

City Council Meeting Transcript - 1/29/2013 City Council Special Called Meeting - Budget Work Session

>> Mayor Leffingwell: Good afternoon. Turne up a little. I'm mayor lee leffingwell, I'll call this special meeting, the city council budget to order. Tuesday, 1/29/2013. meeting in austin city, texas. Begin today with an overview by the staff. I think the city manager wants to make a couple of comments. We'll have an overview -- the ubiquitous power point presentation following and we'll get to discussion.

>> Thank you, mayor. Councilmembers, ladies and gentlemen. I'm pleased to have an opportunity to spend time with you talking about the city's finances. As you know, our purpose today is to talk to you about a list of additional expenditures not contemplated in the 2013 budget that's come from the council and come as a result of things that were unanticipated since the adoption of the 2013 budget. Of course, in terms of the city's budget, that's not an unusual budget. On any given thursday, as you know, we -- we amend the budget. What makes this really different, quite frankly, is simply the order of magnitude in this particular case. And, of course, the -- the list and sum totals, sum \$15 million plus, and that number is significant and in context relative to budgets that the council has adopted in the past and the gap between revenues and expenses that we have had to close to offer you a budget in those previous years, this is as significant as some of those years. So it is a significant issue and a significant discussion. When we talk in terms of that order of magnitude, you know, some of the things on the list, of course, can tell one timex pendency churs. But some of them actually entail reoccurring costs. Some of this could be -- would impact the current budget for the balance of the fiscal year. And others -- those have their annualized costs in 2014 which is significant as well and would obviously generate the upward pressure depending on what you do on the property tax break which is a significant issue. I would know that in the past several budgets, we have been successful in providing you with budget recommendations based on a property tax rate that was less than a rollback calculation which prior to my tenure and others on staff that the city in austin is not the case. The budget was based primarily on the role of that calculation. You -- was that significant and even though we have been able to do that in the past. As you know, there have been considerable discussion in the community and even within the context of this honorable body about wanting to see the property tax rate lowered, particularly in the light of the overarching issue that y'all have discussed and others in the community have discussed about the affordability issue here in austin. I suspect as we put together our recommendation or when we put it together for 2014, that, that pressure in regard to affordability and the desire to push it downward on the property tax rate is still going to be present. And so the point is that when ever you decided to do today to the extent it involves additional expenditures, it has implications not only in terms of this current budget but it has reoccurring implications for 2014 and beyond. I felt today as you -- as we start this presentation and as you start your deliberations about when you hear today that you're going to provide that kind of context for you. In addition to that presentation again as a matter of contexts, we'll talk to you about the various relevant policies. Relevant to the issues that have been -- that have been generated. Obviously in terms of talking about that specifically with the respect to the various bond options we have as a city. And various other things and we'll get specifically into the -- into the list of proposals or requests and subsequent to the adoption of the 2013 budget. So, with that, you see the -- very able and capable budget team over the air, finance

team beginning with elaine heart and I think, mayor, with your permission, it is -- are you launching today?

>> Mayor Leffingwell: I want to make a quick comment. That's re-emphasize the point you made. With the impact of the things that we're going to be considering with the potential midterm budget adjustment, we could just be setting ourselves up automatically for an increase in the next school year. Ed?

>> Good afternoon, mayor, mayor pro tem, members of the council. Today's presentation -- we're going to cover a summary of our relevant financial policies as you know the city has some really high quality and gfoa best practices, financial policies. We have a lot of them. I wanted to give you a paraphrasing of some of the ones that I think are relevant to today's discussion about mid year budget amendments, the city's use of debt, and the city's use of reserve to fund funding priorities. We also had some bond statutes related to general obligation, bonds, certificate of obligation that I think are relevant. I have a slide on other fiscal considerations on the lines of what the city manager's opening comments are. And we'll give a summary of the mid year funding needs identified from items of council approved resolutions since the budget is adopted and a small handful of items from staff that we are bringing forward for consideration at this work session. We've looked at a whole variety of mid year funding options. We want to assure you we feel we haven't left one sofa cushion unturned looking for dollars to meet these needs. And at the end, we'll kind of bringing the two together. If you want to jump to the case, meaning you do, they there are the funding sources, there are the funding needs and we try to put the slides next to each other so you can see how they match up or where there might be a gap. We anticipate the majority of this work session will be left for council questions and discussion. Moving on to slide four. Taking a look at the current policies. Revenue will support expenditures. Ie, the fund will be balanced. In other words, we want to use our reserves to fund one-time needs, not ongoing commitments. You can see that's a concept that's hit in other policies as well. Nonemergency amendments budgets to be accomplished in one mid year council meeting. A general fund policy that we tweaked a little bit last year. There's a little bit of latitude, if there's a mid year general fund budget amendment fully offset by revenues where there was no discretion on how the revenues would be used, those would still be okay. But for items we're talking about today, we're only allowed by our financial policies to go through something like this once contingencies for unanticipated things that occur in the project. So it may be a swimming pool. So you get to the project, there's a soil issue, a water tables issue. We have some money that was set aside to address that contingency in the capital program. 9 million in that contingency. It's in the financial policies. million. There's an item on the agenda 2 million out of that reserve to meet the contingency need for the north walnut -- north walnut creek trail. So that's the type of thing they would typically use the contingency reserve for, to meet a funding gap on an existing project or a project that's under way. We typically would not use this reserve for, you know, a brand new funding need. The next policy we're looking at general obligation debt policies. So the first ones are to the general fund. With regards to the general obligation debt, the fund balance for the general obligation debt service funds 10% of the arguments saw he maintained, compliant with that policy. We have \$1 million in excess of what we need, about \$1 million in excess of what we need to meet the 10% criteria. But there are limitations and restrictions on that fund balance as well that is really there to meet our bond covenants and to the extent we're going to draw it down. But it would not be appropriate to draw down for the type of

funding items. Bringing the policies forward because they are things we have latitude to think about and we feel we thought about everything, you know, possible. And we did look at this. But it would not be something staff would be recommending at this time to be using for these types of needs. Interest earning from bond proceeds, general projects. The firm practice is to process those in the debt service funds. But they can utilize the fund for cip projects for restrictions that we have on the cip projects is to keep the cip interest in the propositions. Cip interest that was generated from bonds that were sold for a transportation proposition, then interest from that should be used for transportation projects. That's a fairly recent change in our outside bond counsel's opinion and we're going to be complying with that as we move forward. Have not done that and used it to meet a variety of needs. Interest rates where they are, we do not have money in this fund. So this is something that the latitude that we have to use the interest earnings in the past to meet the project needs, we had much less latitude moving forward. Finally, second to last -- the general obligation debt that says we would not do a bond election until we have two years or less of unauthorized issued bonds remaining. So we currently have a magnitude of 4 to 5 years of unissued bonds remaining. This is a financial policy that's not approved by council. We want to bring it to your attention as we look at debt options as it pertains to affordable housing. We have a financial policy related to debt that talks about kind of the preferred practice, the city's priority is to fund capital expenditures with cash voter approved debt. But nonvoter approved debt could be used for circumstances that's an urgent need, unanticipated. If it brings an economic loss to the city, results in economic gain and nonvoter approved debt is the most debt possible. For the preponderance of the debt we issue, it does receive voter approval. But we are general fund obligations that we could meet to the contractual obligations. Looking at bond statutes, the state law has some things to say about general obligation bonds and certificate of obligation and pertaining to general obligation bonds, the government codes, state government code AUTHORIZES GOs TO MAKE PERMANENT Public improvement or any other public purpose. Any legitimate public purpose, we can go to the voters and request issuing bonds for that purpose and affordable housing opinion and state law has a public purpose. AND FOR THAT REASON, GOs OR Staffs recommended financing options for affordable housing. Voter approval prior to issuing the bonds. When you look at what the local government code has to say about the obligations, I'm paraphrasing. The key language is the construction of any public work. The public work is something we would define as the facility or a piece of interest or something that the city pays for and built to use by the city taxpayer, serves a purpose, is city owned with clear examples being libraries, parks, recreation centers, streets, fire stations. To our knowledge, we're not -- we've not been able to identify another city that is used certificate to fund affordable housing and the affordable housing projects that we have in the city are not city-owned projects. They're owned by a -- some other entity other than the city. So we think it may be PROBLEMATIC USING COs AS A Funding mechanism for affordable housing and there's also no voter approval is required but there's a notice of intent to ISSUE COs THAT MUST BE PUBLISHED 30 Days prior. 5% Of sloeters filing a petition, those certificates can be put on hold and not be issued if they meet that 5% threshold. Some other funding considerations beyond the state statue and the financial policies are the practical implications of doing the mid year appropriations on the order of magnitude of what we're talking about. Clearly one of the sources of funding we're going to be talking about is the budget stabilization reserves and anything that we take out of the reserves now will be less money we have in fiscal year '14 to meet the operating capital means of things like cardiac monitors, ambulances, park materials, things we need on the day-to-day basis we fund out of the budget stabilization reserves each year. Drawing

down the reserves now is going to make it more difficult to fund those items and/or increase our need to issue debt, contractual obligations to fund the needs in fiscal year 2014 which has implications for our debt capacity and our debt service tax rate. Second, any of the ongoing expenditure commitments that we make now -- so funding new staff or other ongoing commitments, will, indeed, make balancing the fy-24 budget more challenging. Doing anything more than accounting or payment increases, retirement increases. Long-standing policies for officers at 2000. Built in cost drivers of \$40 million a year. The costs of doing business as we do it. Operating it for current hours. Give out \$40 million. Any additional expenditure commitments that we make at a mid year amendment is going to place upward pressure on our tax rate as we look at trying to balance the 14 budget. The first slide on the mid year funding needs is the summary of the various topics that are out there. And it's not going to spend a lot of time going through this slide because we have a bunch of follow-up slides on all of the topics. I want to spend a little bit of time to talk about that you're looking at. The first two columns of numbers are one time and recurring. Those are fiscal year 2013 costs. And we were trying to carefully designate between the fiscal year 2013 costs one time in nature and appropriate to take out of our reserves versus things that are recurring in nature and require us to have a recurring means of paying for them if we were to amend our budget accordingly. The final column here is annualized is looking at what are the ongoing costs beginning in fiscal year '14 of funding some of these items. Fiscal year '13 numbers, the recurring column is smaller than the out years because we'll be doing this for six months. The relevant number for y'all to be looking at for addressing the funding needs brought forward is the fiscal year '13 numbers, that's what we amend the budget to achieve. You also need to be cognizant of what the impact is. If counsel has a way to fund all of the items, we'll talk about an additional \$6 million being added to the fiscal '14 budget funded in some manner most likely to a tax rate increase. \$16 Million is about the three-quarters of a dollar.

>> The resolution goes past identifying all these that you have on the table there. But it says, again, that numerous mid year funding needs for fiscal year 2013, including -- and lists them. But I assume that there's always -- it's in order to talk about things that are not on this list, things that have just come up. For example, the written letter we go from our judges about the length of time to do lab tests in our forensic labs. I got a letter from the district attorney echoing the same concerns. I think it's something serious. I've got copies of this if I can pass out the copies of the letter, I'll just pass them around. So I think we have a tentative cost number associated with that at this point. So we'll -- that ought to be -- this is something we're going to have to do, I believe.

>> I talked to the chief about that. We're not agendaized to talk about just this item. We're agendaized to talk about priorities. We may know that. We have a spread she'd we're maintaining. My understanding of the cost of that will be three traditional FTEs ABOUT THE REMAINING SIX Months of fiscal year '13 and \$15 million on an annual yuleized on air basis. That may be something you're prepared to track as you discuss it.

>> Mayor?

>> Would this be the time to ask you about the specific numbers or would you get the whole thing?

>> You may answer some of these things but you have staff here from all of the departments to help with some of the details that we have.

>> Let's continue it. And put the questions at the end.

>> The only thing I'll make the highlight, you look at the affordable housing line item. 1 Million of one-time costs in fiscal year '13. We understand after that item in particular there's an ongoing need but the isd that council 8 million to meet our immediate needs to be served as a source of bridge funding to get through to an ongoing sustainable source of funding for affordable housing. A one-time cost contrast that to a wild fire mitigation, a third line, \$383,000 of startup costs related to equipment, vehicles, radios. To make -- to expand our wild card mitigation revision. But there are recurring staff costs. The item has five or six staff positions with it. Those are recurring costs. That cost gets higher as you look at fiscal year 2014 because you're talking about a full year of funding versus a partial year of funding. So there's details as we get to the presentation on those and we do have staff here to answer any questions you may have. First, affordable housing with the city goal for affordable housing to increase the supply of low to moderate income families. Supporting repair and the affordable housing units. The name that have been identified in this area for 5 million. 5 Million of that amount related to the loan and tax credit program that we could unlevverage if we have those funds and an additional \$3 million related to rental assistance for gap financing and other housing projects and opportunities. \$3.3 Million to ownership. Including the go repair program. That totals \$10.8 million. We'll be looking at that as a one-time need in the current fiscal year.

