

Five-Year Financial Forecast and Economic Outlook

2015-2019

City of Austin, Texas



Forecast Agenda

April 24 Work Session (9:00 AM – 12:00 PM)

- Economic Outlook (Jon Hockenyos)
- Financial Forecast Overview
 - Forecast Highlights, General Fund Overview, Enterprise Departments and Rate Projections, Capital Improvement Program Highlights
- Council discussion, input and Q&A on Economic Outlook and Financial Forecast Overview presentations

Forecast Agenda

May 8 Work Session (10:00 AM – 4:30 PM)

- Detailed 5-Year Forecast Report will be released April 24
- Full work session dedicated to Council discussion, input and Q&A on the 5-Year Financial Forecast Report
- Department staff available for Q&A

FY 2015 Budget Process

➤ Council Work Sessions and Guidance

- Financial forecast work sessions – April 24, May 8
- Budget work sessions – July 31, August 13 (set maximum tax rate)
- Budget adoption – September 8-10
- Council budget questions – Ongoing

➤ Public Communication and Engagement

- Board/Commission meetings – May, June
- Stakeholder engagement by departments – May, June
- 8 public hearings on budget, tax rates and utility rates – August

FY 2015 Budget Process

➤ Published Reports

- Annual Citizens' Survey – November 19
- Annual Performance Report – April 11
- 5-Year Financial Forecast and Economic Outlook – April 24
- 5-Year CIP Plan – May 30
- FY 2014-15 Proposed Budget – July 31
- Public Engagement Summary Report – August 1

Forecast Highlights

- 0.7 cent tax rate decrease projected for FY 2014-15
- Utility rate increases limited to those necessary to maintain financial stability and meet City financial policies
- Emphasis on maintaining affordability
 - No unmet service demands process this year
 - “Critical priorities” will be addressed during budget development
 - Review of long-term vacancies resulting in the elimination or repurposing of 27.3 long-term vacant positions for a potential budget savings of \$1.8 million

Forecast Highlights

- Balanced General Fund projected for FY 2014-15 with a 0.7 cent decrease in the property tax rate
 - Does not include funding for new programs or service enhancements
 - 59 new police officers to meet service level demands
- Net increase of 19.75 new positions forecast in enterprise departments
- Significant AWU rate increase projected to address revenue shortfalls resulting from continued trend of lower water usage
- Moderate increases projected for other enterprise operations to keep pace with growth in built-in cost drivers

Major Rate & Fee Changes

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

	2014 Monthly Rate	2015 Projected Rate	Monthly Dollar Change	Typical rate payer defined as:
Austin Energy	\$105.18	\$106.87	\$1.69	<i>Residential customer usage of 1,000 Kwh</i>
Austin Water Utility	\$88.30*	\$93.14	\$4.84	<i>Residential customer is 7,000 gallons of water and 4,700 gallons of wastewater</i>
Austin Resource Recovery	\$19.75	\$22.00	\$2.25	<i>Residential customer uses a 64 gallon cart</i>
Clean Community Fee	\$6.65	\$7.85	\$1.20	<i>per single-family home</i>
Transportation User Fee	\$7.80	\$8.25	\$0.45	<i>per single-family home</i>
Drainage Utility Fee	\$9.20	\$9.80	\$0.60	<i>per single-family home</i>
Property Tax Bill	\$77.56	\$79.91	\$2.35	<i>median taxable home of \$193,453</i>
Total	314.44	\$327.82	\$13.38	<i>Combined increase of 4.3%</i>

*In 2014, typical residential customer usage was 8,000 gallons of water.



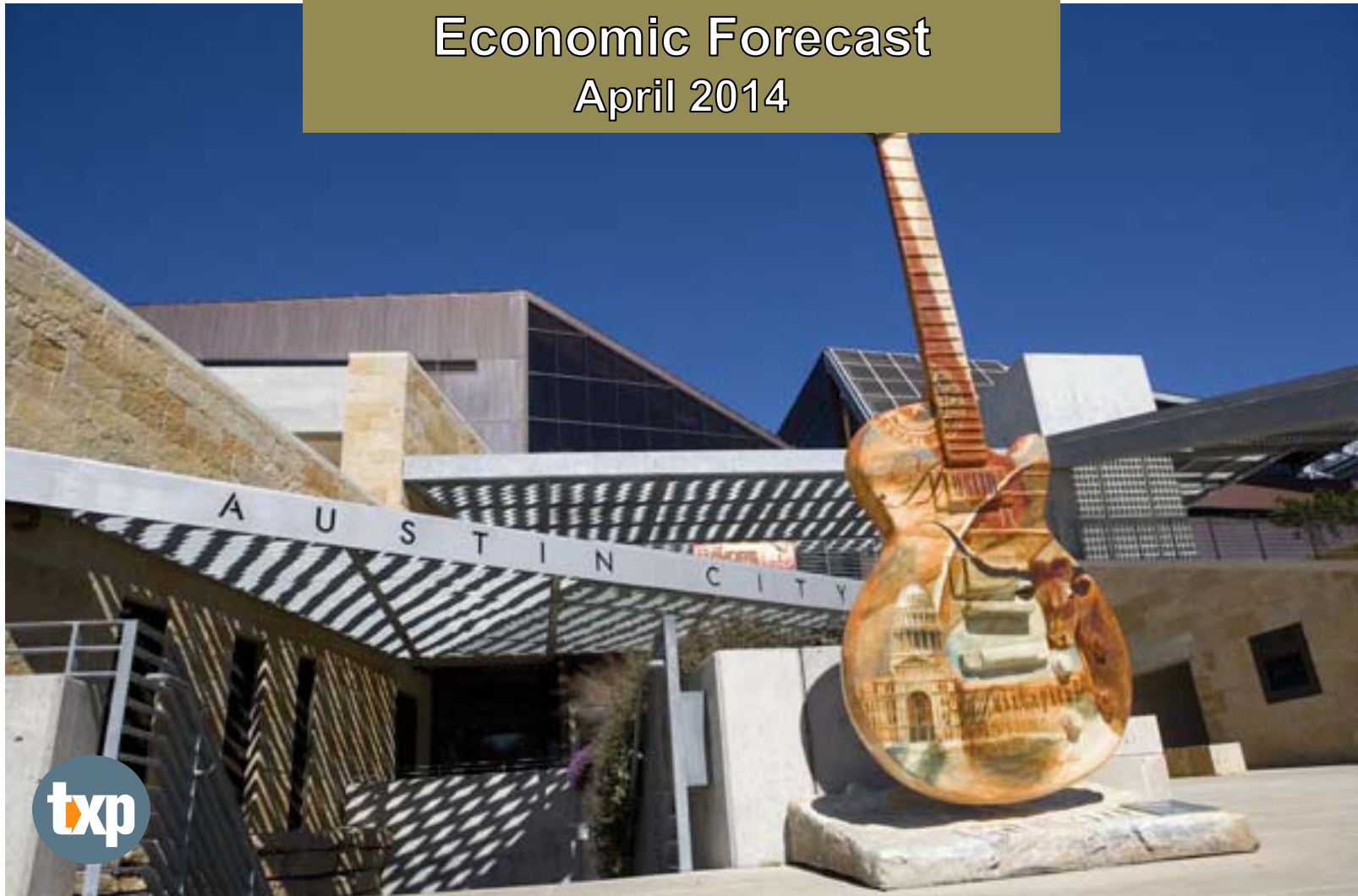
City of Austin Financial Forecast

Economic Outlook

Jon Hockenyos, Texas Perspectives



The Austin Area Economic Forecast April 2014



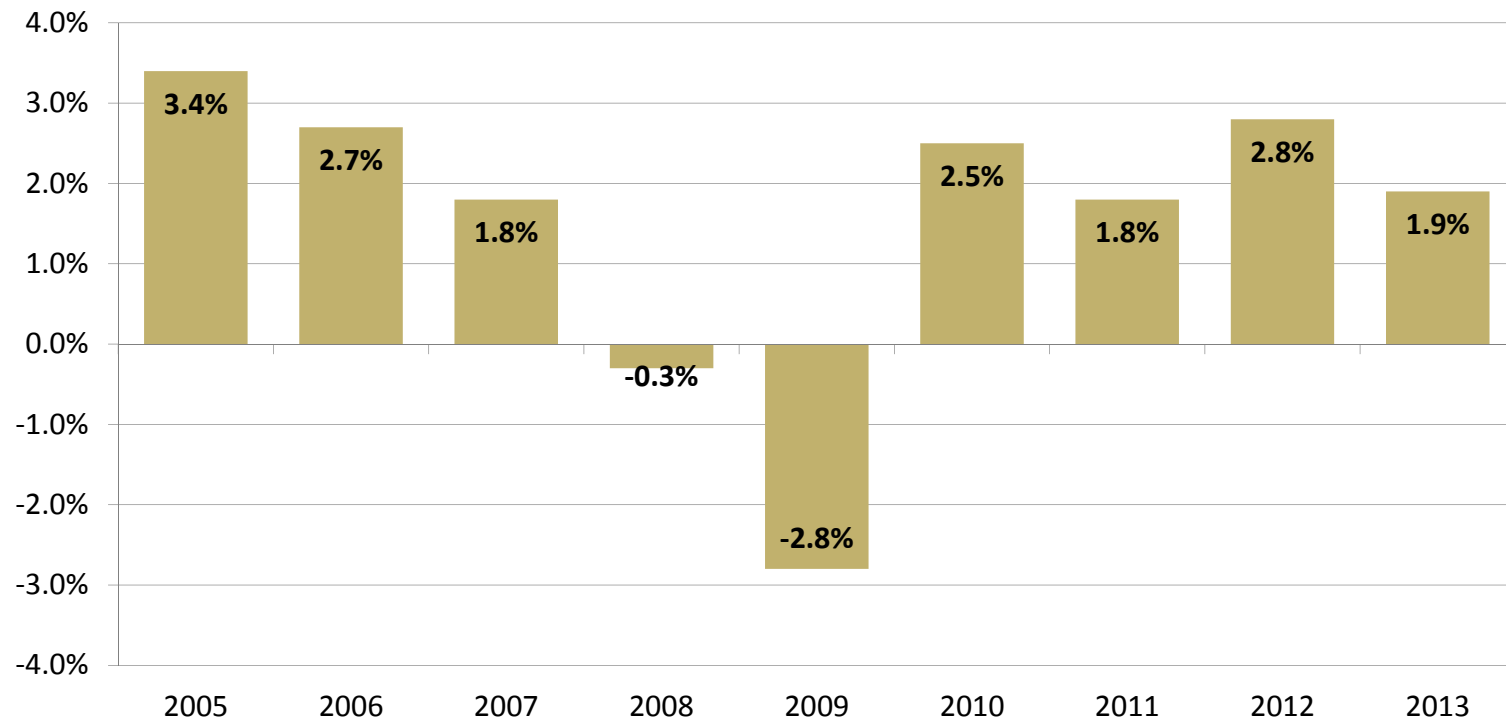
National Economy

Overview

- The national economy was fairly stable during 2013, though recent revisions suggest overall pace was slower than first thought. Employment growth is now comparable to that pre-recession (jobs lost have finally been replaced), but the overall quality is lower (median income has fallen in the past five years), and labor force expansion means unemployment remains high.
- Companies have resumed net investment growth, indicating some confidence in the durability of the recovery, and production has improved in most sectors.
- Core inflation (inflation minus food and energy) is stable, with little sign that either rising demand or high levels of debt will have an impact in the near future.
- In spite of signs of improvement in the economy, expect interest rates to remain near record lows for the foreseeable future, although trend would be upward – the Fed recognizes that “slack” in the economy remains.
- Bottom line: improving economic fundamentals, and signs that overall growth should pick up.

National Economy

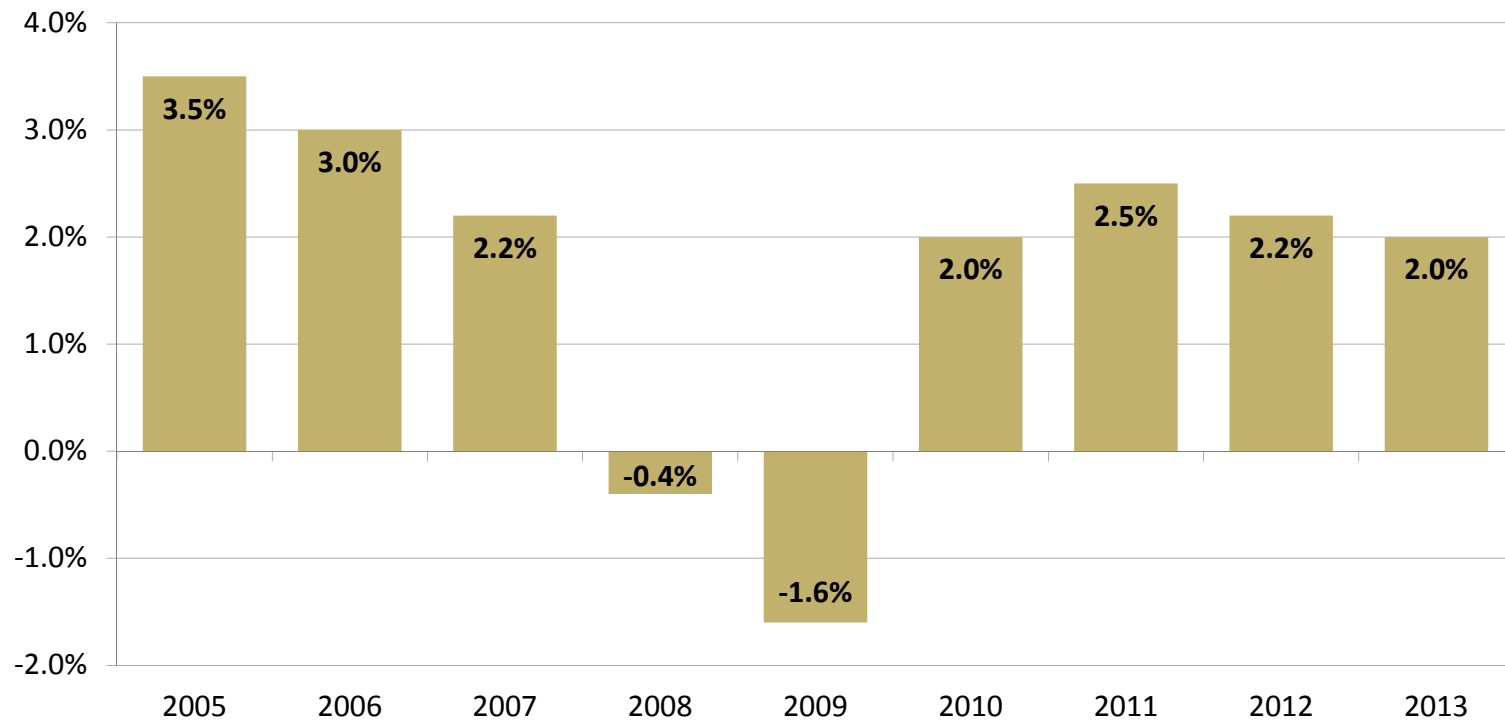
GDP Growth



Source: BEA; TXP

National Economy

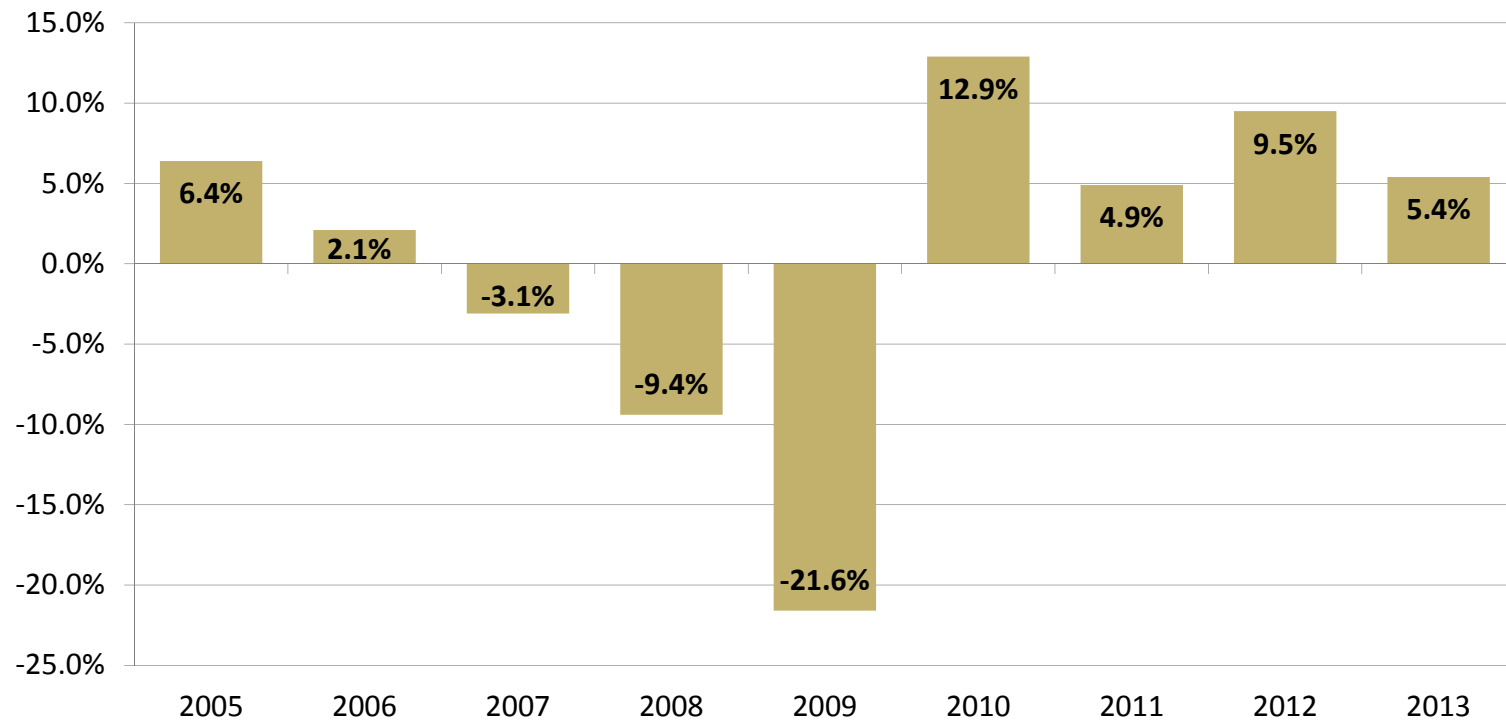
Personal Consumption Expenditures Growth



Source: BEA; TXP

National Economy

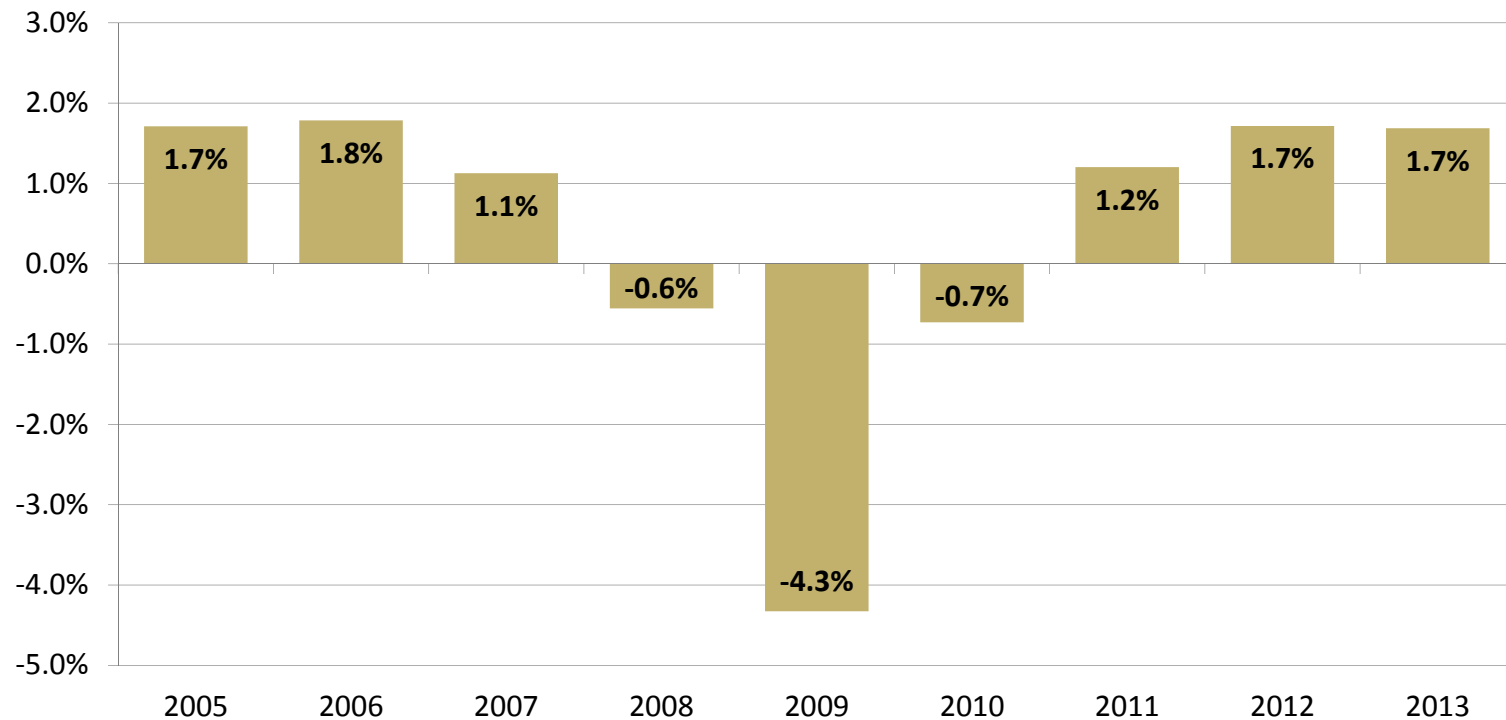
Total Investment Growth



Source: BEA; TXP

National Economy

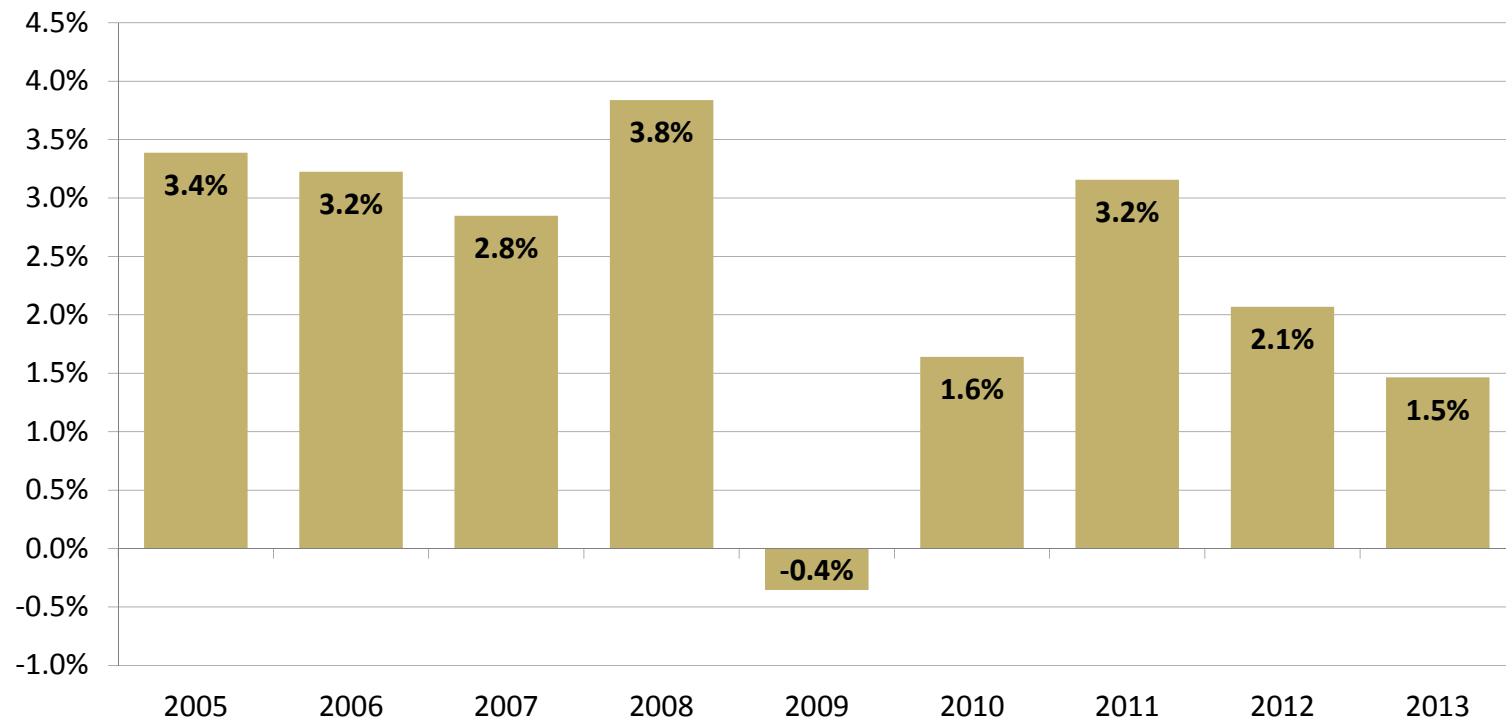
Total Employment (12-Month Change)



