

## City Council Budget Work Session Transcript – 07/31/2014

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[03:21:07]

Can. >> Let me go to the tv and see if I can find you. >> Austin city council.

[03:26:09]

. >> Testing 1, 2, testing mic, 1, 2, testing.

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>> Mayor Leffingwell: Good morning, I am austin mayor lee leffingwell. A quorum is present. I will call this work budget session in order, on july 31, 2014, and we are meeting at town lake center, 721 barton springs road, assembly room, austin, texas 78704. Today, we have four items on the agenda. Item one is our only action item. It is posted so that we can discuss and act on our council meeting schedule and the budget and rate -- tax rate calendar. The city manager and staff have asked that we take up item one after [captioner not hearing sound].

[03:35:37]

[Captioner not capturing sound, technical problems].

[03:38:31]

>> Ott: ... And of course they are each responsible for service group, a cache of departments. I want to acknowledge those department heads and their financial stats because they also work very hard to help us put this proposal in front of you. I also want to speak directly to some folks that, you know, that don't see much of the limelight and that's the folks that are blind the scene in terms of the budget team in front of you right now. These are all of the financial analysts and the other folks that work really closely. Concentrate and focus on the technical aspects of putting this budget together. So I want to speak to them directly and simply say, we know how hard you work and I want to take this opportunity to thank you for the incredible work you do in supporting all of our efforts. In addition to that, there is lots of

other thanks to do. I want to -- you know, we sit in this room today. Everybody knows why, because council chambers and the boards and commissions room are under construction, renovation, for purposes of accommodating 10-1 and so we sit here in this room, as we will in other locations over the course of the next several weeks, because of the incredible work done by a whole lot of people. I want to acknowledge sue edwards in particular, who has just been an incredible leader in terms of -- of getting us ready for today, our ability to meet in this room. She is providing leadership for all of the facilities, renovations that are going on in city hall and the other location where council is going to be meeting, but supporting her leadership is just a bunch of other people who have worked really hard, people in ctm, the people that are responsible for facilitating the broadcast of these meetings, keith and his folks. Steve elkins and the number of other people. I think many of them are in this room and while a bit

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unconventional, I am going to ask them, sue, I would like you all to stand, because I think you deserve a round of applause for a really incredible effort in getting us ready. [Applause] there is more than that, I guess they are being shy, but -- so thank you all for all that you have done and continue to do to make sure that this transition goes as smoothly as possible. And then finally, mayor, it is my understanding that there are a couple of birthdays that -- that are at hand. I believe one of them is our police chief, chief acevedo. His birthday -- I won't say your age. I will leave it to you. Say it. Say it. It's the big 5-0 for the chief. And I also know council member martinez is poised to have a birthday here soon, and I will leave your age to be the -- >> Martinez: Big 4-5. >> Ott: Big 4-5 and I understand there is interest in all of us raising our voices. Mary, if you are willing to sing happy birthday. >> Mayor Leffingwell: We got a volunteer. All right.

♪♪ Happy birthday to you, happy birthday to you. Happy birthday to you. >> Mike and art. >> Mike and art. Happy birthday to you. [applause]. >> Mayor Leffingwell: So, are you finished? Go ahead? >> Ott: No, I was going to do a second rendition. [Laughter]. >> Ott: I am finished and we are ready to rock and roll and my rock star team is ready to begin at your pleasure, mayor. >> Mayor Leffingwell: Before we start that, I want to recognize one other person and that's kay cadilla who handles things for council and when I came out this morning that in addition to

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her other duties, she was directing traffic. [Laughter]. We appreciate everything she does. Ed, elaine. >> Thank you, good morning, mayor, mayor pro tem, council members we are honored to be here this morning to present to you your proposed 2014-'15 budget. We have completed our work as management and we are turning it over to you to craft as you would like. As the manager said, this proposed budget is structurally strong. It is balanced and it is sustainable. You will note that our general fund reserves are in increasing from 12% to 13 and a half percent in this budget. We are also continuing improvements to the financial metrics in our two utilities, as well as bolstering the financial matrix in the water utility. The ae rates completed in 2012 contemplating in time they would begin replenishing their verbs and this includes transfer of 44 million to their strategic reserve and their are anticipating that

their other reserves are projected to be fully funded by 2020 with the rates in place. Also, for our water utility, our revenues have continued to drop over this period. The revenue decline has been stable in this proposed budget, in the rate increase as well as significant cost cutting measures. And as the manager said, our general fund budget is balanced with a 2.2 cents drop in the tax rate, to bring it at a proposed tax rate of 48.09. This proposed budget also values the workforce that serves our community, and with -- with a 3 and a half percent salary increase for

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our civilian employees, also a 1% salary increase for our sworn safety personnel; the ems and the police officers, all -- they both have a contract in place. This budget includes a 1% placeholder for the fire sworn personnel. They do not have a contract in place currently. But we have put money in this budget in the event that they are successful in negotiating a contract. It also includes no increase in the employee or the retiree contribution to the medical system, their premium payments, so that will be a bit of a savings to our employees as well this year. We also have continued our past efforts to better align some of our cost centers that we talked about in past budgets and rate hearings, with matching them with their appropriate funding sources, the reallocations affect the budgets of the 311 call center, our economic development department as well as the sustainability fund. And as a result of these three reallocations, \$10.9 million of cost have been shifted from the austin water utility, austin energy, our watershed department, and our austin resource recovery department to the general fund. Hearing the council's direction to do what we could do assist the water utility in keeping their rates -- their rate increase as low as possible, of this \$10.9 million, 7 and a half million will aid the water utility in keeping their rates lower. With our focus on

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affordability, as you know the process of couple was to keep the tax rates and the utility rates as low as possible, so for many months, we have been working towards that goal. The departments were also directed to follow a critical priorities procedure that required any new budget proposed cost setting aside for base cost drivers, which are labor and primarily benefits, or any necessary existing serviceman dates, setting -- service mandates, setting those aside any new proposals would be offset by either reallocating current resources or increasing current fees or rates or adding a new fee to support it. And so this budget development process actually focused on that affordability goal, allowing us eventually to produce the budget that has more than a two penny decline in the property tax rate. Cost containment efforts in the austin water utility, to mitigate their steep revenue drop and to keep their rates as low as possible included 29.9 million -- roughly 30 million-dollar budget reduction year over year, which is very significant for them. We also performed a very rigorous review process of our vacant positions, which resulted in savings. Through the repurposing or critical priorities process, we identified 62 new positions out of the 152 proposed in the budget are funded by repurposing existing resources or through increased user fees which have no impact to our tax our utility rates. As a result of the review, we identified 13.3 positions that are actually being eliminated in the budget, and that will result that you get about a 2 million-dollar

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savings. As output of this review, we also realigned our vacancy savings budget, more in line with what our historic trends had been and that resulted in an additional of 4.9 million in savings. The next section I will cover is our all funds summary, and in this section, I will cover items that are city wide, give you an overview of what the size of the city's budget is and talk about things that affect all departments. A city wide budget proposed for fiscal 2015 is \$3.5 billion. That is an increase of about \$200 million -- an increase of \$200 million or 6.5% increase. The three funds -- this -- this slide deck pie chart shows you the relative size in proportion to the total budget for each of these operations. If you look at the general fund operations at 21%, austin water utility at 13%, and austin energy at 36%, these three activities make up 70% of the total city budget. So much of our presentation will touch and focus on these -- in particular the general fund, and we will have a whole section that we will cover -- cover there. Another interesting point about the total budget, if you look at it from a cost category basis, that's personnel, contractuals and commodities, it is evenly split between each of those, a third personnel, third contractual, and a third commodities. You may think that's odd for the commodities but when you have an austin energy, an electric utility, a fuel is considered a commodity so

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that will drive the commodity's amount up. Now I will go through the proposed city requirements that affect all of the fund that cover employee and pay benefits -- employee pay and benefits. And I am covering these here because later in the slides, where we cover each of the other funds, we don't want to really -- these are consistent for all departments and we don't want to repeat this over and over in our slides, so it's important that we cover them up front. The labor and health insurance contributions are base cost drivers for all of our departments, and as we said earlier, we've -- we've proposed 3 and a half percent pay increase for civilian employees. That's about 9500 employees at a cost of \$19.5 million. This proposed budget also takes the 750-dollar lump sum payment that was added midyear of fiscal '14 and annualizes the cost of that. For full year, the cost will be \$3.7 million. It also includes the salary -- a salary market increase for certain austin energy utility specific titles as well as some it position classifications, and that amount amounts to about 5.8 million. Another cost driver is our 8% increase in our city contribution to employee health insurance, which is about \$10.7 million. As you know, the city pays for the employee health premium, and, again, there is no cost increase or no premium increase for our employees or our retirees. With respect to our labor contracts to our sworn employees we have 3,460 sworn

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employees in the fire and ems departments. The 1% pay increase including 1% placeholder for hire is placed at 1.3 million dollars. There is no contract for our sworn fire personnel. They are working on a contract. So there will be funding available in the event they are successful. This budget also includes to step in longevity increases in the two contracts we have in place that's valued at 2.8 million and it

changes the ems commander classification from an exempt status to nonexempt status valued at about a half a million dollars. This changes their workweek from 48 hours to 42 hours and makes them eligible for overtime. The city also has a number of internal service funds and those provide goods and services to other city departments, primarily on a cost reimbursement basis. I am only touching on a few of them here. These are our larger internal service funds. They include the communications and technology management department, fleet services, and support services. And I have outlined here on this slide their budget increases as well as their total budget. I want to point out that support services includes mayor and council, management services, city clerk, city auditor, financial services, corporate public information, the law department and several other departments. So that is really the administrative arm of the city that serves all city departments, and those cost, for each of these, are based on cost allocation plans that are looked at by auditors for grants, that are looked at by the faa for cost allocations to the aviation department and are looked at during rate challenges for both austin energy and austin water utility.

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Communications and technology management's budget will increase 7.6 million to \$83 million, and that includes some transfers for their capital projects initiatives. The fleet services provides both fuel and maintenance services for the city's fleet. Their budget will increase 4 million to a level of just over \$51 million, and support services has a smaller increase. It's \$5 million or 4.9%, but they have a larger budget. It's \$106 million, and ed will cover these in more detail later, so I will move on at this point. This is a summary for you of what's happened to our workforce between the amended '14 budget and the '15 proposed. It lists all of the major funds on the left-hand side. The first column is your workforce amounts, the number of full-time equivalents, you will hear us talking about f.T.E.S. The left hand most column with numbers shows we had 12,779.9 f.T.E.S in '14. We are actually increasing that by a net 15 1.3 positions to 12,931.2 positions. We break out the new positions, the positions that are deleted or eliminated, and then the fourth column from the left is called net transfers, and that's where you can see where f.T.E.S are moving between departments. If you look at the general fund line, you are seeing a 35 positions there, but if you look down at the grant funds, you will see a negative 36. That is the 36 fire sworn personnel that were funded

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from the safer grant for the last two years that are now being absorbed and paid for into the general fund and that was a plan that took place over two years. There is another net trans -- there is another one being transferred from the general fund. That's why it's 35, not 36. I wanted to mention that of the 134 positions new to the general fund, 59 of them are police sworn personnel. We have got two for ems and of the net 151, 62 of them are funded through repurposing, so they are at no increase to the cost to that particular fund. On the internal ser funds, you will see new positions of 22. The bulk of that is 16 positions for the four new council offices, but that gives you a -- a good overview of how things are moving. And I did want to focus on that middle column called "deleted.." That's where you will see the positions that have been deleted. And then as we do every year, we show you a summary of our major

rate and fee changes. And really try and show the impact to -- of our proposed rate and see changes on a typical resident or a typical customer of that service. Overall, you will see that the bottom line is a 12-dollar and 13-cent increase per month for the average resident. That is a projected increase of 3.9%, which is lower than last year's -- excuse me, last year's increase, but this will give you an idea of

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the monthly impact of each of those. I did also want to point out the note on the water utility. Their numbers have been adjusted for the average consumption, 14 average consumption was 8,000-gallons of water, and these have been adjusted down to 7,000-gallons of water for '15. That includes -- concludes my overview. Ed is going to provide you much more detail about the general fund at this point and then I will come back and talk about the other funds, the enterprise funds. >> Good morning, mayor, and council, ed, deputy ceo for the city, I will be covering general fund sources of funds and uses of funds starting off with the revenues. You have seen this pie chart many times before. It shows the general fund revenues into what we consider our four major categories. Property tax revenues being the largest piece at 42% of general fund revenue. Sales tax a little over 23%. Utility transfer that's 17%. And then all of our other revenue at 18%, the biggest components of the other revenue category would be charges for ems services, the fines, parking fines, things of that nature, traffic fines that municipal court developments and our driven revenues. And you see how the revenues are changes, in 2015 how we estimate they will end in 2014. So this is not a budget to budget comparison here. We feel when we are looking at revenues what makes the most sense is to get the best projections given where we are to date in fiscal year '14 and compare the growth we are projecting in '15 for that and you see our estimated review revenues for 2014, \$826.2 million and we expect to be \$52 million --

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\$852 million. This is an area that used to grow five or six million dollars a year but this is the fourth consecutive year that the austin energy transfer has been fixed so 900,000 increase is as a result of the 8.2% water utility transfer, 2.8 water reduction in other revenue primarily driven by other things, last year council approved a budget that had one time transfer from our business retention fund that you approved to help fund a variety of initiatives. And it also includes a slight decrease in our projected development related revenues and I will talk a little bit more about that specific revenue in a few slides. Taking a closer look at our property tax revenue that is our largest source of general fund revenue, we have experienced strong growth in property values in the last two years, 2013, we had a little bit over 5% growth, 2014, a little bit over 6% growth, and probably not a big surprise but the growth in 2015 has been very, very strong. It's actually been on both of those figures, it has been 11%, so -- and that's on the heels of two years of strong growth. Total assessed values projected at \$98.3 billion with \$1.8 billion coming from new construction. I will say that that is not -- these are not certified numbers. Typically we would have taxable certification by july 25th and we would include certified numbers in our presentation, but these are the best estimates we are getting from tcad as of this date. They are projecting they will certify tax roll on august 15th so there may be a slight adjustment to the numbers as we move ahead. Proposed tax rate is 2.2p decline of current tax rate of 52.7 and come down to 48.09.

