

City Council Work Session Transcripts - 6/18/2013

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[03:04:37]

>> I am austin I mayor lee leffingwell and I will call this work session in order on june 18, 2013 at 9:04 a.M. And we are meeting at the city hall, west 301 street, austin, texas. And we will pull the members of discussion for items number 15. Council member morrison.

>> Morrison: Thank you, mayor. This is the item on the parental leave

-- paid parental leave we have been talking about and as we left it when we passed the resolution at the last meeting, we asked staff to come back with consideration also with the possibilities of allowing the paid parental leave prior to expending all of your accrued sick leave and vacation time and so i wanted to ask staff just to get clear what the costs of that were. I know that -- I believe that the recommendations from staff is to not make that accommodation, and as i read through it, there is a lot of assumptions that we all understand the family medical leave act and i thought just to get started, it would be helpful if maybe mr. Washington could just give us in a nutshell, explain the family medical leave act, what our requirements are under federal law and what we do within that now and what we are talking about.

>> In summary, the family medical leave act requires us to give job protected leave from employees who either have a medical condition for themselves or are in the care of a family member. And we provide 12 weeks of leave. The law does not require us to pay employees during this time. They may use their accrued leave benefits to supplement their compensation, and there is also another provision that we highlighted that we'd like to amend our policy on family and that includes the military caregiver and exogeneity benefits for the employees that are employed during the course and scope of our job.

[03:06:57]

>> Morrison: I am glad you brought the policies up to date on that so that basically protects employees who are

-- maybe we can say it in layperson's terms.

>> Sure. So employees that have dependents, either spouses or children that are deployed, the exogeneity benefit allows them to take time off to prepare for short notice employments, in terms of making arrangements for childcare or financial arrangements or whatever is needed in order to assist in the deployment of the employee. The other component of the military benefit is for the caregiver, in the event that a family member or an employee who was deployed is injured, the typical 12 week period for FMLA that applies to nonmilitary employees, if they are injured in the line of duty during military service, they receive 26 weeks of leave benefit instead of 12 weeks.

>> Morrison: Okay. Great. And that 12 weeks, that can be

-- what is the time period within which that can be taken? Not just from military but for parental.

>> Okay. So the calendar year is what we use for FMLA period. So each year we start over with a new 12-week period. So you have 12 weeks from the qualifying event within the calendar year and there is a permissive benefit that it can be used intermittently so you don't have to use it in succession but if you have medical certification and you get the appropriate approval to either have modified work schedule or workweek, it can be used intermittently.

>> Morrison: And at this point if an employee wants to take the parental

-- take off because of both of a child and adoption and all of that, and they do that 12 weeks, are they paid? They are not paid unless they want to take their vacation or sick leave. Is that correct?

>> That's correct. They would have to use their current accrued leave currently or any other benefits that they might have to supplement that.

[03:09:02]

>> Morrison: So what we are talking about here is actually adding 30 days of actual paid leave?

>> Correct. As it's proposed, it is 30 days of paid leave after the exhaustion of all accrued leave benefits.

>> Morrison: And the cost of this the way it is now is 300

-- can you remind me? 371,000?

>> Mayor Leffingwell: 321.

>> That's right. 321.

>> Morrison: And now you have taken a list at the cost

-- the additional cost if, in fact, we were not to require the using up all of our accrued time. Can you speak a little bit about those figures?

>> Yeah, what we did is, you know

-- the primary cost associated with the program is

-- is individuals who previously would have taken unpaid leave and these were largely

-- from the data we have from 2012, they were largely females, the mothers who were having a child or adopting the child who would then take unpaid leave and we had

-- the data indicated that there were certain individuals who took more than 30 days. Some took less than 30 days so we calculated out what the cost of paying those individuals would be. We started looking at it in terms of if employees did not have to use up all of their leave balances, we didn't see a change in that behavior. In other words, they would still opt to take paid leave instead of unpaid leave. That cost would remain the same, though. What would change is when the employees came back to work, they most likely would have taken parental leave first and come back to work with some amount of accrued sick and vacation leave and trying to put a cost to that kind of requires a crystal ball in terms of what the employees would do with the extra leave when they came back. They may take additional vacation. They may take additional three day weekends, in which case it wouldn't be cost because we wouldn't backfill a position if it is a three day vacation or a one week vacation, we probably wouldn't see backfilling costs so what we wanted to provide council of what we believed to be the high end of what the costs would be and the high end of these costs would be if all of the employees came back with additional leave were to save it up until the day they terminated for the city for whatever reason and we paid them out for the leave they would have come back with, we put that number for civilian employees only, noncivil service employees at \$108,000 and we, again, would view that as being the maximum that it would cost us additional if employees were to not be required to use up all of their accrued and sick vacation leave prior to tapping into the parental leave hours. I think the number was higher that included civil service employees. It was \$173,000 related to vacation and

an additional \$104,000 for sick leave because they can also be paid for their sick leave balances.
[03:12:03]

>> Morrison: And we talked a little bit on the dais last time around

-- I believe council member martinez was discussing the issue that if, in fact, we have it the way it now and people are required to use up their accrued leave, that we get in this camp 22, where folks are, you know, using up all of their sick leave and in the end they get this, but then they don't have sick leave and there could be some real unattendant consequences but you all still stuck with the recommendation to acquire using up all of the accrued leave. Is that your recommendation? And if so, can you speak to any concerns about what you had about the unintended consequences?

>> That is the recommendation from staff and we did take into consideration the benefit without having the requirement of using accrued leave and one of the things that it pointed out is the future liability that occurs from banking leave time and so we thought the benefit would just to ensure that no one is going without pay during the 1 week period and

-- 12 week period and as a designs, we ensure there is a supplement design of that so they are out on fmla and we thought minimally that was the goal of creating the benefit.

>> Morrison: Okay. If we want to consider actually changing it so you don't have to use your accrued leave, could you guys have prepared a revision to consider for us on the
-- on the dais?

>> Mayoreffingwell: Net me say, if we need to go into executive session to answer these kinds of questions, we can. I think the overriding question is

-- is the city manager's recommendation required on this item. That was the discussion last time, I believe.

>> Morrison: I see. So the question is, can we

-- can we

-- [multiple voices]

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[03:14:11]

>> Morrison: Can we go through the recommendation.

>> We have a legal opinion [indiscernible] and attorney-client privilege. We are happy to talk to you about it.

>> Morrison: Okay. I think that would be a good thing to understand.

>> Okay.

>> Morrison: And I do also want to point out that you all did some estimates about if

-- it also included folks that are covered under civil service contracts. I was surprised at the increase, the significant increase in the cost. Can you talk a little bit about that?

>> Well, the numbers, there aren't an increase

-- it is 321,000 and we costed it out for civilian employees and then all city employees, it was \$447,000, so that 447 is not an additional amount. It is the total so it is really 321 versus 447. So it's about \$120,000 more for those if we include police officers, firefighters, paramedics, it's just because it is a larger pool of people now. There is more cost associated with it.

>> Morrison: Great. I was

-- I didn't get that, that it was

-- I was thinking that it had increased significantly more than that, and I would imagine that if

folks covered under contracts were interested in this, that it could be discussed during -- as a part of contract negotiations. Is that correct? Or can you all even answer that?

>> I think anybody can be discussed as part of contract negotiations, including that.

>> Thank you.

>> Mayor leffingwell: That could be another issue that we want to talk about in closed session. We could either do that today or we could do it thursday.

>> Mayor.

>> Mayor leffingwell: Which is your view?

>> Whatever the council's pleasure. I am prepared to talk about whatever you want to talk about.

>> I have a couple of questions.

>> Mayor leffingwell: Council member martinez.

>> Martinez: Thanks. One of the questions that i thought I mentioned on that thursday, when we adopted this item, but I will at least bring it up to day. With the current proposed policy of requiring all leave to be exhausted before taking advantage of that benefit, did you calculate the potential cost ramifications of that? Taking past cases out, so

-- taking the example of 2012, how many people had a child or added a child to their benefits roll and didn't take any of accrued leave or took a portion of it. If we adopted this policy, it required them to take all of their accrued leave before gaining the benefit. Isn't that also a budgetary impact? If so, what is the cost estimate. It seems on the high end, it would be about the same, \$108,000 because you are taking everyone's accrued leave and exhausting it prior to taking advantage of this benefit, as if

-- in your example, your estimate was they would hold on to it the very end of their career and we pay them out completely for it. I see that both of them have a cost and we are not talking about that in the staff's recommendation.

[03:17:09]

>> Well, in the

-- in the first scenario, the scenario that was initially proposed and the item from council, the \$321,000, we did try to capture all of those knew nuances. We looked at individual cases we had and employee who is basically used up all of their leave and came back to work. In that sample, we had people who were coming back to work with one hour of leave left. And then they decided to cam back. Literally when they were out of leave, they came back work. So in those cases, we are assuming they would tap into the parental leave. If you used up all of your leave down to one hour, you would tap into the parental leave and there would be some cost associated with that in the sense the employees are now at home as opposed to work and there could be some back fill. In the cases where we had employees, when the data indicated they are coming back to work and they still had 30 or even 40 days of leave left, our assumption is they would not choose to use up another 30 or 40 days of leave in order to tap into the parental leave. We thought it was probably an unlikely scenario. To the extent these people are already coming back to work after two or three weeks and they had 40 days left, we felt it was unlikely they would take up another 40 days, in other words, extra 30 days to get another 30 so we were trying to catch up both nuances on the numbers we are putting out. My experience as

-- in my experience as a city employee, I would think people would see that as something that's out there available to them. As opposed to the folks who could bam cws with 30 days left in their leave accrual. If they knew they had the 30 day bank of paid leave, maybe they would take the three day weekends before the birth of a child or a weekend or two off. It is hard to predict. The

back end of a crystal ball and what I am asking for is just an assumption but I think intuitively we know that knowing there is that 30 days on the ba end, people might tend to use a little more sick leave leading up to that event, so they could tap into that benefit. I just want to throw that out there and say, there is a cost associated with that. I do appreciate staff's work on this. I am really pleasantly surprised that the cost of applying this benefit isn't, you know, substantially higher than we thought it might be or could be, and so would hope that we would consider offering this to our employees just as a straight up benefit, regardless of where they are in their accrued leave.

[03:19:48]

>> Mayor leffingwell: Any other comments?

>> Can I

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>> mayor leffingwell: Go ahead.

>> Legal department. Council member morrison, you had asked mark washington specific questions about the exogency leave and we are going to add things to the exogency lead that the recent amendment that includes the exogency leave to all members 0689 armed forces who are deployed.

>> Mayor leffingwell: Deployed.

>> Deployed of a foreign country.

>> Mayor leffingwell: Hopefully not deplored.

>> And so I wanted you to know that. Thanks.

>> Mayor leffingwell: So is there any desire to go into executive session to discuss the question of the relevance of the city manager's recommendation? Yes? No?

