City of Austin

Enterprise Funds

Financial Forecast Presentation

April 28, 2010

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AUSTIN ENERGY
FINANCIAL FORECAST

City of Austin, Texas
Austin Energy

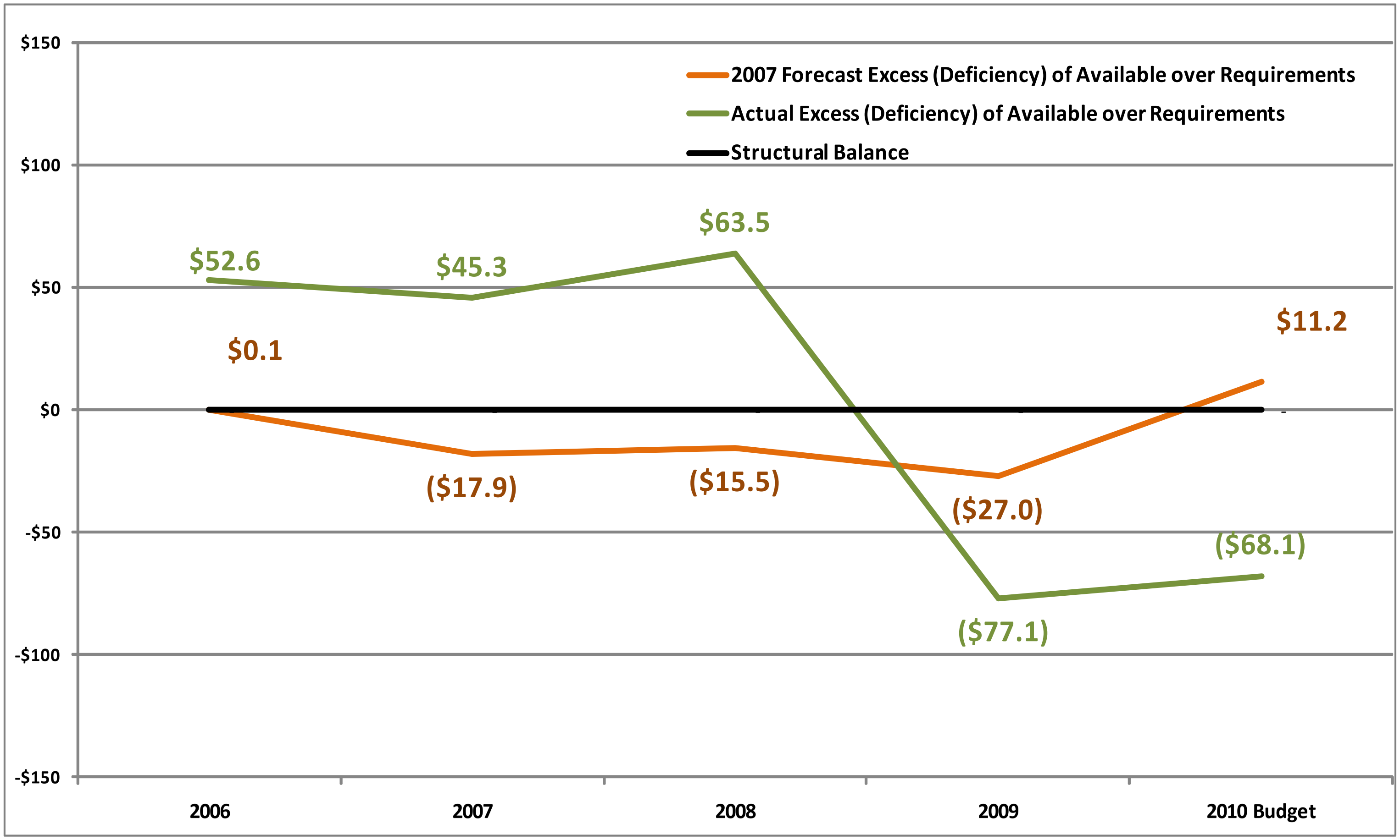
Mission: ***Deliver clean, affordable, reliable energy and excellent customer service.***

2011-2015 Financial Forecast
April 28, 2010

Forecast Summary

- Forecast shows a funding gap in each year
- Priority - protect utility's long-term financial stability & sustainability
- Action plans underway for financial review and rate increase
- Rate increase combined with cost reductions will be needed to close the gap

2007 Forecast vs. Actual ($ in millions)



- Saw need for rate increase in FY 2006, but able to defer due to better results
- FY 2009 and FY 2010 budgets not balanced; used reserves & ending balance
- Not financially sustainable into the future

History – Residential Rates (1,000 kWh)

Austin Energy
Residential Rate History (1,000 kilowatt hours)
No base rate change since 1994. Prior to 1997, fuel charge changed monthly.

		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Yearly Average Fuel	$	15.85	13.44	14.1	13.11	14.55	13.72	15.78	26.43	17.74	19.33	27.96	27.96	36.34	31.69	36.53	36.53
Yearly Average Base	$	58.35	58.35	58.35	58.35	58.35	58.35	58.35	58.35	58.35	58.35	58.35	58.35	58.35	58.35	58.35	58.35
Total	$	74.20	71.79	72.45	71.46	72.90	72.07	74.13	84.78	76.09	77.68	86.31	86.31	94.69	90.04	94.88	94.88
Annual change			-3.25%	0.92%	-1.37%	2.02%	-1.14%	2.86%	14.37%	-10.25%	2.09%	11.11%	0.00%	9.71%	-4.91%	5.38%	0.00%
Cumulative change																	27.87%
Annual Average Change																	$\boxed{1.65\%}$
Consumer Price Index (CPI)																	
CPI-U All Items																	
Dec-Dec %		2.50%	3.30%	1.70%	1.60%	2.70%	3.40%	1.60%	2.40%	1.90%	3.30%	3.40%	2.50%	4.10%	1.00%	2.70%	
Cumulative Change																	44.25%
Annual Average Change																	$\boxed{2.47\%}$
CPI-U Electricity																	
Dec-Dec %		2.70%	0.70%	-1.30%	3.20%	0.70%	0.26%	6.10%	-1.90%	2.60%	2.10%	10.70%	7.50%	5.20%	8.60%	-5.00%	
Cumulative Change																	50.63%
Annual Average Change																	$\boxed{2.77\%}$

- No base rate change since FY 1994
- AE’s residential annual average change of 1.65% compares favorably
- Annual average change in Consumer Price Index (CPI)
  - All Items - 2.47%
  - Electricity - 2.77%

Forecast Key Assumptions

Revenue

- Travis County economic data
- Base rate increase required, no amount projected
- Transmission rider in FY 2011 and adjusted annually

Expenditures

- No new Full Time Equivalents
- Adds cost for Austin Energy Resource, Generation, and Climate Protection Plan
- Maintains 9.1% General Fund transfer rate in FY 2011 and FY 2012, then evaluate in rate review

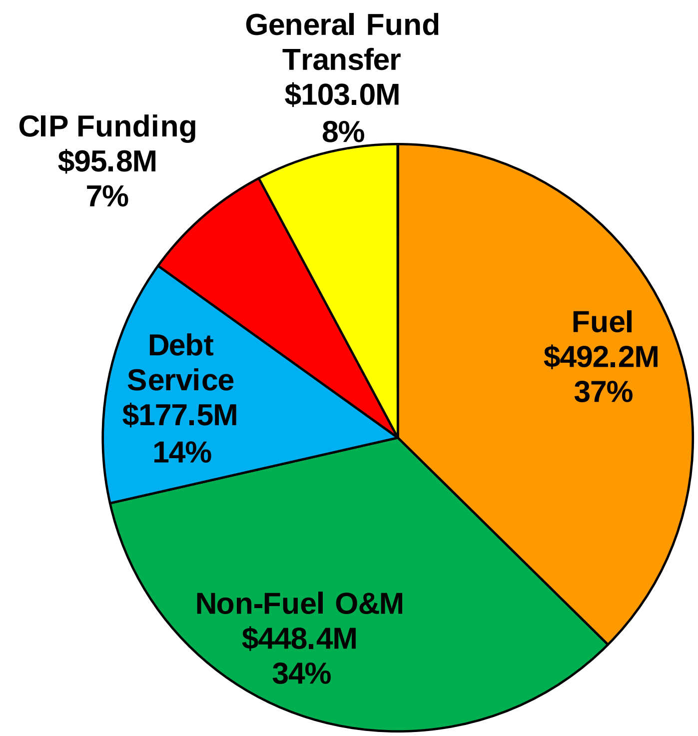
External Factors affecting Forecast

- Texas Transmission Construction Program
- National energy legislation’s impact on cost structure
- Texas Nodal market begins December 2010
- Uncertain fuel and energy prices, with volatile history
- Capital intensive industry – construction costs
- Changes in electric industry business model expected in long-term

Expenditure Components ($ in millions)

- Operating & Maintenance
  - *Fuel*
  - *Non-fuel*
- Capital Improvements (CIP)
  - *Debt Service*
  - *CIP Cash Funding*
- General Fund Transfer

FY 2011 Requirements $1,316.9M



Expenditure Key Assumptions

Expenditure Assumption	Impact by Utility
No new Full Time Equivalents	**Controllable**
Labor expenses increase	**Controllable** *
Contractual and commodity expenses increase	**Controllable** *
Fuel expense based upon anticipated prices for natural gas, coal and purchased power with assumed production schedules and outages	Not controllable
Transmission expense increases due to ongoing Texas Transmission Construction Program	Not controllable
Capital improvement spending plan • Carries forward FY 2010-2014 plan updating cash flows • Adds estimate for FY 2015 • Adds FY 2011-2015 of Austin Energy Resource, Generation, and Climate Protection Plan to FY 2020	**Controllable**
Debt service requirements • Principal and interest on existing outstanding debt • Interest rate on new debt issued • Additional debt issues to support capital program • Maintain current bond ratings (long-term interest costs)	**Controllable** * Interest rates are not controllable.
Cash funding for capital projects	**Controllable**
General Fund Transfer • 9.1% for FY 2011 and FY 2012 • Then evaluate in rate review (assume increase at growth rate of base electric revenue after FY 2012)	**Controllable**

*** Some elements are not controllable.**

FY 2010-11 Cost Drivers

Category	Estimated Increase	Description
Fuel expenses	$33.5M	Increases due to natural gas prices and usage for generation of electricity.
Fayette Power Plant Operating (coal)	$7.5M	Ownership share (50% of Units 1 and 2) of increased plant operating costs related to scrubber system and costs for closing existing ash pond.
STP Power Plant Operating (nuclear)	$3.7M	Ownership share (16%) of increased plant operating costs, primarily due to planned maintenance.
Transmission Expense	$2.0M	Rising costs for Texas Transmission Construction Program
Labor Related	$ 7.8M	City-wide cost increases for Supplemental Pension Contribution, Health Insurance and Salary Adjustments.
General Fund Transfer	$2.0M	Transfer based on transfer rate of 9.1%.

Capital Improvements Program

$1.7 Billion Five Year Capital Spending Plan

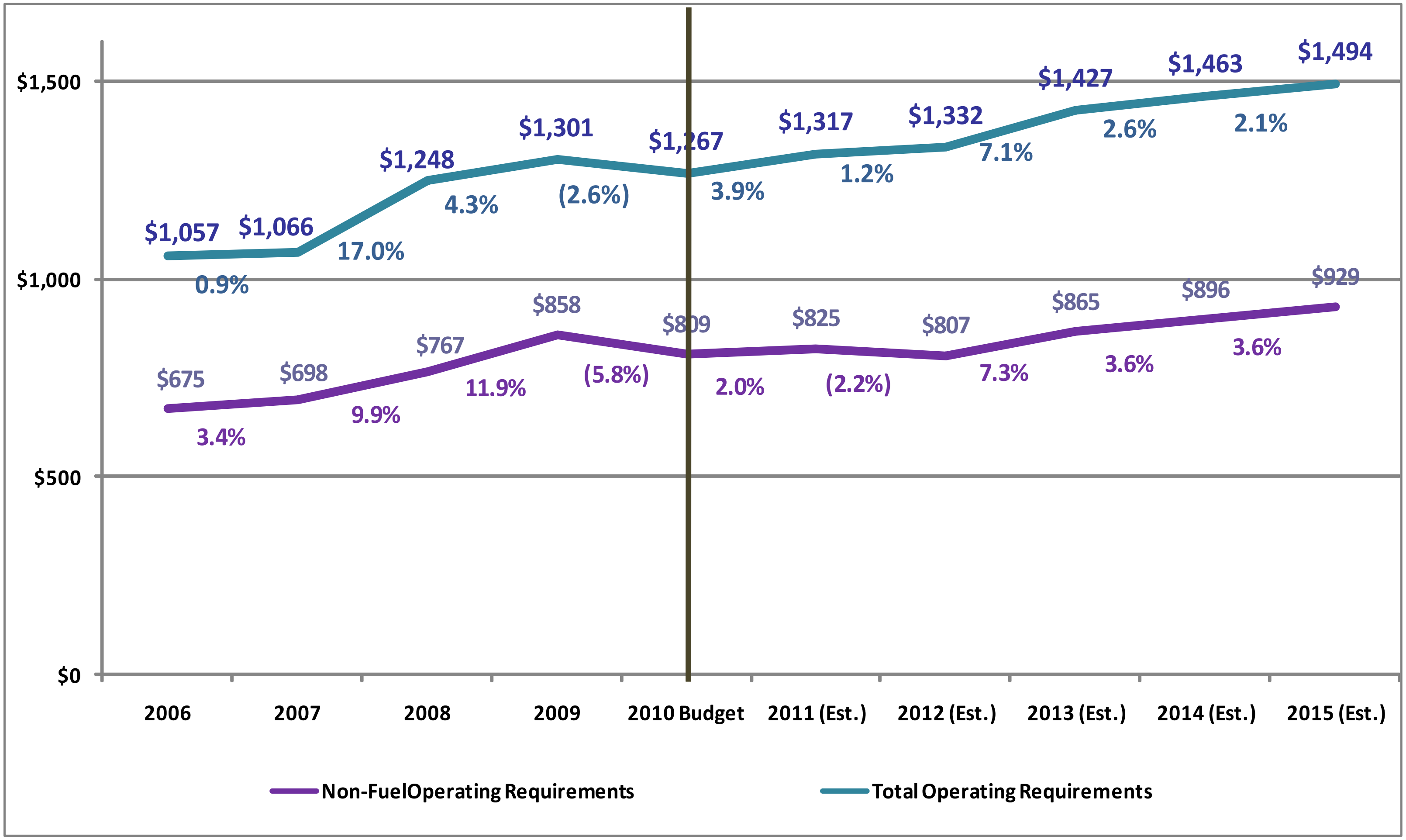
$ in Millions	2010-11	2011-12	2012-13	2013-14	2014-15	Total
Distribution	$58.5	$55.7	$55.0	$53.9	$54.0	$277.1
Distribution Substation	15.2	11.0	13.2	19.7	11.0	70.1
Transmission	25.8	27.1	28.7	16.0	22.0	119.6
Electric Service Delivery	99.5	93.8	96.9	89.6	87.0	466.8
Power Production	79.4	26.4	384.8	268.3	313.3	1,072.2
Customer Service Billing & Metering	15.1	2.5	2.6	2.6	5.0	27.8
Facilities, Technology & Support Services	79.9	12.7	16.3	14.0	24.0	146.9
Total	$273.9	$135.4	$500.6	$374.5	$429.3	$1,713.7

Transmission Rider

Austin Energy's FY 2011 transmission expense of $66 million for Texas grid use is expected to double in 5 years

- Proposed recovery method (no profit) to recover cost increases
- Rider proposed in FY 2010, but withdrawn, resulting in utility absorbing $5 million in lost revenue
- FY 2011 average monthly residential bill impact of 82 cents increasing to $5.45 in FY 2015
- Delay in Texas transmission construction schedule and costs kept rider lower than expected
- Adjust annually and based on utility's allocation of Texas transmission costs (4% of grid)

Expenditure Summary ($ in millions)

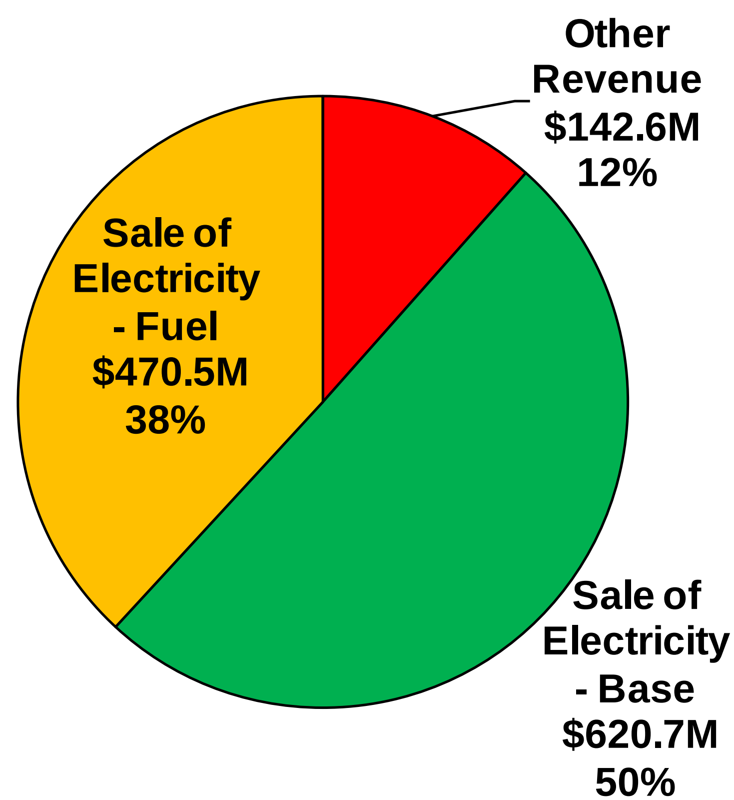


- Average annual increase for non-fuel of 2.8% in forecast

Revenue Components ($ in millions)

- Base Electric Revenue
- Fuel Revenue
- Other Revenue
  - Transmission
  - Wholesale Sales
  - Infrastructure Rental
  - District Cooling
  - Customer Fees
  - Interest Income

