2011 Needs Assessment & G.O. Bond Capacity Analysis

Capital Planning Office
Financial Services

City Council – December 15, 2011
Presentation Outline

• Needs Assessment Overview
• Needs Assessment Results
• Needs Assessment Summary
• General Obligation Bond Capacity Analysis
• Next Steps
Needs Assessment Overview

• Purpose
  – Identify priority capital needs that would potentially be funded through a G.O. Bond program
    • Infrastructure
    • Public Safety
    • City Facilities
    • Parks
    • Other needs
Needs Assessment Overview

- Focus on capital improvement projects, programs to be implemented within the context of future bond program
  - Identified through departmental assessment, business/service planning
  - Implementation in the 5-7 year CIP planning horizon
  - Serve as implementation steps for City planning efforts
  - Analyzed for cross-departmental coordination, collaboration opportunities
Needs Assessment Results
Infrastructure

• Infrastructure Departments
  – Public Works
  – Austin Transportation
Public Works

• Key Drivers
  – Repair and renovation of bridge structures
  – Gaps in pedestrian and bicycle networks
    • ADA compliance
    • Goal to construct $10 million/year in new ramps and sidewalks
  – Pavement condition
    • Goal for 80% of streets to be in fair or better condition by end of FY18
Public Works

• Summary of Needs ($198 million)
  – Program Needs
    • Street Reconstruction
    • Sidewalks
    • Bicycle Lane Markings
  – Project Needs
    • Bridges
    • Bike/Trail Projects
    • Neighborhood Partnering Program
Austin Transportation

• Key Drivers
  – Austin Strategic Mobility Plan
  – Regional planning initiatives
  – Staff assessment
  – Professional transportation studies
  – Citizen feedback
Austin Transportation

• Summary of Needs ($232 million*)
  – Major Projects
    • IH-35 Corridor improvements
    • Loop 360 improvements
    • MOPAC improvements
    • Urban Rail Initiative
    • Other Partnerships with TxDOT and Travis County
  – Intersection and Roadway Improvements
  – Arterial Management
  – Traffic Signals Program
  – Traffic Calming Program

* Does not include Urban Rail Initiative
Public Safety

• Public Safety Departments
  – Austin Police Department
  – Emergency Medical Services
  – Austin Fire Department
Austin Police Department

• Key Drivers
  – Neighborhood-based policing
  – Decentralization of department
  – Condition of facilities
  – 2000 APD Facilities Master Plan

• Summary of Needs ($125 million)
  – New APD Headquarters
  – 3 New substations (SW, NW, CW)
  – Air Operations Unit
  – Mounted Patrol, Park Patrol facilities
Emergency Medical Services

• Key Drivers
  – Evaluation of older stations against more recent stations for standardization efforts
  – Properly sized facilities for crews and equipment, including vehicles

• Summary of Needs ($4 million)
  – Expansion of ambulance truck bays and crew quarters at three EMS stations
    • Station 2 (6601 Manchaca Road)
    • Station 8 (5211 Balcones Drive)
    • Station 11 (5401 McCarty Lane)
Austin Fire Department

• Key Drivers
  – Improving firefighter health and safety
  – Maintaining services levels at existing facilities
  – Improving response times in new service areas
  – Rehabilitation of facilities

• Summary of Needs ($114 million)
  – 4 new fire stations
  – New Fire/EMS HQ and Station 1 Replacement
  – Women’s Locker Rooms Phases 5 & 6
  – Facility repairs/renovations
City Facilities

• Key Drivers:
  – Condition of existing facilities
  – Capacity of facilities to meet service demands

• Summary of Needs ($156 million)
  – Building Services
  – Economic Growth and Redevelopment Services
  – Health and Human Services facilities
  – Library facilities
  – CTECC facility expansion
  – Public Works service facilities
Parks and Recreation

• Key Drivers:
  – PARD Long Range Plan
  – Parks facilities in need of rehabilitation
  – Increasing demand for Parks and Recreation services
Parks and Recreation

• Summary of Needs ($123 million)
  – Recreational and Cultural Facilities improvements
  – Metropolitan Parks improvements
  – District Parks improvements
  – Parks Operations Facilities improvements
  – Neighborhood Parks improvements
  – Pocket Parks improvements
  – Greenbelts and Preserves
  – Parks General Improvement Programs
    • Buildings, Cemeteries, Recreation facilities, etc.
New Initiatives

• Key Drivers
  – Projects/priorities stemming from recommendations included in small area master plans and other planning initiatives

• Estimated Need: $208 million

• Projects include:
  – Downtown, Waller Creek, TODs, North Burnet Gateway, Airport Blvd., East Riverside Corridor
  – Neighborhood Plans
  – Great Streets Program
Additional Needs

- **Open Space Acquisition** – $57 million
  - Parkland Acquisition (PARD)
  - Water Quality (Watershed Protection)

- **Affordable Housing** – $75 million
  - NHCD Action Plan
  - Affordable Housing Market Study
  - Progress in Developer Assistance, Architectural Barrier Removal & Home Repair Programs
## Summary of Results

