# City Council Work Session Transcript – 04/29/2014

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. >> Good morning, a quorum is president. It's tuesday, april 29, 2014. The time is 9:05 a.M. In the board and commissions room in austin, texas. First on the agenda are the items pulled for discussion by the mens. We have only one item 41 by councilmember spelman. >> My apologies for standing between you and your breakfast. Discussing an issue which we were talking about in the austin energy community as a whole for a while. Someone talked about it several months ago. I understand this is what we're -- this resolution called for is somewhat different than what it is with the austin energy staff is discussing. I wonder if they can tell us the phase towards full recovery and the phase proposal and how it's different than what we're talking about in this resolution. >> Good morning, chief operating officer at austin energy. We're talking about this morning to move to october collecting 100% of the contributions from customers from the construction. First is the phased-in approach in what we're talking about. That's last september or august. Or one of the early meetings. And so this approach would ramp us from where we are today, which is, you know, with some allowances and some small contributions by customers except for the civil work into the full collection. >> Why are you in cost recovery. >> Really make that recommendation because of the projects in the pipeline or in

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the process of getting things financed, had some opportunity to understand that shift. And we shift some cost estimates at that meeting to show an integral single family was about a $2,000 per unit contribution by the developers and builders. So really that was the main thing to make it an easy transition and avoid, you know, creating any problems for those who are seeking financing or looking at that and getting used to that program and ramping it over five years. >> Spelman: Using residential development as a guide as because you said there's a lot more -- >> a lot of others. >> Spelman: What's the current contribution? >> We have an allowance. And the primary contribution is for developer today is really the civil construction because most residential subdivisions are built underground. So it's really a 50-50 split is what we showed previously. That the cost to construct the underground facilities, the duct that goes in place for us to pull our cable through, the conduits, and the concrete pads and things that are all done by the developer or builder today. So then we come in with transformers and the wire and complete the installation to the customer residences. So it's about a shared percentage at this point, half of the cost lies with the developers, half of the cost lies with austin energy. I understand, this proposal would shift that part, that additional $2,000 perez dent to the developer >> Spelman: Right now, about $2,000. The developer is about $2,000 for ae and move it to $4,000 per unit for the developers? >> Correct. >> Spelman: How would the phasing that you're proposing work? Since right now its's a clean split between they do the underground and refill wit wires and transformers. >> In the split, in the phasing, we begin charging 15% and ramping up towards the 75% which was our original proposal. You directed us back to stake holders as well as the electric utility commission to have

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discussions. The electric utility commission made a recommendation that no one should collect 100% as soon as we can. We're in the process of speaking to stake holders in the last few weeks and had a stake holder meeting scheduled today and tomorrow to talk with some of the local builders. >> Spelman: Builders in the real estate developers who obviously are stake holders. Other folks that might be stake holders here that we need to talk to? >> Those are the primary ones, they are the ones that have the immediate impact. Certainly there's others downstream, right? All of the buyers and the consumers would be passing -- that cost would be passed on to anyone else, whether you're buying a home or renting an apartment, the additional cost would have to be reflected in the cost. Stake holders but not the direct ones. >> Spelman: Sure. More or less what this would do going to 100% cost recovery immediately would be increased immediately across the new houses by about $2,000. >> I would expect that. I don't know if anybody would not collect that money from the property sales? >> Spelman: Sure, makes sense. What's the current status of your discussions with the stake holders? You said you just started? >> We have been to a couple of associations. The urban land institute. The austin home builders association. And we're going to host a couple of additional meetings at town lake center today to make sure everyone who wanted to be engaged in the conversation had an opportunity. >> If we're proceeding according to the plan that you guys laid out in september, october, when ever that was, what would the -- when would we be done talking to stake holders? >> We planned the two meeting and we're going to summarize the comments and we're going to try to get back on the council committee on austin energy. It's a june meeting is what we're planning. >> In the euc. >> In the euc. >> Spelman: The euc in may and us sometime in june. >> Correct.

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>> Spelman: You could tell us what the impacts of phasing in more quickly, going to 100% more immediately, and so on. >> Right, and we could be able to share that information today. Everyone is aware there's a proposal on the table for 100%. We'll modify the discussion to make sure we're covering that as well. >> Spelman: Gotcha. The phasing as I understand immaterial, I'm looking at possibly an old power point that apparently you guys have been using off and on for a while that had a proposed start

date, it says here, of october 2014 of some cost recovery. And you end up 15 to 30 to 45 to 60 to 75% in 2018. That's taking a while. Why is it you chose to -- to have that slow a cost recovery increase period? >> It was a proposal we put forward as we're going to go into discussions with stake holders. Nothing magical about that formula other than its's an easy transition. Those who come to us with plans that need to be developed. >> Spelman: Okay. Eventually it forecasting forward, about 2020 or so. >> We would propose to stop at 75%. But those are adjustments that could be made. >> Spelman: What's the value of stopping at 75% and not stopping at 100%? >> Any rationale for that? David jump in there. Maybe he's a little more involved in that. >> David wood, senior vice president for electric service delivery at austin energy. Councilmember, the reason for stopping at 75 is that that's really the highest contribution that we're seeing from our surrounding utilities. So that would actually put us above the perdenales and bluebonnet and the other major utilities that we surveyed across texas. >> Spelman: What's the public policy reason for stopping at 75% and not going any further than that?

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>> I'm sorry? >> Spelman: Why would it be good to stop at 75%? Why does that seem to be the sweet spot that everybody is giving to? >> I -- tradition? You know, I don't know -- it's a policy decision. I -- part of it is based on economic growth. Part of it is based on, I'm sure, discussions with the various stake holders that the other utilities have had. It's -- again, you know, like sheryl said, I don't think there's anything magic about that. It's a policy decision on how far we go. >> Spelman: And that 75%, it's comparable to the 75% you were talking about. So it's fairly common deal that the developers build the underground conduit and put in the transformers and the wires and charge back the amount, 75%, the amount charged back by the average utility? >> That would be on the upper end from what we've seen from the survey. It's not actually an average. It would put us at beyond what pretty much everybody else is doing. >> Spelman: Okay. >> That puts us at the upper bounds. >> Spelman: What's the average? >> It's really hard to actually come up with an average because every utility has their own formula. >> Spelman: Yeah, but -- >> but I think probably we're looking somewhere between -- around -- if I had to guess, around 30% to 50%, you know? So, so I think we'll be at about 25% above where the rest of the utilities -- where our neighbors utilities are >> Spelman: That 30% to 50% is 30% to 50% of the costs -- the kind of costs we're currently incurring and not charging back. Not 30% to 50% of the total cost of hookup. >> That's correct. >> Spelman: Okay. So realistically, that 30%, 50%, since they're paying for about half of the costs for the conduit and the other groundwork anyway would be something like 65%, maybe 75% of the total costs is the average. And we're currently only

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charging 50% below average. We're talking about going up to a higher number. >> Yes, sir. >> Spelman: That's what I need to know, thank you. >> Mayor Leffingwell: A couple of follow-up questions on that. You mentioned that bluebonnet and perdenales go to 75%. What about the other utilities in the area, cps, the private utilities to the north of us, what do they do? >> Mayor, again, the -- the formulas are pretty complicated and it's not a set percentage like what we're proposing. >> Mayor Leffingwell: Does anybody know? >> There's an allowance that each of the utilities actually give. And so the bluebonnet and and perdnales, I don't believe they're at 75%. They're probably more at 50%. >> Mayor Leffingwell: I thought I heard you say that. I must have misunderstood. >> No, sir, I think I said 75% was really the upper bounds of -- of -- well, 75% is above what -- what the survey that we've done actually shows. >> Mayor Leffingwell: Okay. So the other thing that comes to mind is I don't know about residential underground conduit, but I know commercial underground conduit. There have been instances, I believe, where austin energy says we own this. We put -- now that it's in the ground, we own it. And it's used it to serve other customers, not just the ones who paid for it. So how would that work out? >> That would not change. And the infrastructure that the -- the developers put in as part of the extension of service to actually transfer ownership of that infrastructure to us. >> Mayor Leffingwell: So they pay 100% but austin energy owns it and can use it. >> Yes, sir. >> Mayor Leffingwell: So that seems to me -- I'm not trying to

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formulate an opinion right now, but it seems to me there might be some rationale for austin energy is going to own it, maybe they have something in the -- a stake in the game there. Councilmember martinez? >> Martinez: I appreciate that question. It leads me to another question that you all may not be able to answer. But likewise with water and waste water when we receive service extension requests and we're required by statute to extend it, if someone else adds to that line, somewhere within that extension, we don't charge them, do we, to connect to that other than the normal connection fees. Is that correct? >> I can't answer that. I'm not sure the practices of the water utility on that. We've had discussions with folks especially in the west campus area in the last several years about how that works. But I'm not familiar with their practice. >> Intuitively, it's what we do with water and waste water. So I don't think it would be a precedent-setting policy. I think it would be in line with what we do with the other utilities as well. I understand -- inunderstand the kind of intriies and the complications that it could create. I think just taking a look at this and finding the answers to those questions is appropriate. >> Mayor Leffingwell: Councilmember riley. >> Riley: I would like the understanding of the types of infrastructure we're talk about. You mentioned that the connections are required to be underground, is that right? >> No, I said typically underground. Most new subdivisions are going to build underground. When austin energy rebuilds the main line or builds for a new widening, our standard project is to install overhead. That's part of why the developer pays for the underground conduits at this point. In other words, the standard is overhead. So the cost sharing arrangement now is that it would be under our current line extension policy, eligible for 300 feet overhead single phase to each project. But most is constructed with