Source: BLS; TXP

National Economy

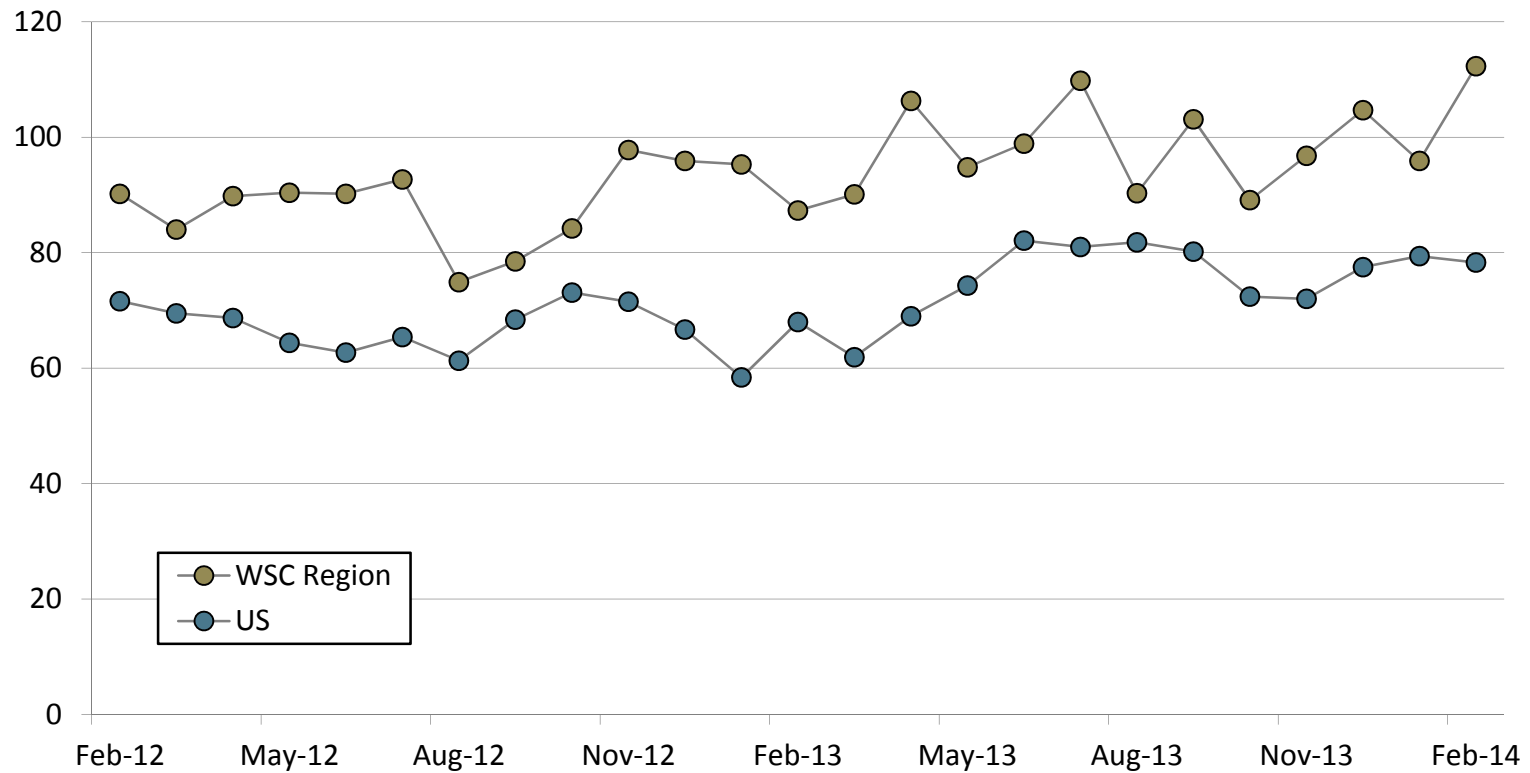
Consumer Price Index (12-Month Change)



Source: BLS; TXP

National Economy

Consumer Confidence (1985 = 100)



Source: Conference Board; TXP

National Economy

Outlook

- After being revised downward at the end of 2013, overall GDP is expected to pick up over the course of 2014, with most forecasts for the year in the 3% range.
 - Combination of bad weather and slow consumer spending (including in the housing market) has slowed growth in recent months.
 - Production side of the economy trending upward, as investment and hiring are expected to accelerate output over the coming year.
 - Low inflation and interest rates will also enhance growth.
- Longer-Term Outlook (*from Congressional Budget Office*)
 - “After a frustratingly slow recovery from the severe recession of 2007 to 2009, the economy will grow at a solid pace in 2014 and for the next few years, CBO projects. Real GDP (output adjusted to remove the effects of inflation) is expected to increase by roughly 3 percent between the fourth quarter of 2013 and the fourth quarter of 2014—the largest rise in nearly a decade. Similar annual growth rates are projected through 2017. Nevertheless, CBO estimates that the economy will continue to have considerable unused labor and capital resources (or “slack”) for the next few years.”

Austin Area Economy

Overview

- The Austin area remains arguably the strongest regional economy among major metros across the nation, as aggregate indicators show growth accelerating in the past twelve months.
- Job growth (as measured by the employer survey) was torrid during 2013, with 37,100 net new jobs added, a pace of 4.5%. Private sector now accounts for vast majority of the above, with a gain of about 34,500 net new jobs. Majority of growth is found in commercial sectors of the economy, in part reflecting population increases.
- Consumer spending slows slightly, but remains above long-term trend levels. Local venture capital retreats during 2013, as economy continues transition toward soft-tech.
- Tourism remains a growing element of the local economy - 2013 again a record year for hotel revenue, and occupancy also at a very high level.
- Housing markets tighten, reflecting both strong demand and diminishing supply.

Austin Area Economy

Social Media View – from Influence Opinions, Inc.

Popular Phrases

craftbeer growth Growth Mindset hotel growth **Texas economy** growth prospects growth estimate
 greatest exponential growth Riverside growth **growth chart ruler debut Economic**
Growth Austin Austin popularity growth **revenue growth company growth** growth
 fatalism rapid growth Population growth fastest growing Texas job
 growth **startup growth** growth mode property tax growth **Growth Capital**
Mobile Growth Greetings percentage growth **growth Economy spur tech**
 growth **Sustainable Growth** career growth downtown growth

364,700
Total Mentions

Overall Mentions



72,864
Blogs



45,991
Forums



27,577
Twitter



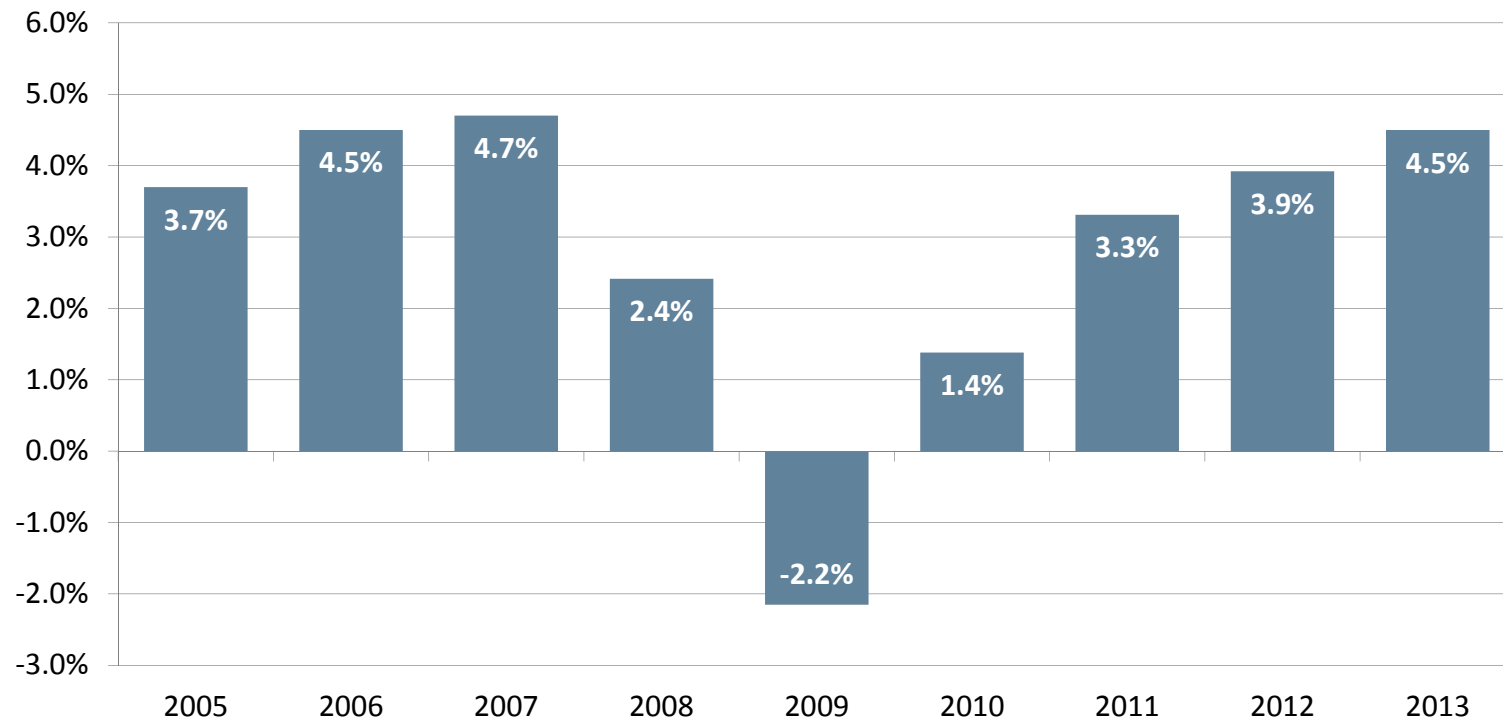
218,268
News

By Gender



Austin Area Economy

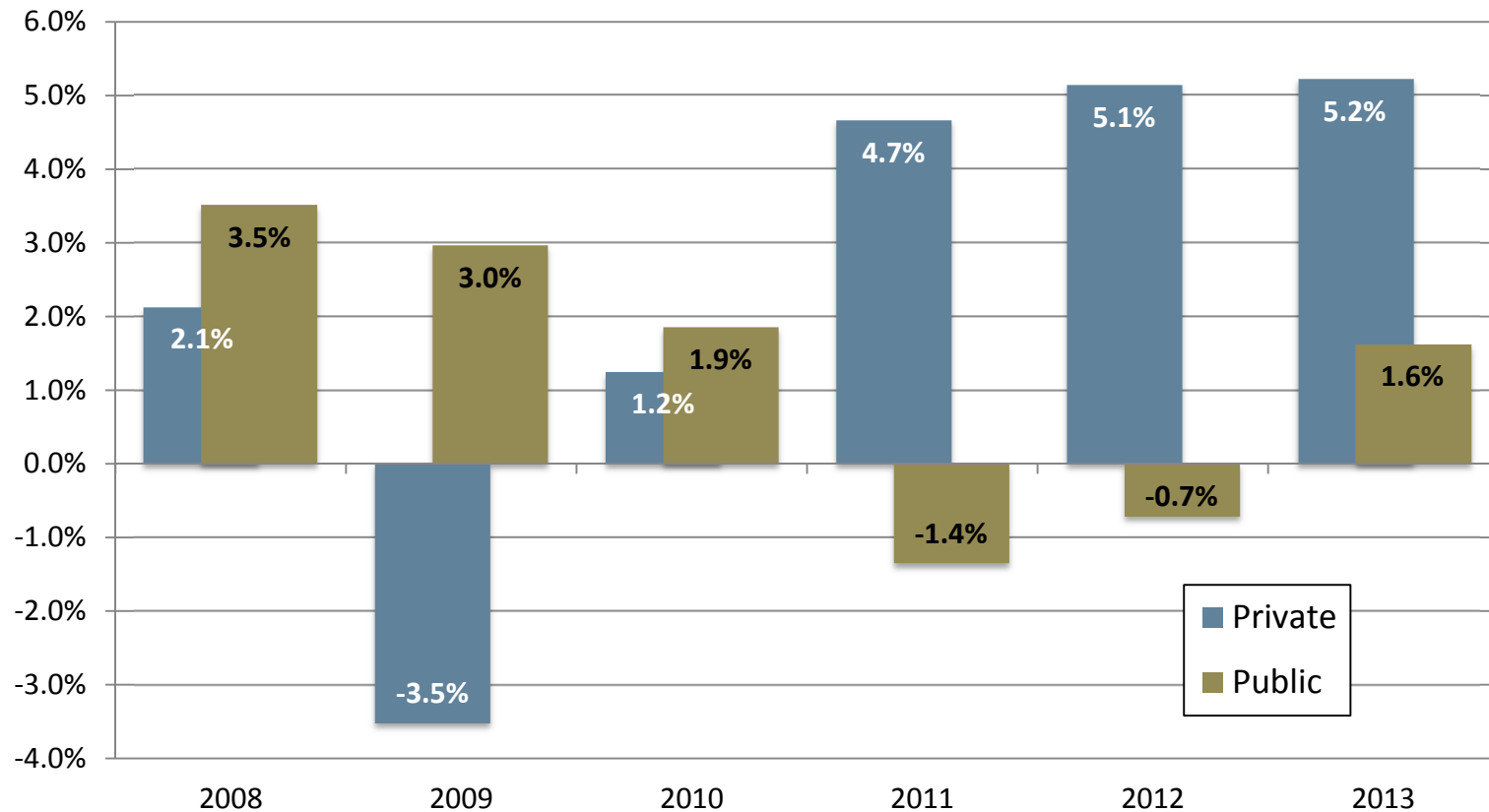
Austin MSA Total Employment (12-Month Change)



Source: BLS; TXP

Austin Area Economy

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



Source: BLS; TXP

Austin Area Economy

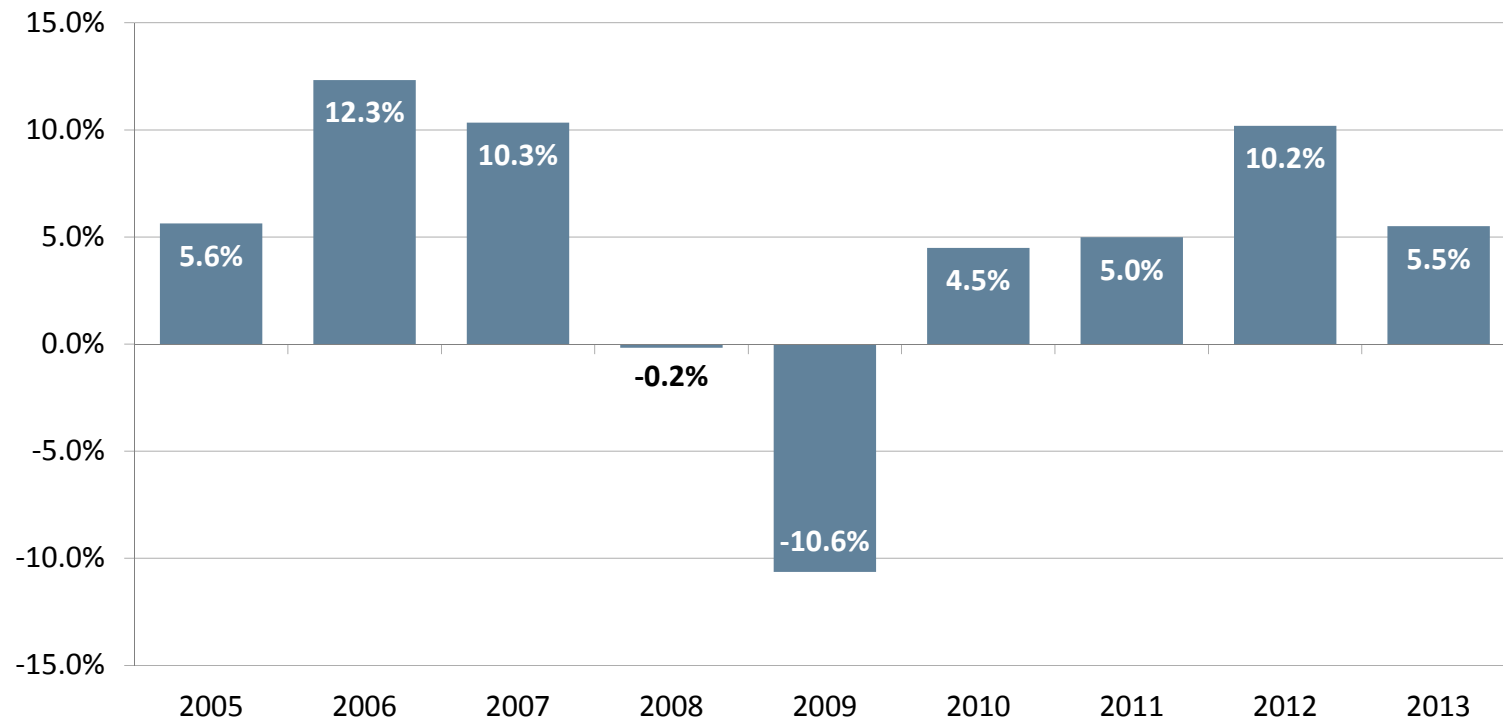
Austin MSA Employment by Sector

	Employment (000s)			Change (Actual)		Change (%)	
	2008	2012	2013	08-'13	12-'13	08-'13	12-'13
Natural Resources/Construction	47.4	42.1	45.1	-2.3	3.0	-4.9%	7.1%
Manufacturing	57.2	50.9	52.2	-5.0	1.3	-8.7%	2.6%
Trade, Transportation, & Utilities	139.1	146.5	152.4	13.3	5.9	9.6%	4.0%
Information	21.0	22.2	23.3	2.3	1.1	11.0%	5.0%
Financial Activities	45.1	46.1	48.2	3.1	2.1	6.9%	4.6%
Professional & Business Services	111.0	125.4	134.3	23.3	8.9	21.0%	7.1%
Educational & Health Services	80.9	97.6	100.7	19.8	3.1	24.5%	3.2%
Leisure & Hospitality	82.0	94.2	101.0	19.0	6.8	23.2%	7.2%
Other Services	30.8	35.5	37.7	6.9	2.2	22.4%	6.2%
Total Private	614.4	660.5	695.0	80.6	34.5	13.1%	5.2%
Government	162.1	166.5	169.2	7.1	2.7	4.4%	1.6%
<i>Total Employment</i>	776.5	827.0	864.2	87.7	37.2	11.3%	4.5%

Source: BLS; TXP

Austin Area Economy

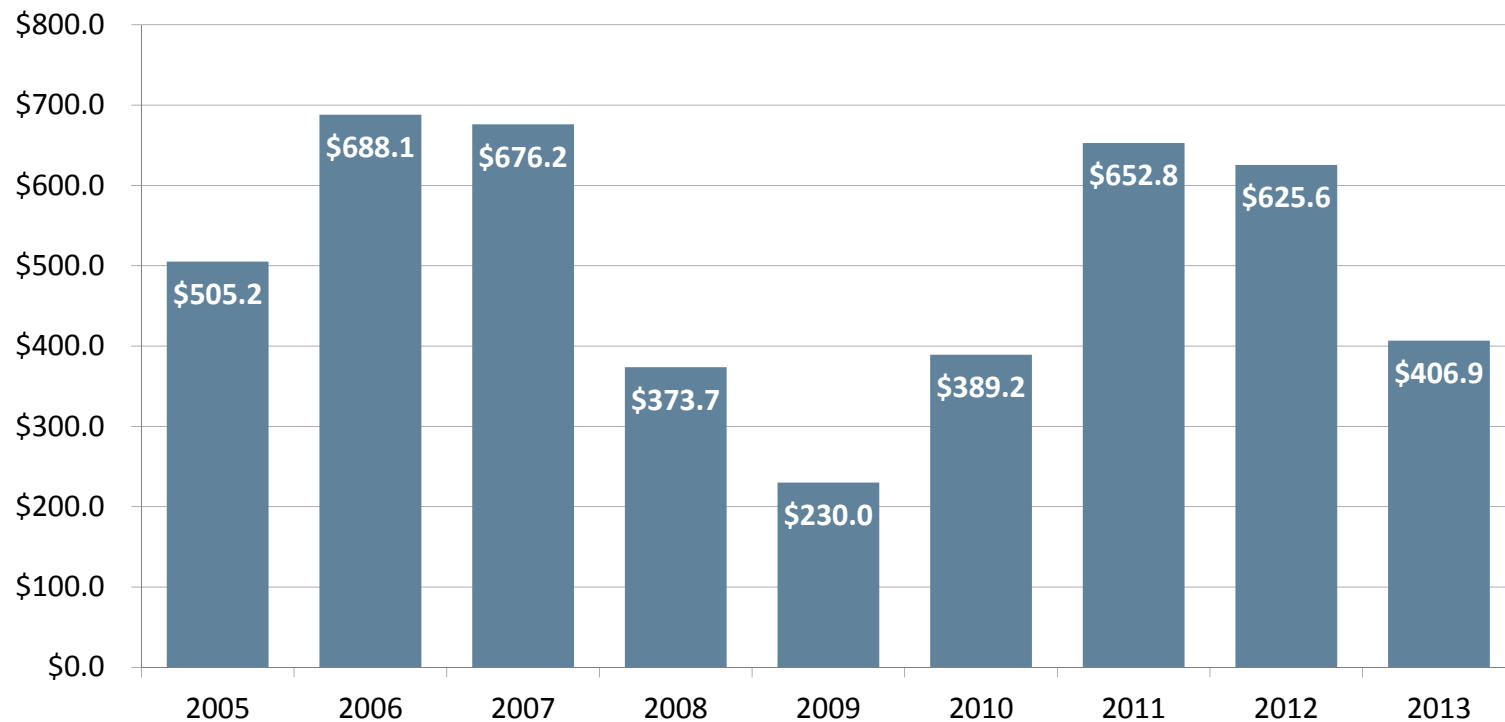
City of Austin Sales Tax (12-Month Change/Calendar Year)