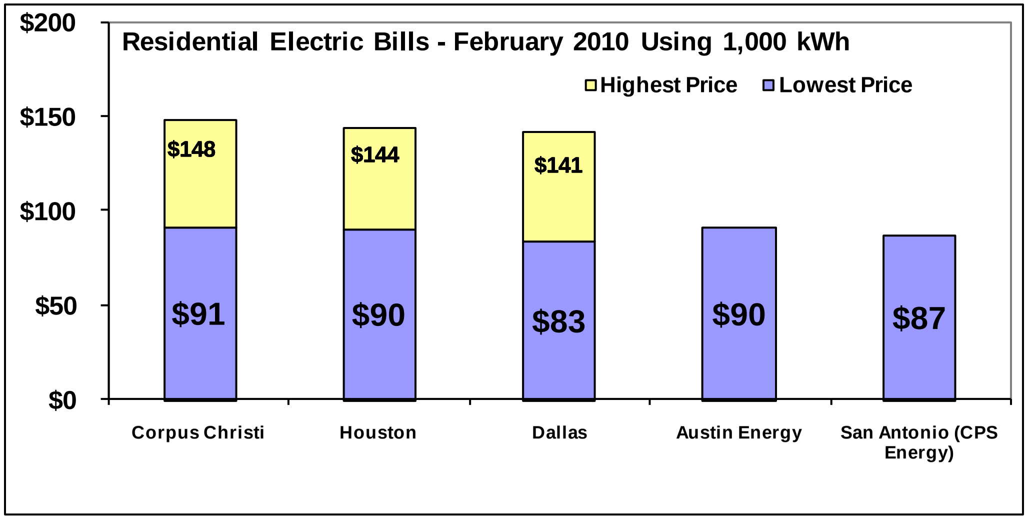
FY 2011 Revenue $1,233.8M

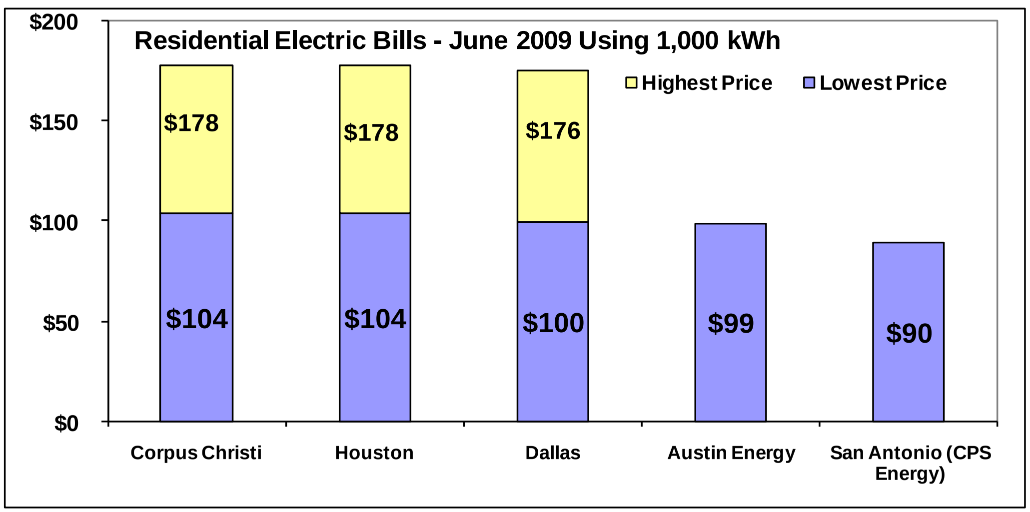


Revenue Key Assumptions

Assumption
Economic data for Travis County used for electric demand • Population growth • Employment growth
Historical patterns of customer mix and usage patterns
Achieve 800 MW demand side management by FY 2020
kWh sales growth of 1.7% derived from normalized weather
Electric base revenue compounded average growth of 1.5%
Base rate increase required, no amount projected
Transmission rider in FY 2011 begins to recover rising transmission costs and adjusted annually
No growth in wholesale sales
Lower cash balances and interest rates reduce interest income
No use of Strategic Reserve Fund to balance
Maintain $44 million Revenue Bond Retirement Reserve

Electric Bills in Major Texas Cities





NOTE: kWh is kilowatt hours.

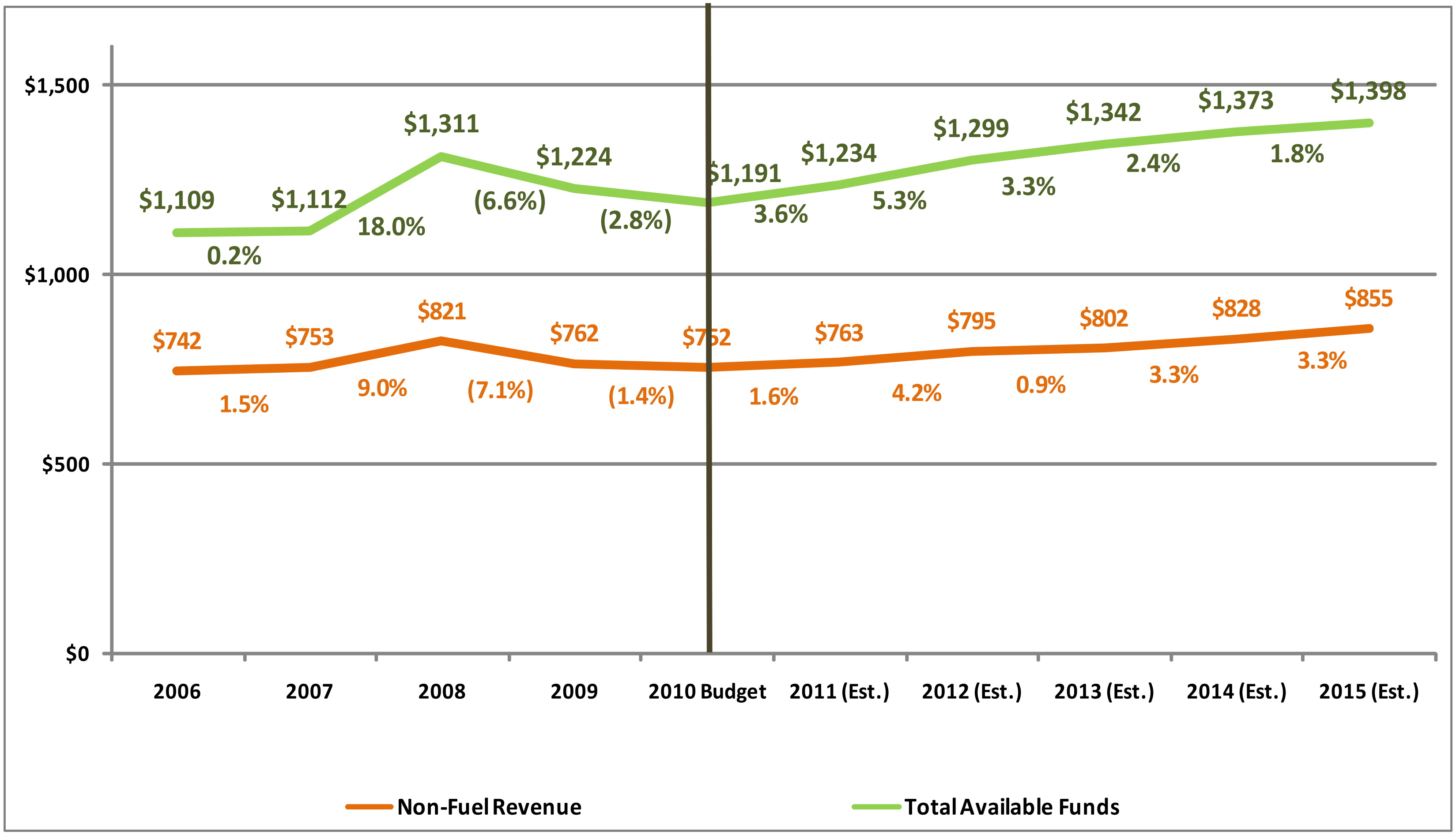
- Tiered rates help keep electric bills affordable for the disadvantaged (residential 1st 500 kWh at 3.55 cents per kWh)
- Levelized billing, deferred payment agreements, Customer Assistance Program

Charts provided for informational purposes only.
Average usage will vary by city.
Prices may vary by season and usage.

Source: Public Utility Commission of Texas.
Additional information on Texas providers can be found at www.puc.state.tx.us.

<u>Average residential customer usage in Austin</u>
June 2009 at 1,115 kWh.
February 2010 at 808 kwh.

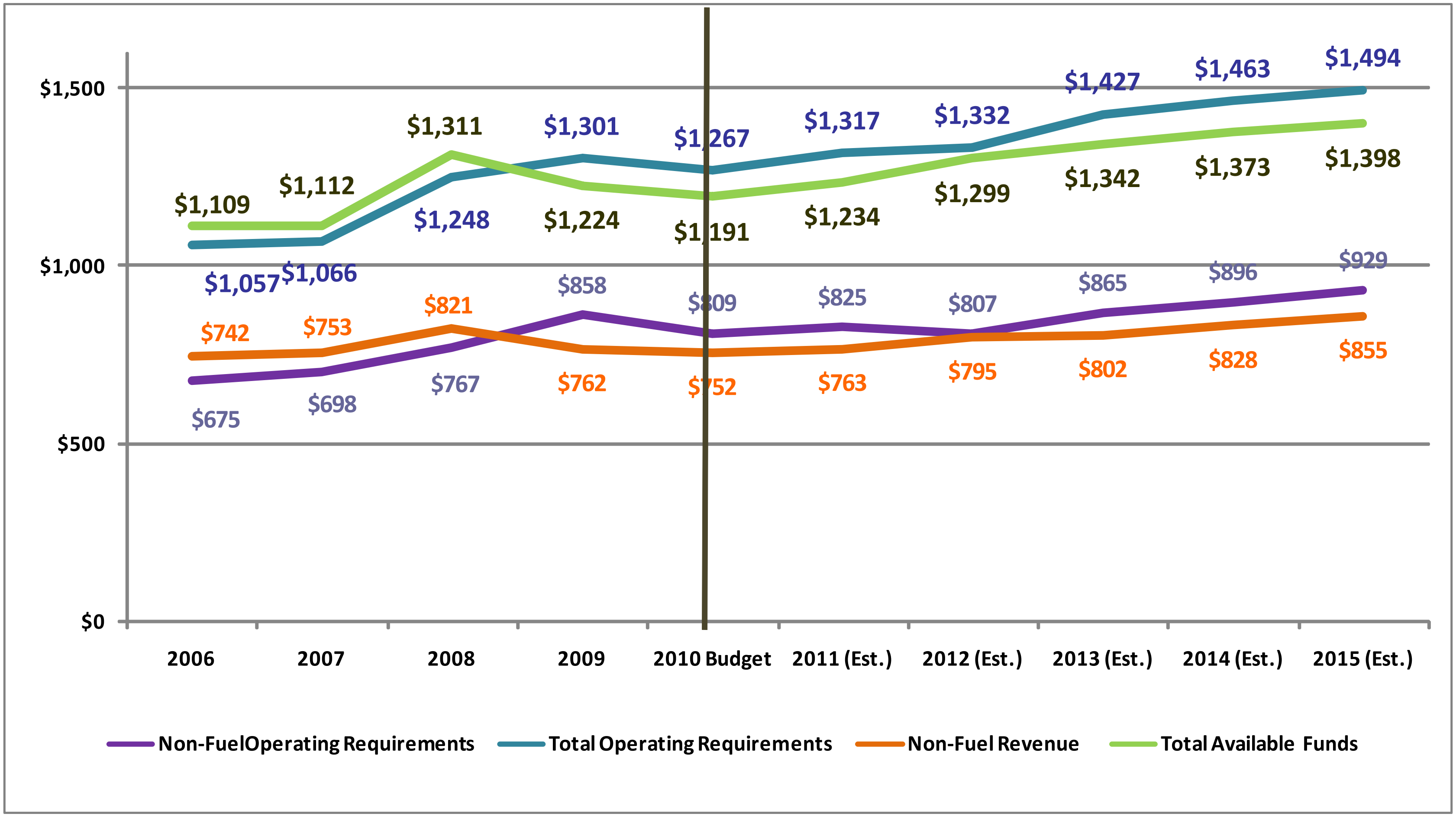
Revenue Summary ($ in millions)



- Transmission Rider implemented FY 2011

Gap in Revenue and Expenditures

($ in millions)



- Forecast shows “Unbalanced” or unsustainable financial picture
- Base rate increase required, no amount projected

Fund Summary ($ in millions)

		2010 CYE	2011	2012	2013	2014	2015
Beginning Balance	**$**	**237.1**	**160.3**	**77.1**	**43.9**	**(41.4)**	**(131.4)**
Revenue	$	1,188.6	1,233.7	1,299.0	1,341.5	1,373.2	1,398.2
Transfers In	$	2.0	0.0	0.0	0.0	0.0	0.0
Available Funds	**$**	**1,190.6**	**1,233.7**	**1,299.0**	**1,341.6**	**1,373.2**	**1,398.2**
Operating Requirements	$	864.7	919.5	967.7	1,031.9	1,061.4	1,088.5
Debt Service	$	179.1	177.3	184.0	214.2	223.7	210.9
Transfers Out	$	205.3	199.3	159.1	158.8	155.6	171.5
Other Requirements	$	18.3	20.8	21.4	22.0	22.5	23.1
Total Requirements	**$**	**1,267.4**	**1,316.9**	**1,332.2**	**1,426.9**	**1,463.2**	**1,494.0**
Excess (Deficiency)	$	**(76.8)**	**(83.2)**	**(33.2)**	**(85.3)**	**(90.0)**	**(95.8)**
Ending Balance	**$**	**160.3**	**77.1**	**43.9**	**(41.4)**	**(131.4)**	**(227.2)**
Strategic Reserve Fund	$	138.1	138.1	138.1	138.1	138.1	138.1
Debt Service Coverage		**1.71**	**1.66**	**1.69**	**1.35**	**1.29**	**1.36**
FTEs		**1,722**	**1,722**	**1,722**	**1,722**	**1,722**	**1,722**

ASSUMPTION: Renewable in 2013-2015 as Construction of Plant

Ending Balance includes working capital reserve in accordance with City Financial Policy.

Fund Summary ($ in millions)

		2010 CYE	2011	2012	2013	2014	2015
Beginning Balance	$	**237.1**	**160.3**	**77.1**	**43.9**	**(16.8)**	**(77.4)**
Revenue	$	1,188.6	1,233.7	1,301.6	1,374.3	1,423.5	1,467.5
Transfers In	$	2.0	0.0	0.0	0.0	0.0	0.0
Available Funds	$	**1,190.6**	**1,233.7**	**1,301.6**	**1,374.3**	**1,423.5**	**1,467.5**
Operating Requirements	$	864.7	919.5	970.3	1,064.6	1,111.7	1,157.8
Debt Service	$	179.1	177.3	184.0	189.6	194.3	144.7
Transfers Out	$	205.3	199.3	159.1	158.8	155.6	171.5
Other Requirements	$	18.3	20.8	21.4	22.0	22.5	23.1
Total Requirements	$	**1,267.4**	**1,316.9**	**1,334.8**	**1,435.0**	**1,484.1**	**1,497.1**
Excess (Deficiency)	$	**(76.8)**	**(83.2)**	**(33.2)**	**(60.7)**	**(60.6)**	**(29.6)**
Ending Balance	**$**	**160.3**	**77.1**	**43.9**	**(16.8)**	**(77.4)**	**(107.0)**
Strategic Reserve Fund	$	138.1	138.1	138.1	138.1	138.1	138.1
Debt Service Coverage		**1.71**	**1.66**	**1.69**	**1.52**	**1.49**	**1.98**
FTEs		**1,722**	**1,722**	**1,722**	**1,722**	**1,722**	**1,722**

ASSUMPTION: Renewable in 2013-2015 as Purchased Power Agreements

Ending Balance includes working capital reserve in accordance with City Financial Policy.

Forecast Conclusions

- **Ongoing projected budget shortfall in each year of forecast**
  - $83 million shortfall in FY 2011
  - FY 2011 Transmission Rider begins recovery of rising transmission costs
  - Base rate increase required by FY 2013, no amount projected
- **FY 2011 proposed budget development**
  - Maintain existing services and reliability
  - “Hold the line” on cost, although some increases will be required
- **Correct structural imbalance to ensure long-term financial sustainability**
  - Combination of revenue enhancements, cost reductions, rate increase
  - Action plans underway for financial review and rate increase

Action Plan

Phase 1 – Initial financial analysis and affordability benchmarking

- Independent evaluation of utility's financial position
- Benchmarking of electric utility costs compared to other comparable utilities
- Comprehensive review of programs to determine whether they support achievement of long-range goals in utility's strategic plan and to help maximize efficiencies
- Assessment of General Fund transfer methodology

Phase 2 – Review Rate Structure

- Priority is Revenue Sufficiency – need rate increase at beginning of FY 2013
- Consulting expertise to assist in rate planning and analysis
- Key challenge - striking proper balance among objectives
  - Financing needs of generation plan and implications of increased energy efficiency goal
  - Appropriate balancing of rates across customer classes
  - May require rate changes be implemented in stages over several years
  - Develop and recommend a long-run strategy for adjusting electric rates

AUSTIN WATER
FINANCIAL FORECAST

Austin Water Utility Financial Forecast FY 2011-15

Austin Water

Presentation Outline

- **Forecast Summary**
  - Revenue Assumptions
  - Operating Requirements
  - Capital Improvement Program
  - Debt Service & Transfers
  - Revenue and Requirements Forecast
  - Monthly Bill Comparison & Affordability
  - Fund Summary