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underground facile the is these days. >> There's a choice to make. That the developers -- that our standard is to provide service overhead. But that developers have been choosing to provide the conduits underground. >> Correct. >> Riley: Is -- does austin energy have any way of influencing that decision? Or do we -- is it purely a matter of discretion on that on the part of the developer? >> It's discretion except in the downtown area. All new services must be underground. The balance of the service territory is up for discretion. We do have some communities that we serve who have adopted underground policies for the subdivisions. I believe lakeway is one of those that adopts that. However, we do still work with them and austin to build our main line facilities overhead even in those areas. But in terms of the neighborhood developments, they require all of the developers to put in underground facilities >> Riley: The main line to the subdivision. From then on, a matter of policy, the service to each house is underground. >> That's correct. >> Riley: Is there any reason to expect that shifting to 100% cost recovery would have any effect on the decision as to whether the lines are overhead or underground. For instance, if underground is more expensive, and the -- and we are shifting -- we're facing a larger share of the burden on the developer, is there any reason to expect that we might see some increase in the share of connections that are done overhead? >> I think for the developer, it would be -- we're taking away the allowing. If we go to 100% recovering, we take away the allowing. We have some neighborhoods to do overhead services and those tend to be those on the lower cost range as opposed to the more upscale neighborhoods. There's occasionally subdivisions that will take

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over. >> And you do that regardless of the share the costs. >> They don't build the underground infrastructure and the services are installed for free as long as they're in the range of 300 feet and most subdivisions are. Most lots aren't so big we're required to do anything greater than that. >> Riley: Overhead versus underground is independent decision that would likely not be a change in the share of cost? >> That would be my estimate. >> Riley: Can you give me a sense of the geographic area we're seeing. Most of these extensions -- mostly on the periphery. Or are you seeing more subdivisions within the city where they're feeling connections? Is there any pattern that you can tell us about? >> Most of the new construction is inside the city limits. And so, we all go down -- I go down south zamora every day >> Riley: Every time you see a new project, those require new connections that would be affected by the policy change? >> Yes, sir. >> Riley: Okay, thanks. >> Mayor Leffingwell: I just want to say, we're completing the stake holder process. We haven't been back to the euc. Is it premature to commit us to this certain course right now? >> It certainly is ahead of that process. It's ahead of that process. But not -- I think your discussion is they had said this is a policy decision and we were following up with the guidance that we received last year and holding and conducting the stake holder meetings because we wanted this to be resolved during the budget planning process so we knew what to be in

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the forecast. The timeline is to wrap it up here. >> Mayor Leffingwell: My main interest is that they were fair and competitive. I think we've got to realize that we were surrounded by competitors and even though we are a monopoly, austin energy is a monopoly, we're still in competition. And we have to act that way and we also have to be fair to austin energy. We have to be fair to customers. We have to be competitive. And I think we have to have good data to make that decision to achieve those goals. Councilmember morrison. >> Morrison: Thank you. I'm glad we're getting to this issue whether it ends up being 85%, 75%, 8%, 10%, whatever, it's been on the table in my history, it's 2010. We need good data to make sure we understand the consequences and the decisions we're making. One piece of that data that would be helpful to me would be the phased in approach. I forget the year it was going b to be phased in to 20. 18 to 20. 18. So I wonder if you would be able to be come up with some numbers that would tell us the difference in the amount of recovery that we would experience if we implemented the 100% versus the phased in plan. You don't have that. >> I think we estimated an additional $10 million of revenue. We collect about $10 million in construction contributions today. Most of that is for excess facilities. >> Morrison: For a year? >> Yes, for a year. That's what we collect. We talked about probably in the original discussion, we talked about it's probably not more than 10 and up. And that's the additional $20 million. And more likely closer to $10 million when we look at the calls. A lot of the projects are infill projects. We're not expanding the line three miles down the road. We're not a co-op. But there's the cost of building the riser and the lines that go in and installing transformers

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and getting to the meters. So that's where the cost is. >> Morrison: What if we went to 100%? We proposed 10 to 15. We looked at moving towards 75. That's the revenue that we were going after. The $10 million to $20 million. >> Morrison: Under your plan? >> Total. >> Morrison: What if we went to 100%? >> The full $20 million. Our estimate is we would collect 10% of that 15 to 20, 25, 45, moving up to 75%. The total dollars is the same. 10 million or 20 million. That. >> -- That is the range. We don't know exactly how much we would collect out there. We don't think it's more than $10 million to $20 million total. It should be 100% of that or the lower percentages that we would propose. >> The maximum we expect we could collect, 100% in a busy year. >> Great, I got it now. This is the question sort of in the range that councilmember martinez is mentioning. Stepping back. I think the big picture for me would be to have a question on the table of why does it make sense to do 100% recovery for water and waste water and not for the electric utility? >> No competition, right? We compared ourselves around the area. I don't know if that's the standard of waterline extension. But based on the research, it's not the electric to collect 100%. Bluebonnet, pec, oncor, they all appear to allow some dollars that the customer does not have to contribute. >> Morrison: You used the term competition, our customers don't

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have a choice. >> That's right, but our developers do have a choice of where they decide to invest. If there's $1 difference to invest in austin compared to buda or some place else, that's the factor in their ability to finance projects and get them built. >> Morrison: Yeah, that's one factor. >> It is. You're getting something out. But it's called that commute down i-35, right? >> Morrison: Right. Exactly. I appreciate that. Those are important questions to ndering. >> Mayor Leffingwell: We're not officially in competition right now, but that could happen any time. >> Spelman: Mayor? >> Mayor Leffingwell: Councilmember spelman? >> Spelman: You were referring to one version of that competitive survey that's been done of other utilities down the state. I wonder if you could provide that to us before thursday. >> Yes, sir. And I'll try to -- I'll try to break the formulas and get down topper sen tajs so it's much easier to actually do the comparison. The formulas that we put together are like I said, it's not easy to put it on and say it's a set percentage. >> Spelman: I understand. If you can do the favor and send around the current version formulas and all. If you have a chance to break it down thursday and make it easier to parse, it would be a little better. That would be great. >> The previous presentation, we'll get that passed around. It has the past tables in it as well. Follow it up with a detailed report. >> Spelman: Great, thank you. >> Tovo: Mayor? >> Mayor Leffingwell: Councilmember tovo? >> Tovo: I know I heard you talking about the different fatzed approach of 15%, etc., can you remind me where that list -- where that information exists. I'm not immediately seeing it. >> It exists there on page 20 if you open that to page 20, it will give you the ramp-up schedule that we had propd 15, 30, 45, 60, 75% collection.

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>> Tovo: Did I hear you say you had two of your meetings scheduled today? >> We have meetings scheduled today and tomorrow, I believe, for the tuesday kohler input meetings. >> Tovo: To talk about this proposal phased in with the approach to the 75%. >> It was. We'll make everyone aware from the item on the table for the council as well. >> Tovo: Great. So this resolution in part isn't ultimately different from the process that's really going on. All we're saying is that end note, that end number should get to 100% rather than 75%. I think one of the things in my mind that's changed greatly since we considered this in 2013 is that we did pass the water and waste water fees and decided as a council to recover 100%. So this is bringing that in line with that policy. I understand the differences that you mentioned. The other thing is that we raised rates pretty significantly. And, you know, my office here is on a regular basis, probably every week from customers struggling to pay those increased rates. I have a hard time -- I'm going to have a hard timex plaining why -- why an additional $10 million to $20 million doesn't matter to the rate payers. Because ultimately if we don't collect the cost of providing services from the people -- from the developers who are building those projects, we have to pass them along -- we have to pass the cost along to individual rate payers. I'm just not sure if that's really a fair situation. I think -- and I also, you know, I also as has been discussed, its's a complicated choice about where to build. And some of the utilities where they're not collecting, the whole cost are collecting 50%, 75%, are a different real estate market. So I'm not sure that we're in a situation here where we're going be discouraging development by collecting those costs. And in my mind, it really is a matter of fairness to our rate payers and making sure that the costs are as low as possible and that they're not helping to pay

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for somebody else's new house, new apartment. That's why I think it's important to continue the exploration of how we get to 100%. I know we all here from a wonderful commissioner and at some point, I believe, she supplied us all with a list of a history dating back to 1980 that talks about the discussion of line extensions. So while certainly my time dealing with this issue is pretty limited, it has been a question for decades about how to share those costs and make sure that as we as a city are continuing to grow and development and we ear not passing the costs on to people who really shouldn't bear it in terms of being the right pair. So I look forward to that continued discussion. And -- >> councilwoman, in the point of clarity. You reference that it changes the past. I thought I read the item from council as an immediate collect 100% from 2014. Are you saying that's an end point, not a start point? >> Tovo: So your plan is to begin phasing in I'm sorry, it would speed up the -- it would go from 75 to -- I'm open to alternatives. If the utility comes back with a plan that's much quicker than is contemplated and gets us to 100%, it would be useful to consider the alternatives. In my opinion, we should get to 100% as soon as possible. If it's the will of the council to see a couple of alternatives, that's certainly we can consider. No, thank you for that clarity. I think we should start planning to collect the full costs as soon as possible in the next budget cycle if we can get there. >> Mayor Leffingwell: Direct

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any complaints about my rates to your office from now on, I got it. >> Riley: Get 100% to cost recovery as well. I'm interested in the process for getting there. I don't recall what we did when we got it to 100% in waste water. I don't recall what we did in terms of timing. I don't remember if any of my colleagues remember that? We said go to 100% immediately or did we provide a phase-in for a transition. Is anyone -- maybe we can treat that as a written question if anyone doesn't recall the answer. If there -- if our water utility staff or someone else can get an answer. It seems like that would be helpful if what we're trying to do is bring the policies, connection fees in line with what we're doing with line extensions and water utility, it seems like it would be helpful to know what we did by way of transition or phase-in of that so we can consider tracking a parallel approach for electric connections comparable is what we did with water exemptions. >> Absolutely. >> Tovo: Didn't they start implementing them as of january 1? The 100% cost recovery? You're right. We should just get this data. Otherwise, we started implementing. >> We did. It depends on your plat. The plat in the process has to be the old rate. So brand new subdivision that's coming in in the process, it hits immediately, but the ones that are in the pipeline goes to the existing rates. So it's kind of phased in. >> Mayor? >> Councilmember morrison was next. >> Morrison: Okay. I just want to follow up on the questions that I had about dollars. It would be helpful to me if we could submit as a question to please give us a number -- the

