



MEMORANDUM

TO: Mayor and City Council
FROM: Kerri Lang, Interim Budget Officer, Financial Services Department
DATE: April 16, 2021
SUBJECT: Five-Year Financial Forecast

Attached please find the FY 2022 – FY 2026 Five Year Financial Forecast for the City of Austin. Although we look forward to FY 2022 as the year in which the City will put the worst impacts of the COVID-19 pandemic behind it, from a financial perspective, we are forced to immediately continue the ongoing discussion that this pandemic interrupted: achieving structural balance in the General Fund in the face of the state-mandated restrictions on the City's ability to generate property tax revenue.

In 2019, state law was changed to reduce from 8% to 3.5% the amount by which cities, counties, and other taxing entities may increase their property tax rates for maintenance and operations without obtaining voter approval. Since that time, projections have consistently shown a General Fund deficit beginning in fiscal year 2021-22 when property tax revenue increases are limited by this 3.5% threshold. The FY 2022-26 Financial Forecast projects that with a 3.5% property tax increase in each year of the forecast period, General Fund expenditures would exceed available revenue by \$23.3 million in FY 2022, with this deficit rising to \$70.8 million by FY 2026. And, this is assuming no additional funding for numerous Council resolutions as detailed later in the memo.

Governor Abbott's declaration of a disaster area in every county in Texas as a result of the ongoing COVID-19 pandemic—renewed most recently on April 5—triggers a provision in state law that allows for taxing units to use the former 8% rate of increase in their property tax calculations in the tax year in which the declaration occurred, and for at least one subsequent tax year. Although there is legislation pending in the current session that would eliminate or curtail this ability, as of today the City has the option to calculate its FY 2022 voter-approval property tax rate using the 8% increase. At this higher property tax rate, the General Fund would experience a projected *surplus* of \$2 million in FY 2022, and the anticipated FY 2026 deficit shrinks to \$42 million. Financial staff currently estimate that a 7.6% increase in the property tax rate would be required to balance General Fund revenue and expenditures in FY 2022.

Beyond reducing the property tax increase factor from 8% to 3.5%, Senate Bill 2 also contained a little-known provision—added in conference committee shortly before passage—that has further restricted the City's ability to generate property tax revenue. Last July, only days before the receipt of certified property value estimates from our local appraisal districts, the state Comptroller released an updated version of the state-mandated property tax rate calculation form that contained an unanticipated new adjustment stemming from this provision. This adjustment—which pertains to the disputed value of property in the prior year that is pending appeal in the court system—has the effect of adjusting prior-

year taxable value sharply downwards, which in turn translates into a reduction in the amount of revenue that a taxing unit such as the City may raise in the current year. The consequences of this adjustment are substantial: had it not been in effect, the FY 2021 budget for property tax revenue—at the same 3.5% increase in the property tax rate—would have been \$7.4 million higher. Looking ahead to FY 2022, again at a 3.5% increase, property tax revenue would project to be \$16.2 million higher than the amount anticipated in this Forecast, more than enough to erase the General Fund deficit. By FY 2026, it's projected that this provision will cost the City \$56.5 million in annual revenue raising capability, assuming 3.5% increases in the property tax rate each year. Given this unfortunate development, we will need to focus once again during this budget process on working to achieve structural balance and ensure the long-term financial health and sustainability of General Fund operations.

Status of General Fund Reserves

In March, an accounting of the General Fund reserves projected an FY 2021 ending balance of \$174.3 million, or \$40.6 million over a 12%-funded level. Today, upon completion of the Financial Forecast, the reserves are projected to total \$166.7 million. Set against a \$61.4-million-higher requirement level in FY 2022, \$28.4 million is anticipated to be available for one-time expenditures if a reserve ratio of 12% is maintained. To achieve the full funding of the reserves at the 14% level mandated by City financial policy, the amount available for one-time expenditures would fall to \$5.3 million. The two most significant changes impacting the available reserves are the recognition that the City is trending toward a shortfall of \$8.3 million in revenue during the current fiscal year and that a higher base budget requires \$4.7 million in additional reserves to be set aside to maintain a level reserve-to-requirements ratio.

General Fund Reserves

FY22 Forecast as of April 2021 (in millions)

FY21 Approved Ending Balance equivalent to 12%	\$ 133.6
FY20 Year-End Adjustments (Unaudited)	
Revenue in Excess of Estimate	\$ 8.4
Savings from Hiring Freeze and Extended Closures	\$ 10.0
CARES Funding Reserve	\$ 24.9
Travis County Reimbursement for Recovery Costs	\$ 7.4
FY21 Budget Amendments	
RISE (Net of \$6.5M from CIP transfer)	\$ (8.5)
Food Access Relief	\$ (1.5)
FY21 Current Year Estimate	
Coronavirus Relief Funds recognized in FY20	\$ (10.1)
Other changes	\$ 2.5
FY22 Forecasted Beginning Balance	\$ 166.7
FY22 Beginning Balance in excess of 12%	\$ 28.4

Expenditure Assumptions

The Financial Forecast assumes that the City will fund increases in base cost drivers as well as provide the resources to support service expansions previously approved by Council and scheduled to take effect over the course of the forecast period. Particularly noteworthy inclusions are detailed below:

- The Forecast assumes the passage of the **public safety reorganization** budget amendment that will come before the Council on April 22, and anticipates the creation of the new Emergency Communications and Forensic Science departments during FY 2021. It includes \$2.8 million to fund fourteen Municipal Court Marshal program positions in order to accommodate the Police Department sworn staffing plan, and it adds \$1 million for an APD records management system.
- The Forecast includes funding for three months of operations expenses in FY 2022 for the **new Loop 360 fire station**, including sixteen new firefighter and twelve new EMS positions. It also anticipates funding the operations of an additional new fire station in both FY 2023 and FY 2024.
- The **Austin Convention Center** plans to mitigate the financial impact of revenue shortfalls resulting from the COVID-19 pandemic through cost containment measures and a planned transfer of funds, totaling \$20.0 million in the current year and \$11.4 million in FY 2021-22, from the Austin Convention Center Capital fund to the Convention Center's main operating funds. As a result of this action, the Convention Center will meet all debt service and operating requirements, while maintaining the operating reserve requirements as stipulated in the Department's Council-approved financial policies. The Convention Center is in the process of evaluating the impact of this anticipated transfer on the planned Convention Center expansion, as the transferred Austin Convention Center Capital funds were originally intended to be used for this purpose.
- The Forecast includes the addition in FY 2022 of 26 positions in **Public Works** and 41.5 positions in the **Austin Transportation Department** in order to support capital projects funded by the 2016, 2018, and 2020 transportation bonds and to generally improve service delivery. Funding increases in base City cost drivers as well as the addition of these positions will require an FY 2022 increase in the Transportation User Fee of \$1.92 per month. **Austin Code** anticipates adding six new full-time positions and projects a \$0.50-per-month increase in its component of the Clean Community Fee. **Austin Resource Recovery** plans to add thirteen new full-time positions and projects a \$1.50-per-month increase in its Base Customer fee.
- The state Legislature is currently advancing a bill that is projected to increase the City's required contributions to the Police Retirement System by approximately \$14 million annually beginning in January of 2022 with additional increases in subsequent years. The Forecast includes total funding of \$73.8 million over five years in anticipation of the enactment of this bill.
- Of equal significance to the items included in the forecast are those that were not included due to financial limitations. This is particularly true for the General Fund where, due to the significant budget gaps resulting from the 3.5% revenue limitation, no additional funding has been assumed for reimagining public safety initiatives or staffing additions beyond the aforementioned opening of three new fire stations. Funding in these areas, as well as the list

of Council initiatives below, will likely require the City to hold one or more tax rate elections over the five-year forecast horizon.

Unfunded Items from Council

The following table details resolutions passed by Council for which funding sources have not yet been identified and which were therefore not included in the Forecast. City management and financial staff will continue to investigate opportunities for supporting these initiatives as they work to craft the City Manager's Proposed Budget.

Resolution	IFC Description	FY 22 Cost
20190619-092	Establish a "First Responder Mental Health Task Force"	In development
20200123-108	Explore and pursue action to address dumping of electric micro-mobility devices into Austin's watersheds and to mitigate the resulting environmental impacts	\$400,000
20200409-080	Funding, construction plans, and tax-related relief for accessory dwelling units	In development
20200507-022	Implementation of comprehensive community resilience planning and potential funding for a Chief Resilience Officer	In development
20200812-001	Office of the Chief Medical Officer (OCMO) – Phase II	\$809,050
20200917-062	Identify ways to support and to increase the survivability of Austin's hardest hit sectors: childcare, music and arts venues, restaurants and bars	In development
20201015-050	Identify and implement improvements to the Austin Code Department (ACD) and to identify relevant budget and fee amendments to reimagine public safety utilizing the ACD	In development
20201112-043	Develop a planning scope and process for a comprehensive, long-range district plan for the area around Colony Park to encourage equitable transit-oriented development, economic development, job stability, and high-quality public spaces; and analyze and recommend a financing plan for development of City assets within the district area	In development
20210325-065	Veterans Memorial in Edward Rendon Sr. Park at Festival Beach	In development
20210325-066	Encourage employers to create programs to increase access to COVID-19 vaccines by their employees; identify funding to prioritize mobile testing and vaccination programs, increase food access, continue support for small businesses, and develop mental health services	In development

20210325-112	Develop tools and resources to address health and safety violations that are a result of Winter Storm Uri, identify funding and resources to support tenant assistance living in multi-family units experiencing hazardous living conditions as a result of disasters	In development
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Tax and Fee Summary

The table below shows forecasted tax and fee increases over the next five years, assuming the adoption annually of a 3.5% property tax increase. On average, combined taxes and fees for a typical Austinite are projected to increase by 2.1% per year.

	FY 2021 Actual	FY 2022 Forecast	FY 2023 Forecast	FY 2024 Forecast	FY 2025 Forecast	FY 2026 Forecast
Austin Energy	\$84.60	\$84.60	\$84.60	\$86.85	\$86.85	\$86.85
Austin Water	\$80.79	\$80.79	\$80.79	\$83.40	\$83.40	\$85.73
Austin Resource Recovery	\$27.55	\$29.05	\$29.05	\$30.55	\$30.55	\$31.65
Clean Community Fee	\$8.95	\$9.45	\$9.45	\$9.45	\$9.45	\$9.45
Transportation User Fee	\$13.04	\$14.96	\$16.98	\$17.51	\$17.89	\$18.18
Drainage Utility Fee	\$11.80	\$11.80	\$12.96	\$13.55	\$13.69	\$13.86
Property Tax	\$145.10	\$148.30	\$153.60	\$157.45	\$163.90	\$166.34
TOTAL	\$371.83	\$378.95	\$387.43	\$398.76	\$405.73	\$412.06

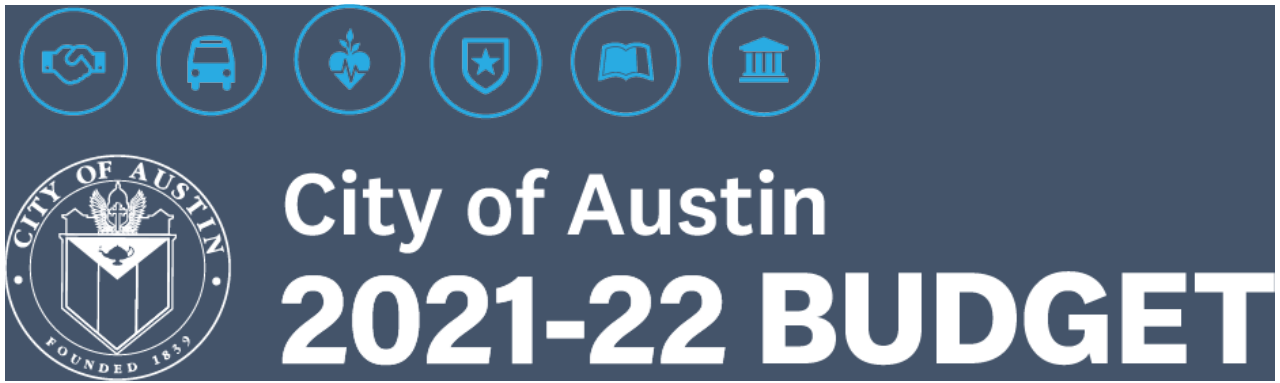
Action Items

Financial staff will be launching two items for inclusion on future Council agendas that will affect the shape of the Proposed Budget.

- **Voter-Approval Rate:** Council must take action to direct that the voter-approval rate be calculated using the higher, 8% increase factor. This initial action does not require that Council ultimately adopt a property tax rate at this higher level, but this direction must be given in order for Council to retain the option to do so during its budget adoption proceedings in August. This action must be taken in advance of the receipt of the certified estimates from the appraisal districts in late July; therefore, staff will target this item for a June Council meeting.

- Property Tax Exemptions: In response to a multi-year push by the City's Budget Office and Law Department to remedy a very longstanding misinterpretation of state law, the state Comptroller's office recently revised its official property tax rate calculation form to change the way it accounts for property tax exemptions. Whereas in the past, increases to the City's general, over 65, and disabled persons homestead exemptions would result in the City forgoing revenue-raising capacity at the voter-approval rate, the corrected calculation form no longer punishes cities for increasing these exemptions. The state-mandated deadline for increasing the general homestead exemption is June 30th, and any changes to the over 65 or disabled persons exemption must be instituted before calculation of the voter-approval rate. Therefore, staff will plan to launch consideration of increases in these exemptions on a May agenda.

Budget Office staff are available to provide Council with further detail on any aspect of the Financial Forecast. If you require additional information, please contact me at kerri.lang@austintexas.gov. I look forward to working with you in balancing our FY 2022 Budget and achieving long-term structural sustainability in our financial outlook.