<table>
<thead>
<tr>
<th>Department</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Works</td>
<td>$198 M</td>
</tr>
<tr>
<td>Transportation</td>
<td>$232 M</td>
</tr>
<tr>
<td>Police</td>
<td>$125 M</td>
</tr>
<tr>
<td>EMS</td>
<td>$4 M</td>
</tr>
<tr>
<td>Fire</td>
<td>$114 M</td>
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<td>City Facilities</td>
<td>$156 M</td>
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<td>Parks</td>
<td>$123 M</td>
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<td>New Initiatives</td>
<td>$208 M</td>
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<tr>
<td>Open Space</td>
<td>$57 M</td>
</tr>
<tr>
<td>Affordable Housing</td>
<td>$75 M</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$1.29 B</strong></td>
</tr>
</tbody>
</table>
Needs Assessment: Next Steps

• **January**: Staff formulation of initial staff prioritized lists

• **February**: Staff provides initial prioritized project lists to BEATF

• **February to April**: BEATF consideration of prioritized project lists; receives input from public, stakeholders, other Boards and Commissions

• **April/May**: BEATF provides recommendations to Council, staff
General Obligation Bond Capacity Analysis
Overview of General Obligation Debt

• State Law and City Charter provide authority to issue general obligation debt:
  – To fund permanent public improvements with long-term life cycles
  – Secured by “full faith and credit” of the City’s authority to levy ad valorem taxes to pay the debt service
  – Viewed as lowest credit risk to investors
  – Attracts lowest interest rates

<table>
<thead>
<tr>
<th>Types of G.O. Debt</th>
<th>Purpose</th>
<th>Voter Approval</th>
<th>Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Improvement Bonds (PIBs)</td>
<td>Capital Assets</td>
<td>Yes</td>
<td>20 yrs</td>
</tr>
<tr>
<td>Certificates of Obligation (COs)</td>
<td>Real Property, Off-cycle capital needs</td>
<td>No</td>
<td>10 - 20 yrs</td>
</tr>
<tr>
<td>Contractual Obligation (KOs)</td>
<td>Equipment</td>
<td>No</td>
<td>5 - 10 yrs</td>
</tr>
</tbody>
</table>

• Tax rate established annually as part of budget process
  – Current tax rate is 48.11 ¢ per $100 assessed value
  – Includes 12.60 ¢ to fund principal & interest payments on bonds
General Obligation Debt Service

Projected Debt Service Requirements

- Final bonds sold for 2006 and 2010 Bond Programs in FY14

Years: FY12, FY13, FY14, FY15, FY16, FY17, FY18, FY19, FY20

- $ millions
- $0.0 to $120.0

- Principal
- Interest
Rating Agency Factors

• Economy and Demographics
• Debt burden
  – Debt to assessed value (AV)
    • Financial Policy: Debt/AV < 2%
  – Debt per capita
  – Debt service as percent of total tax rate
• Debt retirement
  – Percent of principal paid off in 10 years
• Financial Performance & Management
  – Depth of experience
  – Past performance against original plans
  – Financial policies, including reserve policies
## Current Metrics

### How Austin Compares ...

<table>
<thead>
<tr>
<th>City</th>
<th>Debt per Capita</th>
<th>Debt to AV</th>
<th>Bond Rating</th>
<th>Debt Service % of Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Austin</strong></td>
<td>$1,287</td>
<td>1.24%</td>
<td>Aaa Aaa Aaa</td>
<td>26%</td>
</tr>
<tr>
<td><strong>Arlington</strong></td>
<td>$933</td>
<td>1.87%</td>
<td>Aa1 AA+ AA+</td>
<td>32%</td>
</tr>
<tr>
<td><strong>Corpus Christi</strong></td>
<td>$858</td>
<td>1.50%</td>
<td>Aa2 AA- AA</td>
<td>33%</td>
</tr>
<tr>
<td><strong>Dallas</strong></td>
<td>$1,532</td>
<td>2.22%</td>
<td>Aa1 AA+ N/A</td>
<td>33%</td>
</tr>
<tr>
<td><strong>Forth Worth</strong></td>
<td>$773</td>
<td>1.43%</td>
<td>Aa1 AA+ AA+</td>
<td>18%</td>
</tr>
<tr>
<td><strong>Houston</strong></td>
<td>$1,433</td>
<td>2.16%</td>
<td>Aa2 AA AA</td>
<td>25%</td>
</tr>
<tr>
<td><strong>San Antonio</strong></td>
<td>$944</td>
<td>1.71%</td>
<td>Aaa AAA AAA</td>
<td>37%</td>
</tr>
<tr>
<td><strong>Moody's Median</strong> (cities &gt; 500,000 pop.)</td>
<td>$1,525</td>
<td>2.20%</td>
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</tr>
</tbody>
</table>