You can see how it's split out between the operation and maintenance cost versus our debt service costs. The estimated monthly impact to the owner of typical home, which is projected to grow in

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year to \$196,500, typical median valued home, a dollar 19 per month. This is not market value. Around people are saying where can you buy a typical home in austin for \$196,000, but this is taxable values. We don't have certified roll but we have the estimated median taxable value from tcad and it's right now estimated at \$196,500. Taxable value is not the same as market value but taxable value is what your tax bills are driven off of and that's what we report here. Effective tax rates and rollback calculations are there. Of course the effective tax rate will result in loss of revenue relative to proposing \$21.5 million and if council were elected to choose a higher tax rate, rollback tax rate would generate \$6.6 million of additional revenue. This is a new slide that hopefully is easier to see in your handouts than it is on the screen here, but, you know, in face of the strong av growth we have seen, we wanted to go back and look at the history and while 11% is a strong number, it is not unprecedented. You can see in the ten years between 1994 and 2002, six of the ten years, we were at or above 11% av growth and three consecutive years between 2007 and 2009 where the av growth was in excess of 11% growth. It is strong valuation growth but not off the charts by any means in comparison to previous years. We continue to work really closely with all of our partnered taxing entities. Travis county, the healthcare district, austin independent school district, and the community college and continue to report back to joint subcommittee of elect officials to the various boards and councils. What we are showing here is what that overlapping tax bill currently is and how it's projected to change in 2015. In fiscal year 2014, the all

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end tax rate is \$2.46 and a little bit per hundred dollars of taxable value. We are projecting overall decline to \$2.40 per \$100 of taxable value. That's 5.7p decrease collectively, 2.2p decrease by the city of austin. You can see the county released proposed budget and added 1.7p decrease and school district looking at 1.8p district and health district and community college are expected to propose their budgets with a flat tax rate. We take the tax rates and apply it to the median home that I talked about earlier and see what the tax bills look like, because your tax bill of course is ultimately combination of the tax rate and your property value. Currently that overlapping tax bill is projected at -- or is 4,138 projected to grow by \$162 in fiscal year to 4,300 in fiscal year '15. We show five years history as well as proposing in fy '15 and you can see the growth from \$3,765 in fiscal year '10 to the proposed 4,300, I am going to say projected 4,300 this year since some of the entities haven't proposed yet in fiscal year '15. We like to look at that in comparison to growth in median household incomes and what portion of median household incomes goes to support through tax bills this basket of governmental goods and services. That increased slightly, a half a percent over the last five years, from 5.1% of median household incomes going to the tax -- overlapping tax bill in fiscal year '10 to 5.6% projected in fy '15. Moving on to sales tax, you can see we have continued to

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have strong growth. We ended fiscal year '13 with 7.3% growth. We are about 7.2% up year to date in fiscal year '14 and that's where we are projecting we will end the year. In fiscal year '15, we are ending -- we feel conservatively projecting 5%. That's in line with the ten year compound average growth rate which is 4.8%. I would mention it's also in line with the recommendations of our economist, John Hockenjos from Texas perspective, you may recall back in April his forecast for job growth and income growth, he was projecting 6% job growth in revenue and he thought from policy perspective it is probably a good idea to be on the conservative side that so we think 5% is a prudent projection for fiscal year '15. This graphic shows the change in the utility transfer over time. I did mention this is a fourth consecutive year that Austin Energy Habitat \$105 million. It was all part of the change in the transfer calculation from 9.2 -- from 9.1% of total revenues to 12% of nonfuel revenues and council approved a floor of 105 million. So we have been at that floor for four years. Projecting fiscal year '16 we will edge above it and start seeing growth in that revenue stream once again for the general fund in FY '16 and beyond. Although we are projecting it to grow, we are projecting that this trend, this downward trend in the percent of total general fund revenue coming from the utility transfer, we project that's going to continue to decline and you can see it's declined dramatically over the last almost 20 years, from 24% in FY '97. We are projecting that's going to fall to 16.8% by FY '19. Development revenue is somewhat similar to sales tax in the sense that it's very

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volatile and really driven by what's happening in the local economy. I am happy to report we reached all time high last year, \$22.2 million of general fund revenue came in as a result of development activities. We are projecting fiscal year '14, I am giving the trends that we have seen so far that we are going to set a new all time high at \$23.2 million. At some point in time, and we have been talking to council about this. At some point in time these cranes are going to start coming down and you can see the trends that development activity tends to go up very quickly and it tends to come down equally as quickly, so, again, trying to take a conservative posture here, predicting slight dip down in 2515, to \$24.1 million in development revenue. It is hard to say with a straight face that it's conservative in that if it's true it would be the third all time high of development revenue that the city has seen, but nonetheless, \$2 million we are currently projecting in the current fiscal year. A few other revenue highlights I wanted to talk about. One is in the area of EMS. It's a federal Medicaid waiver program called "uncompensated care." This is a revenue source until recently used to be in the hundreds of thousands of dollars. This is when you have a situation where EMS, through their billing process, bills an individual once, they bill them twice, they bill them three times. They receive no payment. They are allowed to send that payment up through the Medicaid waiver program and seek reimbursement from the federal government. It used to be in the hundreds of thousands of dollars. They have significantly changed and enhanced that program at the federal level and we are anticipating \$6.8 million in fiscal year '14 and we think that's going to grow to \$7 million in fiscal year '15, so that's a -- obviously a very significant influx of revenue. We think a good highlight, even though it's a drop in revenue, we think it's a good



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story and a break program is the pard youth discount program launched as a pilot program in fiscal year '14, where up to a 50% discount on recreational programs is offered to qualified children which results in lower revenues but results in more needy children participating in programs that otherwise would result. In fiscal year '14 we think it will result in loss of \$200,000 in revenue and the program is -- the usage of the program expected to -- projected to expand where we are predicting 50 million drop in revenue. Mixed beverage tax up significantly in fy '14. Expected to grow more in fy '15. That's a result of the state -- I see people smiling. It is not so much that people are partying downtown. They may be doing that, too, but this is largely the result of a change in the formula that the state uses to determine how much revenue the city gets to keep. Back in January, the state -- short story, the state increased from 14% to 15% and then increased city share to 8.3% to 10.7%, so long story short, the city is getting more revenue from the mixed beverage tax than we had been. And then finally, this is one of the examples of what Elaine was talking about, about trying to find ways to fund critical priorities that don't impact our tax rate. This is in the health department where they will be adding 8 new sanitarians to improve their restaurant inspections program. And they are going to fully recover the cost -- the cost of the positions will be fully recovered through a variety of changes so the inspection fees that we charge for those services. Move on to our expenditure highlights, and this is our pie chart of the 850.6 -- 850.6 million dollar general budget proposed budget gets allocated. You can see the different departments up there, similar

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to what you have seen in the past, a little bit short of 70% of the revenue is allocated to our public safety services, police, fire, emergency medical services. Another 20% collectively goes to what we call our community services. That's library, parks and rec, health and human services and animal services and the remaining 18%, to the core operations and planning and development review department and then we have another that is 3.3% of the budget for the management. And then the accounting goes to begin, but fairly significant change in how we budget for some of our costs as being proposed in fiscal year '15. Beginning, this is nothing about the budget increasing but how we arrange the deck chairs. On the left-hand column you see how the deck chairs up until now have been arranged. Things as support services, general fund of support services shares cost, Elaine talk about these models, general fund gets allocated \$42.3 million overall of the support services cost. 22.7 million of our ctn overall cost are allocated to the general fund and then all down the line, for ctac 14.4 million, wireless 1.1 million and we have costs related to employees such as workers compensation, liability reserve and accrued payroll, total of \$102.7 million. Previous years we allocated or budgeted these costs in the general fund on what we call the fund level. They do not show in the departmental budgets. They are just lumped at the fund level. We think it improves transparency, we think it improves how we -- how we show these departments budgets, it better reflects the full costs of these departments' budgets to allocate these costs directly

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to the departments. There is two other reasons they can make a lot of sense, too, if you look at other cities, this is how they report it. We checked with the other large Texas cities. We can't find anybody who has this huge amount of costs that's budgeted at the fund level. They put these things in if departments so it makes that apples to apples comparison more possible. It's also how we do it internally. If you look at budgets of water utility or Austin Energy or Resource Recovery, they all reflect these costs. It is only in the general fund where you look at police department budget or parks and recreation department budget, for example, and these costs are not reflected in those budgets. It's lumped at the fund level. Change we talked about a lot. It is somewhat complicated change but, it again doesn't affect bottom line of the budget at all. It is just a matter of where we budget these costs, but we do want to be able to show you, like we always do, how these department budgets are changing. As a result of this change, it makes that comparison to previous years a little bit difficult because these costs are in one at the fund level in FY '14 and at the department in FY '15 and so we have stripped away the effect of the accounting change to show you that what is the apples to apples comparison in terms of the change in the general funds department budgets. For the most part, all of these departments' budgets are expected to grow in the range of 4-5% which is about what you see -- that's the built-in cost driver range, 4-5%, wage increases, medical cost increases, retirement cost increases, things of that nature. This generally lands us 4-5% window of cost increases. There is a couple of exceptions to that. You can see health and human services, 6.1% increase. That's higher than normal because of the 8 sanitarians that are fully revenue offset that I mentioned earlier. Then in the animal shelter, 7.8% increase in their budget. That's driven by a 300,000-dollar increase in their cost of medical supplies and veterinarian

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supplies and we talked about this earlier in the forecast and I talked about the costs going up and we forecasted a need to increase the costs. It is about \$300,000. But smaller budget like animal services it becomes a fairly high percent. I want to talk to the number of department highlights, these are centered around new positions we are proposing in the budget. A lot of positions you will see we added notes in regards to if they are being offset through existing department resources or through new user fees. The police department, we are proposing 59 new police officers to keep pace with what is obviously a growing city and growing service demands for the police department. As we've always done, at least in recent years, we are proposing an April start date for those new officers, which translates into a \$3.3 million cost in FY '15 which includes the cost of the vehicles and other equipments associated with those positions. And then the annualized costs beginning in FY '16 will be \$5.2 million. We are proposing additional 38 civilian positions in the police department, including 21 critical positions at the 9-1-1 call center. There is a \$2.9 million cost associated with the new positions but this is where I want to highlight the message this year is we really wanted to find a way to address critical priorities within departments without impacting the tax rate, so we worked closely with the police department to go line by line through their budget and look for savings and any cost savings we could find so we could shift money away from certain areas in order to fund these additional needed civilian positions. We talked about this back in forecast, 36 existing firefighter positions. These aren't new positions, they are existing but were on the safe grant and are moneying to general fund which is \$2.2 million increase and half a million from

the position of the commanders to 28 hour

[04:18:56]

workweek to a 42 hour workweek, 8 new sanitarians we have talked about twice already. Two positions in pard related to enhancements at the auditorium shores. Similarly fully offset through increased program revenue, and then two positions in planning and development review, one new inspector related to the boat dock ordinance and when gis analyst which will support the city abboarist program and both are being offset by, in the case of the new inspector, by the fees that will be assessed to the boat dock owners and in the case of gis position, through our urban forest replenishment fund. Just a couple of other cost drivers that are noteworthy. We are projecting an increase transfer to our internal service funds, this is our support services, ctmc tech wireless cost of \$6.9 million, \$2.2 million transfer from the citicapital program to the general fund which will have completion not turner center and the new book collection for the new central library and also include funding for just general city maintenance, \$1.8 million have increased vehicle maintenance cost. We seen increases in cost of vehicular parts, tires, also and increasing need to use outside commercial services as our fleets grow and as the complexity our fleets have grown, we have seen the usage of those outside services need to increase and we also have seen the cost of those outside services increase, so \$1.8 million increase there. The transfer the child safety fund, this is a very important fund that pays for the crossing guards at all of the cities schools. The cost has risen in recent years over time and the revenue is haven't cut pace with that. They have been pretty stagnant.

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They get revenues from the parking fines that occur within the school zones and they also get revenues through the department of motor vehicles registration fees. That's where they get sources of fund through that program and they haven't kept pace with the growing demand so proposing influx of \$250,000 to ensure to maintain crossing guards at all of our school zones. Finally we have a 300,000-dollar transfer to the long center capital improvement fund proposed per the new amendment to the lease agreement with the long center. I have a couple of slides now to talk about some of these changes that we are proposing to the city's various shared cost models. The long story short of these slides is that it results in an increase to the general fund and a savings to a variety of utility departments but I do want to walk you through these. First the economic development department council approved four year transition to a new allocation model, whereby austin energy used to pay it but the costs will be shared between the general fund, austin energy, water utility and austin resource recovery. This is the second year that transition has general fund impact of \$700,000. Likewise council approved a transition to a new cost allocation model for the 311 call center last year, sec year of that transition has a 700,000-dollar impact as well to the general fund. The next one on the list is the sustainability fund. This is something the staff proposed last year and ultimately it was undone during our budget discussions. We are proposing it again. As you well know there has been significant cost pressures on the water utility and there has been a strong desire to try to maintain their financial position and their financial metrics as strong as possible, so we are, again, proposing to move these workforce development programs, child

and youth development programs, neighborhood housing programs out of the sustainability fund, change the funding

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source over to the general fund. That shifts the costs from the water utility and resource recovery to the general fund. General fund impact is \$5.5 million. Have some more of these. Balcones canyon land preserve, this used to be funded in the parking department in 2004. At that time the decision was made to move program and funding over to water utility where it has been paid for the last decade. Staff in this year's budget is proposing to move the funding of that program back into the general fund but we would leave the operations of the program in the water utility along with their water quality preservation overall efforts. The next two items, homeland security costs and hazardous incident mitigation costs has to do with costs that have been reimbursed in previous years from austin energy and austin water utility and a little bit from the watershed department related to homeland security of our really security services provided at the city's various power plants, treatment plants. That's been \$1.6 million funded by austin energy around the water utility. It is reimbursement to the police department, and then similarly, on the hazardous incident mitigation, the water utility and watershed have been reimbursing the fire department to the tune of \$700,000 annually to help prevent contamination of city water sources following hazardous incidents bills. Not that these services aren't important, and not that they aren't going to continue. Just staff is recommending the funding of those services be put in the general fund where the staffing and resources are located, as opposed to being funded out of the water utilities, energy and watershed. The last one is a reimbursement that resource recovery department has been making to the park departments for quite a long time, for litter control, support in our parks, \$600,000, while staff certainly supports litter

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patrol in our parks and wants it to be nice, these are services conducted by the parks department and feel should be funded by general fund as opposed to resource recovery so we are proposing transition of that funding for the services in the new budget. End of the day \$10.9 million of cost we are talking about moving into the general fund. You can see where the savings to the various enterprise departments occur. I think this is the last general fund side before I give you highlights from our internal service departments. You can see on this graphic the fy '14 amended budget of \$800 million projected to grow in fy15 to \$850 million. What we are showing you here is that we always want to make sure that we are not only delivering to you a balanced budget for fy '15 but a budget structurally sound into the future as well and that's exactly what you are seeing here. We are projecting balanced budgets for as far as we forecast out. We are projecting that with a 2.2p decrease in the tax rate in fy '15, although we are anticipating a need for some tax rate increases in future years to keep pace with our growing cost drivers, but at no time in our 5-year window do we even get beyond what our current tax rate of 52.7 centss is. I will highlight, I think it's worth noting \$50.5 million increase in the general fund for fiscal year '15, just keep in mind that almost 11 million of that has to do with shifting cocosts from a variety of enterprise departments into the general fund. It's not cost increase, it's who pays for these services

issue. I have three slides left to go through support service highlights before I give it back to Elaine to hit the enterprise highlights. It is very much a status quo budget for most of the support service departments.