Financial Forecast Report

Fiscal Years 2022-2026

General and Major Enterprise Fund Details

- ✓ Five-Year Highlights and Key Changes
- ✓ Major Rates and Fees
- ✓ Current Staffing and Projections





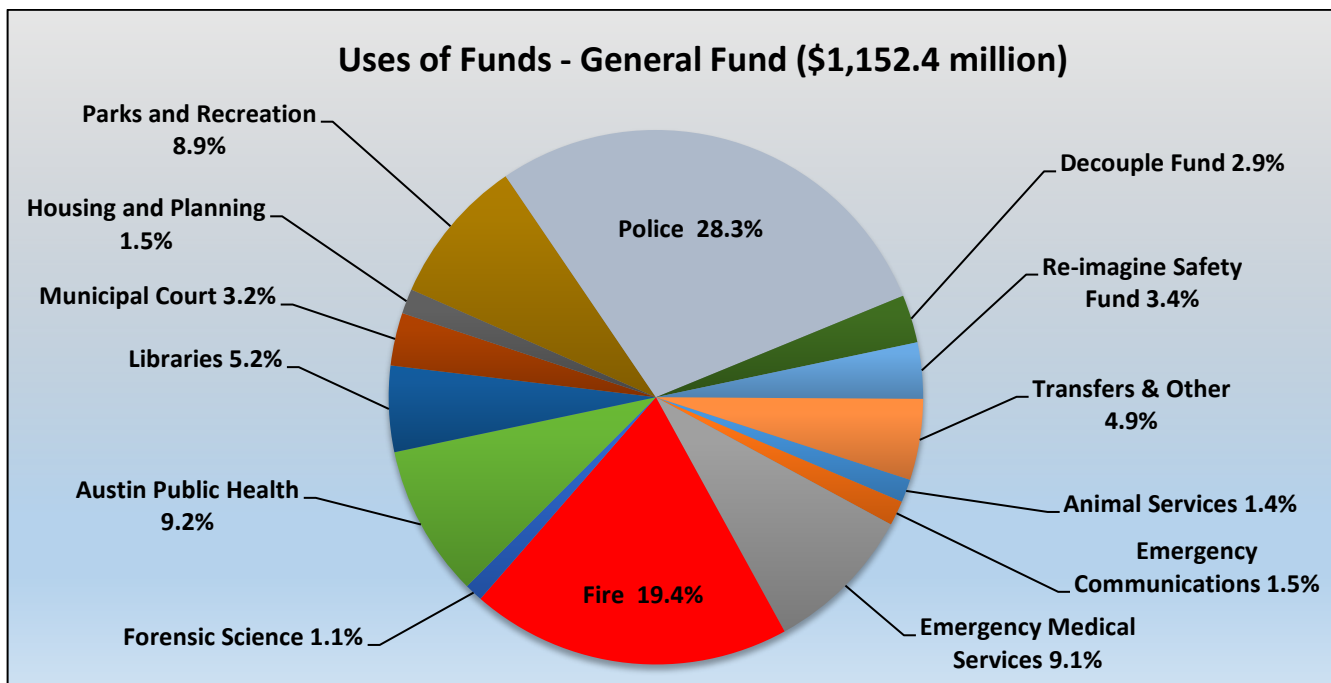
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General Fund Forecast

The General Fund is the general operating fund for the City of Austin. It includes eleven departments that provide programs, activities, and services directly to the citizens of Austin, as well as to surrounding communities. Total FY 2022 base expenditures for the General Fund are projected at \$1.15 billion, which is \$61.4 million, or 5.6%, higher than the FY 2021 Approved Budget. The largest portion of the General Fund budget, approximately 59.4%, is allocated to the three existing public safety departments and two new departments planned to be created in mid-FY 2021: Police, Fire, Emergency Medical Services, Forensic Science, and Emergency Communications. The community service departments, namely Parks and Recreation, Austin Public Health, Library, Animal Services, Municipal Court and the Housing and Planning Department collectively comprise 29.4% of the General Fund budget. Transfers/Other, including transfers to the Decouple Fund and Re-imagine Safety Fund, collectively represent the remaining 11.2% of General Fund resources. Funding from the Decouple and Re-imagine Safety Funds is anticipated to be reallocated to public safety or other uses prior to the beginning of FY 2022 through the re-imagining public safety process.



For the FY 2022 Forecast, the General Fund is projecting the following cost drivers, which total \$61.4 million:

- Remove an FY 2021 Federal Disaster Relief Reimbursement in the amount of \$26 million;
- \$11.0 million for Public Safety contract increases (Police, Fire, Emergency Medical Services);
- Net total of \$10.6 million in shared cost allocation plan increases for Support Services, Communications & Technology Management, fleet maintenance, and fuel;
- \$10.5 million for the Austin Police Retirement System, reflecting nine months of funding for a projected annual increase in required City contributions mandated by a bill currently advancing in the state Legislature that would take effect in January 2022;
- Miscellaneous contractual increases of \$4.7 million;
- \$3.6 million for civilian employee wage increases;



- \$3.5 million for the annualized costs of Fire and EMS personnel added in the prior year;
- \$2.8 million for 14 Municipal Court positions to staff the Court Marshal Program and accommodate the Police sworn staffing plan;
- \$2.1 million in transfers out to the capital replenishment fund and other funds;
- \$1.2 million for three months of funding for the Loop 360 fire/EMS station and the associated 16 firefighter and 12 EMS positions along with equipment and maintenance costs;
- \$1.0 million for an APD Records Management System;
- (\$3.5 million) from backing out one-time adds and reimbursements included in the FY 2021 Budget for EMS, Fire, APH and Social Services; and,
- (\$14.2 million) due to net total savings resulting from reducing the City's per-employee contribution to the Employees Benefit Fund by 15%.

Over the five-year forecast period, annual General Fund expenditures are projected to increase by \$235.1 million. \$73.8 million of this increase is a result of anticipated enactment into law of a bill pending in the state Legislature that would require the City to increase its contributions to the Austin Police Retirement System by approximately \$14 million annually beginning in January of 2022, with further increases in subsequent years. The remaining \$161.3-million increase reflects growth in base City cost drivers and the addition of a total of 36 medics and 48 firefighter positions to staff three planned new Fire/EMS stations, one of which will be added in each of the next three fiscal years beginning with FY 2022. Outside of the items described here, the Forecast does not assume or include any significant enhancements to General Fund services or staffing levels.

Fund Summary (in millions)

	FY21 Estimated	FY22	FY23	FY24	FY25	FY26
Beginning Fund Balance	0	0	0	0	0	0
Revenue & Transfers In	\$1,082.7	\$1,129.1	\$1,160.9	\$1,190.1	\$1,222.1	\$1,255.3
Expenditures & Transfers Out	\$1,086.7	\$1,152.4	\$1,196.5	\$1,240.7	\$1,283.8	\$1,326.1
Change in Fund Balance	\$0	0	0	0	0	0
Ending Fund Balance	(\$4.0)	(\$23.3)	(\$35.6)	(\$50.6)	(\$61.7)	(\$70.8)
Projected Monthly Bill (Typical Tax-, Fee-, and Ratepayer)	\$371.83	\$378.95	\$387.43	\$398.76	\$405.73	\$412.06
FTEs	6,570.6	6,611.6	6,639.6	6,669.6	6,669.6	6,669.6

Note: Numbers may not add due to rounding.

General Fund revenue is sourced from four broad categories: property tax, sales tax, transfers in from the two City-owned utilities, and other revenue. Property taxes are a result of the tax rate per \$100 of property valuation. Sales tax collections allocated to the City of Austin are 1% of the price of taxable goods and services sold in the city of Austin. Transfers into the General Fund are received from the electric and water utilities in accordance with a Council ordinance. Other revenue comprises franchise fees, development fees, fines, forfeitures, penalties, licenses, permits, inspections, charges for services, and interest.

In FY 2021, property tax revenue is estimated to end the year at \$562 million, an increase of 2.2% from the budgeted amount of \$550 million. Sales tax, the second largest revenue source, is projected at \$254.8 million, or 3.9% above its budget of \$245.2 million. Transfers from the City-owned utilities are expected at the budgeted figure of \$160.5 million. Other Revenue, such as department fees for services and franchise fees, are estimated at a combined \$105.3 million, or 22.1% below the budgeted projection of



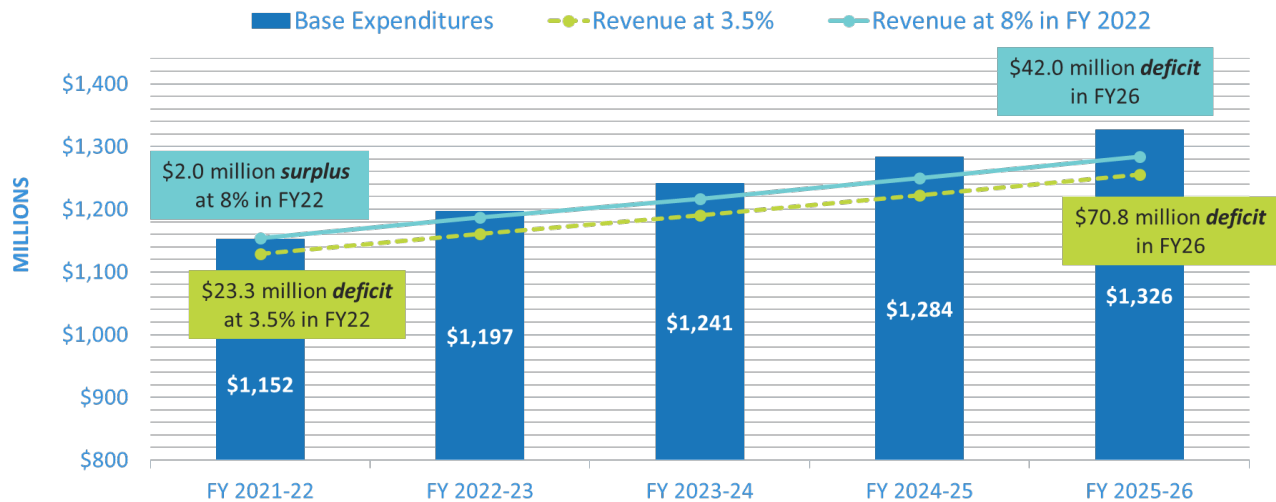
\$135.2 million. This shortfall is primarily the result of longer-than-anticipated disruptions to City operations and programming resulting from the pandemic. In total, General Fund revenue is projected to end the current year at \$1,082.7 million, a shortfall of \$8.3 million, or 0.76%, in comparison with the FY 2021 Budget.

FY 2021 year-end General Fund reserves are projected to total \$166.7 million. Set against a \$61.4 million-higher requirement level in FY 2022, \$28.4 million is anticipated to be available for one-time expenditures if a reserve ratio of 12% is maintained. To achieve the full funding of the reserves at the 14% level mandated by City financial policy, the amount available for one-time expenditures would fall to \$5.3 million.

As a result of the recent passage of the American Rescue Plan Act (ARP), the City of Austin projects that it will receive \$195.8 million in federal relief funding. Although the United State Treasury Department has not yet released formal guidelines for use of this funding, it is anticipated that it will be eligible for use to replace revenue lost as result of the COVID-19 pandemic. The City Council is engaged in ongoing discussions regarding how best to utilize these funds, but may ultimately choose to allocate a portion of them to General Fund revenue replacement. Any funds received through ARP would represent a one-time infusion of revenue, however, and in accordance with financial policy should not be used to support ongoing expenditures.

The FY 2022 base revenue forecast projects growth in taxable property value at 8.0% and anticipates further appreciation in the 3-to-5% range for FY 2023 through FY 2026. New property valuation of \$3.0 billion is projected for FY 2022 with an average of \$2.1 billion anticipated for FY 2023 through FY 2026. Sales tax growth for FY 2022 is projected at 4.8%, representing an increase of \$12.3 million over the prior year, while 3.0% growth is projected for the remaining four years of the forecast period. These projections reflect the anticipated end of COVID pandemic-related shutdowns and the re-opening of most of the national and local economy, while remaining conservative with regard to the prospects for medium-term growth in this volatile revenue source. Other Revenue is expected to increase by \$22.6 million, or 21.5%, in FY 2022 as fee-generating City services resume, and is projected to grow at a 2.1% average annual rate over the remainder of the forecast period. Utility Transfers, since they are based on a calculation of three-year average revenue, will lag the broader recovery and are anticipated to decline by \$1.6 million in FY 2022. They are projected to begin increasing again in FY 2023 and ultimately close the forecast period \$16.6 million above their FY 2021 level.

General Fund Forecast as of April 16, 2021



In 2019, state law was changed to reduce from 8% to 3.5% the amount by which cities, counties, and other taxing entities may increase their property tax rates for maintenance and operations without obtaining voter approval. Since that time, City financial forecasts have consistently shown a structural General Fund imbalance beginning in fiscal year 2021-22 when property tax revenue increases are limited by this 3.5% threshold. As illustrated in the chart above, current projections show that with a 3.5% property tax increase in each year of the forecast period, General Fund expenditures would exceed available revenue by \$23.3 million in FY 2022, with this deficit rising to \$70.8 million by FY 2026.

Governor Abbott's declaration of a disaster area in every county in Texas as a result of the ongoing COVID-19 pandemic—renewed most recently on April 5—triggers a provision in state law that allows for taxing units to use the 8% rate of increase in their property tax calculations in the tax year in which the declaration occurred, and for at least one subsequent tax year. Although there is legislation pending in the current session that would eliminate or curtail this ability, the City currently has the option to calculate its FY 2022 voter-approval property tax rate using the former 8% rate of increase. At this higher property tax rate, the General Fund would experience a projected surplus of \$2 million in FY 2022, and the anticipated FY 2026 deficit shrinks to \$42 million. Financial staff currently estimate that a 7.6% increase in the property tax rate would be required to balance General Fund revenue and expenditures in FY 2022.



Austin Code

The Austin Code Department (ACD) provides community education and fair and equitable enforcement of local property maintenance, land use, and nuisance codes so that Austin will be safe and livable. ACD's services include case investigations, licensing and registration compliance, involuntary code enforcement, and public education. ACD strives for voluntary compliance with city codes when possible. When legal action is required to gain compliance, ACD is committed to enforcement practices that reflect reasonable and fair administration of justice.

