay	\$0.4M
Longhorn Dam Maintenance and Operations	\$0.4M
Pool attendants to comply with State law	\$0.3M
CodeNext Phase IV (\$905K additional from reserve fund)	\$0.3M
Removal of General Fund one-time items	(\$4.5M)
<b>Total General Fund Increases</b>	<b>\$47.8M</b>

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## Austin Fire Department

### Projected Increase in Sworn Overtime

- Four-person staffing and required back-fills drives overtime
- Overtime expenses rise rapidly as vacancies increase
- Average overtime rate = \$38 per hour; first year firefighter hourly rate = \$24 with salary and benefits
- Policy discussion topic – April 26

Sworn Operations	FY 2014	FY 2015	FY 2016	FY 2017
<b>Overtime Budgeted</b> ^	\$5.6 million	\$6.2 million	\$6.2 million	\$13.6 million
<b>Overtime Expense</b> ^	\$5.1 million	\$12.1 million	\$14.2 million	\$21.6 million*
<b>Average Vacancies</b>	67	115	106	158*
<b>Under/(Over) Budget</b> #	(\$89,000)	(\$2.4 million)	(\$3.6 million)	(\$3.5 million)*

^ Combat Operations Division

# AFD Overall Department Appropriation

\* Projected

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## Notable FY17 One-time Funding Items

### General Fund

Initiative	Amount
ASD: Parent Support Specialists and Primetime	(\$2.2M)
Housing Trust Fund	(\$0.5M)
MEEEL Justice Center (QoL)	(\$0.3M)
SNAP Education and Outreach	(\$0.3M)
Youth Harvest Foundation (QoL)	(\$0.2M)
Affordable Housing Linkage Fee	(\$0.2M)
Tenant Relocation Funding	(\$0.2M)
Montopolis and Del Valle Community Health Assessment (QoL)	(\$0.1M)
<b>Total</b>	<b>(\$4.0M)</b>

*QoL – Quality of Life Item*

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## Notable FY17 One-time Funding Items

### Budget Stabilization Reserve Fund

Initiative	Amount
Translation and Interpretation (QoL)	(\$0.3M)
Affordable Care Outreach (QoL)	(\$0.3M)
Mamis Ayudan, Teen Pregnancy Prevention, Con Mi Madre, Tejano Monument Anniversary Celebration, Las Comrades (QoL)	(\$0.2M)
Public Event Leader for the AARC Facility (QoL)	(\$0.1M)
Health Equity Service Contract with the Asian Family Support Services of Austin (QoL)	(\$0.1M)
AARC Facility Transportation (QoL)	(\$0.1M)
Greater Austin Asian Chamber of Commerce (QoL)	(\$0.1M)
Pilot Community Health Navigator (QoL)	(\$0.1M)
<b>Total</b>	<b>(\$1.3M)</b>

*QoL – Quality of Life Item*

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# Outstanding Council Policy Initiatives

