

City Council Budget Adoption Reading Transcript – 09/11/2017

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[9:44:07 AM]

>> Mayor Adler: All right. So there are seven of us here. We have a quorum. It's Monday, September 11th, 2017. We're in the city council chambers, 301 west second street, Austin, Texas. The time is 9:44. We have on our agenda today 11 budget-related items. We also have set at 9:45 for the housing finance corporation meeting and also the Mueller local government corporation meeting. We had talked when we were together last week about starting today's meeting with the budget presentation from staff with respect to the hotel occupancy tax. Still makes sense to me to do that. I'm looking at the posting language. It calls the two meetings that we might have been able to taken care of quickly, but they are called at 9:45 but there's also notice 10:30 it's going to start. Need to do the budget first. Okay. All right, then, so we are going to note that on August 17 and 31st the council took public comment regarding the city's proposed budget and closed the public comment part of the budget hearing. On these same dates council held two public hearings on the tax rate as required by law. We're going to conclude those hearings by discussing and voting to adopt the tax rate and the budget for 2017-2018. So we'll move ahead on that. At this time we're going to take action to adopt the city's budget for fiscal year 2017-2018.

[9:46:14 AM]

As part of the budget adoption, the council requested presentation from staff regarding the hotel occupancy tax. Are you guys ready to tee that up?

>> We are ready, mayor. And good morning, mayor, mayor pro tem pro tempt, Ed van eenoo. I'm joined by Diane Seiler and Lela fireside, assistant city attorney. I did want to just take a moment. You should all have a packet of materials with a binder clip around them and just to maybe let you know what you

have in front of you. The first item in that packet is the presentation I'll make in about two minutes for the hotel occupancy taxes. The second item in there then is staff amendments to the proposed budget. So, you know, every year we deliver a proposed budget to you in early August and from August until September when we are set to adopt the budget things change. Sometimes it's just errors and corrections, sometimes there's actions that council has taken during that time that requires us to make a change to our proposal. When we get to that item, I'll quickly read into the record those recommended changes to the budget. The next two items are Austin energy's tariffs and some changes to our fee schedule. We won't get to those until we get to item 2. That may be not today, but when we get to item 2, which is to adopt the fees, we'll be reading into the record these fee changes. I just wanted to give them to you in advance to during a break or something if you wanted to look at those changes just to let you know we'll be bringing those forward, the ae tariffs and the fees. I think we've done those both as a strikeout underlined version to help you see the changes there. The next thing that's in your packet is that slide that we always like to show you for major rates and fees. One of the things that's changed this year, which it typically does as we go from proposed to adopted is the power supply adjustment in Austin energy has changed.

[9:48:22 AM]

That's a bit of a good news story is that our overall projected rates and fees for a typical city resident has come down a little bit from the time we proposed the budget. Specifically that Austin energy line we were projecting a \$3.22 monthly impact. It's now going to be \$1.95 impact. In aggregate it's \$13.54 per month now, which is a 4.2% increase. Thought that was a good news story. Just wanted you to have that. And then the final item in your packet is the concept menu as of last evening we printed these out and I don't think there's been any changes to it since then. That's what's before you. It kind of also lays out where we're going to be heading the rest of the day. There's any questions about those materials, I'm going to move on to our hotel occupancy tax presentation. Okay, so then the city manager submitted a memorandum to council laying out a lot of these same concepts and issues in response to council's resolution. Item number 60 from your last council meeting. What's presented here largely follows those same recommendations. We just wanted to outline them here for you this morning. Can we go to the next slide? This doesn't seem to be working. There we go. Great. Thank you. So just a couple slides to lay out the legal framework and I know you all have probably read the same statutes and seen this many times before. H.O.T. Expenditures have to promote tourism and the convention industry and must also be used as an authorized use in the tax code. There's nine, but the ones relate to today's presentation and discussion are these five. Obviously the construction, operation and maintenance of a convention center or its facilities.

[9:50:26 AM]

Also costs related to the registration of convention delegates. Those two pieces are essentially what we currently allocate the four and a half pennies of H.O.T. Taxes. Advertising and promotional programs to - this would be our visit Austin, tourism and promotion bucket. It can be used for encouragement and application of the arts with a maximum of 15%. That's our current allocation is 1.05 pennies. And the final bucket is for historical restoration and preservation in proper locations. Not funding that at all in previous years. So those are the legal uses. Also H.O.T. Funds can be used for day to day operations such as supplies, salaries, office rental, travel expenses, other administrative costs but only if they are incurred directly in the promotion and servicing of authorized expenditures. So when you look at that language about day to day operations, you really need to go back and revisit the previous slide and see what the appropriate uses are and so in the pursuit of those uses it certainly is day to day operations. And I have some examples what we think that actually looks like. H.O.T. Funds may not be used for general fund purposes. So we think this is a really important element of the statute, cannot be used for general fund purposes or general government operations. Again we have some examples of these in a slide or two. Now, in a lot of today's conversation is going to be about the historic restoration piece. That's what you asked staff to do come back with a proposal to increase that to the full 15% allowable under state law. That historic restoration and preservation pot, advertising is fine, conducting solicitations and promotional activities. This is all fine under statute. But it has to be for things that encourage tourists to visit these preserved historic sites or museums.

[9:52:33 AM]

Secondly the historic sites or museums have to be in the immediate vicinity of the convention center or they can be also where in the city so long as those are areas frequented by by tourists and convention centers. There's a need to document that frequency. Just some samples, we have worked diligently with our parks people to look at what historic sites would be eligible under this statute. This is just a sampling. It's not intending to be comprehensive. We still like to use the word potentially as we're working fast and as we go time to slow down and dig into some of these things, it may turn out some of these things maybe they are not eligible but we're trying to be cautious. The Barton springs bath house, downs field, these are properties that we currently have in our inventory of assets that we believe almost most likely would meet the definition of being an historic property. We're largely deferring to the criteria used for the historic grants here, looking for properties that have some kind of state or federal designation as being historic. So let's talk a little about some examples of eligible uses of H.O.T. Funds and not eligible uses. Just to give you a little flavor of the types of things we're considering. So clearly under the statute an allowable use might be security costs related specifically to a convention center event. So the convention center is holding a convention, they want to make sure it's safe, they need to have security personnel there. Whether those are city employees or not, they are for trying to secure the event, appropriate use. Not allowable in our read of the statute would be things like just general

police patrol at community events or community festivals. Another example might be that Barton springs bath house that I talked about. Certainly it's an historic facility so the preservation and restoration of that facility would be an appropriate use, but looking at things like lifeguards at the Barton springs pool, that is what we would view as being a general fund operation and so not allowable under the statute.

[9:54:46 AM]

This is one we don't currently do but it's being talked about with this new pot of money, we might be able to hire docents so perhaps the parks department might hire some docents at Oakland cemetery. That would be focused on tourism and related to the history so that would be an appropriate use. But looking at oak woods cemetery, interment services, that's a general fund operation. Just this little nuance just because it's an historic property does not mean that everything that's being spent there fits under the statute. That's a good example to highlight that. One last example, marketing of historic sites to tourists and convention delegates certainly appropriate, but, you know, a contra example would be marketing of parks and recreation offerings to local residents. Again going back to the Barton springs bath house, having marketing materials and public information related to wanting to bring tourists to that historic site appropriate, but kind of a general brochure about recreational activities available at zilker park, that's geared more towards residents, would be a general fund purpose not a hotel occupancy tax purpose. Just one other consideration. One other real challenge we had in trying to get to where council wanted us to get was our bond covenants related to existing outstanding convention center debt pledged four and a half pennies in support of that. Any reduction in the pledged amount would certainly be a material change, something we would have to report through Emma, make available to anybody to see that we were making this change. And I think it's important to highlight that maintaining the convention center's current aa bond rating is really critical when you look at potential savings or future bond issuance related to a potential convention center expansion, that aa rating is critical to minimizing interest costs.

[9:56:54 AM]

I think it's important to try to maintain that pledge of four and a half pennies at least until our existing bonds could be paid off. Then finally we worked closely with visit Austin and believe that any cut of more than \$2 million to visit Austin's budget would require a staffing reduction. Another parameter we were working in how can we get this done without any staffing reductions. This is a currently allocation of the seven pennies. I'm just leaving the chapter 34 two pen yeast's. Germane is the hotel occupancy occupancy taxes of seven cents. Four and a half pennies to the convention center. You can see the dollar

amount that equals. 1.45 pennies goes to our tourism and promotion bucket. That's \$15.3 million. And I just want to highlight those are the funds that we used for visit Austin and currently it includes \$500,000 for heritage grants. 1.05 pennies for cultural arts and, again, nothing for historic preservation.

>> Tovo: A quick question. I thought I saw in visit Austin's proposed budget for next year that the heritage grants would drop to 200,000. Are you certain about the 500,000 for the heritage grants?

>> I think you are right. I think they are going back to 200,000. I have a note on that. Let me confirm that. I know I have it in here and maybe we need to correct that.

>> Tovo: It was 500 last year, but I'm almost certain it dropped back to 200,000 for the proposed budget.

>> I got three people saying it's 500,000 this year.

>> Tovo: I'll check my presentation then.

>> Maybe it was an error on the other presentation.

>> Tovo: Thanks.

>> So that's how it's currently allocated with \$500,000 for heritage grants, and this is what staff's recommendation would be. You see here we're trying to maintain that four and a half pennies for the convention center and we do. We would actually take the tourism and promotion portion down to 0.64 cents.

[9:58:59 AM]

From its current 1.45, bring it down to 0.64 which would leave tourism and promotion with \$6.7 million. That's a big hit to that bucket and it's a big hit to the visit Austin budget. If you go over to the right-hand columns, what we're proposing is take \$6.6 million that currently flows to the convention center, it flows into their cip and say we can directly contract. The convention center can directly contract with visit Austin to provide convention marketing and sales. That's appropriate use of their four and a half pennies. That's what we would do. We would have the convention center directly contract with visit Austin instead of funnel he willing it through the tourism or promotion fund so able to keep the convention center at four and a half pennies. Comes down to 0.64 cents. That's a \$2 million net reduction for visit Austin when you take into account that \$6.4 million payment I just made. Does that -- that's kind of the nuance here, we're doing it that way in order to maintain the pledge of four and a half pennies. 1.05 cents for cultural arts, 11.1 million. 0 own 81 no change. 0.81 for historic preservation getting you to \$8.6 million. How do you good ethics commission to the \$8.6 million? It's the items in the red. Reduce transfer to cip by 6.6 million in the convention center. They will directly contract with visit Austin and visit Austin will reduce its budget by \$2 million. So again, the parameters we're dealing with

is trying to maintain that four and a half pennies and avoid layoffs in visit Austin and the furthest we could get the 6.8 million, two and a half million short of what council wanted us to be at. We highlight we are confident we can get to the full 1.05 pennies, 15%, for historic preservation, but as soon as we can get the debt paid off in the convention center.

[10:01:07 AM]

So I think currently it's set to be paid off by 2028 or 2029. There's been discussions about trying to pay it down quicker using some of the money that they have in our cip to pay down those bonds more quickly. As soon as the existing bonds are paid off, we would be free of the requirement to keep the pledge at four and a half pennies.

>> Mayor Adler: Mr. Flannigan. Zan a question about the convention center and visit Austin. The 6.6 million that the convention center will now contract with visit Austin to accomplish, is that work that -- is that replacing \$6.6 million of work visit Austin with a was otherwise doing that will no longer occur?

>> Visit Austin is already doing that work. They get the money directly through the tourism and promotion fund to them. Now we would take all the reduction from the tourism and promotion fund, but in order to maintain those convention marketing and sales activities, the convention center will now directly contract with them. There's a zero impact. That 6.6 million that's for convention sales and marketing activities, there's no impact to that 6.6 million. We're not looking to reduce the degree to which we are able to market and sell our convention center.

>> Flannigan: Save the \$2 million reduction, it's not changing the activities or work we're asking visit Austin to do.

>> That's right. Save the \$2 million.

>> Pool: Mayor, I just want to have Mr. Van eenoo repeat that zero impact because somehow over the weekend wrong information got out into the community that seemed to say or did say visit Austin's budget was going to be cut and that specific activities would be cut. I spent considerable time responding to that as best I could, but I would like to have that affirmed so that that misinformation, inaccurate information, and I don't know where that started, but we need to correct the misapprehensions that are in the community.

[10:03:14 AM]

>> Aen and I'm not prepared to do that but we have staff. That's the number I would be focused on. Visit Austin currently has \$15.3 million in the proposed budget. From their perspective that would reduce to 13.3 million. They would have \$2 million less. They won't have to reduce staff at all, but they would have to reduce some of the money they spend on promotion and advertising and things of that nature. But they are here to respond to some of those questions. There were emails over the weekend about the potential impact to film industry, things was that nature. But they are here to answer questions on that. I don't have all of those details. Then the final aspect is with that 8.6 million that's in the historic preservation bucket, what would be staff's recommendation to do with it and that goes back to the early part of my presentation and the pretty severe limitations we're under within the state statute. We worked with our staff very closely over the last several days looking for what are all the things we're currently doing that fit the statute that we could -- that we could pay for now out of this historic bucket. So again we're looking for things that are related to the preservation and restoration, the marketing historic facilities. As opposed to things like lifeguards at the Barton springs pool. And this is the number we've been able to come up with, \$280,000 I would say it's preliminary but with the time we had that's the number that we could get to that we felt confident fit within the statute. In addition to that, these would be new expenditures. The parks department has said there's a lot of interesting things we could be doing. We could be doing a better job of marketing, a better job with perhaps hiring docents. They have \$220,000 of new ideas of new expenditures they could make out that operations and maintenance related expenditures.

[10:05:22 AM]

That would be total of \$500,000 and then the remaining \$8.1 million we would see as being left for historic preservation capital projects or any other eligible uses that we're able to determine. That would be staff recommendation for how to utilize those funds and we would be happy to entertain any questions that you might have.

>> Mayor Adler: Quick question. I sure do like the idea of being able to leverage the convention center expansion to get an additional \$8 million plus whatever for historic preservation. There are two questions that -- one was the impact of the loss of the \$2 million that you said someone else will address. The other one is the impact of the reduction in the transfer to cip. Do you speak to that or does someone else speak to that?

>> I could speak to it. Maybe we can get somebody down to speak to the \$2 million impact on visit Austin, but in regards to reduction in cip, I mean I think the question at hand was do we view that as something that would jeopardize the convention center expansion or the downtown puzzle and we don't. Under this proposal the way we've carefully crafted it would be to do things in a way where we don't think there would be any impact to that portion.

>> Mayor Adler: Okay. I was just asking because you were up, we had Ed up here, I was wondering who was going to address that. Does the impact the convention center itself? What if we don't do the expansion?

>> So I think I this --

>> Houston: And mayor, while he's looking for that, if you could put your mic up, we're having difficulty hearing.

>> Mayor Adler: There were two variables. One was the reduction in the \$2 million from the tourism promotion. Vent lie we'll have people talk to that. But while Ed was up, I wanted to know if I was going to speak to the \$6.6 million reduction in cip or if that was also someone coming up.

[10:07:32 AM]

>> I may need help for that. There's one slide, in regards to their cip, so this would all stay. None of this is impacted. This is their current spending plan and none of this is impacted by reducing the transfer by \$6.6 million. I believe this all adds up to 62 point some -- \$62.1 million. You know, so the capital dollars that would be needed to continue to invest in the convention center for the roof repairs, the marshaling yard council approved and we started moving down the path of fixing garage elevators, et cetera, these kind of bread and butter, nuts and bolts cip projects, they will continue. We're not proposing to make any reductions to any of these things as a result of that \$6.6 million. What it could impact is when it comes time to do a convention center expansion, it may change the amount of debt. We might have to issue a little more debt than we otherwise would because we don't have as much cash in our cip to cash fund the project. I don't know if that helps. And we do have convention center staff here if there's more questions about what the 6.6 million -- but my understanding it has no impact on their existing capital program or planned projects.

>> Mayor Adler: Ms. Kitchen.

>> Kitchen: I was going to suggest, I don't think we're ready for it yet, but I'm going to be asking for a executive session because I have legal questions related to some of the discussion that we've had so far. So whenever you are ready to get to it. I know we've got other questions first.

>> Mayor Adler: Okay. Ms. Pool.

>> Pool: Thanks for the good presentation and the information that you've laid out. Do you have a slide that shows the reserve funds, the various reserve funds that the Austin convention center budget contains?

>> I don't have a slide with that.

>> Pool: That's an important piece of information as well.

>> We can surely get that information I'm sure while you are in executive session.

[10:09:34 AM]

We could get the information you want on the levels. That's easy.

>> Pool: Just as a teaser I'm looking at some beginning balances for the next fiscal year. The operating fund reserve for the convention center is almost 20.3 million.

>> That sounds about right. I knew it was in the 20 millions. They do have a reserve policy established and approved by council for 180-day reserves. Which is high, but that's pretty much standard in the convention center business with the volatility of the tourism industry and hotel taxes, they do maintain a high reserve level.

>> Pool: Then we have the hotel tax revenue bond redemption fund and that's a little over 9 million, and that's to pay off existing bonds.

>> That's correct.

>> Pool: Without accelerated the things. Maybe we could see if we accelerated savings what savings there would be. Then two cip reserves, one for the convention center which is over 73 million. I was curious over how many years that 73 million has been accumulated. For example, what was the balance five years ago? I think that the plan to expand the convention center has been underway for quite some time which would explain the large cash reserves that we have. That have not been tapped. And this money has been set aside in order to expand the convention center. Is that correct?

>> I think that's correct. What I was going to comment on is that the concern that we have on some of these items is just anything that would be a diversion of the four and a half pennies from what it was pledged for. And so, you know, kind of an explicit diversion would be if we were to take the four and a half pennies down to 4.2 or 4.3 pennies so we could get to the full \$11 million, that would be a clear easy to see diversion. I think it would be likewise a diversion of those funds to go back into cip reserves or other operating reserves that were funded through the four and a half pennies and saying we want to divert those to other purposes.

[10:11:40 AM]

Either one of those could potentially be a reportable item from a bond rating perspective.

>> Pool: The fourth one I have is something called venue north and that is almost \$32 million. So I recognize and appreciate what you are saying about use of reserves, but I would also say that this body here has not yet achieved consensus on whether to expand the convention center and I don't remember that conversation happening before I was a councilmember out in the public. So the policy decision was made in the past in order to put these moneys aside explicitly for an expansion of the convention center. So I know that staff is operating on that assumption, but we haven't actually -- or maybe not.

>> Some staff might be. In presenting this information, I'm certainly not working on that assumption. What I'm trying to show is once that debt is repaid and these moneys perhaps could be used to accelerate that debt pavement, about out once that debt is paid, then we could change the allocation more and get from the 8.6 million to the \$11.1 million. But we need to get that debt paid off first would be the safest course of action.

>> Pool: Sure. And the plan is currently seven or eight years left on that debt repayment and that was from the previous expansion O F the convention center.

>> Yeah.

>> The debt repayment is 2029 and we began working on the convention center expansion in March of 2014 when the council at the time approved the consulting study with ginsler to produce a master plan.

>> Even if there was no desire from council to do the expansion, our advice would be to use those extra moneys in reserve, those extra moneys in the capital fund to pay off the debt as opposed to diverting it to increase the 8.6 million to 11-1 just because of those concerns we pledged four and a half pennies and the revenues those four and a half pennies generate to paying off the debt.

[10:13:44 AM]

>> Pool: I understand and thank you for that. It could also be used -- \$105 million could also be used for renovations at the existing convention center. Is that correct?

>> Yes.

>> Pool: Okay. Could it also be used if the debt were paid off for another major infrastructure project that would be a convention center type thing? For example, the exposition and heritage center and the eastern crescent?

>> That's a little more complicated, but it's certainly something that I've reached out to one of the commissioners about and also the aide for the county judge, and I hope to be able to explore that with them. Since it is the type of thing that might involve issuing bonds, it's something we have to think through very carefully.

>> Pool: And that was also part of the resolution that we passed at our last meeting to begin those formal discussions with Travis county to do that exploration.

>> You bet.

>> Pool: Great. Thank you.

>> Mayor Adler: Councilwoman alter.

>> Alter: Thank you. Mr. Van eenoo, can you explain which model for expansion you used to figure out kind of how much we would need to have on hand to be able to move forward with the projections? Because we've seen a model that's \$560 million, and following the visitors impact task force there is now a model that's 400 million. And what I'm trying to understand is how much we need to have on hand for a project that's 560 million and how much we need to have on hand for a 400 million-dollar project. So I'm trying to understand what the assumptions were as you were calculating things, which of those models you used.

>> Those are kind of big, complicated models and we did not update those models to reflect these assumptions. The work is try to get council to the \$11.1 million without jeopardizing the four and a half penny pledge to the Austin convention center or resulting in layoffs to visit Austin.

[10:15:57 AM]

So we are not changing the assumptions of the models you've already seen. Again, we don't believe that what we are proposing here today on this slide would jeopardize an expansion effort if that's what council wanted to do. But it may change the amount that we debt finance versus the amount that we cash fund.

>> Alter: Right, but the amount that we debt finance or cash fund varies upon whether we're talking about a \$400 million expansion for \$560 million expansion. What I would like to know has the operating assumption been the 400 or 560 million. Somewhere along the line you had to make an assumption about which type of project we were using. Because if I'm trying to put away money to purchase or to go for an expansion and it cost me \$160 million less for version B versus version a, the amount of money I need to have on hand to leverage it and do that is different. So that's what I'm trying to understand is what is the assumption underlying --

>> Yes, I think the visitors impact task force brought up an interesting way of looking at an expansion in that they proposed a 3p model which we had not looked at before and that resulted in the difference in the estimate for the expansion of 400 million to the 5 or 6 hundred million that we had looked at previously with the master plan. That was an interesting twist and one we would like to explore because it would reduce the amount of debt we would have to issue ultimately the debt repayment early is what

the money has been set aside for as well as the expansion. I can't tell what you the split is, but accelerate the debt payment to 2021 was a piece of the model and the assumptions we had in the master plan that we had laid out and that was what the visitor information -- visitor impact task force had looked at as well.

[10:18:06 AM]

They counted on that repayment early.

>> Alter: But the master plan had the 560 million?

>> The master plan originally had the larger amount, yes, ma'am.

>> Alter: Okay. Can you also please share what the general fund expenditures that are on your slide 10 include? So you said we could off set 280,000 of existing general fund expenditures and we could off set 220,000 of new general fund expenditures. Do you have some details on what you found as eligible? And I know we may have more conversations in executive session, but I think that we can know what those numbers are.

>> Sorry, I'm having a computer issue. I have the file that has the details but it won't come up, so -- so they had -- this is working with our parks department. They had identified \$45,497 that would be related to the old bakery museum and emporium. 31,872 for o'henry museum. 26,701 for Dickinson museum. And \$175,000 additional that would be specific to maintenance expenses at those -- at old bakery, o'henry, Dickinson, Mayfield and oakwood. The 175,000 is kind of our best guess at this point in time.

[10:20:06 AM]

The parks department has never had a need to track funding at this level so they have a maintenance budgees of \$3.3.5 million and they will use that facilities maintenance budget to go out to facilities that need repair and make the repairs. But they don't have the detailed data currently to say this is exactly how many hours and how many dollars we spent on maintenance efforts, on preservation efforts that would fit under the statute as being historical. So we are making an educated guess that we think it would be 175,000. It may well be more than that, but we're trying to be conservative. As they go through fiscal year '18, they will be tracking their time and setting up a task order system so they can accurately track which crews went to the historic facilities there and how much time they spent and materials and supplies on those preservation and maintenance activities. And so again we may be able to increase the amount when we get to fiscal year '19, but that's what the general 175,000. So the sum of all those is \$279,070 which we rounded to 280 here.

>> Alter: The 220,000 of new? So there was two parts. I think what you just explained were existing.

>> For the \$211,000 they were looking at adding temporary positions, a project coordinator program, a project coordinator, a program coordinator and marketing representative to implement historic preservation capital projects and market historic sites to visitors and con investigation nears. They -- conventioners. You come out to visit them, that's what they would do would the extra -- I rounded up to 220. These aren't things we've done before so it's just an estimate.

[10:22:08 AM]

I rounded it up to be conservative.

>> Alter: My last question for right now is how much is in the manager's proposed budget to transfer cip? That 6.7 million comes out of what was being transferred into the cip reserve. How much was in the proposed budget to be transferred over?

>> My memory was for the convention center operating budget it was in the neighborhood of \$14 million, but I continue to have computer problems here, but I don't think I'm too far off on that and I can look it up for you.

>> Alter: And would you happen to know if that would be in volume 1 or 2?

>> That would be in volume 1 in the financial summaries under convention center operating budget fund summary.

>> Alter: Okay. If you can when you have a chance if someone could get me that. Thank you.

>> Mayor Adler: Mr. Flannigan.

>> Flannigan: The cip transfer should that be one time?

>> No, that would be ongoing reduction of that transfer amount N recent years that transfer has been in excess of \$20 million. In fy-18 budget I believe it's in the neighborhood of 14, 15 million dollars is what the transfer would be. So you know this is typically what the convention center does is after they pay for their debt obligations, after they pay for their maintenance and operating budget, what they have left as a result of the hotel taxes, the four and a half pennies plus any revenues they generate through their conventions, after they met their reserve we push it to the capital budget to maintain the facility and so it would be less of that money going into that pot, but we would project that as being an ongoing reduction. I note here on page 62-9 from somebody's whose computer is working. Page 669 is where you will find that fund summary and you can tell me if I was close on the 14 to 15 million dollars.

[10:24:09 AM]

>> It's on 643. The amount 14,208,983. On page 643 on volume 1.

>> The number wrong and the page number.

>> Mayor Adler: Pretty darn close. Ms. Kitchen, then Mr. Casar.

>> Kitchen: Thank you. I have a quick question about -- and I apologize if I'm remembering wrong, but I think that in the budget that was presented to us for the convention center, there was some new ftes for this year. Is that correct?

>> There was 19 new positions, 12 of them conversion of temporary to permanent and seven truly new positions.

>> Kitchen: Okay. And so in this -- in what's being presented to us today doesn't impact those seven new ftes?

>> No, it doesn't.

>> Kitchen: On the convention center is -- so the convention center is -- the knowledge about ethics commission as we were putting it forward would give them seven new ftes. Do you know the dollar amount for that?

>> I could look it up.

>> Kitchen: I would like that information.

>> Just got the find the right back in the budget. >>.

>> Kitchen: Those are not people who are current employees -- except for the temporary ones. I'm talking about the ones not currently working at the convention center.

>> Right.

>> Kitchen: Okay. Thank you.

>> Mayor Adler: Mr. Casar.

>> Casar: So Mr. Van eenoo, can you explain to me again the difference between off setting existing and what you define as off setting new?

>> So we're really looking for working with pard to say, you know, it's kind of a matter what are your historic properties, a big list of historic properties. Which of those properties are either in the vicinity of the convention center or are frequented by tourists. Then it becomes a smaller list. And then it's a matter of looking at, okay, for those facilities, what are the eligible expenses under the statute.

[10:26:15 AM]

Again, some of those examples about oakwood cemetery is clearly historic and if we have work that's related to the preservation, say, of the headstones, I would view that as being eligible for this historic preservation pot of the money. That would be, say, an existing expense that we might say, okay, now we can fund that instead of using general fund dollars, we can fund that with our hotel taxes. It's preserving the historic site. That's something we currently do. Probably not as much as we should. The second bucket there's things out there we don't do at all that maybe would be a new business model. Whether it's we want to do more marketing so when people come to visit the city, they know there's an oak wood cemetery and there's an historic aspect and we want to start marketing that site. Potentially they might want to hire docents and talk about some of the historic people buried there. That would be a new expense.

>> Casar: I think the trouble for me is it -- can you off set something new? Isn't something new in addition? Wouldn't we be offsetting something else? We're not off setting the new thing.

>> Yeah, I think you're right. I'll -- your language is better. We're not off setting anything because it's new, but we're not paying for it out of the general fund, we would be paying out of this historic budget.

>> Casar: We have have to be off setting something existing so we would have to do -- if for example we want to free up in your first line -- if we could have the slide up. Never mind. It's okay. It seemed like you had off set of existing. That would free up 200 odd thousand dollars.

>> 280.

>> Casar: The next line for off setting new would either be adding to pard budget, but if it were truly an off set, we would have to know what \$200,000 of stuff we would stop doing.

>> If we were -- but we're not proposing to stopping to do anything.

[10:28:18 AM]

When we get into the next presentation where I'm talking about the staff's recommended budget amendments, one of those budget amendments would be to increase pard's budget by \$220,000 to pay for these new things, and we would also have an off setting expense refund in this historic preservation. That's why I used the term off set. The increase in the budget for these new things would be in the pard's general fund budget but paid for out of the historic preservation budget.

>> Casar: The first line, I would understand it better, off set of existing expenditures. The second line is just \$200,000 of new pard activities and new expenditures that could be funded by H.O.T. But aren't netting us more general fund flexibility.

>> You are right. The general fund flexibility is \$280,000.

>> Mayor Adler: Mayor pro tem and then councilmember Houston.

>> Tovo: I have a variety of questions. I'll just ask a couple because I'm waiting for some material that will help me ask the next batch. I'm sorry that I did not capture the 280. If you could review that again or provide us with a list. The 280,000 of off set expenses. I think I -- I didn't capture.

>> I have a whole member me I'm reading off from pard. Maybe I'll get copies and distribute it.

>> Tovo: That would be helpful. I looked for it in the memo we received last night, but I think it offered -- it used the figure \$500,000 as an off set because it merged these two concepts, but it didn't have the detail you are discussing. If you could get that to us, that would be helpful. What I don't hear are some of the things that we've identified as we've talked in our previous discussions. The Umlauf, the sculptural gardens, perhaps best for executive session, but I think we should have that conversation today before we get too much further on.

[10:30:19 AM]

Because it has come up multiple, multiple times in the last week and I've sent two emails to staff asking for this information, I would like to get a pretty clear number on what within the visit Austin budget is assigned, what is the cost of the film commission? As expect -- as expect indicated, we've gotten -- the council resolution was going to stop film incentives, which as far as I can understand the information actually don't come through visit Austin. The film incentives are supplied by the state but there is administrative costs of administering that program within visit Austin but I couldn't get clarity

>> Tovo: I saw another figure that was maybe higher than that in the \$200,000 range. Again, I just want to get clarity. I haven't been able to respond to most of the people writing because I haven't gotten answers back to my questions about what the cost of administering that program are. So I guess that's a question probably for visit Austin. I see Mr. Nunen. Are you able to provide us with a figure for what it cost to administer the film commission program?

>> Good morning, mayor and council. Thank you for giving us the opportunity to talk about this. One of the things I would like to talk a little bit about on the film side, just to give a little bit of history that some of you may or may not be aware of. Several years ago the city provides \$125,000 out of the general fund for the Austin and convention center bureau budget specifically to fund film and music. A few years ago

that amount got changed to come out of the palmer event center. Then a couple of years later that got cut in terms of being a specific line item to our budget.

[10:32:22 AM]

So we recognize that's a really important part of what we do. It's important to the community, so we continue to fund both of those programs. The film commission funding is a little bit under \$200,000. Music is under \$350,000.

>> The film commission is just under \$200,000. And the film incentives that that commission administers are all outside funding, right? They're the --

>> We are not involved in the incentive program.

>> Tovo: I see.

>> What we do is the marketing promotion to bring in films to actually produce in Austin. Our job is to show them the right locations, to put them in touch with the right people so they can create jobs with the right local crews so they can film here effectively.

>> Tovo: Thanks for explaining that because it wasn't clear from the information I had in front of me. Whether visit Austin actually had a role in helping connect people to those incentives.

>> We do try to connect them to incentives, to permits. We want to make it as easy as possible for someone to film in Austin and use our local use to help create jobs and bring that economic impact to our community.

>> Tovo: But those are not passed through visit Austin?

>> No.

>> Tovo: There has been a flurry of misinformation. I appreciate you clarifying that. We are getting mails suggesting the reallocation of the hot tax was going to remove it from the film industry, which was several steps beyond anything we have control over. Thanks very much. The fee waivers. This was another question. In fact, we had kind of a hearty discussion in one of our work sessions. This was -- anyway, I apologize for asking it here on the dais but we had a vigorous conversation about it in our budget work session and we asked for it to be added to the q&a and it didn't get added.

[10:34:35 AM]

If staff could compile for us the total amount of -- I don't know to express this. Let me back up. I had received a memo indicating that often the convention center fees are to some extent -- I don't know if it's often or not -- the convention center will lower its stated fees to attract particular conferences. We had asked for some accounting of the totals in, say, the last several years of the gap between the stated fees as approved by the council -- within the council budget process and what is actually assessed to those conventions. And then in the course of that conversation I think the mayor had asked for some additional staff information with regard to that. So I'm just wondering if that number -- if we have that number today. Of what the gap is between what we have indicated the fees are and what actually gets assessed to those conventions.

>> I don't have the number. I would have to check with our convention center staff to see if they have that number.

>> Tovo: Okay. Thanks. And, again, just there were a couple. I know this can happen because we talk a lot in our budget work sessions. It was my understanding that was going to be added to the q&a and we would have an answer to that. It would be great to get that number today. I think that's it for the moment. Thanks.

>> I see Mr. Tester out in the audience.

>> Mayor Adler: Ms. Houston.

>> Houston: Thank you, mayor. I want to be clear that I understand. On slide no. 6, allowable uses is that marketing of historic sites to tourists and convention delegates. That could be used by parks and recreation to do that.

[10:36:39 AM]

Is that correct?

>> Parks and recreation or are city departments.

>> Houston: Could use that funding. So then would the visit Austin not be marketing these historic sites to tourists and convention delegates?

>> I don't know the extent to which -- maybe they could come back down. I don't know the extent to which they currently do that. I don't think the city currently does a lot of this. So this opens an opportunity for the city, city departments to start doing some of these marketing activities that they might not otherwise have.

>> Houston: I don't disagree with that at all. It's just what will the visit Austin folks be doing? Because they're marketing to a broader national, international group. So I'm just wondering if that will get confused.

>> That's a good point.

>> Mayor Adler: Ms. Pool.

>> Pool: I have some questions but I see Mr. Tester is here and maybe he's prepared to answer the mayor pro tem's question and I can pick up my question after he's done.

>> Mayor Adler: You want to answer.

>> I'm sorry. Which question?

>> Mayor Adler: There was a question that the mayor pro tem asked about -- several questions that she asked Ed to fill in. If there are people here that know the answers to those questions, they can give them now.

>> Staff is prepared to answer the questions that council has asked.

>> I don't have the answer to that specific question. Mark tester, director of the Austin convention center. Thank you for the clarification, mayor pro tem, on that question. We're getting that number and we'll get that today.

[10:38:40 AM]

>> I believe there was a subsequent council from council member Houston about the marketing impact.

>> The marketing impact, if those funds were directed.

>> Thank you for the question. We will continue to market all of Austin's assets like music and parks and heritage. We're looking at these cuts. The reality is there will be less marketing dollars to go around but it's not that we would stop promoting heritage or history. We just have less dollars to do so.

>> Houston: I appreciate the fact that you are now doing it, because historically we have not done a very good job with that and tourism, historic sites, and cultural-specific sites. I appreciate you all doing that.

>> I thank you for the dollars last year to be able to do that, so thank you.

>> Mayor Adler: Do you have any more questions, Ms. Pool?

>> Pool: Yeah, I do. The funding for the various different commissioners that are under visit Austin, 192,000 for film, \$300,000 for music that we mentioned. How much does the sports commission receive?

>> The sports commission in our original budget was at about \$400,000 total.

>> Pool: Are these three numbers the same allocations over the last five years? How have these allocations changed?

>> Between which three numbers?

>> Pool: Film, music, and sports.

>> Sports is about the same as it has been percentage wise. Music has grown over the last few years, and film is about the same as it has been.

>> Pool: Maybe some specificity would be helpful to see not only the percentages but the hard dollars.

>> You want like a five-year history on those?

>> Pool: That would be great. For everybody that should be a budget question. And explain why sports commission, for example, gets twice what the film commission does.

[10:40:44 AM]

>> So the sports commission is kind of an under the umbrella of our convention sales group. They are involved in sales and marketing, but specifically around sporting events. What they do that is unique is they go after a different type of business. Normally sports business will come in the summer months so we staff up to ensure that we meet those periods to keep the hotels at a constant occupancy level.

>> Pool: I'm assuming that the organizations that are bringing or that are putting on the events that are bringing tourists into town are doing a fairly extensive marketing and promotion campaign themselves.

>> Which organizations?

>> Pool: F 1.

>> We don't work with f1.

>> Pool: The sports commission doesn't work with f1?

>> It is its own entity. So the events that we're more interested in are going to be things like naga, which was the national association of gay amateur athletics world softball event. We work with a lot of youth

and senior sports that are smaller events. Coda operates on its own and we refer them, but the bulk of what we do is around smaller events.

>> Pool: That's helpful, so if we could see how the funding has been on that for the last three years, that would be great. I have a question on the debt payments.

>> Mayor Adler: Before you do that, would you state your name for the record.

>> Julie heart, chief financial officer with visit Austin.

>> Mayor Adler: Thank you. Ms. Pool.

>> Pool: Thanks. We were talking about paying off the debt and possibly accelerating paying off the debt. Putting that piece aside, if we do an expansion of the convention center, we would be bringing on new debt as well, is that correct?

[10:42:44 AM]

>> Yes.

>> Pool: How then does the cash funding piece fit into all of this? And then a second question or maybe a first question is is it typical for the city of Austin to cash fund major infrastructure projects? I'm thinking in terms of the money for mobility bonds, for example. And for the new general library. I don't believe any of those projects were cash funded.

>> No. It would be very unusual for general obligation types of debt to be cash financed but not at all unusual for revenue bonds used by Austin energy or Austin water, the airport to have a portion of the project be funded through cash transfers to cip and a portion to be funded through debt. It's more of the standard than being uncommon.

>> Pool: Can you point to a council action that directed the moneys with the convention center be put aside for expansion of the convention center?

>> No. No. I mean, I can point to budgets where the council has approved transfers to cip, but not for anything specific like the expansion of the convention center.

>> Pool: When was the ginsler report completed?

>> I don't know the answer to that.

>> Pool: We had a presentation that related to a variety of funding scenarios that were exceedingly complicated.

>> I believe the report was commissioned in 2014 and completed in 2015.

>> Pool: Okay. And then I'll just run through a couple of questions related to pages. Page 7. What's Emma? That's a new online system that I don't remember hearing about before. That's on municipal financing mechanisms.

>> It's not a financing system. It's like a reporting agency. So any kind of material change in our bond situation, something that would need to be reported to the bond holders we report through Emma.

[10:44:47 AM]

It's a website. You can go in and see all this information. We occasionally have to report items to Emma. It's just something that the bond rating agency, bondholders would look at for significant changes to our status in regards to debt obligations.

>> Pool: Is that just Austin or is that a national system? National system. Okay. And then on page 9 I think you characterized that \$12 million from visit Austin's budget would be a big hit. And I was curious to see how the visit Austin budget has grown over the last five years. And Ms. Heart is going to provide us with information on the three specific subgroups, film, music, and sports commission. But I would like to see over the last five years what the percentage and hard dollars increases have been. Because clearly -- and we have acknowledged, there's significant revenues flowing through the hotel occupancy tax systems, so much so that we have reserves of over \$100 million. So my guess is that the visit Austin budget has grown probably significantly, probably at the same rate or thereabouts as the revenue increases have been coming in through the hotel occupancy tax.

>> I'm just looking at the tourism and promotion fund, which is where we put the 1.45 pennies. It then goes to the visit Austin contract. So this might not exactly sync up to that budget, because they could have other reentry program -- revenues. It has gone from \$12.4 million in fiscal year '15 to \$14.5 million in fiscal year '16. To 15-point -- those are actual numbers. Then in fiscal year '18 we're at \$15.3 million. That's just as far back as I have on this fund summary here, but we could get you more years back.

[10:46:53 AM]

From fiscal year 15 to 18 it's increased to 15.3.

>> Pool: How have the programs responded to that increase in budget, which has been from \$12 million to \$15 million, about a 25% increase over three years, is that right?

>> Yes.

>> Pool: And the last question on page 6 where we were talking about police patrols can only be used where it's a tourist -- do we have that slide?

>> I've got it here.

>> Pool: Allowable use security costs specific to a convention center event. So do we know that tourists, out of town family don't come as visitors to come to like the violet crown festival, for example?

>> Or, you know, new year's eve or the Halloween festival. There are lots of festivals we have throughout the community that the tourists surely come in from out of state.

>> Pool: We have the gay pride parade every year and it's a tremendous community event.

>> Those, and our read on the statute, all of those would fall under this -- oh. I need to bring it up on this one. That you can't use hot taxes to displace general revenue purposes or general fund operations. So providing police patrol at a parade or at a community event, even if there's tourists, there, that's a general government operation as opposed to something that is specific to the convention center. That's related to convention delegates.

>> Pool: So I think that that is an interpretation of the state law that may be handled differently in different cities, and that would be one that we will probably take up in our executive session as far as the legalities. But I don't know that I entirely agree with that interpretation.

>> Surely there's people in the community that disagree as well, but that is our legal staff's interpretation.

[10:48:58 AM]

>> Pool: I understand. It would be interesting to do a survey of other cities, San Antonio being one. I think we do have some information about how they have deployed their hotel occupancy taxes with little hiccup, from what I can gather. Thanks.

>> Well, I was going to reiterate that we can talk about it in the executive session but I think that that's not the interpretation that I would support in terms of the difference that council member pool just talked about. That's why I want to go into executive session.

>> Mayor Adler: Does anybody want to ask any questions before we go into executive session?

>> I want to follow up on a question I asked for earlier. I just -- first, I want to make sure that I heard correctly. So we talked about -- did you say it was the facility's maintenance budgets. I guess it was old bakery, O 'Henry, Dickinson.

>> We're able to go into those budgets and determine which portions of those budgets are appropriate related to historic preservation or maintenance and what we felt were appropriate for hot fundings. I think it is in your memo and I can see those specific facilities and those amounts. The additional \$175,000 is their staff kind of giving their best guesstimate as to when we start now tracking our general facility maintenance budget, which is a separate division of parks. They do facility maintenance. They go all over the city maintaining park facilities. But now there's a reason for them to be tracking specifically. Hey, we were at the nay museum doing work and we had a crew out there and we spent this much money on materials, we will back charge the costs to this new fund so it doesn't hit the general fund.

[10:51:00 AM]

Those dollars can now be allocated to other council priorities. But given that we don't have the data to really dial that in, we are being conservative here. We think \$175,000 is a conservative estimate. It may well be more than that, but we just don't know until we actually have the tracking mechanism in place.

>> So there would be -- there most likely are -- I'm not trying to put words in your mouth, but there probably are, in my mind or the question I would have is that those same kinds of -- those same kinds of expenditures for a whole host of our facilities, all the way from Barton springs pool to zilker gardens to Elizabeth nato -- nay to a whole list of our historic activities. You're not saying there aren't those dollars, you're just saying you haven't put a number on them.