Operating Budget

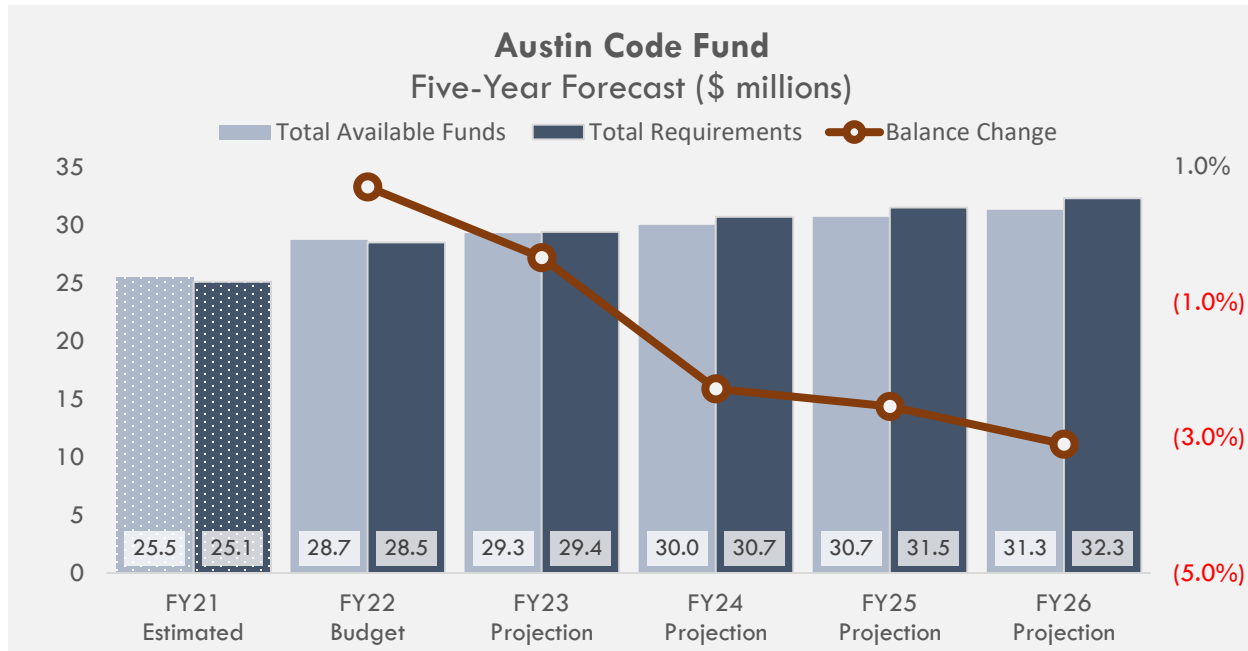
The Austin Code Department (ACD) over the five-year forecast period anticipates receiving approximately 90% of its revenue from the Clean Community Fee (CCF), a level of funding consistent with prior years. Another 8% of revenue is projected to be derived from Licensing and Registration fees including those from Short-Term Rental, Hotel/Motel, Waste Hauler, and others. The remaining 2% of revenue is expected to be generated through other code compliance penalties.

Over the next five years, total revenues for Austin Code are projected to increase by \$5.5 million, a 22% increase compared to FY 2020-21. The major driver of this increase is the Clean Community Fee, accounting for \$5.1 million of this projected revenue growth. Licensing and Registration revenues are anticipated to climb 12% over the same five-year period, accounting for 5% of the new revenue growth for the department expected over the five-year forecast period.

In FY 2021-22, total License and Registration fee revenue is estimated to remain largely unchanged. Short-Term Rental revenues are expected to decline by \$65,000 in FY 2021-22, but this shortfall is projected to be largely offset by Hotel/Motel Licenses revenue, which is anticipated to increase by \$48,000.

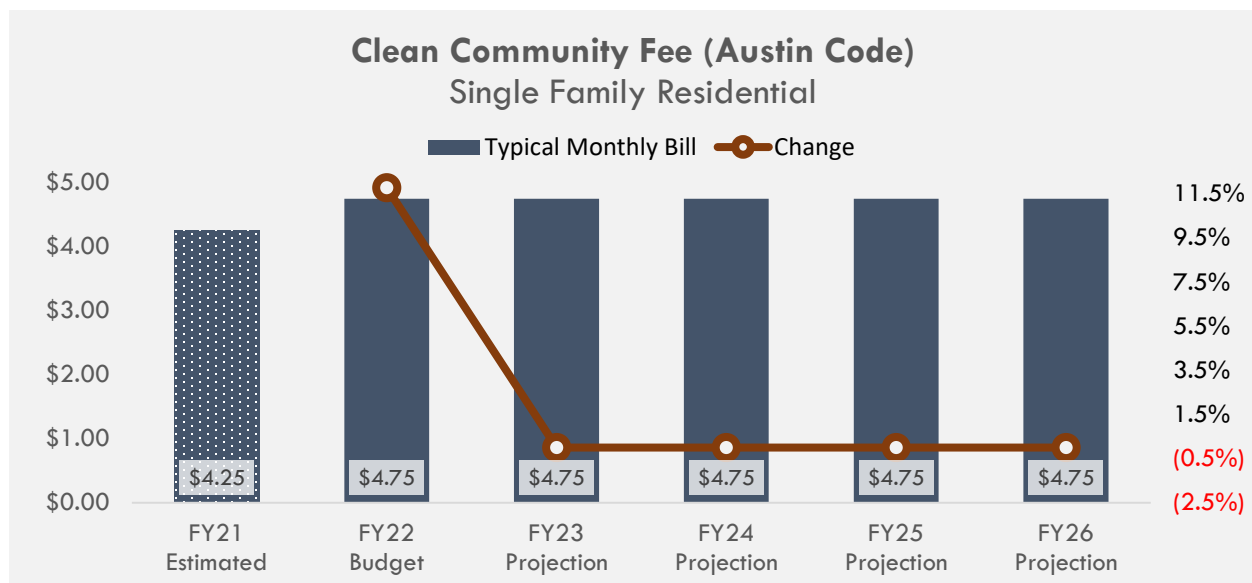
ACD forecasts average annual budget increases of 3.2% across the five-year forecast period. Projected cost drivers include:

- \$66,000 for the one-time acquisition of two F-150 trucks for operation staff pool vehicles.
- \$1.6 million for additional personnel to fulfill the operational duties of Austin Code.
 - This includes personnel cost for 13 new FTEs and 4 Temporary Positions.
 - \$0.8 million for an on-call Austin Code response program and additional Overtime to cover the extended hours.
- \$0.7 million in increase rental costs for the Ben White Office.
- \$2.7 million in increases in City cost drivers.
 - \$1.1 million in wage and benefit increases (cost of living, insurance, etc.)
 - \$0.6 million in Austin Code's contribution to support CTM.
 - \$0.3 million for administrative services.



Typical Ratepayer

The majority of ACD revenue is derived from the Clean Community Fee (CCF), which is shared with Austin Resource Recovery. ACD's portion of the CCF is forecast to increase by \$0.50 in FY 2021-22 to \$4.75 per single family residence and remain at that level through FY 2025-26.





Five-Year Forecast Fund Summary

The following table reflects Austin Code's financial forecast and the bill impact to a typical residential customer for FY 2020-21 to FY 2025-26.

Fund Summary (in millions)

	FY21 Estimate	FY22	FY23	FY24	FY25	FY26
Beginning Fund Balance	\$3.2	\$3.6	\$3.8	\$3.7	\$3.0	\$2.2
Revenue & Transfers In	\$25.5	\$28.7	\$29.3	\$30.0	\$30.7	\$31.3
Expenditures & Transfers Out	\$25.1	\$28.5	\$29.4	\$30.7	\$31.5	\$32.3
Change in Fund Balance	\$0.4	\$0.2	(\$0.1)	(\$0.7)	(\$0.8)	(\$1.0)
Ending Fund Balance	\$3.6	\$3.8	\$3.7	\$3.0	\$2.2	\$1.2
Average Monthly Bill (Residential Customer) – Code's Portion of the CCF	\$4.25	\$4.75	\$4.75	\$4.75	\$4.75	\$4.75
FTEs	151	157	159	163	164	164

Note: Numbers may not add due to rounding.

Austin Convention Center

The Austin Convention Center is a multipurpose facility providing innovative meeting space and customized services to attract visitors to the city of Austin, contributing to the local economy through supporting a prosperous tourism and travel industry.

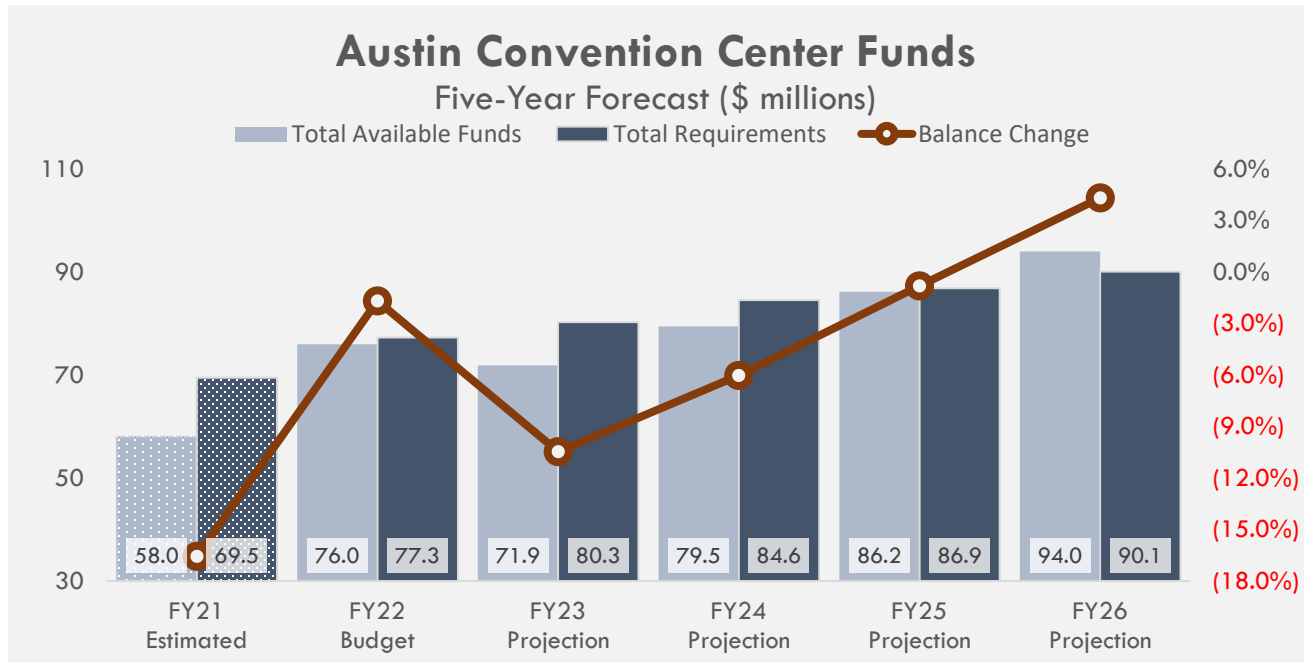
Operating Budget

Due to the continuing economic impact of COVID-19, the Convention Center is projecting a current year revenue estimate that is \$24.3 million or 30% below the FY 2020-21 budget and an FY2021-22 revenue budget that is projected to decrease by \$6.3 million, or 8% from the FY 2020-21 Budget. Convention Center revenue sources include facility, parking, contractor, Hotel Occupancy Tax (HOT) collections and Vehicle Rental Tax collections. For contractor revenue, the FY2020-21 current year estimate (CYE) is a 97% decrease from the amended budget, reflecting the continued closure of the Convention Center to most events. Contractor revenue in FY2021-22 is projected to decrease 43% from the FY2020-21 budget, while future year projections show a steady increase through the five-year forecast period. Total HOT collection projections for the current year are \$33.6 million below the FY2020-21 budget, \$13.7 million of which is the loss to the Convention Center's Operating Budget. The FY 2021-22 total HOT collection is projected to decrease \$9.7 million or 12% from the FY 2020-21 Budget. However, this is an increase of \$24 million, or 50%, above the FY2020-21 CYE. The future year projections show a slow growth as the economy recovers over the next five years. Vehicle Rental Tax revenue is the largest single revenue source for Town Lake Park Venue funds, which includes the Palmer Event Center (PEC); Town Lake Park Vehicle Rental Tax collections show a decline of 41% for the FY2020-21 CYE, with steady growth projected for the future years of the forecast period.

The Convention Center plans to mitigate the financial impact of these revenue shortfalls through cost containment measures and a planned transfer of funds, totaling \$20.0 million in the current year and \$10.7 million in FY 2021-22, from the Austin Convention Center Capital Fund to the Convention Center's main operating funds. Cost containment measures are projected to save \$6.1 million in the current year and include a \$3.2 million decrease in the transfer to Visit Austin, \$1.2 million in savings from deferring hiring for vacant positions, \$1.1 million in contractual and commodity savings, and \$0.6 million in reduced spending on overtime and temporary staff. As a result of these actions, the Convention Center will meet all debt service and operating requirements, while maintaining the operating reserve requirements as stipulated in the Department's Council-approved financial policies. The Convention Center is in the process of evaluating the impact of the transfers from the Austin Convention Capital Fund on the feasibility, scope, and timing of the planned Convention Center expansion. Staff have also been evaluating the potential use of American Rescue Plan funding for revenue replacement in lieu of the transfer from the Austin Convention Center Capital Fund. While this appears to be an allowable use of these funds, staff is waiting further guidance from the United States Treasury Department and policy direction from Council on the use of these funds.

The Austin Convention Center's major expenditure categories are operating and maintenance costs, debt service payments, and transfers to other City funds, including the Historical Preservation Fund, and Live Music Fund. The FY 2020-21 Operating Budget CYE represents a \$16.3 million, or 19%, decrease from the FY2020-21 Budget, and is reflective of the necessity of continuing the cost containment measures put into place at the start of the pandemic. The FY2021-22 budget requirements are projected to decrease

by \$8.5 million, or 10%, from the FY2020-21 budget. Expenditures assumptions for the later years of the forecast period include a modest increase in expenditures, including adding three new positions in FY 2022-23 to support the Marshalling Yard/Warehouse capital improvement project.



Five-Year Forecast Fund Summary

The following table reflects the Austin Convention Center's main operating funds' financial forecast for FY 2021-22 through FY 2025-26.

Fund Summary (in millions)

	FY21 Estimated	FY22	FY23	FY24	FY25	FY26
Beginning Fund Balance	\$41.50	\$30.00	\$28.60	\$20.20	\$15.10	\$14.50
Revenue & Transfers In	\$58.00	\$76.00	\$71.90	\$79.50	\$86.20	\$94.00
Expenditures & Transfers Out	\$69.50	\$77.30	\$80.30	\$84.60	\$86.90	\$90.10
Change in Fund Balance	(\$11.5)	(\$1.3)	(\$8.4)	(\$5.1)	(\$0.7)	\$3.9
Ending Fund Balance	\$30.00	\$28.60	\$20.20	\$15.10	\$14.50	\$18.40
FTEs	301	301	304	304	304	304

Note: Numbers may not add due to rounding.



Austin Energy

Austin Energy is a municipally owned electric utility that delivers energy to over 500,000 residential, commercial, and industrial customers, with over 12,000 miles of distribution and transmission lines serving a 437 square-mile area. Austin Energy is committed to safely delivering clean, affordable, and reliable energy along with excellent customer service.