[04:26:57]

So not a lot of highlights I feel to hit on. I think the most significant one probably is the 16 positions we are proposing for the creation of four new council offices as we transition to 10-1 council form of government. That's a million dollar cost for 9 months of fiscal year '15. It grows to \$1.2 million in -- for annualized cost. We have \$770,000 we have added to the clerk's budget for November 2014 council election and in anticipation of potential runoffs, two new positions for our innovations office. We also are proposing increased funding for the appraisal district fee, tax collection costs and external auditor, \$224,000. I will note that the -- you may have heard about the Travis County appraisal district seeking significant budgetary increase. We just learned about that last week and so this fee increase we are talking about here is just a normal increase. It doesn't cover that -- that 20% increase that she's asking for. So we haven't reviewed that proposed budget yet from her but we may need to come back to council at budget adoption to seek a little bit additional funding for the appraisal district fee. And then finally in our support services fund we included \$100,000 to conduct an Asian American quality of life study. Moving on to communications and technology management, there is two positions that are being added to that department related to their management case management system. This was a process approved through our IT technology, our internal IT technology review process. Last year, in adding positions to continue that implementation. Wireless equipment for the new officers, you heard me a few slides ago talk about 59 new officers, 59 new officers come with a lot of new equipment and that equipment cost hits our wireless fund and we included one and a half million dollars there. And we have \$12.4 million of new technology initiatives

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proposed and you can see the list there. I certainly won't read them all to you but I think a couple of particular items of interest are the big video wall down at CTECC, if you have seen the big video wall used to monitor traffic and for emergencies. It is at end of life and needs to be replaced and so we will share the cost of the new video wall with the partners at the center. New library RFID system, radio frequency identification system, the check out system, the new cutting edge way to monitor book collection and will create efficiencies for them. Also a new reservation digital services system for the library. This is a system that they use to allow folks to reserve various library materials. Community connections is Google Fiber, that's getting ready to hook up the city facilities that will be in the right areas taking hook up to Google Fiber when it's ready to do that. I highlight the electronic health records which is a new system we will be putting into the health and human services department that will allow them to better comply with federal reporting requirements in regards to community health metrics. And then lastly, we have \$9 million for replacements of technology infrastructure. This was described to me as the things of beep and buzz. Servers, PCs, digital services, things of that nature. Fleet highlights, again, I have mentioned this already. We talked about the \$1.8 million increase. That's just the general fund increase. Overall

projecting \$3.7 million increase in fleet budget as a result of the rising vehicular parts and commercial services. I did add a note here that it's not fully being driven by cost increases. Just historically looking back over the budget over time, these are line items that have been underbudgeted so we kind of need to do a true up here so the fleet department can better manage its budget and address these costs.

[One moment, please, for

[04:30:59]

change in captioners] >> Mayor Leffingwell: Now is a good time to pause. >> Cole: I want to ask you to focus on the total impact of fee changes on a typical resident. I thought I remembered you proposing -- thinking that the increase to the austin water utility was going to be about \$4. I see that's down to 2.62. >> Trying to catch up with you, there it is. I think you're absolutely right. I think back at the time of the financial forecast, I have it in here, I could verify that, it was about \$4, but the austin water utility, between the time of the forecast in april and today has cut their budget by \$29.9 million. In order to address that and drive those rate increases down. >> Cole: Do you know whether that was a result of the task force recommendations. >> I do. They're here to expound on that. I know they had many

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meetings with the task force. I think they implemented almost all of the recommendations from the task force. I believe the only one that they did not recommend was to -- to reduce the general fund transfer from a 2.2% level. All of the others were implemented and part of that budget reduction. >> Cole: I will have some questions for them probably off line about that. I also wanted to ask about the budgeted increase related to the drainage utility fee. Drainage user fee. I know that -- that we will discuss even more in executive session the lawsuit involving that. With you I want to know if this budget number has been formulated with any potential impact of that? >> It hasn't. This number has been formulated with the -- you know, with what the rate needs to be in order to generate enough revenue to sustain the utility. We view the lawsuit as a separate issue, which is about the structure of that fee. And perhaps the structure of the fee may need a change. But the -- the quantity of revenue that needs to be driven to support the utility won't. >> Cole: Okay. Can you just briefly give us what this increase would cover? What -- what erosion, flood control items? >> The 60-cent increase? I can tell you that it's -- that it's not related to the -- you know, to the discussion we've had about onion creek buyouts and the additional funding for that. That -- this is, I believe, related to some of the staff they've added and operational costs of the waller creek tunnel, just general cost increases, where they're funded. Depending on if it's entries fund, what their fund balance is helps to drive and determine what their rates need to be. Enterprise fund. >> Cole: So we will discuss the onion creek buyouts in connection with the budget at a later time and it's not included in

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this projection? >> No. We're preparing a memorandum in response to council's isc about seeking funding options for an additional [indiscernible] for the buyouts and that will be coming to council very

shortly. >> Cole: Okay. I believe in response to some questions my office has asked, you have also provided information and I appreciate that. You talked about the utility transfer and forecast and the \$105 million floor. >> Yes. >> Cole: But you said in the long run you didn't predict that that number would continue and I just wanted you to -- to expand on that. >> Well, I know you may be able to see it in your slides in your books, very hard to see on the screen here. We actually put the annual numbers on that transfer on each of those bars. So the -- so the general fund transfer from austin energy hit \$105 million in fiscal year '12. That's when council approved a new calculation method. Instead of being 9.1% of total revenue, it changed to 12% of non-fuel revenue. If we had to -- if we had implemented that at the time, I believe it would have resulted in a 10 to 15 million-dollar drop in that general fund transfer under that new model. In order to avoid having an obvious, you know, significant impact on the general fund, council approved setting a floor. In other words, it will be at \$105 million until this new calculation method surpasses the \$105 million. We've been there for four years. We're projecting that the new calculation method will surpass \$105 million in fiscal year '16, so then we'll start seeing incremental growth on an annual basis once again. >> Cole: I remember when we set the \$105 million floor. But the new calculations, does that have to do with the savings that we're going to see from the enterprise fund in reduced dependence

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on their funding to -- so that we can increase the transfers. You talked about that a little bit more about the water utility and those items. >> That doesn't really -- there's -- the majority of that effect was for the water utility and resource recovery. The -- those things that we're talking about changing, like changing the economic development allocation, not having any significant effect whatsoever on that transfer amount. >> Cole: Okay. Okay. I saw that in the sustainability fund you were going to shift costs from the austin water utility and ara to the general fund. But that's not -- >> we're proposing to do that, yes. >> Cole: Okay. That's your proposal and I guess we'll see if we adopt it, right? Okay. I was interested in what the new positions for the innovation office were needed for. To innovate. [Laughter]. >> Cole: To innovate, thank you. >> We have people that can respond to that, I think. Maybe if you have other questions while they're coming up. We could continue on. >> Cole: Let me ask you what is the appraisal district's rationale for the increase in their fee? >> Can you say that again. >> The appraisal district has asked us for an increase in their fee. >> You know, it's in response to, I read through the -- the chief appraiser's email, I have not looked through the detail of her budget proposal but it's in response to kind of the growing community concern and council concern and county concerns about the valuation of commercial properties and she's proposing a whole long laundry list of changes to how they do business down there in order to improve that valuation process. You know, for example, one of the line items I know she wants to have more funding to actually be able to

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litigate cases instead of just having to kind of settle, she wants to be able to take more cases to court. There's a big risk to the appraisal district of doing that because if they lose the appeal by even one dollar, then they have to pay all of the attorneys' costs of not only their own but also of the property

owner. So she's seeking additional funding for that, additional funding for staff that would be doing the commercial property appraisals. That's about all I can speak to right now. There's a few other things. >> >> Cole: Well, that's consistent with our affordability goal, so that's a way we can help with that effort at the county. That's essentially what she's asking for. Okay. >> That is, yes, ma'am. We do have our chief innovations officer here to I think respond to the new positions being proposed in the innovations office. If you would like to go back to that. >> Cole: Okay. >> The two positions are going to be providing for innovation consulting services so everyone in the city can be innovating in place. We're going to be establishing the innovation office as a consulting platform for the entire city. So the positions would be portfolio management and community management in order to run facilitation and manage the innovation projects from a results perspective. >> Cole: So I guess this is connected to our proposed innovation district. >> It can be. It's about the projects of innovation throughout the city that everybody aspires to and to help give them the rigor and method to have them reach their aspiration. >> Cole: It sounds like that is needed; I just didn't know the details of that. I'm almost done here. We always get questions, I don't know what page it was actually on, our proposed

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increase of 2.2%. This was -- >> decrease of 2.2 cents. >> Cole: Decrease of 2.2% and that being less than the effective rate. Because there's pressure for us to decrease the tax rate so that there is no net impact on the customer. So I wanted to ask you -- ask you, you had actually put in our presentation, that it would actually cost us money to go to the effective rate. [Multiple voices] >> that would be a \$21.5 million -- I'll just say it. I know you all know this, for folks who might be watching the effective rate is a state calculation that's intended to say if -- for individuals that are taxed in both years, that their tax bill would remain flat. It's somewhat unrealistic to be able to -- to run an entity with a flat level of revenue. That's what the effective tax rate is. But again trying to get to the effective tax rate is almost impossible when you are dealing with wage increases and health insurance increases and increases in fuel costs, parts, and tires, it's not realistic in my mind. The effective tax rate would be a 21.5 million revenue drop for the general fund. >> Cole: We have too many built in cost [indiscernible] >> that's exactly right. >> Cole: Thank you, mayor. >> I wanted to point out that 21 million would be about another 2-cent drop in the tax rate to achieve that 21 million. >> Mayor Leffingwell: Okay. About 45-point something cents to the effective rate. I have a couple of follow-up questions that will be real quick. Following up on the drainage fee, is that going to be practical or doable for us to get some kind of forecast on what the impact of the lawsuit on the drainage fee is going to be? Or is that going to impact us in fy '15 or in -- if so,

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what's the estimated cost? You may -- I know that you don't have that today, but that's something I think -- we're going to need to provide for that in the next year's budget. The other thing I wanted to touch on just briefly is I really appreciate the strong efforts that have been made to eliminate the extra cost to the water utility that don't really have anything to do with the delivering water and wastewater service. We mentioned those at the last session. I mentioned them in particular. Most of those have



been addressed in this budget, I appreciate that. One other item that is a -- an extra cost item to the water utility that was not addressed, as you went through this presentation, was the cost of the utility of being a green choice customer. I wonder if we consider -- that's a significant cost, I think about in the range of \$5 million. It is in essence an unfunded mandate on the water utility. I wonder, I want to consider funding that mandate out of the general fund as we have done on the other non-related expenditures that the water utility is required to make. This would be another way to try to hold the water utility rate increase down to a reasonable and -- and frankly rational number. There's -- the point is that -- the water utility is carrying a lot of costs that really don't have anything to do with their mission. Just been kind of added on over the years. So that's one thing that I would like to see. And my final question is on the certified tax roll that you said you anticipate on AUGUST 15th, WHAT ARE -- This is going to call for an opinion on your part, if you want to render an opinion. I'm thinking that -- that that's going to lower the revenue.