>> Morrison: I personally would like to get that.

>> Mayor leffingwell: With no objection, council will go into executive session under chapter 551.071 to discuss legal issues related to item number 58. If there is no objection to that, we will now go into executive session.

>> Fifty.

>> Mayor leffingwell: Yes, excuse me, item number 15, not 58.

[03:59:53]

>> Mayor leffingwell: We are out of executive session where we discussed legal issues related to item 15. If there is no more discussion on item 15, we can go to item 58 and I have a few questions about, if we could about

-- from transportation staff. I am not sure, I totally understand the cut and cap but I have a couple of general questions. I know there has been a hospital of discussion potentially in the future, a managed lane on i-35 and the cut and cap proposal, i would like to know, could that still be included in a cut and cap proposal?

>> Mayor, roberts filler with the austin transportation department. The short answer is yes. We have been coordinating with txdot to look at viable alternatives to not only improve circulation along i-35 and across i-35 but ultimately to find ways to add capacity within the existing footprint of the right-of-way. And

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>> mayor leffingwell: Not only capacity but managed capacity?

>> Yes, sir, potentially. It's still too early to call it managed capacity. Clearly I think a lot of

people believe that just general purpose traffic out their lanes would not provide us any additional capacity to fill up, and so, yes, they will be looking at managed lane capacity, whether that be occupancy or tolls or some other mechanism as they go into the environmental impact statement.

>> Mayor leffingwell: I really that that has to be our number one objective, because we've talked endlessly about congestion on i-35 and how we need to do something about that. Taken on the face of it, the cut and cap proposal, as good as it is, does not really address congest club, con con jestion, because the congestion problem is about a 60-mile long problem and this is about one and a half so-and-so

-- could this be in the context of talking about a cut and cap proposal that could be implemented?

We could go ahead and do improvements to help with congestion on i-35 and then sometime

-- it would be built in the way that sometime in the future, we could go back, depending on availability of funds, to cap it. In other words, have a rec road in which

-- in which you could increase capacity, managed lane capacity, without increasing the right-of-way.

[04:02:43]

>> Yes, sir. As I said, we have been working with txdot to look at how to increase mobility through this corridor. And one of the things that we've helped to push the question is how do you implement i-35 in pieces. As you've mentioned, when we talk about i-35, we can talk about the problem from laredo all the way up to where it crosses into oklahoma. Along that corridor, there are many pieces and many different problems. Here in central austin is one of the knots in the or corridor

-- in the corridor if you will and that's what txdot and the other cities up and down along the corridor are talking about. We do have a proposal of how to decrease capacity on the corridor and the innovation, we are thinking about how to implement this incrementally so you can start to make improvements early and add benefits, including things like opportunities to cap and add capacity in the corridor sequentially or all at the same time.

>> So that in no way would interfere with current efforts underway to improve congestion.

>> Yes.

>> You say downtown austin and I won't worry about dallas/fort worth down to laredo, because I think we have to be specifically concerned about the campo area and that leads me to my next question. Is something like this going to have to be included right now, as you know, campo is working on 2040 plan and so would have to be included in that plan?

>> Yes, sir. The planning process that we are in, sort of the corridor planning level that we are partnering with txdot on, is moving towards what would be some type of an environmental process, probably a nepa national environmental policy type act of analysis that would ultimately define a project within this corridor, whether it be incrementally or all at once, that would be brought to campo to be included in the regional plan to make sure it is within the financial resources of the region. All of that is defined over time as well as

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[04:05:03]

>> mayor leffingwell: And that to me is kind of key, because if we are talking about our financial capacity and we've got a limited amount of dollars, how do we allocate the dollars? Do we allocate it for the congestion throughout the campo area or all of those dollars, extreme

scenario to beautify, mainly to beautify the area in downtown austin, that 1.3 mile stretch? And that will be a decision, I am guessing, will have to be made by campo to which scenario they want to include in their plan. But if we can go ahead and ask for this analysis and not interfere with the plan that includes the entire campo area, and then go back later and have the potential, have it constructed in a way that doesn't add too much cost but has the potential to add the cap at a later date, then that seems reasonable to me.

>> Yes, sir. All of those conversations are germane to the discussions going on and which would happen as part of the environ process, and so any information that might be developed now would certainly be at the conceptional level and would go as part of those ongoing discussions. What I can tell you that we know from the transportation industry is that new projects, big projects are built with a lot of different financial streams. Some of those are transportation. Some of those are other streams of money that are not necessarily transportation oriented, can't be used for transportation or aren't desired. So projects today, whether they be highway or rail or transit or whatever, are often a mix of moneys coming from different areas. The other thing we know is when big projects are constructed within urban areas, there is mitigation that has to go along with a number of potential impacts, whether they be dealing with historical divides that transportation structures have caused between communities, reducing the noise, improving air quality and so forth. And so those are valid costs and legitimate costs in getting a new transportation project through a region. And cities like houston and dallas have dealt with that in various ways, and so, again, this is very conceptional. It certainly is reasonable that we are talking about all of these ranges of austin as we are moving into that transportation discussion.

[04:07:40]

>> So potentially, given this resolution, the effect of this resolution would be to -- one of the effects would be at least to come to campo and ask them to include this in the 2040 plan. Is that right or wrong?

>> I don't think that that would necessarily be the result of this resolution. I think the result of this resolution clearly states a desire by the city that, as txdot and the region in txdot would be to lead on the environmental process, it states for the desire for the city for txdot to continue analyzing a recessed or a depressed concept with the possibility of lids in that alternative analysis. I can tell you they are already committed to do that because they know the alternative, either doing nothing or an elevated structure through town has some challenges in terms of community impact. And so they had already come to the conclusion that they were going to need to look at something that puts the main lanes potentially below the grade of the rest of the network. And so this is not affecting that or a stretch of that. In fact, I think they are very amenable to continuing that analysis going forward.

>> Mayor Wynn: But at the end of the

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>> mayor leffingwell: But at the end of the day, it has to be in the 2040 plan in order to be eligible for federal and it

-- campo has to approve putting it in the '24-40 plan.

>> I think they have to agree to the concept. Now does the entire definition of the corridor need to be in the 2040 plan? Now, I don't know if that's necessary, the 2040 plan or the future regional plan deals with the transportation resources for that. So if there are funds that are outside the transportation resources, for instance, if it

-- if funds from, perhaps development mitigation or private funding source or from the city for

connectivity issues flow into that

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>> mayor leffingwell: I understand all of that. But basically, this project won't get done without federal highway funds. And in order to do that, you have to have

-- it has to be in the campo plan?

[04:09:48]

>> Yes, sir.

>> Mayor leffingwell: Okay. Any other comments?

>> Cole: Mayor.

>> Mayor leffingwell: Mayor pro tem.

>> Cole: Thank you, rob, thank you for being here today and the work you have done in with and shepherding this and working with txdot. I have a couple of questions because I want to be absolutely clear on what we are asking for in the resolution, our first be it resolved clause asks that we ask the cut and cap option to be included in the process.

>> Yes.

>> Cole: The environmental evaluation for social equity and environmental values. Can you tell us what that does and what we are asking for there?

>> Well, as a major stakeholder, the city has

-- certainly has the right to communicate as one of the alternatives being considered, that we would like to make sure that a

-- as you've mentioned, a cut and cap concept is included in that analysis. I think it's important to note that that alternative, as it goes into preliminary design concepts and preliminary design analysis may adjust depending on what elements are feasible or not feasible. So some people might have a definition of what that project is going into this analysis. The product coming out the other end will have a lot of similarities but it may not be every bell and whistle necessarily so. What this does is it clearly states the city's desire for txdot and the community to evaluate a cut alternative, an alternative in a trench with some type of cap over it.

>> Cole: And it's my understanding and I received some of the letters in pport and know a little bit about the my 35 project that txdot has engaged in. The general sentiment for the city is a depressed option to include cut and cap as a basis for inquiry. Is that a fair statement?

>> I believe it is. In fact, txdot has already defined in their

-- they call it their depressed option but it certainly is an alternative in a recessed environment. The ability to provide future caps where possible. So, yes.

[04:11:56]

>> Cole: Okay. And so there are other alternatives within the cut and cap world that would also be potentially considered as part of this with txdot. Is that correct?

>> Sure. The way I have interpreted this motion is it defines a concept that will be further refined as we go into the analysis process to capture as much of the community desire as possible.

>> Cole: Okay. And the next thing that we've asked for is an economic analysis, and can you tell me a little bit about what you would envision that to involve?

>> Yes. Well, I think it's important for council to understand we are certainly at a conceptional level right now and so the amount of financial analysis at this point will be at a conceptional level, you know, maybe

-- you might call it a white paper level at this point. But it would certainly, hopefully, explore a

variety of future revenue sources that could be used to help create this vision, whether that be, you know, value capture from properties that might be released from capital view sheds. Right now the northbound elevated lanes on i-35 are defined as a view shed of the capital and so are protected under ordinance, and so obviously if an elevated structure is no longer there, it begs the question, is there still a view shed there. And so if there is not, then presumably development intensity could increase and we know that seton and u.T. Are talking about increased densities along that and so it is to go more extensive, certainly one area that is not transportation dollars that might prove for the opportunity for the community to participate in the future.

>> Cole: Can some of this work be done internally?

>> You know, council member

-- or mayor pro tem, sorry. I think some of the work can be done internally. It is likely, as the resolution envisions, that some work outside might be tapped. Yes.

[04:14:08]

>> Cole: Thank you, rob. Thank you, mayor.

>> Mayor leffingwell: So will you be coming back with a cost figure if you have to go outside to do these analyses?

>> Mayor, I am unsure right now if we will need to go out or not.

>> Mayor leffingwell: Well, let me make myself clear. I think the cut and cap is a gold standard. I think it's something that would benefit the entire community. What I don't want to see is to get into this prolonged discussion, like we have seen all over this area, like the y at oak hill, for example, is classic. That projects delayed 20 years. Congestion goes on just because we are arguing about the details of it, so, you know, I can see that the cut proposal is pretty well accepted. If that can be done in a way where you can go back sometime later and cap it after all of this stuff is done but I think our objective has to be full speed ahead on improving congestion on i-35. Anything that impedes that, I am very concerned about.

>> Yes, sir.

>> Mayor leffingwell: Mr. Good.

>> We have started to look at some costs to bring outside consultants. We have a general contract with an economic impact consultant, and we will inquire further and be able to provide some information on thursday, and as rob stated, we will do some analysis internal. With the deadline in this, i foresee 60 days, it's a quick turn around so it will be conceptional in nature, so not a lot ofk but it will be some extent but we can clarify that on thursday how much we think it will be.

>> >>Professor: Sixty days

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>> Cole: It says 90 days.

>> Mayor leffingwell: I thought it said 60.

>> Cole: I think you are looking at an old job.