Operating Budget

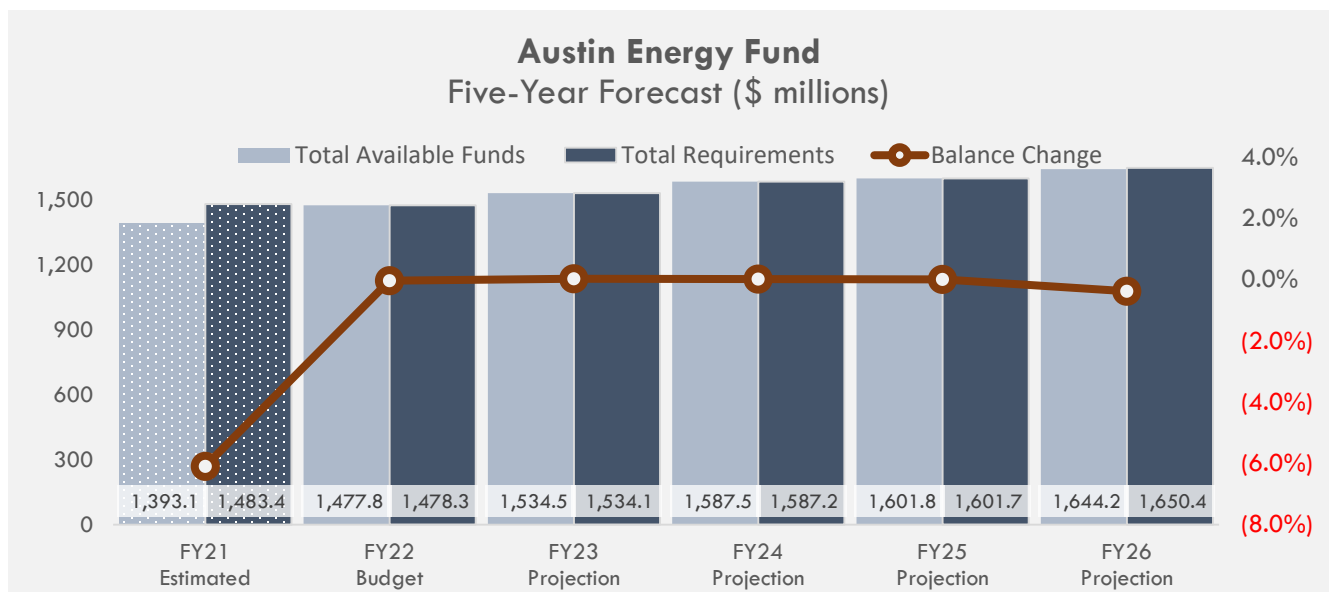
Austin Energy revenue includes base revenue, pass-through revenue, and other revenue sources. Base revenue and pass-through revenue are received from the sales of electric service to retail customers and comprises approximately 90% of total revenue. Base revenue supplies Austin Energy with its operating revenue and is derived from the number of customers served, their usage levels, and base rates. Pass-through revenue recovers actual costs incurred for providing services with no return component. Examples of pass-through charges include the Power Supply Adjustment (PSA) and Regulatory Charge. Other revenue includes transmission revenue, infrastructure rental, chilled water services, customer fees, and interest income.

Throughout the forecast horizon, Austin Energy's energy sales in kilowatt-hours (kWh) and base revenue are projected to remain flat until an expected base rate change in FY 2023-24. However, the timing and scope of this assumption could change in light of recent events related to the Electric Reliability Council of Texas (ERCOT). Other changes in pass-through revenue are driven by rising power supply costs attributable to a change in power supply sources and by rising wholesale transmission costs in the ERCOT market. Pass-through revenue is expected to increase from approximately \$698 million in FY 2021-22 to \$737 million in FY 2025-26. Over this five-year forecast period, other revenue sources are projected to increase from approximately \$151 million to \$176 million.

Austin Energy's major expenditures are power supply costs, wholesale transmission costs, operating and maintenance expense, debt service, investment in capital improvements, interfund transfers, and the transfer to the General Fund. For the period of FY 2022-26:

- Power supply costs increase from \$423 million in FY 2021-22 to \$499 million in FY 2025-26. These costs increase as a result of the inavailability or planned retirement of generation units at the Decker Power Plant and Fayette Power Plant in FY 2022-23 coupled with the acquisition of additional renewable power supply. Austin Energy recovers these costs through the Power Supply Adjustment charge.
- Wholesale transmission costs, recovered through the regulatory charge, increase an average of \$4 million per year, and rise to \$168 million in FY 2025-26. These costs are the result of investment and ongoing maintenance by transmission service providers of the wholesale transmission grid that is coordinated by ERCOT.
- Operating and maintenance expenses, excluding power supply and regulatory pass-through costs, are forecasted to remain relatively flat throughout the five-year period with \$513 million in projected costs by FY 2025-26.
- Annual debt service increases from \$164 million in FY 2021-22 to \$189 million in FY 2025-26. The net increase is attributed to planned debt issuances to finance the Capital Improvement Plan.

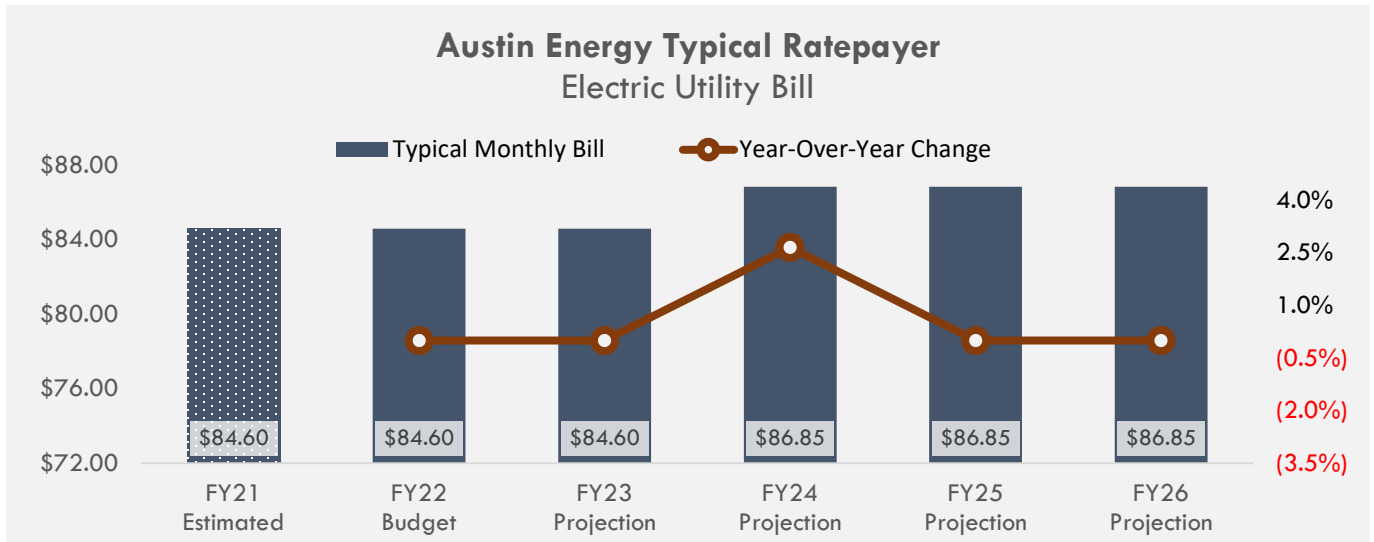
- The General Fund transfer is \$113 million in FY 2021-22 and increases to \$127 million by FY 2025-26.
- Other interfund transfers and payments average \$67 million per year over the forecast period, increasing from \$61 million in FY 2021-22 to \$75 million in FY 2025-26.
- \$56 million is projected to be transferred to the Contingency Reserve, Power Supply Stabilization Reserve, and Capital Reserve funds from FY 2021-22 to FY 2025-26. Capital reserves are expected to be fully funded in FY 2024-25.



Typical Ratepayer

Austin Energy's rates are composed of base rates and pass-through rates. Base rates cover basic utility infrastructure such as power plants, distribution lines, customer service, and the related operation and maintenance, which only change following a cost of service study. Pass-through rates cover power supply costs, wholesale transmission costs, and certain costs incurred by the Utility on behalf of Austin Energy's service area customers and the greater community. These charges are determined through the City budget process on an annual basis to reflect the forecasted cost.

In FY 2021-22, the typical ratepayer, who is defined as a residential customer using 860 kWh per month, is projected to have a monthly bill of \$84.60, prior to the update of any pass-through rates. The forecasted base rate change in FY 2023-24 will increase the typical monthly bill by \$2.25, or 2.7%, to \$86.85.



The Typical Residential Monthly Bill reflects expected changes to the base rates only from FY 2020-21 through FY 2025-26. The numbers do not reflect changes to the PSA, Regulatory Charge, or Community Benefit Charge since those are currently unknown.

Five-Year Forecast Fund Summary

The following table reflects Austin Energy Fund's financial forecast and the impact to a typical residential customer using 860 kWh per month for FY 2020-21 to FY 2025-26.

Fund Summary (in millions)

	FY21 Estimated	FY22	FY23	FY24	FY25	FY26
Beginning Fund Balance	\$400.7	\$310.4	\$310.0	\$310.4	\$310.7	\$310.8
Revenue & Transfers In	\$1,393.1	\$1,477.8	\$1,534.5	\$1,587.5	\$1,601.8	\$1,644.2
Expenditures & Transfers	\$1,483.4	\$1,478.3	\$1,534.1	\$1,587.2	\$1,601.7	\$1,650.4
Change in Fund Balance	(\$90.3)	(\$0.4)	\$0.5	\$0.3	\$0.1	(\$6.2)
Ending Fund Balance	\$ 310.4	\$310.0	\$310.4	\$310.7	\$310.8	\$304.6
Residential Monthly Bill (Typical Rate Payer uses 860 kWh)	\$84.60	\$84.60	\$84.60	\$86.85	\$86.85	\$86.85
FTEs	1,813	1,823	1,833	1,843	1,853	1,863

Note: Numbers may not add due to rounding.



Austin Resource Recovery

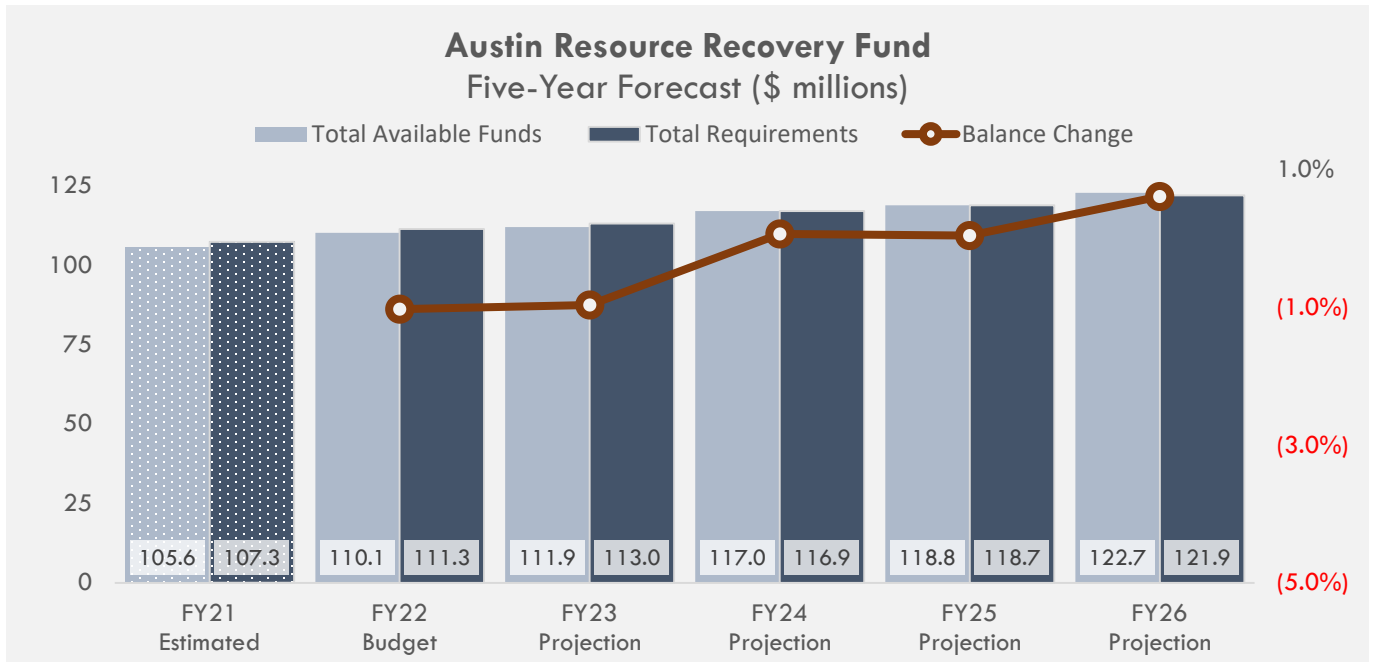
Austin Resource Recovery (ARR) provides innovative and reliable waste management, recycling, and outreach services to residential and commercial customers to help the City achieve its Zero Waste goal. The Department funds these programs and services through three major user fees consisting of the Clean Community Fee, Base Customer Fee, and Trash Cart Fee, which account for 97% of ARR's revenue.

Operating Budget

There are no rate increases to ARR's component of the Clean Community Fee over the five-year forecast period, however, the Clean Community Fee produces an additional \$3.0 million in revenue by FY 2025-26 due to projected customer growth. Revenue derived from the Base Customer Fee and Trash Cart Fee grows \$15.8 million over the forecast period due to a combination of projected customer growth and rate increases. The Base Customer Fee increases by \$1.50 per month in FY 2021-22 to fund regular departmental growth. Over the final three years, two additional Base Customer Fee increases raise the monthly rate an additional \$1.35. The Trash Cart Fee varies by cart size. The rate for the 96-gallon trash cart increases by \$0.02/gallon in both FY 2023-24 and FY 2025-26 to incentivize the use of smaller trash carts and increase diversion. The rate for all other trash cart sizes increases by \$0.01/gallon in both FY 2023-24 and FY 2025-26.

