

City of Austin

Economic Outlook & Financial Forecast Presentations



April 18, 2013





Forecast Agenda

April Work Session 18 (9:00 AM – 12:00 PM)

- Economic Outlook (Jon Hockenyos)
- Financial Forecast
 - General Fund Overview
 - General Government Capital Highlights
 - Enterprise Highlights and Rate Projections
 - Tax and Utility Rate Summary
- Council Discussion and Q&A



Forecast Agenda

April 25 Deliverables

- Publication of Unmet Service Demands
- Department Forecast Videos and Presentations:

General Fund

- Animal Services
- Emergency Medical Services
- Fire
- Health and Human Services
- Library
- Municipal Court

- Parks and Recreation
- Planning & Development Review
- Police

Enterprise

- Austin Energy
- Austin Resource Recovery
- Austin Water

- Aviation
- Code Compliance
- Convention Center
- Neighborhood Housing
- Public Works
- Transportation
- Watershed Protection

May 2 Work Session (9:00 AM – 4:30 PM)

- Council Discussion and Q&A



FY 2014 Budget Process

- Data-driven reports and information provided early in the process
 - Citizen survey results – October
 - Annual performance results & city dashboard – February
 - Economic outlook and financial forecast – April
 - Unmet service demands – April
 - *New* on-demand department forecast videos – April
 - Community engagement results – June
 - Proposed budget – August
 - *New* on-demand department budget videos – August

All reports and videos available at austintexas.gov/finance



FY 2014 Budget Process

- Board/Commission meetings – May, June
- Public communication and engagement
 - *New Budget Basics* video – available online
 - *New Budget in a Box* – April, May, June
 - Bilingual tool for self-guided community meetings
 - Also available online for individual use
 - *New enhanced stakeholder engagement* by departments – May, June
 - *New bilingual Budget in Brief* – August
- 6 public hearings on budget, tax rates and utility rates – August



FY 2014 Budget Process

- Council work sessions and guidance
 - Financial forecast work sessions – April 18, May 2
 - Budget work sessions – August 1, 14
 - Council budget questions – April-August
 - Budget adoption – September 9-11



Forecast Highlights

- For the General Fund, structural revenue and expenditure adjustments enacted in previous budget cycles have worked

As a result, we have been able to:

- Maintain 2.0 officers per 1,000 population ratio
- Fully fund \$4.5M from mid-year budget amendments
- Continue efforts towards more equitable allocation of shared services
- Absorb State and Federal funding cuts
- Not rely on one-time revenue for on-going costs
- Maintain current service levels while covering over \$29M in base cost drivers



Forecast Highlights

- Base General Fund forecast for the next 5 years is balanced and structurally sound BUT...
 - Does not include funding for new programs or service enhancements
 - Labor contracts and employee wages are major wild cards
- General Fund unmet service demands total \$35.1 million and 337 new positions
- Funding of unmet service demands and/or wage increases will require increases in the tax rate and/or reallocations within programs



City of Austin Financial Forecast

Economic Outlook

Jon Hockenyos, Texas Perspectives

The 2013 Austin Area Economic Forecast



austintexas.gov

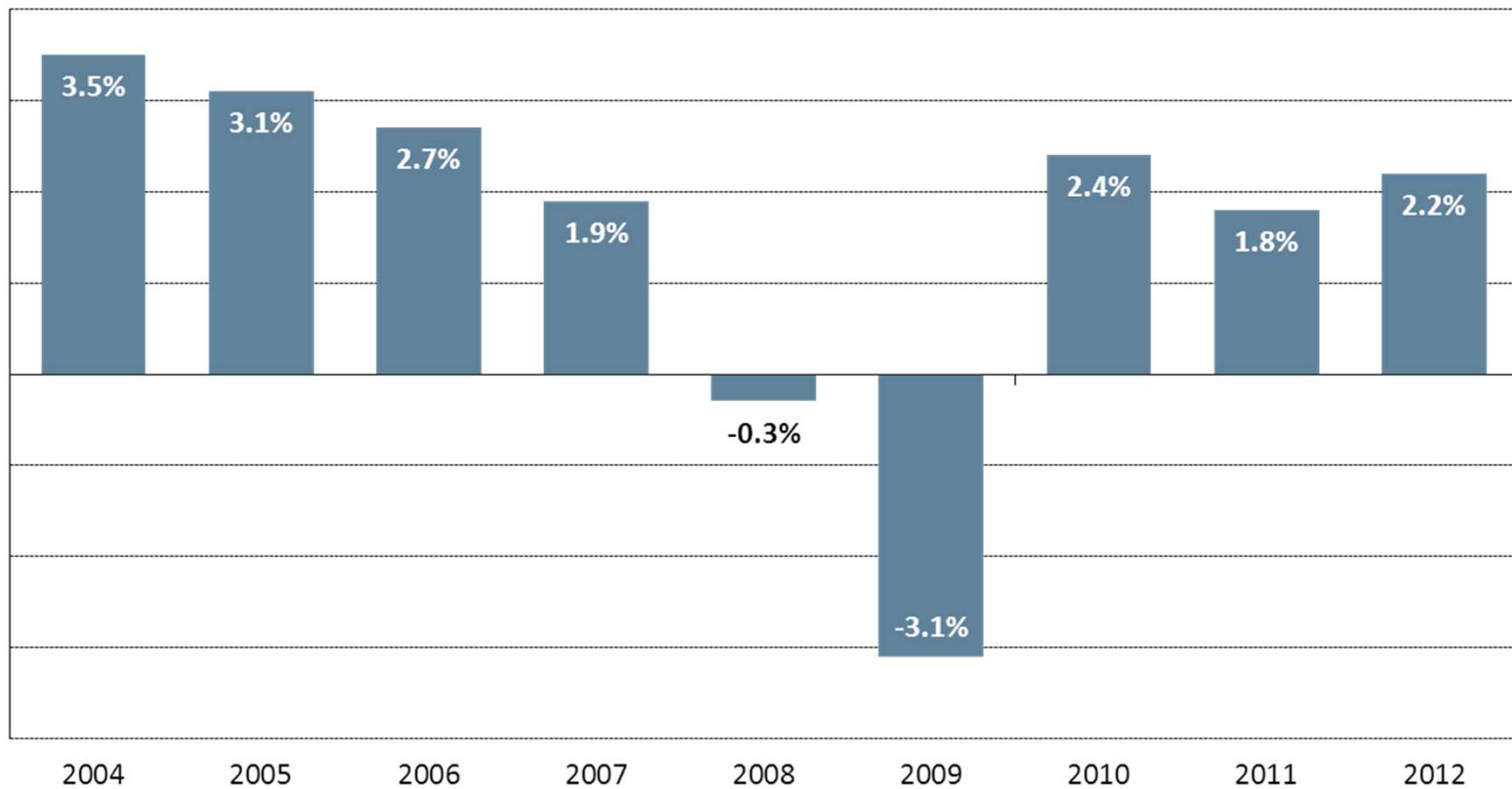
National Economy

Overview

- Economic recovery solidified somewhat during 2012, although slowdown in government spending (with more to come) has depressed overall growth rates. Job growth is now at a pace comparable with that pre-recession, but economy has yet to fully replace jobs lost from 2008-10.
- Companies have resumed net investment growth, indicating some confidence in the durability of the recovery. Meanwhile, housing (as measured as part of GDP) expanded for the first time in five years.
- Energy prices have remained fairly level in recent months, after substantial swings over the preceding four years. Core inflation (inflation minus food and energy) is stable, with little sign that either rising demand or high levels of debt will have an impact in the near future.
- As a result, expect interest rates to remain near record lows for the foreseeable future. Impact of the real estate bust is not over, but the peak is well past – issues related to credit-worthiness remain.
- Bottom line: improving economic fundamentals, but growth slowed by fiscal policy.

National Economy

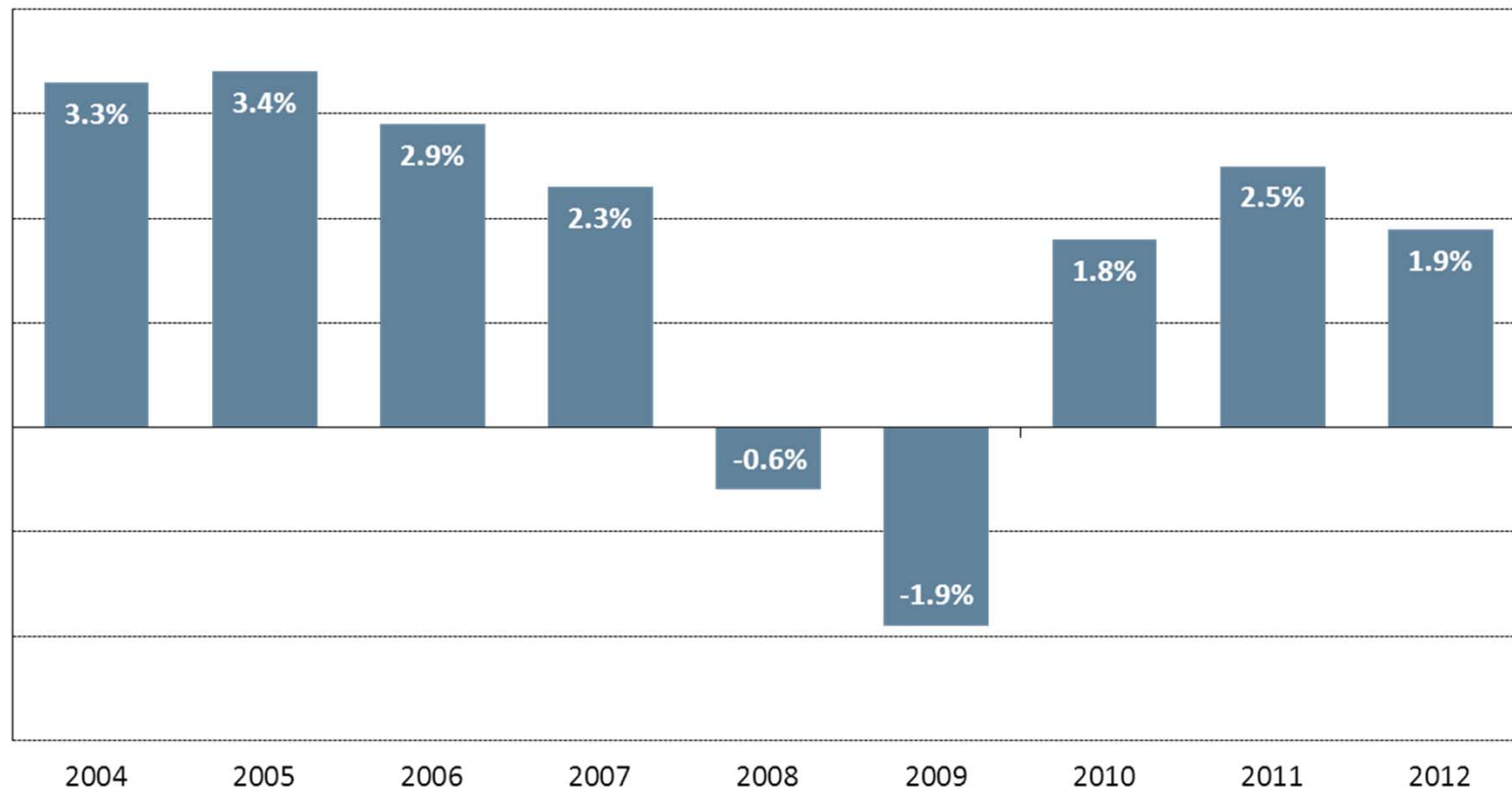
GDP Growth



Source: BEA; TXP

National Economy

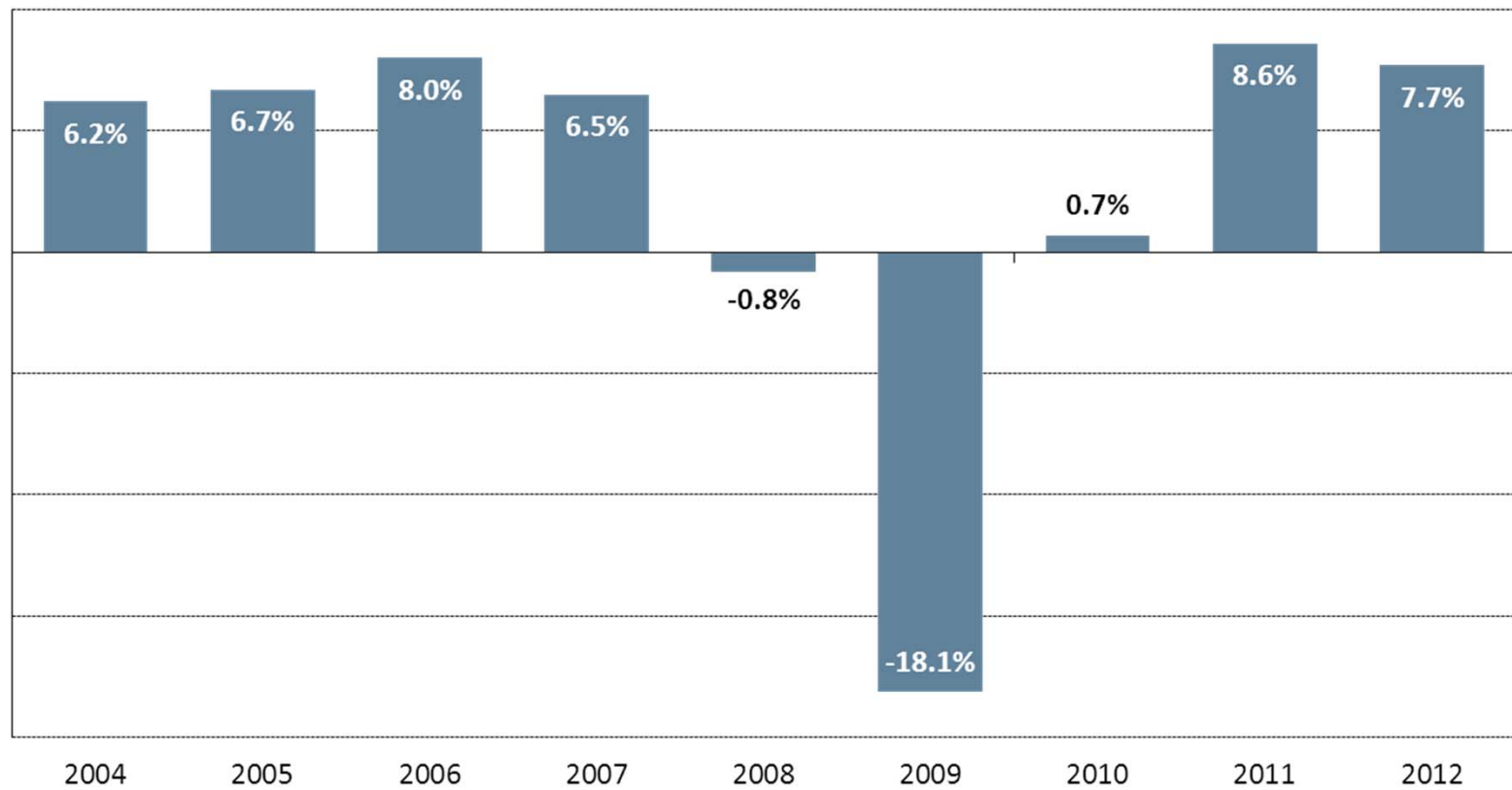
Personal Consumption Expenditures Growth