## Estimated Incremental Operating Costs of Implementation

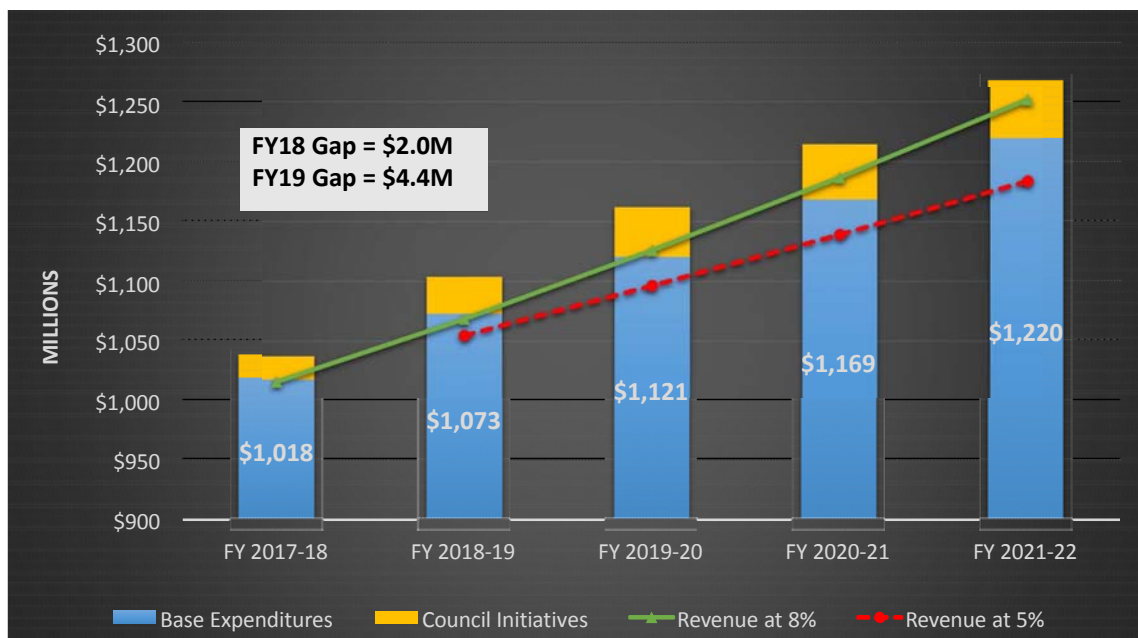
Council Initiatives	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Housing Trust Fund*	1,303,022	1,700,000	1,300,000	800,000	500,000
Austin Public Health and Social Service Contracts	7,380,126	5,833,594	5,833,594	0	0
5 New Fire Stations	0	1,500,000	0	1,500,000	0
Community Policing	9,934,481	1,862,285	2,428,387	2,140,346	1,971,655
12 Unfunded Officers	1,461,238	0	0	0	0
Living Wage	600,000	1,000,000	800,000	0	0
<b>Total Council Initiatives</b>	<b>\$20,678,867</b>	<b>\$11,895,879</b>	<b>\$10,361,981</b>	<b>\$4,440,346</b>	<b>\$2,471,655</b>

\* Forecast is for existing properties only; does not include Bull Creek or other future properties that may become eligible.

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# Five-Year General Fund Outlook FY 2018-22

## Projected Baseline Expenditures vs. Revenue

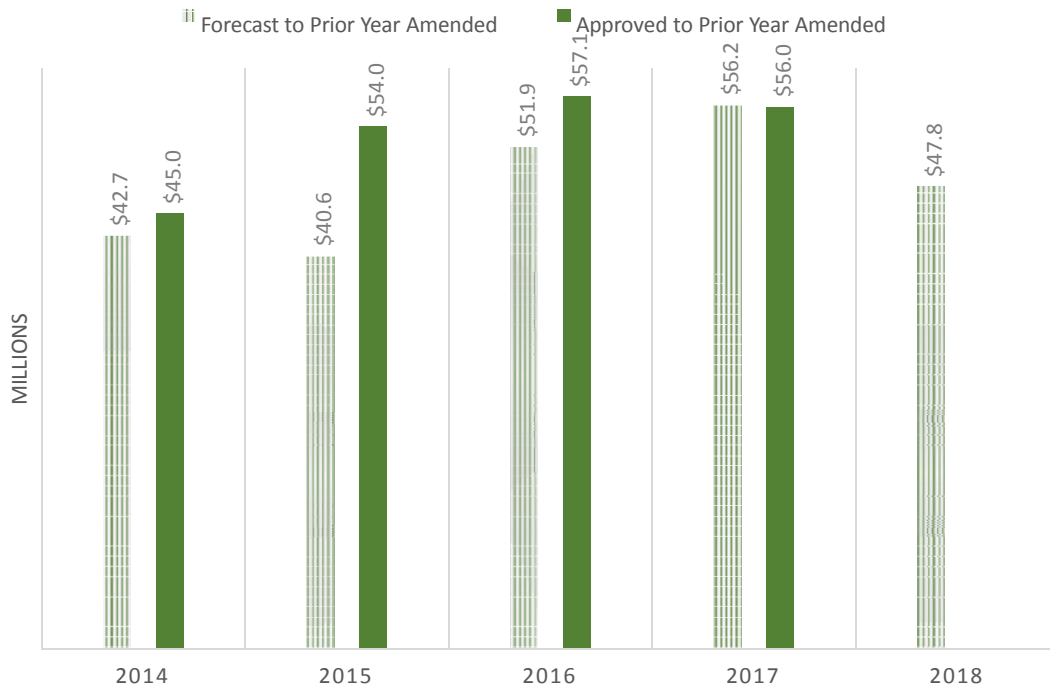


\* Base expenditures do not include funding for new departmental requests such as additional officers, PARD staffing, and technology initiatives

