City Council Budget Work Session Transcript - 4/18/2013

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>> Good morning, I'm Austin mayor lee leffingwell, a quorum is present, I will call this council budget work session to order on THURSDAY, APRIL 18th, 2013, meeting in t board and commission room, Austin city hall h Austin, texas and we're called to order at 9:05 a.M. To get us started today, I'm going to turn it over to the city manager to introduce our discussion for today. >> Thank you, mayor. We are very pleased to have the opportunity to present council with the financial forecasts for this year. As you know, we look at this as the official kickoff of the -- of the budget development process for you and for the general public and -- and the presentation that you are going to receive today really reflects the -- the basic context within which we are going to move forward in the budget development process. Of course, along the way, over the next several weeks, our efforts and yours will be informed by a -- by a fairly significant -- public engagement process and as you know, we've tried to make advances in opportunities for the public to participate in the budget development process over the past several, several years. In that regard you're going to see new efforts on our part, innovations using technology that we think will enhance the engagement and we think even make the process a little more efficient in terms of your time and so we're excited about that as well. I would only add to this and it's important for me to -- to recognize the staff, while -- while invisible to you, getting to today has entailed a lot of work by a lot of people. Certainly all of the city departments and their financial staff, my executive team. And of course our financial leadership which is sitting in front of you there, elaine hart and ed and kim

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and of course there's lots of staff behind them. They have worked really, really hard to get us to the point that we are today to get prepared to make this forecast obviously, there's a lot of work to do, so with that, mayor, I would like to go ahead and make this lateral pass to elaine hart so that she can begin the presentation, I'm a little stunned by the fact that we don't have a sellout crowd for the financial forecast this morning, but we don't [laughter] so elaine ... >> Thank you, good morning, mayor, mayor pro tem, councilmembers. Elaine hart, chief financial officer. With me today are ed beninio, our deputy cfo and budget officer, kim springer, our deputy budget officer, she's going to present our capital budget section which is a new section in our forecast and john hockenyos who as you know will present our economic outlook. This is the first of two council work sessions. Today we'll cover the -- the economic outlook and the -- and the overview of the financial forecast. The second work session will provide council an opportunity to discuss individual department forecasts and ask departments questions, get answers. This morning, a brief discussion will include highlights of the budget process. Highlights of the new features that the manager spoke about. Highlights of the general fund forecast and then right into the presentation with the economic outlook and the financial forecast. In the financial forecast, we'll break it down into several sections. The first section will cover the general fund. Then we'll cover the general government capital projects highlights. The next section we'll talk about the enterprise fund highlights. And some their rate

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projections. We'll do a summary of projected tax and rate increases and then conclude the meeting with -- with council discussion and q and a. We have several deliverables that -- that will be published next week on thursday. Each year we present a report of unmet service demands, we'll do that again. And I would like to note early in this presentation that those costs are not included in this forecast. In addition to that, as the manager said, we're using technology in an innovative way. It's really an emerging trend for how to push out financial information to the public and the community, we are -- we are doing departmental forecast videos, as well as powerpoint presentations and the forecast report for the departments will be made available next week. This will include 19 departments because we're doing a video approach, we can -- we can have more departments. It will be nine general fund departments thre listed there on the screen, screen, including animal services, emergency medical services, fire, police and health and human services, libraries, parks, muni court and others, I won't read them all. We also have 10 enterprise fund departments. They won't be long. They are structured in a template format to give you similar information for each department. But -- but we'll be pushing those out and they will be on line and available to the public as well as the council. Following that, an all-day work session with the council, where you will have an opportunity to ask the department, their financial staff any questions that you may have about the materials that we've -- we've put out on the web. Our budget process is a very data driven process, a lot of information is -- is

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really provided very early in that process. We really kick off in october of every year with a -- with a survey that is a statistically valid survey assessing the satisfaction of -- of our community with the -- with a variety of services that the city provides. Following that, we have a performance report that is presented in mid february with about 125 measures that we consider our key performance metrics, these present year-end performance data as well as five-year trend data that is available compared to the goals to measures that we've established. Today our is economic outlook and testimony forecasts. Financial forecasts are best practices for cities, they are included as a requirement in our financial policies, it really is the planning tool that we use to go into next year's operating budget. As I mentioned earlier, we have two new deliverables that will be published in april. We have community engagement process that we've had for a number of years and the results of that are published in june, followed by the proposed budget in august and -- and -- and we'll also -- we'll also add videos of -- of the proposed budget presentations for the departments in august. Then follow that with work session q&a format for the council. Part of our process has included departments within the respective boards and commissions each year. That has been our ongoing commitment to increase our transparency and encourage community engagement, getting that feedback on the budget proposals and unmet needs from boards and commissions. As the manager said, we are

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expanding with -- with new and exciting opportunities for community engagement this year. We have several new items. We have the budget basics video, which is about an eight-minute video which talks about -- about what services we provide, how they are funded, and a little bit about our budget process, that will be pushed out the -- our youtube channel, as well as online and -- and other social media vehicles. And -- and we think that that will be a really good way for -- for the community to get an overview of our -- of our processes. We will also -- we will also have what's called a budget in a box, biab and it literally is a little box, that's got a packet in it. It will have a chart. For the public. It will be bilingual. It will be for a self-guided group or individual exercise where they can -- where they can actually work up a scenario of how they would like the money to be spent and on what programs. It includes a poster of city services. Categorized into emergency response, parks and libraries, health and housing, energy, water, streets and infrastructure, clean community and planning and economic development. And we look forward to getting the results, they can be sent back in a -- in a return addressed envelope that we're providing in the packet we also will be encouraging departments to expand their engagement with stakeholders beyond just the boards and commissions. As a new feature in our process this year. We'll be inviting them to set up meetings with various stakeholder groups, they could probably go through the budget in a box exercise with the stakeholder groups. In addition to that, in

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august, we'll be -- we'll be preparing a -- a small booklet, a bilingual booklet that is an overview of the proposed budget and then we -- as always, we have our public hearings on -- on the budget adoption and -- and proposed budget tax rates and utility rates. There are lots of opportunities for council guidance in the many work sessions that we've got coming up. These were schedule earlier in the year and it is -- it is time that we've already set aside. Again, we've got -- we've got today, we've got an all day session on may 2nd and that will conclude our financial forecast exercise IN -- IN AUGUST 1st, THE Manager will present the proposed budget and following that we'll have an all-day work session on the 14th for q&a on the budget. And of course we've got the budget question and answer process that -- that kicks off from now until budget adoption, which will be -- which will be again in mid september. I would recycle to go over some of the highlights that ed will cover in a lot more detail later in the presentation. For the general fund, we have made significant structural revenue and expenditure adjustments. In previous budget cycles that have gotten us to where we are today. They have really, really worked for us. And the city well. We strive to maintain affordability for all of our citizens and some of the things that we have done allowed us to -- to -- to be able to do a lot more things within -- within the financial resources that we've got. Some of the structural adjustments that we made, for many years were proposing tax rates at the

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rollback rate and -- and fiscal year '11 was the first budget that came in under the rollback rate and every budget since then has been -- has been slightly under the rollback rate. Many of the activities that -- that allowed us to -- to bring in this -- this forecast as a balanced forecast included devil of pay raises and market studies both for civilian and sworn employees. Elimination and repurposing of over 175 positions while we've added positions we've also looked at those that we no longer needed in certain areas. Certainly we've done that. We've renegotiated labor contracts to reduce staffing costs and we also cut back on services. Including some library hours, pool hours, supervision of after school playground sites and the trail of lights. Just a few examples. By doing all of these, they have been able to -- they have enabled us to be able to provide and maintain our two -- two officers per thousand. To fully fund four and a half million of mid year amendments. Budget amendments. To continue our efforts to more equitably allocate our shared services costs. We've also been able to absorb state and federal funding cuts in recent years. And we've not relied on one-time revenues for ongoing costs. We've been able to maintain our current service levels in recent years, even covering our base cost drivers. Unlike many cities in the united states, still recovering from the last recession, the city of

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Austin has been very, very fortunate. The housing bubble that many other communities experienced was not quite the same here. We've been quite fortunate. Our local economy is vibrant and it continues to grow. We do have a balanced forecast, balanced over the five years, it is structurally strong, financially sound. However, it does not include funding for the unmet programs or service enhancements, unmet service enhancements and at this point, our labor contract negotiations and our wage -- wage adjustments for employees are really a major -- major uncertainty in this forecast and we'll show the council some additional information on that later. Unmet service demands, you will see significant need totaling $35.1 million and over 337 new positions. Again, funding of these unmet needs or the wage increases will require increases in the tax rate, reallocations within programs or reductions to offset those. Now, I would like to turn the presentation over to john hockenyos with texas perspective and we'll do the economic outlook. >> Very good. Good morning, mr. Mayor, members of council. Thanks once again for having me here on a rainy april morning. It's a happy time to be in an economist in Austin, texas. Because as you just heard, the news is pretty good, i will cut to the chase a little bit. I am making the argument as we sit here today that the regional economy in Austin is probably the strongest of any major urban area in the country at this point. I don't see anything on the horizon to significantly change that. Which makes this conversation happier than it was several years ago when i talked a lot about us maybe being a one eyed person in the kingdom of the blind, we were suffering but perhaps not quite as much as the rest of the world was.

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Let me go on through this, we will see where that leads us. The we that I also do this, start off talking about the national economy first and then bring it down to the local community. You have seen as we sit here, a little slower growth in the national economy than has been the case in recent times, there are a couple of reasons for that that we'll get into some. Really -- really overall -- we are sort of post-recession recovery period. We are now sort of at a level, at a place in the business cycle where it's -- where the business cycle is getting close toward the end of the current phase. What you have seen is that the job growth nationally has picked back up a little bit. It's back to where it was before the recession. We have not replaced all of the jobs that we lost as a nation from 2008 to 2010. I would argue we probably never will. In part because of some substantial structural change in the economy at that point. But one of the positive things that really has happened is we've seen companies across the country begin to resume investment. That's always an important indicator. Not only of what current demand for their product and services is, but also how they are feeling going forward. They are being willing to make investments in planned commitment, which means that they think that the demand that we're seeing is relative durable and that's a good sign. In the meantime, we finally have nationally some positive housing numbers. Now, again, we saw this movie in texas, you know, 20, 25 years ago where we started here, we felt it here and bounced up to here we got excited about this bounce while missing the fact that we started at a much higher level. You have seen some of that for the first time in five years that housing is positive, but there's been obviously massive losses across the country. In terms of things that are going to affect pieces, energy prices fairly stable in recent months. After swooning pretty sharply over the previous four years. What economists call core inflation, inflation minus food and energy, I think is

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also overall pretty stable. What that means is that it's unlikely that the federal reserve banks is going to change monetary policy any time soon. They certainly didn't do anything last year, when they never do in anticipation of an election. In terms of the economic fundamentals out there right now, there's little indication in the near term, interest rates are going to rise. So again for the purposes of our conversation today, you know, w think that most of the levers promoting growth nationwide remain in place. There are a few issues related to the real estate bust that still affect us, most of them having to do with [indiscernible] quite frankly, both of individual borrowers and also potentially for people using real estate as collateral. So the bottom line fundamentally overall, i think, is that economic fundamentals are getting better. But growth right now nationally is being slowed a little bit. Not by monetary policy, but by fiscal policy. And that's of course due to the fact that we've had tax cuts expiring, we've had sequester impact, we've seen the federal government overall pull back on its spending, we have seen individuals see more dollars back out of their pockets going back in the form of expiring tax cuts. That has a slightly depressive effect on consumer spending. If you roll all of this together, let me show you some pictures on it here. Gdb growth, it should say real gdp growth. I got sloppy, that means inflation adjusted. The impact of the recession is remarkably clear, you see kind of middling growth in the national economy. That's in part due to personal consumption, the spending that we all do as individuals counts for somewhere between 65 and 70% of the economy showing the same pattern, middling growth over the past two or three years. There's the pickup and investment by forbes that i mentioned called

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non-residential investment. Last year was solid, the year before that was good, the year before that really the reflection of three years of decline. To see it continue on into 2012 is a positive sign. Then this housing. Five, six years, negative performance, followed finally by a little growth in 2012. Again on a national basis. This is government spending. Of course, one of the things that we've talked about off and on, both I think we had this conversation with you all and also at the staff level is that government, both nationally and also to some degree here locally tends to be a little counter cyclical to the rest of the economy. Government growth on a nationwide basis during the recession, you see now to some degree the consequences of the recession rippling through to the overall government sector across the country as a whole. The negative for the last two years will probably continue to be negative for the next couple of years as we look ahe and so sort of amplifying that point, nationally, this is employment in the private sector versus the public sector. The public sector is the orange, the private sector is the blue and you see pretty decent growth nationally on the private sector side and obviously job losses coming down from positive growth in the first part of the last decade for the last three or four years or so. This is overall inflation, it's remarkable now. An economist I'm perfectly prepared to tell you what happened in 2009, finally, it's interesting to see that we actually did experience technically deflation in 2009. There was a lot of conversation about whether that would actually occur and finally now that the data has been revised 412 times, it's official, we did have deflation in 2009. Again, I think the point of the inflation forecast is that this is sufficiently low. The inflation situation and the expectation, it's