Source: Texas State Comptroller; TXP

Austin Area Economy

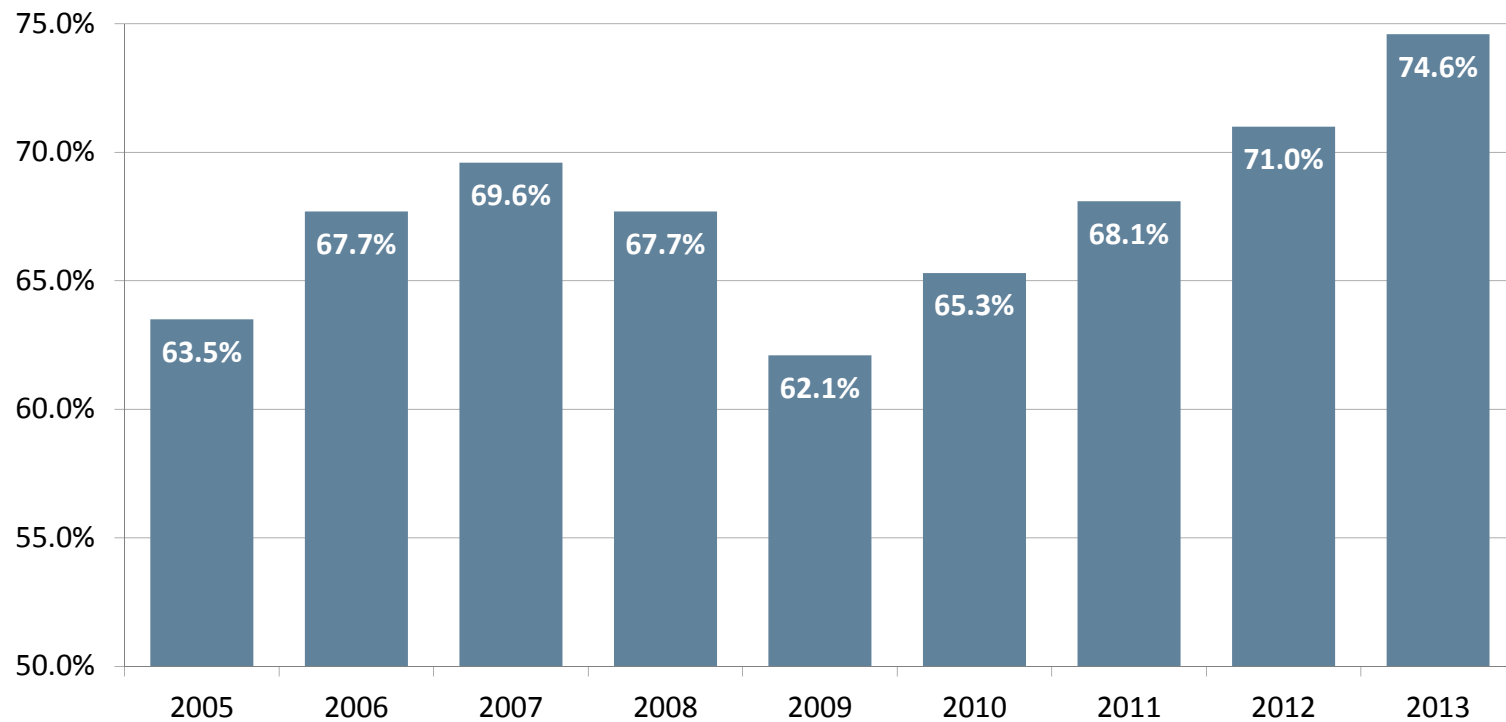
Venture Capital Invested (\$Millions)



Source: PWC MoneyTree Survey; TXP

Austin Area Economy

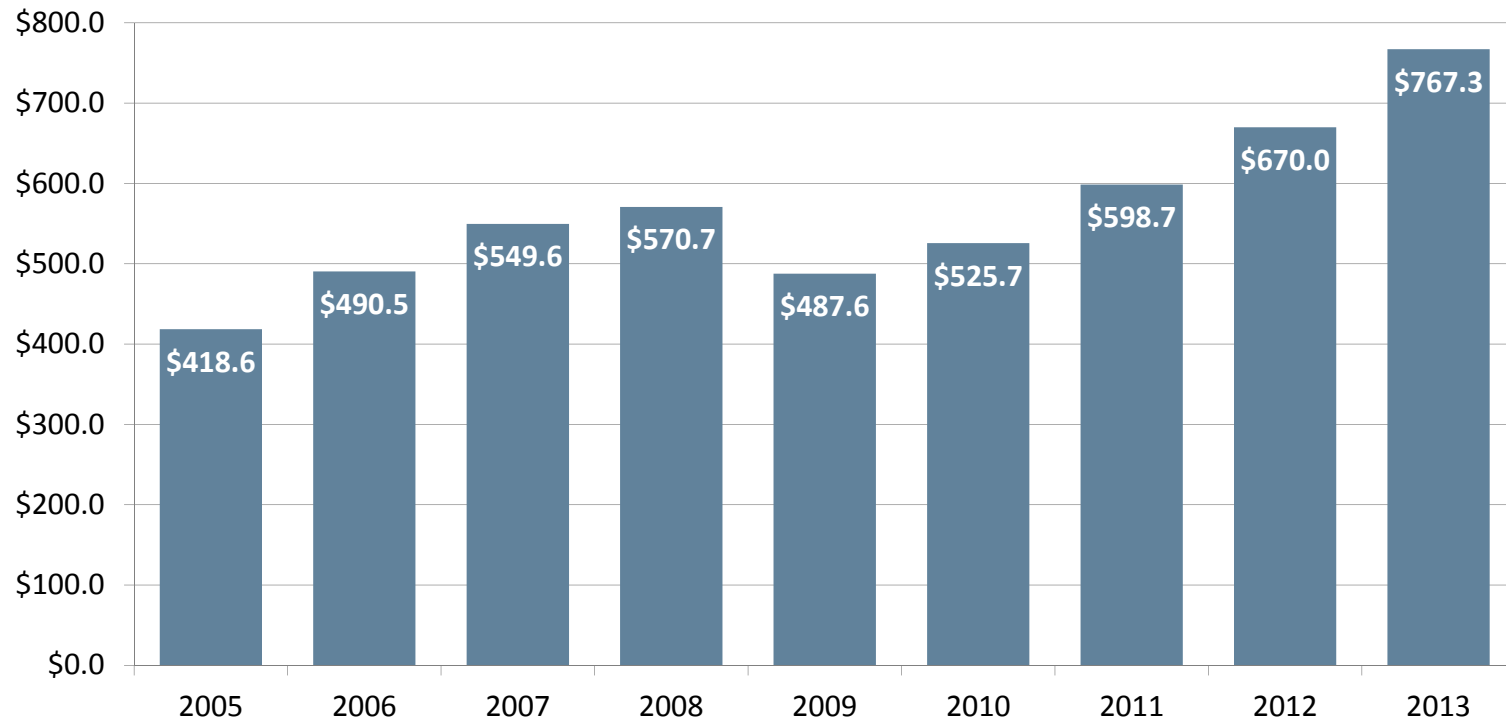
City of Austin Hotel Occupancy



Source: Governor's Office of Economic Development; TXP

Austin Area Economy

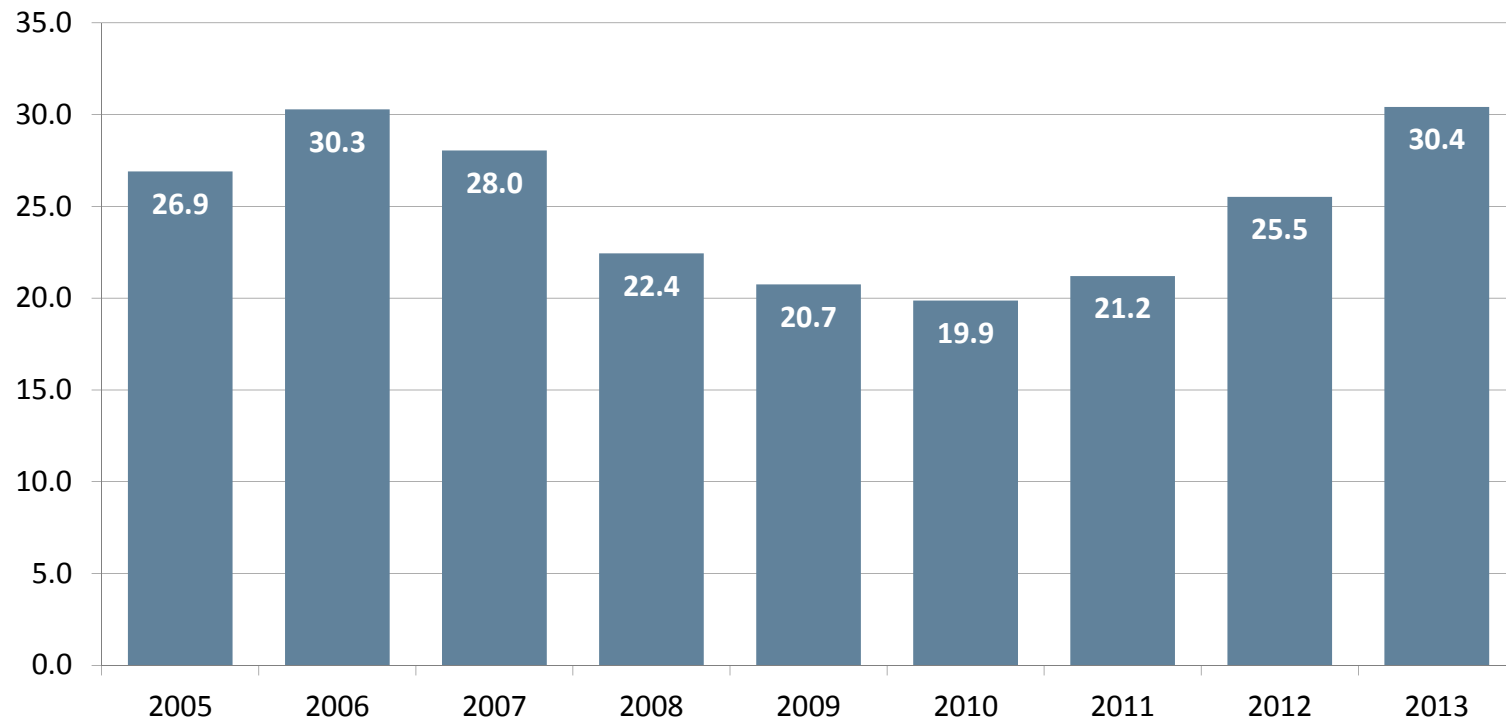
City of Austin Hotel Revenue (\$Millions)



Source: Governor's Office of Economic Development; TXP



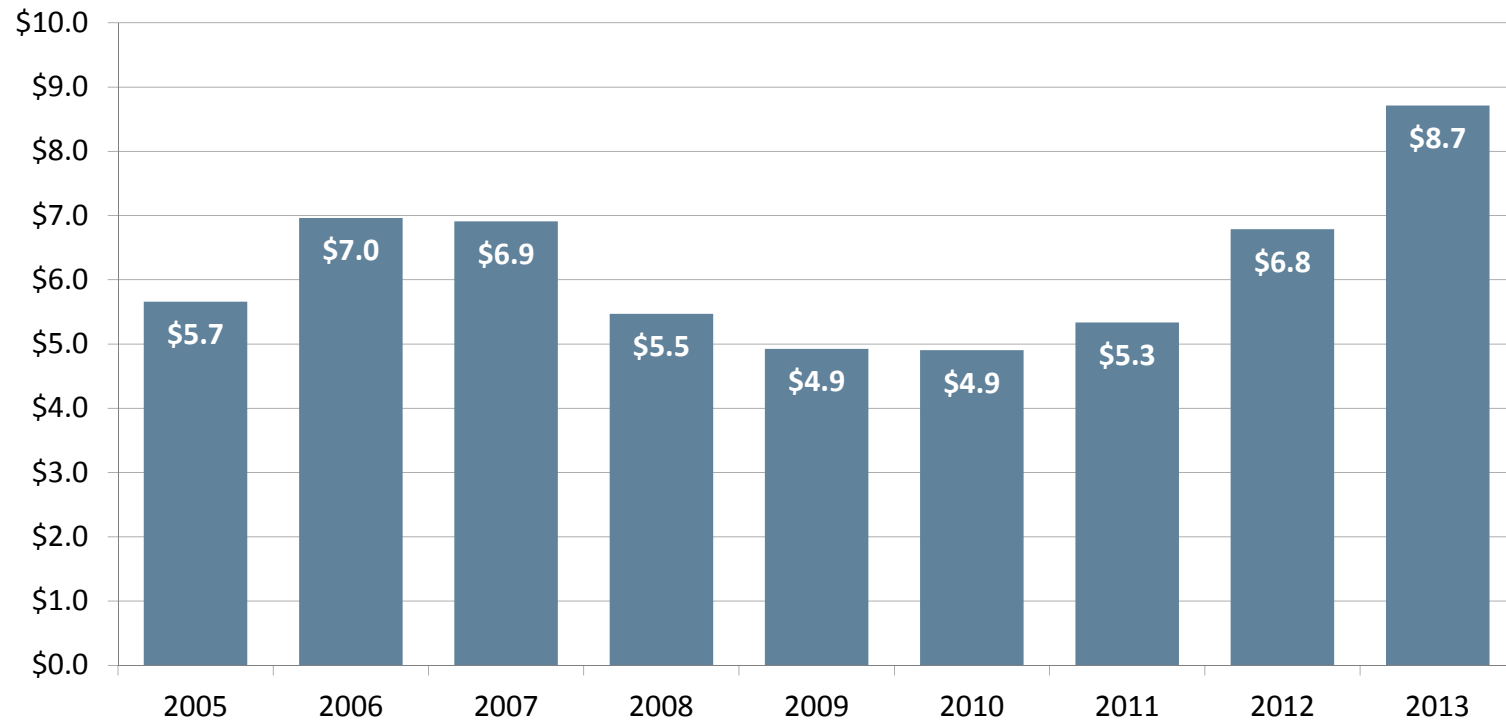
Austin Housing MSA Home Sales (000s)



Source: Texas A&M Real Estate Center; TXP

Austin Housing

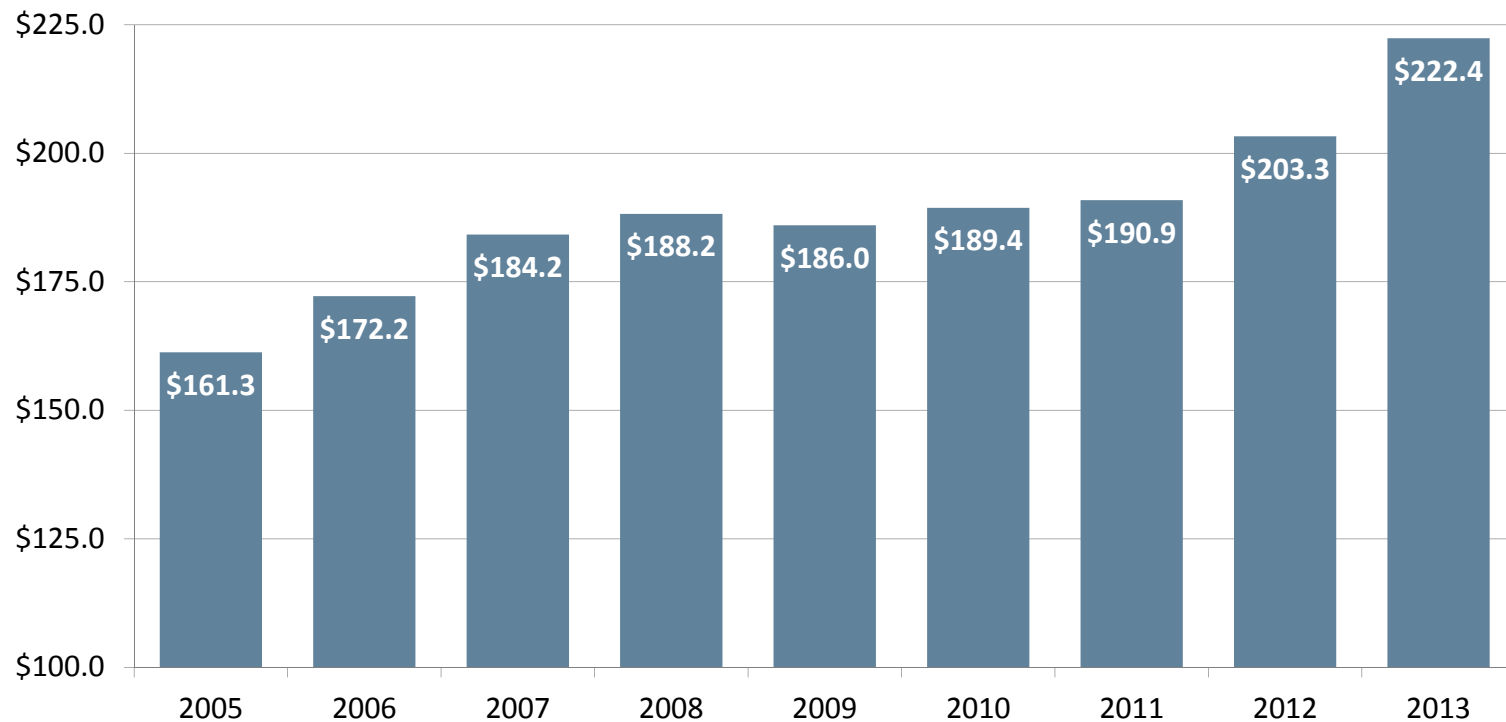
MSA Home Sales \$ Volume (Billions)



Source: Texas A&M Real Estate Center; TXP

Austin Housing

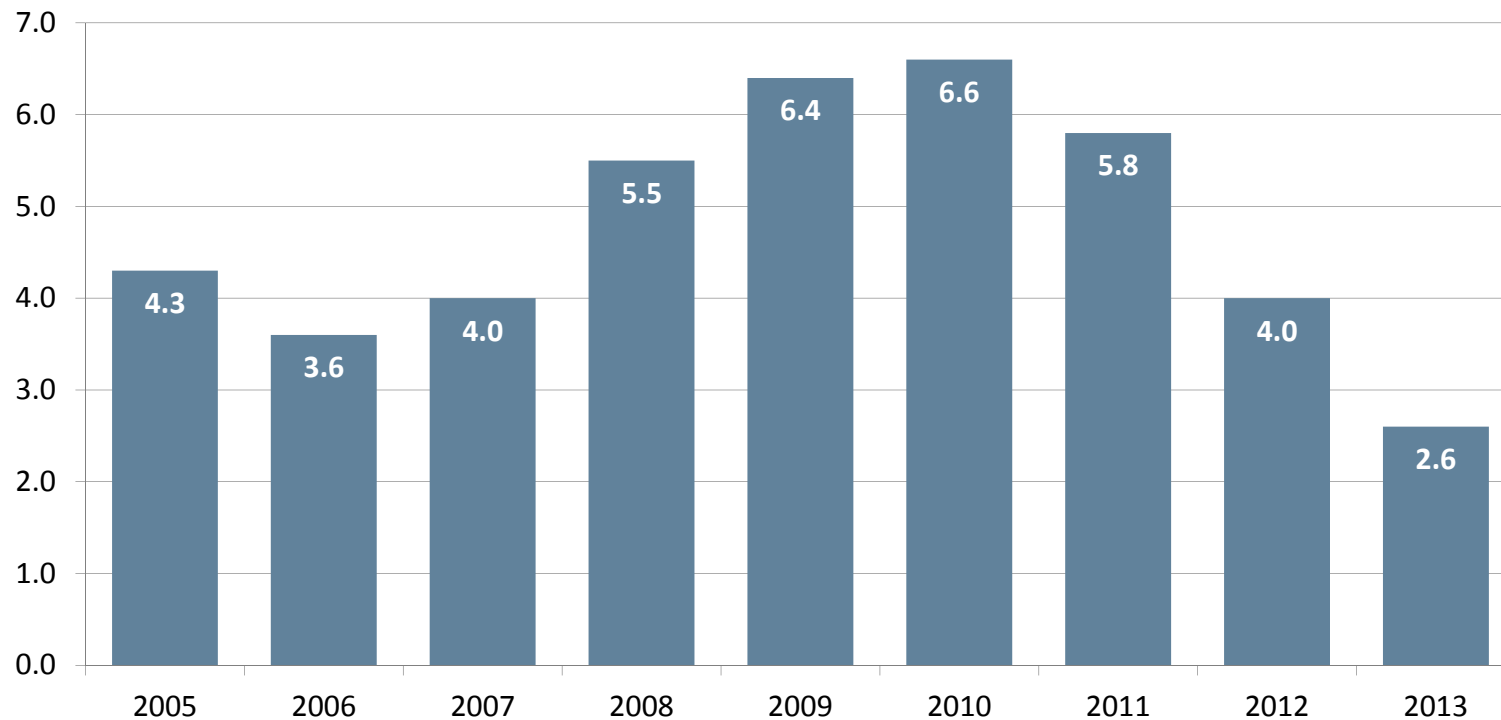
MSA Median Home Price (\$000s)