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# Forecast vs. Approved Budget

## General Fund History



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## Actions Already Taken to Improve Outlook

- No new funding requests for General Fund or support departments
  - Critical department needs to be met through the reprioritization of existing resources
- Mandated 1% year-end budget savings for all General Fund and support departments (Austin Fire Department excluded)
  - Will result in year-end savings of \$8.9 million and improved reserve levels

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## General Fund Reserves

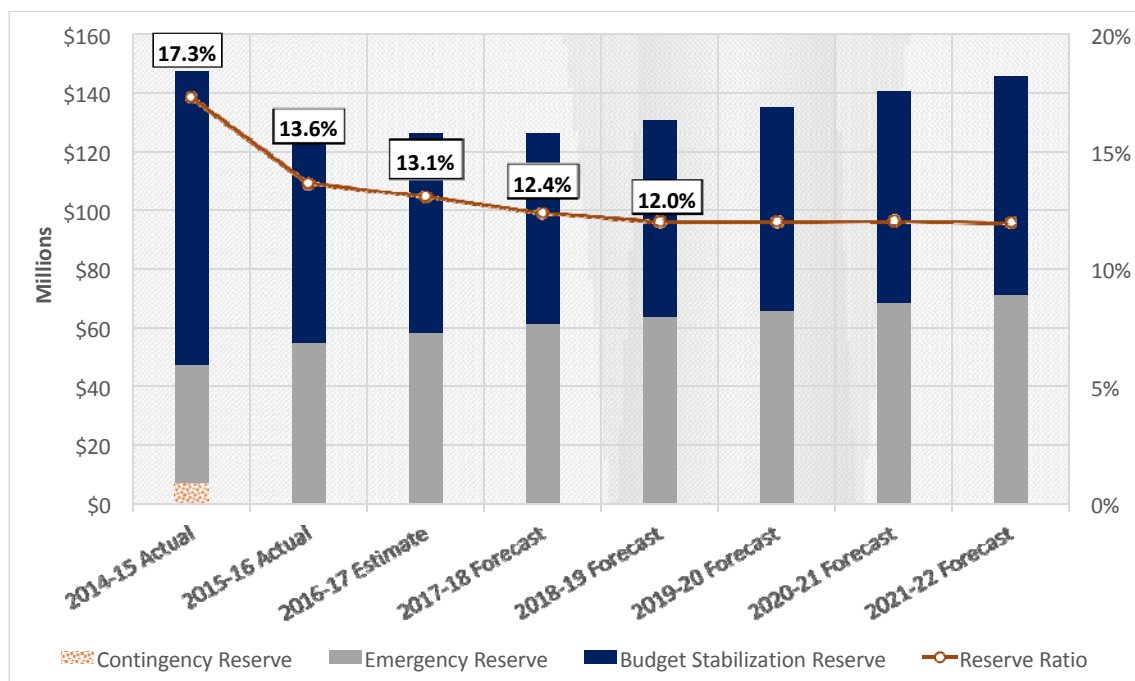
FY 2018-22 Outlook

- Aggregate General Fund reserves projected to stay above 12% policy level BUT...
- Limited funding projected to be available from the Budget Stabilization Reserve (BSR) to meet one-time funding needs
- Use of debt will continue to be needed for vehicle acquisition and replacement
- Reserves should typically increase during times of economic expansion to provide resiliency during times of economic contraction

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## General Fund Reserves

Balance by Fund and as a Percent of General Fund Expenditures



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## **Potential Legislative Risks**