>> Mayor leffingwell: I am looking at an old job. It is the way it works around here. [Laughter]

>> even with this level of analysis, it will still be somewhat conception also we will be able provide more information on thursday.

[04:16:11]

>> Mayor, if I may add, we are very concerned about the mobility as well, so all along this process, whether it be ultimate elevated alternative or an alternative in a recessed trench, if you

will, we looked at how you implement this incrementally, so if you wanted to cap how that could be done incrementally and so there are some precautions that do not increase the duration or effort of the base project too radically that would give us the flexibility due to a lot of things over time as the community decides what it is.

>> Mayor leffingwell: It seems to me that the cap option does dramatically increase the cost, dramatically, because there are other issues. For example, in central

-- in dallas, they found that they had to actually have a tunnel underneath. They didn't cap, but it's partially capped, just for drainage.

>> Sure.

>> Mayor leffingwell: Those are

-- those are things that

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>> yes, and all of those are being evaluated, regardless.

>> Mayor leffingwell: Council member riley.

>> Riley: Mayor, I want to make sure we don't leave anyone with the impression that this resolution is about a beautification project that's going to impede our ability to address mobility along i-35. This project

-- this resolution is about a

-- a scenario for i-35 that could well contribute to our ability to help fund a significant project for improvements along i-35. The argument that has been made by proponents of cut and cap is that recessing the main lanes of i-35 would provide such a tremendous economic benefit to surrounding properties that the incremental tax appraisals

-- tax proceeds from those properties could have have a substantial cost of the project, of both reducing the lanes and providing lids in kilo cations along

-- in key locations along the corridor. We don't know if numbers work for that sort of thing and that is one of the principle purposes of this resolution, is to take a closer look at this. If we find based on that examination that, in fact, there is a strong case to be made for the financial feasibility of this alternative, at that point, when we can have a conversation about modifying the 2040 plan or taking other action that would move us further along towards getting these improvements in place. I don't view this as just

-- as just some unrealistic effort to

-- to beautify the corridor. I view this as basic transportation infrastructure that

-- that is trying to provide a solution to a very challenging problem of increasing mobility through the central part of our city, but doing that in a way that that balances that need with other objectives. And that's particularly critical in this corridor, where we have other projects like the waller creek project, the teaching hospital and innovation district and other nearby districts and including i might add initiatives along the east 11 and 12 street corridors that would be profoundly affected by changes to i-35. I think it is incumbent upon us to look very carefully at any alternatives that would help actually raise property values along the corridor instead of reducing them as major highway projects in central cities often tend to do.

[04:19:52]

>> Mayor leffingwell: Anything else?

>> Cole: I have a comment, mayor.

>> Mayor leffingwell: Okay.

>> Cole: I would like to note that governor perry has added the list of projects for the special

session and undoubtedly i-35, the corridor you pointed to, will be under for consideration and nobody will let the mobility issue go unchecked at the state of texas or the federal level. We can't do that, either, and just like council member riley stated, we do not intend to do that but we have received letters of support for this resolution from the sierra club as well as the austin revitalization authority and including the downtown austin alliance and so it is people who are interested in transportation as well as urban design.

>> Mayor leffingwell: Okay. I feel a lot better now. [Laughter]

>> mayor.

>> Mayor leffingwell: Council member martinez.

>> Martin AN EARLIER Version of the resolution, there was a ration to send it to the boards and commissions process, specifically urban transportation, and downtown commission, and the version that's before us now, is it

-- has it been removed?

>> Cole: No, it has not.

>> Martinez: It still remains in there? The other comment that i will make is we are talking about the economic impact and potentially paying for itself. I want to be keenly aware of the negative side of that economic impact, in that just east of this project are a lot of still working class families that are lower income that will see their property values exponentially increase.

Therefore, their property taxes exponentially increase. Is there any way that we can provide them with a somewhat detail of impact prior to the nepa process? Or is this something that's just going to have to wait until we go through the entire nepa process?

>> Council member, I would suggest that's all part of the nepa process, when the impacts to low income communities or communities that have been historically forgotten. Forgotten, are looked as part of these issues. I think clearly in this corridor, that will be an issue that will need to be brought forward of general analysis and purpose and need and problem statement and say, this is a real issue. What is the, you know

-- what many of us might think of as a positive benefit of this, what's the impact on those communities, specifically just to the east of the corridor. And so, again, you know, even the concepts are airy conceptional at this level. The costs are even conceptional at this level and so I think we have to anticipate that this is the initial fourier into what are the benefits and so it's going to be conceptional.

[04:22:48]

>> Martinez: Great. Thank you.

>> Morrison: Mayor.

>> Mayor leffingwell: Council member morrison.

>> Morrison: To follow up on council member martinez's question, the question on looking at questions like rail that will increase things like property values and the negative impacts on that and I want to comment that the homestead preservation bill passed at the legislature, so I think that opens up a lot of opportunities that I hope we will be able to take a look at in the near future.

>> Mayor leffingwell: Okay. That leaves

-- we can take these up together, 88 and 89. Council member morrison. Spelman.

>> Morrison: I believe that was spelman.

>> Mayor leffingwell: Spelman.

>> Number 88 is a 30 page ordinance on an issue that rarely comes before the city council and I wonder if you can describe the changes on it and where it came from.

>> Shane arvison with the aviation department.

>> Mayor leffingwell: Microphone.

>> Shane harpinson with the aviation department. The major changes to the ordinance basically created three health facilities, created category one, category two, and category three, also had application requirements for public notice and repeals and the other one is increase of insurance requirements. Biggest one is number one, which had ten or fewer helicopter take off and landings per day and 18 total during the health facility permit and that's typically what we experienced in the past so it keeps it from the past. Category 2 is to help to manage a large event so manage a helistop for a single event, no more than three consecutive days for the take off and helicopter lands not to exceed 8 hour operations per hour per day and that's basically four trips per hour. In addition, no more than three approved helicopters may use approved category two helistop without special concept and the operation hours is from 7:30 p.M. To 8:30 p.M. And three helicopters have used to manage that site to prevent any hovering or any safety implications. That was the stakeholders, the operators and the neighborhoods felt that was managed, three helicopters per site. Three three means a permanent hel facility, a permanent hel facility, a helport. The notices for category one is the neighborhoods advise that within 500 feet of that facility, be notified that an application has been approved and then to post that application online, and aviation department has a web link to the facility permit application and they can be providing a resource to let folks know this event is taking place. Category 2 is the same in neighborhood, within 500 feet of the proposed 57600.

[04:27:54]

>> For a category 1 or two, valid for the earlier duration of the event or construction project, somebody can apply about 180 days before their event, so to say, then it's over with after the event. For a category one and category 2, non-renewable, they would have to renew for their application. Insurance requirements, neighborhoods previously was one million, they wanted to raise the amount to 5 million for the aircraft label the and for the combined single limit liability and for

-- for body injury and also for

-- for property damage. That was tested by our risk management office to show that an operator would be able to get the \$5 million liability. Then distance requirements, should not approve any applications and renewal applications that for a category

-- for more than two category 2 heli-facilities that are within 1,000 feet of noise sensitive area, within half a mile of each other and within a term of 180 days. For changes to 25, really just to keep consistency, chapter 13 and 25 and changing helicopter and landing site to a helifacility. Those are the major changes to the ordinance.

>> Spelman: Could you describe the reaction from stakeholders? I know you went through an extensive stakeholder process from which these changes came. I wonder if you can describe the response of the stakeholders to your changes?

>> Overall seem to be very dialogue for each one of the event, they seem to be positive of the changes in both

-- particularly in chapter 13 which is the significant changes so, you know

--

[04:29:55]

>> Mayor Leffingwell: My understanding was there's pretty much consensus agreement from all stakeholders, both sides, surely.

>> Yeah, mayor, there's really good dialogue between the operators and the neighborhoods and the large event producers really just kind of

-- both sides.

>> Mayor Leffingwell: I know this process was facilitated or participated in by some members of the planning commission who evidently did a really good job in achieving that consensus.

>> That's correct.

>> Councilmember morrison.

>> Morrison: Thank you, i want to thank you for your work, also, and the fact that you had to come up with a 31-page ordinance I think demonstrates that it was ripe for really looking at this. We're stepping it up in terms of the kind of helicopter operations we have in the city. So it's just taking us to a new standard. I really appreciate that. I have a question about

-- about the specification of who has standing for appeal. And that's

-- that's for anyone that's following on page 8 of the ordinance. Underline 296 it starts talking about

-- who has standing, it says: Any resident, tenant, owner, user or operator of a noise sensitive area or environmentally sensitive area has standing to appeal. And my question is that doesn't align with who is getting notice of the application for instance, there could be

-- for instance, there could be commercial tenants, commercial owners and secondly it's not clear to me how large the sensitive areas are, environmentally or noise sensitive areas. Was there any discussion about that? Because I'm just concerned that there will be

-- you know, we had a lot of tenants and commercial owners that were real concerned about when we had the f 1 situation over off of mopac. And it's not clear to me that they would even be part of the notification. Was there any talk about

-- about that?

[04:32:07]

>> Yeah. What we do is we run a noise model, an integrated model capability in the aviation office. We run a noise model to find the noise contour lines. Then the applicant, we would contact them and say you need to notify these folks that are within this 65-decibel contour line.

>> Morrison: Okay. I didn't see that. I didn't see that the notice requirements are actually that the operator has to notify everybody within those contour lines. Can you

-- is that in here? Maybe I just missed it.

>> That I'm not 100% sure, but I do know that's

-- that has been our practice, if you have a noise contour line, that falls within your property that we would ask that applicant to

-- to get a consensus approval from that property owner.

>> From the folks that are going to be in there.

>> The businesses.

>> So I'll tell you what, i won't ask you to search for it right now, but could we offline, before thursday, take a look at this and make sure that that is a requirement and if you are expecting it anyway, I think that would be good to have it in here. Make sure that we don't have any loop holes. That's for noise sensitive areas. So we'll make sure that at least tenants and commercial owner, property owners will

-- that are in noise sensitive areas will be notified. What about environmentally sensitive areas.

What are those generally?

>> We use the definition of epa, so it's an area with a karst terrain or woodlands area, that was the definition of epa, we figured that would be

-- maybe the greenbelt areas, et cetera.

>> And then one other question, when we're talking about heli-stops, it's the temporarily used landing areas for one or more helicopters. Or it also says or a specific educational, commercial or community purpose or for a construction project. Are those also only allowed temporarily? Or could a heli-stops be used on a continuous basis for a community purpose or a construction purpose?

[04:34:27]

>> Well, construction would be for whatever that event for construction would be. Then at the end, typically, it's

-- in the past it's been lifting like hvac units on top of buildings. Instead of putting a crane together or the duration of the events. So basically, category 1 is only for that period of time, you know, 10 or fewer operations, no more than 18, then it expires, you would have to renew again if somebody wanted to have another heli-stop.

