

City Council Work Session Transcript – 08/05/2014

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>> Mayor Leffingwell: Discuss legal issues related to item 138 -- 38 and 134. Now go to items pulled for discussion, item number 3 by council member tovo. >> Tovo: Thanks, mayor, this is an item to fund a contingency reserves and I want to talk about I guess just big picture question and I think this requires more discussion and I will suggest talking about in the austin energy committee. We did have a brief discussion and I think council member morrison made good points and I hope she will again about timing. But one of the things in there -- in response to the item being on the agenda, one of our community members who follows this pointed out that we also, when we approved the rate increase, we deferred contingency reserves until the contract customer expires this 2013 so I think it's a question to had whether at a time we are raising the rates to cover the power supply charge and regulatory charge we should be funding our reserves to the extent we are or whether we should be using some of that surplus to make up that charge so I prefer to have the other discussion on our austin energy committee wher can delve in to it rather today. I would ask why it's on the council agenda rather than committee agenda. >> Yes, I have a brief piece of paper, I would like to hand out about the reserves and then I have it up on the screen. Larry weis, analyst of austin

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energy and cfo is here, these are the funds and the cash with our working capital is the first one so as we earn over the course of a year, we have -- those earnings are in that fund. Then we have the strategic reserve fund, and on the chart you can see, where, by policy, where the maximum is for each one of those funds in millions and you can also see where we have three funds that are completely unfunded,

so our immediate goal is to try to get the reserve emergency filled, which we have done. The second reserve contingency is very important for our credit ratings, all of them are, but that's where we move from 130 million, we move down to 172 and have \$130 million in contingency and pair replacement we have a ways to go before the rate increase to reserve these funds but the first top is critical. The cash flow will always be there. Anyway, the very bottom is very important as well for agencies that look at us, days cash on hand, maximum is 122. We have 54 in there. I have one more slide, if I could, the next slide. It's on the back of what we handed out, this shows where our cash has trended. I didn't bring -- 2012 is not on here because it's so bad, I don't know that we want it on here, but here we are with '13 and then we have '14. You can see at the end of the summer, we have accrued cash through sales and then as we go through the course of year, that goes down and we come back up and that's where we are with our operating cash balance. That's a quick overview of where we are and I believe at the council committee in Austin Energy a while ago we did do a reserve presentation? >> Yes, in April. It was in April, and I would

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just like to say that during the rate case, the focus was on the maximums, not the minimums. We are not even in compliance with our financial policies and that's the concern we have and that's the concern the rating agencies have, so I don't think transferring money to the contingency was actually mentioned. It is all about the replenishment requirement that was set based on the maximums. And we won't hit the maximums based in our forecast until 2020, so there is still plenty of time to examine those maximums, but the minimums are not even up to our financial policies, so noncompliance with financial policies I think is more important to cure than anything, so that's -- that's really our goal right now, short-term, is to try to be in compliance with our financial policies. >> Tovo: We have been out of compliance with our financial policies with regard to our reserves for quite some time, that I recall, since the rate case? >> Since the rate case and it's one thing we talked to with the rating agencies, that we wanted to bring that in compliance and start we mending those. To continue to be out of compliance, when you have the money to go into compliance, I think is something that the rating review would see negative, they assume they have the will to maintain the compliance with the financial policies that they set. >> Tovo: So I need to get back to the point that was raised about the contingency reserves. I know you addressed it but I am not sure I understand the answer, so I would need to go back to the votes and our discussions to be very clear about whether we were talking about the minimums or maximums or whether we left it general, that we were going to wait to fund contingency reserves until our special contracts customers come online and start paying their full rates