- Revenue caps
  - Capping revenue at 4-5% as opposed to 8%
  - \$13.8 million less at rollback rate in FY 2019; \$68.4 million less by FY 2022
- Sanctuary Cities – Reduction in grant funds
  - FY 2017 State Grants: \$9.8 million
  - FY 2017 Federal Grants: \$42.7 million
- Pension system funding levels
  - Increase contributions or implement plan changes to achieve higher funded ratio
- Changes to debt issuance
  - Limit certificates of obligation to declared disaster areas
  - Funding non-voter approved debt through operating budget

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## **Potential Policy Topics for Council Consideration**

- 1) Sales tax growth estimate
- 2) Property tax rate and fees
- 3) Prioritization of Council initiatives
- 4) Support for increasing reserve levels to enhance budget "resiliency"
- 5) General homestead exemption
- 6) Senior/disabled exemption

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# Capital Improvements Program Forecast and Highlights

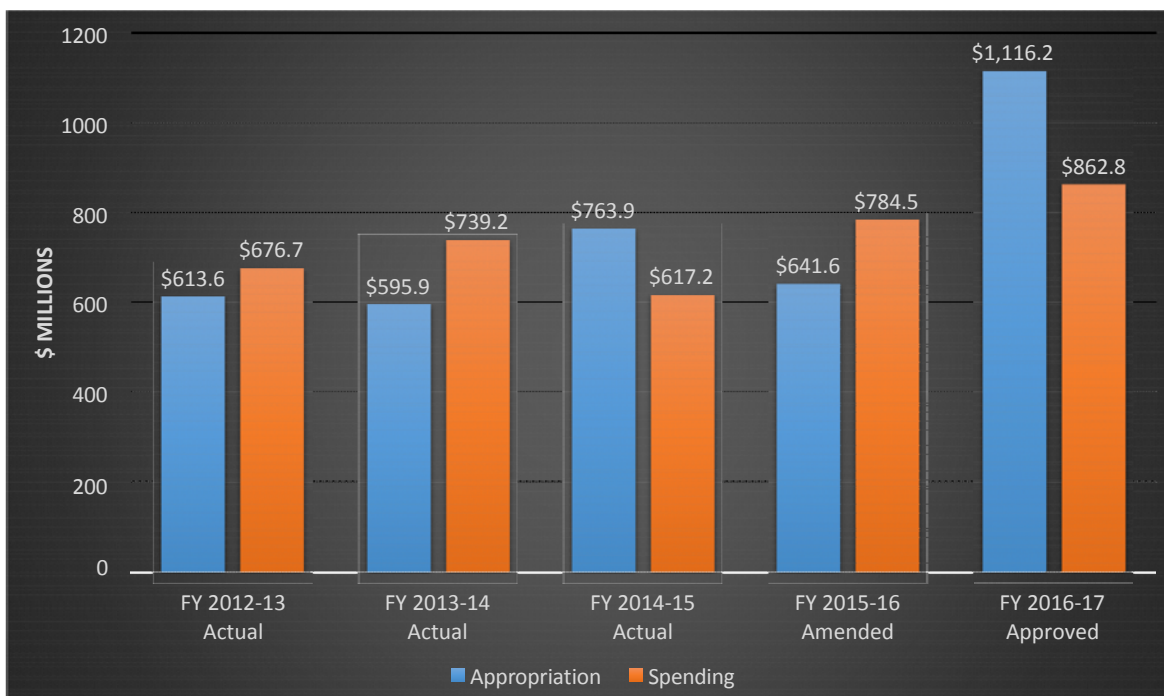