Source: BEA; TXP

National Economy

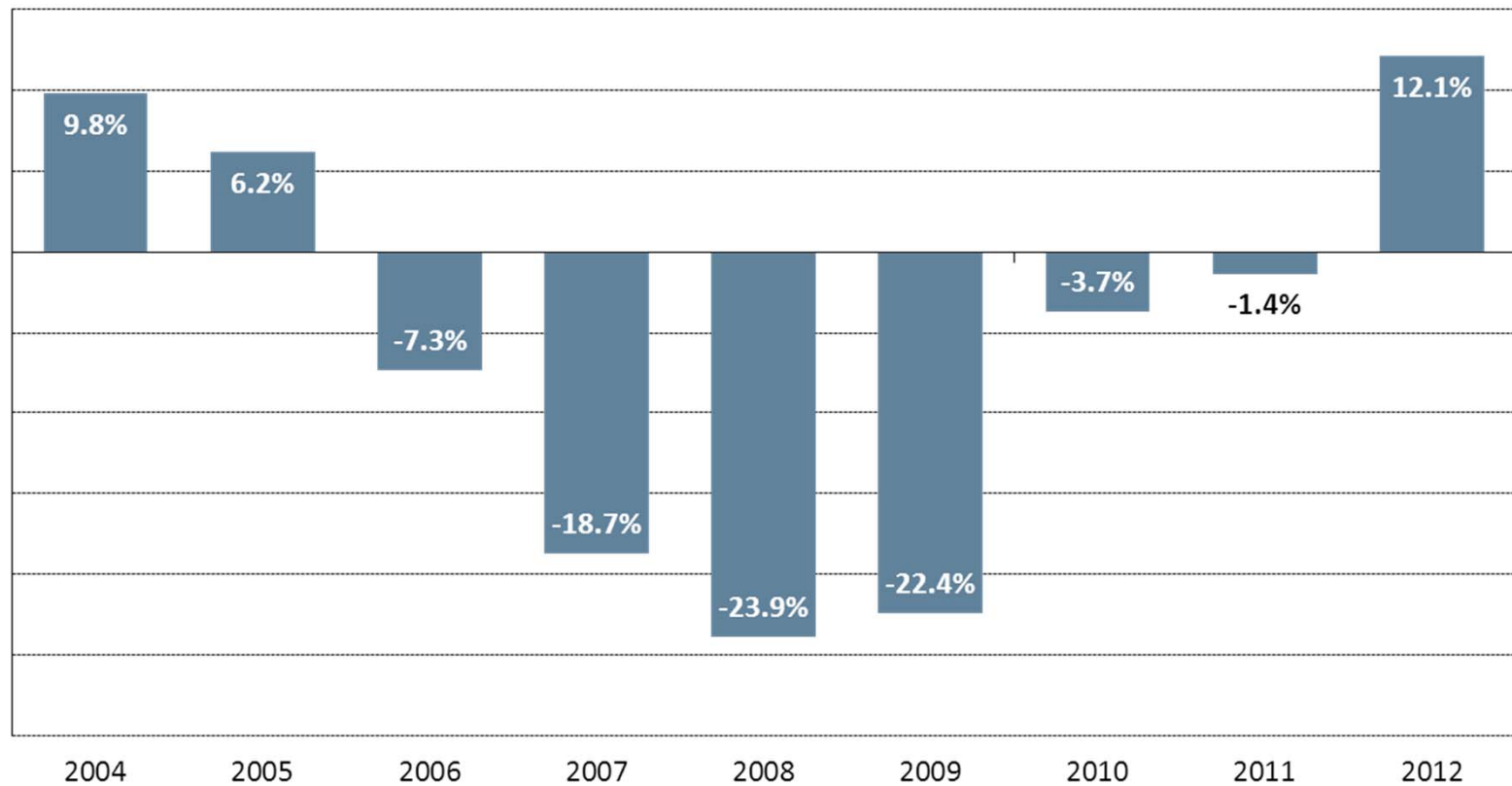
Non-Residential Investment Growth



Source: BEA; TXP

National Economy

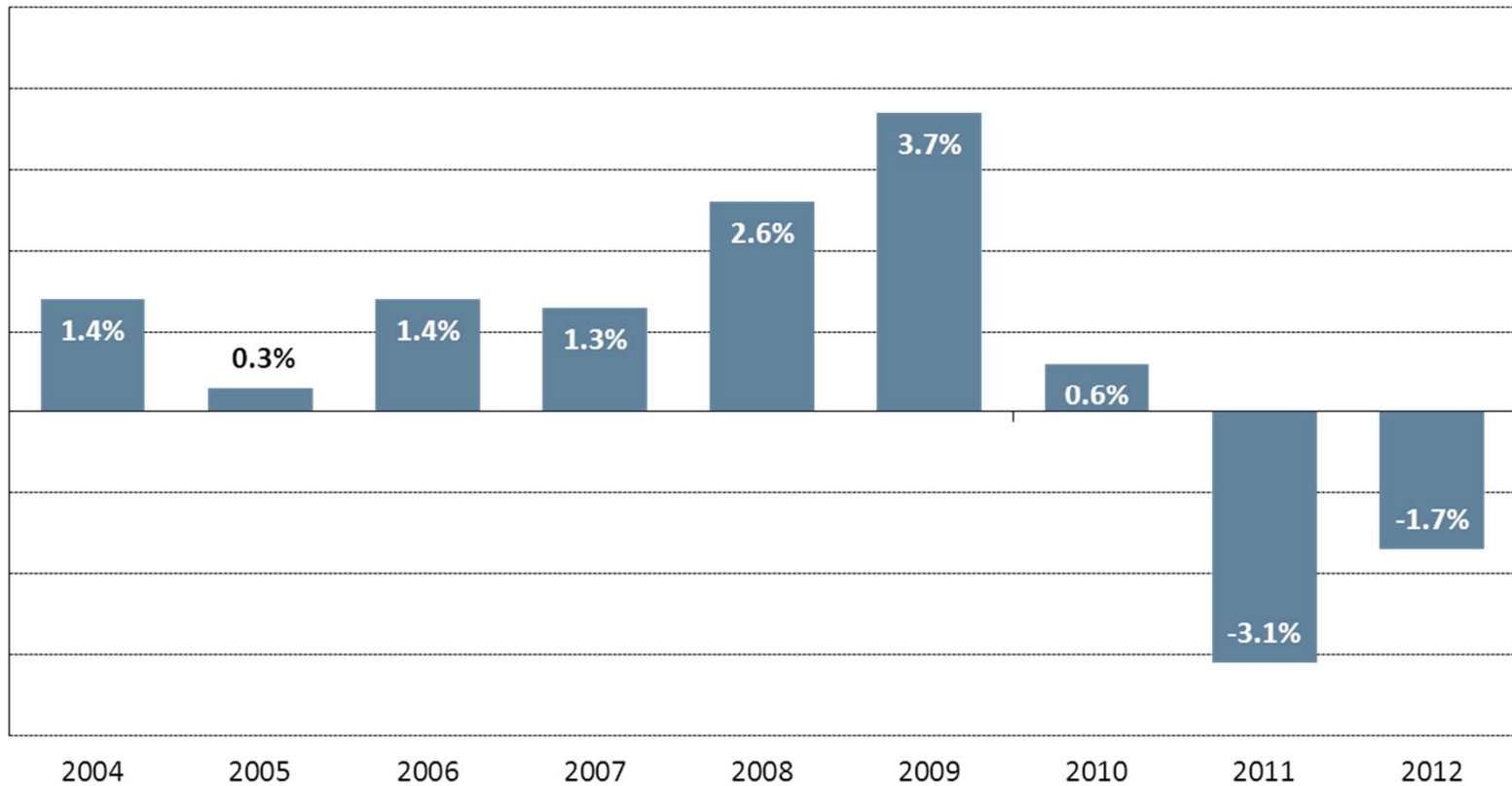
Residential Investment Growth



Source: BEA; TXP

National Economy

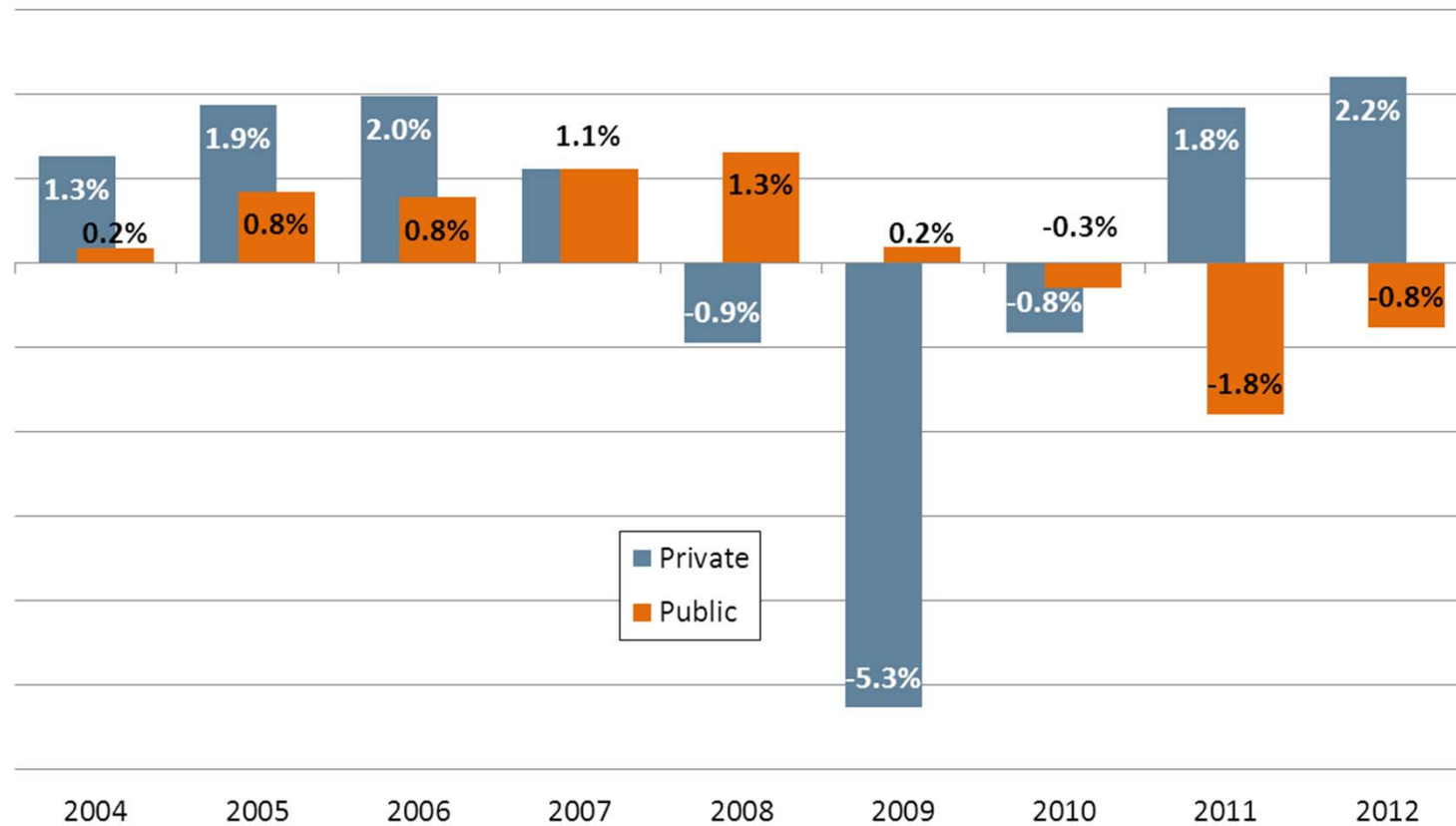
Government Growth



Source: BEA; TXP

National Economy

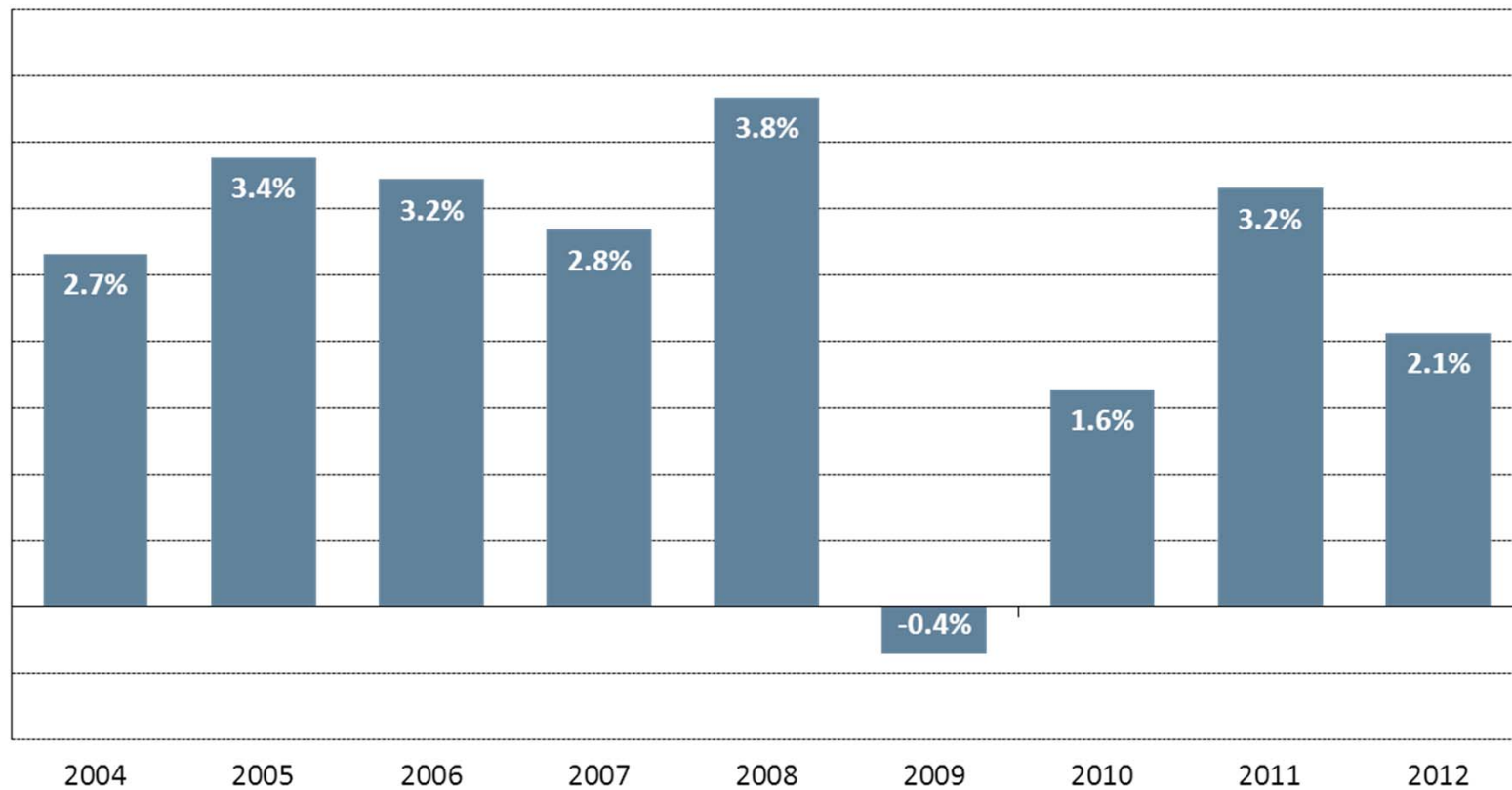
Private v. Public Employment (12-Month Change)



Source: BLS; TXP

National Economy

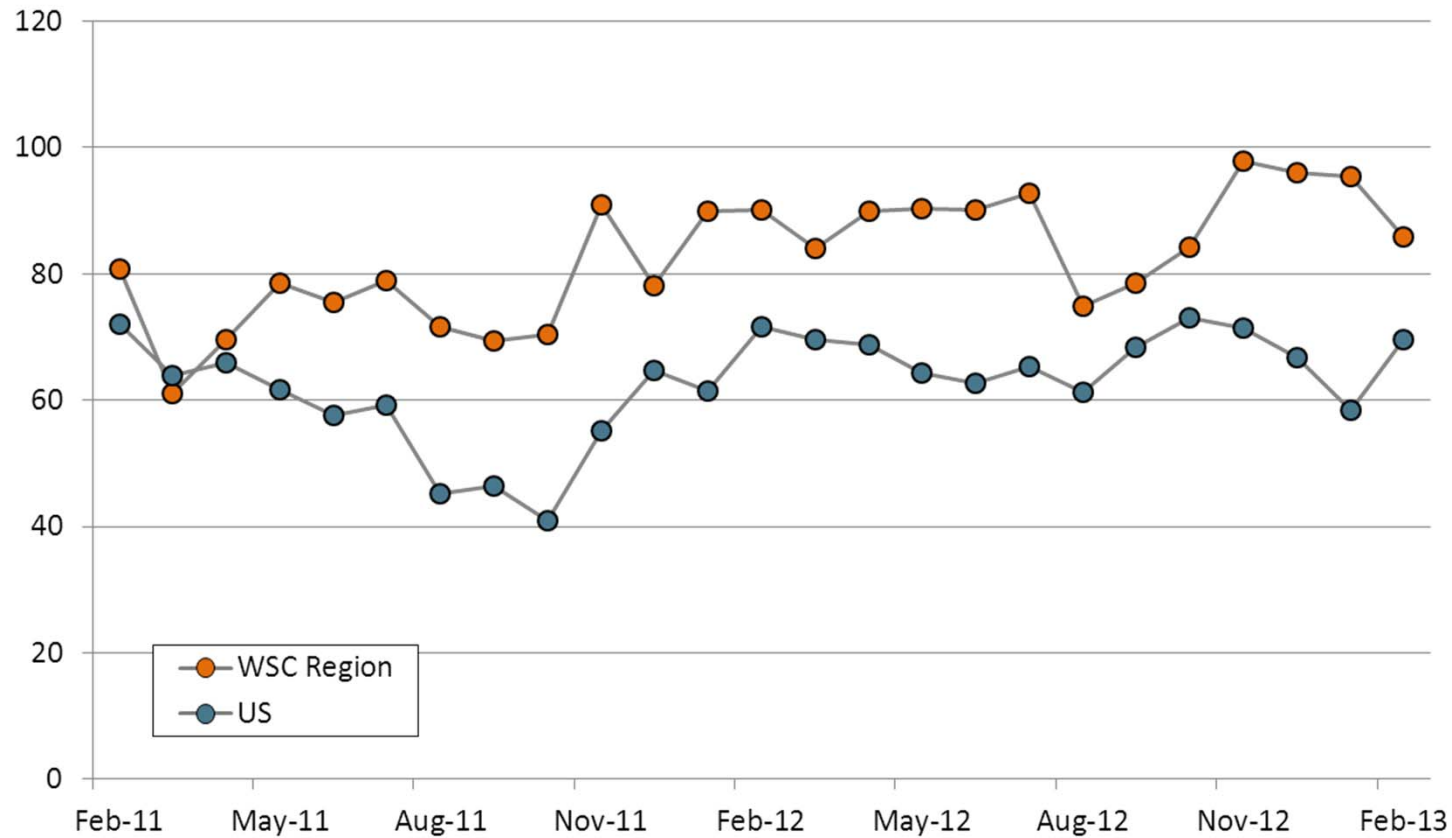
Consumer Price Index (12-Month Change)



Source: BLS; TXP

National Economy

Consumer Confidence (1985 = 100)



Source: Conference Board; TXP

National Economy

Outlook

- GDP will remain positive in 2013 (1.5 to 2.0% growth anticipated), but rate remains below potential.
 - Fiscal tightening (automatic spending cuts due to sequester).
 - Higher effective federal tax rates (rise in marginal rate for top earners, expiration of 2% Social Security tax cut, increases related to Affordable Care Act) reduce disposable income. With slower consumer spending growth, hiring may be reduced, keeping unemployment fairly high.
 - Continued supply-demand imbalance in some real estate markets, with associated credit impacts.
- Longer-Term Outlook (*from Congressional Budget Office*)
 - ... underlying economic factors will lead to more rapid growth; 3.4% in 2014 and an average of 3.6% a year from 2015 through 2018. In particular, CBO expects that the effects of the housing and financial crisis will continue to fade and that an upswing in housing construction (though from a very low level), rising real estate and stock prices, and increasing availability of credit will help to spur a virtuous cycle of faster growth in employment, income, consumer spending, and business investment over the next few years.



Austin Area Economy

Overview

- Austin's performance since the real estate boom and subsequent national recession arguably is the strongest among major metros across the nation, as aggregate indicators show solid performance from 2007 and last year.
- The recovery that began in 2010 continues as expected, as 28,200 net new jobs added during 2012. Private sector now accounts for all of the above, with a gain of about 29,000 net new jobs last year.
- Consumer spending shows strength. Current spending (and sales tax) above long-term trend levels.
- Multi-family benefitting from both factors that influence demand (job growth, household formation, changing credit standards for homebuyers) and an institutional investment focus. Home prices remain fairly balanced, especially compared to rest of the country. Record number of housing units permitted in City of Austin during 2012.
- Local venture capital continues strong post-recession activity.
- Tourism remains a growing element of the local economy - 2012 a record year for hotel revenue.

Regional Economies

Median Home Prices (\$000)

	2007	2011	2012	07-'12	11-'12
Austin	\$183.7	\$193.1	\$206.0	12.1%	6.7%
Boston	\$395.6	\$346.2	\$352.2	-11.0%	1.7%
Chicago	\$276.6	\$176.5	\$175.3	-36.6%	-0.7%
Dallas-Ft Worth	\$150.9	\$148.9	\$159.3	5.6%	7.0%
Denver	\$245.4	\$231.4	\$252.4	2.9%	9.1%
Houston	\$152.5	\$155.7	\$164.8	8.1%	5.8%
Las Vegas	\$297.7	\$124.7	\$134.1	-55.0%	7.5%
Miami	\$365.5	\$181.1	\$203.1	-44.4%	12.1%
Minneapolis	\$225.2	\$154.7	\$171.8	-23.7%	11.1%
New York	\$469.7	\$442.6	\$445.6	-5.1%	0.7%
Phoenix	\$257.4	\$115.5	\$147.6	-42.7%	27.8%
Portland, OR	\$295.2	\$219.5	\$232.9	-21.1%	6.1%
Sacramento	\$342.8	\$167.1	\$176.8	-48.4%	5.8%
San Antonio	\$153.2	\$152.5	\$159.5	4.1%	4.6%
San Diego	\$588.7	\$370.3	\$385.5	-34.5%	4.1%
San Francisco	\$804.8	\$483.4	\$543.8	-32.4%	12.5%
Seattle	\$386.9	\$285.0	\$300.4	-22.4%	5.4%
Tampa	\$214.9	\$127.8	\$138.1	-35.7%	8.1%
Tucson	\$244.8	\$134.5	\$149.9	-38.8%	11.4%
Washington	\$430.8	\$325.4	\$352.0	-18.3%	8.2%

Source: National Association of Realtors; TXP

Regional Economies

Total Employment (000s)

	2007	2011	2012	07-'12	11-'12
Austin	757.5	795.0	823.2	8.7%	3.5%
Boston	1,704.9	1,698.6	1,728.1	1.4%	1.7%
Chicago	3,873.1	3,655.8	3,709.2	-4.2%	1.5%
Dallas-Ft Worth	2,938.1	2,932.8	3,016.0	2.7%	2.8%
Denver	1,241.2	1,213.6	1,246.1	0.4%	2.7%
Houston	2,547.8	2,592.1	2,691.4	5.6%	3.8%
Las Vegas	928.0	808.2	823.6	-11.3%	1.9%
Miami	2,418.8	2,228.6	2,278.2	-5.8%	2.2%
Minneapolis	1,795.5	1,735.0	1,766.4	-1.6%	1.8%
New York	8,574.0	8,418.2	8,554.3	-0.2%	1.6%
Phoenix	1,918.9	1,715.6	1,757.1	-8.4%	2.4%
Portland, OR	1,034.9	987.8	1,006.6	-2.7%	1.9%
Sacramento	903.0	806.0	822.5	-8.9%	2.0%
San Antonio	834.4	858.4	877.9	5.2%	2.3%
San Diego	1,308.4	1,233.4	1,258.8	-3.8%	2.1%
San Francisco	2,037.2	1,917.2	1,977.8	-2.9%	3.2%
Seattle	1,743.2	1,671.3	1,711.5	-1.8%	2.4%
Tampa	1,234.5	1,129.7	1,155.7	-6.4%	2.3%
Tucson	385.4	355.5	360.8	-6.4%	1.5%
Washington	2,990.2	3,007.6	3,039.8	1.7%	1.1%

Source: Bureau of Labor Statistics; TXP

Regional Economies

Total Personal Income (\$billions)

	2007	2010	2011	07-'11	10-'11
Austin	\$59.9	\$67.3	\$72.2	20.4%	7.2%
Boston	\$243.6	\$252.6	\$265.8	9.1%	5.2%
Chicago	\$424.5	\$420.0	\$437.0	2.9%	4.0%
Dallas-Ft Worth	\$255.3	\$268.5	\$285.3	11.7%	6.2%
Denver	\$115.9	\$120.0	\$127.3	9.8%	6.1%
Houston	\$249.8	\$268.7	\$289.8	16.0%	7.9%
Las Vegas	\$73.0	\$67.7	\$70.3	-3.8%	3.8%
Miami	\$238.3	\$233.4	\$244.2	2.5%	4.6%
Minneapolis	\$149.9	\$152.8	\$161.5	7.7%	5.7%
New York	\$1,012.5	\$1,032.8	\$1,079.5	6.6%	4.5%
Phoenix	\$153.1	\$149.1	\$157.0	2.6%	5.3%
Portland, OR	\$85.3	\$87.9	\$93.4	9.5%	6.3%
Sacramento	\$84.1	\$85.1	\$88.7	5.5%	4.2%
San Antonio	\$68.9	\$75.8	\$80.7	17.2%	6.5%
San Diego	\$136.2	\$139.6	\$147.0	7.9%	5.3%
San Francisco	\$259.4	\$254.4	\$269.6	3.9%	6.0%
Seattle	\$165.2	\$167.9	\$178.3	7.9%	6.2%
Tampa	\$102.4	\$106.1	\$110.9	8.3%	4.5%
Tucson	\$33.1	\$33.3	\$34.6	4.6%	4.0%
Washington	\$297.5	\$321.5	\$338.5	13.8%	5.3%

Source: Bureau of Economic Analysis; TXP

Regional Economies

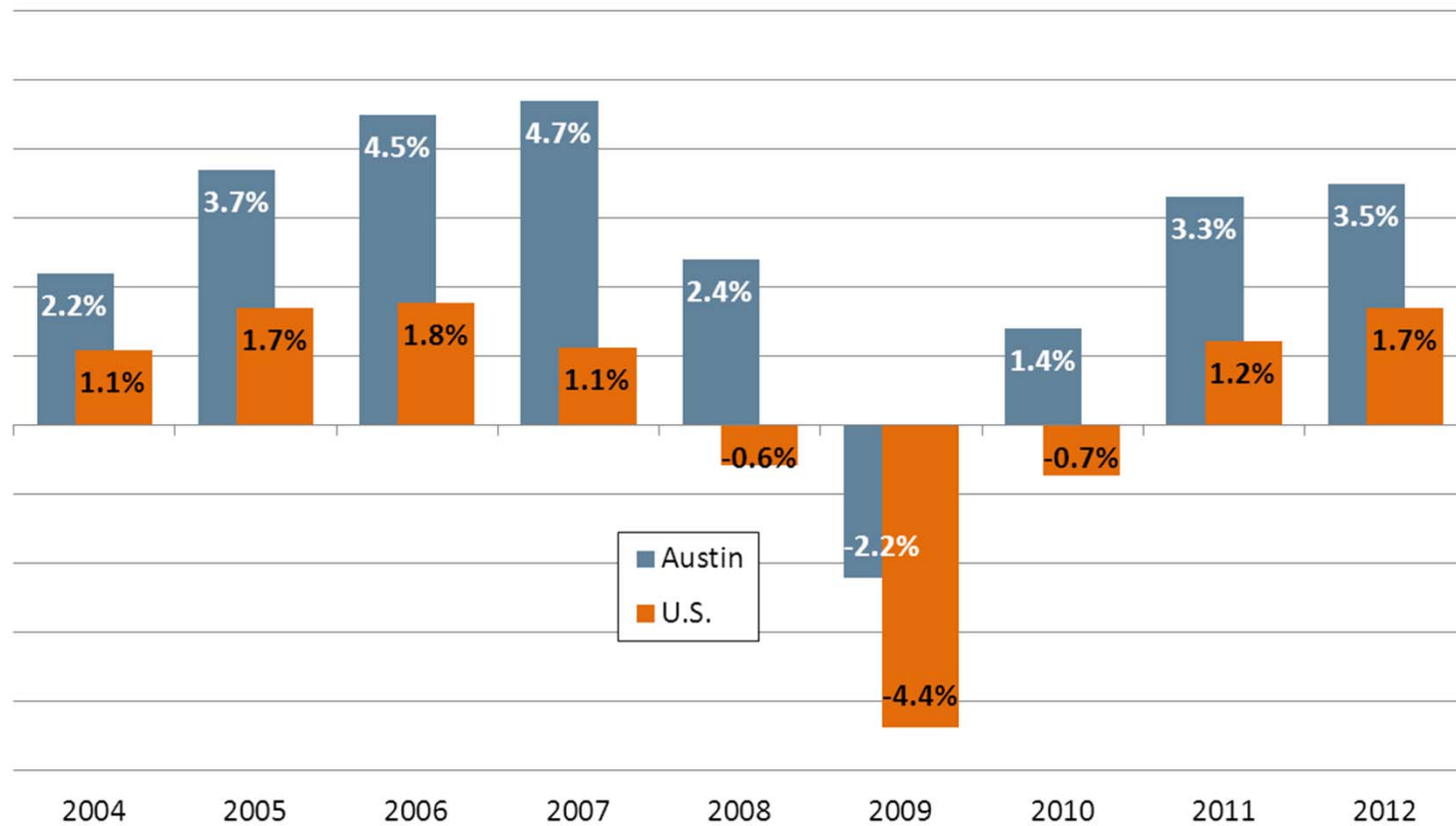
Per Capita Personal Income

	2007	2010	2011	07-'11	10-'11
Austin	\$37,978	\$38,953	\$40,455	6.5%	3.9%
Boston	\$54,774	\$55,392	\$57,893	5.7%	4.5%
Chicago	\$45,466	\$44,338	\$45,977	1.1%	3.7%
Dallas-Ft Worth	\$42,339	\$41,948	\$43,708	3.2%	4.2%
Denver	\$47,935	\$46,969	\$48,980	2.2%	4.3%
Houston	\$44,872	\$44,959	\$47,612	6.1%	5.9%
Las Vegas	\$39,105	\$34,668	\$35,680	-8.8%	2.9%
Miami	\$43,939	\$41,838	\$43,072	-2.0%	2.9%
Minneapolis	\$46,853	\$46,498	\$48,657	3.9%	4.6%
New York	\$54,517	\$54,591	\$56,770	4.1%	4.0%
Phoenix	\$38,094	\$35,422	\$36,833	-3.3%	4.0%
Portland, OR	\$39,903	\$39,384	\$41,302	3.5%	4.9%
Sacramento	\$40,379	\$39,492	\$40,745	0.9%	3.2%
San Antonio	\$34,256	\$35,197	\$36,781	7.4%	4.5%
San Diego	\$45,768	\$44,951	\$46,800	2.3%	4.1%
San Francisco	\$62,010	\$58,567	\$61,395	-1.0%	4.8%
Seattle	\$49,989	\$48,692	\$50,944	1.9%	4.6%
Tampa	\$37,559	\$38,048	\$39,261	4.5%	3.2%
Tucson	\$34,596	\$33,884	\$34,961	1.1%	3.2%
Washington	\$55,913	\$57,321	\$59,345	6.1%	3.5%