>> Spelman: Mayor? I don't want to interrupt you over and over again. You can probably answer this question as you went through the presentation. So I'm going to ask you up front. Any number -- you can assign 7 million or any other number to the program. 3 million?

>> I have housing staff here to answer that. They have a list of --

>> Spelman: Generically.

>> Historically they know what they've been able to expand. They have ably occasions on file, they have some certainty on some things. Some, they don't have certainty but they're there to look at the historical drawdowns and deal 1 million of rental projects if we have the money.

>> Spelman: Money based in housing.

>> That's right.

>> Spelman: I didn't want to interrupt the presentation but i wanted to get the sense of where do these numbers come from and what kind of numbers we talk about. We'll have a lot of questions for you in a minute, betsy?

>> I wanted to know that the goal of that program is not the only program in that item.

>> Spelman: I got that, betsy.

>> Talk quite extensively about the pilot program to open the three trails. See the costs here a little different you talk about this morning. The costs being talked about this morning, the annualized amount, again looking at the 2013 budget amendment. These are the numbers that would be needed to get the program through for fiscal year 2013. The numbers from the police 1 million and from the parks department from \$600,000. 7 million, those are for the full year and will be reflected in fiscal year '14. But mid year, this will be the numbers and we broke out from a number of options, butler plus butler and one or two of the smaller trails to doing all three of the trails. Wild fire fuel mitigation is something we discussed extensively. We found the additional funds to allocate to that, but it was PHASE ONE WHICH ADDED THREE FTEs To create the division. The division has had successes and nearing the final selection process of the vendor to do the wild play and the strategic plan and the policy development is under way. The goal of that program is to remove vegetation to lower the risk of wild fires. Some of the funding they would like to have to expand the program and implement phase two of the program would be money to do the fuel mitigation as opposed to just planning it. It would be \$600,000. There's a lot of equipment associated with doing this work, \$470,000 for that. And then \$250,000 to add four sworn positions and a civilian position, the burn boss position, and then again, the \$250 is just for six months. An annualized cost to increase that amount in fiscal year '14. The cemetery, I believe, you're aware, the vendor who is providing those services for many, many years has decided that he will not be renewing the contract with the city. We have five city-owned cemeteries, approximately 200 acres, and effective march 3, the current vendor is notified their intent to terminate providing that service. The services include sales, administration, cemetery operations, burial services, the solution in part is identified bringing forward a temporary solution which would be to in-source the service until such time we could get through an rfp process and get a new contract onboard to perform the work. The one-time cost of that interim solution is projected at \$476,000 net. You can see the numbers there. It's quite a bit more than that. \$666,000 FOR TWO PERMANENT FTEs. 25 Temporary positions to maintain the 200 acres. A little over \$700,000, \$750,000 for equipment, utilities, tool, and supplies. They're renting a lot of that equipment since we don't want to purchase it for an interim solution such as this. But we generate revenue. The cemetery general rapt revenues that would mitigate some of those costs and the cemetery fund also has some fund balance that could be drawn down to mitigate those costs so it would be a net impact to doing this to the general fund of \$476 million for fiscal year 2013. There's certainly the possibility that there could be an ongoing cost associated with this too. We don't know at that time. We don't know what the response cocil talking about the significant backlog that exists in our residential review. We're currently eight weeks behind in that area. And the number of complaints i think you are receiving and the city staff is receiving is certainly growing. That memorandum identified the need for four new planner positions to address the immediate need. There would be a \$188,000 cost associated with that. I don't have quite as much background information for many of the remaining items. But I'll run through them here quickly. The arc of the capital area. They provide help for the mental health facilities. There's an idea from the austin play house, they have related to the development of two new theaters and the mueller development, \$150,000 there. The african-american heritage cultural district brought forward the day after the resolution calling for the work session was approved. An expense there. The current year goes up to \$273,000 and the out here for administration and program expenses. River city youth, that was one when they had historically received about \$146,000. In the budget. They did not receive money initially until 2013. We were able to identify \$73,000. Half of the annual amount in the budget adoption but there was a

gap of \$73,000 that council accessed to see if there were opportunities to meet that gap and fund them for a full year. The hillside theater was an isd asking to find \$75,000 to help with the maintenance need out of the theater in the current year. The parks director has worked with the cc presents group. And they're going to be funding \$75,000 in the current year and they committed \$50,000 annually there after. So there's no need in the current year. That through cp presents and though the extent this is intended to be an ongoing source of funding for c-3. For the theater, the parks budget for fiscal year 14 to join up with the donation to achieve the \$75,000. Another very significant item that I have several slides to talk about because it's complicated has to do with the medicated waiver program and there was an isd council saying essentially look at any of the other projects that add to the waiver program and how it would go about financing the projects so it could, in fact, leverage the dollars flowing back to the city as a result of the city performing on those projects. The background of the project, some of the terminology that throws you around. Gets confusing, all of the acronyms. The waiver for the five-year project for health care delivery systems by incentiveizing local jurisdictions to implement programs that result in those improvements. We're currently in year two of the five-year program. And allows local funds to leverage federal funds. As I go through this, some of the terms you're going to hear me talk about is igt, it's intergovernmental transfer. This is the amount of money that in addition to paying for the program costs, we would have to submit an igt, intergovernmental transfer to the federal agency and get the delivery system and reform incentive payment back. Generally, we're going to hear it call -- just the incentive payment you give back to the payment government. And we get it to the programs. Meet our performance targets and send up our intergovernmental transfer. The program overview then, so you have a local entity. In our case, the health and human services department. And we would fund and perform eligible programs. Develop \$120 program, and it may have a value of \$240 million. The value is important. This is the value that we can get the incentive payment back upon. So \$120 program for adult immunizations may actually have a value of \$240,000 because it keeps people out of the emergency room and decreases the costs that we would incur as a health care delivery system, it has a higher value than the actual program we're delivering. This hypothetical example so you can better understand the flow of fund. If we had a \$120 program that involved immunizations and we identify a value to the program, a cost avoidance to the program, \$240 to the health care system, those would be the numbers we're playing with. The performance goals are there. We have a goal of 1,000 immunizations being provided. If we meet that performance target, we're able to tap into it. But it requires an intergovernmental transfer. It requires a governmental contribution. The contribution is essentially matching that with a multiplier of 1.4. We would be able to tap into a dsrip of \$140. The \$140 plus the \$140 comes back to the city. You have a \$240 return net based upon a \$120 program cost.

>> Mayor Leffingwell: Can we do that in a couple more circles?

>> You notice the arrows, it does keep going round and round, yes.

>> Five-year program.

>> It is a five-year program. The important waivers, it's based on the value of a given project. The project values are generally greater than the project cost but the values proposed by the health and human services department need to be approved by the administrator they have not

seen in the approval yet. They're based upon the values that we propose and the analysis changes that the values that get approved change. And then second, the disbursement of the dsrep is on the project. The performance goals aren't met. We wouldn't get that and it would become the city cost as opposed to the federally funded program. The project is submitted to the waiver, from the waiver program including the permanent support of helping healthy families. And adult immunizations. Four years of the project of the program life, the total costs of delivering the projects have the specific details about the project. 6 Million of the value proposed in the result of 4 million. The funding scenario that staff is proposing to council we hope would be well received as being creative. We think we can fund this using a series of inner fund loans to avoid having to make a -- make a drawdown of our general fund reserves or create a burden on our general fund, we establish the separate fund for the waiver program. We would fund the initial program cost and the igt payments from the interfund loans. We would use interfund loans and loan dollars to the medicaid waiver fund so that fund would have the dollars it needs -- the health department would have the dollars they need in order to deliver on the six new programs. Following delivery of the programs and meeting the performance goals, we would then be able to submit the igt to the government and receive our dsrip back. The net cost of doing that would be ensensually zero dollars. I would liken it to priming the pump. The interfund loan allows us to prime the pump, meet the performance marks and tap into the dsrip. They can flow down to the city and repay the loan. The nice part about that is after these programs have been delivered for four years, we're projecting based on the value scenario for the 1115 medicaid waiver program. It would involve loans but not result in the net impact of the city's general funds for purposes of this exercise for proposing it as a zero dollar cost item. The mid year funding options we looked at, we did submit the quarterly report to the audit finance committee meeting. We weren't able to present that because we ran out of time. But the quarterly report is out there as well as the presentation. I sent y'all an e-mail with a brief summary of what it said, which is we ended fiscal year 6 million better than we projected at the time you all adopted the budget. So you remember there's a lot of discussion at the time of the budget adoption at 12% and wanting to maintain the reserves at that level. That's all based upon the assumptions that we end with sales taxes, property taxes, department expenditures and \$226 million to the good there which is where we typically are. We end as high as \$10 million to as high as \$20 million better than we projected. A big budget and we're purposely conservative on our revenue estimates. We would come back to this body with news that we finished the year better than we thought and adjust to that than vice versa. As a result of the policy, though, that says we can only draw down or budget stabilization by 1/3 in any given year, you know, doing the math on that, we can actually only spend \$8 million of that and still be in compliance with that policy. That would then put the reserve -- if you don't do anything -- don't do any of that money, that would end at 1.13%. Get it back coincidentally to the policy that's about one third of that policy. That information, it's a one-time source of funding. The support services fund. The fund that pays for all of our support functions, financial services, ctm, human resources, that fund also ended the year 4 million better than projected. A one-time source of funding and gives us flexibility for funding some of the needs and related to the november election. And the auditor, etc. We also provided the quarterly report and update on the fiscal year 2013 revenue. A little unusual to revenue this. It's early in the year for sales tax. In particular, withe have two sales tax payments at that point in time because of the two-month lag that's involved. But if you look at the numbers we've seen, look at 2012, look at the fact we have 16 consecutive months of sales tax growth. The six-month rolling average one of the key metrics to keep an eye on, we're now up to 11%. Up to double digits in the six-month

rolling average. The first two payments in fiscal year '13 are up 13.7%. It's prudent and appropriate to say we're going to beat the budget amount, the amount that's projected in 2013 that those numbers are -- we're going to do better than those numbers. We're conservative saying we're 2 million better than that. But we're going to be conservative. We're trying not to get out ahead of where the economy is taking us. And that's a recurring source of revenues. That's a revenue that as a result of the economy improving and the sales tax improving, we're not only going to update fiscal year '13. We're going to update the entire forecast to reflect higher than anticipated sales tax revenues. One of the items you're going to receive from council to ask us to do extensive analysis of the trust fund, the due date for that deliverable is January 31. We've been scrambling to get that analysis completed before this work session. I have a summary of one of the most germane elements of the analysis here. 15 Minutes before the work session, we did send out that report. If you haven't had a chance to look at it or read it, it's three or four pages long. I have copies. But there may be other things in there that you're interested in. I want to ask you questions about whether we have this work session scheduled. Once I finish, we'll ask people to go around and circulate copies of that report as we're having a discussion here. The trust fund has been calculated by city staff to be 40% of incremental tax revenue of properties within the zone, a large zone. For all intents and purposes -- for all intents and purposes, everything to the east of mopac. The tax exempt city-owned properties prior to June 1, 1997. It was a city-owned property, tax exempt prior to June 1, 1997. And the city has sold it and it's now gone on to the tax roll. We track that and 40% of the tax revenue is held on the tax annually. We deliver it to you today. That's what we're summarizing on these slides. The analysis we asked tcad to conduct started with the proposals within the environment zone back in 1997. What they did was took that data base and tried to match it up to the 2012 data base to identify parcels that match. They 3,298 parcels tax exempt in 1997. Those are the ones they focused on, right? So they take the 2,884. We start matching them up with the data base to see are they still tax exempt or now taxable. 2,884 Matched. That was the easy part of the analysis. 14 Properties didn't match. Somewhat surprising that it's such a small number if you think about a 15-year time frame and all of the things that would happen. There's a lot of things that go on. For those parcels that they can't use computer analysis, they're pulling records and doing research to find out what happened. They said it's going to be a lot of work. I said research the top 30 for us. 30 Properties had values of over \$1 million and they agreed to research those. It represented 70% of the value of the properties we didn't have a records match on. We got the important ones, I hope. They estimate reviewing, it will take about a month. A month for each year. Go back and do it for 2011, 2010, 2009, that's a lot of months. The finding about the properties -- we were able to match the research, 320 properties that were tax exempt status in 1997 are now taxable. 10 Of those are currently included in the housing trust fund transfer. They're high value. Block 21. A total taxable value of \$344 million from those ten properties resulting in the transfer of \$662,000. They also identify seven additional city owned properties that met the criteria that the helped the trust fund we have not been applying it to, a small number of properties combine totals of \$750,000 with a contribution of \$1500. We are working with them to identify what the properties are and to verify them and we will certainly include them, even though it's a small dollar amount, we'll include them in the future transfers as we follow through with tcad on that. I think the bulk of what council wanted us to do was to look at the noncity-owned properties. We identify 315 of those. That includes the ones that were automatically matched plus the 30 we had them to do manual research on. We met the criteria of the housing trust fund. We had the combined value of \$316 million which would double the current contribution. Additional \$608 million contribution