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sufficiently low not to have an influence on people's decision making. I have a vivid memory of my dad here owned a small pest control company in the midwest buying chemicals, six months to a year in advance in the late 1970s and early 1980s because inflation was running 20%. He was like I've got to get ahead of the curve. Well, that thought process is not part of purchasing decisions that folks are making at this point. It means it's not distorting patterns of economic activity. I certainly, my view, that's a good thing. So I show you this every year just to prove that as texans we continue to be more confident than the rest of the nation. Both based on economic reality because our regional economy is performing better, also based on the fact for texans we kind of tend to see the glass as half full or just texas [indiscernible] as it always is. Our forecast for the gdp for 2013 we still think there's going to be growth in that 1.5 to 2% range, remains -- some of that the sequester has an effect. It's a fairly one-time effect and the economy adjusts for it. I do think the higher effective tax rate will have some reasonable effect on consumer spending where we are now no longer getting the 2% on the payroll tax cuts that we had at one point. That could also have ultimately an effect on hiring, which would tend to keep unemployment relatively high. I didn't mention there, there's a little supply and demand [indiscernible] interesting when you look the a the longer term, I try to read most of what the congressional budget office puts out on the economy because I find them to be fairly even handed and analytically thorough. They are quite bullish. I don't know if I have ever seen them use the term virtuous circle before. I pulled that quote in from

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what they have written. [Reading] let's hope they're right. So as I mentioned, Austin i think is doing -- doing extremely well. One of the things that's really interesting is to look at our performance over the past year from 2011 to 2012 and then to go back five years and see how we had done over a five year period. So you will see a number of charts that show that in here that shows that not only are we performing, have we been performing well in the recent past, but we've also had really performed relatively well over the past five years in the aggregate. 28,200 net new jobs added during 2012, all of those, in fact more than all of those were in the private sector. That was more growth than i expected. Which always makes me happy. I would always rather be wrong on the low side. That's a good one when you get it upside-down. Consumer spending which we usually track through looking at sales tax revenue is solid. You all know that. It's interesting that current spending, and by extension sales tax revenues are at the 20 year growth trend at this statement of the game. That's a useful metric in my mind kind of keeping track of what the ceiling might be. The extraordinary volume of multi-housing family activity happening in the Austin area really is benefiting from a combination of job growth, household formation, changing credit standards. It is tougher to get a mortgage than it once was, quite frankly a substantial volume of institutional investment focus. There are a lot of pension funds who have told themselves this is the make is to put money in and the form to put money in is in multi-family housing. Record number of housing units remain permanent in the city of Austin during 2012 and the mix has really skewed toward multi-family.

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I will show you a chart on that in a little bit. Venture capital remains solid. Last year 2011, a report year for tourism, 2012 was a record year for tourism it was, given south by, 2013 is going to be a record year for tourism in Austin. Lots of folks, lots of money coming through tonight. I'm going to apologize. Fortunately you all have hard copies, it's going to be easier to read. I'm going to apologize to people reading on screen. We have done comparisons from Austin to several other economies, median home prices, 2007, 2011 and then 2012 and we show you the change and of course red is negative, orange is Austin, because I can't help myself, and blue is -- is other texas markets, black of course is positive. So what you see is that Austin certainly experienced solid growth in the median home price here. Again, this is all by the way in our metro area, in the msa, solid growth in the median home price last year, up a little less than 7%, about 6.7. But it's up 12 percent over the previous five years. What you see in an awful lot of other markets, it was positive last year, but negative on a five-year look. The only places where that really wasn't the case were the markets in texas. Which have remained fairly balanced through the housing bubble, that's really what this is designed to show. Total employment tells a similar story. Up 3.5% total employment in Austin last year. We're up, you know, almost triple that for the previous five years. Yes, it obviously declined in between, but it shows that over a five year period, we actually have not contracted. We have grown, few markets can say that. I believe that -- that the only one other than the texas markets over the past five years have experienced net job growth is washington d.C. And you -- denver, also, just marginally. Personal income, the

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numbers, the growth rate is more inflated because these are not inflation adjustmented numbers, they tell the same story fundamentally. That is total personal income. That's an important point because part of that number is of course rising prosperity, part of that is also increasing population. Those are the two things that add together to create total personal income. Here it is on a per capita basis. If somebody asked me could you give me one measure, just one of a region's prosperity, this is the one that I would like at. And so I'm encouraged again certainly relative to lots of other places that we have shown growth over that period. It's interesting that growth rates are not as high. Some of that actually in my mind reflects the fact, one, that we are a fairly young town, which means that our income levels are going to overall be lower than older communities and the other thing that's happened in some cases is many of these communities have experienced net out migration, the people who are left may be folks who have relatively stable sources of income, so the per capita numbers rise, but still I would urge council to -- unfortunately this data is not as currents currents -- not as currents as the other, but I think this is the best single measure of how a regional economy is performing on balance. So this is -- this is again total employment in Austin and for a reference we also include a total employment in the united states. Again, this time we are in blue. The united states is in orange. Just to keep it interesting. Pattern is quite similar, but -- but levels are -- are markedly different as you look at that. It's actually fairly compelling, really. Then this is Austin private versus public, orange is public, blue is private. Again, you have almost 5% growth in the private sector side in Austin, texas in 2012. That is exceptional growth. In my view it's not

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sustainable, but it is exceptionally solid nonetheless. And here is growth by sector. One of the things that's quite encouraging about this is particularly if you go over to the far right, as you see that the growth is relatively well spread across all sectors of the economy. So it's not as if we are just having one segment booming and everything else sort of trailing along behind. The exception of course is government. That in part reflects the situation obviously at the state of texas. Because that's included in that mix here in the Austin area. City of Austin sales tax, we measure this on a 12-month change. This is on a calendar year basis, not a fiscal year basis. So this is data that I have pulled from the comptroller's office and again you see the recession and you see obviously the strong bounce back of 2012 historical performance. Sales tax. Home sales, I have several slides here on specifically trends in the Austin metropolitan area home sales. It's interesting, while we feel the boom in the housing markets, home sales are still below 5,000 of the peak in 2006 on an aggregate basis. I would argue that given household formation growth, given job growth, given population growth, the volume of home sales is now relatively balanced in my view. The 2006 level of 30,000 plus was a bubble that was not sustainable frankly due to the fact that credit standards have been relaxed to a point that folks were buying homes who probably really weren't qualified to do it. I think where are today is a much more balanced situation for what that's worth. Dollar volume of home sales, just interesting to see that we are almost back to where we were during the peak, that in part reflects overall rising home prices, which we were all standing around talking about before the session started. This is the one that I think was really pretty interested. Housing units permitted in the city of Austin. You all are the source of this data along with the census burro. Burr bureau. I believe -- look the a the

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volume of multi-family, extraordinary, 7,000 plus, just really, really interesting. Venture capital vested tracks the trends in the overall economy. I would argue something from here, gross volume inflation would be fine, ideally faster than that, but we are certainly in a healthy range. The tourism stuff, this is millions of hotel room nights sold in the city. Excuse me. Getting close to 6 milln nights, that doesn't include all of the folks who are doing it without officially being recognized. And really we're selling that volume of room nights and our occupancy levels are quite solid, very, very solid. Again that says the market is in balance, we have a tremendous amount of demand for lodging and we're filling it. Therefore hotel revenue is at around all time high as well. Forecast again. We are the bright star. I don't really see much change for 2013. I think you're talking about job creation, the number there is 26,700. And followed by a little short of 25,000 next year. I don't really see any change from where we are right now. There's a number of things out there not fully realized, not the least of which is the economic development efforts that have been successful, now ramping up in terms of hiring. Total personal income we think should continue to expand in the 6 to 7% range. Really there's not much here to say that we're going to change tact from where we are at this point. That's fundamentally the bottom line for the next 18 months or so, which is the period this forecast covers. That's it presented graphically. That's total Austin msa employment growth rates, annualized growth rates. It's a slight, ligh deminuation of rates but not much. The jobs is comparable to what we have done. Personal income.

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Total, not per capita, but total personal income, fairly solid and then this is detail. And we extend the forecast out a little bit further. For frame of reference. Just to give you a little context on sales tax, I have shown you this chart before, shows you the relationship between job growth and city of Austin sales tax. The sales tax numbers are -- are on the right and are orange. The scale for job growth is on the left and is -- is in blue. And you see a pretty tight correlation. It -- at peaks and valleys it tends to separate out, but overall the correlation is very tight, no, councilman spelman I can't remember r squared. Chick with me later, we'll get it drilled down. The other thing, which has caused internal discussion, the rising role of e commerce, this is national data showing e-commerce as a share of total national retail sales. Last year it pushed north of five percent, pushed north of 12% in the fourth quarter of 2012 which is the last data that's been reported. While settlements with amazon were a good thing for sure, I think this is overall a slight net negative once that adjustment has been factored in for municipalities because I believe it's easier for online retailers to avoid paying local sales tax than it is for bricks and mortar folks. To the extent that share of retail activity conducted online, continues to grow, i think on balance that's slightly negative for municipalities. That's not particular to the city of Austin, although you have to think if that's the national number, given our sort of wired profile, we probably have a much higher share than the national average, we simply don't have data on that. Again, this is sort of context and background as you were thinking about your

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budget, thinking about your sales tax forecast. And so I think that -- that my -- my opinion on -- again, I say this is an economist, not a guy doing a budget, but as an economist, I would say that you would be looking at sales tax growth for fiscal 2013 in something like the 8% range. I think it will slow slightly in fiscal 2014 i think 6 to 7% is fairly likely. You do sometimes get into the law of large numbers, it's hard to stack double digit increases one after the other. The economic indicators are solid enough I can't see any significant threats to continuing expansion of sales tax growth. I'm going to emphasize this. I say that as an economist, if I were giving you a budget forecast I wouldn't use those numbers, I would be more conservative. So frame of reference. >> [Indiscernible] >> [laughter] >> at least [indiscernible] I wear of them anyway. So with that, do you want to do questions, how do you all want to do this. >> Mayor Leffingwell: I think it's a good time to take some questions. I will have one quick one and then let someone else. On page

32, the -- the city of Austin single and multi-family units permitted, that -- most of this is Austin area economy [multiple voices] >> city of Austin, yeah. >> Mayor Leffingwell: And so is this unusual compared to other large cities around the country? >> The volume of it is for sure. >> You are seeing, mayor, i think you're right to point out that we are seeing nationally a shift toward multi-family. But it's concentrated in a few markets that are somewhat similar to us and i haven't seen it quite this starkly in other places. I think we are sort of the leader in this movement. >> Mayor Leffingwell: I just wonder how that compares, since this is city of Austin. How is the region doing? What do those numbers kind of look like for the region? >> I can pull those together and get them to you. Because I could get city of Austin data I grabbed that and focused on that.

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>> Mayor Leffingwell: I think that would be an interesting number because you may have new data that i don't have, but what I have seen recently is that the central texas area outside the city of Austin is growing a lot faster than inside the city of Austin. In fact, I think the last four or five years, 20% for the city of Austin, but 37% for the central texas area. So -- so I think that's something that would be a useful number. Then the final question that I have on this same page is we talk about multi-family. How does that -- is most of that rental or is that -- is that like -- >> the vast majority of it is rental. >> Rental? Not multi-family like condos, is that in that same category. >> No, the bulk is multi-family built for non-owner occupied. >> Mayor Leffingwell: I know what we are seeing in the downtown area is almost all rentals units that are being built right now. So again, the latest information that I have says that the majority of the people in Austin are renters, not homeowners. And I think that's kind of unusual compared to peer cities, but I don't know that for a fact. >> I would say reflection really of the fact that we are such a young community, you know, that there are so many folks here in their 20s and 30s who for a variety of reasons, financial, lifestyle what have you have chosen not at this point to buy a house. The other part reflects the relatively high costs of home ownership particularly in the central city. Folks say you know what, man, I got an awful lot i want to be downtown, close to the ah I can't afford a condo I'm going to rent an apartment. >> Mayor Leffingwell: So you hear this phrase west coast prices all the time we're talking about downtown. Another factor, young communities, we are, that's going to -- beginning to

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change, number one fastest growing sector in age 55 to 64 sector, the so-called baby boomers, we're the highest in the nation for that. Second highest in 65 and over. And I kind of suspect a lot of those folks are -- are moving downtown into multi-family units as well. [Multiple voices] >> I think that's probably right. >> Mayor Leffingwell: Mayor pro tem? >> Cole: Thank you for this wonderful presentation, every year I thoroughly enjoy it because it's so interesting. >> Thank you. >> The first question that i have for you, though, you have talked about how we have come out of a post recession and recovery period, that we're experiencing a net investment growth and i didn't know exactly what you meant by net investment growth. >> It's a -- it's a dataset, a statistic that's pulled together by the folks at the bureau of economic analysis. What it really measures is corporate spending on things like plant, equipment, software. And so it's part of the overall gdp calculation. But what it really does is measure our company's willing to -- are companies willing to invest in things that are going to help them, not people but things, that are going to help them produce more goods and services, so it's growth in that particular category of spending. Spending. >> Cole: So when we see a major expansion like samsung, we're looking at a company that's making a commitment for the long term to the city. >> Right. The data that's exactly right. The data that's in the presentation is national data which presumably that includes samsung is rolled up into all of that. >> Okay. We have already talked a little bit about multi-family and what we are seeing there. I had some concerns about whether that is a reflection of the lack of affordable housing within the city? >> Yeah, inevitably it's a portion of it. Again, affordability is a complex calculation. There's a lot of different things that go into affordate, not the least of which is the capacity of folks at different income levels to secure credit for