City of Austin



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## Capital Budget

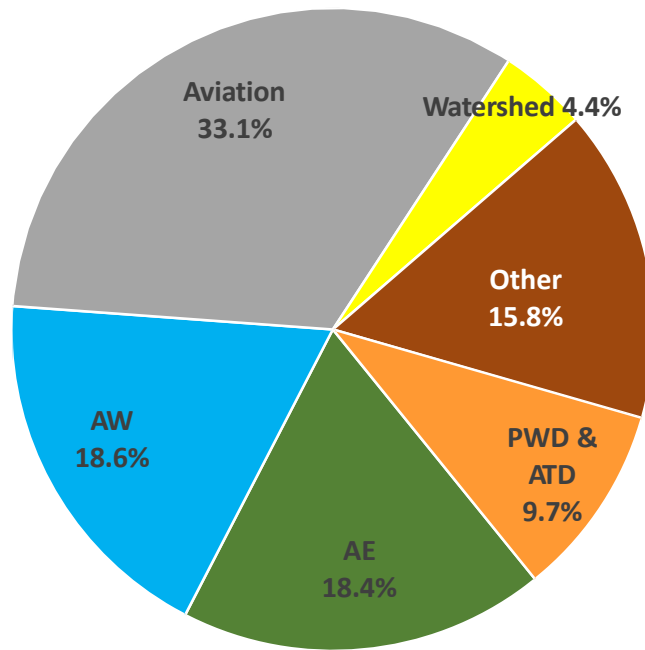
### Appropriations and Spending 5-Year History



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# FY 2017-18 Projected Capital Spending Plan

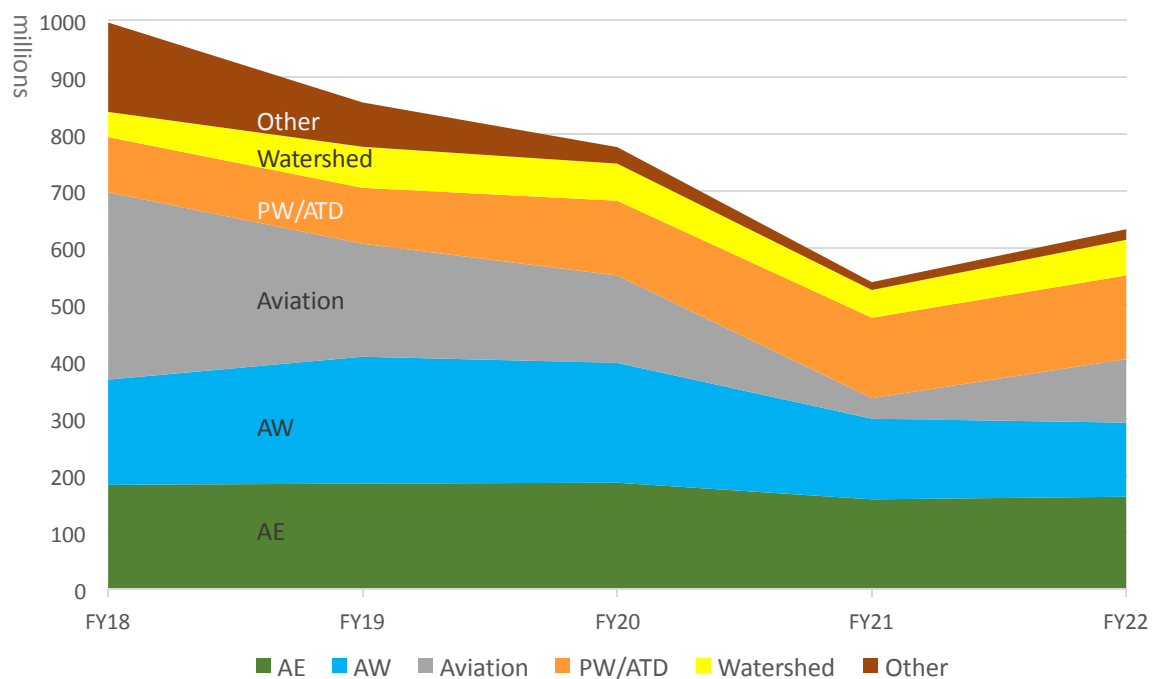
\$996 Million



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## Spending Plan Forecast

FY 2018-2022



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## Airport Capital Program

### ➤ Terminal & Apron Expansion



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## Airport Capital Program

### ➤ Parking Garage & Administration Building



- Maintenance Facility
- Baggage Handling System
- Terminal Expansion (Gates 33-45)
- West Infill

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## Austin Water Capital Program

### ➤ Spending required to meet growth

- Service demands
- System reliability standards
- Regulatory requirements compliance
- Annexations
- Utility relocations due to street reconstruction