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numbers or ranges of numbers the total if we followed your plan. I think that really in terms of understanding the public's perspective about this issue is as councilmember tovo mentioned, that amount of money would have to come from somewhere, the difference, if we didn't do 100% cost recovery. So to understand that we thought that would be, you know, the one-cent difference in rates or, you know, what that looks like b, it would be very helpful. You get the total numbers in the question. >> Mayor Leffingwell: I want to say that I certainly support trying to get to 100% recovery. I was slightly concerned when you talked about the competitors being at -- all of them being at 75%. Is that correct? 75% or less. >> Cole:75% or less. I would be interested in knowing the total amount that they are recovering as we think about going from 10 to 20 million, how much do they really have on the line so that we know we're really putting ourselves at a type of competitive disadvantage. >> I'm not sure that that is information that we would be able to get from them. We can certainly attempt to. But it will vary by how much growth they have and how much work they have. But not sure I can get that number from them. We'll see if we can. >> Cole: Okay, do you think they are looking at around the same loss or gain that we would anticipate? The $10 million to $20 million. >> It will vary from the type of activity they have. The construction they use. It's not really an apples to apples. I don't know how many new customers will hook up this year and how much might be commercial and residential. I don't know the splits. But we can make contact with them and see if they can give us the hard dollar estimate. >> Cole: If this is an estimate, I would like to know -- I think

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we get questions all the time about when is growth going to pay for itself. That's a very complicated question. And ed banino explained to us, it has so many factors. But this is one that's specific in terms of being able to see the dollars go directly to the electric utility. To be able to say we can do that and not put ourselves at too much of a competitive disadvantage would be a good thing. >> Mayor Leffingwell: Councilmember tovo is next. >> Tovo: I had a quick question for assistant city manager robert goode. Do you have a sense -- this follows up on the point you were making before, projects continuing under the old rates. Do you have a sense of how many there were. >> We can get you that information. The estimated how much revenue they would get over it. But wasn't immediate because of that kind of ramping. >> Tovo: Right. But soon after the decision. As I recall, we made the decision about the water and waste water rates in 2013, the latter part of 2013. >> Immediately, that would change for somebody that came in with a new plat. Right. Okay. Thanks. >> Mayor Leffingwell: There is one difference I want to raise with -- between electric service and water service. That is that on the electric service for many years, we had a policy interest in trying to get more lines underground. We haven't had an issue with overhead water service. I know there's historic precedence for that. Not much here. >> Riley: I think what we heard from -- from staffers is that they're seeing many of the new subdivisions choosing to go ahead and place service underground except in the lower cost areas.

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They are seeing a decision to leave them overhead. It troubles me a little bit in that our interests in that are based on aesthetics and safety. The interest in making sure that the lines are not vulnerable to weather events and other things and could cause some -- present some risks. I'm a little troubled by the prospect of the future, the higher costs have our lines underground and the over areas have lines overhead. And I wonder if there's a way to address that in the cost recovery fees. For instance, in some instances providing some differential so that we would cover a little more of the costs if the developer was willing to go ahead and do the service underground. Just putting it out there for consideration. I don't know if it would make sense. It occurs to me if we are seeking feedback on these issues, if there's any way for some differential would be helpful in directing us towards underground services in all areas of town. >> That's something that perhaps that's like 100% of if cost except for underground where it would be 75% or some type of incentive to encourage underground. >> Riley: I don't know, we're already seeing underground service, regardless. An independent issue. So, I don't know, I home not saying that it's necessarily the right thing, but it's worth talking about. >> Tovo: Mayor? >> Mayor Leffingwell: Councilmember tovo. >> Tovo: I think you raise an interesting point. I don't think we want parts of town where the utilities are above ground. But I would emphasize what we heard from the task that we sum

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rised here, which is that if there's a cheaper cost, we're going to have developers to go with the cheaper cost. And that our cost participation has not made much of an impact on that in encouraging developers who are developing in lower cost areas to put the lines underneath. So I'm not -- I would ask staff in our community to think about whether there are other ways to encourage the lines to go underground in that area and maybe have utilities that have had better success in encouraging that. I don't know if there are utilities that require it across the board or whether there are other kinds of ways we might go about that particular challenge? >> To research that and find out if there's ways? >> Tovo: As we continue to think about it, are there other strategies communities have offered for helping -- helping achieve that in areas where the developers might opt to do it above ground because it's cheaper. >> Some cities adopted a policy to build underground. >> Tovo: It would be interesting to look at those and whether there are cities trying to assist developers who are trying to build in areas like that and assisting them with the cost of going underground. But doing it the way we've been doing it, I think, hasn't really achieved the gains. That you might be seeking. >> Mayor Leffingwell: I don't know for sure where I am on this yet. But I do know that we -- there's been a lot of talk, maybe too much talk around here about affordability for a couple of years now, and yet we keep taking actions that increase -- or decrease affordability like this. So I think that has to be a part of this equation too. Councilmember morrison. >> Morrison: Thanks.

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To your point, we need to understand that it's an affordability issue either way. Because if we have to raise our rates, because we're giving discounts on extensions, that's another hit to a different set of people. I did want to highlight that the resolution does reference a exemption for affordable housing. We want to make sure instead of incentiveizing something that doesn't need to be incentiveized, it will be interesting to know where the headlines are going in instead of underground. I don't know if there are ways that you could do geographic areas or something. Just throw it out there. It's interesting to explore so that we don't get this sort of divide of, you know this, is sort of a drive into a neighborhood. This is a high-income neighborhood versus a low-income neighborhood. >> Mayor Leffingwell: Okay, thank you. We've got item d-1, which is bond capacity briefing? >> Riley: Mayor? We skipped over item c. >> Mayor Leffingwell: Well, there's nothing in it. >> Riley: I'm sorry. Is there an opportunity to raise questions about other items that were -- >> Mayor Leffingwell: After we get through with this. >> Riley: After the briefings? Okay.

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>> Good morning can, mayor, councilmembers. This morning, elaine hart, chief financial officer for the city of austin, and with me, greg kinaly, deputy cfo. We will present a briefing on general obligation bonds to pass the analysis. Some of the things we'll cover is why did we perform a bond capacity analysis. Some of the relevant agency criteria and matrix that we look at with respect to our bonds. We'll also cover the brief overview of the financial policies relative to get in bond elections. And then

we'll go into an analysis of our -- and overview of our current debt capacity as well as scenarios for future capacity and we'll end up with a summary. Just to start off, our property tax rate has two components as you know. An operating component that really funds, provides funding for portions of the general fund and a debt service portion of the tax rate. The debt service tax rate is set each year at a level sufficient to pay the personal interest payments on the debt that has been issued and has been pledged with the property tax pledge. Last week, we presented our financial forecast. We are forecasting a reduction of 49.67 last year with the debt service tax rate forecast of 11.51. That's a reduction in the rate due to growth in the a.V. As well as changes in our debt service requirements.

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For those who may not be familiar, general obligation debt includes a number of varieties of debt. It includes public improvement bonds which typically are our longer-term debt. That do require voter approval. These are the bonds based on the propositions. Generally these bonds are 20-year debt. We issue certificate of obligation. And contractual obligation. The total of these types of debt are included in the description geo debt or go debt or general obligation debt. Of the geo debt, we have currently outstanding a little over $1 billion. We have one bond issuance a year for all three types. That's in august prior to setting the tax rate. And, again, these have a revenue pledge. They're backled by our property or the tax and the full faith and credit. You'll hear that term use a lot with respect to the bonds. But these are backed by the full faith and credit of the city, unlike the revenue bonds that are issued by the utility. Those bonds are backed by the revenue of the electric utility for electric bonds and the water utility for water bonds. With respect to certificate of obligation, those are generally issued for sometimes a shorter term than our pibs -- public improvement bonds or nicknamed pibs and certificate of OBLIGATIONS ARE CALLLED COs. BUT COs ARE ISSUED FOR A 10 TO 20-year time frame rather than the longer term 20 years for the pibs. These are issued for real problem, land, buildings, may have right of way or construction of any public work. These do not generally require

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an enelection. They can be issued without an election. However, if 5% of the registered voters petition prior to the AUTHORIZATION OF C.O.s, THEN AN Election is required. So there's somewhat of a risk of the re-election -- an election when you do issue certificate of obligation. So, to the extent that there is that risk, we limit our use of those to generally needs that arise between significant bond programs where we have an emergency where we've got to issue some debt. Then the final portion of our debt is contractual obligations CALLED K.O.s, THOSE ARE REALLY For personal property, equipment, information technology, types of equipment. And our vehicles and the like. There is no voter approval required for those. Those generally have a shorter life tied more to the life of the asset. So they may be anywhere from 5 to 7 to 10 years. In life. So with that background on our debt, why would we do a bond analysis. Why don't we do a bond capacity analysis. Well, for financial types, when we like to do it, we actually like long-term financial planning. We like to get our numbers -- our hands dirty in the numbers >> Mayor Leffingwell: This is one of those times, I hope. >> This is one of the times. We have gotten our hands in the details. Just coming off of our forecast, the financial forecast last year, this is also what we view as a key piece of our long-range financial planning. It deals with the long-term bonds outlook. Our ratings, and our debt. Related to all of our bond programs. It helps promote and understanding of our city's

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existing debt burden, how much debt we currently have, what it's costing us, and how a debt looks on a debt per capita basis. It facilitates making informed decisions about whether to issue additional long-term debt, or about potential upcoming bond elections. We look in this how the future debt issuance will affect the city's financial condition. And also it's provided an opportunity for us to look at where we do this in the financial policies related to debt and credit ratings. And it also allowed long term for more effective planning when we do look at the next bond program. We have an idea of what we can afford with the existing tax rate, what it will take in terms of tax increases. To pay for our bond program. Because certainly we have had bond programs in the past that have required tax increases to afford them. Some of the factors we consider are rating agency criteria, our financial conditions for the city. Especially with respect to the geo side. Financial policies. Our current infrastructure needs, which are primarily driven by the already-approved bond programs, any future infrastructure needs which may be on the horizon that could impact an expected bond election or bond program as well as community values. Some of the other considerations that we look at are debt service requirements for it existing and debt service existing as well as expected future debt issuance. And that's the principal and interest payments on that. Then we'll look at impact on the tax rate, and then some measure of what the debt burden is for the community.