Financial Forecast

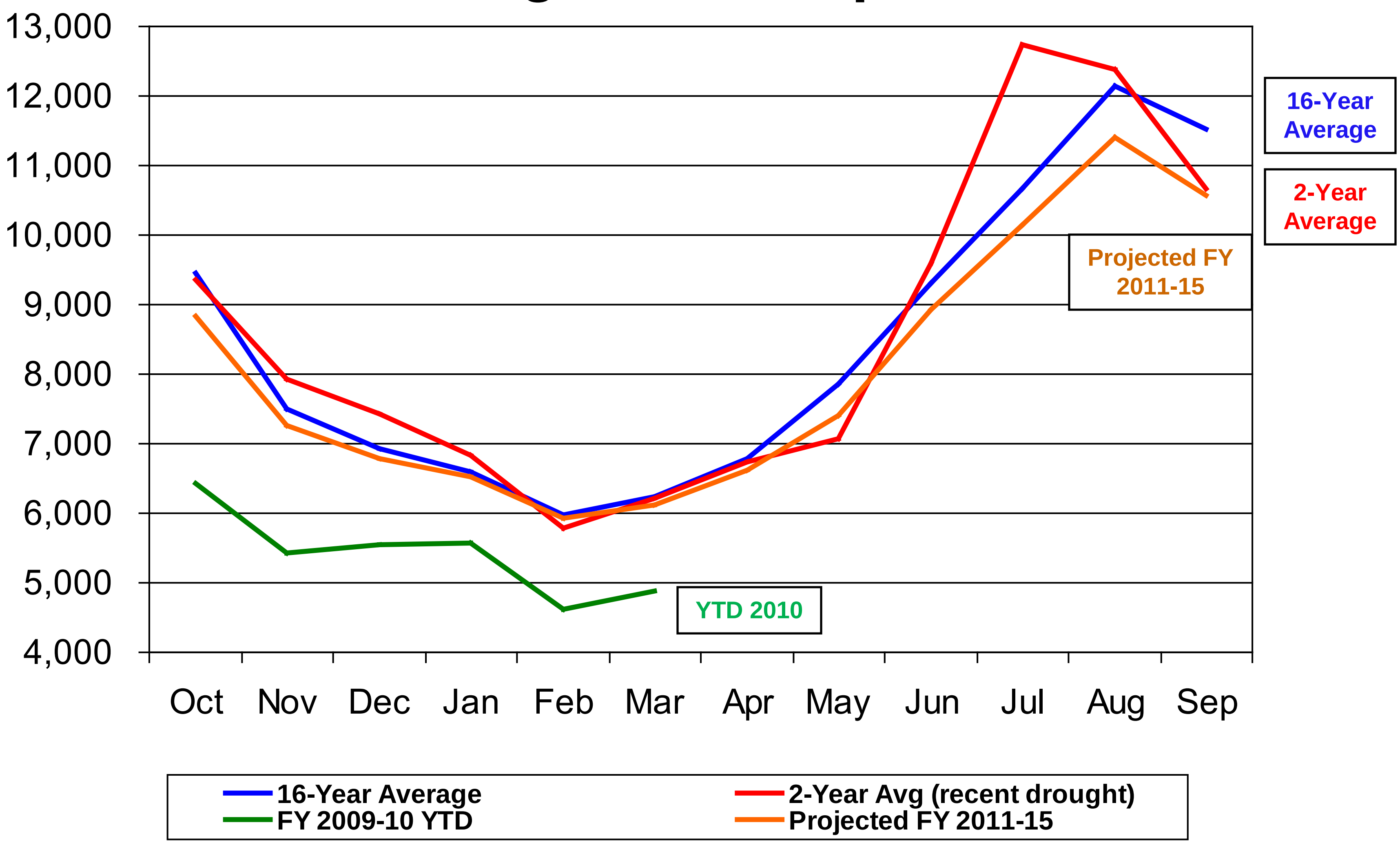
Revenue Assumptions

Revenue Assumptions

- **Growth Assumptions**
  - 1.9% average growth in customer accounts
  - $6.0 million increase in revenue from growth
- **Water Conservation Impacts**
  - 4.4% reduction to average consumption per account
- **Reclaimed Impact**
  - UT reclaimed line operational in 2011
  - $6.5 million net revenue reduction over 5-year period
  - Future rate review needed for reclaimed to be more sustainable

Revenue Assumptions

Residential – Average Consumption Per Account



Revenue Assumptions

CYE Revenue Position Through March

REVENUE ($ millions)	Budget 2009-10	Allotment Thru Mar	Actual Thru Mar	Variance Act to Allot
Water Service	$206.1	$88.2	$68.0	($20.2)
Wastewater Service	$200.9	$97.7	$93.0	($4.7)
Miscellaneous Revenue	$6.0	$3.0	$2.5	($0.5)
Interest Income	$1.5	$0.7	$0.3	($0.4)
Total Revenue	**$414.5**	**$189.6**	**$163.8**	**($25.8)**

Revenue Assumptions

Revenue Summary (Millions)

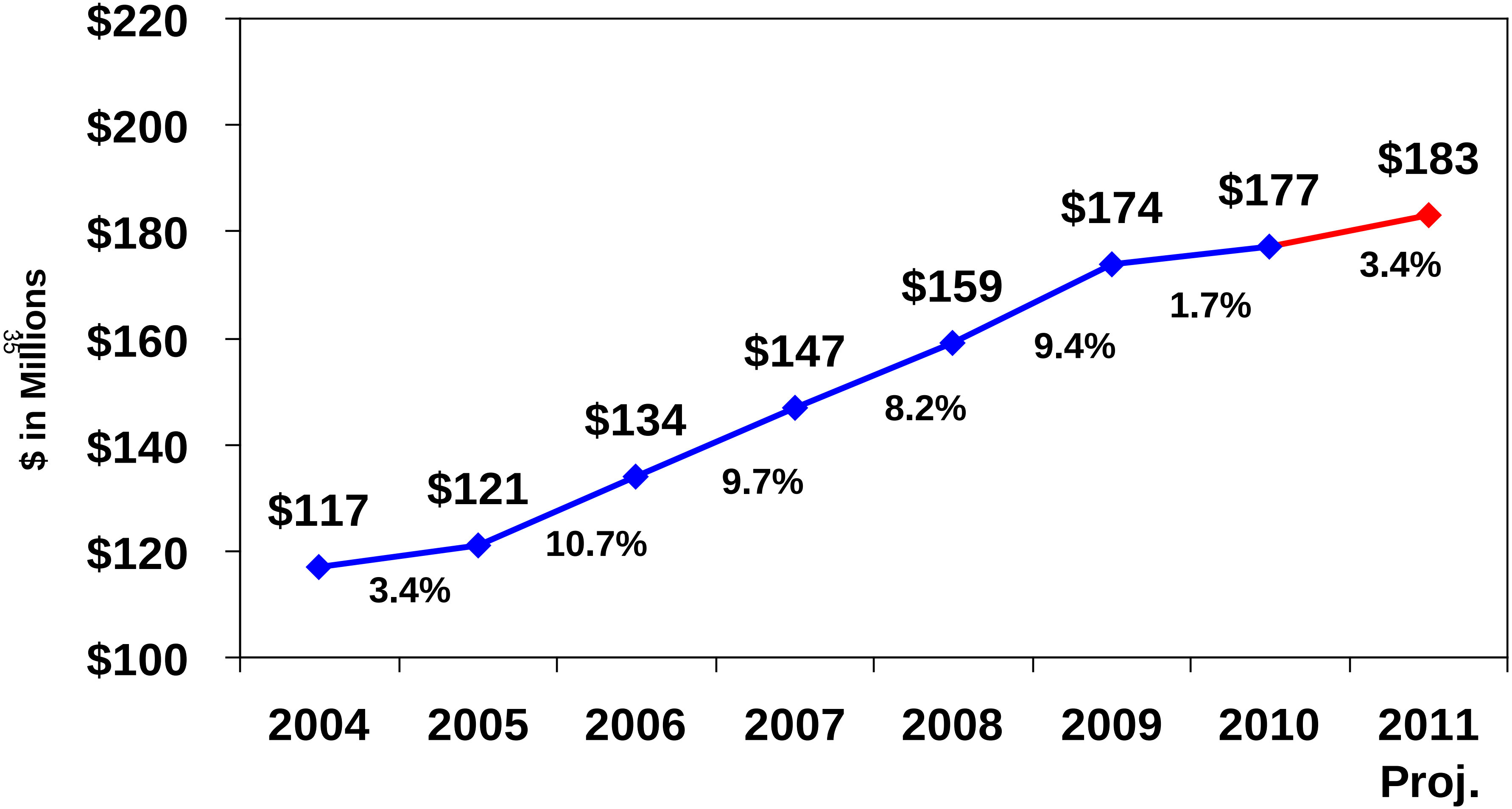
	2010 Budget	2010 CYE	2011	2012	2013	2014	2015
Water Service	$206.1	$184.7	$219.6	$236.1	$256.7	$277.2	$289.9
WW Service	200.9	190.3	200.6	214.9	228.1	239.3	249.3
Reclaimed Service	0.0	0.0	0.6	0.8	0.9	0.9	1.0
Miscellaneous	6.0	5.7	5.9	6.0	6.1	6.3	6.4
Interest Income	1.5	0.8	1.6	2.3	2.6	2.8	2.9
Total Revenue	$414.5	$381.5	$428.3	$460.1	$494.4	$526.5	$549.5

Financial Forecast

Operating Requirements

Operating Requirements

Historical Budget Operating Requirements



Operating Requirements

Cost Drivers in 2011 **(Millions)**

– AE Customer Care	$1.4
– Wage Adjustment at 2.5% per year	$1.1
– Retirement additional 2% years 1-3	$1.1
– Health Insurance at 10% per year	$0.9
– SIP Add-Back	$0.9
– City Administrative Support	$0.3
– CTM Support	$0.2
– Other (Worker’s Compensation, etc.)	$0.1
– Chemicals	$0.8
– Fuel & Maintenance	$0.3
– Water Conservation Rebates*	($1.0)
Total	$6.1

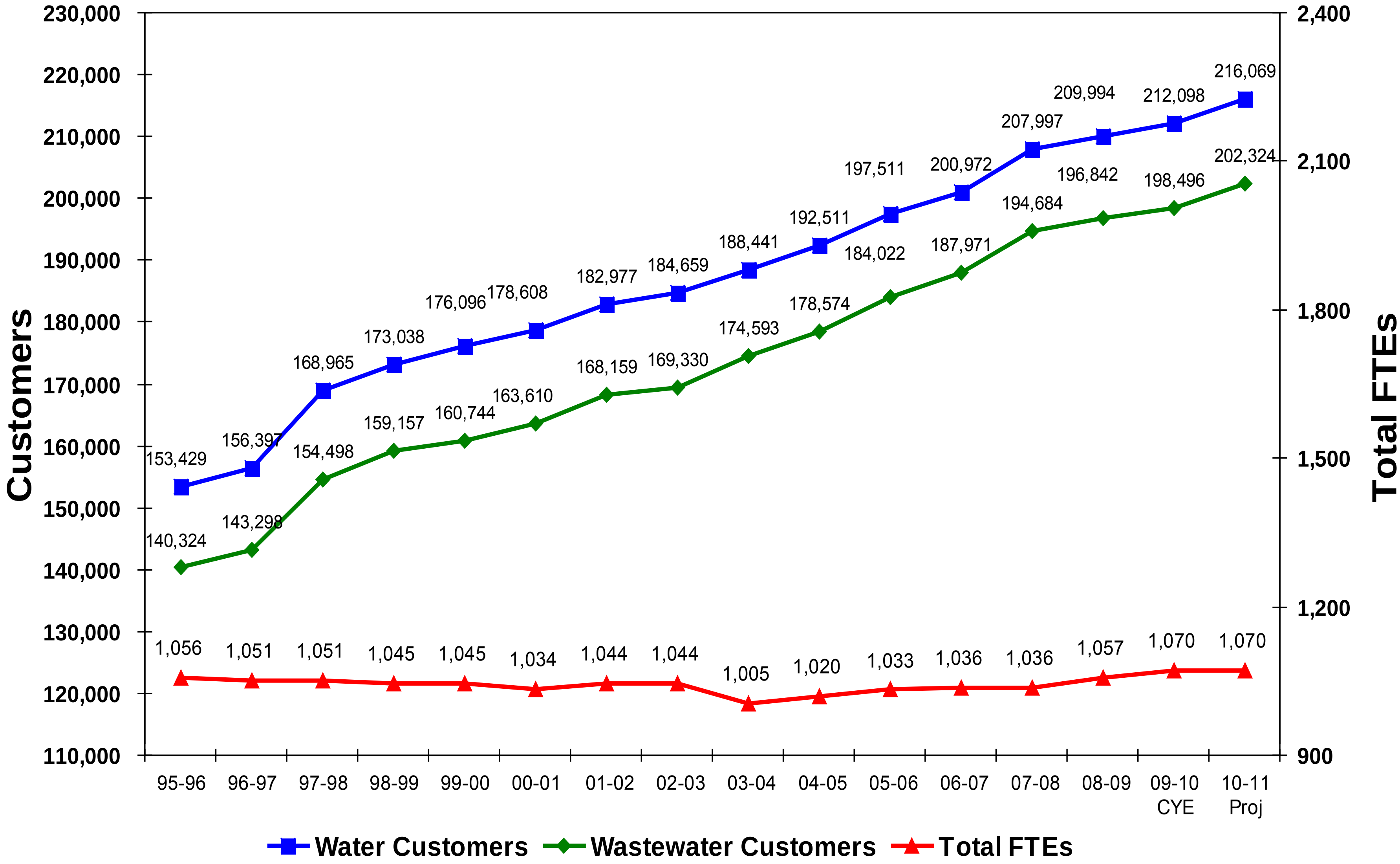
* Budget amendment increased rebates for FY 2010 by $3.0 million. FY 2011 Proposed at $2.0 million.

Operating Requirements

- **Operating Cost Reductions**
  - Contractual and commodity cost targets for 2011 to maintain current year levels
  - $850,000 in power savings through treatment process changes
  - $300,000 in inventory reductions at our central stores
  - $100,000 in savings from drainage fee analysis on AWU property

Operating Requirements

FTE's vs. Customer Growth



Operating Requirements

- **FTEs**
  - No FTEs proposed for FY 2011 or FY 2012
  - WTP4 FTEs in FY 2013-15
    - Supervisory, core functions, engineering, and administrative personnel to staff WTP4
  - Proposed FTEs in FY 2014-15
    - $1 million per year in additional FTEs for critical functions

Operating Requirements

Operating Summary (Millions)

	2010 Budget	2010 CYE	2011	2012	2013	2014	2015
Treatment	$62.7	$61.3	$63.5	$65.1	$66.7	$69.0	$71.2
Pipeline Operations	31.1	31.1	31.5	32.4	33.4	34.4	35.5
Engineering Services	11.2	11.2	11.3	11.5	11.8	12.0	12.2
Water Resource Mgmt	3.9	3.9	3.9	4.0	4.1	4.2	4.3
Environ/Conservation	15.4	14.6	14.4	14.7	15.0	15.5	15.9
Support Services	15.2	14.9	15.2	15.5	15.8	16.1	16.5
One Stop Shop	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Other Operating	37.3	35.9	43.0	48.5	52.6	57.5	61.8
Total	$177.3	$173.4	$183.3	$192.2	$199.9	$209.2	$217.9

Capital Improvement Program

Capital Improvement Program

- **$1.27 Billion 5-Year Capital Spending Plan**

$ in millions

	2010-11	2011-12	2012-13	2013-14	2014-15	Total
Water	$169.4	$227.5	$208.6	$147.9	$92.5	$845.9
Wastewater	106.1	88.3	63.4	75.3	93.5	426.6
Combined	$275.5	$315.8	$272.0	$223.2	$186.0	$1,272.5

Capital Improvement Program

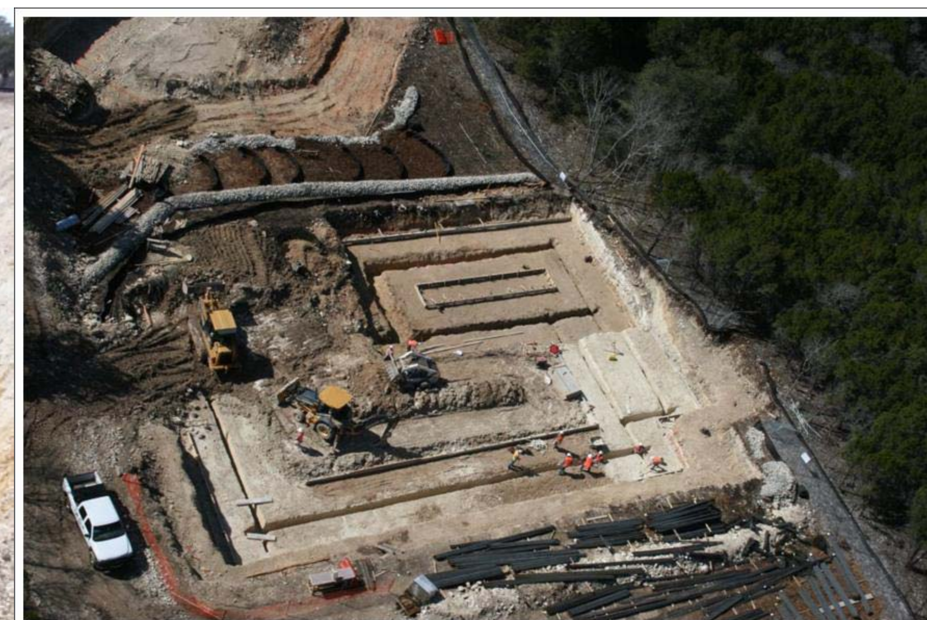
Reclaimed Water System - $52 M

Downtown Wastewater Tunnel - $28 M

SE IH-35 System Improvements - $66 M

Capital Improvement Program

- **WTP4 Spending**
  - $407.4 million projected over 5-year period for the plant and associated transmission mains



Capital Improvement Program

Major Capital Projects for FY 2011-15 (Millions)

- **WTP4 and associated transmission mains** **$407.4**
- **Existing treatment plant improvements** **$208.1**
  - $24.1 in ARRA stimulus funding
- **Water & wastewater system rehabilitation** **$178.9**
- **Service extension requests** **$ 69.9**
- **South I-35 water & wastewater program** **$ 65.6**
- **Reclaimed water projects** **$52.3**
  - $20.6 for Water Conservation Task Force projects
- **Downtown Wastewater Tunnel** **$ 28.0**