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their housing. And so you have seen in the wake of the housing bust, a substantial tightening of credit standards all over the country, it's a lot tougher to get a mortgage than it used to be. So you approximate you the that together with the fact that home prices in Austin are relatively solid and have continued to grow a little bit. And it makes it tough, especially in the central city, a lot of folks ended up saying all we can really afford to do is rent. >> I thought it was interested how you pointed out that the urban cities throughout texas, houston and dallas and -- were also seeing a positive growth trend and is that a reflection of the state government's efforts or -- i guess it's obviously has to be some of that. >> Well, if I comment on that, I might get myself in trouble one way or the other. So in terms of commenting on the state's government performance -- >> Cole: That just a reflection of texas in general, the state? I mean we usually focus totally on Austin because we are austin centric, but i didn't realize that that type of steady growth and prosperity was happening in the major urban centers throughout the state. >> There's different stories in each individual community. Houston, for example, is benefiting from obviously the boone in energy production. Dallas benefits by being a very cost competitive alternative for major corporate headquarters, particularly with their air trantation infrastructure. San antonio has a strong obviously government presence through the military bases. But san antonio also in my view, I do a fair amount of work down there, kind of functions as the financial capital of south texas. So there's different stories for each one. But the thing that I think sort of overlays the whole thing, one, texas is widely considered to be very cost competitive over all, the cost of doing business, whether it's on the tax side, whether it's on the wages and salaries, whether it's on the cost of real estate, that has an impact. We are a state that is relatively young demographically. We are also a state that

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attracts a high volume of migration, so the labor force in most of these markets is considered to be pretty good compared to lots of other places. And third we partly because of all of those factors, we didn't really have the kind of real estate boom and bust that lots of other communities did, so housing here lines up pretty well with income levels overall in the aggregate. You put all of those different things together, texas has had a lot of success in both growing its own new business and also attracting businesses from other places. >> So individual stories going on in the various cities but at the same time our tax structure as a whole is positive for the growth. >> Certainly positive for recruitment of companies from elsewhere, absolutely. >> Cole: Okay. I wanted to ask us, I was glad when you pointed out that the hotel room nights were -- were on a positive trends. And also that the occupancy levels were there. Because we are contemplating some rather large hotels and I just wanted to hear your thoughts on whether the demand was going to remain that high. >> I think demand is good go to remain high. I've been just as a guy living in town, I've been amazed at the volume of visitors who come and want to access brand austin. I think inevitably any time there's a big surge in demand, folks rush in to fill it, most of the time do get overbuilt. The last guy in missed the turning point. It could easily be the case that we would overbuild at least temporarily in our lodging sector. No question here the tourism here is booming, I don't think anybody is good go to change that unless the experience becomes so unpleasant folks stop coming. >> The last thing I noticed was the correlation between sales tax and employment growth. I'm assuming when people go out and get a job they spend money. In the last slide you said that translates into an 8%

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range for the future. So I guess we would expect to see that also in job growth. >> Yeah. In my job growth forecast is consistent with that. Job growth sort of in the 3% range suggests to me that you would have sales tax growth in the 7 to 8% range. >> Cole: Thank you, mayor. >> Spelman: Mayor? I've got a bunch of questions. John, most of which I will off line, a couple i wanted to get right awade. I will go kind of in order of your slides. On your slide 22, is where you have got the median home prices. I took a quick look at everybody else's prices, although our prices have gone up consistently over the last five years, more so than anyplace else exempt as you mentioned in texas, most places going down, started to recover more recently. Our numbers, average home price is pretty much ordinary for the 20 cities that you are looking at. >> Yes. >> I wonder if you could comment on that. >> Really, these are msa numbers, I think what you are looking at there is sort of the tale of two austin's, you have west coast prices per the mayor's comment sort of in reasonable proximity of where we're sitting, then you have much less expensive production housing in some of the outlying markets. One of the reasons why metro areas in places like the southwest, particularly in texas, where you've had some constraints on overbuilding, one of the reasons why prices tend to be a little bit lower is because we aren't geographically constrained in terms of expanding. You have heard the old phrase drive until you qualify. So our msa has grown because it's had the capacity to spread out. We used to be three counties. We are now five. Somewhere down the road we will be more than that. So I this I what that number reflects is that mix of housing where you have again sort of homes in the everything from, you know, around 100,000 up to 175,000, a fair piece away from central city and then obviously much more expensive housing closer in.

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>> Spelman: So what happens is the opposite of the old doughnut we were TALKING ABOUT IN THE 60s Where you have the poor folks in the middle richer folks in the outside suburbs, now the opposite situation where if you can afford to come close to town you can. >> Yep, that's exa right. >> Spelman: Still our home prices are entirely ordinary in the context of the rest of the cities. 140s in boiling water, 140s in freezing water. We've also got. >> I agree with the best single measure. Per capital income. Looking at per capita personal income, ours is lower than the vast majority of the city that you are talking about here, younger city -- moved up in whatever

changes we are in in order to get more income. Anything else going on here. >> I think so, although it's speculation. Some of it is we have a relatively high level of informal economy here. People doing barter, making life, that doesn't necessarily show up. You have people making a life decision to live in austin, even though they could be earning more money somewhere else. That's the consequences of being such an attractive place to live is that many people make an effort to stay here in spite of the fact that they are going to earn a lot less than they would in dallas or houston or new york or wherever. So I think those are part of the mix and then the other thing that's part of the mix, this is a problem that is true in a lot of places, but it's I think it comes into focus in places like austin, very, very challenging to earn a decent income in austin without a college degree. Unless you are 26 years old and willing to tend bar at a couple of different bars and then you might be able to do it. But there aren't many jobs out there that pay kind of the wages that you would expect to get say at a toyota in san antonio. Where with a high school education, some technical training, you can expect, you know, with a little time to make 40, 50, $55,000 a year. You put that with perhaps your partner makes a comparable amount of money or something close and now

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you've got decent household income. Not many of those jobs in austin. And so -- so we see this gap between the highly compensated, well educated professionals and then folks who are in some version of the service industry. I mean that was one of the reasons why -- why I thought the passage of the medical school was so important from an economic development standpoint because in medicine there are jobs. That don't require, you know, maybe require two years worth of college and a little technical training that can pay those kinds of wages. So that -- but that's -- that's my opinion. I don't have as much hard data to back that up as we might want. >> Spelman: You know much better than I do. What we usually get from federal statistics are bea, the usual statistics available to us are about averages not about deviations around those averages, st's hard to get a sense for how income and equality may be going up for example. >> Uh-huh. >> [Indiscernible] getting a handle on that? >> The best data on that is actually published by the i.R.S. It's a little dated but probably a year or two out of date at this point. But yeah, they will have some pretty good data on income and equality. >> Spelman: Would that have any implications for our projections for what we should be spending and what kind of services we should be probably. >> Probably. >> Spelman: If we could get it, it would be helpful. >> I can definitely get the data for you. I thought you were going to ask me what the implications were, I'm not qualified to say that. >> If we had information on that would you be qualified to speculate or do you think somebody else would be better qualified to talk about that? >> Let me look at the information and I'll see. It would logically be me and other people. I wouldn't claim to be an expert on the specifics of budget decision making. >> Spelman: We would need a messenger at least. You can certainly help us with that. >> Okay. >> Spelman: The other point that I want to make about it is if our median income is relatively low, for a whole bunch of reasons which are explainable and

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hour median home prices are entirely average, that suggests that the average austin is paying a larger proportion of their relatively low income on that average priced house. >> Yeah. >> Is median home price going to be fairly close to -- is it going to be representative of the rents available in multi-family market? Is there going to be a big deviation there? >> I don't think so. I think it's going to be actually relatively close. One of the things to factor into the equation what you pa I for housing is the sum of four things. Even actually in the form of rent even if you don't, principle, interest, taxes, insurance. The interest rates are so extraordinarily low it's had an effect in many markets of pushing housing prices up because what matters is the bottom line payment rather than how those four components are actually broken down, I saw that in california proposition 13 jacked up housing prices as a result. Again that's part of the mix as you were thinking through those. That's referred to as market distortion. Is it not. >> Yes. The reason that I bring it up, first if the average austinite is paying more for rent and mortgage payments than the average place that suggests we're going to be stretched further for housing, a greater need for affordable housing in the vast majority of places or at least of the 20 places. We are going to be stretched further than most of those. The other issue, I -- I -- i don't know the extent to which your numbers are going to -- going to incorporate that, so I would like to get an opinion on this. There is wide-spread speculation that people in that informal economy are not going to be measured here, particularly if we're talking about recent immigrants, doing their best to stay out of the limelight and not get captured in official figures. There's also some speculation that our immigration numbers are higher than we believe them or understand them to be. In austin particularly and in texas generally. Does that have a -- does that have -- should I keep

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that in mind in interpreting your numbers? If so, how? >> Yes, although it's one of the things that is fascinating to me is that -- to some degree anecdotal, the qualities of information flowing through the undocumented community is pretty good. So it -- i think even some of the data reflects that net migration from mexico during the recession actually went the other way. Where you had people saying you know what? The job opportunities just aren't in in the united states anymore, I might as well stay in mexico. So that's something to bear in mind is that -- that that -- I think those numbers tend to swell when the real estate economy picks up. I think these numbers are not adequately reflected assure. >> For example our per capita personal income in reality, if we took into account the informal economy and folks who are not documented here, would probably be a little bit lower, might even be lower relative to other cities because their immigration numbers are probably a little higher. >> You would think so, although you would be surprised, I was surprised -- I'm constantly surprised at how the diapora of undocumented folks across the country. My little midwestern podunk town of 1,000 people in a corn field now has six mexican restaurants all owned by, I'm not actually -- I don't actually know who owns them, but, you know, some of that reflecting rising appetite for mexican food in the united states but some of that reflects the diaspora. You see that folks spread pretty efficiently across the country where economic opportunity lies. >> Some of what I was suggesting going oh, but may not be as bad or as big in effect as I thought it was. >> Maybe. >> Hard to tell. >> Hard to tell, nobody knows. Let me change the subject very quickly. You were talking about slide 27 or talking about private versus public employment.

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Private employment has been up 4.7% the last couple of years. You said -- you don't think that it's sustainable. >> I don't. >> Tell me why, how unsustainable is it? >> Just historically, it's very, very challenging to see continued job growth even in a market like this that can be sustained much beyond the 3 to 3.5% range. The labor force can't keep up. What you will begin to see after a while is poaching. You will begin to see companies trying to poach workers from other companies. So, you know, I used to -- to do the school house rock thing for a magic number, you guys have heard me say that before. It's true. I think on job growth, i think much north of job growth you shouldn't anticipate that we can stain it. I think frankly because of capacity constraints. >> Straight line projection for the last couple of years probably we're going to be overshooting the mark.

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57600 >> we can thank the eagle ford shale for literally pumping in a high volume of money in the state of texas which does change the tender of the -- the tenoro. Conversation and this has not been the reduction of state workforce that we had thought. >> Just gloom? >> Partly cloud. >> Better than the weather today? >> Yes. >> Mayor leffingwell: I have to leave for 10 or 15 minutes. But I will be back. Before I leave, I want to emphasize and we have this emphasize of texas economy and being fortunate and being a good business climate, et cetera, that being said and that's true, we are still the top performing economy among our 50 peer cities in the entire nation in the last year. >> That's right. >> Mayor. >> Council member morrison. >> Morrison: Thank you. I want to follow up just briefly on actually the topic that both of my colleagues have already brought up in terms of affordability and how this impacts people, because i think that one of the keys that's been mentioned is rental. It doesn't get folded into the whole issue of housing prices and things like that, at least directly. And at least anecdotally, i am hearing the cost of apartments is going way up, so I think in looking at income inequality is important. I also know that the community action network dashboard is just out, and i wonder if staff could maybe make this a form of questions so that we can make sure that everybody gets the information, and that is, there are some -- there is information on current populations that are the -- the percent of population that is housing cost burdened, and trends in that, and, also, the number of folks below the poverty line or below 200% of the poverty line, that kind of information. So if you could maybe push

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that out in a q and a, i would appreciate it and those numbers are for travis county, and it's going to be different for the city of austin, but I bet you the housing cost burden in the city of austin is higher than in travis county, but i think that can be helpful and I really like the idea of trying to get our hands on som of that and using that to guide our decisions about where we should be providing services. And so I have two other questions, and I think that can be pretty quick. John, you mentioned in terms of the questions on job growth, that too much -- too much of an increase is not sustainable because of capacity. On the other hand, our population is growing because of the job growth is there. Can you talk about what that capacity is? Can't an infinite number of people move here? >> Theory, yes. >> I am not suggesting anything, but I want to get a feel for your sense of it, what limits, like of capacity? >> I think it is sort of a -- you are absolutely right, in theory, an infinite number of people could move here and we could create an infinite number of jobs and pretty soon the city of austin would encompass texas, but I think the reality is -- it is the perceived -- capacity is constrained by people's perception about, am i living in austin? Are there opportunities in austin? And I think that past about 3 to 3 and a half percent in terms of job growth, you begin -- it begins to strain the labor market because the labor market doesn't respond perfectly to the demand. And as a result, you see people, like I said, beginning to poach workers from other -- from companies and all of that. It is a pretty competitive market out there. And so while austin has got an enormous range of advantages against lots of other communities, there are other communities that are considered attractive. Seldom when you talk about corporate relocation is there one possibility. There is usually a handful. I think if we get much north

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on 3% on that front, it is going to be challenging to stay competitive with other places. The other thing that is challenging, of course, is planning as a city. Averaging 3% growt great, you know, having it being 10, 12, minus 6, that's tough because all of you making decisions about capital expenditures and of course about operational considerations around police and fire and basic city services is very, very tough. So inevitably, I think, you will get some constraints around that and then the last thing is traffic. Traffic is a big part of what people think about when they think about quality of life. You have job growth that runs at 5% on into the future. How in the world are we going to deal with the traffic problem? I know light rail. But, I mean, that's another challenge. >> Right. Right. I think the issue of capacity -- one of the things when looking at economic incentive programs is always -- is the company looking at hiring people that are here and the conversation we had when visa was here was they have a lot of jobs that they might be able to train people for and work with workforce development and acc to actually get targeted training so we can help smooth out that tale of two cities a little bit and make sure we can help people@ lift up who are living here and then the income level. Another thing I want to ask you to expand on, on slide number 33, when you are talking about venture capital invested. I heard you say you think that's in a healthy range. >> I do. >> Morrison: Can you talk a little bit about that, because when I talk with other folks, it -- there seems to be a sense that all I want to do is get as much venture capital as i can and subtract it from silicon valley and all of that but there seems to be suggesting there is other considerations. >> Well venture capital in the narrow sense of the