Source: Texas A&M Real Estate Center; TXP

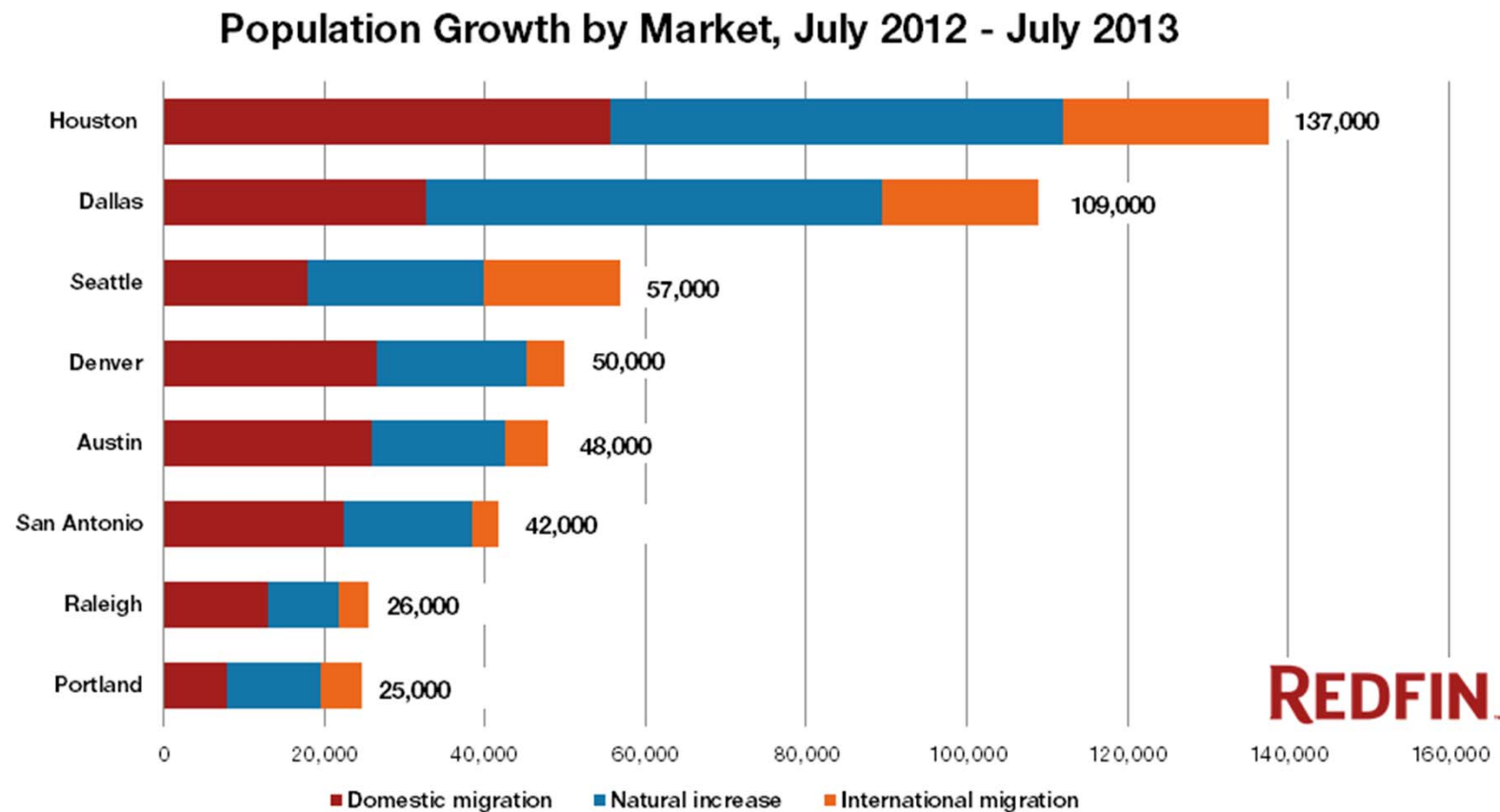
Austin Housing

MSA Months of Available Housing Inventory



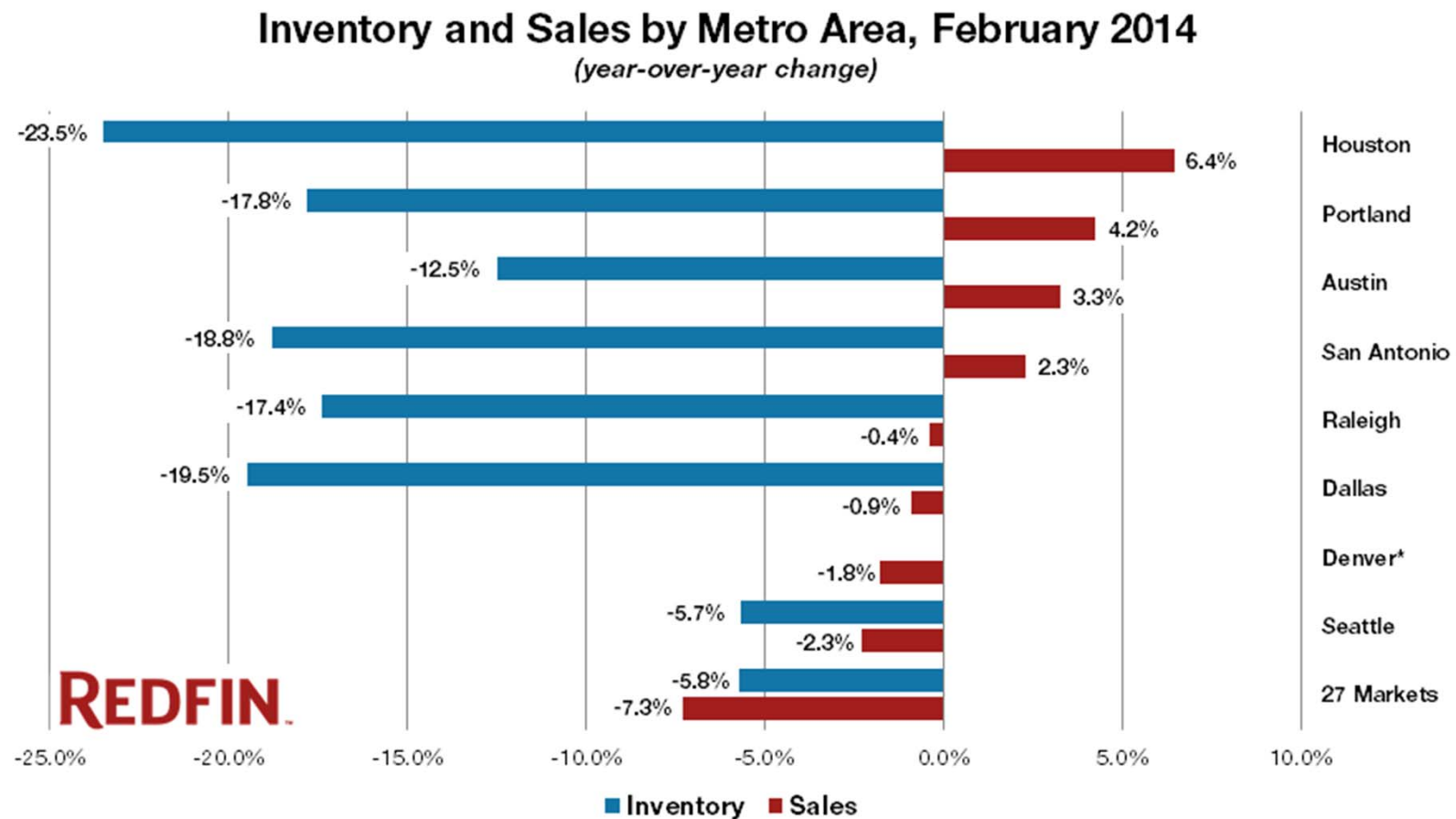
Source: Texas A&M Real Estate Center; TXP

Austin Housing Population Growth



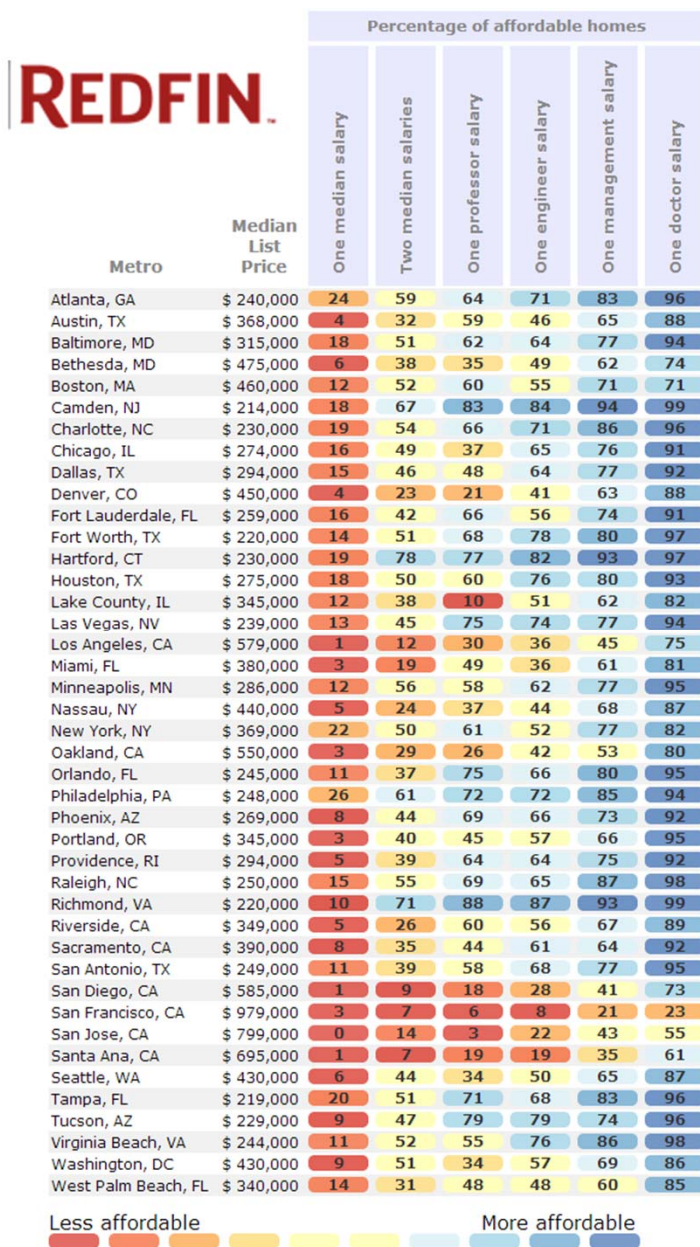
Austin Housing

Recent Housing Supply and Demand



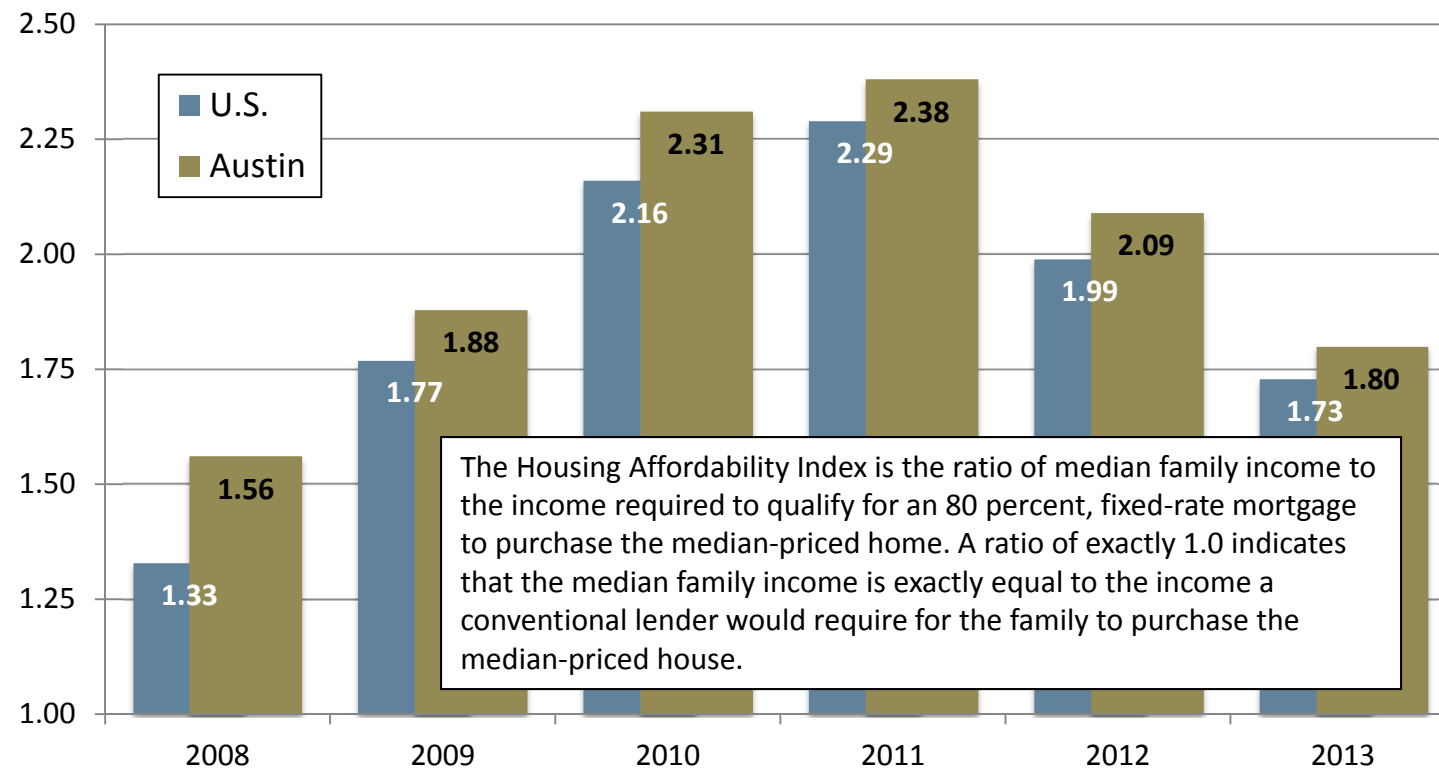
Austin Housing Relative Affordability

- Using Redfin data on housing, Austin appears to be somewhat “middle-of-the-pack” compared to other markets as far as affordability goes. However, a key is data source: Redfin (supposedly based on MLS data) lists current median price at \$368,000; Texas A&M Real Estate Center lists current median price at \$230,000 (based on information from the Austin Board of Realtors)



Austin Housing

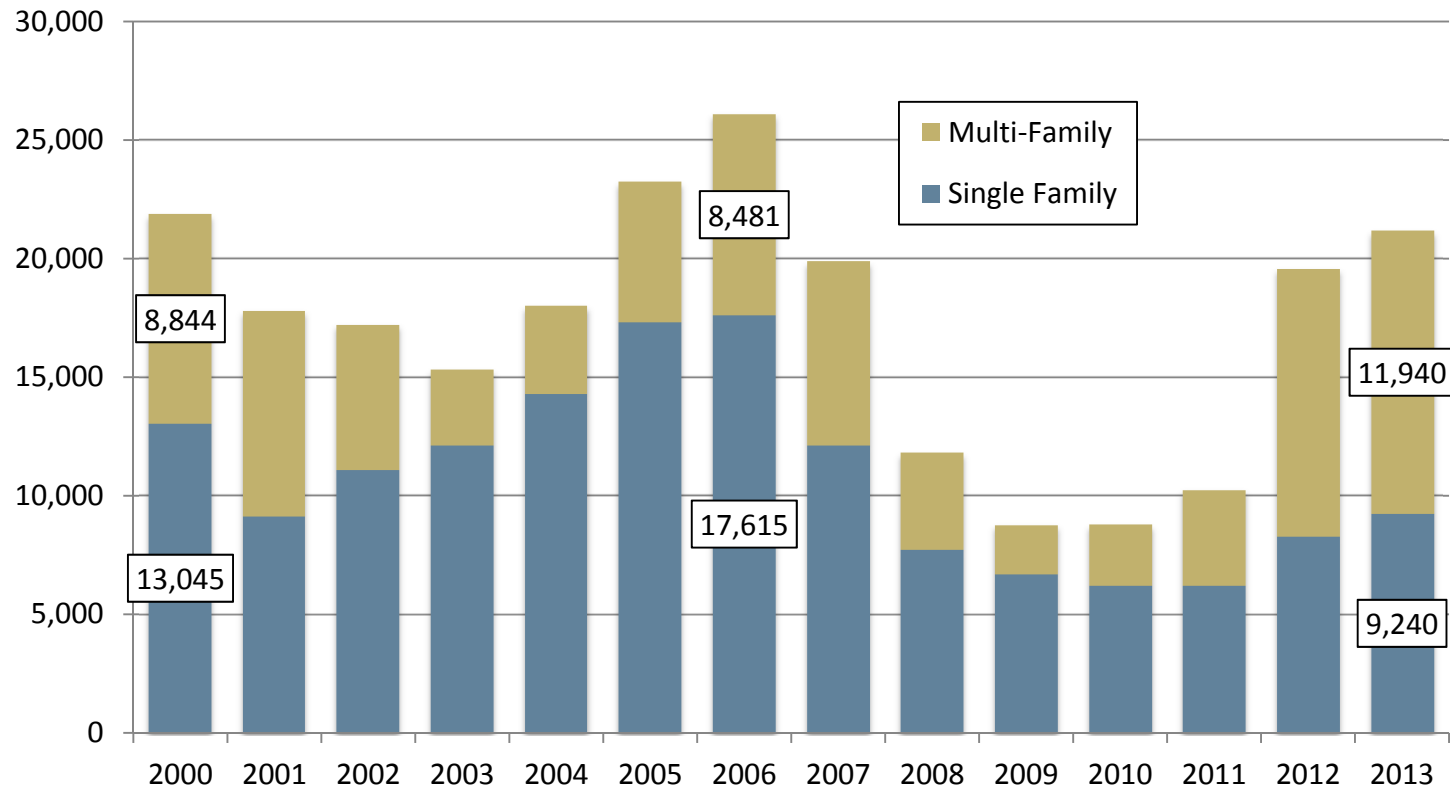
Texas Housing Affordability Index (THAI)



Source: Texas A&M Real Estate Center; TXP

Austin Housing

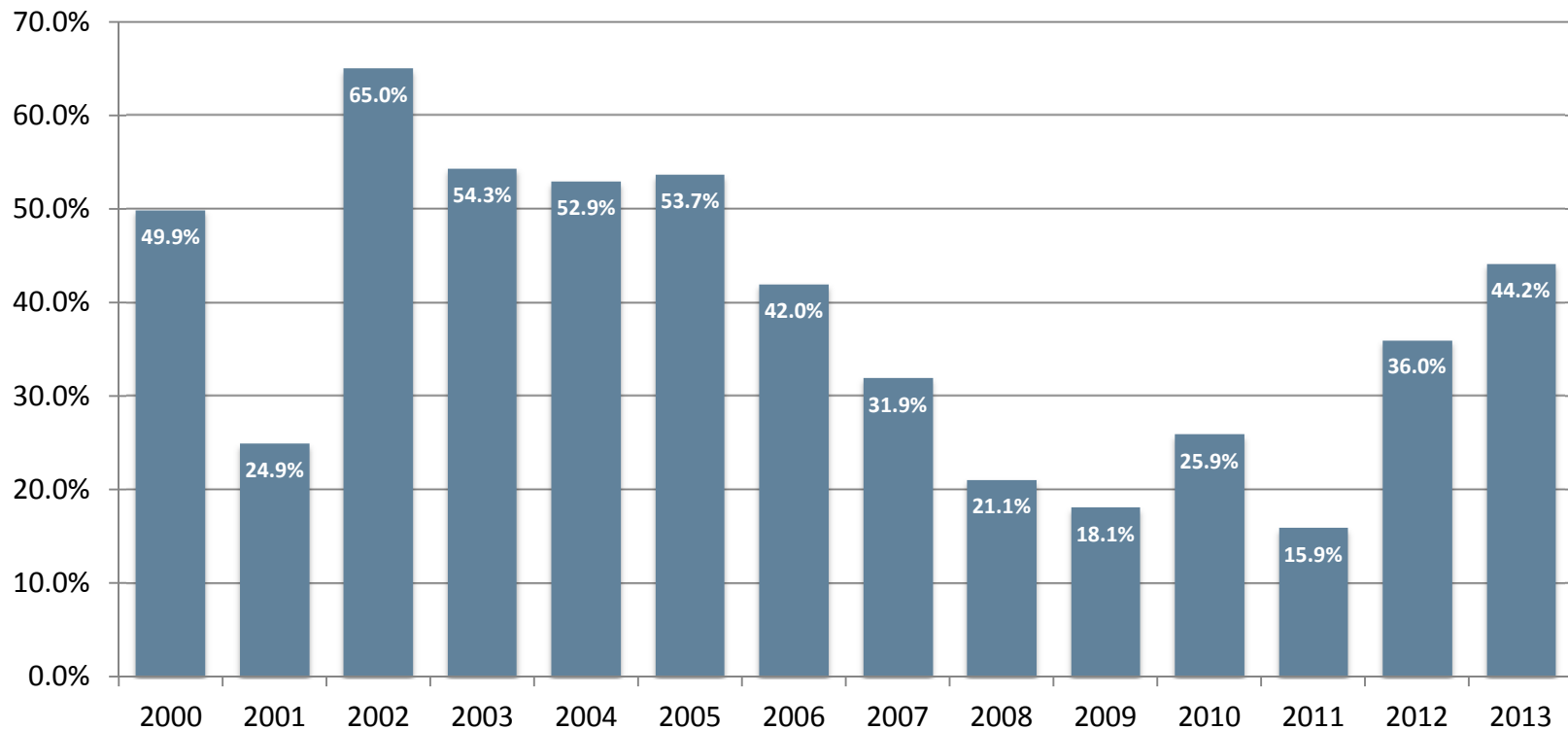
MSA Building Units Permitted



Source: Texas A&M Real Estate Center; TXP

Austin Housing

MSA Units Permitted as a Share of Net Population Gain



Source: Texas A&M Real Estate Center; Census Bureau; TXP

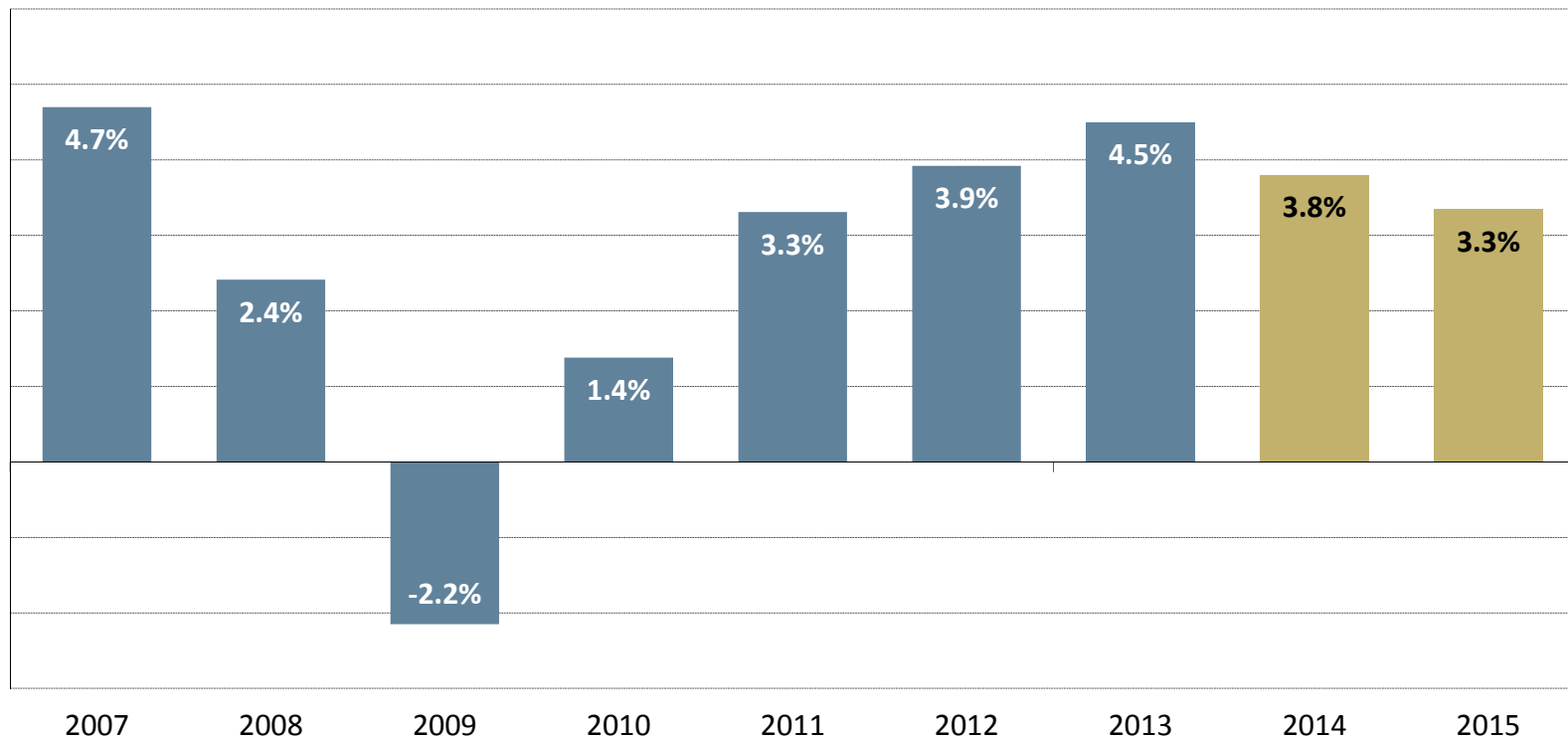
Austin Area Economy

Forecast

- Austin is one of the brightest regional economic stars in the United States, with no change anticipated. Economic performance will be fairly stable through 2014; slightly slower growth rates reflect a measurement against an elevated base.
- Forecast is for the overall creation of 32,900 net new jobs in 2014, followed by 30,100 during 2015. Personal income should continue to expand in the 6-7% range.
- The private sector is projected to create 29,500 net new jobs this year, followed by 29,800 more during 2015. Services of all kinds are where the majority of the new jobs will be found, along with Leisure & Hospitality. All major private sector industry segments will grow.
- Other measures of the economy also should stay on track, although likely at somewhat slower rates. In spite of upsurge in real estate, overall supply may not keep up with demand, at least in the short-term.
- Austin remains, relative to its peer communities, a high-value proposition.