to the housing trust fund if we were to include the noncity-owned properties that would meet the criteria of the trust fund transfer calculations. So this would be the university of texas property, state properties, aisd properties, county properties, and, you know, just any other properties, churches that were under the tax roll in 1997 since been sold and on the tax roll. That's everything. That's why the numbers are so large but the values aren't as high. So that's essentially -- that's the crux, I think, of the housing trust fund analysis. There's straggler properties oh it there that we want to research to give you a definitive answer on this. But what we've been able to come up with in the last two months of worki o -- not city owned properties, all properties, they would double in fiscal year '14 the amount of the transfer. And there's a lot more details in the report that we published earlier today. I'm going to move on to a topic and talk about the debt options that council could consider. First in regards to general obligation bonds. We have a council resolution directing staff to establish a time line and pulling together information pertaining to a potential affordable housing bond election at some point in the future. And then I'll just reiterate based upon the state statutes that we talked about earlier, this would be staff's recommendation for looking at a financing option for affordable housing certificate of obligation. They've been explored but not staff's recommendation to pursue those for affordable housing given that we feel it would be somewhat uncharted territory and the statutes really aren't clear as to whether or not it would be an appropriate use of COs. We have tried to get creative, though, in terms of financing options. And I mentioned earlier we typically use our budget stabilization reserves to fund what we call our critical one-time needs. Paying for ambulances, heart rate monitors, we use the source of funds. We scrubbed through the list and find things that would be appropriate to issue debt for as opposed to paying for out of our critical one-time fund. 6 million of items that we could issue contractual obligations for. We've come back to council and do a reimbursement resolution AND ISSUE THE K.O.s, THAT'S WHAT We use to fund the items. What that does is frees up more money in the stabilization reserves to reallocate it to any one-time purpose that council felt was a priority. 6 Million from that mechanism. We also looked at our sustainability fund. It's not a lot. It ended the year with \$119,000 ending balance that would be an appropriate source of funding for any affordable housing, housing-related projects. And, again, the general government cip interest, we looked at that, and there are no dollars right now in that fund. So the summary for fiscal year 1 million of one-time funding 2 million of recurring options. An asterisk next to the housing trust fund that would be more of a recurring source of funds for 2014. We could change the calculation of it in fiscal year '13. But it will take money away from that recurring pot. 2 million of recurring money to spend one way or the other. And if it goes to changing the housing trust fund calculation now or if it just goes to -- you know? So if -- but right now, the way we budgeted the housing trust fund transfer is based upon how we historically implemented the program. See that for you. The next slide is a repeat of the funding needs but it allows you to start kind of lining up. 3 million of 5 million of recurring needs and you can see how that lines up with the pots of money that we've been able to identify for the council. And that concludes my presentation. And we're certainly here to answer any questions that you may have.

>> Mayor Leffingwell: So, you talked earlier about the potential impact on fiscal year 2014 budget as a result of things we do today. So just may not be able to answer this question. If you spent all of this money, 5 this fiscal year, I think that's --

>> that's right.

>> So potentially how would that affect us going into the 2014 budget? How would that factor in?

>> Well, it factors in two ways, 3 million of one-time funds will be coming one way or the other out of the reserves. These are moneys if we were to do nothing, would fall on the reserves and provide us a greater source of money to meet what is always an extensive list of departmental offering and capital needs from bulletproof vests to heart rate monitors to new ambulances. This is the primary source of funding the items in the general fund. If we were to take this much out of it, we would likely come back to council on a '14 budget with contractual obligations for the needs. We wouldn't have money in this fund to do it. If way it gets additional money is us in the finance world to be conservative on the estimates so we can end every year with the surplus and go to the reserves to meet the futur one-time budgetary needs.

>> Mayor Leffingwell: Trying to understand what you said there. What I'm trying to get at is would you go into the 2014 budget with an increase in the revenue requirement which would translate to a property tax increase as a result of these expenditures?

>> I was getting through in my methodical way. 3 million I just spent two minutes talking about. 5 million of the recurring costs of fiscal year '13, which becomes \$6 million of recurring costs when you annualize it. Part-year funding for '13. You annualize it, it becomes \$6 million. That's a recurring commitment that would have to be funded through recurring source of revenue such as property taxes. And it certainly would increase the tax rate that we would otherwise have to assess by about -- if it was all of it, by about 3/4 of a penny.

>> Mayor Leffingwell: Councilman spelman.

>> Spelman: Let me ask my methodical question. If you were spending more through the fiscal year for bulletproof vests and stuff like that. The presumption you have a little left over and you're going to spend it on the things you know you're going to need, do we have a projection for what ordinary circumstances you'd probably be spending?

>> It varies -- it has varied quite a bit. But it's typically in the neighborhood with the next with the city \$8 million as high as \$15 million a year we're taking out of this reserve in order to fund those items.

>> Spelman: So, through whatever action we take today, we're basically draining that reserve that you would otherwise have available for these other items, am I right?

>> Not dollar-for-dollar. Because of the way the calculation works. If we end the year with \$63 million in the stabilization reserves, one-third is \$21 million. That's what we have to spend in 2014 in that policy. If you take \$12 million out of it right now, my example you're coming up with, you would have \$51 million left and you could only draw it down by \$17 and stay within the third policy. You can draw it down by p right now by up to \$8 million and stay within the third policy for fiscal year -- for the fiscal year we're in, fiscal year 2013. fiscal year 12, our budget stabilization reserves actually ended the year at 63 million, so we can take up to 21

million, we've only spent 13- so far, so you have an additional 8- to spend but nothing takes away from the 13- for the council for those items but reduces for fy 14.

>> Spelman: Does it have the effect of constraining what we ought to be here today?

>> It has implication for fiscal year '14. It certainly has implications for '14, what we're able to fund in terms of our critical equipment needs. You can do the math, drawing down the stabilization reserves by one-third every single year without replenishing them won't work for very long because we're out of the money, so we rely on the year-end surplus, so when we draw it down by a third we don't quickly get to zero.

>> Spelman: Suppose he leave you \$8 million to spend for contractual obligations, how much could we spend today with this list before us and leave the \$8 million, which is the typical minimum amount you have available for those expenses?

>> I think it would just be the \$4.1 million of items, yes.

>> S 12, 4, 8 -- give me a number.

>> If you want to not use the \$8 million so we would have it, 1 of other sources that have not been identified.

>> Spelman: I think I'm understanding this. My apologies for being so slow. We were talking all morning about it. So you've got >> tat's true.

>> Mayor Leffingwell: I don't know what it approaches, but that's a moth problem I haven't worked out yet but it's going to get smaller every year.

>> That's correct.

>> Mayor Leffingwell: Mayor pro tem.

>> Cole: We're doing something we haven't done as far as I know as a council, since I have been on council or previous council which is have a mid-year budget meeting in talking about spending down dollars. So I really feelrgent needs, but I also think that the conversation has to include potential property tax relief. It just has to because we have to think about the surplus comes from tall citizens of austin. So I'm going to ask you a question similar to what council member spelman asked you, but that is if we took half the 6, the original 6 for property tax relief -- and I'm not sure what account you would put that in, but that would help us with the budget -- how much would that leave us to spend?

>> Well, I need to try to explain the one-time dollars we're talking about here, if we're not going to spend all of that 12 million of one-time dollars or if we spend it all, it won't affect the tax rate, it's going to lower our reserves because it's one-time dollars going to a one-time need. I don't need to increase the tax rate in order to pay for a one-time expenditure that's been met. The recurring expenditures, like the wildfire mitigation and fuel mitigation and trails, those are

recurring that would necessitate a tax rate increase to fund them coal comb I'm asking a different question. I'm not sure we're understanding each other. I'm not trying to figure out so much between a one-time and recurring need, but if we had 3 million and said we want to use this to ensure that, next year during the budget process, we can give less of a tax rate increase, which that's about half a cent --

>> decrease.

>> Cole: Yeah, a decrease.

>> No, increase.

>> Mayor pro tem, are you suggesting that, somehow, reserving approximately half of what's described here as a general fund balance --

>> Cole: Exactly.

>> -- You know, could that impact the property tax rate for next year in a downward manner, in other words, lower than what it might otherwise be, I think is the question?

>> Cole: Exactly. I'm bringing it up because it's been on my mind but also the comments you and the mayor made at the initial presentation about being concerned about the property tax rate and the budget for next year, I think that would be particularly difficult of you to think of that as an accounting nightmare, but I'm wondering if it's possible for us to do.

>> Well, I mean, I could tell 3 million equates to about half a penny on the tax rate, and our financial policies are actually broad enough to allow in certain circumstances to draw down our ending balance to keep our budget in balance for that year. But that's not sustainable. That would be, like, a one-shot option that in fiscal year 14 we could dip into our reserves by 3 million and keep the tax rate down by half a penny, but it has to go up in the future. We can't keep going into the reserves to keep the tax rate down.

>> Cole: I'm contemplating we could still go through the entire budget process, whatever we could come up with the tax rate, that would simply be an item that could be used at the end to reduce that rate, so we don't know how far, whether we're going to roll back or just above or somewhere in between, but, at that point, after we sit and look at all of the needs in all of the departments, we know that we could lessen the property tax rate by half a cent.

>> For that year.

>> Cole: For that year. Okay.

>> Mayor Leffingwell: Any more questions? Council member tovo.

>> Tovo: I have questions but I didn't know if the city manager had a comment on this point before we moved on.

>> No.

>> Tovo: Are you sure? Okay. I have some specific questions, first, about slide 14. I know we have detail in the pages that follow, but, for example, as we look at the results of the november election, I see the one-time expenditures, and I want to clarify, does that include any of the planned physical changes at city hall or are these strictly things like the auditor's additional expenses for advertising, the cost for city service -- excuse me -- the civil service commission?

>> It's strictly for those things. The reconfiguration work that will have to be done will be considered as part of the '14 budget process. These are the things that need to happen now.

>> Tovo: We don't see those costs here because they would be incurred in the subseent year becuse ty're not planned for this year. However, they are not reflected in the recurring or annualized costs because they're not recurring, they will be just a one-shot deal. But we also don't see any salaries reflected in here because, of course, we're not incurring the additional salaries in this year's budget. But I want to be very clear that you also haven't reflected them in the out-years on this chart. I mean, we know we're going to have expenses for additional staff salaries, the cost of physical construction, none of that is reflected in --

>> that's correct, and we would be way ahead of the game in terms of that. That's usually something we come back to council in april and we will in april this year with the five-year forast and look at o \$0 miion for the general plan, is what the built-in cost drivers are each year, and they would include the one-time costs associated with reconfiguring the chambers to accommodate 11 council members.

>> Tovo: Thanks. I wanted to be clear about that, again, because we are projecting some costs into the future but not all that might be associated with a particular line item.

>> Right.

>> Tovo: So with regard to planning and development, review staffing -- and this is probably a much bigger discussion. I know that we're all hearing from the public about the need for additional support for our review staff. Just before noon, I had already three e-mails from different individuals, you know, who have outstanding permits. I completely understand. But, you know, we're in a situation where significant changes need to happen. But I do want to ask -- and again, this may not be the place to have this discussion, but i do want to hear from planning and development review staff either today or at some point in the future before we would be asked to make a decision on this item on adding additional staff. I would like to get a sense of what are the strategies you're trying -- whether this needs to be an ongoing cost or whether bringing in some additional staff right now could help with what I understand is a backlog. Is now an appropriate time to dig into this issue?

>> Cole: Absolutely.

>> Tovo: Okay.

>> We've already done many things, already, to deal with the backlog. We have implemented overtime with temporary staff. We have prioritized the type of applications that already have been coming in. I think the combination of having residential applications go out, I think over 100% on home construction and losing 75% over the course of last year had a double whammy effect on it.