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term. There is also angel investing, all of these different things, that provide capital for start-ups and expansion. What I suggest is in a healthy ran, I think -- venture capital is only sort of -- fits a certain kind of company at a certain point in that company's life cycle. There are lots of other areas that we, I think as a community, can see expansion of, let's call it start-up capital or business expansion capital, or what have you and that's a whole separate conversation. Part of wh harkin back to the period where we had venture capital most of which was wasted, most of which in hindsight were never going to really produce a product in which nobody wanted to pay money for, so I think what you have seen is a return to this notion of profits matter. I gave -- I gave a speech at the bescoll one time and one person said profits don't matter and I got a crazy notion it did and I got laughed out of the meeting in the late '90s. >> They are laughing still. >> They are still laughing, for sure. And I think that's part of the context on that. So there is more of a conversation for the need for capital to help entrepreneurs and business expansion and that l vc number is my answer. >> Morrison: Can you define that narrow number, what vc applies to? >> Vc doesn't typically apply to true startup. Sometimes it does. But you are talking about a venture capital fund that typically invests in companies that are up and running and maybe have sales, maybe don't, or close to bringing a product to market and helps them sort of scale on up, so it's not -- it's not informal. It is not angel networks. It's not companies, you know, acquiring a certain new piece of intellectual property or whatever. It is technical venture capital. >> Morrison: Great. Thank you very much. >> You are welcome. >> Cole: Any other

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questions? Council member riley. >> Riley: I want to join my colleagues in thanking you for the presentation, which is great as always. I want to follow up on this theme of looking at the context for personal -- per capital personal income and looking at that raw number that would have more meaning to the extent t they can understand the real costs that austin families are facing. And in that regard, let me first ask you about location. You mentioned the general pat seeing higher cost housing, whether rental or ownership in the central city. Lower costs going towards the outside. Are you seeing any particular patterns or trends with regard to the location of -- of housing? Is it -- is there anything changing in that scene? And I is particularly because the location of housing has important effects with respect to the costs that househo -- that bear in terms of transportation and other monthly expenses. >> This is just perception. No data backs this up but my perception is that housing is about proximity for attorney certain folks. Everybody wants a certain basket of schools, a proximity to neighborhood schools that are perceived to be relatively good schools. Transportation infrastructurees a huge difference. Physically being close to downtown is widely considered to be good, but, also, being close to transportation infrastructure, you know, mopac or 183 or whatever, in a neighborhood that is not right on top of the highway but allows you to move around the region fairly comfortable is also considered to be something of a premium. Proximity to employment centers is important for folks. You know, for some folks proximity to entertainment is important, so really, most real estate is about that individual's perception of the amenities and the location of the things that they care about and that will all get baked into price. In general, I think

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transportation in a community where we are challenged to get people around, I think transportation probably assumes a relatively high -- high level of importance here, along the schools. So it's a general answer. I am not sure I can tell you anything more specific or not. >> Riley: Sure. All of those things tie into the values we are seeing from the location? >> Yes. >> Riley: I guess the question I was interested in, is what do we see in terms of the pattern of the actual locations of where the units are going? Are we seeing more units tending towards those locations that -- where we see those -- those values, or are we seeing conversely, a reaction to the higher -- higher cost in those areas, higher values, but by people seeking other areas where they might be able to achieve lower -- >> I think the market is big enough around diverse enough you are seeing both. That's what it comes down to. >> Riley: How about any other trends that we are seeing locally or nationwide in terms of other household expenses, like in particular health care or tax burden? Is there anything going on locally that stands out from the rest of the country, or are there any trends that might apply nationwide that we should bear in mind? For instance, are there concerns that we are likely to see major changes inhe health care costs that employees and families have to bear in the coming months? >> Well, I mean, everybody is sort of holding their breath and waiting for the affordable care act to be implemented so costs in insurance and stuff have leveled out a little bit. You haven't seen increases. Some insurance companies tried to bounce their rights right in front of the affordable care act, but, in general, I thinkhe picture on health care related spending in terms of treatment or insurance will be clearer in a few years, once the affordable care act is implemented and we see

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things like the market changes and things like that check on out. In terms of national trends, I mentioned it at the front end but I will mention it again. As of 2013, we are all paying what we used to pay in payroll taxes. The 2% holiday has been -- has been, you know, revoked, I get, for lack of a better word. So that is a factor in thinking about tax burden. I mean, it's not any larger than it was several years ago, but it was larger than it was last year for every single one of us. So you might put that in your thinking as you are deliberating and go forward. >> Riley: Sure. Well, it is all great data. We always appreciate your presentation. Thanks again. >> Thanks, chris. >> Cole: Mr. Martinez. >> Martinez: Thanks, mayor pro tem. John, thank you, I really love the line of conversation that everybody is adding to this so I won't add a ton to it. But I do want to at least throw out the suggestion that I don't want us to be quick to -- to dismiss the policies that we've imparted as a council as to the effect that it might have on the number of rental units that we are seeing at an all time record high. When you enact ordinances like mcmansion -- and I am not saying it is wrong do that. We just did it. I think it has an effect to if you are younger, it is going to cost you more to build that dream home under certain perimeters so you might wait longer. The other is creating transit corridors and vertical mixed use. All of those things are factors in my mind as to what we see in the spiking trend of the number of multifamily unit permits that have been pulled, and so I am not here ready to say it's good or bad, either way. I just think -- I want to look at it from the context of what council member morrison said. How many folks are below the federal poverty line at this point compared to below and factor that into it. But then, also, factor into the in migration and the

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average age and the kind of lifestyle, as you mentioned, that they are choosing to live, because I think@-- and, again, this is just me making assumptions. I thinks this kind of where we are head -- I think this is kind of headed as a city. This is how austin is planned. You want growth centers. You want workforce centers. And so, you know, I am interested in having a more detailed conversation, not necessarily about budget, but about these growth trends and how austin is changing. >> Sure. >> Martinez: Demographically. I think it is fascinating and I really appreciate my colleague's comments, because I think they all tie in to not only today's austin but they they in more so for me in the future of austin, what it's going to look like. So I appreciate your being here today. >> Thank you. >> Cole: Any other comments or questions, colleagues? Okay. We will move on to the next presentation. >> Thank you all. >> Mayor pro tem, members of the council, cfo for the city. John talked about austin as being one of the brightest economic stars in the country. While that might be true, i am going to do everything i can to bring us down to earth here in a few minutes. I do want to stay before i get started, john mentioned some of the slides may be a little hard to see on your screen so the presentation is online at austintexas.Gov, go to afo, austin finance online link and you have get to this presentation, if anybody is watching this right now. The first slide you have seen many times before. This is our general fund revenue pie. You can see form fiscal year '13, we see general revfunds ending at $62.5 million and the bulk of that coming from property tax revenues, sales tax and the next largest piece at 22% of our total fund general revenues and

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transfers and other revenues a each at 18%. One interesting thing about the slide is the first time in the the city is the transfer of our utility is actually the smallest of the four revenue sources, for the first time it is quite below the revenue below category. You can see on the right-hand side, the column chart, the trend growth in the percent of general fund revenue coming from property tax revenues as economies stag senatorred over the last few years and as the transfers from the utilities have actually been declining over the overall budget, the property tax share has been growing, and economies have been stagnated. >>. So we will hit on each of the major four categories beginning with property tax revenue. This graph here is presenting to you two different revenue paths, one at nominal tax rate which is the one we have 59.29 centss, and what the graph looks like if we were to maintain that tax rate through fiscal year 2018. The second revenue set scenario is that is what is defined as the rollback calculation, the maximum tax rate that council could adopt without potentially triggering a voter referendum on the tax rate. Projected av growth is an important consideration in those numbers. You can see for fiscal year 2014, these are based upon numbers from tcad and the tax assessments that they currently mailed out or projecting 6% growth. 2015 and '16 numbers we also worked with tcat on projecting 5% growth on those years and the outyears, the further away we get from today, the more inserted it becomes, so projecting 3.1% in the out years, which we feel is a conservative and prudent position to take. Average annual growth at the nominal tax rate would be

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$18.7 million of additional property tax revenue due to the projected increases in property values, both from existing properties as well as all of the new construction you see going on around us. The rollback tax rate, you would see annual average property tax revenue growth of $32.3 million. We like to look at the impact of our tax rates on the typical homeowners and we use median value home as a definition of typical homeowner in 2013, and the median home was $178,000 and it changes each time as the tax rate. The blue bars show the growth in the tax bill for if median valued home over time. It was $638 in fiscal year 2008. It has grown to $897 in fiscal year 2013. One thing we have added to our presentation this year and brought forward as part of this analysis and it seems timely given all of the conversation that was just had about median incomes, we have added a line to the graphic showing what percent that median tax bill is of your median family income. It's a little bit different data series than what john uses, but it tracks very closely in terms of the growth of it and fiscal year 2008, that 638-dollar tax bill reflected a little bit less than 1%, 0.9% of the median family income. And you can see there has been a light growth in that, up to 1.2% median family incomes in fiscal year 2013, so we feel like this is an evolution of this analysis we have been doing, where it started off with just looking attacks rates thanked's only part of the equation. The cost of the health is also a part of the equation, so we brought that into it and then, also, what is the cost of that bill, relative

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to people's income is another consideration we are bringing to the presentation this year. I think it's interesting to look at that across the other texas jurisdictions so that line that you saw there for the city of austin growing from 0.9% of incomes to 1.2% of median family income and how does that compare to other texas cities, because the tax rates -- the median home families, median incomes are all different in these different jurisdictions so we wanted to look at that, not only for the different -- large texas cities, but also, over time. We have switched here just a liking point of clarification. We are not able to get median taxable values from these other cities. They are not required to publish it. We request a special run of it from t tcad and they are happy to do it. Anyway, we switched over to a median sales price using data from the texas a&m real estate center, to make sure we mr. Apples to apples to give you that clarification. If you look at blue line for austin, it is a little bit different than the blue line in the previous slide, because of that. We are going from median taxable value to median sales price, but using median sales price allows us to do apples to apples jurisdiction, I think, a across the different jurisdictions. You can see the range for fiscal year '13, over 1.2%, fort worth in houston, at the low end, to 1.6%, up in dallas, and city of austin is right about the middle of the pack at 1.4% of the median family incomes going to pay for the city's property tax bill on the median valued home. Of course city of austin is not the only taxing entity in town. There is also the county, the health care district, the school district, the community college, the overlapping tax rate for homes within the city of austin is $2.42 per $100 of taxable value. The information on the right

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also takes into account the various homestead exemptions and other exemption that is the different taxing jurisdictions provide, and puts the information into a tax bill, so, again, you see the $297 from the city of austin for -- $897 from the city of austin for a median value home and total is $3,916. That's your typical tax bill for a median valued home, when we take into account all of the homestead exemptions and whatnot. This graph is similar to the one we showed earlier just for the city of austin but it is now if overlapping tax bill over time. The lighter blue bar at the top is the city of austin's share and the dark blue bars are everybody else. You can see right away that the city of austin is not the majority of the property tax dollars that are paid. The majority of it goes to fund the school districts, the county, hospital district, and the community college. That tax bill has grown over the previous five years from 3,072 back in fiscal year '08 up to 3916 in fiscal year '13 and you can likewise see what percentage of median family incomes that has taken up over time. Again, it is growing slightly over those five years. And the next one does the same thing we did earlier. But now taking into account the overlapping jurisdictions for all of these different cities within texas. I think this is probably the best we can do in terms of taking a look at the cost of government relative to median family incomes. You take into account differences -- it takes into account in tax rates, median value homes, differences in median family incomes and it is hard to compare one city to the next, also, because some -- for example, when the cities do the health care district, our numbers would have been higher, so it is hard to get an apples to apples service comparison when you are just looking at

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the city but when you lump everything all in like this, some of those variances fall out. So -- and you can see the trends -- there haven't been any crosses of the lines here, pretty much the relative position of these cities to one another has remained stable over the last five years in fiscal year '13. The low end of the spectrum is fort worth, about 4 and a half percent of median family income is going to fund local government. The high end is san antonio at 6 and a half percent and the city of austin comes in at about 6%. This has always been a favorite slide of mine and particularly this year. It is the first time I have been able to show it to you where every single arrow is pointing up. The first time I brought this forward, every single arrow was pointing down and colored red around so it core win side with what mr. Hockenyos was talking about and what the local economy has done the last several years, this is 18% of sales tax growth. The number at top shows total sales collection, including audit adjustments. The bottom line, current period tax sales collection and probably the better indicator of the two with regards to what is happening in the local economy. It is strictly comparing the sales tax we received from the sales each of those relative months, relative to the previous year but no matter how you look at it, it is positive news for our sales tax revenues. We do like to look at it over time. This is where we try to come back to earth a little bit, that while we are doing very well right now and our 6 month rolling average is up to 10% range, you can clearly see when you look at 20 years, this is volatile source of revennd you can see the clear dip in revenues we experienced following the pop of the tech bubble and then the housing bubble popped around 2008, 2009, the big dip we are all still very familiar