Source: Bureau of Economic Analysis; TXP

Austin Area Economy

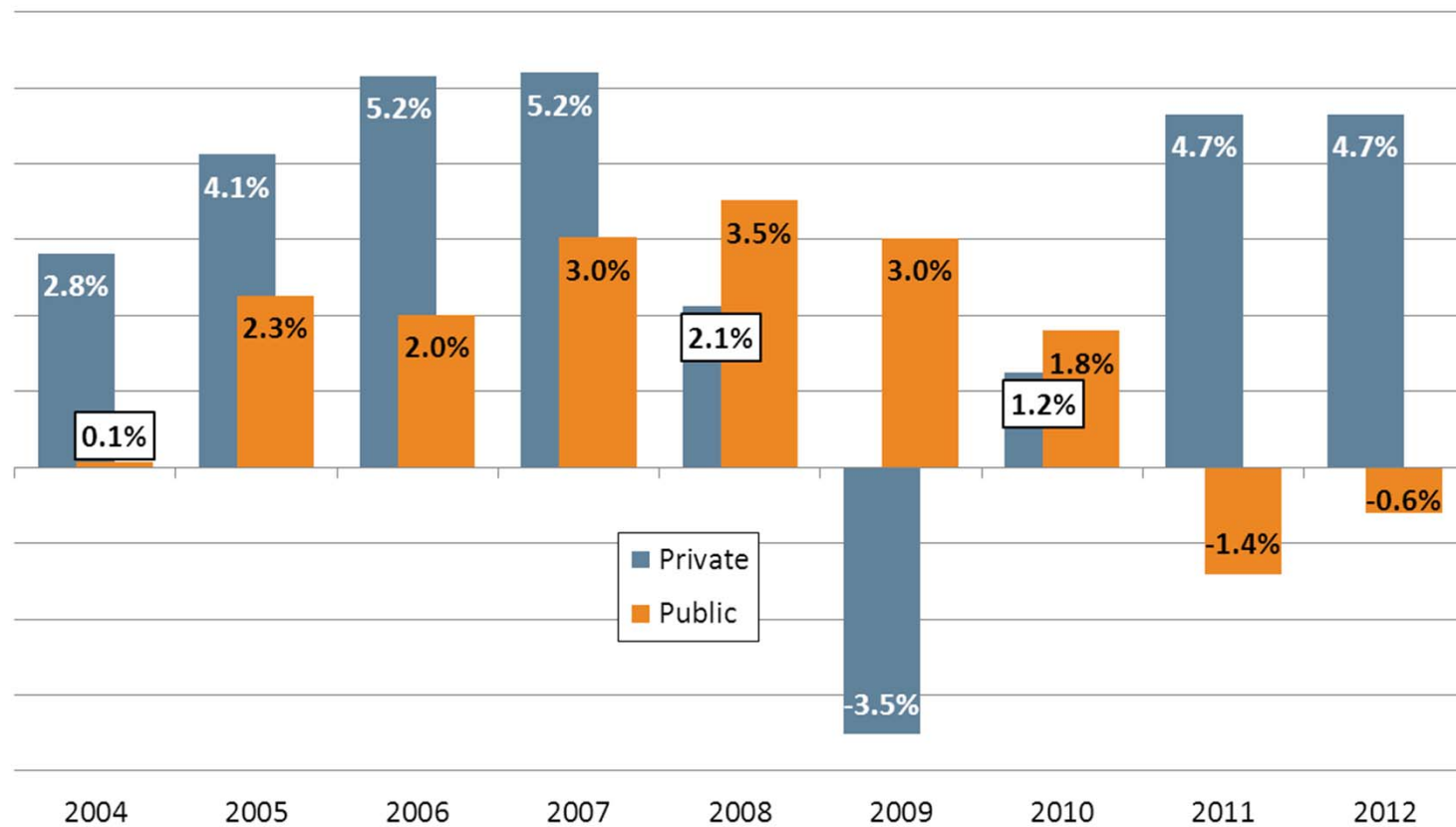
Austin MSA Total Employment (12-Month Change)



Source: BLS; TXP

Austin Area Economy

Austin MSA Private v. Public Employment (12-Month Change)



Source: BLS; TXP

Austin Area Economy

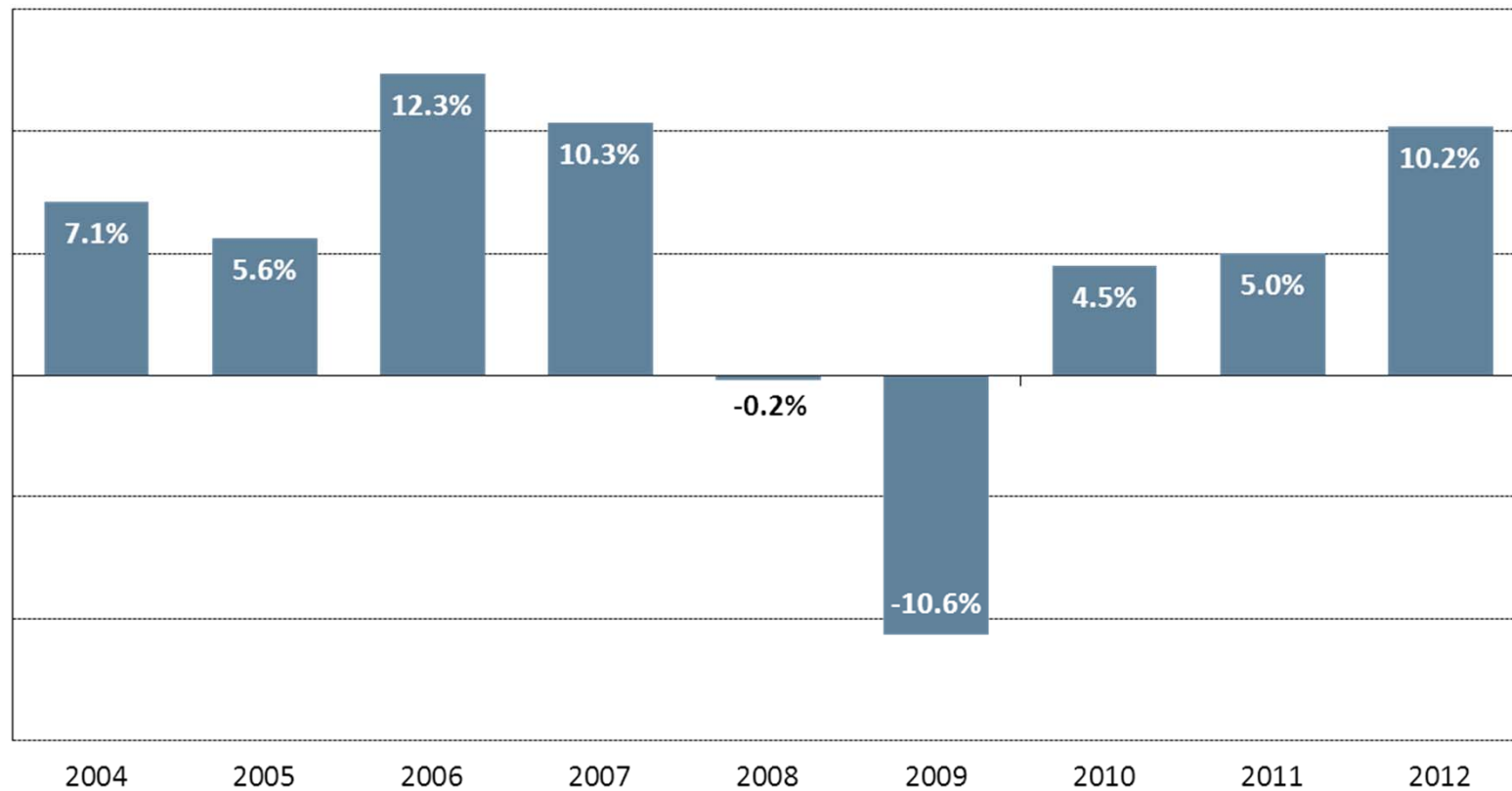
Austin MSA Employment by Sector

	Employment (000s)			Change (Actual)		Change (%)	
	2007	2011	2012	07-'12	11-'12	07-'12	11-'12
Natural Resources/Construction	49.0	39.5	42.0	-7.0	2.5	-14.3%	6.3%
Manufacturing	59.7	49.7	50.9	-8.8	1.2	-14.7%	2.4%
Trade, Transportation, & Utilities	136.0	140.9	146.4	10.4	5.5	7.6%	3.9%
Information	21.9	20.6	21.8	-0.1	1.2	-0.5%	5.8%
Financial Activities	44.7	44.1	45.9	1.2	1.8	2.7%	4.1%
Professional & Business Services	106.0	117.4	124.3	18.3	6.9	17.3%	5.9%
Educational & Health Services	77.2	92.3	97.4	20.2	5.1	26.2%	5.5%
Leisure & Hospitality	78.3	89.4	92.9	14.6	3.5	18.6%	3.9%
Other Services	28.2	33.5	34.9	6.7	1.4	23.8%	4.2%
Total Private	600.9	627.4	656.6	55.7	29.2	9.3%	4.7%
Government	156.6	167.7	166.6	10.0	-1.1	6.4%	-0.6%
<i>Total Employment</i>	<i>757.5</i>	<i>795.0</i>	<i>823.2</i>	<i>65.7</i>	<i>28.2</i>	<i>8.7%</i>	<i>3.5%</i>

Source: BLS; TXP

Austin Area Economy

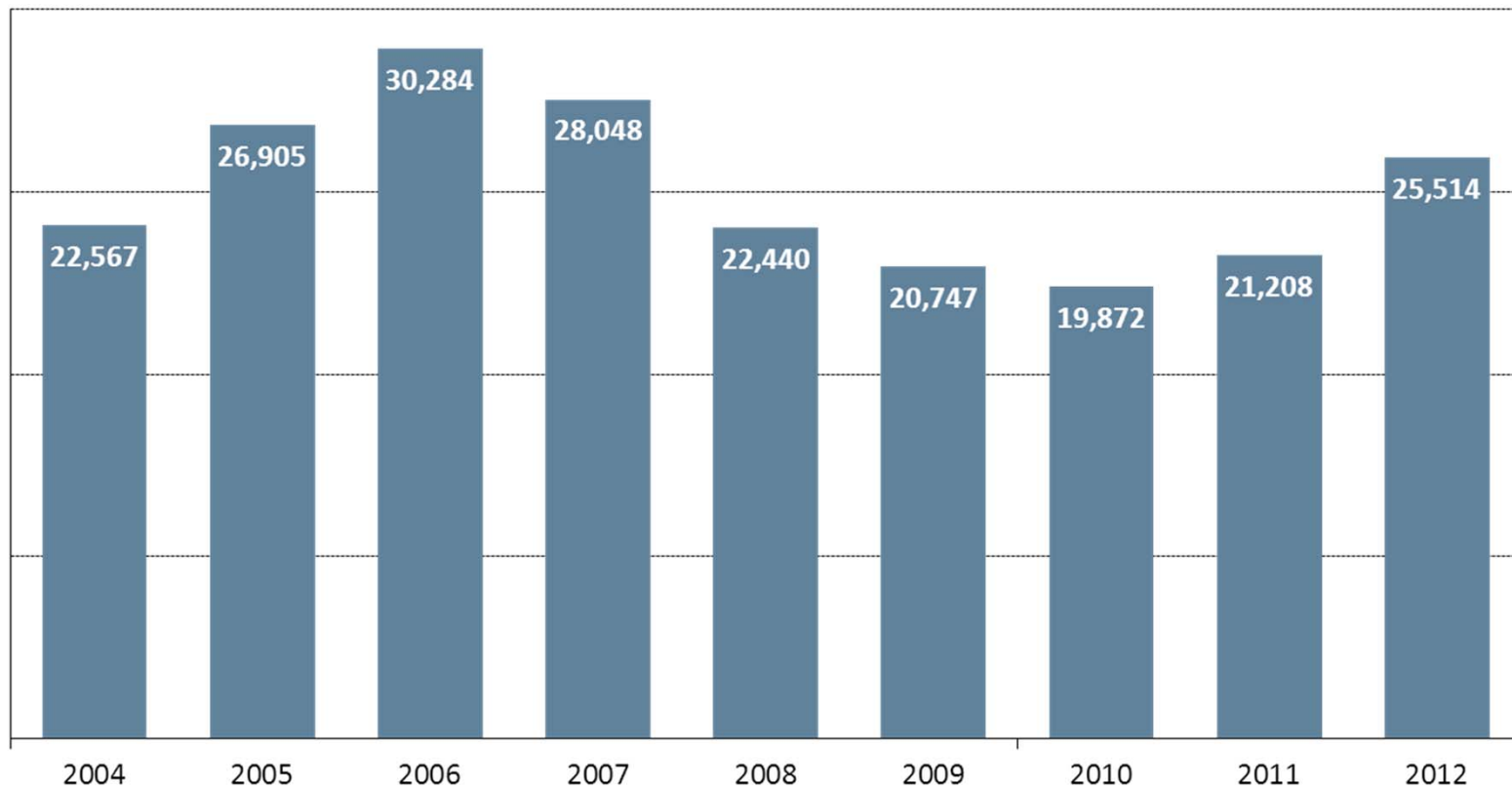
City of Austin Sales Tax (12-Month Change/Calendar Year)



Source: Texas State Comptroller; TXP

Austin Area Economy

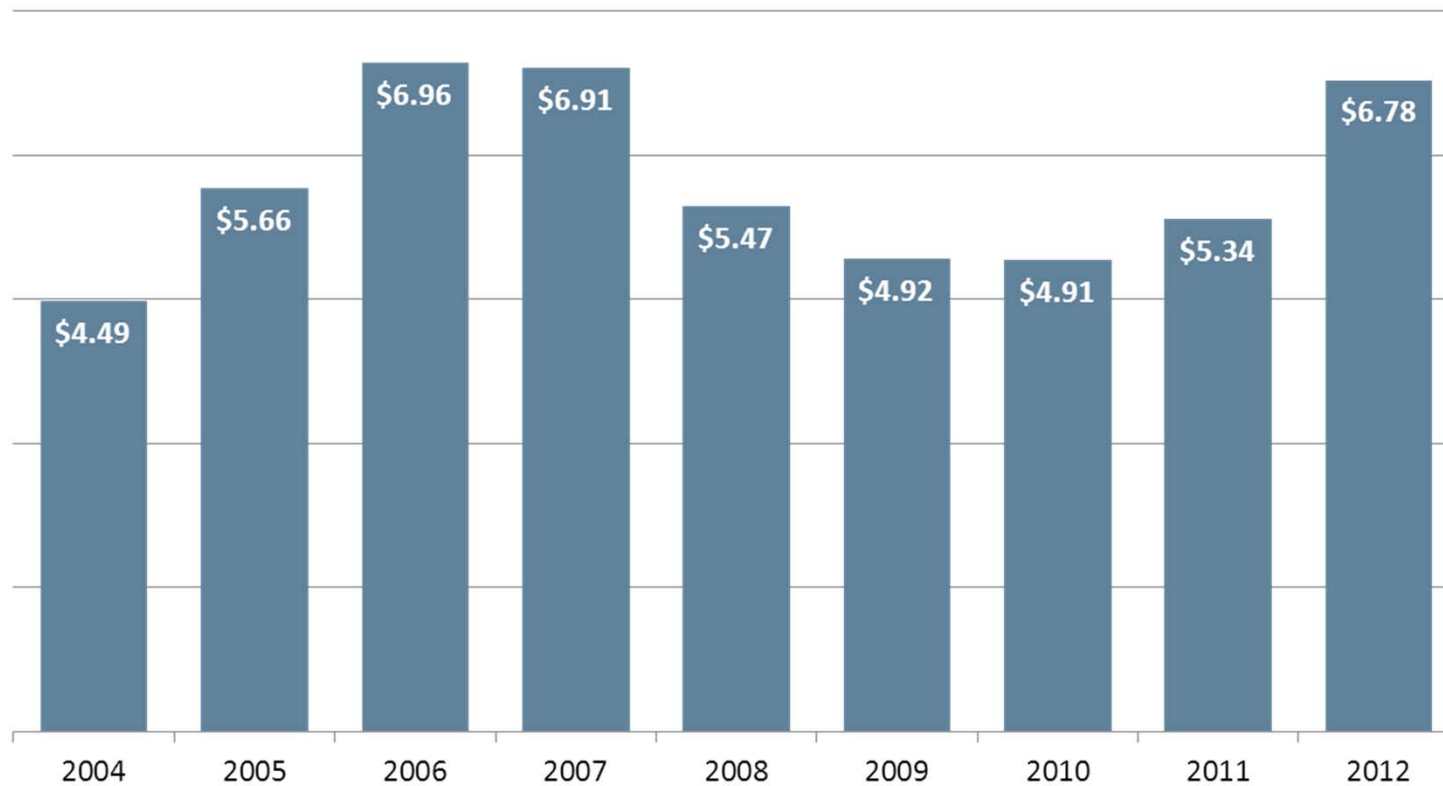
MSA Home Sales



Source: Texas A&M Real Estate Research Center; TXP

Austin Area Economy

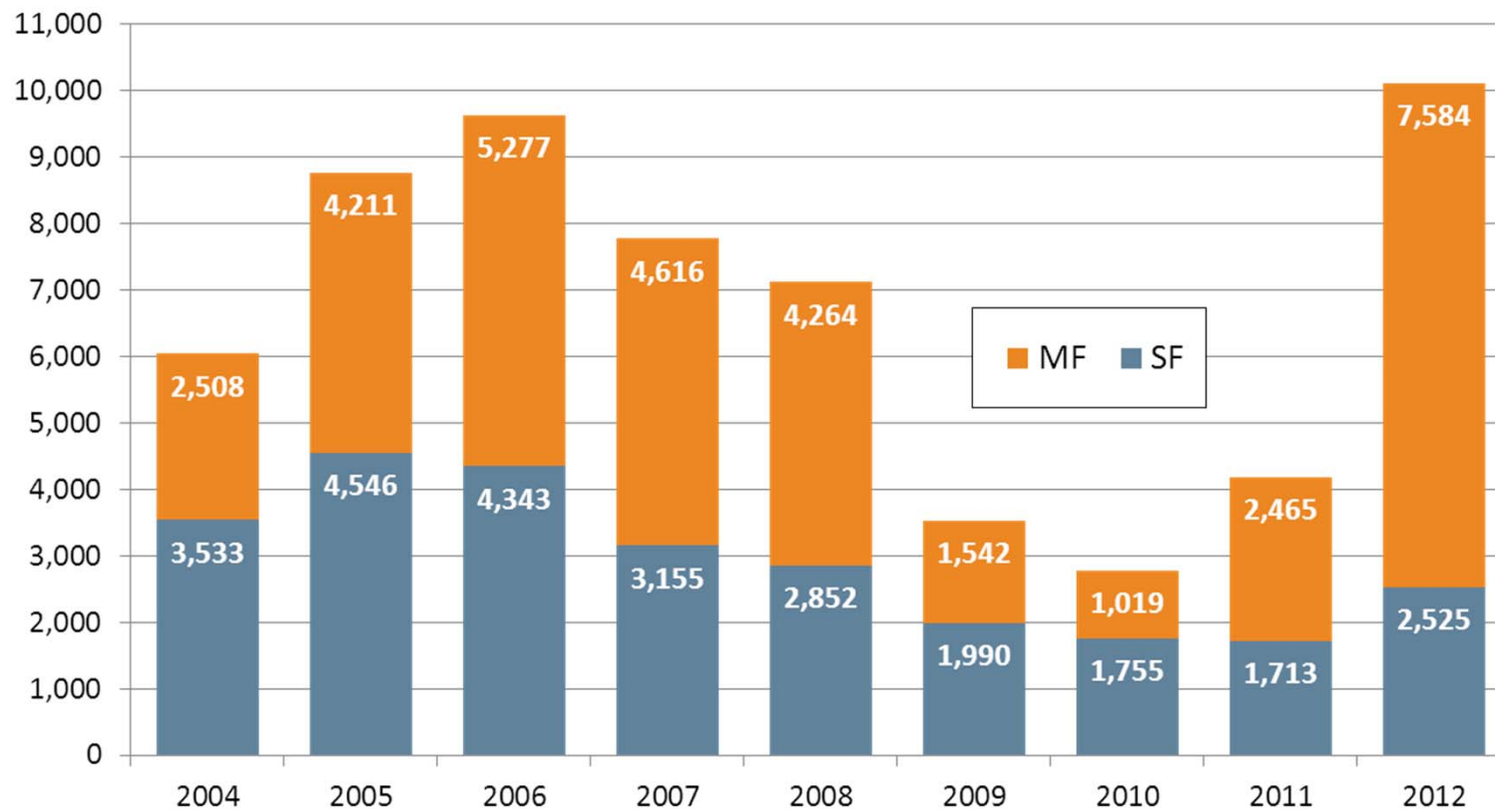
MSA Home Sales \$ Volume (Billions)