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This is a little bit small. But I wanted to do an overview for you of our rating agency criteria for our tax-supported debt. And this is really specifically for geo debt. This is not the criteria that the revenue bond and electric and water issue. On the left-hand side, you'll see the first column is rating criteria. I'll just go over those few factors there that they look at. And -- and you can -- you can cross the column, moody's, standard & poor's are the rating agencies that we use. Not all of the agencies, we view each of these statistics or the criteria. Moody's and stand&poor's actually allocated a percentage of their criteria to specific items. I won't go through the percentages. You can look at those. Future ratings have not come up with a percentage allocation methodology yet. They will not. Institutional framework, governance, economy and your tax base. They certainly look at management, whether it's been stable or not. Look at the financial measures and the last category being debt and contingent liabilities. Debt as you can see here, debt is one of the factors that they look at in assessing our overall financial strengths. And it -- you have to keep that in mind that they do have both quantitative and qualitative measures and so I will walk through a couple of things on the next slide where I can -- I can illustrate that a little bit better. I did want to mention that austin has enjoyed the high

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theest bond ratings that each of these rating agencies award since april of 2010. So we did get upgraded during the fiscal cries cisse referred to in the great recession. That says a lot about our financial management and our ability to weather the storm budgetarily in the time frame. I wanted to mention a couple of comments as they said. Standard & poor's mentioned a strong and diverse economic base, strong financial management, and moderate overall debt levels. Moody's mentioned that we had financial policies, expenditure controls, and conservative budget assumptions and that those were our credit positives. And fitz ratings mentioned we had strong fiscal and budgetary practices. They maintain the high ratings which keep the interest costs as low as possible for the taxpayers. And I really won't go over this slide. It's really there for you to read. Again, these rating agencies look at debt as just one factor in assessing our ratings. As shown on the slides this, is what we consider one of their quantitative measures, many of these are formula-driven. You'll see, again, there's a difference between all of the agencies. They don't all use the same measure. When they do use the same measure like debt, total assess, valuation, they don't use the same ruler.

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We have to keep the thousands of things in mind. One criteria, the five or six factors that they look at. We wanted to share with you some of the things that they're looking at. And certainly withe keep these in mind each time that we're doing our bond analysis here. And one other point about the rating agencies' guidelines. We typically have used those as a basis for our financial policies. What we've got up on screen here today is the two financial policies that govern debt, geo debt. It's in the policy. We amended the general fund amend policy. This is in a separate section for geo debt. The two metrics we reported here are ratio of net debt to total assessed valuation. We're targeting 2% or less. That is used by one of the rating agencies, fitch -- no, I'm sorry, used by all three of them. Moodies, triple a target .75%. S&p targets 3%, and fitch targets 2%. So we're kind of in the ballpark. So we'll be looking at the policy again to see if they want to change it. The second one is debt ratio of total expenditures. Total expenditures here, we had the general operating requirements and the debt service and say that that ratio should not exceed 20%. That policy should put in place in 1989. Ened we do need to relook at it. For the time period, it was 20% with the relative number. We will be looking at that to see if we need to change that --

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>> so the total expenditure at the general operating budget? >> That's in the general fund, plus we add the debt service requirements which are right about 100 million a year now. >> Mayor Leffingwell: Right, I wanted to distinguish that. We're not talking about anything that would concern revenue bonds. Just geo bonds? >> That's correct, that's correct. Then there's been some discussions about the timing of election. Of bond elections. And we report them every year. We put in there, we measure each year whether we're in compliance with them. Some of them, we are. We are not in compliance with during the year. You will see them reported on the budget. Two years of authorized bonds remaining before we have the new election for new needs. The amount of dollar total propositions recommended. We like to issue the bonds over a six-year time period. We have not always followed the policy. That's why I mentioned that we do have other policies that we're not always in compliance with. They are in this

particular case, a guideline and flexible enough to meet this council. With that, I'll turn the presentation over to greg canali. He'll walk you through the debt analysis beginning with our current debt structure. >> Thank you, elaine. The next section of the presentation we're going walk you through some slides, some of which you've seen before in the last couple of years as we've been talking about some of the bond elections that we've had. We added a few just to kind of illustrate the scenarios that we put together, and also tie back some of the kind of up front factors and considerations that

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elaine mentioned in the front end of the presentation. So first, we'll start you with this slide. And this is just looking at what our current debt service requirements are today. Right now, in fy-14, we have $103 million of annual debt service that we make the debt and principal payments in all of the debt we issued. Last year's debt, all the years before that. A key thing to factor as we look forward as we put the debt service requirements forward is we still have four active bond programs in play as I think was talked about last week in forecast when kim walked you through the cip, the capital budget, the '06 bonds, the 2010, 2012, 2013 bonds. The combination of those bonds still to be sold for the programs is $425 million. According to the cip plan, we are looking at those bonds will be sold over the next five years through fy-19, matching up with the spending plans that we've been working on with the department. So that was -- that's what our structure looks like. So what we want to now do is build on that. Again, knowing that as we -- I think elaine mentioned we know that there's providing you contacts for the upcoming discussions about the future -- potential future election this fall. So part of it we have to do is look at some assumptions moving forward about how do we look at. How additional capacity from the bonding perspective can be created. And these assumptions, again, similar to what we've done before. We start with the fy-15 projected tax rate. We're looking at that to be 11.51 cents. We would call that the nominal rate or the constant debt service rate for the future. We would actually keep that constant. As I mentioned, we have remaining bond sales of $425 million for existing programs. And from a debt perspective and

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financing perspective, one of the factors is obviously our ability to repay our principal. We want to continue to pay more than 50% of our outstanding principal. Lower the overall interest costs. If we can front end some of the principal payments, I want's a cost-effective way to be borrowing millions of dollars in the market. Keys to this entire analysis is our assessed valuation growth is that we apply tax rates to that a.V. Growth. What we've done here is really taken the a.V. Growth, the very good a.V. Growth that elaine and ed presented last week looking at 8.4% growth next year followed by almost 7% the following year. And then coming down. So that's a change certainly from when we've done that in the past. We're showing that -- we're reflecting what we believe to be strong a.V. Growth for the next two years, which is helpful in terms of creating capacity at the tax rates that we will show you. Borrowing rates are consistent with the projected rate environment now. Obviously the future is a different call. We have to be conservative about that as we have been certainly. Conversations as the fed kind of unwinds itself from the program and that impact on rates, something -- it's a factor to just be aware of, nothing -- we have no control over that. But it's something we have to take into consideration when we look out over a 5 year to 6-year period. We tend to be conservative about the borrowing rate environment. What we'll look at -- we'll look at a tax rate increase. We look at layering tax rate increepses over a five-year period for the scenarios that we'll lay out for you. And a consistent assumption we've had in the past is as we -- as we show you, we have had existing fw geo programs. We have one in 2010, 2012, 2013. You can in essence lump them together in one program, spread them out over three elections. We know there are many needs in

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the transportation and transit being key. But other things as well. Parks, libraries in our facilities. According to our -- we just had a 2012 somewhat, you know, significant 2012 bond program and that we would look forward to six years, having the need -- the need to have another typical general obligation bond program for all other city needs, roads, parks, libraries, and housening. So we want to be able to preserve that in our -- in our projections. And so we've done that, we'll show you that. And finally, the technical aspect with how we approach it, you look at the selling the bonds over the six-year period at this analysis and the tax rate over five years. Just what that means is with an election this november, the first bonds would be sold the following august, in august of 2015, obviously we would match them up with any program or project needs, whatever the programs or projects are. That would impact the fy-16 tax rate. So you have a little built of a bond election to the tax rate is it follows two years later. So those projections are also weaved in -- the timing is weaved into the analysis that you'll see here. So, let's take that, our existing debt service structure that we have and so what you're looking at here is if you take that key assumption of maintaining a constant tax rate of 11.51 cents, if you see in the next five years, in essence, that constant tax rate is actually necessary to be able to afford and be able to pay off the debt, the principal and interest for the bonds we've issued plus the remaining $425 million in bonds still to be issued for those in the existing bond programs. So, again, just without any other consideration, we would project the tax rate to have to stay constant for the next five years. But that service piece of the evidence, to be clear, for the next five years. With that, then, there's no what

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we would call capacity in that tax rate in the next five-to-ten-year period. Policy discussion able to keep that tax rate constant beyond 2020 and beyond. You can create some capacity for a future bond election toward the end of the deck caped. -- Decade. Looking forward -- this is one of the things that we look at. >> I wanted to mention for those watching that the right-hand part of the graph that has cross hatched above the blue is the new capacity that would be available in the outer years. >> Exactly, yeah. And just to illustrate this, it will be a side step here to show that. Now we're looking out and we want to show you that again. It's a key assumption. A key assumption in our analysis is, again, recognizing the community has tremendous needs when it comes to infrastructure. We want to make sure we're not only planning for the now, and allowing for the now, the needs now, but also planning an allowance for the future as well. So what you're looking at here is kind of a the typical geo bond program ms. 2006, the largest bond program we had, $567 million. A large gap in years. There was a special bond election in 2000 for transportation of $150 million. But in 2006, actually, that tax -- that was only required a two-cent tax increase because the years passed between bond programs and approximately $275 million was doable underneath the constant tax rate at that time. Then looking in 2010, 2012, 2013, bundling them together as kind of a group of geo