>> Tovo: Actually hired back -- and I'm fully staffed, now, in that area, and we have taken steps to mitigate some of the application flow that has come in. By giving priority to the dated applications that come in. So if you wait the eight or more weeks to get your review, if you had comments that had to come in on the update, we would prioritize and get those out. I've actually hired more experienced staff and actually brought back a lien reviewer that used to be residential review several years ago, he's come back now to help train and be the lead in that area, and department to increase the experience level and the pay level for those positions. So I'm not losing them to developers and software companies but actually hired staff that has experience in other cities or in the development community that come back to our office. Some of the interim steps will actually go into effect tomorrow that I will be putting in. One will deal with if you're doing an interior remodel and provided you're not in the floodplain, you have the legal lot and appropriate zoning, we'll allow that application if it's sealed by an architect or a certified design professional, that would be issued immediately with the acknowledgment that some of the review will be done out in the field by an inspector. If you're doing an addition or REMODEL IN the McMansion area, provided you're not designing it for the 99th percentile, 36 far instead 4 far, again, you're not in the floodplain, not in the historic district or the pipe we would also let those go through for architects and certified design professionals and those would go through with acknowledgment by the applicant and those would go through. And those who aren't design professionals or architects, they would move up as well, because as those move up, the applications move offer, the people in front of those who are design professionals, those applications move up. So those are the things we're doing. One thing that I suggested in the november memo I sent you that was followed by your resolution really deals with residential reviews being treated is similar to the other divisions with my department. Right now, if you do a subdivision or a site plan, we have an intake area so people are just receiving those applications. I have a review area that people actually just do the review, then we have a development assistance center. But for residential, for many, many years, the same reviewer is also the intake person who is also, then, the consulting person that you come in to see. So they are actually performing three functions, whereas also in our department they're kind of segregated into different reviews. So the idea of the suggestion of those positions is I hire lesser-level staff to assist with intake which, right now, I've got volunteers from other sections I've drawn in to assist with that function. I have consulting group that's similar to the development center that will be higher level staff to quickly answer questions and then the review staff will be just doing the review. So I think that, in the long run, will really help. But we're experiencing a boom. If you recall in about '09 and '10, we actually cut back on inspector staff. So further down the road, there might be a discussion about inspectors as well. But I think these positions are critical to move us out of where we are. But I think it's a combination of increased application and loss of staff that probably impacted us the most. But even if I was fully staffed, there is still a bigger demand than we had before.

>> Tovo: I really appreciate you taking us through all the many changes that have been implemented to try to address this situation. I'm familiar with a lot of them but not all and I think it's helpful to hear them all cussed ensively as -- discussed comprehensively as you've done and I commend you for taking those steps. There was a pretty unusual situation to lose a staff at the same time there was a boom and i guess my question gets back to, with all of the changes that have been made, at some point, do you feel like the backlog will have been cleared and your existing staff right now would have been sufficient to meet the demand? I know you said the demand is going up but, again, part of what's going on has certainly been caused by --

>> I think we would still be behind the ball but we would need additional staff. When I came to you last year we had commercial staff. And instead of a month behind on a seven-day review, I'm two weeks behind on a seven-day review. There was an article in forbes where we're the best place to go to look for a new job. When I talk to ryan robinson, he says, we're still bringing in 50 houses a week and those folks have to live somewhere. The challenge is finding housing. The reason we have 100% increase on the new residential is people looking for new housing in austin and I don't think that's going to stop. But the volume builders, we have a program when they have different models of design, we are still maintaining those as coming in and getting those out in a timely manner. The smart housing, I still put those to the top of the list. Give complications of review as we add historic districts and make marijuana minor changes, when you have McMANSION, ALL THESE ADD UP TO More than norm bringing off the streets. It would take me 60 days to bring someone dealing with normal zoning and ordinances but may take a year to train someone to have an understanding about McMANSION, ABOUT NCDs ABOUT The neighborhood planning tools and where do I put a garage and where does it count for flr. Does it go blind the house, does the fa account double just for one day? It becomes a challenge in our central city. That's just the garage. I'm not even talking about the house, does it fit under the tent, all those things.

>> Mayor Leffingwell: I was just going to say, I think you identified the real problem just now.

>> Tovo: I'm glad you brought that point up. SEEMS TO ME THESE ARECCDs And they're geographic-specific and I wondered if you have given any thought to having reviewers specialize in particular areas of town. I know you've said you have the reviewers and that sounds like a good change, some of them doing the expedited, somewhat less complex issues, and the others focusing on the more complex issues, but have you considered implementing that kind of change as with neighborhood planning where people specialize in a particular area and may come across the same nccd over and over again.

>> I think we haven't discussed it.

>> Mayor Leffingwell: I think we have a comment by sue edwards.

>> I'll let greg finish that response and then I'll respond.

>> I think we discussed the challenges of the staff, I want to make sure I have a pool that can adequately adjust for those areas, so when we adjust based on review based on talent or a number of years' experience, that's how we're addressing that issue. So the longer you have been here, the

more familiar the code, I'll give you the more difficult ones. Those are higher positions within that area, and if you're newer employee, you know, most likely being at a lower level, and you won't be looking at those that are, I guess, more intense as far as the code enforcement issues or the code requirements.

>> I had three things that I wanted to say in response to what Greg said, also, is that we don't have enough experienced individuals on staff to separate them into teams like we have done previously, and I think your suggestion is a great suggestion. But with new staff, as Greg said, who don't have the experience with code, we can't do that at this time. We have done it before. Second thing that I wanted to say is, back in the conversation, a couple of years ago, planning and development review lost 13 vacant positions. They were taken, those vacant positions, so he was down in a number of areas, PDR was down in a number of areas and 13 positions to lose in one year was a lot of positions. So there is a cashup, and that was even in the years when we weren't in a boom, so that's a difficult catch-up. Greg talked about a little over 100% increase in development. So to really respond to your question about are we going to, at some point, catch up and then we won't need the staff anymore, I foresee for several years that this is going to continue simply because you have things that are starting, things that are in the middle of the process and things that are coming o

>> Mayor Leffingwell: Mayor pro tem.

>> Cole: I have a follow-up question. This has been a problem for some time and it's nice to get the historical perspective of it. But there is a revenue side of it. What is the amount of development revenue for this year? Is that an ed question?

>> My financial manager is nearby, but I might need to come back to you and really give you some of those numbers. But applications are up. I know that. And applications were processing -- I think they're looking it up now. I think with the applications being up, and that if we don't turn around, I'm fearful in one respect that somebody might not come in and get a permit because it takes too long. So from that aspect, I want people to come in and be compliant, so I know the buildings are safe and they go through review by my staff and inspection as well.

>> Cole: I just wanted to make sure that we recognize that, when we talk about the staff, there is a revenue side to that. Do you have the numbers for that?

>> The budget revenue for fiscal 13 is \$14 million. Last year ended gangbusters and we ended last year at 9 million of revenue from the development building activity. So it's a significant revenue generated by the staff.

>> Cole: Thank you.

>> So what is the current delay on residential permit applications, on the processing of the applications? How long does it take for us to get to an application in residential review?

>> Right now, it varies, depending on the type of application. If you're dealing with one of the more difficult cases, I think we're still reviewing in the month of October of those applications

that are coming through. If you're talking about something that's not in an area that's maybe subject to McMANSION, YOU PROBABLY ARE IN Early november of applications that are going through. Like I said, I think one difference I've talked to at least two different contractors are appreciative of is that if you've gone through that review and you're doing an update, then revenue goes to the top and that helps because you're not facing the same amount of time. You will more likely get out quicker, and I anticipate that the response that I've received from homebuilders and the remodeling association and some of the contractors that I've talked to that are appreciative of the process I'm about to take tomorrow where we'll process those remodeling and modeling editions more quickly, I think that will make probably a visible difference that you might see in 30 days.

>> We continue to hear every day with people who are very frustrated with the delays. They tell stories about having fairly small, simple projects that could be done very quickly. They're waiting far longer for the city to even get to their application than it would take to do the work itself. We're talking about work that is -- some of this work -- or, obviously, there is a significant economic development aspect to it. There is a growing amount of frustration out there, and i know that's part of what led the council to pass a resolution on december 6 unanimously where we directed the city manager to provide a report to council by december 31, 2012, with information on when and how the planning and development and review department expects to clear the current backlog of residential permit applications. We have never gotten a response to that. That. Actually, when do you expect to clear the current backlog of residential applications?

>> That's a difficult question to answer. I provided my november memo to you when I saw that was on the agenda and gave you a response and I think you received an update that goes into detail how that progressed on that. But I think you will see entries to say the backlog will be done by a specific day is a difficult thing for me to say because, right now, we're coming into the spring where people are probably going take out new building permits and I'm probably 100% above what I was last year at this time for new residential construction. I'm more than -- I have about 8,000 inspections for residential review. Last year, I have at seven. The year before, I was at six. And that's just for the month of december. Next year I'm going to be at nine. So for me to give you a price statement and say, on this day, everything will be caught up is very difficult. But we'll be making improvements as my staff becomes more experienced with the codes. Those six people we recently brought on board, I think that will help, but it's difficult.

>> Riley: Let's forget about the precise day when it will be cleared, let's talk about a precise year or a general sense of whether it will be this lifetime or future generations. Do we have any sense that we will be catching up anytime before we all leave council?

>> Yes, I think this year, you will probably see a vast improvement, probably in about six months. My concern is that, as we get these permits out, there is another part to this which is the inspection, as I mentioned before, and that you have the review function and then you have an inspection function, and I'll probably be putting in line something to address the inspection part of this. But the single-family and duplex home owner, the contractor or the home owner themselves are the probably most important customers I'll have because that customer I'll probably see only once in a lifetime to do that addition or build the house. But when I get past that and get the inspection and calls come in, I'm still dealing with the same contractor and home

owner. Right now, I'm at 87% on time for inspections and should be at about 95%. A year ago I could say 95%. But as the number of permit issues go up, inspections go up. If I can get the inspections done to the home owner and to the contractor, getting that job done and getting paid or getting that complete so I can move in is still an issue. So I think we'll get the reviews. I think it will be a significant improvement probably in about six months you will see, and I think you will see some improvements just by the waiver of the more forming review that might occur within a month or so, because I think you will actually see some applications get out, but there will still be an inspection question.

>> Council member, also, I think there are a couple of things that will help you as we move forward. One of them, you did receive a memo this morning that gives an update. It talks about the improvements Greg has made in the departments, a very short memo, and, in addition to that, it tells you how behind -- how far behind we are in terms of the number of reviews that need to be done. We plan to do that on an every other week basis so that you will get some sense of how we're moving along. I think the farther we get, the better off we will be in terms of being able to really give you a number of reviews that were behind and we'll try to do that on a regular basis. We will do it on a regular basis for you. I think, in addition to that, one of the things that we've talked about is, right now, we have performance measures that the public expects, you know, 95%, you know, those kinds of things that are performance measures that which may need to change in terms of having the public expectation change so that they do understand that if they're going in there and reading something that what we have published is not what we're going to be able to accomplish during this period of time. So there are a number of things that we're going to be changing and we will keep you up to date on at least an every other week memo that says here's where we are, here's what we've accomplished, and these are further changes, if we do make further changes, to the organization as we move forward.

>> And I do have other changes that I've showed you occurring in early February where we'll be removing some of the entry of the comments into the computer system. I'm going to actually delegate that to some other staff temporarily, so the people doing the review can actually get that review done. And some of the other things that are out there on the horizon are really talking about electronic plan view and online payment and working the CTM and today. Does that give us a timeline for when you expect to make advances on the things you mentioned, the downline permit review, the online payments --

>> no, they're not specifically addressed in here. The resolution we passed last December also instructed the same manager to address in his report the potential solution to best practices for expediting permanent approvals and any anticipated budget amendments needed to minimize backlogs in the future. That sort of information would have been very helpful to have gotten by the deadline in our resolution.

>> Council member, that memo went out before you even had the resolution. As Greg mentioned, we saw the resolution, he was already working on a memo that's a status memo, so that's a November memo Greg is referring to.

>> Riley: Exactly. And after that we passed a resolution saying we wanted these things and still haven't gotten them.