Debt Service & Transfers

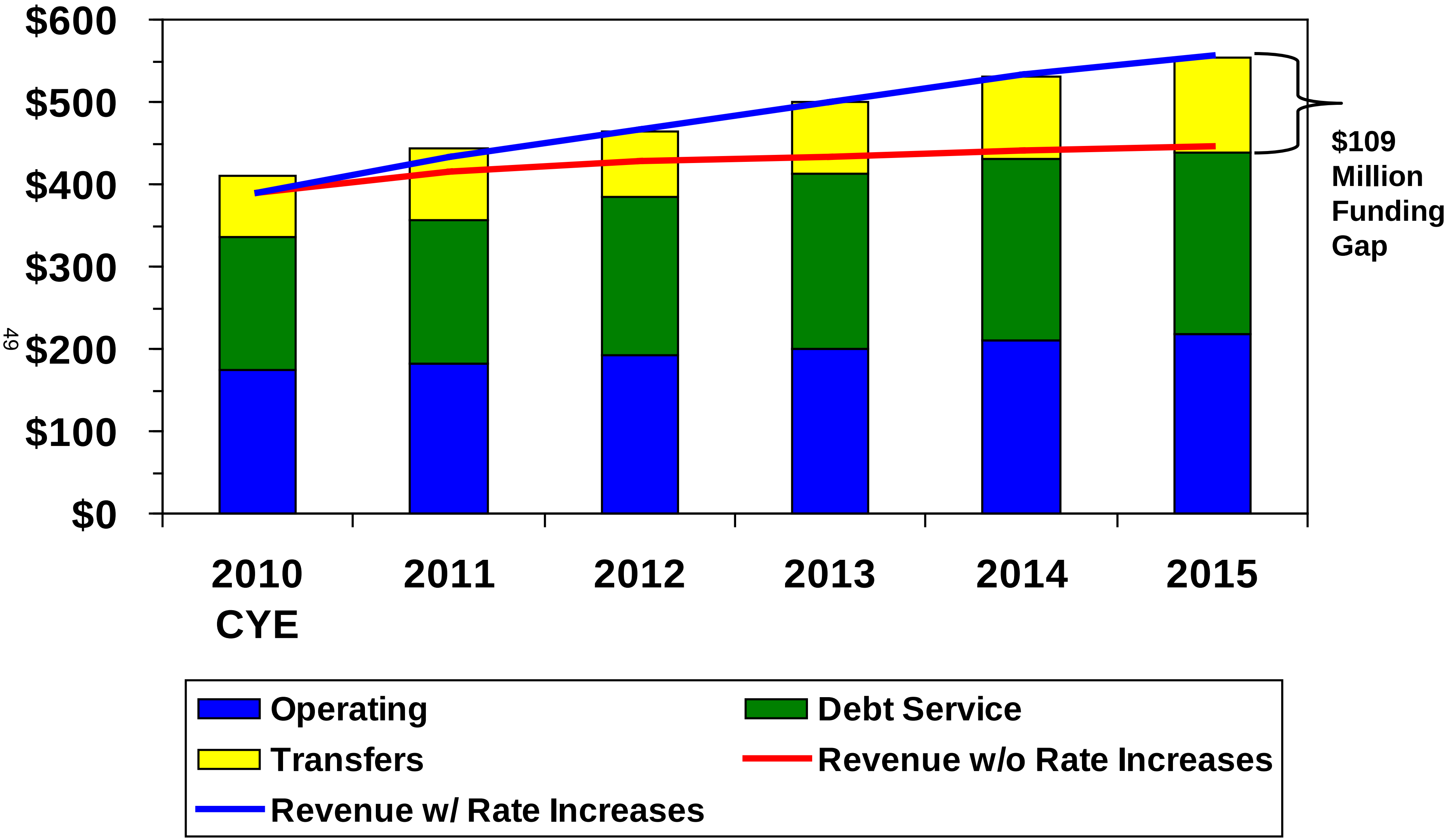
Debt Service & Transfers

- **Debt Service Requirements in 2011**
  - $173.6 million in debt service requirements
  - $8.3 million increase
- **CIP transfers in 2011**
  - $49.8 million in cash funding of our capital spending plan
- **General Fund Transfers in 2011**
  - $31.5 million in FY 2011 based on 8.2% of total revenue

Financial Forecast

Revenue & Requirements

Revenue and Requirement Forecast



Revenue and Rates

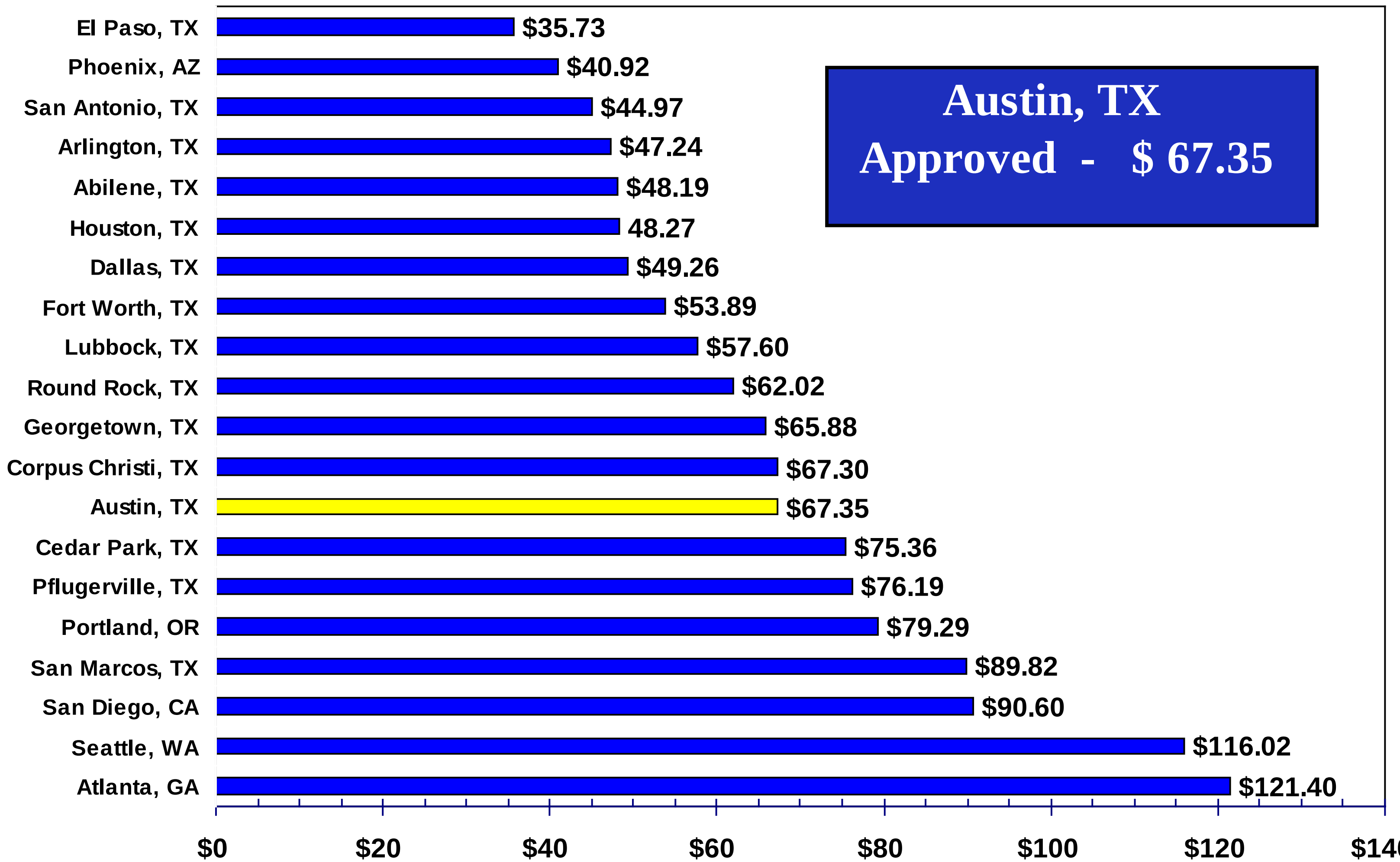
Projected System-wide Rate Increases

	2011	2012	2013	2014	2015
Water:	6.8%	5.5%	6.6%	5.7%	2.5%
Wastewater:	2.0%	3.5%	4.3%	3.1%	2.5%
Combined:	4.5%	4.5%	5.5%	4.5%	2.5%

- **Customer Class Rates**
  - Individual customer class percentage impacts will vary based on cost of service
- **Average Residential Monthly Bill Impact**
  - Approximately $3.00 per month average yearly bill impact
  - Actual monthly bill impact will vary based on cost of service analysis
- **Cost of Service Transition**
  - Commercial & Large Volume customers at 9% above cost
  - 1%-2% transition to cost of service planned in 2011

Performance Measures

Average Residential Bill Comparison



Average bill based on 8,500 gals water usage and 5,000 gals wastewater discharge

Affordability Efforts

- **Low-income monthly minimum charge waiver**
  - Over 4,000 low income customers get waiver of $15.20 per month
  - Continuing efforts to enhance enrollments in program
- **Residential Block Rate Design**
  - Lower usage blocks are priced significantly under cost
  - Higher usage blocks are priced above cost to provide incentive for water conservation

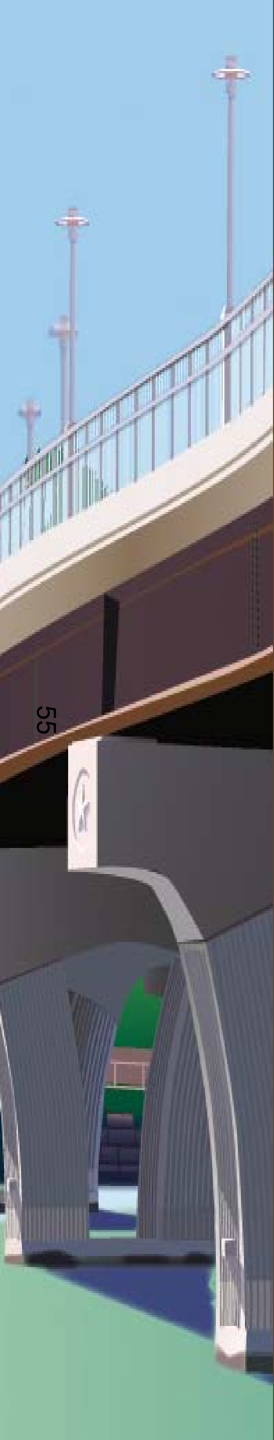
Fund Summary

	2010 Budget	2010 CYE	2011	2012	2013	2014	2015
Beginning Balance	$54.3	$67.6	$47.3	$38.7	$40.0	$41.2	$42.6
Revenues:							
Service	$407.0	$375.0	$420.8	$451.8	$485.7	$517.4	$540.2
Other	15.8	14.8	13.7	14.7	15.2	15.6	15.8
Total Revenues:	$422.8	$389.8	$434.5	$466.5	$500.9	$533.0	$556.0
Requirements:							
O&M	$177.3	$173.4	$183.3	$192.2	$199.9	$209.2	$217.9
Debt Service	165.3	163.7	173.6	192.5	211.7	222.3	219.5
Transfers	96.2	73.0	86.2	80.5	88.1	100.1	117.3
Total Requirements	$438.8	$410.1	$443.1	$465.2	$499.7	$531.6	$554.7
Ending Balance:	$38.3	$47.3	$38.7	$40.0	$41.2	$42.6	$43.9
Rate Increases	4.5%	4.5%	4.5%	4.5%	5.5%	4.5%	2.5%
Debt Coverage	1.57	1.39	1.53	1.51	1.51	1.53	1.61

Austin Water

Financial Forecast

Questions?



Financial Forecast

Airport

Austin Convention Center

Drainage Utility

Solid Waste Services

Transportation Fund

Basic Outline

- Sources and Uses of Funds
- Expenditure Assumptions
- 2011 Cost Drivers
- Revenue Assumptions
- Fund Summary and Fund Balance Projections
- Conclusions

Expenditure Assumptions – All Funds

- Funding for all currently authorized FTEs
  - personnel costs have been reduced to reflect anticipated vacancy savings resulting from normal attrition
- Employee wage increases
  - 2.5% annually for civilian employees
- Supplemental funding for employee retirement systems
  - 2% annually in 2011-13 for civilian employees
- Annual increases in City health insurance costs of 10%
  - employee premium also anticipated to increase 10% in 2011
- Inflationary cost increases for utilities, fuel, contractual services and commodities

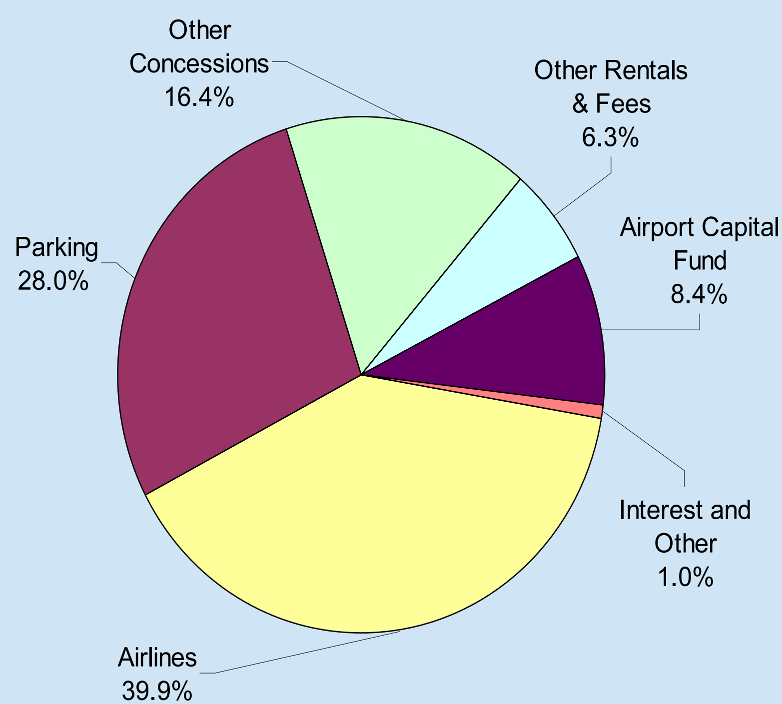
AVIATION
FINANCIAL FORECAST

Financial Forecast

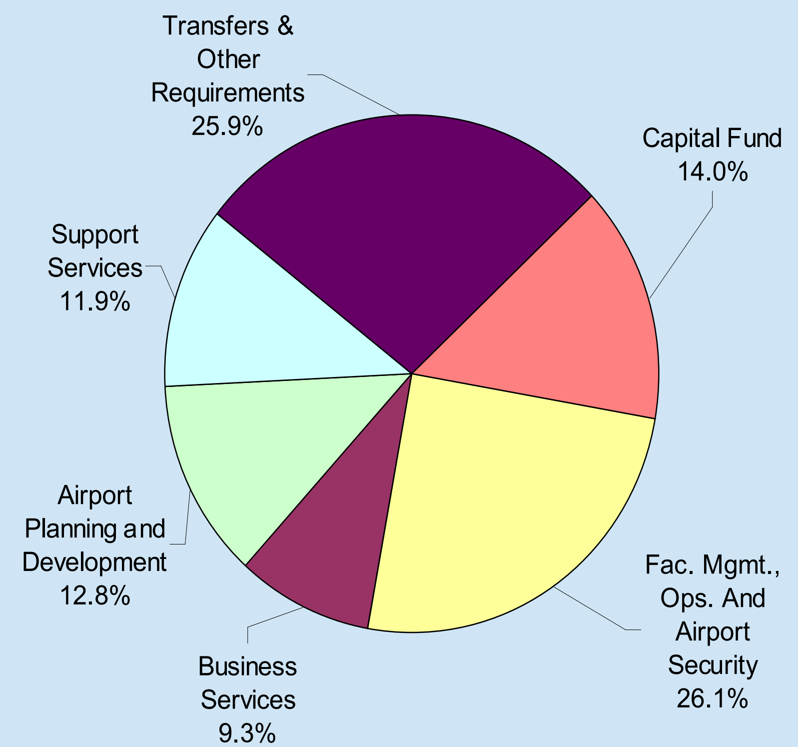
Airport

FY 2010 Budget

Sources of Funds
$92.6 million



Uses of Funds
$92.6 million



Expenditure Assumptions

- No new positions or service enhancements planned over the forecast period
- Annual contributions to capital fund maintained at historical levels
  - average of $10.9 million per year 2011-2015
  - current balance = $64.9 million
- 60 day operating reserve requirement maintained
  - $10.2 million in FY 2011
- Debt service requirements assumed to remain stable over the forecast period
  - recent volatility in the variable rate market has stabilized
  - financial advisor continues to seek opportunities to mitigate future risk

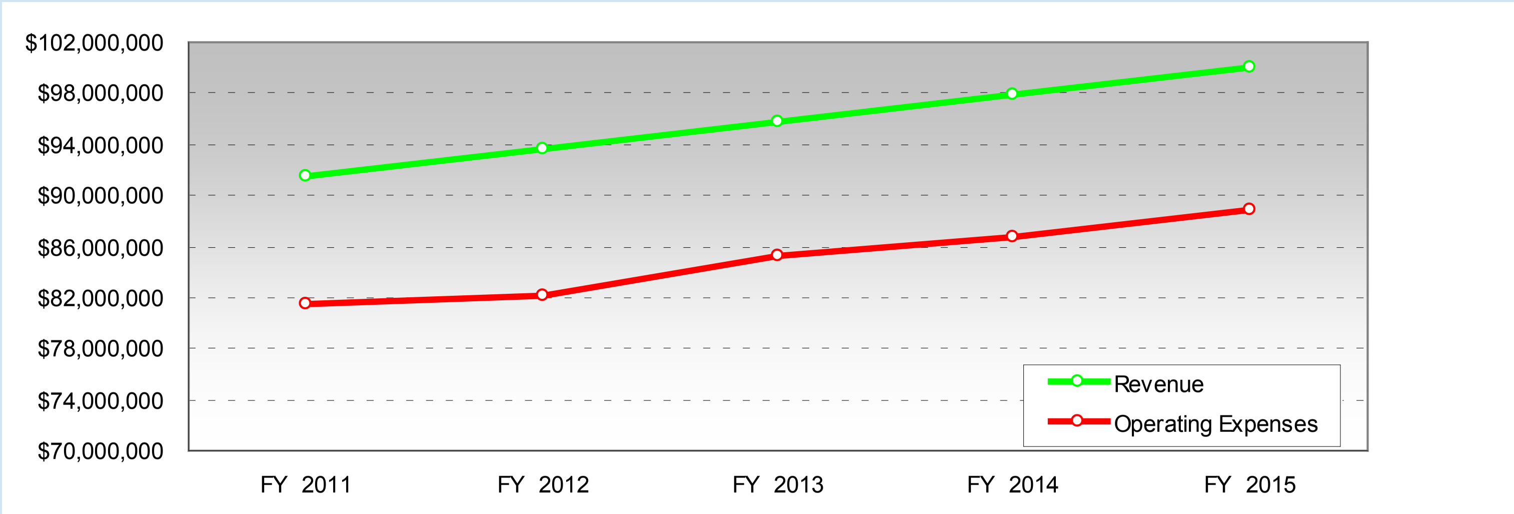
2011 Cost Drivers

Category	***Estimated Increases***	***Justification***
Base Personnel Costs	$1.2	* Health Insurance * Civilian Wage Adjustments * Service Incentive Pay * Supplemental Pension Funding
Other Departmental Costs	$0.6	* Police and Fire Personnel Costs per Contract * Operating Reserve
Transfers / Other Requirements	($0.1)	* Workers Compensation * Accrued Payroll * Liability Reserve * Support Services Fund * Communication & Technology * Variable Rate Debt Service declining by $330K
Totals	***$1.7***	