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perspectives for roads and transportation and nobility as well as the 2012 general geo and the 2013 housing. About 461. Going back to this slide real fast, taking that wedge out in the future, we believe the wedge of future capacity would translate to about a $425 million bond election in november of 2028. Bond elections that will have a big impact. Far out in the future. We know that. But it's an announce that we want to from a financial planning perspective, just kind of model in. You can see that those numbers, while good, are lower than what we had in '06 on a real dollar amount. We didn't go through the exercise of showing them and kind of deflated or inflated, a cost-adjusted faing tore. ---Ing factor. Now knowing given that situation in the near term, we do not have capacity. We know a tax rate increase, as we've been saying all along, this is not news. Additional tax rate is necessary to generate capacity for an election that would occur this fall. What we've done here is we've layered on a set of scenarios, different tax rate increases starting with one penny all the way up to six pennies. This is really just illustrating how we would layer the tax rate increases over time. They wouldn't all occur at once. Again, I think -- kim and elaine talked last week at the capital budget, talking about the cip plan. We have to manage tax flows with project need and our ability to issue debt. We don't want to issue the debt all at once. You wouldn't have project cash flow to support that. So we've layered all of these things in over time and you see a stair step approach with how the tax rapts will be layered in, again, over a five-year period. What does that mean when we apply that to bonding capacity. Right now about one penny -- one

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penny generates about $9 million in revenue. About $8.7 million right now under the current a.V. A penny in the future will generate more money, because a.V. Will be higher in five years than it will be now. We're projecting that it will be higher. So another incident are a can is of the modelling, we have to model it out over the future. We've done that with debt capacity included in the bond election. One-cent additional tax would allow for $115 million bond program, two cents, $265 million, three cents, $440 million, four cents dlrks 616 million. Five-cent increase, and a six-cent over a nine-year period would be a bond program. Not six pennies all at once, not the three pennies all at once. Whatever you guys disz. It is a -- it's a -- they are layered in over time. The stair stepping. Yes. So council, just to kind of now tie it back to the metrics that elaine mentioned as part of the considerations that we look at, just as we're looking at the overall financial condition of the city, the first ratio we look at are obviously also the rating agencies look at as well, as far a the current tax rate, the debt to av ratio right now, in a good range, $1.1%. You can see in the projected range of the highest six cents gets about 1.5, which is where we are back in 2007. But certainly within the margins of where wre eve seen it and the

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scenarios, three, four cents and above, keep us constant to slightly increasing over the period. Additional ratio to look at, this really ties more to the affordability. A debt burden discussion that we want to look at. This is a debt per capita. We've used the population growth that's being projected from mr. Robinson. And our current debt per capita right now is $1,156. We've modelled this as we layered on new scenarios of new debt what the impact is of the debt per capita. The tax rate, see us more or less constant five years old. And each of the scenarios is an increase out to the scenarios. And obviously gaps between -- there are gaps between each of them because additional debt requires additional capacity. Overall, the city's debt, you know, again right now, we're about $103 million in a six-cents scenario, hour debt service payments would be in the upper $200 million range. So $260 -- $275 million in the year if you look out to 2030 in terms of our debt. Part of it is our city will be growing, av will be growing. So certainly within the balance of our financial policies. >> I wanted to mention if you go back to the slide, even at the six cents, it has a per capita of less than $11,000. They're the only rating sagt with that measure. Although it's in the bounds of our financial policy as well as the fitch criteria, you need to consider the afford about. This is the debt side of the tax? So this is a debt burden on the community type of measure. You can see with the six cents, it's getting quite high.

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>> Sorry. >> Yeah. That's an excellent point. >> That's the thing we look at, presenting the five-year budget process. We have know it's the impact. It's the number one question we typically get when we look at this. We'll show it to you a couple of different ways. Because lessons learned, we usual lip get it asked a couple of different ways. We'd rather have to put it all in this power point than have to redo it a few more times. What this slide is doing is projecting -- comparing going back to the slide elaine showed. Two people from the tax billing, you don't get separate tax bills from all of the entities. Looking at the tax bill of a home that's $200,000. It's $234. We project that we look out to the future, again, over a five-year tax rate increase, the tax rates are layered in. This chart is comparing those tax bills five years out for that home that in itself would also grow as a.V. Grows, $200,000 home in five years would be $255,000. Comparing that tax bill in five years to what it is now. That's what the columns are slowing. I think what's key here is that under a constant scenario, again, without the future 16d additional tax rate increases, just projecting the debt service needed to be constant to issue the remaining balance for our current programs, we still see about a $58 increase in the tax bill. There's other scenarios are, again, compared. So the ore other slice of that, it's to assume that the constant would occur. The voter bonds, we need to issue them. The tax rate scenarios to the constant rate. So it's a different way of looking a it the same impact on the tax bill, two shots at it.

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Finally, the tax to debt service is only one piece of the tax bill. Again, elaine and ed were here last week. They showed you a five-year projection of the overall tax rate. Review that as our starting point and layered in the potential tax rate increases or scenarios, I should say, for consideration as the city council continues its work on the 2014 bond program looking at, again, right now this is the tax bill for a $200,000 home is slightly over $1,000 and we would see that raise again, even under a no change scenario. We could see it rise. And each of the scenarios is lightly is higher, basically tying back to numbers we saw. That's the scenarios. I'll turn it to elaine. >> Before we turn it over to discussion and questions, I want to summarize we currently have no existing debt capacity availability. That a tax creed will be required to additional capacity at this time for a november election. We have our debt to assessed valuation is within policy and rating criteria. Our debt per capita increases do occur for the scenarios above the three cents. We're concerned somewhat about affordability as a debt burden on the community. Above that, all things considered with the assumptions occurring and that sort of thing, there are a lot of assumptions in here. And the range of scenarios that $116 million all the way up to a six-cent tax increase providing almost $1 billion of additional debt, $965 million, but you

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could go anywhere in there. And we think we've delivered to you some of the considerations that we look at. The policy. The rating criteria. We think you can make the policy decisions. With that, I'll conclude and we'll take questions. >> Mayor Leffingwell: I was thinking this presentation alone would be a good semester course at the red McComb school. So it will take a little bit to absorb it. But the -- >> Spelman: Over at the lbj school will cover it in a day. >> Mayor Leffingwell: Was that an advertisement? Remember, I'm going on memory only. Going back to 2006 from the $560 million. The recollection is 4.5 cents a the time. Is that right? 4.5 cent s? >> Mayor, at the time when the bond election was put before the voters, using the same assumptions of the constant tax rate at that time, there was actually, again, the 5.67, about -- my memory is not exact -- it's been a bit, $275 million did not require tax rate increase I think from the -- above the constant. There was not a need for an additional two cents to get from the roughly $208 million $275 million, up over the $560 million program. There was also an impact that we talked about at the time from the impact as well. We anticipated oh, about $8

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million to $9 million of operating costs associated with the libraries and the other facilities that are include in the program. >> It's a little over 2 cents addition to the existing debt service rate. But, of course, the argument is made if you didn't have that, it could have gone down. >> Absolutely, yes. It's the same case in the future here if you got to 2020 and there's no bond election, the tax rate would come down, it seems -- >> Mayor Leffingwell: And so that brings us to -- have we ever had a situation where our debt service tax rate went down? I wouldn't say ever in your memory? >> The debt service has come down with the a.V. Growth certainly -- the a.V. Growth can certainly exceed our projections. I think something that we've done here that is different than our projections from last time we did this is we have accounted for what 8.4% followed by 8.9% and tapering off. The tax rate impact would be less than the result of that. >> Mayor Leffingwell: I'm thinking of it from the other end. I'm trying to be subtle about this. I'm thinking if you have a -- if you have kind of like a one-time large expense , large investment. After a period of time, if that debt was resolved in some way, you could get back to what you consider to be a normal tax rate. That big one-time public investment would no longer be required.

Does that make sense? >> It does, mayor.

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>> At some point, once the debt is issued, ten years out, we ought to see a downtick. We layer it in as a level debt service. If we've taken some of these graphs out past 2030, you would have seen that curve. If you go to the early slide on the current debt structure, you saw that blue section curb down and that is where the debt is -- the principal is being paid off. >> Mayor Leffingwell: So the question is, are you going to fill that gap with a new gap or let it slide a little bit, right? >> And it depends on what the community's needs are and how frequently you have those bond elections. That's really why we have some of the financial policy guidelines on the bond elections. >> Mayor Leffingwell: I think the biggest part of the election that we've ever had, at least I've been told this is for the new airport. And so obviously that's a one-time critical public need to hopefully at some point is recovered or driven back to the more normal debt service tax rate portion. Councilmember riley? >> Riley: Just to follow up on that point. I want to ask about potential and how we factor in potential effects of a significant public investment and other jurisdictions, there has been talk about the value they've seen following the implementation of major infrastructure investments, and transportation infrastructure. We've all heard stories about things about other cities that made major investments in transportation and then seeing huge increase in assessed value along the line. So -- I hear you say we might expect to see a downtick in the rate after about a 10-year period. But if we were to see a significant rise in av as a result of the public infrastructure investment, when we expect to see some downward

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pressure on -- on that -- on that rate sooner rather than later. >> If you have a significant increase in the outer years in the a.V., It would serve to lower the debt service tax rate. We just don't have any basis right now to make that projection. So we kept that typical 3% a.V. Growth in all of the outer years past year three and on. >> Riley: But it -- >> it would as you say it could -- if it did occur, we certainly would be reducing the tax. >> Riley: If we were able to make any intelligent forecasts about -- about the increases in a.V., That -- that might be expected to follow from -- from a for instance a major transportation investments, then -- then couldn't there be a way to predict the rate over time? >> There's ways to look at potential economic impact and in the city, we've done that. And I think as the -- as the central group continues the work in the future in the next few -- over the next month here and actually look at a recommendation, again, I think going back to elaine. We're laying out here just a broad context of bond and capacity. In essence, it's agnostic to the project. It's just bond capacity. Certainly, you know, there's -- certainly we're not unaware of the discussions about what's happening with rail. That being said, if we -- so we'll work with -- we've been working with the central corridor team as they develop their financial plan and certainly any impacts like that, we've looked at those in the past. And we're -- you know, we are certainly -- we're working with them to revisit those kind of what we characterize as uplift, above and beyond the growth that you would typically see.