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with. This is another new slide. I am going to try to slow down and spend a little bit of time on it because there is a lot of information here. But the wavy blue line that trends up in the middle there, the thicker the lines with the squares on it, that is our actual sales tax dollars over the previous 23 years. And, again, you can obviously see how cyclica it is. The dotted lines at the top and bottom are strictly just, you know, there to restrict kind of -- reflect kind of a high end and low end. Kind of bound the data. It is a little bit hard to see on the scale there but it is a 20 million-dollar different between the hyaline -- the high dotted line and the low dotted line, so while the volatility may not look that severe on a graphic like this due to scale. We are talking about $20 million between the upper end and lower end so the swings are very signicant and have very significant implications for our budgetary planning. Red line is the linear trend line in the middle and not the one up. John hockenyos, we have the rf squared which is 0.9522, which clearly is a strong linear correlation over time of that data. The red triangles, as you go to the right-hand side there, reflect our projected sales tax growth, and those are dialed in at 3% per year, including the current year of fiscal year 2013. One thing I will point out and I actually put it on the slide here, is that you look over 23 years, we have had 7 years where we have been above that trend line and we have had 16 years where we have been at or below the trend line, so certainly we would want to be very cautious bringing forward to council any long-term projection that put us above the long-term trend line given the majority of times we are either on the trend line or below it and obviously there is difficulties when we fall below where we've forecast our revenue. So you go to the next slide and you can see our revenue projections and what they look like at 3% per year. It comes out to about $5 million per year of

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additional revenue coming in to the general fund at that projection path. I think that's -- while on one hand, I think it is a conservative estimate because year to date we are at 10.7%. Again, you look at it over 23 years, I think the prudent course to take would be to stay on the trend line adds we project out into the future. We mention up here, too, the policy of allocating sales tax growth above 3% and that that is a -- you know, a very strong policy. It positions us well to, you know, to budget at 3% and if we are fortunate enough to end the year to 10.7%, it is no at that the money is lost. It goes into our reserves. It goes to fund capital purchase, one, one time expenditures in future years and also adjust to contengincies. Think back to where there was a strong way to find affordable housing housing projects. We were able to allocate $10 million in reserves for the affordable housing housing project and still reserve our financial policies because of the reserve and postponement your we had taken. If we hadn't done that without violating our policies. Also viewed favorably by our rating agencies. We are one of the few triple a rated municipalities and i think our conservative budgeting and revenue forecasting postyour is no small part of that -- posture. Looking at utility transfers, one thing I want to point out to you in this slide is the austin energy transfer per the new calculation has been fixed, it is $105 million until such time that the 12% ofnonfuel revenue brings it above $105 million. We project it will happen in 2015, but, for 2012, '13-'14, it has been stuck at 105 million. We are projecting by 2016, we will get back into the

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typical growth path of 4 to 5 million-dollars a year. Over in the water utility, it is 8.2% of growth revenue and we are projecting average annual increase of $2.8 million from that transfer. I think we touched on this briefly earlier in the presentation but the general fund transfer is the percent of general fund total revenues, has been declining and declining pretty rapidly over the last decade. It was up at 24% of revenues that came from the utility transfers back from 1997. We are projecting we are going to end this year at 18.3% and we are projecting that decline to continue over the course of the forecast falling to 17.3% by fiscal year '18. Development revenue, you know, just take one look at this graph. It is very obvious. It is a very volatile source of revenue. You can see the clear peak in development we experienced in 2007-2008 and the big decline we had when the housing bubble popped and we had the contraction of the credit markets. We have seen a strong boundary. John talked a lot about multifamily residential permit activity and how it is the highest it's ever been. While it is the highest it's ever been, single family activity is not too savvy, either, seeing a lot of activity, projecting to end at fiscal 2013 at $17.2 million which would be the second highest in the history, short of the $20 million back in 2007-'08 period. We are projecting that to stay flat, so, you know, again, we are not -- like john was saying, we aren't seeing anything on the immediate horizon that the trend will slow down so we are expecting another 17.2 million in fiscal year '14 but over time we are expecting to come back to what we view a more sustainable level in the 12-16 million-dollar window there and we are expecting the window to shift up. I talked about this before,

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if you look at a lengthy period there between 1992 and 2004, our development revenues fluctuated between 8-12 million-dollar revenue window. As we look at fiscal year '13 and beyond, we are ing the quinn doe to shift up to the 12-16 million-dollar range for two reasons: One city of austin will be a bigger city and there's more permit activity, and more inspection activity as a result of this being -- of us being larger and us annexing additional areas but also we went through a fee analysis and increased the fees we charged the development services to bring them closer to cost of service and so for those two reasons, we are projecting that revenue source to see a permanent shift up. It will continue to be volatile, now doubt but we believe it will fluctuate around in the 12-16 million-dollar range. I won't spend a lot of time on the other revenues but as this sounds, this is everything else, charge for services, franchise fees, fines and penalties. For the most part, we expect the revenues to remain flat in fiscal year '14. Overall, I believe it is about a $2.3 million increase that we are projecting nor all of our other revenues come -- for all of our other revenues combined. That's 137 million-dollar combined revenue, we are projecting $2.3 million growth in it. We talked about two different revenue paths, one at the nominal rate, one at rollback late. Dark blue bar in the far left is our amended budget revenues for fiscal ye '13. The medium blue bars for '14 and beyond are the revenue growth path at he nominal tax rate and the turquoise bar at the top and the numbers in the black text show the additional revenue that could be realized at the rollback tax rate and there is a significant compounding effect that occurs here, and $11 million of additional revenue at the rollback tax rate of fiscal year '14, but if you were to continue to stay at the rollback rate every year, by the time you get back to

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fiscal year '18, it is $68 million of revenue, so with the compounding, you get to have a very significant difference in the revenue future for the city, depending upon the tax rate that you look at. I would like to move on to our general fund expend sure budget. This is our amended budget for fiscal year 2013, 754.9 million, with about 2/3 of it, a little bit less than 2/3 of that going to fund public safety. We have a graph over on the right there to show the growth in the general fund budget over time as well as the varjohns between the -- the variance between the safety piece and nonsafety public piece over the last two fiscal years. In fiscal year '13 it seemed that the bar spiked up a little more than previous years. Keep in mind, $12 million of that increase is due to the midyear budget amendments and a lot of that was one-time expenditures, so it was a drawdown of our reserves by $10 million -- 10 million-dollars was one time offense to fund our affordable housing housing program so that's a primary reason why the dip up in 2013 assumes to be there, or is apparent. Looking ahead our expenditure assumptions for the general fund, our forecast as existing programs and existing levels maintained. Elaine mentioned this and i want to mention the forecasting does not include any unmet service demands that have presently been brought forth by our departments. It includes funding for all currently authorized ftes, that is about 12,000ftes right now and of course not all of those positions are filled in any time so we do take into account a normal vacancy rate as making our projections. Similar to what we are showing you on the revenue side, we will show you two

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different paths. We didn't feel comfortable making a guest maillot as to what the labor negotiations are going to be, so instead of having certainty on the labor costs, and then be able to back into an exact expenditure figure and turn the dial in terms of what tax rate would needed to be able to support those expenditures, we are presenting a variety of scenarios for council's review here in a few slides. The funding for the employer retirement systems has increased in recent years. As we look ahead, we project it to be maintained at current levels, which is at 21.6% forsworn police and a little over 22% for our sworn firefighters. We do include inflationary increases for fuel and various other commodities including utilities, as we forecast our numbers out. Health insurance, john talked about that, expecting 5% increase for health insurance for 2014. I want to reiterate we have been doing better in this area than what industry standards would reflect. We have a very good employee wellness program, pe programs, and we have seen a reduction in this increase. It is still going up but itis not going up double digits like it had been and like it is still for many jurisdictions arund -- we think we are being conservative at the 5% health insurance increase at this time but we will continue to refine the numbers and adjust them accordingly as we bring the budget forward. In the future we are projecting 6% per year increases. It does include increase costs associated with the affordable housing care act. We are projecting that there will be additional costs because we are having to make changes to our plan design. There is also some term fee that is begin kicking in to help establish the exchanges that you've heard about, so there will be additional costs coming from the affordable care act, and we are rolling those into our projections, but, again, there is a lot of uncertainty there. We will have to revise those

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numbers as more information comes to us. We are seeing a significant increase in our workers' compensation cost in the current fiscal year. That is all based upon prior year experiences. We have had some very high costs claims in the previous year and so we are going to be needing a 20% increase in our workers compensation contributions for fiscal year '14. This is the cost center, it is not just the city of austin issue. It is a national issue but worker's comp costs have been growing pretty much in the double digit range for most jurisdictions over the previous years and we are projecting that to continue out in the future. The forecast does maintain two officers per 1,000 population ratio, that is necessitating 47 officers in fy2014 and based on current demographic projections, 192 additional officers over the five-year forecast. It has nothing to do with the perk study that's been done. It is strictly maintaining our officers per 1,000 ratio. And the budget process we went through and there was a lot of discussion about ongoing cost versus ongoing cost. The total ongoing cost of median one year budget amendment was $4 million and we included it for cemeteries and relief overtime for 24 hour police trail pilot, forensics, wild fire millgation, and additional planning staff, and we also have a variety of pard facilities, opening or expanding and we have the operating costs associated with those facilities in our forecast. Elaine spent a little bit of time talking about some of the various changes we have made to our shared service allocation models. This is how we share costs, things like our support service costs, our it costs, how we share those amongst various city operations, enterprise operations in the general fund and we made a number of refinements to those move tells in

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recent -- models in recent years and projecting this fiscal year '14 we will bring forward changes, first of how do we fund our growth and economic services offices, currently it is 11 and half million dollar budget fully funded by austin energy utility. We included forecast a four year transition plan to begin sharing the costs between the general fund, austin energy, water utility and resource recovery department. General fund impact in fiscal year '14 per the four year implementation program would be $900,000. There is also costs associated to the water utility and resource recovery with the savings going to our austin energy utility and we will be getting into that a little bit when those departments present their budgets to you via video on april 25th and of course they will be able to answer questions on the second. Our 311 call center is another one that had historically been established and fund and out of our austin energy utility several years ago. We transitioned that plan to a new allocation model that shares the costs with the general fund and the austin water utility and, again, austin resource recovery. We had very limited data at the time to do an accurate allocation. We just did ad hoc approach. Now we have good data with regard to service calls and the amount of times it takes to respond to the service calls for the various city departments so we are basing an allocation model on that data and recommending four year implementation plan to ease the transition, you know, ease the financial impact of these new funds we we are going to have to b taking on these costs, and there will be a half million dollar impact to the general fund as a result of that in fiscal year '14. Finally our sustainability fund, which we had a lot of discussion about during our last budget cycle, we began transitioning some of those sustainability fund programs, such as workforce

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development, child and youth development, neighborhood housing, these are the types of things funded over the sustainability fund. We had a discussion last year, we thought those programs were funded bet over the general fund. We began a process transitioning them last year back to general fund and we were able to eliminate contributions from the drainage and transportation fund into the sustainability fund. Now the money used for the sustainability fund, both transportation and drainage kept in their budget to use for community benefit type services that are appropriate to be funded by the transportation fund and appropriate to be by the drainage fund. In the current year, we proposing four-year transition for the remainder of the services into the general fund. It is, quite frankly, too much to take all in one year. It is about $6 million, so the proposal would be to do a four-year transition there, a mall and a half per year impact to the fund and increased cost accruing for the water utility and resource recovery. There is a lot of data on this slide. I won't go through it all. We are showing you two different effect pendture paths. First column being the expenditure for fiscal year 2014, if there were no wage increase and the second column showing a 3% wage increase, and provide you some detail ability how the break -- detail about how the break out is uniformed personnel and nonuniformed and the budget amendment and no cost and transfers, with no increase, we are expecting $29.1 million with increased expenditures with 3% wage increase in '14 that goes up to $47.2 million. Taking the same two scenario approach and then looking at it over time, the orange bar shows the expenditure growth path at a 3% annual wage increase. The red line shows a

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projected englishes growth path for no wage increase and similar to what happens to a nominal and rollback tax rate, there is significant compounding difference here, where in fiscal year '14, the difference is -- doing platt in my head here. 14. I am looking hat fiscal year '14, '14, difference is $14 million and by fiscal year '18, it is $72 million, so there is a significant compounding effect that occurs with these wage increases, and then this last slide, we attempt, without making -- hopefully without making anybody go cross eyed, bring it all together showing two different potential revenue growth paths and two different englishes growth paths with the, you know, the thought and the likelihood being we are going to end up being somewhere in between those two scenarios, both in terms of the revenues and the englisheses. I do want to point -- and the expenditures. I do want to point out on this slide, because of the scale again, it is hard to see but that orange line is indeed, above the turquoise blue bars for the first four four years. Etch roll back tax rate $5.1 million gap is projected with a 3.1 wage increase so in fy '14, .1 million gap, if we were on orange bar, fy '15, $8.1 million gap. Fy '16, it is an $8.5 million gap, fy17, a $3.3 million gap and not only fy '18 that we get back to a balanced budget, so in other words a 3% wage increase, although we are showing it as a snare yo here, it will give -- scenario, it will give us some sense what our cost structure would look like. It would not be affordable everybody with the rollback tax rate without reduction in other service areas. That concludes the general fund overview. I respectfully make the suggestion that maybe we ask questions about this part of it before we move on to our