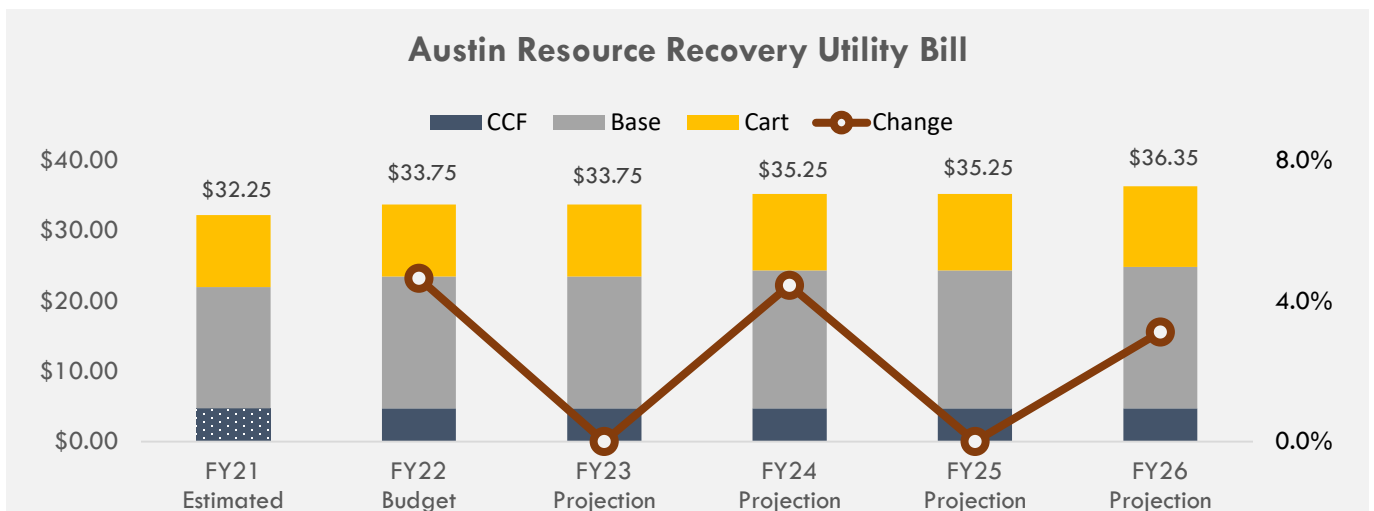
Major expenditure categories within ARR's operating costs are staffing, fuel purchases, vehicle maintenance, debt service payments, landfill and recycling processing contracts, capital fund contributions, and support services transfers. Major expenditure changes include:

- Addition of 13 new positions in FY 2021-22 at a cost of \$1.2 million, with 32 more new positions over the following four years, driven by customer growth, at a cost of \$2.8 million.
- Cash contributions for capital increase \$2.5 million in FY 2021-22 with increases in subsequent years to meet essential capital needs.
- Increase of \$618,000 in fleet fuel and maintenance expenses for a total of \$13.4 million in FY 2021-22, with further increases of \$3.4 million over the following four years.
- General Obligation Debt Service payments decrease by \$620,000 in FY 2021-22 to \$4.2 million. Further reductions totaling \$1.5 million occur over the remaining four-year term as short-term debt is reduced.



Typical ARR Utility Bill

In FY 2021-22, the monthly bill of the typical ARR utility bill customer, who is defined as a residential curbside collection customer with a 64-gallon trash cart, increases by 4.7%, or \$1.50, to a total of \$33.75. By FY 2025-26, the last year of the forecast, this grows to \$36.35.



“Typical ARR Utility Bill” is issued to a residential curbside collection customer with a 64-gallon trash cart who pays all three major user fees. This group generates approximately 42% of all ARR revenue.



Five-Year Forecast Fund Summary

The following table reflects Austin Resource Recovery's financial forecast and the impact to a typical residential customer for FY 2020-21 to FY 2025-26.

Fund Summary (in millions)

	FY21 Estimate	FY22	FY23	FY24	FY25	FY26
Beginning Fund Balance	\$11.9	\$10.3	\$9.1	\$8.0	\$8.1	\$8.2
Revenue & Transfers In	\$105.6	\$110.1	\$111.9	\$117.0	\$118.8	\$122.7
Expenditures & Transfers Out	\$107.3	\$111.3	\$113.0	\$116.9	\$118.7	\$121.9
Change in Fund Balance	(\$1.6)	(\$1.1)	(\$1.1)	\$0.1	\$0.1	\$0.7
Ending Fund Balance	\$10.3	\$9.1	\$8.0	\$8.1	\$8.2	\$8.9
Average Monthly Bill (Typical Rate Payer)	\$27.55	\$29.05	\$29.05	\$30.55	\$30.55	\$31.65
Residential Clean Community Fee Bill	\$4.70	\$4.70	\$4.70	\$4.70	\$4.70	\$4.70
FTEs	501	514	525	535	542	546

Note: Numbers may not add due to rounding.



Austin Transportation

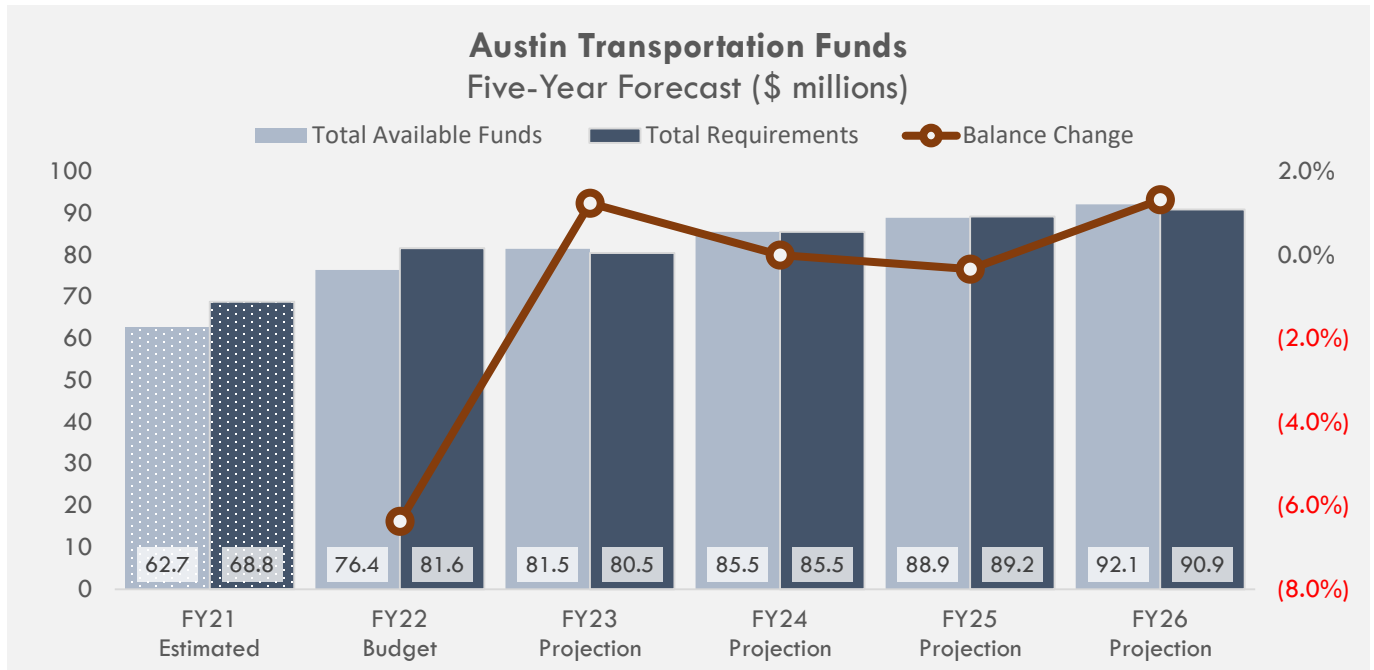
The Austin Transportation Department (ATD) delivers a safe, reliable, and sustainable multi-modal transportation system that enhances the environment and economic strength of the region for our residents, businesses, and visitors while conducting business in a customer-focused and transparent manner.

Operating Budget

Primary sources of revenue for ATD include a portion of the Transportation User Fee (TUF), which is shared with the Public Works Department, permitting and review services for Traffic Impact Analysis (TIA), Right-of-Way (ROW) and special event permits, parking meter revenue, and permits for mobility services (i.e. taxis, chauffeurs, car-share, bike-share, and scooters). The ATD portion of the Transportation User Fee has a planned increase of \$0.85 in FY 2021-22. Additionally, as a result of a recent cost of service study, permit revenues will increase from \$15 million to \$16.5 million in FY 2021-22. Parking revenue is projected to return to pre-pandemic levels in FY 2021-22, with projections of 11% above current revenue levels at the end of the forecast period.

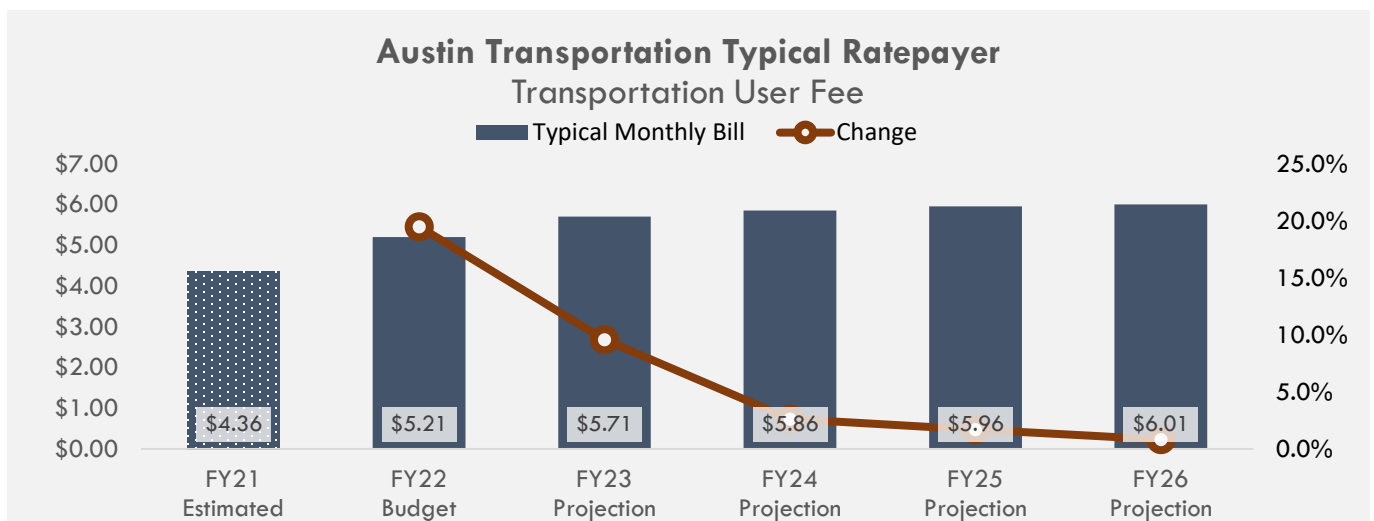
To support growing demand for mobility improvements and the implementation of voter-approved bond projects, the FY 2021-22 operating budget of \$81.6 million represents an increase in total requirements of \$12.8 million, or 18.6%, compared to \$68.8 million in FY 2020-21. The financial forecast includes an aggressive staffing plan to build the capacity to meet ambitious timelines set for the 2016, 2018 and 2020 bond programs, as well as to keep pace with growing expectations for improved service delivery with regard to street, sign and signal maintenance, the ROW permitting program, and the Parking program.

Expenditure assumptions for the FY 2021-22 through FY 2025-26 financial forecast include the addition of 135 positions: 96 positions in the Mobility Fund and 39 positions in the Parking Fund. 41.5 of these positions will be added in FY 2021-22 to address immediate needs related to implementing the three bond programs, increase the capacity of ROW permitting team, and provide additional parking enforcement officers to improve compliance in paid parking areas.



Typical Ratepayer

Revenue from the ATD portion of the Transportation User Fee is expected to increase in FY2021-22, and throughout the forecast period, due to the combined effect of fee increases and anticipated growth in the utility customer base. ATD's typical residential TUF customer will pay \$5.21 in FY 2021-22, an increase of \$0.85 per month from FY 2020-21, as TUF revenue is projected to increase by \$6.3 million in comparison with FY 2020-21 estimated levels. ATD forecasts further increases in its component of the TUF of \$0.50 per month in 2022-23, \$0.15 per month in FY 2023-24, \$0.10 per month in FY 2024-25, and \$0.05 per month in FY 2025-26.





Five Year Forecast Fund Summary

The following table reflects the Austin Transportation's main operating funds' financial forecast for FY 2021-22 through FY 2025-26.

Fund Summary (*in millions*)

	FY21 Estimate	FY22	FY23	FY24	FY25	FY26
Beginning Fund Balance	\$11.6	\$5.5	\$0.2	\$1.2	\$1.2	\$0.9
Revenue & Transfers In	\$62.7	\$76.4	\$81.5	\$85.5	\$88.9	\$92.1
Expenditures & Transfers Out	\$68.8	\$81.6	\$80.5	\$85.5	\$89.2	\$90.9
Change in Fund Balance	(\$6.1)	(\$5.3)	\$0.9	\$0.0	(\$0.3)	\$1.2
Ending Fund Balance	\$5.5	\$0.2	\$1.2	\$1.2	\$0.9	\$2.0
Average Monthly Bill (Typical Rate Payer)	\$4.36	\$5.21	\$5.71	\$5.86	\$5.96	\$6.01
FTEs	353	394.5	420	445	471	488

Note: Numbers may not add due to rounding.