Austin Area Economy

MSA Total Employment Growth Forecast

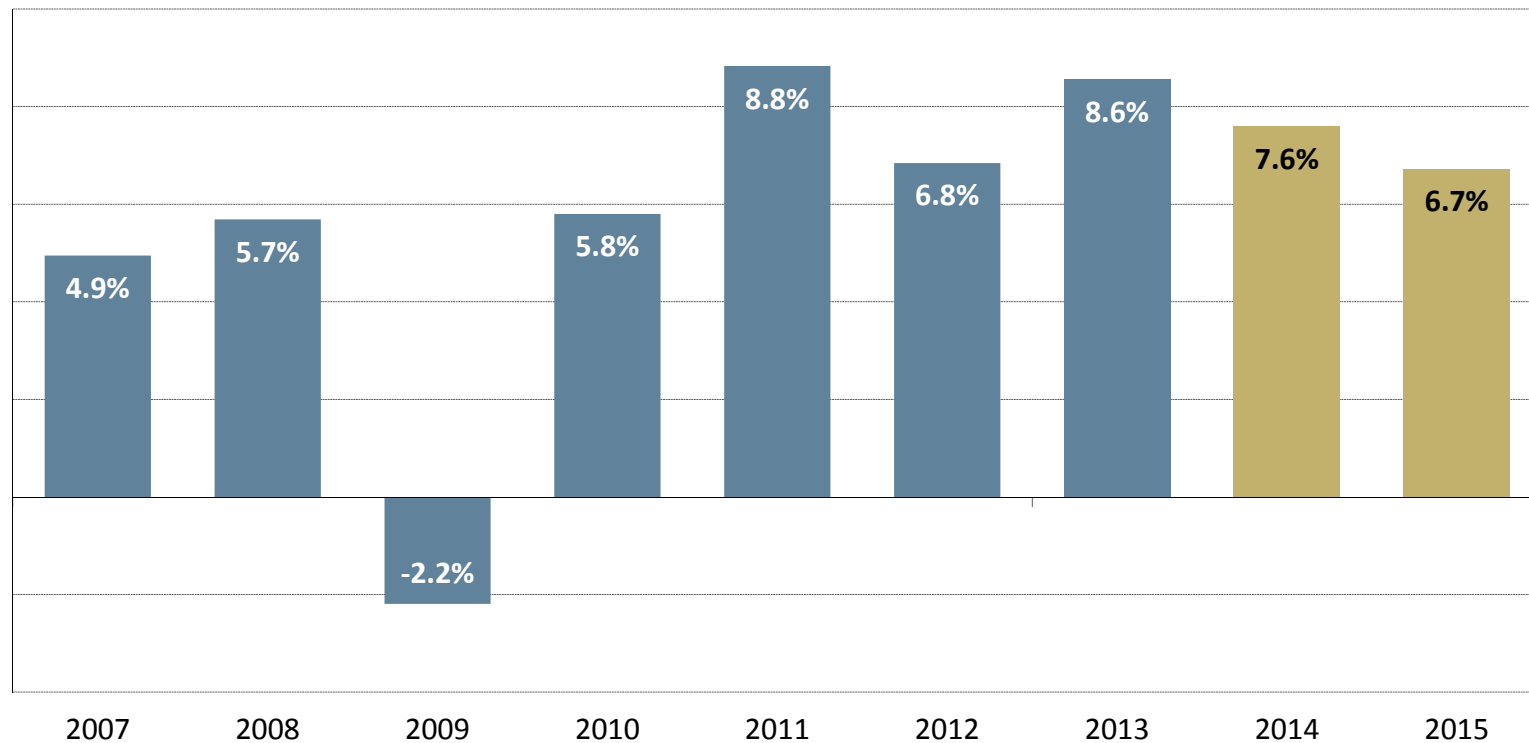


Source: TXP



Austin Area Economy

MSA Total Net Earnings by Place of Residence Growth Forecast



Source: TXP

Austin Area Economy

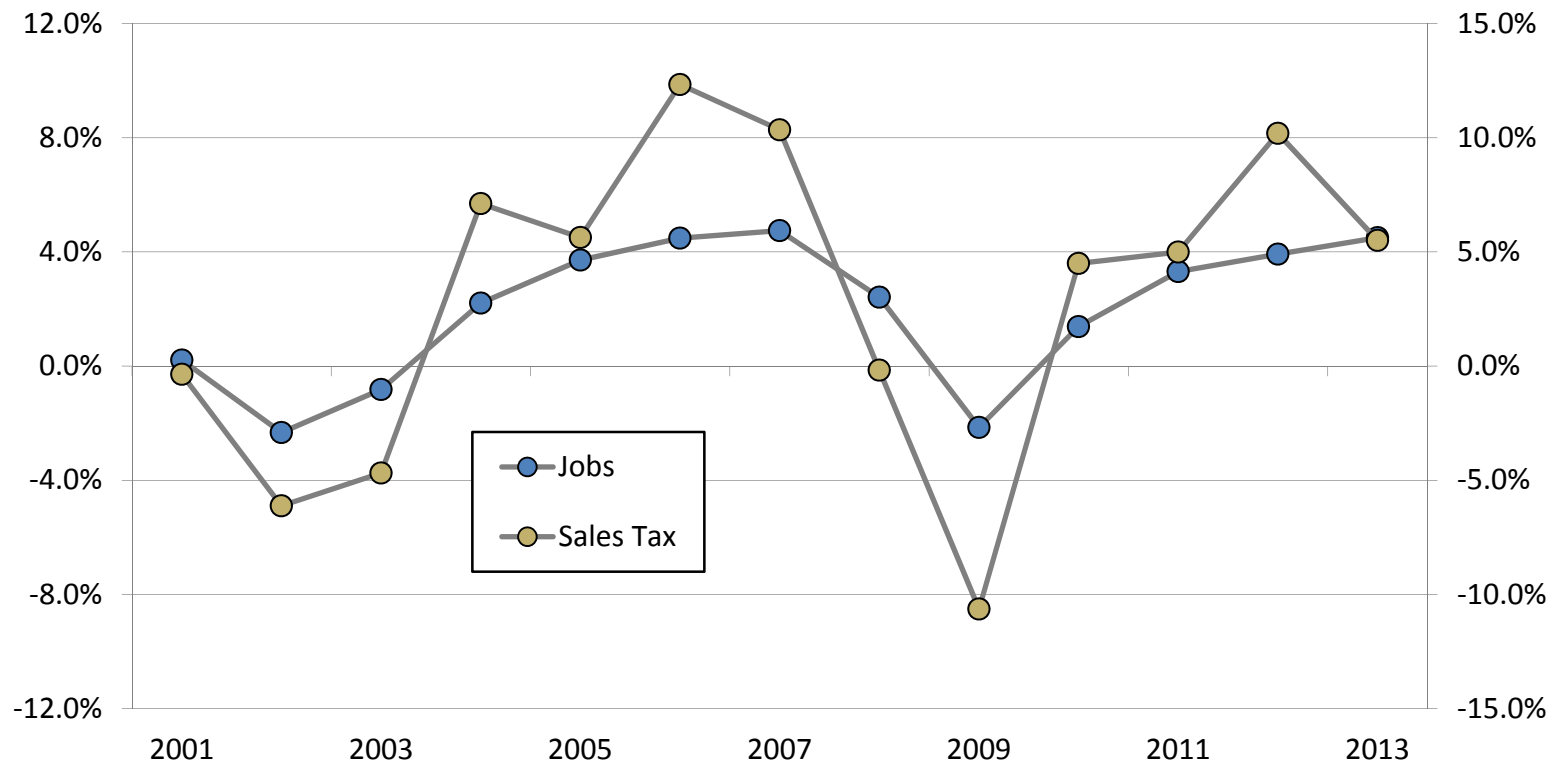
Detailed Austin MSA Employment Forecast

	Employment (000s)						
	2012	2013	2014	2015	2016	2017	2018
Natural Resources/Construction	42.1	45.1	47.8	49.7	51.0	51.9	52.5
Manufacturing	50.9	52.2	53.5	54.7	55.9	57.1	58.2
Trade, Transportation, & Utilities	146.5	152.4	157.7	163.9	170.3	176.8	183.5
Information	22.2	23.3	24.2	25.0	25.7	26.5	27.2
Financial Activities	46.1	48.2	50.0	51.4	52.8	54.2	55.6
Professional & Business Services	125.4	134.3	141.9	148.4	154.8	161.1	167.4
Educational & Health Services	97.6	100.7	103.3	105.4	107.4	109.4	111.3
Leisure & Hospitality	94.2	101.0	106.8	111.8	116.7	121.5	126.4
Other Services	35.5	37.7	39.6	41.1	42.7	44.2	45.7
Total Private	628.2	660.5	695.0	724.8	751.4	777.3	802.7
Government	166.5	169.2	172.2	175.7	179.2	182.8	186.4
<i>Total Employment</i>	827.0	864.1	897.0	927.1	956.5	985.5	1,014.1

Source: TXP

Austin Area Economy

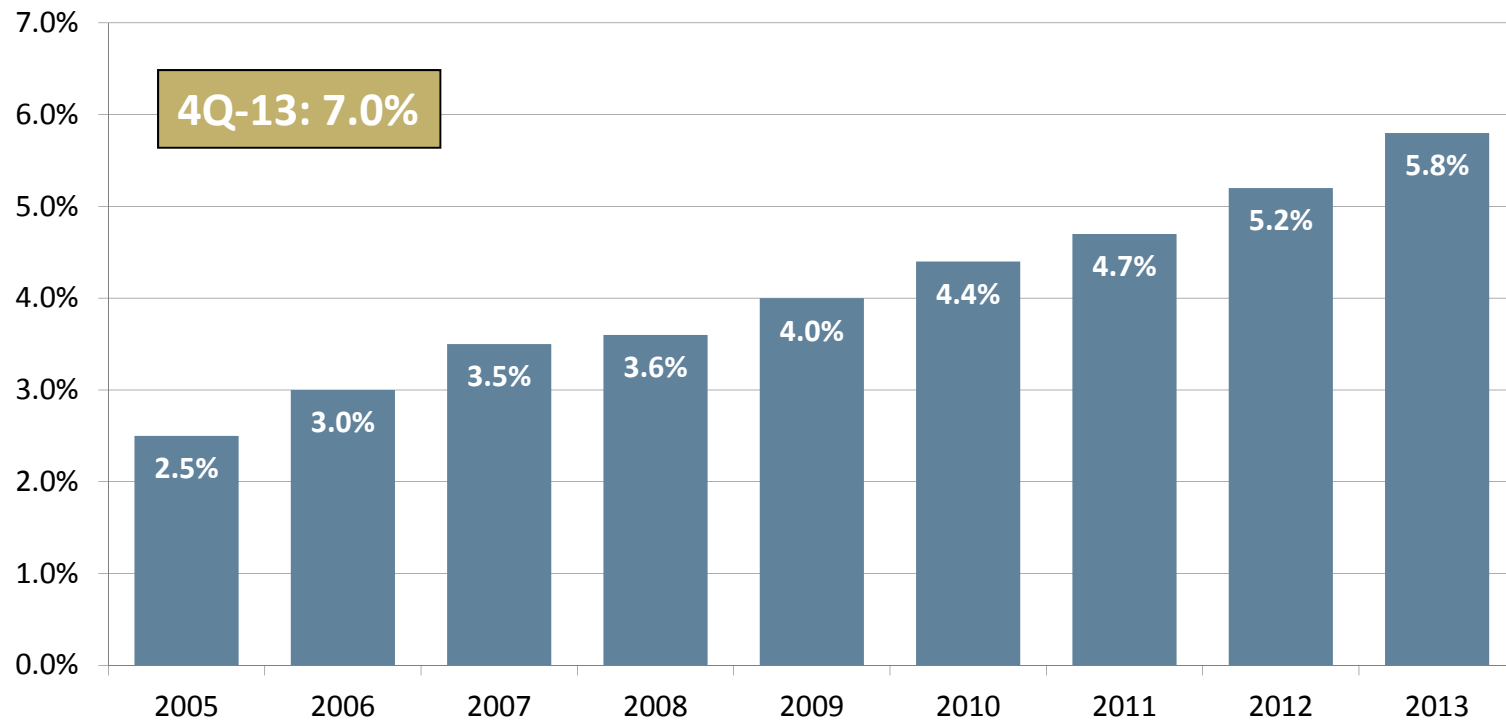
COA Sales Tax and Employment Growth



Source: Texas Comptroller's Office; TXP

Austin Area Economy

E-Commerce as a Share of Total National Retail Sales



Source: Census Bureau; TXP

Austin Area Economy

Sales Tax Outlook

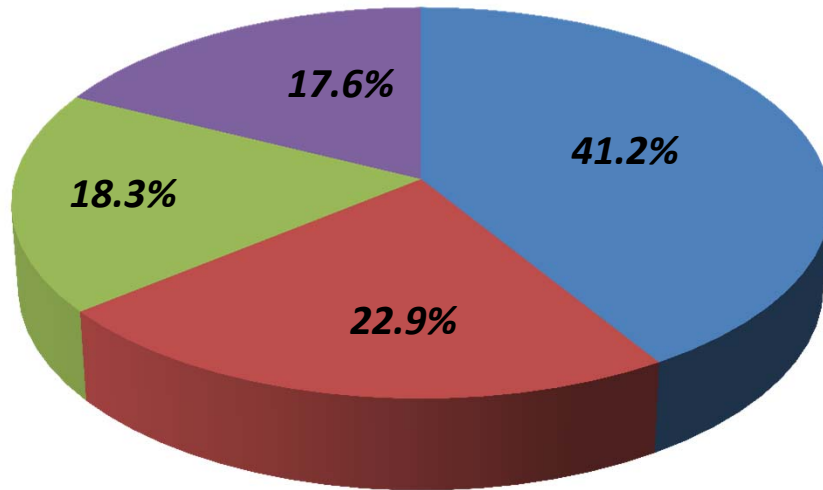
- Sales tax tends to track job growth – history would suggest 3x relationship, but there have been unusual factors in the recent cycle:
 - Rising property values associated with boom created easy home equity credit and spending capacity;
 - Bust flips equation – more new households renting; home equity not as widely available;
 - Recent job growth far more rapid than sales tax.
- Additional factors to consider in the recovery:
 - Strong population growth is bolstering aggregate spending levels;
 - Inflation remains moderate;
 - Internet share continues to grow – e-commerce now around 6+% of national total, up from 2% ten years ago;
- Translation is solid growth for fiscal 2014 and 2015 (6% range). Policy projections typically would be somewhat more conservative.

City of Austin Financial Forecast

General Fund Revenue

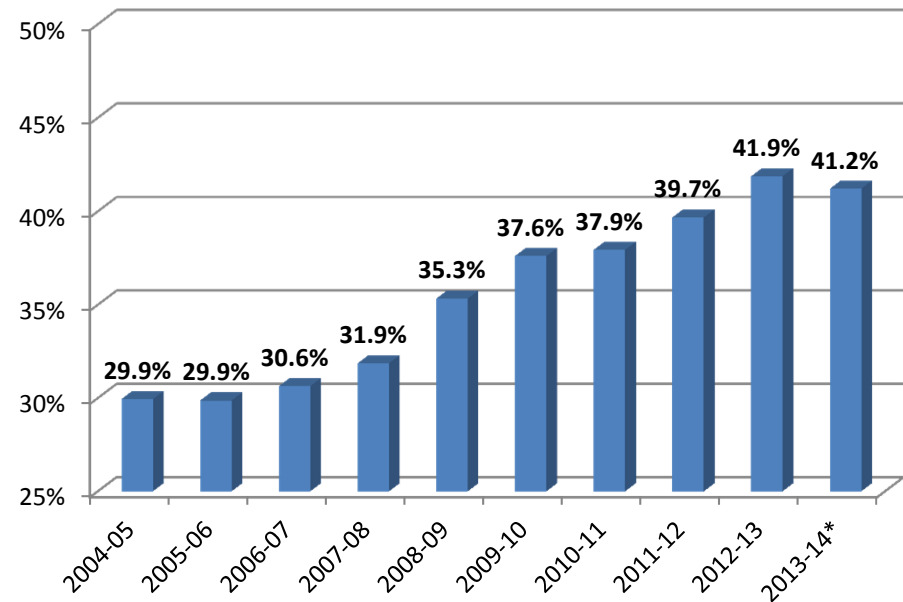


General Fund Revenue



■ Property Tax ■ Sales Tax
■ Other Revenue ■ Utility Transfers

Property Tax as a Share of Total General Fund Revenue



*Estimate

- **FY 2014 Total Estimated General Fund Revenue = \$811M**
 - \$11 million increase over FY 2014 Amended Budget
- **FY 2015 Forecasted General Fund Revenue = \$841M**



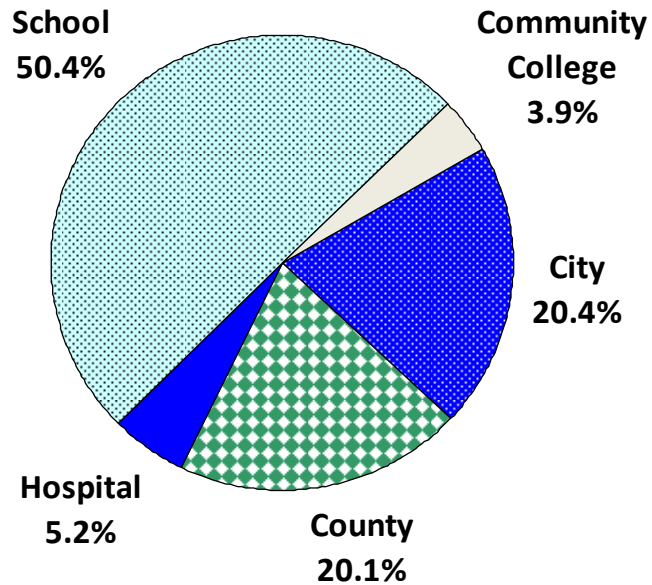
Property Tax Assumptions

Fiscal Year	Projected AV Growth	Projected Rate	Projected Revenue
FY 2015	8.4 %	0.4957	\$355.3 m
FY 2016	6.9 %	0.4986	\$381.9 m
FY 2017	5.1 %	0.5083	\$411.5 m
FY 2018	5.0 %	0.5150	\$439.6 m
FY 2019	5.0 %	0.5214	\$474.8 m

- Forecast reduces current tax rate of 0.5027 by 0.0070 for FY 2015
- Average annual revenue growth of \$28.5 million at projected rates
- Other rate calculations
 - Effective Rate = 0.4715 (FY 2015 revenue reduction of \$22.7 million)
 - Rollback Rate = 0.5010 (FY 2015 revenue increase of \$5.0 million)

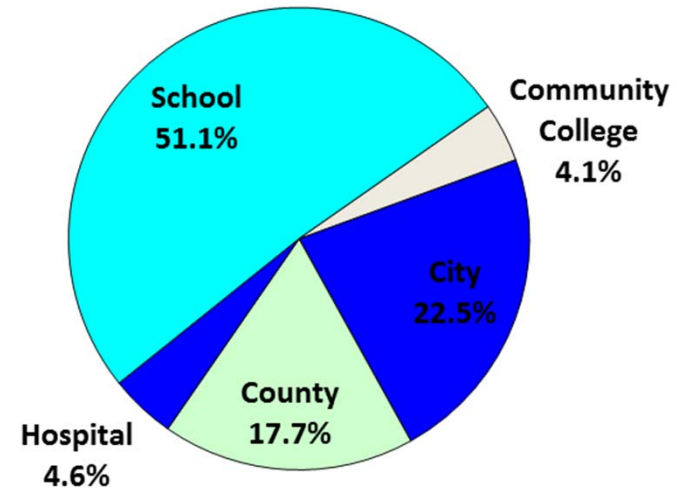
FY 2014 Overlapping Property Tax

TAX RATE



Jurisdiction	Austin	Share
City	0.5027	20.4%
County	0.4946	20.1%
Health Care	0.1290	5.2%
School	1.2420	50.4%
Community College	0.0949	3.9%
Total Tax Rate	2.4632	100.0%

TAX BILL \$185,133 HOME

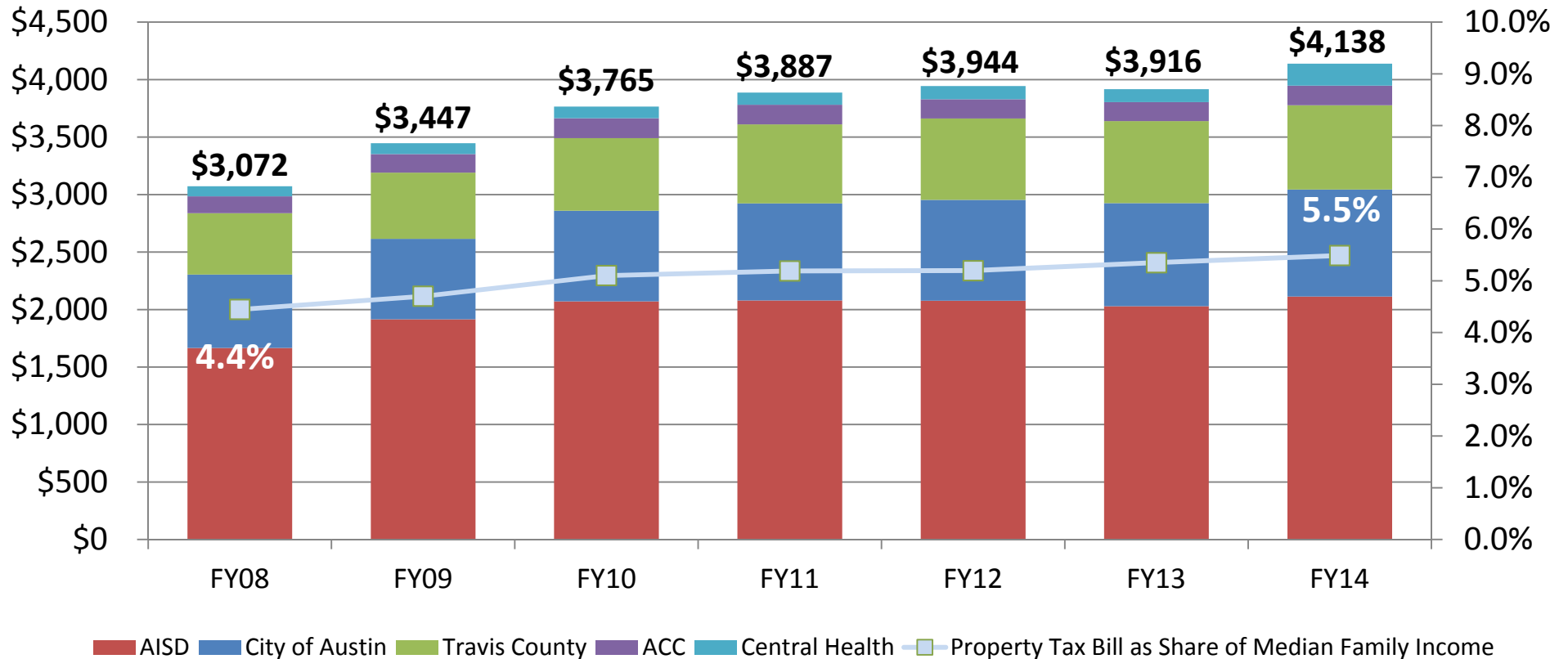


Jurisdiction	Austin	Share
City	\$931	22.5%
County	\$733	17.7%
Health Care	\$191	4.6%
School	\$2,113	51.1%
Community College	\$171	4.1%
Total Tax Rate	\$4,138	100.0%



Overlapping Median Tax Bill History

Overlapping Property Tax Bill on Median-Value Home
& As Share of Median Family Income: FY08 - FY14

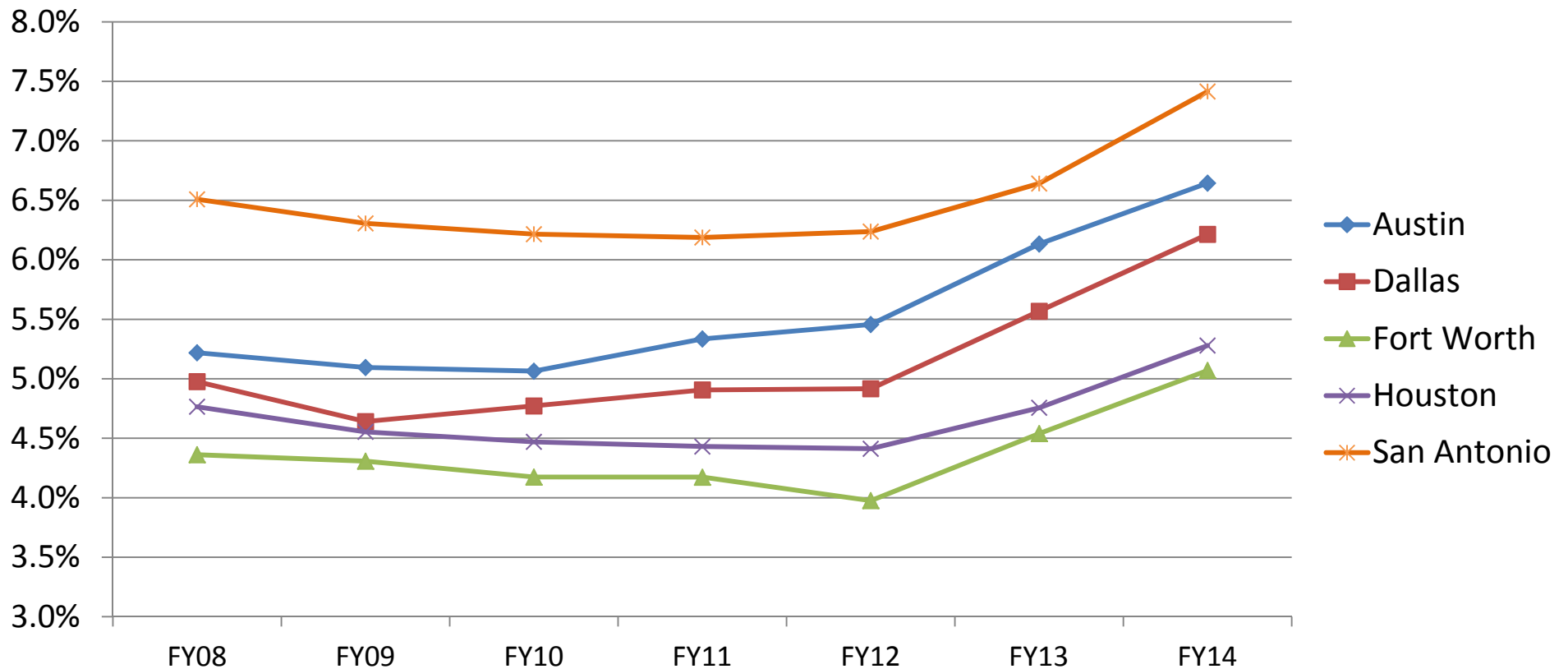


Net of homestead exemptions. Median home value data from Travis County Appraisal District. Median family income from U.S. Department of Housing and Urban Development.