>> Right. And I think there's two aspects to consider. One is what is a historic facility, and just by the nature of us being financial and legal people, we have taken a conservative posture. The statute -- my understanding is the statute doesn't define specifically here's what it takes to be historic. We have leaned towards properties that have been designated historic. We feel that is a historic property. It has met an established threshold for being historic. That's one threshold. There's another threshold in regards to is it frequented by tourists. And then the historic facilities frequented by tourists, which expenses are eligible as one of those uses on the list. And, again, I think there's a discrepancy about what that would be.

>> Yes, and of course we'll have this conversation in executive session. But the statute says historical restoration and preservation projects or activities as well as advertising, conducting solicitations, et cetera.

[10:53:04 AM]

We'll have that conversation later. Turning back to the other question I asked earlier, and that was about the seven new ftes. I don't know if you have had a chance to pull that up. I think from what we're seeing in the budget that those are a combination of convention center and palmer ftes?

>> No, I have it. Somebody has been working on that. They are listed in the budget document as a lump. And the new is listed in the document as a lump sum. The number I'm getting is \$576,000 is for the seven new ftes.

>> Okay.

>> Yeah.

>> Okay. Thank you.

>> Mayor Adler: Council member alter.

>> Alter: I'll be real quick. For page 5 I just wanted to call your attention to three more sites, Mayfield park, lion's municipal golf course.

>> That's just a sampling.

>> Alter: I know.

>> I think there's probably many more than that. More than would fit on one slide. We just wanted to give a sample of slides.

>> Mayor Adler: Council member troxclair.

>> Troxclair: When you were talking about a \$2 million reduction to visit Austin, is that from this proposed budget? Or is that from the current budget?

>> It's from the city manager's proposed budget. It would be 13.3.

>> Troxclair: Do you know what the current --

>> The city's contribution. They may have other sources of funding.

>> Troxclair: Right. Do you know what their current year budget is?

>> I don't think that's it. Not off the cuff. I'm sorry.

>> I do. We're at 15.4 this year. So the actual 15.3 was already a decrease of \$124,000.

[10:55:07 AM]

The additional two would be total net of 2.1 less than what we had this current fiscal year.

>> Troxclair: Well, so this current year you have -- what did you say? 14.4?

>> 15.4.

>> Troxclair: That's this coming year. But I'm talking about --

>> That's this fiscal year, so 16-17. Budgeted for 17-18 would be 15.3 is what is proposed currently in the manager's budget.

>> Troxclair: Okay. The number that I have is \$14.5 million. I'm guessing the discrepancy is that that's probably what was budgeted in the projections from last year. And then we had more money come in through hotel occupancy taxes.

>> There was a contract amendment last year that was part of the budget process. You held us flat from '15 and '16. There was a conversation on the dice about the extra \$2 million. \$1 million came back to fund heritage grants and cultural and diversity, and then a million went to park. Out of that \$2 million, a million came back to visit Austin, which took us to \$15.4 million.

>> Troxclair: I'm trying to figure out if the \$2 million number is a cut from the proposed budget or existing budget. And if it's about the same then there was not a projected increase in the city manager's proposed budget?

>> The I think Julie is correct. I do see the number here now. The fy17 amended budget, including the amendment Julie just talked about was \$15,479,000. What's being proposed for fiscal year 18 is \$15,345,000. And the new proposal that you have just seen here is now for \$13.3 million.

>> Troxclair: Is it typical that there is a number adopted in the budget but it's a projection based on hotel occupancy taxes and then more sometimes comes in?

[10:57:11 AM]

Because even if numbers that you read out earlier were a little bit different of the historic -- historically what the budget for visit Austin has been. They were a little bit higher than the numbers that I have in my budget documents. I just didn't know if that was a consistent -- if there was an explanation for the discrepancy, or no?

>> So historically the visit Austin budget gets set as an estimate of hotel occupancy tax. The last several years, obviously, the hotel community has done well and that estimate has been exceeded. Whatever exceeded that estimate rolled into the next year's budget. Some years it looks like it's been a significant increase, it really isn't a year or year increase. Sometimes that's a two or three-year increase because we're rolling over numbers from the previous years.

>> Troxclair: What are your reserves?

>> \$2.5 million, which is \$1.5 million less than what we want to be. We had significant expenses that we expected to draw on reserves. We would like to try to build those back up. But with the \$2 million reduction we wouldn't be able to do that this year.

>> Troxclair: How much of your reserve funds were spent on pma?

>> We had about a million total that was committed.

>> Troxclair: And that was a one-time expense?

>> That's not an annual expense.

>> Troxclair: Thank you.

>> Mayor Adler: Mayor pro tem.

>> Mayor, if I could correct myself, for council member kitchen's question, we said 576. I apologize, it's actually 627. \$627,000 is the correct number for those seven positions. We missed a half-time fte in there earlier.

>> Thank you.

>> Mayor Adler: Mayor pro tem.

>> Tovo: I have a quick followup about the reserves. Can you help me understand where the reserves money originated? Did it originate as hotel/motel tax dollars?

[10:59:13 AM]

I know you have privacy financing as well.

>> It's a combination. Some of it is hotel occupancy tax. One of the things we talk about, especially around hotel/motel tax. More people are staying, it goes up. If the economy starts to sink a little bit then travel pulls back in. We're trying to get back up to that 90 day mark.

>> Tovo: What's the balance of hot tax versus private money that has made up the reserves?

>> It's probably about 60/40, but I would want to look. 60 hotel. Can I address one question while I'm up here? You mentioned the \$500,000 for heritage grants. We did have that in the budget that we proposed. I just wanted to be clear that we did not take that back down to 200. It was still at 500. It was chart I gave y'all a couple of weeks ago.

>> Tovo: I see it in that. Perhaps it was an earlier document that had it at \$200,000. I do not have all that material down here.

>> I think it was the back up for item 60, perhaps. It might have been something that showed that.

>> Tovo: I will find it, just to clarify. But I did double check it on that sheet that you talked about, the chart and I'm wondering if it was in the chart you supplied our office in June. Thank you for clarifying that the proposed budget that contains within it a \$500,000 expenditure for heritage grants. Thank you.

>> I don't know if this is where it came from, but it is in the back up. No. 60 did show the proposed budget having \$200,000 for heritage grants. What I'm hearing is that was inaccurate.

[11:01:14 AM]

It's actually 500.

>> Tovo: I'm talking about believing I may have seen it in some of the publications that came to us through other means, not item 60. Thank you.

>> Mayor Adler: Mr. Flannigan.

>> Flannigan: I want to make sure I heard something correctly about the level of reserves.

>> We're a little bit below the 90 day. We're at about 2.6.

>> Flannigan: Wow. I'm very concerned about that.

>> So am I. I share your concern.

>> Mayor Adler: Can you address -- I want to ask the question what is the impact of the budget reduction of \$2 million? And then I want to know the impact is of reducing the transfer to cip of the 6.6.

>> So that's a great question. Thank you for asking. So we are still kind of working through what all of the exact line items would look like. The things that we know for sure at this point would be a significant cut to our advertising budget. We would have to hold salaries flat. We would look at restructuring some of our benefits to release some costs there. And then we would be looking at across the board cuts for all of our departments and programs of varying amounts to ensure that we could still meet our contractual obligations to the city with a reduced budget. We feel like we're obviously not happy with the \$2 million cut but we feel like we could meet our contractual obligations with that \$2 million.

>> Mayor Adler: Thank you. Can someone speak to the impact of the reduction?

>> Mayor and council, director of the convention center. It could affect the timing of some of our projects. One of them we may delay the big one, which is the phase two of the marshaling yard. We may look at.

[11:03:15 AM]

We do believe we can continue operating the facility in the same way. Continue upkeeping the facility, but we're going to be very careful on looking at the projects very, very carefully.

>> Mayor Adler: What does it mean to delay phase two of the marshaling yard?

>> Well, that's the big number. We're going to take a look at it to make sure we're there with that number. That would just delay the opening of that yard, the construction that we need to get the trucks and technology and things to marshal.

>> Mayor Adler: Will you describe what what a marshaling yard is?

>> Council recently approved us purchasing some land and we're going to create it into a marshaling area first. And then phase three will be a warehouse but it will be where trucks will go to line up to be queued in to come downtown. We're taking all the truck lining up that would happen in and around downtown and take it out to the yard to be systematic. That's where the trucks will go to line up and, again, that project may end up being delayed by a year or so, depending on how the raw revenues continue.

>> Mayor Adler: Okay. Council member kitchen and council member alter.

>> Kitchen: Just a quick followup. In talking about those impacts, those are the impacts that would occur if you were not to take dollars out of reserves, for example, to cover those things. And the dollars in reference are designed to be able to pay off the debt sooner. So in terms of, if I'm understanding correctly, in terms of deciding where the dollars go and what the impact would be, I can understand the impact that you're explaining to us. But I'm understanding that in the context of putting more dollars in reference than are needed in order to pay off the debt earlier.

[11:05:18 AM]

Frequency, -- for example, if you shifted things around some, you wouldn't have the same impacts you just said. But if you're choosing between paying off the debt earlier and these kinds of projects that you just discussed with us. And I respect that. That's fine. I'm just wanting to point that out.

>> The reserves are funded fully based on the requirements. They're not overfunded. If we have additional funding it is going into capital, the cip.

>> Kitchen: Capital then. I used the wrong term.

>> That's the capital money that we have to determine how to balance the \$6.6 million coming out of it plus, again, being able to keep the building, you know, running and under expansion. But weighing and making strong considerations considering that it is a pretty big number that's coming out.

>> Kitchen: I understand that but I'm wanting to reflect the fact that decisions have been made over the past are also being made right now in the context of paying off the debt earlier. So and that's one of the decisions that's been made in terms of how dollars are spent. So of course that impacts how all these moneys are used and what the impact of the 6-point plus million would have on you. So another question. So -- let's see. So this assumes that you would keep your additional ftes.

>> Correct. We're not going to change our business model or the plans that we had in our budget, correct.

>> Kitchen: Thank you.

>> Mayor Adler: Council member alter.

>> Alter: Thank you. I had some questions for Ms. Heart. I want to just -- thank you. I wanted to make sure I was fully understanding some of the comparisons for last year's budget and this year's budget.

[11:07:19 AM]

As I understand it there was \$500,000 in this year's budget for heritage grants.

>> This year being '16, '17? >> Sorry, there was \$500,000 and \$500,000 in fiscal year '17. Fiscal year '17 there was a million dollars for parks related investments?

>> That was outside of our budget. It was outside of the tourism promotion fund. We didn't control that million but it was a million out of the tourism promotion fund.

>> There were 2 million that were held in reserve last year. \$1 million went to park. \$1 million went to visit Austin. \$500,000 funded heritage grants and \$500,000 funded cultural marketing program.

>> Last year you were at what number?

>> At the end of the budget project we were at 15.4.

>> Alter: And that million for parks didn't come out of that 15?

>> No. There was an additional million that was still in the tourism and promotion fund. I would have to defer to the city on how that was handled, but that did not come back to our budget.

>> Alter: But that was an increase from 13 million to 15 million?

>> No. So from the previous year we were at 14.4. And the decision was made in last year ears budget to keep us flat. We stayed at the 14.4 which freed up \$2 million. Most of that came from previous hotel occupancy tax collections. Of that \$2 million, \$1 million was allocated back to visit Austin and 1 million went to the historic preservation projects.

>> Okay. So the \$500,000 is still in the -- I'm just trying to understand the marginal impact of these things. I'm trying to figure out if it was in your budget and now we don't have to do that.

[11:09:22 AM]

>> The \$500,000 for heritage grants and extra marketing dollars was in our budget. In our proposed budget for fiscal year 18 we maintained that \$500,000 level. Obviously if we need to go back and rework \$2 million out of our budget we're going to have reductions across the board.

>> Alter: Okay. Thank you. I think that answers my questions for you. Thank you.

>> I hope that was --

>> My question is not -- my question is about marshaling yard.

>> Mark tester.

>> You basically said you would just delay that project if that \$6.2 million came out of your budget. How would that affect traffic? Where were you doing your staging right now?

>> We're working very hard with the contractors. I would say we are planning on keeping all the rest of the projects in and hopeful that our projections work so that we can keep the marshaling yard project in. We are really leaning back on the contractors that are working in the building to secure other locations in and around the area. The challenge has been there hasn't been anything of any substantial. So we're really pushing it back on them. And we want to take control on it in order to really, you know, make traffic the best we can.

>> Have you gone into contract to build that facility? I know we gave you permission to go ahead and purchase the piece of land.

>> We have gotten approval on phase one, which is fencing and some other improvements in the area. But not the big amount.

>> So could you just defer -- I knew that there was going to be a structure there, a building.

[11:11:23 AM]

That has to be built right away? Is that necessary for the whole project?

>> It is not. That actually is in phase three. Phase two is the one that we'll be doing all the surface improvements and also all of the plumbing and all the things that would be prepared for that building, but we just won't fund the full.

>> So you couldn't have trucks just parked out there?

>> Yes. And eventually with a warehouse and hopefully showers and things like that for the trucks to enjoy while they're waiting.

>> Okay. So what are they using now? I know they used to park over there at saltillo. And that's now gone. So where would all these trucks?

>> They're trying to grab some lots on a short-term basis when available. The lots over there were utilized quite often. I believe one of the general service contractors has a lot that they use now and again way down martin Luther king. But they are actively -- they want to partner with us and make sure that this is a great option for everyone.

>> Okay. Thank you.

>> Mayor Adler: Ms. Kitchen.

>> Kitchen: I wanted to circle back. This is a question for Mr. Nuneen. I wanted to circle back to the facilities and maintenance budget. I understand the difficulty in not being able to point to a specific budget for some of these other facilities. Do you have data that could give us an idea about estimating the percent of a budget that would go to maintenance? I would assume that each of these other facilities that we have talked about, particularly since they have larger budgets, have some understanding of what kind of dollars they need to put towards facility maintenance.

[11:13:23 AM]

And so I guess my question to you is how would you estimate that? You don't have to answer that but I would like you to think about how you would estimate what the dollars would be for the other types of historic properties we have, like the botanical gardens, like the Barton springs pool, like many of the

others. There's a long list of them. The municipal golf course. There's maintenance kinds of budget items in virtually any or all of our facilities. So, again, I would just ask you to give some thought to how you might estimate what that would be.

>> I want to look at two pages in volume one on the convention center. Let's see, on 641 we have the revenue bond redemption fund. And I see that we have a beginning balance in each of the last three years and then we have a mandate and proposed. We have fiscal year 15, 16, and 17. Amended 17 and proposed 18. And those numbers -- I don't know if we can get them up on a screen somewhere. Are relatively similar. It's like 8.9, 8.7, 9, 9.1, 9.3. At the bottom the ending balances aren't too different. There are transfers in in the middle. And I'm assuming some payments on the bond debt. Do we know what the annual payment on the bond debt is? And then followup question is why would we continue to have a \$9 million beginning and ending balance on the bond debt, assuming that it might -- we might save some interest by accelerating those payments.

[11:15:34 AM]

>> Mayor Adler: Manager.

>> Yes. The debt payment is about a little less than \$17 million, which is the amount that's being transferred in. We transfer in revenues to cover the debt from the pledged revenues. And you maintain a beginning balance and an ending balance that are relatively the same because the bond covenants require that reserve fund to match, I believe, the last payment on the bonds. I may be not exactly correct, but there is a level set in the original bond ordinance that calls for a reserve that will not significantly change from year to year. And that can be used for the final payment. And that's similar to our utilities. They have the same situation.

>> So for the final payment then that ending balance would go down to next to zero. So you wouldn't have to encumber moneys in whatever year that is.

>> 2029.

>> 2029 or sooner if it were accelerated.

>> Correct.

>> And then on page 643, which is the convention center operating fund, we have an ending balance, depending on whether it's '17 amended or '18 proposed. \$21 million and \$22.5 million for the proposed. It looks like we have had a healthy ending balance in the convention center over the last three years. Is this where the funds go that go into that reserve? Are these -- is this the revenue that goes into the reserve fund?

>> That's the operating reserve. They have a financial policy that requires, I believe, 180 days of operations to offset any economic downturns.

>> So I had asked previously to get a hold of the financial policies from the convention center. And we know that it's 180 days but that really doesn't have any meaning in relation to the detailed questions that we have been asking.

[11:17:41 AM]

So I would like to have that. If we could get that for everybody on the council. And then also see where the -- I think you had told us, city manager heart, that through approval of the convention center's budget that we had also approved their 180-day reserve funding policy.

>> The financial policies are in volume two. The convention center policies are on page 852 and they are part of the adopted budget every year. Any changes are reviewed by the audit and finance committee before they are recommended to the city council. We didn't have any changes in these this year.

>> Right. I don't remember having that conversation. Volume two page 852. Thank you.

>> I'm not sure who to direct this question to. But can you tell me, I think it's really great that you all do gain sharing. Where is that parked? Where are those funds -- where can I find those funds?

>> I'm going to have to defer that to the convention center. I don't know that you would see a line item in the budget for that. We could certainly get you a line item. We could probably drill down through our new open budget tool on the website and get there, but that's a level of detail that's beyond the presentation of our budget document.

>> And would that -- I would find that in every department enterprise fund that has gain sharing.

>> It would be the airport and convention center. We can get you the dollars amounts for you.

>> Okay.

>> Mayor Adler: Mr. Casar.

>> Casar: A general sense of what our schedule is for the day would be helpful and me and my staff's scheduling as to whether or not we are planning on taking executive session with lunch or if we're going to have a lunch that's separate to handle other business.

[11:19:47 AM]

If we could have a sense of how long we want to do hot and other things. I think that would be helpful for me and others.

>> Mayor Adler: I was thinking we would go into executive session and come back. It doesn't make much sense to do that now that we're after 11:00. It makes more sense to do the executive session and lunch at the same time. So when lunch is ready or available to us then we could break to do that. We could either stay in the meantime, continuing the conversations and questions on hot as best we can. Or we could begin to turn to the budget items where we were going to begin our conversation with revenue issues. Does anyone have any more questions they want to ask at this point on hot? Or are people ready to start turning toward the budget? We have other presentations to be made?

>> Yes.

>> So we need to get the second presentation pulled up.

>> Mayor Adler: Let's go ahead and do that. Thank you.

>> Mayor pro tem, members of the council. This is just a presentation to offer a variety of staff amendments to the budget we proposed to you on August 2, just to reflect some changes that have occurred that weren't known at that time or potentially to correct any errors or oversights. First item on this list, these are a list of general fund amendments. The first one being related to a memorandum that you recently received from acm airano as to do with the change of the county's provision of emergency medical services to the pflugerville area. Those services are now going to be covered by district 2. So the county will be reducing services to that area.

[11:21:50 AM]

And that corresponds to 18 fewer positions. These are all vacant positions. There will be nobody losing their job. The service delivery is switching from Austin Travis county E.M.S. Over to emergency service district no. 2. Again, there was a memorandum on this. This item backs out 18 vacant sworn staff from emergency medical services and would reduce that budget by \$1.5 million. Like wise would reduce the reimbursement revenue by \$1.5 million. This was currently being paid for by the county and now it won't be. The second item has to do with the discussion we had about parking validation. This is something council wanted to see changed. There was a memorandum on this item as well. We're proposing to not offer that extended validation. It will still be like a standard. I believe it was a two-hour validation but there won't be any extended parking validation offered by dsd. That would reduce their expenses by \$400,000. Like wise, a reduction in revenues by \$400,000. The idea was this would be covered through development fees. Instead, the people that are using those extended hours would have to pay for the parking. The third item has to do with parks and recreation budget. It's tied to this hot reallocation discussion that we just talked about. So this would actually put what we call an expense refund into the parks department budget. This effectively lowers their budget by \$280,000 and those

staff that are doing those eligible activities that we talked about, they would now back charge their time to this new historic preservation fund, which will create in a couple of slides. That is an item that would increase the pool of money available for council's concept discussions by \$280,000. This is an item.

[11:23:53 AM]

You know for the last couple of years we have come forward to council with a year-end item to transfer unexpended funds from council departments or offices to other city departments. This year there was a request that instead of doing that was there a mechanism whereby offices could carry forward their unexpended funds to the next year. Staff does not have the authority under the charter to do that but by accepting this amendment to the proposed budget we would make that happen. You can see the amounts that would be carried forward. These amounts would just be added to the fiscal year '18 budgets for those district offices, a total of \$86,149 for the mayor and council department. Moving off of support services fund on to our Austin energy. There is a power supply adjustment. You can see here that we are proposing to increase the revenues and expenditures to reflect the change in the power supply adjustment. But, likewise, to match the power supply revenue to the budget expense. We always match that two line items. So there will be a power supply adjustment in as a revenue and adjustment as an expense. We just collect the revenues and it goes right back out to pay for the power that creates the electricity that Austin energy then utilizes. That's a \$6.8 million adjustment there. This is the creation of the historic preservation fund. So this is something staff is recommending that's consistent with the presentation I just made to create a new historic preservation fund and to fund it with a new allocation from the hotel/motel occupancy tax fund. We're creating that fund and we would allocate \$8.6 million to it. In that fund we would appropriate \$280,000 for that expense refund that I talked about.

[11:25:57 AM]

They will have an account to charge their time to. We'll appropriate \$220,000 so that part can fund some new expenditures that are appropriate and eligible to fund. \$8.1 million that would be a transfer to parts capital budget for historic preservation projects. At the end of that memorandum that I think we passed out, the memorandum that the parks department sent to the budget office yesterday, there's a list of projects that will be potential projects to be considered. There is a list of eligible projects at the end of that memorandum. Finally, to round out the \$8.6 million, we need to decrease the transfer that goes to the tourism and promotion fund by \$8.6 million so that everything balances out. Some other changes to special revenue funds. These are all related to our downtown south congress and east 6th street public improvement districts. This is to sync up the budget. When we put the budget together we are estimating where the final assessments will land. Now that we know, this just syncs it up to the

council action you have already taken. Another special revenue item had to do with the university neighborhood overlay fund. And the housing department is proposing to increase the appropriation from that fund by \$929,820 to fund lead abatement. Basically lead abatement of properties within the overlay district. This is a large dollar amount. Debt service funds. \$49.6 million reduction. So this is a capitalized interest fund that we set up for the revenue bonds that are sold for our airport. What happened here is when our treasury department gave us the number, they gave us the number for the 2018 issuance as well as the 2020 issuance.

[11:28:08 AM]

We're a little bit away from the 2020 issuance and this is correcting that error. A reduction of \$49,559,000. That's just to true it up to the debt issuance that will be occurring for fiscal year '18. In regards to the capital budget, we would be increasing park cap from Morris Williams golf course to appropriate funds that came in from insurance proceeds related to their maintenance barn. The next two are both related to the hotel occupancy tax reallocation, \$8.1 million increase in park cap. And \$6.6 million reduction in the convention center's capital improvement program transfer. So that's it. I'll just remind you, I'm not going to read item 2 because we're not there yet. I want to remind you you do have the new Austin energy tariff and a strike-out underlined version of some changes we are going to be proposing to our fee schedule. I just wanted to give you a chance to review those materials two.

>> Alter: Thank you. I just wanted to clarify for the Austin energy power supply adjustment that that's not changing the rates. That was an accounting change in terms of getting all the numbers straight. We already -- straight. We already had that captured in the proposed budget in terms of the rates?

>> The rates will be in that tariff item two. When you do that item two to adopt the fees and tariffs that will happen. It's not currently in the proposed budget. We need to correct that when we get to item number two.

>> Alter: So there's a change from the Austin energy rates from what we've seen previously that's on the other sheets. Is that what you're saying? From what we were given earlier?

[11:30:08 AM]

>> From the proposed budget there was a change. There's actually a reduction and that's why you want to see on that one handout where we talk about the rates and taxes for a typical ratepayer, the Austin energy amount is now down to \$1.95. I believe it had been 3.22.

>> Alter: Thank you. For my colleagues I wanted to clarify on page four with the roll joes from contributions -- with rollovers from my contributions with my office and the others that are helping to fund the diversity training we were asked to roll those over into the next fiscal year and they're captured in there. And we can take off of the concept menu the diversity training \$20 million because we have the aid offices that responded that they wanted to participate with two to six members of their staff are fully covered if additional people would like to attend they will have to find their own money because they have not spoken up that they wanted to be participating through that, but we do not have the additional \$20,000 because we have it covered through that. If anyone has money who is participating that they are now rolling over and would like to reduce the amount that some of the rest of us are covering, we would welcome those conversations, but we do not have to have that item on the concept menu because we have sufficient funding so that all of the council offices that wanted to participate and the staff members that we were given are able to do that.

>> No. That's it, mayor, we would be offering the city manager's proposed budget to council with those amendments that I just outlined for you.

>> Mayor Adler: So in a moment what I'll do is I'll read through the script.

[11:32:10 AM]

Hopefully someone will move to adopt the -- to move the manager's budget with amendments and then we can then start making amendments to that. We'll have a budget motion in front of us. Yes.

>> Kitchen: Just a procedural question. So I would be thinking that what we would want to do is we don't want to move and adopt the budget amendments that are brought forward because we still have further discussion about some of them. So if we want to parse some of them out I would be okay with that, but regardless I don't think we should move forward with adopting it at this point.

>> Mayor Adler: They come to us as the recommendation now of the manager. It might be easiest just to put on the table in front of us the recommendation as it comes from the manager and then we can make changes to it, including changes to the most recent changes that they've made as well as to all of the changes that they've made.

>> Kitchen: Procedurally that doesn't seem appropriate to me because we're not -- I don't know that we're going to adopt all of these items.

>> Mayor Adler: There are probably lots of the manager's budget that we may not adopt. The question is do we want to start at a base level with what it is that the manager has proposed? Which includes these amendments. And then as a council we make changes to those.

>> Kitchen: Well, with regard to the --

>> Mayor Adler: Because we'll make changes to other parts of the manager's budget too that --

>> Kitchen: But with regard to the -- maybe it's just me, but with regard to the hot tax, for example, as far as I'm concerned that's not aligned with what we voted on last week. So I'm really --

>> Mayor Adler: But there may be other parts of the manager's budget that are also not aligned with what the council wants to do. I'm having trouble differentiating a non-alignment with respect to the police budget or anything else as opposed to this. I don't see that there's a strategic change or a substantive change.

[11:34:16 AM]

It just gives us a base budget to work off of. That's what I would propose.

>> Kitchen: Then what I would propose is that we divide it out because I'm not prepared to vote at this point on the proposed changes that relate to the hot tax allocation.

>> Mayor Adler: And I won't ask for a vote. I'll just ask for a motion. So item one that we'll consider is adopting the city's budgets for 2017 to 2018. The staff has made a presentation with amendments. Is there a motion to adopt the staff recommended budget with amendments? Does someone want to move adoption of the budget? Mr. Renteria moves adoption of the budget. Is there a second to the budget? Mr. Casar seconds it. We now have a motion in front of us which we now will enter into discussions to talk about. I understand, Ms. Kitchen, but there's not a need to take a vote on it at this point. We said that we were going to begin our conversation talking about revenues. I'm going to recognize mayor pro tem to talk. I asked my staff to go through the concept menu conversations that we had last week where people were identifying priorities, just try to pull them together on one page. So they pulled together what I understand to be those items which had more than one councilmember indicate was a priority or something that was represented by resolution. I am sure that there are probably some things off this list that we didn't catch, but just by way of tool, I'm going to hand this out so that people could see it on the dais in case it might be of any help. Mayor pro tem?

>> Tovo: I have a question about the staff amendments as it relates to the hot funding. And I don't believe -- I had to step off the dais and was listening to you on TV and there was a little bit of a lapse. I apologize if someone asked this question and I missed it.

[11:36:16 AM]

I understand that the allocation would be directly to pard and I think that's appropriate for most of the expenses, however some of the projects that I hope we'll have an opportunity to talk about in our executive session are the red river historic cultural district and some other projects that really involve other departments beyond pard, including our economic development office. And so I just want to should be a conversation about how we would fund, say, signage along the red river historic cultural district if the indication is to pard, is that a challenge, should we try to -- whatever the allocation ends up being, have some of that either not identified right now which department the allocation would go through or have it all go through pard with the understanding that some of those projects exist in other departments?

>> I think one option would be to simply not allocate \$8.1 million to the pard cip and just leave it in the historic preservation fund that we're creating through these actions and then council could have that discussion and staff could come back to council with a refined recommendation about this purpose for this department and this much for this purpose in this department. Today the only thing staff is really ready to recommend is the list of projects that pard has identified in that memorandum that we've passed out, which is in excess of \$8.1 million. That's an option to park the money in the historic preservation fund and come back and discuss how it should be allocated.

>> Tovo: Thanks. I appreciate these options. I will note last year when we did that I did highlight economic development and some of the potential projects within that including the red river cultural district and I'm not sure -- I don't know if they were not very involved in those conversations or what happened exactly, but that didn't happen. They ended up coming through pard because of course we have a lot of needs there. So whatever we do, let's not lose track of the fact that there are projects within other departments.

[11:38:18 AM]

Thanks for outlining those options, Mr. Van eenoo.

>> Mayor Adler: Okay. So that will begin our budget process. We talked last week about beginning to talk about revenue items. At this point the budget that is on the table in million dollars of general fund of recurring dollars not designated and one million dollars roughly of long-term -- of one-time revenues. Not designated. Does anybody want to propose additional revenue sources for us to discuss?

>> Pool: Can I just check on which of the documents we're looking at? Is it the one that you passed out that says mayor at the top?

>> Mayor Adler: The only thing that is on the document I passed out were the expenditure items that when we went through priorities were mentioned by more than one councilmember or were the subject of a resolution. It's not perfect because I'm not sure I got it exactly right. We had some people that didn't give us priorities. There were some people that indicated more than 5 million dollars' worth of

priorities, but I think this was just to try to serve as a general tool. So what we have is just the base budget as it's come from the manager as amended, so we're now talking about possible revenue additions. That might be available in front of us. And we can talk about owe on he if someone wants to talk about additional revenue other than the four million and the one million, now would be the time to raise the subject for us to discuss.

>> Pool: Last week I had mentioned -- I wasn't here on Thursday, but my staff passed out some information on the incentives that the city pays out to a variety of different entities.

[11:40:26 AM]

And I wanted to make a point about them without talking about any single one at this time although I did bring up the domain. So that should be on the table and it was about \$2 million in fiscal '18 payments, but it also includes encumbrances for the out year so it's really double the -- that chart that we have that was on one of the questions that were answered. I think it was on question 116. It had a charted at the top and a chart at the bottom. And those numbers are -- it's my understanding half of those are encumbered this year for next year and the others were encumbered from last year for this year. Maybe Mr. Van eenoo can clarify that. So when I was talking about 1.3 million and 466,000 for sales tax and property tax incentive payments to the domain, there's also the money that would be encumbered for fiscal 19 for payment.

>> You wanted -- you were interested in just the domain piece, though?

>> Pool: The chart showed all the various incentive 380 agreements that I have. The one that I've been focusing on because it's in district seven, was the domain, but the question was at a higher level than that. Those two charts that were on the page for the answer to -- I think it was 116, does that mean that it's actually double those amounts? Because one year is a payment and one year is an encumbrance for payment next year.

>> I think we'll have to get back to you on that. We're debating it here. But we'll follow up and get back to you on that.

>> Pool: That would be really important for our conversations going forward. Thanks.

[11:42:34 AM]

>> Mayor Adler: So if we're going to have a conversation, I can't support a reduction or a savings associated with the incentive payments where we reached an agreement with someone and they have -

- and we've moved forward on it. My understanding is that we've only ended those agreements where someone fails to perform, but when someone is performing it's not something that we have -- that we've done. And I think it would be a really bad precedence to set. Some of these folks, my understanding, performed some of their obligation at the very beginning of the time period with an expectation that over time they will be paid back for whatever it was that they did. Some of them have continuing obligations to provide affordable housing as in the domain, and I want them to continue doing that. I just think it's just a really bad precedent for us to set. I recognize that all of our contracts say that in any given year we can end them, but I think there's an expectation that barring an emergency or some exigency we won't. So I'm going to need to vote no on changing the incentives.

>> Houston: Can I ask the staff about how long do the incentives for the domain last? How much time is left?

>> We have staff from economic development who can respond to that.

[11:44:51 AM]

>> Good morning, sill nova holt-rabb. The final date for the incentive agreement is 2027.

>> Houston: Do you know if they protested their property taxes?

>> Not to my knowledge, but we can double-check. I'll have staff to double-check that.

>> Houston: Would you, please?

>> Mayor Adler: Ms. Kitchen?

>> Kitchen: My question relates to the domain agreement. I know that agreement was made a number of years back so I would -- I'm wanting to understand what it is that they could provide. In other words, what is in the contract that is tied to us providing these incentives? What is their performance under the contract?

>> Currently they have us to meet a job requirement and remain with the affordable housing requirement as part of the agreement, but we can get you details on the specifics of the contract.

>> Kitchen: So both of these were on the original contract in 2007?

>> 'Em.

>> Kitchen: So those are the only two things, the job requirement and the affordable housing?

>> To my knowledge, but on the construction side I would have to get more details on the construction of the agreement.

>> Christine McGuire with the economic development department. They would also have to deliver phase one of the retail space, which was defined as the catalyst for phase two and phase three. But really it was phase one for the retail of the center.

[11:46:55 AM]

>> Haven't they done that?

>> 'Em, they have. In addition, synovia -- Ms. Holt-rabb mentioned small business requirements. They were to set aside a million dollars to promote small business development to actually recruit those into the center and they have also fulfilled that obligation as well. And the agreement, what still remains is the affordable housing that continues for the length of the agreement. And the jobs. And that is what they still report on, both job creation and the affordable housing.

>> Pool: Can you tell us what the affordable housing piece is?

>> I can get you details on that.

>> Pool: I think it was ten%. And then more details on the number of jobs. I think that was 300,000.

>> 300,000 jobs?

>> Pool: No, dollars.

>> Mayor Adler: Councilmember Garza?

>> Garza: The job part of it, was it number of jobs and was there any wage level tied to that?

>> I will need to get back to you on the details of that.

>> Garza: Okay.

>> We do track number of jobs, but the wages we needed to check on that.

>> Garza: As part of the agreement, do -- councilmember pool read some things last week that said we could voluntarily get out of this agreement. Is that true?

>> There is a legal -- I think you all received a memo from the city manager's regarding this question that did come up a year ago. Contractually they have performed under this year's agreement for which we are appropriating money for. So contractually I think that is perhaps legally a different issue and I would turn this over to law to speak to that.

[11:49:00 AM]

But I do think in the out years where they have not performed under that, that's a different matter, and that would be for fy2018. For -- I'm sorry, for fy2019.

>> So we did provide a memo to mayor and council last week on that question and provided the information we had last year when this came up about maybe making a change prospectively, that's what you want to do maybe retroactively after the project has already fulfilled its obligations under the chapter 380 agreement.

>> Pool: And if I may, that is why my original question went to the money that would be paid this year versus the money that would be encumbered for next year. So we need clarity around the fact that we do actually encumber monies a fiscal year in advance. So that -- you can see where I'm going with that.

>> And we have those numbers now. So it's \$2 million would be the payment this year, which would be a payment of monies we've already collected. So we would look at that as kind of a one-time money. But then the money that we're collecting on an annual basis is \$2.1 million. It would be a total of four million dollars. Two million that we would look at as one time and 2.1 million would be an ongoing amount that potentially would not be paid anymore.

>> Pool: Thank you.

>> Kitchen: So if I could understand that. What that means is the two million paid this year is for performance -- for things they've already done. But we're also having our existing budget right now, 2.1 million that we would be setting aside. So if the council were to make that decision then we could choose not to set aside the 2.1 million because they haven't performed on that yet.

[11:51:01 AM]

And then -- so that's the difference in the pot.

>> That's correct.

>> Kitchen: Okay, thank you.

>> Mayor Adler: But haven't they performed years ago already for things that they're going to -- we said you do something in year one, we're going to pay you money over the next 20 years. It's not like we're just paying them for next year for what they do next year. Aren't there elements that they've already done?

>> So we're now in the September of 2017 so they have been working for the nine months under the agreement and we anticipate that they will meet the requirements of compliance.

>> Mayor Adler: I'm not talking about their yearly assignments. What I'm asking questions about at the very beginning of this, we incentivized them to build a project. They built the project. We agreed what kind of project they would build and we put community demands in order to be able to receive incentive and they performed on that. They structured a center, they brought in jobs, we've created a second downtown area that we're going to try to want to do more and more of many of us in order to not have all our downtown areas downtown. And then there was an election of the people after it was done to see whether or not we would abide by this and the people voted to abide by the -- to abide by the agreement as I recall. Is there any of that or is it every year --

>> They did fulfill on their obligations of creating the center and the one million dollars for small business development. The ongoing obligations for job creation and affordable housing are ongoing to the agreement. So as synovia was saying, they are operating and has been operating under the understanding that they are fulfilling their obligations.

[11:53:02 AM]

They have had no negative findings in terms of our analects audits that they have done. So they're halfway through their performance for the funds that we're appropriating through this budget and they have not received any notice for nonpayment. Any notice that they would not receive payment for this coming year's budget. So to answer your question, in part they fulfilled their obligations and have been doing so throughout -- with not just what they were obligated to complete upfront as a performance based contract, but ongoing as well in terms of affordable housing and job creation.

>> Pool: So mayor --

>> Mayor Adler: Hang on a second. Councilmember Garza?

>> Garza: I mean, I agree with the mayor and the concept of if you have an agreement you installed fill it. But what I don't understand is if that was the agreement my assumption would be if we got out at this point that's a breach and it's something that we shouldn't do. But if it's a breach -- why is it voluntary? When they signed that agreement, from what I understand, we could voluntarily keep out of this agreement. So that's why I'm -- if we're even having the discussion that means we can get out of it.

>> And I believe in that agreement there is language that we have in all of our 380 agreement. I'm now looking to the attorneys to agree that council must appropriate. No one council can obligate future councils. So there is language --

>> Garza: I guess that was my question. Is it like a technicality that while we enter these agreements, council ten years ago can't bind us. That's why it's voluntary, but we all know we should follow through with our promises kind of thing?

[11:55:08 AM]

>> Mayor Adler: Manager?

>> Yes. There is standard language that we put in all of our purchasing contracts as well as other contracts that states that the contract is subject to annual appropriation of the council. That is a standard along. This council cannot obligate future councils, prior councils cannot obligate this council. That is standard language. I can't believe when we entered into the contract we police department to use that to get out of it. But if we had a downturn and we had to get back on a lot of different programs, that would be the vehicle we would use to reduce our obligations. It is with any contract that we do, though.

>> One thing that I would like to state, even though we were not -- I was not present for the negotiations what these agreements are often predicated on is the quid pro quo with the developer and the city in some sense kind of making that obligation in a net present value term. And that is how this agreement is structured. This agreement is structured that when this deal was struck in 2003-24 it was projecting with the developer and the city this give-take of a stream of revenue in net present value terms. We have not fulfilled that net benefit that we had as part of the negotiation and that is stated in the agreement. That future revenue stream is 25 until dollars net present value terms in \$2,006. The calculation is a little different because it was based when co's were pulled. I will say that even though everything is sewage to future -- everything is subject to future preparation, what the expectation of endeavor and then Simon when they stepped into endeavor's shoes, it is suspended and that part of the equation is the city is not going to meet that obligation.

[11:57:28 AM]

There is no claw-back, however. So I just wanted to state that that was the expectation at the time in the contract.

>> Mayor Adler: Ms. Houston?

>> Houston: Are the number of chillers in the contract? Since I've been on the council we've purchased chillers for the domain. Is that part of the contract?

>> I will have to get back, but no, it was not part of the original contract but I will get back on any of the future details on future amendments with regards to the chiller.

>> Houston: Because those were very expensive if I remember correctly.

>> 'Em, they were. We'll get back to you on it specifically.

>> Pool: So I appreciate you bringing up the original value of the contract and the flow of community benefits, the funds that would flow to endeavor and now Simon. The net present value today is 25 million and when the contract is over it would be up to 40 million, is that correct? We can do those calculations, but that's significant. The reason I say it's significant -- none of us were at the negotiating team at the onset but this strikes at me even before I was on the dais about how the city of Austin contracts with developers. The developer promised ten% affordable housing set aside, which we've seen those numbers. That was in another budget question which is about 62,000 -- I don't have it in front of me, but ask thousand dollars either this year or last year. It was a small amount of money, and that was the largest over the last seven years of the contract. You add those up. That's how much they've given us. There was a one-million-dollar capped allotment for independent businesses.

[11:59:28 AM]

I go up to the domain frequently and I don't know what small local businesses are there, like Austin independent business alliance type businesses. I don't have a list in front of me of what businesses might be up there who are taking advantage of the great economic development activity that's going on in that retail hub of the city, but a million dollars over the course of 20 years is meager for our local independent business entities in the city and it wasn't very much but that was bargained away back in that period between 2003 and 2007 when this deal was completed. The other piece was I think some funds -- what was the other one? There were three assets -- the jobs. So we don't know where those jobs are. We don't know how much they're being paid. We don't know what kind of jobs they are although we've been trying to get this information. And I hope we can get that information from the economic development department because it's been a little tricky getting that. My point over all of this is to bring all of of this to the surface. We have promised in excess of \$25 million to the domain over a period of years. They have already given us the small benefits that they promised us and they are going great guns at the domain. There's significant money coming in in sales tax, that's the 1.3 until dollars. And I think the property tax reduction is about 466,000 for this year. My point is that we are in my mind at a place with this budget for fy18 where allowing these additional incentives to go out the door needs to be scrutinized really, really carefully and we need to balance the money going back to the national developer or Simon properties which owns and manages the property.

[12:01:33 PM]

It's no longer the builder. The builder sold. We need to scrutinize. Now, I am only looking at this one entity and you all have the list of all the other incentives that are being provided by the city both for this year and encumbered for next year. And that's significant amounts of money right there. Many of us campaigned on reducing or eliminating or yet again not granting incentives to bring businesses and firms here to the city. And that was a platform plank that was heartily endorsed and supported by the electric when they were casting their ballots. I remember conversations, especially back in 2014, where it was a big deal. I will just add one additional piece of information because I don't want to take a vote on this particular item today. I will not offer a motion on it. We are still gathering information. I was surprised it wasn't part of the concept menu because I did offer at least twice, if not three times, so it should have been on this document maybe because I've got so many versions of it, I'm not seeing it here. But the last piece I will remind everybody of, there was a lawsuit that was brought against the domain for these incentives and the settlement agreement which I passed out a week or ten days ago on page two, the top paragraph, specifically says that in the event of a rescission following the city's failure to appropriate funds and make payments due pursuant to the amended 380 agreement the owner should not be entitled to recover any damages from the city, a return of any amount paid for the domain fund which I am noting is asking to do, a return of any amount expended by owner in furtherance of the project. There was a lawsuit on this and the settlement agreement was an open eyed agreement by endeavor to back off any kind of action against the city actually through the person who was suing them, but it was an agreement that affects the city.