>> So for instance, community purpose still has to be a category 1 or 2 and in which case it's under the limitations of those.

>> Correct. If you wanted something on a daily basis, you would have to go into a category 3, which is a permanent heli-facility.

>> To be clear, this is one of the questions that came up when everybody started looking at that in the first place, only category 3 are required to get a conditional use permit, go to planning commission and can be appealed to council, is that correct.

>> That's correct.

>> Morrison: Okay, thank you very much for all of this work.

>> Mayor Leffingwell: Councilmember tovo.

>> I just wanted to quickly say thank you, too, I think these look like very reasonable provisions and a good balancing of the needs to have special events that include helicopters and special falls while also maintain the quality of life for people in our neighborhoods who might be impacted. I think we all remember what led to this and I just wanted to

-- I didn't have helicopters flying over my house, I spent a good bit of time driving around some of the neighborhoods that did, it was disruptive to have that number of helicopters flying over. I know several of us were at the homeless memorial service that sunday morning and there was a helicopter hovering over the park for maybe five minutes and it all but drowned out the reading of the names of the men and women who had died on our streets over the last year. It was just a very significant impact on that

-- what is a really powerful service. So again I really appreciate the hard work that the stakeholders did and the staff to make sure that we don't have those kinds of experiences again that we have a much better balancing of needs.

[04:36:46]

>> Mayor Leffingwell: Okay. Thank you. And thanks again for

-- for doing all of this work. It's a great job.

>> Thanks.

>> Now we can go to any other items on the agenda, not necessarily with staff support. But I did

have one that will be really quick. It's number 9. That is showers for waller creek and the pard headquarters I believe. This is just a financial question. I know that we have financial people here. The way

-- the posting item is for a total of \$567,000 for these two facilities. But as I understand it, there's a grant of 372. So

-- so the out of pocket cost, cost to the city, is only 195,000.

>> [Indiscernible]

>> Mayor Leffingwell: Mr. Manito, do you know anything about that? You're supposed to know about everything that has to do with money [laughter]

>> I did not work on this item. But

--

>> Mayor Leffingwell: Well

--

>> I can pull it up and give you a quick answer.

>> Mayor Leffingwell: That's what it says in the backup. I wanted to make clear

--

>> we can get you a response to that question prior to thursday.

>> Mayor Leffingwell: Please do that. Did you have something, councilmember tovo?

>> I do, it's also actually for mr. Vanino. We have an item on the agenda asking about

-- I'm about to find out which number it is here. We have an item asking staff to look at options for continuing funding for a congregate meals programs for seniors, this is because of the various funding challenges we will not be serving meals at this point after july in our senior centers. So I know you have been looking at options, options for coming up with that additional money and I just wanted to check in with you about whether you had any success. Thank you.

[04:38:58]

>> Well, first off, I have seen some emails recently that indicate that the amount is lesser. It had been 104,000, I think it was down now to 78,000, somewhere in that neighborhood is what they felt that their gap was result of this sequestration impacts. We have taken a look at sustainability fund which we have historically used, we are projecting a \$68,000 ending balance in that fund, that would be one source but we have not had a chance to go beyond looking at that at this point, we will certainly continue to explore options.

>> You said 68. 68 in the sustainability fund. We are close.

>> Tovo: That's good news. One thing that I hope we can get clarification on by thursday, I will do my best to do this with meals on wheels and more, I think they had been projecting 104,000 but cut back on their outreach so could make do with that 76,000. It's not like the program costs came in less. It's just that they're cutting back their outreach, reaching out to fewer seniors and promoting

-- to fewer seniors and promoting the program less, that's my sums and how we got to the 76 figure. I'm not sure that's an optimal number, but maybe if that's the best that we can do for the next few months until the end of the fiscal year. But I hope at least with regard to the second whereas, that asks for staff to consider how we might fully fund that gap in the next fiscal year, I hope that we'll look instead of the 104,000, not the 76. But thank you very much. And I know it's -- because the meals will end in july if we don't take action, it's our resolution is a little funny in that it asks staff to come forward with any alternatives and make sure that they are posted for action next thursday, even if there are a couple of different options for us to consider and then

we'll have a briefing in our work session hopefully on tuesday or an update on tuesday about what some of those options are, we just don't have any more time obviously than next thursday's meeting. I hope if you have a f different options for us to consider, I hope that you will come forward with a couple and again post them for action on next thursday's agenda.

[04:41:09]

>> Mayor?

>> Mayor Leffingwell: Councilmember martinez?

>> Martinez: Along those exact same lines. We are in a critical time frame, only one council member before the program would cease to exist because of the funding. If an option, if it comes down to it, a funding gap option that gets us to our next council meeting in august would certainly be welcome if that's all that we can do at this point. I think that 68,000 may help close that gap for a little while. Then if we need to work on it further to get up to the full funding of 104,000 we can certainly do that at a later date once the council returns from the summer break.

>> Okay. Understood.

>> Thank you.

>> Mayor Leffingwell: Other items, we do have a briefing to go here. Hearing none, we will go to our briefing on affordable housing.

>> Bert lumbreras, assistant city manager, today we have city staff and our consultant here to give you an update regarding strategies for affordable housing. This will be the last briefing that we're providing to city council. I know that we have provided you a lot of information in requests of this item and in response to the resolution that council had adopted. Today what we're going to try to focus in on is the housing market analysis. We are also going to talk about regulatory outcomes. And then we are also going to really delve into the area of financial strategies and debt capacity. So I'm going to turn it over to betsy spencer our director at neighborhood housing and community development. With her darren smith the managing principle with economic and planning systems, our consultant that will talk about the housing market. Then ed vanino the deputy cfo. Greg canale will cap it off at the end in a question on debt capacity, he will talk about that at the end, i will turn it over to betsy at this point.

[04:43:24]

>> Good morning, councilmembers. Assistants city manager, betsy spencer, director of neighborhood housing and community development. We are here to provide you with a strategy for a sustainable future for affordable housing. As a reminder we are here due to a resolution that directed staff to present on a series of topics to address the full spectrum of affordable housing. Our presentation highlights today includes elements of a sound affordable housing financial strategic. [Reading graphic] in our benchmarking and our research, we've determined that we feel there were three key components to a solid financial strategy for affordable housing. It includes accurate and relevant data to set goals. [Reading graphic] in that again the accurate and relevant data, we want to have up to date current knowledge of needs and inventory. Our last housing market study was done in 2009. Soon we'll put out an rfq for another market study that will have results

-- we'll have results for in 2014. Today, though, we're going to provide you with more recent data that darren smith will provide for you. A solid strategy also includes creating opportunities for affordable housingability through the land development code rewrite. Having solid problems and incentivize inclusion for affordable housing geographically disbursed is incredibly important

in reducing the barriers to creating housing to reduce the costs. And then finally dedicated revenue sources, we want to be able to increase dedicated revenue for the housing trust fund, we want to be able to provide consistent return on investment data for the money that we spend, we want to develop the sustainable capital funding strategy that supports household affordability as an infrastructure expense. New dedicated revenue sources and the redevelopment of public land to prioritize household affordability. Right now I would like to go ahead and turn it over to darren smith, who is the principle for economic and planning systems for housing market data. [04:45:46]

>> Good morning, thank you. You wanted to touch on

-- in fairly broad strokes what has been going on in the housing market in recent years to really put a context into this discussion of the city's need for affordable housing. So the first slide here shows that housing prices both for sale and for rent have risen faster than income levels in the austin area. The blue line at the top on the

-- is where rents on, up 50% since 2001. The median home price gone up by about 40%, income levels gone up about 25% in that same period of time. So there's been a widening gap between the cost of housing and

-- and your community's ability to pay. This slide shows whereas in the year 2000 the city of austin had a median home price that was actually below travis county and the austin metropolitan area. Those lines crossed. Right around the end of the housing bubble, right around 2007 and now they are all very clustered together. With the city's costs being a little bit higher than the overall regional average. On the rental side, rents right now are at their highest level they have ever been, occupancy rates are also very high and just since 2010 the median rents or average rents, rather, for the metropolitan area have gone up by about 17%, so it's been very rapid escalation of rents in the last couple of years. Within the city of austin, the problems are even more significant. The acreage price for a class a apartment, that's typically a newer project, is \$1.45 per square foot per month. Outside of the city, it right around a dollar. So you are paying 40 some percent more for the same space within the city of austin than you do outside of the city of austin. But within the same regional area. This price escalation has occurred despite the fact that between the years 2,000 and 2010 more housing was produced in the city and the county than the new number of people or households. There's been in traditional economic terms you had greater increase of supply than you had an increase in demand and despite that, you have rapid escalation of housing prices within that period of time. So that's

-- that's again broad strokes of what's been going on in the market. But we also need to think about demographics and income levels and employment trends. So this slide shows that the blue bars represent the city, red is the county and green is the metropolitan area. On the left we have the income levels. You'll see that the median income for the city is below that of the greater area. While housing prices are above that of the greater area. So again we have a

-- we have a divide between incomes and affordability. One of the standards that the federal government sets for housing affordability is the number of households that are paying more than 30% of their gross annual income towards housing costs. And the number of households in the county and the city that have that kind of housing cost burden has increased significantly in the past decade. On the left parts of these pairs is the percentage of households paying this kind of cost burden in 2000. Which was around a little over 30% in the city in 2000. By 2010 it had escalated to being above 40%, so more than 40% of the house holds in the city are housing cost burdened by this definition. This slide is perhaps a little difficult to read at this scale, but it

basically shows the skewing of income levels within the city versus the county overall. All the way on the right indicates that the city had in 2010 about 80% of all of the house holds in the county. But sliding all the way back to the left again, you had about 90% of all of the house holds that were making less than \$25,000 per year and only 70% of the house holds making 150,000 or more per year. So again, the city had greater population of very low income households than the county overall. Job growth is an important factor as well. There's been significant job growth. The city and county and msa have significantly outperformed the national employment base from the years 2003 to 2011. Total jobs grew by 20%, whereas nationally that line was basically zero percent. So good job. But like the rest of the country, your -- you've had more rapid growth in the lowest income job categories rather than the highest income. You did have positive growth, whereas the nation overall had negative growth in information and manufacturing and professional services. That group of jobs that paid more than \$50,000 per year on average. But your growth has been more rapid in the jobs that pay under \$30,000 per year average, retail, astronauts, accommodations, things of that nature. So again this speaks to the fact that there is an ever-widening gap between the demand, the pricing and the types of households and the incomes of households that will be demanding housing in your community. Meanwhile, the city has lost a number of smaller de facto affordable units, maybe not income restricted in the way that affordable housing with a capital a might be. But there's been about

-- according to the census, you lost about 15,000 units that were

-- that were one to two rooms apiece. Now, these are not bedrooms, just the total number of rooms. So those were, you know, very small units that surely commanded low price points on the market. Meanwhile the most rapidly growing category of housing in the region and in the city has been units of nine or more rooms. So the largest households, the largest housing units have grown almost doubled in that period of time. Those units will never be affordable. Those are market rate units that will be luxury units for as long as they exist.