>> No, that was the memo. The resolution came on the agenda. Guernsey was working on the memo at that time so it came out before you passed the resolution that had those things in it. The only thing we could not provide was time frames because we really don't have the information at this point to say this is exactly when something is going to be happening. We're working with ctm right now on plan reviews online and other things that I think will expedite what we're doing. But we don't have from ctm yet because they're looking at the entire city process. We don't have the dates yet. As soon as we get them, we'll get them to you, because it's as important to us as it is to you. We get the same calls all the time, and we want to respond to the citizens, and we don't have the answers yet.

>> And the business tool and spoke of the measure, one measure that's been in place for many years is how quickly do we return on the building permit. For our volume builder, like kb horton, we're very quick with those because when they go in a subdivision they'll have four or five different levels already doing a review in advance and when they come in, we can pretty much rubber stamp those because we've looked at the subdivision and issued them quickly. The majority of the permits that came in in 2008, 2009, 2010 and 2011, a lot of those models were the finance industry and smaller additions. Those took a long time. Those weren't measured in that. So what we're working on now is to create a measure that we'll still measure the overall number of permits but actually remove t builder from that number so you could get a realistic measure rather than me telling you that 84% of my numbers are on-time because that's skewed by the construction of new homebuilders. What we've talked to most myself are those doing the smaller additions or smaller remodels or the custom homebuilder not reflecting that measure. So we are doing that now.

>> Mayor Leffingwell: Let me interject. I appreciate some of the innovating things. We have to do more of that. Frankly, six months is too long to clear this backlog. We can't wait another six months with people waiting eight, ten weeks to get their remodel permits or their residential housing building permits, whether McMansion or not. So I'm going to go further. I like the idea that you're accepting architect certification on certain plans, but if you need more to clear this backlog sooner, let us know. If council needs to pass -- take some action to change the existing rules, let us know what you need, but we need to clear it a lot sooner than six months.

>> And some of those tools, you know, the four positions that i mentioned, one way to help me with the backlog --

>> Mayor Leffingwell: But that's too long, though, greg. You need something above and beyond that. We need some expediting procedures for changing the way we do things, not just hire more people and wait till they get trained and start working our way through that.

>> Right. 57600

>> it's hard for me to support added funding if we don't have the outcomes we and the citizens expect. That's all we're asking is help us have those conversations with the constituency who repeatedly call us. I'm with the mayor. I'm happy to support whatever you need, but until you tell us what you need, we're in this vicious cycle that's not going to go away because, as you said, greg, you know, you're working on ending the backlog, but as you're working on that, more and

more are coming in. The volume and sheer numbers of requests are increasing. So you really aren't working on the backlog, it's just getting bigger. I know we're all working really hard on this, at least you all are. For me, I just think -- I don't know how to explain adding \$188,000 in mid-year funding requests, I don't know how to explain to my -- how to explain to our constituents what it's going to be, how it's going to help. When we can't say six months, ten months, eight months. You know, I think there are good ideas that you've thrown out there, but I'm just making a strong plea for some assistance here because it's really, really becoming a struggle to even talk to citizens about it that are so frustrated.

>> Mayor Leffingwell: Council member Morrison.

>> Morrison: Obviously, from the comments here, everybody understands it needs to be all hands on deck, and one of the questions I have in terms of figuring out what the solutions are, I'm interested in knowing, you know, there are professions that work on operational efficiencies and engineering worlds that do that and how to streamline processes and systems, and I'm wondering, I know that you -- I'm hearing a lot of good ideas from you, Greg, that you're implementing in terms of streamlining the process, and I'm wondering if we have thought about where that -- you know, who's having those discussions. Do we have adequately trained professionals looking at the process and, clearly, it's not a simple thing. You can't just go do a professional services agreement because it has to be somebody to understand from the inside. But, still, I think that it's important to keep that element in mind. So can you talk a little bit about how you are all figuring out what your processes are?

>> Council member, in fact, we have a meeting this week where we'll be talking with the management staff about hiring a consultant that will be working with the development community, the engineers and architects and people that go through the process to get input from them about where they're seeing there are difficulties or where there is road blocks or that sort of thing and from the responses we get, we will be looking at having someone to come in to do exactly what you're talking about.

>> Morrison: Okay. I think if you do that, that will help put some more formal framework around it and then you can get some of those answers that we're hearing we don't quite have right now.

>> Mayor Leffingwell: Council member Riley.

>> Riley: I'm glad to hear about the consultant that will be dealing with folks about this process. A lot of folks some time ago reached the point of frustration where they were offering to help. Okay, let me know what I can do because they have seen this as a disaster for have been wanting to do whatever they can to help us solve it, and we haven't really had a very good mechanism for enlisting their help. So my hope would be that this consultant could have a series of stakeholder meetings. I've considered whether some panel or task force would be helpful, but I don't want to set up another task force, maybe the consultant could serve the same function by having a series of stakeholder meetings and the folks coming to me and all of us could be steered toward the stakeholder meetings to provide their input. Many people have suggestions. They have stult with the people in the past and other cities that have done things better. There is a lot

of interest to help us solve this problem. It would be great to have a mechanism to help us channel this energy.

>> Morrison: I think we need to keep in mind this is not necessarily going to help short-term this week or two weeks from now, but it would be interesting to me to know exactly the timeline for when we might get that process underway so we could at least say that we know that there will be someone on board, there will be stakeholders taking input, we will get those processed within four weeks, whatever it is, to be able to speak with the folks that are really frustrated.

>> Two things, council member, some of the individuals who have said they want to help, those things that have been changed that greg has talked about today have come from some of those individuals. We plan on, within five weeks, having somebody on board that will listen to the stakeholders. We're putting together that group of stakeholders -- group of stakeholders. We have to go through the process of getting someone on board to do that. But we've had probably 35 or 40 people who have offered to assist us and we have been taking all those names down. As I said, some of those recommendations greg already implemented. We've listened very carefully and we'll continue to listen, because we do want it improved.

>> Morrison: Is there any reason not to have a speak-up austin forum on this and start gathering ideas? Speak-up austin forum.

>> I have a question about this --

>> Morrison: No, I threw out a question. What about having a forum on speak-up to start collecting those ideas?

>> Well, everything is on the table, but I think we need to wind up with a discussion. I think we've gotten the idea across that it's something that needs to be done and quickly. You know, come back and, if you recommend that we repeal the McMANSION ORDINANCE OR Whatever it is, that's what we want to know, you know?

[Laughter]

>> and if it's a problem, we want to know what it is.

>> I know you say that partly facetiously, but when I said name things that are, no some peoples' view, radical, I mean exactly that, given the intensity of what I've heard today and before.

>> Tovo: Mayor, I understand we're in a very difficult situation right now, and i really empathize with the levels of frustration, I just want it on the record that I would say starting to willy-nilly throwing out major pieces of our code would not be an option i support, and I think we're dealing with a pretty -- and I'm hopeful others on this council have different opinions on a lot of issues including this one, but I just couldn't let that stand. You know, again, I harken back to the memo we got from guernsey and the other information we talked about here, losing that number of reviewers is a very unusual circumstance, and that does not, you know -- I think we'll respond by seeing what other resources are available. I want to echo the point council member morrison

addressed. When you talk about a council member and bringing them on in five weeks, is there anyone in a public department that could hold the meetings? People have offered suggests and you've heard and implemented some of them and that's great, but maybe that's a way to kick start the process rather than going through the steps of hiring a consultant and laboriously -- let's just bring people in and hear suggestions and if you need outside help figuring out what the operational fisheries are that need to be implemented, then that might be an appropriate time for a consultant, but we may have expertise in the city to hold that kind of series of meetings.

>> Mayor Leffingwell: Thank you. I would like to go to --

>> Cole: One quick.

>> Mayor Leffingwell: Same subject?

>> Cole: Yes.

>> Mayor Leffingwell: Go ahead.

>> Cole: Since we talked about the revenue that comes from this, I don't want to -- for you to underemphasize how strongly feel about this and that more resources could be put on this problem if it could be solved sooner. I think you would have almost the full commitment of council for that. Thank you, mayor.

>> Mayor Leffingwell: Again, we're really not programmed for action today but one of the actions we will have to take action on day after tomorrow and that's the program on -- by lot program on the select hike and bike trails. Earlier this morning in another work session, we had a lot of discussion related to the validity of the numbers. So what I would like to do -- of course, we have these numbers in front of us right now, but i would ask the people who provided the numbers, namely apd, to come in and discuss, you know, how firm are these numbers, are they valid numbers, could they be changed, et cetera. They were here just a moment ago. So did you hear the question, chief?

>> I heard something about numbers, mayor.

>> Mayor Leffingwell: It has to do with the pilot program to open select hike and bike trails. This morning, there was a lot of discussion and, as a result of that discussion, I think there was some ambiguity about the validity of the numbers that we have before us, which are on page 14 of the handout that we have.

>> Okay, sir. The numbers that you see before you, there is a couple of options. First and foremost, there is the overtime option that we would need to be able to get officers on the trails immediately to actually provide in-view patrol at night -- at the night hours. And that cost on an annual basis 1 million, utilizing overtime. That would give us two sergeants, two corporals and two shifts, required to come in seven days a week, taking into consideration training, vacations, things of that nature. If positions were authorized, permanent positions, and we were able to actually hire the officers, it takes about 18 months from the we start the recruitment process to

put the extra on board, reducing the cost to about \$2.7 million. We feel strongly that, if we're going to have an increase of folks on the trails at night, especially a lot of trails where quite frankly we have a transient population in the green belt and in and around our trail area, a lot of them -- some of those folks are pretty violent criminals. We've done sweeps in the past where we've caught sex offenders that are not registered from around the state, we've caught people wanted for murder. We feel strongly we would need to have in view an actual patrol presence at night on the trails. Not just from a criminal standpoint, but also from a -- an accident standpoint. Our trails aren't very well lit. I don't think there is much lighting in most of them. I can imagine there not only being some criminal offenses occurring but also medical emergencies and things of that nature where somebody goes down and may be hard to find. So those numbers are firm and our recommendation based on public safety.

>> Mayor Leffingwell: So this, I guess, goes to you also add the number we're dealing with when we address this issue on 1 million -- 7 million on annualized basis. Is that correct?

>> It is correct, mayor. Would depend on what council's direction was. We put forth, you know, different options for if you wanted to end up doing all three trails or only one trail, but if you were to do all three, 1 million for austin police department and I believe the park number was about \$600,000 for park rangers, total \$3.7 million.

>> Mayor Leffingwell: Council member spelman.

>> Spelman: 1 Is overtime cost for the next 18 months till you brought on board new officers, two sergeants, two corporals and two shifts.

>> Yes, sir.

>> Spelman: How many patrol officers is that? >20 Officers. Each shift would have a corporal, each shift would have full shift.

>> Spelman: 10 Plus 1 plus 1.

>> Yes.

>> Spelman: Got you. That's the basic edict is the shift, is the 12 officer, officer plus corporal plus sergeant.

>> You need the officers plus the supervisor. The corporal acts as a sergeant when the sergeant is away or on training or things of that nature.

>> How do you conclude we need two shifts for the size of the area?

>> The belief that if you open it up there will be a lot of people out there and based on the fact that if you look at the biggest deterrent to crime is to have a visible police presence. I mean, if you look at new york city, when you have more police officers, crime goes down. The other

concern for many is we at night are tied up. We know that we're several hundred officers short. We keep putting them on the plate of the police department. So it will be very challenging.

>> Spelman: I'm not on the mailing list of bill bratton's publicist. "

[laughter] ten plus one plus one, and you need two of those.

>> Yes, sir.

>> Spelman: Different from tucial standard operating procedure for us to say one and a half. That's not usually the way you work?

>> No, we work split shifts.

>> Mayor Leffingwell: The numbers were interjected talking about different trails or segments or lengths of segments. We also discussed this this morning where the upshot is it would not materially effect the costs by reduce the miles of trails that are patrolled because they've got to be there anyway. There is one trail over 14 miles long. If you cut it to 7, would that dramatically cut the number of officers?

>> We've assessed the need for the lady bird butler trail. That would be two sergeants and 12 officers, so we would reduce it by a sergeant and -- we would reduce it by eight officers and by the corporals, and that 8 million, 8.24.

>> Mayor Leffingwell: So it wouldn't be a direct proportionate decrease?

>> No, sir.

>> Mayor Leffingwell: You wouldn't cut the cost in half by cutting the length of the trail in half?

>> No, sir.

>> Mayor Leffingwell: That's what I figured.

>> That's probably the busiest of the three.

>> Mayor Leffingwell: Right. Council member riley.

>> Riley: Currently, when users of the trail around lady bird lake approach the pflugerville bridge they say park not subject to park curfew. Why is that sign there?

>> I don't know.

>> Riley: Is there anyone that can answer the question that why we say the through traffic on bridge is not subject to the curfew.