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And we have -- we've looked at it before and we will be addressing that again as they complete their financial plan. >> Riley: So the basic idea is that a rise in a.V. Following the -- following the infrastructure investment would tend to offset the increase in the rate. That -- that was required from that initial investment? Is that fair? >> I would say that it -- obviously it depends on the investment. And this goes back to the -- I think the tax increment, finance discussion that we had last spring, it gets back to just the theoretical discussion of the but for analysis. Certainly taking a raw piece of dirt and developing that -- that would never happen. Otherwise it's different than trying to tease out impacts in a area that's already growing, although we have attempted to that and we will be able to revisit that as well. I don't know that it would certainly tend to offset it. It is -- it can be part of a discussion of an overall financing plan for any specific project. >> Riley: So to the extent that the value of the -- the increased value along the high capacity transit line is -- is captured through a t.I.F. Or other mechanism and that would -- we would have to consider that as well. That would not be available for. >> I wanted to point out, we can run have have grown over 3%.

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It would take the significant a.V. Growth to cover the 6 cents. We can look at doing some of that. But I did want to remind you that two years ago in the spring, when we did our presentation on rail, we had all of the market studies for the t.I.F. Downtown projects at the time being considered which is different from what's being looked at now. Based on the work of our consultant, we did not recommend t.I.F. Because they didn't produce specific revenue over and above what you would get from an ordinary tax rate. >> Riley: Okay.

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>> We currently do not meet the moody's standard for aaa rating. So I gather from that that you can -- you can be off on some of the elements of the rating without jep or dicing your whole aaa -- jeopardizing your whole rating. >> That's right. That's one of a number of criteria they have, they have the quantitative, the calculations, the ratios, as well as the qualitative evaluations that they do. Some of the qualitative are in the financial management area, they look at the type of government, whether it's council manager, whether you've had a lot of turnover in city manager, or you've had a lot of turnover in your upper-level financial staff, what the skills of the financial staff are, how well they communicate with rating agencies, whether they keep them informed, whether they're free with information with them, whether they're responsive to their questions. Those are all kind of qualitative things. We prefer to have the same rating agency analyst over a number of years because it's a history lesson as you can see. Grant could answer some questions that I couldn't. Although I worked at the city I was not focused as much on general city government issues. So I don't know the details that he has. Well, the same thing with an analyst. If you keep an analyst for ten years they know your credit. They know when -- they know when you're not up front, and so you have to be up front, but it also helps if you're borderline, if you have a negative or a positive outlook, sometimes those long-term relationships help you push that rating higher or maintain it with a negative outlook instead of getting the downgrade. So it's very

important -- that's just a qualitative thing they look at, one aspect of it. You can have a measure you're not meeting and I wanted to be frank with the council about that. It's not like a scorecard,

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it's a little bit of a scorecard but there are a lot of other things they look at. They look at, for instance, whether the council has had on the utility side the political will to raise rates, and they need to raise them to shore up their health. That's qualitative. You can look at the history but that is an evaluation, they look at council's actions and policy decisions. Does that help? >> Riley: Yes, it does help. The chart on page 16 shows that even with a 6-cent increase we would still be in the -- just over 1.5%, and that is still easily within the standard & poor's and fitch standards. It's about twice the amount of the moody's standard for aaa rating. So based on what you've just said I take it we could still maintain that aaa rating even with a debt to av ratio of 1.5. Do you feel confident about that? >> Yes, I do. >> Riley: Okay. The second bullet point on slide 9 refers to the ratio debt service to total expenditures, meaning we shall not exceed 20%, and I didn't find where we were on that currently. Is there -- do you have the numbers on how we're doing on that? >> I don't have the numbers with me right off the top of my head, but I think it's in the -- between 11 and 15%, and that is a financial policy I do want to look at possibly changing this year with the budget. I think it's too high, and that we need to take another look at it again. >> Riley: Okay. Do you think you could get us more information on that? >> I can. And I will tell you, this -- I looked back at our financial policies, I have a big notebook. This was one I wrote in 1989 and it has not been updated since then. >> Riley: Okay. >> As things changed over the years the rating agencies moved away from some of this and we'll get

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some more background and probably provide that during the budget development, but I'll see if I can get anything sooner than that. >> Riley: Okay. And lastly, I wanted to ask a more general question that was raised over on slide 7, when you noted that we had maintained these aaa ratings since april of 2010. Can you provide us a little context about how significant that is, either in terms of our own history here as a city, how long -- has that -- has that been the case, has that typically been the case that we were aaa and we slipped out of it and came back in, or is this a new thing that we were never there? And then if you could also pro some provider son. If we looked nationally at peer cities, would we see all of our cities are aaa or is that unusual? Could you give us some context on that? >> It's very unusual. It's a bell curve, so the folks who are at the aaa, it's a select group. It's less than 7%. And I know that san antonio is aaa and they have highlighted that they have been the only aaa in this region with over a million population for a number of years. But my recollection is we have not always been a aaa, but we do have a history. We can go back and look and provide you -- >> riley: Just curious if this is an anomaly or if it's been standard -- >> we have the comps. From the texas cities where the ratings are. We have a chart that -- >> riley: That would be great. Thank you. >> Mayor leffingwell: When you said we were aaa since 2010, april of 2010, right? >> Yes. >> Where were we before that? >> Aa-plus and aa for moody's. >> Mayor? >> Mayor leffingwell: Council member martinez. >> Martinez: Thanks, mayor. I want to go back a little bit to the conversation you were having with council member riley, because I think there may --

there may be a different answer to the question that was posed if I

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add a caveat to it. So elaine, would you say if we started bumping up against the 1 1/2 pps, you answered the question -- 1 1/2%, you feel confident we could maintain our aaa rating even if we took on a 6-cent increase in -- to pay debt service, but would you answer that question in the affirmative if I told you it was going to be mostly for what what the rating agencies might consider operations and maintenance of facilities as opposed to operation piece like high capacity transit? And the reason I ask that question is because the one trip that I took to new york and met with the rating agencies, the measurements were something they obviously have in place to rate you, but it was more the qualitative side, and specifically that trip was about new water treatment plant, that qualitative conversation about what we just took on as a main piece of infrastructure is what they were really focused on in that, yes, we did have a debt ratio that exceeded their recommendation, but what we were spending it on was a long-term piece of infrastructure that they believed created a lot of stability for, you know, our customers, the utility, et cetera, and so would your answer change if I said -- if we raised 6 cents and it all went to, you know, researching swimming pools rec centers and things like that would we still be able to have that conversation and walk out with a aa rating? >> No, I don't think so. Because you wouldn't issue debt. You would typically only issue it for capital improvements. You wouldn't issue for operations and this is a debt measure. Certainly when you have a very large infrastructure project like water treatment plant 4, if you're going to the rating agencies for that specific project, you do want to look at the operating side and be able

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to talk about how you're going to finance or pay for the operations of it. This is just one side of it. This is just the debt piece. And so even for the 425 million of future -- the green hash bar, the future potential city needs, we would go out for that bond election, and when we do the capital planning for that we would estimate what the cost to operate those new fire stations and the new libraries would be. So there would be an evaluation of the debt side as well as the o&m tax side. And so this is just looking at one piece of it, if that answers your question. >> Martinez: It does. And I appreciate all the work put into this. I think it's a very good presentation and hopefully we can -- I don't know how we do this, but I'd like to see us try to get it into the public's hands in a more -- you know, broader manner so that citizens understand, you know, how we pay debt and how we take on debt, and what we're looking at potentially in the future. >> We'll be glad to work with the clerk to get it posted on the web site as an attachment to this agenda. We've done that in the past. >> Martinez: Thanks. Thank you, mayor. >> Mayor leffingwell: So council member martinez raises a good point but I took it a little bit different from the way you did. I thought his point was if you were incurring this debt for a long-range essential public project, that they would view that a little bit differently than if you were just spending it on this and that, something that wasn't a long-range project. Not necessarily o&m, but it could be things that didn't add any substantial value to the community or city government. Do you understand what I mean there? >> I do. >> I think think in a general statement we've always heard from rating agencies is that they like -

- you know, they obviously like that goldilocks point where you are -- they like to see communities investing in their infrastructure.