[12:03:47 PM]

If we can't have this discussion openly and in great detail, if we insist on simply putting it aside by saying this is a contract that was made back in '07, but we can't talk about it now or even investigate ways to free up the revenues that are going to the domain, then I would question that. I do think we need to dig into these and I think we need to look at them very carefully. This dais has not been eager to provide incentives. It was a close vote on Merck. And I think that close scrutiny was definitely a good thing so that we would all understand that \$800,000 over ten years. This is 25 to 40 million over 20 years. I want everyone to be thinking about that. I will bring in back later, but I hope to see this as a revenue piece in the next iteration of the budget concept menu. Thanks.

>> Mayor Adler: Ms. Kitchen.

>> Kitchen: And I would like to ask for some additional information. I know that councilmember pool has been trying to locate this information, but perhaps we can get this information for staff. I'd like to see the language in the contract for what it is that we are requiring of them going forward. The job requirements. I think you mentioned job requirements and affordability requirements. I'm talking about the requirements going forward. Specifically whether or not there are wage -- I'm looking to understand

what the language of the contract says with regard to the types of jobs, the jobs, the number of jobs, the wage levels for the jobs, whether the jobs are supposed to be local.

[12:05:53 PM]

These are all the kinds of criteria that this council has looked at recently. And I just don't know whether those were included with what is ten years ago now. So I'd like to have that information. Then I'd like to have the information also. And I'd like to have the information with an excerpt from the language of the contract so I can actually see what the contract says. So that would be very help. And I think there was some mention of an affordability requirement with regard to housing. I would like to see that and whether or not it's been fulfilled. And I would just say that -- I mean, yes, I certainly agree with the -- the in general approach that we want to keep the agreements that we've had, but the reason that we have the termination language in it that we do is because circumstances change over time. Circumstances related to our budget. And I for one think we are in a very serious time with regard to our budget. We do not have the kind of dollars that we need to be looking at in terms of a whole range of needs for the people that live in this community. So we have to look at and have these kind of conversations. And I agree with councilmember pool and thank her for bringing this forward to have this kind of conversation. I also agree with councilmember Garza in the sense that it's not a breach if I'm understanding correctly for the council to get out of the budget -- to get out of the agreement. So to my mind -- to my mind the language would be more tightly written in terms of our ability to get out of the agreement. The third piece of information that I wanted to make sure that we had was the -- I think someone had asked about -- maybe it was -- I forget which councilmember asked, but that's the information related to their property taxes and whether they had challenged their property taxes in the past.

[12:08:10 PM]

>>

>> Flannigan: Mayor?

>> Mayor Adler: Mr. Flannigan and then Mr. Casar.

>> Flannigan: I think it's important to understand that we're having the conversation now. So it's kind of unnecessary it say how necessary it is to have this conversation. We're having it now. But more importantly, every time as a city we talk about going back on a previously agreed agreement, the next agreement becomes more expensive. This is how business works. And we routinely and regularly

contract billions of dollars with the private industry in a whole host of ways, a number of ways. And of time we make it more difficult every time, we send a signal to the community that we're not going to hold ourselves to the agreements that we make. The next negotiation we go into becomes more expensive. It becomes harder to get good community benefiting. It becomes hard to do these agreements better. When it comes to the domain we had an election in 2008, and a huge, broad community conversation where we simultaneously acknowledged that we didn't really like this domain agreement and we changed our city policies and we changed every future economic agreement that we've made. We've even done that again and again several times over, but the community said we believe the city should hold fast to the contracts and agreements that it makes. The community sent that signal in a very large way in no one certain terms we should be keeping to the agreements we make as a city. There is no confusion when it comes to this domain agreement that there are parts of it that the community doesn't like and we've changed our policies so that we never make agreements like this one again. But I think every time we talk about making it more difficult or every time we talk about our willingness to cancel agreements, the next agreement becomes more expensive. It becomes more difficult to get community benefit, it becomes more difficult to get affordable housing and we have to stay aware that how we operate as a city, every agreement can impact the next agreement because we can't just do this on our own.

[12:10:21 PM]

We have to work with private industry and it's a negotiation and this process matters. And I want to make sure that as we move forward as a city we can get the best possible deals we can get and we get the most community benefit we can get and we're getting the most affordable housing and the most funding for the community needs that we have. And when we're in a difficult budget year it's not the same thing as being in an emergency budget year. I think the city of Houston is going to be facing an emergency budget year over the next ten years. It is a substantially different type of budget emergency than going from big surpluses before I got here to a fairly moderate middle of the road budget year as far as I'm concerned. So I think we'll have this discussion every year when we're up here, but I think it's important to acknowledge that we're not doing deals like this anymore and there is a price to pay for canceling agreements that we've already made.

>> Mayor Adler: Mr. Casar.

>> Casar: My question has been answered by the questions asked.

>> Mayor Adler: Mayor pro tem.

>> Tovo: I know they're looking into some of the details about the contract for us that our economic development staff are. I'm reading over the contract as it is online and one thing that's not clear to me is the piece about the affordable units. I think it was done with smart housing and it talks about -- as

you're looking into the pieces of the contract as they apply on, I would be interested in sort of the baseline question that I think my colleagues have raised if we stop the incentives does the affordable housing go away. And to what extent are we receiving affordable housing and is it at the 65 percent or is it at 80%.

[12:12:27 PM]

You or the ten% of the 300 units. Thank you.

>> Mayor Adler: Anything else on this item? Councilmember pool?

>> Pool: And on that point on the amount that is being put toward affordable housing, we have asked for that information as well. We did get a high level assessment of what the past five or seven years of it was and I think the highest amount was \$65,000. Clearly /must not/ the money -- if we don't continue the incentive, that money would be replaced by allocating it out of the incentives that we don't pay over to Simon properties. I would intend that any stranded payments would be made whole directly from the amount of incentives that we would not pay to Simon. Rather than them paying it, which is a small amount each year, that would come out of the money. We wouldn't pay that. It would be a more direct and more transparent payment into the affordable housing trust fund or to buy-down mfs.

>> Tovo: Councilmember pool, I missed one word that you said. Were you talking about the Travis county payments?

>> Pool: No, I haven't seen that either. I'm just talking about the money that we get back from domain under the affordable housing piece.

>> Tovo: We would take a portion of that and help subsidize the units.

>> Pool: If it's only \$65,000 a year, which I think was the most recent year, that would come out of the nearly two million that I'm proposing we not send them either this year or not year or the ensuing years. It's about two million each year.

>> Tovo: You're saying that the value of the affordable housing subsidy is according to the information you received about \$65,000 a year.

>> Pool: It's been fluctuating over the last seven years. I don't have the numbers in front of me, but none have been \$100,000 for each year.

[12:14:28 PM]

>> Mayor Adler: Okay. If we're not going to move on this one today, we're at a stopping point and we can go into executive session. In executive session we can take up items pursuant to 551.071, the city council discuss matters related to the budget adoption. If there are no objections, then we'll take a recess. Hopefully come back out here by like 1:30. So we stand in recess.

[3:18:06 PM]

>> Mayor Adler: All right, council. We're back again. We were in executive session. We discussed one item, a legal matter. We are now back out. It is 3:38.

>> Kitchen: Mr. Mayor?

>> Mayor Adler: I handed out an amended version, says amended in the upper right-hand corner. I had left out an item that is down there, c14, c19 in the middle of the page so that now has been added back in. And other than that, this is just like the one that you had before. So we had discussion, we were in discussion talking about revenue items. Does anybody else want to introduce any additional revenue items that we might increase the size of our pie above the \$5 million that we have? Yes, Ms. Kitchen.

>> Kitchen: I do but I'm not quite ready, I was thinking if someone else wants to go first.

>> Mayor Adler: Okay. Does anyone want to go first on revenue items.

>> Garza: It's not revenue for the general fund, but it would be a cut. Is now the time to do it?

>> Mayor Adler: If that's a cut, that would free up money.

>> Garza: It doesn't free up money for the general fund. It would reduce fees.

>> Mayor Adler: That would be fine.

>> Garza: It's for Austin resource recovery. Is there somebody here? And this is what I brought up during work session. The council did approve some technology upgrades for our Austin resource recovery trucks. I'm still having a hard time understanding, there was a technology part and then there's -- now there's going to be a new rfp that includes cameras. Anyway, my understanding is we added 70 cents to folks' bills for the technology upgrade. Is that right?

>> That's correct.

>> Garza: And this coming year we're going to add 85 cents for the composting, for expanding the composting.

[3:20:14 PM]

Is that right?

>> Correct.

>> Garza: So while I understand this would not put any money into the general fund, if we decided to not go through -- because no money has been encumbered for this technology --

>> I need to make a correction on that. Generally when you have a cip and it gets approved, that money is encumbered, in other words, the money is set aside for that project. We have not received any -- and since Martha the council approved the upgrade project and the contract was executed with the contractor, they have been working with our staff on that project. So I believe we just received today an invoice. So we haven't received all the invoices from them yet. So I needed to make a correction on my memo where it says no moneys encumbered. The money is actually set aside for that part.

>> Garza: But if the council decided to not expend that money, it could off set to a degree the increase for the composting program. Isn't that right?

>> I need to probably talk to the budget office and our staff to see whether -- how it works.

>> Garza: Okay, and so without getting really in the weeds about this, that's what I'm proposing to my colleagues. I won't go into depth and ask a million questions if it doesn't seem like there's support for that. But it appears from reading the memo, I understand the justification for the technology, but I -- nothing stuck out -- it still feels like a luxury item. The money that we're expending on this contract exceeds any liability amount that we've had to pay out. There was a mention of 1.8 million over the last six years, but we're going to spend 3.5, and nothing -- and there's no -- there's no indication that just because we do this upgrade we wouldn't have had any of those liability issues.

[3:22:28 PM]

Just, you know, investing this kind of technology doesn't mean we're not going to have a liability issue, nor does the 1.8 million suggest that every single one of those issues, whatever it was, legal case that got paid out had anything to do with the truck or had a camera been there or some kind of technology been there would have changed the outcome. And so what I would suggest would be that we not do that upgrade. One of the things it talks about was cameras on the trucks to be able to see if there's contamination in the, I guess recycle bins or compost bins. That seems very big brother if we're going to be spying on people's recycle bins and compost bins to make sure there's no contamination. I know it sounds like the increase for composting is going to be about \$10 a year for people, and I know that doesn't sound like a lot of money, but when we add these fees on top of each other, it starts to become,

you know, an additional fee. So that's -- I don't know if any other councilmembers are interested in that off set option, if there is, we should talk about it. If not, I'm fine moving on.

>> Mayor Adler: Ms. Kitchen.

>> Kitchen: I'm interested in that also. So if you want to make a motion, I'll second it and I'll support it.

>> Garza: I don't know if that's a process -- or talk more about it.

>> Mayor Adler: Let me ask one question and then we'll come back. One of the concerns is that when we look at the fees that are changing this year, one of the significant increases is for this activity. One, the first one is if we were to cut this item, what impact would that have on the fees that are charged.

[3:24:30 PM]

And the second is if in that department we wanted to make a cut at that level in order to reduce these however much that reduces it, is that the cut you would recommend we make?

>> Would you like to respond to some of this? Let me just add a couple of things that councilmember Garza mentioned. Those are part of the technology. It's not the whole thing. Now, the 85 cents that you mention, that's -- a portion of that has to go to pay for the vehicles that we've already purchased. Last year we started buying some of those and [inaudible] That we didn't make the payment for those as far as the debt service for those vehicles. So a portion of that 85 has to go to that, we have to pay that. So you were talking about if whether it would -- it does something to our fees or not.

>> Mayor Adler: My question is it sufficiently large item that it would have an impact on fees which I think is the intent to lower fees, and then the second question was substantively if we wanted to lower fees by that amount, if it lowers fees, was there a lower priority savings that you would identify in the department. So the first question would be does that result in a change in fees.

>> And I'm looking at some of the backup for this item and it looks like there was a 70-cent increase for this -- for this project that's already been put in place. So I think we could lower fees. We would have to, like, look to see how much we could lower fees, but the thing to consider is that this is a one-time project.

[3:26:33 PM]

I think most of the costs are related to the capital equipment, three, three and a half million dollars. If we were to add that -- if we weren't to have that we would lower fees but it would be a one-time. Some

of this there was an operating component to this. I thought of several hundred thousand dollars a year. So that operating component -- you can't lower them on a permanent basis based upon a one-time savings. So we could do that analysis and figure out exactly how much the fees could come down, how much would a one-time reduction versus how much an ongoing reduction in the fees and report back to you, but I don't have those numbers right now. In regards to would there be something else we could cut instead of doing this project that would get to the same level of savings, I don't know that Sam would have that right now. We would have to look into that as well and come up with a different alternative to offer up.

>> Garza: I have a clarifying question for the 70. You are saying the 70 cents that was added last year was one time. So people saw a 70-cent increase only this year and they won't see it next year?

>> I'm saying the fees did go up, according to what I'm looking at the fees went up 70 cents. And some of that would have been to pay for this \$3.5 million. And if it's a one-time expenditure, it works the same way. If we just need to spend \$3.5 million more and increase rates to pay for that, once that one-time expenditure is clear, we wouldn't need the 70 cents any longer. But if there's other things pressuring up the rate, you may still need a rate increase for other things such as organics or other cost drivers.

[3:28:34 PM]

>> Garza: But I'm -- so that happens sometimes, if a department just has a won one-time corks they will see a reduction in fees?

>> That's not what I said. That doesn't typically happen.

>> Garza: But did it happen in this case? The memo said there was a 70-cent increase for this technology.

>> Right.

>> Garza: So if this technology was a one-time cost, does that mean there will be a 70-cent decrease when the technology is paid off for that one-time cost?

>> Theoretically, but depends what's going on with other things in their budget. If wages are going up, rolling out organics projects, we might need \$1.50, but with this rolling off maybe it would only be 80 cents. I would have to look at ars model for what their future rate projections are to see what future increases net of this, how that nets out.

>> Garza: And I understand that there's been some composting trucks purchased, but my understand this contract, and it's hard to glean this information from the information we've gotten including talking to the contracts person and all kinds of things, that nothing -- no equipment has been purchased. What

has been purchased is an agreement -- nothing has been spent. You said we have an you said we had an invoice yesterday, but nothing tangible has been purchased except for a software that my understanding is a company is creating this software. They're in a pilot phase, they're creating this software, that will eventually be put on the trucks and then on top of that, which we're not even discussing as part of this expenditure, is an additional expenditure for cameras. So nothing's been spent.

>> Right. So far nothing has been spent, but as I mentioned earlier, since March, since the contract was executed, our staff have been working with them.

[3:30:36 PM]

They're working on the software. They're working on some work to tailor towards what we need. And of course at the end of this month I believe we're going to have a pilot to see how it's going to work and go from there. So that kind of preliminary work, planning type work, has been done, but no hardware, nothing has been installed on the vehicles yet.

>> Garza: And one of the the city of Albuquerque there were -- when they implemented this technology there were less complaints about missed carts, but if you look at the metrics in the binder, and maybe I'm looking at the wrong one, we have a 99.9% for ontime waste collections. So are we investing this money for a .01 correction in ontime trash pickup?

>> No. The 99% that you're referring to has to do with the number of stops that we make at -- during the year. So it's maybe 25 million or so. And then the number of complaints or missed stops that we get, maybe about 10,000 or. So so that's what we're saying we're ontime 99% of the time when you look at it that way. We stop at houses over the whole year about 25 million items.

>> Garza: Okay.

>> Mayor Adler: Ms. Houston?

>> Houston: Thank you. Councilmember Garza, I want to assure you that any time a fee is increased we never see a decrease when it comes down, it just keeps going. So he was kind of skating that, but trust me, once the fee is on there, the fee has never come down.

[3:32:41 PM]

If you go by the Home Depot on I-35 and St. John's you will see all the green carts out there, so I know they have gotten those, but the other things I don't know about. But that fee will not come down.

>> I wasn't trying to skate anything, councilmember, but generally -- and I think Ed was mentioning, for example, the 70-cent fee that we had, next year we may not have as much of fees because of that. May produce some revenues that can be used as part of our ending balance and beginning balance for next year. So that the fees won't be as much. Now, the 85 cents as I mentioned earlier for organics, that's only for that purpose, for the organics purpose.

>> Garza: I know that, but I guess my point is if we don't invest in this, it would offset an increase in -- I know that 85 cents can only go to composting, but if we don't spend money, instead of 70 plus 85 it would be 15.

>> Mayor Adler: Councilmember alter.

>> Alter: Thank you. I would like to understand better what arr's legal liabilities are in terms of crashes? So it's my understanding that part of the purpose of the system is to improve our safety record and not crashing into people's cars and those kind of things, but it would be nice to know the magnitude of what we're experiencing right now in that realm.

>> And some of the things that we're referring to, whether it's in memo or in general when we talk about incidents, it covers accidents with other vehicles, collisions. It covers hitting somebody's email box, accidentally hitting somebody's car.

[3:34:42 PM]

So when we talk about incidents we'll cover all of those.

>> If I may, councilmember, we had quite a number of times where wrecks were involving Austin resource recovery trucks and so we're hoping it helps us not have the accidents it did in the liability issue. That was something that I think the director and former director was interesting in having passes.

>> Alter: That's why I wanted to know about the liabilities. If we have the decision we may have some cost savings in the short run, but in the long run it may not balance out. I was trying to understand the magnitude. I understand there are those liabilities and accidents, but do we have a sense of how much they've grown or how much they are?

>> We can certainly get the numbers for you for the settlements or judgments that we had. When they hit another car or person, they are large and very heavy so typically those cases are very high damages.

>> Alter: That's what I was guessing. I would like some numbers to understand that.

>> Garza: Newer arr trucks will have cameras, so it's not like we're choosing no cameras or cameras. So if it helps in cameras and liability issues, the new arr trucks, we already have some that have cameras. I believe they have four cameras. This new technology is totally different and it includes not just the four

cameras already on the trucks. Six cameras that are specific to the technology that is this cost, is my understanding of the information that I gathered. So there are cameras on the newer arr trucks.

[3:36:42 PM]

>> Right. Some of the vehicles that we're purchasing now have cameras. Now, there's some vehicles that we have that may have one or two. They don't have as many cameras as needed. The cameras are obviously around the vehicle just to see what's going on within the vicinity of a vehicle, not too far away from the vehicle itself. And you're right, the camera portion is different. It's not part of this upgrade that we're talking about. And just to give you a little bit of background, a few years ago when we had the rfp for both technology as well as the cameras, the costs came out very high. It was almost about six million dollars. So we sent the rfp out twice actually and the cost was very high. And that was mostly because of the amount of storage that we were requiring at the time that says, of course, now, with this upgrade we may not need to have as much storage. So because of those extra cameras would be a lot more than before. Because the cameras are not part of the project that you're talking about.

>> Alter: Thank you for clarifying, councilmember Garza. So how much more above this would we be expecting the cameras to cost?

>> I really don't know because we haven't gone out. We're working on the rfp now. So it could be maybe about 1,000 or \$1,200 per camera, but I don't know exactly how many of those are needed because we have to go through each one of the vehicles that we have to see how many have less than five or less than six. So we can get that.

>> Alter: That would be great. And how would the software or the technology that you're putting on then mitigate against accidents if you don't have the cameras?

[3:38:44 PM]

>> I'm sorry, say that again?

>> Alter: So as I'm understanding what councilmember Garza said is that we're purchasing this technology, but it doesn't have the cameras yet as part of it. And one of the rationales that was included about purchasing the technology was its ability to mitigate against the liabilities and the accidents. What I'm asking is what is the technology doing for it doesn't have cameras to mitigate those accidents.

>> So the technology itself, the cameras that currently we have for the technology, it would sense whether there's a mailbox or there's a car. For example, the automated vehicles that we have, the arm

that goes out to pick up things. So they could see that with those vehicles that already have the cameras. But without it obviously they can. Also one of my managers here has been a project -- has been a lead on this project and we can discuss the details if you would like.

>> Alter: Thank you, I would appreciate that, but can I ask what portion of the trucks have the cameras already and what portion don't?

>> That's what I was saying. There are certain numbers, especially the new ones that we have, have about five or six cameras, but the rest of them have anywhere from one to five. I don't have the exact number of how many --

>> Alter: So they have some cameras that would be working together with the technology?

>> Right. The technology -- amount razz that we would be getting would be integrated, the software that would be developed that works with the upgraded it technology that we have or we're going to get.

>> Alter: Okay, thank you.

>> Mayor Adler: Ms. Kitchen?

>> Kitchen: I'm sorry, just to clarify, because I'm not sure if I'm hearing this. So the 2.7 million, councilmember Garza, that's for the software that we're talking about right now.

>> It's for the upgrade, the technology upgrade, yes.

[3:40:44 PM]

>> Kitchen: Okay. And I know you've just asked this, but I'm not sure I understood the answer. So that software can only be used with cameras, or is it used for other purposes whether or not there are cameras.

>> No, for other purposes too.

>> Good afternoon, I'm Mike turner, the quality assurance manager for resource recovery and I'm the project lead for this upgrade. The technology in particular is software. It's actually in vehicle technology as well, which would allow the software to work inside the truck, so the operators driving the trucks can quickly identify issues like contamination or carting it out, logistics in the field. It's also part of the system that is extremely updated and we're basically an internet browser update away from not being able to use it anymore. So what's the combination? This technology can also use the existing cameras on the trucks now and give you the safety advantages that we're talking about. The additional project for additional cameras would be to maximize that trucks may have only one or two cameras. We have about 50 trucks in our inventory right now that don't have any cameras, but most of our trucks have a complement of cameras, between one and six. So once we implement this technology we'll be able to

instantly start using and getting those benefits from safety, but using the cameras, but we wanted additional cameras, so all of the trucks would have five cameras to get a 360 view on the truck to maximize the benefits.

>> Kitchen: Thank you for just a quick follow-up then. So the software, and I apologize I don't know all the details, is it 2.7 a year?

[3:42:47 PM]

Is this the total amount?

>> The 2.7 is for the first three years and the implementation of the process. So it's 2.7 for the hardware that goes on the truck. The software that we would be using for our work management system to get our routing efficiencies to do our analysis and things of that nature and to incorporate everything. There's also an rfid component that would read -- that would manage our carts. So we have over -- anywhere in between 200 to 400,000 carts out in the system that we don't have a system in place to manage those. So it's multiple things going on with this project.

>> Kitchen: So the 2.7 is the cost for the first three years and then it's an ongoing cost?

>> It's an annual ongoing cost for licensing fees?

>> Kitchen: How much is that?

>> The rca says it's about 480,000 per year.

>> That's correct.

>> And the 2.7 is that 2.7 per year?

>> That's for the entire length of the first three years of the contract.

>> Kitchen: What's the payout schedule? We don't pay out 2.7 at the beginning of the project?

>> It's based on milestones. The interim director was mentioning a pilot. That's one milestone. We mentioned the software we're working on now to make everything work with one another, that's another milestone and then there's various milestones for installation and other accomplishments throughout the lifetime of the project. The implementation of the project.

>> Kitchen: So how much of it comes out of this year's budget? In other words, how much has to be paid during this year as opposed to next?

>> Jessica Frasier, finance manager for Austin recovery. The money is in budget. We set aside 1.5 million from fy16 in cash so it's sitting there. So when we make those payments it will hit our cip fund and won't affect our operating budget?

[3:44:48 PM]

>> But 1.5 is how much we're expecting to pay if the deliverables are met on time?

>> I'm sorry, but the whole amount is 3.5. Two million was already there from a prior year. Cip. So the whole amount in our fund for that project is 3.5 million. The contract amount with that vendor for the first three years, which is what Mike was talking about, is the 2.7. So the actual expense for that is estimated to be between 2.1 to 2.7. It just depends on how much time it takes to do the different deliverables and how many actual -- at the time we start installing the hardware and software, how many trucks there are and how many pieces of hardware we have to install?

>> Kitchen: But that's the payout this year? So in other words, I know you have a schedule of deliverables and a timeline for that, and a timeline for making payments. That's what I'm asking.

>> I'm sorry, I don't have that information in front of me, but we can get that.

>> Kitchen: But it wouldn't be the total amount.

>> It would be a significant amount for the -- it would be a significant amount for the upcoming fiscal year. A lot of the milestones that would happen, the development of the pilot, getting the software to work, we anticipate that all of those things will happen in the first year of the pilot's development and then installation of equipment on most -- the lion's share of our truck would happen during that first year.

>> Kitchen: Okay. Can you check and let me know?

>> Yes, ma'am.

>> I'm still not entirely sure what the software does. I understand how it works for the cameras, but what else does it do? It does --

>> So the camera portion, you see the safety benefits. There's also other elements that the software would do with the cameras. It gives you a view of what's happening with the carts.

[3:46:50 PM]

It replaces a lot of manual processes that happen in the field right now. So some of the things that happen in the fields with the drivers and the drivers supervisors is they operate logistical concerns out in the field. There's a lot of concern with the cart that's damaged or something is out, all of those things would happen manually now. We would get out of the truck or radio a supervisor and the supervisor would manually tag a cart with stickers that we have now. All of that would be automated with the touch of a button. The goal is for the drivers to have to do two or three steps and move on with their collection. So it replaces all of that as well. There's also a cart management component so in realtime you can see as a driver picks up a cart you can see it being serviced. So when a driver goes out on their route in a morning, every cart out there is red. You see a cart icon at every stop. As they pick the carts up they turn green to show they serviced that level. They give us a level of connection that we don't have right now. That can allow us to service that area, and if there's backup, like when we have things of -- like brush and debris backup, we can see it in realtime and assess. So that software is doing a lot of different things all at one time.

>> Kitchen: Okay. One last question then. Just one last question. We were talking about the fee. So Mr. Van Eenoo, is the entire costs, which it sounds like is 3.5 million because some of it is already in the cap, was that entire cost reflected in the fees for this year? The reason I'm asking that is it sounds like our payout will be over time. So I'm wondering what's the impact of the fact that the payout is over time on the fees?

>> And Jessica may be able to help, but the impression I'm getting from looking at the backup is that there was a 70-cent increase in the fees to cover that implementation plan that they were talking about a three-year implementation of funding that project and then at the same time that that project was going on, as that project starts to fade off, they're also then building in other equipment purchases and replacements into their fee structure.

[3:49:10 PM]

So it's kind of like the 70-cent increase for this project then starts to shift to other needs that they may have. If you can add anything to that.

>> No, I think that's accurate. No, I know it's accurate, I don't think.

>> Kitchen: So the 70 cents, it sounds like -- it sounds like the 3.5, even though we're spending it over this time, we're charging it over this time, but then once it's paid off, to councilmember Houston's point, those dollars have been spent off.

>> We take that money and set it aside, but we have a whole pool of things that we set aside, mostly for equipment and trucks. Each year we replace trucks and the trucks go up in price every single year. So there might be a one-time 1.5 in this case for this technology, but the next fiscal year we'll have to replace more trucks and that will take up the 1.5. So as we were converting also from debt financing to

cash financing we were having to push more money up to the cash side of things. So yes, if there weren't other things that we needed to spend that money on it would have gone back down for the next fiscal year. But there were expenses for our vehicles that we absorbed that 1.5.

>> Kitchen: All right, thank you. I still remain concerned about the raise in the fees. I mean, it's -- 7070s may may not seem like much, but when we look look at it in the context of the fees being raised, it adds up. >>

>> Mayor Adler: This 70 represents represents an impact in fees?

>> Kitchen: I think that's what I was asking.

>> So there's a vehicle fleet technology upgrade project that includes the gps units for the vehicles, the new work management system and now also these cameras.

[3:51:14 PM]

So it's more than just one component for the 70 cents of the total three and a half-million-dollar project.

>> And that was 70 cents of the rate increase from that fiscal year so I think what I'm hearing is that you want us to look back and say okay, if we don't do this project F we stop the spending, wherever it's at, what would the impact on our current proposed fiscal year '18 budget. So the answer to that is probably not going to be 70 cents. We have to take a step back and see where that funding could -- not all of that is cash funding. Some of that was debt funding. And that's not as easy to just move back as the cash financing. So we would need to take a step back and do a little analysis to see what real impact that would be on the 85-cent increase for fy18.

>> Garza: Mayor, to answer your question, it's yes, the 70 cents is because of this technology. And it's not the last of it. There will be another increase for cameras. There will be another request from council to fund an rfp for the camera portion.

>> Our expectation is the 3.5 million that we have for the whole project, is more than what we need for the software and hardware, so we were going to use the balance of that for the cameras. So there wouldn't be a further rate impact for just that component. We're going to use the rest of the funding that's in that cip fund that's in that project. So we would need -- we would come through with a contract request, but it would be funded out of the funds that are already in the cip budget.

>> Mayor Adler: Okay. Is there further discussion on the dais?

>> Garza: The way we do our budget puts us in a very awkward position because we're doing trying to find these things in volume, but trying to understand the need. Back to the mayor's questions, if we're just transferring this project to some other project, if we were to cut the -- say we're not going to fund

this technology, is there something else in your budget that you would prefer not having to have this technology is a question -- is an answer I would like to have.

[3:53:25 PM]

And I understand you can't answer that now, so if you want to give us an answer tomorrow, I'm fine with that if you want to make a motion.

>> Mayor Adler: Ms. Kitchen?

>> Kitchen: And the other part of that question I would like an answer to is the fundamental concern for me is the fact that we're raising fees again. So corollary for me to the question that councilmember Garza asked is what could you do to cut that down so that we're not raising fees.

>> A large component of the rate increase for this fiscal year is the continued expansion of the organics program. And that is going to continue for another, I think, two fiscal years.

>> Kitchen: But that's not the 70 cents. The 70 cents is this technology.

>> That was two -- that was fy16 so that money has been sitting in the cip budget since fy16. So it's an extrapolation of what the rate increase would have been during fy16 because I think we raised it a dollar something in fy16 so that -- it would really the effect would be taking that funding and putting it back in our operating budget and then it impacting the rate increase for this year.

>> Garza: Let's say we said we don't want to -- because we haven't spent any money. I understand it's putting it back, but would it not offset the increase for composting?

>> Yes, I'm just saying I don't think it would be 70 cents. We'll have to calculate that.

>> Garza: So if it was 60 cents instead of going up 85 cents this year we would only be going up 25 cents?

>> If that was it, yes.

>> Mayor Adler: Okay. Councilmember alter?

>> Alter: How long would it take you to get us those updated numbers? Is that something we could have tomorrow?

>> We can work on it.

>> I'll have to step back and see what information my staff has. I think so, but we'll have to look at it.

[3:55:25 PM]

We'll do our best.

>> Mayor Adler: What would the impact in fees be if you went to an organic rollout -- rollout on the organics?

>> Three years from now?

>> Mayor Adler: I'm just trying to answer the question of what are the valuables -- if the resource recovery fee was something that the council was trying to lower the fee increase, one of the things you've got to look at -- one of the things -- you're going to come back to us tomorrow both answering that question as well as the question of if there was savings otherwise to be made where might they be that you think would be more appropriate that would be one thing that --

>> Mayor, we can work on a couple of scenarios. One scenario that we've looked at before is to hold off of doing the composting for next year. That reduces the rate we have for 85 cents gives us a little bit of time to look at things and do a little bit more works on characterization and studies and revision rates. And come back and look at that information and share that information with you and decide whether or not you want to move forward with that the following year. So that's kind of one scenario that we have worked on. So that would get rid of the 85 cents.

>> Mayor Adler: What I would be looking for tomorrow hopefully would be your recommendation. This is your department. You're trying to meet the mission of your department. If there was a cut to be made where would that most appropriately be made? Ms. Houston?

>> Houston: Please help me remember, hadn't the organics composting rollout began already, isn't everyone paying a dollar now.

>> Yes, last year the council approved a rate increase. This year starting in October we'll start with the 38,000, servicing 38,000 homes.

[3:57:27 PM]

As part of this budget we also have another 38,000 that will start next year. So that part is the -- the 85 cents increase allocated too for purchasing vehicles and also ftes. So the answer to your question --

>> Houston: So if you delay the rollout of organics for another year, we're still going to be paying.

>> You're still paying the dollar that you approved last year, but you're only paying the 85 cents that's associated with this year's additional 38,000?

>> Houston: Okay.

>> That's the scenario that we worked out worked out before of what happens when we want to reduce all the rates so that we don't have any rate increase this year. It would be that.

>> Mayor Adler: Mr. Flannigan.

>> Flannigan: When we see on the fee increases 85 cents for arr, that's for a 64-gallon cart. Is the fee raise different if you have another cart or is it the same for everybody?

>> No. In general the 64-gallon -- about 60 or 65% of our customers have that. So that's what we're just referring to is 64-gallon. But it's the composting itself, we're distributing 34-gallon carts to everybody. So everybody gets impacted on that. It's the rate increase is on the base rate.

>> Flannigan: So regardless of cart size everyone is paying 85 cents?

>> Same sorry?

>> The 85-cent increase to Austin recovery is to everyone regardless of your cart size?

>> Right.

>> Garza: Mayor, I just wanted to be clear. I have no desire to delay the implementation of the composting program and if I could pick between the two I would pick the composting program.

[3:59:35 PM]

I don't want to do that.

>> Mayor Adler: Okay. Anything else? Okay. Thank you. Anybody else want to suggest any revenues or cuts before we move on? Councilmember alter?

>> Alter: Thank you. So I passed out a vertical sheet that looks kind of like this, if you have it. And I'm not sure if we're only limited to revenues now. We also had several items that I proposed and several other councilmembers proposed that did not require funds from the general fund or don't add costs to the general fund, which I would also like to have us consider. So I might start with those first.

>> Mayor Adler: What we're trying to do now is to see how big a pie we can make.

>> Alter: Okay. Then I will look at the pie items first. So on this sheet we've had quite a bit of discussion about south by southwest fees and so this would be having the convention center center cover the south by southwest fees and there are a couple of different ways that we've identified that that would happen. Either with the convention center covering convention costs instead of the police fees from our general fund or directly covering the police fees and we would need to work out the details on what we

want to do for that. The second item under there is decrease the proposed funds for consulting services in each department by seven percent. And then I want to add there that in looking through the material that we were given in our budget way, there was another cut that's not on the sheet which didn't make it, which is considerable, which would be to postpone the consulting benefits study one year. That is almost a million dollars' worth.

[4:01:36 PM]

We approved it recently. I'm not sure that we need to be doing that every single year. And I suspect that our employees would prefer to get the pay increase earlier rather than have a study of equity and other things and not get any money to balance it out. So that would be another million dollars approximately we could add to that. For decreasing the proposed funds for commodities in each department by five percent, right now I have the full numbers in there. We have requested further information from budget and they've been here all day so they haven't been able to answer the question quite understandably, but we would like to include community services and the financial services group from that amount. Then we would have a five percent cut to non-cip capital. There were radios that were allocated in from the reserve fund by the city manager that amount to 446,000. And then from the concept menu, the Kelly datum that we've discuss -- day item, that we've discussed, the 55,000 estimate of savings, again that comes out of the audit for the auditor's office. We also could consider at a budget amendment time or earlier, the APD radios. We might want to think about whether those could be done through co's. I didn't have a chance to consult with budget yet on that but we have done vehicles using co's and I think the radios and that kind of equipment might be equivalent to that and that could potentially free up money. I have not had a chance to clarify whether we could use co's for those APD radios. Or we could decide we're going to fund the APD radios if we have enough money to fund that.

[4:03:37 PM]

And hopefully as a future budget amendment, the item I think a 103 that councilmember Flannigan put forward that would allow us to hire sworn retire S, but that we could not do until after a contract was agreed to. So I put that as a future item. I'm hoping that other colleagues have additional ones, but these are the ones that at this point in time that my office has identified and would like to put forward. You'll note also that in the column above that or the table above that I have G 2, which is the elimination of the full-day parking validation. That's the \$400,000 which isn't already in the base motion -- which is already in the base motion that was presented this morning.

>> Kitchen: I didn't understand the consulting fee study delay.

>> The consulting fee study is not on this sheet. I noticed we left it off when I was looking back at the data. I think it was one of our last meetings we approved. Was that the August 31st meeting, item 31. We authorized negotiation and execution of two contracts, which are probably not executed at this point to provide actuarial and consulting services. Part of them deal with benefits and part of them with an equity study and this is an contract to do this on an annual basis for I think it's for initial term of three years with two one-year extensions. And so my question is whether what would happen if we were to delay that a year in doing the studies.

[4:05:37 PM]

>> Kitchen: Okay. So you don't have the dollar amount then.

>> The dollar amount, I don't know whether you could delay all of it or not, but the full amount was -- it says the average spent for one of the companies it 182,000 and the other is 124,000. A document they gave us in the budget Q and a was for 939,000. I don't know why there's the discrepancy. It's an item for the Q and a of 143. And I will point out that the commodities and the cip numbers are in pretty much subsequent pages in the same section of 143 if you're looking to see what it is -- the kind of thing we would be cutting if we were to pursue, that detail is in there. What?

>> [Inaudible].

>> 143. We have commodities and then the non-cip capital. On the last page you get to the cip capital. There are no page numbers. I think it says commodities through multiple pages if you're trying to cedar fever where the non--- did he receiver where the non-cip capital is. And I would be happy to move around the percentages. I just wanted to put out something there. Staff did raise concerns about -- for certain departments like libraries, which is the reason that I chose to try to exclude community services and there was also a reason for financial services in that regard, but I don't have the details.

[4:07:46 PM]

>> Kitchen: Okay. I have other questions, but I'll let others.

>> Mayor Adler: Councilmember pool?

>> Pool: So the consulting benefits contract for human resources, that sounds like that is on benefits, and not salary. It's not the salary equity or the --

>> Both parts to it.

>> 80,000 of that contract is for the actuarial contract for the benefits which we darnelly. 284 is for the compensation piece that addresses the equity and concerns with the current policy. That's 284.

>> Pool: Did we delay some of this last year?

>> We did. We were asked to delay it and I brought it up in the last presentation relative to picrate and concerns relative to our pay practices and procedures and we committed to contracting that this year to bring in a company to evaluate that, to ensure fairness and equity in our current pay procedures.

>> Pool: Can you do the actuarial pieces for the pay benefits?

>> I'm going to get Karen to come do that.

>> Good afternoon, Karen Haywood, assistant director of hr. For the actuarial for the benefits piece, what we use that for is think do our premium rate setting and also help us establish what the increases should be on a go-forward basis. So that is something that we use quite heavily in the benefits office.

>> Pool: So does this then help us determine what the premium increases may have to be for employees in the health benefits or -- and does it help us determine what the benefits package looks like?

>> A combination of both. So they assist us with both of it.

>> Pool: And then back to the salary compensation study. When we delayed it from last year, was it also 285,000 or is this a scoped larger or scoped smaller effort?

[4:09:48 PM]

>> This is scoped larger. Last year I think we dealt with it from an equity issue from an equity report. We also dealt with it from a compression issue relative to citywide compression concerns that we brought forth. So I went out and sculpted along with this contract so we could have one company come in and address both pieces in the contract.

>> Are they severable? Do we need to do all of them? Is that -- doing the two interlocking pieces, does that determine and actual lower costs for those to study since you're doing it with the same consultant?

>> Yes. When we looked at the cost of doing that independently, it was much cheaper to add that to the overall scope of work as we were looking for the actuarial piece so that's why we added it to this contract.

>> Pool: And if we were to lower this or eliminate this million dollars, what would the effect be?

>> It would be very significant, particularly on the actuarial side. We're dependent upon that information to provide you the quality information that helps us determine the next year's budget. So in

terms of priority, the actuarial piece would be a benchmark necessity for us in order to be able to follow through on our job relative to what we do on our benefits side.

>> Pool: Is some of that due to the lack of predictability right now with the federal government with regard to health care or is this -- because we are self-insured, right?

>> We are self-insured. Really they take a look at the claims information and they look at rolling 12 months and then they also project forward. So it really is a vital part of the benefits package.

>> Pool: Okay, thank you.

>> Mayor Adler: Councilmember alter?

>> Alter: So how much would just the actuarial part be? I'm hearing you saying that the actuarial part -- I appreciate this conversation. We didn't have a chance to have it. How much would just the actuarial part be?

[4:11:52 PM]

>> The actuarial part would be 820,000, but in that conversation I would just point out that the 284 that we're earmarked, Gallagher did the equity study that we brought forward. We've had a conversation for three years relative to the concerns of compression and equity and asme was also one who suggested we go back and reevaluate that policy. It's 281,000, to answer your question, but we've been needing indefinitely or in need of the additional analysis and work for the 284 relative to pay accuracy and our philosophy review. >>

>> Alter: Can you explain to me why we need this every -- the actuarial contract reviewed every single year?

>> In regards to the benefits, they begin working on the budget information beginning in January. And on a monthly basis what they will look at is how the claims are doing. So if you recall last year we started off with about 13.7%. Working with them we were able to lower it in regards to plan design changes because they will also look at best practices, they will take a look at what our plan looks like now, any plan design changes and they will cost out the savings for cost design changes.

>> I would also add in the resolution from council relevant to the equity study it was requested that that equity analysis be done on an annual basis. So we just recently last year contracted it out one year. We don't have the staffing to really support an annual analysis of that magnitude. So having them come back in to adhere to the equity component is also part of the resolution from council.

>> Alter: Do our claims vary greatly from year to year?

[4:13:56 PM]

>> They do. Sometimes it depends on catastrophic claims. They help us with that. They help us in regards to contracting. I think important to note we will be really using them this year because we intend on issuing a request for proposal because our contract with united health care is expiring at the end of the year. So they will really play an instrumental part in regards to helping us secure another vendor.

>> Alter: In terms of the other part, can you say again what the two something -- I guess it's with Gallagher is covering?

>> So every year based on the resolution from council we do an analysis of the city's equity relative to salary. Gallagher, this year, this last year, Gallagher completed that list and identified potential areas of inequity and we also made a presentation back to council that we would have a company come back in and evaluate our current pay practices. It's not only an alignment to that resolution, but also an alignment to the item from council relative to women's equity. So this company will come in, evaluate our current pay philosophies, evaluate the current way we determine how we evaluate pay for all employees to determine if there are strategies we can put in place to ensure equity across the board relative to our pay procedures. It also gives us an opportunity to benchmark other cities and also make sure that our pay procedures are as up to date as possible. On the equity study itself, that analysis is something that we provide you this year and the additional component you will see is just recommendations on good procedures that we can implement. Quality so we did this last --

>> Alter: So we did this last year and need to do this again this year?

>> Per your resolution we evaluate equity every year, per the resolution from council.

[4:15:57 PM]

>> Alter: Is that a standard practice in the hr field to spend \$300,000 a year doing the is same thing rather than putting that money into equity issues?