Revenue Assumptions

- 2.2% annual increase in airline fees
  - based on projected increases in operating costs
- 2.0% annual passenger growth
  - based on FAA projections

Fund Summary



Fund Balance	FY 11	FY 12	FY 13	FY 14	FY 15
Beginning Balance	$0.0	$0.0	$0.0	$0.0	$0.0
Revenue	$91.6	$93.6	$95.8	$97.9	$100.1
Operating Expenses	$81.5	$82.1	$85.3	$86.8	$88.9
Transfer to CIP	$10.1	$11.5	$10.5	$11.1	$11.2
Ending Balance	$0.0	$0.0	$0.0	$0.0	$0.0
FTEs	345.00	345.00	345.00	345.00	345.00

Conclusions

- Airport has experienced a slight improvement in passenger traffic in the first quarter of 2010 and moderate growth is projected to continue over the forecast horizon
- Annual average revenue growth of approximately 2.4% per year beginning in FY 2011
- Average contributions to capital fund $10.9 million annually to fund key capital projects
  - remain over night aircraft parking apron
  - terminal improvements including HVAC, terminal entry vestibule, and bag handling system control
  - parking plaza and parking garage improvements
  - noise mitigation projects in the noise impact area
  - storm water/environmental projects

CONVENTION
FINANCIAL FORECAST

Financial Forecast

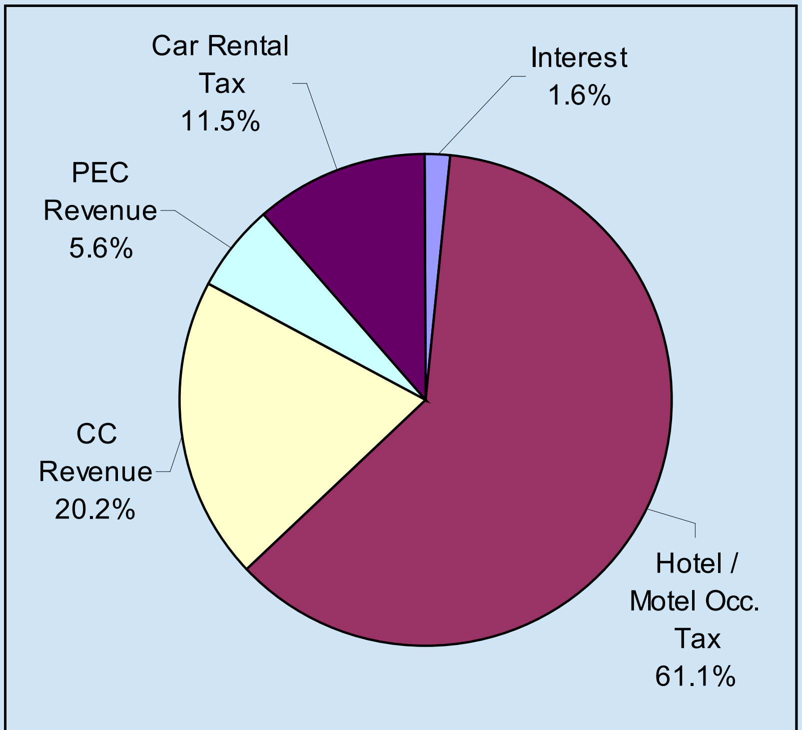
Convention Center – All Funds

Austin Convention Center

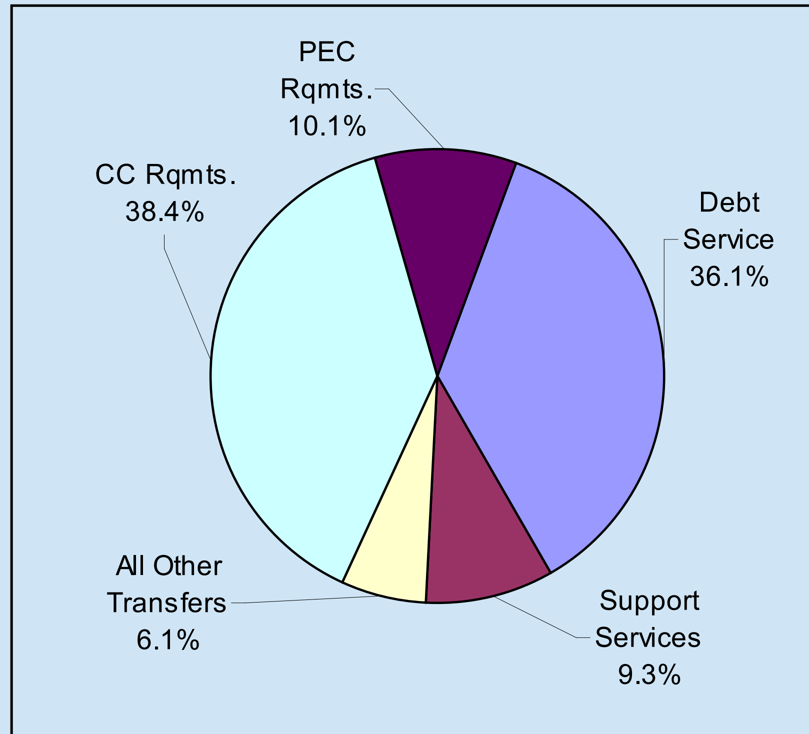
Palmer Events Center

FY 2010 Budget

Sources of Funds
$50.0 million



Uses of Funds
$55.4 million



Expenditure Assumptions

- No new positions or service enhancements planned over the forecast period
- Reduced operating expenses in 2011 to adjust for decline in revenue
  - reducing overtime and temporary staff expenses
  - reducing building operations and maintenance expenses
- Average annual increase of 1.4% projected for 2012-2015
- No additional capital appropriations planned in 2011
  - facility improvements will continue in 2011 using 2010 funding
  - 3rd/4th floor connector project under construction

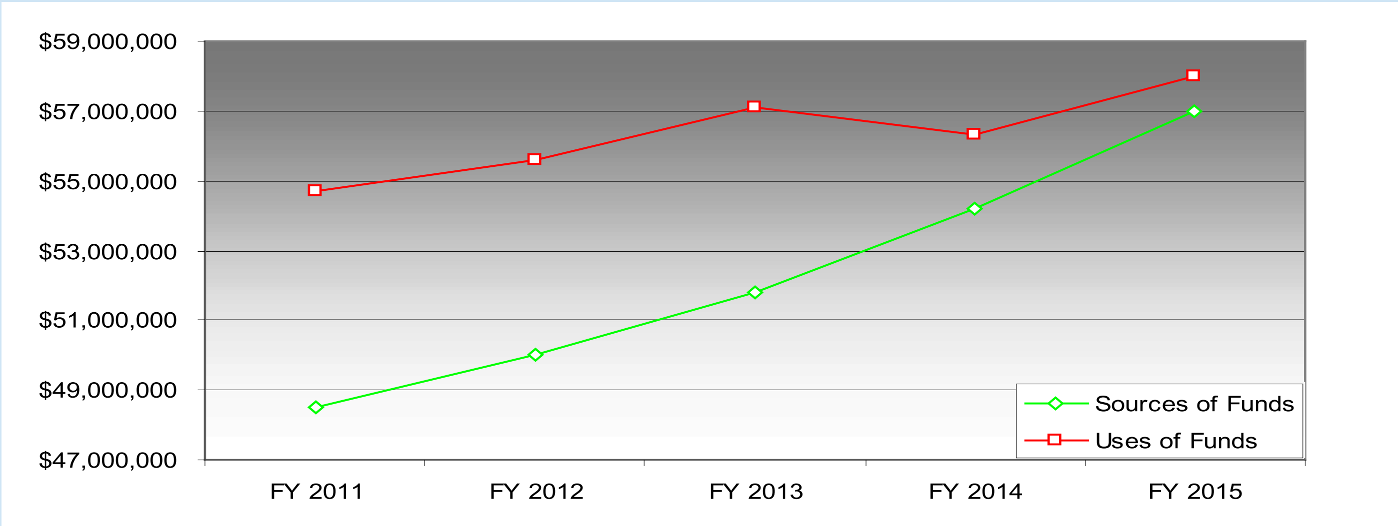
FY 2011 Cost Drivers

Category	***Estimated Changes***	***Justification***
Base Personnel Costs	$0.8	* Health Insurance * Civilian Wage Adjustments * Service Incentive Pay * Supplemental Pension Funding
Other Departmental Costs	($1.3)	* Net Reduction Of Capital Outlay * Increase In Vacancy Savings * Reduce Building Operations and Maintenance, Overtime, and Temporary Expenses
Transfers / Other Requirements	($0.3)	* Workers' Compensation * Accrued Payroll * Liability Reserve * Admin Support/CTM Allocation * Debt Service
Totals	***($0.8)***	

Revenue Assumptions

- Hotel occupancy tax accounts for about 60% of revenue
  - 8.7% decline experienced in 2009
  - further decline of 4.1% decline projected in 2010
  - 3.3% average annual increase projected 2011-2015
- Projecting modest but steady increases in facility rental and contractor revenues after 2011

FY 2011-15 Fund Balance



Fund Balance	FY 11	FY 12	FY 13	FY 14	FY 15
Beginning Balance	$21.7	$15.5	$9.9	$4.5	$2.4
Revenue	$48.5	$50.0	$51.8	$54.2	$57.0
Expenses	$54.7	$55.6	$57.1	$56.3	$58.0
Excess/Deficit	($6.2)	($5.6)	($5.3)	($2.2)	($0.9)
Ending Balance	$15.5	$9.9	$4.5	$2.4	$1.4
FTEs	244.00	244.00	244.00	244.00	244.00

Convention Center – All Funds

Summary

- Hotel occupancy tax revenue has declined significantly since 2008 with the downturn in economy
  - slow recovery projected beginning in 2011
  - 2008 level of revenue not anticipated to be regained until 2015
- Cost containment efforts have been implemented but expenditures are projected to outpace revenues throughout the forecast horizon
  - $6.2 million deficit in 2011 dropping to $0.9 million in 2015
  - reserves built up in prior years are projected to be sufficient to cover annual operating deficits over the forecast horizon
- Austin Convention Center and Palmer Events Center are both exploring new revenue generating opportunities

DRAINAGE
FINANCIAL FORECAST

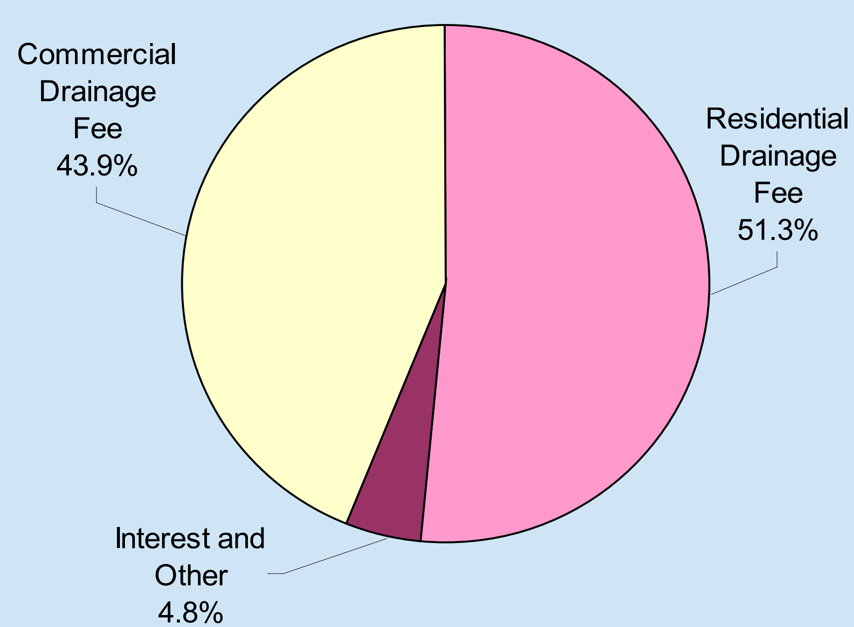
Financial Forecast

Drainage Utility Fund

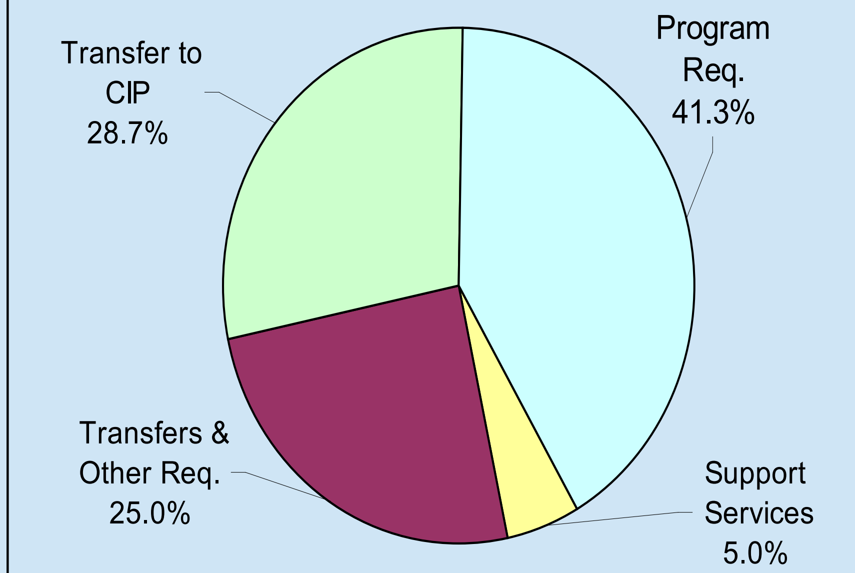
Watershed Protection Department

FY 2010 Budget

Sources of Funds
$57.9 million



Uses of Funds
$59.7 million



Expenditure Assumptions

- 22.75 positions added over 5 year forecast period to address growing operating requirements
  - pond maintenance and inspections
  - GIS support
  - infrastructure inspection
  - preventative maintenance
  - support for in-house preliminary engineering reports (PER)
- $12.5 million annual increase to CIP by 2015
  - increase from $17.1 million in 2010 to $29.6 million in 2015
  - $30 million per year is required to fund the drainage master plan over 40 years
  - goal is to reduce the City's reliance on general obligation bond programs to fund drainage improvements

2011 Cost Drivers

Category	***Estimated Increases***	***Justification***
Base Personnel Costs	$1.1M	* Health Insurance * Civilian Wage Adjustments * Service Incentive Pay * Supplemental Pension Funding
Other Departmental Costs	$0.6M	* Additional Program Staffing Positions: Flood Hazard Mitigation -1.0 Infrastructure & Waterway Maintenance – 2.0 Water Quality Protection – 1.75 Support Services – 1.0 * Temporary Employees
Transfers / Other Requirements	($0.8M)	* Accrued Payroll * Liability Reserve * Support Services Fund * Communication & Technology * Workers' Compensation * Reduction in Expense Refunds
CIP Transfers	$5.0M	* Continued Implementation of Drainage Master Plan
Totals	***$5.9M***	

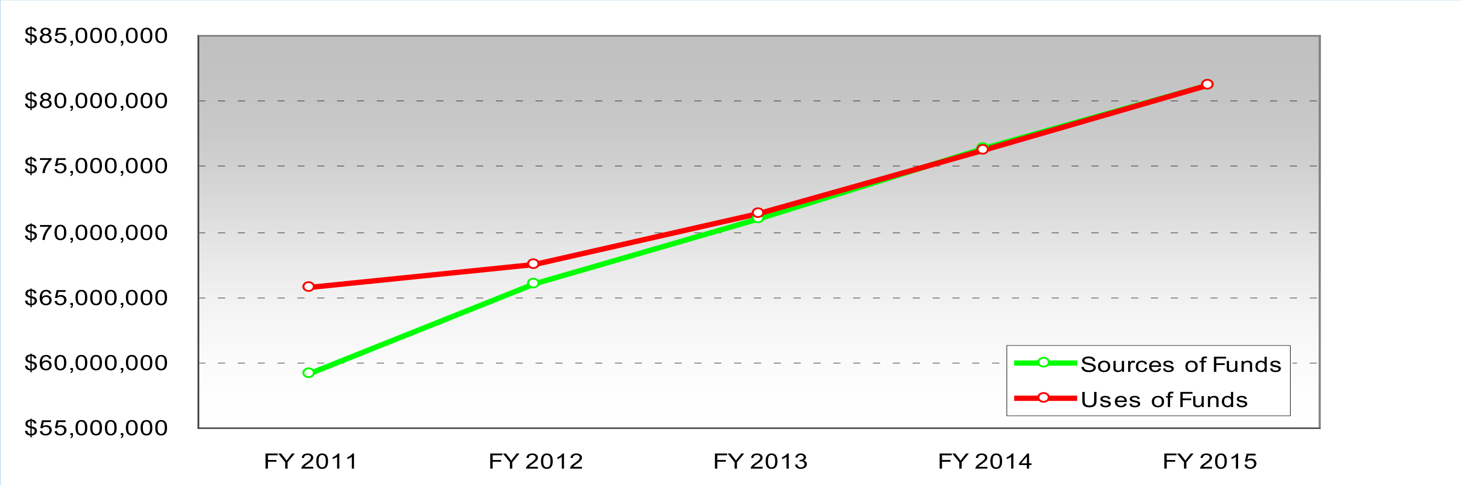
Drainage Utility Fund

Revenue Assumptions

DUF Assumptions	Residential	Change	Commercial	Change
Current	$7.75	$0.60	$191.50	$14.84
FY 2011	$7.75	$0.00	$191.50	$0.00
FY 2012	$8.55	$0.80	$211.27	$19.77
FY 2013	$9.15	$0.60	$226.10	$14.83
FY 2014	$9.65	$0.50	$238.45	$12.35
FY 2015	$10.15	$0.50	$250.81	$12.36

- Customer growth projections
  - o growth in residential customers based upon anticipated population growth of between 1% and 1.5% annually
  - o minimal commercial customer growth projected 2011-2015