[04:52:36]

>> I'm sorry to interrupt, but would you mind saying that again so I'm clear on it. Nine or more, the highest, exactly what you said.

>> Yes. Units with nine or more rooms, not bedrooms, but total rooms, grew by 91% in the period from 2000 to 2010. And those units are obviously very large and at the upper end of the pricing scale. So there is little chance that they will ever be, you know, affordable to a household making even median income let alone households making below. So this is to say the stock itself, the units within the city. You have lost a number of units that are sort of de facto, affordable, including mobile homes and other small units while having the most rapid growth in the largest units.

>> Mayor pro tem?

>> Spelman: I can think of two different properties two different price points that would qualify for very large numbers of rooms, one luxury apartments with lots of bedrooms, bathrooms, lots of stuff. I agree with what you just said, never affordable, too big. But some of those are basically dormitories by another name with a lot of bedrooms and studies and other things and they are rented not by the household all at once, but typically rented by the room. Could you give me a sense for approximately how many of those apartments with large numbers of rooms would qualify for that status?

>> I don't have that information. This is the census' report. I can see what I can find out about

that, though.

>> Spelman: It's not a high enough priority for my point of view to go to too much trouble to find that out. One of the things I think so that I hear in my own neighborhood in the central city, there's been a large growth in the construction of apartments or duplexes usually that have a large number of rooms and the presumption is these are going to be rented out by the room and as a result the entire building may not be affordable at all, but if you are -- all that you are doing is renting a room, the room is actually the most affordable place to live. That's the key to this ticket into the market is because I can get a room here and I can't get an apartment anywhere else.

[04:54:57]

>> Right. Understood.

>> Councilmember Riley.

>> Riley: Just following up on that, if we were talking about duplexes, then each side of the duplex would be one unit within this study; isn't that right.

>> That is right.

>> Riley: Okay. Those now have a cap of three unrelated adults. So it's probably not the duplexes that are creating the units with nine or more rooms. I realize there may be some exceptions, but that's

-- I think that's

-- I don't think

-- now, it could be that

-- that the other dorms that have the six bedrooms, single unit, not a duplex, could still have six unrelated adults and those

-- I think those often have auxiliary rooms that

-- but I don't think it's the duplexes that are

-- I'll be interested to hearing from staff, but I doubt it's the duplexes that are driving that number.

>> Spelman: Bedrooms, also. One of the issues is that even if it only has a limit of three unrelated adults, there are three bedrooms, the definition of who can actually live in the bedroom is kind of amorphous. You might have three bedrooms, three studies, kitchen, several living rooms, it adds up pretty quickly, even though officially only three people can live there.

>> Cole: Please continue.

>> Thank you.

>> So all of this is to say that there is significant demand for affordable housing units within the city. Growing population, clear evidence of an existing housing cost burden for your community. The largest growth is in the lowest income worker categories or at least more rapid growth. So you will see increasing demand in that way. And importantly, to one of the slides I had shown earlier, that offset how much housing growth there had been versus the population and household growth, there does not yet appear to be evidence that the surplus production of market rate units has certainly diminished the housing prices. Perhaps it kept it lower than it otherwise would have, but despite that, differential between production and demand, there's been still rapid escalation of pricing during the same period of time. So some of the consideration.

[04:57:20]

>> Cole: One second, councilmember morrison has a question.

>> Morrison: I wonder if you could theorize about that a little more. We have excess supply, but the prices are still going up. Why does the market still support prices going up, what is driving that?

>> On the for sale side, some of that is because of the change to financing terms that with 4% interest on a mortgage instead of 7%, the same house, the same household income can afford to pay more and so the prices go up. Because you are

-- you still have the same people competing for the home.

>> Morrison: But those interest rates have been low for several years.

>> They have,.

>> Morrison: So what's

-- okay.

>> But that doesn't

-- obviously doesn't explain the rental side. The same financing dynamics don't work on the rental side. I don't have a clear answer except that austin is cool and everybody wants to pay a lot or they don't want to pay a lot of money but there is ever increasing in-migration to this area and people are willing to pay more to live in austin. Beyond that, I don't have a clear explanation except that yes there has been evident escalation of pricing despite this increase in supply.

>> Morrison: Thank you, I'm still befuddled.

>> Spelman: I will see if I can rephrase what I think you just said. Supply is going up but demand is going up faster?

>> Well, demand is

-- is sort of

-- it's a dynamic thing. Demand in terms of the actual number of households that have moved here to the city has not increased as rapidly as the supply did. At the end of the decade, 2010, you had more vacant units than you did at the beginning of the decade. You had a higher percentage of vacant units than you did at the beginning of the decade and despite that, prices were significantly higher than they had been at the beginning of the decade. So there obviously are a number of things going on. One of it is that people are competing again because they want to be here. And are

-- are willing to pay more of their household income to

-- to reside within the city than they had before.

[04:59:38]

>> Spelman: If you have a higher vacancy rate they really aren't competing that hard are they.

>> There's also the question of how many households can actually qualify. That's part of the reason that rental prices have gone up as well. It's

-- it's complicated dynamic, obviously, but

-- but again one of the reasons that rental prices went up despite more units being produced is that many people got out of the for sale market during that same period of time. Prices didn't really dip significantly

-- may have been a euphemism.

>> Not all got out voluntarily, kind of forced out bit banks, some of them. [One moment please for change in captioners]

>> ... And again, I cannot speak authoritatively to the psychology of every consumer of housing but the facts are that housing prices have gone up significantly, despite this dynamic of supply.

>> Morrison: So could i suggest that one
-- one approach to promoting affordability would be to try to get on as many top ten uncool lists?
>> Right.
>> Morrison: As possible. [Laughter]
>> Morrison: Seriously. There is that element of what's going on.
>> Yes.
>> Morrison: Thank you.
>> The last thoughts on this do speak to sort of the community wide aspects of
-- of affordable housing and in areas that don't have affordable housing, you would have concern about the economic implications of that, in terms of the ability to retain and attract workers. That has been a clear issue in silicon valley and you have obvious connections with that industry area. Also, there is the equity question, political
-- rather, economic displacement of lower income households as the prices go up. Finally, there are environmental concerns, particularly with respect in commuting to your community, has more people cannot afford to live within your city, the congestion spoken of earlier on i-35 is likely to get that much worse.
[05:02:19]

>> Cole: Let me ask a question.
>> Mayor leffingwell: Mayor pro tem.
>> Cole: Could it be a situation where people are simply making a decision to live closer inside the city, and they are trading transportation costs for housing costs?
>> Absolutely. Absolutely. The numbers bear that out in the memo that I believe you each received. It spoke to the fact that transportation costs are considerably lower for people who live near the center city than they are for folks who are outside the aggregate housing plus transportation, it's pretty close, but there is obviously a tradeoff that's happening there.
>> The second part of our presentation speaks to the regulations that facilitate lower cost housing. So several policy that is in regulations we currently have, the smart policy program, uses expedited review and fee waivers to stimulate the reduction of affordable housing. The smart housing program provides safe, mixed income, accessible, reasonably priced and transit oriented housing and we have the austin plan to reduce barriers and housing opportunities that are affordable throughout the city of austin. We had very several successful seller incentive programs. I talked about smart housing program. The interim density program has yet to produce units, unfortunately, uno has produced 574 units and generate about \$1.2 million of a fee. Vmu currently has 247 units in the pipeline, no fees attached to that. The transit oriented development has produced 139 units currently and north burnet gateway has yet to produce any units. We also have very successful development agreements that have produced affordable housing throughout the city city of austin. Miller obviously is a nationally acclaimed program. We currently have 567 unitises that are contracted and/or occupied. Gables west avenue has created 12 units, on second 12 units, gables park plaza phase one created \$200,000 of fee. The domain has 42 occupied units and \$169,000 fee in law, and the robertson hill has 229 occupied units. Proposed cupancy agreements, the future miller, 850 additional units of affordable housing, the green water treatment plant and seaholm 95 proposed affordable units and 25 fee in lieu, the months negotiated could likely produce up to 2800 units and a maximum of almost 10 million of a fee. Of course that is the course of about 30 years and the plan unit development several years ago proposed and will create 13 units of affordable housing and roughly \$2 million in fee. The

agreements and incentive programs can be a tremendous opportunity at little to no expense for the city to create units across all of austin.

[05:05:42]

>> Mayor leffingwell: Council member morrison.

>> Morrison: Could I also add, there are sometimes developers or folks who are coming in for zoning changes, have made donations outside of the zoning case to affordable housing causes and I gather, we don't have a way to actually track those?

>> We are working on generally on being able

-- diligently on being able to put all of this on a website to be able to track it. It's not the easier things. Some of those things are negotiated outside what we always know so we are currently working to be able to consolidate the information so we will have all of that

>> Morrison: So you will start pulling those in, too?

>> Yes.

>> Morrison: Thank you. Because that has been nontrivial, thanks.

>> And the third and probably most important of today's presentation is the dedicated revenue strategy and I will turn it over to ed for his presentation.

>> Good morning, mayors of the council, ed vanning, cfo for the city. We were looking at sustainable long term affordable neighborhood housing and community housing and housing in general and I would like to chime in on the home price dynamic question and let you know the previous city that I came to you from, true story, was voted one of the ten most boring cities in the country and home prices are still through the roof. [Laughter] so I don't think getting rid of the cool factor will necessarily help austin.

>> Mayor leffingwell: What city is that?

>> I am trying to be a little polite and not

--

>> Mayor leffingwell: What city are you talking about? You aren't going to stay the same.