>> Well, I think what you see in the 284 is a little bit more than just the equity study. It's the additional analysis of city procedures and processes. So that I don't think will happen annually, but we will be asking annually for the annual report. So I don't think it will always be 284. I think we're doing more with it this year in an effort to try to address critical issues that have been brought to our attention. I don't know that you will see us needing the 284 annually for that piece of it. But for this year as we've scoped it out to include all of those things, that's the price that we have. In addition to connecting it with the benefits piece.

>> Alter: Well, the program that was in the rcas for three years in a row doing it and we just did it. So I'm not sure why -- the actuarial and if we're changing the uhc I can understand that and I appreciate that information. I'm not hearing something that's convincing me that we're going to have a major benefit on top of that. Maybe Mr. Washington, you can speak to whether we can use this for some savings.

>> Dr. Washington is recommending that in terms of the annual equity analysis we can certainly recommend doing that every other year. I made that recommendation to council when I presented the results this year and the council continued to request that we do an annual review of the equity study. So to answer your question very directly, we're complying with the request from council to do an annual equity review analysis. So that's being done. And we're also adding to that an opportunity to change policy. So if the council chooses to change the request to do it on a biannual basis we can certainly do that. What you see before you is our attempt to follow through on the request that has already been mandated for the annual review.

[4:18:05 PM]

>> Alter: So the rca has an average annual spend of 284,000. So right now you're saying we have a council policy that says we have to do this annually. So we could change that by not doing it this year and save \$284,000.

>> But keep in mind in addition to doing the equity analysis we've also asked for additional money for the policy evaluation. So we would have to go back and scope out how much the policy evaluation part would be of that 284. To pull that piece out. But yes, if council decided not to have us do an equity analysis every year it would significantly bring down the overall cost that we're expecting to pay the contractor for the work being done.

>> Alter: Thank you for clarifying. Dr. Washington, did you have something more?

>> I was just going to say it's similar on the public safety said. You all have the pfm study. We don't have a pfm to do the compensation. It takes a lot for them to do it and produce the equity report. This would allow them the capacity to outsource similar to what we do for public safety?

>> I'd like to have a sense of my colleagues. We're looking for a lot more money for a quality of life commissions and for other equity priorities. I was not on the council when it was determined to do this on an annual basis. It seems to me that we could save this money and be pursuing equity with it?

>> Mayor Adler: Ms. Pool?

>> Pool: One of the things that we've been also working really hard to accomplish is ensuring that our employees are paid a wage such that they can afford to live in Austin too. That the affordability also

affects all our employees. I did wonder if the compensation study could be funded out of the additional monies that we are looking to direct to the equity office.

[4:20:09 PM]

We are looking at putting I think half a million dollars into that office, but I don't yet know what projects or activities would be funded with that half million. So my question would be for our staff if whether the money that we were looking at putting to the equity office could include a compensation study for equity since we are looking for our new equity officer -- is there any combination -- is there any alignment or overlap or -- or economies of scale that we might get between these two, hr and the equity office.

>> I'm looking for the equity officer. It certainly would be related to having an internal equity lens to see how we collaborate between the equity office and the hr department, but in terms of -- just to be clear, the compensation study that hr was proposing was not being funded in the general fund, as I understand it. That was going to -- that is correct? It's coming out of the benefits fund, employees benefits fund?

>> [Inaudible].

>> I need to clarify. There's a portion of the compensation study that would be charged to departments of the general fund and other departments that are not in -- the enterprise funds would pay a portion, but in the equity office as I understand it, all of that is being funded by the general fund.

>> Pool: And I also recognize that a compensation study requires a certain level of specific expertise as well. And if you don't have that background, then you can't just go out and do a compensation study. I was just wondering if the efforts that are underway in the equity office would help through economies of scale with the compensation study.

[4:22:12 PM]

I don't know what the answer is. And I support having the compensation study happen, particularly because -- I think we delayed it by six months and then we didn't do it at all. Or there was something in the last budget years where we delayed things with the compensation study and I -- having been on the other side of that question, working in government, sometimes that's the only way you get any significant pay increases is if they do that benchmarking on the private sector and you can see that your position is actually worth more. It has more value. But we don't necessarily find that ourselves without going out and doing these specific, targeted reviews and assessments. So at this point what I would say

is since this one isn't on the list here maybe we put this one in the parking lot, maybe come back to it and let's see if we can move maybe a little more anymorebly on some of the other items that may have some additional big bangs for the buck and hold off on this one.

>> Mayor Adler: I share some of the same concerns. And I don't know processwise how we get it through this over the next two days and it's already almost 4:30 here on the first day. We're coming down at a really detailed level on issues that weren't highlighted earlier in the concept process, and that makes me nervous because there's not a lot of time to be able to deliberate. Staff doesn't have a chance to really prepare to address it. And in some respects we've set a policy and it's okay for us to change a policy, but I'm not sure that now is a time when we should be having that level of conversation.

[4:24:15 PM]

And on a policy which when we set it gets posted and people have a week now, two weeks to be able to weigh in on. So the telescoping down now for this and other items -- on all of these items I'd like to have the -- whoever it is on staff that is with that to come and be able to defend it. And we're just -- I'm not sure how we get through the next two days and I'm not sure this is really the appropriate way for us to be able to do this. And I'm not sure -- because I understand the need to try to turn up dollars. This doesn't feel right. Manager?

>> I'd like to ask councilmember alter a couple of questions about her proposal on these across the board decreases on O 101 and O 102? If you look at the consulting -- well, an overall question is the other funds are enterprise funds and we only have two enterprise funds that have rate increases this year, Austin resource recovery and clean community fees. So those cuts would not produce generally -- in looking at the list of departments, they wouldn't be reducing fees. On the consulting services in general fund in ongoing dollars, 63,000 of the 75 is for development services, which would then result in a reduction in their fees. So it would be not -- it would not produce additional monies. If you look at the commodities number, 1.2 million, 300,000 of that is development services.

[4:26:25 PM]

755,000 of it would be APD explosives and blasting. And I would have to have the chief come tell me what the impact of cutting that would be. And then another about 500,000 would be pard, would be where you would get the 1.2 savings. On the other fund side you would be cutting traffic signs and things that are enterprise funds. It seems to me that they need for their operations on an ongoing basis so I would not recommend those. I guess what I'm saying is operationally these kinds of blanket, across the board cuts are generally very difficult for us, especially without having any analysis from the staff as

to the impact to individual departments. I'm not clear what the 500,000 for parks would do, but 224,000 is agriculture, and -- I can't read it.

>> Excluding community services.

>> So you're excluding that. So I don't have the total number to look at. I'm just suggesting those are more problematic for those and we typically do not make those kinds of reductions without having the impact statements from the departments.

>> Mayor Adler: Councilmember kitchen.

>> Kitchen: I do want O --

>> Alter: I do want to point out that these have been -- the benefits study has not been on the concept menu but these other items have been on the concept menu and I've been asking for this kind of information and I'm only hearing it now. On the dais. And in terms of kind of the details. So, you know, these have been on the concept menu for that and I did say to keep the community services out. So I just want to be clear on that, that we have some communication issues that we could be improving here.

[4:28:26 PM]

>> Mayor Adler: Mitch?

>> Kitchen: I just want point out the list that I've been working on -- it's not a new list. So we have been getting information from staff, and as we've been getting information we've been whittling down our list. So I appreciate -- I appreciate the concerns that you're raising, mayor, and I share them. But it's not - - but I do also want to say that all of us on the -- and our staff and also on the dais have been working our way through these. And really they're not brand new. We just need to figure out how we're going to address them. So

[4:32:01 PM]

>> Mayor Adler: Do you remember the budget question number that this was?

>> Alter: I don't remember the budget question. It was -- came out of the audit, and we submitted it as a concept menu, and they came back with that number as I recall

>> Mayor Adler: Do you remember what they said their -- they had some objections to doing it. Do you remember what they were?

>> Alter: I don't have that information.

>> Mayor Adler: Okay.

>> Alter: Right here. My staff will probably text it to me, but I don't have it. I probably do have it on some paper up here, but I don't have it handy.

>> Mayor Adler: Okay

>> Alter: But, you know, this is -- you know, one of the ways that we can begin to get a handle on the overtime costs that we have from a management pitch and once we solve our overtime costs this won't be an issue because we will have filled our vacancies and won't be called on for the overtime. We can move away from this. It doesn't have to go on forever. That by the way is only the amount that's saved for this fiscal year so there would be an additional savings for an additional six months after that if we were to continue with this. That number we asked imposing it for 18 months and it was given back to oust I think just for the fiscal year.

>> Mayor Adler: Okay.

>> Garza: Mayor

>> Mayor Adler: Yes

>> Garza: I just saw the chief walk in, but I don't believe that's -- you don't get -- I could be wrong but you don't get paid on your Kelly day regardless if you work is my understanding

>> Alter: It's part of your salary for your 19th shift

>> Garza: Chief, do you get paid on your Kelly day and you're off? I mean, it's part of your salary and you get the day off, but you're not paid for being off and so you don't exceed a 53 hour workweek?

>> That's correct. The Kelly day is actually equalizes that 53 hour workweek into the 48 hour workweek so that you're not being paid -- you would have to be paid overtime otherwise.

[4:34:11 PM]

>> Garza: Yeah. So if you worked your Kelly day --

>> That's correct.

>> Garza: You'd have to get paid overtime.

>> Alter: But you don't work your Kelly day and you get paid for working that day.

>> Garza: I mean, so you don't work more than 53 hours you get a Kelly day.

>> That's correct. Every 19.

>> Garza: You could say for 53 hours and your Kelly day is not included in that 53 hours. Is that right?

>> That's correct.

>> Garza: So you're not getting paid the day that you don't work.

>> You are not getting paid that you don't work.

>> Garza: Yes.

>> So if you did work then you'd be paid at time and a half.

>> Alter: But it's part of your salary package for the 19 shifts so you are effectively paid because you're over the 19 shifts.

>> I guess you can look at it however you want to look at it. I'm -- I do want to make a comment on this, too. Last year, we spent an inordinate amount of time talking about ems and their mandatory added time and what a fatigue management trouble it was and we reduced, we, the city, reduced -- you elected to reduce them to a 42 hour workweek and I think it's a bad move to force the fire department into doing something that we just pulled back on last year for another public safety department.

>> Alter: I think this is an important temporary measure that we have to spread the overtime burden across.

>> I think we are spreading --

>> Alter: Only a few people are doing it right now.

>> I don't want to be disrespectful but, you know, we manage the department as best we can. We're in a situation that is not of our own doing. We are in a situation because we had a freeze on hiring, and I keep hearing about \$21 million. It's \$21 million, but we are not deducting out of that \$21 million the salaries and benefits that we are not paying those 150 vacancies.

[4:36:16 PM]

So it's not \$21 million of overtime. Less those other dollars. So I want us to remember that as well. And, yes, we're doing everything we can to manage that overtime to -- to manage the fatigue, to make sure that we do as best we can with the dollars that we are allocated to spend. We are working desperately

hard at hiring. We are going to plan on hiring our first class in November. As soon as we can start pushing people out that overtime will start coming down.

>> Mayor Adler: Mr. Flannigan.

>> Flannigan: I appreciate the fatigue issue. We're already having overtime for firefighters, so people are being asked to work more than their regular shifts anyway. Right?

>> They're not being mandated to work. We -- occasionally we mandate people to work, and that is when people are on -- already on shift before they can leave to go home. They are sometimes mandated to stay and work.

>> Flannigan: Okay. And I think when I explored this item about the Kelly days, the financial savings is about who -- who is assigned to the overtime that -- that lower pay rate firefighters are given the opportunity to do that and, in this case, would be mandated to do it in such a way that I think it was one Kelly day a year, two Kelly days a year? Councilmember alter, was it one?

>> Alter: One or two.

>> Flannigan: It was one or two, so we're talking about one or two days for the whole year for firefighters on Kelly days. It was really -- it was an accounting question about what the hourly rates were of people doing the overtime to fill in this gap while we have a high vacancy rate, regardless of the reason for the high vacancy rate, we are asking people to do overtime, so we are necessarily asking people to work more hours than we would normally ask them to work.

[4:38:19 PM]

And, you know, while the -- there are many things about the fire department I have spoken about, this one has a fairly small budgetary impact, it's a fairly small ask of the fire department, it's one Kelly day a year -- pretty sure it was one, might be two. But it's not overburdening a department that is -- it is reallocating the burden. So I don't want it to sound like we're asking firefighters to work a bunch more hours than we ask them to work now. We already mandate a certain number of fte hours to be filled, and my understanding is that the system now is that it's mostly voluntary, who volunteers to do that overtime and what the proposal is is that some -- some portion of that would be mandated, spread across the department, which would have a positive impact on the budget. That's why I think it's probably a good idea to explore certainly while we have a very high rate of vacancies.

>> Mayor Adler: Further discussion on the dais?

>> This is, you know, a temporary action to address a situation that we need to get under control from a financial perspective. I will just point out that if we had the \$3.5 million that we spent on overtime this spring, we wouldn't have a big problem coming up with a lot of our concept menu items. We spent that.

That was the choice of the council. And perhaps we didn't have a choice. But that's \$3.5 million of reserves that we don't have at our disposal now and we have tougher choices to make because we didn't control this. This also just smoothes out the burden, as councilmember Flannigan said.

>> Mayor Adler: Further discussion on the dais?

[4:40:20 PM]

Okay.

>> Alter: Make a motion. I move to pass s104. From the concept menu for the following -- is that how you want me to -- is that how you want me to do it, is to make a motion?

>> Mayor Adler: The question was being asked was -- I think the question that you had said when you laid this out, whether this is something we should be doing now or whether this is something we should be doing as part of the budget amendment when we came back in after the negotiations on public safety. That was the question I was asking.

>> Alter: The point about doing it with public safety was for councilmember Flannigan's item, s103, that requires a change in the contract in order to be able to hire sworn affidavit retirees, that requires a change in the contract.

>> Mayor Adler: So is this an item that you recommend --

>> Alter: T104 is the item I would be moving. I might have said the wrong item, I apologize. S104 would be the item --

>> It's my understanding s104 concerns Kelly days and that's part of the contract and there's ongoing negotiations right now. I'd suggest you hold off on this until those contract negotiations have finished and given direction to the manager about your thoughts on it.

>> Alter: We have checked on multiple times and we have been told s104 is not constrained by the contract. That is a choice that is open to the chief to make. Regardless of the contract.

>> Mayor Adler: You want to speak to this? Please?

>> Yes, mayor, councilmembers, ray Arellano, assistant city manager. One of the things you might consider as you take up this particular item, certainly you're looking for savings and I know the difficult process that is for you. However, and I think I would confirm that the Kelly days issue is outside of the contract and is management's prerogative in terms of management scope. However, what I would advise is being thoughtful, if you will, about the kinds of actions that you're directing the chief to do through the city manager, for the chief does have discretion under the chapter 1043 of state statutes in order to run the department.

[4:42:32 PM]

So as you think about what the effect is that you're trying to do, which is to reduce overtime, it may be more constructive in this particular case to just say this is the dollar value I want to reduce and if it's -- and then leave it to the city manager and then through the chief to find out how to do that. For overtime in specific. There maybe other programs that you might want to say we're not going to do that program and then you cut it. That's certainly the prerogative of the council. But in terms of management of the department and how she in this particular case determines how to run the overtime or manage the overtime issue I would say that this is probably within her realm and not necessarily a policy issue for the council.

>> Alter: From what I've seen, the approach that has been taken, is that we redistribute other money from other safety needs and this does not create a safety risk, as I understand it. The other things that we've done to address the overtime have all been at the expense of other things that I think have safety consequences. And so I will just be -- we'll just go and remove more resources from wildfire, we'll go and remove more resources from planning -- the planning department. You know, so I think in this situation I think we're at a point where we have to make a decision as a council about how we -- where we want this money to go. If you can do that -- if I can say that get me this amount of money without impacting safety, sure. But all of the other choices that were made to get an additional two point whatever million on savings had to do -- had safety at risk. The auditor also did -- I mean, this is a -- you know, this is a recommendation from the auditor. I didn't pull this out of thin air. This is a recommendation that came from an audit, you know, and we should keep that in mind as well.

[4:44:42 PM]

>> Mayor Adler: Is the point between those two to say that we want a savings of the 255 or whatever it is, \$255,000, and then ask for the manager to come back and tell us how that's being achieved so that if it's being achieved in a way that we felt was inappropriate we could act then?

>> Alter: I guess so, but I would probably like the auditor involved in determining if there's a safety impact. And I'm not -- you know, we've been told that there's no other ways to make cuts, so I'm not -- maybe councilmember Flannigan, you wanted to add something there?

>> Flannigan: I want to ask assistant city manager Arellano, I want to ask you a question about something that you said.

>> My apologies.

>> Flannigan: Sure. You cited -- you said chapter 143, is that what you said, 143 of state law that determines that the fire chief has authorities defined somehow in state law?

>> I don't have it memorized, but essentially just like the police chief and ems chief, state law provides for the chief of the department to run the department, broad discretion in how that is done from an administrative managerial perspective.

>> Flannigan: They have authorities even the city manager cannot override and that's different from other departments? Am I to understand that in that way.

>> I'm starting to wade into deeper matters than I'm prepared to do but again there is state statute that governs the public safety departments.

>> Flannigan: You'd be curious to know, not -- I'd be curious to know, not necessarily for this budget, how that's different from general charter separations between council and manager and if there's other state professions around public safety, I'd be more interested to know what that line looks like.

[4:46:45 PM]

It's certainly not the day to do it. Thank you.

>> Mayor Adler: Councilmember troxclair.

>> Troxclair: I'm having trouble -- little trouble hearing over here so I'm sorry if you said this already but did you say what the -- why auditor made this recommendation?

>> Alter: The auditor made this recommendation because it is one way to achieve savings within our budget to keep the overtime costs down, given the vacancies that we have. So we have vacancies, and we have retirements that are driving the overtime. But then on top of that the cost of overtime is higher than it otherwise might be according to the auditor's report and this is one of the steps we could take to reduce part of the overtime that is under our control, that is a function of who it is that serves the overtime. So we need -- we need the overtime because we have the four person staffing combined with the vacancies, combined with the retirees but then as they we have discretion over who fills that overtime to be in those spots for four-person staffing. The auditor laid out several items that would allow us to have more direction over who fills those slots so it costs less overall for the overtime.

>> Troxclair: Right now the people who are signing up are more expensive and this would basically allow a rotation list?

>> Alter: Yes.

>> Troxclair: Thanks.

>> Mayor Adler: Dr. Washington.

>> I wanted to elaborate around some of the governs issues around this. The Kelly day sign-up is governed by the contract, I think article 15 section C and so even though as acm Arellano said in concept the chief has discretion over how to assign personnel, unless exempted by provisions within the contract -- and I think we have a current agreement that governs that sign-up process.

[4:48:51 PM]

And I just wanted to offer that clarification.

>> Alter: Dr. Washington, if I'm not mistaken, I think the contract creates the existence of a Kelly day but does not address this issue.

>> Again, I'll defer to city attorney on what the sign-up process is spelled out in the contract.

>> Alter: I do not believe the sign-up process is laid out in the contract, from what we've been told in our conversations.

>> Mayor Adler: So I tell you what I would be prepared to vote for because I also read the audit recommendation. I am concerned about the overtime. This is a practice that our auditor questioned, and I think has been raised several times on the dais. What I am also concerned about -- about dictating to a department head how it is that they manage the staff. So seems to me that the possibility of saying we want to cut the \$255,000, if there's a better way to do it that doesn't impact safety, that would be fine, but we want that to come back to us because we're concerned about some of the cuts that we've seen before. I don't know if that's something that you would take instead, but that I would vote for.

>> Alter: Would it be possible to have the auditor weigh in as to whether it is affecting safety?

>> Mayor Adler: Yeah, the audit report does so when that came back there would be no problem with us asking the auditor to look at it as well.

>> Alter: Sure, I think I can -- I can do that. Do I need to make --

>> Mayor Adler: Does anybody object to it being moved into that direction?

>> Houston: Say it one more time.

>> Alter: So it essentially would be a motion to find \$255,091 of savings in the Austin fire department that does not have an impact on safety.

[4:51:03 PM]

>> Mayor Adler: And to come back to the council with what that was so we could see in a in case we wanted to act otherwise and we would have the opportunity to bring the auditor in at that point. If there's no objection --

>> I have a question.

>> Mayor Adler: Yes.

>> Kitchen: So would -- that direction is to do that as part of this budget process, right?

>> Mayor Adler: That's correct.

>> Alter: So that would free up \$255,000 in general fund.

>> Mayor Adler: That's correct.

>> Garza: Mayor, I feel like that's a slippery slope. If we're going to be asking every department -- and if we're going to do that I would amend it to say the proportion of that is to fire, every department needs to find that money. I don't think it's fair to go after -- I mean, where we can find cuts we find them, but if -- we can ask of that every department, which I'm open to, in fact I tried to do. I think last year, I said, what with a was it, 1% of everyone's budget -- I think specific to fire and police actually of the public safety, I asked for a 1%. And we didn't really get anything off of that. So I'm open to this being for all the departments.

>> Mayor Adler: And hear that too -- I'm sorry, go ahead.

>> I don't mean to speak for the manager but I think that's exactly what the manager asked all the departments to do. I think in this process, it sounds like y'all are frustrated by it, but I know that the manager created a budget that had extra money in it precisely so that y'all could look at it and think of the things that you thought were not in the budget and then the manager asked every department, all of us, to reduce our budgets by 1%. I think we've tried to meet that obligation.

>> Kitchen: I think -- can I say something?

>> Mayor Adler: Ms. Kitchen.

>> Kitchen: And I appreciate that. I think what -- I think -- I'll speak just for myself. I think it's a matter of being concerned about the priorities across our entire budget. There are things that we feel like are very high priorities, at least that I think are very high priorities, and I just don't think that our budget as a whole is balanced in terms of those priorities.

[4:53:16 PM]

And so while I really, really appreciate the effort that everyone has made and staff has made, that's what's in front of me as I think about these things. I don't think that we're where we need to be with regard to health and human services and a whole host of other issues. And so it's really not a reflection on our staff. I think our staff is doing everything they can. But we -- it's -- we have an obligation to look at where we spend our dollars. You know, as a community. And to me -- well, I'll just get off my soapbox, but I'm very concerned about on a whole if we look at where our budget is, and that's why I'm continuing to look for a better balance so that we have some additional dollars. While I appreciate the \$5 million, it's simply not going to get us as far as we need to go from my perspective.

>> Alter: I'd like to stay on this issue, if we might. And I just would like to point out that this is a very specific inefficiency that is well documented in an audit where we clearly have a problem with overtime and this is about fixing a particular problem and making sure that fixing that problem is a priority. If we continue on this path and we don't pay attention to how much we're spending on overtime given the vacancies and the four person staffing, we will continue not to have money in our budget to do other things that are priorities. There are more things that we can do, but they involve the contract and so they're not before us today, but this is one opportunity and why I was very specific was because it was backed up with an audit and there are a lot of other elements that we're working very hard on with the contract. I don't know the results of the negotiations from last week. But we, as a council, as a policy decision, I think need to be able to say that we want to have control over these overtime amounts and that there are management decisions within our control that we can move forward with and this is one of them.

[4:55:22 PM]

I will take the mayor's suggestion and move it that way, but I don't think this is equivalent to going after every department and asking for a reduction, though I would start looking at that. That is not what's before us right here and now.

>> Mayor Adler: Is there an objection to councilmember alter's amendment being changed as I laid out? There's an objection to that. I'm going to then move to amend the amendment to make the change that I just expressed. Just because I -- one, I differentiate because it's an audit finding, but I'll tell you, councilmember Garza, I share the same concern that you expressed and no one else is speaking up on the dais and my sense was that it might pass. So this to me seemed to be the appropriate thing to do. But I can narrowly draw that exception because of the audit finding. I make that motion. Is there a second to my amendment to amendment?

>> [Off mic]

>> Mayor Adler: I'm sorry? Councilmember alter made what is in essence the amendment. I amended hers to say that we wouldn't specify the reduction, we would say we want to have a \$255,000 reduction and the chief is to come back -- the manager is to come back to us and let us know how that's being achieved.

>> Alter: And that it has to not impact safety as --

>> Mayor Adler: Not impact safety and we have the ability to be able to act on it at that point if we chose. Is there a second to that? Councilmember alter seconds that. Is there any discussion on the amendment I put forward -- actually the amendment to the amendment I put forward. Mr. Flannigan.

[4:57:22 PM]

>> Flannigan: Just to clarify, city manager, when the base budget came out and was it 1% across all departments? But my recollection is that didn't include the fire department. That was the one department that wasn't included in the across the board.

>> In the current year budget, fy'17, I asked all support services departments and general fund departments excluding the fire department to bring their budgets in at at least less than 99% of their budget. Fire was excluded because at the time we thought their overtime was pushing them overbudget so they were excluded.

>> Mayor Adler: Any further discussion on the change? Councilmember Garza.

>> Garza: Is there a Robert's rule to mend amend your amendment?

>> Mayor Adler: Usually under Robert's rules you can go amendment to amendment. I think we're in a diffilt -- different situation here because base budget really is standing along. So I think it would be appropriate for us to treat an amendment here as if there wasn't a base budget. So if it's okay with the council, that's the practice we'll take so that we'll treat what -- what councilmember alter had as the motion, I amended her motion so there would be an ability to amend my amendment and I'll keep that consistent as we go through the items. Did you want to make one?

>> Yes.

>> Mayor Adler: Okay.

>> Garza: My motion would be that instead of --

>> We can't hear you.

>> Garza: Instead of it -- 255,000 from fire it would be 255 from anywhere, if we're looking for 255, I can are we assuming that it's best to take it from one of our public safety departments?

[4:59:24 PM]

>> Mayor Adler: Okay. There's been a motion. That amendment has been made to my amendment. Is there a second to that amendment? Mayor pro tem.

>> Tovo: I'm going to second it for the reasons that councilmember Garza said. I appreciate that we're all trying to be creative but I share the same concerns. If we're basically just looking for reductions that are very general, then I think that should be applied across the board.

>> Mayor Adler: So we're giving the manager the discretion to find the 255,000 wherever she would find that reduction.

>> Garza: Can I speak to my --

>> Mayor Adler: It's been moved and seconded. You can speak to it.

>> Garza: And that is because the manager specifically did not include fire in the reductions because of the concern with the overtime issue. I understand this is an attempt to address the overtime issue, but it seems like for such a small amount of money there's got to be something else that can be reduced in our entire city budget for \$255,000. That would not affect public safety.

>> Alter: This is not just about the cuts. It happens to be coming up at the point when we're talking about the revenues. This is about getting a problem that we have under control and showing that the council has a priority for keeping the costs of our overtime under control. Yes, we have vacancies. Yes, we have retirements. Yes, we have four-person staffing but there are still things we can do to keep these costs down. This is not just about finding money to fund other things. This happens to find money to fund other things but that's because we have to find money to fund other things because we have the overtime problem in the first place. We authorized \$3.5 million in March, I think it was, and that \$3.5 million would come in handy really -- really handy right now. And part of what we're trying to do and being vigilant on this is to move us forward so that in a year or two years from now we're not in the same position.

[5:01:32 PM]

There are savings to be had here, and they come over time but we have to create an environment where that is a goal that we have, and it doesn't just come from involving the vacancy problem. It also comes from recognizing that we have management choices to make that affect the overall cost of the overtime given that we have to have overtime.

>> Mayor Adler: So my sense is, you know, we're all trying to figure out what the right process is here, this just happened to be the first one that came up as we work our way through it. I actually like that amendment but I think it's real important for us to be able to say to the manager, one of our priorities as a council is to get a handle on the overtime expenses happening in the fire department. That's obviously a huge issue. We've discussed it multiple times on the dais as we -- all spring long since it came in April. That's really important and I think that ultimately one of the things -- however it is that that is achieved, spending that amount of money for overtime in a situation that -- we need to fix that. That said, I -- I don't know that we would say to the manager this is now a priority, we need you to understand that we are serious about that, that we're raising that and elevating that issue and this is how you do it or this is where the money comes from. So I don't know that it's any less a declarative statement to say we're taking \$255,000 out of the budget, we think taxicab come there, you can take it out of wherever you want to, let us know where it's coming out of, don't impact safety, but understand that the overriding message and policy statement we're trying to make is that that is a critical component of something that need to be fixed in the city.

[5:03:36 PM]

Is there any further discussion on the amendment to the amendment from councilmember Garza.

>> Garza: Meyer, real quick.

>> Alter: I'll vote against her amendment but if someone wants to make something like that later on to consider you'd be happy to because I think this is important enough that we need to be making a statement on fire with this there.

>> Mayor Adler: Any further discussion? Councilmember Casar.

>> Casar: I just want some clarity. So this amendment, councilmember Garza, is to just take 250,000 somewhere of the budget, not overtime of the fire department specifically? I'm not sure if I'm -- I want to hear some debate on the measure related to overtime and fire. I just don't know if folks are uncomfortable with that I guess I would rather see that one voted down, whereas 250 from general budget I don't know exactly how that works or gains out. I would rather just to vote up or down on the particular measures that are -- around fire and overtime rather than vote on 250,000 on the general budget. And so my vote against this one should indicate whether I'm -- shouldn't indicate whether I'm for or against the original motions. I just don't know what the value is of us subtracting 250,000 and then leaving it out there because I don't know what the better number -- what the number should be then.

>> Kitchen: The thing gives me a little pause about this approach is we do have some other items that we are going to be proposing that are areas in which we're suggesting some savings. So so now we've

taken one individual item and turned it into a general request. Maybe we should just do one general request and ask the general manager to go find the total of all these dollars we're looking for?

[5:05:39 PM]

I don't mean to be facetious, so if we go for other items that we're suggesting that them forward.

>> Mayor Adler: For me in a perfect world what we would have done is adopted a direction to the manager that said, you know, you know, by the end of the year you need to -- or a year and a half or whatever it is this need to get back to the place where vacancies are at a carried level and then that becomes the policy direction from the council. And then the way to achieve it is something that the manager does through however it is that the manager manages the city. That's how I would have -- and it's in retrospect because I share the same concern. I wasn't sure how best to tee up that issue but I guess that ultimately that's what we're trying to do, we're trying to get the overtime situation fixed because we can't go through and don't want to go through another budget year where we lose money we can otherwise be spending because we haven't gotten a handle on that. But in any event, the amendment to the amendment in front of us is to save \$255,000 from somewhere. Is there any further discussion? Councilmember pool.

>> Pool: I'll just note I plan to vote no on both of them because I think that the fire department has been under the gun for the last few years. There are numerous affecting elements that they can't control, and I think the fire chief is really clear that we are looking for the reductions and I think that she'll make them where she can and I think we've given ample direction from the dais along those lines.

[5:07:49 PM]

>> Mayor Adler: Let me ask the question -- let me ask the question, councilmember alter. Do you -- the point emphatically taken that we need to fix the overtime, do you think that it's necessary for the council to prescribe how the manager does that?

>> My concern is that we have an audit that has come back and we've been told that we're going to move around this other money and there's been no effort to reduce the cost of the overtime by making the management decisions with respect to changing the order and other things beyond moving these sworn personnel to these places, which I know is an effort to do that, but that does -- the choices that were made for wildfire, the choices that were made for building inspections, those all affect safety, and there are several items that were identified in the audit that can do that. We didn't get a response back from the city manager we're going to act this way in the audit so you don't need to do anything. I think it

is very important that we take some action and, you know, perhaps in retrospect what you're suggesting, you know, would have been an option, but, you know, we were trying to get information over and over again. We had to do a special request and an audit in order to get the information we need to get to this point. And to clarify that this is a priority, I'm not sure -- I'm not sure that the other option -- I'm not sure we get there otherwise.

>> Garza: Mayor?

[5:09:50 PM]

I just -- I have to point out what doesn't seem to need to be pointed out how anti-labor making people work overtime is. We are making people work overtime. That is -- the whole point of why employees original -- organize and try to get workers' rights so they know this is what's expected of me and anything more is my choice. And we're making a decision to require people to work overtime.

>> Alter: We're looking at this for two days a year during a crisis that we have.

>> Mayor Adler: My only difficulty on this and we can vote on it in just a second is I think the dais is unanimous in the sentiment that we need to fix overtime and I'm not sure that there's the unanimity with either the particular method or the council describe prescribing any method -- prescribing any method even if we and the auditor thought it was the appropriate one. Manager, what's your perspective on this conversation?

>> I would prefer to work with the fire chief and see what we can do to look at Kelly days. I personally don't like mandatory overtime. People have outside personal needs and family needs and they need their time off. So I'm not necessarily in favor of mandatory overtime, but I will look -- work with the fire chief to see if there are other ways that we have not already implemented to reduce our overtime.

>> Mayor Adler: I think the issue is higher than that.

[5:11:50 PM]

I think what we're looking for is a pathway and assurance that we're going to do something about the overtime situation in fire department. And I don't know if that is getting a regular report from you saying what steps are being taken and what progress is being made. I think that's the higher issue and council is saying this is something that deserves really specific and focused attention to fix.

>> Well, I think we are working towards it, and we have cadet classes and we'll be glad to give you regular update on the status of our cadet classes. That's really the key, once we get those cadet classes,

get them started and start them back to back or overlap them, however we're going to be able to work through them, and we start hiring folks, that's the answer to eliminating the overtime issue. But we have to get firefighter positions filled. We are working in the contracts to see if we can get some additional flexibility on that, but the answer to that problem is to fill the positions, and we are on a path marching forward to get those positions filled. We were successful in getting over 400 names on our current list. We're working through the list. And that is the best answer, is to get the cadet classes filled. Believe me, I will be getting regular reports. If the council would like them, I'll be glad to do that.

>> Mayor Adler: Okay. We have an amendment that was made to the amendment from councilmember Garza to not prescribe 250 comes from the fire department. Councilmember alter.

>> Alter: You know, I want to say that we thank you for the efforts to get the overtime problem under control. I think there are two parts to this. There's the part about how do we get it so we don't need the overtime and then there's a part of how much does the overtime cost while we have it.

[5:13:51 PM]

And right now what we're seeing is that the choices that we're making about how much the overtime costs, while we need to have it, those are impacting our reserves, they're impacting our ability to fund all of our other departments. You know, reports alone don't fix the problem. We have an auditor's report that said all of these things, and there are ways to keep these costs under control. And we have an obligation to do them.

>> Mayor Adler: Okay. We have an amendment to the amendment, councilmember Garza's. Ready to vote? Those in favor of councilmember Garza's amendment please raise your hand. Mayor pro tem, councilmember Garza. Others voting no. Now we're to my amendment as amended, which says \$255,000 in savings comes out of the fire department. Is there any discussion on that? Those in favor of that amendment please raise your hand. Troxclair, Flannigan, me, Renteria, Houston, and alter. That passes. We're now to what we're treating as the motion, which is to take -- save \$255,000 out of the budget with the amendment that I added. Any further discussion on that? Those in favor of that please raise your hand. Those opposed? Same vote as before. It passes. That element passes. We're after 5:00. Ms. Houston?

>> Houston: Mayor, could I make a suggestion about tomorrow? Because I'm not sure how this process goes, but everybody has tried to -- well, not -- I don't know about everybody. I've tried to whittle mine down to something that's reasonable, looking at how much money we have to -- available to spend.

[5:15:53 PM]

Of the room and let everybody kind of lay out what it is that they have on their pieces of paper rather than moving around? It gets very confusing. And I know today we were looking for moneys that we could add to the revenue pile, but tomorrow we'd need to start kind of honing in on how we're gonna make this happen or how this magic is gonna happen on Wednesday, and I just think we have a lot more stuff to do and we have to leave here tomorrow at 6:00, and I don't know how long we're going to stay here Wednesday night to get this done, but I just think we just need to be a little bit more organized tomorrow.

>> Mayor Adler: Ms. Kitchen.

>> Kitchen: I appreciate that. I'll be prepared. I have -- let's see. I have five amendments around additional reductions. And so I'll be prepared to bring those in the morning. I want to bring them first off because -- I appreciate what you're asking for, and I think we need to do that, but I would like to have the consideration of the council of the five amendments that I'm going to bring for reductions first.

>> Houston: Could we have those so we can look at those tonight?

>> Kitchen: Yes. I passed them out last week, and they're in front of you right now on the dais because I've bitled down the list from last week but it's the same list as last week except I took some of the things off of it. So it looks like --

>> Houston: Like this one.

>> Kitchen: No. It looks like that. Yeah.

>> Mayor Adler: Manager, can you please have staff here to speak to those reductions? Councilmember pool.

>> Pool: Could you remind us about the three readings of the budget on -- at three think we can do a second and third reading on the same day if we have a certain number of votes.

>> Mayor Adler: It's going to take us people to pass this budget under any scenario.

>> Pool: And if we don't vote today, then we need to have first, second, third reading tomorrow and Wednesday.

[5:17:55 PM]

Is that correct.

>> Mayor Adler: Because of what we're doing with the tax rate potentially it would take seven votes regardless so we need seven votes to pass this budget.

>> Pool: Do they have to be three separate readings or just the whole thing.

>> Mayor Adler: No. We can take the vote on westerns, seven votes.

>> Pool: Great. Thank you.

>> Mayor Adler: Councilmember troxclair.

>> Troxclair: Just now when you said what we're doing with the tax rate does that just mean increasing tax rate requires seven votes? What is it about the tax rate that requires seven votes.

>> Mayor Adler: I think that's what it is. It's going above the effective tax rate requires seven votes.

>> Troxclair: I just wanted to point out I too handed out a sheet that says budget proposal, councilmember troxclair at the top. I know there hasn't been a whole lot of conversation about whether or not we could have some money to lower the tax rate or how we might be able to fund the senior homestead exemption. I tried to listen to the priorities of the councilmembers throughout our budget sessions and this is one way that I feel like we could accomplish a lot of our initiatives and lower median tax bill by ten dollars and the senior tax bill by \$60, and that is -- so at the top I lay out the -- you know, where to find the money and then there are initiatives for community priorities including quality of life, aisd, homestead, et cetera, and -- homeless, and under this -- \$4.5 million to lower the tax rate and \$1.5 million to increase the homestead. So I hope that y'all will give that some consideration before tomorrow.

>> Mayor Adler: Okay. Councilmember pool.

>> Pool: Another just point of information, when we first announced the tax rate, it was including additional monies because of the tax swap idea, but we have backed away from the tax swap idea so when you say that the tax rate will be above the effective rate, can we also then say that it will not be above the rollback rate?

[5:20:16 PM]

Because the original rate that we had voted on, because we were looking at the tax swap, was above the rollback rate.

>> Mayor Adler: You can certainly say you'll vote that way and I will vote that way as well but we can't say that absent the counsel taking the action.

>> Pool: The fact is the tax swap idea is no longer on the table and that idea is what was pushing us beyond the rollback rate. Is that correct.

>> Mayor Adler: That's correct. Anything else? All right. It is -- yes, councilmember Garza.

>> If I could add, mayor, you asked staff to come back with responses to councilmember kitchen's menu of potential reductions. I believe we posted responses to all those items on the council budget question.

>> Kitchen: But we have asked additional questions, so if staff can be here in morning, then if I have additional questions.

>> Garza: I changed my mind, mayor.

>> Mayor Adler: Thank you. Councilmember Garza.

>> Garza: Just from today's -- I guess I'm just concerned after today's productivity if we're going to get this done by Wednesday. And I'm just wondering if we should put on the table the option of passing the manager's budget and coming back with a firm time to amend it when we know more about public safety contracts, hot tax, then -- I don't know. It just -- very optimistic, I believe, to think we're going to get this done Wednesday, even though I'm hopeful.

>> Mayor Adler: Okay. All right. It is 5:21. This meeting is adjourned --

>> Alter: Mayor, I have --

>> Mayor Adler: Yes.

>> Alter: I just want to point out I also had a cut forayedees that was -- for radios based on the information reserves amount that the city manager had added for radios, 446,000 there. I'm also going to be passing out a package that I have that's metropolitan to be a conglomeration of all the things we've heard.

[5:22:20 PM]

It does not include the hot tax or the general fund items that would come from the hot tax because I did not have that information so that is one of the places I would expect some of the additional money to come from. Thank you.

>> Mayor Adler: Five -- councilmember pool.

>> Pool: We have on our -- at the dais here the Austin housing finance corporation changes and corrections and I just was curious, is there anything that we need to do about this today? Item 1 just changes an amount, and item 2 was withdrawn. So --

>> You need to do the budget before you do those other items. We're still on item 1 and we'll start with item 1 again.

>> Pool: Thank you.

>> Mayor Adler: 522 -- mayor pro tem.

>> Tovo: I'm so sorry. I'm going to take 30 seconds. I passed out a revised list of budget priorities. It comes in extremely close to the 4 million and 1 million of one-time funds. It is over by a little bit because I was assuming some offset with eligible expenses for the hotel-motel tax. It also assumes funding the pay for success allocation through our budget stabilization reserve when we started to talk about in the work session but I hope we can talk about again a bit more and I'll try to spend some time with staff in the morning if they're around to do that. I would say, though, that my budget priorities I really -- I think are really quite close to those that were on councilmember Casar and councilmember Garza's list. In fact I've incorporated some of those. And councilmember kitchen's. And so there's that. But, again, it's a little bit over and that's why.

>> Mayor Adler: Councilmember Casar.

>> Casar: And I'll second that, looking at the mayor pro tem's list, it's very similar to what I handed out at work session. It is missing some wages for our -- and benefits for our employees and leaving the housing trust fund transfer for later, but I think that with \$500,000 that turned up today and potentially some shortly that those could be incorporated and at that point her list and mine would be almost identical.

[5:24:33 PM]

>> Mayor Adler: My list is actually fairly close to it as well and it would probably be by recommendation tomorrow is that we try to stay close to the \$5,500,000 to be able to get this budget done, that we address the hot tax issue over a little bit longer period of time and -- because that's going to be a very involved conversation. And that we know we're coming back in six weeks any how to do budget amendment and that might give the staff the time to be able to actually run to ground some of the things that -- some of the savings potential that people want to have that they I don't think are prepared to address yet.

>> Kitchen: Mr. Mayor.

>> Mayor Adler: Yes, Ms. Kitchen.

>> Kitchen: It wasn't my understanding that we would be coming back in six weekends. It was my understanding it would be several months before we come back on -- did I misunderstand that?

>> Mayor Adler: I think -- you know, Mr. Van eenoo said please don't come back the very last week of September because he won't be here the last week of September so we can come back right after that but, manager, if you could take a look at that and let's begin with that conversation tomorrow.

>> Kitchen: Well --

>> Mayor Adler: Because it will be after police at that point and we'll know that money so --

>> Kitchen: Okay. So let me just say this, and we can talk about it tomorrow, but it's going to be my goal tomorrow and I'll probably bring forward a motion, I don't -- we can't wait six weeks. We have to wait until the contracts come back to us. It was my understanding it might be longer than six weeks before those contracts come back. And so I think that the hot tax I'm going to want to deal with that sooner.

>> Mayor Adler: Okay. Anything else before? It is 5:25. This meeting stands adjourned. See you all tomorrow.