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general government cip overview. >> Mayor leffingwell: Why don't you go ahead and do the rest of it? That way we will make sure you get through it when people start feeling off. >> Then I will turn the mic over to deputy budget ken springer and have highlights and then conclude with elaine with highlights from our enterprise funds. >> I am kim springer, budget deputy officer, good morning and we wanted to put more information out there regarding our capital program, more specifically if government cip, the gdcip is approved through voter approved bond programs. You see a quick overview of the three recent bond programs, 2006 which accounted for 567.4 million and 2010, 90 million and 2012 at 306 million. This graph gives overview of whether englisheses are represented -- the expenditures related in blue and inchem branses in contracts -- encumbrances in red and the available in green. We have $539 million remaining to spend on various projects on this. I want to provide additional detail for each of those programs, first 2006 bond program. 2006 consists of 7 propositions and when it was established, it was all intended to be approximately 7-year program. As you can see, the vast majority of proposition 1 for transportation is spent or incumbered, proposition 2 for watershed which includes open space acquisition and drainage projects will close out following fy '14. Proposition 6 shows significant amount of funding for a new central library, we will be bringing a construction contract to council here shortly that will change that bar significantly. Some of the highlights from fy '14 include, again, the

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new central library. Street construction and drain projects and one item that has been subject to discussion recently, the bar bartlomew pool and we expect the project to be completed fy '16 and the spending man is about $175 million. Moving on to the 2010 bond program, the 2010 mobility bond was a single proposition for $90 million. What I have shown here is the split between the two responsible departments, public works and austin transportation. At this point, about $56.8 million remains to be spent via the encumbrances and the available dollars. The construction for the contract -- the contract for construction for the boardwalk was a significant milestone for the program and accounts for $9.5 million in anticipated spending in fy '14 and similar to the 2006 program, we expect substantial completion by fy '16. And then next and finally, the 2012 bond program, as you are familiar in november, the voters approved 6 propositions that authorizes about $306 million spread amongst the propositions. Staff is planning on bringing budget amendment to council on may 9 for the initial funding of this program and get everything started. At which point, as with our prior bond program, we will switch to appropriations schedule that ties in with the annual budgeting process. Based on the work we have done so far for the development of is that budget amendment, we also have shown here highlights from the projects that we expect to see kick off via the budget amendment in '13 and then appropriations for fy '14 so you notice things like ih-35, mopac bicycle bridge, open space acquisition from watershed department, center shed motivation as well as montopolis community center which will be a joint facility between both pard

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and health and human services around expands our service capabilities in that area of the city. Also, a new fire station in onionreek, various branch library improvements and finally an austin film studios expansion. So that's just a quick overview of the bulk of the funding for the gdcip and i will turn it ore to elaine to cover the enterprise highlights. >> Thank you. This section will cover highlights for enterprise funds including austin energy, austin water, austin resource recovery, the cleans immunity fees, transportation fund and drainage utility. We have chosen these because they are forecasting rate or fee increases that will have an impact on their customers and our citizens. These highlights will include their staffing plans, significant items in their forecast, their capital program, as well as their rate projections. I will go through these very quickly, reminding you that we will have detailed presentations for video, and a q and a section. For each of these. For austin energy, there are highlights. They do have a staffing plan to add 13 new positions in the next year, if you recall, they have had a moratorium on new ftes for the last 3 or 4 years. I think have added none. They are forecasting to add 13 in fy '14. And 59 new positions over the five-year period. As a result of the recent rate increase and debt service savings from their most recent bond sale, they will be able to begin replenishing their cash reserves that were discussed during the rate proceedings beginning in 2015 and they are projecting electric sales, compounded average

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growth of 1.3 percent and one percent annual growth in the number of customers. With respect to their cip, it is not much different than in past years. Their fy '14 spending plan called for about $220 million for control system upgrades, emissions control, street lighting changes, and then distribution upgrades and growth needs as well as community solar projects. They do have a $1.2 billion program -- spending program over the five years for power production transmission distribution and other projects, and this does include an expansion at the sand hill energy center, with the expansion costing in 2015 and '16 with that expansion coming online in 2017 to address additional growth in their customer -- in their customer demands. They are not projecting any base rate increase for 2014 and don't expect to have any additional increases forecast until 2016, and they are staying below their 2% growth in -- rate goal. They are projecting 1.9% in '16 and another increase of 1.5% in ' -- at the end of the forecast in fy2018. Obviously these would be subject to the council's approval and rate processes. Things that they will do in the interim. With respect to the typical rate payer, they are forecasting to see a 93-cent per month increase in 2014, and that's primarily due to the new community benefit charge that was added in the recent rate approval and that is for energy efficiency programs. And the next, expect to see

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$7.16 per month increase over the 5 years. Moving on to austin water, they are also implementing a 5-year staffing plan, as you recall last spring, we told you we would be bringing this back to you this year. They are adding -- forecasting to post addition of 63 positions in 2014 and 200 new positions over the 5-year period. Some of this growth is obviously the water treatment plant for project, is including coming online and many of these positions are for that, but much like the utility -- energy utility, the austin water utility has not added f.T.E.S over a long period of time, so they are seeing a need to add additional staffing over the next few years. They are also very much driven -- their cost structure is very much driven by their debt service on their extensive capital program with their debt representing about 38% of their total requirements, and they are seeing a 12 million-dollar increase in debt service. There are capital highlights. Actually, they are a program because water treatment plant form construction being in a more complete stage. Their actual five-year program is coming down compared to prior forecasts, so it's just under a billion dollars, and they are projecting to spend 237 million in 2014. Of that about about 83.3 million is for the completion for water treatment 4. They are also forecasting rate increases for each of the forecast years, and for

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'14, they are forecasting 3.6. For '15, 3.8. 16, 3.8 and the final two years of 2 and a half -- 2.3%, for an average annual increase of 3.2 over the horizon period. Austin resource recovery is discuss has some significant one-time expenses in the current year budget and, as a result of those being one time expenses, they are having some savings of about 3 point -- 3 million in next year's budget, as they won't be having if consulting -- they won't be having the consulting costs relaed to the recovery facility or the extra costs for the integrated management system in their single use bag ordinance. They are also proposing additional positions of -- 11 positions in 2014 to enhance their collection and 0 waste programs and add to support staff and ag total of 18 positions over the 5-year forecast. They have a smaller cip or capital program, but it is still large for this utility and 78 million over the five-year horizon and highlights of the '14 spending plan includes 2 and a half million for their eco industrial park and 3.6 million for the closed landfill remediation at harold court, and they are not projecting a change in their base rates for flexions in 2014 and they will see an increase in '15 and customers would see a total increase of $2.75 per month over the five years.[One moment, please, for change in captioners]

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>>... Increases in 2014nd then 2016. But together there will be a slight increase over all of the years. Code is projecting or forecasting to add 19 new positions in fy '14 to -- for additional case investigations to support their short-term rentals program and additional support services. And forecast to add 65 positions over the five-year forecast. There are also -- they are also projecting technology upgrades regarding their case management system. And with two utilities left, we'll talk about the transportation utility. The transportation fund. They are projecting four new positions in '14 for additional enhancements to traffic and engineering services. And to enhance their signal programs for traffic and pedestrians. They do have a sizable capital program for public works and the transportation department combined. Spending is 126 million for '14 and 2 -- about 234 million over the five-year horizon. And these improvements will include ih 35 corridor improvements, mopac access and ada compliance at the bus rapid transit bus stops. They are not forecasting a -- a fee increase for the transportation fee in fy '14. But they do see an increase for '15 of $1.48 per month and over the five-year horizon $3.24 per month. The last utility is the drainage utility. They are forecasting staffing needs of -- of anadditional 15.5

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positions in '14. 10 of which are for the operation of the waller creek tunnel, which will be completed and a total of 21 21 -- 21.5 positions over the five-year forecast. They are also increasing their transfer for their capital programs which are primarily cash funded from 21 million in fy '13 to a total of 31 million annually by fiscal 18. This continues their long-t plan to increase their cash funding of their capital program. Their capital program for '14, they are projecting about 132 million in total spending with a total program over five years of about $327 million. Of the 132lion in '14, about 54 million is related to the waller creek tunnel. And this program als includes 22 million related to waller creek surface improvements. They will be seeing rate increases or projecting rate increases to the drainage fee, which funds their program. 85 cents per month for residential customers is projected in '14. And a total of $2.90 per month over the five-year horizon. The next section will summarize major tax rate and fee increases, included in the -- in the fy '14 forecast. To get a -- to get kind of a one-page look at the total impact to our customers and citizens. This is the proposed impact on a typical residential rate pair or customer. We've got the same calculation for 2013 and '14 and then you will see a monthly dollar change and

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you -- the chart will list each of the utilities that i just covered, our enterprise funds that I just covered, as well as the property tax bill. And I did want to point out on the property tax bill, we are assuming what I would call a worst case or at the roll back rate. Knowing that the council may choose to adopt a lower rate, we have chosen that as the high end. So we'll see a $13.58 total impact, total monthly dollar change and that is about an overall 1.5% increase over the -- 4.5% increase over the prior year, '13. Going to the rollback rate, I just want to remind you that we do have a report coming to you on unset service demands that is not funded in this forecast. Those new services and programs are not funded. And remind you again of the graph on the labor -- the labor and negotiations, the wage adjustments, there's a range on that. To be -- to be fit in with the -- with the -- with that tax rate. We do again have lots of information coming out next thursday and two weeks out from today we'll have an all-day work session with council on the departmental forecast. Then we kick off a period of time where we do our public engagement and -- and take all of that input and guidance into the manager's development of a proposed budget, which we presented in august. We'll follow that with -- with budget videos and -- and budget work sessions, public hearings, on tax

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rates and -- and utility rates and then mid september -- we will be back to the budget readings for budget adoption. In conclusion, I want to thank the city manager and his staff, the department directors, their staff and financialagers, especially ed [indiscernible] it's a lot of work. Can't be done without all of us. That's what makes this possible. But that concludes our presentation, again ed said that the document was online and available and has been, so -- as we started the general fund, return the floor back to you, mayor. >> Mayor Leffingwell: I'm like a broken record on this, I know. Point out that the rollback rate for this next cycle is 5157, correct? >> Yes. >> Mayor Leffingwell: And so -- so if you divide that by 1.08, you would get the effective rate; is that correct? >> I can give you the effective rate. Just give me a second. >> Mayor Leffingwell: The reason that I always ask this question, because if you say we keep the rate constant at 5029, the nominal rate constant, it still might be a tax crease, one that we would have to post notices in the paper for and all of that kind of stuff. I always just like to know if 5029, even though it's the same rate as last year, is that a tax increase according to state law? >> It would be, it generates $11.2 million of additional revenue. >> Mayor Leffingwell: What is the effective rate? >> The effective rate is 48.34. >> Okay.

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Tax rate for the average citizen versus tax bill, just note that -- that -- that a city -- city goes up, tax rate versus bill goes up from 20.8 to 22.9, county goes down from 20.7 to 18.2. I assume that's because of the homestead deduction. >> That's correct. >> And not too big of a difference in the average or average value or median value home; is that about the same? >> There is a difference. But there's no difference for this cculation. We use the median valued home for our taxpayers. So ... >> Is it inside the city a lower median value than in the county? >> I would have for check on that for you. Going to the expenditure side, I notice the budget maintains 22.0 officers per thousand. >> Yes. >> And does that include -- in mid -- in mid year we made, incurred an increase in the number of officers required of 24 for the hike and bike trails, th embedded in that 2.0. Or is that -- >> that is not. The mid year final approval was for additional overtime funding to fund the trail on a pilot basis. We've included the annualized overtime costs in the '14 forecast, but we have not yet included any additional office -- >> no additional officers for that. That's additional overtime only. >> That's correct. >> Is that more expensive or less? >> It would depend on how many officers they ultimately add. But I mean the per hour rate for overtime, of course, is higher. But you don't have to pay the benefits on it. So it kind of comes out to be about a wash. >> Mayor Leffingwell: Well, I want to pursue this further, but not today. We've got several months here before, but I think that's a consideration we have to evaluate.

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Anyone else? Councilmember martinez? >> Martinez: I just want to confirm, ed, put it on the record, everything we ask gets turned into a budget q&a, is that correct? Goes on to the online -- >> that's correct. Either today -- we're keeping track of your questions, we ask them after the fact the email will get them all posted and responded to. >> Since hockenyos presented the stars and you threw out the comets or meteors, i want to go to the one slide that is fairly self explanatory, which is slide 68. That -- that where -- where you kind of lay it out to us that -- that if we contemplate 3% raises, annualized, over the next four years, even at the rollback rate, we won't be able to cover that cost. >> That's correct. Based upon the revenue forecasts, the projections, the assumptions that we've laid out for you, that is correct. >> Martinez: So I -- so i think the -- the assumption is pretty clear, we shouldn't be negotiating at 3% if that's -- if that's what we know now, that shouldn't be our starting point. And it seems to project that as if this is a starting point and we're already saying we're going to be millions of dollars short. So I just want to lay that out there, that was to me a -- an -- eye opening, i will leave it at that, it was eye opening. How can we possibly even put something up there like 3% when we already know at rollback rate we won't even meet those cost projections. I certainly recognize the workforce want to treat them fairly, negotiate fairly with them. But they see this slide just as we do, I hope they take that into consideration. Referring to the ecr, sustainability fund, how we're going to wean it over

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a four year period and disburse it amongst different departments. What I wanted to ask is -- if it's -- if it's projected to be a certain amount over four years -- over a four-year period to get to that final goal number. Do we have a budget policy or can we create a budget policy that would allow us to achieve that quicker if revenue projections are higher than anticipated, because what I don't want to see is if we do better than we think we're going to do on the revenue side, all of that money just going into reserves for one-time expenditures when to me disbursing egr so evenly is a very high priority to get it completely, not completely, but to get it mostly out of austin energy, can we do something to that effect for egr and for the sustainability fund? >> Well, slide 65 is what we're talking about. And -- and we do not have a policy about how those costs get allocated, but as we go through the budget process, we can certainly look for ways to expedite that. >> Martinez: Yeah, I would just like for us to consider if revenue projections arehigher than anticipated, to me these are high priority goals. And that we try to achieve them in a little quicker timeline as opposed to taking that excess revenue and putting reserves. >> If I may, in the context of this being a forecast, we had to -- you know, pick a strategy, if you will, for locating that cost and across those other enterprise operations. What we will be doing from this point on obviously is -- is fine tuning and, you know, based on th forecast numbers and the additional information that, you know, that we'll be taking into consideration. So what you suggest is possible. We just don't know at this point. >> Martinez: Sure. I absolutely city manager realize what you have projected may be over ambitious. We may not achieve those goals. >> That's right. >> Martinez: I certainly have that in mind. I just want us to think about we're able to achieve this goal a little