>> It's not a park structure. It's maintained by the public works department and the transportation dollars that went into it. So director Hensley talked about how we keep that open throughout the day. We basically have an agreement in place and it's part of the construction that it's a public works structure to maintain. So it's not really park land. It is but it's not.

>> Sometime next year we expect the boardwalk on Lady Bird Lake to open. What's the expectation of the nighttime use of the boardwalk?

>> That it be open 24 hours.

>> Because it received transportation dollars.

>> Yes.

>> Riley: Presumably, if someone is using the boardwalk late at night, it's reasonable to expect that person may be on the trail around Lady Bird Lake, either at the beginning or the end of the trip on the boardwalk, isn't that fair to say?

>> Probably a reasonable assumption.

>> Riley: What would happen if we never brought forward a council resolution on this? Knowing that next year you're going to be opening a facility that's open 24 hours and putting more people on to the trail, what's the plan? What was our expectation? Was APD planning on an item for 2014 budget in the amount of 7 million to cover the anticipated expense associated with people using the trail at night? Would that have come forward anyway with no council resolution or what was the plan?

>> Council member, I think the best answer to that question is there are a lot of trails under construction now. There is the Southern Walnut Creek Trail. Thursday you will get a resolution construction on the Walnut Creek Trail, we're designing the Crown Trail, plan the Barton Creek to wide trail. All of these have impacts. I have had discussions with the chief and deputy chief that integrated into their planning and staffing. They have been preliminary, but the fact of the matter is as we expand the trail system to serve a transportation use, there are going to be operational impacts we'll have to budget in, and use of public trail is also an issue as well and we'll have to start addressing those because with all the capital improvements we make, there is always an operations cost that comes with it around the obligation of staff to tell you what those are.

>> Riley: That means, yes, absent any council resolution on this, staff would have come forward and said we need to include this, this is a need associated with the opening of the boardwalk?

>> And I can tell you that the parks director and our staff have had conversations about it and how to properly maintain the trails and part of that was stimulated by the fact the boardwalk is under construction.

>> Riley: And you were there when we talked to staff about the possibility of park rangers. When with you talked about that, is it your understanding that would be in addition to the cost of police patrols?

>> When we left that meeting, I'm not sure we had a firm discussion about what the responsibilities were going to be going forward, but there was a discussion that there were going to be park rangers there to provide assistance to people on trails.

>> Riley: What we talked about was the value of having park rangers in a position to gather data and identify potential issues on various trails.

>> We did because part of the concern the police have right now is they're not be able to code where things actually occur, it's basically where they responded and may not be the same thing and the challenge will be establishing a baseline as to whether assaults or other offenses occur, if they were to occur, and not have an artificially skewed number based on the pilot. I think that was the conversation we had. We also discussed that, going forward, we'll have to put resources out to make the trails available on a longer term. More hours during the day.

>> Riley: Okay, thanks.

>> Mayor Leffingwell: Council member morrison.

>> Morrison: I wanted to know if we could move on to another topic, unless other folks have -- great. Excellent. I wanted to make just a couple of overview comments, and then talk about some specifics in here. First, I want to thank staff for the great work they've done on this because it obviously took a lot of deep understanding of our budge and really trying to address the policies and the priorities that council have laid out and the new issues that have come up, so as you and your staff have done a fabulous job, and I appreciate that and especially a gold star on putting together an approach to being able to leverage -- to go with the 1115 waiver program so we can take advantage of something that otherwise been sitting out there for us for highly needed programs that would serve some of the folks that need it most in the community. So the question is, what does it take to make that happen? Because we want to make sure if there is any council action we can do that.

>> I think in the past, when we've done loans, I'm not sure, but I think in the past we would come back and request council's approval of an interfund loan and that would be the action we would need to take.

>> Morrison: We need to discuss next steps from this whole meeting and we can talk about how to make sure that happens. I also wanted to mention that, while this might be sort of an affordable housing trust fund discussion. The reason the resolution that we all passed asked the questions that it did is because the original council resolution asked for both city-owned and non-city-owned property to generate funds for the affordable housing trust fund. So the question is -- it looks like we're only putting half the revenue -- putting in, so I think that's something we all have to take into consideration, so i appreciate the work you did on that, too. So, lastly, what I really want to do is get us to slide 37 because I think that, obviously, we have a lot of priorities

here. They're all great things. One of the ways I'm looking at it is I understand we have to put it into context and make a decision whether or not we want to spend this money. But the question for me is, hey, is there enough money to do the things we have on the table. The way I look at it is that, for right now, I would sort of blank out the pilot program to open the hike and bike trail because I think that's such a big chunk and still going to be having a lot of discussion, and if you do make that assumption that it's not there, and you look down at the one-time funding, it's still almost 1 million that's available. So that's an important consideration that we might be -- that if we really wanted to fund this, we would have to find a way to cut it by 200,000, about. If I look at the recurring, that 5 million for the recurring for 2013, if I subtract the 2 million for trails -- I hope i didn't drive council member riley out.

[Laughter] if I subtract out that 2 million from the trails, that 5 million actually goes to 5 million, and if you look on 2 recurring that we have, so that actually fits in there. And then, for the outyears, again, if you ignore for the 7 million, that 7 takes you to 2.3 recurring. So you're pretty close to the 2.2. But I did also want to mention the mayor had brought up the issue of dna testing and the backlog that we have there, and, so that would actually -- if i heard your numbers right, you know, would actually be 160,000 nor this year annualized at about 320,000.

>> Mayor Leffingwell: That's ed's number.

>> Morrison: Thank you. 7 for recurring for this year and 6 for recurring annualized versus 2.2. So I just throw that out there because I'm not sure what our next steps are going to be, but it does look like we're very close to being able to achieve a whole lot of this, the lion's share of the priorities that we have.

>> Mayor Leffingwell: It may be possible that you could fill a lot of these in under the limits that you hve on page 36, but that doesn't mean just because you got that money, it's not necessarily burning a hole in your pocket and you have to spend it because it's there.

>> Morrison: Well, that's what I said, mayor.

>> Mayor Leffingwell: I agree with you on one thing, I think we need to think about prioritizing these items, except if we could ever get to a point to decide how much you have to spend, and then what's left over after that. Like, I would put the forensic lab business in have to spend that, that sort of thing. And there might be others as well, but I think prioritization is going to be really important because i, for one, am not going to support everything on this list just because you can fit it in under the cap.

>> Morrison: I want to reiterate that what I started out saying was we need to put this all in context of are we making the decision to spend this money. We had a good discussion about where it's coming from and the impacts and all, but I think it pays to look at the bottom-line numbers and where we are relative to that as we begin the more detailed discussion.

>> Mayor Leffingwell: Council member tovo.

>> Tovo: Thanks. That actually raised a question for me. Reflecting the budget amendments that had to be made since the time we passed the budget to now, there is at least one item that I don't see on this list and I assume because it's already been paid and I was curious about how it had been paid, and that was the decision to renegotiate and basically provide a cash payment on the freezenhan tract and it was a big sum and it was unanimous and I voted against it and council member morrison did as well but it was a hefty chunk of money. Where did that come from? Where did that payment come from in terms of since it was not something we had budgeted and not in any department's budget for this fiscal year.

>> That came from our budget stabilization reserves.

>> Tovo: So if that payment had not been made, we would have more in our budget stabilization reserve to consider. So I guess -- I mean, to me, that's a lesson for the future, as well, that if we are as a council again faced with a situation like that, perhaps it makes sense to defer it to a mid-year budget workshop like this one, where it can be considered alongside other priorities. \$887,000 Could be for quite a few of these one-time expenses and I could argue a lot are more important than that was, that being to renegotiate a deal that had been struck a decade earlier. But I will step off my soapbox and ask a couple of questions about page 11. Slide 11, please. THAT WAS C.O.s. I assume in your research, you've looked at how we used C.O.s IN THE PAST. What would be the easiest way for us to see the kinds of programs that the city has funded through certificates of obligation in the past? Is there any quick way to try to get a sense of that?

>> Elaine hart, c.f.o. We can get you a list of what we've issued in the last four or five years. I think we may have done it in budget already.

>> Tovo: Would it be in one of the budget books from last year?

>> We'll look. We can provide that for you.

>> Tovo: If it doesn't take compiling new information, that would be great. I'd love to see it. And then did you look at how other municipalities have used certificates of obligation and whether there are any municipalities in texas that HAVE USED C.O.s FOR AFFORDABLE Housing?

>> I was in a conversation with our outside bond counsel who would know what's going on in other jurisdictions. I didn't do the research myself but he said in his experience he was not familiar with other jurisdictions to finance affordable housing where after the city of austin to a large degree blazed the path using general obligations for that purpose. Other jurisdictions have followed and that's been opinion that that indeed meets a public purpose and is appropriate. But just based on that conversation, weir not aware of another city that's done that so we may well be in uncharted waters if we were to go down that path.

>> Tovo: My last question ABOUT COs, I WONDER IF IT Would make a difference if the affordable housing was on city-owned property. I see city-owned property as a bullet point under what a public work is. If you want to get back with me on that, that's fine, but i wondered if it changed the equation if the house was on city-owned versus private property.

>> We would probably want to check in with bond council, this related to if we were requiring land that the housing is located on, not land that we already that's correct?

[One moment please for change in captioners]

>> debt service after we no longer are using the equipment, so kos will usually be in the range of five to seven years so we're looking for equipment that would have a useful life of that span. The largest by far was replacing 60 cardiac monitors for ems for \$1.8 million. Beyond that we're looking at defibrillators in fire, ems, vehicles and riding lawn mowers that have a useful life in the health department, crew cab trucks and extended cab trucks and pdr and parks and library and then 313 ballistic body armor in the police department for \$200,000. That's essentially how we 6 and there's other things on the list, but, you know, things that may be only have a useful life of say, three to five years where we'd be in a situation we didn't want to be in where we're paying debt service on equipment that's no longer functional. would it be too much to ask for that list and maybe a projected life span of that particular item?

>> We have that and we can do that quickly.

>> Thank you.

>> Council member spelman? I'd like to change the subject. Is this a good time for us to do that? I'd like to ask some affordable housing questions. We're talking \$15 million of which 10 million is affordable housing, so betsy, you're representing the living room here. We may as well start talking about that. This is broken down two different ways, but the easiest way for me to understand it is the breakdown you did on slide 15, or ed put on slide 15, which has four and a half million dollars for low-income housing tax cled, 3 million for gap financing 3 million for home repair. That's what we've been talking about.

>> Correct. uld you tell me, holding aside the low-income housing tax credit program for a second, just focusing on rental housing gap finance and the home repair, how is it we priced out 3 million for one and 3.3 for the other?

>> Sure, I'll do my best on that. Historically we've spent about \$14 million a year over the last five years per year for affordable housing. In that we traditionally spend about 70, 75% on rental house activities and about 25 to 30% on acquisition and development or projects that benefit home ownership. So that's why we laid it out on the slide in that way, because that's the way we process our applications for funding. So for the acquisition and development, historically the go repair, we listed it under there because it's an activity for home ownership that benefits home ownership. The last three years we've 4 million of geo bonds for that activity. So in our calculation we would expect that about 4 million would be for the go repair. The rest would be what we consider to be processing applications that would benefit home ownership. Land acquisition for organizations like habitat for humanity.

>> Spelman: okay.

>> And then on the rental housing developer assistance, the remaining 3 million, the gap financing, some of that would -- we have needs in some existing projects that were actually funded last year, did have a shortfall with the intent to apply for additional funds this year, which we've not been able to and there's also some additional rental housing applications that are either pending and/or anticipated that we would receive that actually exceed the 3 million, but we -- this keeps in line with the request of the \$10 million. And so -- does that answer your question? it does, but let me -- it raises some new ones. So let me continue. Okay, so we've got 4 million is what we've been spending for go repair, and that's pretty much -- that's a standard amount of money. If we decided we wanted to spend more money, are there people available who could take advantage of that or is there a capacity problem? That's as good a word as any.

>> The organizations that have been administering the go repair program to date have not experienced a capacity issue with the money that we have given them.

>> Okay.

>> We've not given them more money, so I mean, I would like to believe that with additional funds they would be able to fulfill the capacity. I feel strongly that the homeowners are in Austin that could benefit from the program, so the five organizations that have spent the last three years ramping up their staff and experience to administer the program would be able to do that.

>> Spelman: okay.

>> Well.

>> So if we were to go over 5 you think the money would be well spent within some limits.

>> Yes, sir. 9, other things for home ownership. What's involved in that?