Fund Summary



Fund Balance	FY 11	FY 12	FY 13	FY 14	FY 15
Beginning Balance	$10.9	$4.4	$3.0	$3.1	$3.3
Revenue	$59.2	$66.0	$71.4	$76.4	$81.3
Expenses	$65.6	$67.5	$71.4	$ 76.2	$ 81.3
Excess/Deficit	($6.4)	($1.4)	$0.0	$0.2	$0.0
Ending Balance	$4.4	$3.0	$3.1	$3.3	$3.2
30 day reserve	$2.4	$2.5	$2.6	$2.7	$2.8
FTEs	255.25	258.25	263.25	268.25	275.25

Conclusions

- No increase in Drainage Utility Fee proposed for 2011
  - $2.40 per month increase in residential rate and $59.31 per month increase in commercial rate projected over forecast horizon
  - $12.5 million increase in the contribution to CIP projected over forecast horizon
  - part of long-term plan to reduce reliance on future general obligation bond programs for capital needs
- Continuation of infrastructure and system improvement projects from master plan
  - waller creek tunnel
  - boggy creek channel improvements
  - little walnut creek flood hazard reduction
  - shoal creek – pease park water quality and stream restoration

Conclusions

- Addition of 22.75 positions planned over 5 year period
- Deficit of $6.4 million projected in 2011, dropping to $1.4 million in 2012, before achieving balance in 2013-2015
    - deficits in early years created by the use of ending balances to fund additional capital projects
    - 30 day operating reserve maintained in all years

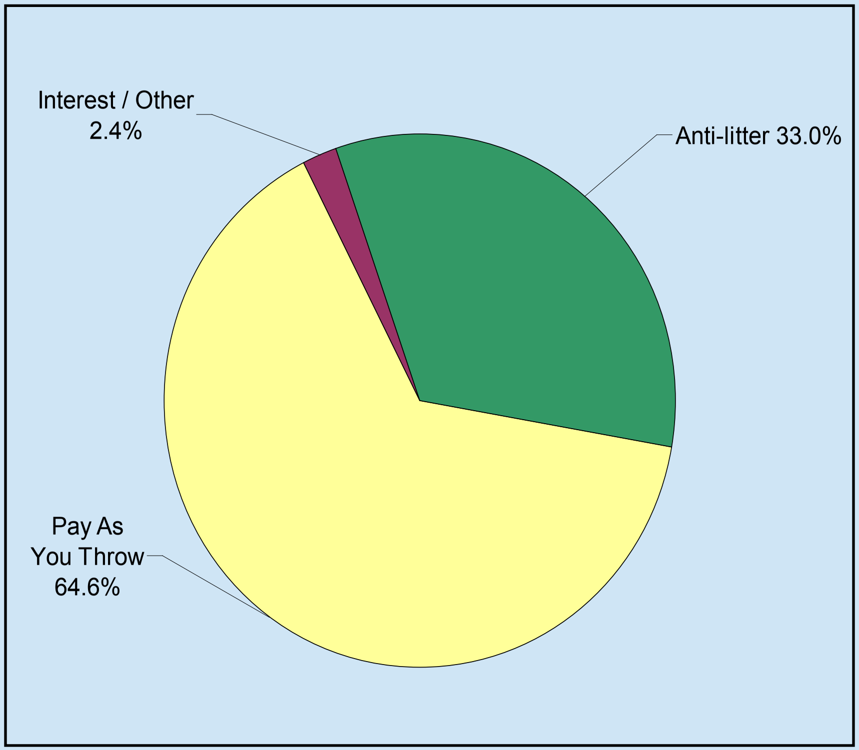
SOLID WASTE
FINANCIAL FORECAST

Financial Forecast

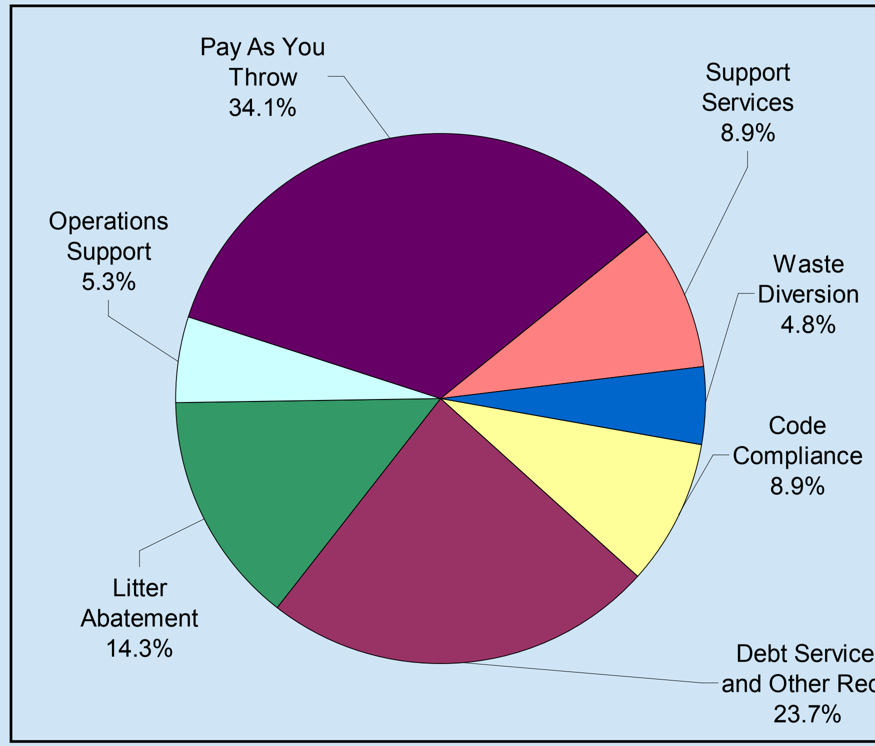
Solid Waste Services

FY 2010 Budget

Sources of Funds
$65.8 million



Uses of Funds
$66.1 million



Expenditure Assumptions

- 9 positions added over the forecast period
  - 5 positions for residential collection and 3 positions for litter abatement to keep pace with projected customer growth
  - 1 position for Zero Waste composting program in 2012
- Re-branding of department and new marketing strategies
- 5% annual growth in cost of Code Compliance Program

2011 Cost Drivers

Category	***Estimated Increases***	***Justification***
Base Personnel Costs	$1.3m	* Health Insurance * Civilian Wage Adjustments * Service Incentive Pay * Supplemental Pension Funding
Other Departmental Costs	$0.3m	* Zero Waste Programs * New Marketing Strategies * Contractual Increases
Transfers / Other Requirements	$2.2m	* Code Compliance Fund * Workers Compensation * Accrued Payroll * Liability Reserve * Support Services * Communication & Technology * General Obligation Debt Service * Sustainability Fund
Totals	***$3.8m****	

** Total does not reflect a $5.4 million increase in both revenues and expenditures resulting from a change in the accounting of the City's recycling processing fees.*

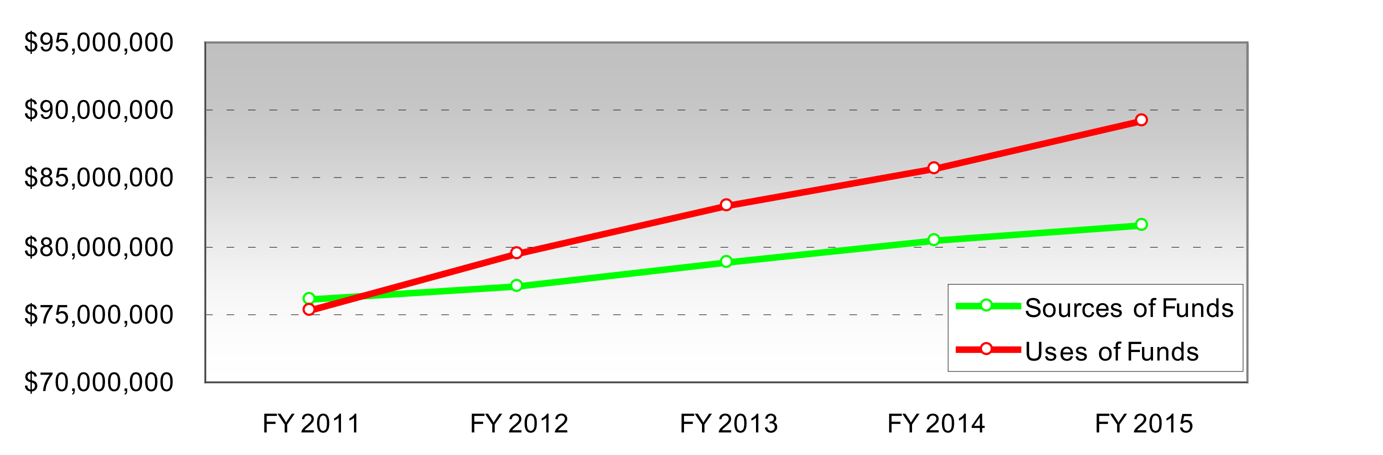
Solid Waste Services

Revenue Assumptions

Rate Assumptions	30 gallon cart	60 gallon cart	90 gallon cart
Current	$4.75	$10.00	$18.20
FY 2011	$4.75	$9.65	$19.20
Change	$0.00	($0.35)	$1.00

- Rate changes not assumed beyond 2011
  - rate increase will likely be required prior to 2015
  - future rate changes will be driven by the Zero Waste Plan, the SWS Master Plan and the Materials Recovery Facility
  - SWS Master Plan will produce a rate plan
- Uncertainty of recycling market could impact revenue
- Growth in customer base projected = population growth

Fund Summary

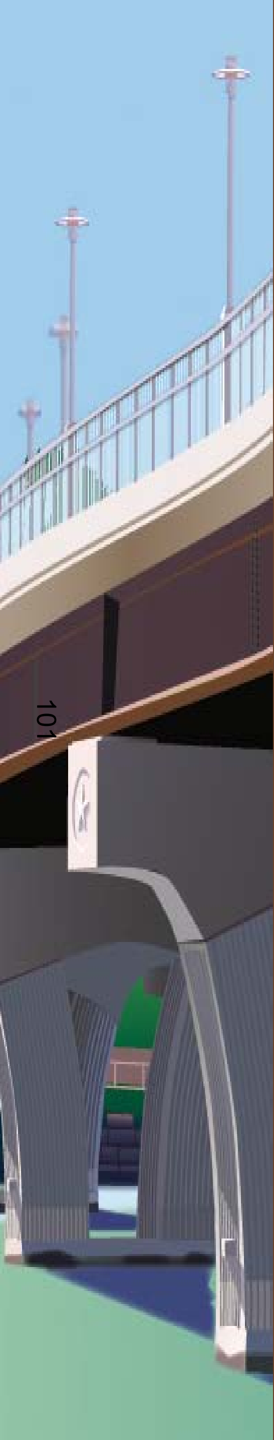


Fund Balance	FY 11	FY 12	FY 13	FY 14	FY 15
Beginning Balance	$17.9	$18.6	$16.1	$11.9	$6.5
Revenue	$76.0	$77.0	$78.8	$80.3	$81.6
Expenses	$75.3	$79.5	$83.0	$ 85.7	$ 89.2
Excess/Deficit	$0.7	($2.5)	($4.2)	($5.4)	($7.6)
Ending Balance	$18.6	$16.1	$11.9	$6.5	($1.1)
30 day reserve	$5.5	$5.7	$6.0	$6.2	$6.5
FTEs	398.00	401.00	403.00	407.00	407.00

Conclusions

- Revenue neutral change in the rate structure for the residential Pay As You Throw program proposed in 2011
  - $0.35 decrease for a 60 gallon cart
  - $1.00 increase for a 90 gallon cart
  - designed to encourage greater recycling
- Rate changes not assumed beyond 2011 but growth in expenditures are projected to outpace revenue growth
  - fund balance projected to be depleted by 2015 if no increase
  - SWS Master Plan currently underway will produce rate plan
- 9 positions added over the forecast period

TRANSPORTATION FINANCIAL FORECAST



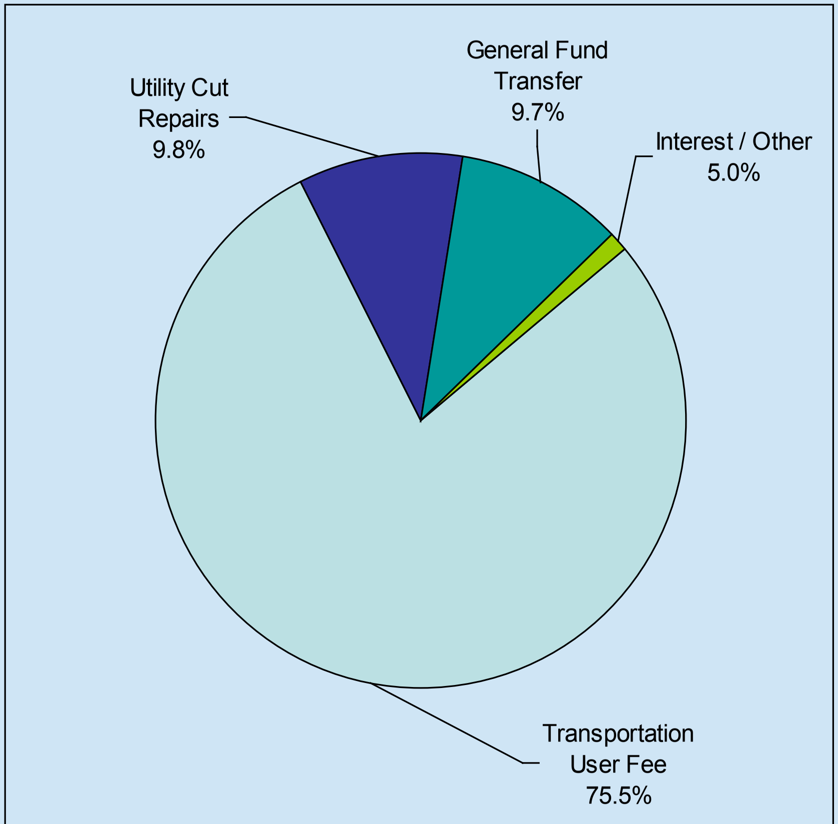
Financial Forecast

Transportation Fund

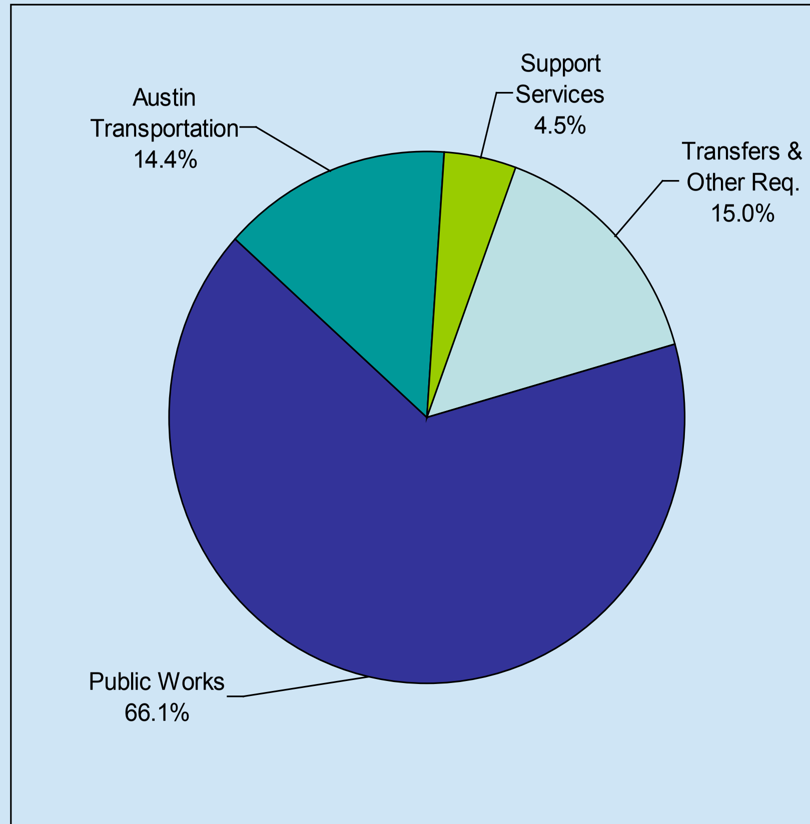
Public Works Department
Austin Transportation Department

FY 2010 Budget

Sources of Funds
$51.3 million



Uses of Funds
$53.7 million



Expenditure Assumptions

- $1.0 million increase annually for street maintenance contract work
  - increase budget from $9.5 million to $14.5 million in 2015
  - increased lane-miles of PM work to achieve 85% of pavements as satisfactory or better by 2018
- $3.5 million investment in street maintenance IT system
- 5 positions in the Public Works Department
  - support services, ROW, and bike and pedestrian programs
- 8.5 positions in the Transportation Department
  - crew to increase transportation markings support
  - management expanding traffic signal inventory
  - increased support for community and planning efforts

2011 Cost Drivers

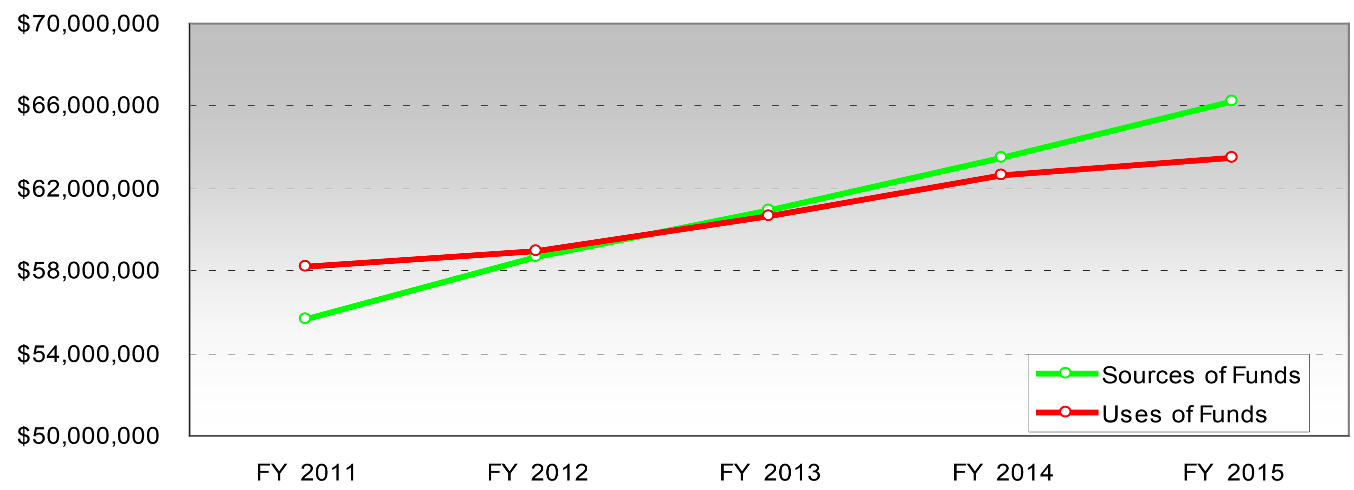
Category	***Estimated Increases***	***Justification***
Base Personnel Costs	$1.3	* Health Insurance * Civilian Wage Adjustments * Service Incentive Pay * Supplemental Pension Funding
Other Departmental Costs	$1.2	* Added Street Maintenance Contract Work * Right-Of-Way Maintenance And 1 New Position * Funding MAXIMO IT System * Other Miscellaneous Commodities & Contractuals * Elimination of one-time costs from FY 2009 * 4 New Positions For Transportation Markings Crew
Transfers / Other Requirements	$0.2	* Sustainability Fund * GO Debt Service * Workers' Compensation * Accrued Payroll * Liability Reserve * Support Services Fund * Communication & Technology
Transfer To CIP	$1.9	* Maintenance Management IT System * Replacement Of Heavy Equipment and Vehicles
Totals	***$4.6***	