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Not increase it the revenue because -- anecdotally I have heard there's a record number of property tax protests, something in the range of 60 to 80,000 or something like that and certainly a number of those are going to result in tax decreases to the people who make the protests. What's your idea, is it going to go down or up? >> I think it's going to up, I tell you what. Tcad anticipates just what you said, when they are doing their estimate they are taking anything that's been through the appeal process already, which is about 86% of it. They're taking that, that's set. The remainder 14% that still has to go through the appeals process, they're making the assumption here's what it's valued at. We're going to assume we're going to lose about 10%, history might indicate they lose only 9. This year they are at about 7. They are having much better success in defending their values this year than past years. I do think that it will go up from where it is currently. Probably won't be a lot given how far they are already through the process. >> Mayor Leffingwell: So those results of those protests are already baked in the cake and anticipated. >> Well said. >> Mayor Leffingwell: Okay. Councilmember martinez. >> Martinez: Thank you, mayor. I want to start out by saying thank you to the city manager and to the budget staff. What I see in this year's budget truly is a reflection of a lot of the work that I've seen over the last several years that we've all had to do leading up to the final adoption. I truly appreciate this budget year taking into account all of the -- I guess the experience or past, if you will, and anticipating that in presenting a budget with that already contained in your proposal. So thank you very much. And I -- you know, I'm sure the citizens appreciate it as well. I wanted to ask, ed, I can't

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recall in eight years on the council of us projecting a 5% tax increase. >> Sales tax. >> Martinez: When was the last time we projected a 5% sales tax increase? >> It may have been last year, but it wasn't what staff started with. After talking to council -- >> Martinez: Right, I think we moved it to 4 last year. >> We always have like the current year, how do we project we're going to end the current year, what's going to happen next year. I think we moved it to 5% for the remaining year and maybe 4 after that. We usually try to propose at 3. We like to be conservative on this side of the table. But it's hard to defend

that in light of how strong the economy is. >> Martinez: Sure. So the follow-up to that is what does one percent in sales tax increase equate to in -- in actual dollars? >> About 1.9 million. >> Thanks. Switching over to austin energy, the -- the proposed -- I can't keep up with the slides. But we are proposing an increase in the fuel charge, it's a -- it's considered a pass-through increase is my understanding. What revenue is generated with that proposed increase? What amount? What revenue amount does that equate to? I mean the 4.67. The \$4.67 fuel charge that -- that -- what does that revenue generate? >> The increase for the power supply adjustment should provide about 40 million, a little over 40 million and then there's another almost 30 million then in the regulatory charge. So it would be 40 and 30, about 70 million total to

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cover costs that they're already seeing come in. >> And this charge I saw it on a slide, it goes beyond the affordability goal of 2% on any annual year by 1.4%. >> It does at this point. We haven't gotten into those slides yet, I was going to cover that later, but I can cover it now. >> Martinez: The reason I'm asking now, because we've highlighted that we're going to put \$44 million in strategic reserves. What I would like to know is what is the actual dollar amount of that 1.4% outside of our affordability goal of 2%, so that maybe we can contemplate using some of those funds that we're putting into reserves to stick to our goal of 2%. >> Okay. It's in the range of \$20 million. And the 1.4% was based on estimates that they had prepared through our actuals through april and they -- they fully intends to update those actuals as they mentioned in their presentation on june 23rd to the council committee on ae. They did a presentation on the power supply adjustment. They're updating those numbers through july, which we will close here the first week of august. And we'll come back with new numbers and answer those questions fully at your august 13th budget work session and then you -- I understand you've got a council committee on audit on ae meeting on the 14th as well. Where they will cover the power supply adjustment again. >> Martinez: I just think, you know, I appreciate that we have created some stability at the utility after going through the rate increase a couple of years ago. But I think it's going to be hard for the citizens to see us go outside of our affordability goal and put 44 million in strategic reserves at the same time. I just don't know how we message that. >> They are coming from two different sources. The 44 million is a product

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of the customer charge and the base rate. The base electric rate. The power supply adjustment and the regulatory charge and the community benefit charge are separate revenue sources that are adjustable rates, meant to recover the cost of those particular programs and those typically are not covered by your base rates or your -- or your customer charge. So it's how you fund the activities of the utility and these are segregated so that those particular programs are recovered in a different way through a different rate. But we certainly can look at that. >> So if I might, in the course of having that as far as can, I think some of that needs to be about how we define what we mean in regard to that 2%. Along the lines of the distinction that elaine just made. So I'm not sure that that was really clear at the time that the two percent cap was put in place. >> Martinez: I think that's completely right, city manager. But

at the time we just said 2%. We complaints say 2% outside of a fuel charge. >> I know. I had a conversation with my staff and even with the mayor about the 2% meaning all in or not. All in, then the numbers look like in terms of over the 2%, the 1-4 that you talked about, they look like that. So I think that just needs to be part of the conversation, too. >> Martinez: Thank you. Going back to the drainage utility fee, what I'd like to see is, one, the total revenue generated with 60-cent increase in the fee and then a line item break down of where those funds will be spent this next -- this next year. And in light of the conversation we're having about the judge's ruling on the utility fee, are we working on a policy currently that would change how we calculate that fee?

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And is it based on impervious cover? Is it based on -- >> I know that we are having that conversation [indiscernible] being led by sue edwards, of course we have to be mindful of the attorney's work, understanding, getting further interpretation of the ruling by the judge, isn't that correct, karen? >> That's correct. Let me just make sure that we're all on the same page. We all sent you -- the law department sent you a communication when that case came out. The court did not overturn the city's drainage utility fee. Our utility fee is still intact. What the court found is that one particular portion of that fee that relates to how we calculate and impose the fee against certain types of multi-family vertical structures, that that calculation is not in compliance with state law. What the law department is currently doing is asking the court to give us some more clarification on that. It was somewhat of a summary opinion. So we're trying to get some direction from the court on specifics about how that particular calculation of that particular type of multi-family vertical construction is not in compliance with state law. So that's what we're doing now. And the staff is working on, you know, calculations to try to do that. But we do need some guidance from the court to help us come up with a different calculation. Because we will tell you that the way we calculate is in line with all other major cities that calculate that particular fee. So we are seeking that clarification and we really don't know, I see my chief of litigation back there in the back. I wish that I could give you a timeline. We will try to get you a better timeline for maybe when we're going to get a response from the court on that. >> Right. Hopefully this will turn into an opportunity for us. That we can create a calculation that's more fair and equitable based on things like impervious cover and runoff that's created, which is really what I think the drainage utility fee is for. Is to mitigate the flooding and runoff. So I -- I also had a

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question -- where is that slide? 9 million -- yeah. So on slide 29, can you explain to me that first bullet point of increased transfer to internal services based on cost allocation models. That 6.9 million, what exactly does that mean? >> That relates back to the that slide where I was showing all of these internal costs that used to be budgeted at the fund level. Support services funds. Elaine has this on a slide, I think the support services funds overall is projected to grow 4.9% next year. That's a fund that's about \$100 million for all of these administrative support functions. The general fund's piece of that fund is going up by I shouldn't say of that fund, the general fund's piece of all of these internal service costs is projected to be about \$6.9 million. It includes ctm, c tech and wireless. When we see increases in the cost of say

the storage needs of our digital vehicular video system, that dvv system, the storage needs tend to grow every year. So we add costs to maintain that storage. So the costs all get allocated to the general fund. That would be in the \$6.9 million. >> Martinez: I understand. Thank you. Under department highlights we have 8 new sanitarians, that under the health department. >> Yes. Health department, restaurant inspections. >> What is the projected increase in demand based -- compared to the current year's demand. >> I know we have a staff from health here, so I'm going to give them a moment to come up to the mic. >> I don't need the answers on the spot. We can do it through the normal q and a, what I would like to see is typically when a department adds new ftes and base it on

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increased workload, there's a demonstration of what that increased workload is. >> We can have them come prepared on august 13th when all of our departments will be here presenting their budgets in more detail. >> Councilmember martinez, your question about the breakdown of the drainage fee, 60 cents is our budget question 36 that was asked, that was requested by mayor pro tem cole, that provides a breakdown for you. >> Martinez: Question what number? 36. POSTED ON JUNE 4th. I can give you this copy. >> Martinez: Okay. >> Mayor Leffingwell: Just to follow up a little bit on councilmember martinez's question about the drainage fee what are we doing? What we should be doing is developing a way of charging that fee that would not be illegal, I think. And basically that -- [laughter] -- and that would be a system that the fee is based on the amount of impervious cover has to -- wastewater that has to be treated. I believe we already do that, do we not, for commercial properties. >> I can't answer that question. But I did want to say in conversation with the staff, they have been looking at other cities, there are some cities who use the impervious cover as a calculation, we are exploring those systems right now. Sue edwards, assistant city manager. >> Mayor Leffingwell: Thank you, appreciate that. Councilmember tovo? >> Tovo: I have a couple of questions. I'm sorry I'm going to need to go back to the cost allocation model, the cost allocation on 29. I still don't completely understand that 6.9. Is the increase because of the things that you've talked about, technology increases and whatnot that are occurring within those different departments? Or is there a -- is there a change to the methodology of how those costs are

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allocated? I understand what you have said about how once they were all in one as one line item, now we're seeing how they -- how they pan out across the departments. How they're distributed. Among the departments. >> Uh-huh. >> That would -- that in and of itself doesn't cause an increase, though, is it just the charges that are within those? Internal -- >> it does cause an increase in the sense that all of these support -- human resources, financial services, they are under some of the same cost increase pressures that general fund are. Those cost are going to go up because of cost increases, when those costs go up a bigger pie gets allocated out to the departments. There is no mainly fundamental change in the methodology, that our allocation models have been part of a of an audit that our auditor's office is looking into it currently. And so we may be making some changes because of those recommendations but I think that's coming out in august. >> This line about increased transfer based on cost allocation

models, is it really just that the costs have increased. >> Yes, ma'am, it is. >> Tovo: It's not really a change in the allocation model, it's a change because of the same cost drivers that are impacting the other -- >> right. Those are shown on slide 10, the cost increased for those major internal service funds [multiple voices]. Fleet is not on a cost allocation basis. Their fees are calculated a little bit differently with the fuel and that sort of a thing, but the other two have a long standing cost allocation plan. >> Tovo: Thank you, I appreciate it. You talked about line editing the austin police department budget to try to identify some funding opportunities for the civilian positions.

[05:01:18]

I wonder if you could talk a little bit about how that differs from -- what does that look like, how is that different from the work that you do on other budgets. As we look toward a situation where the water utility in particular is facing a funding gap, have you done -- I think the natural question is have you done that kind of line editing on that enterprise fund's budget as well to see what the cost opportunities -- I know that the task force identified some cuts, funding cuts, the water utility has accepted those and probably added others. To what extent has our financial services department been involved in doing that kind of careful scrutiny as well to see if there's anything that the utility or task force or others have overlooked? >> Well, I mean, we do work really closely with the water utility as they are compiling their budget. We reviewed with them all of these proposed reductions from the joint subcommittee. You know, both in terms of the water utility and austin energy, I guess, one example would be we set the tone early on we wanted to focus on affordability and looking for ways to drive costs down. We took that hard look at our vacant positions. Both in terms of two perspectives. One is saying, hey, we need to take a look at some of these positions that have been vacant for an extended period of time whether they can be cut or need to be maintained. Elaine talked about roughly \$2 million of savings from 19 positions that were eliminated. A lot of those, roughly nine or 10 of those were in the water utility. So, you know, that would be an example of something that staff initiated and say hey we need to call the question in some of those vacant positions. Those were eliminated even before we started talking to this joint subcommittee. That's a lot of what happened in the police department as well. We started off this budget process by going back and

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doing our own analysis and looking at vacancy trends. Saying these trends, it looks like you typically have about this many vacancies. We want to back some of those costs out of your budgets. There's no reason for us to fully fund the position, if we know there's a certain number of vacancies the department is going to have. We try to do it conservatively. So we looked at those numbers and projected, recommended a slight increase for the police department and a variety of others. In particular the police department they came back and basically respectfully said that's a good starting point but we have other information about our business that you maybe didn't have and they proposed additional vacancy savings, which is part of the rearranging of the deck chairs within the police department that's allowing them to fund these new positions. So we do do that. >> Sounds as if the austin police department savings were largely through vacancy savings. >> Largely, yes. >> Tovo: I guess just to ask the question

again, to what extent -- I understand the charges, I want to say I appreciate, you know, the charges that went out to the departments about how they should approach this year's budget as my colleague goes colleagues, said, I think we're in a very different position this year than we were last year, it's very responsive to the community's need to see a lower, lower property taxes. But with regard to the utilities, austin water utility and austin energy, beyond issuing the kind of charges, looking for vacancy savings, looking for new programs and new staff positions are funded through revenue, have there been financial staff who have done that kind of line by line analysis to see if there are other opportunities to cut costs from the small to the large? Financial staff outside of the water utility for taking

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a look at that budget and/or the austin energy. >> I could respond a little on austin water. We normally look line by line for 2015 budget but we did it for this current year's budget, reduced costs this year by about 4.5 million. We worked closely with the budget office, assigned analyst, boards and commissions, went through every single line of our operating budget and including lines outside of our operating budget, the transfers, all of that, we really turned every stone. We cut thousands of different line items, we reduced them all from \$100 items to thousand dollars items, 10,000. I think our total budget reductions was over a thousand budget lines that were reduced. So we went very thoroughly through all of that, working very closely with the budget office and city manager. City manager made it clear that, you know, we needed to do everything we could to work through this financial crisis and we've been doing that. >> That's great. I know the ratepayers certainly appreciate it. I guess I'm really just trying to get an answer to whether all of that analysis -- does working with the city manager's office and the budget office include budget office staff looking at that budget for other opportunities that the utility staff may have missed? >> Yes, it does. We have financial analysts or budget analysts for each of the departments. They have a variety of departments assigned them. And they do look at the line item detail. They do bring to our attention any significant changes. Typically the changes are highlighted in the budget document. Anything that's out of the norm both ed and I and greg canale would know of, in addition to the water utility because they issue their own debt. But when we do the rating presentation, we dig deep and do a deep dive into some of their metrics and numbers. Both ed and I participate in that process as well. I do think this year with respect to the water

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utility's financial health being a real goal of ours to bolster, we worked very collaboratively with them, it's very much a back and forth. As greg said they not only made cost containment efforts this year, they rolled those into next year, they have looked at their capital projects, they have reduced [indiscernible] for the next year. We've done what we can based on the council direction to look at ways that we could assist through the general fund or other funds. In making sure that their rate increase is lower. As mayor pro tem pointed out, it was a little over \$4, now down to 2.62. >> Tovo: Sure. >> All the while they are still maining a 1.50 debt service coverage which is really a focus of the rating agency. So I think it was a really good collaborative effort to share. I do want you to understand that we do have budget analysts that know the gray details of every one of these budgets. In fact they have worksheets that show line

item detail changes for us. >> Tovo: So they are looking primarily at the changes, not necessarily the line by line expenditures? [Multiple voices] >> they are. >> They are. >> They are looking at both. We tend to get the highlights of changes from last year. But [indiscernible] every line by line and with austin water utility in particular, there was an interest in really looking at each one of those and considering how it could be lowered. >> Well, they are -- I'll just add, you know, a couple of things. One is, you know, I don't want to understate the importance of looking at the vacancies. We spend a lot of time looking at positions, talking about positions and talking about vacancy savings. For most departments personnel costs are about 80