>> It was the city of Choolavista, California since I am being put on the spot. They weren't the most boring but they were put on the top ten list. [Laughter] so what we will be looking at is funding need with service area. Before we come up with the strategy we need to define the scope of the need we need to address and establish short and long term funding goals we are talking about. The next bullets are the various sources of funding we view of being available and good for affordable housing. And then we want to talk about a five-year funding projection. First off, looking at the neighborhood housing funding for the last four fiscal years, fiscal year '10 through '13, it comes from four primary sources, sustainability fund, federal grants and bond money and the bond programs and the gold bars there, in fiscal year '13 we didn't have bond available but we were able to bring money out of the cip general funds reserves. That has been the funding last several years. Looking at 2014 and looking at the neighborhood housing development to identify the need, can see down the left column, the various services they provide through tenant and architectural barrier removers and rental assistance, these types of programs, we are trying to focus on there is ongoing, recurring operating need of 13.6 million. It is previously funded in previous years from contributions to the sustainability fund always well as the federal grants and then there is need for cip money related to projects which, at least the last five years, has come from bond programs and again in fiscal year 2013, council took money, appropriated money out of the reserves to keep the cip project funding going ahead. We would look at that being the need not at least fiscal year '14 and really into the future with, of course,

you know, typical built-in cost drivers, those numbers would go up some. Our funding goals, we want to try to find a stable source of the operating funds for recurring programs and stable is the key word here because some of the recurring program costs have to come from the federal grant funds which have not been stable in recent years. We want to provide a dedicated funding source of \$10 million annually. This is based upon the last five years' history with 55 million-dollar bond program and the amount of funds that neighborhood housing has been extending for affordable housing projects over the last five or six years. Also wanting to reduce alliance and cyclical bond elections which would have the interest of debt issuance cost and if you think about the things we like to issue debt for in the city of Austin, big one off projects, things like central library, things like water treatment plant or Waller Creek Tunnel, these are very large projects that it wouldn't be pragmatic for us to save up 150 or in the case of treatment plant for half a billion dollars to do projects out of cash funding. The projects make a lot of sense to issue debt for and have a life response of 30 or more years and there is a lot of sense of spreading the cost of the projects out over a number of generations of taxpayers. If you contrast that to affordable housing where I think following Darren's presentation and just conventional wisdom that, the affordable housing need in the city of Austin, we feel, is going to be a recurring, ongoing field. It is not a one off project like we will do it one year and then be done with it. So you start thinking of it as being a 10 million-dollar commitment each and every year, presumably for as far as I can see. We think it makes more sense to try to fund that on an annual basis, without relying on debt which reduces debt issuance cost and interest cost. Think about a 10 million-dollar bond issuance to fund affordable housing projects, that will cost you \$5 million over the life of that debt. You are looking at the the commitment is done \$10 million a year, doing it cash, \$10 million, doing it through debt, ultimately becomes \$15 million, so given the long term need we are projecting here, we think trying to find a mechanism to moving away from using debt and bond elections specifically would be desirable. We are also projecting or proposing to continue the transition away from the sustainability fund to the general fund over the 5-year -- over a 5-year period. This is not just a housing-related issue. This has to do with all of the programs funded out of the sustainability fund and it is also not just the sustainability fund. It has to do over the last several years, we have been taking a look at various city wide cost sharing programs, such as ERGSO and housing programs, house and services program, how we fund those and the cost sharing centers, we have been looking at that and making changes of the allocations and this is a continuation in what we started in years previous. Also, you will see in the next slide we are projecting CDBG and home funding programming not to keep pace with the costing of the programs so some grant support need would be needed. The next slides talk about various funding options. Here talk about federal funding and we start off with good news, that we are actually anticipate to go see 16 and a half percent with the CDBG with the home grant and of course with sequestration, back at the time of the financial forecast, receiving 5% reduction, we thought with but we are seeing an increase in fiscal year '15 which is the good news but the bad news, as back as '11, the allocations were \$12.7 million and in '14 we will have 3 million-dollar less. So the trend has been downward despite fiscal uptake in fiscal year '14. We don't feel we have a handle on where the federal government will go in the future. They could increase, although highly unlikely. They could decrease. We are showing a little bit of hopefulness they remain flat over the next five years and if they were to remain flat, some level of the grant support funding would be needed to maintain as those levels. As staff and program costs increase, there will be need to have support at current levels if the federal grant moneys were to remain flat. The next source, sustainability fund and general fund dollars, you can see in fiscal year '13,

the sustainability fund contributions, 3 and a half million dollars. In fiscal year '14, that's projected to go actually to 3.6 and the transition from the sustainability fund to the general fund is proposed to begin. Total allocation would be \$3.6 million in fiscal year '14, growing to \$4.7 million to fiscal year '18 due in part to the grant support discussion we have had and then you can also see the transition, those moneys are starting to move away from the sustainability fund and into the general fund. I would highlight here that the

- the pieces of these various graphs that are in green are the pieces of the graph that are the staff's recommendations so this is something that we are recommending to do as part of our '14 budget.

[05:14:44]

>> Yes.

>> Mayor leffingwell: Council member morrison.

>> Morrison: Can you go back and remind us about

- we have talked about decreasing the reliance on the sustainability fund overall and taking some of the funds, I know, like we moved some instead of transportation, dedicating to sustainability, and last year we moved it into special product transportation sustainability. So does this align with the overall long-term plan for defunding the sustainability fund?

>> It does. And you are correct. What the transportation and the drainage fee, with them, they used to contribute to the sustainability fund. They don't do that any longer but the money that used to contribute to the sustainability fund are still available in their budget to do sustainability type projects but the projects that are appropriate for the transportation user fee, or appropriate for the drainage fee, and then the same thing could

- the remaining sources are from the water utility and resource recovery.

>> Morrison: And are we talking about.

- So where would these funds go? This 3.6 eventually or 3.5 that would be sustainability, would that go to a different

- would it still go to this the sustainability fund and then just be used for another sustainability issue?

>> No. The

- the plan here is to have those

- the contributions of the sustainability fund would slowly dry up. In other words, the dollars would stay with the water utility and research recovery which could then be reallocated to other programs or be used to lower rates.

>> Morrison: Is this the total

- I am unsure

- the sustainability line here is that the total in the sustainability fund or the total allocated to housing?

>> It is almost to housing at this point. There is still a little bit that go to the health department but that is just the housing piece up there but it is most of it.

>> Morrison: Okay. Thanks.

>> The housing trust fund, council knows was established in 2000 by council resolution that asked the city manager to identify funds to invest in expanded affordable housing initiative, this transfer of housing trust fund lefts approved by council each year through the annual budget process and the current calculation is 40% of incremental tax revenues derived from development built upon city owned lands within the desired development zone. That's how we

currently calculate transfer at \$6,000 in the current year, projected to go up to 800,000 next year and we wanted to look at a couple of different options. First option being the current method. Second option is an option we looked at and provided report to council if we were to expand calculation to include all properties, not just city owned properties. Option three is a much more aggressive option that would completely relook at the housing trust fund transfer and simply do it as a flat percentage of the city's overall tax base, starting at a quarter percent in fiscal year '14 and then slow ratcheting it up to fiscal 2018 and then cap at \$10 million. Our focus is \$10 million per year for the capital projects. And the current med looks like this,

-- the current method, including green property coming online, we are projecting that \$600,000 to grow to \$1.6 million by fiscal year '18, by expanding the property tax base, you can see the numbers go up a fair bit to \$1.4 million in '14 to \$2.3 million by fiscal year '18 and again this third option which would be staff's recommendation, again, with the goal of trying to move away from using debt to fund affordable housing would be to look at this flat percentage basis, where you would have 900,000-dollar transfer in fiscal year '14 growing substantially at 9 and a half dollars by fiscal year '18. Three different options on how you might think about calculating the housing trust fund with the goal to move more money into the housing trust fund to do more funds to do affordable housing projects. Next option talks about option 4 and it is not really option 4 in that it is not proposing a change for the housing trust fund but it is proposing a change to get additional dollars into the housing trust fund and is to leave the housing trust fund calculation the way it is and then supplement with a straight general fund transfer to the housing trust fund. Something we have done in the past between fiscal year 2002-2005, there were approximately \$2.7 millions to the housing trust fund and then fiscal 13, \$8.10 millions to them and then previous years transferred substantial funds to the transportation fund, general fund dollars so there concept of transferring money to the general fund to other funds for a specific purpose is not new and it is something we can certainly do as we are looking for ways to increase funds available for affordable housing. The last thing I wanted to look at was debt. Again, we are trying to get to \$10 million a year of monies for projects. We are also trying to reduce our reliance on debt and cyclical bond programs. You can see here this would be a strategy if we were to look at a revised housing trust fund calculation that got to us 9 and a half million dollars in fiscal year '18. Clearly there are gaps in the early years. If you are able to supplement that with bond money in the early years, we could get to \$10 million annually and we project the need to be about \$27.1 million in bond funds, which combined with a strategy for increasing our transfers of the housing trust fund get the us to \$10 million per year, between '18 and '18 and fiscal year '19, transfer of housing trust fund would be \$10 million and we wouldn't have to rely on bond programs any longer. This is what it looks like when you put it all together and it's a nice stable source of funding. It's

-- it provides a predictable funding source for the department. You can see the gold bar is shrinking. That's the debt portion and the green bar is increasing. That's the housing trust fund piece. You can see that transition. The red bar is projected flat federal funding and then if blue bars would be the general fund contributions, which would be increasing over time. A lot of this does have general fund impacts. We are essentially talking about increasing general fund contributions to the housing trust fund, to provide a source of cip funds and also talking about transitioning to sustainability fund dollars into the general fund beginning in fiscal year '14, it would be \$1.1 million general fund cost of this proposal, increasing to \$14.2 million by fiscal year '18, and then you can the green line shows what the tax rate implications would be and the tax rate calculations depend on a lot of factors in terms of other things that council might

approve and changes in property values and all of that but we are projecting 1 cent impact to the taxpayers through this strategy by fiscal year 18 but if we are spending more money on bonds -- if we are not issues bonds, that portion of the tax bill would be lower and also if we aren't relying on the sustainability fund as a source of funding, then potentially water rates and austin recovery rates could also be lower. This is to show you the impact on the o and m piece of the texas rate but then there is offsetting savings in other areas. Our recommendations would be to reduce our long-term reliance on cyclical bond programs by increasing our general fund transfer to the housing trust fund to \$10 million annually by fiscal year '14, to 20 fiscal year '14 and 18, there would be a need to supplement that housing trust fund transfer with \$21.1 billions in bond funds and if we are to receive

-- \$27.1 million and we are recommending for a transition from the sustainability fund and be the general fund for housing programs. With that, I would be happy to

-- are you going to

-- she is going to conclude and maybe we will do questions.

[05:23:00]

>> Mayor leffingwell: Council member martinez.

>> Martinez: Go ahead. I think she has some closing.

>> It is a wrap eup to summarize what we discussed. We are going to obviously, like I said, do a market study. We will do it this year to have the data next year so we can utilize the information. You heard some of the needs already and we don't think the marketplace will show anything other than an increased need for affordable housing but we will have the information for us in order to continue to set targets and goals in the city. We are also

-- the innovative zoning and regulations we have solid policies and we want to continue to work with the land development code rewrite process and imagine austin that will have solid policies to continue to reduce barriers which lowers the cost of affordable housing around finally dedicated revenue and financial plan. In addition to that we want to provide a rental preservation program, expand our shared appreciation and/or land trust program, which will help some things like gentrification and how do we deal

-- if we have a land trust and we can help lock in the increase of cost. Funding strategies for affordable housing and those have been discussed and the potential for a general obligation bond. That's my wrap up.

>> Mayor leffingwell: Council member martinez.

>> Martinez: Thanks, mayor. First of all, thank you very much. I think this is

-- obviously we are headed in the right direction in terms of getting more reliable source of funding so that our housing program is not dependent, you know, a citizen bond initiative. What I want to make clear, though, is this is not

-- we are not trying to establish a policy that says we won't do affordable housing bonds. We are just saying we want a more sustainable, permanent funding source for housing programs. If the council decides to add a bond election for affordable housing, then that's just kind of an add on and a bonus, if you will, if the citizens adopt that?