### ➤ Significant Projects

- South Austin Regional Wastewater Treatment Plant
- Davis Water Treatment Plant
- Parmer Lane and Williamson Creek wastewater interceptors
- Walnut Creek Wastewater Plant



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## Austin Energy Capital Program

### ➤ Planned spending on routine infrastructure and maintenance projects, including:

- Replacement of the Supervisory Control and Data Acquisition-Energy Management System (SCADA-EMS)
- District Cooling Satellite Plant at Austin Community College Highland Campus
- New Rainey Street and rebuilt Brackenridge substations



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## Select Project Highlights

### Mobility

#### ➤ 2016 Mobility Bond

- Initial budget amendment approved December 2016 for \$28 million
- 2<sup>nd</sup> budget amendment and staffing increase planned for May 2017
- Further appropriation requests will be included in future budgets



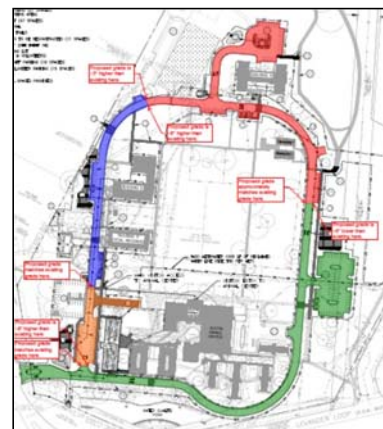
*Total planned  
spending through  
FY 2022:  
\$595 million*

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## Select Project Highlights

### Health

- Waterloo Park
- Alliance Children Garden
- Montopolis Recreation and Community Center
- Betty Dunkerly Campus Infrastructure and Animal Center Kennel Addition
- Women's and Children Center



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## Select Project Highlights

### Safety

- Flood Buyouts
- Mounted Patrol Facility
- Onion Creek Fire Station



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## Select Project Highlights

### Economic Opportunity and Affordability

- Housing First Oak Springs
- RBJ Tower

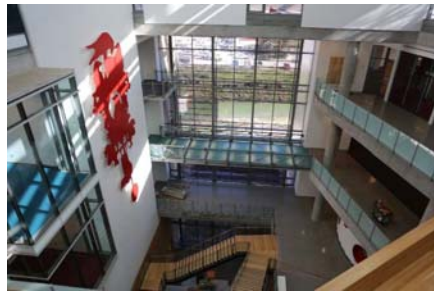


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## Select Project Highlights

### Cultural & Learning Opportunities

- **New Central Library**
  - Collections, technology, furniture installation prior to opening
- **Branch Library Improvements**
  - Remodels/upgrades to various facilities including Austin History Center



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## Select Project Highlights

### Government that Works

- **Development Services Technology Upgrades**
  - Electronic Plan Review
  - Upgrading AMANDA
- **Building Services**
  - One Texas Center Chiller Replacement
  - Rosewood-Zaragosa Neighborhood Center



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# Enterprise Highlights

## City of Austin



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## Major Enterprise Departments

Associated FY 2017-2018 Operating Budgets

### Austin Code

FY17: \$20.0 million  
FY18: \$24.7 million

### Austin Convention Center

FY17: \$102.2 million  
FY18: \$107.3 million

### Austin Energy

FY17: \$1.3 billion  
FY18: \$1.3 billion

### Austin Resource Recovery

FY17: \$91.1 million  
FY18: \$95.8 million

### Austin Transportation

FY17: \$44.5 million  
FY18: \$48.2 million

### Austin Water

FY17: \$579.3 million  
FY18: \$615.3 million

### Aviation

FY17: \$146.3 million  
FY18: \$158.5 million

### Public Works

FY17: \$90.2 million  
FY18: \$101.0 million

### Watershed Protection

FY17: \$94.5 million  
FY18: \$98.4 million

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## Enterprise Highlights

### FY 2018 Base Cost Drivers

Enterprise operations experience many of the same year-over-year cost increases as General Fund departments:

- Employee Wages
- Health Insurance
- Workers' Compensation
- Shared Service Allocations
- Contractual and Commodity Costs
- Equipment Replacement
- Debt Service