Source: Texas A&M Real Estate Research Center; TXP

Austin Area Economy

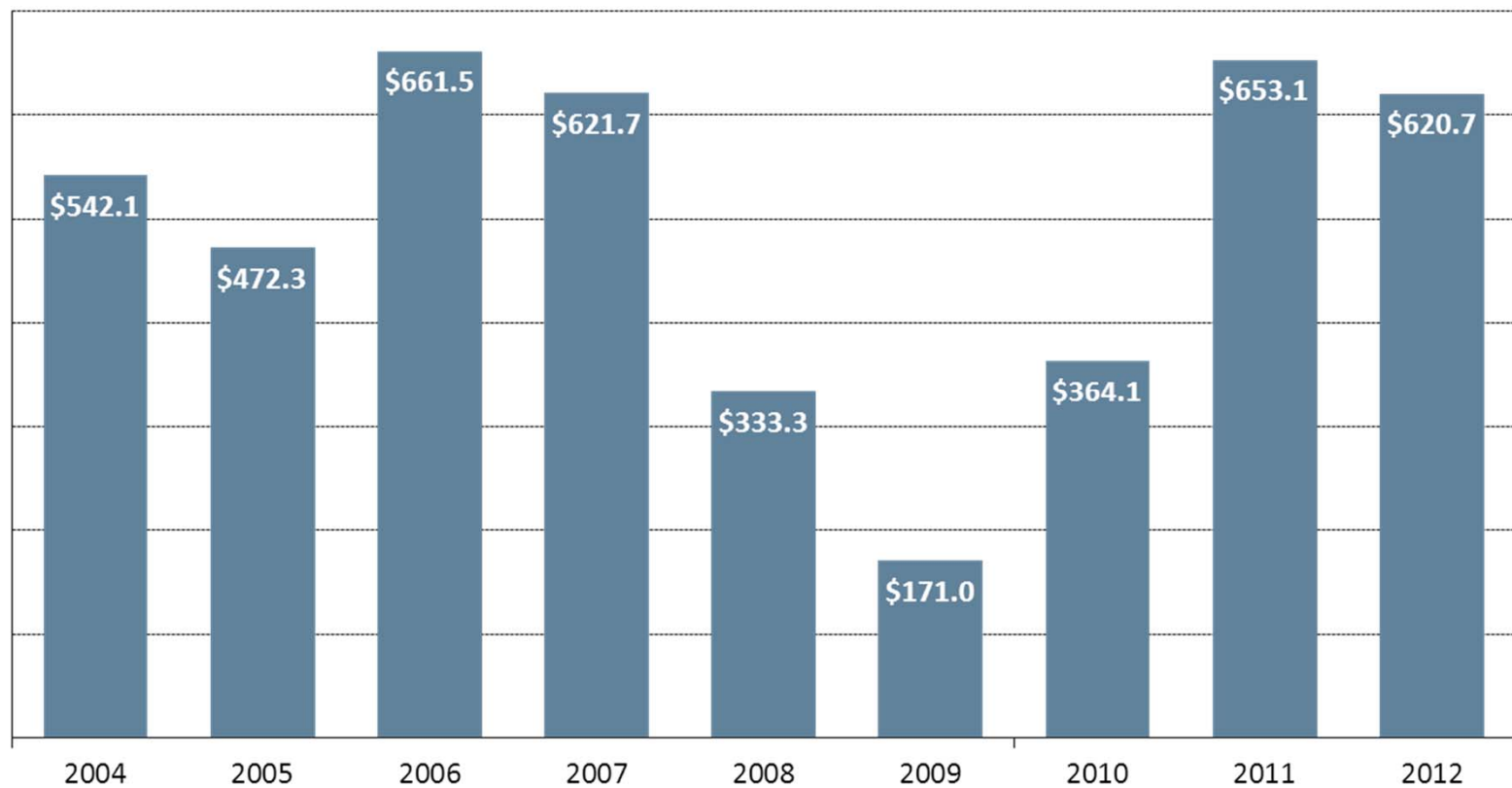
City of Austin Single & Multi-Family Units Permitted



Source: Census Bureau; TXP

Austin Area Economy

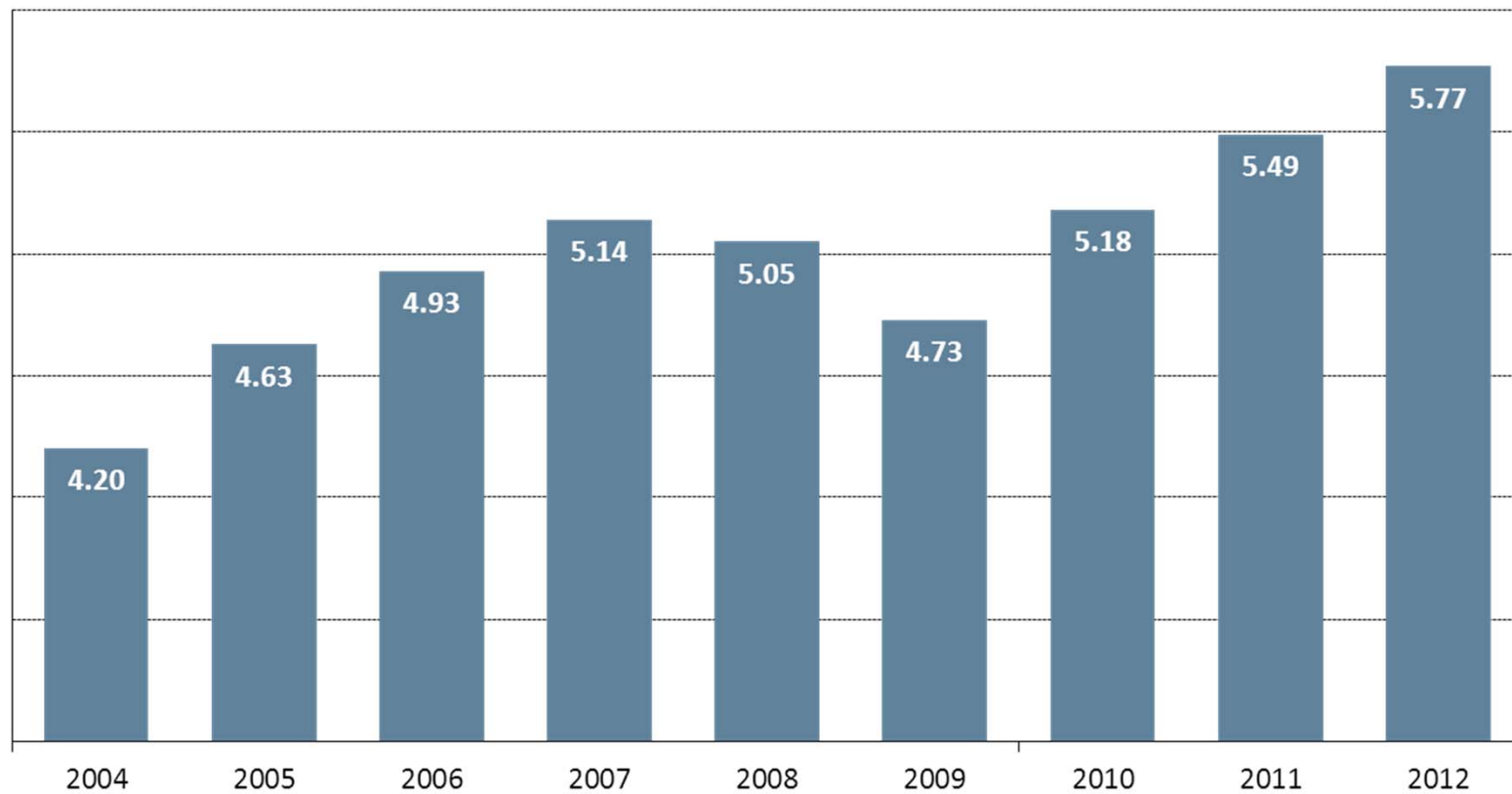
Venture Capital Invested (\$Millions)



Source: PWC MoneyTree Survey; TXP

Austin Area Economy

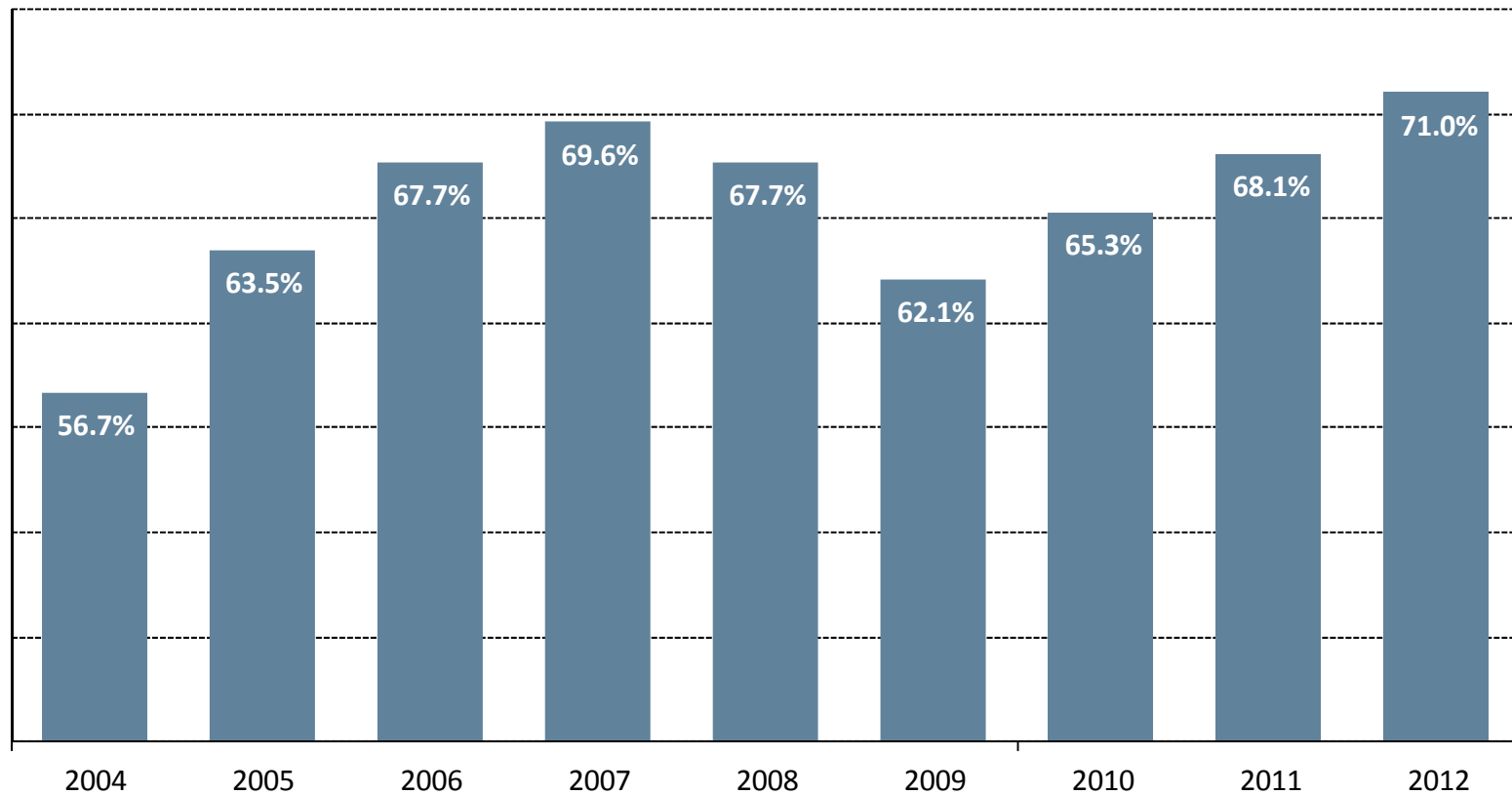
City of Austin Hotel Room-Nights (Millions)



Source: Governor's Office of Economic Development; TXP

Austin Area Economy

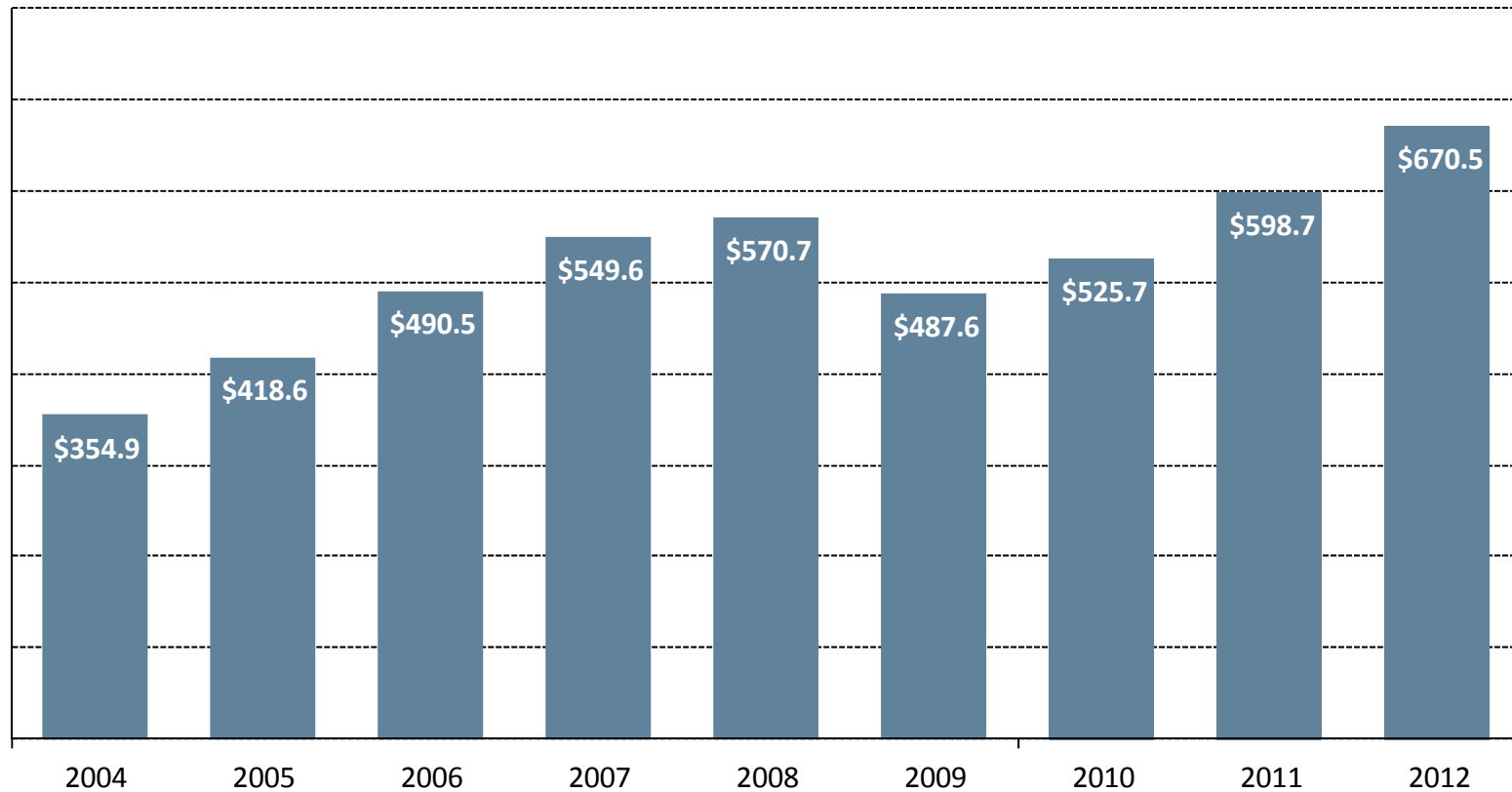
City of Austin Hotel Occupancy



Source: Governor's Office of Economic Development; TXP

Austin Area Economy

City of Austin Hotel Revenue (\$Millions)



Source: Governor's Office of Economic Development; TXP

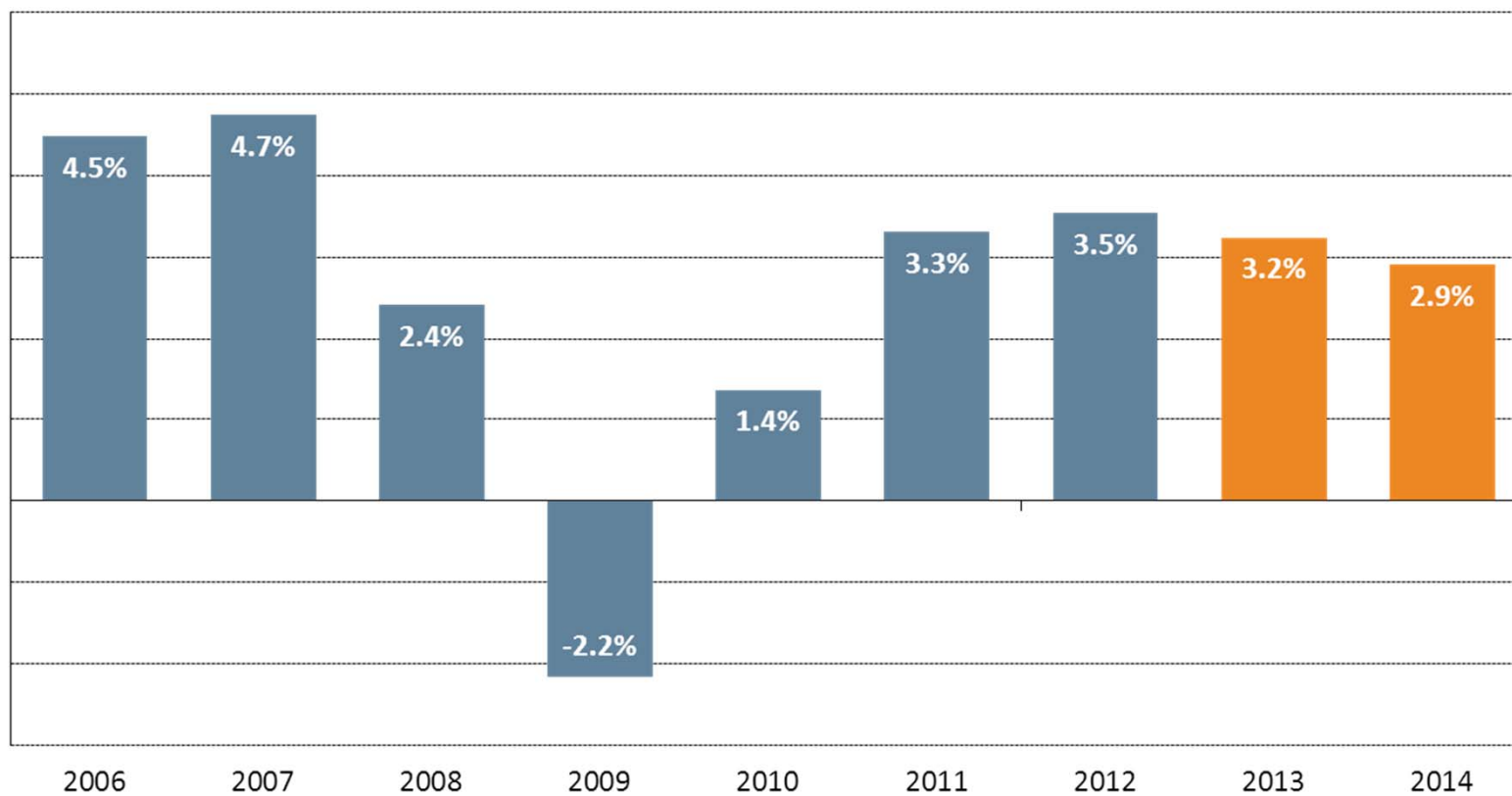
Austin Area Economy

Forecast

- Austin is clearly one of the brightest economic stars in the United States, a status that should be the case for some time. Economic performance will be fairly stable through 2014; slightly slower growth rates reflect a national slowdown as the impact of sequester is absorbed, as well as measurement against an improved base.
- Forecast is for the overall creation of 26,700 net new jobs in 2013, followed by 24,700 during 2014. Personal income should continue to expand in the 6-7% range.
- The private sector is projected to create 27,500 net new jobs this year, followed by 24,800 more the next year. Manufacturing is projected to add another almost 2,000 net jobs next year, with Business & Professional Services contributing another 6,100. All major private sector industry segments will grow.
- Other measures of the economy also should stay on track, although likely at somewhat slower rates. The exceptional volume of real estate in the pipeline will ripple through the economy over the next several years.