[Adjourned]

[12:00:03 AM]

>> Mayor Adler: All right. So there are seven of us here. We have a quorum. It's Monday, September 11th, 2017. We're in the city council chambers, 301 west second street, Austin, Texas. The time is 9:44. We have on our agenda today 11 budget-related items. We also have set at 9:45 for the housing finance corporation meeting and also the Mueller local government corporation meeting. We had talked when we were together last week about starting today's meeting with the budget presentation from staff with respect to the hotel occupancy tax. Still makes sense to me to do that. I'm looking at the posting language. It calls the two meetings that we might have been able to taken care of quickly, but they are called at 9:45 but there's also notice 10:30 it's going to start. Need to do the budget first. Okay. All right, then, so we are going to note that on August 17 and 31st the council took public comment regarding the city's proposed budget and closed the public comment part of the budget hearing. On these same dates council held two public hearings on the tax rate as required by law. We're going to conclude those hearings by discussing and voting to adopt the tax rate and the budget for 2017-2018. So we'll move ahead on that. At this time we're going to take action to adopt the city's budget for fiscal year 2017-2018.

[12:02:09 AM]

As part of the budget adoption, the council requested presentation from staff regarding the hotel occupancy tax. Are you guys ready to tee that up?

>> We are ready, mayor. And good morning, mayor, mayor pro tem pro tempt, Ed van eenoo. I'm joined by Diane Seiler and Lela fireside, assistant city attorney. I did want to just take a moment. You should all have a packet of materials with a binder clip around them and just to maybe let you know what you have in front of you. The first item in that packet is the presentation I'll make in about two minutes for the hotel occupancy taxes. The second item in there then is staff amendments to the proposed budget. So, you know, every year we deliver a proposed budget to you in early August and from August until September when we are set to adopt the budget things change. Sometimes it's just errors and corrections, sometimes there's actions that council has taken during that time that requires us to make a change to our proposal. When we get to that item, I'll quickly read into the record those recommended changes to the budget. The next two items are Austin energy's tariffs and some changes to our fee schedule. We won't get to those until we get to item 2. That may be not today, but when we get to item 2, which is to adopt the fees, we'll be reading into the record these fee changes. I just wanted to give them to you in advance to during a break or something if you wanted to look at those changes just to let you know we'll be bringing those forward, the ae tariffs and the fees. I think we've done those both as a strikeout underlined version to help you see the changes there. The next thing that's in your packet is that slide that we always like to show you for major rates and fees. One of the things that's changed this year, which it typically does as we go from proposed to adopted is the power supply adjustment in Austin energy has changed.

[12:04:17 AM]

That's a bit of a good news story is that our overall projected rates and fees for a typical city resident has come down a little bit from the time we proposed the budget. Specifically that Austin energy line we were projecting a \$3.22 monthly impact. It's now going to be \$1.95 impact. In aggregate it's \$13.54 per month now, which is a 4.2% increase. Thought that was a good news story. Just wanted you to have that. And then the final item in your packet is the concept menu as of last evening we printed these out and I don't think there's been any changes to it since then. That's what's before you. It kind of also lays out where we're going to be heading the rest of the day. There's any questions about those materials, I'm going to move on to our hotel occupancy tax presentation. Okay, so then the city manager submitted a memorandum to council laying out a lot of these same concepts and issues in response to council's resolution. Item number 60 from your last council meeting. What's presented here largely follows those same recommendations. We just wanted to outline them here for you this morning. Can we go to the next slide? This doesn't seem to be working. There we go. Great. Thank you. So just a couple slides to lay out the legal framework and I know you all have probably read the same statutes and seen this many times before. H.O.T. Expenditures have to promote tourism and the convention industry and must also be used as an authorized use in the tax code. There's nine, but the ones relate to

today's presentation and discussion are these five. Obviously the construction, operation and maintenance of a convention center or its facilities.

[12:06:22 AM]

Also costs related to the registration of convention delegates. Those two pieces are essentially what we currently allocate the four and a half pennies of H.O.T. Taxes. Advertising and promotional programs to - this would be our visit Austin, tourism and promotion bucket. It can be used for encouragement and application of the arts with a maximum of 15%. That's our current allocation is 1.05 pennies. And the final bucket is for historical restoration and preservation in proper locations. Not funding that at all in previous years. So those are the legal uses. Also H.O.T. Funds can be used for day to day operations such as supplies, salaries, office rental, travel expenses, other administrative costs but only if they are incurred directly in the promotion and servicing of authorized expenditures. So when you look at that language about day to day operations, you really need to go back and revisit the previous slide and see what the appropriate uses are and so in the pursuit of those uses it certainly is day to day operations. And I have some examples what we think that actually looks like. H.O.T. Funds may not be used for general fund purposes. So we think this is a really important element of the statute, cannot be used for general fund purposes or general government operations. Again we have some examples of these in a slide or two. Now, in a lot of today's conversation is going to be about the historic restoration piece. That's what you asked staff to do come back with a proposal to increase that to the full 15% allowable under state law. That historic restoration and preservation pot, advertising is fine, conducting solicitations and promotional activities. This is all fine under statute. But it has to be for things that encourage tourists to visit these preserved historic sites or museums.

[12:08:29 AM]

Secondly the historic sites or museums have to be in the immediate vicinity of the convention center or they can be also where in the city so long as those are areas frequented by by tourists and convention centers. There's a need to document that frequency. Just some samples, we have worked diligently with our parks people to look at what historic sites would be eligible under this statute. This is just a sampling. It's not intending to be comprehensive. We still like to use the word potentially as we're working fast and as we go time to slow down and dig into some of these things, it may turn out some of these things maybe they are not eligible but we're trying to be cautious. The Barton springs bath house, downs field, these are properties that we currently have in our inventory of assets that we believe almost most likely would meet the definition of being an historic property. We're largely deferring to the criteria used for the historic grants here, looking for properties that have some kind of state or federal

designation as being historic. So let's talk a little about some examples of eligible uses of H.O.T. Funds and not eligible uses. Just to give you a little flavor of the types of things we're considering. So clearly under the statute an allowable use might be security costs related specifically to a convention center event. So the convention center is holding a convention, they want to make sure it's safe, they need to have security personnel there. Whether those are city employees or not, they are for trying to secure the event, appropriate use. Not allowable in our read of the statute would be things like just general police patrol at community events or community festivals. Another example might be that Barton springs bath house that I talked about. Certainly it's an historic facility so the preservation and restoration of that facility would be an appropriate use, but looking at things like lifeguards at the Barton springs pool, that is what we would view as being a general fund operation and so not allowable under the statute.

[12:10:42 AM]

This is one we don't currently do but it's being talked about with this new pot of money, we might be able to hire docents so perhaps the parks department might hire some docents at Oakland cemetery. That would be focused on tourism and related to the history so that would be an appropriate use. But looking at oak woods cemetery, interment services, that's a general fund operation. Just this little nuance just because it's an historic property does not mean that everything that's being spent there fits under the statute. That's a good example to highlight that. One last example, marketing of historic sites to tourists and convention delegates certainly appropriate, but, you know, a contra example would be marketing of parks and recreation offerings to local residents. Again going back to the Barton springs bath house, having marketing materials and public information related to wanting to bring tourists to that historic site appropriate, but kind of a general brochure about recreational activities available at zilker park, that's geared more towards residents, would be a general fund purpose not a hotel occupancy tax purpose. Just one other consideration. One other real challenge we had in trying to get to where council wanted us to get was our bond covenants related to existing outstanding convention center debt pledged four and a half pennies in support of that. Any reduction in the pledged amount would certainly be a material change, something we would have to report through Emma, make available to anybody to see that we were making this change. And I think it's important to highlight that maintaining the convention center's current aa bond rating is really critical when you look at potential savings or future bond issuance related to a potential convention center expansion, that aa rating is critical to minimizing interest costs.

[12:12:50 AM]

I think it's important to try to maintain that pledge of four and a half pennies at least until our existing bonds could be paid off. Then finally we worked closely with visit Austin and believe that any cut of more than \$2 million to visit Austin's budget would require a staffing reduction. Another parameter we were working in how can we get this done without any staffing reductions. This is a currently allocation of the seven pennies. I'm just leaving the chapter 34 two pen yeast's. Germane is the hotel occupancy occupancy taxes of seven cents. Four and a half pennies to the convention center. You can see the dollar amount that equals. 1.45 pennies goes to our tourism and promotion bucket. That's \$15.3 million. And I just want to highlight those are the funds that we used for visit Austin and currently it includes \$500,000 for heritage grants. 1.05 pennies for cultural arts and, again, nothing for historic preservation.

>> Tovo: A quick question. I thought I saw in visit Austin's proposed budget for next year that the heritage grants would drop to 200,000. Are you certain about the 500,000 for the heritage grants?

>> I think you are right. I think they are going back to 200,000. I have a note on that. Let me confirm that. I know I have it in here and maybe we need to correct that.

>> Tovo: It was 500 last year, but I'm almost certain it dropped back to 200,000 for the proposed budget.

>> I got three people saying it's 500,000 this year.

>> Tovo: I'll check my presentation then.

>> Maybe it was an error on the other presentation.

>> Tovo: Thanks.

>> So that's how it's currently allocated with \$500,000 for heritage grants, and this is what staff's recommendation would be. You see here we're trying to maintain that four and a half pennies for the convention center and we do. We would actually take the tourism and promotion portion down to 0.64 cents.

[12:14:54 AM]

From its current 1.45, bring it down to 0.64 which would leave tourism and promotion with \$6.7 million. That's a big hit to that bucket and it's a big hit to the visit Austin budget. If you go over to the right-hand columns, what we're proposing is take \$6.6 million that currently flows to the convention center, it flows into their cip and say we can directly contract. The convention center can directly contract with visit Austin to provide convention marketing and sales. That's appropriate use of their four and a half pennies. That's what we would do. We would have the convention center directly contract with visit Austin instead of funnel he willing it through the tourism or promotion fund so able to keep the convention center at four and a half pennies. Comes down to 0 .64 cents. That's a \$2 million net

reduction for visit Austin when you take into account that \$6.4 million payment I just made. Does that -- that's kind of the nuance here, we're doing it that way in order to maintain the pledge of four and a half pennies. 1.05 cents for cultural arts, 11.1 million. 0 own 81 no change. 0.81 for historic preservation getting you to \$8.6 million. How do you good ethics commission to the \$8.6 million? It's the items in the red. Reduce transfer to cip by 6.6 million in the convention center. They will directly contract with visit Austin and visit Austin will reduce its budget by \$2 million. So again, the parameters we're dealing with is trying to maintain that four and a half pennies and avoid layoffs in visit Austin and the furthest we could get the 6.8 million, two and a half million short of what council wanted us to be at. We highlight we are confident we can get to the full 1.05 pennies, 15%, for historic preservation, but as soon as we can get the debt paid off in the convention center.

[12:17:02 AM]

So I think currently it's set to be paid off by 2028 or 2029. There's been discussions about trying to pay it down quicker using some of the money that they have in our cip to pay down those bonds more quickly. As soon as the existing bonds are paid off, we would be free of the requirement to keep the pledge at four and a half pennies.

>> Mayor Adler: Mr. Flannigan. Zan Zan a question about the convention center and visit Austin. The 6.6 million that the convention center will now contract with visit Austin to accomplish, is that work that -- is that replacing \$6.6 million of work visit Austin with a was otherwise doing that will no longer occur?

>> Visit Austin is already doing that work. They get the money directly through the tourism and promotion fund to them. Now we would take all the reduction from the tourism and promotion fund, but in order to maintain those convention marketing and sales activities, the convention center will now directly contract with them. There's a zero impact. That 6.6 million that's for convention sales and marketing activities, there's no impact to that 6.6 million. We're not looking to reduce the degree to which we are able to market and sell our convention center.

>> Flannigan: Save the \$2 million reduction, it's not changing the activities or work we're asking visit Austin to do.

>> That's right. Save the \$2 million.

>> Pool: Mayor, I just want to have Mr. Van eenoo repeat that zero impact because somehow over the weekend wrong information got out into the community that seemed to say or did say visit Austin's budget was going to be cut and that specific activities would be cut. I spent considerable time responding to that as best I could, but I would like to have that affirmed so that that misinformation, inaccurate information, and I don't know where that started, but we need to correct the misapprehensions that are in the community.

[12:19:09 AM]

>> Aen and I'm not prepared to do that but we have staff. That's the number I would be focused on. Visit Austin currently has \$15.3 million in the proposed budget. From their perspective that would reduce to 13.3 million. They would have \$2 million less. They won't have to reduce staff at all, but they would have to reduce some of the money they spend on promotion and advertising and things of that nature. But they are here to respond to some of those questions. There were emails over the weekend about the potential impact to film industry, things was that nature. But they are here to answer questions on that. I don't have all of those details. Then the final aspect is with that 8.6 million that's in the historic preservation bucket, what would be staff's recommendation to do with it and that goes back to the early part of my presentation and the pretty severe limitations we're under within the state statute. We worked with our staff very closely over the last several days looking for what are all the things we're currently doing that fit the statute that we could -- that we could pay for now out of this historic bucket. So again we're looking for things that are related to the preservation and restoration, the marketing of historic facilities. As opposed to things like lifeguards at the Barton springs pool. And this is the number we've been able to come up with, \$280,000 I would say it's preliminary but with the time we had that's the number that we could get to that we felt confident fit within the statute. In addition to that, these would be new expenditures. The parks department has said there's a lot of interesting things we could be doing. We could be doing a better job of marketing, a better job with perhaps hiring docents. They have \$220,000 of new ideas of new expenditures they could make out that operations and maintenance related expenditures.

[12:21:18 AM]

That would be total of \$500,000 and then the remaining \$8.1 million we would see as being left for historic preservation capital projects or any other eligible uses that we're able to determine. That would be staff recommendation for how to utilize those funds and we would be happy to entertain any questions that you might have.

>> Mayor Adler: Quick question. I sure do like the idea of being able to leverage the convention center expansion to get an additional \$8 million plus whatever for historic preservation. There are two questions that -- one was the impact of the loss of the \$2 million that you said someone else will address. The other one is the impact of the reduction in the transfer to cip. Do you speak to that or does someone else speak to that?

>> I could speak to it. Maybe we can get somebody down to speak to the \$2 million impact on visit Austin, but in regards to reduction in cip, I mean I think the question at hand was do we view that as

something that would jeopardize the convention center expansion or the downtown puzzle and we don't. Under this proposal the way we've carefully crafted it would be to do things in a way where we don't think there would be any impact to that portion.

>> Mayor Adler: Okay. I was just asking because you were up, we had Ed up here, I was wondering who was going to address that. Does the impact the convention center itself? What if we don't do the expansion?

>> So I think I this --

>> Houston: And mayor, while he's looking for that, if you could put your mic up, we're having difficulty hearing.

>> Mayor Adler: There were two variables. One was the reduction in the \$2 million from the tourism promotion. Vent lie we'll have people talk to that. But while Ed was up, I wanted to know if I was going to speak to the \$6.6 million reduction in cip or if that was also someone coming up.

[12:23:27 AM]

>> I may need help for that. There's one slide, in regards to their cip, so this would all stay. None of this is impacted. This is their current spending plan and none of this is impacted by reducing the transfer by \$6.6 million. I believe this all adds up to 62 point some -- \$62.1 million. You know, so the capital dollars that would be needed to continue to invest in the convention center for the roof repairs, the marshaling yard council approved and we started moving down the path of fixing garage elevators, et cetera, these kind of bread and butter, nuts and bolts cip projects, they will continue. We're not proposing to make any reductions to any of these things as a result of that \$6.6 million. What it could impact is when it comes time to do a convention center expansion, it may change the amount of debt. We might have to issue a little more debt than we otherwise would because we don't have as much cash in our cip to cash fund the project. I don't know if that helps. And we do have convention center staff here if there's more questions about what the 6.6 million -- but my understanding it has no impact on their existing capital program or planned projects.

>> Mayor Adler: Ms. Kitchen.

>> Kitchen: I was going to suggest, I don't think we're ready for it yet, but I'm going to be asking for a executive session because I have legal questions related to some of the discussion that we've had so far. So whenever you are ready to get to it. I know we've got other questions first.

>> Mayor Adler: Okay. Ms. Pool.

>> Pool: Thanks for the good presentation and the information that you've laid out. Do you have a slide that shows the reserve funds, the various reserve funds that the Austin convention center budget contains?

>> I don't have a slide with that.

>> Pool: That's an important piece of information as well.

>> We can surely get that information I'm sure while you are in executive session.

[12:25:30 AM]

We could get the information you want on the levels. That's easy.

>> Pool: Just as a teaser I'm looking at some beginning balances for the next fiscal year. The operating fund reserve for the convention center is almost 20.3 million.

>> That sounds about right. I knew it was in the 20 millions. They do have a reserve policy established and approved by council for 180-day reserves. Which is high, but that's pretty much standard in the convention center business with the volatility of the tourism industry and hotel taxes, they do maintain a high reserve level.

>> Pool: Then we have the hotel tax revenue bond redemption fund and that's a little over 9 million, and that's to pay off existing bonds.

>> That's correct.

>> Pool: Without accelerated the things. Maybe we could see if we accelerated savings what savings there would be. Then two cip reserves, one for the convention center which is over 73 million. I was curious over how many years that 73 million has been accumulated. For example, what was the balance five years ago? I think that the plan to expand the convention center has been underway for quite some time which would explain the large cash reserves that we have. That have not been tapped. And this money has been set aside in order to expand the convention center. Is that correct?

>> I think that's correct. What I was going to comment on is that the concern that we have on some of these items is just anything that would be a diversion of the four and a half pennies from what it was pledged for. And so, you know, kind of an explicit diversion would be if we were to take the four and a half pennies down to 4.2 or 4.3 pennies so we could get to the full \$11 million, that would be a clear easy to see diversion. I think it would be likewise a diversion of those funds to go back into cip reserves or other operating reserves that were funded through the four and a half pennies and saying we want to divert those to other purposes.

[12:27:36 AM]

Either one of those could potentially be a reportable item from a bond rating perspective.

>> Pool: The fourth one I have is something called venue north and that is almost \$32 million. So I recognize and appreciate what you are saying about use of reserves, but I would also say that this body here has not yet achieved consensus on whether to expand the convention center and I don't remember that conversation happening before I was a councilmember out in the public. So the policy decision was made in the past in order to put these moneys aside explicitly for an expansion of the convention center. So I know that staff is operating on that assumption, but we haven't actually -- or maybe not.

>> Some staff might be. In presenting this information, I'm certainly not working on that assumption. What I'm trying to show is once that debt is repaid and these moneys perhaps could be used to accelerate that debt pavement, about out once that debt is paid, then we could change the allocation more and get from the 8.6 million to the \$11.1 million. But we need to get that debt paid off first would be the safest course of action.

>> Pool: Sure. And the plan is currently seven or eight years left on that debt repayment and that was from the previous expansion of the convention center.

>> Yeah.

>> The debt repayment is 2029 and we began working on the convention center expansion in March of 2014 when the council at the time approved the consulting study with ginsler to produce a master plan.

>> Even if there was no desire from council to do the expansion, our advice would be to use those extra moneys in reserve, those extra moneys in the capital fund to pay off the debt as opposed to diverting it to increase the 8.6 million to 11-1 just because of those concerns we pledged four and a half pennies and the revenues those four and a half pennies generate to paying off the debt.

[12:29:40 AM]

>> Pool: I understand and thank you for that. It could also be used -- \$105 million could also be used for renovations at the existing convention center. Is that correct?

>> Yes.

>> Pool: Okay. Could it also be used if the debt were paid off for another major infrastructure project that would be a convention center type thing? For example, the exposition and heritage center and the eastern crescent?

>> That's a little more complicated, but it's certainly something that I've reached out to one of the commissioners about and also the aide for the county judge, and I hope to be able to explore that with them. Since it is the type of thing that might involve issuing bonds, it's something we have to think through very carefully.

>> Pool: And that was also part of the resolution that we passed at our last meeting to begin those formal discussions with Travis county to do that exploration.

>> You bet.

>> Pool: Great. Thank you.

>> Mayor Adler: Councilwoman alter.

>> Alter: Thank you. Mr. Van eenoo, can you explain which model for expansion you used to figure out kind of how much we would need to have on hand to be able to move forward with the projections? Because we've seen a model that's \$560 million, and following the visitors impact task force there is now a model that's 400 million. And what I'm trying to understand is how much we need to have on hand for a project that's 560 million and how much we need to have on hand for a 400 million-dollar project. So I'm trying to understand what the assumptions were as you were calculating things, which of those models you used.

>> Those are kind of big, complicated models and we did not update those models to reflect these assumptions. The work is try to get council to the \$11.1 million without jeopardizing the four and a half penny pledge to the Austin convention center or resulting in layoffs to visit Austin.

[12:31:52 AM]

So we are not changing the assumptions of the models you've already seen. Again, we don't believe that what we are proposing here today on this slide would jeopardize an expansion effort if that's what council wanted to do. But it may change the amount that we debt finance versus the amount that we cash fund.

>> Alter: Right, but the amount that we debt finance or cash fund varies upon whether we're talking about a \$400 million expansion for \$560 million expansion. What I would like to know has the operating assumption been the 400 or 560 million. Somewhere along the line you had to make an assumption about which type of project we were using. Because if I'm trying to put away money to purchase or to go for an expansion and it cost me \$160 million less for version B versus version a, the amount of money I need to have on hand to leverage it and do that is different. So that's what I'm trying to understand is what is the assumption underlying --

>> Yes, I think the visitors impact task force brought up an interesting way of looking at an expansion in that they proposed a 3p model which we had not looked at before and that resulted in the difference in the estimate for the expansion of 400 million to the 5 or 6 hundred million that we had looked at previously with the master plan. That was an interesting twist and one we would like to explore because it would reduce the amount of debt we would have to issue ultimately the debt repayment early is what the money has been set aside for as well as the expansion. I can't tell what you the split is, but accelerate the debt payment to 2021 was a piece of the model and the assumptions we had in the master plan that we had laid out and that was what the visitor information -- visitor impact task force had looked at as well.

[12:34:01 AM]

They counted on that repayment early.

>> Alter: But the master plan had the 560 million?

>> The master plan originally had the larger amount, yes, ma'am.

>> Alter: Okay. Can you also please share what the general fund expenditures that are on your slide 10 include? So you said we could off set 280,000 of existing general fund expenditures and we could off set 220,000 of new general fund expenditures. Do you have some details on what you found as eligible? And I know we may have more conversations in executive session, but I think that we can know what those numbers are.

>> Sorry, I'm having a computer issue. I have the file that has the details but it won't come up, so -- so they had -- this is working with our parks department. They had identified \$45,497 that would be related to the old bakery museum and emporium. 31,872 for o'henry museum. 26,701 for Dickinson museum. And \$175,000 additional that would be specific to maintenance expenses at those -- at old bakery, o'henry, Dickinson, Mayfield and oakwood. The 175,000 is kind of our best guess at this point in time.

[12:36:02 AM]

The parks department has never had a need to track funding at this level so they have a maintenance budgees of \$3.3.5 million and they will use that facilities maintenance budget to go out to facilities that need repair and make the repairs. But they don't have the detailed data currently to say this is exactly how many hours and how many dollars we spent on maintenance efforts, on preservation efforts that would fit under the statute as being historical. So we are making an educated guess that we think it would be 175,000. It may well be more than that, but we're trying to be conservative. As they go

through fiscal year '18, they will be tracking their time and setting up a task order system so they can accurately track which crews went to the historic facilities there and how much time they spent and materials and supplies on those preservation and maintenance activities. And so again we may be able to increase the amount when we get to fiscal year '19, but that's what the general 175,000. So the sum of all those is \$279,070 which we rounded to 280 here.

>> Alter: The 220,000 of new? So there was two parts. I think what you just explained were existing.

>> For the \$211,000 they were looking at adding temporary positions, a project coordinator program, a project coordinator, a program coordinator and marketing representative to implement historic preservation capital projects and market historic sites to visitors and con investigation nears. They -- conventioners. You come out to visit them, that's what they would do would the extra -- I rounded up to 220. These aren't things we've done before so it's just an estimate.

[12:38:04 AM]

I rounded it up to be conservative.

>> Alter: My last question for right now is how much is in the manager's proposed budget to transfer cip? That 6.7 million comes out of what was being transferred into the cip reserve. How much was in the proposed budget to be transferred over?

>> My memory was for the convention center operating budget it was in the neighborhood of \$14 million, but I continue to have computer problems here, but I don't think I'm too far off on that and I can look it up for you.

>> Alter: And would you happen to know if that would be in volume 1 or 2?

>> That would be in volume 1 in the financial summaries under convention center operating budget fund summary.

>> Alter: Okay. If you can when you have a chance if someone could get me that. Thank you.

>> Mayor Adler: Mr. Flannigan.

>> Flannigan: The cip transfer should that be one time?

>> No, that would be ongoing reduction of that transfer amount N recent years that transfer has been in excess of \$20 million. In fy-18 budget I believe it's in the neighborhood of 14, 15 million dollars is what the transfer would be. So you know this is typically what the convention center does is after they pay for their debt obligations, after they pay for their maintenance and operating budget, what they have left as a result of the hotel taxes, the four and a half pennies plus any revenues they generate through their conventions, after they met their reserve we push it to the capital budget to maintain the facility and so

it would be less of that money going into that pot, but we would project that as being an ongoing reduction. I note here on page 62-9 from somebody's whose computer is working. Page 669 is where you will find that fund summary and you can tell me if I was close on the 14 to 15 million dollars.

[12:40:04 AM]

>> It's on 643. The amount 14,208,983. On page 643 on volume 1.

>> The number wrong and the page number.

>> Mayor Adler: Pretty darn close. Ms. Kitchen, then Mr. Casar.

>> Kitchen: Thank you. I have a quick question about -- and I apologize if I'm remembering wrong, but I think that in the budget that was presented to us for the convention center, there was some new ftes for this year. Is that correct?

>> There was 19 new positions, 12 of them conversion of temporary to permanent and seven truly new positions.

>> Kitchen: Okay. And so in this -- in what's being presented to us today doesn't impact those seven new ftes?

>> No, it doesn't.

>> Kitchen: On the convention center is -- so the convention center is -- the knowledge about ethics commission as we were putting it forward would give them seven new ftes. Do you know the dollar amount for that?

>> I could look it up.

>> Kitchen: I would like that information.

>> Just got the find the right back in the budget. >>.

>> Kitchen: Those are not people who are current employees -- except for the temporary ones. I'm talking about the ones not currently working at the convention center.

>> Right.

>> Kitchen: Okay. Thank you.

>> Mayor Adler: Mr. Casar.

>> Casar: So Mr. Van eenoo, can you explain to me again the difference between off setting existing and what you define as off setting new? So we're really looking for working with pard to say, you know, it's kind of a matter what are your historic properties, a big list of historic properties. Which of those properties are either in the vicinity of the convention center or are frequented by tourists. Then it becomes a smaller list. And then it's a matter of looking at, okay, for those facilities, what are the eligible expenses under the statute.

[12:42:10 AM]

Again, some of those examples about oakwood cemetery is clearly historic and if we have work that's related to the preservation, say, of the headstones, I would view that as being eligible for this historic preservation pot of the money. That would be, say, an existing expense that we might say, okay, now we can fund that instead of using general fund dollars, we can fund that with our hotel taxes. It's preserving the historic site. That's something we currently do. Probably not as much as we should. The second bucket there's things out there we don't do at all that maybe would be a new business model. Whether it's we want to do more marketing so when people come to visit the city, they know there's an oak wood cemetery and there's an historic aspect and we want to start marketing that site. Potentially they might want to hire docents and talk about some of the historic people buried there. That would be a new expense.

>> Casar: I think the trouble for me is it -- can you off set something new? Isn't something new in addition? Wouldn't we be offsetting something else? We're not off setting the new thing.

>> Yeah, I think you're right. I'll -- your language is better. We're not off setting anything because it's new, but we're not paying for it out of the general fund, we would be paying out of this historic budget.

>> Casar: We have have to be off setting something existing so we would have to do -- if for example we want to free up in your first line -- if we could have the slide up. Never mind. It's okay. It seemed like you had off set of existing. That would free up 200 odd thousand dollars.

>> 280.

>> Casar: The next line for off setting new would either be adding to pard budget, but if it were truly an off set, we would have to know what \$200,000 of stuff we would stop doing.

>> If we were -- but we're not proposing to stopping to do anything.

[12:44:14 AM]

When we get into the next presentation where I'm talking about the staff's recommended budget amendments, one of those budget amendments would be to increase pard's budget by \$220,000 to these new things, and we would also have an off setting expense refund in this historic preservation. That's why I used the term off set. The increase in the budget for these new things would be in the pard's general fund budget but paid for out of the historic preservation budget.

>> Casar: The first line, I would understand it better, off set of existing expenditures. The second line is just \$200,000 of new pard activities and new expenditures that could be funded by H.O.T. But aren't netting us more general fund flexibility.

>> You are right. The general fund flexibility is \$280,000.

>> Mayor Adler: Mayor pro tem and then councilmember Houston.

>> Tovo: I have a variety of questions. I'll just ask a couple because I'm waiting for some material that will help me ask the next batch. I'm sorry that I did not capture the 280. If you could review that again or provide us with a list. The 280,000 of off set expenses. I think I -- I didn't capture.

>> I have a whole member me I'm reading off from pard. Maybe I'll get copies and distribute it.

>> Tovo: That would be helpful. I looked for it in the memo we received last night, but I think it offered -- it used the figure \$500,000 as an off set because it merged these two concepts, but it didn't have the detail you are discussing. If you could get that to us, that would be helpful. What I don't hear are some of the things that we've identified as we've talked in our previous discussions. The Umlauf, the sculptural gardens, perhaps best for executive session, but I think we should have that conversation today before we get too much further on.

[12:46:15 AM]

Because it has come up multiple, multiple times in the last week and I've sent two emails to staff asking for this information, I would like to get a pretty clear number on what within the visit Austin budget is assigned, what is the cost of the film commission? As expect -- as expect indicated, we've gotten -- the council resolution was going to stop film incentives, which as far as I can understand the information actually don't come through visit Austin. The film incentives are supplied by the state but there is administrative costs of administering that program within visit Austin but I couldn't get clarity

>> Tovo: I saw another figure that was maybe higher than that in the \$200,000 range. Again, I just want to get clarity. I haven't been able to respond to most of the people writing because I haven't gotten answers back to my questions about what the cost of administering that program are. So I guess that's a question probably for visit Austin. I see Mr. Nunen. Are you able to provide us with a figure for what it cost to administer the film commission program?

>> Good morning, mayor and council. Thank you for giving us the opportunity to talk about this. One of the things I would like to talk a little bit about on the film side, just to give a little bit of history that some of you may or may not be aware of. Several years ago the city provides \$125,000 out of the general fund for the Austin and convention center bureau budget specifically to fund film and music. A few years ago that amount got changed to come out of the palmer event center. Then a couple of years later that got cut in terms of being a specific line item to our budget.

[12:48:18 AM]

So we recognize that's a really important part of what we do. It's important to the community, so we continue to fund both of those programs. The film commission funding is a little bit under \$200,000. Music is under \$350,000.

>> The film commission is just under \$200,000. And the film incentives that that commission administers are all outside funding, right? They're the --

>> We are not involved in the incentive program.

>> Tovo: I see.

>> What we do is the marketing promotion to bring in films to actually produce in Austin. Our job is to show them the right locations, to put them in touch with the right people so they can create jobs with the right local crews so they can film here effectively.

>> Tovo: Thanks for explaining that because it wasn't clear from the information I had in front of me. Whether visit Austin actually had a role in helping connect people to those incentives.

>> We do try to connect them to incentives, to permits. We want to make it as easy as possible for someone to film in Austin and use our local use to help create jobs and bring that economic impact to our community.

>> Tovo: But those are not passed through visit Austin?

>> No.

>> Tovo: There has been a flurry of misinformation. I appreciate you clarifying that. We are getting mails suggesting the reallocation of the hot tax was going to remove it from the film industry, which was several steps beyond anything we have control over. Thanks very much. The fee waivers. This was another question. In fact, we had kind of a hearty discussion in one of our work sessions. This was -- anyway, I apologize for asking it here on the dais but we had a vigorous conversation about it in our budget work session and we asked for it to be added to the q&a and it didn't get added.

[12:50:31 AM]

If staff could compile for us the total amount of -- I don't know to express this. Let me back up. I had received a memo indicating that often the convention center fees are to some extent -- I don't know if it's often or not -- the convention center will lower its stated fees to attract particular conferences. We had asked for some accounting of the totals in, say, the last several years of the gap between the stated fees as approved by the council -- within the council budget process and what is actually assessed to those conventions. And then in the course of that conversation I think the mayor had asked for some additional staff information with regard to that. So I'm just wondering if that number -- if we have that number today. Of what the gap is between what we have indicated the fees are and what actually gets assessed to those conventions.

>> I don't have the number. I would have to check with our convention center staff to see if they have that number.

>> Tovo: Okay. Thanks. And, again, just there were a couple. I know this can happen because we talk a lot in our budget work sessions. It was my understanding that was going to be added to the q&a and we would have an answer to that. It would be great to get that number today. I think that's it for the moment. Thanks.

>> I see Mr. Tester out in the audience.

>> Mayor Adler: Ms. Houston.

>> Houston: Thank you, mayor. I want to be clear that I understand. On slide no. 6, allowable uses is that marketing of historic sites to tourists and convention delegates. That could be used by parks and recreation to do that.

[12:52:35 AM]

Is that correct?

>> Parks and recreation or are city departments.

>> Houston: Could use that funding. So then would the visit Austin not be marketing these historic sites to tourists and convention delegates?

>> I don't know the extent to which -- maybe they could come back down. I don't know the extent to which they currently do that. I don't think the city currently does a lot of this. So this opens an opportunity for the city, city departments to start doing some of these marketing activities that they might not otherwise have.

>> Houston: I don't disagree with that at all. It's just what will the visit Austin folks be doing? Because they're marketing to a broader national, international group. So I'm just wondering if that will get confused.

>> That's a good point.

>> Mayor Adler: Ms. Pool.

>> Pool: I have some questions but I see Mr. Tester is here and maybe he's prepared to answer the mayor pro tem's question and I can pick up my question after he's done.

>> Mayor Adler: You want to answer.

>> I'm sorry. Which question?

>> Mayor Adler: There was a question that the mayor pro tem asked about -- several questions that she asked Ed to fill in. If there are people here that know the answers to those questions, they can give them now.

>> Staff is prepared to answer the questions that council has asked.

>> I don't have the answer to that specific question. Mark tester, director of the Austin convention center. Thank you for the clarification, mayor pro tem, on that question. We're getting that number and we'll get that today.

[12:54:36 AM]

>> I believe there was a subsequent council from council member Houston about the marketing impact.

>> The marketing impact, if those funds were directed.

>> Thank you for the question. We will continue to market all of Austin's assets like music and parks and heritage. We're looking at these cuts. The reality is there will be less marketing dollars to go around but it's not that we would stop promoting heritage or history. We just have less dollars to do so.

>> Houston: I appreciate the fact that you are now doing it, because historically we have not done a very good job with that and tourism, historic sites, and cultural-specific sites. I appreciate you all doing that.

>> I thank you for the dollars last year to be able to do that, so thank you.

>> Mayor Adler: Do you have any more questions, Ms. Pool?

>> Pool: Yeah, I do. The funding for the various different commissioners that are under visit Austin, 192,000 for film, \$300,000 for music that we mentioned. How much does the sports commission receive?

>> The sports commission in our original budget was at about \$400,000 total.

>> Pool: Are these three numbers the same allocations over the last five years? How have these allocations changed?

>> Between which three numbers?

>> Pool: Film, music, and sports.

>> Sports is about the same as it has been percentage wise. Music has grown over the last few years, and film is about the same as it has been.

>> Pool: Maybe some specificity would be helpful to see not only the percentages but the hard dollars.

>> You want like a five-year history on those?

>> Pool: That would be great. For everybody that should be a budget question. And explain why sports commission, for example, gets twice what the film commission does.

[12:56:39 AM]

>> So the sports commission is kind of an under the umbrella of our convention sales group. They are involved in sales and marketing, but specifically around sporting events. What they do that is unique is they go after a different type of business. Normally sports business will come in the summer months so we staff up to ensure that we meet those periods to keep the hotels at a constant occupancy level.

>> Pool: I'm assuming that the organizations that are bringing or that are putting on the events that are bringing tourists into town are doing a fairly extensive marketing and promotion campaign themselves.

>> Which organizations?

>> Pool: F 1.

>> We don't work with f1.

>> Pool: The sports commission doesn't work with f1?

>> It is its own entity. So the events that we're more interested in are going to be things like naga, which was the national association of gay amateur athletics world softball event. We work with a lot of youth

and senior sports that are smaller events. Coda operates on its own and we refer them, but the bulk of what we do is around smaller events.

>> Pool: That's helpful, so if we could see how the funding has been on that for the last three years, that would be great. I have a question on the debt payments.

>> Mayor Adler: Before you do that, would you state your name for the record.

>> Julie heart, chief financial officer with visit Austin.

>> Mayor Adler: Thank you. Ms. Pool.

>> Pool: Thanks. We were talking about paying off the debt and possibly accelerating paying off the debt. Putting that piece aside, if we do an expansion of the convention center, we would be bringing on new debt as well, is that correct?

[12:58:40 AM]

>> Yes.

>> Pool: How then does the cash funding piece fit into all of this? And then a second question or maybe a first question is is it typical for the city of Austin to cash fund major infrastructure projects? I'm thinking in terms of the money for mobility bonds, for example. And for the new general library. I don't believe any of those projects were cash funded.

>> No. It would be very unusual for general obligation types of debt to be cash financed but not at all unusual for revenue bonds used by Austin energy or Austin water, the airport to have a portion of the project be funded through cash transfers to cip and a portion to be funded through debt. It's more of the standard than being uncommon.

>> Pool: Can you point to a council action that directed the moneys with the convention center be put aside for expansion of the convention center?

>> No. No. I mean, I can point to budgets where the council has approved transfers to cip, but not for anything specific like the expansion of the convention center.

>> Pool: When was the ginsler report completed?

>> I don't know the answer to that.

>> Pool: We had a presentation that related to a variety of funding scenarios that were exceedingly complicated.

>> I believe the report was commissioned in 2014 and completed in 2015.

>> Pool: Okay. And then I'll just run through a couple of questions related to pages. Page 7. What's Emma? That's a new online system that I don't remember hearing about before. That's on municipal financing mechanisms.

>> It's not a financing system. It's like a reporting agency. So any kind of material change in our bond situation, something that would need to be reported to the bond holders we report through Emma.

[1:00:42 AM]

It's a website. You can go in and see all this information. We occasionally have to report items to Emma. It's just something that the bond rating agency, bondholders would look at for significant changes to our status in regards to debt obligations.

>> Pool: Is that just Austin or is that a national system? National system. Okay. And then on page 9 I think you characterized that \$12 million from visit Austin's budget would be a big hit. And I was curious to see how the visit Austin budget has grown over the last five years. And Ms. Heart is going to provide us with information on the three specific subgroups, film, music, and sports commission. But I would like to see over the last five years what the percentage and hard dollars increases have been. Because clearly -- and we have acknowledged, there's significant revenues flowing through the hotel occupancy tax systems, so much so that we have reserves of over \$100 million. So my guess is that the visit Austin budget has grown probably significantly, probably at the same rate or thereabouts as the revenue increases have been coming in through the hotel occupancy tax.

>> I'm just looking at the tourism and promotion fund, which is where we put the 1.45 pennies. It then goes to the visit Austin contract. So this might not exactly sync up to that budget, because they could have other reentry program -- revenues. It has gone from \$12.4 million in fiscal year '15 to \$14.5 million in fiscal year '16. To 15-point -- those are actual numbers. Then in fiscal year '18 we're at \$15.3 million. That's just as far back as I have on this fund summary here, but we could get you more years back.

[1:02:48 AM]

From fiscal year 15 to 18 it's increased to 15.3.

>> Pool: How have the programs responded to that increase in budget, which has been from \$12 million to \$15 million, about a 25% increase over three years, is that right?

>> Yes.

>> Pool: And the last question on page 6 where we were talking about police patrols can only be used where it's a tourist -- do we have that slide?

>> I've got it here.

>> Pool: Allowable use security costs specific to a convention center event. So do we know that tourists, out of town family don't come as visitors to come to like the violet crown festival, for example?

>> Or, you know, new year's eve or the Halloween festival. There are lots of festivals we have throughout the community that the tourists surely come in from out of state.

>> Pool: We have the gay pride parade every year and it's a tremendous community event.

>> Those, and our read on the statute, all of those would fall under this -- oh. I need to bring it up on this one. That you can't use hot taxes to displace general revenue purposes or general fund operations. So providing police patrol at a parade or at a community event, even if there's tourists, there, that's a general government operation as opposed to something that is specific to the convention center. That's related to convention delegates.

>> Pool: So I think that that is an interpretation of the state law that may be handled differently in different cities, and that would be one that we will probably take up in our executive session as far as the legalities. But I don't know that I entirely agree with that interpretation.

>> Surely there's people in the community that disagree as well, but that is our legal staff's interpretation.

[1:04:54 AM]

>> Pool: I understand. It would be interesting to do a survey of other cities, San Antonio being one. I think we do have some information about how they have deployed their hotel occupancy taxes with little hiccup, from what I can gather. Thanks.

>> Well, I was going to reiterate that we can talk about it in the executive session but I think that that's not the interpretation that I would support in terms of the difference that council member pool just talked about. That's why I want to go into executive session.

>> Mayor Adler: Does anybody want to ask any questions before we go into executive session?

>> I want to follow up on a question I asked for earlier. I just -- first, I want to make sure that I heard correctly. So we talked about -- did you say it was the facility's maintenance budgets. I guess it was old bakery, O 'Henry, Dickinson.

>> We're able to go into those budgets and determine which portions of those budgets are appropriate related to historic preservation or maintenance and what we felt were appropriate for hot fundings. I think it is in your memo and I can see those specific facilities and those amounts. The additional \$175,000 is their staff kind of giving their best guesstimate as to when we start now tracking our general facility maintenance budget, which is a separate division of parks. They do facility maintenance. They go all over the city maintaining park facilities. But now there's a reason for them to be tracking specifically. Hey, we were at the nay museum doing work and we had a crew out there and we spent this much money on materials, we will back charge the costs to this new fund so it doesn't hit the general fund.

[1:06:55 AM]

Those dollars can now be allocated to other council priorities. But given that we don't have the data to really dial that in, we are being conservative here. We think \$175,000 is a conservative estimate. It may well be more than that, but we just don't know until we actually have the tracking mechanism in place.

>> So there would be -- there most likely are -- I'm not trying to put words in your mouth, but there probably are, in my mind or the question I would have is that those same kinds of -- those same kinds of expenditures for a whole host of our facilities, all the way from Barton springs pool to zilker gardens to Elizabeth nato -- nay to a whole list of our historic activities. You're not saying there aren't those dollars, you're just saying you haven't put a number on them.