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bit faster, I think it's been a high priority for quite some time to try to even this out in terms of who pays for those services. Then the last question, kimberly, I wanted to ask on the bond program, does the -- does the budget that we're contemplating, maybe it's an ed question. The budget that we're contemplating contain all of the cost drivers that are associated with potential bond items that will be funded this year as it relates to ongoing o and m. >> Yeah, we do include those o and m costs in the projections. >> So in prop 7, kimberly, in the public safety bond prop, what is the remaining 14.3 and when will -- when will that be allocated? >> [Indiscernible] >> the 14.3 is associated with the municipal court location in northeast substation. That project has never had sufficient funding so we're still looking at all of the options that we have available to determine the best next steps for the project. >> Okay. Great. Thank you. >> Martinez: Tha mayor. >> Cole: Mayor? >> Mayor Leffingwell: Mayor pro tem cole. >> Cole: I had a couple of questions, in the past, you presented a slide very similar to the one presented on page 48 where we're looking at a property tax bill as a share of median family income over -- as compared to other cities within the state. What I'm curious about, i don't see it in the slides that you've presented today, if this as reflection of inflation because I think that you presented that last year and it was real illuminating to me and so i want to request it again. I believe what we did was show how that -- that although our property tax rate had increased, it had not increased at the level of -- of inflation and so that's some of what we're seeing in the push for employee increases in salary and so we are -- even though we're bringing in more revenue, we're not really bringing in enough revenue

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to match inflation. Do you remember that? >> I do remember the slide that we did that compared the median tax bills across all of the jurisdictions and then that kind of evolved into this when we are showing here this also takes into account the -- the share of that median tax bill on -- as a portion of median family income. So that line does incorporate all of that stuffhat the median tax bills would be going up because costs are going up due to inflation. Also theoretically under inflation wages go up -- [multiple voices] >> this captures that? Maybe I am recalling, did you do an analysis with cpi? >> I would have to go back and look. It's not jumping out at me what analysis we did that took a look at cpi. >> Cole: Okay. If we have that, I think that would be level for us to have. I want -- that would be helpful for us to have. I want to commend the city manager and all of the professional staff working on the development review process and the fact that we have relieved some of that backlog. I wanted to look a little bit at the trend that doesn't look like much of a trend because it's so volatile on the development review trend. What do the dotted lines mean? Could you -- you just do not know what we're going to do in the future? The -- that graphic is of -- is of the projected revenues, the solid line is known and actual revenues, the dotted line is what we're guessing is going to occur to development revenues in the future. So we're just trying to designate between actual [indiscernible] and what we're estimating which is, you know, it's a difficult revenue source to -- to project given the volatility, you know, you're seeing. It's hard to, you know, to know with certainty three or four years down the road if

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we're going to continue to see all of the cranes downtown or if it's going to slow down a little bit. It's dotte because it's a projection as appear possessed to an -- as opposed to an actual. >> Cole: When we look at hockenyos projection, looks like we are going to see that kind of growth. It's nice to see you are being conservative in the growth and what you estimate it to be. >> The dotted line is high initially. We're projecting to some degree what john is telling us, but also, you know, conversations we've had with our planning department and what they are seeing coming through the pike and discussions they have with the development community. We're projecting $17.2 million this year. We're projecting $17.2 million next year, which other than that big peak, other than that 20 million-dollar year those are the highest we've ever seen, but we don't think that's sustainable year after year after year that we project it to come back down to more in the range of 14 million in the out years. >> Cole: Thank you, mayor. >> Mayor Leffingwell: Councilmember morrison. >> Morrison: Thank you, just a couple of questions on timing first. I want to thank councilmember martinez bringing up the issue of highlighting slide number 63 I guess, 63 or -- or 68. But I do have a question about the timing on our labor negotiations. Is that -- when are those going to be brought to council to finalize, so when will we know sort of what we're dealing with in terms of -- in terms of c. >> Good morning, michael McDONALD, DEPUTY CITY Manager. We began all three labor negotiations around february. It's -- it's difficult to predict at different times because it depends because there's a lot of other issues that are discussed, even outside of the financial side of it. I, you know, I can tell you that in each of the negotiations, either the feel we get with the unions it has been good.

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Our -- certainly our goal is to try to get those -- get those contracts completed. You know, around the time, you know, shortly thereafter when the city manager presents his budget, you know, so we'll have that information going into august. But again it doesn't necessarily mean that can occur, but that's certainly our goal. >> Morrison: Okay, great. So we'll be able to hope to have it finalized in time to really see how it's going to shape the budget and I just think that -- that as pointed out by -- by my colleague, councilmember martinez, 68, not only does it show that it's pretty much not sustainable, but you know we try to keep the tax rate down and it could show in fact that the impact on affordability in terms of even without having new services, we would end up -- having to impact the tax rate like that. Which does bring me to another timing question. There is an item at the state right now that we have endorsed in terms of supporting a -- a -- a homestead exemption for a fixed amount of money as opposed to a percentage which is what we're allowed to do now. I presume that if that were to pass, that would be something that we would consider obviously not for impacting fy '14, but it could impact fy '15. >> I think that's correct. But I would, you know, need to relook at the actual legislation to make sure that that's what's being proposed. >> Morrison: Okay. Great. And then on slide if I could jump to slide number 75. One question, clarification. No it's not 75. It's the one on austin energy, apologize. I got the number wrong. >> We are looking at the rate pction, .93 cents per month increase in fy '14 to a typical rate pair at

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the bottom, primarily due to the community benefit charge. So that gets adjusted each year, can you reminds me? >> Yes, I will. As you recall, there's some pass-through charges for austin energy that they plan to bring back each year in the budget cycle to reflect increases in the program costs that those items are to fund and the community benefi -- included funding for the energy efficiency and rebate programs that austin energy maintains so they're seeing an uptick in that. There will likely be a change in the power supply adjustment although it's not known at this point exactly what that will be. They don't expect it to be large, but those will be brought back in the budget proposal. >> Morrison: Thank you, one other thing that you mentioned when you were talking about this slide is the plans for -- for fill up the reserve funds and refurbishing them and that is -- that is the projection is that those are going to be -- that we'll be able to start doing that in the next couple of years; is that correct? >> Yes. That process will begin in '15. Projected right now, if all things go according to the forecast. >> Morrison: Okay. Great. Then the last question i have is on slide 78, it's about the claimed community fee and a couple of things jumped out at me here. This is a -- this is a fee that only applies to single family and businesses; is that correct? >> Yes. >> Morrison: But on the other hand it appears that it covers -- does it cover other things besides just services in the city that only single family residents care about? >> Well, it covers essentially code compliance activities, street sweeping, antilitter activities that are brought forward by the

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arr, so -- >> Morrison: So not really. So it really does cover things that apply to all residents whether or not they live in multi-family versus single family. >> Oh, I think it does, yes. >> Morrison: It does. Have we ever looked at a way to capture the cost so it's not just single family and business, single family residents and business cover those services? Because they are services for everybody. >> I'm not aware of that, but we can follow-up with you on that council budget question and give you some more information about what the [indiscernible] of that might be. >> Morrison: All right, if we have a history of having funded it differently, but that's just something that jumped out at me. The other thing that jumped out at me is the fact that you are listing under forecast highlights here, short-term rentals. I thought that short-term rental fees were supposed to support the cost of managing a short-term rental program. Are we shifting away from that model? >> Mayor Leffingwell: I -- the -- I mean what we're showing here is both forecast highlights and rate highlights and so there are positions that -- three positions that code compliance is projecting to add to the short term rental fees. And I believe that the rental fees are projected to be sufficient to pay for those, but the clean community fee is separate. It's to pay for the case investigators that are being added. So I -- I would make sure -- I'll follow up with code compliance and make sure that they address it in their presentation, but I do not believe there is necessarily a connection between the three being added for short-term rentals and the fee increase that's being requested. Those would be paid for through the program. >> Morrison: So even though we have a clean community fee here, the forecast highlight is really a departmental forecast highlight -- [multiple voices] >> didn't want to say we are only adding 16 positions

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when we're really adding 19 -- >> Morrison: If you could just follow up and give us information on how the revenue from short-term rental is matching up with the [indiscernible] with that. That would be great. Thank you. I want to say one other thing. I want to thank you all for this presentation and the work that you have done. I think one of the really positive aspects of it is that the way you've broken it down and same for mr. Hockenyos is to really sort of provide information in context for our decisions as opposed just a bunch of data. So it's really very helpful and I appreciate that. >> Mayor Leffingwell: Before we go to the next question, I want to recognize some guests that just came into the room, with he have a group of -- of four journalists from moscow. When I left for a few minutes just a little while ago, I went up to talk with them a little bit and part of our discussion was about local city government and so here they are. Watching it in action. So welcome to the meeting. Thank you. [Applause] >> councilmember tovo? >> Thanks, I echo the thanks for the presentations, it's been very useful. A couple of very quick questions. On page 64, do you -- can you reminds us how much of that figure includes the overtime for the a.P.D., For the [indiscernible] if you don't have that figure, i can just submit it through the q&a. >> It is $1.1 million. >> Tovo: You mentioned of the 19 mentioned for code compliance, three were str related? >> That's correct. >> Tovo: I guess that i have the same question for page 63 for the water utility.

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Of those 63 employees, how many are -- how many are -- maybe I don't have the right page number. For the austin water utility, how many of the 63 employees are for water treatment plant 4? >> We are looking to see if we have the breakdown. I do know in austin water utility's presentation, they have a very lengthy presentation [multiple voices] >> Tovo: Okay, great. >> Presentation on their staffing plan, what it's all for. We are looking to see if we have the number. I will get it to you if we do. >> Thanks. Lastly on page 80, with regard to the surface improvements for waller creek tunnel, the waller creek surface improvements are indicated at 22 million, is that from the bond, from the 2008 bonds? >> No. The $22 million would be through a separate certificate of obligation issuance related to creek erosion mitigation. >> Tovo: There was bond money though as well for surface improvements. >> There was $13 million included in the 2012 bond related to waller creek, 3 million specifically for the [indiscernible] waterloo and palm parks and $10 million for the creek and trail area in general. >> Tovo: The bond prior to that, though, I thought had some money in it for sabine street and some other waller creek related surface improvements. [Indiscernible] [multiple voices] >> the 2010 bondludes 1.7 million related to sabine and there was also some funding related to 6 that I don't have right at my fingertips. >> Tovo: It would be good to see what was in the 2010 bond, I thought there was bank stabilization money in 2010 as well. So the 22 million here would be for a certificate of obligation? >> Yes, ma'am. In the 2010 there wasn't anything related to bank stabilization, it was just

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roads related to items in that area because it was focused specifically on transportation. >> Okay. Okay. That's it for right now, thanks. >> Councilmember tovo, the answer to your question, i have a partial answer. For water treatment plant 4 they are proposing 17 positions of the 63 for fy '14. I don't have a five-year total. >> Tovo: Okay. Thank you. >> Spelman: Mayor? >> Mayor Leffingwell: Councilmember spelman? >> Spelman: I have three big questions and one little question. And I'm not expecting necessarily answers to any of the three big questions, but I want to put them on the table so we can all think about them. The first one is related to the same things that several of my colleagues have already identified which you properly identified as the graph on page 68 which shows that more or less we cannot afford a 3% wage increase for all employees. I understand where the 3% comes from, because as -- as john hockenyos mentioned, 3% is the magic number, it always comes up whenever we talk about things like this. How should we think about the proper size of a wage increase? Let me give you three possibilities here. One of them is just pick a number, 3%, sounds like a good round number, it's a number that we usually use. A better number might be what's been the increase in the per capita income, the taxpayers' income available to fund that increase. Over the last four years it's been about 1.5%, which is about half the increase that we're talking about here. It was about 4% last year, but that was a catchup year for cities all over the country and average the last few years has been considerably less than 3%, even given our status as relatively exalted status economically speaking, we still haven't come anywhere near 3% increase in per capita income, I hope i didn't run them out. Over the last few years. >> Mayor Leffingwell: Exciting.