>> Oftentimes it's either land acquisition much the benefit of the general obligation bond funds or any local funds is that you don't hit the roadblock of land banking technically is not an allowable activity with federal funds, and so it allows for the acquisition of at a price now that maybe a couple years from now what McMAYBE BE LESS Affordable. So organizations do land acquisition and also sometimes do infrastructure, put in the streets and drainage to be able to then build the houses, and then also sometimes we have funded gap financing for the construction of the single-family home. okay, but this is a cash acquisition rather than bond we're talking about. 9 million cash problem of 9 million or so in cash for something which would actually have a useful life much longer than that and where we would be able to match the human -- useful life if we were doing there enthusiastic a bond if -- we can't do it if we're just paying the cash up front.

>> I'm not sure that I understand your question to me. 9 Million of land banking. If I were to do 9 million and I issued a bond and I spent 9 million -- how do I put this. The value of the land bank will be over a 20-year period. If I'm paying for this in a bond I'm paying it over a 20-year period so the people who are paying for it are also the people who will be benefiting from it. If its 20-year value but I'm paying for it up front, the people who are paying for it are people now, and to

some extent people who are getting the benefit of it are people, five, ten, 20 years prosecute now. Does that make more -- from now. Does that make more sense.

>> It does. So your question to me is? well, that's just an observation rather than a question. Just wanted to point out you that -- that issue which he were don't have with bonds. Just another argument why bonds would be a better way of financing this sort of acquisition rather than paying for it in cash up front. This is why people don't pay cash for houses, for example. Tell me about the gap financing and what we could reasonably expect, the number of units, for example, that might become available for gap financing for rental problems if we have \$3 million or so.

>> So I can tell you that historically our per unit cost across the board for awfully our activities is about \$23,000 per unit. So if I take that, I can divide that into the 3 million and that's what i would expect the number of units that we could get for 3 million. Again, sometimes it's higher, sometimes it's lower. That average takes into account the benefits of the go repair program. On the rental housing I'm trying to do math in my head. The per unit cost can be a little bit higher -- like permanent supportive housing, we also contribute a higher amount for permanent supportive housing, doesn't leverage as much, versus the [inaudible] housing tax credit applications that you see before you often have a higher leveraging, more private investment. And so I would ex for \$3 million we'd get -- I'm doing math in my head, again, the average is 23,000 per -- \$23,000 per unit. so we're getting the same number of units per dollar out of gap financing for rental housing as we are for the go repair program.

>> No. No, no, no, no, no. That's just -- that's the overall average. I apologize. I did not -- hold on, let me see if I have a chart with me.

>> Okay. This is important. I'll wait.

>> Absolutely. Now, I don't have that information off the top of my head segregate think rental house versus home ownership. The number that I quoted for you is the overall. It was really a number off the general obligation bond funds, the overall.

>> Okay. So, for example, 8 million over the 8 million life package, a package like you're presenting for us right here, divided by \$23,000, that would be a rough sense for the total number of units.

>> Yes, sir.

>> But it would be higher or lower for each of these sections.

>> Correct.

>> Okay. Tell me about the low-income housing tax credit program. Now, we've got \$4.5 million is on slide 15.

>> Uh-huh. will we be in a position to spend \$4.5 million?

>> We would not spend those funds until probably the end of the fiscal year.

>> Spelman: okay.

>> So the way that works now, this is the timing of low-income housing tax credit process. Applications have been submitted to the states. There are roughly six that we've actually received applications for local funding in our office. They have all been self-scored, and that is what you would see on the web sites right now, is the results of the self-scoring. By march 1 they need to have completed and turned in their full application. With that needs to be the official commitment from the local government for any local funds. There is a maximum of 13 points per application if you have the local contribution. By april 1 they need to have all of their reports and studies in, the market study and appraisal, things like that. The state has roughly 60 days to underwrite. Usually late in may is when they will issue their final recommendations. As the scores change they repost those. So we need to, if we choose to support these projects, what you -- we're bringing forward actually next month is a commitment for funds for all six projects pending their approval of tax credits and financing. So if we don't do that, though, none of them will guess any points for the local contribution. The state board will then approve the tax credit projects, usually june, july and august, to where we may not even be -- no the results of that till the end of the summer. I'm looking at a list of -- it says 9% projects. This is low income projects. There are many dozen -- a dozen applications total, some of which are not from the city of austin.

>> Correct. if we supported all of those from the city of austin, all the completed applications of the city of austin, and I'm given to understand not all of these will be completed yet.

>> Only two will likely be fubded.

>> Only two, and that's two from the entire region, and that would include the city of austin or pflugerville, liberty hill, someplace else.

>> That's correct.

>> So even if we say we're going to support six of these, we're only going to be on the hook to support at a maximum two, because that's the maximum that the state will actually give credit for.

>> Correct. so how much, if we take a look at the maximum amount that we may be on the hook for at the end of the fiscal year which is what we're talking about, what's that number? 5 we sput put on the slide. 5, if the most expensive of those two situated inside the city of august get funded by the state we'll be on the hook for 4.5.

>> That is correct.

>> Given the self-scoring -- how seriously should I take the self-scoring?

>> The biggest fluctuating issue right now really is the local contribution. That is 13 points, and so what none of us know is if those other communities, some of those suburban areas have the ability to match the local contribution. And so the hard part is we won't know that until after march or april. So if we don't commit the funds in february, we miss that opportunity, but that is the biggest part that's sort of hanging out there right now. I'm looking at the self-scoring of all the projects so far, and almost all of them -- all but the last three are over 87, so by definition they're assuming they're getting that 13 points.

>> No, it's actually not included in this number.

>> It's not?

>> No, if you look at the state, on their web site there's a box at the top of the list and it tells you the things that are not included in that self-score, and I believe that that number is not included in the self-score. I'd have to go back and check myself, I think that's true. you've taken a look at this list, i presume.

>> Why I have.

>> What do you think is the likelihood we'll be on the hook for four and a half million bucks?

>> Because of the local contribution piece I really couldn't say. It's really hard for me to be able to predict if other communities can come up with their amount of money. That's really -- I would -- I really couldn't say.

>> Spelman: okay. If I asked you not a probability but a real likely probability not in some qualitative means of fuzzing that probability, you wouldn't go there with me?

>> I would not. I didn't think you would. Okay. I'll turn this over to other people. I have a quick question on is line of questioning. mayor pro tem. you talked about coming forward asking for 5 million commitment in february, but I thought that that actual date was in march.

>> No, it's in february. We need to have the commitments before march the 1st. When they submit their full, complete application to the state on march 1, in order to get the points for the local contribution, it must be a firm commitment before march 1. and in the past when you've seen it come down to two projects, how -- I guess I'm just looking from a historical perspective. How likely is it that both of those two projects will be within the city of austin?

>> All I can tell you is in my experience here I've not seen this many applications that included so many applications outside the I've not seen 17 applications like this where there were so many outside the city limits. So I really can't weigh in on what those other communities -- maybe I don't understand exactly how it works. Projects -- I thought there was some deference or additional points given if a property was not located in a low income neighborhood or in suburban communities. Is that -- and so I'm trying to understand why properties within the city of austin, which I would think would be urban, would necessarily get those two projects. It seems like we would be at a disadvantage.

>> We're in a region, so the region includes these outlying areas. Now, there's lots of different points for lots of different things. Off -- and I apologize because I don't have the -- an I'm trying to do --

>> the qualified applications memorized. My memory is you get the points if you're not in an area that has a lot of low-income individuals already in it. That's what's changed. I don't know the demographics of the other cities and I really don't know how they've all scored. I'm just looking at the chart that council member spelman has. I've not looked at all the applications so I really can't give any kind of information on how the other ones scored the way they did. but when you come forward to us in february you're going to be recommending for us to get the \$30 million in tax credit that we commit to the 4.5?

>> What I'm going to ask you to do is actually commit to all six applications. It will very clearly say only where we spend money, if two of them are selected that were within our jurisdiction, and by some -- so several years ago the state actually would only get funded two -- we got three. So we're going to put in there we would only recommend two, even if for some weird reason the state changed and threw in a third, our recommendation would be fund the top two, whichever those end up being. If any of the applications make the final recommendation or approved for tax credits, that's what we would recommend funding at this point in time.

>> And that's for 4.5 million?

>> Yes. Yes, yes, yes. could be two most expensive projects, what kind of housing is that?

>> It's on -- all affordable housing. Multi-family -- is that your question -- is there a specified mfi target or --

>> yes, and if you would want that by application, when a developer submits an application they have to indicate how many vifdz at different percentages they will -- individuals at different percentages they will seven much the more individuals you serve at a lower mfi the more points you get. So we could actually take a look at, if that was important to you, to know which ones have more -- it would be important to me when you bring it forward to know, for example, if these are 100%, low 30% mfi or what the breakdown actually is.

>> That typically is in the below the line on the rba. We'll make sure that it's there.

>> Mayor leffingwell: okay. Any other questions on this topic?

>> A quick one. council member spelman. since I do have the list that the mayor spoke of and which I have jealously guarded and not let him and his staff see it, do you know what the two projects are that get us to 4.5 mill?

>> I'll look at my list. the highest rated city of austin project on t list, is skyway studios from foundation communities.

>> Council member Spelman, would you say the name again? of the 17 that have been submitted to the state, the one that has the highest self-scoring number is Skyway Studios, which was submitted by Foundation Communities. And they're asking for a tax credit request of \$1.5 million. Now, I thought this was a one-to-one match. I guess it's not.

>> No, it's actually 15,000 per unit much the. The request to the city is different than the tax credits. So what you and I are both looking at is a request for the tax credits. I apologize, what I don't have in front of me is the list for local funds and how much each one of those is. If it's 15,000 per unit, I could just multiply it by this handy column that says low income units.

>> Yes. and figure out which two are most likely to get us to that point.

>> Right.

>> Is it -- well, presumably we'll fund whichever of these six actually hit from the state's point of view. Two or three of these get substantially higher self-scoring points than the rest. We're going to fund any of them that hit but realistically only the top two scores are the ones that are likely to be funded by the state. And what's going to happen, the best scenario from our point of view is that everything which gets a higher score outside the city drops out because the outside the city jurisdictions won't fund them, won't match them. So only the two highest ones are likely to get funded, and if the most expensive program from our point of view is the fourth or fifth on the list among resident city applicants, we're not going to see it. We're going to see the first two at best. Is that right?

>> Yes. so if I multiply 15,000 per unit times the number of low income units supported for the two that have the highest self-scoring inside the city limits, that would put a tighter constraint on the total amount that we might be on the hook for in August 5, which would be 15,000 per unit from the two biggest projects.

>> The challenge will be -- the couple I'm thinking -- first I'll just give the list of what they have applied to us for for each project and that way we're all looking at the same thing.

>> Spelman: good.

>> And then it becomes calculated risk. Because if we choose not to provide the letter of support and commit the funds, if we miss that in February we've missed it. It.

>> Of course.

>> So it becomes a calculated risk. It would be difficult -- so if we -- let's just say by chance we decided 3 million, 5, we would support some of them. The two smaller ones, but they're not the two that make. Then we've missed it again. If we fund less than what they've asked for the scoring drops.

>> Spelman: I'm with you. Is it likely that if I take the two that have the highest self-scoring, we say, we'll support them, one, which is fourth, fifth or sixth on the list. Is there any possibility that

that really big one, fourth, fifth or sixth would have jumped over the queue and be number one for funding had we only said we'll fund that one?

>> I've seen them move around, and so it is possible for them to move. I was hoping for some clever agatha christie solution, save the money on bulletproof vests.

>> I understand.

>> Spelman: thank you. council member morrison. this is actually a different topic. It's a question for ed. I wanted to make sure i understood the numbers on the sales tax revenue projections on slide 30. Because those are -- that's a critical number. That's a critical -- big piece of, if not all of, the recurring funds. Is that right? Yes. That provides all the -- that is the recurring funds that you teed up for us.

>> It's the current funds. Your source of recurring funds are you property tax dollars, your sales tax dollars, your development revenues, and so having an 234-bg in those recurring -- increase in those recurring sources of funds requires staff to change its estimate. I certainly think any of the numbers we've seen for the last six months, really the last 16 months, the trend is such that, you know, as your budget officer, deputy cfo, I would certainly feel comfortable making a recommendation to increase that projection at this time. Again, that's unusual. We normally would not increase those -- our -- or change those projections, make the cye, as we call it, current year estimate, for the fiscal year we're in prior to our financial forecast, but with the sales tax revenues for the city of austin and really for the whole state of texas are doing very well right now and I think upward adjustments [inaudible] appropriate.