[05:25:00]

>> That's correct.

>> That's asbestosesthat'solutely correct.

>> One of the things I want to briefly point out

-- sometimes the conversation gets ratcheted to a trip sy frenzy level and I can understand why, when I look at slide four and we talk about projected funding needs for fy2014 and in the operating line item of that 13.6 million for next year, we have a line item that is literally 30% of the entire projected operating costs being the administration and support services, and i think that's where we got a lot of pushback from folks wanting to know why is the administration of the program so costly compared to everything else. I was wondering if you could respond previously to that.

>> I

-- I

-- I believe that the administration of our programs is

-- is a very reasonable exp for what we do. We have a very solid program for what we have done for long-standing program. The programs that we've got serves thousands of households in the city of austin. So when you take your overall expenses for our personnel. We are down to 52 f.T.E.S. We used to have 75 employees so we are doing the same amount of work with a third less employees so I believe we have become a very streamlined organization in our delivery of services. We subcontract a lot of work as well. So between our partnerships with the nonprofits and work we administer ourselves, i would have to say our efficiency is pretty high.

>> Martinez: When we compare ourselves to some of our peer cities, how do we compare

-- let's make the same that we get to

-- make the assumption where we get to be where we need to be in 2018, how would we compare in other cities with this program? We be a premier city or in line with what other cities are doing?

[05:27:11]

>> I believe the strategy we presented to you this morning would be a premier city. Some cities have had other bond allocations, general fund, but I am not familiar with the ones that have a solid long term local fund equipment commitment. Many communities have reduced the housing programs because of the federal cuts. They just eliminated the programs. They have not had the wherewithal to continue with affordable housing through theiral initiatives so i actually think from a national perspective would be a very premier program that would be a very solid approach.

>> Martinez: And I guess what I would like to see is moving forward, how we compare nationally and then more specifically, drilling down into how we compare on the cost of administration of the program as well.

>> Okay.

>> Martinez: Thank you.

>> Council member riley.

>> Riley: I want to join in thanking all of you for all of the information and the work that you have there wassed in this

-- that you invested in this. It is very helpful. I want to address a concern that I've heard from a lot of people that relates to affordability for the whole community. And it is highlighted by really one of the last slides you showed, which showed the

-- the tax rate implications of

-- of long-term increase in the general fund commitment that we would be making und staff recommendations. Now there are affordability implications to having a tight housing market in general. I know that you said that really you saw that supply didn't have a direct impact on

housing costs because we saw

-- even as supply increased, we saw greater increases in the housing costs. I have to believe that if we had not had some public sector support for additional housing units, then there would have been additional upward housing pressure that most austinites face in upward costs. Is that fair?
[05:29:21]

>> Yes, that's fair.

>> Riley: So to the extent we are able to provide a strong commitment to affordable housing, a strong public sector commitment, then that actually does help everyone with the affordability, especially the majority of our population rents, because with

-- with OC levels as high as they are, it is basically a long-term lessor's market and to the extent we can help increase the supply, then it

-- and that does benefit all renters, to some degree. Can you suggest anyways we might be able to weigh those two considerations? The considerations we have increased tax rate we would have to commit to in order to maintain this level of support. And that's

-- that's as opposed to the general benefit that

-- that most austinites

-- that austinites would see as a result of providing additional public support and that has to be considered along with other side benefits which include things like all the ancillary benefits we see, especially housing folks from the very low end who might otherwise be incurring significant public sector costs, especially when we are able to provide, for example, permanent supportive housing for chronically homeless folks who otherwise would be on the streets who would be incurring emergency room cost, police cost and those type of things, we can see a net savings, overall savings by getting those folks housed. It is actually cost effective. Could you imagine that there would be some way to quantify the benefits to the taxpayer as compared with the cost that we will have to incur as a result of the

-- the additional commitment on the general fund side?

>> I know it's a very complicated question but that's the balancing that we are all going to have to consider. We have to consider affordability not just for the folks who will be occupying the units but we also have to think about affordability from the standpoint of average taxpayer.
[05:31:32]

>> We looking at

-- with permanent support five housing we are seeing how we can

-- supportive permanent house we are seeing if we can quantify the savings. I want to see if there is a way to quantify that to all affordable housing investments. When we did the investment presentation, there was a significant investment of that through the jobs and the impact overall of the spending of the folks if they are housed and stage and paying

-- and stable and paying less for rent, that means they have money for other places. So I think we documented the long-term economic benefit of having a reasonable rent and/or housing expense for folks to pay, but, yes, to

-- the constant challenge is to see how we can more accurately quantify that cost benefit.

Anybody else have an idea?

>> Riley: I guess the main thing I am looking for is staff's confirmation of the concept that there is a benefit, especially for renters, to the state that we can maintain these levels nor support for affordable housing, that there is a benefit in terms of the affordability of units generally, for all of

those

-- for the whole

-- for anyone occupying an apartment in austin, there is additional benefit for providing additional support on the supply side?

>> [Indiscernible]

>> Riley: Okay, thanks.

>> Cole: Council member morrison.

>> Morrison: Thanks. And to follow up on that a little bit. I think that it's going to be important, as we look back at that, I guess at that same slide. The one showing the impact on the tax rate. I think it's important as we discuss this in the community, even beyond, you know

-- narrowing the scope somewhat but I agree completely. We need to get that bigger picture in there. That we will be able to have some numbers on what impact it might have on, for instance, decreasing fees, the potential for decreasing water and resource recovery fees and if there were to be a bond, what the difference in paying off the bond debt versus just having it in some real numbers I think would be real helpful to the conversation. But, you know, we had the same conversation frankly at emerging technology committee the other day. We were talking about the value of solar and the value to the utility of solar is one thing. The value to the economy is another thing, and we need to be able to get those kinds of numbers somehow approximated and on the

-- approximated and on the table so we can have broader conversation so I appreciate that and one more last time, back to cool factor and the question of what is driving housing. I would like to see here is some way we can't delve into that a little bit more and get some other theories because the fact of the matter is, unless we understand that force, we don't have the opportunity to see if there is something we can do to address that force, so trying to get on the ten worst lists, I believe that's not the way to go about it, ed. But

-- but I just wish there was some way we could understand it and I think to bring somebody in with a different kind of background about market forces might be helpful and I think council member spelman might have some ideas and if that would be possible, because, you know, if there is

-- if there is something out there that we can understand that we could do something about, that would be terrific. Now, chances are we aren't going to have any control over the force

-- over whatever the force is but if we can get into that more, I would appreciate it and I want to thank staff and working so much on this and getting rid of the box we are in and thinking creatively, come up with an alternative for us to consider because there is a lot of very smart things about what you've got

-- suggested here that has the opportunity to take us down a much

-- a very successful path, or successful as we might be able to be, thanks.

[05:36:04]

>> Cole: I also want to thank the staff. I was the leader on this resolution and asked for all of this information. I really appreciate y'all bringing it back and bringing it back with so many big ideas. But the problem with big ideas is you have to somehow put them back before you and figure out which one of them you can really do right now and what really is palatable at this time. So let me back up and ask you a fundamental question. We have been sitting in budget meetings. We have been told, I believe, generally, that we are trending toward a tax increase, just to keep up with the basic general fund demands, whether we are talking about parks, health and human service or

public safety. Is that correct?

>> Yes.

>> Cole: Do these assumptions already include that, or are we assuming that we would take money out of the general fund, find it somehow on top of that?

>> Well, for fiscal year '14, the impact of this strategy is not a lot. A lot of this strategy is back loaded as we transition into it. If you were to look at that forecast over time, we were projected a little bit as we

-- as we get out in the future, we were projecting a gap between what our expenditure need is and what the tax rate needs to be so this is just

-- this will push up what the tax rate would need to be otherwise but I don't think if strategy would necessarily take away from the other programs unless there was a desire to keep the tax rate at

-- at the existing level, for example.

>> Cole: Okay. Up know we have another presentation that we are going to get to about the bonding capacity, hand these two questions

-- and these two questions kind of overlap in terms of a tax increase and bonding capacity that I want to get to. So I think council member spelman has a question on this slide. So why don't we go to you first and then we will go to the next presentation.

[05:38:04]

>> Spelman: I have a lot to say but I will keep it really, really, really short. Of all of the things here, I think the thing we haven't discussed and need to discuss just a little bit more which I think is really important which is on slide 24, you had

-- and you mentioned a second ago, Betsy, we have been spending a lot of time talking about one of two approaches that I think are necessary for us to support affordable housing policy, and that is; spending more money, leveraging money whenever we can, in order to build and maintain affordable housing. The other part of that approach here is the slide here

-- which I will

-- slide 24

-- not in this, in the previous presentation. There you go. That's it. And then the other thing, in addition to spending money to build and maintain affordable housing is stop spending money to prevent affordable housing. President norm of regulations which impeded affordability and in the form of procedures which are slow, uncertain around ultimately very expensive for developers and property managers. We spent a lot of time over the last few months talking about the first of the two problems: Dealing with spending money. We have not spent as much time talking about both the activities

-- I haven't heard anyone mention that yet, council member. It seems like we need to talk about what it is that we can do

--

>> Cole: Excuse me, council member spelman, we just lost a quorum.

>> Spelman: I didn't see that.

>> It is okay, he is coming back.

>> Cole: We might make a

-- we might make a motion to recess for a few seconds? We will make a motion to recess.

>> Spelman: I will finish my second in a few more minutes.

>> Hold that thought.
[05:41:02]

>> Cole: Reopen the meeting of the austin city council.

>> Spelman: Since I am halfway through I will finish the sentence and ask the question to the law department. The end of the sentence is do we need to spend more time talking about incentives, procedures and regulations and administrative processes and this is something we haven't discussed yet but I think this will be both extremely politically popular, both on people who build and maintain affordable housing for a living and secondly will have roughly as much effect on affordable housing stock in affordability in general as the things we are positively doing to spend money to promote it. So I think we need to take a look at both of those two things. Since there is only four of us, I will keep this very short. In there are four of us in the room and one of us leaves the room, ms. Canari, do we have to recess the meeting or can we keep talking? I just want to be sure that is not going to be a problem, I didn't think there is a problem, either.

>> No problem at all.

>> No problem.

>> Spelman: Thank you very much.

>> Cole: Thank you. Next we will have the presentation on the general obligation debt analysis.

>> Thank you, I am [indiscernible] with the financial services department. Mic?