>> Right. And I think there's two aspects to consider. One is what is a historic facility, and just by the nature of us being financial and legal people, we have taken a conservative posture. The statute -- my understanding is the statute doesn't define specifically here's what it takes to be historic. We have leaned towards properties that have been designated historic. We feel that is a historic property. It has met an established threshold for being historic. That's one threshold. There's another threshold in regards to is it frequented by tourists. And then the historic facilities frequented by tourists, which expenses are eligible as one of those uses on the list. And, again, I think there's a discrepancy about what that would be.

>> Yes, and of course we'll have this conversation in executive session. But the statute says historical restoration and preservation projects or activities as well as advertising, conducting solicitations, et cetera.

[1:08:59 AM]

We'll have that conversation later. Turning back to the other question I asked earlier, and that was about the seven new ftes. I don't know if you have had a chance to pull that up. I think from what we're seeing in the budget that those are a combination of convention center and palmer ftes?

>> No, I have it. Somebody has been working on that. They are listed in the budget document as a lump. And the new is listed in the document as a lump sum. The number I'm getting is \$576,000 is for the seven new ftes.

>> Okay.

>> Yeah.

>> Okay. Thank you.

>> Mayor Adler: Council member alter.

>> Alter: I'll be real quick. For page 5 I just wanted to call your attention to three more sites, Mayfield park, lion's municipal golf course.

>> That's just a sampling.

>> Alter: I know.

>> I think there's probably many more than that. More than would fit on one slide. We just wanted to give a sample of slides.

>> Mayor Adler: Council member troxclair.

>> Troxclair: When you were talking about a \$2 million reduction to visit Austin, is that from this proposed budget? Or is that from the current budget?

>> It's from the city manager's proposed budget. It would be 13.3.

>> Troxclair: Do you know what the current --

>> The city's contribution. They may have other sources of funding.

>> Troxclair: Right. Do you know what their current year budget is?

>> I don't think that's it. Not off the cuff. I'm sorry.

>> I do. We're at 15.4 this year. So the actual 15.3 was already a decrease of \$124,000.

[1:11:03 AM]

The additional two would be total net of 2.1 less than what we had this current fiscal year.

>> Troxclair: Well, so this current year you have -- what did you say? 14.4?

>> 15.4.

>> Troxclair: That's this coming year. But I'm talking about --

>> That's this fiscal year, so 16-17. Budgeted for 17-18 would be 15.3 is what is proposed currently in the manager's budget.

>> Troxclair: Okay. The number that I have is \$14.5 million. I'm guessing the discrepancy is that that's probably what was budgeted in the projections from last year. And then we had more money come in through hotel occupancy taxes.

>> There was a contract amendment last year that was part of the budget process. You held us flat from '15 and '16. There was a conversation on the dice about the extra \$2 million. \$1 million came back to fund heritage grants and cultural and diversity, and then a million went to park. Out of that \$2 million, a million came back to visit Austin, which took us to \$15.4 million.

>> Troxclair: I'm trying to figure out if the \$2 million number is a cut from the proposed budget or existing budget. And if it's about the same then there was not a projected increase in the city manager's proposed budget?

>> The I think Julie is correct. I do see the number here now. The fy17 amended budget, including the amendment Julie just talked about was \$15,479,000. What's being proposed for fiscal year 18 is \$15,345,000. And the new proposal that you have just seen here is now for \$13.3 million.

>> Troxclair: Is it typical that there is a number adopted in the budget but it's a projection based on hotel occupancy taxes and then more sometimes comes in?

[1:13:07 AM]

Because even if numbers that you read out earlier were a little bit different of the historic -- historically what the budget for visit Austin has been. They were a little bit higher than the numbers that I have in my budget documents. I just didn't know if that was a consistent -- if there was an explanation for the discrepancy, or no?

>> So historically the visit Austin budget gets set as an estimate of hotel occupancy tax. The last several years, obviously, the hotel community has done well and that estimate has been exceeded. Whatever exceeded that estimate rolled into the next year's budget. Some years it looks like it's been a significant increase, it really isn't a year or year increase. Sometimes that's a two or three-year increase because we're rolling over numbers from the previous years.

>> Troxclair: What are your reserves?

>> \$2.5 million, which is \$1.5 million less than what we want to be. We had significant expenses that we expected to draw on reserves. We would like to try to build those back up. But with the \$2 million reduction we wouldn't be able to do that this year.

>> Troxclair: How much of your reserve funds were spent on pma?

>> We had about a million total that was committed.

>> Troxclair: And that was a one-time expense?

>> That's not an annual expense.

>> Troxclair: Thank you.

>> Mayor Adler: Mayor pro tem.

>> Mayor, if I could correct myself, for council member kitchen's question, we said 576. I apologize, it's actually 627. \$627,000 is the correct number for those seven positions. We missed a half-time fte in there earlier.

>> Thank you.

>> Mayor Adler: Mayor pro tem.

>> Tovo: I have a quick followup about the reserves. Can you help me understand where the reserves money originated? Did it originate as hotel/motel tax dollars?

[1:15:08 AM]

I know you have privacy financing as well.

>> It's a combination. Some of it is hotel occupancy tax. One of the things we talk about, especially around hotel/motel tax. More people are staying, it goes up. If the economy starts to sink a little bit then travel pulls back in. We're trying to get back up to that 90 day mark.

>> Tovo: What's the balance of hot tax versus private money that has made up the reserves?

>> It's probably about 60/40, but I would want to look. 60 hotel. Can I address one question while I'm up here? You mentioned the \$500,000 for heritage grants. We did have that in the budget that we proposed. I just wanted to be clear that we did not take that back down to 200. It was still at 500. It was chart I gave y'all a couple of weeks ago.

>> Tovo: I see it in that. Perhaps it was an earlier document that had it at \$200,000. I do not have all that material down here.

>> I think it was the back up for item 60, perhaps. It might have been something that showed that.

>> Tovo: I will find it, just to clarify. But I did double check it on that sheet that you talked about, the chart and I'm wondering if it was in the chart you supplied our office in June. Thank you for clarifying that the proposed budget that contains within it a \$500,000 expenditure for heritage grants. Thank you.

>> I don't know if this is where it came from, but it is in the back up. No. 60 did show the proposed budget having \$200,000 for heritage grants. What I'm hearing is that was inaccurate.

[1:17:10 AM]

It's actually 500.

>> Tovo: I'm talking about believing I may have seen it in some of the publications that came to us through other means, not item 60. Thank you.

>> Mayor Adler: Mr. Flannigan.

>> Flannigan: I want to make sure I heard something correctly about the level of reserves.

>> We're a little bit below the 90 day. We're at about 2.6.

>> Flannigan: Wow. I'm very concerned about that.

>> So am I. I share your concern.

>> Mayor Adler: Can you address -- I want to ask the question what is the impact of the budget reduction of \$2 million? And then I want to know the impact is of reducing the transfer to cip of the 6.6.

>> So that's a great question. Thank you for asking. So we are still kind of working through what all of the exact line items would look like. The things that we know for sure at this point would be a significant cut to our advertising budget. We would have to hold salaries flat. We would look at restructuring some of our benefits to release some costs there. And then we would be looking at across the board cuts for all of our departments and programs of varying amounts to ensure that we could still meet our contractual obligations to the city with a reduced budget. We feel like we're obviously not happy with the \$2 million cut but we feel like we could meet our contractual obligations with that \$2 million.

>> Mayor Adler: Thank you. Can someone speak to the impact of the reduction?

>> Mayor and council, director of the convention center. It could affect the timing of some of our projects. One of them we may delay the big one, which is the phase two of the marshaling yard. We may look at.

[1:19:11 AM]

We do believe we can continue operating the facility in the same way. Continue upkeeping the facility, but we're going to be very careful on looking at the projects very, very carefully.

>> Mayor Adler: What does it mean to delay phase two of the marshaling yard?

>> Well, that's the big number. We're going to take a look at it to make sure we're there with that number. That would just delay the opening of that yard, the construction that we need to get the trucks and technology and things to marshal.

>> Mayor Adler: Will you describe what what a marshaling yard is?

>> Council recently approved us purchasing some land and we're going to create it into a marshaling area first. And then phase three will be a warehouse but it will be where trucks will go to line up to be queued in to come downtown. We're taking all the truck lining up that would happen in and around downtown and take it out to the yard to be systematic. That's where the trucks will go to line up and, again, that project may end up being delayed by a year or so, depending on how the raw revenues continue.

>> Mayor Adler: Okay. Council member kitchen and council member alter.

>> Kitchen: Just a quick followup. In talking about those impacts, those are the impacts that would occur if you were not to take dollars out of reserves, for example, to cover those things. And the dollars in reference are designed to be able to pay off the debt sooner. So in terms of, if I'm understanding correctly, in terms of deciding where the dollars go and what the impact would be, I can understand the impact that you're explaining to us. But I'm understanding that in the context of putting more dollars in reference than are needed in order to pay off the debt earlier.

[1:21:14 AM]

Frequency, -- for example, if you shifted things around some, you wouldn't have the same impacts you just said. But if you're choosing between paying off the debt earlier and these kinds of projects that you just discussed with us. And I respect that. That's fine. I'm just wanting to point that out.

>> The reserves are funded fully based on the requirements. They're not overfunded. If we have additional funding it is going into capital, the cip.

>> Kitchen: Capital then. I used the wrong term.

>> That's the capital money that we have to determine how to balance the \$6.6 million coming out of it plus, again, being able to keep the building, you know, running and under expansion. But weighing and making strong considerations considering that it is a pretty big number that's coming out.

>> Kitchen: I understand that but I'm wanting to reflect the fact that decisions have been made over the past are also being made right now in the context of paying off the debt earlier. So and that's one of the decisions that's been made in terms of how dollars are spent. So of course that impacts how all these moneys are used and what the impact of the 6-point plus million would have on you. So another question. So -- let's see. So this assumes that you would keep your additional ftes.

>> Correct. We're not going to change our business model or the plans that we had in our budget, correct.

>> Kitchen: Thank you.

>> Mayor Adler: Council member alter.

>> Alter: Thank you. I had some questions for Ms. Heart. I want to just -- thank you. I wanted to make sure I was fully understanding some of the comparisons for last year's budget and this year's budget.

[1:23:14 AM]

As I understand it there was \$500,000 in this year's budget for heritage grants.

>> This year being '16, '17? >> Sorry, there was \$500,000 and \$500,000 in fiscal year '17. Fiscal year '17 there was a million dollars for parks related investments?

>> That was outside of our budget. It was outside of the tourism promotion fund. We didn't control that million but it was a million out of the tourism promotion fund.

>> There were 2 million that were held in reserve last year. \$1 million went to park. \$1 million went to visit Austin. \$500,000 funded heritage grants and \$500,000 funded cultural marketing program.

>> Last year you were at what number?

>> At the end of the budget project we were at 15.4.

>> Alter: And that million for parks didn't come out of that 15?

>> No. There was an additional million that was still in the tourism and promotion fund. I would have to defer to the city on how that was handled, but that did not come back to our budget.

>> Alter: But that was an increase from 13 million to 15 million?

>> No. So from the previous year we were at 14.4. And the decision was made in last year's budget to keep us flat. We stayed at the 14.4 which freed up \$2 million. Most of that came from previous hotel occupancy tax collections. Of that \$2 million, \$1 million was allocated back to visit Austin and 1 million went to the historic preservation projects.

>> Okay. So the \$500,000 is still in the -- I'm just trying to understand the marginal impact of these things. I'm trying to figure out if it was in your budget and now we don't have to do that.

[1:25:18 AM]

>> The \$500,000 for heritage grants and extra marketing dollars was in our budget. In our proposed budget for fiscal year 18 we maintained that \$500,000 level. Obviously if we need to go back and rework \$2 million out of our budget we're going to have reductions across the board.

>> Alter: Okay. Thank you. I think that answers my questions for you. Thank you.

>> I hope that was --

>> My question is not -- my question is about marshaling yard.

>> Mark tester.

>> You basically said you would just delay that project if that \$6.2 million came out of your budget. How would that affect traffic? Where were you doing your staging right now?

>> We're working very hard with the contractors. I would say we are planning on keeping all the rest of the projects in and hopeful that our projections work so that we can keep the marshaling yard project in. We are really leaning back on the contractors that are working in the building to secure other locations in and around the area. The challenge has been there hasn't been anything of any substantial. So we're really pushing it back on them. And we want to take control on it in order to really, you know, make traffic the best we can.

>> Have you gone into contract to build that facility? I know we gave you permission to go ahead and purchase the piece of land.

>> We have gotten approval on phase one, which is fencing and some other improvements in the area. But not the big amount.

>> So could you just defer -- I knew that there was going to be a structure there, a building.

[1:27:19 AM]

That has to be built right away? Is that necessary for the whole project?

>> It is not. That actually is in phase three. Phase two is the one that we'll be doing all the surface improvements and also all of the plumbing and all the things that would be prepared for that building, but we just won't fund the full.

>> So you couldn't have trucks just parked out there?

>> Yes. And eventually with a warehouse and hopefully showers and things like that for the trucks to enjoy while they're waiting.

>> Okay. So what are they using now? I know they used to park over there at saltillo. And that's now gone. So where would all these trucks?

>> They're trying to grab some lots on a short-term basis when available. The lots over there were utilized quite often. I believe one of the general service contractors has a lot that they use now and again way down martin Luther king. But they are actively -- they want to partner with us and make sure that this is a great option for everyone.

>> Okay. Thank you.

>> Mayor Adler: Ms. Kitchen.

>> Kitchen: I wanted to circle back. This is a question for Mr. Nuneen. I wanted to circle back to the facilities and maintenance budget. I understand the difficulty in not being able to point to a specific budget for some of these other facilities. Do you have data that could give us an idea about estimating the percent of a budget that would go to maintenance? I would assume that each of these other facilities that we have talked about, particularly since they have larger budgets, have some understanding of what kind of dollars they need to put towards facility maintenance.

[1:29:19 AM]

And so I guess my question to you is how would you estimate that? You don't have to answer that but I would like you to think about how you would estimate what the dollars would be for the other types of historic properties we have, like the botanical gardens, like the Barton springs pool, like many of the

others. There's a long list of them. The municipal golf course. There's maintenance kinds of budget items in virtually any or all of our facilities. So, again, I would just ask you to give some thought to how you might estimate what that would be.

>> I want to look at two pages in volume one on the convention center. Let's see, on 641 we have the revenue bond redemption fund. And I see that we have a beginning balance in each of the last three years and then we have a mandate and proposed. We have fiscal year 15, 16, and 17. Amended 17 and proposed 18. And those numbers -- I don't know if we can get them up on a screen somewhere. Are relatively similar. It's like 8.9, 8.7, 9, 9.1, 9.3. At the bottom the ending balances aren't too different. There are transfers in in the middle. And I'm assuming some payments on the bond debt. Do we know what the annual payment on the bond debt is? And then followup question is why would we continue to have a \$9 million beginning and ending balance on the bond debt, assuming that it might -- we might save some interest by accelerating those payments.

[1:31:29 AM]

>> Mayor Adler: Manager.

>> Yes. The debt payment is about a little less than \$17 million, which is the amount that's being transferred in. We transfer in revenues to cover the debt from the pledged revenues. And you maintain a beginning balance and an ending balance that are relatively the same because the bond covenants require that reserve fund to match, I believe, the last payment on the bonds. I may be not exactly correct, but there is a level set in the original bond ordinance that calls for a reserve that will not significantly change from year to year. And that can be used for the final payment. And that's similar to our utilities. They have the same situation.

>> So for the final payment then that ending balance would go down to next to zero. So you wouldn't have to encumber moneys in whatever year that is.

>> 2029.

>> 2029 or sooner if it were accelerated.

>> Correct.

>> And then on page 643, which is the convention center operating fund, we have an ending balance, depending on whether it's '17 amended or '18 proposed. \$21 million and \$22.5 million for the proposed. It looks like we have had a healthy ending balance in the convention center over the last three years. Is this where the funds go that go into that reserve? Are these -- is this the revenue that goes into the reserve fund?

>> That's the operating reserve. They have a financial policy that requires, I believe, 180 days of operations to offset any economic downturns.

>> So I had asked previously to get a hold of the financial policies from the convention center. And we know that it's 180 days but that really doesn't have any meaning in relation to the detailed questions that we have been asking.

[1:33:37 AM]

So I would like to have that. If we could get that for everybody on the council. And then also see where the -- I think you had told us, city manager heart, that through approval of the convention center's budget that we had also approved their 180-day reserve funding policy.

>> The financial policies are in volume two. The convention center policies are on page 852 and they are part of the adopted budget every year. Any changes are reviewed by the audit and finance committee before they are recommended to the city council. We didn't have any changes in these this year.

>> Right. I don't remember having that conversation. Volume two page 852. Thank you.

>> I'm not sure who to direct this question to. But can you tell me, I think it's really great that you all do gain sharing. Where is that parked? Where are those funds -- where can I find those funds?

>> I'm going to have to defer that to the convention center. I don't know that you would see a line item in the budget for that. We could certainly get you a line item. We could probably drill down through our new open budget tool on the website and get there, but that's a level of detail that's beyond the presentation of our budget document.

>> And would that -- I would find that in every department enterprise fund that has gain sharing.

>> It would be the airport and convention center. We can get you the dollars amounts for you.

>> Okay.

>> Mayor Adler: Mr. Casar.

>> Casar: A general sense of what our schedule is for the day would be helpful and me and my staff's scheduling as to whether or not we are planning on taking executive session with lunch or if we're going to have a lunch that's separate to handle other business.

[1:35:42 AM]

If we could have a sense of how long we want to do hot and other things. I think that would be helpful for me and others.

>> Mayor Adler: I was thinking we would go into executive session and come back. It doesn't make much sense to do that now that we're after 11:00. It makes more sense to do the executive session and lunch at the same time. So when lunch is ready or available to us then we could break to do that. We could either stay in the meantime, continuing the conversations and questions on hot as best we can. Or we could begin to turn to the budget items where we were going to begin our conversation with revenue issues. Does anyone have any more questions they want to ask at this point on hot? Or are people ready to start turning toward the budget? We have other presentations to be made?

>> Yes.

>> So we need to get the second presentation pulled up.

>> Mayor Adler: Let's go ahead and do that. Thank you.

>> Mayor pro tem, members of the council. This is just a presentation to offer a variety of staff amendments to the budget we proposed to you on August 2, just to reflect some changes that have occurred that weren't known at that time or potentially to correct any errors or oversights. First item on this list, these are a list of general fund amendments. The first one being related to a memorandum that you recently received from acm airano as to do with the change of the county's provision of emergency medical services to the pflugerville area. Those services are now going to be covered by district 2. So the county will be reducing services to that area.

[1:37:46 AM]

And that corresponds to 18 fewer positions. These are all vacant positions. There will be nobody losing their job. The service delivery is switching from Austin Travis county E.M.S. Over to emergency service district no. 2. Again, there was a memorandum on this. This item backs out 18 vacant sworn staff from emergency medical services and would reduce that budget by \$1.5 million. Like wise would reduce the reimbursement revenue by \$1.5 million. This was currently being paid for by the county and now it won't be. The second item has to do with the discussion we had about parking validation. This is something council wanted to see changed. There was a memorandum on this item as well. We're proposing to not offer that extended validation. It will still be like a standard. I believe it was a two-hour validation but there won't be any extended parking validation offered by dsd. That would reduce their expenses by \$400,000. Like wise, a reduction in revenues by \$400,000. The idea was this would be covered through development fees. Instead, the people that are using those extended hours would have to pay for the parking. The third item has to do with parks and recreation budget. It's tied to this hot reallocation discussion that we just talked about. So this would actually put what we call an expense refund into the parks department budget. This effectively lowers their budget by \$280,000 and those

staff that are doing those eligible activities that we talked about, they would now back charge their time to this new historic preservation fund, which will create in a couple of slides. That is an item that would increase the pool of money available for council's concept discussions by \$280,000. This is an item.

[1:39:48 AM]

You know for the last couple of years we have come forward to council with a year-end item to transfer unexpended funds from council departments or offices to other city departments. This year there was a request that instead of doing that was there a mechanism whereby offices could carry forward their unexpended funds to the next year. Staff does not have the authority under the charter to do that but by accepting this amendment to the proposed budget we would make that happen. You can see the amounts that would be carried forward. These amounts would just be added to the fiscal year '18 budgets for those district offices, a total of \$86,149 for the mayor and council department. Moving off of support services fund on to our Austin energy. There is a power supply adjustment. You can see here that we are proposing to increase the revenues and expenditures to reflect the change in the power supply adjustment. But, likewise, to match the power supply revenue to the budget expense. We always match that two line items. So there will be a power supply adjustment in as a revenue and adjustment as an expense. We just collect the revenues and it goes right back out to pay for the power that creates the electricity that Austin energy then utilizes. That's a \$6.8 million adjustment there. This is the creation of the historic preservation fund. So this is something staff is recommending that's consistent with the presentation I just made to create a new historic preservation fund and to fund it with a new allocation from the hotel/motel occupancy tax fund. We're creating that fund and we would allocate \$8.6 million to it. In that fund we would appropriate \$280,000 for that expense refund that I talked about.

[1:41:53 AM]

They will have an account to charge their time to. We'll appropriate \$220,000 so that part can fund some new expenditures that are appropriate and eligible to fund. \$8.1 million that would be a transfer to parts capital budget for historic preservation projects. At the end of that memorandum that I think we passed out, the memorandum that the parks department sent to the budget office yesterday, there's a list of projects that will be potential projects to be considered. There is a list of eligible projects at the end of that memorandum. Finally, to round out the \$8.6 million, we need to decrease the transfer that goes to the tourism and promotion fund by \$8.6 million so that everything balances out. Some other changes to special revenue funds. These are all related to our downtown south congress and east 6th street public improvement districts. This is to sync up the budget. When we put the budget together we are estimating where the final assessments will land. Now that we know, this just syncs it up to the

council action you have already taken. Another special revenue item had to do with the university neighborhood overlay fund. And the housing department is proposing to increase the appropriation from that fund by \$929,820 to fund lead abatement. Basically lead abatement of properties within the overlay district. This is a large dollar amount. Debt service funds. \$49.6 million reduction. So this is a capitalized interest fund that we set up for the revenue bonds that are sold for our airport. What happened here is when our treasury department gave us the number, they gave us the number for the 2018 issuance as well as the 2020 issuance.

[1:44:03 AM]

We're a little bit away from the 2020 issuance and this is correcting that error. A reduction of \$49,559,000. That's just to true it up to the debt issuance that will be occurring for fiscal year '18. In regards to the capital budget, we would be increasing park cap from Morris Williams golf course to appropriate funds that came in from insurance proceeds related to their maintenance barn. The next two are both related to the hotel occupancy tax reallocation, \$8.1 million increase in park cap. And \$6.6 million reduction in the convention center's capital improvement program transfer. So that's it. I'll just remind you, I'm not going to read item 2 because we're not there yet. I want to remind you you do have the new Austin energy tariff and a strike-out underlined version of some changes we are going to be proposing to our fee schedule. I just wanted to give you a chance to review those materials two.

>> Alter: Thank you. I just wanted to clarify for the Austin energy power supply adjustment that that's not changing the rates. That was an accounting change in terms of getting all the numbers straight. We already -- straight. We already had that captured in the proposed budget in terms of the rates?

>> The rates will be in that tariff item two. When you do that item two to adopt the fees and tariffs that will happen. It's not currently in the proposed budget. We need to correct that when we get to item number two.

>> Alter: So there's a change from the Austin energy rates from what we've seen previously that's on the other sheets. Is that what you're saying? From what we were given earlier?

[1:46:04 AM]

>> From the proposed budget there was a change. There's actually a reduction and that's why you want to see on that one handout where we talk about the rates and taxes for a typical ratepayer, the Austin energy amount is now down to \$1.95. I believe it had been 3.22.

>> Alter: Thank you. For my colleagues I wanted to clarify on page four with the roll joes from contributions -- with rollovers from my contributions with my office and the others that are helping to fund the diversity training we were asked to roll those over into the next fiscal year and they're captured in there. And we can take off of the concept menu the diversity training \$20 million because we have the aid offices that responded that they wanted to participate with two to six members of their staff are fully covered if additional people would like to attend they will have to find their own money because they have not spoken up that they wanted to be participating through that, but we do not have the additional \$20,000 because we have it covered through that. If anyone has money who is participating that they are now rolling over and would like to reduce the amount that some of the rest of us are covering, we would welcome those conversations, but we do not have to have that item on the concept menu because we have sufficient funding so that all of the council offices that wanted to participate and the staff members that we were given are able to do that.

>> No. That's it, mayor, we would be offering the city manager's proposed budget to council with those amendments that I just outlined for you.

>> Mayor Adler: So in a moment what I'll do is I'll read through the script.

[1:48:06 AM]

Hopefully someone will move to adopt the -- to move the manager's budget with amendments and then we can then start making amendments to that. We'll have a budget motion in front of us. Yes.

>> Kitchen: Just a procedural question. So I would be thinking that what we would want to do is we don't want to move and adopt the budget amendments that are brought forward because we still have further discussion about some of them. So if we want to parse some of them out I would be okay with that, but regardless I don't think we should move forward with adopting it at this point.

>> Mayor Adler: They come to us as the recommendation now of the manager. It might be easiest just to put on the table in front of us the recommendation as it comes from the manager and then we can make changes to it, including changes to the most recent changes that they've made as well as to all of the changes that they've made.

>> Kitchen: Procedurally that doesn't seem appropriate to me because we're not -- I don't know that we're going to adopt all of these items.

>> Mayor Adler: There are probably lots of the manager's budget that we may not adopt. The question is do we want to start at a base level with what it is that the manager has proposed? Which includes these amendments. And then as a council we make changes to those.

>> Kitchen: Well, with regard to the --

>> Mayor Adler: Because we'll make changes to other parts of the manager's budget too that --

>> Kitchen: But with regard to the -- maybe it's just me, but with regard to the hot tax, for example, as far as I'm concerned that's not aligned with what we voted on last week. So I'm really --

>> Mayor Adler: But there may be other parts of the manager's budget that are also not aligned with what the council wants to do. I'm having trouble differentiating a non-alignment with respect to the police budget or anything else as opposed to this. I don't see that there's a strategic change or a substantive change.

[1:50:11 AM]

It just gives us a base budget to work off of. That's what I would propose.

>> Kitchen: Then what I would propose is that we divide it out because I'm not prepared to vote at this point on the proposed changes that relate to the hot tax allocation.

>> Mayor Adler: And I won't ask for a vote. I'll just ask for a motion. So item one that we'll consider is adopting the city's budgets for 2017 to 2018. The staff has made a presentation with amendments. Is there a motion to adopt the staff recommended budget with amendments? Does someone want to move adoption of the budget? Mr. Renteria moves adoption of the budget. Is there a second to the budget? Mr. Casar seconds it. We now have a motion in front of us which we now will enter into discussions to talk about. I understand, Ms. Kitchen, but there's not a need to take a vote on it at this point. We said that we were going to begin our conversation talking about revenues. I'm going to recognize mayor pro tem to talk. I asked my staff to go through the concept menu conversations that we had last week where people were identifying priorities, just try to pull them together on one page. So they pulled together what I understand to be those items which had more than one councilmember indicate was a priority or something that was represented by resolution. I am sure that there are probably some things off this list that we didn't catch, but just by way of tool, I'm going to hand this out so that people could see it on the dais in case it might be of any help. Mayor pro tem?

>> Tovo: I have a question about the staff amendments as it relates to the hot funding. And I don't believe -- I had to step off the dais and was listening to you on TV and there was a little bit of a lapse. I apologize if someone asked this question and I missed it.

[1:52:11 AM]

I understand that the allocation would be directly to pard and I think that's appropriate for most of the expenses, however some of the projects that I hope we'll have an opportunity to talk about in our executive session are the red river historic cultural district and some other projects that really involve other departments beyond pard, including our economic development office. And so I just want to should be a conversation about how we would fund, say, signage along the red river historic cultural district if the indication is to pard, is that a challenge, should we try to -- whatever the allocation ends up being, have some of that either not identified right now which department the allocation would go through or have it all go through pard with the understanding that some of those projects exist in other departments?

>> I think one option would be to simply not allocate \$8.1 million to the pard cip and just leave it in the historic preservation fund that we're creating through these actions and then council could have that discussion and staff could come back to council with a refined recommendation about this purpose for this department and this much for this purpose in this department. Today the only thing staff is really ready to recommend is the list of projects that pard has identified in that memorandum that we've passed out, which is in excess of \$8.1 million. That's an option to park the money in the historic preservation fund and come back and discuss how it should be allocated.

>> Tovo: Thanks. I appreciate these options. I will note last year when we did that I did highlight economic development and some of the potential projects within that including the red river cultural district and I'm not sure -- I don't know if they were not very involved in those conversations or what happened exactly, but that didn't happen. They ended up coming through pard because of course we have a lot of needs there. So whatever we do, let's not lose track of the fact that there are projects within other departments.

[1:54:14 AM]

Thanks for outlining those options, Mr. Van eenoo.

>> Mayor Adler: Okay. So that will begin our budget process. We talked last week about beginning to talk about revenue items. At this point the budget that is on the table in million dollars of general fund of recurring dollars not designated and one million dollars roughly of long-term -- of one-time revenues. Not designated. Does anybody want to propose additional revenue sources for us to discuss?

>> Pool: Can I just check on which of the documents we're looking at? Is it the one that you passed out that says mayor at the top?

>> Mayor Adler: The only thing that is on the document I passed out were the expenditure items that when we went through priorities were mentioned by more than one councilmember or were the subject of a resolution. It's not perfect because I'm not sure I got it exactly right. We had some people that didn't give us priorities. There were some people that indicated more than 5 million dollars' worth of

priorities, but I think this was just to try to serve as a general tool. So what we have is just the base budget as it's come from the manager as amended, so we're now talking about possible revenue additions. That might be available in front of us. And we can talk about owe on he if someone wants to talk about additional revenue other than the four million and the one million, now would be the time to raise the subject for us to discuss.

>> Pool: Last week I had mentioned -- I wasn't here on Thursday, but my staff passed out some information on the incentives that the city pays out to a variety of different entities.

[1:56:22 AM]

And I wanted to make a point about them without talking about any single one at this time although I did bring up the domain. So that should be on the table and it was about \$2 million in fiscal '18 payments, but it also includes encumbrances for the out year so it's really double the -- that chart that we have that was on one of the questions that were answered. I think it was on question 116. It had a charted at the top and a chart at the bottom. And those numbers are -- it's my understanding half of those are encumbered this year for next year and the others were encumbered from last year for this year. Maybe Mr. Van eenoo can clarify that. So when I was talking about 1.3 million and 466,000 for sales tax and property tax incentive payments to the domain, there's also the money that would be encumbered for fiscal 19 for payment.

>> You wanted -- you were interested in just the domain piece, though?

>> Pool: The chart showed all the various incentive 380 agreements that I have. The one that I've been focusing on because it's in district seven, was the domain, but the question was at a higher level than that. Those two charts that were on the page for the answer to -- I think it was 116, does that mean that it's actually double those amounts? Because one year is a payment and one year is an encumbrance for payment next year.

>> I think we'll have to get back to you on that. We're debating it here. But we'll follow up and get back to you on that.

>> Pool: That would be really important for our conversations going forward. Thanks.

[1:58:30 AM]

>> Mayor Adler: So if we're going to have a conversation, I can't support a reduction or a savings associated with the incentive payments where we reached an agreement with someone and they have -

- and we've moved forward on it. My understanding is that we've only ended those agreements where someone fails to perform, but when someone is performing it's not something that we have -- that we've done. And I think it would be a really bad precedence to set. Some of these folks, my understanding, performed some of their obligation at the very beginning of the time period with an expectation that over time they will be paid back for whatever it was that they did. Some of them have continuing obligations to provide affordable housing as in the domain, and I want them to continue doing that. I just think it's just a really bad precedent for us to set. I recognize that all of our contracts say that in any given year we can end them, but I think there's an expectation that barring an emergency or some exigency we won't. So I'm going to need to vote no on changing the incentives.

>> Houston: Can I ask the staff about how long do the incentives for the domain last? How much time is left?

>> We have staff from economic development who can respond to that.

[2:00:47 AM]

>> Good morning, sill nova holt-rabb. The final date for the incentive agreement is 2027.

>> Houston: Do you know if they protested their property taxes?

>> Not to my knowledge, but we can double-check. I'll have staff to double-check that.

>> Houston: Would you, please?

>> Mayor Adler: Ms. Kitchen?

>> Kitchen: My question relates to the domain agreement. I know that agreement was made a number of years back so I would -- I'm wanting to understand what it is that they could provide. In other words, what is in the contract that is tied to us providing these incentives? What is their performance under the contract?

>> Currently they have us to meet a job requirement and remain with the affordable housing requirement as part of the agreement, but we can get you details on the specifics of the contract.

>> Kitchen: So both of these were on the original contract in 2007?

>> 'Em.

>> Kitchen: So those are the only two things, the job requirement and the affordable housing?

>> To my knowledge, but on the construction side I would have to get more details on the construction of the agreement.

>> Christine McGuire with the economic development department. They would also have to deliver phase one of the retail space, which was defined as the catalyst for phase two and phase three. But really it was phase one for the retail of the center.

[2:02:50 AM]

>> Haven't they done that?

>> 'Em, they have. In addition, synovia -- Ms. Holt-rabb mentioned small business requirements. They were to set aside a million dollars to promote small business development to actually recruit those into the center and they have also fulfilled that obligation as well. And the agreement, what still remains is the affordable housing that continues for the length of the agreement. And the jobs. And that is what they still report on, both job creation and the affordable housing.

>> Pool: Can you tell us what the affordable housing piece is?

>> I can get you details on that.

>> Pool: I think it was ten%. And then more details on the number of jobs. I think that was 300,000.

>> 300,000 jobs?

>> Pool: No, dollars.

>> Mayor Adler: Councilmember Garza?

>> Garza: The job part of it, was it number of jobs and was there any wage level tied to that?

>> I will need to get back to you on the details of that.

>> Garza: Okay.

>> We do track number of jobs, but the wages we needed to check on that.

>> Garza: As part of the agreement, do -- councilmember pool read some things last week that said we could voluntarily get out of this agreement. Is that true?

>> There is a legal -- I think you all received a memo from the city manager's regarding this question that did come up a year ago. Contractually they have performed under this year's agreement for which we are appropriating money for. So contractually I think that is perhaps legally a different issue and I would turn this over to law to speak to that.

[2:04:56 AM]

But I do think in the out years where they have not performed under that, that's a different matter, and that would be for fy2018. For -- I'm sorry, for fy2019.

>> So we did provide a memo to mayor and council last week on that question and provided the information we had last year when this came up about maybe making a change prospectively, that's what you want to do maybe retroactively after the project has already fulfilled its obligations under the chapter 380 agreement.

>> Pool: And if I may, that is why my original question went to the money that would be paid this year versus the money that would be encumbered for next year. So we need clarity around the fact that we do actually encumber monies a fiscal year in advance. So that -- you can see where I'm going with that.

>> And we have those numbers now. So it's \$2 million would be the payment this year, which would be a payment of monies we've already collected. So we would look at that as kind of a one-time money. But then the money that we're collecting on an annual basis is \$2.1 million. It would be a total of four million dollars. Two million that we would look at as one time and 2.1 million would be an ongoing amount that potentially would not be paid anymore.

>> Pool: Thank you.

>> Kitchen: So if I could understand that. What that means is the two million paid this year is for performance -- for things they've already done. But we're also having our existing budget right now, 2.1 million that we would be setting aside. So if the council were to make that decision then we could choose not to set aside the 2.1 million because they haven't performed on that yet.

[2:06:56 AM]

And then -- so that's the difference in the pot.

>> That's correct.

>> Kitchen: Okay, thank you.

>> Mayor Adler: But haven't they performed years ago already for things that they're going to -- we said you do something in year one, we're going to pay you money over the next 20 years. It's not like we're just paying them for next year for what they do next year. Aren't there elements that they've already done?

>> So we're now in the September of 2017 so they have been working for the nine months under the agreement and we anticipate that they will meet the requirements of compliance.

>> Mayor Adler: I'm not talking about their yearly assignments. What I'm asking questions about at the very beginning of this, we incentivized them to build a project. They built the project. We agreed what kind of project they would build and we put community demands in order to be able to receive incentive and they performed on that. They structured a center, they brought in jobs, we've created a second downtown area that we're going to try to want to do more and more of many of us in order to not have all our downtown areas downtown. And then there was an election of the people after it was done to see whether or not we would abide by this and the people voted to abide by the -- to abide by the agreement as I recall. Is there any of that or is it every year --

>> They did fulfill on their obligations of creating the center and the one million dollars for small business development. The ongoing obligations for job creation and affordable housing are ongoing to the agreement. So as synovia was saying, they are operating and has been operating under the understanding that they are fulfilling their obligations.

[2:08:58 AM]

They have had no negative findings in terms of our analects audits that they have done. So they're halfway through their performance for the funds that we're appropriating through this budget and they have not received any notice for nonpayment. Any notice that they would not receive payment for this coming year's budget. So to answer your question, in part they fulfilled their obligations and have been doing so throughout -- with not just what they were obligated to complete upfront as a performance based contract, but ongoing as well in terms of affordable housing and job creation.

>> Pool: So mayor --

>> Mayor Adler: Hang on a second. Councilmember Garza?

>> Garza: I mean, I agree with the mayor and the concept of if you have an agreement you installed fill it. But what I don't understand is if that was the agreement my assumption would be if we got out at this point that's a breach and it's something that we shouldn't do. But if it's a breach -- why is it voluntary? When they signed that agreement, from what I understand, we could voluntarily keep out of this agreement. So that's why I'm -- if we're even having the discussion that means we can get out of it.

>> And I believe in that agreement there is language that we have in all of our 380 agreement. I'm now looking to the attorneys to agree that council must appropriate. No one council can obligate future councils. So there is language --

>> Garza: I guess that was my question. Is it like a technicality that while we enter these agreements, council ten years ago can't bind us. That's why it's voluntary, but we all know we should follow through with our promises kind of thing?

[2:11:04 AM]

>> Mayor Adler: Manager?

>> Yes. There is standard language that we put in all of our purchasing contracts as well as other contracts that states that the contract is subject to annual appropriation of the council. That is a standard along. This council cannot obligate future councils, prior councils cannot obligate this council. That is standard language. I can't believe when we entered into the contract we police department to use that to get out of it. But if we had a downturn and we had to get back on a lot of different programs, that would be the vehicle we would use to reduce our obligations. It is with any contract that we do, though.

>> One thing that I would like to state, even though we were not -- I was not present for the negotiations what these agreements are often predicated on is the quid pro quo with the developer and the city in some sense kind of making that obligation in a net present value term. And that is how this agreement is structured. This agreement is structured that when this deal was struck in 2003-24 it was projecting with the developer and the city this give-take of a stream of revenue in net present value terms. We have not fulfilled that net benefit that we had as part of the negotiation and that is stated in the agreement. That future revenue stream is 25 until dollars net present value terms in \$2,006. The calculation is a little different because it was based when co's were pulled. I will say that even though everything is sewage to future -- everything is subject to future preparation, what the expectation of endeavor and then Simon when they stepped into endeavor's shoes, it is suspended and that part of the equation is the city is not going to meet that obligation.

[2:13:23 AM]

There is no claw-back, however. So I just wanted to state that that was the expectation at the time in the contract.

>> Mayor Adler: Ms. Houston?

>> Houston: Are the number of chillers in the contract? Since I've been on the council we've purchased chillers for the domain. Is that part of the contract?

>> I will have to get back, but no, it was not part of the original contract but I will get back on any of the future details on future amendments with regards to the chiller.

>> Houston: Because those were very expensive if I remember correctly.

>> 'Em, they were. We'll get back to you on it specifically.

>> Pool: So I appreciate you bringing up the original value of the contract and the flow of community benefits, the funds that would flow to endeavor and now Simon. The net present value today is 25 million and when the contract is over it would be up to 40 million, is that correct? We can do those calculations, but that's significant. The reason I say it's significant -- none of us were at the negotiating team at the onset but this strikes at me even before I was on the dais about how the city of Austin contracts with developers. The developer promised ten% affordable housing set aside, which we've seen those numbers. That was in another budget question which is about 62,000 -- I don't have it in front of me, but ask thousand dollars either this year or last year. It was a small amount of money, and that was the largest over the last seven years of the contract. You add those up. That's how much they've given us. There was a one-million-dollar capped allotment for independent businesses.

[2:15:24 AM]

I go up to the domain frequently and I don't know what small local businesses are there, like Austin independent business alliance type businesses. I don't have a list in front of me of what businesses might be up there who are taking advantage of the great economic development activity that's going on in that retail hub of the city, but a million dollars over the course of 20 years is meager for our local independent business entities in the city and it wasn't very much but that was bargained away back in that period between 2003 and 2007 when this deal was completed. The other piece was I think some funds -- what was the other one? There were three assets -- the jobs. So we don't know where those jobs are. We don't know how much they're being paid. We don't know what kind of jobs they are although we've been trying to get this information. And I hope we can get that information from the economic development department because it's been a little tricky getting that. My point over all of this is to bring all of of this to the surface. We have promised in excess of \$25 million to the domain over a period of years. They have already given us the small benefits that they promised us and they are going great guns at the domain. There's significant money coming in in sales tax, that's the 1.3 until dollars. And I think the property tax reduction is about 466,000 for this year. My point is that we are in my mind at a place with this budget for fy18 where allowing these additional incentives to go out the door needs to be scrutinized really, really carefully and we need to balance the money going back to the national developer or Simon properties which owns and manages the property.

[2:17:28 AM]

It's no longer the builder. The builder sold. We need to scrutinize. Now, I am only looking at this one entity and you all have the list of all the other incentives that are being provided by the city both for this year and encumbered for next year. And that's significant amounts of money right there. Many of us campaigned on reducing or eliminating or yet again not granting incentives to bring businesses and firms here to the city. And that was a platform plank that was heartily endorsed and supported by the electric when they were casting their ballots. I remember conversations, especially back in 2014, where it was a big deal. I will just add one additional piece of information because I don't want to take a vote on this particular item today. I will not offer a motion on it. We are still gathering information. I was surprised it wasn't part of the concept menu because I did offer at least twice, if not three times, so it should have been on this document maybe because I've got so many versions of it, I'm not seeing it here. But the last piece I will remind everybody of, there was a lawsuit that was brought against the domain for these incentives and the settlement agreement which I passed out a week or ten days ago on page two, the top paragraph, specifically says that in the event of a rescission following the city's failure to appropriate funds and make payments due pursuant to the amended 380 agreement the owner should not be entitled to recover any damages from the city, a return of any amount paid for the domain fund which I am noting is asking to do, a return of any amount expended by owner in furtherance of the project.