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>> Mayor leffingwell: Right. >> In all infrastructure, and obviously for austin that -- you know, the quality of life that we have here revolves around many aspects of our infrastructure, and I think their general statement would be, you know, the right amount of infrastructure investment is a good thing for the austin community. >> Mayor leffingwell: So if you didn't make those necessary investments, in fact, that might be regarded to be negative. >> It could be. >> Mayor leffingwell: If you were looking -- if they were looking at you and saying, well, you're not providing -- you've got a great economy and a growing city, but you're not investing in -- to keep it that way in the future. >> Well, they -- to add to that, mayor, they do look at a balanced approach that you are trying to meet all of your needs as a cumulative, not -- community, not just one particular need. >> Mayor leffingwell: So if you said we're not going to have any more debt, we're just going to be super -- super-conservative, that might even be negative because you're not providing for the future? >> In fact, that's occurred, mayor, back -- I believe it's in the '80s, that a city in texas actually did that. They kind of imposed a limit on their ability to issue debt and they got a downtick because of that. >> Mayor leffingwell: Okay. Point well made. >> Mayor? >> Mayor leffingwell: Mayor pro tem. >> Cole: I have a question. Right off the bat you explained that general obligation debt includes THEOS AND KOs. But I wasn't clear in your presentation doing your analysis of having to go up to 6 cents to -- in a tax increase and that would still be within our policies, that you were INCLUDING COs AND KOs IN That. >> It's just debt. It's all debt. >> Cole: It's just all debt. >> Mm-hmm. >> Cole: So when we look at THE COs THAT COME TO US Through -- periodically through the year, you're actually including those in the analysis of what you're giving us that we could possibly put on a bond election when you say we're

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up, we have used up our debt capacity? >> We have an estimate of COs THAT WE EXPECT TO Issue on a regular basis for between bond programs so we do build that into our forecast. Again, it's based on assumptions. We don't always get it right, but as you see, each year we bring to council in, I think, june, a proposal FOR THE PIFs AND THE COs AND KOs WE EXPECT TO Issue. Last year we had some different needs so we had a LITTLE BIT HIGHER COs THAN We had in the past. Interest rates have been particularly good, and so we accelerated some projects that were ready so that we could take advantage of interest rates, which we thought would be going up a little bit, which they have. So it's a give and take, but that's the reason we do this on an annual basis. It's just kind of a second piece of our forecast, and, you know, we update all those measures and we look at it every year. >> Cole: So if we had a significant co come up now, that would have to be a part of your analysis and include it with what you presented us before we actually set ballot language? Because you -- I guess we're getting into the same analysis of where we have IFCs COME UP AND THEY'RE Not included in the budget and we had to look at that and then decide that we were going to do that as part of the budget analysis. I'm trying to figure out the policy that we have with RESPECT TO COs. >> Our analysis looks at just go debt. It doesn't care what kind of go debt it is. So to the extent that you would need to have a higher issuance of co in a particular time period, we would look at the right sizing of the bond issue BETWEEN PIBs AND COs AND We might have to cut back on

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THE PIBs. But again, I look at our -- our look at our capital program every year begins with a rolling five-year spending plan, and so when we look at that, if we have a new need that comes up and THAT REQUIRES COs, WE'D Have to look at that spending plan to see where projects were. Things shift back and forth every year, but again, that's why we do this cycle of updating every five -- every year, our five-year rolling forecast, and then we've added to that year 6 and beyond so that we can see what's on the six-year horizon for our general government projects. >> Mayor pro tem, just to add to that, so the projections, the scenarios assume, again, looking at a tax rate increase, in our constant scenario, as elaine mentioned, we historically HAVE THE NEED TO ISSUE COs AND KOs. We have kind of a track history of that. So embedded in that is, you know, always issuing some -- we don't know what they're going to be in any given year, but to be -- so we can be clear and kind of transparent as we project, we account for some level of those, and so what you see here is kind of above and beyond that kind of core basic level. Again, we don't know in three years if we're going TO ISSUE COs FOR A Building that may have had a roof issue that we need to take care of, but we -- based on our historical precedent, in our modeling, in our financial modeling, we've accounted for that to occur on kind -- on a very low basis. You're not talking a lot of COs, MAYBE IN THE 5 TO 10 million range, so these numbers here are really above that. >> Cole: So you said the average co amounts in between a 5 and $10 million range? >> That's what we've seen historically, so that's what we model out into the future. Now, if one that came in that was dramatically -- and also what's important is how the co is going to be -- how that debt service -- the

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revenues for that debt service, if it's coming from the tax rate or if it's coming from -- coming from another -- another source of revenue. >> Cole: Like revenue bonds? >> Not from revenue bonds per se. Revenue bonds in themselves, as elaine said, have their own credit, whether austin energy or water utility have their own credit. This is something, for example, we often time an issue -- contractual obligations for equipment with our vehicles, and they get part of our fleet allocation model. So it's not a direct use of property tax revenue. So while they are all pledged by the tax rate, all of the three types of general obligation debt when we go to market have that full faith and credit. How we actually pay that debt service, the majority of it, the overwhelming majority of it is serviced by the property tax rate. However, sometimes we may issue a co for -- that may have additional revenue source that may help pay for that. >> Cole: But that's rare. >> Exactly. >> Cole: Thank you, mayor. >> Mayor leffingwell: Council member morrison. >> Morrison: Thank you. So that prompted a couple of questions for me that I was wondering, sometimes our bonds are funded by a tif, so for instance the waller creek, I assume that we have some bonds linked to waller and the tif pays for that and drainage fees. Is that right? >> I think that's a good example. While there actually is -- the city issues -- has and will be issuing certificates, they are -- they are pledged by the tax rate. However, we are using the tif revenues to service the debt. Compare that to mueller where we actually issue contract revenue bonds against it, so it's a different -- it has its own credit. So it's slightly different. We're using -- it's just cheaper to issue the waller creek debt as -- because the

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type of tif that it is, the city in essence is issuing THOSE COs BUT THE TAX Revenue isn't being pledged, the tif revenue is. >> Morrison: The tif revenue, are we talking about just the o&m part of the revenue, or the tif revenue will bring in a certain amount of excess and some of that excess is debt service excess and some of it is o&m excess. So does that debt service excess on the tif go to pay for -- does it all go to pay for the bonds or just the o&m part goes to pay for the bonds? >> The waller creek tif was set up for -- when that tif was established, again, it's 100 for the city, 50% for the county, all the revenue -- the increment from the base year all goes to service the certificate obligations to pay for the tunnel, to service the debt on the tunnel. >> Morrison: So not only does the tif impact the o&m revenue that we see to fund our general fund, it also impacts the revenue we see to pay for the debt service? Okay. And then also we had to increase the drainage fee to cover some of the waller creek costs, so I assume that just like a tif, a drainage fee can go to cover some of the debt service, it's backed by the full faith and credit -- okay, I'm getting it. >> And the reason you issued the go bonds in that instance, even though the debt is to be repaid by, say, the drainage utility, is because you're taking advantage of the aaa rating of the city, the backing, the full faith and credit of the city behind it. That's a stronger credit than your drainage utility alone would be, unlike your energy utility or your water utility, which are

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significant utilities that can support their own type of revenue bond, you're not going to see a lot of drainage utilities across the country issuing revenue bonds, and so you use the advantage you have in your full faith and credit to get the lower rate based on your aaa ratings. >> Morrison: Great. I appreciate that explanation. It helps dig just a little bit deeper. So I'm going to move to a different topic, and that is on the summary here you mentioned that per capita increases do occur for scenarios above the 3 cents increase, and I was looking at slide 17 and -- where you have those projections, debt per capita, and I'm not quite sure why -- can you help me understand why you're saying that the increase -- well, I assume you mean only with the 3-cent -- doesn't the 2-cent increase also increase our debt service per capita? >> Council member, if you look at that, starting at the bottom, the bottom line is your constant tax -- is the constant tax rate scenario. Sorry, there's -- >> morrison: The light blue? >> The slide -- >> yeah, that would be better. >> Yes, the light blue. It actually -- so what we're -- that statement is really about where we are in 2020, not in those interim years, obviously -- actually the constant goes up -- goes up -- goes up slightly in the next two years and then drops down to about 1,015, so slightly lower than we are now, and the same -- 1 cent would get as high as 1,363 and come down to about 1200. The other scenarios are actually increasing in their high -- and their highest year is actually in 2020. >> Morrison: Okay. So thinking about that, and

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this sort of goes to what council member riley was mentioning, that there are other things at play, because the av might increase, because let's talk about if we're doing long spur wail, that could have an impact on the av and all that. I wonder how you have a discussion, because there are other impacts too that may be let direct. For the individual -- we know that, you know, if you can get out of your car and stop having to drive 30 miles to work every day and back and spend an hour and a half on the road, number one, you may be directly impacted by decreasing your cost of living, and we've seen some good numbers, you know, about transportation efficiency costs and things like that. That's only going to affect some people. Then you get to even more indirect costs, such as, you know, externalty if you have congestion relieving infrastructure you're putting in place, then the people who are still on the road and their congestion is being relieved, they're spending less time on the road, they have improved quality of life, they have improved productivity and all, how do you ever get to numbers -- that's probably not a question for you, greg or elaine, but I think that in terms of really having a full conversation about, you know, a projected -- or a proposed project, that the community needs to have that conversation, because we see that, yeah, the per capita debt service might go up, and questioning that. But there are other direct and indirect costs -- cost savings that you're going to encounter, and so maybe that's more of a question for our folks on the committee, the transportation working group and the central corridor committee -- how do we get to those kinds of conversations?