Revenue Assumptions

TUF Assumptions	Residential	Change	Commercial	Change
Current	$6.63	$1.66	$33.15	$8.30
FY 2011	$7.29	$0.66	$36.47	$3.32
FY 2012	$7.66	$0.37	$38.29	$1.82
FY 2013	$7.89	$0.23	$39.44	$1.15
FY 2014	$8.12	$0.23	$40.62	$1.18
FY 2015	$8.37	$0.25	$41.84	$1.22

- Growth in customer base projected = population growth
- 5% per year increase in utility cost recovery
- No increases in ROW fees and other sources

Fund Summary



Fund Balance	FY 11	FY 12	FY 13	FY 14	FY 15
Beginning Balance	$4.4	$1.9	$1.6	$1.9	$2.7
Revenue	$55.7	$58.7	$61.0	$63.5	$66.2
Expenses	$58.2	$59.0	$60.7	$62.7	$63.5
Excess/Deficit	($2.5)	($0.3)	$0.3	$0.8	$2.7
Ending Balance	$1.9	$1.6	$1.9	$2.7	$5.4
FTEs	347.50	356.00	356.00	356.00	356.00

Conclusions

- Increase in transportation user fee of $0.66 per month for single-family homes proposed in 2011
  - $1.74 per month increase in residential rate and $8.69 per month increase in commercial rate projected over forecast horizon
  - part of ongoing effort to reduce number of streets in poor or unsatisfactory condition
  - consistent with assessment provided to Council last year regarding funding needed to reduce poor and marginal lane conditions by 800 lane miles by the end of 2018
- 13.5 positions added over forecast period
- Initial deficits in 2011 and 2012 but surplus projected in later years of forecast
  - 30 day operating reserve achieved by 2015

Financial Forecast

Fee and Rate Summary

2011 Forecast Rate Changes*

	2010 Monthly Rate	2011 Forecast Rate	Monthly Dollar Change	
Austin Water Utility	$67.35	$70.08	$2.73	*The monthly annualized usage of an typical residential customer is 8,500 gallons of water and 5,000 gallons of wastewater.*
Austin Energy	$94.88	$95.71	$0.83	*The average monthly usage of typical AE residential customer is 1,000 Kwh*
Solid Waste Services	$23.75	$23.40	($0.35)	*A typical SWS residential customer uses a 60 gallon cart.*
Public Works	$6.63	$7.29	$0.66	*per single-family home / resident*
Watershed Protection	$7.75	$7.75	$0.00	*per single-family home / resident*
Property Tax Bill	$65.90	$70.22	$4.32	*tax bill for median priced home at rollback rate*
Total	***$266.26***	***$274.45***	***$8.19***	***average projected increase of 3.1%***

* The scenario presented should be considered illustrative only. Final recommendations for any fee or tax changes will be included in the Proposed Budget and must be approved by the City Council prior to implementation.

Questions / Comments

FUND PROJECTIONS

AUSTIN ENERGY

Austin Energy is the City of Austin's municipally owned and operated electric utility that provides retail electric service to its customers. Its service territory totals 437.06 square miles including 206.41 square miles in the City of Austin and 230.65 square miles in Travis and Williamson counties.

REVENUE

Austin Energy receives about 88% of its revenue from sales of electric service to retail customers in its service territory. Sales of electricity include two components – base (non-fuel) and fuel revenue. Base revenue is derived from the number of customers, usage levels and price. Fuel revenue, collected through the Fuel Adjustment Clause, is a cost pass-through to customers (no profit added). Other revenue includes transmission revenue, infrastructure rental, product and chilled water sales, customer fees, wholesale electric sales and interest income.

Revenue assumptions for the FY 2011-15 Financial Forecast include:

- ➲ Electric sales (non-fuel) increase over the five years at a compounded annual growth of 1.5%. An electric base (non-fuel) rate increase is required by FY 2013; however, no amount is projected or included in the forecast pending completion of a planned rate study. The base rate has not changed since 1994.
- ➲ Fuel charges are expected to increase over the forecast as are fuel costs.
- ➲ A Transmission Rider in 2011, a cost pass-through to customers (no profit added), begins recovery of rising costs for ongoing Texas Transmission Construction Program. The rider is adjusted annually in the forecast.

EXPENDITURES

The forecast shows that cost drivers continue to exceed revenue growth. Major expenditure categories include operating and maintenance (including fuel) and transfers. Transfers include funding for capital improvements (debt service and cash funded capital) and the General Fund Transfer.

Expenditure assumptions for the FY 2011-15 Financial Forecast include:

- ➲ Transmission expense increases from $66 million to $124 million over the five years due to ongoing Texas Transmission Construction Program, including Competitive Renewable Energy Zones (CREZ - $5+ billion).
- ➲ The five year Capital Improvements Spending program (CIP) totals $1.71 billion and is the cost driver for debt service and cash funded capital.
- ➲ The General Fund Transfer rate remains at 9.1% for FY 2011 and 2012. The rate has been 9.1% since 1999, except for 2002 (8.9%). The transfer policy will be evaluated as part of the planned rate study. The forecast assumes the transfer increases after FY 2012 at the growth rate of base electric revenue.

Austin Energy Department Five Year Forecast

(millions)

	Amended 2009-10	Estimated 2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
BEGINNING BALANCE	320.8	237.1	160.3	77.1	43.9	(41.4)	(131.4)
REVENUE							
Base Revenue	603.6	608.0	613.4	626.0	632.7	641.1	651.2
Fuel Revenue	480.3	437.0	470.5	504.0	539.8	545.3	543.4
Transmission Revenue	57.6	57.6	56.1	56.3	57.1	57.7	58.4
Transmission Rider	0.0	0.0	7.3	12.0	21.4	35.6	49.6
Other Revenue	90.3	75.4	77.6	93.7	82.7	84.7	85.9
Interest Income	10.5	10.6	8.8	7.0	7.9	8.8	9.7
Repair and Replacement Fund Transfer	2.0	2.0	0.0	0.0	0.0	0.0	0.0
TOTAL AVAILABLE FUNDS	1,244.3	1,190.6	1,233.7	1,299.0	1,341.6	1,373.2	1,398.2
PROGRAM REQUIREMENTS							
Fuel Expenses	501.3	458.7	492.2	525.7	561.5	567.0	565.1
Non-Fuel Operations & Maintenance	264.2	261.1	269.0	275.7	285.8	292.1	301.0
Transmission Expenses	63.9	63.9	66.0	75.3	89.9	105.8	123.5
Nuclear and Coal Plants Operating	81.1	81.0	92.3	91.0	94.7	96.5	98.9
TOTAL PROGRAM REQUIREMENTS	910.5	864.7	919.5	967.7	1,031.9	1,061.4	1,088.5
TRANSFERS OUT							
Debt Service	178.3	179.1	177.3	184.0	214.2	223.7	210.9
Capital Improvement Program	59.7	59.7	95.8	58.1	55.7	51.4	66.0
General Fund	101.0	101.0	103.0	100.5	102.6	103.7	105.1
All Other Transfers	44.6	44.6	0.5	0.5	0.5	0.5	0.4
TOTAL TRANSFERS OUT	383.6	384.4	376.6	343.1	373.0	379.3	382.4
TOTAL OTHER REQUIREMENTS	18.3	18.3	20.8	21.4	22.0	22.5	23.1
TOTAL REQUIREMENTS	1,312.4	1,267.4	1,316.9	1,332.2	1,426.9	1,463.2	1,494.0
EXCESS (DEFICIENCY) OF TOTAL AVAILABLE FUNDS OVER TOTAL REQUIREMENTS	(68.1)	(76.8)	(83.2)	(33.2)	(85.3)	(90.0)	(95.8)
ENDING BALANCE	252.7	160.3	77.1	43.9	(41.4)	(131.4)	(227.2)
45 Days Reserve Requirement	52.7	52.3	55.2	57.1	60.7	63.7	67.4
Strategic Reserve Fund	138.1	138.1	138.1	138.1	138.1	138.1	138.1
FTEs	1,721.75	1,721.75	1,721.75	1,721.75	1,721.75	1,721.75	1,721.75

AUSTIN WATER UTILITY

The purpose of the Austin Water Utility is to effectively manage water resources for the community in order to protect the public health and environment.

REVENUE

The Austin Water Utility provides water and wastewater service to over 211,000 customers within Austin and the surrounding areas. Revenue from the sale of water and wastewater service total approximately $400 million annually. Non-rate revenue includes miscellaneous fees and charges and interest income.

Below are revenue assumptions included in the FY 2011-15 Financial Forecast:

- Projected combined rate increases average 4.3% annually over the forecast period.
- Revenue from the sale of water, wastewater, and reclaimed water service will increase 32.7% over the forecast period from growth and forecasted rate increases. There are no new fees for utility services.
- Over the 5-year financial forecast period, the Utility is projecting a 1.5% average annual growth in base service revenue for all rate classes for both water and wastewater systems.
- It is projected that non-rate revenue will increase by $1.8 million or 24.0% over the forecast period.

EXPENDITURES

The major cost drivers of the Utility are related to required capital improvements, on-going debt service, and operations & maintenance expenses. Significant capital improvements are forecasted to improve water and wastewater treatment capacity and efficiency, extend service to emerging growth corridors within the Desired Development Zone, and replace aging infrastructure. Approximately 40% of total operating revenue each fiscal year is required for paying principal and interest due on debt. Projected increases to the operations and maintenance budget are due to increased water pumpage and wastewater flows, and the addition of new facilities and annexations. Costs associated with additional employees in FY 2013-15 are needed for Water Treatment Plant 4 and for critical system maintenance. Additional funding is also included for increased costs of chemicals for treatment processes, health insurance, and additional retirement contributions.

Below are expenditure assumptions included in the FY 2011-15 Financial Forecast:

- Operating requirements are projected to increase by $40.6 million over the 5-year forecast, an average of $8.1 million per year.
- $6.0 million increase in operating requirements is projected for FY 2011.
- New capital spending of $1.3 billion is projected during the forecast period.
- Annual debt service payments are projected to increase by $54.2 million over the forecast period for system rehabilitation, infrastructure improvements, and additional facilities such as Water Treatment Plant 4.

Austin Water Department Five Year Forecast

(millions)

	Amended 2009-10	Estimated 2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
BEGINNING BALANCE	54.3	67.6	47.3	38.7	40.0	41.2	42.6
REVENUE							
Water Services	206.1	184.7	219.6	236.1	256.7	277.2	289.9
Wastewater Services	200.9	190.3	200.6	214.9	228.1	239.3	249.3
Reclaimed Water Service	0.0	0.0	0.6	0.8	0.9	0.9	1.0
Miscellaneous	6.0	5.7	5.9	6.0	6.1	6.3	6.4
Interest Income	1.5	0.8	1.6	2.3	2.6	2.8	2.9
TOTAL REVENUE	414.5	381.5	428.3	460.1	494.4	526.5	549.5
TRANSFERS IN	8.3	8.3	6.2	6.4	6.5	6.5	6.5
TOTAL AVAILABLE FUNDS	422.8	389.8	434.5	466.5	500.9	533.0	556.0
PROGRAM REQUIREMENTS							
Treatment	62.7	61.3	63.5	65.1	66.7	69.0	71.2
Pipeline Operations	31.1	31.1	31.5	32.4	33.4	34.4	35.5
Engineering Services	11.2	11.2	11.3	11.5	11.8	12.0	12.2
Water Resources Management	3.9	3.9	3.9	4.0	4.1	4.2	4.3
Environ. Affairs & Conserv.	15.4	14.6	14.4	14.7	15.0	15.5	15.9
Support Services	15.2	14.9	15.2	15.5	15.8	16.1	16.5
One Stop Shop	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Other Operating Expenses	9.3	7.9	10.9	12.0	13.6	16.9	19.5
TOTAL PROGRAM REQUIREMENTS	149.3	145.4	151.2	155.7	160.9	168.6	175.6
OTHER REQUIREMENTS	28.0	28.0	32.1	36.5	39.0	40.6	42.3
DEBT SERVICE							
Revenue Bond Debt Service	156.1	155.1	163.8	181.7	199.9	211.0	209.8
Other Debt Service	9.2	8.6	9.8	10.8	11.8	11.3	9.7
TOTAL DEBT SERVICE	165.3	163.7	173.6	192.5	211.7	222.3	219.5
TRANSFERS OUT							
Capital Improvement Program	62.5	39.3	49.8	42.2	47.9	56.4	70.7
General Fund	29.0	29.0	31.5	33.1	34.7	37.8	40.5
Other Transfers	4.7	4.7	4.9	5.2	5.5	5.9	6.1
TOTAL TRANSFERS OUT	96.2	73.0	86.2	80.5	88.1	100.1	117.3
TOTAL REQUIREMENTS	438.8	410.1	443.1	465.2	499.7	531.6	554.7
EXCESS (DEFICIENCY) OF TOTAL AVAILABLE FUNDS OVER TOTAL REQUIREMENTS	(16.0)	(20.3)	(8.6)	1.3	1.2	1.4	1.3
ENDING BALANCE	38.3	47.3	38.7	40.0	41.2	42.6	43.9
45 Day Reserve Requirement			22.6	23.7	24.6	25.8	26.9
FTEs	1,070.10	1,070.10	1,070.10	1,070.10	1,082.10	1,117.10	1,138.10
Combined Rate Increases	4.5%	4.5%	4.5%	4.5%	5.5%	4.5%	2.5%

AVIATION DEPARTMENT

The mission of the Aviation Department is to meet the commercial, passenger, and air cargo service requirements of Central Texas, while accommodating military, corporate, and general aviation needs.

REVENUE

Airline revenue, comprised of landing fees, terminal fees, and other direct airline service fees, accounts for 44% of total Airport operating revenue. Over half of the Aviation Department's operating revenue is comprised of non-airline revenue such as parking, concessions, rentals and other fees.

Below are revenue assumptions included in the FY 2011 -15 Financial Forecast:

- Consistent with the Federal Aviation Administration (FAA) projections, FY 2011 – FY 2015 passenger enplanement numbers are expected to grow 2.0% each year.
- Based on projected increases in operating costs, 2.2% annual increase in airline fees.
- FY 2011 non-airline revenue is forecasted to decrease by 2.2% over the FY 2010 budgeted amount and then increase 2.7% for each of the remaining four years of the forecast.

EXPENDITURES

Operating and maintenance expenses, such as Business Services, Facilities Management, Operations, and Airport Security, Planning and Development, and Support Services, comprise 70% of the Department's expenditures. Debt service is the next largest component; it accounts for 25% of all expenditures.

Below are expenditure assumptions included in the FY 2011-15 Financial Forecast:

- For the forecast period, annual Operating and Maintenance increases are 3%, with the exception of FY 2011, which is anticipated to increase 2.3% over the approved FY 2010 Operating Budget.
- No staffing increases over the forecast period.
- Debt service requirements are expected to remain stable over the forecast period.

Aviation Department Five Year Forecast

(millions)

	Amended 2009-10	Estimated 2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
BEGINNING BALANCE	0.0	0.0	0.0	0.0	0.0	0.0	0.0
REVENUE							
Airline Revenue	37.0	37.0	37.9	38.7	39.6	40.5	41.3
Non-Airline Revenue	47.0	47.0	46.0	47.2	48.5	49.8	51.1
Interest Income	0.7	0.7	0.5	0.5	0.5	0.5	0.5
TOTAL REVENUE	84.7	84.7	84.3	86.4	88.6	90.7	92.9
TOTAL TRANSFERS IN	7.9	7.9	7.2	7.2	7.2	7.2	7.2
TOTAL AVAILABLE FUNDS	92.6	92.6	91.6	93.6	95.8	97.9	100.1
OPERATING REQUIREMENTS							
Fac Mgmt, Ops and Security	24.2	24.2	25.0	25.7	26.5	27.3	28.1
Business Services	8.6	8.6	8.6	8.9	9.2	9.4	9.7
Planning and Development	11.9	11.9	12.1	12.4	12.8	13.2	13.6
Support Services	11.1	11.1	11.3	11.6	12.0	12.3	12.7
TOTAL OPERATING EXPENSES	55.7	55.7	57.0	58.7	60.4	62.3	64.1
TOTAL TRANSFERS OUT	20.0	20.0	20.1	18.5	19.4	18.9	18.9
TOTAL OTHER REQUIREMENTS	4.0	4.0	4.5	4.9	5.5	5.7	5.9
TOTAL REQUIREMENTS	79.7	79.7	81.5	82.1	85.3	86.8	88.9
EXCESS (DEFICIT) OF TOTAL AVAILABLE FUNDS OVER TOTAL REQUIREMENTS	12.9	12.9	10.1	11.5	10.5	11.1	11.2
CONTRIBUTION TO CAPITAL FUND	12.9	12.9	10.1	11.5	10.5	11.1	11.2
ENDING BALANCE	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FTEs	345.00	345.00	345.00	345.00	345.00	345.00	345.00

AUSTIN CONVENTION CENTER

The Austin Convention Center operates a downtown Convention Center with 246,097 square feet of exhibit halls, and the Palmer Events Center on Town Lake, a 131,000 square foot multi-use events center. The Convention Center also operates three parking garages.