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>> Spelman: Really was. Seems to me what we're talking about is how much will our taxpayers be able to afford? It's probably not going to be 3% just based on how much money is in their pocket. If we looked at the market, how much comparable jobs are going for outside of city government, so far as we can compare them, I imagine that's not been 3% either, but that would be a different metric that we could use. The last question that i -- the last question that I would ask is 3% equivalent in effect on employees as a 3% wage increase for non-public safety? The reason I ask that is because I know people in the police service and I suspect in the fire service get step increases every year, even if there's not a general wage increase, you can expect to get a little bit more money in your pocket. I'm not sure that's true for everybody outside. >> Yeah it's true. >> Beg your pardon? >> The step increases councilmember are every three years per the pay scale. But yes every year there is a cost driver for step increases because some folks will get it this year, some next, some next. [Multiple voices] >> Spelman: I'm going to get paid more -- [multiple voices] >> whether we allocate a pay raise or not, you will get a step increase every three years. >> Spelman: I'm just not as aware as perhaps I should be, is that going to be true for all employees or is that not for all employees? So the public safety employees are going to be in slightly better position, a 3% general wage increase is going to have a bigger effect on the amount of money in their pockets than it woul be on everybody else'. >> Certainly for some. >> I guess that I'm putting that out there not because I'm expecting an answer right now, but in part if you could offer me a way of how you are thinking about this when negotiating the contract for the public safety agencies and how we're thinking about the proper size for a general wage increase for the non-public safety folks, that would help me have a sense for what kind of numbers to expect, what kind of numbers would be fair. >> Rather than just in writing, it's probably a

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conversation because we arein the midst of negotiations that we need to have in executive session. Just for those reasons but we're happy to have that conversation and provide our perspective. >> Spelman: Did I leave anything important out as far as what I should be thinking of to get a sense for what would be a fair wage increase? >> There's a lot to take in. I can't at this point imagine that you have left anything out. Those are pretty substantive questions. [Multiple voices] >> over the course of this conversation we can perhaps get at those if you have left anything out. >> Spelman: The short answer you identified a 3% wage increase across the board is simply out of the question, we can't afford it. It would be inequitable for the taxpayers and certainly not something we would be able to bear. Second big question, you probably can come up with a an answer for, probably not now. On sheryl's question, broadly, I started to come up with a table while you were talking about percentage increases now and a projected percentage@ increase over the next five years in our revenue requirements, our spending needs for not just the general fund but for all of our enterprise funds. And the way it's broken down here is in lots of little pieces, sometimes is a dollar increase, sometimes it's a percentage increase, sometimes you get one year, sometimes you get three years, so on, it's kind of across the board. I wanted to know, what i really wanted to get is an answer to the following question. Over the nextr and over the next five years, are we expecting to be taking a bigger percentage of the average taxpayers' income than we are taking now? And I don't know whether I've got all of the information here to answer that question, [indiscernible] projecting in five years, we don't know how much we're going to spends, seems to me that's a really important question for us to be asking. Really very much like what kind of wage increase can we afford just a broader

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version of that. Adding up all of the services that we're expecting to have to spend money on between now and five years from now, is this going to be something which is taking a bigger and bigger percentage or not? >> [Multiple voices] >> off the top of your head that would be great. Guessing we will all have to go -- >> Mayor Leffingwell: We had those numbers for past years. >> Spelman: We do. The answer is yes we are taking a bigger percentage. At some point we're going to have to stop. Last questions follows off of john hockenyos's lead. >> I'm sorry, when you say stop, the only way to stop is do something to push down -- >> Spelman: Right. >> Any kind of rate increase. In the property tax. You know, it definitely won't end there obviously because there are cost drivers on the other side that we have no control over. So -- so, you know, the two perspectives at some point they bump right into each other. We would have to make some adjustments someplace else just because we are always, as you know, physically constrained. >> I guess I was getting into fiscal constraints. We are nowhere near taking such a huge percentage of the average taxpayers' income that's a hard constraint. But I think it's a political constraint. Some people are going to say wait a minute this is too expensive of a place to live. The services are great. It's a well-managed city, but honest to goodness I'm going to go back to riverside california. I think it will be a long time before people want to go back to riverside california, thank you very much, but we should try to put that day off as long as possible. >> Mayor Leffingwell: That where you came from, councilmember. >> Spelman: One part of california where I'm really, really happy I didn't come from. Last big question, follows off of what john hockenyos is suggesting. Which is several of these slides we're comparing ourselves to texas cities, one of them in particular i was a little bit alarmed about which is what triggered the previous question. When a percentage of -- i

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don't remember exactly what it is. But we're comparing ourselves to -- to the other four biggest cities in texas. And finding that the percentage of either income or median housing price, that we're taking out in property taxes is -- is second highest and increasing in size. Now, the next slide doesn't matter so much as our point is we're comparing ourselves to four other texas cities, but we're economically competing with a lot more cities that are not inside of texas and I think the information is going to be available at least on a broad brush so that we get a sense for how we stands in terms of general spending and revenue. With respect to cities outside of texas. It would be helpful for me to -- to have a sense for how we're doing. >> Larger list of comparable cities. >> Spelman: Optimal, yeah. Those are the three things which I was pretty sure you weren't going to be able to answer. Here is a fourth one which is real small and I bet you can answer. A couple of places at your you're using as a metric, maintaining the police officers at 2.0 per thousand. I wonder why we're still using metric, what it would take to persuade you or the police department to change that metric. >> Rather than ed, let me ask mike to come forward. >> Spelman: How can I help you get better instructions, chief? >> michael McDonald, deputy city manager. The -- and I think that i have commented on this before, you know, and i guess this is -- this just entails a larger discussion among all of us in terms of -- in terms did of that 2.0 officers and why it's used. I mean, you know, long before that, as many departments do, you -- you take a look at the resources and you -- and the challenges that are taking

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place in the community and you use all of that, your response times, the officer availability time, you know, many other things that you are familiar with. And that's how you come to make a recommendation on -- on what the resources are that a police department think they may need to keep the crime rate down and keep the community safe. This community, you know, ain it wasn't just a police department discussion. It was involved councilmembers and city management at the time, you know, there was a big debate taking place here in this community, very engaged debate about what's the sufficient number of officers that it takes to keep a community safe. You know, there's -- there is -- to tell you the truth, there is no absolute number, you know. You really have to kind of look at the resources that are needed, you know. We compare ourselves, you know, I think our officers the number of officers we have in a city this size I think we do a fantastic job. But again there's no absolutely. You can look at a city such as washington d.C. That last number that I looked at had close to five officers per thousand and of course everyone is familiar with the challenges they face. You look at a comparative city, such as a san diego that has a low officer per thousand close to ours, relatively safe community. So there's no absolutely number to use among those -- along those lines, but the -- but when we discussed all of that here in this community, with the community members, the council, the city management at the time, that different numbers were floated around and so -- so a goal was put in place to try to achieve two officers per thousand and trying to, you know, maintain that. And so -- so that's where it's coming from. I hope that I answered your question. >> Spelman: I understand the historical background. And one of the reasons there's a whole bunch of

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reasons why there's this -- a lot of uncertainty as to the proper number. But one of the things that we've done in the last 12 months to try to get a better justification, a better -- an evidence basis for the number of police officers we need is to hire a national association of big city police chiefs that acevedo was a member of, to conduct a study, give us a better understanding of the number of police officers we need, how to change over the future. One of the things they said very clearly is that 2 officers per thousand is not a particularly good metric. It's not -- it's easy to calculate, but in all other senses it is not -- it does not compare well across jurisdictions, maybe they need five officers about her thousand in philadelphia, maybe 1.4 in san diego perhaps because their violent crime rate in san diego was the lowest of any big city in the country, even lower than ours which is quite good. It's hard to tellut if you base is on workload, then -- if you base any changes in the current situation on workload rather than merely population, then we'll be closer to what it is that the police officers actually do all day and we'll be closer to a comparable situation between a police department and all of the other general fund departments and enterprise departments which require at least some evidentiary basis before we start a new program or increase the number of employees. So I would prefer to keep it on theame level playing field and I would suggest finding some other metric. I'm not sure what it would be other than to suggest what the first people thought was a good metric was the percentage of police patrol time available for self initiated activities. That was the one thing where we did not have -- we were -- had a lower percentage of time available for self initiated activities than other comparable cities around the country, that's something that I think all of us agree is the time available for community policing for knocking on doors for going to community meetings, for

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ing people figure out how to police themselves. And that would be a -- a metric which would help us identify the number, at least police patrol officers would need. It's a little harder to calculate. But it would make a lot more sense in -- in the broad context of what it is we want our police officers to do. >> Yeah. >> Probably my only concern about just taking that portion of it is that there's so much more that a police department does than just that part of it. You have everything from narcotics intervention to traffic enforcement. That really don't pan out along those lines. So -- so -- the other talks about the possibility of needing more police officers than what we have used with the two officers per thousand. It really comes down to the community discussion and in terms of -- and discussions here, you know, among council because if you look at say the needs that the police department would put together would submit to you that they could probably come to you with a request more than 47 for many of the other things they want to do. So it really comes down to, you know, you can have an approach of a 2.0 officer per thousand or you could have a -- some police departments submit what their needs are and then still going to come down to a decision here and in terms of what we can afford and how much we are willing to spend. [One moment please for change in captioners]

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I think what I was hearing chief mcdonald say is that two per thousand has been in place for awhile and if you look at some of the stats, the metrics, comparatively speaking, austin seems to do pretty well. You were making that point yourself. But we are. There's no question. Although there's growth and development that we're feeling and all of these metrics were here first in terms of generating jobs and people coming here, that is putting a lot of pressure on us certainly and I think in terms of what we have to provide, level of servicewise in terms of law enforcement. So is the level of service right? Is two per thousand the right response? It seems to be. >> Spelman: I won't dispute that we have done very well. The police department seems to be providing very good service. But it -- I said this before and I will say it very briefly and I won't say it again, at least today. I know the mayor wants to move on. I respect that. But -- >> Mayor Leffingwell: We'll continue to have this discussion. >> Spelman: I will, but i want to say this right now. Our parks department, our library department, our planning and development services department, all the other general fund departments and the surprise departments do not get an automatic increase in number of employees with population. They have to justify it on the basis of their work load and need and what are they actually going to do with those people. And the police department is the only department in the city government that actually gets an automatic increase. And it's no surprise that they have the biggest share of the general fund increases for the last 10 years is because of that automatic increase. And I'm not sure we're doing ourselves a service to our funds or to our taxpayers by putting off that automatic increase every year and holding it sack crow san saba county. I think it ought to be in the same pox as everybody else and have to justify it. I'm done. >> Mayor Leffingwell: I can't resist making one short, friendly comment. And that is I think part of the reason for that automatic increase is because of the sort of

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automatic increase in population. It's a population-based service. And we had this discussion last year, we'll have it again this year, and in the future, I'm sure. And everybody has good ideas to present and they should all be considered. But I think we did -- my recollection is as a result of the discussions last year, we had a study done. I think we paid $100,000 for the study, which showed that -- didn't refer directly to the formula, the 2.0, but it did say we're short of police officers. Here in the city of austin. That was the study that we paid for. >> Spelman: It provided an alternative means of justifying additional officers, mayor. >> Mayor Leffingwell: Okay. Well, like I say, we'll continue to have that discussion. The other comment, I think you made a very good point about tax rates in other cities and I think we should have a broader base than just the other -- than the top five cities in the state of texas. You said other cities around the country. I think that's good. But I would also be interested in what are tax rates in the surrounding communities. In other words, if I moved to round rock can I lower my tax rate from 50 cents to 10 cents, which I think is probably pretty close to the case. So I'd like to see some of that data just for -- just to look at it if nothing else. I don't think it's going to be very realistic to try to compete with that, but it is. Councilmember riley. >> Riley: Thanks, mayor. I know time is running short and we will have an opportunity to dig a little deeper when we get the departmental presentations, so I'll hold most of my questions until then. I do briefly want to continue the conversation about police staffing and come back to the question that a couple of my colleagues have raised about the needs associated with the 24 hour trail pilot. And when we approved that

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pilot at the time of the midyear budget amendments, we were discussing a pilot that would run through the end of this calendar year. So -- I believe it was to start in june. So it would be partly in the current fiscal year, partly in the next, but not the entire next fiscal year. Does the 1.1-million-dollar number reflect funding for overtime throughout the year or is that based on an assumption thate pilot would only extend through the fiscal year? >> That's for the entire fiscal year. So not knowing whether or not the pilot would be successful and be continued, we wanted to make sure we had dollars set aside to continue it on an overtime basis. That said, I don't know that the police department would say that the overtime basis is the permanent long-term solution. >> Right. >> But we wanted to at least have money in the budget to continue the overtime solution beyond the pilot if that's what council wanted to do, and probably be looking at a permanent solution in the fiscal year '15 budget. That's our planning in the forecast. >> Riley: So we're making an assumption that some cost would need to be added to the police budget to address that expense to the calendar year. And just for purposes of budget questions, I'd appreciate it if you can treat this as a budget question and it's probably a simple matter of prorating that cost on a monthly basis with the assumption that it only goes -- that the pilot only goes through the end of this year. I appreciate the conversation about the appropriate metric for levels of police coverage. I would just point out that regardless of the merits of the 2.0 per thousand metric, I don't think the proper metric is 2.0 per thousand plus something extra for trails that are open for 24 hours. We don't -- I don't know why we would do that. We don't do that for particular streets that are open 24 hours. We don't do that for any other extraordinary need. It is -- it may be a rough metric, to per thousand, but it is at least some metric.

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I think we taught have some rational basis for applying some kind of extra charges or assessments beyond whatever metric we wind up using. And so I'll look forward to continuing the conversation on this when we get into the departmental presentations. >> Mayor Leffingwell: Okay. Looks like that's all the questions that we have. And before we leave, I want to -- and very good presentation. A rosie outlook it looks like. We're glad to see that, of course. One thing that I think is innovative for this year that you've done is I want to thank you for, and that's the videos that you prepared for departmental presentations. So I think that will be very useful, not only to us, but to people in the community that want to study this as well. And rest assured they will be. >> Spelman: A short question about the video. How long is the average video and how long would it take to see them all? >> I would order plenty of boy scout popcorn prior to the videos coming out. It gives us the opportunity for more departments to present. We're always time constrained trying to get all this information before council, so we have 19 departments that are going to be preparing videos. They typically will be 15 to 20 minutes. I would expect the water utility and energy utility to be longer. You do the math on that, i think you get up to about seven hours of video. >> Spelman: Seven hours? Okay. So it's not councilmember jack bauer time, but we're still talking about a lot of time. >> Mayor Leffingwell: At least you get popcorn while you're watching it. At your leisure. So without objection, we stand adjourned at 12 n 58 -- excuse me, 11:58.