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to 90 experts, some some cases like the fire department as much as 95% of their budget is personnel. We spend an inordinate amount of time talking about positions, how they are budgeted, full year costs, part year costs, all of that stuff. Now, the remainder 10% of the budget is very important as well. A lot of this plays out in regards to departments wanting increases in contractual commodities, which they are not granted just as a matter of course and so, you know, we talked about the animal services department. We are proposing \$300,000 for additional funds for veterinarian supplies and medical supplies. That was brought to our attention. But before we just said okay we need to increase those funds, we are looking at every line item to say well is there savings here that could just be moved over to this line item to address the need or is there truly a shortfall of budget overall? And so that's in the case of the animal services we did that work. I was involved in that line by line, going through their budget to see if there was any other way to meet those needs other than increasing the budget. Ultimately we agreed with abigale that the budget needed to be increased in those areas. So it is very detailed process. We were getting down in the weeds. >> Tovo: I really appreciate that explanation, thank you that's very helpful. I have some other small questions, I think at this point I will submit through the q and a. As a very last question, would you point us to the best source that would help us understand the fleet replacement schedule. We have some big ticket items for the replace of cars. I know we've had that discussion before at council, possibly the last time we bought the lease cars, but perhaps it's also in the budget q and a from previous years. >> Our fleet officer is here and I know is very well versed on that topic and we could only respond to it via budget question. >> Tovo: I think that's probably fine so we have enough time for everybody to

[05:11:23]

get through their big picture questions here today. I will just say that's of interest to me because we do have, you know, we had several things that were -- >> I'll tell you, it's similar to the conversation that we've been having about line item budgets. It's tough. Plenty of -- jerry is tough, plenty of people will tell you I need this vehicle replaced, he will tell you there's nothing wrong with that vehicle. I'm in conversations about that as well. We meet every year. We have a big pow wow with fleet staff. They have done all of their reviews, they make their recommendations about what has to be replaced, all of the criteria they have. You know, doesn't always line up with the funding that's available. Sometimes we ask them to get a little bit tough and really tighten up that list. And there would be plenty of

departments that would tell you to get in a new vehicle you only get one if you really need one. >> Tovo: Sure. I'm now remembering that we had a relatively recent audit and a few other things, maybe I can ask him later about the best sources to go back over that information. Thank you very much. >> Mayor Leffingwell: Councilmember morrison. >> Morrison: Hi. I want to be mindful of the fact that we have more on our agenda here today. I'm going to keep these really short. Just briefly on the issue of the 44 million-dollar reserve transfer in ae to the reserve, maybe I'm forgetting something. In 2012 when we did the rate increase, part of the ordinance actually called for a further review of our reserves and how we were going to be looking at -- because there had been discussion and there was questions about do we really need all of those reserves and all. And so my question would be have we had that reserve discussion reserve fund discussion? I think it called for planning to do it in the ordinance maybe by october of 14 or something. Is that familiar to you all? >> That is not something that I understand that

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austin energy made a presentation to the council committee in april of this year. That -- that updated you on their year-end results as well as their reserves and we can provide that and see if that's sufficient for you. >> Morrison: So it was my understanding that we were really having sort of questions about what are the exact reserve funds, what is policy for the legal of each one of them, were we overdoing it a bit. Maybe we can back and look the a the ordinance and see if we need to do that. I think that really folds into the bigger questions around the \$44 million transfer that we're talking about. And then on slide number 15 when we're talking about the rate and you have a mention of the rollback rate and the interesting thing is that the rollback rate is less than the current rate. Which means that -- we talked about this before, that without an election, we have to at least decrease our tax rate a little bit. And so my question is-- we're decreasing it more than that, so that's great. My question is, so that seems pretty strange. Has that happened before with your knowledge? I guess it's reflective of the fact that the values are going up significantly. >> Uh-huh. >> I mean the tax rate, I have a slide on here somewhere. 15. >> Slide number 15. >> Yeah, just shows the -- that one right there. The red line shows the tax rate has, you know, in the last 20 years it's been as high as almost 65 cents per \$100 of taxable value and as low as about 40. So it does tend to fluctuate around as values rise and fall, as property values rise and value. >> Morrison: But the question I had was have we been in a position before where our rollback rate is less than our current rate? The answer is yes? >> I believe that we have. It hasn't been recent. >> You look at those years where you see 16% growth

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[multiple voices] has to have the result. >> Morrison: I think that's really sort of a significant overarching issue for us here. And then just two other brief comments. On the t cad request for an increase in their budget, maybe you mentioned it but I might have missed it, what is the total amount that would impact our budget and is that all from the general fund? Or is that -- seems like it m all be from the general fund? >> It would all be from the general fund. It is my preliminary review of it, I think would be about \$225,000 more than what we currently have in the budget for them. >> Morrison: Okay. What do we currently have in the budget for them? You showed the \$200,000 just standard increase I guess. >> Uh-



huh. I may have it here. >> Morrison: That's all right. We can leave that. I think it will be interesting after you all have more time to review the request, your -- your thoughts on the significance of the request. Give us some guidance there. I would appreciate that. And then lastly, on the water utility and the rates, I want to say I really appreciate the work that -- that the staff did, especially with the joint subcommittee. I know they've got a really good -- a really good partnership going on that and for me it's a bit of a tug of war because the rates are -- in my mind the rates are somewhat regressive compared to say the property taxes and so as much as possible I would love to see us minimize the rate increases, if it becomes an either/or kind of thing. Although I think we need to be careful where we do do that and I know that there was a mention of decreasing or just shifting the bcp management to the general fund. >> Just the funding. Management would still be

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conducted by -- >> Morrison: Funding of it. Okay. I know we had a discussion before about was that or was that not really something that belonged under the purview of the water utility and staff sent us a very informative memo on that. And I wonder if you all could just send that to us again because I just want to make sure that we keep in mind all of the considerations that need to go in. That's just going to be the end of my questions for now, thank you. >> The current tcad budget, our share is 2.6 million. >> That helps put it in context. Thank you. >> Councilmember riley. >> Riley: Just a couple of questions under the ctm highlights on slide 36. I appreciate your breaking those out, it is a significant amount. Talking about totaled up to some \$23 million in improvements, which we would expect given all of the changes that we're seeing in the area of telling nothing. I just wanted to ask, on that third bullet point you listed a number of areas where we're seeing new technology initiatives. One I'm not sure about. What is the etl tool. It stands for extract transfer load. It's the tool that helps our various data systems talk to each other. Tied into the business intelligence that's listed on there. That's microstrategies our business intelligence tool, think of it as a reporting system that overlays our various financial systems. Etl is how you get them to talk to each other. >> There's one thing that I don't see on there that I wanted to ask about. When we've had a lot of discussions about upgrades in planning and development review. We had a very encouraging report from mr. Guernsey about progress in that area, moving towards online plan submission and various other improvements, online payments and all sorts of things. But I don't see anything in that area listed under these new technology initiatives. Does that mean they're not happening or is it funded through another source. >> Sue edwards, assistant

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city manager. It doesn't mean that they are not happening. In fact I believe it's the next council meeting when we're bringing to you an item on electronic plan review, which would be the program that we would be using software. We continue to work with it folks to -- they are in progress in doing a lot of the things that we are -- we had said that we were doing. Just taking a little bit of time. But yes we are continuing. >> So we do expect continued progress on that front and this coming fiscal year. >> Absolutely. >> And we'll have a chance to talk about that in more detail at the next meeting. >> Uh-huh. >> Riley: Great, thank you. >> Mayor Leffingwell:. >> Spelman: Just a couple of small things. Even smaller

things later on you'll get in email and you'll get cookies in response to good results. [Indiscernible] back to slide 16 just for a second. Just to validate something that I'm going to ask you about later on and hope to get a written response. But 16 that's the increase in assessed valuation year over year for you will after properties inside of the city of austin. Both for travis county and williamson county. I'm presuming we're adding the two together here. That 11% is not at all out of proportion to what often happens, we've had increases of 15, 18, 16% over the last 20 years, 11% is a little higher than average, but not a lot higher than average. But that conflates two things. One thing is the increased evaluation of properties that were in existence in the previous year. Also increases, there are increases due to new properties or improvements in properties that were not in existence in the previous years. I wonder if there's a way of breaking down each of those numbers, as you've done in the previous slide for fiscal years 2013, '14, '15, so we can actually get a year by year comparison of assessed valuations and

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properties that were in existence in the previous year and separate from that new properties. >> Uh-huh. It certainly is a possibility for the last several years. I'm guessing it's possible for all of these years, but I can guarantee you that it's possible for the last five or six we've been tracking that. >> A lot of people have been telling us, 11%, the sky is falling, my property taxes are increased. By an unprecedented amount. First it's not unprecedented at all. Second I suspect one of the reasons that it's gone much as much as it has overall over the entire city area is because of the increase in properties, so much new construction going on or reconstruction going on and being able to balance out how of that is due to new construction and how much increases in valuations associated with the house that was there before I think would be helpful. >> We can definitely provide that data. I will just mention on the issue you just raised, I think a lot of that is being caused by state law requires the tax appraisal districts to put out the tax bills. In a year like this 11% growth, they are calculating the estimated tax bill upon the current tax rate when it's actually going to be almost 6 pennies lower, does create some concerns in the community. But that's not where their tax bills will ultimately end up. >> Spelman: I agree. I propose a similar question slide 12. Two things. One of them is that the average typical resident, I appreciate you putting typical in quotes, but there is no typical residents. We're all a little bit different. If you are a residents using an average amount of electricity, water, having an average trash can and owning a house that had a taxable assessed value of 196-5, I don't know of anybody who if it's that mold exactly but it's fairly close to where the center of gravity is going to be. Average increase in total street extractions of about

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\$15 a year, about 3.9%. 145 a year. First I understand that properly this is an increase -- it doesn't include for example increases in sales tax because I'm spending more money, therefore more of my money is going to be going to the city as a result of the increase in the amount of sales. So it's not exact but this is a -- [indiscernible] the most important things which are actually increasing the rates which are increasing. >> That's what it's intended to be yes. >> Spelman: I want to point out that 90% of this is due to enterprise funds. Austin energy, the water utility, austin resource recovery and so is 90% of all of the

increases monthly dollar changes for this graphic at least. And if I were interested, if as a city council we were interested or if I were howard beal mad as hell, couldn't take it anymore, wanted to do something about increases in city costs, seems to me like I would be spending 90% of my time dealing with increases in costs in the enterprise funds and only about 10% dealing with increase in costs in the general fund because that's roughly where our increases are happening is in the enterprise funds not the general fund. Is that about accurate? >> That's generally the case. You know, in austin energy, you know, they are the biggest increase up there, more than a third of the city's budget, by far the big kid on the block in terms of funding and cost of that service. But I have to at least mention that the \$4.67 increase up there is nothing to do with austin energy increasing their base rate. It has to do with fuel charges and ercod transmission and those types of things. >> Gas prices and state charges to us rather than things that we are currently doing ourselves. Yeah. So a lot of these needles may be difficult for us to move. But the needles which are most important for us to move, if we are really trying to change that needle on the bottom of 12.13 per month per average household is going to be the ones

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which are not the property tax bill generally speaking. >> I think they are generally larger increases in those utility areas than in the tax bills, certainly this year. >> Yeah, okay. We had -- a metric, which we proposed last year, last year's budget. I want to verify that we've actually met that metric. The metric was that the growth in general fund spending would not increase faster than the growth in personal income among austin residents. Do you remember that? >> I do. [Laughter]. >> Spelman: I'm glad you do. That's by itself about half of what it is I wanted to know. Do you remember what was the increase in personal income among austin residents for last year? >> As we calculated under that byzantine procedure we had to come up with. >> I thought that I was so organized. We sent you a memo on that, it was put in terms of what the -- "allowable" general fund could be, I believe it was \$41.6 million. >> Spelman: Am I right in presuming this increase in general fund spending is less than \$41.6 million. >> You're not. >> Spelman: Darn. >> Let me provide some context there. I think we're at about a \$150 million in the general fund budget. Which I mentioned was a significant increase but couldn't be talked about -- you know without recognizing that right there. That \$11 million of that increase is the result of us thinking it was the appropriate and timely thing to do was to relook at these shared cost models and to move costs out of our enterprise departments and move them into the general fund. So if our tax and ratepayers, if our residents weren't paying for these services in the gorp as

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we're proposing, they would -- general fund as we're proposing they would be paying for them out of the various enterprises. We would be looking at a roughly a \$39.5 million increase, which would be within that index that -- that we calculated for you. >> Spelman: If we're doing apples to apples, we're meeting that \$41.6 million metric. But because we're actually trying to be more direct about how we're paying for things, general fund is paying for more things than general fund ought to be paying for than things are coming a little bit unstuck, but we'll reset that metric for next time. On an apples to apples basis for next time presumably we would be meeting the metric or the letter of it. >> I would think so,

yes. >> Spelman: Thank you, appreciate that. Last points, this is not to anyone's surprise but I felt a need to mention this. You have an increase in total employees projected of 134 and a half for the general fund. Let's see, which page am I looking at here. 27? >> Page 11. >> Spelman: Page 11 I'm getting confused. So many pieces of paper. 134 and a half new general fund employees, less three and a quarter deleted. 35 in that transfer, that's the for firefighters, is that right? >> That's right. >> Spelman: Holding those aside, 134.5 new positions being created and three and a quarter old positions being deleted. So if I'm talking about repurposing, repurposing people, the people being repumped should show up both as a negative on the deleted. Taking out three and a quarter or some number, as a positive on the new; is that right? >> Not -- not necessarily. I mean, for the-- that part of it is true, but there could also be positions, I'm not sure, looking -- there's a possibility there's a

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position in department x being repumped to meet a need over in department y. >> Spelman: Okay. But if I'm talking within a department, though, I'm trying to repurpose, I've got a certain number of lines and I want to take a line and use it for a different purpose. Presumably I'm going to have to change the name of that line from purpose a to purpose b. >> Yeah, that's -- that's not necessarily true, either. That -- that there's a -- you know, Elaine was just saying if you want to move an inspector position from this activity in the budget to that activity in the budget, it's not going to show up as a deleted. We would just move the position to the new activity. It's still within the department. >> Spelman: So for example nine sanitarians might not actually show up and there might actually be only four of those, the other five doing something else before and now doing restaurant inspections that sort of a thing. >> The repumped ones would not show up as new ftes, just the ones that require new funding, either through a tax rate or a new fee. Within a department. >> Within a department. The devil is in the details, we'll have to look at the details on a department by department basis to figure that out. >> Yes, sir. We do have a slide if our fund summaries in the very back in the financial summaries that provides the same level of columns for each department, so you'll see more obviously more detail there. It does not provide you the -- by activity movement within a department. But you can see the detail for each city department in there. And it is in the budget, volume 1. [One moment please for change in captioners]