Overlapping Median Tax Bill Comparison

Overlapping Property Tax Bill as a Share of Median Family Income:
FY08 - FY14

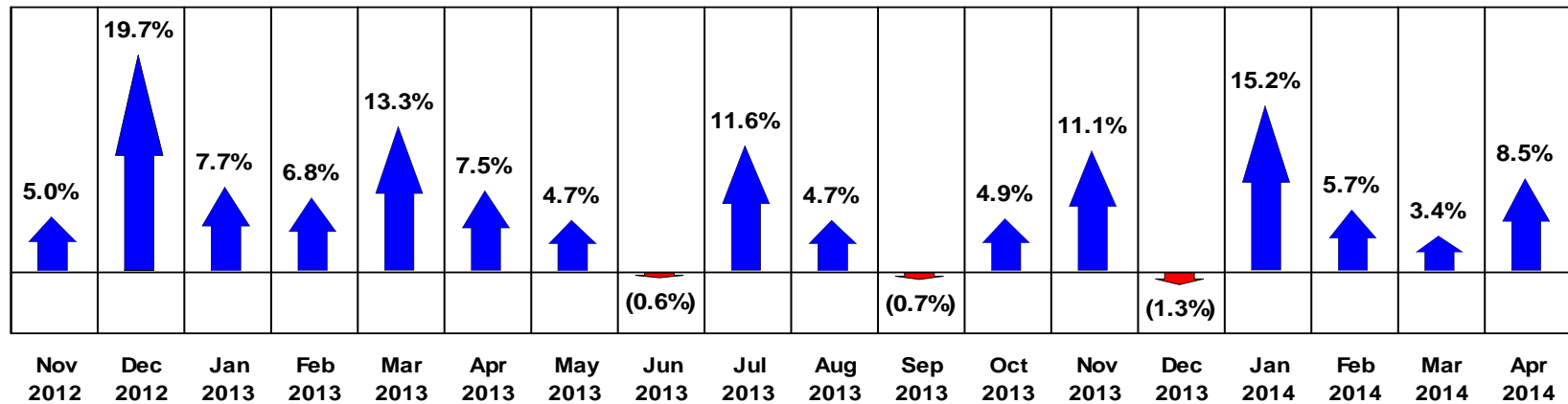


Net of homestead exemptions. Median home sales price data from Texas A&M Real Estate Center. Median family income from U.S. Department of Housing and Urban Development.

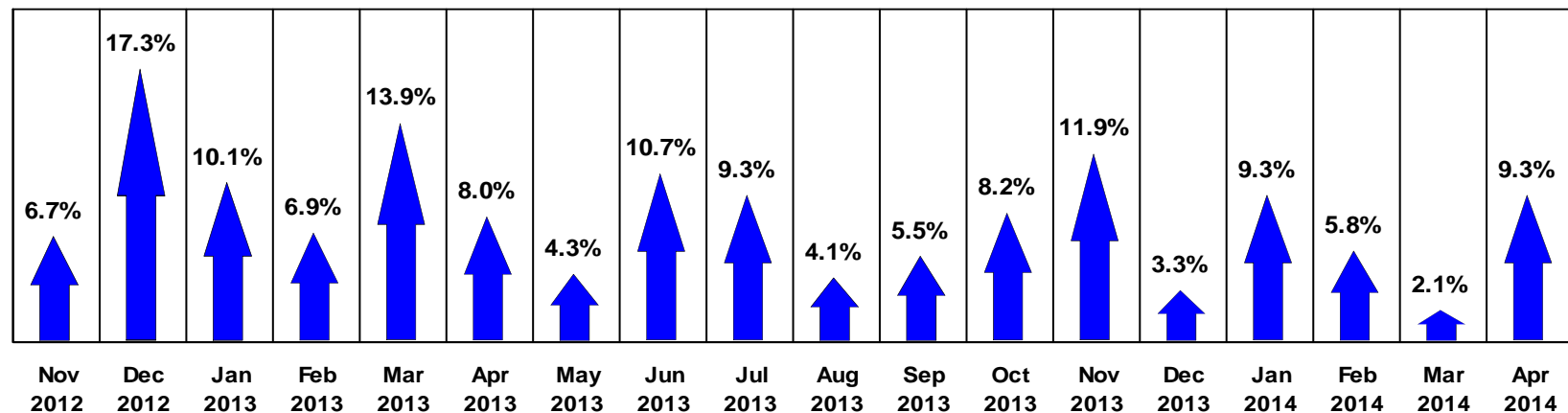


Sales Tax Trend – Monthly

Total Sales Tax Collections - City of Austin



Sales Tax Collections Excluding Adjustments - City of Austin

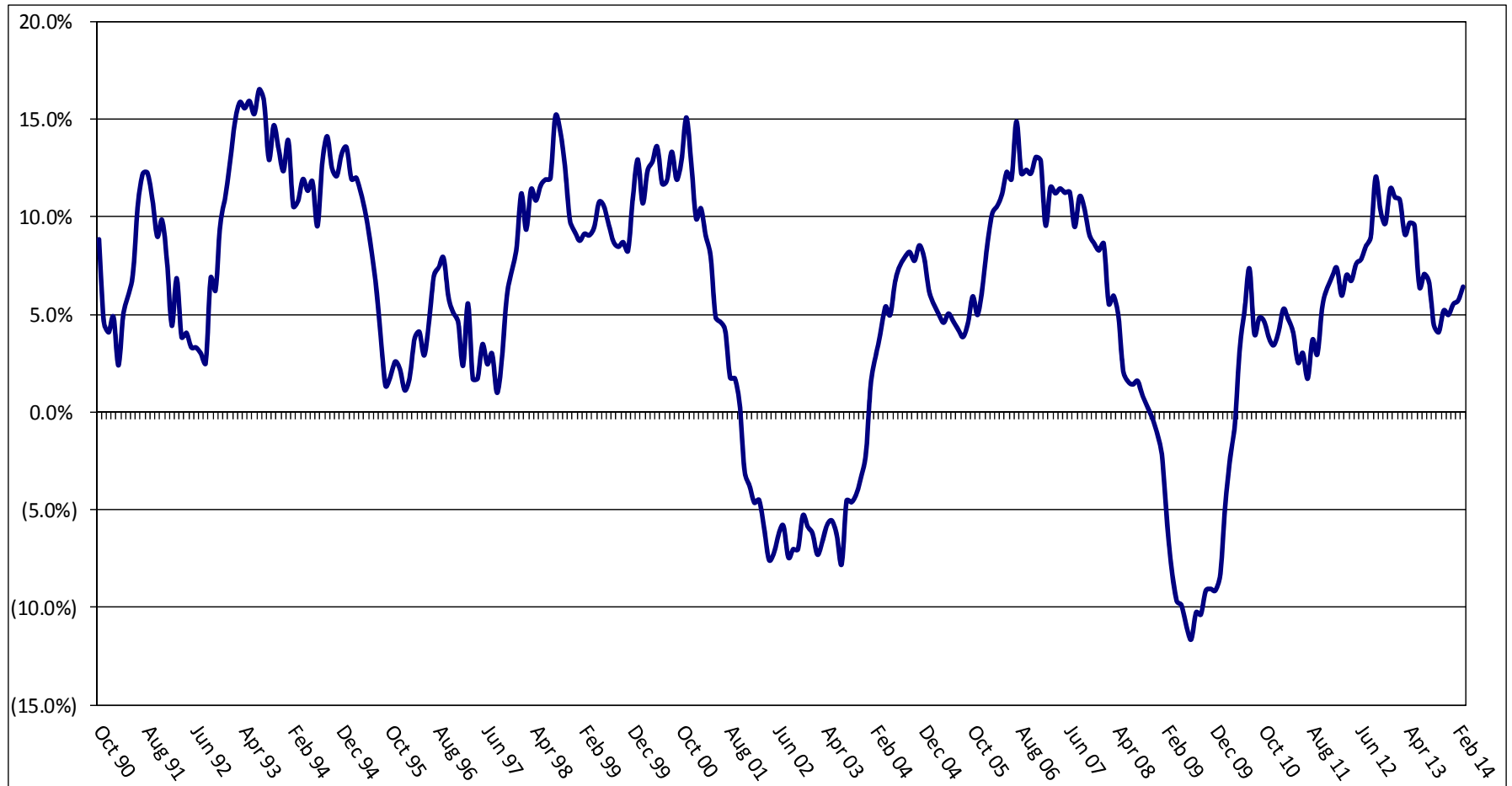


FY 2014 budgeted increase = 4%. Actual increase thru April = 6.1%.

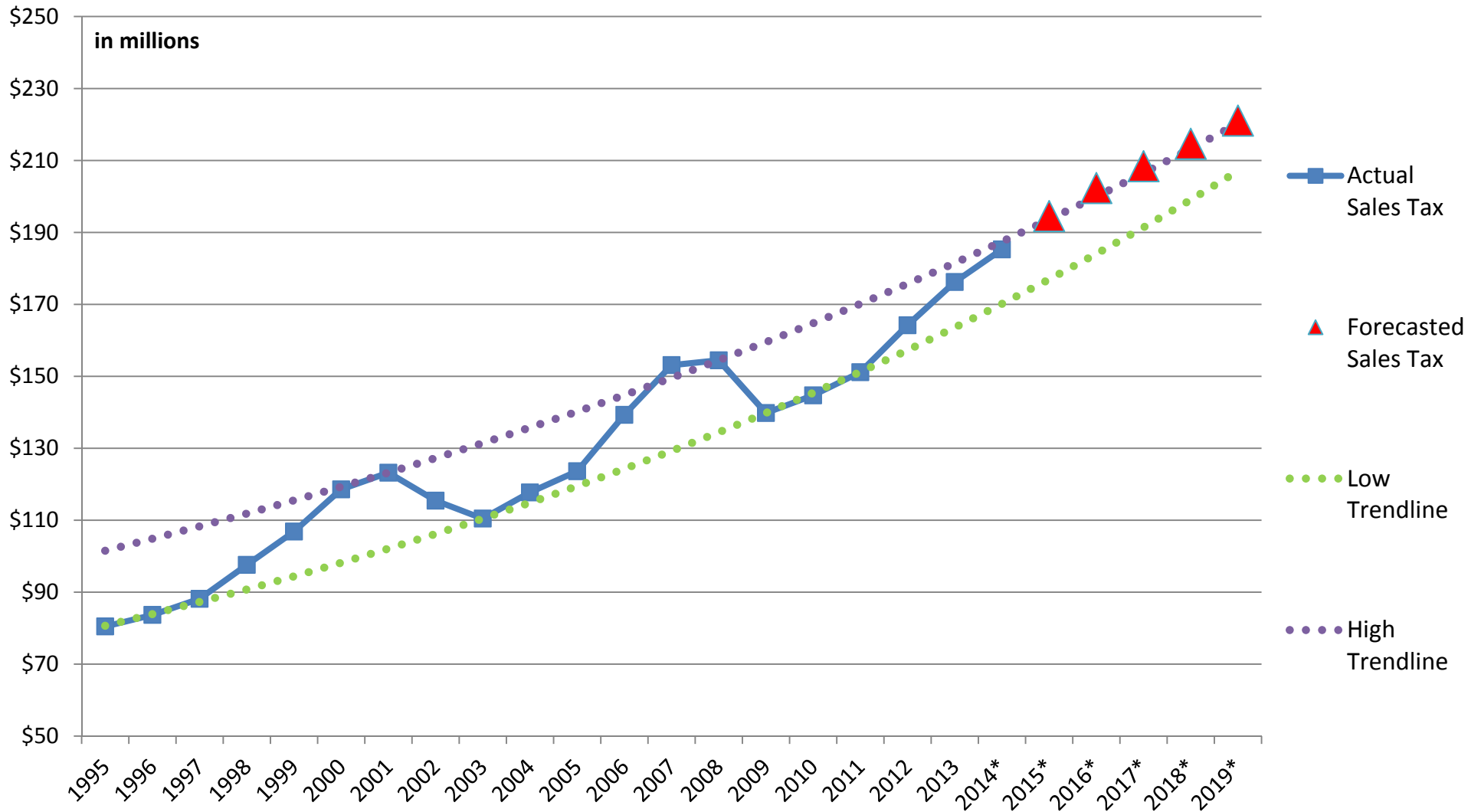


Sales Tax Trend

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



Sales Tax Growth Forecast



*Forecast Estimate



Sales Tax Assumptions

	Forecast		Conservative	
Fiscal Year	Growth Rate	Total Revenue	Growth Rate	Total Revenue
FY 2014	5.2%	\$185.3 m	5.2%	\$185.3 m
FY 2015	5.0%	\$194.5 m	3.0%	\$190.8 m
FY 2016	4.0%	\$202.3 m	3.0%	\$196.6 m
FY 2017	3.0%	\$208.4 m	3.0%	\$202.5 m
FY 2018	3.0%	\$214.7 m	3.0%	\$208.5 m
FY 2019	3.0%	\$221.1 m	3.0%	\$214.8 m

- Year-to-date growth FY 2014 = 6.1%
- Forecast for FY 2015 and 2016 is slightly below TXP projections but more aggressive than long-term trend
- *Conservative forecasting—a best practice—is viewed favorably by rating agencies*

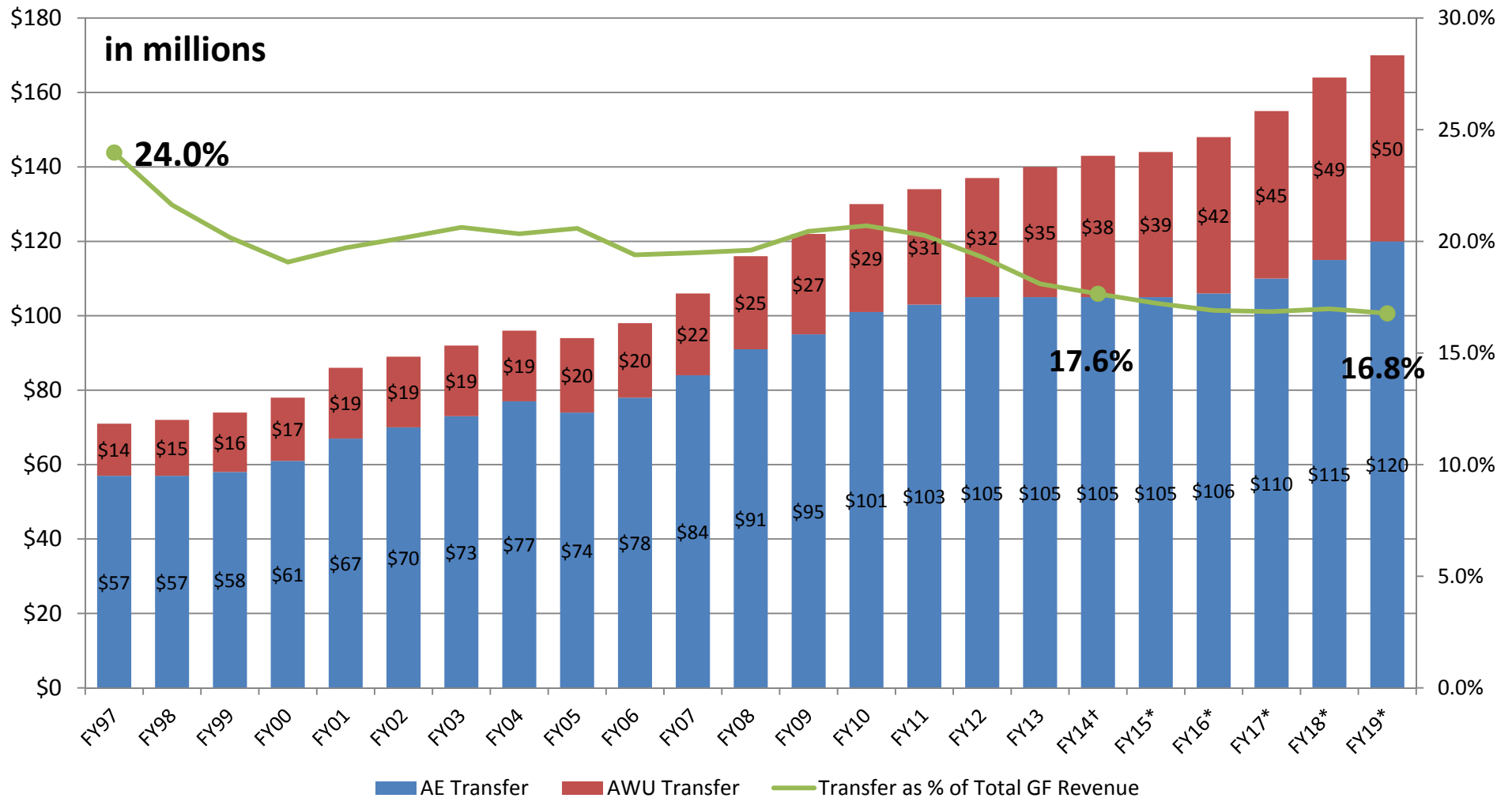


Utility Transfer

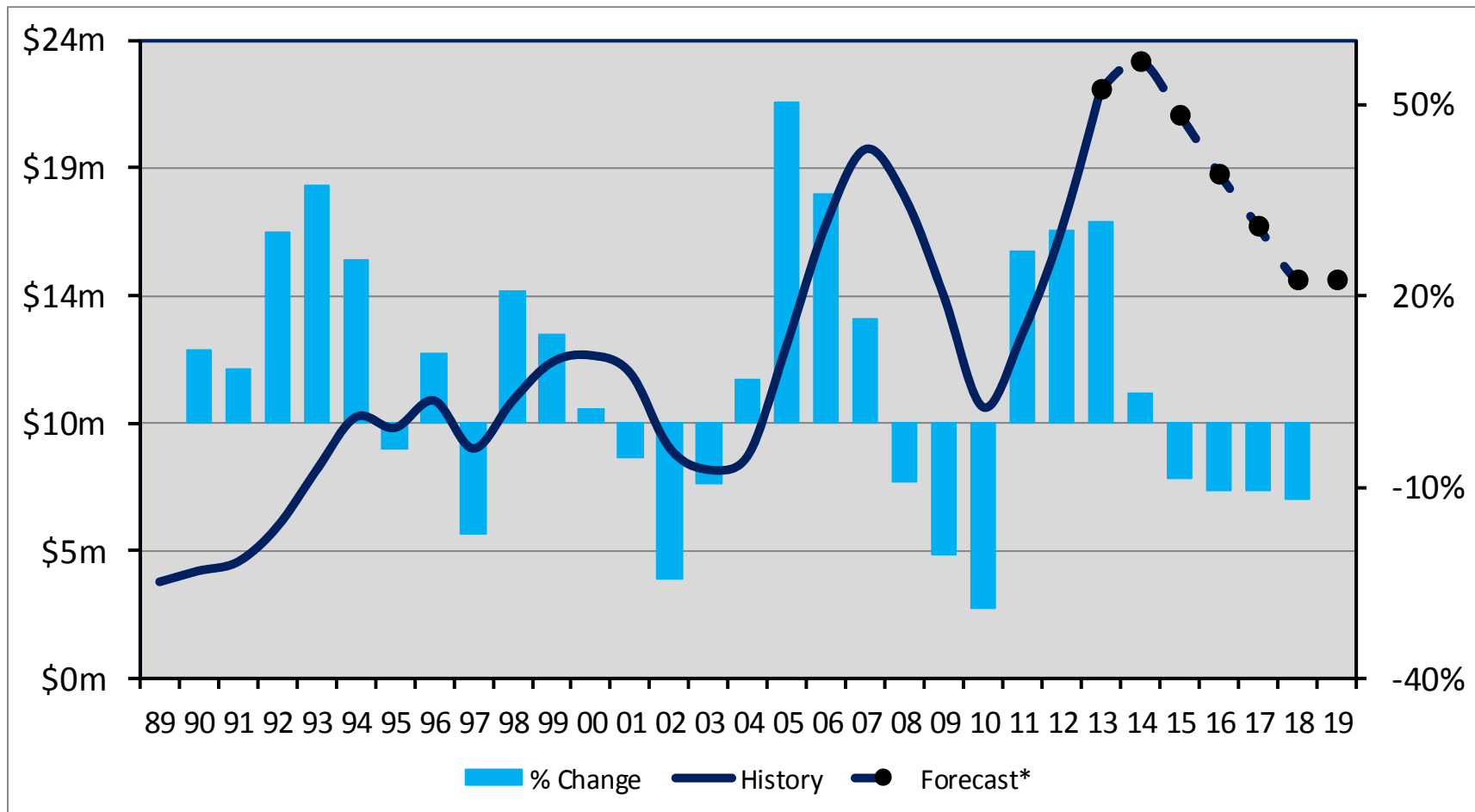
Fiscal Year	AE Transfer	AWU Transfer	Total Increase
FY 2014	\$ 105.0 m	\$ 37.9 m	\$ 3.4 m
FY 2015	\$ 105.0 m	\$ 39.0 m	\$ 1.1 m
FY 2016	\$ 106.0 m	\$ 41.8 m	\$ 3.8 m
FY 2017	\$ 110.0 m	\$ 44.7 m	\$ 6.9 m
FY 2018	\$ 115.0 m	\$ 48.8 m	\$ 9.1 m
FY 2019	\$ 120.0 m	\$ 50.1 m	\$ 6.3 m