>> We know in several ways you're a very conservative guy so to come out and say -- I see people laughing in the back -- come out and say that you're comfortable with it, I take it that that's still along the lines of a conservative view that you bring. Could you remind us of the number you that we have in our budget right now for the overall growth -- that our budget is based on now?

>> Well, what we based the budget on was a 3% growth rate. That 3% growth rate was based upon an estimate of how we would end fiscal year 2012, and so as a result of ending 2012 better than what we had estimated, we essentially only need, i think it's about 2/10 of a percent growth in order to meet our dollar amount. So for about 2/10 of a percent better than the prior year we're going to meet the dollar amount that we projected for fiscal year -- that we built the fiscal year '13 budget upon. And that's -- you know, that's part of the reasoning why we're pretty darn confident we're going to get more than 2/10 of a gross rate, you know, over the previous year, and that's, you know, part of why we're saying we'd be quite comfortable recommending an increase in that amount of \$2.2 million. because -- because what you're saying here is that the six months rolling out is actually 11% growth.

>> Right. and the last two months we've actually seen 13.7% growth.

>> Right. so the 2 million above be budget would be based on what percent?

>> That's -- I don't have that, but I can do it -- it's going to be about one and a half%. Each percent is about 6 million so it's in the neighborhood of one and a half percent of additional growth we're not projecting over what we would otherwise need to meet our number. That's still obviously fairly conservative relative with what we've been experiencing, about but i could bring up slides to show surfaces it goes up -- as fast as it goes up it comes down. that gives all of us some context that even though we're looking at 11%, the reality is 11% or 13%, 2 million assumes only less than 2%.

>> Yes. That's correct. okay, that's very conservative.

>> It's very conservative, and I mean, you have to be because of the fluctuations that you know are coming in this revenue source. You can't build a budget based upon continued 11% growth. It's not going to happen. Even if it's happening now, that's great, but it's not going to happen long-term. So that's --

>> morrison: right.

>> That's why we maintain conservative posture on that revenue projection. I appreciate that. That helps to shape the picture on that. therein lies a problem or consideration, at least, i would say. Sales tax rerighnow it's going up. A few years from now you it will be coming back down. And the big problem is when it's going up you have that revenue so you can spend money on projects, and then when it starts coming down it's a whole lot harder to cut back on projects than it is to put them in place in the first place. So I think that's -- you have a five-year rolling average projection for sales tax revenue.

>> We do a five-year forecast of the revenue. Foreca foreca st, yes. So that's probably -- i don't know what that number viet now offhand -- is offhand but that would be more meaningful than talking about what our projected sales tax revenue is this year.

>> I can tell you from previous presentations of council that we've run some numbers and over the previous decades, say from 2000 to 2010 the annual average growth has been about two and a half percent and that's inclusive of two very significant recessions, which is unusual for a decade to have two recessions at all, let alone two very significant recessions. So I think in terms of planning for that revenue source for long-term growth, anywhere in the neighbor of 5 to 3% is going to be, i think, a good conservative basis for projecting for purposes of recurring your expenditure commitments. If it comes in at 10% one year, that falls to our reser use that money to fund one-time expenses but we don't want to get too aggressive with recurring expenses on that revenue source and this recommendation here doesn't do that. i think that's what I was trying to say. You have to look at the recurring expense and what is the projected increase in revenue over a number of years. Mayor? council member martinez? with that I'll go back to what I said earlier, based on council member morrison's back of the napkin calculations, we could get extremely close to the 2.2. It might be a little above 6 as she calculated, from what I'm hearing from you, ed, you wouldn't have concerns raising that projection to 6 for ongoing recurring expenses. We'd still be below, probably, 2%?

>> I'm going to deflect a little bit because that decision -- you know, what we bring forward as a staff recommendation is truly a staff recommendation from, you know, the economist who works for me, who looks at these numbers extremely closing up to me, to a recommendation of the city manager's office and his team. So I would not want to move off of that number in a public setting like this without being able to have those conversations. But I can say we've had those conversations up to an amount of \$2.2 million.

>> Martinez: right. But you did say you were comfortable with -- you said 2 million is about 1.5%?

>> About 1.5%. And with that number, when i say I'm comfortable, I'm speaking for staff. We've had, you know, many discussions, cfo, city manager, myself, I think we're all comfortable with that number.

>> Martinez: okay. And of course if we stayed 2 million or whatever final recommended number we end up with, based on sales tax projections meeting that allocation, then it wouldn't trigger a tax increase, if we stayed below that number. And it still might not depending on what sales tax comes in at. Is that correct?

>> That's correct. We don't -- you know, we don't know what the sales tax is going to continue to do, we'll revise those projections in april. We don't know what's going to happen with the tax roll. That obviously impacts what happens with the tax rates. So there is a lot of unknowns right now.

>> Martinez: great. I appreciate all the work today and the conversation from council. You know, I certainly want to do everything we can to keep in mind the impact it will have on our residents if we start looking at building a budget this year that contemplates tax increase. Nobody wants their taxes to go up, but I also see that we have tremendous need and we do have reserve fund that has strong -- that has performed stronger this year than anticipated, which would allow us to make be expenditures, and so I hope that we give strong consideration to that because that's the reason we have a budget stabilization reserve, is to do things like this when necessary, and we see other levels of government who have created these rainy day funds and refuse to spend them when arguably they're really needed. I'm not saying we go out and, you know, get rid of all our money, and we have policies that preclude us from doing that. But we do have a tremendous need and I think we can -- i think with council's work and with staff's help and your continued work we can get to a number that fits very comfortably into goals we want to accomplish within the financial constraints that we face. so i would look at it just a little bit differently than that. I would say that the reserves are really for times where you have dramatically declining revenues. They're not for times to enable you to spend more money during times of increasing revenues. Just a fine point on that. Council member spelman. I'd like to change the subject again but if we're still on budget stabilization I'll

[inaudible] I would like to chime in there. I agree with council member martinez, and I think that that really we do have a special situation here in terms of reserves. Obviously the biggest chunk there is for [inaudible], and we are in a special situation this year, and we're going to try and dig our way out of it, but to be able to get basically funding for a bridge year while we figure

out what to do I think is really critical. The city, we heard from greg, that pointed at 50 new families move to austin every week or day, or something like that, that's going to put more and more pressure on affordable housing. So I think it makes sense to think about spending reserves on that. It's a special situation. mayor, I have something on that topic. mayor pro tem. I'd like to agree with council member morrison. I do definitely think that we are in a critical situation when it comes to affordable housing, and the budget stabilization reserve fund should definitely be considered, but at the same time we have to recognize that the voters did not approve the bonds for affordable housing and we have to have special circumstances to be able to justify the spending of those funds each time we do that, and I do think we certainly do have some special circumstances that are coming up. But I wouldn't want to see us just overlook that. And then at the same time i guess I agree with the mayor that I do see reserves as special and having a critical need that has to be satisfied, but probably more than that I see the excess revenues as belonging to the citizens of austin and we have to give due consideration to preserving them for potential property tax relief. Thank you. so -- I don't know what everybody's plans are. I have to leave in about ten minutes, and if we want to start talking about potentially -- we don't have to, but we could talk about where we go from here, what the next steps might be. Council member tovo. this doesn't really speak to that question, but I'll keep it very short. So we'll have this discussion with the council here before too long about the \$10 million for affordable housing, but i want to just emphasize that when we have that discussion I h we remember we're not really talking about -- it's been said a few times that the voters turned down the bonds and obviously that's true and, you know, really regrettable, but the city of austin has invested in affordable housing for a long time and has made a commitment to affordable housing development long before we contemplated going out to the public for general obligation bonds. So I think this is very consistent with the commitment that the city made long ago when it set out the affordable housing trust fund, and other mechanisms to create affordable housing within this community in rental assistance and, you know, other kinds of programs, and what we're doing is making sure that it's got adequate. -- That those programs have adequate funding this year, and, you know, we don't need to go into the details of it now, but during this year's budget session we did change some of these, the affordable housing trust fund and it has less opportunity to create affordable housing because there are staff positions in that for the first time in its history. So, you know, we do need to make adjustments. And again, I wouldn't -- i hope that our discussion when we -- when it comes time to vote on this won't be about whether we're going against the will of the voters but whether or not we're upholding the long-standing commitment that this city council has had to affordable housing in this community. I know we all share a real concern about affordable housing. So -- council member tovo, I don't think that it is an either/or proposition. I think we can do both. I don't think we have to pit existing programs we have against the future but i think we need to prepare for the future and the long-term.

>> I completely agree. Thanks for making that point. I understand this is a huge can of worms to open with five minutes left before you leave, so let me mention it and perhaps we can get further information on is it it sometime soon. I propose affordable housing. Two ways to get it. One is to build or stimulate creation of it and the othe about \$435,000.

>> For six months.

>> Spelman: six months. So would it just be state line for annualizing?

>> That's what I understand right now. I'll confirm that but I believe that's what it is.

>> If there were -- again, too big a can of worms for us to have a complete conversation on, but if somebody on your staff, I could verify that this would be sufficient to move the bottleneck out of the system so we could get throughput and use the four planners to best effect and complete these projects as quickly as possible and resist having some --

>> take care of it. Thanks.

>> Thank you. Anything else? Council member Morrison? I would like to talk about what our next steps are. Are we going to have another opportunity to go over this but taking action as a council, or with a special meeting or maybe an existing meeting? Council member Martin? Along those same lines, what we heard from housing staff is they'll come to us for 4 1/2 million in February so I don't want to piecemeal this decision. I want to support the housing program but I'd like to know what's not going to make it if we do, so to speak. So we need to ramp up fairly quickly if we're going to be asked to start making decisions on these expenditures in February. I cannot think -- I would have to bet we do need to do that fairly quickly, but before we do it I think we need to talk about the prioritization process. I mean, some of this is already committed, like there's money in there for implementing civil service. We have to do that. There's money in there for implementing the district plan. We have to do that. So that should really be subtracted out of this wish and want list. I -- you know, again I think the forensics is something we have to do. I mean, this is something that we're hearing -- hearing from and the district attorney really is a critical need. So things like that need to be backed out of this calculation of what's available, the things that we might have a choice on. And then once they're backed out, how much money do we have left. Just pick a number out of the air, but I heard somewhere \$8 million. We back all those have toes out of there what's left. Maybe we can discuss it at the next work session. And what I'm thinking is maybe staff would make their judgments on what are the have-to-dos and bring those numbers to us and have a discussion about priorities, but I think at the same meeting we can take action, so we have a discussion within the context of priorities. But I don't see much reason to not take action. But we have to -- we need to have an outline on each item by item what action would be needed. We need to approve it and we need to rescind something -- do we need to rescind something, for example? I don't understand. It might be different types of action. It's not just we're approving this, this and this, right? Well, I think, as I understand it, what we would be approving would be budget -- explicit budget amendment. Well, I mean, some of these resolutions have already been [inaudible] but the resolutions I think were pretty much crafted around language of see what options we might have -- it's not a big problem. I'm just saying it's something that needs to be --

>> Morrison: okay. Council member Tovo.

>> Tovo: one question.

[Inaudible]

[inaudible] yeah, I heard her say that. If this is posted -- if our work session on on the 12th, how does that give us enough -- I'm not sure that gives us enough time to have that conversation in

[inaudible] making decisions on the housing issue, which is coming forward in february. So -- it would seem to me that depending on the housing department's time frame for when they need -- when they need a response to us about the local match for those tax credit projects, we need to work from there and the 12th may

[inaudible].

>> What we've sulgd is we're on the agenda for the 14th. The latest we could get action from the council is on the 28th. There's too many currently scheduled in february. We propose [inaudible] set it for the 14th and then we'll [inaudible], the 28th would be our deadline, march 1 -- to meet the march 1 requirement.

>> Tovo: thank you. I'm open to a session

[inaudible] between now and then.

[Technical difficulties]

>> work session posted for action. I'm kind of reluctant to talk about another special meeting unless it's an absolute last resort and i don't see that at point. I guess my only suggestion would be that we consider that it might be longer than a 3 hour work session then. Because it takes us three hours to deal with one meeting. well, I think we can keep that in mind and budget our time accordingly. During that three-hour session and extend it as necessary. perhaps we could pencil in another work afternoon work session like this one. that would be a special called meeting.

>> That's what I'm saying, a special called meeting on this, but I do not believe we're going to need three hours. I think we've gone through a lot of the har already.

>> Mayor leffingwell: okay. If there's nothing else, we'll go ahead and adjourn this meeting at 5:02 p.m. . ecl)