Austin Area Economy

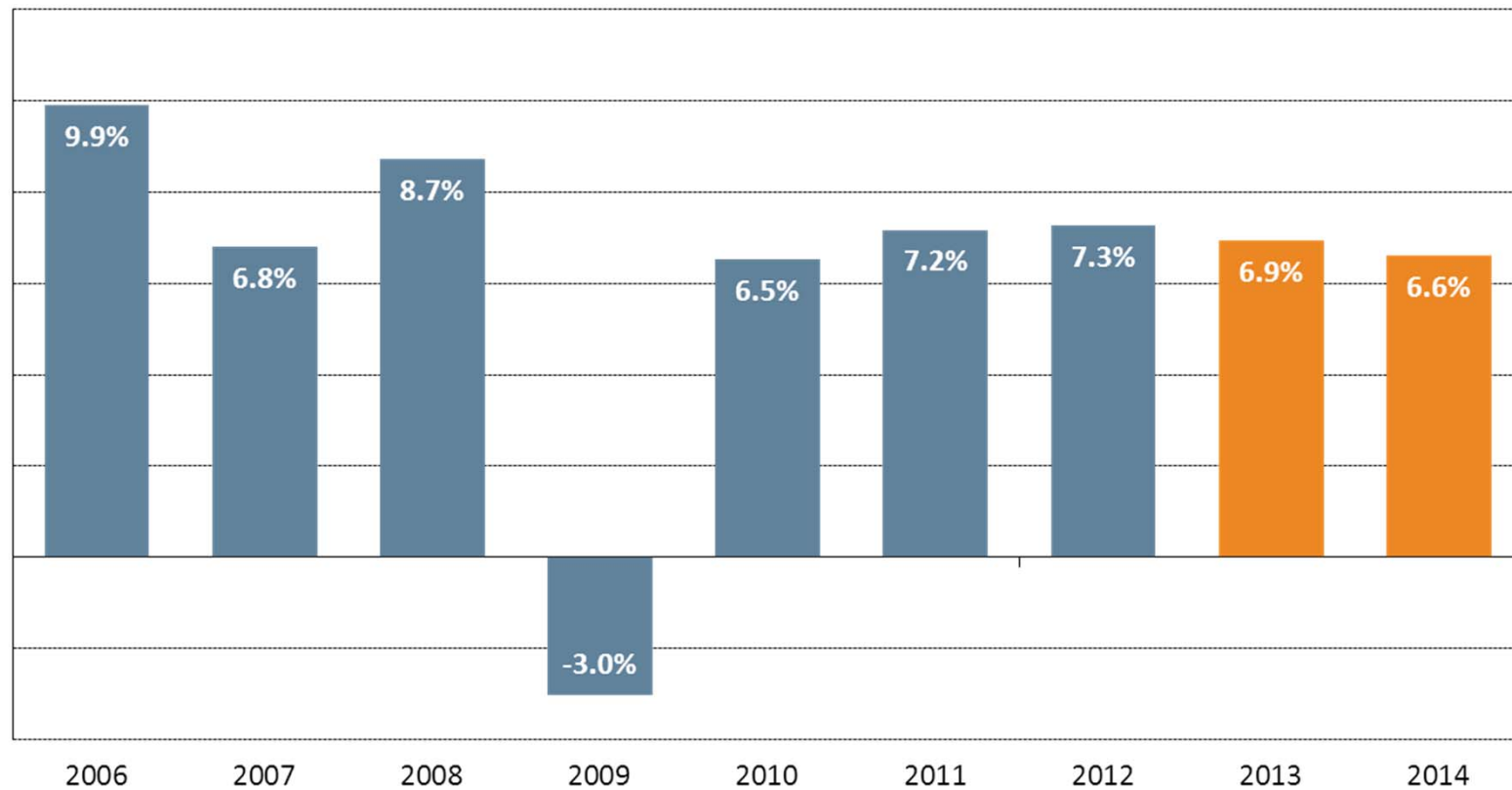
MSA Employment Growth Forecast



Source: TXP

Austin Area Economy

MSA Personal Income Growth Forecast



Source: TXP

Austin Area Economy

Detailed Austin MSA Employment Forecast

	Employment (000s)						
	2011	2012	2013	2014	2015	2016	2017
Natural Resources/Construction	39.5	42.0	45.4	47.8	48.8	49.3	49.7
Manufacturing	49.7	50.9	52.8	54.4	55.3	56.3	57.2
Trade, Transportation, & Utilities	140.9	146.4	151.4	156.0	160.3	164.3	168.4
Information	20.6	21.8	22.7	23.5	24.3	25.0	25.8
Financial Activities	44.1	45.9	47.3	48.6	49.7	50.8	51.9
Professional & Business Services	117.4	124.3	130.5	136.4	141.9	147.1	152.4
Educational & Health Services	92.3	97.4	101.9	106.1	110.1	113.7	117.6
Leisure & Hospitality	89.4	92.9	96.0	98.8	101.5	103.9	106.4
Other Services	33.5	34.9	36.1	37.3	38.3	39.3	40.3
Total Private	627.4	656.6	684.1	708.9	730.2	749.7	769.8
Government	167.6	166.6	165.8	165.7	167.4	169.1	170.7
<i>Total Employment</i>	<i>795.0</i>	<i>823.2</i>	<i>849.9</i>	<i>874.6</i>	<i>897.6</i>	<i>918.8</i>	<i>940.5</i>

Source: TXP

Austin Area Economy

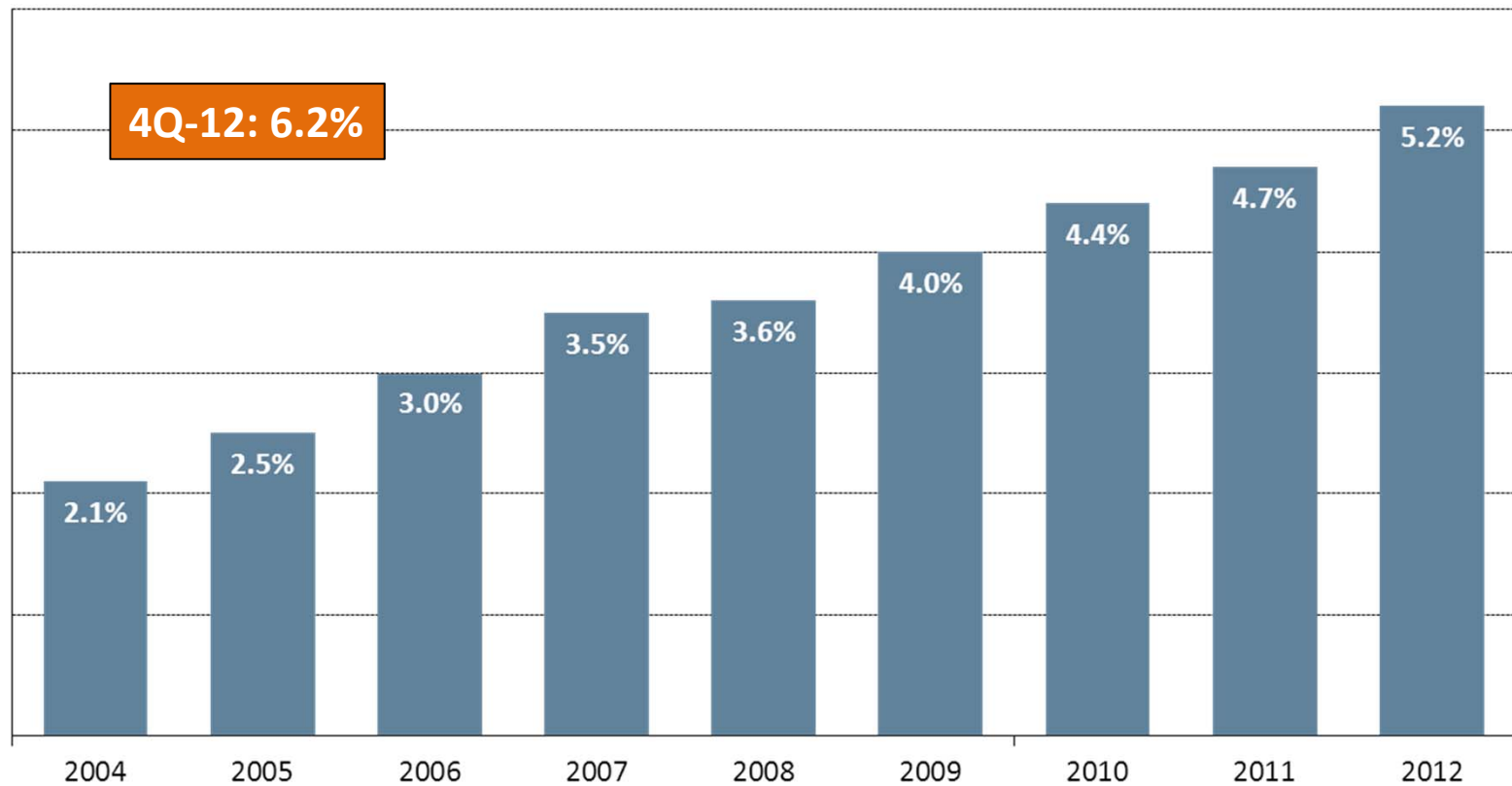
COA Sales Tax and Employment Growth



Source: Texas Comptroller's Office; TXP

Austin Area Economy

E-Commerce as a Share of Total National Retail Sales



Source: Census Bureau; TXP

Austin Area Economy

Sales Tax Outlook

- Sales tax tends to track job growth – history would suggest 3x relationship, but there have been unusual factors in the recent boom, bust and recovery cycle:
 - Rising property values associated with boom yields easy home equity credit and spending capacity;
 - Bust flips equation, but pent-up demand follows – should begin to level out soon
- Additional factors to consider in the recovery:
 - Strong population growth is bolstering aggregate spending levels;
 - Inflation remains moderate;
 - Internet share continues to grow – e-commerce now around 5+% of national total, up from 2% ten years ago;
- Translation is solid growth for fiscal 2013 (8% range); slight slowdown (6-7% growth) in fiscal 2014. Policy projections typically would be somewhat more conservative.

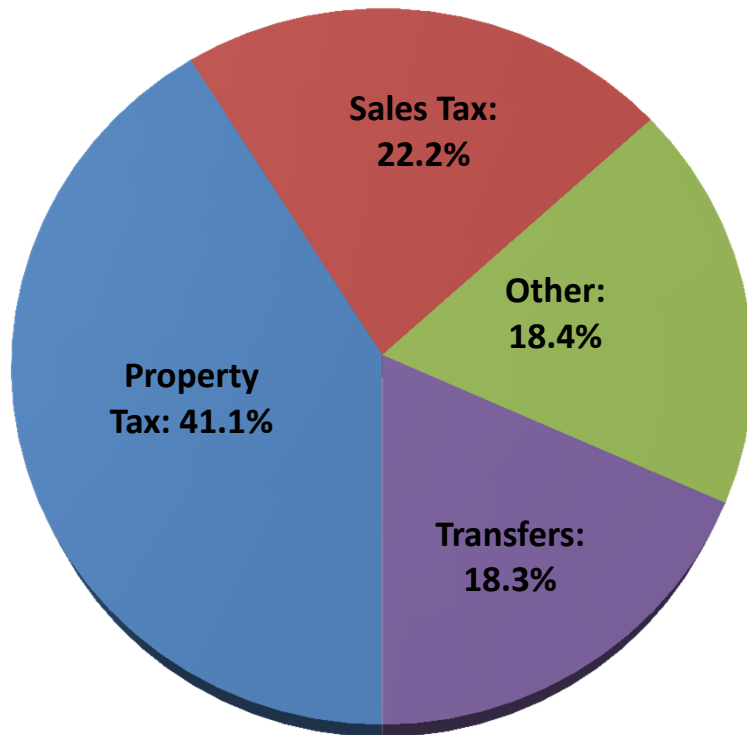


City of Austin Financial Forecast

General Fund Revenue

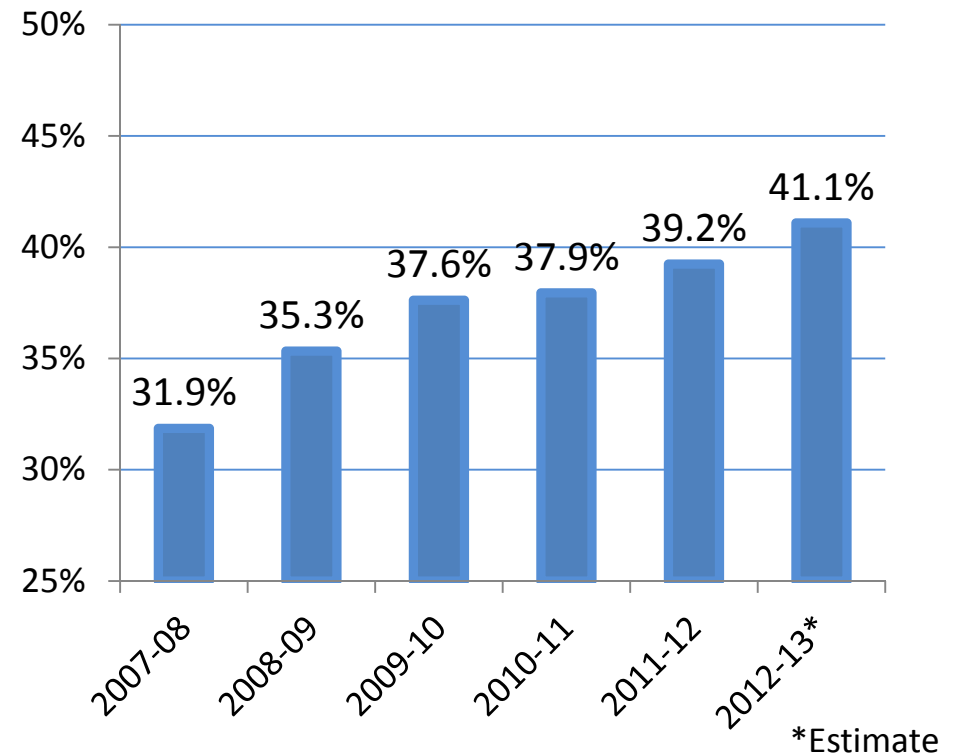


General Fund Revenue



**FY 2013 Estimated Revenue
General Fund –
\$762.5 Million**

Property Tax as a Share of Total General Fund Revenue





Property Tax Assumptions

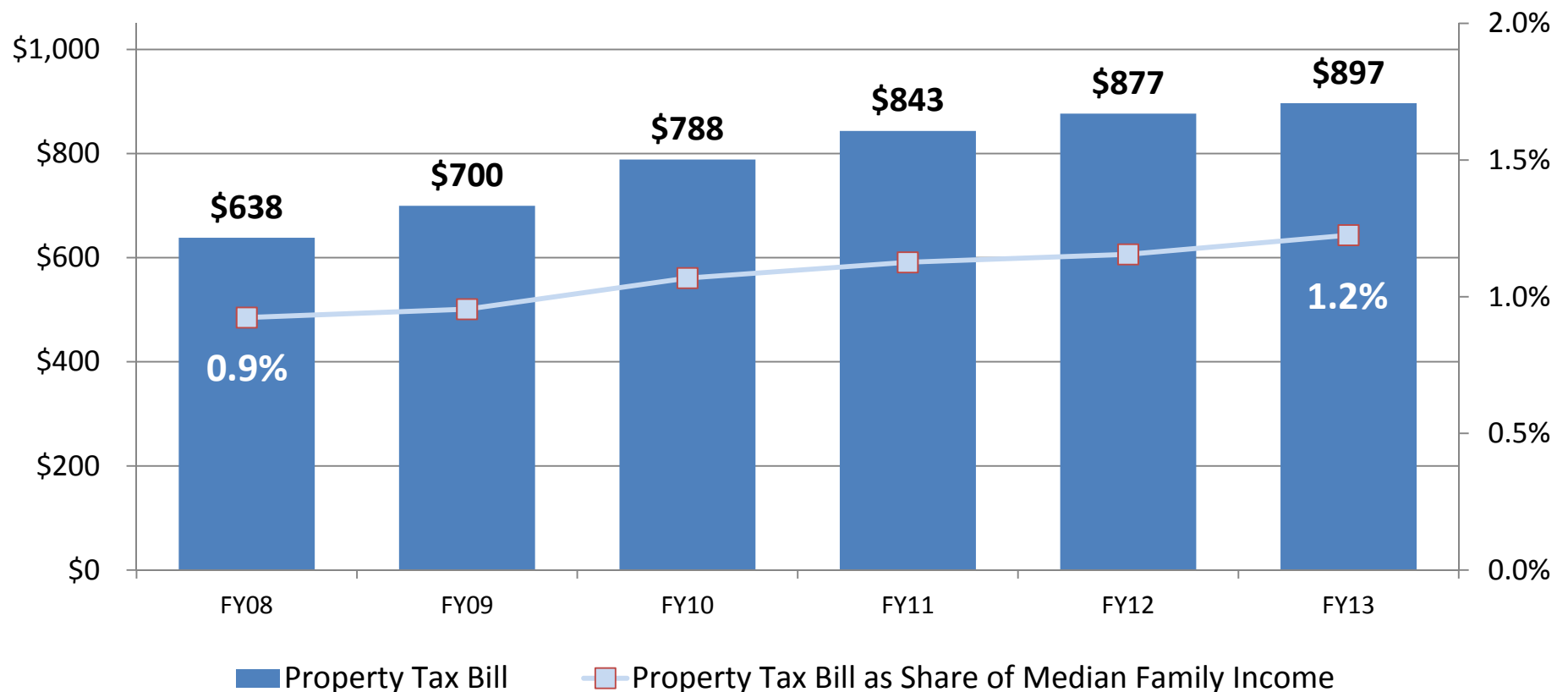
Fiscal Year	Projected AV Growth	Nominal Rate	Nominal Revenue	Rollback Rate	Rollback Revenue
FY 2013	4.4 %	0.5029	\$313.3 m	0.5029	\$313.3 m
FY 2014	6.0 %	0.5029	\$332.3 m	0.5157	\$343.5 m
FY 2015	5.0 %	0.5029	\$353.8 m	0.5234	\$372.5 m
FY 2016	5.0 %	0.5029	\$376.6 m	0.5308	\$403.2 m
FY 2017	3.1 %	0.5029	\$391.4 m	0.5509	\$438.6 m
FY 2018	3.1 %	0.5029	\$406.8 m	0.5701	\$474.9 m

- Projected tax rates and revenues are highly sensitive to assumptions about property values and new construction
- Projected Average Annual Growth
 - \$18.7 million at nominal rate
 - \$32.3 million at rollback rate



Median Tax Bill History

City of Austin Property Tax Bill on Median-Value Home & As Share of Median Family Income: FY08 - FY13

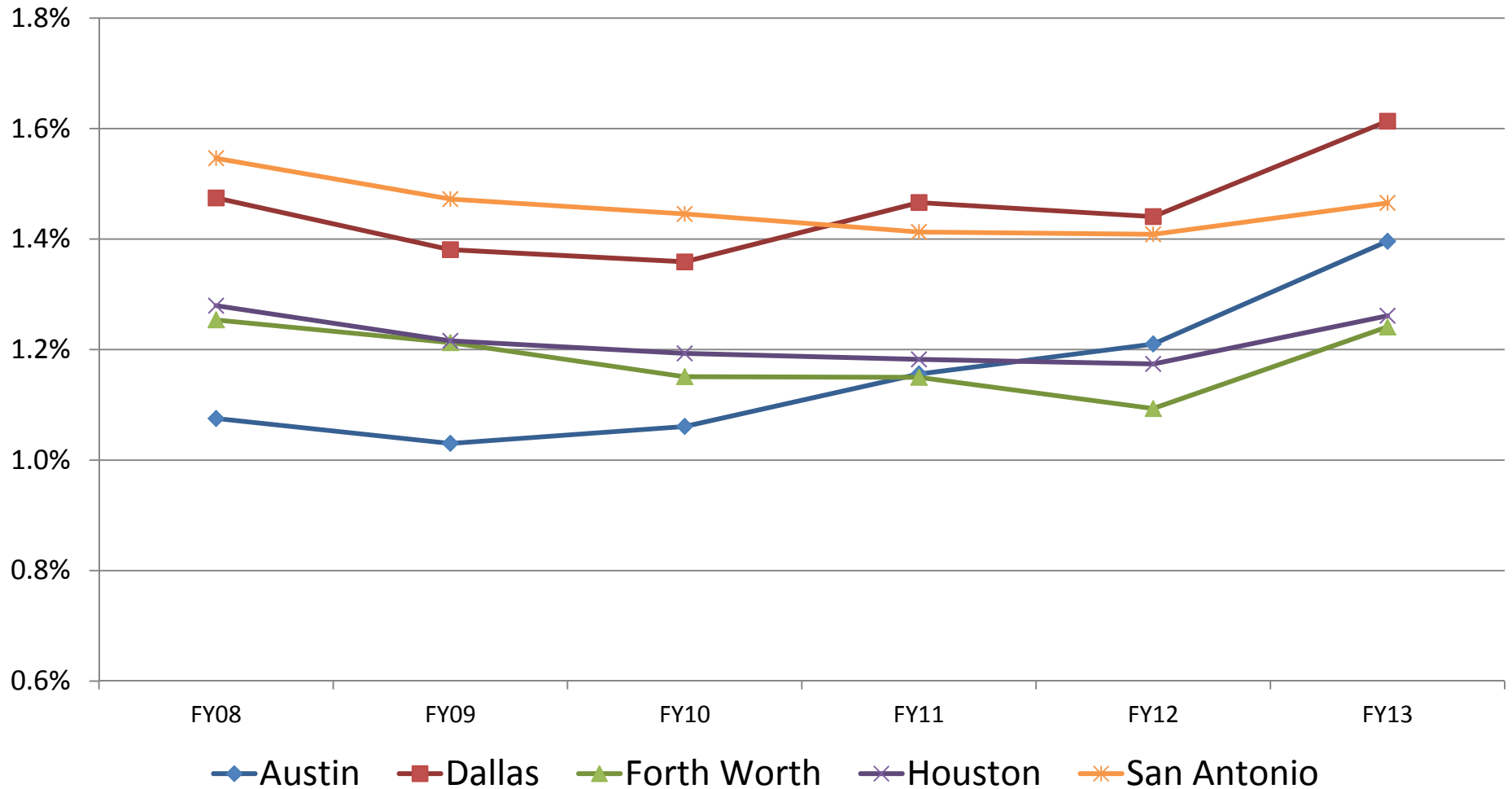


Median home price data from Travis County Appraisal District. Median family income data from U.S. Department of Housing and Urban Development.



Median Tax Bill Comparison

City Property Tax Bill as a Share of Median Family Income: FY08 - FY13

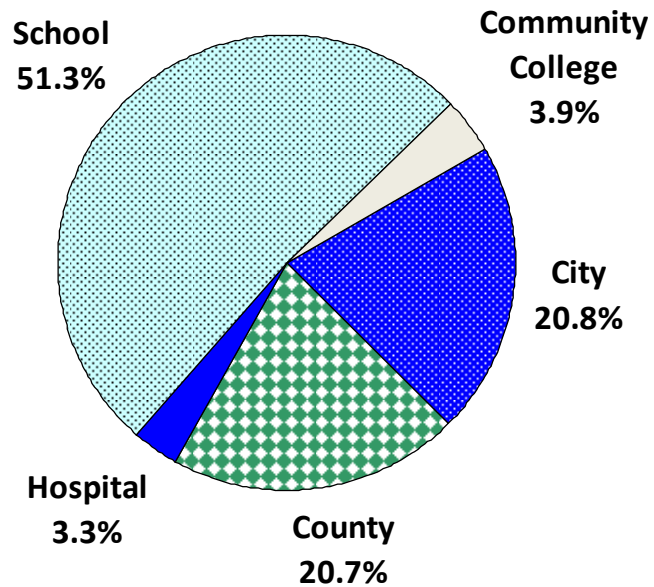


Net of homestead exemptions. Median home sales price data from Texas A&M Real Estate Center. Median family income data from U.S. Department of Housing and Urban Development.