[2:19:28 AM]

There was a lawsuit on this and the settlement agreement was an open eyed agreement by endeavor to back off any kind of action against the city actually through the person who was suing them, but it was an agreement that affects the city. If we can't have this discussion openly and in great detail, if we insist on simply putting it aside by saying this is a contract that was made back in '07, but we can't talk about it now or even investigate ways to free up the revenues that are going to the domain, then I would question that. I do think we need to dig into these and I think we need to look at them very carefully. This dais has not been eager to provide incentives. It was a close vote on Merck. And I think that close scrutiny was definitely a good thing so that we would all understand that \$800,000 over ten years. This is 25 to 40 million over 20 years. I want everyone to be thinking about that. I will bring in back later, but I hope to see this as a revenue piece in the next iteration of the budget concept menu. Thanks.

>> Mayor Adler: Ms. Kitchen.

>> Kitchen: And I would like to ask for some additional information. I know that councilmember pool has been trying to locate this information, but perhaps we can get this information for staff. I'd like to see the language in the contract for what it is that we are requiring of them going forward. The job requirements. I think you mentioned job requirements and affordability requirements. I'm talking about the requirements going forward.

[2:21:31 AM]

Specifically whether or not there are wage -- I'm looking to understand what the language of the contract says with regard to the types of jobs, the jobs, the number of jobs, the wage levels for the jobs, whether the jobs are supposed to be local. These are all the kinds of criteria that this council has looked at recently. And I just don't know whether those were included with what is ten years ago now. So I'd like to have that information. Then I'd like to have the information also. And I'd like to have the information with an excerpt from the language of the contract so I can actually see what the contract says. So that would be very help. And I think there was some mention of an affordability requirement with regard to housing. I would like to see that and whether or not it's been fulfilled. And I would just say that -- I mean, yes, I certainly agree with the -- the in general approach that we want to keep the agreements that we've had, but the reason that we have the termination language in it that we do is because circumstances change over time. Circumstances related to our budget. And I for one think we are in a very serious time with regard to our budget. We do not have the kind of dollars that we need to be looking at in terms of a whole range of needs for the people that live in this community. So we have to look at and have these kind of conversations. And I agree with councilmember pool and thank her for bringing this forward to have this kind of conversation. I also agree with councilmember Garza in the sense that it's not a breach if I'm understanding correctly for the council to get out of the budget -- to get out of the agreement. So to my mind -- to my mind the language would be more tightly written in terms of our ability to get out of the agreement.

[2:23:39 AM]

The third piece of information that I wanted to make sure that we had was the -- I think someone had asked about -- maybe it was -- I forget which councilmember asked, but that's the information related to their property taxes and whether they had challenged their property taxes in the past. >>

>> Flannigan: Mayor?

>> Mayor Adler: Mr. Flannigan and then Mr. Casar.

>> Flannigan: I think it's important to understand that we're having the conversation now. So it's kind of unnecessary it say how necessary it is to have this conversation. We're having it now. But more importantly, every time as a city we talk about going back on a previously agreed agreement, the next agreement becomes more expensive. This is how business works. And we routinely and regularly contract billions of dollars with the private industry in a whole host of ways, a number of ways. And of time we make it more difficult every time, we send a signal to the community that we're not going to

hold ourselves to the agreements that we make. The next negotiation we go into becomes more expensive. It becomes harder to get good community benefiting. It becomes hard to do these agreements better. When it comes to the domain we had an election in 2008, and a huge, broad community conversation where we simultaneously acknowledged that we didn't really like this domain agreement and we changed our city policies and we changed every future economic agreement that we've made. We've even done that again and again several times over, but the community said we believe the city should hold fast to the contracts and agreements that it makes. The community sent that signal in a very large way in no uncertain terms we should be keeping to the agreements we make as a city. There is no confusion when it comes to this domain agreement that there are parts of it that the community doesn't like and we've changed our policies so that we never make agreements like this one again.

[2:25:48 AM]

But I think every time we talk about making it more difficult or every time we talk about our willingness to cancel agreements, the next agreement becomes more expensive. It becomes more difficult to get community benefit, it becomes more difficult to get affordable housing and we have to stay aware that how we operate as a city, every agreement can impact the next agreement because we can't just do this on our own. We have to work with private industry and it's a negotiation and this process matters. And I want to make sure that as we move forward as a city we can get the best possible deals we can get and we get the most community benefit we can get and we're getting the most affordable housing and the most funding for the community needs that we have. And when we're in a difficult budget year it's not the same thing as being in an emergency budget year. I think the city of Houston is going to be facing an emergency budget year over the next ten years. It is a substantially different type of budget emergency than going from big surpluses before I got here to a fairly moderate middle of the road budget year as far as I'm concerned. So I think we'll have this discussion every year when we're up here, but I think it's important to acknowledge that we're not doing deals like this anymore and there is a price to pay for canceling agreements that we've already made.

>> Mayor Adler: Mr. Casar.

>> Casar: My question has been answered by the questions asked.

>> Mayor Adler: Mayor pro tem.

>> Tovo: I know they're looking into some of the details about the contract for us that our economic development staff are. I'm reading over the contract as it is online and one thing that's not clear to me is the piece about the affordable units. I think it was done with smart housing and it talks about -- as you're looking into the pieces of the contract as they apply on, I would be interested in sort of the

baseline question that I think my colleagues have raised if we stop the incentives does the affordable housing go away.

[2:28:10 AM]

And to what extent are we receiving affordable housing and is it at the 65 percent or is it at 80%. You or the ten% of the 300 units. Thank you.

>> Mayor Adler: Anything else on this item? Councilmember pool?

>> Pool: And on that point on the amount that is being put toward affordable housing, we have asked for that information as well. We did get a high level assessment of what the past five or seven years of it was and I think the highest amount was \$65,000. Clearly /must not/the money -- if we don't continue the incentive, that money would be replaced by allocating it out of the incentives that we don't pay over to Simon properties. I would intend that any stranded payments would be made whole directly from the amount of incentives that we would not pay to Simon. Rather than them paying it, which is a small amount each year, that would come out of the money. We wouldn't pay that. It would be a more direct and more transparent payment into the affordable housing housing trust fund or to buy-down mfis.

>> Tovo: Councilmember pool, I missed one word that you said. Were you talking about the Travis county payments?

>> Pool: No, I haven't seen that either. I'm just talking about the money that we get back from domain under the affordable housing piece.

>> Tovo: We would take a portion of that and help subsidize the units.

>> Pool: If it's only \$65,000 a year, which I think was the most recent year, that would come out of the nearly two million that I'm proposing we not send them either this year or not year or the ensuing years. It's about two million each year.

>> Tovo: You're saying that the value of the affordable housing subsidy is according to the information you received about \$65,000 a year.

[2:30:11 AM]

>> Pool: It's been fluctuating over the last seven years. I don't have the numbers in front of me, but none have been \$100,000 for each year.

>> Mayor Adler: Okay. If we're not going to move on this one today, we're at a stopping point and we can go into executive session. In executive session we can take up items pursuant to 551.071, the city council discuss matters related to the budget adoption. If there are no objections, then we'll take a recess. Hopefully come back out here by like 1:30. So we stand in recess.

>> Mayor Adler: All right, council. We're back again. We were in executive session. We discussed one item, a legal matter. We are now back out. It is 3:38.

>> Kitchen: Mr. Mayor?

>> Mayor Adler: I handed out an amended version, says amended in the upper right-hand corner. I had left out an item that is down there, c14, c19 in the middle of the page so that now has been added back in. And other than that, this is just like the one that you had before. So we had discussion, we were in discussion talking about revenue items. Does anybody else want to introduce any additional revenue items that we might increase the size of our pie above the \$5 million that we have?

[2:32:14 AM]

Yes, Ms. Kitchen.

>> Kitchen: I do but I'm not quite ready, I was thinking if someone else wants to go first.

>> Mayor Adler: Okay. Does anyone want to go first on revenue items.

>> Garza: It's not revenue for the general fund, but it would be a cut. Is now the time to do it?

>> Mayor Adler: If that's a cut, that would free up money.

>> Garza: It doesn't free up money for the general fund. It would reduce fees.

>> Mayor Adler: That would be fine.

>> Garza: It's for Austin resource recovery. Is there somebody here? And this is what I brought up during work session. The council did approve some technology upgrades for our Austin resource recovery trucks. I'm still having a hard time understanding, there was a technology part and then there's -- now there's going to be a new rfp that includes cameras. Anyway, my understanding is we added 70 cents to folks' bills for the technology upgrade. Is that right?

>> That's correct.

>> Garza: And this coming year we're going to add 85 cents for the composting, for expanding the composting. Is that right?

>> Correct.

>> Garza: So while I understand this would not put any money into the general fund, if we decided to not go through -- because no money has been encumbered for this technology --

>> I need to make a correction on that. Generally when you have a cip and it gets approved, that money is encumbered, in other words, the money is set aside for that project. We have not received any -- and since Martha the council approved the upgrade project and the contract was executed with the contractor, they have been working with our staff on that project. So I believe we just received today an invoice.

[2:34:15 AM]

So we haven't received all the invoices from them yet. So I needed to make a correction on my memo where it says no moneys encumbered. The money is actually set aside for that part.

>> Garza: But if the council decided to not expend that money, it could off set to a degree the increase for the composting program. Isn't that right?

>> I need to probably talk to the budget office and our staff to see whether -- how it works.

>> Garza: Okay, and so without getting really in the weeds about this, that's what I'm proposing to my colleagues. I won't go into depth and ask a million questions if it doesn't seem like there's support for that. But it appears from reading the memo, I understand the justification for the technology, but I -- nothing stuck out -- it still feels like a luxury item. The money that we're expending on this contract exceeds any liability amount that we've had to pay out. There was a mention of 1.8 million over the last six years, but we're going to spend 3.5, and nothing -- and there's no -- there's no indication that just because we do this upgrade we wouldn't have had any of those liability issues. Just, you know, investing this kind of technology doesn't mean we're not going to have a liability issue, nor does the 1.8 million suggest that every single one of those issues, whatever it was, legal case that got paid out had anything to do with the truck or had a camera been there or some kind of technology been there would have changed the outcome. And so what I would suggest would be that we not do that upgrade.

[2:36:15 AM]

One of the things it talks about was cameras on the trucks to be able to see if there's contamination in the, I guess recycle bins or compost bins. That seems very big brother if we're going to be spying on people's recycle bins and compost bins to make sure there's no contamination. I know it sounds like the increase for composting is going to be about \$10 a year for people, and I know that doesn't sound like a lot of money, but when we add these fees on top of each other, it starts to become, you know, an

additional fee. So that's -- I don't know if any other councilmembers are interested in that off set option, if there is, we should talk about it. If not, I'm fine moving on.

>> Mayor Adler: Ms. Kitchen.

>> Kitchen: I'm interested in that also. So if you want to make a motion, I'll second it and I'll support it.

>> Garza: I don't know if that's a process -- or talk more about it.

>> Mayor Adler: Let me ask one question and then we'll come back. One of the concerns is that when we look at the fees that are changing this year, one of the significant increases is for this activity. One, the first one is if we were to cut this item, what impact would that have on the fees that are charged. And the second is if in that department we wanted to make a cut at that level in order to reduce these however much that reduces it, is that the cut you would recommend we make?

>> Would you like to respond to some of this? Let me just add a couple of things that councilmember Garza mentioned. Those are part of the technology. It's not the whole thing.

[2:38:17 AM]

Now, the 85 cents that you mention, that's -- a portion of that has to go to pay for the vehicles that we've already purchased. Last year we started buying some of those and [inaudible] That we didn't make the payment for those as far as the debt service for those vehicles. So a portion of that 85 has to go to that, we have to pay that. So you were talking about if whether it would -- it does something to our fees or not.

>> Mayor Adler: My question is it sufficiently large item that it would have an impact on fees which I think is the intent to lower fees, and then the second question was substantively if we wanted to lower fees by that amount, if it lowers fees, was there a lower priority savings that you would identify in the department. So the first question would be does that result in a change in fees.

>> And I'm looking at some of the backup for this item and it looks like there was a 70-cent increase for this -- for this project that's already been put in place. So I think we could lower fees. We would have to, like, look to see how much we could lower fees, but the thing to consider is that this is a one-time project. I think most of the costs are related to the capital equipment, three, three and a half million dollars. If we were to add that -- if we weren't to have that we would lower fees but it would be a one-time. Some of this there was an operating component to this. I thought of several hundred thousand dollars a year. So that operating component -- you can't lower them on a permanent basis based upon a one-time savings.

[2:40:25 AM]

So we could do that analysis and figure out exactly how much the fees could come down, how much would a one-time reduction versus how much an ongoing reduction in the fees and report back to you, but I don't have those numbers right now. In regards to would there be something else we could cut instead of doing this project that would get to the same level of savings, I don't know that Sam would have that right now. We would have to look into that as well and come up with a different alternative to offer up.

>> Garza: I have a clarifying question for the 70. You are saying the 70 cents that was added last year was one time. So people saw a 70-cent increase only this year and they won't see it next year?

>> I'm saying the fees did go up, according to what I'm looking at the fees went up 70 cents. And some of that would have been to pay for this \$3.5 million. And if it's a one-time expenditure, it works the same way. If we just need to spend \$3.5 million more and increase rates to pay for that, once that one-time expenditure is clear, we wouldn't need the 70 cents any longer. But if there's other things pressuring up the rate, you may still need a rate increase for other things such as organics or other cost drivers.

>> Garza: But I'm -- so that happens sometimes, if a department just has a won one-time corks they will see a reduction in fees?

>> That's not what I said. That doesn't typically happen.

>> Garza: But did it happen in this case? The memo said there was a 70-cent increase for this technology.

>> Right.

>> Garza: So if this technology was a one-time cost, does that mean there will be a 70-cent decrease when the technology is paid off for that one-time cost?

>> Theoretically, but depends what's going on with other things in their budget.

[2:42:28 AM]

If wages are going up, rolling out organics projects, we might need \$1.50, but with this rolling off maybe it would only be 80 cents. I would have to look at ars model for what their future rate projections are to see what future increases net of this, how that nets out.

>> Garza: And I understand that there's been some composting trucks purchased, but my understanding of this contract, and it's hard to glean this information from the information we've gotten including talking to the contracts person and all kinds of things, that nothing -- no equipment has been purchased. What has been purchased is an agreement -- nothing has been spent. You said we have an invoice yesterday, but nothing tangible has been purchased except for a software that my understanding is a company is creating this software. They're in a pilot phase, they're creating this software, that will eventually be put on the trucks and then on top of that, which we're not even discussing as part of this expenditure, is an additional expenditure for cameras. So nothing's been spent.

>> Right. So far nothing has been spent, but as I mentioned earlier, since March, since the contract was executed, our staff have been working with them. They're working on the software. They're working on some work to tailor towards what we need. And of course at the end of this month I believe we're going to have a pilot to see how it's going to work and go from there. So that kind of preliminary work, planning type work, has been done, but no hardware, nothing has been installed on the vehicles yet.

>> Garza: And one of the the city of Albuquerque there were -- when they implemented this technology there were less complaints about missed carts, but if you look at the metrics in the binder, and maybe I'm looking at the wrong one, we have a 99.9% for ontime waste collections.

[2:44:53 AM]

So are we investing this money for a .01 correction in ontime trash pickup?

>> No. The 99% that you're referring to has to do with the number of stops that we make at -- during the year. So it's maybe 25 million or so. And then the number of complaints or missed stops that we get, maybe about 10,000 or so. So that's what we're saying we're ontime 99% of the time when you look at it that way. We stop at houses over the whole year about 25 million items.

>> Garza: Okay.

>> Mayor Adler: Ms. Houston?

>> Houston: Thank you. Councilmember Garza, I want to assure you that any time a fee is increased we never see a decrease when it comes down, it just keeps going. So he was kind of skating that, but trust me, once the fee is on there, the fee has never come down. If you go by the Home Depot on I-35 and St. John's you will see all the green carts out there, so I know they have gotten those, but the other things I don't know about. But that fee will not come down.

>> I wasn't trying to skate anything, councilmember, but generally -- and I think Ed was mentioning, for example, the 70-cent fee that we had, next year we may not have as much of fees because of that. May produce some revenues that can be used as part of our ending balance and beginning balance for next

year. So that the fees won't be as much. Now, the 85 cents as I mentioned earlier for organics, that's only for that purpose, for the organics purpose.

>> Garza: I know that, but I guess my point is if we don't invest in this, it would offset an increase in -- I know that 85 cents can only go to composting, but if we don't spend money, instead of 70 plus 85 it would be 15.

[2:47:08 AM]

>> Mayor Adler: Councilmember alter.

>> Alter: Thank you. I would like to understand better what arr's legal liabilities are in terms of crashes? So it's my understanding that part of the purpose of the system is to improve our safety record and not crashing into people's cars and those kind of things, but it would be nice to know the magnitude of what we're experiencing right now in that realm.

>> And some of the things that we're referring to, whether it's in memo or in general when we talk about incidents, it covers accidents with other vehicles, collisions. It covers hitting somebody's email box, accidentally hitting somebody's car. So when we talk about incidents we'll cover all of those.

>> If I may, councilmember, we had quite a number of times where wrecks were involving Austin resource recovery trucks and so we're hoping it helps us not have the accidents it did in the liability issue. That was something that I think the director and former director was interesting in having passes.

>> Alter: That's why I wanted to know about the liabilities. If we have the decision we may have some cost savings in the short run, but in the long run it may not balance out. I was trying to understand the magnitude. I understand there are those liabilities and accidents, but do we have a sense of how much they've grown or how much they are?

>> We can certainly get the numbers for you for the settlements or judgments that we had. When they hit another car or person, they are large and very heavy so typically those cases are very high damages.

>> Alter: That's what I was guessing. I would like some numbers to understand that.

[2:49:25 AM]

>> Garza: Newer arr trucks will have cameras, so it's not like we're choosing no cameras or cameras. So if it helps in cameras and liability issues, the new arr trucks, we already have some that have cameras. I believe they have four cameras. This new technology is totally different and it includes not just the four

cameras already on the trucks. Six cameras that are specific to the technology that is this cost, is my understanding of the information that I gathered. So there are cameras on the newer arr trucks.

>> Right. Some of the vehicles that we're purchasing now have cameras. Now, there's some vehicles that we have that may have one or two. They don't have as many cameras as needed. The cameras are obviously around the vehicle just to see what's going on within the vicinity of a vehicle, not too far away from the vehicle itself. And you're right, the camera portion is different. It's not part of this upgrade that we're talking about. And just to give you a little bit of background, a few years ago when we had the rfp for both technology as well as the cameras, the costs came out very high. It was almost about six million dollars. So we sent the rfp out twice actually and the cost was very high. And that was mostly because of the amount of storage that we were requiring at the time that says, of course, now, with this upgrade we may not need to have as much storage. So because of those extra cameras would be a lot more than before. Because the cameras are not part of the project that you're talking about.

>> Alter: Thank you for clarifying, councilmember Garza. So how much more above this would we be expecting the cameras to cost?

>> I really don't know because we haven't gone out.

[2:51:28 AM]

We're working on the rfp now. So it could be maybe about 1,000 or \$1,200 per camera, but I don't know exactly how many of those are needed because we have to go through each one of the vehicles that we have to see how many have less than five or less than six. So we can get that.

>> Alter: That would be great. And how would the software or the technology that you're putting on then mitigate against accidents if you don't have the cameras?

>> I'm sorry, say that again?

>> Alter: So as I'm understanding what councilmember Garza said is that we're purchasing this technology, but it doesn't have the cameras yet as part of it. And one of the rationales that was included about purchasing the technology was its ability to mitigate against the liabilities and the accidents. What I'm asking is what is the technology doing for it doesn't have cameras to mitigate those accidents.

>> So the technology itself, the cameras that currently we have for the technology, it would sense whether there's a mailbox or there's a car. For example, the automated vehicles that we have, the arm that goes out to pick up things. So they could see that with those vehicles that already have the cameras. But without it obviously they can. Also one of my managers here has been a project -- has been a lead on this project and we can discuss the details if you would like.

>> Alter: Thank you, I would appreciate that, but can I ask what portion of the trucks have the cameras already and what portion don't?

>> That's what I was saying. There are certain numbers, especially the new ones that we have, have about five or six cameras, but the rest of them have anywhere from one to five. I don't have the exact number of how many --

>> Alter: So they have some cameras that would be working together with the technology?

>> Right. The technology -- amount razz that we would be getting would be integrated, the software that would be developed that works with the upgraded it technology that we have or we're going to get.

[2:53:33 AM]

>> Alter: Okay, thank you.

>> Mayor Adler: Ms. Kitchen?

>> Kitchen: I'm sorry, just to clarify, because I'm not sure if I'm hearing this. So the 2.7 million, councilmember Garza, that's for the software that we're talking about right now.

>> It's for the upgrade, the technology upgrade, yes.

>> Kitchen: Okay. And I know you've just asked this, but I'm not sure I understood the answer. So that software can only be used with cameras, or is it used for other purposes whether or not there are cameras.

>> No, for other purposes too.

>> Good afternoon, I'm Mike turner, the quality assurance manager for resource recovery and I'm the project lead for this upgrade. The technology in particular is software. It's actually in vehicle technology as well, which would allow the software to work inside the truck, so the operators driving the trucks can quickly identify issues like contamination or carting it out, logistics in the field. It's also part of the system that is extremely updated and we're basically an internet browser update away from not being able to use it anymore. So what's the combination? This technology can also use the existing cameras on the trucks now and give you the safety advantages that we're talking about. The additional project for additional cameras would be to maximize that trucks may have only one or two cameras. We have about 50 trucks in our inventory right now that don't have any cameras, but most of our trucks have a complement of cameras, between one and six. So once we implement this technology we'll be able to instantly start using and getting those benefits from safety, but using the cameras, but we wanted additional cameras, so all of the trucks would have five cameras to get a 360 view on the truck to maximize the benefits.

[2:55:51 AM]

>> Kitchen: Thank you for just a quick follow-up then. So the software, and I apologize I don't know all the details, is it 2.7 a year? Is this the total amount?

>> The 2.7 is for the first three years and the implementation of the process. So it's 2.7 for the hardware that goes on the truck. The software that we would be using for our work management system to get our routing efficiencies to do our analysis and things of that nature and to incorporate everything. There's also an rfid component that would read -- that would manage our carts. So we have over -- anywhere in between 200 to 400,000 carts out in the system that we don't have a system in place to manage those. So it's multiple things going on with this project.

>> Kitchen: So the 2.7 is the cost for the first three years and then it's an ongoing cost?

>> It's an annual ongoing cost for licensing fees?

>> Kitchen: How much is that?

>> The rca says it's about 480,000 per year.

>> That's correct.

>> And the 2.7 is that 2.7 per year?

>> That's for the entire length of the first three years of the contract.

>> Kitchen: What's the payout schedule? We don't pay out 2.7 at the beginning of the project?

>> It's based on milestones. The interim director was mentioning a pilot. That's one milestone. We mentioned the software we're working on now to make everything work with one another, that's another milestone and then there's various milestones for installation and other accomplishments throughout the lifetime of the project. The implementation of the project.

>> Kitchen: So how much of it comes out of this year's budget? In other words, how much has to be paid during this year as opposed to next?

>> Jessica Frasier, finance manager for Austin recovery. The money is in budget. We set aside 1.5 million from fy16 in cash so it's sitting there.

[2:57:56 AM]

So when we make those payments it will hit our cip fund and won't affect our operating budget?

>> But 1.5 is how much we're expecting to pay if the deliverables are met on time?

>> I'm sorry, but the whole amount is 3.5. Two million was already there from a prior year. Cip. So the whole amount in our fund for that project is 3.5 million. The contract amount with that vendor for the first three years, which is what Mike was talking about, is the 2.7. So the actual expense for that is estimated to be between 2.1 to 2.7. It just depends on how much time it takes to do the different deliverables and how many actual -- at the time we start installing the hardware and software, how many trucks there are and how many pieces of hardware we have to install?

>> Kitchen: But that's the payout this year? So in other words, I know you have a schedule of deliverables and a timeline for that, and a timeline for making payments. That's what I'm asking.

>> I'm sorry, I don't have that information in front of me, but we can get that.

>> Kitchen: But it wouldn't be the total amount.

>> It would be a significant amount for the -- it would be a significant amount for the upcoming fiscal year. A lot of the milestones that would happen, the development of the pilot, getting the software to work, we anticipate that all of those things will happen in the first year of the pilot's development and then installation of equipment on most -- the lion's share of our truck would happen during that first year.

>> Kitchen: Okay. Can you check and let me know?

>> Yes, ma'am.

>> I'm still not entirely sure what the software does. I understand how it works for the cameras, but what else does it do? It does --

>> So the camera portion, you see the safety benefits.

[2:59:57 AM]

There's also other elements that the software would do with the cameras. It gives you a view of what's happening with the carts. It replaces a lot of manual processes that happen in the field right now. So some of the things that happen in the fields with the drivers and the drivers supervisors is they operate logistical concerns out in the field. There's a Lota kel concern with the cart that's damaged or something is out, all of those things would happen manually now. We would get out of the truck or radio a supervisor and the supervisor would manually tag a cart with stickers that we have now. All of that would be automated with the touch of a button. The goal is for the drivers to have to do two or three steps and move on with their collection. So it replaces all of that as well. There's also a cart management

component so in realtime you can see as a driver picks up a cart you can see it being serviced. So when a drivers goes out on their route in a morning, every cart out there is red. You see a cart icon at every stop. As they pick the carts up they turn green to show they serviced that level. They gives us a level of connection that we don't have right now. That can allow to us service that area, and if there's backup, like when we have things of -- like brush and debris backup, we can see it in realtime and assess. So that software is doing a lot of different things all at one time.

>> Kitchen: Okay. One last question then. Just one last question. We were talking about the fee. So Mr. Van eenoo, is the entire costs, which it sounds like is 3.5 million because some of it is already in the cip, was that entire cost reflected in the fees for this year? The reason I'm asking that is it sounds like our payout will be over time. So I'm wondering what's the impact of the fact that the payout is over time on the fees?

>> And Jessica may be able to help, but the impression I'm getting from looking at the backup is that there was a 70-cent increase in the fees to cover that implementation plan that they were talking about a three-year implementation of funding that project and then at the same time that that project was going on, as that project starts to fade off, they're also then building in other equipment purchases and replacements into their fee structure.

[3:02:25 AM]

So it's kind of like the 70-cent increase for this project then starts to shift to other needs that they may have. If you can add anything to that.

>> No, I think that's accurate. No, I know it's accurate, I don't think.

>> Kitchen: So the 70 cents, it sounds like -- it sounds like the 3.5, even though we're spending it over this time, we're charging it over this time, but then once it's paid off, to councilmember Houston's point, those dollars have been spent off.

>> We take that money and set it aside, but we have a whole pool of things that we set aside, mostly for equipment and trucks. Each year we replace trucks and the trucks go up in price every single year. So there might be a one-time 1.5 in this case for this technology, but the next fiscal year we'll have to replace more trucks and that will take up the 1.5. So as we were converting also from debt financing to cash financing we were having to push more money up to the cash side of things. So yes, if there weren't other things that we needed to spend that money on it would have gone back down for the next fiscal year. But there were expenses for our vehicles that we absorbed that 1.5.

>> Kitchen: All right, thank you. I still remain concerned about the raise in the fees. I mean, it's -- 7070s may may not seem like much, but when we look look at it in the context of the fees being raised, it adds up. >>

>> Mayor Adler: This 70 represents represents an impact in fees?

>> Kitchen: I think that's what I was asking.

>> So there's a vehicle fleet technology upgrade project that includes the gps units for the vehicles, the new work management system and now also these cameras.

[3:04:29 AM]

So it's more than just one component for the 70 cents of the total three and a half-million-dollar project.

>> And that was 70 cents of the rate increase from that fiscal year so I think what I'm hearing is that you want us to look back and say okay, if we don't do this project F we stop the spending, wherever it's at, what would the impact on our current proposed fiscal year '18 budget. So the answer to that is probably not going to be 70 cents. We have to take a step back and see where that funding could -- not all of that is cash funding. Some of that was debt funding. And that's not as easy to just move back as the cash financing. So we would need to take a step back and do a little analysis to see what real impact that would be on the 85-cent increase for fy18.

>> Garza: Mayor, to answer your question, it's yes, the 70 cents is because of this technology. And it's not the last of it. There will be another increase for cameras. There will be another request from council to fund an rfp for the camera portion.

>> Our expectation is the 3.5 million that we have for the whole project, is more than what we need for the software and hardware, so we were going to use the balance of that for the cameras. So there wouldn't be a further rate impact for just that component. We're going to use the rest of the funding that's in that cip fund that's in that project. So we would need -- we would come through with a contract request, but it would be funded out of the funds that are already in the cip budget.

>> Mayor Adler: Okay. Is there further discussion on the dais?

>> Garza: The way we do our budget puts us in a very awkward position because we're doing trying to find these things in volume, but trying to understand the need. Back to the mayor's questions, if we're just transferring this project to some other project, if we were to cut the -- say we're not going to fund this technology, is there something else in your budget that you would prefer not having to have this technology is a question -- is an answer I would like to have.

[3:06:39 AM]

And I understand you can't answer that now, so if you want to give us an answer tomorrow, I'm fine with that if you want to make a motion.

>> Mayor Adler: Ms. Kitchen?

>> Kitchen: And the other part of that question I would like an answer to is the fundamental concern for me is the fact that we're raising fees again. So corollary for me to the question that councilmember Garza asked is what could you do to cut that down so that we're not raising fees.

>> A large component of the rate increase for this fiscal year is the continued expansion of the organics program. And that is going to continue for another, I think, two fiscal years.

>> Kitchen: But that's not the 70 cents. The 70 cents is this technology.

>> That was two -- that was fy16 so that money has been sitting in the cip budget since fy16. So it's an extrapolation of what the rate increase would have been during fy16 because I think we raised it a dollar something in fy16 so that -- it would really the effect would be taking that funding and putting it back in our operating budget and then it impacting the rate increase for this year.

>> Garza: Let's say we said we don't want to -- because we haven't spent any money. I understand it's putting it back, but would it not offset the increase for composting?

>> Yes, I'm just saying I don't think it would be 70 cents. We'll have to calculate that.

>> Garza: So if it was 60 cents instead of going up 85 cents this year we would only be going up 25 cents?

>> If that was it, yes.

>> Mayor Adler: Okay. Councilmember alter?

>> Alter: How long would it take you to get us those updated numbers? Is that something we could have tomorrow?

>> We can work on it.

>> I'll have to step back and see what information my staff has. I think so, but we'll have to look at it.

[3:08:40 AM]

We'll do our best.

>> Mayor Adler: What would the impact in fees be if you went to an organic rollout -- rollout on the organics?

>> Three years from now?

>> Mayor Adler: I'm just trying to answer the question of what are the valuables -- if the resource recovery fee was something that the council was trying to lower the fee increase, one of the things you've got to look at -- one of the things -- you're going to come back to us tomorrow both answering that question as well as the question of if there was savings otherwise to be made where might they be that you think would be more appropriate that would be one thing that --

>> Mayor, we can work on a couple of scenarios. One scenario that we've looked at before is to hold off of doing the composting for next year. That reduces the rate we have for 85 cents gives us a little bit of time to look at things and do a little bit more works on characterization and studies and revision rates. And come back and look at that information and share that information with you and decide whether or not you want to move forward with that the following year. So that's kind of one scenario that we have worked on. So that would get rid of the 85 cents.

>> Mayor Adler: What I would be looking for tomorrow hopefully would be your recommendation. This is your department. You're trying to meet the mission of your department. If there was a cut to be made where would that most appropriately be made? Ms. Houston?

>> Houston: Please help me remember, hadn't the organics composting rollout began already, isn't everyone paying a dollar now.

>> Yes, last year the council approved a rate increase. This year starting in October we'll start with the 38,000, servicing 38,000 homes.

[3:10:42 AM]

As part of this budget we also have another 38,000 that will start next year. So that part is the -- the 85 cents increase allocated too for purchasing vehicles and also ftes. So the answer to your question --

>> Houston: So if you delay the rollout of organics for another year, we're still going to be paying.

>> You're still paying the dollar that you approved last year, but you're only paying the 85 cents that's associated with this year's additional 38,000?

>> Houston: Okay.

>> That's the scenario that we worked out worked out before of what happens when we want to reduce all the rates so that we don't have any rate increase this year. It would be that.

>> Mayor Adler: Mr. Flannigan.

>> Flannigan: When we see on the fee increases 85 cents for arr, that's for a 64-gallon cart. Is the fee raise different if you have another cart or is it the same for everybody?

>> No. In general the 64-gallon -- about 60 or 65% of our customers have that. So that's what we're just referring to is 64-gallon. But it's the composting itself, we're distributing 34-gallon carts to everybody. So everybody gets impacted on that. It's the rate increase is on the base rate.

>> Flannigan: So regardless of cart size everyone is paying 85 cents?

>> Same sorry?

>> The 85-cent increase to Austin recovery is to everyone regardless of your cart size?

>> Right.

>> Garza: Mayor, I just wanted to be clear. I have no desire to delay the implementation of the composting program and if I could pick between the two I would pick the composting program.

[3:12:50 AM]

I don't want to do that.

>> Mayor Adler: Okay. Anything else? Okay. Thank you. Anybody else want to suggest any revenues or cuts before we move on? Councilmember alter?

>> Alter: Thank you. So I passed out a vertical sheet that looks kind of like this, if you have it. And I'm not sure if we're only limited to revenues now. We also had several items that I proposed and several other councilmembers proposed that did not require funds from the general fund or don't add costs to the general fund, which I would also like to have us consider. So I might start with those first.

>> Mayor Adler: What we're trying to do now is to see how big a pie we can make.

>> Alter: Okay. Then I will look at the pie items first. So on this sheet we've had quite a bit of discussion about south by southwest fees and so this would be having the convention center center cover the south by southwest fees and there are a couple of different ways that we've identified that that would happen. Either with the convention center covering convention costs instead of the police fees from our general fund or directly covering the police fees and we would need to work out the details on what we want to do for that. The second item under there is decrease the proposed funds for consulting services in each department by seven percent. And then I want to add there that in looking through the material that we were given in our budget way, there was another cut that's not on the sheet which didn't make it, which is considerable, which would be to postpone the consulting benefits study one year. That is almost a million dollars' worth.

[3:14:51 AM]

We approved it recently. I'm not sure that we need to be doing that every single year. And I suspect that our employees would prefer to get the pay increase earlier rather than have a study of equity and other things and not get any money to balance it out. So that would be another million dollars approximately we could add to that. For decreasing the proposed funds for commodities in each department by five percent, right now I have the full numbers in there. We have requested further information from budget and they've been here all day so they haven't been able to answer the question quite understandably, but we would like to include community services and the financial services group from that amount. Then we would have a five percent cut to non-cip capital. There were radios that were allocated in from the reserve fund by the city manager that amount to 446,000. And then from the concept menu, the Kelly datum that we've discuss -- day item, that we've discussed, the 55,000 estimate of savings, again that comes out of the audit for the auditor's office. We also could consider at a budget amendment time or earlier, the APD radios. We might want to think about whether those could be done through co's. I didn't have a chance to consult with budget yet on that but we have done vehicles using co's and I think the radios and that kind of equipment might be equivalent to that and that could potentially free up money. I have not had a chance to clarify whether we could use co's for those APD radios. Or we could decide we're going to fund the APD radios if we have enough money to fund that.

[3:16:51 AM]

And hopefully as a future budget amendment, the item I think a 103 that councilmember Flannigan put forward that would allow us to hire sworn retire S, but that we could not do until after a contract was agreed to. So I put that as a future item. I'm hoping that other colleagues have additional ones, but these are the ones that at this point in time that my office has identified and would like to put forward. You'll note also that in the column above that or the table above that I have G 2, which is the elimination of the full-day parking validation. That's the \$400,000 which isn't already in the base motion -- which is already in the base motion that was presented this morning.

>> Kitchen: I didn't understand the consulting fee study delay.

>> The consulting fee study is not on this sheet. I noticed we left it off when I was looking back at the data. I think it was one of our last meetings we approved. Was that the August 31st meeting, item 31. We authorized negotiation and execution of two contracts, which are probably not executed at this point to provide actuarial and consulting services. Part of them deal with benefits and part of them with an equity study and this is an contract to do this on an annual basis for I think it's for initial term of three

years with two one-year extensions. And so my question is whether what would happen if we were to delay that a year in doing the studies.

[3:18:51 AM]

>> Kitchen: Okay. So you don't have the dollar amount then.

>> The dollar amount, I don't know whether you could delay all of it or not, but the full amount was -- it says the average spent for one of the companies it 182,000 and the other is 124,000. A document they gave us in the budget Q and a was for 939,000. I don't know why there's the discrepancy. It's an item for the Q and a of 143. And I will point out that the commodities and the cip numbers are in pretty much subsequent pages in the same section of 143 if you're looking to see what it is -- the kind of thing we would be cutting if we were to pursue, that detail is in there. What?

>> [Inaudible].

>> 143. We have commodities and then the non-cip capital. On the last page you get to the cip capital. There are no page numbers. I think it says commodities through multiple pages if you're trying to cedar fever where the non--- did he receiver where the non-cip capital is. And I would be happy to move around the percentages. I just wanted to put out something there. Staff did raise concerns about -- for certain departments like libraries, which is the reason that I chose to try to exclude community services and there was also a reason for financial services in that regard, but I don't have the details.

[3:21:00 AM]

>> Kitchen: Okay. I have other questions, but I'll let others.

>> Mayor Adler: Councilmember pool?

>> Pool: So the consulting benefits contract for human resources, that sounds like that is on benefits, and not salary. It's not the salary equity or the --

>> Both parts to it.

>> 80,000 of that contract is for the actuarial contract for the benefits which we darnelly. 284 is for the compensation piece that addresses the equity and concerns with the current policy. That's 284.

>> Pool: Did we delay some of this last year?

>> We did. We were asked to delay it and I brought it up in the last presentation relative to picrate and concerns relative to our pay practices and procedures and we committed to contracting that this year to bring in a company to evaluate that, to ensure fairness and equity in our current pay procedures.

>> Pool: Can you do the actuarial pieces for the pay benefits?

>> I'm going to get Karen to come do that.

>> Good afternoon, Karen Haywood, assistant director of hr. For the actuarial for the benefits piece, what we use that for is think do our premium rate setting and also help us establish what the increases should be on a go-forward basis. So that is something that we use quite heavily in the benefits office.

>> Pool: So does this then help us determine what the premium increases may have to be for employees in the health benefits or -- and does it help us determine what the benefits package looks like?

>> A combination of both. So they assist us with both of it.

>> Pool: And then back to the salary compensation study. When we delayed it from last year, was it also 285,000 or is this a scoped larger or scoped smaller effort?

[3:23:03 AM]

>> This is scoped larger. Last year I think we dealt with it from an equity issue from an equity report. We also dealt with it from a compression issue relative to citywide compression concerns that we brought forth. So I went out and sculpted along with this contract so we could have one company come in and address both pieces in the contract.

>> Are they severable? Do we need to do all of them? Is that -- doing the two interlocking pieces, does that determine and actual lower costs for those to study since you're doing it with the same consultant?

>> Yes. When we looked at the cost of doing that independently, it was much cheaper to add that to the overall scope of work as we were looking for the actuarial piece so that's why we added it to this contract.

>> Pool: And if we were to lower this or eliminate this million dollars, what would the effect be?

>> It would be very significant, particularly on the actuarial side. We're dependent upon that information to provide you the quality information that helps us determine the next year's budget. So in terms of priority, the actuarial piece would be a benchmark necessity for us in order to be able to follow through on our job relative to what we do on our benefits side.

>> Pool: Is some of that due to the lack of predictability right now with the federal government with regard to health care or is this -- because we are self-insured, right?

>> We are self-insured. Really they take a look at the claims information and they look at rolling 12 months and then they also project forward. So it really is a vital part of the benefits package.

>> Pool: Okay, thank you.

>> Mayor Adler: Councilmember alter?

>> Alter: So how much would just the actuarial part be? I'm hearing you saying that the actuarial part -- I appreciate this conversation. We didn't have a chance to have it. How much would just the actuarial part be?

[3:25:07 AM]

>> The actuarial part would be 820,000, but in that conversation I would just point out that the 284 that we're earmarked, Gallagher did the equity study that we brought forward. We've had a conversation for three years relative to the concerns of compression and equity and asme was also one who suggested we go back and reevaluate that policy. It's 281,000, to answer your question, but we've been needing indefinitely or in need of the additional analysis and work for the 284 relative to pay accuracy and our philosophy review. >>

>> Alter: Can you explain to me why we need this every -- the actuarial contract reviewed every single year?

>> In regards to the benefits, they begin working on the budget information beginning in January. And on a monthly basis what they will look at is how the claims are doing. So if you recall last year we started off with about 13.7%. Working with them we were able to lower it in regards to plan design changes because they will also look at best practices, they will take a look at what our plan looks like now, any plan design changes and they will cost out the savings for cost design changes.

>> I would also add in the resolution from council relevant to the equity study it was requested that that equity analysis be done on an annual basis. So we just recently last year contracted it out one year. We don't have the staffing to really support an annual analysis of that magnitude. So having them come back in to adhere to the equity component is also part of the resolution from council.

>> Alter: Do our claims vary greatly from year to year?

[3:27:11 AM]

>> They do. Sometimes it depends on catastrophic claims. They help us with that. They help us in regards to contracting. I think important to note we will be really using them this year because we intend on issuing a request for proposal because our contract with united health care is expiring at the end of the year. So they will really play an instrumental part in regards to helping us secure another vendor.

>> Alter: In terms of the other part, can you say again what the two something -- I guess it's with Gallagher is covering?

>> So every year based on the resolution from council we do an analysis of the city's equity relative to salary. Gallagher, this year, this last year, Gallagher completed that list and identified potential areas of inequity and we also made a presentation back to council that we would have a company come back in and evaluate our current pay practices. It's not only an alignment to that resolution, but also an alignment to the item from council relative to women's equity. So this company will come in, evaluate our current pay philosophies, evaluate the current way we determine how we evaluate pay for all employees to determine if there are strategies we can put in place to ensure equity across the board relative to our pay procedures. It also gives us an opportunity to benchmark other cities and also make sure that our pay procedures are as up to date as possible. On the equity study itself, that analysis is something that we provide you this year and the additional component you will see is just recommendations on good procedures that we can implement. Quality so we did this last --

>> Alter: So we did this last year and need to do this again this year?

>> Per your resolution we evaluate equity every year, per the resolution from council.

[3:29:12 AM]

>> Alter: Is that a standard practice in the hr field to spend \$300,000 a year doing the is same thing rather than putting that money into equity issues?