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## Enterprise Forecast Highlights

- ✓ Continuation of Curbside Composting Program Rollout ☐
- ✓ Austin Code Department Staffing ☐
- ✓ Austin Water Cost of Service Update ☐
- ✓ Austin Water 5-Year Staffing Plan ☐
- ✓ Aviation Staffing to Keep Pace with Airport Growth and Facility Expansion ☐
- ✓ Airport Ground Transportation Fees ☐
- ✓ ERCOT Market Outlook and Impact on Austin Energy ☐

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# Curbside Composting Program

## Overview



- FY 2005 Council approves resolution in support of zero waste by 2040
- Goal of boosting a stagnant diversion rate and achieve goals established by the Council-adopted Zero Waste Plan
- Pilot program started January 2013
- Program expansion planned in FY 2017
- Program rollout completed by FY 2020

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# Curbside Composting Program

## FY 2018 Incremental Costs



- Compost Processing and Fleet costs: \$640,000
- Advertising and Outreach: \$90,000
- 7 new positions + annualized costs: \$720,000
- Incremental Debt Service: \$550,000

**Total: \$2.0 million**

Major Fee/Rate Description	FY 2017 Rate		FY 2018 Projected Rate Increase		FY 2018 Projected Rate
Residential customer (Curbside Composting portion only) *	\$1.00	+	\$1.10	=	\$2.10

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# Curbside Composting Program Costs

## Expense and Revenue Implications



<b>Incremental Program Requirements</b>						
<b>Curbside Composting Program</b>	<b>FY17 Budget</b>	<b>FY18 Projected</b>	<b>FY19 Projected</b>	<b>FY20 Projected</b>	<b>FY21 Projected</b>	<b>Total</b>
Operating Budget	\$1.3M	+\$1.4M	+\$1.3M	+\$1.0M	+\$0.1M	<b>\$5.1M</b>
Debt Service Payments	\$0.0M	+\$0.6M	+\$1.0M	+\$0.6M	+\$0.3M	<b>\$2.4M*</b>
Staffing	+12 FTEs	+7 FTEs	+6 FTEs	+3 FTEs	0 FTEs	<b>28FTEs</b>
Curbside Composting Rate Impact	\$1.00	+\$1.10	+\$1.15	+\$0.65	\$0	<b>\$3.90</b>

\*Debt service payments continue through FY 2028

- Total program cost including FY16 Purchases and interest from debt service payments: **\$22.4 million**
- Total rate increases related to curbside composting: **\$3.90 by 2020**

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## Austin Code

### Near Term Staffing Challenges



Staffing enhancements will be needed to keep pace with growing service demands and Council expectations

- Short Term Rentals
- Repeat Offender Program
- Rooming & Boarding Houses
- Extended Enforcement Hours
- Code Education
- City Owned Properties

**FY 2018: 20-25 positions**

<b>Major Fee/Rate Description</b>	<b>FY 2017 Rate</b>	<b>FY 2018 Projected Rate Increase</b>	<b>FY 2018 Projected Rate</b>
Clean Community Fee – Residential/Commercial	\$3.35	\$0.70	\$4.05

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#### ➤ Public Involvement

#### ➤ Next Steps/Implementation Timeline

- Impartial Hearings Examiner (IHE) review of Cost of Service recommendations next step in process
- Council review/approval of IHE related transactions in June 2018
- Implementation of Council approved Cost of Service and IHE recommendations in FY 2019
- FY 2018 Changes
  - Implementation of Community Benefit Charge for Customer Assistance Program
  - Enhance CAP program by adding wastewater volume (this will pair with approach on the water side)

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#### ➤ Additional staffing projected over 5-year horizon to keep pace with growing system demands

- Operations and maintenance activities at pump stations and reservoirs
- Engineering services
- Pipeline management
- Administrative support functions

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**FY 2018-22: Projected 15-25 Positions Annually**

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## **Aviation Department Staffing**



Austin-Bergstrom  
International Airport

New staff necessary to support ABIA's continuing growth in facilities and passenger traffic.