Source for Debt per Capita and Debt / AV: Fiscal Year 2010 CAFR's
• Current debt service tax rate of 12.60 cents is starting point for analysis
• Reflects planned bond sales of $239 million for 2006 and 2010 bond programs
• Debt service structured to repay more than 50% of outstanding principal in 10 years
• Conservative growth in assessed property value
• Conservative borrowing rates
• New bonds to be sold over 6 years
• Preserves long-term bonding capacity to address capital needs beyond a 2012 bond program
Capacity Analysis - Assumptions

Projected Debt Service Revenue & Debt Service Requirements

Projected Revenue at Constant Tax Rate

- $0.0
- $40.0
- $80.0
- $120.0
- $160.0

FY 12 to FY 21

$ millions

Principal

Interest

Bond Development
Modeling Potential Bond Programs

• 4 scenarios
  • Debt service tax rate
  • Constant, 1-cent above, 2-cents above, 3-cents above
  • All scenarios assume a 3% annual growth in assessed value

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Tax Rate</th>
<th>Bond Election Amount</th>
<th>Tax Rate Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scenario 1</td>
<td>constant (12.60 cents)</td>
<td>$385 M</td>
<td>constant</td>
</tr>
<tr>
<td>Scenario 2</td>
<td>1-cent above (13.60 cents)</td>
<td>$500 M</td>
<td>+ 1 cent</td>
</tr>
<tr>
<td>Scenario 3</td>
<td>2-cents above (14.60 cents)</td>
<td>$625 M</td>
<td>+ 1 cent + 1 cent</td>
</tr>
<tr>
<td>Scenario 4</td>
<td>3-cents above (15.60 cents)</td>
<td>$725 M</td>
<td>+ 1 cent + 1 cent + 1 cent</td>
</tr>
</tbody>
</table>
Estimated Effect on Property Tax Bill

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Impact on Tax Bill</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>$38</td>
</tr>
<tr>
<td>1-cent above</td>
<td>$60</td>
</tr>
<tr>
<td>2-cents above</td>
<td>$83</td>
</tr>
<tr>
<td>3-cents above</td>
<td>$105</td>
</tr>
</tbody>
</table>

- Projected increase in tax bill by 2016 for a $200,000 home
Debt to Assessed Value

Debt / Assessed Valuation
Historical & Projected for Bond Capacity Scenarios

- Historical
- Constant Tax Rate
- 1 Cent Increase
- 2 Cent Increase
- 3 Cent Increase

Year:
- FY 03 to FY 20
Debt Per Capita

Debt / Per Capita
Historical & Projected for Bond Capacity Scenarios

Historical Constant Tax Rate
1 Cent Increase
2 Cent Increase
3 Cent Increase
Considerations in Determining Bond Program Amount

• Maintaining financial metrics within historical ranges considered by credit rating agencies
  – Debt to assessed valuation, Debt per capita
• Overall affordability for residents into the future
  • Increases in O&M tax rate likely necessary in upcoming years to pay for cost increases in basic City services
  • Utility user fees to increase for infrastructure
  • Overlapping tax burden
• Preserving long-term bonding capacity for future needs

* Final staff recommendation to Council in late spring/early summer
Public Engagement

Needs Assessment

- BEATF
- Boards & Commissions

Urban Rail

- Transit Working Group
- Project Connect
- NEPA

Public Engagement

Staff Recommendation

City Manager

- Public Hearings

Bond Program Approval

City Council
Bond Election Advisory Task Force

• Starting point is $1.3 B Needs Assessment
• Develop 3 potential programs
  – $200 M, $300 M, $400 M
  – Similar in size to 2006 bond program, after adjusting for change in funding methodology for watershed protection projects (cash generated by drainage fee)

Urban Rail

• Continue evaluation of system – alignment, segments, phasing
• Financial analysis with various levels of general obligation bond funding
• Feasibility of other funding sources to be assessed
  – Federal funds, tax increment financing, etc.
## Calendar

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<tr>
<th>Month</th>
<th>Needs Assessment</th>
<th>Urban Rail</th>
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<tbody>
<tr>
<td>January</td>
<td>• Initial staff prioritization</td>
<td>• High-capacity transit system integration ideas</td>
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<tr>
<td></td>
<td>• BEATF organization</td>
<td></td>
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<tr>
<td>February</td>
<td>• Staff presents Initial Prioritization to BEATF</td>
<td>• Financial Analysis</td>
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<tr>
<td>March</td>
<td>• BEATF considers prioritized lists</td>
<td>• DRAFT High-capacity transit system</td>
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<tr>
<td>April</td>
<td>• BEATF receives public input</td>
<td>• O&amp;M costs</td>
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<tr>
<td>May / June</td>
<td>• BEATF provides recommendations</td>
<td>• Discuss Phasing</td>
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<tr>
<td>June / July</td>
<td></td>
<td>• City Manager Finalizes Bond Program Recommendation</td>
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<tr>
<td>August</td>
<td></td>
<td>• Public Hearings on Bond Program Recommendation</td>
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<tr>
<td></td>
<td></td>
<td>• City Council Approves Bond Program</td>
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