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six the 38 civilian positions we've been talking about, those are new positions. We're adding them to our hr system. But the funding isn't being taken -- the funding isn't increasing their dollars. We're taking funding from other lines to fund those positions so the position count is correct the way you stated it. 97 of the 104 positions are police department positions. >> If that is actually accurate let me add one more thing to that. It includes positions for city council offices which are dictated by the city charter, is that right? >> No, they're down there in that internal service. Part of the 22. >> Spelman: Okay. 16 of the 22, not 16 of the 134. Nevertheless, if 97 and a half -- I'm sorry, 97 new positions out of 134 and a half new positions in the general fund are in the police department, that's something like 70% of all the new positions we're talking about for this entire budget are in the police department. >> Yep. >> Okay. >> I just want to be sure. That is accurate regardless of where the money is coming from. Since the police

department will not be making a presentation today I'll have to ask you and of course we'll follow up with lots and lots of emails, but roughly what justification for 59 police officers? >> We do have uniformed people here that I think would be better to respond to that. >> Spelman: And one of theirs birthday. So it's only appropriate for us to either sing to him again or make him answer the question. >> Chief? >> Spelman: If I were art I would prefer to answer the question than to have us sing to him again. It would probably cause tremendous ear damage. >> I didn't hear the question, I'm sorry. >> Spelman: I'll keep it short. You're proposing 59 new police officers in this year's budget. How did you come by that number, 59? >> That number is actually a conservative number. What we took a look at,

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councilmember, is we did a needs assessment throughout the city in terms of what the work load is, in terms of calls, crimes, things that are going on, special events. And also looked at what we would be able to use those positions for -- what we propose to use those positions. We actually were hoping for were more positions but this is what we came up with. And I have to find it here. I'm out of -- I'm getting old. Older. So let me find what -- >> Spelman: 50 is the new 35. >> Actually, I thought it was 30, but it doesn't feel that way. >> Leffingwell: Actually, 50 is the new 49. [Laughter] >> >> so we feel we had enough work for about 102 new sworns, but we whittled it down to about 59. And we can provide you with the actual document that shows what we were hoping to get based on the needs that we identified and what is still in the budget and what we would do with them. As you noted last year's budget we still have a tremendous challenge with property crime and part of the problem with that is the way that you impact that is twofold. One is trying to stop them from happening in the first place and that's by having patrols in the neighborhood. And two is once they happen, to investigate them more aggressively. We started to have a positive effect on that. Kim Roswell, I don't know who -- Dr. Osmo talked to us a couple of years ago about putting together a property crimes investigations unit. That is starting to show tremendous results. Part of the things we want to do that is with that still great challenge in property crimes is add more positions, more investigators to that unit. Secondly putting together more folks on our evening shift because our response non-committed time is down to about 15% when we looked

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at it the last couple of months. So when you put it all together, 59 is probably the minimum and we're fortunate that we have the 59 in there, but we feel that we really have a greater need than 59. And we can share that with you in writing as well. >> I would very much look forward to looking at that detailed explanation for how it is that you will use 59 police officers and why is it that fine is the manualic number. >> The magic number is 56, but we'll take 59. >> Spelman: I appreciate the fact that you've broken it down and you have a justification for that number, which is based on work load and need and use of those officers as to how much better service citizens of Austin are going to get as a result of getting those new officers than they were before. >> I think when you see it you'll agree that it's need and we will deliver some great services to the city. >> Spelman: Thank you very much. >> I have one more. This is a quick slide, going back to pages eight or nine, employee pay and benefits. Back of the napkin, certainly not guaranteed by any mines, but what I came up with you can verify this, was a total

increase due to employee pay and benefits of \$47.1 million. Does that sound right? That includes labor contracts, but the labor is only -6z .7 million. >> Are you adding up all the things on this list? >> Yeah. >> Yes. >> Leffingwell: Okay. Any other questions? Councilmember martinez. >> Martinez: Just moving forward, typically we get a slide in the budget presentation that compares us with cities around texas and in comparison of our tax rate. And I'd like to see that, but I'd also like to see it in comparison of the average appraisal as well. So that the tax rate in each city that we compare

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ourselves to and the average appraisal per household. >> We definitely have that and I can tell you we're the lowest tax rate and I can get you the information. >> Martinez: But are we the highest averaged appraised value. >> We are. >> Martinez: I'd like to see that. >> Leffingwell: We have had that slide in the past. I think in the past we've been the lowest tax rate of any major texas city, but somewhere in the middle on tax bill. >> That's right. Lowest rate, highest appraisal, in the middle on the bill. >> Leffingwell: Right. So I guess we're ready to go on to the next portion of your presentation, but before we do, just for planning purposes, I'm anticipating we'll go beyond 12:00, so we're going to bring in -- probably take a 30 minute break for lunch and go on and try to finish. We'll have several more items, including an executive session. Councilmember morrison. >> Morrison: Are we going to do our executive session over the lunch break? >> Leffingwell: We could. >> Morrison: I would prefer that if that's possible. >> We have a number of enterprise funds in the city. As mentioned earlier, austin energy is 36% of the city's overall budget. They are proposing a budget for fiscal '15 of \$1.4 billion with a workforce of 1,673 full time positions. They are asking for no new fte's. And a summary of some of the significant changes in their cost and some savings in their proposed budget. Some of the increases that I'm listing here.

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They have the cost drivers and for austin energy and certain positions that I mentioned earlier as well as their i.T. Positions. 5.2 million for additional improvements in the customer billing system, three million dollars for technology contract staffing, as well as \$10 million for department-wide contingency. The general manager in working with his executives, scrubbed budget, cutting all contingencies in the business unit and collated this amount so it is under the control of the general manager and this would cover unplanned expenses throughout the year with his -- with his approval. Some of those might include unplanned outage expenses, those kind of things or studies that come up that they need to have, but it would be subject to his review and approval. In addition, there are utility customer debt is increasing almost \$11 million and they do-- we did a presentation for council late in june and talked to you about how they plan to reduce that for austin energy as well as the other utilities they bill for over the next five years. They also had some significant savings that total about \$54 million in their budget. The nuclear and coal operations are seeing a savings over the prior year of \$17 million. Much of that related to a drop of cost of unplanned expenses that they had in 2014. Debt services is being reduced by 17 million. That reduction is the result of the restructuring of some debt that they did in in late calendar 2013 and they're seeing savings this year, so that's flowing through to their bottom line. And then

they've actually reduced their cash funding

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for capital projects by \$16 million, which is related to offsetting income they expect from the new capital recovery for their line clearance or their new extensions of service. And also they are part of the transition plan for funding for economic development, the three-million-dollar savings there. So they're improving final metrics with the 2012 adopted rate structure allows the transfer and they've budgeted a transfer to replenish the strategic reserve fund by \$44 million. Their recoverable expenses, which include their fuel and power supply costs, their regulatory costs, which are for the transmission grid, and ercot charges, as well as the customer benefit programs, are covered by their adjustable rates and we'll cover that in the next slide as well. All of their budget requirements are covered by their remaining revenue. Austin energy in the proposed budget is proposing no change in their customer charge or their base electric rate. Each customer class has a customer charge, although it does vary by customer class with the residential being \$10 per month. So that is their customer charge is their fixed rate recovery. The base electric rate is based on tiered rates in many cases, plus a demand charge for the commercial customers. Their adjustable rates are reviewed annually and they're set to cover costs on a dollar for dollar basis. These rates are stated in a cents per kilowatt hour measure. They are proposing no change in the customer benefit charge, which currently is at 66-point five cents per

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kwh. The power supply adjustment includes costs through april and that is increasing .23 cents per kwh to 3.943 cents per kwh and that is to cover a 42-million-dollar increase that they've seen in their fuel and power costs. The regulatory charge is really a pass-through of statewide costs based on the portion of ae share of the electric reliability council of texas service area. Their share is about four percent. That is increasing by .23 cents to one cent -- 1.027 cents per kwh and that's the recovered \$25 million increase that they're seeing for the statewide transmission grid buildout. And that has been the transmission lines that bring the west texas renewable energy into the populated areas of the state. The affordability goal that was set by council in february of 2011 was the third leg of a three-legged stool related to the generation plan. The generation plan as you recall had a percent of renewable goal, it also had a 2020 year. So the affordability goal was added as the third leg of that balancing of the percentage renewables, the date that you would achieve that goal as well as how much it would cost you. And so there was a lot of discussion with council, several presentations, but what was adopted was the system average rate increase of two percent or less per year and to remain in the lower 50% of texas rates overall. So that is the measure that every time austin energy purchases renewables they come back and they do this measure for you as well as during budget. So that's where the two

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percent was established back then. What we've do got is a situation where we've got uncontrollable costs. To some extent the fuel is not controllable. The power costs are based on ercot -- what we buy

the power for in the ERCOT market. As well as the statewide grid costs are not under our control. They're approved by the Public Utility Commission of Texas. So these uncontrollable costs are driving these costs up that are recovered through these rates and as a consequence at this point the budget proposal shows that they're 1.4% over the two percent goal. The two percent goal was always meant to be a goal. That is using the best information available that we have at the time that the budget was crafted and developed. They are continuing to update and analyze their May through July cost. As I mentioned we're trying to pull the July costs in. We haven't closed the books for July, but we are working closely with Austin Energy to get an update on this so that it can be presented to -- the information can be presented to Council with August at their budget work session. Moving to the Austin Water Utility. Again, they are 13% of the city's total budget. With a proposed budget of \$508.9 million and a workforce of 1,147 FTEs. Their requirements are \$30 million lower than the current year budget. Meanwhile, they're absorbing increases for their base cost drivers amounting to seven and a half million dollars as well as the operations of newly annexed municipal utility districts, River Place and the Lost Creek M.U.D. They are requesting for new

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FTEs. In fact, they've eliminated 10 positions amounting to a \$1.1 million savings in this proposal. They're deferring year two of a five-year staffing plan, which is deferring 60 FTEs for a savings of 4.3 million in addition. They have current year cost containment programs in place that are generating about four and a half million dollars in savings, which they have continued into the 2015 budget. They've also relooked and reprioritized their capital projects and reducing the cash funded portion of their capital program. Reducing their transfer to the capital program by eight million dollars. In addition to the efforts that -- significant efforts that the Austin Water Utility has made, in working with them we have proposed about \$9 million of additional changes and savings to the water utility that will mitigate their rate increase. These have been outlined in prior slides. I'll go through these pretty quickly. Elimination of transfers to both the Police and Fire Department for Homeland Security, savings 1.2 million for the Fire Department Hazardous Mitigation program of \$400,000. We're transferring funding, not the management of the program for the Balcones Canyon Land Reserve to the general fund. It will fund \$1.1 million. And then we're eliminating the sustainability transfer of \$4.8 million and realigning that funding with the general fund, which is the more appropriate place to fund workforce development and housing costs. And then Austin Energy identified a savings for the water utility in their billing system support charges.

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With respect to their rates and fees, as you know their revenue volume activity has -- volume activity has been a challenge for them based on the severe drought that we're experiencing here in Central Texas. This proposed budget includes the joint subcommittee recommendations on their rate design. It includes a new drought fee for stage three and four water restrictions if they occur. And suggested budget reductions and savings with the exception of changes in the general fund transfer methodology or amount. In addition, the water utility with -- in discussions with the taskforce changed their average residential usage, lowered it from 8,000 gallons to # thousand gallons. 7,000 gallons. The result is a



combined systemwide increase, 13 percent and a half of that is for water customers. 2.3 percent for wastewater and 13-point #% for reclaimed water, but that is a small set of customer groups. The impact on the typical water utility residential customer is 6.2 -- \$2.62 per month. Their water reserve surcharge, which is really -- for water revenue stabilization, which was implemented last year, was -- will be raised from 15 cents to 19 cents in this proposal per thousand gallons. And again, this is to reserve set aside to fund future water revenue shortfalls under certain conditions that can be used. This budget also maintains their financial health with respect to their operating cash reserves. They're set at a minimum of 60 days. It also maintains their debt service coverage of 1.50,

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which is important to the rating agencies. The budget is is \$118 million with a workforce of 179 ftes. They are seeing a lot of activity out at the airport with new expansions and new service areas where the customs area is, so they are adding new ftes to their budget. Especially to be able to enhance and monitor their capital projects for their seven gate expansion. They're adding technical support for the new shared gate area. This is the counters that the airlines use to handle their customers. They're moving from a single counter kind of designated for a specific airline to a counter system where they're shared by all airlines. So an airline can move in and out. So because of that we've got some additional need for staff to provide technical support there. They're also adding some staff that will have enhanced their security traffic management t monitoring of the parking operations, both the revenue side and the expense side on the operations, and converting a few temperatures to permanent. All those new ftes amount to about \$2.2 million. I want to mention that the shared airline counters are charged back to the airline so those are fee-based. They're also adding -- I mention they had a new terminal area where the customs service is. They're adding 10 temps to enhance customer service in that area. The airline costs from plane to passenger is -- will be proposed at 8.55. Their current estimate is 8.41. And this is a metric that's really looked at closely by

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the airlines. In addition, because of the expansion the airport will be transferring \$26 million to their capital fund. Our airport really benefits from our robust economy here in austin, our tourism, as well as some new carriers and their routes. They expect a five percent increase in their passenger traffic, which is consistent with their actual experience. About 40% of their revenue is from the airlines and the remainder is from non-airline fees for parking, concessions, rentals and others. Austin resource recovery has a proposed budget of \$82 million and a workforce of 414 ftes. They likewise are asking for no new ftes like some of the other enterprise funds and departments. They are transferring one fte to the corporate public information office. They had significant efforts to minimize their rate impact and it held their requirements to just a 1.5-million-dollar increase, which is a 1.9% increase for them. As mentioned before we're eliminating a 600,000-dollar transfer to parks for park litter pickup, although the work is still being done. They've benefited from our reallocation of the call center cost based on service levels by about \$700,000, and also benefited from the transfer of the sustainability fund to the general fund by about \$700,000. Curb side collections are on a per gallon cart rate. They do propose some increases

there. The base customer charge will increase \$1.85 to \$11.35 per month. Their 96-gallon cart rate will increase, proposed increase is \$4.80 per month