>> Well, I think what you see in the 284 is a little bit more than just the equity study. It's the additional analysis of city procedures and processes. So that I don't think will happen annually, but we will be asking annually for the annual report. So I don't think it will always be 284. I think we're doing more with it this year in an effort to try to address critical issues that have been brought to our attention. I don't know that you will see us needing the 284 annually for that piece of it. But for this year as we've scoped it out to include all of those things, that's the price that we have. In addition to connecting it with the benefits piece.

>> Alter: Well, the program that was in the rcas for three years in a row doing it and we just did it. So I'm not sure why -- the actuarial and if we're changing the uhc I can understand that and I appreciate that

information. I'm not hearing something that's convincing me that we're going to have a major benefit on top of that. Maybe Mr. Washington, you can speak to whether we can use this for some savings.

>> Dr. Washington is recommending that in terms of the annual equity analysis we can certainly recommend doing that every other year. I made that recommendation to council when I presented the results this year and the council continued to request that we do an annual review of the equity study. So to answer your question very directly, we're complying with the request from council to do an annual equity review analysis. So that's being done. And we're also adding to that an opportunity to change policy. So if the council chooses to change the request to do it on a biannual basis we can certainly do that. What you see before you is our attempt to follow through on the request that has already been mandated for the annual review.

[3:31:19 AM]

>> Alter: So the rca has an average annual spend of 284,000. So right now you're saying we have a council policy that says we have to do this annually. So we could change that by not doing it this year and save \$284,000.

>> But keep in mind in addition to doing the equity analysis we've also asked for additional money for the policy evaluation. So we would have to go back and scope out how much the policy evaluation part would be of that 284. To pull that piece out. But yes, if council decided not to have us do an equity analysis every year it would significantly bring down the overall cost that we're expecting to pay the contractor for the work being done.

>> Alter: Thank you for clarifying. Dr. Washington, did you have something more?

>> I was just going to say it's similar on the public safety said. You all have the pfm study. We don't have a pfm to do the compensation. It takes a lot for them to do it and produce the equity report. This would allow them the capacity to outsource similar to what we do for public safety?

>> I'd like to have a sense of my colleagues. We're looking for a lot more money for a quality of life commissions and for other equity priorities. I was not on the council when it was determined to do this on an annual basis. It seems to me that we could save this money and be pursuing equity with it?

>> Mayor Adler: Ms. Pool?

>> Pool: One of the things that we've been also working really hard to accomplish is ensuring that our employees are paid a wage such that they can afford to live in Austin too. That the affordability also affects all our employees. I did wonder if the compensation study could be funded out of the additional monies that we are looking to direct to the equity office.

[3:33:24 AM]

We are looking at putting I think half a million dollars into that office, but I don't yet know what projects or activities would be funded with that half million. So my question would be for our staff if whether the money that we were looking at putting to the equity office could include a compensation study for equity since we are looking for our new equity officer -- is there any combination -- is there any alignment or overlap or -- or economies of scale that we might get between these two, hr and the equity office.

>> I'm looking for the equity officer. It certainly would be related to having an internal equity lens to see how we collaborate between the equity office and the hr department, but in terms of -- just to be clear, the compensation study that hr was proposing was not being funded in the general fund, as I understand it. That was going to -- that is correct? It's coming out of the benefits fund, employees benefits fund?

>> [Inaudible].

>> I need to clarify. There's a portion of the compensation study that would be charged to departments of the general fund and other departments that are not in -- the enterprise funds would pay a portion, but in the equity office as I understand it, all of that is being funded by the general fund.

>> Pool: And I also recognize that a compensation study requires a certain level of specific expertise as well. And if you don't have that background, then you can't just go out and do a compensation study. I was just wondering if the efforts that are underway in the equity office would help through economies of scale with the compensation study.

[3:35:26 AM]

I don't know what the answer is. And I support having the compensation study happen, particularly because -- I think we delayed it by six months and then we didn't do it at all. Or there was something in the last budget years where we delayed things with the compensation study and I -- having been on the other side of that question, working in government, sometimes that's the only way you get any significant pay increases is if they do that benchmarking on the private sector and you can see that your position is actually worth more. It has more value. But we don't necessarily find that ourselves without going out and doing these specific, targeted reviews and assessments. So at this point what I would say is since this one isn't on the list here maybe we put this one in the parking lot, maybe come back to it and let's see if we can move maybe a little more anymorebly on some of the other items that may have some additional big bangs for the buck and hold off on this one.

>> Mayor Adler: I share some of the same concerns. And I don't know processwise how we get it through this over the next two days and it's already almost 4:30 here on the first day. We're coming down at a really detailed level on issues that weren't highlighted earlier in the concept process, and that makes me nervous because there's not a lot of time to be able to deliberate. Staff doesn't have a chance to really prepare to address it. And in some respects we've set a policy and it's okay for us to change a policy, but I'm not sure that now is a time when we should be having that level of conversation.

[3:37:29 AM]

And on a policy which when we set it gets posted and people have a week now, two weeks to be able to weigh in on. So the telescoping down now for this and other items -- on all of these items I'd like to have the -- whoever it is on staff that is with that to come and be able to defend it. And we're just -- I'm not sure how we get through the next two days and I'm not sure this is really the appropriate way for us to be able to do this. And I'm not sure -- because I understand the need to try to turn up dollars. This doesn't feel right. Manager?

>> I'd like to ask councilmember alter a couple of questions about her proposal on these across the board decreases on O 101 and O 102? If you look at the consulting -- well, an overall question is the other funds are enterprise funds and we only have two enterprise funds that have rate increases this year, Austin resource recovery and clean community fees. So those cuts would not produce generally -- in looking at the list of departments, they wouldn't be reducing fees. On the consulting services in general fund in ongoing dollars, 63,000 of the 75 is for development services, which would then result in a reduction in their fees. So it would be not -- it would not produce additional monies. If you look at the commodities number, 1.2 million, 300,000 of that is development services.

[3:39:39 AM]

755,000 of it would be APD explosives and blasting. And I would have to have the chief come tell me what the impact of cutting that would be. And then another about 500,000 would be pard, would be where you would get the 1.2 savings. On the other fund side you would be cutting traffic signs and things that are enterprise funds. It seems to me that they need for their operations on an ongoing basis so I would not recommend those. I guess what I'm saying is operationally these kinds of blanket, across the board cuts are generally very difficult for us, especially without having any analysis from the staff as to the impact to individual departments. I'm not clear what the 500,000 for parks would do, but 224,000 is agriculture, and -- I can't read it.

>> Excluding community services.

>> So you're excluding that. So I don't have the total number to look at. I'm just suggesting those are more problematic for those and we typically do not make those kinds of reductions without having the impact statements from the departments.

>> Mayor Adler: Councilmember kitchen.

>> Kitchen: I do want O --

>> Alter: I do want to point out that these have been -- the benefits study has not been on the concept menu but these other items have been on the concept menu and I've been asking for this kind of information and I'm only hearing it now. On the dais. And in terms of kind of the details. So, you know, these have been on the concept menu for that and I did say to keep the community services out. So I just want to be clear on that, that we have some communication issues that we could be improving here.

[3:41:41 AM]

>> Mayor Adler: Mitch?

>> Kitchen: I just want point out the list that I've been working on -- it's not a new list. So we have been getting information from staff, and as we've been getting information we've been whittling down our list. So I appreciate -- I appreciate the concerns that you're raising, mayor, and I share them. But it's not - - but I do also want to say that all of us on the -- and our staff and also on the dais have been working our way through these. And really they're not brand new. We just need to figure out how we're going to address them. So

[3:45:16 AM]

>> Mayor Adler: Do you remember the budget question number that this was?

>> Alter: I don't remember the budget question. It was -- came out of the audit, and we submitted it as a concept menu, and they came back with that number as I recall

>> Mayor Adler: Do you remember what they said their -- they had some objections to doing it. Do you remember what they were?

>> Alter: I don't have that information.

>> Mayor Adler: Okay.

>> Alter: Right here. My staff will probably text it to me, but I don't have it. I probably do have it on some paper up here, but I don't have it handy.

>> Mayor Adler: Okay

>> Alter: But, you know, this is -- you know, one of the ways that we can begin to get a handle on the overtime costs that we have from a management pitch and once we solve our overtime costs this won't be an issue because we will have filled our vacancies and won't be called on for the overtime. We can move away from this. It doesn't have to go on forever. That by the way is only the amount that's saved for this fiscal year so there would be an additional savings for an additional six months after that if we were to continue with this. That number we asked imposing it for 18 months and it was given back to oust I think just for the fiscal year.

>> Mayor Adler: Okay.

>> Garza: Mayor

>> Mayor Adler: Yes

>> Garza: I just saw the chief walk in, but I don't believe that's -- you don't get -- I could be wrong but you don't get paid on your Kelly day regardless if you work is my understanding

>> Alter: It's part of your salary for your 19th shift

>> Garza: Chief, do you get paid on your Kelly day and you're off? I mean, it's part of your salary and you get the day off, but you're not paid for being off and so you don't exceed a 53 hour workweek?

>> That's correct. The Kelly day is actually equalizes that 53 hour workweek into the 48 hour workweek so that you're not being paid -- you would have to be paid overtime otherwise.

[3:47:26 AM]

>> Garza: Yeah. So if you worked your Kelly day --

>> That's correct.

>> Garza: You'd have to get paid overtime.

>> Alter: But you don't work your Kelly day and you get paid for working that day.

>> Garza: I mean, so you don't work more than 53 hours you get a Kelly day.

>> That's correct. Every 19.

>> Garza: You could say for 53 hours and your Kelly day is not included in that 53 hours. Is that right?

>> That's correct.

>> Garza: So you're not getting paid the day that you don't work.

>> You are not getting paid that you don't work.

>> Garza: Yes.

>> So if you did work then you'd be paid at time and a half.

>> Alter: But it's part of your salary package for the 19 shifts so you are effectively paid because you're over the 19 shifts.

>> I guess you can look at it however you want to look at it. I'm -- I do want to make a comment on this, too. Last year, we spent an inordinate amount of time talking about ems and their mandatory added time and what a fatigue management trouble it was and we reduced, we, the city, reduced -- you elected to reduce them to a 42 hour workweek and I think it's a bad move to force the fire department into doing something that we just pulled back on last year for another public safety department.

>> Alter: I think this is an important temporary measure that we have to spread the overtime burden across.

>> I think we are spreading --

>> Alter: Only a few people are doing it right now.

>> I don't want to be disrespectful but, you know, we manage the department as best we can. We're in a situation that is not of our own doing. We are in a situation because we had a freeze on hiring, and I keep hearing about \$21 million. It's \$21 million, but we are not deducting out of that \$21 million the salaries and benefits that we are not paying those 150 vacancies.

[3:49:31 AM]

So it's not \$21 million of overtime. Less those other dollars. So I want us to remember that as well. And, yes, we're doing everything we can to manage that overtime to -- to manage the fatigue, to make sure that we do as best we can with the dollars that we are allocated to spend. We are working desperately hard at hiring. We are going to plan on hiring our first class in November. As soon as we can start pushing people out that overtime will start coming down.

>> Mayor Adler: Mr. Flannigan.

>> Flannigan: I appreciate the fatigue issue. We're already having overtime for firefighters, so people are being asked to work more than their regular shifts anyway. Right?

>> They're not being mandated to work. We -- occasionally we mandate people to work, and that is when people are on -- already on shift before they can leave to go home. They are sometimes mandated to stay and work.

>> Flannigan: Okay. And I think when I explored this item about the Kelly days, the financial savings is about who -- who is assigned to the overtime that -- that lower pay rate firefighters are given the opportunity to do that and, in this case, would be mandated to do it in such a way that I think it was one Kelly day a year, two Kelly days a year? Councilmember alter, was it one?

>> Alter: One or two.

>> Flannigan: It was one or two, so we're talking about one or two days for the whole year for firefighters on Kelly days. It was really -- it was an accounting question about what the hourly rates were of people doing the overtime to fill in this gap while we have a high vacancy rate, regardless of the reason for the high vacancy rate, we are asking people to do overtime, so we are necessarily asking people to work more hours than we would normally ask them to work.

[3:51:34 AM]

And, you know, while the -- there are many things about the fire department I have spoken about, this one has a fairly small budgetary impact, it's a fairly small ask of the fire department, it's one Kelly day a year -- pretty sure it was one, might be two. But it's not overburdening a department that is -- it is reallocating the burden. So I don't want it to sound like we're asking firefighters to work a bunch more hours than we ask them to work now. We already mandate a certain number of fte hours to be filled, and my understanding is that the system now is that it's mostly voluntary, who volunteers to do that overtime and what the proposal is is that some -- some portion of that would be mandated, spread across the department, which would have a positive impact on the budget. That's why I think it's probably a good idea to explore certainly while we have a very high rate of vacancies.

>> Mayor Adler: Further discussion on the dais?

>> This is, you know, a temporary action to address a situation that we need to get under control from a financial perspective. I will just point out that if we had the \$3.5 million that we spent on overtime this spring, we wouldn't have a big problem coming up with a lot of our concept menu items. We spent that. That was the choice of the council. And perhaps we didn't have a choice. But that's \$3.5 million of reserves that we don't have at our disposal now and we have tougher choices to make because we didn't control this. This also just smoothes out the burden, as councilmember Flannigan said.

>> Mayor Adler: Further discussion on the dais?

[3:53:35 AM]

Okay.

>> Alter: Make a motion. I move to pass s104. From the concept menu for the following -- is that how you want me to -- is that how you want me to do it, is to make a motion?

>> Mayor Adler: The question was being asked was -- I think the question that you had said when you laid this out, whether this is something we should be doing now or whether this is something we should be doing as part of the budget amendment when we came back in after the negotiations on public safety. That was the question I was asking.

>> Alter: The point about doing it with public safety was for councilmember Flannigan's item, s103, that requires a change in the contract in order to be able to hire sworn affidavit retirees, that requires a change in the contract.

>> Mayor Adler: So is this an item that you recommend --

>> Alter: T104 is the item I would be moving. I might have said the wrong item, I apologize. S104 would be the item --

>> It's my understanding s104 concerns Kelly days and that's part of the contract and there's ongoing negotiations right now. I'd suggest you hold off on this until those contract negotiations have finished and given direction to the manager about your thoughts on it.

>> Alter: We have checked on multiple times and we have been told s104 is not constrained by the contract. That is a choice that is open to the chief to make. Regardless of the contract.

>> Mayor Adler: You want to speak to this? Please?

>> Yes, mayor, councilmembers, ray Arellano, assistant city manager. One of the things you might consider as you take up this particular item, certainly you're looking for savings and I know the difficult process that is for you. However, and I think I would confirm that the Kelly days issue is outside of the contract and is management's prerogative in terms of management scope. However, what I would advise is being thoughtful, if you will, about the kinds of actions that you're directing the chief to do through the city manager, for the chief does have discretion under the chapter 1043 of state statutes in order to run the department.

[3:55:47 AM]

So as you think about what the effect is that you're trying to do, which is to reduce overtime, it may be more constructive in this particular case to just say this is the dollar value I want to reduce and if it's -- and then leave it to the city manager and then through the chief to find out how to do that. For overtime in specific. There maybe other programs that you might want to say we're not going to do that program and then you cut it. That's certainly the prerogative of the council. But in terms of management of the department and how she in this particular case determines how to run the overtime or manage the overtime issue I would say that this is probably within her realm and not necessarily a policy issue for the council.

>> Alter: From what I've seen, the approach that has been taken, is that we redistribute other money from other safety needs and this does not create a safety risk, as I understand it. The other things that we've done to address the overtime have all been at the expense of other things that I think have safety consequences. And so I will just be -- we'll just go and remove more resources from wildfire, we'll go and remove more resources from planning -- the planning department. You know, so I think in this situation I think we're at a point where we have to make a decision as a council about how we -- where we want this money to go. If you can do that -- if I can say that get me this amount of money without impacting safety, sure. But all of the other choices that were made to get an additional two point whatever million on savings had to do -- had safety at risk. The auditor also did -- I mean, this is a -- you know, this is a recommendation from the auditor. I didn't pull this out of thin air. This is a recommendation that came from an audit, you know, and we should keep that in mind as well.

[3:57:57 AM]

>> Mayor Adler: Is the point between those two to say that we want a savings of the 255 or whatever it is, \$255,000, and then ask for the manager to come back and tell us how that's being achieved so that if it's being achieved in a way that we felt was inappropriate we could act then?

>> Alter: I guess so, but I would probably like the auditor involved in determining if there's a safety impact. And I'm not -- you know, we've been told that there's no other ways to make cuts, so I'm not -- maybe councilmember Flannigan, you wanted to add something there?

>> Flannigan: I want to ask assistant city manager Arellano, I want to ask you a question about something that you said.

>> My apologies.

>> Flannigan: Sure. You cited -- you said chapter 143, is that what you said, 143 of state law that determines that the fire chief has authorities defined somehow in state law?

>> I don't have it memorized, but essentially just like the police chief and ems chief, state law provides for the chief of the department to run the department, broad discretion in how that is done from an administrative managerial perspective.

>> Flannigan: They have authorities even the city manager cannot override and that's different from other departments? Am I to understand that in that way.

>> I'm starting to wade into deeper matters than I'm prepared to do but again there is state statute that governs the public safety departments.

>> Flannigan: You'd be curious to know, not -- I'd be curious to know, not necessarily for this budget, how that's different from general charter separations between council and manager and if there's other state professions around public safety, I'd be more interested to know what that line looks like.

[4:00:00 AM]

It's certainly not the day to do it. Thank you.

>> Mayor Adler: Councilmember troxclair.

>> Troxclair: I'm having trouble -- little trouble hearing over here so I'm sorry if you said this already but did you say what the -- why auditor made this recommendation?

>> Alter: The auditor made this recommendation because it is one way to achieve savings within our budget to keep the overtime costs down, given the vacancies that we have. So we have vacancies, and we have retirements that are driving the overtime. But then on top of that the cost of overtime is higher than it otherwise might be according to the auditor's report and this is one of the steps we could take to reduce part of the overtime that is under our control, that is a function of who it is that serves the overtime. So we need -- we need the overtime because we have the four person staffing combined with the vacancies, combined with the retirees but then as they we have discretion over who fills that overtime to be in those spots for four-person staffing. The auditor laid out several items that would allow us to have more direction over who fills those slots so it costs less overall for the overtime.

>> Troxclair: Right now the people who are signing up are more expensive and this would basically allow a rotation list?

>> Alter: Yes.

>> Troxclair: Thanks.

>> Mayor Adler: Dr. Washington.

>> I wanted to elaborate around some of the governs issues around this. The Kelly day sign-up is governed by the contract, I think article 15 section C and so even though as acm Arellano said in concept the chief has discretion over how to assign personnel, unless exempted by provisions within the contract -- and I think we have a current agreement that governs that sign-up process.

[4:02:06 AM]

And I just wanted to offer that clarification.

>> Alter: Dr. Washington, if I'm not mistaken, I think the contract creates the existence of a Kelly day but does not address this issue.

>> Again, I'll defer to city attorney on what the sign-up process is spelled out in the contract.

>> Alter: I do not believe the sign-up process is laid out in the contract, from what we've been told in our conversations.

>> Mayor Adler: So I tell you what I would be prepared to vote for because I also read the audit recommendation. I am concerned about the overtime. This is a practice that our auditor questioned, and I think has been raised several times on the dais. What I am also concerned about -- about dictating to a department head how it is that they manage the staff. So seems to me that the possibility of saying we want to cut the \$255,000, if there's a better way to do it that doesn't impact safety, that would be fine, but we want that to come back to us because we're concerned about some of the cuts that we've seen before. I don't know if that's something that you would take instead, but that I would vote for.

>> Alter: Would it be possible to have the auditor weigh in as to whether it is affecting safety?

>> Mayor Adler: Yeah, the audit report does so when that came back there would be no problem with us asking the auditor to look at it as well.

>> Alter: Sure, I think I can -- I can do that. Do I need to make --

>> Mayor Adler: Does anybody object to it being moved into that direction?

>> Houston: Say it one more time.

>> Alter: So it essentially would be a motion to find \$255,091 of savings in the Austin fire department that does not have an impact on safety.

[4:04:18 AM]

>> Mayor Adler: And to come back to the council with what that was so we could see in a in case we wanted to act otherwise and we would have the opportunity to bring the auditor in at that point. If there's no objection --

>> I have a question.

>> Mayor Adler: Yes.

>> Kitchen: So would -- that direction is to do that as part of this budget process, right?

>> Mayor Adler: That's correct.

>> Alter: So that would free up \$255,000 in general fund.

>> Mayor Adler: That's correct.

>> Garza: Mayor, I feel like that's a slippery slope. If we're going to be asking every department -- and if we're going to do that I would amend it to say the proportion of that is to fire, every department needs to find that money. I don't think it's fair to go after -- I mean, where we can find cuts we find them, but if -- we can ask of that every department, which I'm open to, in fact I tried to do. I think last year, I said, what with a was it, 1% of everyone's budget -- I think specific to fire and police actually of the public safety, I asked for a 1%. And we didn't really get anything off of that. So I'm open to this being for all the departments.

>> Mayor Adler: And hear that too -- I'm sorry, go ahead.

>> I don't mean to speak for the manager but I think that's exactly what the manager asked all the departments to do. I think in this process, it sounds like y'all are frustrated by it, but I know that the manager created a budget that had extra money in it precisely so that y'all could look at it and think of the things that you thought were not in the budget and then the manager asked every department, all of us, to reduce our budgets by 1%. I think we've tried to meet that obligation.

>> Kitchen: I think -- can I say something?

>> Mayor Adler: Ms. Kitchen.

>> Kitchen: And I appreciate that. I think what -- I think -- I'll speak just for myself. I think it's a matter of being concerned about the priorities across our entire budget. There are things that we feel like are very high priorities, at least that I think are very high priorities, and I just don't think that our budget as a whole is balanced in terms of those priorities.

[4:06:31 AM]

And so while I really, really appreciate the effort that everyone has made and staff has made, that's what's in front of me as I think about these things. I don't think that we're where we need to be with regard to health and human services and a whole host of other issues. And so it's really not a reflection on our staff. I think our staff is doing everything they can. But we -- it's -- we have an obligation to look at where we spend our dollars. You know, as a community. And to me -- well, I'll just get off my soapbox, but I'm very concerned about on a whole if we look at where our budget is, and that's why I'm continuing to look for a better balance so that we have some additional dollars. While I appreciate the \$5 million, it's simply not going to get us as far as we need to go from my perspective.

>> Alter: I'd like to stay on this issue, if we might. And I just would like to point out that this is a very specific inefficiency that is well documented in an audit where we clearly have a problem with overtime and this is about fixing a particular problem and making sure that fixing that problem is a priority. If we continue on this path and we don't pay attention to how much we're spending on overtime given the vacancies and the four person staffing, we will continue not to have money in our budget to do other things that are priorities. There are more things that we can do, but they involve the contract and so they're not before us today, but this is one opportunity and why I was very specific was because it was backed up with an audit and there are a lot of other elements that we're working very hard on with the contract. I don't know the results of the negotiations from last week. But we, as a council, as a policy decision, I think need to be able to say that we want to have control over these overtime amounts and that there are management decisions within our control that we can move forward with and this is one of them.

[4:08:36 AM]

I will take the mayor's suggestion and move it that way, but I don't think this is equivalent to going after every department and asking for a reduction, though I would start looking at that. That is not what's before us right here and now.

>> Mayor Adler: Is there an objection to councilmember alter's amendment being changed as I laid out? There's an objection to that. I'm going to then move to amend the amendment to make the change that I just expressed. Just because I -- one, I differentiate because it's an audit finding, but I'll tell you, councilmember Garza, I share the same concern that you expressed and no one else is speaking up on the dais and my sense was that it might pass. So this to me seemed to be the appropriate thing to do. But I can narrowly draw that exception because of the audit finding. I make that motion. Is there a second to my amendment to amendment?

>> [Off mic]

>> Mayor Adler: I'm sorry? Councilmember alter made what is in essence the amendment. I amended hers to say that we wouldn't specify the reduction, we would say we want to have a \$255,000 reduction

and the chief is to come back -- the manager is to come back to us and let us know how that's being achieved.

>> Alter: And that it has to not impact safety as --

>> Mayor Adler: Not impact safety and we have the ability to be able to act on it at that point if we chose. Is there a second to that? Councilmember alter seconds that. Is there any discussion on the amendment I put forward -- actually the amendment to the amendment I put forward. Mr. Flannigan.

[4:10:36 AM]

>> Flannigan: Just to clarify, city manager, when the base budget came out and was it 1% across all departments? But my recollection is that didn't include the fire department. That was the one department that wasn't included in the across the board.

>> In the current year budget, fy'17, I asked all support services departments and general fund departments excluding the fire department to bring their budgets in at at least less than 99% of their budget. Fire was excluded because at the time we thought their overtime was pushing them overbudget so they were excluded.

>> Mayor Adler: Any further discussion on the change? Councilmember Garza.

>> Garza: Is there a Robert's rule to mend amend your amendment?

>> Mayor Adler: Usually under Robert's rules you can go amendment to amendment. I think we're in a difficult -- different situation here because base budget really is standing along. So I think it would be appropriate for us to treat an amendment here as if there wasn't a base budget. So if it's okay with the council, that's the practice we'll take so that we'll treat what -- what councilmember alter had as the motion, I amended her motion so there would be an ability to amend my amendment and I'll keep that consistent as we go through the items. Did you want to make one?

>> Yes.

>> Mayor Adler: Okay.

>> Garza: My motion would be that instead of --

>> We can't hear you.

>> Garza: Instead of it -- 255,000 from fire it would be 255 from anywhere, if we're looking for 255, I can are we assuming that it's best to take it from one of our public safety departments?

[4:12:39 AM]

>> Mayor Adler: Okay. There's been a motion. That amendment has been made to my amendment. Is there a second to that amendment? Mayor pro tem.

>> Tovo: I'm going to second it for the reasons that councilmember Garza said. I appreciate that we're all trying to be creative but I share the same concerns. If we're basically just looking for reductions that are very general, then I think that should be applied across the board.

>> Mayor Adler: So we're giving the manager the discretion to find the 255,000 wherever she would find that reduction.

>> Garza: Can I speak to my --

>> Mayor Adler: It's been moved and seconded. You can speak to it.

>> Garza: And that is because the manager specifically did not include fire in the reductions because of the concern with the overtime issue. I understand this is an attempt to address the overtime issue, but it seems like for such a small amount of money there's got to be something else that can be reduced in our entire city budget for \$255,000. That would not affect public safety.

>> Alter: This is not just about the cuts. It happens to be coming up at the point when we're talking about the revenues. This is about getting a problem that we have under control and showing that the council has a priority for keeping the costs of our overtime under control. Yes, we have vacancies. Yes, we have retirements. Yes, we have four-person staffing but there are still things we can do to keep these costs down. This is not just about finding money to fund other things. This happens to find money to fund other things but that's because we have to find money to fund other things because we have the overtime problem in the first place. We authorized \$3.5 million in March, I think it was, and that \$3.5 million would come in handy really -- really handy right now. And part of what we're trying to do and being vigilant on this is to move us forward so that in a year or two years from now we're not in the same position.

[4:14:46 AM]

There are savings to be had here, and they come over time but we have to create an environment where that is a goal that we have, and it doesn't just come from involving the vacancy problem. It also comes from recognizing that we have management choices to make that affect the overall cost of the overtime given that we have to have overtime.

>> Mayor Adler: So my sense is, you know, we're all trying to figure out what the right process is here, this just happened to be the first one that came up as we work our way through it. I actually like that amendment but I think it's real important for us to be able to say to the manager, one of our priorities as a council is to get a handle on the overtime expenses happening in the fire department. That's obviously a huge issue. We've discussed it multiple times on the dais as we -- all spring long since it came in April. That's really important and I think that ultimately one of the things -- however it is that that is achieved, spending that amount of money for overtime in a situation that -- we need to fix that. That said, I -- I don't know that we would say to the manager this is now a priority, we need you to understand that we are serious about that, that we're raising that and elevating that issue and this is how you do it or this is where the money comes from. So I don't know that it's any less a declarative statement to say we're taking \$255,000 out of the budget, we think taxicab come there, you can take it out of wherever you want to, let us know where it's coming out of, don't impact safety, but understand that the overriding message and policy statement we're trying to make is that that is a critical component of something that need to be fixed in the city.

[4:16:51 AM]

Is there any further discussion on the amendment to the amendment from councilmember Garza.

>> Garza: Meyer, real quick.

>> Alter: I'll vote against her amendment but if someone wants to make something like that later on to consider you'd be happy to because I think this is important enough that we need to be making a statement on fire with this there.

>> Mayor Adler: Any further discussion? Councilmember Casar.

>> Casar: I just want some clarity. So this amendment, councilmember Garza, is to just take 250,000 somewhere of the budget, not overtime of the fire department specifically? I'm not sure if I'm -- I want to hear some debate on the measure related to overtime and fire. I just don't know if folks are uncomfortable with that I guess I would rather see that one voted down, whereas 250 from general budget I don't know exactly how that works or gains out. I would rather just to vote up or down on the particular measures that are -- around fire and overtime rather than vote on 250,000 on the general budget. And so my vote against this one should indicate whether I'm -- shouldn't indicate whether I'm for or against the original motions. I just don't know what the value is of us subtracting 250,000 and then leaving it out there because I don't know what the better number -- what the number should be then.

>> Kitchen: The thing gives me a little pause about this approach is we do have some other items that we are going to be proposing that are areas in which we're suggesting some savings. So so now we've

taken one individual item and turned it into a general request. Maybe we should just do one general request and ask the general manager to go find the total of all these dollars we're looking for?

[4:18:53 AM]

I don't mean to be facetious, so if we go for other items that we're suggesting that them forward.

>> Mayor Adler: For me in a perfect world what we would have done is adopted a direction to the manager that said, you know, you know, by the end of the year you need to -- or a year and a half or whatever it is this need to get back to the place where vacancies are at a carried level and then that becomes the policy direction from the council. And then the way to achieve it is something that the manager does through however it is that the manager manages the city. That's how I would have -- and it's in retrospect because I share the same concern. I wasn't sure how best to tee up that issue but I guess that ultimately that's what we're trying to do, we're trying to get the overtime situation fixed because we can't go through and don't want to go through another budget year where we lose money we can otherwise be spending because we haven't gotten a handle on that. But in any event, the amendment to the amendment in front of us is to save \$255,000 from somewhere. Is there any further discussion? Councilmember pool.

>> Pool: I'll just note I plan to vote no on both of them because I think that the fire department has been under the gun for the last few years. There are numerous affecting elements that they can't control, and I think the fire chief is really clear that we are looking for the reductions and I think that she'll make them where she can and I think we've given ample direction from the dais along those lines.

[4:21:04 AM]

>> Mayor Adler: Let me ask the question -- let me ask the question, councilmember alter. Do you -- the point emphatically taken that we need to fix the overtime, do you think that it's necessary for the council to prescribe how the manager does that?

>> My concern is that we have an audit that has come back and we've been told that we're going to move around this other money and there's been no effort to reduce the cost of the overtime by making the management decisions with respect to changing the order and other things beyond moving these sworn personnel to these places, which I know is an effort to do that, but that does -- the choices that were made for wildfire, the choices that were made for building inspections, those all affect safety, and there are several items that were identified in the audit that can do that. We didn't get a response back from the city manager we're going to act this way in the audit so you don't need to do anything. I think it

is very important that we take some action and, you know, perhaps in retrospect what you're suggesting, you know, would have been an option, but, you know, we were trying to get information over and over again. We had to do a special request and an audit in order to get the information we need to get to this point. And to clarify that this is a priority, I'm not sure -- I'm not sure that the other option -- I'm not sure we get there otherwise.

>> Garza: Mayor?

[4:23:04 AM]

I just -- I have to point out what doesn't seem to need to be pointed out how anti-labor making people work overtime is. We are making people work overtime. That is -- the whole point of why employees original -- organize and try to get workers' rights so they know this is what's expected of me and anything more is my choice. And we're making a decision to require people to work overtime.

>> Alter: We're looking at this for two days a year during a crisis that we have.

>> Mayor Adler: My only difficulty on this and we can vote on it in just a second is I think the dais is unanimous in the sentiment that we need to fix overtime and I'm not sure that there's the unanimity with either the particular method or the council describe prescribing any method -- prescribing any method even if we and the auditor thought it was the appropriate one. Manager, what's your perspective on this conversation?

>> I would prefer to work with the fire chief and see what we can do to look at Kelly days. I personally don't like mandatory overtime. People have outside personal needs and family needs and they need their time off. So I'm not necessarily in favor of mandatory overtime, but I will look -- work with the fire chief to see if there are other ways that we have not already implemented to reduce our overtime.

>> Mayor Adler: I think the issue is higher than that.

[4:25:05 AM]

I think what we're looking for is a pathway and assurance that we're going to do something about the overtime situation in fire department. And I don't know if that is getting a regular report from you saying what steps are being taken and what progress is being made. I think that's the higher issue and council is saying this is something that deserves really specific and focused attention to fix.

>> Well, I think we are working towards it, and we have cadet classes and we'll be glad to give you regular update on the status of our cadet classes. That's really the key, once we get those cadet classes,

get them started and start them back to back or overlap them, however we're going to be able to work through them, and we start hiring folks, that's the answer to eliminating the overtime issue. But we have to get firefighter positions filled. We are working in the contracts to see if we can get some additional flexibility on that, but the answer to that problem is to fill the positions, and we are on a path marching forward to get those positions filled. We were successful in getting over 400 names on our current list. We're working through the list. And that is the best answer, is to get the cadet classes filled. Believe me, I will be getting regular reports. If the council would like them, I'll be glad to do that.

>> Mayor Adler: Okay. We have an amendment that was made to the amendment from councilmember Garza to not prescribe 250 comes from the fire department. Councilmember alter.

>> Alter: You know, I want to say that we thank you for the efforts to get the overtime problem under control. I think there are two parts to this. There's the part about how do we get it so we don't need the overtime and then there's a part of how much does the overtime cost while we have it.

[4:27:06 AM]

And right now what we're seeing is that the choices that we're making about how much the overtime costs, while we need to have it, those are impacting our reserves, they're impacting our ability to fund all of our other departments. You know, reports alone don't fix the problem. We have an auditor's report that said all of these things, and there are ways to keep these costs under control. And we have an obligation to do them.

>> Mayor Adler: Okay. We have an amendment to the amendment, councilmember Garza's. Ready to vote? Those in favor of councilmember Garza's amendment please raise your hand. Mayor pro tem, councilmember Garza. Others voting no. Now we're to my amendment as amended, which says \$255,000 in savings comes out of the fire department. Is there any discussion on that? Those in favor of that amendment please raise your hand. Troxclair, Flannigan, me, Renteria, Houston, and alter. That passes. We're now to what we're treating as the motion, which is to take -- save \$255,000 out of the budget with the amendment that I added. Any further discussion on that? Those in favor of that please raise your hand. Those opposed? Same vote as before. It passes. That element passes. We're after 5:00. Ms. Houston?

>> Houston: Mayor, could I make a suggestion about tomorrow? Because I'm not sure how this process goes, but everybody has tried to -- well, not -- I don't know about everybody. I've tried to whittle mine down to something that's reasonable, looking at how much money we have to -- available to spend.

[4:29:08 AM]

Of the room and let everybody kind of lay out what it is that they have on their pieces of paper rather than moving around? It gets very confusing. And I know today we were looking for moneys that we could add to the revenue pile, but tomorrow we'd need to start kind of honing in on how we're gonna make this happen or how this magic is gonna happen on Wednesday, and I just think we have a lot more stuff to do and we have to leave here tomorrow at 6:00, and I don't know how long we're going to stay here Wednesday night to get this done, but I just think we just need to be a little bit more organized tomorrow.

>> Mayor Adler: Ms. Kitchen.

>> Kitchen: I appreciate that. I'll be prepared. I have -- let's see. I have five amendments around additional reductions. And so I'll be prepared to bring those in the morning. I want to bring them first off because -- I appreciate what you're asking for, and I think we need to do that, but I would like to have the consideration of the council of the five amendments that I'm going to bring for reductions first.

>> Houston: Could we have those so we can look at those tonight?

>> Kitchen: Yes. I passed them out last week, and they're in front of you right now on the dais because I've bitled down the list from last week but it's the same list as last week except I took some of the things off of it. So it looks like --

>> Houston: Like this one.

>> Kitchen: No. It looks like that. Yeah.

>> Mayor Adler: Manager, can you please have staff here to speak to those reductions? Councilmember pool.

>> Pool: Could you remind us about the three readings of the budget on -- at three think we can do a second and third reading on the same day if we have a certain number of votes.

>> Mayor Adler: It's going to take us people to pass this budget under any scenario.

>> Pool: And if we don't vote today, then we need to have first, second, third reading tomorrow and Wednesday.

[4:31:10 AM]

Is that correct.

>> Mayor Adler: Because of what we're doing with the tax rate potentially it would take seven votes regardless so we need seven votes to pass this budget.

>> Pool: Do they have to be three separate readings or just the whole thing.

>> Mayor Adler: No. We can take the vote on westerns, seven votes.

>> Pool: Great. Thank you.

>> Mayor Adler: Councilmember troxclair.

>> Troxclair: Just now when you said what we're doing with the tax rate does that just mean increasing tax rate requires seven votes? What is it about the tax rate that requires seven votes.

>> Mayor Adler: I think that's what it is. It's going above the effective tax rate requires seven votes.

>> Troxclair: I just wanted to point out I too handed out a sheet that says budget proposal, councilmember troxclair at the top. I know there hasn't been a whole lot of conversation about whether or not we could have some money to lower the tax rate or how we might be able to fund the senior homestead exemption. I tried to listen to the priorities of the councilmembers throughout our budget sessions and this is one way that I feel like we could accomplish a lot of our initiatives and lower median tax bill by ten dollars and the senior tax bill by \$60, and that is -- so at the top I lay out the -- you know, where to find the money and then there are initiatives for community priorities including quality of life, aisd, homestead, et cetera, and -- homeless, and under this -- \$4.5 million to lower the tax rate and \$1.5 million to increase the homestead. So I hope that y'all will give that some consideration before tomorrow.

>> Mayor Adler: Okay. Councilmember pool.

>> Pool: Another just point of information, when we first announced the tax rate, it was including additional monies because of the tax swap idea, but we have backed away from the tax swap idea so when you say that the tax rate will be above the effective rate, can we also then say that it will not be above the rollback rate?

[4:33:31 AM]

Because the original rate that we had voted on, because we were looking at the tax swap, was above the rollback rate.

>> Mayor Adler: You can certainly say you'll vote that way and I will vote that way as well but we can't say that absent the counsel taking the action.

>> Pool: The fact is the tax swap idea is no longer on the table and that idea is what was pushing us beyond the rollback rate. Is that correct.

>> Mayor Adler: That's correct. Anything else? All right. It is -- yes, councilmember Garza.

>> If I could add, mayor, you asked staff to come back with responses to councilmember kitchen's menu of potential reductions. I believe we posted responses to all those items on the council budget question.

>> Kitchen: But we have asked additional questions, so if staff can be here in morning, then if I have additional questions.

>> Garza: I changed my mind, mayor.

>> Mayor Adler: Thank you. Councilmember Garza.

>> Garza: Just from today's -- I guess I'm just concerned after today's productivity if we're going to get this done by Wednesday. And I'm just wondering if we should put on the table the option of passing the manager's budget and coming back with a firm time to amend it when we know more about public safety contracts, hot tax, then -- I don't know. It just -- very optimistic, I believe, to think we're going to get this done Wednesday, even though I'm hopeful.

>> Mayor Adler: Okay. All right. It is 5:21. This meeting is adjourned --

>> Alter: Mayor, I have --

>> Mayor Adler: Yes.

>> Alter: I just want to point out I also had a cut forayedees that was -- for radios based on the information reserves amount that the city manager had added for radios, 446,000 there. I'm also going to be passing out a package that I have that's metropolitan to be a conglomeration of all the things we've heard.

[4:35:34 AM]

It does not include the hot tax or the general fund items that would come from the hot tax because I did not have that information so that is one of the places I would expect some of the additional money to come from. Thank you.

>> Mayor Adler: Five -- councilmember pool.

>> Pool: We have on our -- at the dais here the Austin housing finance corporation changes and corrections and I just was curious, is there anything that we need to do about this today? Item 1 just changes an amount, and item 2 was withdrawn. So --

>> You need to do the budget before you do those other items. We're still on item 1 and we'll start with item 1 again.

>> Pool: Thank you.

>> Mayor Adler: 522 -- mayor pro tem.

>> Tovo: I'm so sorry. I'm going to take 30 seconds. I passed out a revised list of budget priorities. It comes in extremely close to the 4 million and 1 million of one-time funds. It is over by a little bit because I was assuming some offset with eligible expenses for the hotel-motel tax. It also assumes funding the pay for success allocation through our budget stabilization reserve when we started to talk about in the work session but I hope we can talk about again a bit more and I'll try to spend some time with staff in the morning if they're around to do that. I would say, though, that my budget priorities I really -- I think are really quite close to those that were on councilmember Casar and councilmember Garza's list. In fact I've incorporated some of those. And councilmember kitchen's. And so there's that. But, again, it's a little bit over and that's why.

>> Mayor Adler: Councilmember Casar.

>> Casar: And I'll second that, looking at the mayor pro tem's list, it's very similar to what I handed out at work session. It is missing some wages for our -- and benefits for our employees and leaving the housing trust fund transfer for later, but I think that with \$500,000 that turned up today and potentially some shortly that those could be incorporated and at that point her list and mine would be almost identical.

[4:37:48 AM]

>> Mayor Adler: My list is actually fairly close to it as well and it would probably be by recommendation tomorrow is that we try to stay close to the \$5,500,000 to be able to get this budget done, that we address the hot tax issue over a little bit longer period of time and -- because that's going to be a very involved conversation. And that we know we're coming back in six weeks any how to do budget amendment and that might give the staff the time to be able to actually run to ground some of the things that -- some of the savings potential that people want to have that they I don't think are prepared to address yet.

>> Kitchen: Mr. Mayor.

>> Mayor Adler: Yes, Ms. Kitchen.

>> Kitchen: It wasn't my understanding that we would be coming back in six weekends. It was my understanding it would be several months before we come back on -- did I misunderstand that?

>> Mayor Adler: I think -- you know, Mr. Van eenoo said please don't come back the very last week of September because he won't be here the last week of September so we can come back right after that but, manager, if you could take a look at that and let's begin with that conversation tomorrow.

>> Kitchen: Well --

>> Mayor Adler: Because it will be after police at that point and we'll know that money so --

>> Kitchen: Okay. So let me just say this, and we can talk about it tomorrow, but it's going to be my goal tomorrow and I'll probably bring forward a motion, I don't -- we can't wait six weeks. We have to wait until the contracts come back to us. It was my understanding it might be longer than six weeks before those contracts come back. And so I think that the hot tax I'm going to want to deal with that sooner.

>> Mayor Adler: Okay. Anything else before? It is 5:25. This meeting stands adjourned. See you all tomorrow.

[Adjourned]