- Forecast maintains Council approved transfer policies
 - Austin Energy at 12% of non-fuel revenue with floor set at \$105 million
 - Austin Water Utility at 8.2% of gross revenue

General Fund – Utility Transfer History



Development Revenue



FY 2014 estimate = \$23.2 M; FY 2015 forecast = \$21.2 M

Other Revenues

➤ Charges for Services

- Primarily emergency medical services, parks and recreation, and health and human services
- FY 2014 estimate = \$51.3 M; FY 2015 forecast = \$50.9 M

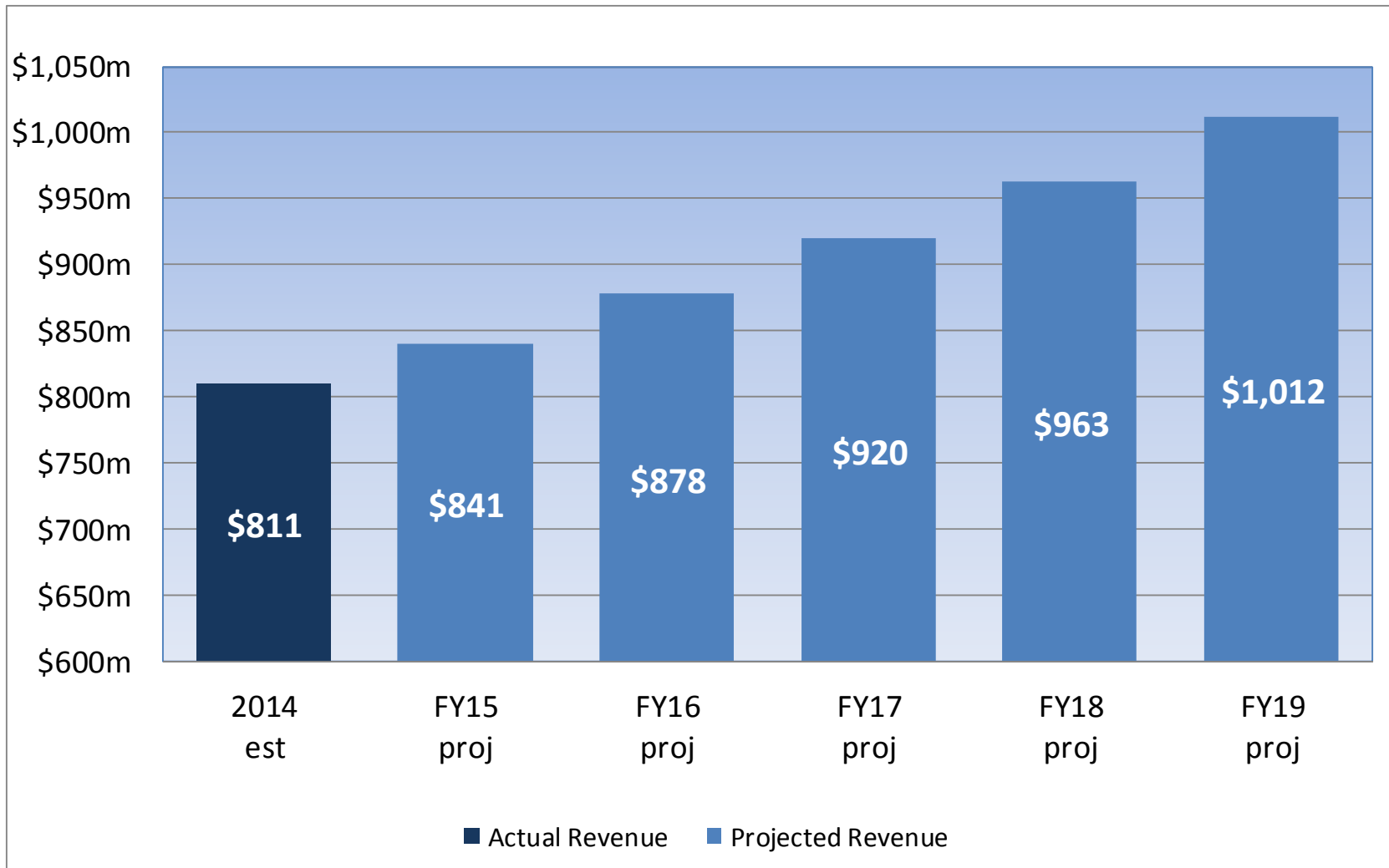
➤ Franchise Fees

- Telecommunications, cable and gas franchise agreements
- FY 2014 estimate = \$35.7 M; FY 2015 forecast = \$35.5 M

➤ Fines and Penalties

- Traffic fines and parking violations; court and arrest fees; penalties for violations of City ordinances; library fines
- FY 2014 estimate = \$16.6 M; FY 2015 forecast = \$16.6 M

Revenue Forecast

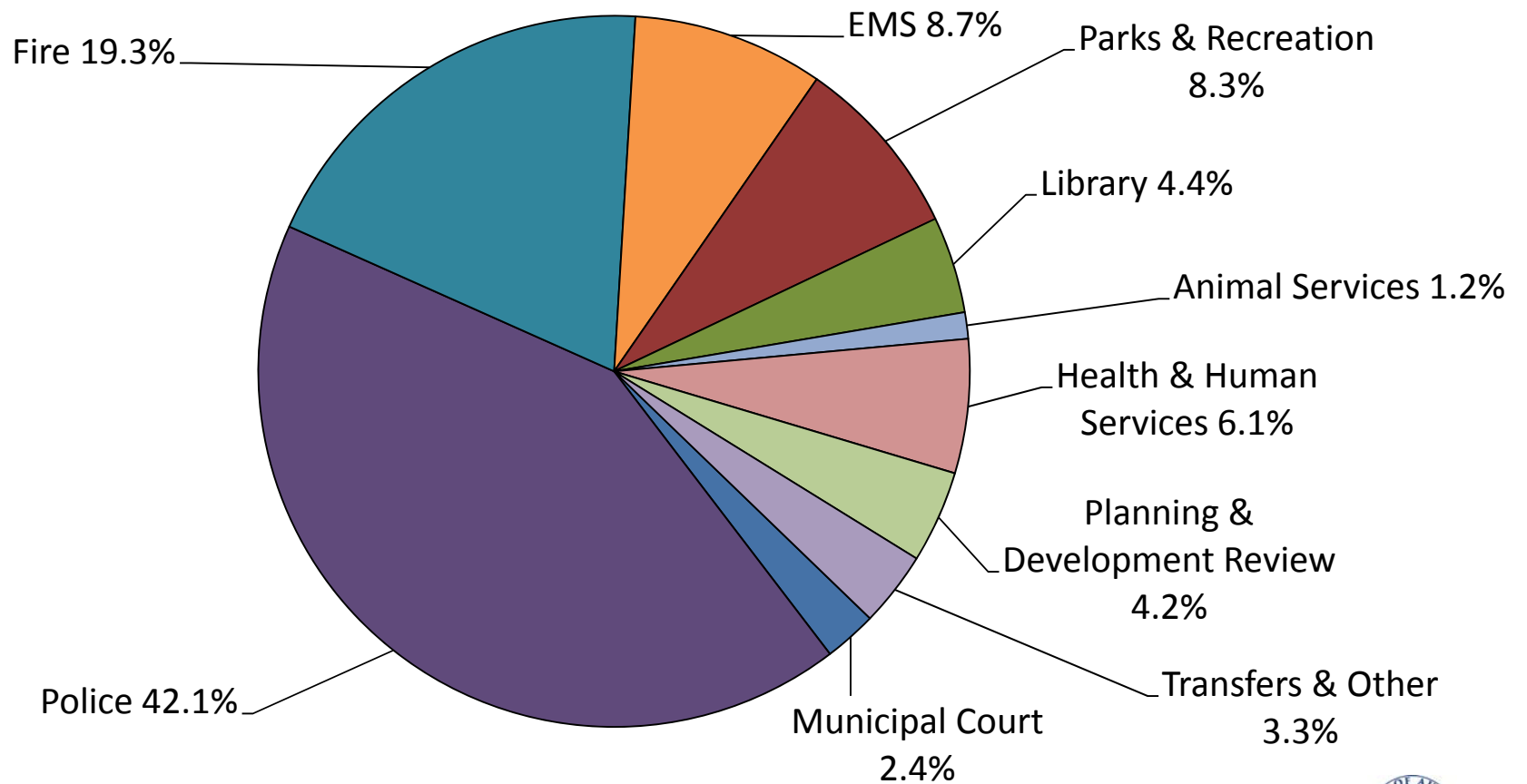


City of Austin Financial Forecast

General Fund Expenditures

FY 2015 Forecast

Uses of Funds - General Fund (\$840.6 million)



Expenditure Assumptions

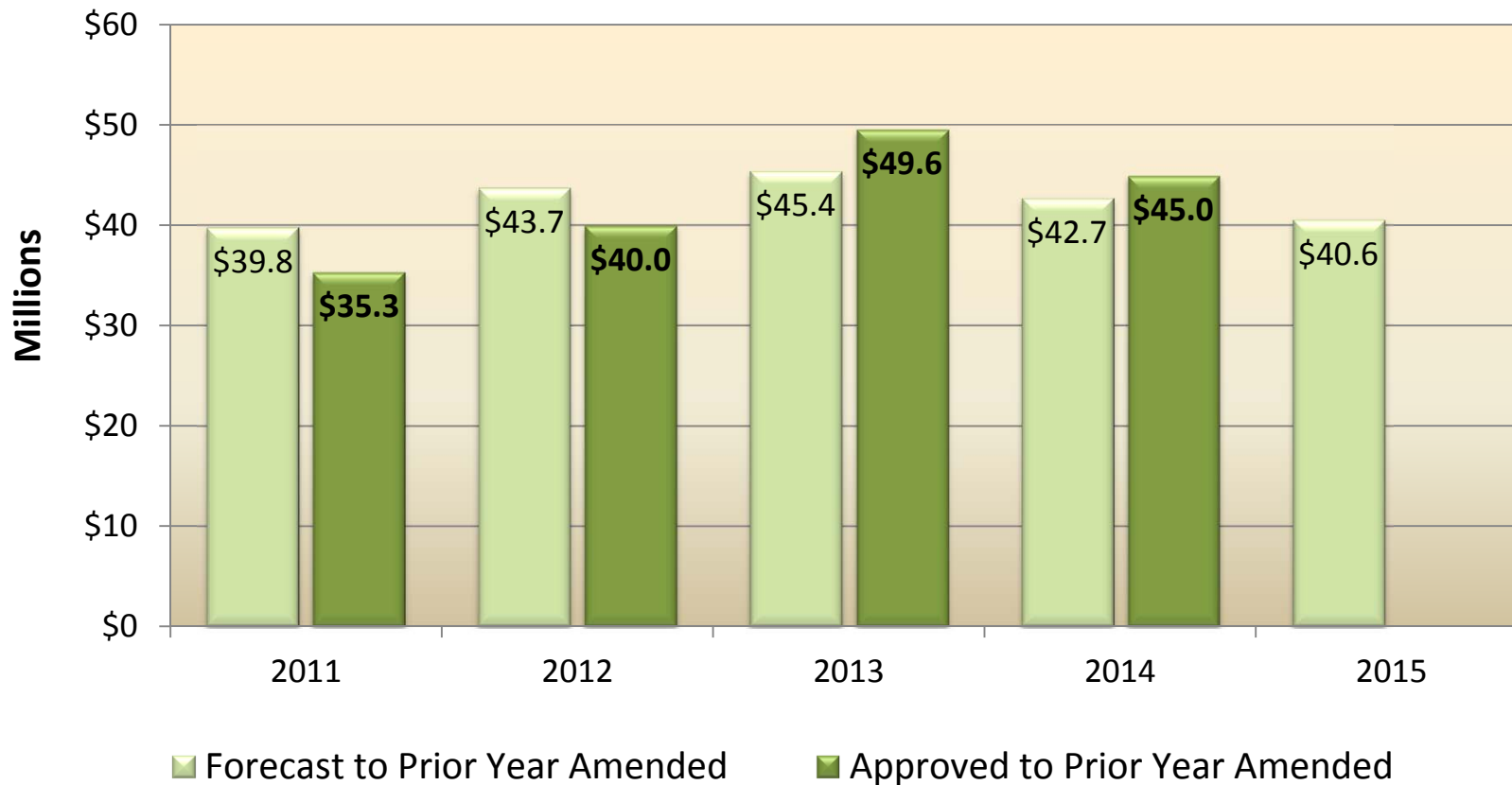
- Existing programs and service levels maintained
- Public safety consistently rated by residents as top priority
 - 59 new police officers in FY 2015 to meet current service level demands and serve newly annexed areas; 187 new officers over the 5 year forecast horizon
 - 36 firefighters previously funded through SAFER grant transferred into General Fund
 - 16 firefighters in FY 2017 for the planned opening of the Onion Creek Fire Station in June 2017
 - 2 Community Health Paramedics funded by Central Health
- 68.25 new positions between FY 2016 and FY 2018 associated with the opening of the new central library in November 2016

Expenditure Assumptions

- Employees continue to be highly valued
 - 3.5% wage increase for civilian staff; annualized funding for Council-initiated \$750 lump-sum increase; IT market study implementation
 - 1% increase for APD and EMS per Contract
 - Currently no contract with sworn fire personnel; 1% wage increase assumed
- Increases in health insurance and workers' compensation costs
 - 8% increase in health insurance for FY 2015; 10% in out years
 - 10% increase in workers' compensation for all years
- Increases for vehicle maintenance and fuel
 - Growing fleet and rising repair costs resulting in 10% cost increase
- On-going replacement of critical public safety equipment

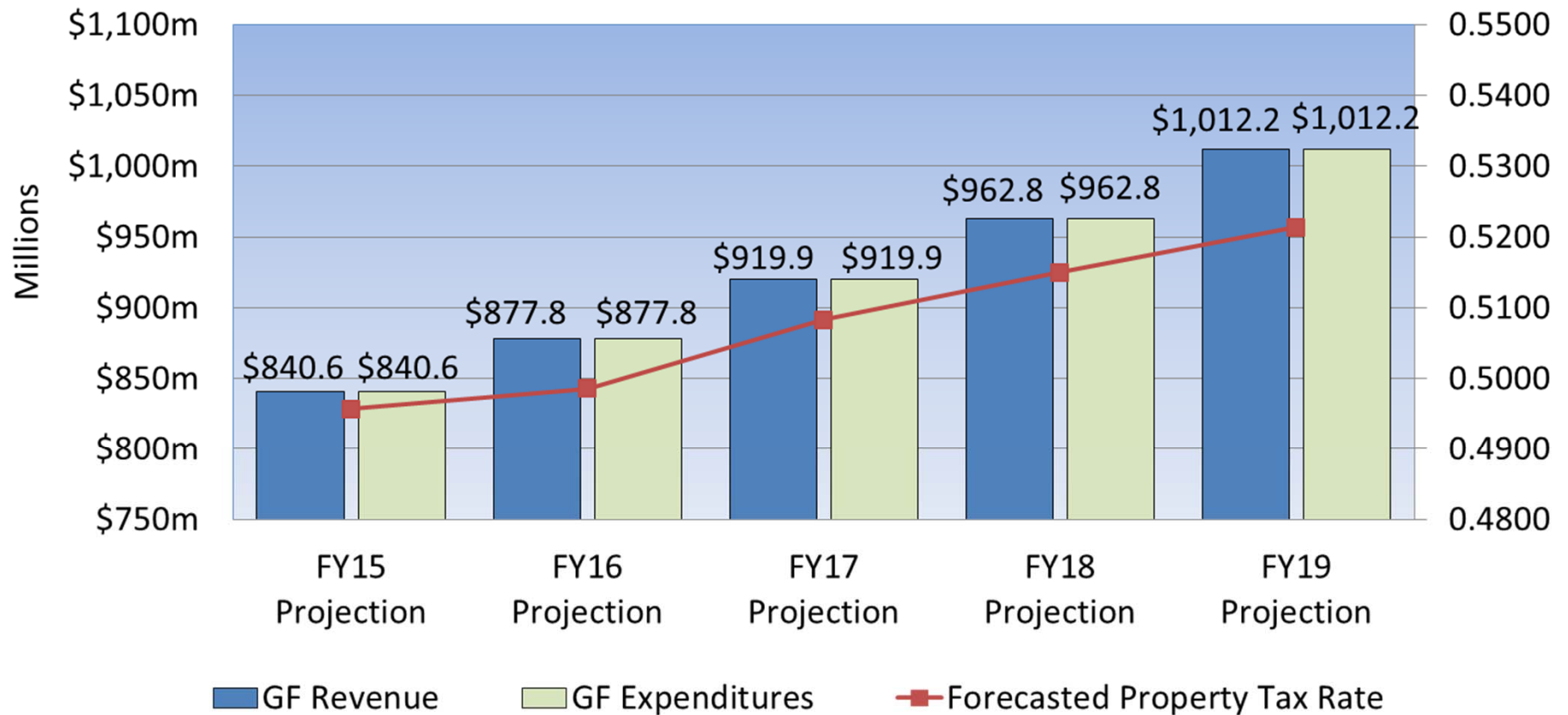
Annual Expenditure Growth

5-year History of General Fund Expenditure Growth



Five-Year Outlook

Projected Baseline Expenditures vs. Revenue



City of Austin Financial Forecast

Capital Highlights

CIP Five-Year Spending Estimate

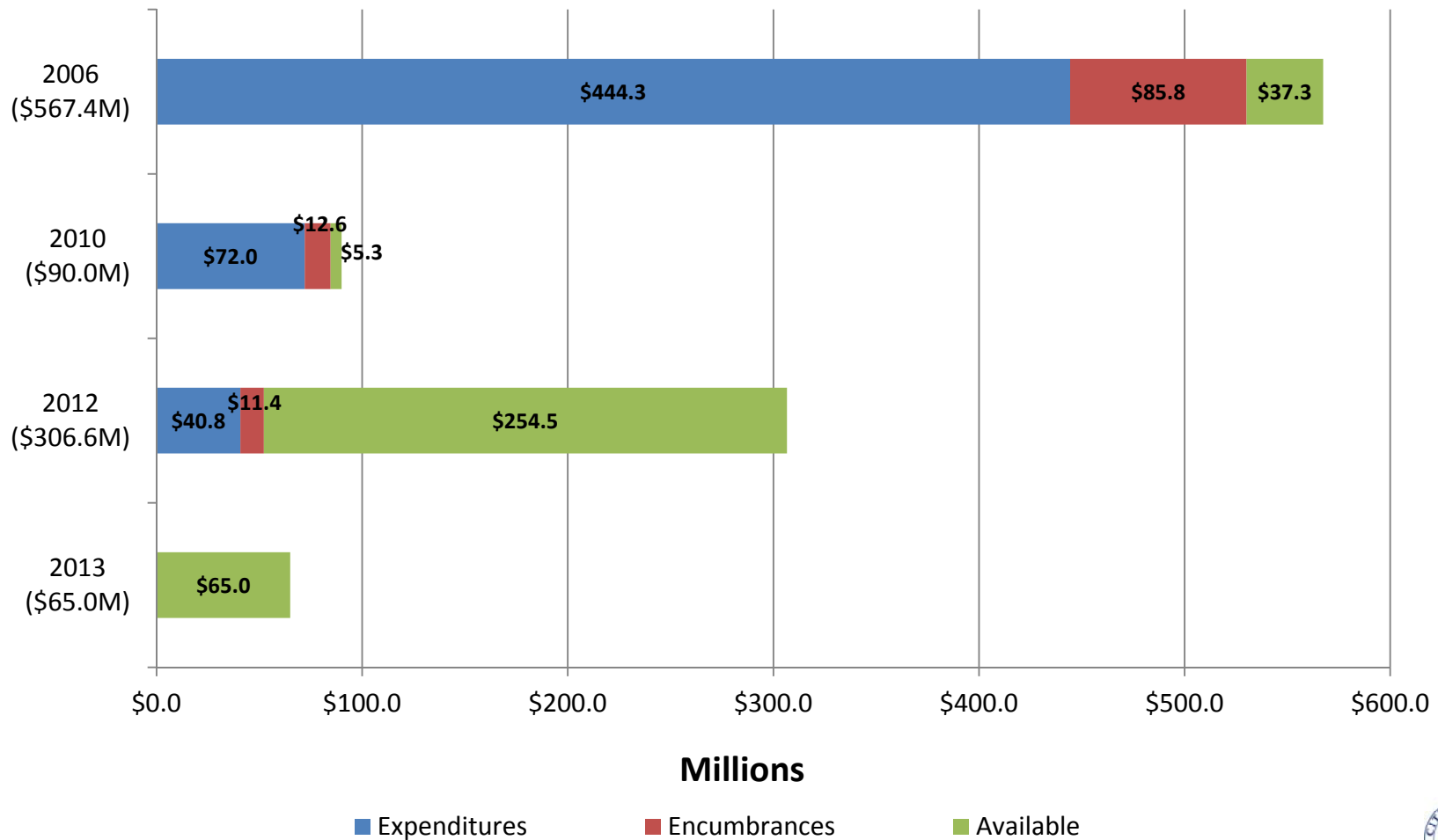
(\$ in Millions)

	FY15	FY16	FY17	FY18	FY19	TOTAL
GO Bond Programs	\$132.5	\$86.7	\$33.9	\$13.0	\$10.1	\$276.2
Enterprise/ Other	\$682.9	\$804.0	\$770.6	\$520.4	\$526.2	\$3,304.1
TOTAL	\$815.4	\$890.7	\$804.5	\$533.4	536.3	\$3,580.3