REVENUE

Hotel/Motel Occupancy Tax collections represent 59% of total combined Convention Center revenue forecasted for FY 2011. Facility revenue accounts for 17%, while 13% is generated through contractor revenue and interest earnings. Rental car tax collections account for the remaining 11%. Below are revenue assumptions included in the FY 2011-15 Financial Forecast:

- FY 2010 estimated Hotel/Motel tax revenue is projected to be $2.0 million below the budgeted revenue of $30.5 million, or 6.6% lower
- FY 2011 Hotel/Motel tax revenue is based on a 1% increase from the FY 2010 estimate; FY 2012 estimates a slight increase in revenue of 2.6%; FY 2013 growth is 3.0%; FY 2014 and FY 2015 growth is 4%.
- FY 2010 estimated Rental Car Tax revenue is projected to be $0.4 million below the budgeted revenue of $5.8 million, or 7.3% lower.
- FY 2011 Rental Car Tax Revenue is projected to increase at 1% from the FY 2010 current year estimate. Future annual revenue rates predict a 2% increase in FY 2012, a 3% increase in FY 2013, a 4% increase in FY 2014 and in FY 2015.
- FY 2011 Facility and parking is based on a 1% increase from the FY 2010 estimated budget. Minimal increases are projected for the remaining forecast period.

EXPENDITURES

Event operations at the Convention Center and Palmer Events Center, such as staffing, utilities, facility maintenance, and Information Technology-related costs comprise 41% of the department's expenditures. Debt service expenses account for 36% of all expenditures. The remaining 23% is contributed to contractor expenses, support services and other requirements.

Below are expenditure assumptions included in the FY 2011-15 Financial Forecast:

- Cost reductions have been made throughout the department to respond to lower Hotel/Motel tax revenue.
- No new FTEs are projected during the forecast period.

Austin Convention Center Department Five Year Forecast

(millions)

	Amended 2009-10	Estimated 2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
BEGINNING BALANCE	20.9	25.2	21.7	15.5	9.9	4.5	2.4
REVENUE							
Hotel/Motel Occ. Tax	30.5	28.5	28.8	29.6	30.4	31.7	33.3
Rental Car Tax-PEC	5.8	5.4	5.4	5.5	5.7	5.9	6.1
Facility Revenue	8.1	8.1	8.2	8.3	8.5	8.7	9.0
Contractor Revenue	4.8	5.2	5.7	6.2	6.8	7.5	8.2
Interest Earnings	0.8	0.4	0.4	0.4	0.4	0.4	0.4
TOTAL AVAILABLE FUNDS	50.0	47.5	48.5	50.0	51.8	54.2	57.0
PROGRAM REQUIREMENTS							
Event Operations	23.5	19.7	22.3	22.6	22.9	21.9	22.2
Support Services	5.1	4.6	5.0	4.9	5.1	5.0	5.1
Contractor Expenses	3.4	3.7	4.0	4.1	4.2	4.3	4.5
TOTAL PROGRAM REQUIREMENTS	32.1	28.0	31.3	31.7	32.3	31.3	31.8
TRANSFERS OUT							
Debt Service	17.2	16.8	16.5	17.0	17.9	18.5	19.0
GO Debt	2.8	2.8	3.1	2.8	2.8	2.3	2.8
All Other Transfers	0.8	0.8	0.8	0.8	0.5	0.5	0.5
TOTAL TRANSFERS OUT	20.8	20.4	20.4	20.6	21.3	21.3	22.3
TOTAL OTHER REQUIREMENTS	2.6	2.6	2.9	3.3	3.6	3.7	3.8
TOTAL REQUIREMENTS	55.4	51.0	54.7	55.6	57.1	56.3	58.0
EXCESS (DEFICIENCY) OF TOTAL AVAILABLE FUNDS OVER TOTAL REQUIREMENTS	(5.4)	(3.5)	(6.2)	(5.6)	(5.3)	(2.2)	(0.9)
ENDING BALANCE	15.5	21.7	15.5	9.9	4.5	2.4	1.4
FTEs	244.00	244.00	244.00	244.00	244.00	244.00	244.00

WATERSHED PROTECTION DEPARTMENT—DRAINAGE UTILITY FUND

The purpose of the Watershed Protection Department is to efficiently and effectively protect lives, property, and the environment by reducing the impact of flooding, erosion, and water.

The Drainage Utility Fund receives its revenue from commercial and residential fees. This fund is used to maintain and improve water quality, reduce the impact of flooding, create stable stream systems, and maintain drainage infrastructure.

REVENUE

The primary Drainage Utility funding source is a monthly drainage fee assessed to City of Austin utility customers.

Below are revenue assumptions included in the FY 2011-15 Financial Forecast:

- The Drainage Fee will not increase in FY 2011.
- The Drainage Fee will increase in the out years of the forecast period.
- FY 2011 Drainage Fee revenue is based on annual residential and commercial customer growth of approximately 1.5 and 0.6 percent, respectively.

EXPENDITURES

The forecast continues funding of the Master Plan recommended Capital Improvement Program (CIP) projects. In FY 2011, the Utility transfer to the CIP increases to $22.14 million. The Infrastructure and Waterway Maintenance program is the largest component of the Drainage Utility Fund's program expenditures. This program is responsible for maintaining the storm water conveyance system, which consists of creeks and waterways, drainage infrastructure (pipelines) and structural controls (water quality and detention ponds). Expenditures for the Infrastructure and Waterway Maintenance program account for 41.4 percent of the Drainage Utility Fund's program operating expenditures.

Below are expenditure assumptions included in the FY 2011-15 Financial Forecast:

- Funds priority projects that integrate the Department's three missions as well as projects providing localized flood control, erosion mitigation, creek flood control and water quality improvements.
- Adds 5.75 FTEs in FY 2011 – 1.0 FTE for Flood Hazard Mitigation, 2.0 FTEs for Infrastructure & Waterway Maintenance, 1.75 FTEs for Water Quality Protection and 1.0 FTE for Support Services.
- Includes personnel related increases such as insurance, wage adjustments and supplemental pension funding.

Drainage Utility Fund Five Year Forecast
(millions)

	Amended 2009-10	Estimated 2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
BEGINNING BALANCE	8.4	11.2	10.9	4.4	3.0	3.1	3.3
REVENUE							
Drainage Fee							
Residential	29.7	30.9	31.4	35.1	38.2	41.0	43.8
Commercial/City	25.4	26.5	26.6	29.6	31.8	33.8	35.7
Interest Income	1.7	0.9	1.0	1.2	1.2	1.5	1.5
Miscellaneous Permits/Sales	0.8	0.7	0.2	0.2	0.2	0.2	0.2
General Fund Transfer	0.3	0.3	0.0	0.0	0.0	0.0	0.0
TOTAL AVAILABLE FUNDS	57.9	59.2	59.1	66.0	71.4	76.4	81.2
PROGRAM REQUIREMENTS							
Stream Restoration	0.6	0.6	0.6	0.7	0.7	0.7	0.7
Flood Hazard Mitigation	3.6	3.5	4.0	4.2	4.2	4.3	4.8
Infrastructure & Waterway Maint.	11.4	11.3	12.1	12.5	13.1	13.7	14.2
Master Planning	0.7	0.7	0.8	0.8	0.9	0.9	0.9
Support Services	3.0	2.8	3.1	3.2	3.3	3.4	3.4
Water Quality Protection	7.5	7.2	7.7	7.8	8.0	8.2	8.4
Watershed Policy	0.8	1.0	0.8	0.9	0.9	0.9	0.9
TOTAL PROGRAM REQUIREMENTS	27.6	27.2	29.2	30.1	31.1	32.2	33.4
OTHER PROGRAM REQUIREMENTS							
Planning Dev & Review Support	4.9	4.9	4.0	4.0	4.0	4.0	4.0
Bad Debt	0.5	0.8	0.6	0.6	0.7	0.7	0.8
All Other Requirements	7.2	7.2	7.4	8.0	8.6	9.0	9.5
TOTAL OTHER PROGRAM REQUIREMENTS	12.6	12.8	11.9	12.6	13.3	13.7	14.2
TRANSFERS OUT							
General Obligation Debt Service	1.2	1.2	1.2	1.3	1.3	1.3	1.3
Transfers to CIP	17.1	17.1	22.1	21.6	23.6	26.6	29.6
All Other Transfers	1.1	1.1	1.2	1.8	2.1	2.4	2.7
TOTAL TRANSFERS OUT	19.5	19.5	24.5	24.7	27.0	30.3	33.6
TOTAL REQUIREMENTS	59.7	59.5	65.6	67.5	71.4	76.2	81.3
EXCESS (DEFICIENCY) OF TOTAL AVAILABLE FUNDS OVER TOTAL REQUIREMENTS	(1.8)	(0.3)	(6.4)	(1.4)	0.0	0.2	0.0
ENDING BALANCE	6.6	10.9	4.4	3.0	3.1	3.3	3.2
30 Day Reserve Requirement	2.3	2.3	2.4	2.5	2.6	2.7	2.8
FTEs	249.50	249.50	255.25	258.25	263.25	268.25	272.25
Fees							
Residential (per ERU)	$7.75	$7.75	$7.75	$8.55	$9.15	$9.65	$10.15
Commercial (per ERU)	$191.50	$191.50	$191.50	$211.27	$226.10	$238.45	$250.81

SOLID WASTE SERVICES

Solid Waste Services (SWS) provides recycling, refuse, yard trimmings, brush, bulky and dead animal collection and street sweeping services. Additionally, SWS operates a household hazardous waste facility, recycling facility, and a limited-use landfill.

SWS achieved savings during FY 2009 and continues to generate savings during FY 2010 by holding positions vacant, reduced landfill expenses and reduced contract expenditures. The five-year forecast includes few changes in revenue and expenditures; however, completion of the Master Plan and a Materials Recovery Facility will likely result in changes to Solid Waste Services' rate structure, programs and capital improvements.

The SWS Master Plan process will detail infrastructure, rate structure and program changes needed to achieve zero waste. The Department conducted several public input forums in 2009 and is now assessing the Department's programs and facilities. A final plan is estimated by summer 2011.

SWS is in the process of procuring a local Materials Recovery Facility, allowing Austin to expand recycling services toward the goal of achieving zero waste. The City has a temporary agreement with a recycling facility to transport and process single stream materials until a local facility is operational. Requests for proposals are currently under review and a final proposal is estimated for completion by June.

<u>Revenue</u>

The five-year forecast includes two rate changes for FY 2011. To encourage residential customers to switch from the largest cart to a smaller cart and recycle or compost more materials, SWS proposes increasing the 90 gallon cart monthly fee by $1.00, from $18.20 to $19.20, and decreasing the 60 gallon cart fee by 35 cents, from $10.00 to $9.65. No other rate increases are reflected in the forecast period pending completion of the SWS Master Plan. The Department anticipates increased revenue averaging 1.35% over the five-year period, consistent with customer growth projections in the service area. The Department also forecasts an improvement in the market for recycled materials, consistent with national forecast trends for recycled materials.

<u>Expenditures</u>

SWS FY 2011 forecast includes no new personnel. FY 2011 expenditures include new Zero Waste programs, new marketing strategies for the Department, and single stream recycling processing fees. SWS plans to add nine positions over years 2012, 2013 and 2014. One position will support a Zero Waste composting program, and the remainder will provide residential garbage collection and litter abatement services to respond to estimated customer growth.

Solid Waste Services Department Five Year Forecast

(millions)

	Amended 2009-10	Estimated 2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
BEGINNING BALANCE	5.6	9.6	17.9	18.6	16.1	11.9	6.5
REVENUE							
Pay As You Throw (PAYT)	46.6	46.3	46.9	47.5	48.8	49.9	50.6
Anti-Litter	21.7	22.0	22.3	22.5	22.8	23.2	23.5
Other Revenue	(2.5)	6.1	6.9	7.0	7.1	7.3	7.4
TOTAL AVAILABLE FUNDS	65.8	74.4	76.0	77.0	78.8	80.3	81.6
PROGRAM REQUIREMENTS							
Litter Abatement	9.5	8.7	10.2	10.6	11.1	11.8	12.3
Operations Support	3.5	3.0	3.5	3.7	3.9	4.1	4.3
Pay As You Throw (PAYT)	22.5	20.9	23.5	24.3	25.5	26.8	28.0
Support Services	5.9	5.5	6.0	6.0	6.1	6.3	6.5
Waste Diversion	3.2	6.4	8.1	8.6	8.9	9.2	9.4
TOTAL PROGRAM REQUIREMENTS	44.5	44.5	51.3	53.3	55.6	58.1	60.5
TRANSFERS OUT							
Other Transfers	0.7	0.7	0.8	0.8	0.8	0.8	0.8
GO Debt Service	7.9	7.9	8.9	10.1	10.4	9.9	10.3
Code Compliance Fund	5.9	5.9	7.1	7.5	7.9	8.2	8.7
TOTAL TRANSFERS OUT	16.1	16.1	18.4	20.2	21.0	21.0	21.9
TOTAL OTHER REQUIREMENTS	5.5	5.5	5.5	6.0	6.5	6.6	6.8
TOTAL REQUIREMENTS	66.1	66.1	75.3	79.5	83.0	85.7	89.2
EXCESS (DEFICIENCY) OF TOTAL AVAILABLE FUNDS OVER REQUIREMENTS	(0.3)	8.3	0.7	(2.5)	(4.2)	(5.4)	(7.6)
ENDING BALANCE	5.3	17.9	18.6	16.1	11.9	6.5	(1.1)
30 Day Reserve Requirement			5.5	5.7	6.0	6.2	6.5
Fee Change 60 gallon cart	$10.00	$10.00	$9.65	$0.00	$0.00	$0.00	$0.00
FTEs	398.00	398.00	398.00	401.00	403.00	407.00	407.00

TRANSPORTATION FUND

The Transportation Fund supports the Street and Bridge Division within the Public Works Department, which consists of Street Preventive Maintenance, Street Repair, Minor Construction and Repair and Bicycle and Pedestrian Infrastructure. The fund also supports the Austin Transportation Department, including Traffic Management, One Stop Shop, Transportation Planning and Traffic Controls programs.

REVENUE

Transportation fee revenue accounts for approximately 84% of the total revenue in the Transportation Fund for FY 2011. The transportation fee was created by the City Council in September 1991 for funding of street repairs and maintenance. The forecast includes an increase to the transportation fee in order to sustain operations and to achieve its goals related to the City's street conditions.

Below are revenue assumptions included in the FY 2011-15 Financial Forecast:

- The residential transportation fee will increase $0.66 for single-family homes per month.
- Commercial transportation fee will increase to $36.47 per acre per month.

EXPENDITURES

One of the City's long term goals is to reduce streets that are in poor and fair condition by 800 lane miles in 10 years. This goal is difficult to achieve each year due to rapid increases in commodity costs, such as asphalt and fuel. The forecast is based on a 10% preventative maintenance schedule in FY 2011, and then maintaining 10% in the remaining years. Funding is also included for increased cost drivers for personnel and program support for the Transportation Department.

Below are expenditure assumptions included in the FY 2011-15 Financial Forecast:

- Over the five year forecast period, the anticipated growth in the street network and asphalt inflation will require an estimated additional $1.0 million per year in street preventive maintenance contract work.
- Includes cost increases related to transfers and personnel related expenses.
- Includes CIP funding for a street maintenance management IT system and replacing heavy equipment. Funding for an asset management system is also included.
- Includes four new positions for a transportation markings crew and one new position for increased right-of-way maintenance.

The current forecast predicts a $1.9 million positive ending balance in 2011, gradually increasing to $5.4 million in FY 2015.

Transportation Fund Five Year Forecast

(millions)

	Amended 2009-10	Estimated 2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
BEGINNING BALANCE	6.8	6.8	4.4	1.9	1.6	1.9	2.7
REVENUE							
Public Works							
Residential	20.3	20.3	22.6	24.0	25.0	26.1	27.3
Commercial	18.4	18.4	20.5	21.8	22.7	23.7	24.8
Utility Cut Cost Recovery	5.0	5.0	5.9	6.2	6.6	6.9	7.4
Other Revenue	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Austin Transportation							
Right of Way	1.7	1.7	1.7	1.7	1.7	1.7	1.7
TOTAL REVENUE	46.1	46.1	51.3	54.3	56.6	59.1	61.9
TOTAL TRANSFERS IN	5.2	5.2	4.4	4.4	4.4	4.4	4.4
TOTAL AVAILABLE FUNDS	51.3	51.3	55.7	58.7	61.0	63.5	66.2
PROGRAM REQUIREMENTS							
Public Works							
Street Preventive Maintenance	24.5	24.5	24.5	25.9	27.6	28.1	29.5
Street Repair	9.5	9.5	9.6	9.9	10.3	10.6	11.0
Bridge Maintenance	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Minor Construction and Repair	0.5	0.5	0.6	0.7	0.8	0.8	0.9
Right-of-Way Maintenance	0.0	0.0	0.5	0.5	0.5	0.5	0.5
Bike & Pedestrian Infrastructure	0.2	0.2	0.2	0.3	0.3	0.3	0.4
Support Services	1.7	1.7	1.6	1.9	1.9	2.0	2.0
Austin Transportation							
Traffic Management	5.9	5.9	7.1	6.4	6.5	6.7	6.9
Transportation Planning	0.2	0.2	0.2	0.2	0.2	0.2	0.2
One Stop Shop	1.6	1.6	1.7	1.8	1.7	1.8	1.8
Support Services	0.7	0.7	0.8	0.8	0.8	0.8	0.8
TOTAL PROGRAM REQUIREMENTS	45.6	45.6	47.7	49.2	51.5	52.7	54.8
TOTAL TRANSFERS OUT	2.8	2.8	4.7	3.8	2.9	3.4	1.8
TOTAL OTHER REQUIREMENTS	5.3	5.3	5.8	6.1	6.3	6.6	6.9
TOTAL REQUIREMENTS	53.7	53.7	58.2	59.0	60.7	62.7	63.5
EXCESS (DEFICIENCY) OF TOTAL AVAILABLE FUNDS OVER TOTAL REQUIREMENTS	(2.4)	(2.4)	(2.5)	(0.3)	0.3	0.8	2.7
ENDING BALANCE	4.4	4.4	1.9	1.6	1.9	2.7	5.4
FTEs	349.50	349.50	347.50	356.00	356.00	356.00	356.00
Commercial							
Rate per acre	$33.15	$33.15	$36.47	$38.29	$39.44	$40.62	$41.84
Monthly Residential Fee							
Single Family	$6.63	$6.63	$7.29	$7.66	$7.89	$8.12	$8.37