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to \$28.80. Also, the austin resource recovery portion of the clean community fee has a proposed increase of 75 cents for their residential customers to \$7.40. The \$4.65 for their commercial customers to \$17.95. This is for litter rebate, street cleaning, hazardous waste proposal. The clean community fee is split between austin resource recovery and austin code, and the austin code portion of that fee is not increasing, just the arr portion. Our austin code department has been rebranding, so instead of being code compliant they're now called austin code. Their proposed budget is \$18.4 million with a workforce of 108 ftes. They're proposing no new ftes in this budget. They will see their base cost drives increase 1.1 million. They see increases in their allocations from support services and for customer building and their utility customer debt is increasing. They have new funding for -- they have additional funding for a new office rent out at rebecca baines center as well as temporary staff that they're using to monitor compliance with universal recycling ordinance. They are also using 1.8 million of their ending balance to fund their requirements. So they will draw down their ending balance this year. Our convention center includes the operations of the convention center, palmer events center as well as the related parking garages that the convention center staff manages. The combined budgets for all of those activities is \$101 million with a workforce of 250 ftes. They are asking for no new

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at the times and they are actually eliminating one long-term vacant position. Their requirements are increasing about \$30 million. The bulk of that is related, or 94% of that is related to a transfer to their capital program of \$24 million for a future convention center improvements and four and a half million for palmer event center improvements. Their other cost increases are the base cost drivers, the cost allocations that we've talked about a number of times. Catering and concession contractor costs, which are generally offset by reductions in other areas. We're continuing to see strong growth in our hotel occupancy tax because of tourism, the economy. It's projected to increase by four percent for a projected \$68.5 million. And this is about 60% of our convention center's revenue sources, so it is a significant revenue source to them. With respect to public works and the austin transportation department, we have split those two departments, which were in the transportation fund previously, into two funds, public works will remain in the transportation fund, austin transportation will be moved to a new mobility fund. For the public works department, they also manage a capital project management fund as well as the child safety fund, which is in these -- in these budget and workforce numbers. They are reducing their fte count by 23. 10 are absolutely being eliminated due to reduced work load. 15 are being transferred to the transportation department in the mobility fund, including four for the bicycle program, which will move to that fund. Four to support services and six that the transportation department will repurpose. We're adding two positions

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that are being transferred into the capital projects management activities. And they are other changes are really due to their base cost drivers and cost allocations. Our transportation user fee, which provides funding for both public works and a portion of the funding for both public works and transportation, it provides about 80% of their resources, it will increase by 45 cents per single-family home per month to a level of \$8.25. The increase is broken down by 27 cents for public works and 18 cents for the transportation department. And as ed mentioned earlier there's an additional transfer to the child safety fund to bring them into financial compliance, otherwise they would have a fund deficit. Again, I've mentioned the austin transportation fund is moving to a new mobility fund. You look at that fund summary you will have zeros in about four columns and you will have one column that will be the 15 proposed budget that will have amounts in it. Again they are increasing their budget by 15 positions. Their total budget is about 33 million with 198 and a half ftes in the workforce. We have the transfers from public works which I just discussed and then they are eliminating one fte and one fte is being transferred back to public works. This may be a bit confusing, splitting a fund into two departments doesn't occur that often, but we think that this will be more transparent with respect to their different department missions. And then there are other requirement changes again based on cost allocations. In addition to the tuf increase, austin transportation is expecting a five percent increase in their parking revenue -- parking fee revenues for their parking management

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fund. They are adding one new position to address the lake austin watershed management. They're requirements are increasing. 7.6 million. 2.7 million of that it for their base cost drivers. We had some waller creek tunnel operations in place in 14. We were adding \$300,000 to analyze annualize that cost. It will increase by six hundred thousand dollars. They're seeing an increase in their utility customer debt of 1.2 million and they're also proposing a two-million-dollar increase in their capital transfer. This capital transfer is really the funding source for their drainage master plan, which has been in place -- is a long-term strategy and been in place for a number of years. Their goal is under this plan is to set aside \$30 million a year. They're getting close to that. With this two-million-dollar increase it will bring their transfer to \$24.6 million. Per year. The drainage user fee provides 98% of the revenue for this enterprise fund and they are proposing an increase of 66 -- of 60 cents per month to \$9.80. The nonresidential it increase is proposed at about \$15 per month and that will bring that to \$242 per month. I only have two other slides -- two other funds that I would like to cover. The neighborhood housing and community development fund has a budget of 17 and a half million dollars and a workforce of 54 ftes. Of that about 54% of their positions are grant funded. They're also adding two new

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positions to manage -- to better manage their 213 housing bond program of \$65 million, and again to -- and also to monitor the affordable housing units that they've already created in prior years under prior contracts. They're grant funding will remain flat for the year. In prior years they saw significant decreases of about two million dollars, but we've got \$9.7 million in cdbg and home grants in the

proposed budget. In lieu of a transfer from the sustainability fund, they will see a transfer from the general fund of 5.3 million. 3.8 of that is to replace the stability fund and 1.3% is to hold them harmless for the allocation of the administrative support cost to the housing department. And then they've got a small transfer of \$842,000 from the general fund to the housing trust fund, and this is based on the program where 40% of city property taxes from the developments on city lands in the desired development zone is transferred for housing purposes. And the last fund that I will cover is the economic development department, and they actually handle a variety of programs. This is the main department here. Their budget is \$13 million, with 56 employees. They are proposing three new positions, including current -- converting two temporary staff to permanent for the art in public places program and also for the small business development program. These are funded by reallocating priorities, so there's no impact to the departments that fund the

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economic development. They're also adding one new position for the music program that is funded by a new outdoor music venue fee for sound impact evaluations. With the closing of the sustainability fund, workforce development contracts are being moved to economic development so there's an increase of 331,000 for that. And then just a reminder that this is the department that funds the contracts for the minority chambers. Ed has already talked about the new allocation-- the new funding model. We're in year two of that plan. And so with that if you would like, mayor, we can move on with the capital improvements program -- >> Leffingwell: Go ahead. >> We'll turn that over to kim springer, our deputy budget officer. >> As you're well aware we have a very active capital program and fy '15 is no exception to that. First of all I've give you a quick overview of the new appropriations included in the fy '15 budget as well as the anticipated spending. And one point of clarification, the numbers between appropriation and spending will never match because the capital budget is a multi-year funding situation so they're able to utilize appropriations granted from prior fiscal years. So to the overall new appropriations for the city is \$148 million, of which 169 million is attributed to our general government departments. Those include public safety, parks and recreation, library and the sort. That's remaining relatively flat versus fy 14 there's only about a six percent increase in appropriations there. The majority of the new appropriations are related to the enterprise departments and in particular austin energy and

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aviation. Those represent approximately 64% of all the new appropriations. And in addition total new appropriations for all the enterprise departments is increasing by approximately 34 percent. Some highlights from our general government department. First off, the building services department will continue various renovations at city facilities, but they're also going to be forming a partnership with the fire department on addressing some needs at various fire stations that I'll go into in just a little bit. Ctm, they will continue the upgrades to the amanda system as well as working with numerous departments on expansion. The city's business and intelligence reporting tool, but also taking part in the installation of the arpad system of the libraries and google fiber community connections. The economic development department will have significant involvement in the seaholm district redevelopment. They

are also leading with the austin film society for the development and construction of facilities at austin studios, which is a 2012 bond program project. The health and human services department will continue work on site infrastructure improvements on their campus as well as move forward in a partnership with the parks and recreation department with the design for the montopolis community center. The library department will continue construction of the new central library that is expected to open in 2015 and it will also have improvements to the southeast austin community branch library. And finally neighborhood housing, they will also continue all their efforts related to rental and home ownership projects. The parks and recreation department, they have an extensive list of park and facility improvements that they'll continue working on. Generally funded through bond programs. Various bond programs. They would also begin master planning the lamar beach

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area and then continue its partnership with the waller creek conservancy for the redevelopment of the waller creek district. The planning development and review department will receive additional funding for the code next project and they will also begin the south shore plan. The public safety departments have a number of 2012 bond program projects, but as it mentioned previously with building services, the fire department is also going to be moving forward with their women's locker room project and expanding that into a touch it once type of concept. There's additional funding included in the capital budget this year to help with overall renovation needs at the stations that are included in the current phase of the women's locker room project. Public works will address a.D.A. And sidewalk components throughout 10% of the city's street inventory and transportation department will further implement its signals program. And that includes additional pedestrian, hybrid beacons, wireless school flashing beacons and a pilot program for enhanced bicycle detection. And they'll also advance components of the i-35 corridor project. Since the general government cip is funded vastly by bond programs we want to begin give you you -- again give you an update on where each of the bond programs stand from a spending perspective and all of these numbers are through the third quarter of this fiscal year. The 2006 bond program of course includes 567 [indiscernible] for a variety of projects ranging from transportation to public safety and affordable housing. At this point 94% of that bond program is spent or encumbered. And it is expected to be substantially complete in fy 16. Some of the sending highlights for fy 16 through for the central library, various finishout of various transportation projects and

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some trail work, particularly on northern walnut creek. The 2010 bond program includes \$90 million for transportation and mobility projects in the region. And through the third quarter 96% has been spent or uncle base electric rated and similarly to the '06 program we suspect substantial completion by fy 16. Some of the highlights for fy 15 include about \$3.6 million for street reconstruction improvements. 2.6 million for bike way, a.D.A. And pedestrian, of which 1.4 is specifically for a.D.A. Sidewalk and ramp improvements. And mobility enhancements such as i-35, rail street grade crossings and local other traffic management. The 2012 bond program is just over 306z million dollars and includes funding for transportation, public safety facilities and health and human services facilities and libraries. The fy '15

new appropriations for this bond program total \$91 million. Through the third quarter, \$48.7 million has been spent and 8.2 million has been encumbered and we expect substantial completion in fy 18. Some highlights for each proposition, for the transportation proposition we will have various projects. East 51st street improvements. For the parks proposition you will see work related to the montopolis community center and cemetery renovations. The health and human services proposition will be continuing work for the renovation, expansion of the women and children's shelter. And in library and cultural proposition you will have work on austin studios as well as branch library improvements of the millwood pleasant hill and university hills branches. Our most recent bond program is 2013 for affordable housing which included \$65 million. Tull recall it received its first installment of

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appropriation for amendment back in january for \$15 million and the plan is to include \$10 million each fiscal year to support its programs. Right now just about \$2.6 million has been spent or encumbered and we anticipate some significant progress in that -- in expenditures and encumbrances because today the texas department of housing and community affairs will be making its announcement on tax credit awards for our region. And a vast amount of that initial \$15 million is currently allocated to support those projects. So we're looking forward to those announcements today. And in addition, it's anticipated for this to be a six year program and include both home ownership, rental programs and the home repair program. Moving on to our enterprise departments, austin energy represents the majority of spending for amongst all the otherwise. And some other highlights include upgrades to the decker power station and sam hill energy center, community projects, network improvements projects throughout the territory. Austin resource recovery will be focusing efforts on remanufacturing hub project. This is located at the fm 812 closed landfill. And it is -- its goal is to provide leased space to businesses and nonprofits to develop waste-based businesses in support of the zero waste goals. The water utility will focus its efforts on replates. Or rehabilitation of water and wastewater mains as well as the growth of its reclaimed system. The aviation department, which has quite a bit of activity going on, very exciting projects. The east infill project, as a multilevel addition to the east end of the terminal that includes new checkpoint

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facilities, baggage handling and support facilities. They're also working on their terminal expansion that will add over 70,000 square feet of new terminal concourse space, seven new loading bridges, 12,000 square feet of concession space and international gate capabilities. They're also expanding their apron to allow for added aircraft parking positions and taxi lanes and they're also going to be doing a new parking garage in lot a to increase their parking capacity in light of the significant passenger growth they've experienced. Then they expect substantial completion for these projects in 2017, so the flurry of activity out at the airport. The convention center will have a new elevator in the second street garage. They will be working on new meeting space for their clients at the [indiscernible] house and also working on additional outdoor venue space. And finally the watershed protection departments will be working on home buyouts in the onion creek area and utilizing the funding they received this fiscal year

as well as work for the waller creek tunnel and its partnership with the waller creek conservancy on district improvements. So at this point I'll pass it back to ed for him to cover next steps. >> Just real quick. If you're like me and you like to put things on your to do list so you can check them off, that's what this is. Town lake center, JULY 31st, PRESENTATION Done. August 7th i. >> Leffingwell: They're all checked off. >> The first one got a big green check. The budget we're presenting to council today is really kind of what we would views as our starting point of our budget discussions. We have six weeks of what I'm sure will be lively conversation with council as we move forwards an adopted budget on september eighth.