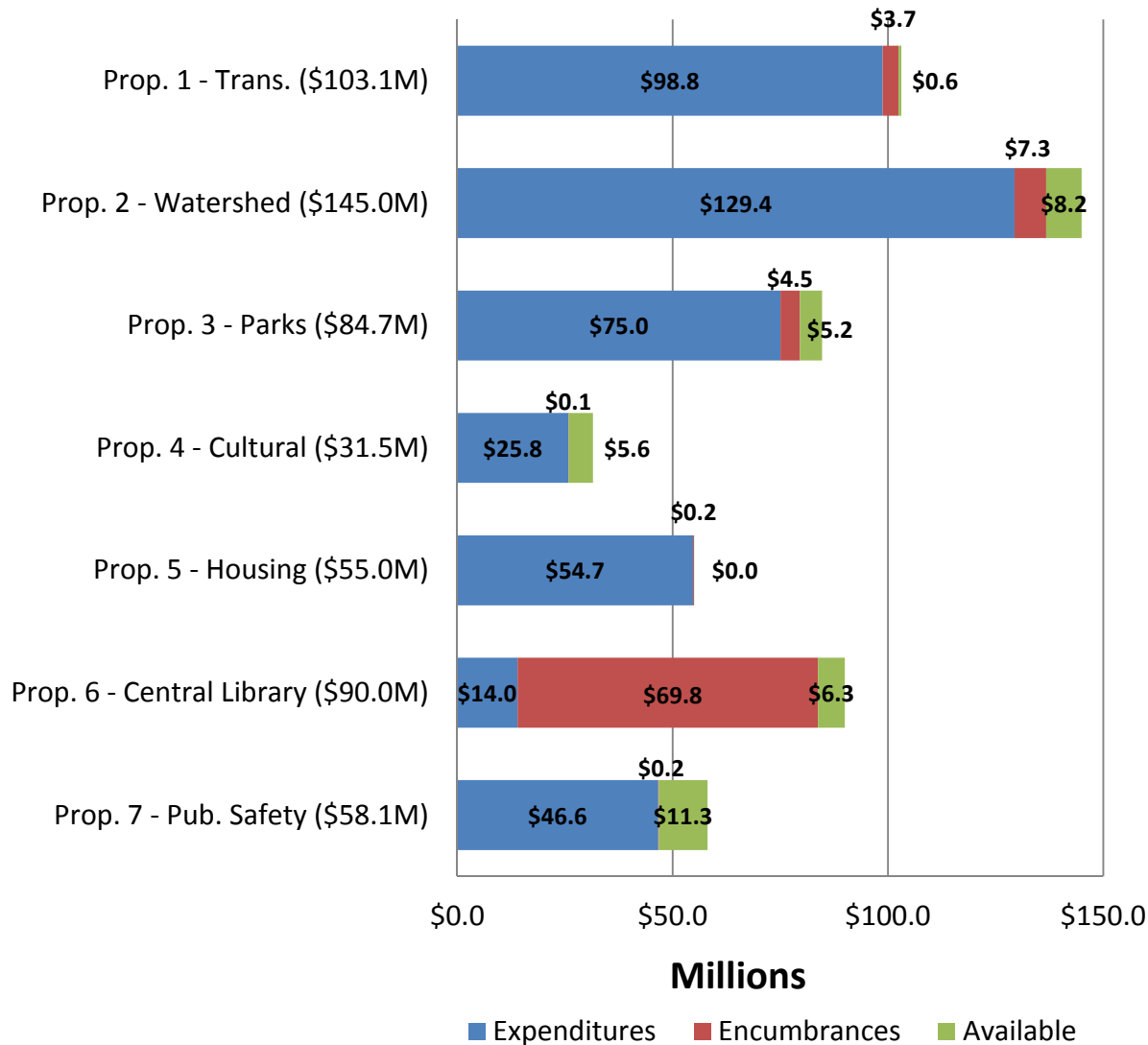
➤ GO Bond Programs include 2006, 2010, 2012, and 2013

Bond Program Summary

2006, 2010, 2012, and 2013 Bond Programs



2006 Bond Program – \$567.4 Million



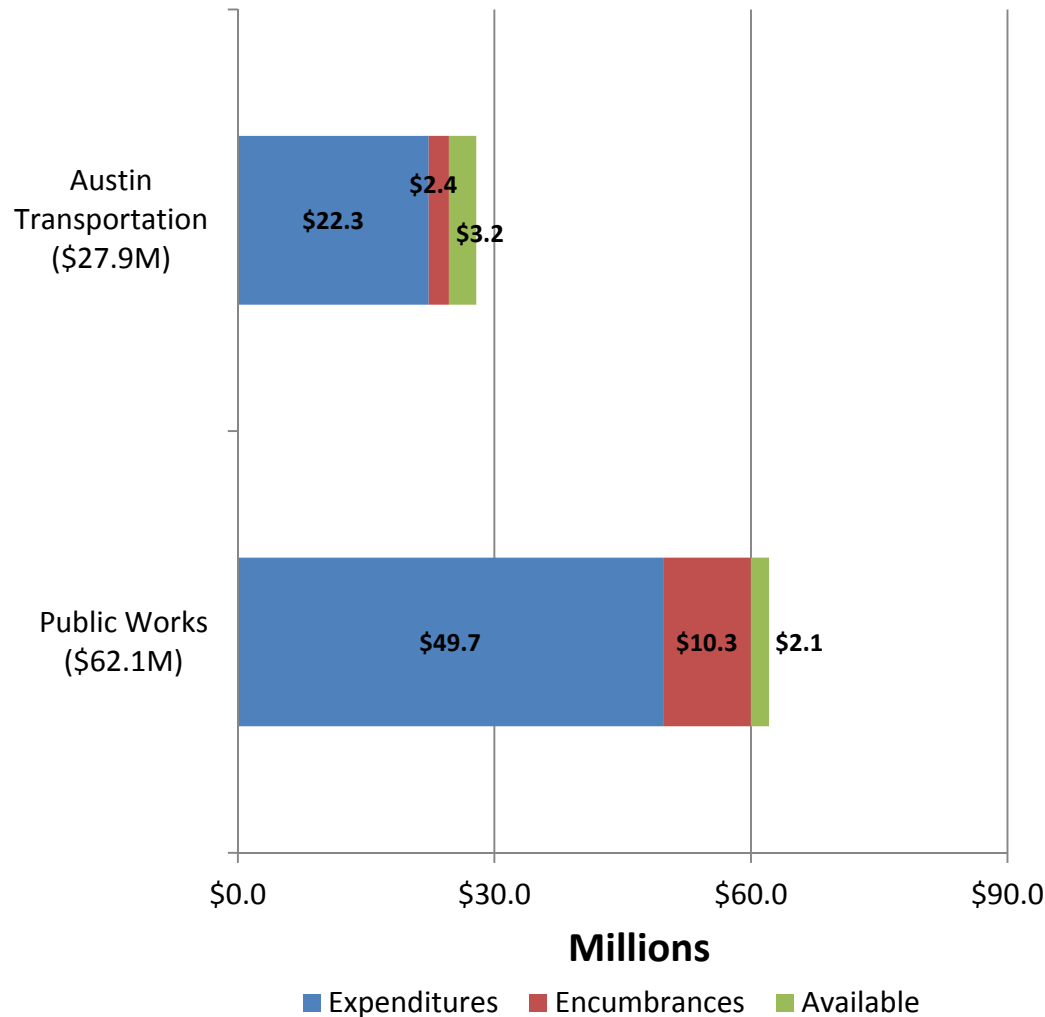
Projected 5-Year Spending Plan

- Total 5-Year Spending = \$123.1M
- FY 2015 Spending = \$47.2M
- Substantially complete by FY16

FY 15 Spending Highlights

- New Central Library - \$37.0M
- Bartholomew Pool - \$0.25M
- Trails - \$913K

2010 Bond Program – \$90.0 Million



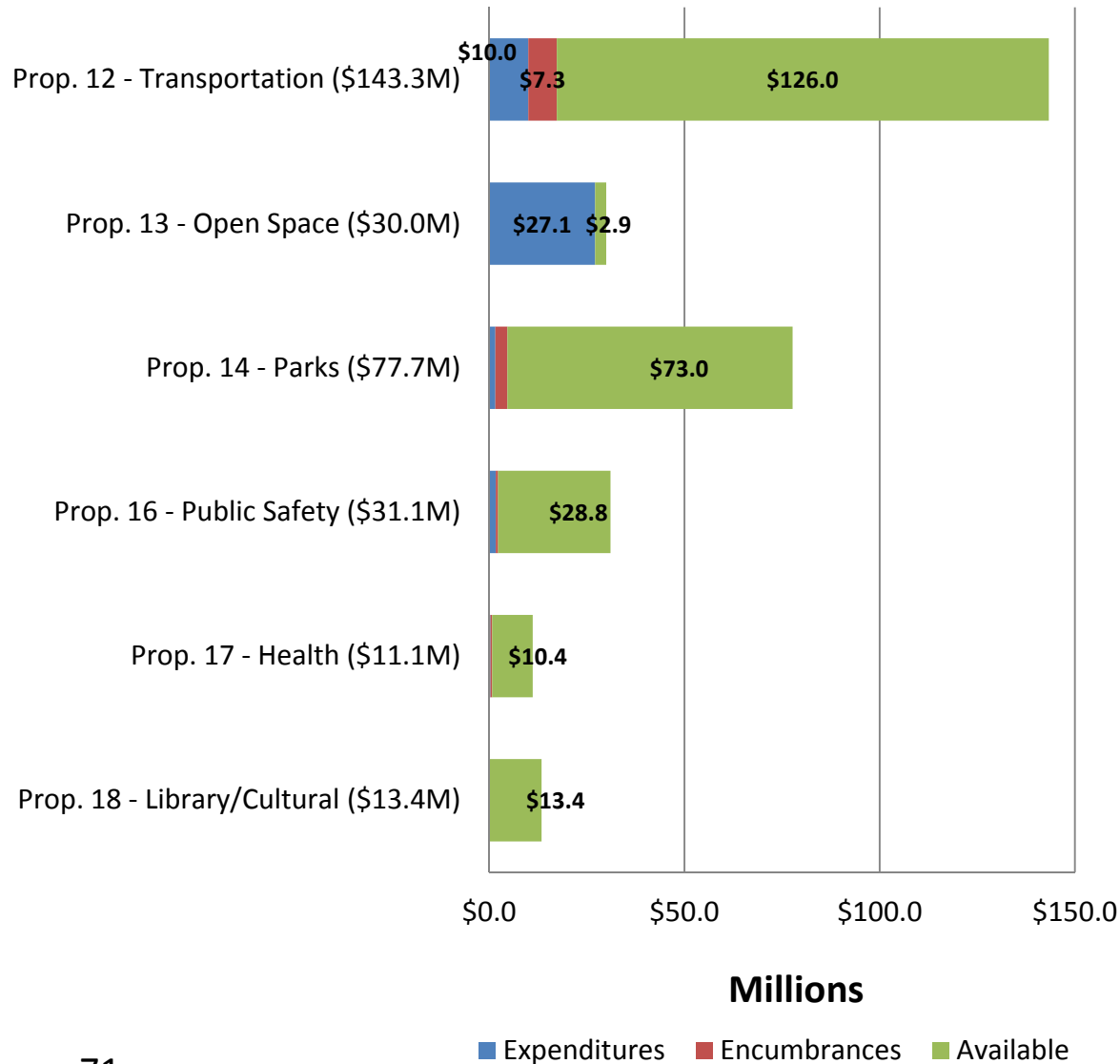
Projected 5-Year Spending Plan

- Total 5-Year Spending = \$18.0M
- FY 2015 Spending = \$6.6M
- Substantially complete by FY16

FY 15 Spending Highlights

- Street Reconstruction - \$2.5M
- Ped/ADA/Bikeways - \$2.1M
- Mobility Enhancements - \$1.0M

2012 Bond Program – \$306.6 Million



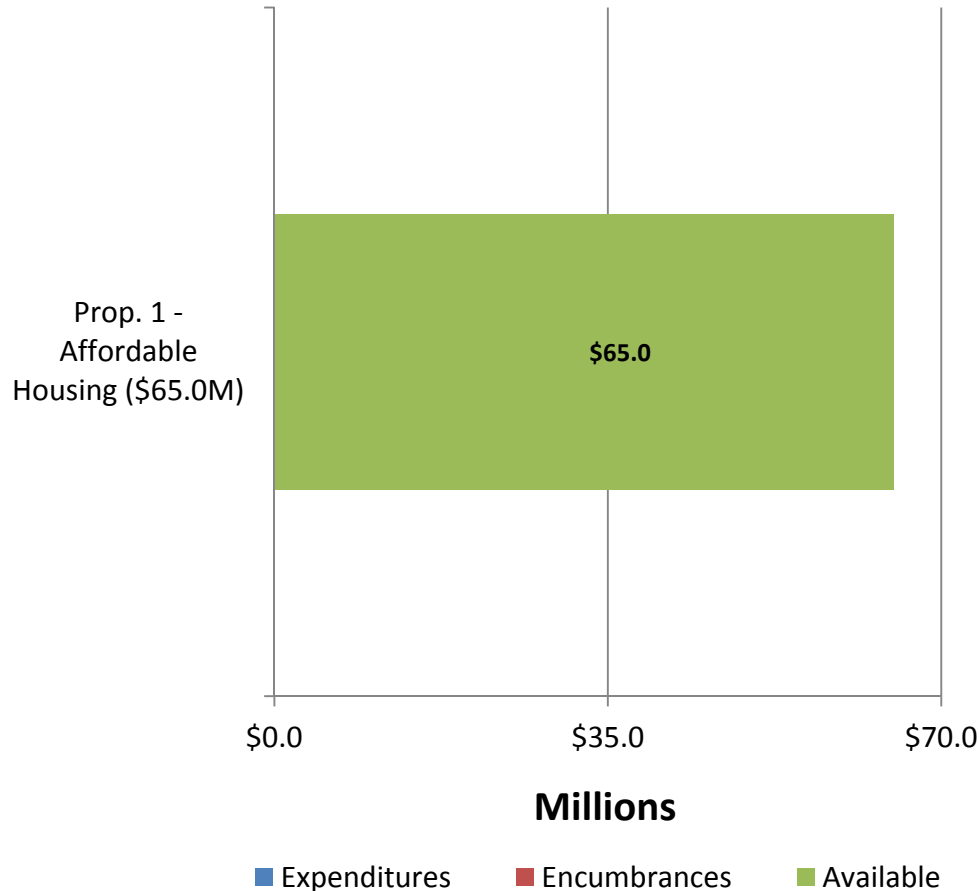
Projected 5-Year Spending Plan

- Total 5-Year Spending = \$265.8M
- FY 2015 Spending = \$68.7M
- Substantially complete by FY18

FY 15 Spending Highlights

- North Lamar Blvd. and Burnet Rd. Corridor Improvements - \$6.5M
- Austin Studios - \$4.5M
- Rio Grande St. Reconstruction - \$4.4M
- Onion Creek Fire Station - \$2.5M
- Other Public Safety Facilities - \$7.9M

2013 Bond Program – \$65.0 Million



Projected 5-Year Spending Plan

- Total 5-Year Spending = \$65.0M
- FY 2015 Spending = \$10.0M
- Substantially complete by FY19

FY 15 Spending Highlights

- Continued focus on a mix of projects related to rental housing, home ownership, GO Home Repair program, and architectural barrier removal
- Tax credit application decisions expected in July 2014

Enterprise and Other CIP

(\$ in Millions)

	FY15	FY16	FY17	FY18	FY19	TOTAL
AE	\$238.2	\$292.9	\$290.5	\$256.5	\$257.7	\$1,335.8
AWU	\$176.8	\$163.8	\$153.4	\$162.1	\$169.0	\$825.2
Aviation	\$108.5	\$150.9	\$232.6	\$34.9	\$26.1	\$553.0
Watershed	\$26.4	\$115.9	\$50.4	\$40.3	\$67.0	\$300.0
ARR	\$7.3	\$4.1	\$4.2	\$9.1	\$3.0	\$27.6
ACCD	\$8.5	\$2.9	\$4.4	\$0.13	\$0.0	\$15.9
Other	\$117.1	\$73.6	\$35.1	\$17.3	\$3.5	\$246.6
TOTAL	\$682.9	\$804.0	\$770.6	\$520.4	\$526.2	\$3,304.1

- Other includes all non-GO Bond Program spending for non-Enterprise department projects

AE and AWU CIP Highlights

(\$ in Millions)

	FY15	FY16	FY17	FY18	FY19	TOTAL
Austin Energy (AE)	\$238.2	\$292.9	\$290.5	\$256.5	\$257.7	\$1,335.8
Austin Water Utility (AWU)	\$176.8	\$163.8	\$153.4	\$162.1	\$169.0	\$825.2

➤ AE

- Power production, transmission and distribution, on-site generation (chillers and customer piping connections), alternative energy, customer service and metering, support services (IT/facilities)

➤ AWU

- Water Treatment Plant No. 4 – Substantial completion summer 2014
- Annexations, lift stations, pump stations, water/wastewater line rehab, relocation, reservoir, SER, transmission/distribution, treatment plants, vehicles/equipment, reclaimed, wastewater collection



Aviation CIP Highlights

(\$ in Millions)

	FY15	FY16	FY17	FY18	FY19	TOTAL
Aviation	\$108.5	\$150.9	\$232.6	\$34.9	\$26.1	\$553.0

- East Infill project to be substantially complete in 2015
(FY15 Spending = \$34.0M; Total project cost estimate= \$62.25M)
- Terminal Gate Expansion to be substantially complete by 2017
(FY15 Spending = \$24.4M; Total project cost estimate = \$223.6M)



Other CIP Highlights

- Austin Resource Recovery
 - Austin [re] Manufacturing Hub (FY15 SP – \$1.3M)
- Communications and Technology Management
 - Greater Austin Travis County Regional Radio System Replacement (GATRRS) estimated completion in 2018 (FY15 SP – \$5.3M)
- Convention Center
 - Cesar Chavez (South side) site improvements (FY15 SP – \$1.2M)
- Economic Development
 - Seaholm Redevelopment infrastructure (FY15 SP – \$26.1M)
- Watershed Protection
 - Waller Creek project to be completed late 2014 (FY15 SP – \$4.5M)



City of Austin Financial Forecast

Enterprise Department Highlights

Austin Energy

- Ended FY13 with \$66.6M net income
 - Compares to FY12 net loss; improvement due primarily to 8.7% rate increase and debt restructuring
- Rate Projection
 - Electric sales increase at compounded annual growth of 1.2%
 - No base rate change for FY15; base rate increase of 1.9% in FY16 to cover base cost drivers and meet financial policies; another 1.9% in FY18
 - Recoverable revenue increases over forecast; pass through costs for power supply, community benefits, regulatory costs
 - Regulatory cost (State-wide transmission system and Electric Reliability Council of Texas administrative expenses) increases from \$98M to \$148M
 - FY15 impact to typical residential customer \$1.69 per month

Austin Energy

➤ Expenditure Forecast

- No new positions in FY15; 40 added through FY19
- Debt service of \$120M in FY15; a decrease of \$17M due to 2012 debt restructuring
- Cash funding for capital projects of \$90M in FY15 increasing to \$120M in FY19
- Maintains Council approved transfer policy – 12% of non-fuel revenue with floor set at \$105M
- General Fund transfer remains at \$105M in FY15; increases in FY16 and thereafter to projected \$120M in FY19

➤ Reserves

- With improved financial health, will begin replenishing cash reserves in FY15
- Goal of achieving fully funded reserves by FY20



Austin Water

- FY13 year end balance of \$59.2M
- Continued revenue decreases put pressure on financial health
 - Rate increases and cost containment to mitigate
 - Current year efforts to reduce FY15 rate increase include cost containment for 5% of non-personnel costs (\$4.5M)
- Rate Projection
 - Assume remain in Stage 2 water restrictions throughout forecast
 - Forecast revenue reductions as result of continued Stage 2 water restrictions and drought
 - Combined rate increase of 9% in FY15; average annual increase of 4.2% over forecast period
 - FY15 impact to typical residential customer \$4.84 per month; \$17.30 per month impact over five years

Austin Water

➤ Expenditure Forecast

- Defer for one year implementation of five year staffing plan; cost reduction of \$4.3M in FY15
- Debt service (40% of total operating revenue) increases \$20.5M over forecast from \$214.0M to \$234.5M
- Maintains Council approved transfer policy (8.2% of gross revenue)
- General Fund transfer at \$39.0M in FY15; increases to projected \$49.7M in FY19

➤ Water Revenue Stability Reserve

- Created in FY13; target funding level of 120 days of budgeted water operating requirements set aside within five years
- Volumetric surcharge increase in FY15 from \$0.15 to \$0.19 per 1,000 gallons
- Projected reserve balance of \$19.1M by end of FY15



Aviation

- FY13 ending balance resulting in \$25.6M transfer to Airport Capital Fund
- Forecast Highlights
 - Calendar 2013 passenger count exceeded 10M setting a record
 - Expecting continued increases in number of passengers
- Revenue Forecast
 - Primary revenue sources are parking fees, terminal rental, landing fees, concessions
 - FY15 revenue projected to increase by \$11.2M
 - Airline revenue projected increase due to recovery of higher airline operating costs
 - Non-airline revenue increases for parking, ground transportation, and concessions projected as a result of passenger growth

Aviation

➤ Expenditure Forecast

- Forecast average increase of 5% in operating expenses
- Projecting 17 new positions in FY15 at cost of \$1.5M for staffing expansion at airport facility; no additional staffing in remainder of forecast
- Debt service requirements forecast at \$18.4M in FY15 growing to \$44.9M in FY19 due to increased debt funding for airport terminal expansion, new parking garage, and other airport capital improvements
- Airport Capital Fund transfer of \$25.6M in FY15; \$17.5M in FY19

➤ Reserves

- No ending balance or reserve is maintained
- All excess available funds are transferred to Airport Capital Fund

Austin Resource Recovery

- \$13.9M ending balance in FY13; lower than prior years
- Forecast Highlights
 - No new programs in FY15; focus on continuing implementation of Universal Recycling Ordinance and residential organics pilot
 - No new positions in FY15; forecasting 7 additional in FY16-FY19
 - \$0.4M increase in general obligation debt service in FY15 for CNG vehicles; transfers for debt service decreasing in later years
 - Decrease transfer to CIP by \$0.9M in FY15
- Rate Projection
 - Used ending balance in prior years to minimize rate increases
 - Majority of revenue from cart rates and Clean Community Fee
 - Combined cart fee for 64 gallon customer
 - Increase \$1.75 per month in FY15 from \$19.75 to \$21.50
 - Increase \$3.45 per month in FY16 from \$21.50 to \$24.95



Clean Community Fee

- Funds Code Compliance and Austin Resource Recovery anti-litter programs
- Code Compliance Fund ended FY13 with \$1.5M ending balance
- Code Compliance Forecast Highlights
 - No new staff positions in FY15; 16 inspectors in FY16-19 for expected increased workload in Case Investigation Program
- Rate Projection
 - \$4.6M revenue increase over forecast due to population projections and rate increase
 - ARR: \$1.20 increase per month in FY15 for residential customer
 - Code: No increase in FY15; \$0.55 increase per month for FY16-FY19 for residential customer

Transportation Fund

- \$12M ending balance in FY13
- Forecast Highlights
 - Projecting transfer of 14 positions to Transportation from Public Works for bicycle program planning, Traffic Engineering, Street Banner program, communications, and administrative support
 - Operating expenses to increase about 4-5% per year in FY16-19
- Rate Projection
 - Transportation User Fee (TUF) is primary source of revenue
 - \$0.45 increase per month in FY15 for residential fee
 - Increase from \$7.80 currently to \$8.25 per month
 - \$0.18 related to Transportation; remaining \$0.27 for Public Works
 - Increase in FY15 to cover base cost drivers

Drainage Utility

- FY13 ending balance of \$7.5M
- Forecast Highlights
 - No new positions in FY15; 11 new positions in FY16-19
 - \$0.4M to annualize Waller Creek Tunnel operations in FY15
 - \$0.2M increase for flood awareness advertising in summer/fall
 - CIP transfer increasing by \$2.0M to \$24.4M; ongoing long-term plan to increase cash funding of capital program to \$30.0M/year
- Rate Projection
 - Drainage User Fee (DUF) is primary source of revenue
 - \$0.60 per month increase for residential customers in FY15 from \$9.20 to \$9.80; an increase of 6.5%
 - Projected to increase to \$11.65 by FY19 or 26.6% over the 5 years

Convention Center

- FY13 ending balance \$33.5M
- Forecast Highlights
 - No new positions in forecast
 - Requirements increase by \$14.1M to \$84.7M in FY15
 - Requirements increase by \$20.0M to \$90.6M by FY19
 - \$14.6M capital program total transfer for building improvements and facility development in FY15
- Revenue Projection
 - Hotel occupancy tax collections provide 60% of total revenue
 - \$6.9M increase in FY15 to \$78.9M; including hotel collections, rental car collections, parking and contractors revenue
 - Revenue increase of \$18.7M to \$90.7M by FY19

Budget Timeline & Next Steps

May 8	Council Discussion and Q&A related to Forecast Report and Presentation (10:00 AM-4:30 PM)
May – June	Boards & Commissions and Public Engagement
May – July	Budget Development
July 31	Proposed Budget Presented to Council
August 7	Department Budget Presentations Published and Available on City's Web Site
August 13	Budget Work Session
August 21, 28	Budget, Tax Rate and Utility Rate Public Hearings
September 8-10	Adoption of Budget & Tax Rate





Questions/Comments/ Discussion

For more information visit
austintexas.gov/finance