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>> Any further questions, council member morrison? Oh, are you trying to have a conversation -- >> morrison: I would love to know if someone knows. It's a real question, because I think that in the coming months we need to have that conversation, and I'm hoping that we'll be able to get some answers and some numbers on the table. >> Spelman: I am too. This something which our staff has been working on. We had to figure out what the a -- what alignment made the most sense first. Once they understood what the alignment was going to look like, what mode they would be using on the alignment, whether it was going to be a train or bus or so forth, then it made sense for them to back their way into a forecast for the number of riders, and that's the cosh number ta we need -- core number we need to begin the conversation. How many people will get out of the cars, on to the train. How will that affect traffic on i-35, lamar and the other important arterials and work our way into the benefits it's going to have. >> Morrison: That analysis is planned to be coming in the future? >> Spelman: Yes, it is, and, in fact, it's planned to be presented to us I believe in either may or june. So we'll have all that information in some form or another -- is it may -- before we actually take a vote on the lpa, which I believe is scheduled for june, is it not? I don't think we're taking a vote in city council on may 16. >> No, not city council. On cs you have two important meetings, lpa is the first, and the financial and governance plan is next. May 22 we come to council and speak on what the ck has seen and on june 19 I believe the mayor is proposing a joint capital metro city council work session on all of the -- >> spelman: And that meeting would be the one where we actually vote on the final alignment? >> Yeah, june 26 you could take action on an lpa, if you choose, or set an election in august. There's some options on what you all want to do as a body. >> And there will also be some time between that first

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briefing in may and the time of final decision in june for council member morrison and the rest of us to have our questions answered about what the benefits of the alignment and the benefits of the system are going to look like? >> Yes. >> Spelman: Good. >> Morrison: That's great, because I think we need to have that conversation in the context of this briefing, because we're looking at some very specific numbers of impacts to -- to folks in the city, and we need to make sure we keep those other elements on the table. >> Spelman: As a general principle of public policy analysis that estimating costs is easy, estimating benefits is hard. So we're doing the easy stuff today. The hard stuff happens next month. >> Morrison: Great. Thank you. >> Council member morrison, I understood you to be asking a very broad question, even though I appreciate council member spelman saying how difficult it is. And your broader question is if we look -- we can't only look at the tax impact of what we put in terms of transportation on the bonds. We also need to consider the economic benefit. >> Morrison: Right. >> Cole: -- Of those, and that's almost mr. Hockingyell's type of analysis. >> Morrison: Possibly. It gets quite broad because if you follow all the way down the line you're potentially looking at public health improvements because of air quality improvements and things like that. But you're absolutely correct. The cost but also the overall benefits and to bring that down, I don't know if it's -- if we have the internal capacity to do as broad a discussion as I think we need, but I do think we should take it -- you know, go as far as we can and if we want to go farther, then find someone who can help us go farther. >> Cole: Thank you. Any other questions, colleagues? Okay. Oh, council member tovo? >> Tovo: Are we moving on to the council discussion items of interest? >> Cole: Yes. >> Tovo: I want to talk about setting a time certain first of all for several items on our council agenda. I believe that we might go

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with the same practice we did last time, which is we'll have vested rights in the baylor house, and I know the baylor house has requested a time certain, so I'd like that to be set before the vested rights, if there is an interest in the vested rights. How about 6:00 for the baylor -- 6:30 for the baylor house. >> Cole: Vested rights. What are you asking? Okay, let's say 7:00. [Laughter] >> tovo: If there is an interest in having a time certain for vested rights. I assume there is as we had last time. >> Morrison: I guess if I could -- I haven't really studied the overall impact of the agenda. Do we think that vested rights -- are we going to be working on other things besides vested rights and baylor until 5:30? >> Cole: That's exactly what I was trying to -- >> morrison: Those are the big -- I would hate to be done at 4:00 except for vested rights and baylor is the only thing, and I have no idea -- >> [inaudible] >> cole: Do -- >> martinez: Do a time certain at 4:00 and 4:30, then it still has the same effect, whether we go till 10:00 p.M. Or not. The mayor just calls it in order one before the other -- >> morrison: The challenge we have is we want to make sure baylor doesn't come before 6:30. >> Martinez: I see. >> Morrison: And so we could do that, but -- but if, in fact, baylor comes up before 6:30 we could make at that point make a motion to move it. >> Cole: Council member spelman? >> Morrison: Any ideas? >> Spelman: How many people do you suspect would want to talk about baylor house? Is it going to be an extended discussion? Is it going to take an hour, or do you know? >> Morrison: Tovo, do you have an idea -- council member tovo, do you have an idea? I don't think it's going to be two hours -- >> tovo: I have to ask you to repeat the question. I have another item to throw in the mix that's requested a time certain, but would you mind repeating your

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question? >> Spelman: We've got -- maybe you know one that I don't know of, but so far as I can tell, we've got two items which are going to be time consuming for thursday, baylor house and vested rights. Baylor house, I'm presuming you want a particular time certain because a lot of people are going to be getting off work. >> Tovo: That's exactly right. >> Spelman: Vested rights is a little bit more flexible but probably a little longer discussion. Do you have an idea for how long the baylor house discussion is going to go on? >> Tovo: I don't. I'm trying to remember how long it went on at planning commission. Maybe an hour and a half? Is that about -- probably an hour's worth of public testimony to an hour and a half. I'm looking over there, to my staff who are a little more familiar with the extent of the testimony. >> Spelman: It seems to me -- my reading of the agenda and you may have read it differently, but my reading of this is that those are the two big blocks. A lot of the rest of the stuff we'll be able to deal with in the morning or the early afternoon and there's a good possibility we'll be able to start our public hearings more or less on time around 4:30, so we may be able to start at 4:00, so we may be able to start vested rights at 4:00. >> Tovo: If that's the case that might make good sense. Let me mention one more so we can consider it in the mix. It's my understanding that some parties associated with 3215 exposition, may also make a request for time certain -- they have, excuse me, they have made a request of a time certain as well. >> Spelman: What time certain did they request? >> Tovo: They've asked for either a 4:00 or a 6:00 time certain. So perhaps we could -- >> spelman: An uncertain time certain. [Laughter] >> tovo: Some certainty but they're flexible, I guess. >> Cole: So I guess I'm hearing the consensus is that baylor house would go at 6:30. Vested rights would go at 4:00 and exposition would go at 4:30.

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Or would you like to have exposition go at 4:00 and vested rights after that? Maybe that makes more sense. >> Spelman: Perhaps we could start with -- nobody knows. It could be there's a zoning case that takes three hours, but absent that we could -- I think we may want to just start with vested rights, and if we have a time -- if that turned out to take a long time, and we got to 6:30 and everybody showed up for baylor house, we could put vested rights on the table, take baylor house and come back to it. >> Cole: We'll take baylor house at 6:30, invested rights at 4:00 and exposition at 4:30. >> Question: Do we know if 3215 exposition, that request wants to push it past 5:30 or they're all right with 4:00 too? >> Cole: They said 4:00 or 6:00 was my understanding. >> Morrison: So they are all right with 4:00. >> Cole: Is that correct? >> They want -- >> cole: Come talk to kathie. >> Tovo: Okay. My understanding -- sorry, this is late-breaking news. I didn't actually receive this. It sounds as if they would be concerned about it coming up at 2:00 because so many of the people who want to attend are picking up kids and doing other kinds of things in the afternoon that they can't reschedule, so I believe they would like it to come up, if it cocoa up come -- come up before break they'd be comfortable with a 4:00 time. >> Cole: So I'm hearing council member morrison say that we should be in a position at 4:00 -- invested rights at 4:30 and keep baylor house at 6:30 and since we really don't know

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let's go with this. >> Tovo: That sounds like a good plan. And we, in fact, this week just got an email from somebody saying, it's really too bad when people have to wait a long time for their cases. And I really empathize with that, and please know that we're really trying to come up with a scenario that allows people to come in time for their -- in time for their case without having to wait a long time, but I think this discussion illustrates the real difficulty in doing that. It's really hard to predict how long some issues are going to go on and how quickly we might move through others. So thanks to everyone for their -- for their patience on these kinds of issues. >> Cole: Okay. Is there any other questions? Council member riley? >> Riley: I had a question about item 36, which relates to special events funding. And the question is just about the time frame. I notice that in the be it resolved paragraphs there's no mention of any -- of when we expect any word back on any of the items that are within the scope of the resolution, and I thought that was a little unusual. Usually we have some -- some idea when we expect to hear back from staff on this, on the subject at hand, and I just wondered if -- what the expectation is in terms of the time frame for response. >> Cole: Council member tovo? >> Tovo: Thanks for that question. That was something we noted needed to be -- there are a couple slight changes we're making to this and put in backup and that was one, to have a report-back time. We hope that we could get that information in time to incorporate into next year's budget cycle. I think it's going to be a tight turnaround time so we need to talk a little bit with staff about how much of this is achievable in that time frame. But if it can happen I think that would be ideal. >> Cole: Any further questions? >> Riley: In time for this year's budget? >> Correct. >> Riley: Okay, I'll look forward to that. And one other thing I was

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wondering about, I notice there's a whereas paragraph that mentions ticket surcharge is a possible method that has been mentioned, and I'd just be interested in hearing specifically on that, whether that is -- whether we -- whether the law department feels that that is something that we can do, and how that has been done in other cities. I expect that there probably are some limits on our ability to impose surcharges on ticket sales or any other fees associated with sales of any kind, and so I'd be interested to hear from the law department about what our option are in that regard. >> Tovo: May I ask a question, mayor pro tem? >> Cole: You're saying you're going to be interested to hear from the law department actually at the council meeting? >> Riley: No, whenever they report back. That's one thing -- I'm glad the resolution raised that because I know it has come up with the music commission and I'd be interested in hearing how we might go about that, is are there ways that that can be done. >> Cole: Okay. Council member tovo? >> Tovo: That was my question as well, whether council member riley expected that information on thursday or whether -- >> riley: No, no -- >> tovo: That's exactly -- perfect. >> Cole: Okay. Any further questions? Council member morrison? >> Morrison: Yes, one thing I noticed in the be it resolved in terms of including various stakeholders -- I know it's included but not limited to, but I notice the arts commission was mentioned but not the music commission. I wondered if -- >> this item actually came from a recommendation of the music commission. So it's already been discussed. We can send it back to them but they already have made some recommendations via a resolution they adopted. >> Morrison: So I do think that if the staff come up with some various recommendations that aren't specifically thought of already, it would be good to get their input. >> Martinez: And I would expect they would want to see the final product

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before -- >> cole: Any further questions on any other item? Without objection this meeting of the austin city council work session is adjourned. )