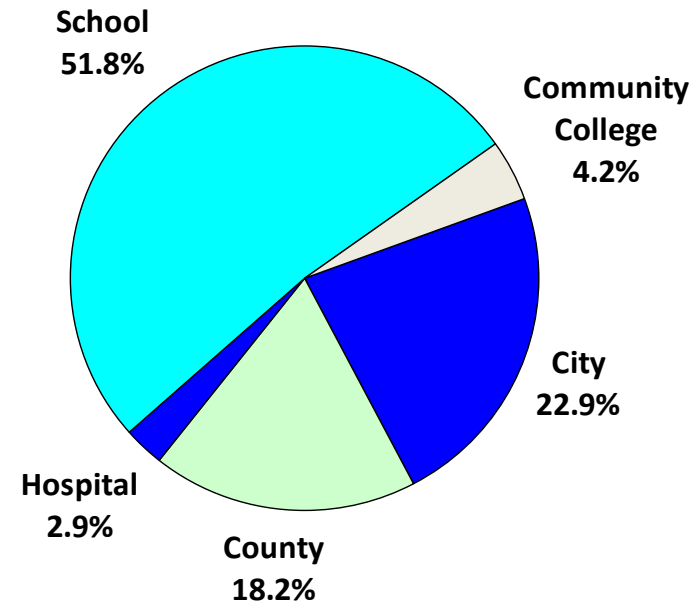
Overlapping Property Tax

TAX RATE



Jurisdiction	Austin	Share
City	0.5029	20.8%
County	0.5001	20.7%
Health Care	0.0789	3.3%
School	1.2420	51.3%
Community College	0.0951	3.9%
Total Tax Rate	2.4190	

TAX BILL \$178,327 HOME

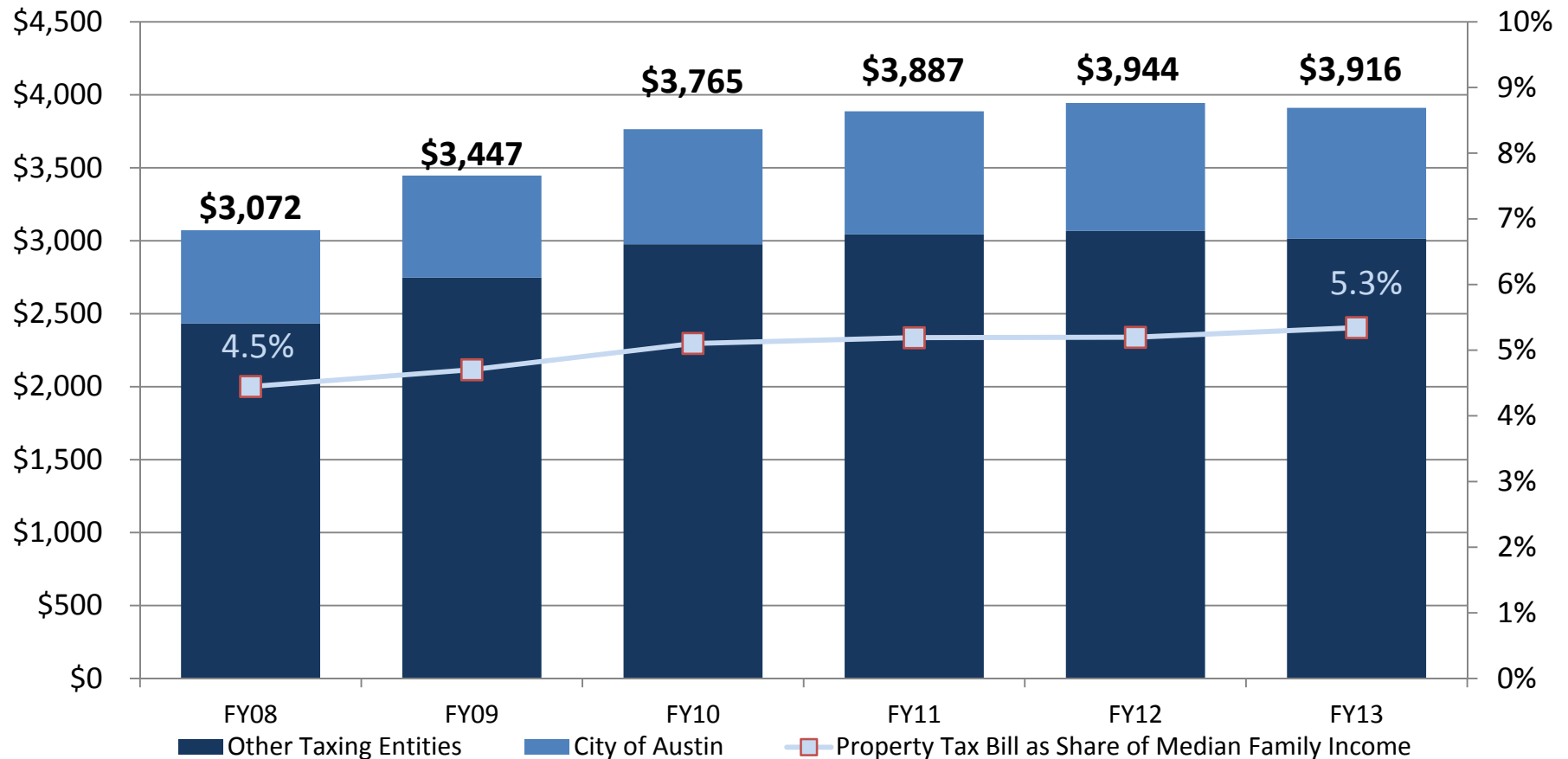


Jurisdiction	Austin	Share
City	\$897	22.9%
County	\$713	18.2%
Health Care	\$113	2.9%
School	\$2,029	51.8%
Community College	\$165	4.2%
Total Tax Rate	\$3,916	



Overlapping Median Tax Bill History

Overlapping Property Tax Bill on Median-Value Home & As Share of Median Family Income: FY08 - FY13

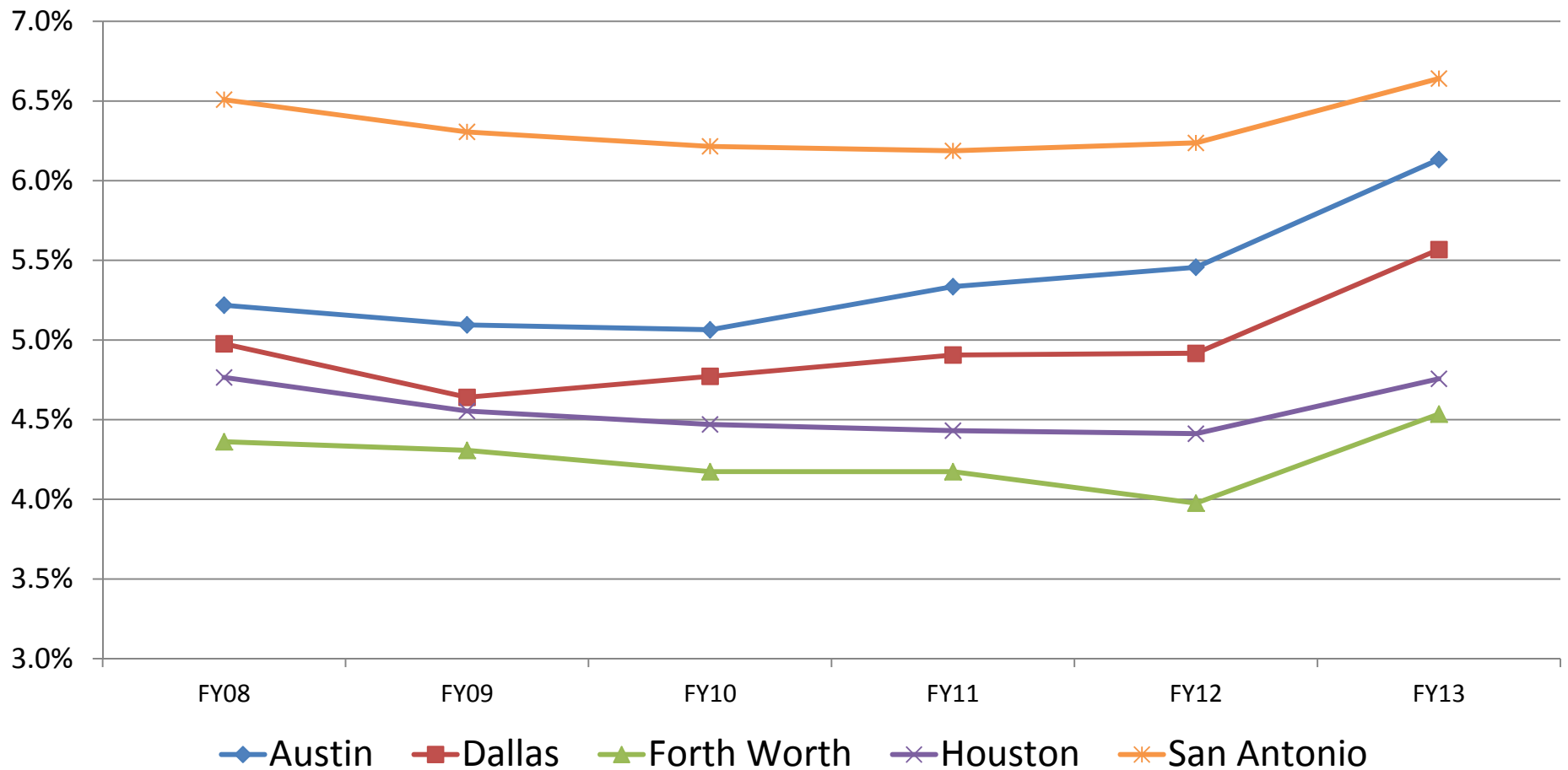


Net of homestead exemptions. Median home price data from Travis County Appraisal District. Median family income data series from U.S. Department of Housing and Urban Development.



Overlapping Median Tax Bill Comparison

Overlapping Property Tax Bill as a Share of Median Family Income: FY08 - FY13

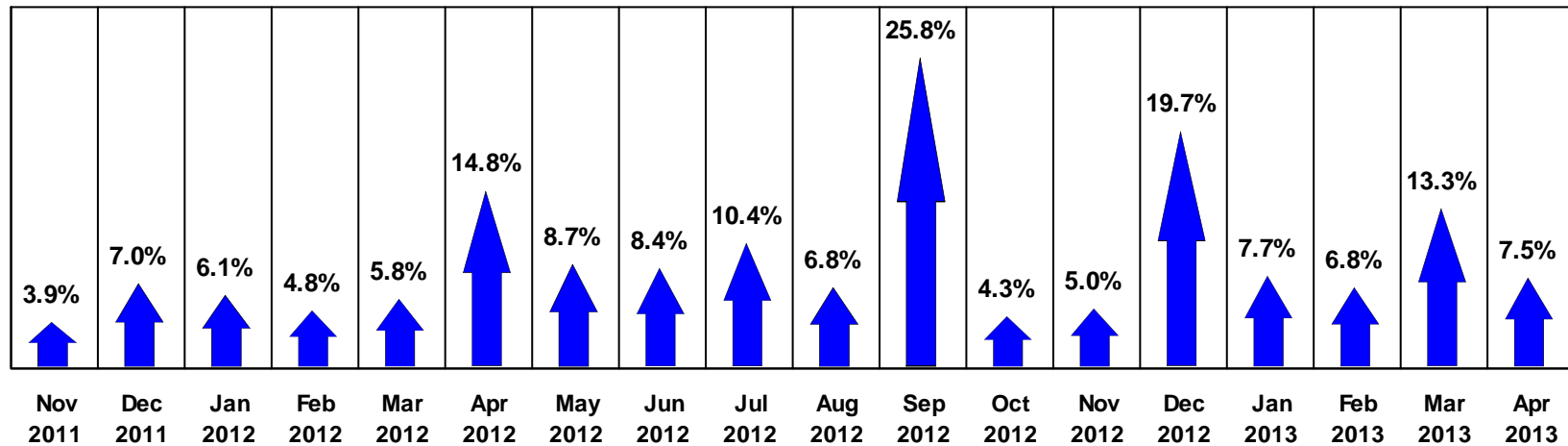


Net of homestead exemptions. Austin median home value data from Travis County Appraisal District. For other cities, median home sales price data from Texas A&M Real Estate Center. Median family income data from U.S. Department of Housing and Urban Development.

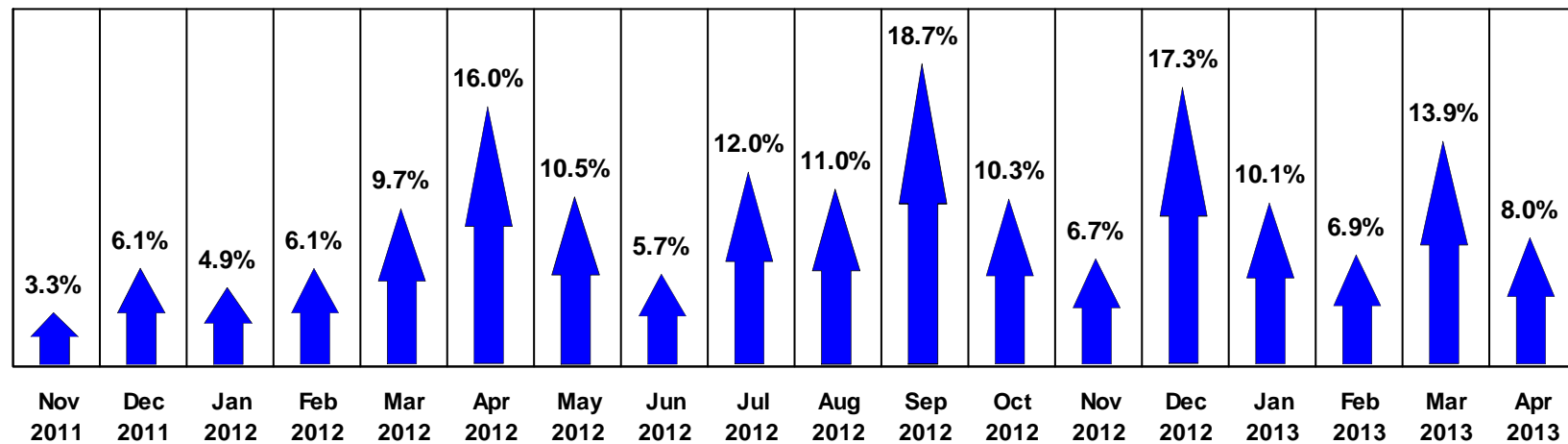


Sales Tax Trend – Monthly

Total Sales Tax Collections - City of Austin



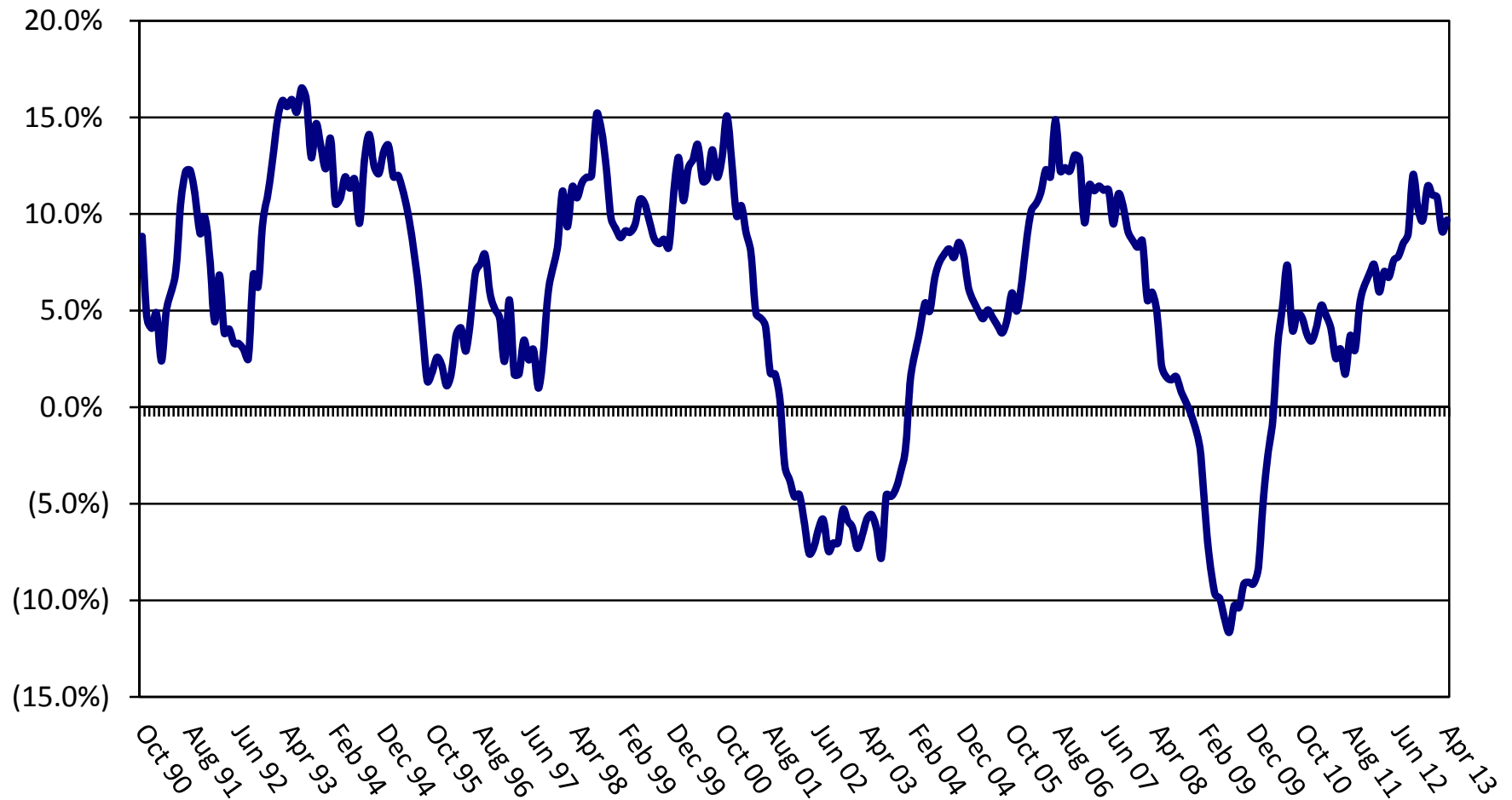
Current Period Sales Tax Collections - City of Austin





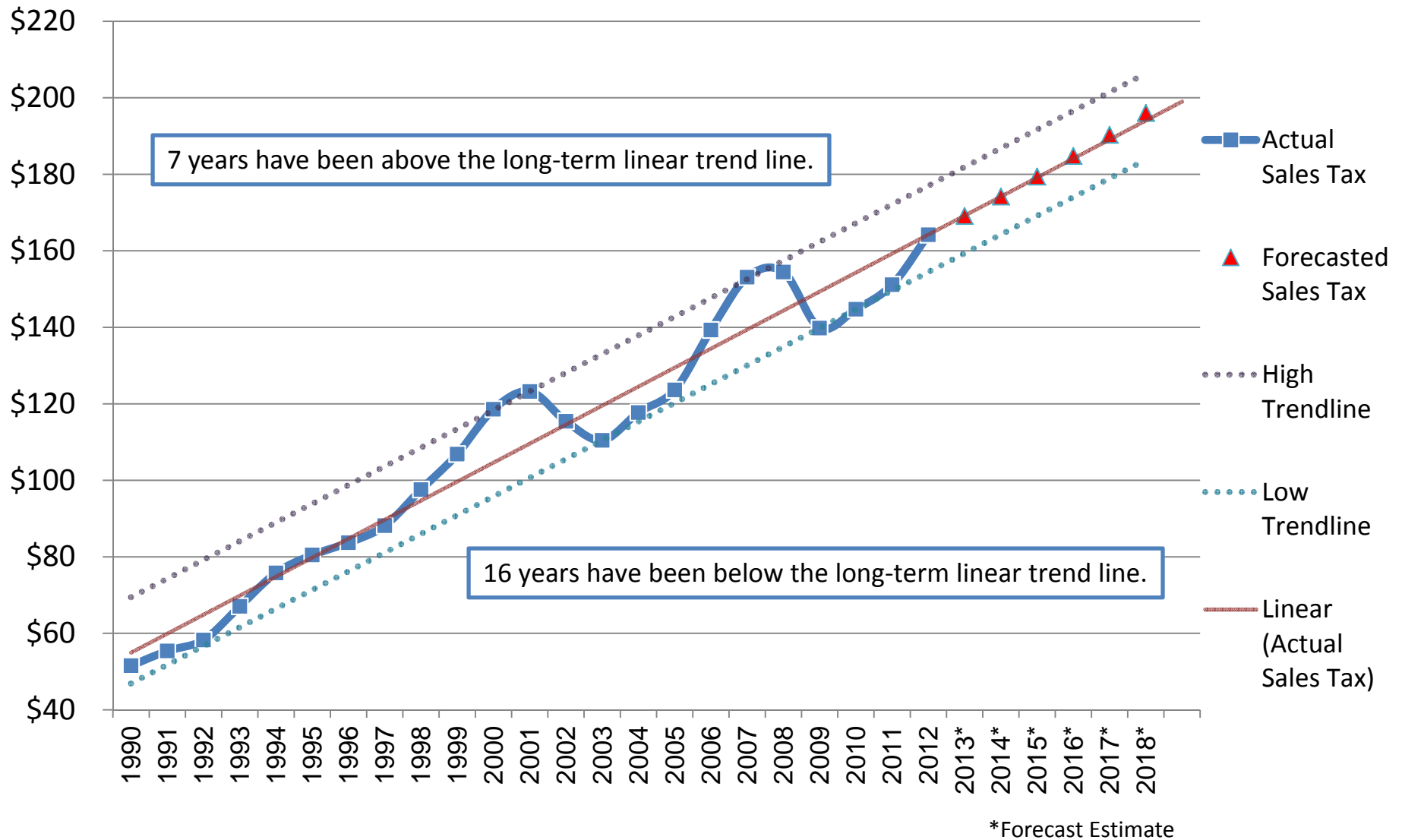
Sales Tax Trend

6-month rolling average of monthly changes in sales tax revenue





Sales Tax Growth Forecast





Sales Tax Assumptions

Fiscal Year	Growth Rate	Total Revenue	Change
FY 2013	3.0%	\$169.1 m	\$4.9 m
FY 2014	3.0%	\$174.2 m	\$5.1 m
FY 2015	3.0%	\$179.4 m	\$5.2 m
FY 2016	3.0%	\$184.8 m	\$5.4 m
FY 2017	3.0%	\$190.3 m	\$5.5 m
FY 2018	3.0%	\$196.1 m	\$5.7 m

- Year-to-date growth FY 2013 = 10.7%
- *Continue policy of allocating sales tax growth above 3% to reserves or one-time expenditures*
- *Conservative forecasting—a best practice—is received favorably by rating agencies*