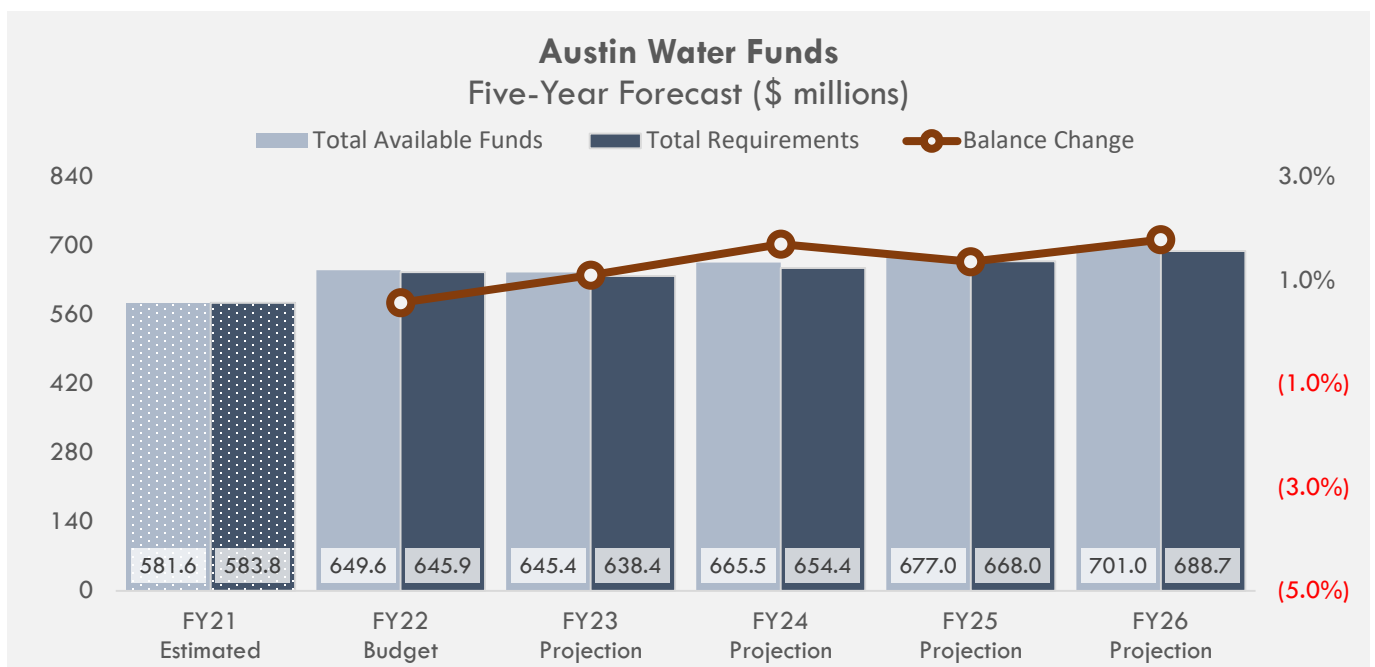
Austin Water

Austin Water utilizes water and wastewater rate revenue through its operating budget and capital improvement program to ensure a reliable, affordable, and sustainable stream of safe drinking water and the environmentally responsible treatment of wastewater.

Operating Budget

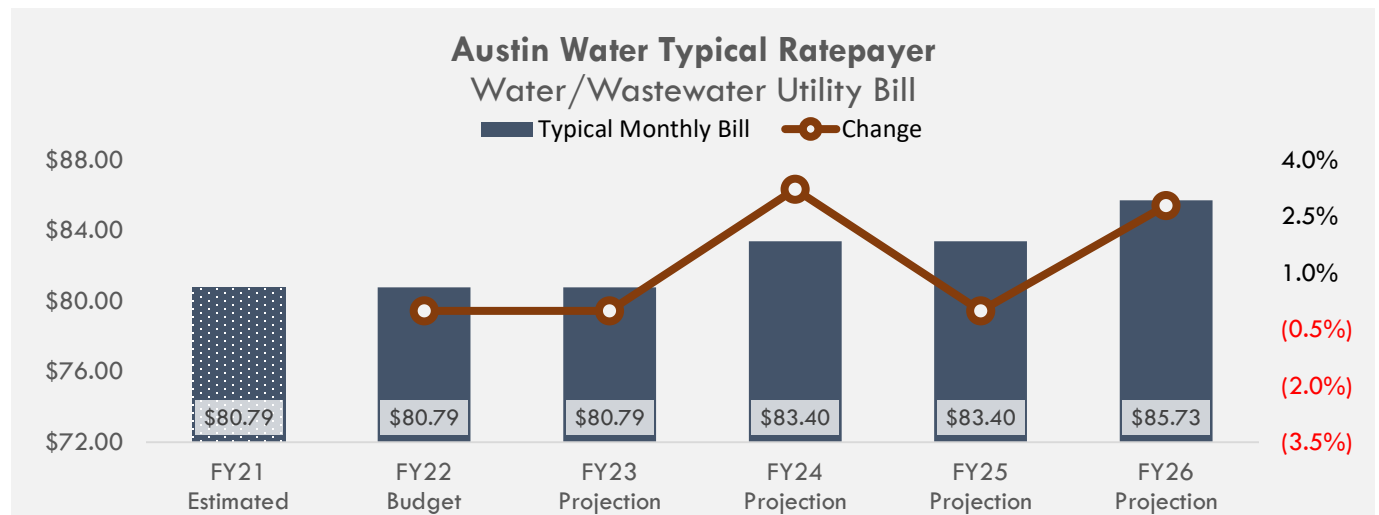
The FY 2020-21 total revenue current-year estimate includes a higher than normal first quarter due to hotter and drier weather. Austin Water's estimated FY 2020-21 non-transfer revenue is projected to meet the adopted revenue budget. Total revenues for the forecast period are expected to increase by 1% to 3% annually due to customer growth and forecasted rate increases.

The FY 2021-22 operating forecast of \$645.9 million represents an increase in total requirements of \$24.6 million, or 3.8%, compared to \$621.3 million in FY 2020-21. This increase is primarily due to the deferral of the \$35-million defeasance planned for FY 2020-21 into FY 2021-22 due to the expected raising of interest rates, which in turn would reduce bond prices and allow Austin Water to defease debt more economically. Austin Water's major expenditure categories include operating and maintenance costs, debt service payments, and transfers to other City funds, including the General Fund, Utility Billing Support, and Administrative Support. Expenditure assumptions for the FY 2021-22 through FY 2025-26 forecast period include modest projected increases in staffing, with the anticipated addition of 79 new positions over the next five years to keep pace with customer growth and to support implementation of Austin Water's advanced meter infrastructure. Forty of these positions are planned to be added in FY 2021-22.



Typical Ratepayer

Austin Water receives approximately 98% of its non-transfer revenue from sales of water and wastewater services to retail and wholesale customers. Water service revenue generally accounts for about 51% of total non-transfer revenue, wastewater service revenue accounts for 47%, and reclaimed service and other revenue accounts for the remaining 2%. Austin Water projects that water and wastewater rates will remain flat in FY 2021-22, FY 2022-23, and FY 2024-25, but rate increases are projected for FY 2023-24 and FY 2025-26. Austin Water forecast projects minimal combined utility rate increases in FY2023-24 of 3.2% and in FY2025-26 of 2.8% that will be necessary to fund the total requirements of the Utility.





Five-Year Forecast Fund Summary

The following table reflects Austin Water's financial forecast and the impact to a typical residential customer for FY 2020-21 to FY 2025-26.

Fund Summary (in millions)

	FY21 Estimated	FY22	FY23	FY24	FY25	FY26
Beginning Fund Balance	\$231.7	\$229.4	\$233.0	\$240.0	\$251.1	\$260.1
Revenue & Transfers In	\$581.6	\$649.6	\$645.4	\$665.5	\$677.0	\$701.0
Expenditures & Transfers Out	\$583.8	\$645.9	\$638.4	\$654.4	\$668.0	\$688.7
Change in Fund Balance	(\$2.3)	\$3.6	\$7.0	\$11.1	\$9.0	\$12.3
Ending Fund Balance	\$229.4	\$233.0	\$240.0	\$251.1	\$260.1	\$272.4
Average Monthly Bill for Typical Rate Payer (includes Reserve Fund Surcharge and Community Benefits Charge)	\$80.79	\$80.79	\$80.79	\$83.40	\$83.40	\$85.73
FTEs	1,236	1,276	1,300	1,306	1,314	1,315

Note: Numbers may not add due to rounding.

Aviation

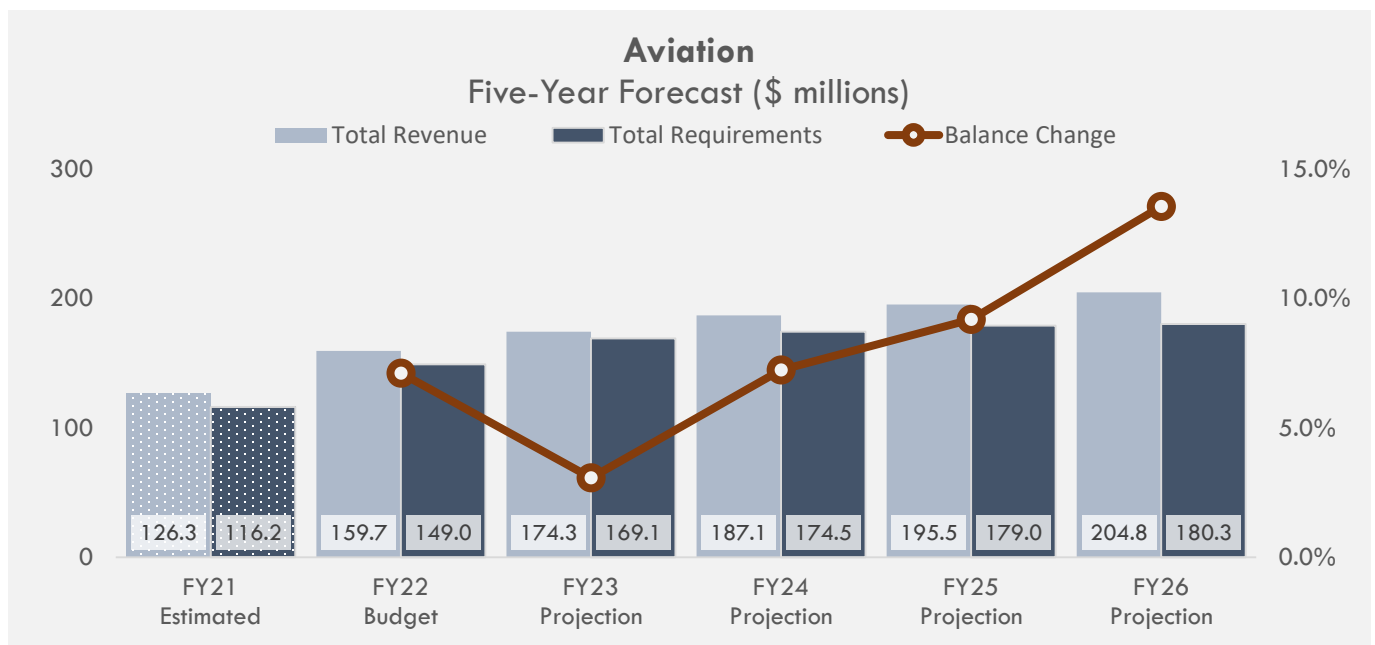
As one of the fastest growing airports in the country, Austin Bergstrom International Airport is the airport of choice for Austin and the surrounding communities, providing a connection to the world with exceptional facilities and services while representing the character and culture of its community.

Austin-Bergstrom International Airport operates as an enterprise fund of the City of Austin and has been self-sustaining since 1982; therefore, the Department of Aviation does not receive tax revenue and functions without relying on the City budget or taxpayer. Funding to finance operating expenses and development is generated by fees and rent paid by airlines, concessions, and passengers. In addition, Aviation receives grants, including federal Airport Improvement Program (AIP) grants. In order to comply with federal regulations and to ensure eligibility to receive AIP funds, all airport revenue is retained to fund the capital and operating costs of the airport.

Operating Budget

The projected FY 2021-22 operating budget of \$149.0 million represents an increase in total requirements of \$21.1 million over the FY 2020-21 approved budget. Aviation's major expenditure categories include operating and maintenance costs, debt service payments, and transfers to other City funds. Expenditure assumptions for the FY 2022-26 financial forecast includes projected total staffing increases of 74 positions from FY 2023-24 to FY 2025-26.

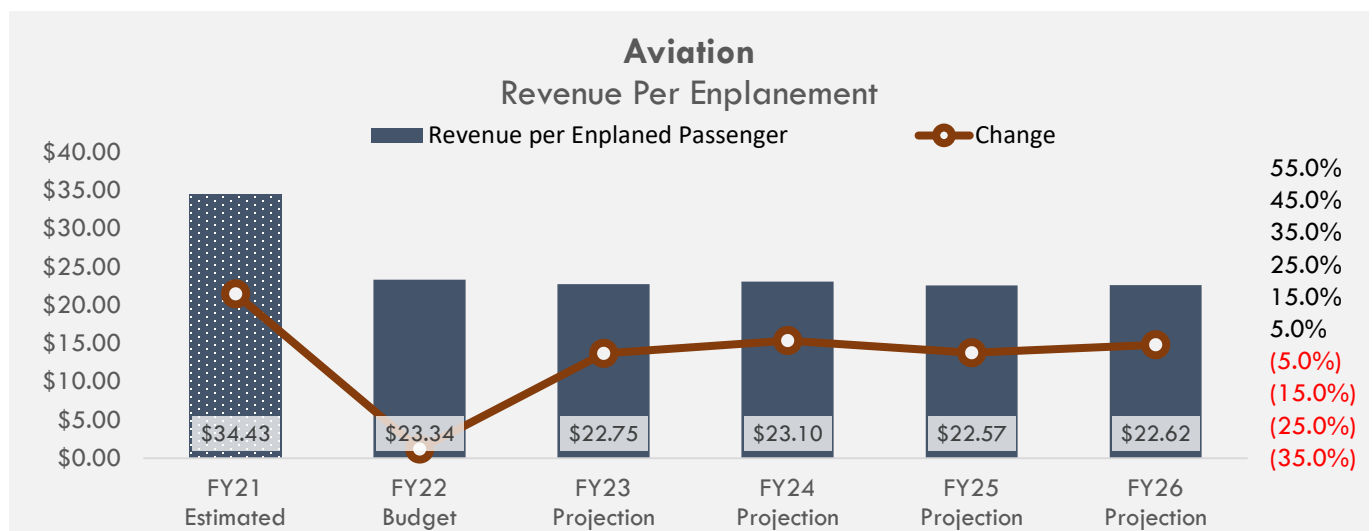
Aviation generates the majority of its revenues from partnering airlines and from non-airline fees which include parking, concessions, rentals and miscellaneous fees. Over the FY 2021-22 to FY 2025-26 forecast period, landing fees and terminal lease revenue are projected to increase at an average rate of 8.6% annually, while non-airline revenue is also expected to increase at an average rate of 11.8% annually. Enplanement traffic is projected to increase at a compounded annual growth rate of 20% over the FY 2021-22 to FY 2025-26 forecast period from depressed COVID-19 pandemic levels. The Department expects FY 2020-21 to be the low point in enplanements due to the pandemic.



Note: Both total revenue and total requirements are shown without the Airport Capital Fund transfer.

