
Felicia,

Please forward this letter and the attached document to all the members of the VITF. Thanks.

Larry

Dear VITF members:

This is a request that the VITF recommend replace the current subsidy of the operations and maintenance fund for the Palmer Events Center (PEC) via its venue project's car rental tax with funding from the Hotel Occupancy Tax (HOT).

- Historic funding for Palmer Auditorium: HOT tax
- Current funding for PEC: venue-associated car rental tax
- Recommended funding: HOT tax

The case for doing so is as follows.

Civic events facilities almost never finance their operations solely from event revenues. Prior to the opening of the Palmer Events Center (PEC), the old Palmer Auditorium had its operating deficit covered by the City's hotel occupancy tax. All participants in the public process that created the Town Lake Community Events Center Venue Project, which included the new PEC, presumed the historical *modus operandi* would continue.

Voters authorized the capital improvements in the project -- the PEC, its parking garage, and the re-development of the parkland now known as Butler Park and Auditorium Shores -- to be financed through a new tax on local car rentals. This authorization did not include use of the car rental tax to finance PEC operations. The stakeholders who formulated and directed the project in its initial years never considered that the tax would finance operations.

The financial plan for the project formulated by Assistant City Manager Jim Smith specified car rental tax revenues being used solely to finance construction of the PEC, garage, and the park. The project's outlays for park construction would not have been viable otherwise.

Nevertheless, in secret sessions that were not disclosed to project stakeholders until almost four years later and that were not discussed even with City Council until three years later, bond covenants were

developed that overturned this fiscal approach. A "waterfall" scheme for disbursal of car rental tax revenues specified that a fund for operating the PEC would received priority funding, and park construction would get only the leftovers. This expenditure was specifically not authorized by the vote that created the tax.

The proof that this expenditure undermined the financial plan for the park and venue development came when the development of Butler Park (Phase II of the park development) was postponed for three years and the development of Phases III and IV (the western and eastern portions of Auditorium Shores Park, which were part of the venue) was removed completely from the financial forecast for the venue. The Butler Park delay initially cost nearly \$4 million in additional construction costs and foregone donations for Phase II and left it unfinished. Only now has an additional \$3.5 million been budgeted to finish the Alliance Children's Garden in Butler Park. Lacking funding, Auditorium Shores was allowed to deteriorate to the point where private donations and a state grant were needed for stopgap improvements at Auditorium Shores. The great park vision for Town Lake Park is yet to be realized, ten years after it was to have been completed.

A relatively recent letter from original project stakeholders, including the City's project manager, is attached and attests to this history and the state of the project.

With the HOT tax no longer being burdened by Palmer Events Center operations, the Convention Center Department used part of its windfall to initiate its first-of-its-kind bonus income program for its employees, effectively shoveling the money that was intended to develop our great central park into the pockets of its employees.

This problem of fiscal misdirection continues to fester and will do so until the original intent of the voters in the venue project is restored. The highly questionable legality of the current cash flow scheme places the entire venue project in jeopardy of discipline from the State of Texas.

Rapidly escalating HOT tax revenues could easily absorb the operating deficit of the PEC and allow the park development to be resumed and the plan authorized by the voters and City Council to be finally, if belatedly, realized. While the PEC bond covenants presume that the O&M fund for the PEC can be supplied by the car rental tax, nothing prevents that fund from being supplied by any other revenue stream other than ad valorem taxes.

The VITF should therefore recommend that the HOT revenues replace the car rental tax as a subsidy for our events center operations, restoring the historical precedent and honoring the legal authorization of the voters for proper expenditure of the car rental tax dedicated to the capital development of the Town Lake Park Venue Project.

Larry Akers
Stakeholder Representative for The Friends of the Parks of Austin
Jeff Jack
Stakeholder Representative for Austin Neighborhoods Council

Town Lake Park Community Events Center Venue Project

September 30, 2013

Mayor Lee Leffingwell
Members of the Austin City Council
City Manager Marc Ott

Dear Mayor Leffingwell, City Councilmembers, City Manager:

We the undersigned founders, original stakeholders, and participants in the Town Lake Park Community Center Venue Project wish to restate and clarify some of the foundations of the project, particularly as related to its parkland development.

- 1) The parklands of the project were to be redeveloped with funding from the car rental tax that was authorized by the voters to fund the construction of the venue project.
- 2) These parklands included all of Auditorium Shores Park. Two sectors of the Master Plan developed by the stakeholders and public and adopted by City Council, the Bottomland Woods and the Auditorium Shores performance area, specifically cover this land.
- 3) The venue district for the park includes Auditorium Shores Park, and the redevelopment of Auditorium Shores Park was specifically targeted for venue funding in Assistant City Manager Jim Smith's financial plan for the venue project, which was accepted by the stakeholders and adopted by City Council in July, 1999.

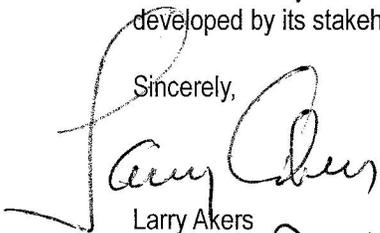
Directing car rental tax funding to Palmer Events Center (PEC) operations and maintenance (O&M) was never publicly discussed, and this use of that money with priority over park construction was never publicly mentioned in the process. The project's financial plan for park development did not incorporate the use of car rental tax funding for O&M. The working assumption during the process was that the PEC operating deficit would be covered by bed tax underwriting as had been the longstanding practice with Palmer Auditorium.

Subsequently developed terms of the bond covenants, which gave PEC O&M funding precedence over park construction funding, were never vetted through the public process.

The project has foundered as these underpinnings have been abandoned by administrative actions over the years. As a result, Butler Park has been only partially developed and Auditorium Shores redeveloped not at all, even though both were to have been completed by 2008. Town Lake Park has not reached the potential desired by the community, and Auditorium Shores is an embarrassment to the City.

We ask that City Council remedy the situation by returning the project to the founding principles and specifications developed by its stakeholders, incorporated in its 1999 financial plan, and adopted by unanimous vote of the City Council.

Sincerely,


Larry Akers





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