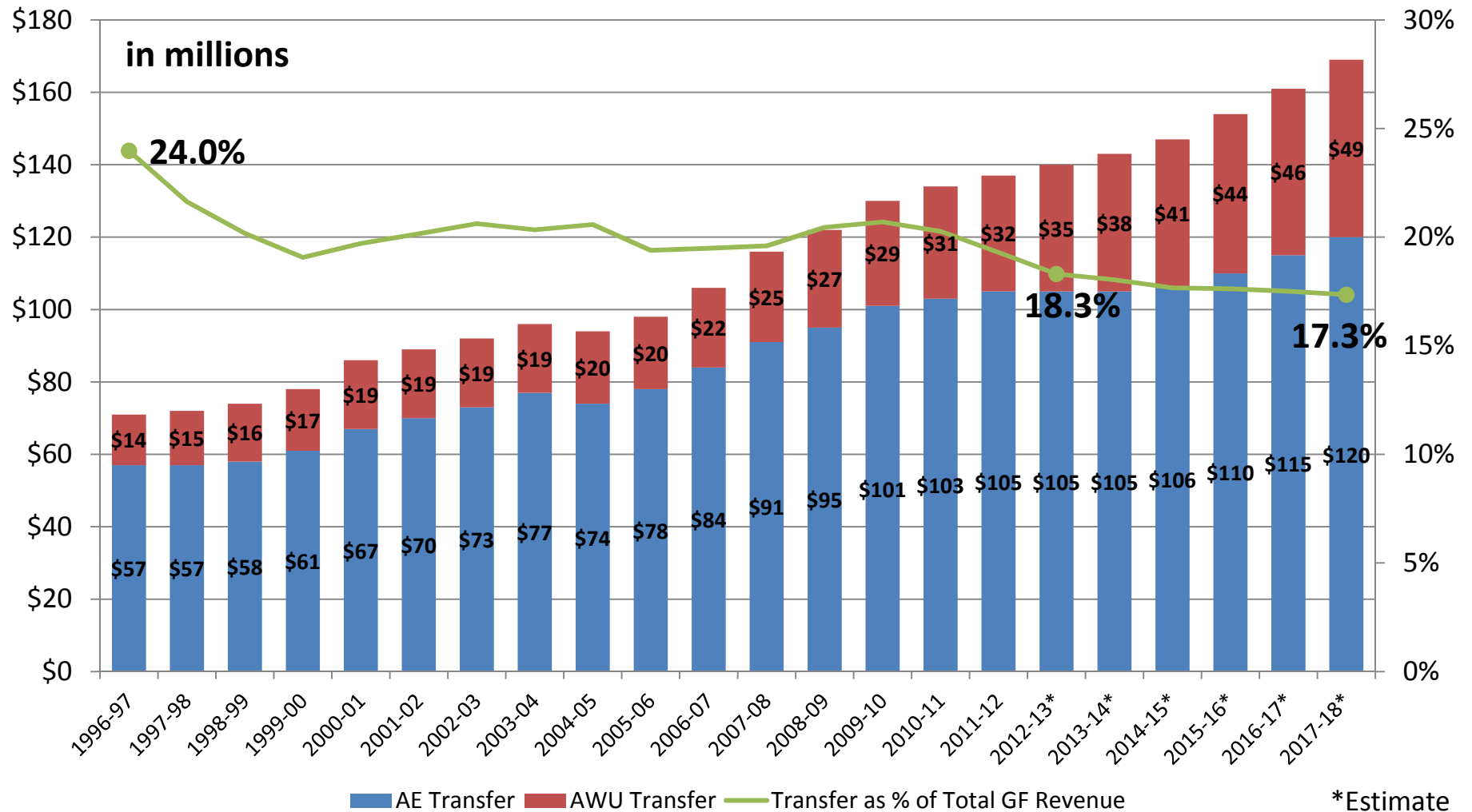
Utility Transfer

Fiscal Year	AE Transfer	Change	AWU Transfer	Change
FY 2013	\$105.0 m	\$0.0 m	\$34.5 m	\$2.6 m
FY 2014	\$105.0 m	\$0.0 m	\$37.9 m	\$3.4 m
FY 2015	\$106.0 m	\$1.0 m	\$40.6 m	\$2.6 m
FY 2016	\$110.0 m	\$4.0 m	\$43.7 m	\$3.1 m
FY 2017	\$115.0 m	\$5.0 m	\$46.5 m	\$2.8 m
FY 2018	\$120.0 m	\$5.0 m	\$48.7 m	\$2.3 m

- AE transfer forecast calculated at 12% of non-fuel revenue
 - Floor set at \$105 million
- AWU forecast maintains transfer policy of 8.2% of gross revenue

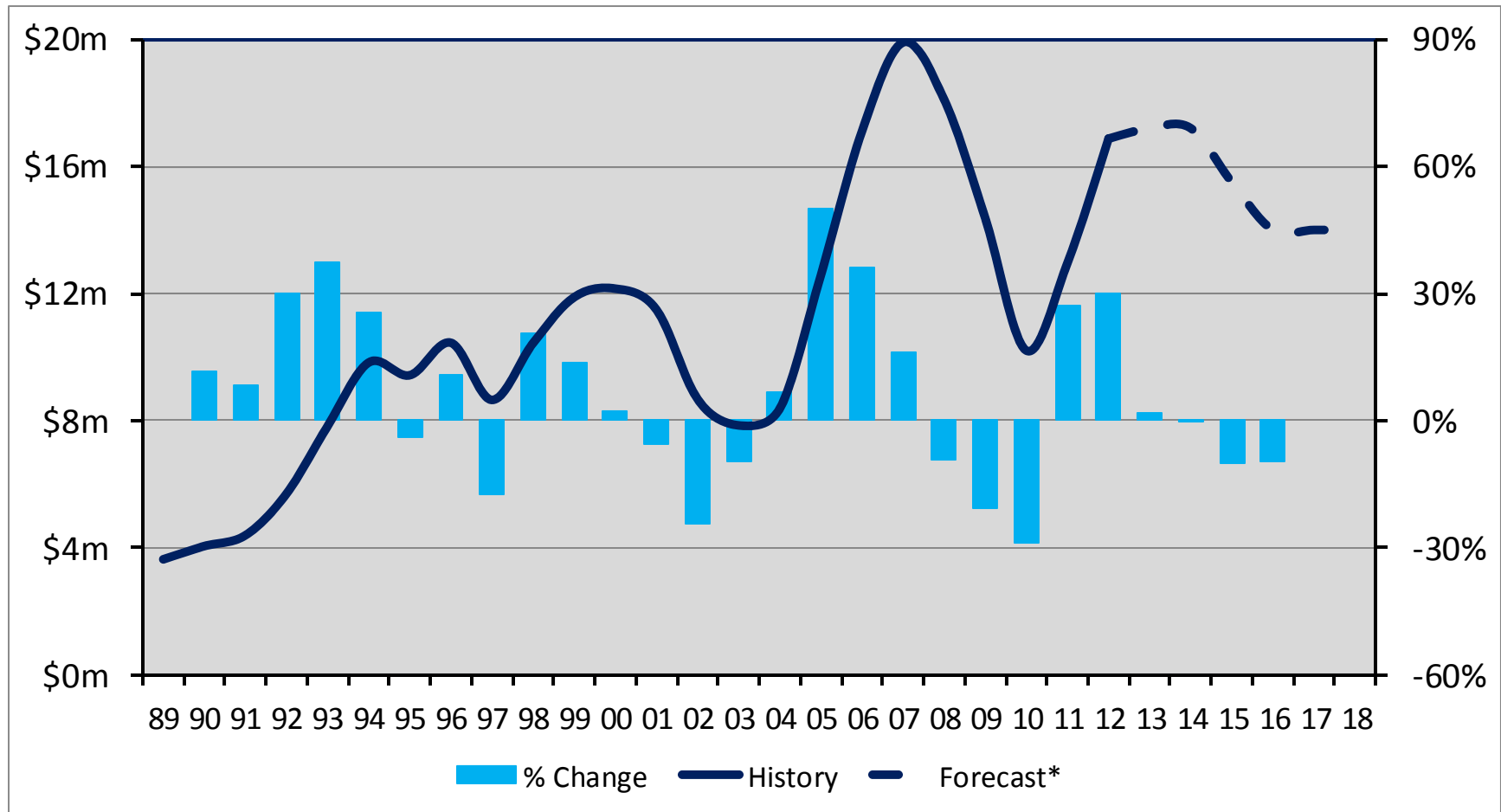


General Fund – Utility Transfer History





Development Revenue Trend





Other Revenues

➤ Development Revenue

- FY 2013 estimate = \$17.2 M; FY 2014 forecast = \$17.2 M

➤ Charges for Services

- Primarily emergency medical services, parks and recreation, and health and human services
- FY 2013 estimate = \$46.6 M; FY 2014 forecast = \$48.9 M

➤ Franchise Fees

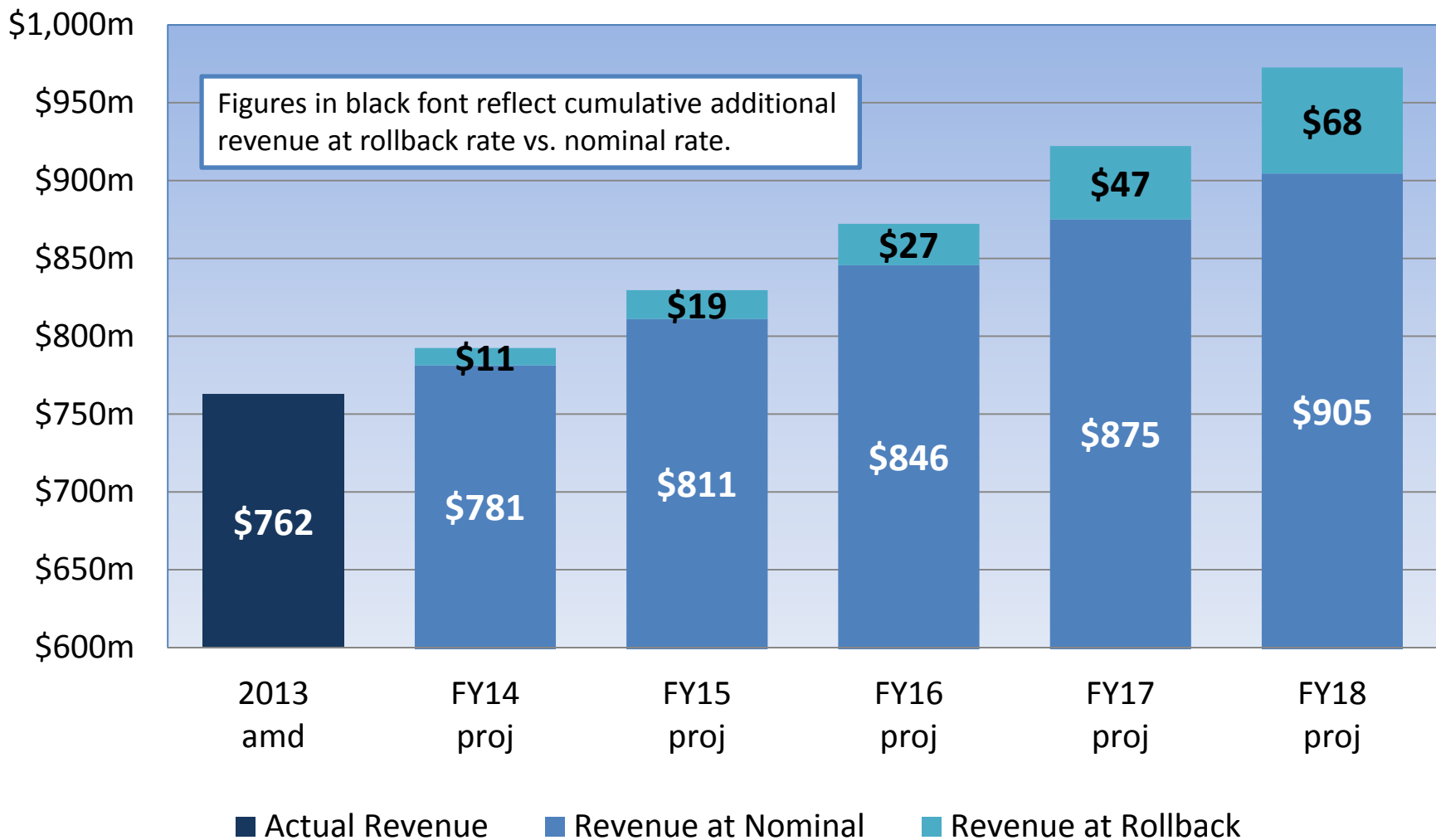
- Telecommunications, cable and gas franchise agreements
- FY 2013 estimate = \$33.3 M; FY 2014 forecast = \$33.3 M

➤ Fines and Penalties

- Traffic fines and parking violations; court and arrest fees; penalties for violations of City ordinances; library fines
- FY 2013 estimate = \$16.2 M; FY 2014 forecast = \$16.1M



Revenue Forecast



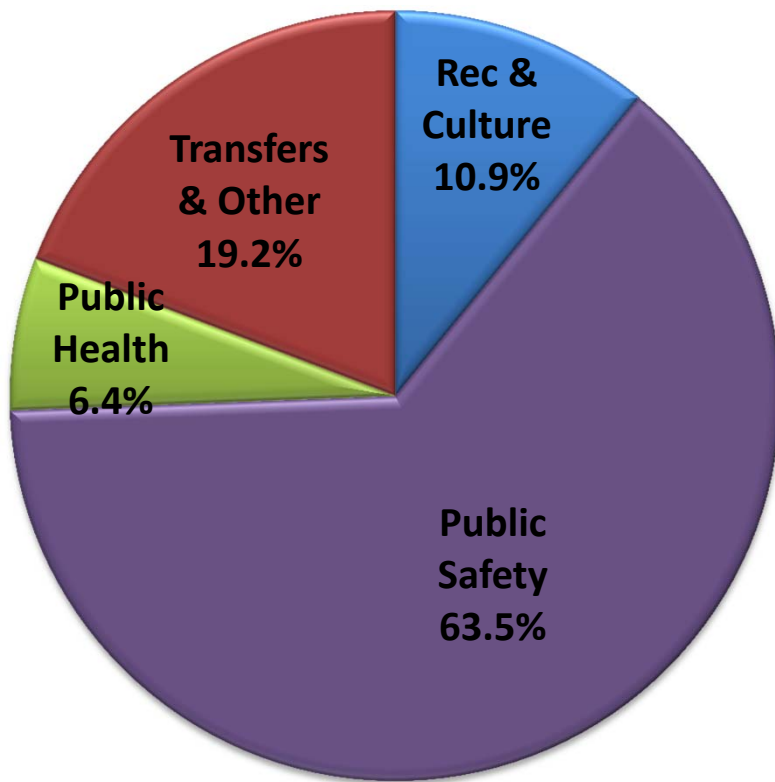


City of Austin Financial Forecast

General Fund Expenditures

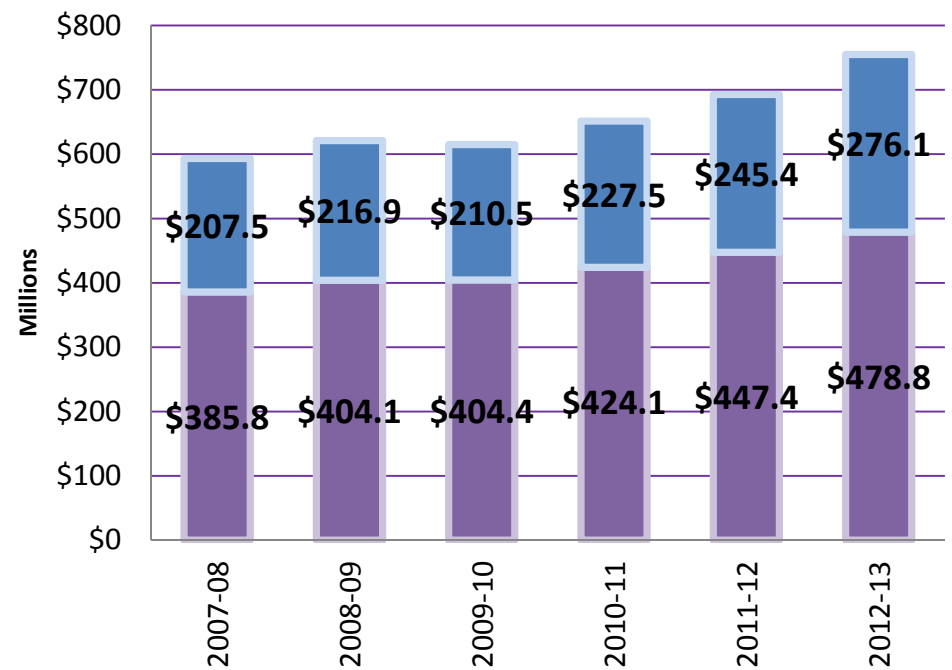


FY 2013 Budget



**Uses of Funds
General Fund –
\$754.9 Million**

Total General Fund Expenditures





Expenditure Assumptions

- Basic expenditure projections
 - Forecast assumes existing programs and service levels maintained
 - Forecast does not include funding for unmet service demands
- Funding for all currently authorized FTEs
 - Personnel costs have been adjusted to reflect normal vacancy rate
- Level of employee wage increases unknown at this time
 - Contract negotiations in progress
 - High and low options presented given uncertainty
- Funding for employee retirement systems
 - City contributions maintained at 18% for civilians, 21.63% for sworn police, and 22.05% for sworn fire
- Inflationary increases for fuel and other commodities



Expenditure Assumptions

- Increases in health insurance and workers' compensation costs
 - 5% increase in health insurance projected for FY 2014; 8% in out years (Includes increased costs due to Affordable Care Act)
 - 20% increase in workers' compensation projected for FY 2014; 10% in out years
- Maintenance of 2.0 officers per 1,000 population ratio
 - 47 officers in FY 2014; 192 over 5 year forecast horizon
- Full-year funding for mid-year budget amendments
 - Cemeteries; APD OT for 24-hr trail pilot; Wildfire Mitigation, Forensics and Planning staff
- O&M costs related to opening/expansion of PARD facilities
 - Asian American Resource Center, Northern Walnut Creek, Gus Garcia Community Garden, Bartholomew Pool



Cost Allocation Model Changes

- **Economic Growth & Redevelopment Services Office**
 - Revenue-based cost allocation for General Fund, AE, AWU and ARR
 - 4-year implementation; FY14 General Fund impact = \$0.9M
- **311 Call Center**
 - Revised allocation model based on number of service calls
 - 4-year implementation; FY14 General Fund impact = \$0.5M
- **Sustainability Fund**
 - Funding source: Austin Resource Recovery and Austin Water Utility
 - Funded services: Workforce development, child & youth development, and Neighborhood Housing
 - 4-year transition to General Fund; FY14 General Fund impact = \$1.5M

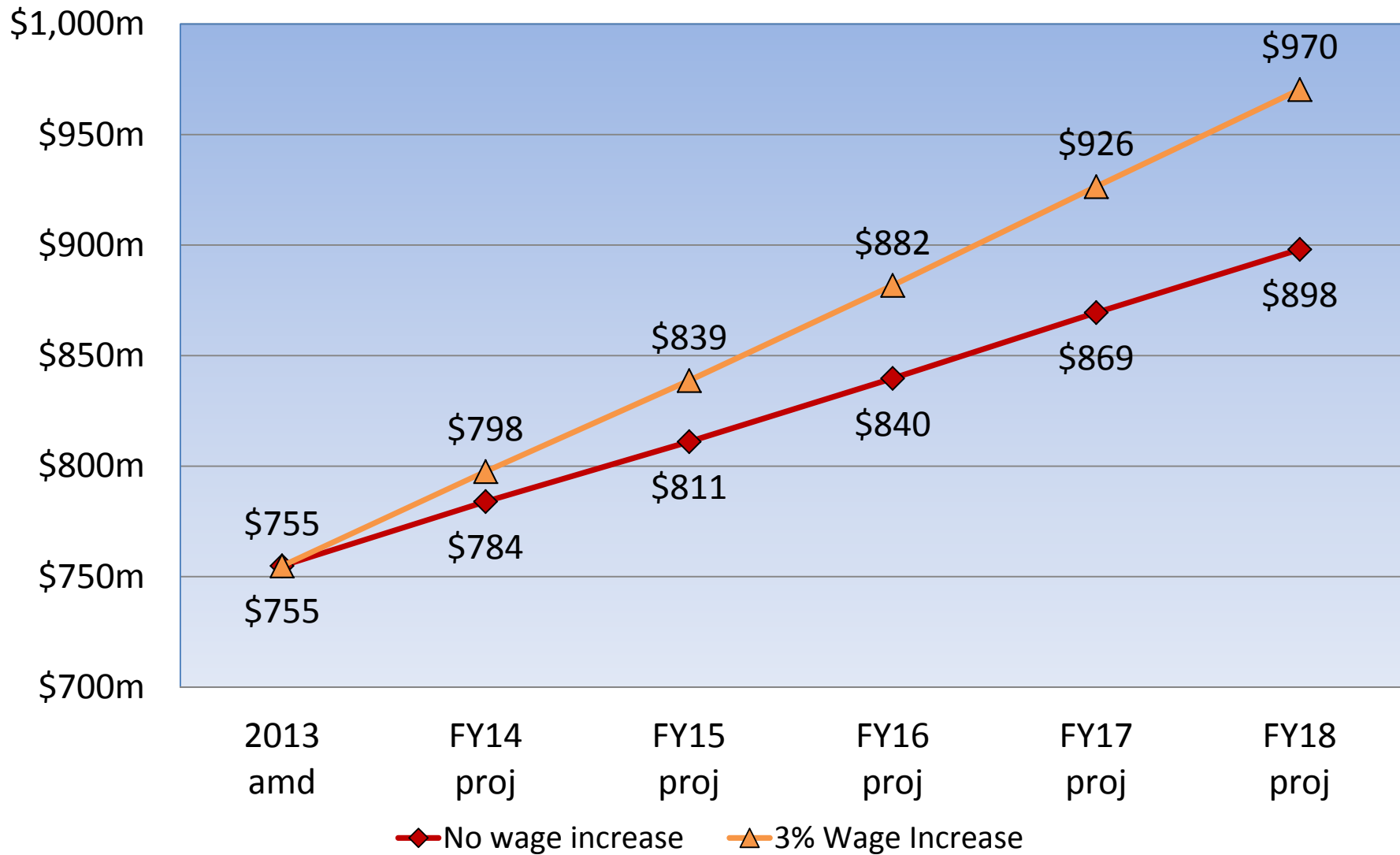


FY 2014 Cost Drivers

<u>Category</u>	<u>Estimated Increases</u>		<u>Justification</u>
	<u>with no wage increase</u>	<u>with 3% wage increase</u>	
Uniformed Personnel	\$8.4	\$18.1	<ul style="list-style-type: none"> * police, fire & EMS contracts/provisions * police & fire step/longevity * 2.0 officers per 1000 - police * overtime * annualized costs of positions added in FY 2013 * health insurance, terminal pay
Non-Uniformed Personnel	\$1.6	\$5.5	<ul style="list-style-type: none"> * civilian wage adjustments * health insurance * annualized costs of positions added in FY 2013
Mid-Year Budget Amendment	\$2.8	\$2.8	<ul style="list-style-type: none"> * police overtime 24 hour trail annualized * police forensic laboratory staffing * fire wildfire mitigation * planning residential review staff * parks cemeteries administration & operations
Other Departmental Costs	\$2.8	\$2.8	<ul style="list-style-type: none"> * social services contracts * ems civil service implementation * public safety equipment * fleet fuel and maintenance * other miscellaneous contractals & commodities
Transfers/Other Requirements	\$13.5	\$13.5	<ul style="list-style-type: none"> * economic incentives reserve fund * workers compensation, accrued payroll, liability reserve * support services fund * communication & technology
Totals	\$29.1	\$42.7	