Revenue per Enplanement

Passenger traffic in the United States has historically been correlated with the health of the nation's economy. During economic contractions, there is a notable decline in passenger volumes while during the subsequent economic expansions there is significant growth in passenger volumes. Therefore, the revenue per enplaned passenger is one of the Aviation's key indicators and a measurement of air service revenue trends. Over the three years prior to the COVID-19 pandemic, the Department had an average of \$21.20 in revenue per enplanement. The long-term goal of \$22.62 is a reflection of the anticipated recovery and continued growth in this metric. However, due to the challenges brought about by the COVID-19 pandemic, this key performance indicator's current year estimate for FY 2020-21 increased significantly due to enplaned passenger numbers declining at a faster rate than revenue. While passenger-based revenue did decline significantly, fixed revenue such as rents and contractual obligations caused overall revenue to decline at a slower rate. Aviation anticipates this key metric will average \$22.88 over the five-year forecast period.



Passenger Recovery

Aviation is expecting a full recovery from the unprecedented decline in passenger volume due to the COVID-19 pandemic by FY 2023-24. In anticipation of the COVID-19 vaccine and the increase in its availability to the public, the Department is projecting 6.8 million enplanements in FY 2021-22 compared to the current year estimate of 3.7 million enplanements in FY 2020-21, which translates into an 86% growth rate. Due to these projected increases in enplanements Aviation expects to reach 81% of our pre-COVID-19 FY 2018-19 enplanements of 8.5 million. This recovery in passenger traffic will have a direct correlation to regaining revenues throughout the Department such as landing fees, parking, ground transportation, rental cars, and concessions.



Five-Year Forecast Fund Summary

The following table reflects the Aviation Department's financial forecast for FY 2020-21 to FY 2025-26.

Airport Operating Fund Summary (in millions)

	FY21 Estimated	FY22	FY23	FY24	FY25	FY26
Revenue	\$126.3	\$159.7	\$174.3	\$187.1	\$195.5	\$204.8
Transfers In from CIP	\$11.6	\$13.4	\$13.7	\$13.7	\$13.7	\$12.8
Expenditures*	\$116.2	\$149.0	\$169.1	\$174.5	\$179.0	\$180.3
Transfer to Airport Capital Fund	\$21.7	\$24.0	\$18.9	\$26.3	\$30.1	\$37.2
FTEs	549	549	549	578	598	623

Note: Numbers may not add due to rounding.

**Expenditures include \$37.2 million in anticipated CARES Act grant reimbursement funding in the FY21 estimate and \$14.6 million in the FY22 forecast. The Department is expecting to receive Airport Rescue Grants as part of the American Rescue Plan Act. However, this amount is excluded from the forecast since the FAA has yet to release allocation information.*

Development Services

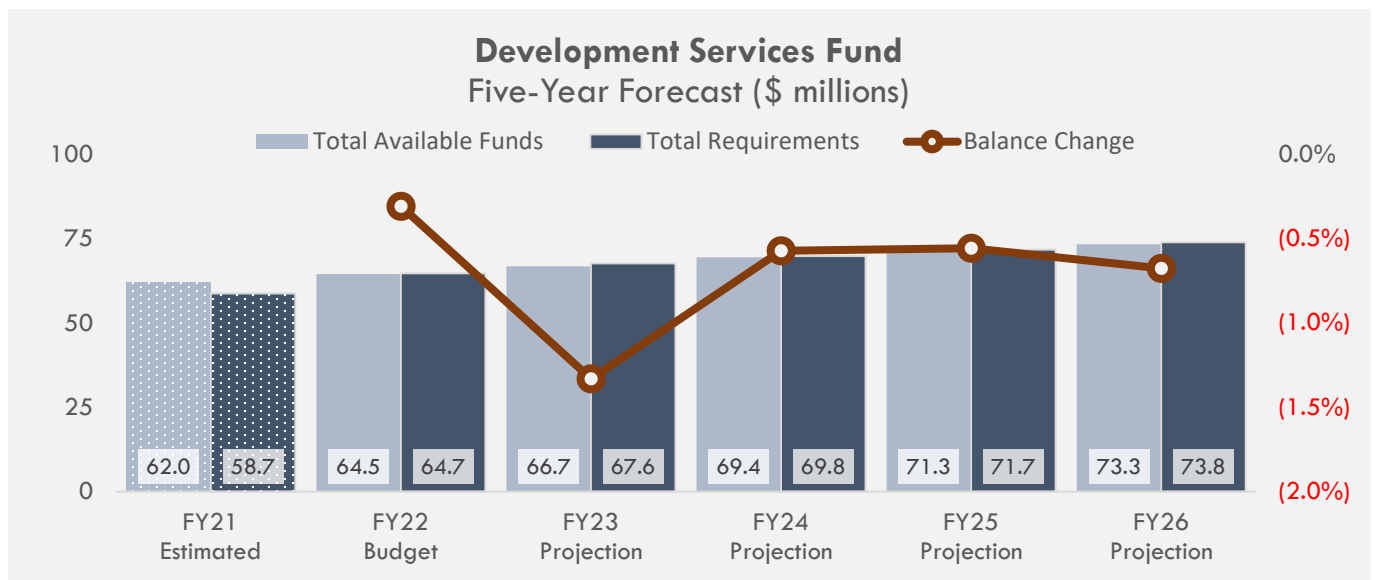
The Development Services Department (DSD) provides assistance to home and business owners, contractors, and enterprises to build, demolish, remodel or perform any type of construction by ensuring compliance to both City and building code standards. The Department strives to support a vibrant community through responsible development while providing high-quality and timely development review and inspection services. Ensuring the safety of the public is the primary reason why the Department works so diligently to protect and to serve the residents of the city of Austin.

Operating Budget

Development Services collects 90% of its revenue from the development review, inspection, and permitting process. On an annual basis, DSD reviews the full cost-of-service for the Department's operations and adjusts fees to reflect these costs. Incorporated into the annual fee updates are economic factors, staffing and resource needs, and volume projections. DSD fees are set at full cost recovery; therefore, as DSD expenses increase due to citywide and departmental cost drivers, revenues will be adjusted to meet obligations.

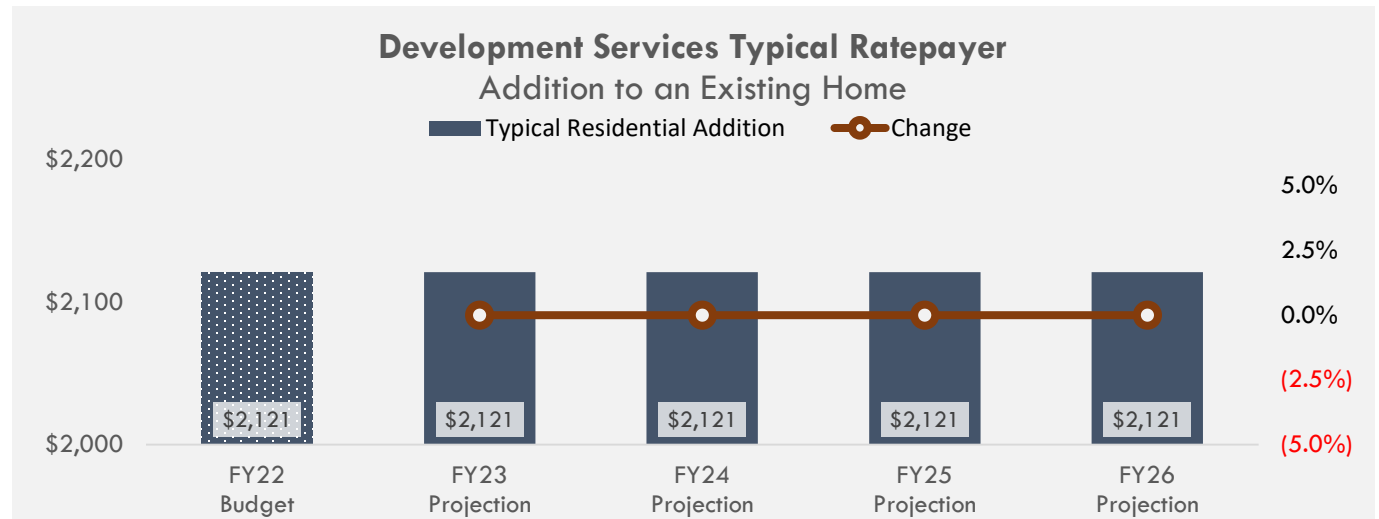
The remaining 15% of DSD's budget is funded by a transfer from the General Fund and from other expense refunds. The General Fund transfer reimburses the Department for costs that cannot be recovered via fees, including telecom permitting, fee waivers, and the Urban Forestry program. The Watershed Protection Department's Drainage Utility Fund provides 3% in funding for environmental inspection services that fall outside of the typical development processes.

DSD's primary budget cost driver is personnel, which totals 74% of the \$65.2 million expense budget for FY 2021-22. Since City-wide cost drivers have historically increased at approximately a 3% annual rate, the Department's expense budget is expected to grow by the same amount through FY 2025-26.



Typical Ratepayer

Development Services receives 89% of its non-transfer revenue from building safety (49%) and development fees (40%), with other revenue accounting for the remaining 11%. Fees will remain flat for FY 2021-22 with a projected increase in volume expected to allow the Department to keep pace with City cost drivers and to recover full cost of service.



*A Typical Residential Addition consists of an addition that is 1,000 square feet or smaller with no heritage tree reviews involved. Fees assessed in this example include the Combined Building Plan Review, Building Permit, Electrical Permit, Mechanical Permit, Plumbing Permit, and Energy Permit. All fees include the 4% Development Surcharge. This example assumes that the home addition is located within Austin City Limits, where building plan review authority exists.

Five Year Forecast Fund Summary

The following table reflects Development Services' main operating fund's financial forecast for FY 2021-22 through FY 2025-26.

Fund Summary (in millions)

	FY21 Estimated	FY22	FY23	FY24	FY25	FY26
Beginning Fund Balance	\$18.4	\$21.7	\$21.5	\$20.6	\$20.2	\$19.8
Revenue & Transfers In	\$62.0	\$64.5	\$66.7	\$69.4	\$71.3	\$73.3
Expenditures & Transfers Out	\$58.7	\$64.7	\$67.6	\$69.8	\$71.7	\$73.8
Change in Fund Balance	\$3.3	(\$0.2)	(\$0.9)	(\$0.4)	(\$0.4)	(\$0.5)
Ending Fund Balance	\$21.7	\$21.5	\$20.6	\$20.2	\$19.8	\$19.3
FTEs	425	426	434	444	446	449

Note: Numbers may not add due to rounding.

Public Works

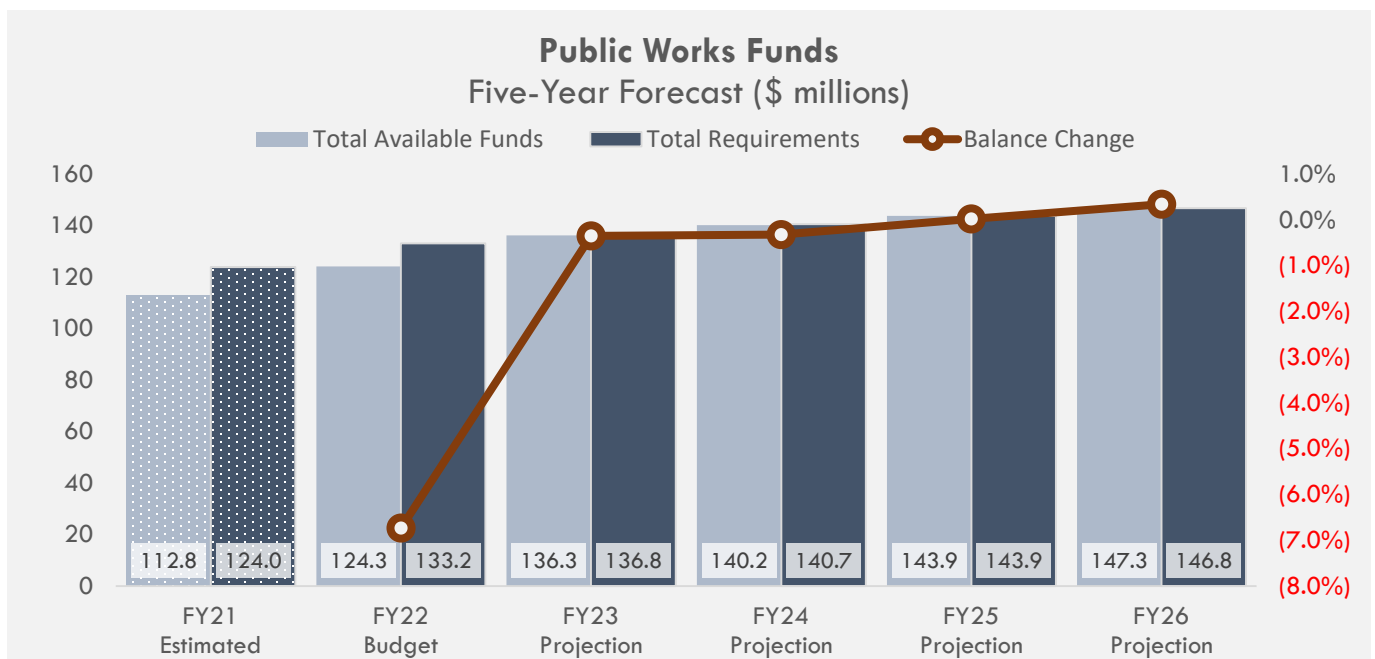
The Public Works Department (PWD) connects people with safe and reliable infrastructure, by building and maintaining our streets, bridges, sidewalks, and urban trails, as well as managing the delivery of City capital improvement projects.

Operating Budget

PWD revenue is derived from a portion of the Transportation User Fee (TUF), which is shared with the Austin Transportation Department (ATD), direct charges to capital projects, a cost-recovery allocation to sponsor departments, and collections from a child safety trust fund defined by Local Government Code, Section 106.002.