>> [Indiscernible]

>> thank you, mayor pro tem. I am greg with the financial services department, canally, one of the ifc was to come back on the city's general debt obligation and the bond capacity and this is something we have been doing more on annual basis for the last couple of years as we discuss bond elections. I want to go over

-- this should look familiar to most of you. As a quick overview, the tax rate has two components. There is an o and m debt service component or current tax rate is 50-cents, 38-cent of that goes to the general fund for the general operation and maintenance of the general fund needs and 12.308 centss is

-- 12.08 is for the debt service funds and we use that to the debt on the bonds we have issued that we are obligated to pay back twice a year. The critical thing to remember about our debt tax rate is that we only can set it at the level that is necessary to actually make the debt service payments. We can't set it any higher. And this is the first piece of the tax rate we set when we are determining the annual tax rate. That should all be familiar. You should have a copy of this powerpoint in front of you as well. It's a little different format. The

-- so going back over over the assumptions that we have in place in looking at capacity, it is always critical to have these in place because it sets the place on what we can do in the future. As a reminder, 12.08 cents is our current tax rate and we look at next year's portion of the tax rate for fy '14 and this is based on forecast av growth. These are male numbers and we won't know the numbers until summertime when we come back for proposed budget but we are projecting with the need we need to issue next year and it is dependent obviously on the new bonds that we have, next year's tax rate will be slightly lower than this year's current tax rate and mainly that is a result of new bond program we passed, \$306 million, is less than we originally talked to you about a year ago and that was before the voters, as well as av change went up a little bit higher and that 11.7 cents is what we need next year and it is actually what we need in the future. In fact, all of the revenue that we project even with av growth from this

-- what we would say is a constant growth rate of 11.7 centss, things change year in, year out, but the revenue would be dedicated to servicing not only existing debt we issued over the last 10-15 years but the upcoming \$473 million of bonds that we still need to issue and they are bonds that are related to finishing out the 2006 bond program, selling the bonds for it. The 2010 90 million-dollar bond program and now this new \$306,000,000.2012 bond program which we have issued none yet. This will be the first one we issue so the 2012 bond program, in fact, we will be issuing debt over the next 5, 6, 7 years, in fact, out through 2018 through 2019. That is a new assumption that was different from where we were last year when we were before you. If we

-- and also another assumption is we look at capacity, if there is an election, either november of '13 or may of '14, the earliest, while you could begin these programs immediately, like we did on the 2012w the budget amendment

-- with the budget amendment, we only semifinalists bonds once a year. We wouldn't sell the bonds until august of '14, which would be an fy '15 tax rate impact. In essence, wrapping up, fy '14 tax rate will be at 11.7 centss, based on what we need to issue and spending for the capital program we have identified and we again assume as our financial policy 6-year bond program. Taking this back, this is just

-- a bit of a lookback last year where we were before our pre2012 bonds in the debt obligations. In essence we had very little debt level requirements. They peaked at \$106 million. That was the last time in 2013 we were issuing bonds and it slowly trickles down as we issueless and issues less and less bonds but however we have a new bond program where you create a new level of debt payment for the new bonds we are creating and this is the existing bonds in 2006 and 2010 bonds in the gray, plus now the 2012 bond obligations

-- debt obligations that we would have to service over the course of the next 20 years as we

-- we would have to service that the course of the next 20 years and so what tax rate do we need to service those? And coming back to our assumption that we can only set our tax rate on what we need to issue the bonds for. Because now actually our bond on gaingses are actually

-- bond obligations are going upwards because we layered on \$306 million we think the 11.7 cents will be efficient to meet the debt obligations and follow until about 2021 do you see capacity start to epiup again as we issue less bonds at at any given year as the bond program for 2012 starts to ramp down in terms of bond issuance. Where does that leave us? Where that leaves us with in looking for the scenarios for additional bonding capacity, again, 11.7 cents, which again is lower than the current debt it was tax rate. As we look at that as the starting point for analysis. So we've laid out several scenarios here. All of these scenarios are within our bonds of our financial policies of our debt to av and our debt per capita. All within comfortable levels.

Scenario one looks at taking our constant

-- what would be constant tax rate of 11.7 cents and add a half a penny and it would get you to \$95 million additional capacity scenario, 2 takes it at a penny, gives you 155 and onward, 3, 315, scenario 4, 455. I will say this, again, i think, because we are in a

-- we are really talking about multiple tax years right now, we are in a current tax year of our '13. Our '13 tax rate is 12.08 centss. Next year we project that it would dip down because our

-- again, what we

-- this is what we plan on issuing and that's the tax rate that would be required to service that tax rate, for '14 and on through the future. However, again, that is actually lower than our current year tax rate. There is another scenario on there, really, that is if you actually take the tax rate back up to what its current level is back now in fy '13, that gives you about \$60 million in capacity. So that scenario. This is the constant, basically a very similar presentation. What's

changed from last year is we now have a new bond program we are having to service debt on and our tax rates are set accordingly.

[05:49:33]

>> Let me try to ask you a central question that I want to know. With our current tax rate if we hold that constant, what will be our bonding capacity if we go out for an election in november of 2013, approximately?

>> We would be looking at approximat \$65 million if we are holding it constant at the current year tax rate. However, mayor pro tem, is there would a to be, next year again, we don't have all of the numbers in. We have to see what the av comes at, once we get certified tax roll in. We are projecting next year's tax rate will take a dip down. Testify debt service of the tax rate -- not talking about overall o and m rate. That is something that ed will be working on as we get closer to proposed budget but the debt service of tax rate is projecting to dip down because of our needs and the way legally we can set it. Bring it back up to con statement rate, that would get you \$65 million in bonding capacity ?Oork that would be for a six year period in accordance with our policy?

>> Yes.

>> Cole: Okay. Council member spelman.

>> Spelman: Let me ask almost exactly the same question in a slightly different way. If wet wanted to support the kind of bond program that mr. Vanino was talking about a few moments ago, which is a combination of bonds on the front end and pay as you go policy towards the back end, which is less than \$65 million, then we wouldbe able to get additional money to the affordable housing program and the net effect on our tax rate would be negative? Less than \$65 million, right?

>> Yes, I think depending on the o and m. The o and m impact, the course you take for the 5 and 6 years, if you take it up a penny and a half on the o and m side there would be no increase on the debt service piece of it, projected anyway. Aga if you take it up, you can keep the tax rate constant from an fy '13 perspective with no tax rate increase and keep it about \$65 million. F.

[05:51:47]

>> Spelman: Okay, but if we

--

>> it is kind of which side of the equation are you looking at from a tax rate perspective.

>> Spelman: I understand. Thanks.

>> Cole: Okay council member morrison.

>> Morrison: Ed, could cow point me to

-- I am looking in the wrong one. Point me to the slide where were looking at the tax rate increase. There we go. So it is on '14. So the projected impact to

-- for next year, simple as the one to look at, to the o and m tax rate is .13. Whereas what you are suggesting, greg, is that we could just, instead of 12.08, go down to 11.07?

>> Again, projected, it will go dow to 11.07.

>> Mayor leffingwell: Because the year gap?

>> There won't be a housing bond to sell bonds unless there is a

--

>> Morrison: So the next year we could do that?

>> It wouldn't be until fy '15 where you could begin, upon a successful election where you

would be able to start selling bonds.

>> Morrison: Right. So for the first couple of years, there is no impact? Whether you go at that funding with a bond versus an o and m property rate

-- property tax increase but it looks like, by year 18, you are looking at 1.39 cents in the o and m tax rate, whereas this tax rate would just be

-- this tax rate delta would just be fixed at .3 throughout all of those years so that

-- so then that effect is more impactful on the property tax rate.

>> Yes, this is not just a matter of us increasing the transfer of the housing trust fund to replace those bond moneys. It is also a factor of us transitioning close to \$4 million from the sustainability fund over to the general fund, so there is two things going on in this graph.

[05:53:54]

>> Morrison: Right. And, in fact, there is \$27 million worth of bonds?

>> That's right.

>> Morrison: So that difference is not quite exact. So if we

-- if we could get that pulled apart in any way. I know it's going to be really hard because you are going to have to make 5-year projections and you have to pull that crystal ball out again of water rate impacts if you don't and then what the average family would feel in terms of water rates going down, but it seems like it's all

-- it's the same amount of money. We are just talking about where it comes from. And plus we have a net savings of the interest, so overall, it appears that it should be

-- we should be able to somehow point to where exactly those cost savings show up.

>> I think we can do that.

>> Morrison: Okay. Because personally,

-- i mean I want to talk to folks in the community. I think this is a new idea an all but my initial action to shifting the way that we do this is very positive, because it givings us a much

-- it gives us a much more methodical, sustained approach to affordable housing. That issue is not going away, and it is adopted in our comprehensive plan as something that we do need to deal with as a priority, so I see shifting the perspective like this as a positive shift at the city. My only concern is that i would hate to see this approach, then, two years down the line, become a political football and all of a sudden the

-- the approach gets decimated and we are left with nothing. So I don't know if there are any safeguards against that because council can always undo anything a previous couple has done, a new one.

>> I agree with that assessment but the current funding model relies heavily on bonds which requires future council action and current bond relies on the current housing trust fund which gets done every year through the process. I don't think the current model has better guarantees than the proposed model and the proposed model create better stability and the significant financial cost we pay in a debt over 20 year period takes care of it in this model.

[05:56:25]

>> Morrison: I appreciate that. And one lesson is when you helped

-- in response to the questions, about the housing trust fund and how it actually had gotten changed from any public property that went on the tax rolls basically to just sitting on property and you deviled into it

-- you delved into it and found it in the memos and the fact it showed up like that in the budget

one time and it was adopted. There wasn't a lot of transparency then and I think one thing that would be useful if we adopt this strategy, would be to make sure we have in our projecting process a lot of transparency to make sure we are keeping an eye on exactly how the steps we are taking, the budget we are approving, how it comports with the adopted approach so that we make sure we don't end up just doing something without really having a discussion about it.

>> And I would just say I think that with what we are proposing here could greatly enhance transparency because just anybody could get out a calculator and figure out the current transfer is, as opposed to

-- I don't know what the word is, it is complicated and extending to it all properties would make it so complicated, nobody would want to track it out. It would be complicated tracking over 350 properties which some of them are community corner lots that is a few hundred thousand that relates to transfer of \$20 a year or something like that, and I think what we are posing here greatly simplifies and decreases

-- increasing transparency.

>> Morrison: When you talk about all property, you are talking about all public properties going on the roll?

>> Yes, all properties that are tax exempt becoming taxable. That was one of the options for us to look at.

>> Morrison: Right.

>> Cole: Okay. Are you done?

[05:58:25]

>> Morrison: I thought I had one more question but I've forgotten now.

>> Cole: I certainly appreciate, again, all of the work that we've done. I feel like we have been playing baseball and you gave us a new play book on the third plate and so we have look at some of those strategies and suggestions that you have put out there. I understand the need for capping a reliable source of funding for affordable housing and the debt service cost but I don't know if we are at the point in this juncture that we need to butt off a bond election for

-- to put off a bond election that we don't currently have to consider the other long-term issues so I am not sure of that. I appreciate your work. Thank you. And this meeting of the city council work session without objection adjourned.