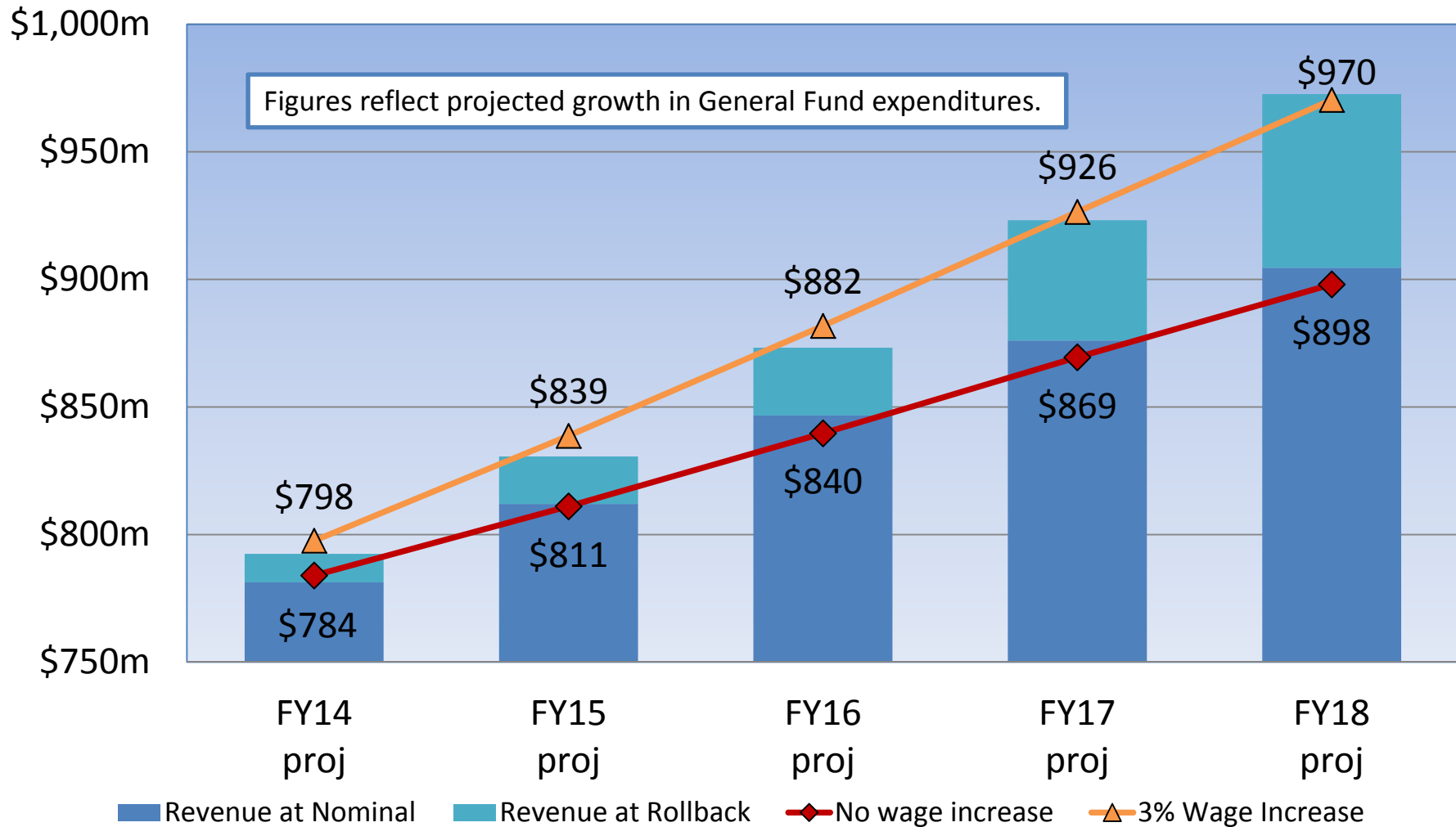
Budget Forecast





Forecast Scenarios

Projected Baseline Expenditure vs Revenues





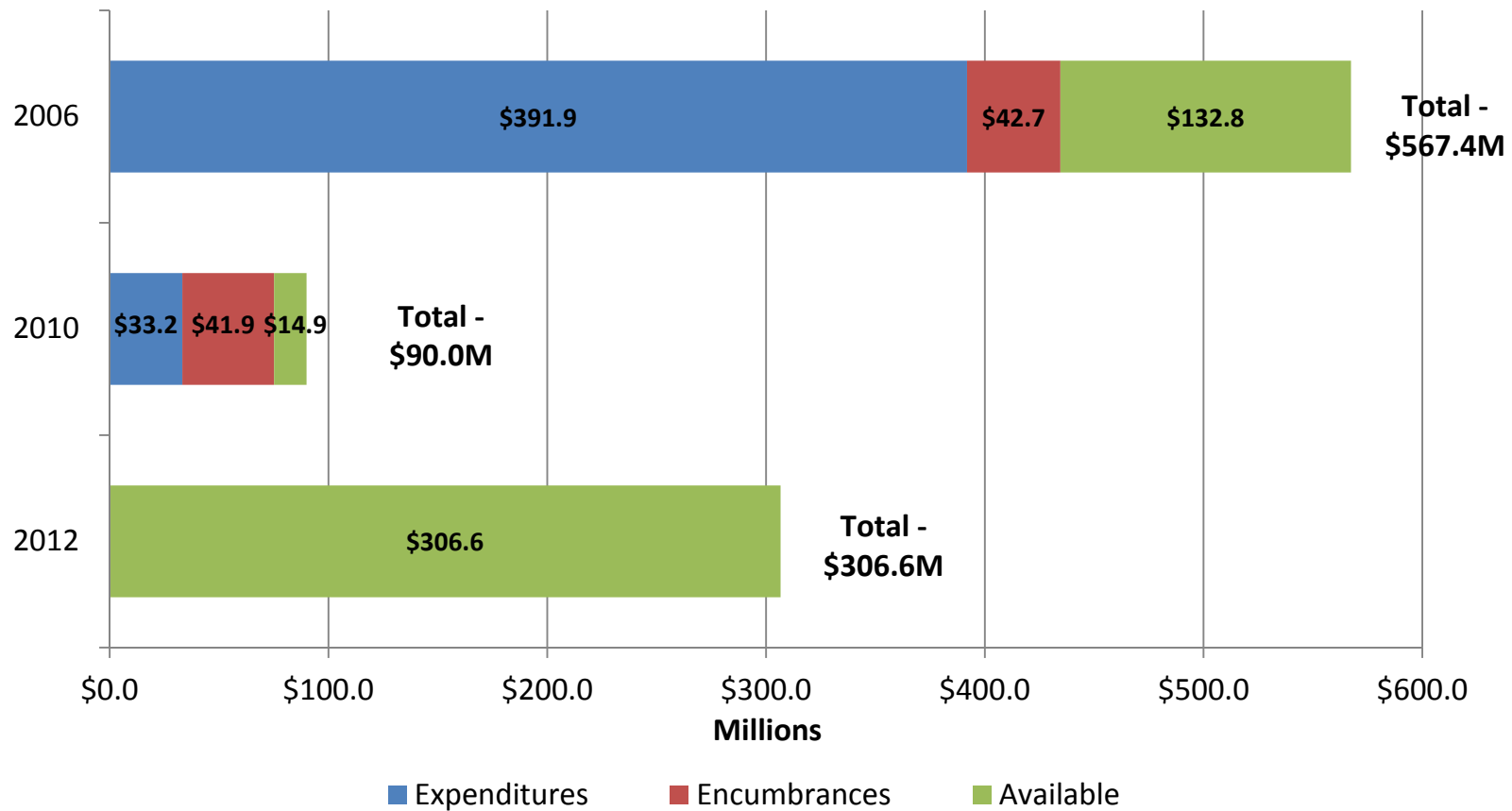
City of Austin Financial Forecast

General Government Capital Highlights



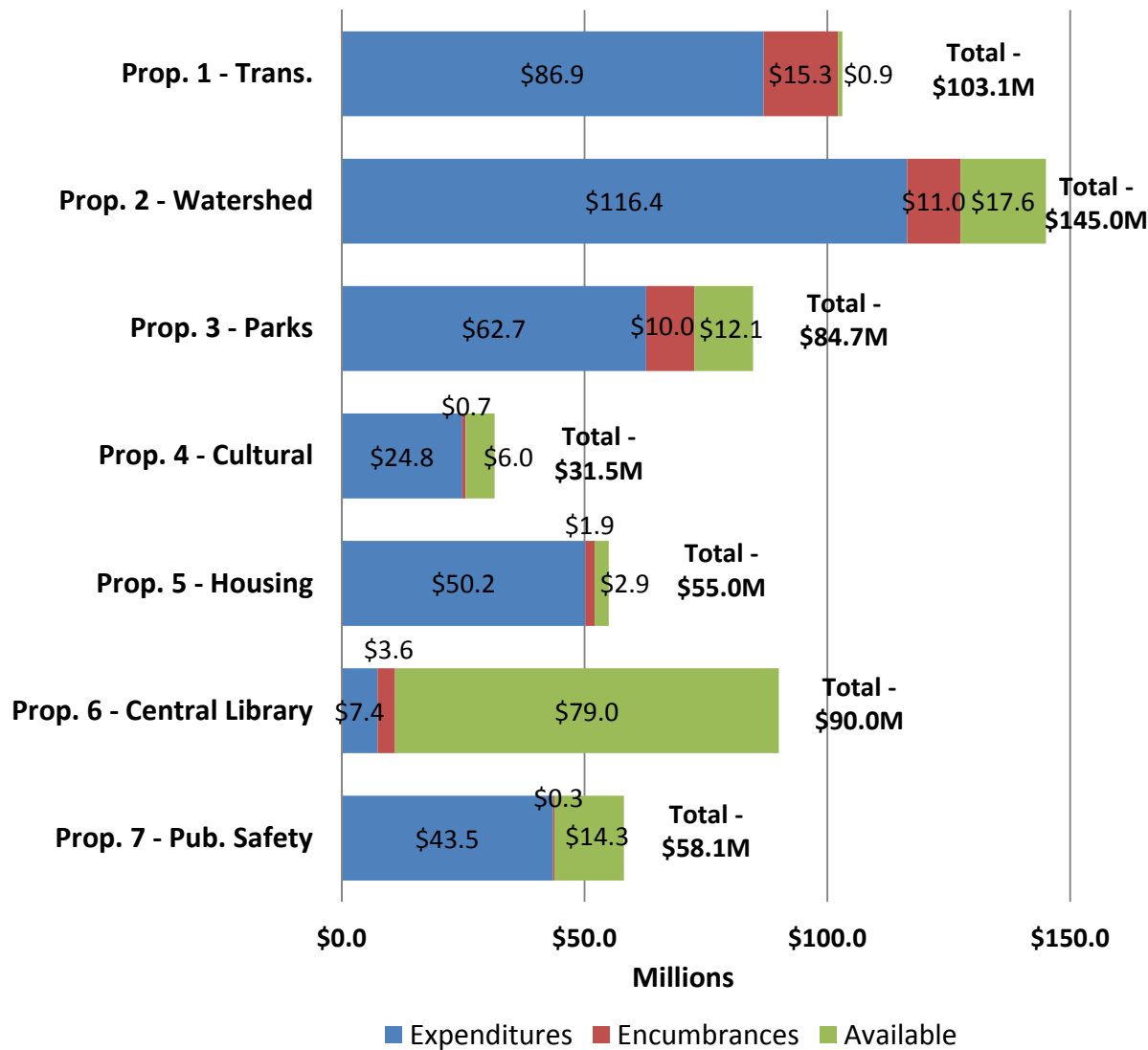
Bond Program Summary

2006, 2010, and 2012 Bond Programs





2006 Bond Program – \$567.4 Million



Projected 5-Year Spending Plan

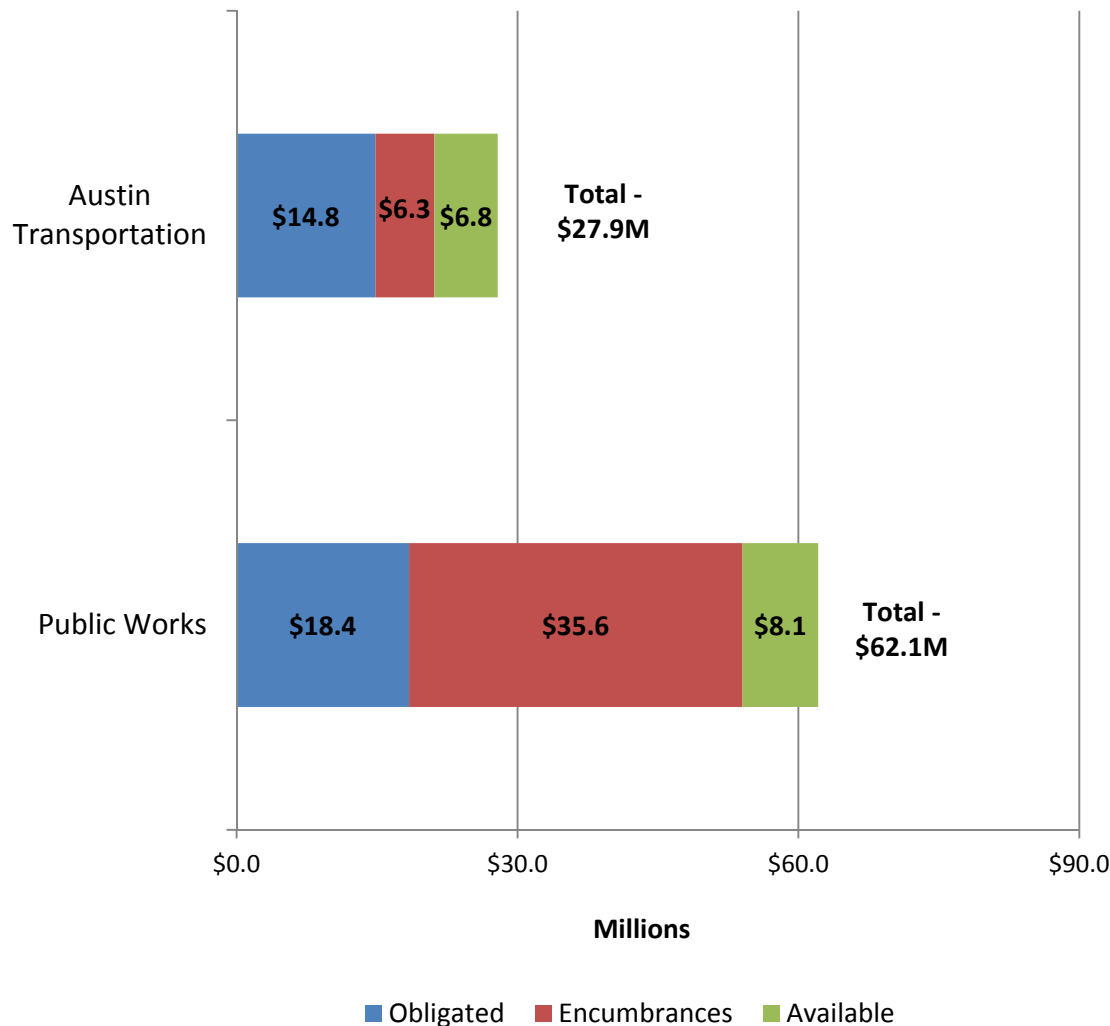
- \$175.5M
- Substantially complete by FY16

FY 14 Spending Highlights

- New Central Library - \$44.0M
- Street reconstruction - \$5.2M
- Parks Facilities - \$2.0M
- Trails - \$2.3M
- Bartholomew Pool - \$3.6M
- Drainage - \$19.6M



2010 Bond Program – \$90 Million



Projected 5-Year Spending Plan

- \$56.8M
- Substantially complete by FY16

FY 14 Spending Highlights

- Boardwalk Trail at Lady Bird Lake - \$9.5M
- Street Reconstruction - \$2.2M
- Bikeways/ADA/Pedestrian - \$3.3M
- Mobility Enhancement - \$5.25M
- Signals - \$571K



2012 Bond Program – \$306.6 Million

➤ Budget amendment for initial funding: May 9th Council meeting

Proposition	Amount	FY13/FY14 Highlights
12 – Transportation	\$143,299,000	IH-35, signals, MoPac Bicycle Bridge, Shoal Creek restoration, sidewalks, Colorado and Rio Grande street reconstruction
13 – Open Space	\$30,000,000	Open space acquisition
14 – Parks and Recreation	\$77,680,000	Cemetery renovations, Montopolis Community Center, Elisabet Ney Museum, West Enfield Pool
16 – Public Safety	\$31,079,000	Onion Creek Fire Station, APD Northwest Substation
17 – Health and Human Services	\$11,148,000	Betty Dunkerley Campus infrastructure improvements, Women and Children's Shelter
18 – Library and Cultural	\$13,442,000	Branch library improvements, Austin Studios
TOTAL	\$306,648,000	



City of Austin Financial Forecast

Enterprise Department Highlights



Austin Energy

➤ Forecast Highlights

- 13 positions added for FY14; 59 over the 5 year period
- Cash reserve replenishment begins in FY15 due to recent rate increase and debt service savings

➤ CIP Highlights

- FY14 spending plan \$220.1M for control system upgrades, emissions control, street lights, distribution upgrades, community solar
- \$1.2 billion over 5 years for power production, transmission, distribution and other projects

➤ Rate Projection

- No change in base rate for FY14, 1.9% in FY 16 and 1.5% in FY 18
- \$0.93 per month increase in FY14 to typical rate payer due primarily to the Community Benefit Charge for Energy Efficiency; \$7.16 per month increase over the 5 years



Austin Water

➤ Forecast Highlights

- Implementation of 5 year staffing plan to address operations and maintenance needs of new facilities and aging infrastructure
 - 63 positions in FY14; 200 new positions over 5-year forecast horizon
- \$12M increase in debt service

➤ CIP Highlights

- \$237.1M spending plan in FY14, \$986.2M over 5-year horizon
- Improvements to treatment plants, water and wastewater system rehabilitations and distribution and collection systems improvements
 - \$83.3M for completion of WTP4 and associated transmission mains

➤ Rate Projection

- Combined increase of 3.6% in FY14; average annual increase of 3.2% per year over the 5-year forecast horizon



Austin Resource Recovery

➤ Forecast Highlights

- Projected budget decreases in FY14 for Materials Recovery Facility (MRF) consultant costs, one-time costs for the Integrated Fleet Management System, and the Single Use Bag Ordinance
- 11 positions in FY14 for collections, zero waste programs, and support staff
- 18 total positions added over the 5-year forecast horizon

➤ CIP Highlights

- \$2.5M in FY14 for Eco Industrial Park, \$3.6M in closed landfill remediation at Harold Court, Loop 360 & Rosewood
- \$78.1M over 5-year horizon

➤ Rate Projection

- No change in base rate for collections in FY14
- Base rate and collection rates will increase in FY15; \$2.75 per month increase over the 5 years



Clean Community Fee

- Funds Code Compliance and Austin Resource Recovery anti-litter programs
- Forecast Highlights
 - Code Compliance
 - 19 positions added in FY14 for case investigations, short-term rentals and support services
 - 65 FTEs added over the 5 year forecast horizon
 - IT upgrades including case management system and business intelligence
- Rate Projection
 - \$1.15 per month increase in FY14; \$3.25 increase in residential rate over 5 years
 - \$2.30 per month increase for businesses



Transportation Fund

➤ Forecast Highlights

- 4 positions in FY14 for traffic and engineering services
- Enhanced traffic signal and pedestrian signals

➤ PW/ATD CIP Highlights

- \$126.2M spending plan for FY14; \$233.6M over the 5-year horizon
- Improvements include I-35 corridor, Mopac access and Bus Rapid Transit bus stop ADA compliance

➤ Rate Projection

- No fee increase in FY14
- \$1.48 per month increase to residential rate in FY15; \$3.24 per month projected increase over the 5-year forecast horizon



Drainage Utility

➤ Forecast Highlights

- 15.5 new positions in FY14 for operation of Waller Creek Tunnel and program requirements
- Total of 21.5 positions over the 5-year forecast horizon
- Increased transfer to CIP from \$21M in FY13 to \$31M by FY18, a long-term plan to increase cash funding of Watershed CIP

➤ Watershed CIP Highlights

- \$131.5M spending plan for FY14; \$326.9M over 5 years
- \$53.6M related to Waller Creek Tunnel in FY14
- \$22.0M related to Waller Creek surface improvements

➤ Rate Projection

- \$0.85 per month increase in most residential in FY14
- \$2.90 per month increase over the 5-year forecast horizon for Waller Creek O&M and debt service



City of Austin Financial Forecast

Tax and Rate Summary



Major Rate & Fee Changes

Estimated fiscal impact of proposed rate and fee changes on “typical” residential rate payer:

	2013 Monthly Rate	2014 Projected Rate	Monthly Dollar Change	Typical rate payer defined as:
Austin Energy	\$100.04	\$100.97	\$0.93	<i>Residential customer usage of 1,000 Kwh</i>
Austin Water Utility	\$83.24	\$87.39	\$4.15	<i>Residential customer is 8,000 gallons of water and 4,700 gallons of wastewater</i>
Austin Resource Recovery	\$19.75	\$19.75	\$0.00	<i>Residential customer uses a 64 gallon cart</i>
Clean Community Fee	\$6.00	\$7.15	\$1.15	<i>per single-family home</i>
Transportation User Fee	\$7.80	\$7.80	\$0.00	<i>per single-family home</i>
Drainage Utility Fee	\$8.35	\$9.20	\$0.85	<i>per single-family home</i>
Property Tax Bill*	\$74.73	\$81.23	\$6.50	<i>median taxable home of \$189,027</i>
Total	\$299.91	\$313.49	\$13.58	

* Projection is at rollback rate calculation; final proposed rate may be lower.



Budget Timeline & Next Steps

April 25	Department Forecast Videos, Presentations, and Unmet Service Demands Report Available on City's Web Site
May 2	Council Discussion and Q&A related to Department Forecast Presentations (9:00 AM-4:30 PM)
May – July	Public Engagement and Budget Development
August 1	Proposed Budget Presented to Council
August 8	Department Budget Videos and Presentations Available on City's Web Site
August 14	Budget Work Session
August 22, 29	Budget, Tax Rate and Utility Rate Public Hearings
September 9-11	Adoption of Budget & Tax Rate



Questions/Comments/ Discussion

For more information visit
austintexas.gov/finance