- Facilities Management
- Operations and Security
- Ground Transportation
- Support Functions

**FY 2018: 25-30 positions**

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## **Aviation**

### **Ground Transportation Fees**



Austin-Bergstrom  
International Airport

- Responsible to City and FAA to earn sufficient revenue to pay expenses and retire debt
- Current rate structure dates to 1980's
- Current annual costs exceed \$3M and revenue is less than \$1M
- Proposed fee structure based on cost recovery model common in airport industry
- Proposed fee changes to begin in FY18

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- ERCOT power market prices remain historically low
  - This means lower prices for power purchased to meet load requirements BUT...
  - Little to no profit for power generated and sold
- No significant changes to power market expected in the near term
- Credit agencies report a weakening power industry in Texas with downgrades and outlook revisions
  - Cash reserves and coverage ratios remain key to financial health
- Risk from legislative and environmental regulation remains uncertain

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## FY 2018 Major Rates and Fees

	2017 Monthly Rate	2018 Projected Rate	Monthly Dollar Change	Typical rate payer defined as:
<b>Austin Energy</b>	\$88.81	\$89.15	\$0.34	<i>Residential customer usage of 895 Kwh</i>
<b>Austin Water</b>	\$83.19	\$83.19	\$0.00	<i>Residential customer usage of 5,800 gallons of water and 4,000 gallons of wastewater</i>
<b>Austin Resource Recovery</b>	\$24.30	\$25.40	\$1.10	<i>Residential customer with a 64-gallon cart</i>
<b>Clean Community Fee</b>	\$8.05	\$8.75	\$0.70	<i>Per single-family home</i>
<b>Transportation User Fee</b>	\$11.52	\$11.52	\$0.00	<i>Per single-family home</i>
<b>Drainage Utility Fee</b>	\$11.80	\$11.80	\$0.00	<i>Residential customer with 3,100 sq. ft./37% of impervious cover</i>
<b>Property Tax Bill</b>	\$94.41	\$99.61	\$5.20	<i>Projected FY18 median non-senior homestead taxable value of \$269,264</i>
<b>Total</b>	<b>\$322.08</b>	<b>\$329.42</b>	<b>\$7.34</b>	<b><i>Combined increase of 2.3%</i></b>

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# Major Rates and Fees Forecast

Five-Year Rates, Fees, and Tax Forecast Change\*

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	5-Year Total
Austin Energy	\$0.34	\$2.11	\$0.44	\$1.90	\$0.25	\$5.04
Austin Water	\$0.00	\$1.00	\$0.00	\$1.60	\$0.00	\$2.60
Austin Resource Recovery	\$1.10	\$1.80	\$1.30	\$1.00	\$1.00	\$6.20
Clean Community Fee	\$0.70	\$0.30	\$0.25	\$0.10	\$0.05	\$1.40
Transportation User Fee	\$0.00	\$1.30	\$0.52	\$0.52	\$0.44	\$2.78
Drainage Fee	\$0.00	\$0.95	\$0.42	\$0.23	\$0.24	\$1.84
Property Tax	\$5.20	\$6.13	\$3.41	\$2.84	\$2.91	\$20.49
<b>TOTAL</b>	<b>\$7.34</b>	<b>\$13.59</b>	<b>\$6.34</b>	<b>\$8.19</b>	<b>\$4.89</b>	<b>\$40.35</b>

\* All numbers represent projected incremental changes to monthly rate, fee, or tax

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## Policy Discussion Topics

City of Austin



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# Policy Work Session Calendar

April 26th

## **Public Safety**

- ❖ 4-person staffing
- ❖ Third service EMS provider versus consolidated EMS/AFD service delivery model
- ❖ AFD/EMS wellness center
- ❖ Level of EMS cost recovery

## **Other**

- ❖ Special event fee waivers
- ❖ Enterprise transfers

May 3rd

## **Community Services**

- ❖ Golf Fund support
- ❖ Cemetery Fund support

## **Other**

- ❖ Employee pay and benefits
- ❖ Police compensation and staffing
- ❖ AISD Tax Swap

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## Questions / Comments



*For more information,  
please visit:*