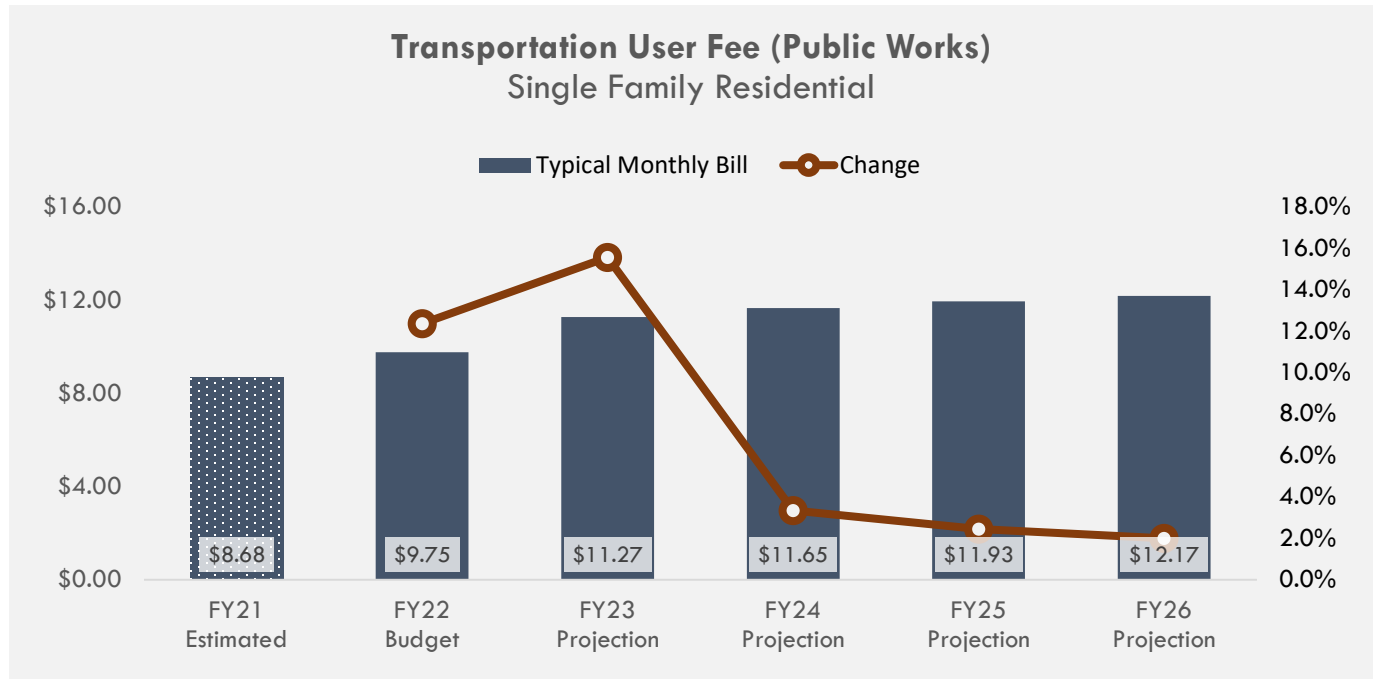
The FY 2021-22 forecasted operating budget of \$133.2 million represents an increase in total requirements of \$2.6 million, or 2.0%, compared to \$130.6 million budgeted in FY 2020-21. The forecast includes 27 new positions and the transfer out of 1 position to Management Services, for a net increase of 26 positions in FY 2021-22, to support sidewalk repair, bridge maintenance, utility cut repairs, support services, and to improve delivery of capital improvement projects. The costs associated with 8 of the forecasted new positions will be covered by direct charges to capital projects to address the growing capital delivery workload from other City departments, including Austin Water, Aviation, and ATD, as a result of recent Mobility Bonds.

Public Works' major expenditure categories include street preventive maintenance and repair, bridge maintenance, right-of-way maintenance, sidewalks, urban trails, infrastructure management, capital delivery, safety education, and school crossing guards. Expenditure assumptions for the FY 2021-22 through FY 2025-26 financial forecast include additional investments to improve PWD's key performance indicators for condition of the street network (80% satisfactory or better) and functionally acceptable sidewalks (95%).



Typical Ratepayer

Revenue from the PWD portion of the Transportation User Fee is forecasted to increase by 13.4% or \$7.8 million in FY 2021-22 above the estimated amount in FY 2020-21 and another 26.5% over the remaining forecast period. PWD is projecting an increase to the residential portion of the TUF of \$1.07 per month in FY 2021-22, along with increases of \$1.52 per month in 2022-23, \$0.38 in FY 2023-24, \$0.28 in FY 2024-25, and \$0.24 in FY 2025-26.



Five Year Forecast Fund Summary

The following table reflects the Public Works Department's main operating funds' financial forecast for FY 2021-22 through FY 2025-26.

Fund Summary (in millions)

	FY21 Estimate	FY22	FY23	FY24	FY25	FY26
Beginning Fund Balance	\$20.9	\$9.7	\$3.0	\$3.9	\$4.3	\$4.8
Revenue & Transfers In	\$112.8	\$126.5	\$137.7	\$141.2	\$144.4	\$147.3
Expenditures & Transfers Out	\$124.0	\$133.2	\$136.8	\$140.7	\$143.9	\$146.8
Change in Fund Balance	(\$11.2)	(\$6.7)	\$0.9	\$0.5	\$0.5	\$0.5
Ending Fund Balance	\$9.7	\$3.0	\$3.9	\$4.3	\$4.8	\$5.4
Average Monthly Bill (Typical Rate Payer)	\$8.68	\$9.75	\$11.27	\$11.65	\$11.93	\$12.17
FTEs	600.25	626.25	631.25	631.25	631.25	631.25

Note: Numbers may not add due to rounding.



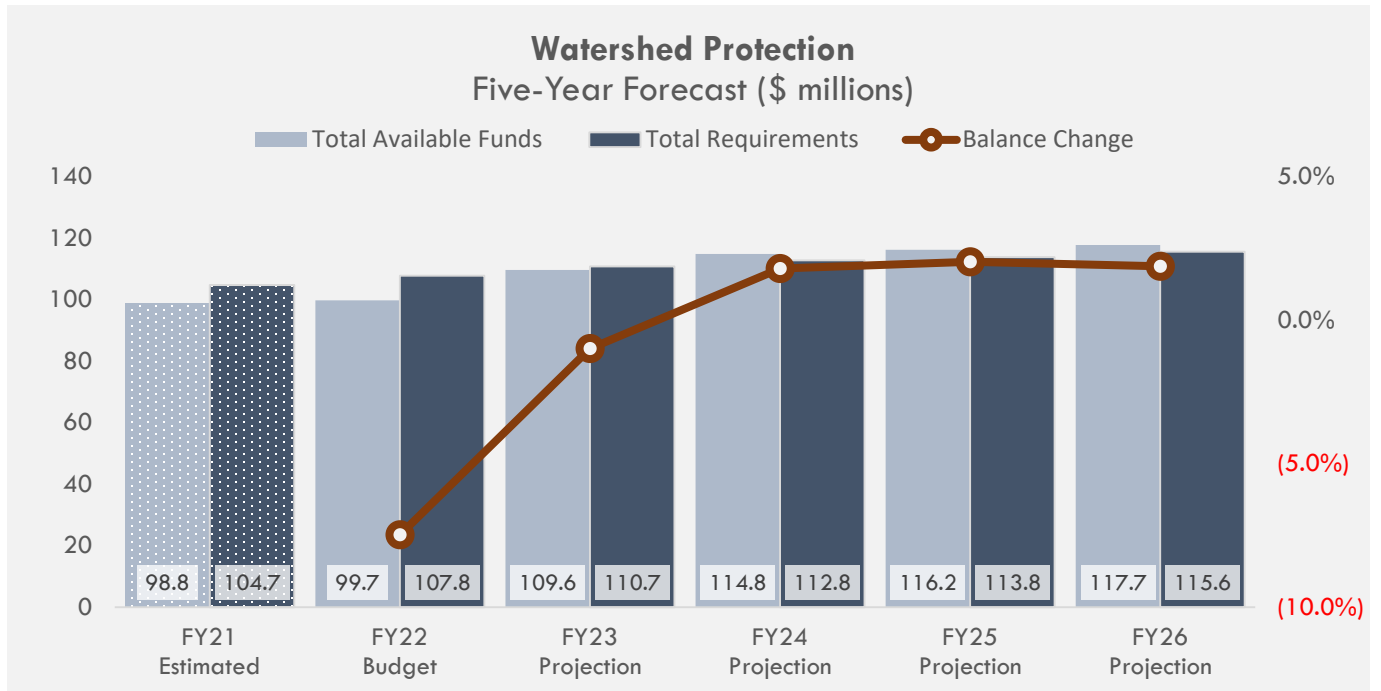
Watershed Protection

The Watershed Protection Department's (WPD) operating budget and capital improvement plan support programs and projects that serve its mission to protect the lives, property, and the environment of our community by reducing the impact of flooding, erosion, and water pollution.

Operating Budget

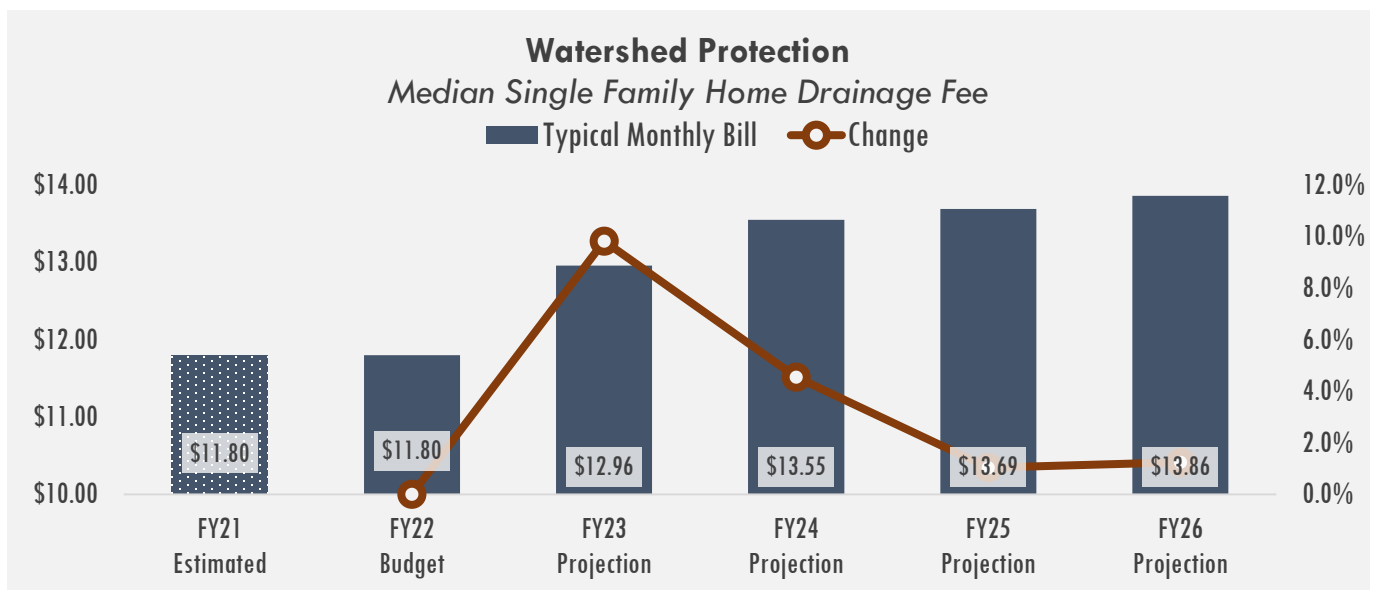
The primary source of revenue for WPD's operating budget is the drainage utility charge assessed on residential and commercial customers' utility bills. The charge is based upon the amount and the percentage of impervious cover on the property. The current-year estimate reflects the drainage fee revenue expected from existing accounts and a moderate anticipated increase in impervious cover due to new development. The drainage fee revenue accounts for over 95% of total WPD revenue, with other revenue sources such as development review fees and interest income generating the remaining amount. For FY 2021-22, WPD is not forecasting any increase in rates; growth in revenue is solely attributable to anticipated growth in new development. However, in response to rising costs, WPD projects modest rate increases in each of the subsequent four years of the forecast period, related to the operations and maintenance of drainage infrastructure and system demands due to potential increases in flooding and erosion and pressures on water quality from climate change. As drainage utility charge revenue and interest income have been flattening in recent years, increases to the drainage utility charge are anticipated over the forecast period to keep pace with these rising operational costs.

Program requirements constitute slightly over half of WPD's operating budget, and the remainder of the budget is for transfers and other requirements. Additionally, under the City's financial policies, WPD is required to keep a 30-day reserve in its fund balance, which partially determines WPD's total requirements for the next fiscal year. For FY 2021-22, WPD forecasts total requirements of \$107.8 million in its operating budget, which represents an increase of \$448,000, or 0.4%, compared to \$107.3 million in FY 2020-21. Program requirements and transfers out are forecasted to remain essentially flat between FY 2020-21 and FY 2021-22, and although there is an anticipated addition of 34.0 positions in FY 2021-22, costs for the new positions are offset by funding for only six months in the first year and by corresponding reductions in programmatic contractual expenses. These positions are needed in response to increasing demand for services relating to infrastructure maintenance, infrastructure development, floodplain and environmental review, homelessness encampment cleanup, technology support, community education, and support services.



Typical Ratepayer

The drainage utility charge for both residential and commercial properties is calculated using the same formula based on the annual rate set by City Council and the amount and percentage of impervious cover on the property. For a representative single-family home with 37% and 3,100 sq. ft. impervious cover, the current median rate is \$11.80 per month. WPD does not expect this median rate to change in FY 2021-22. However, the rate is projected to increase modestly in future years in order to keep pace with rising departmental costs.





Five-Year Forecast Fund Summary

The following table reflects Water Protection's financial forecast and the impact to a typical residential customer for FY 2020-21 to FY 2025-26.

Fund Summary (in millions)

	FY21 Estimated	FY22 Forecast	FY23 Forecast	FY24 Forecast	FY25 Forecast	FY26 Forecast
Beginning Balance	\$17.1	\$11.2	\$3.1	\$2.0	\$4.0	\$6.3
Total Available Funds	\$98.8	\$99.7	\$109.6	\$114.8	\$116.2	\$117.7
Total Requirements	\$104.7	\$107.8	\$110.7	\$112.8	\$113.8	\$115.6
Change	(\$6.0)	(\$8.1)	(\$1.1)	\$2.0	\$2.3	\$2.2
Ending Balance	\$11.2	\$3.1	\$2.0	\$4.0	\$6.3	\$8.5
Average Monthly Bill (Typical Rate Payer)*	\$11.80	\$11.80	\$12.96	\$13.55	\$13.69	\$13.86
FTEs	377	411	424	433	433	433

Note: Numbers may not add due to rounding.

**The Median Monthly Bill reflects changes to the base rates only. The numbers do not reflect changes to the amount and percent of impervious cover for an individual's property and/or parcel.*