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One of the things we still need to work through is roughly 24 funding initiatives that have been brought forward by council via the ifc process. Staff is currently working diligently. Has been working diligently on doing cost analysis on those various items and are going to be preparing a report, including funding alternatives, strategies that will be presented to council on august 7th. There are two of the items however that we feel maybe can't wait until AUGUST 7th. One of them is the potential for delivering a homestead exemption. We circulated a memo on that last night and it's agenda item 3 on this agenda. The reason that one is coming forward today is the council direction was to bring it back at the next budget work session, which is today. And then I mentioned earlier we're going to be circulating a memo probably sometime tomorrow on funding options related to onion creek and williamson creek floodplain buyouts. On august 13th we'll be back in this room, same setup, same time, 9:30, to go through our departmental budget presentations. We would anticipate given prior history with this, we would probably be able to get through about 12 to 15 approximate departments in a full day council work session so we'll be for focusing first on general fund and major enterprise operations. On august 19th, we would need time with accountant to set our maximum tax rate to call a special called meeting on august 19th. That's the purpose of item 1, so that will be pending council action. As a result of the delay in the certification of the tax roll, at this point in time we would be hoping to get that certification on the 15th and to come back to council on august 19th to do that first step in the truth in taxation series setting the maximum. That has to occur before we can start holding the public hearings. If that can stick on august 19th, we would be on august 28th having our first

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hearings on the budget tax rate and utility rates. On september 3rd would be our final council work session. That's kind of the prebudgetted option work session that we started doing last year. We would also seek to have our second public hearing on that date. Again, in order to comply with the truth in taxation requirements. That would then allow us to adopt the tax rate on september eighth at the same time we adopt the budget. The schedule would need to be revised if we do not get certification on august 15th, but right now that is our anticipation in conversations with tcad. That concludes our presentation and we would be happy to respond to any other questions. >> Leffingwell: Questions on the second part of the briefing? I'll start off and I'll just say -- I have to say I'm very disappointed in the proposed rate increase from austin energy. Really we just adopted this policy and we made an exception

for the generate case that we had last year. To exceed those affordability goals and now we're back the very first time, very next budget after that we're talking about exceeding it again. So I want to know a lot more about what went into this. Frankly as they say, I want to leave no turn unstoned to make sure that this is the absolute only course of action that we can take and I think -- I would like to hear what options are available to avoid doing that. Councilmember martinez. >> Martinez: I agree with you completely. And what I possibly would suggest that could happen is what we did at the water utility is to venus a taskforce to -- convene a taskforce to look at austin energy or maybe an internal taskforce to come up with as many potential budget savings measures. And I know they probably have and this is probably

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their bare bones proposal. But I agree with the mayor that this does not feel and look appropriate to citizens and it would put \$54 million into reserves and raising their rates. >> If I may say we're concerned about the same thing and have had all of the same conversations. As you all know it's a very complex issue as was being described previously in this conversation. I would suggest we not launch a full taskforce with this, but let us come back to the date that was talked about here and really lay it out in detail. I have elaine working on a range of options to present on this council and see what they can do about it. >> Leffingwell: I think the time may be short for a taskforce to get us to budget, but certainly we have the opportunity to get input from the euc. In addition next week we have a meeting of the city council, austin energy committee where we can discuss this further. Basically in addition to looking for ways to avoid violating our goal, I also want to know is there anything that we have done, that we have done since this policy was adopted that projected this past set goal? Because that was really the purpose of setting the goal so that we would not take these actions that would cause the rates to increase beyond two percent. So I want to find out more about that too. >> Spelman: Mayor? >> Leffingwell: Councilmember morrison. >> Morrison: Just a follow-up to make sure I understand. Since much of that increase is due to -- all of the increase is due to uncontrollable cost, my question is if they are really uncontrollable and to get it down to two percent is to increase our base rate, does

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that mean that we have a rate case. How does that all work? >> I think our solutions that we've talked about are within the realm of these adjustable rates. Certainly if you adjust your base rate you're opening up the potential for a full rate case. And austin energy currently has plans for updating their cost of service study for preparation for their next rate case. So it would not be timely to adjust the base, but we would look at things that we could do within these adjustable rates. But again, we're looking at the estimated costs again. That's our first step. >> The estimated cost -- >> of the fuel and power supply cost as well as the recovery -- the regulatory charges. >> All right. So we'll have plenty of time. That will be a lot longer discussion. I want to ask just one question on slide number 42. When we're talking about water again. And just one thing I want to get real clear, one of the -- so the difference in impact to the ratepayer for water includes the fact that we're estimating instead of 8,000 gallons, we're estimating 7,000. And I want to double-check and make sure that that's consistent with our overall estimates of volume sales that we're folding into it. That it all aligns together. And I see greg



there nodding his head very quickly. Because otherwise it looks like funny money. It's like it won't cost you so much because we're assuming you use so much. But I'm assuming the revenue expectation is going down also. >> That's correct. The estimated use for the average residential customer declining is also incorporated in our total water sales forecast.

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>> Morrison: Great. So it all lines up. Thank you very much. >> Spelman: Mayor? Actually, while Greg was still standing up, if you would come back. There will be lots of details on this general issue, I think, but the general question is if your requirements are about \$30 million below 2014, how much, if any of this is represented by deferred maintenance or deferred capital expansion cost that we will simply have to pick up again in 16, 17 or ensuing fiscal years? >> Well, the reductions are a whole basket of them. Some of them are some deferred maintenance. We might have a maintenance contract that we would do next year that we said hey, we can stretch that and start that a year later than what we would. So there are some of those in there, some contracted services. Some contracted services we're going to try to do with in-house staff. For example, we had forecasted investments in modernizing our large meter balls so we could change out some of our large meters. Some of the vaults are too small for us to get in and change with modern meters. We were going to contract that service now. We'll try to do that now with internal staff. So there are some of those things happening. There's a lot of trimming up and tightening up of contingencies and various line items. There were some contracted services that we proposed to cut originally that the taskforce thought were too deep. We were going to cut our televising contract, where we televise wastewater lines. Those are some really core services. Valve turning, a few others that the team ended up, along with the joint financial subcommittee, adding back in just I think for some of the reasons that you were concerned about, that we would be pushing too much down the road, maybe taking additional risk. I think the whole basket of cuts, we feel pretty -- they're substantial and are

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going to be challenging, but we feel comfortable with those cuts, for lack of a better term, in terms of appropriate response to this revenue crisis that we're having. We've got to have skin in the game and I think that that's appropriate level of reductions for us. Certainly holding our staffing flat, actually reducing our staffing by 10, including maintaining our current vacancy rate. There are some issues there. We are absorbing two new m.u.d.'s that have their own plants. We have it with the existing staff and we might have added staff for that. >> Spelman: My concern is partly risk and partly cost. If we don't spend money on maintenance now, for every dollar we're deferring we'll have to spend more than a dollar in some future year to make up for the fact that that system continues to deteriorate. We went off with a whole cycle of this on our streets back in the 19 90's and we want to be sure we don't do the same with our water system. >> We will be very mindful and watchful of that. Hopefully this is short-term as we get back on our feet and restore full maintenance contracts and our cap and others. And we're still investing into the capital improvement program. We still have monies budgeted for that. >> Spelman: Look forward to longer conversations about that too. Thank you. >> Leffingwell: Okay.

Councilmember Riley. >> Riley: Mayor, I do have a few questions about the ground that was covered during presentation. I could hold off on those until after lunch or submit them as written questions. >> Leffingwell: The plan is -- I was going to go ahead and I think items 1 and 3 will be very quick, do those. They're basically taking some action on setting meeting times. And there's been a request for a postponement on number three and we'll have to take action on that. Obviously the option you suggested was submitting your questions in writing.

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If there are no other members that have questions on this part of the briefing, we could dispose of this if you're willing to do your questions in writing. So with that I think I just outlined our next steps, which leads us basically into item 1, and what has happened is where we're having our temperature meetings at the Travis County building, those facilities will not be AVAILABLE ON AUGUST 21st. We have to set the maximum tax rate and that's assuming on August 15th we have that data available for that meeting. So to make a long story short what we need is a motion to cancel the August 21st council meeting, but keep the August 19th work session and direct the manager to set the tax rate hearings and meetings at the times and dates that comply with state laws regarding those hearings and meetings. Is there a motion? It seems the meetings before the break were so long and had so many items, so if there's a way to change that meeting on the 21st to some other venue that that might deep our agendas more manageable. I don't know whether it will continue to have 150 agenda items on it, but it seems we've had a lot of work to do over the last few weeks and we'll continue to have more in the future. Is there someplace else we could hold that meeting on the 21st of August? >> Leffingwell: We'll ask the staff to look into that. Maybe we could -- if necessary we could post an item on next week's council meeting to address that. There's plenty of time to do that if you can find a

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place. >> Spelman: I would prefer to have staff look at that and see if there's an alternative. >> Leffingwell: But for now can we have the motion to cancel -- I guess you want to wait until the end to see if we need to -- >> Spelman: I would prefer to, Mayor. >> Leffingwell: Okay. Councilmember Tovo. >> >> Tovo: I just need to ask a clarification. I know you addressed this in our schedule, but what are the work session days that are planned for just council discussion for the budget? Right now it's just August 19th, is that correct? >> The work session dates like this talking about the budget, we have August 13th where our departments will be making presentations to council and their specific detailed budgets and responding to questions again. Probably 12 to 15 would be a guesstimate of how many we can get through and we'll focus on the general fund and [indiscernible]. It has a prebudget adoption work session. On that work session right now staff does not have any presentations or anything planned or scheduled. That would be for council to have your final round of discussions leading up to budget adoption. Of course staff will be here to answer the questions you may have. [One moment, please, for change in captioners] >> works more smoothly with that discussion day in the mix. >> That was the thought,

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the 21st was canceled BUT WE KEPT THE 19th, IF We have to have it for setting the maximum, that could then be turned into an additional date of talking about department's budgets if the meeting on the 21st is kept. >> Mayor Leffingwell: That is the extra time there. >> Then you wouldn't have to probably -- probably time for your work session discussion if you keep the AGENDA ON THE 21st. >> Mayor Leffingwell: Let me say, I understand the problem as well as you do. The last I heard there was -- there was 169 items on next week's and still growing. So it is a problem. At the same time, it's been very difficult to find a suitable place to have a meeting. Even planning months and months ahead of time. So I'm not optimistic about that, but I'm willing to -- to -- there's no urgency that we have to do this. We could take this item up again next week's council meeting. But at the same time, we don't want to -- we don't want to have a council meeting in the coat closet, either. I mean, there's -- there's a responsibility to provide a place for people to come and watch the meeting and all of that stuff. >> It means we'll be quicker. >> Mayor Leffingwell: I would say a suitable place. If something pops up. >> Cole: Mayor -- >> Mayor Leffingwell: There are also a lot of other concerns, security, et cetera, et cetera, et cetera. If you want to give it a shot, we'll give it a shot. >> Cole: I just wanted us to remember that we had a meeting before at a school. And so I hope that we can also talk to aisd because we know there are a lot of those, school has not started yet. >> Mayor Leffingwell: If you will give any suggestions, that and another others that you have to the staff, I'm sure they will be willing to -- it takes time to put these, you know, there's a lot of electronics, a lot of notification, and other requirements, but we're just -- there's no urgency to make this decision for cancellation today. So we'll look into it. >> Morrison: Mayor? >> Mayor Leffingwell: Councilmember morrison. >> Morrison: Thank you, just for planning purposes, I wanted to double check on -- on the august 13th

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budget work session, departmental presentations. I have that on my calendar. It looks like it's just a morning thing, but it sounds like maybe it would be more realistic, if that's the question, would it be more realistic to schedule the day? >> Mayor Leffingwell: I think that is an excellent point. I think in your personal schedule, at the very least, we could plan to stay for most of the day. >> Morrison: Okay. I assume that's the same for the 19th and the 23rd, also. To whether -- >> Mayor Leffingwell: WELL, AUGUST 19th, THAT'S Basically in addition to setting the tax rate. It's going to go over extra time anyway, isn't it? >> Morrison: For council discussion on the budget? >> Mayor Leffingwell: Right. >> Morrison: Okay. So -- so personal planning -- >> Mayor Leffingwell: For personal planning on august 13th plan to come early and stay late. >> Morrison: And the 19th, ALSO? Sounds like it. >> Mayor Leffingwell: Your choice. >> Morrison: Sounds like IT, PROBABLY THE 3rd. To be realistic, whenever this council gets together to talk about budget, we take up the whole day. >> Mayor Leffingwell: I hear ya. >> We do. >> Morrison: Thank you. >> Mayor Leffingwell: Okay. So -- so we're all set on that item, we'll just post that for the -- for the next regular meeting on the 7th of august. And on item 3, we've -- the sponsored who requested this briefing have -- are also now request a postponement. I would suggest that since we now know that we can't implement any kind of homestead exemption in this year's budget cycle and we already have a written briefing on this, that we let that written briefing suffice and not have -- and have

the briefing at any time, maybe next year. >> Mayor? >> Mayor Leffingwell: Because it just has to be done before -- before july

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1st. >> Right. >> Mayor Leffingwell: Councilmember martinez? >> Martinez: As one of the sponsors of this, we're not requesting a postponement. We are willing to postpone it because of the tight schedule we're under. But we do want to have the briefing. So my motion would be to postpone this item until next tuesday's work session. And have the briefing then. >> Could I suggest that we do it after the budget cycle? That way we'll have plenty of time. Since it can't be a part of this year's budget anyway. >> Martinez: Well, probably not. But I think the point of the item was to bring it forward during this budget cycle because we're going to get continued requests as to why are you not entertaining a homestead exemption and we need to have that briefing to clearly demonstrate to our citizens that 20% it's going to cost us \$35.5 million, it's going to be very difficult to implement. I think it's very important that we have that briefing during this budget cycle. >> Mayor Leffingwell: All right, so make your motion. >> Martinez: My motion is to postpone item 3 until tuesday. >> Mayor Leffingwell: Next tuesday? >> Martinez: Yes, sir. >> Mayor Leffingwell: Is there a second for that. >> Tovo: I'm going to second that as well as the -- >> Mayor Leffingwell: Seconded by councilmember tovo. >> Tovo: I do think this has the most meaning while talking about departmental budgets. We did, I think it was last year during the course of the budget, begin the discussion about increasing the homestead exemption for seniors and others. So even though that was also not something that could be moved forward on within that budget cycle, that's where the discussion began and I -- I think in terms of the numbers that the staff have provided in the memo, I think it makes -- it -- it's most useful to talk about it while we're looking at, say, full departmental budgets. And the other kinds of numbers we're discussing here in the budget. So I think we'll have a more informed briefing and questions for our staff if we do it in the context of this budget discussion. >> Mayor Leffingwell: Let

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me just say, I have no objection to any of that. It's just that work sessions are always jammed and we're concerned about having briefings when the work sessions are really supposed to be for having some kind of discussion of agenda -- agenda items on the following council meeting. But that's fine with me. Understanding that -- that folks are going to probably be bailing out around noontime at the work session. All in favor of the motion say aye. >> Aye. >> Mayor Leffingwell: Opposed say no? Passes on a vote of 7-0. Now the council will go into closed session to take up one item, pursuant to section 551.0716 the government code. The council will result with legal counsel regarding the following item, item 4 legal issues related to the july 26th, 2013 OFFICER Involved shooting. Consultation with legal counsel, section 551.071 of the government code. There's no objection -- if there's no objection going into executive session on the fifth floor, hearing none, the council will now go into executive session. >> Spelman: Mayor. Before we actually unconvene, I just want to verify that our staff can go home. We will be coming back a couple of us will come back to actually adjourn the meeting after the executive

session, but we're not going to be having any further discussions. >> Mayor Leffingwell: The agenda is complete except for this executive session.