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next fall -- I mean, next -- in 2015, next year. >> In the revenue requirements, those are based on hitting the maximums, which is the column -- which is the last column. >> Tovo: Are you saying that the agreement of the council was not to fund contingency reserves at their maximum until special contract customers came online? It was not a general -- a general direction? It was about the maximums? >> My recollection is that what we were talking about is the maximums over here, so if you look at the repair

and replacement rate stabilization and the nonnuclear decommissioning, those were the main focus. >> Tovo: I do remember those being a focus on whether or not those are necessary reserves, especially repair and replacement, the one that jumps out at me that we have a lot of discussion about whether that was a requirement that should continue, whether or not it's a policy, a financial policy that's on the books. I think we tabled the discussion of whether or not we needed all of those last three reserve funds. But I am interested in that question. I guess it sounds like I have a little research to do between here and thursday, but if we continue to keep this on the agenda for thursday. I would like -- and I think I will submit these through the q and a. I would like to better understand our special contract customers and to the extent to which the regulatory charge increases have been passed along to our special contract customers, because that is -- the regulatory charges and the power supply adjustments is what is driving the austin energy's proposed rate increase for next year. And if we are passing all of that on to our other customers, I want to make sure that it's being -- that we are doing our best to require those charges from the special contracts who are getting a subsidized rate. >> We can provide that data. We will be before you for the budget on the 13th and we have austin energy committee on this 14th. So on the 13th, I think we

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will be providing a lot of that. As we talked about on the last council meeting on austin energy, we are not yet closed with june and july numbers so our power adjustment is not final until we have that and so the 13th of august will have that. I will tell you today we have figured out a way to meet our affordability target that we have -- that you have established by policy for us. >> Tovo: Good. >> So we figured out a way to do that but keep in mind all of that is revenue. Whereas what we are talking about here is what we have already earned. Those are two different issues. >> Tovo: I understand that and I guess that was the other point that was raised to me, that we do have additional audits coming in and additional information and we are having some substantial discussion about this next week and so I guess I wondered really this was a decision best -- best made after we've had those more substantial conversations next week. Do you see any real benefit in making the decision thursday rather than a week from now? >> Well, I understand these are policy-driven issues and the policymakers and council there. I understand that. The difficulty for us, I know we have a meeting coming up with moody's. >> Tovo: When? >> Moody's, a couple of weeks and we are watching closely by the rating agencies and we will have a commercial take out. We will have to go to commercial and have a take-out probably next year and so strong ratings are important. I think our recommendation is we need to move the funds to reserves where we are within policy. The cash is the cash. In fact, if we were not a municipal utility, just a public power utility, we probably wouldn't have these different funds. They would be just really simply cash and that's really what it comes down to. >> Tovo: As I recall in asking, in some of the discussions we had during the rate -- the rate hearings, not all municipal

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utilities -- I thought I remembered that not all municipal utilities have this many reserve funds, either? >> A lot of missings don't have any -- a lot of municipal utilities don't have any generation, so or

nonnuclear reserve and rate reserve -- let me talk about rate reserve for example. The reason we created that one is because we have a year where the power adjustment needs to go higher or we put something where we want to put a shock absorber on there so by policy we can keep that to keep rates low, so in one year we do real well on sales, we might put reserves away. In one year, we do poorly, we will be able to pull on that rather than affect customer rates and that's what the different ones are designed for and when we are in a city, municipal county based funding operation, that's the way we have to do it. I think you are right. I don't think as many municipal utilities may have these funds but I haven't really looked but that would be one of the reasons to have that many different r funds because they are -- >> Tovo: Yes, I think a rate stabilization fund makes sense. The one that I recall having some difficulty -- not having difficulty, having some potential disagreement about continuing would be the repair and replacement fund but we don't need to get into that discussion here today. I think some people may ask the question, though, if we are proposing a rate increase to recover regulatory and power supply adjustment, why some of -- some of the money that's slated to go into the strategic reserve contingency reserve fund isn't going into the contingency rate stabilization fund, so we can use each of the rate stabilization fund to lower the impact of the rate increase. That is the policy decision that we could make. I am not sure that we have, you know, the time and fairness to make it before thursday, but I think we will be in a better position to

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have that discussion after next week, it sounds like. I am going to stop there. I am sure y'all have questions. I think that answered most of mine for the moment. I have another but I will have to think about it. >> Mayor Leffingwell: So what I understand, this is basically rearranging the deck chairs? >> Yes, sir. >> Mayor Leffingwell: They have no effect on rates? As a matter of fact, you just said you are going to revise your plan and come back in budget hearings to hold the 2% max? 1.9 something in change. >> Mayor Leffingwell: This is just -- 1.9. That's less than 2. That's good. But this is basically improving your balance sheet to look better for the rating agencies? >> That's right. A higher rates when we borrow money is millions and millions of dollars. Underst underst ood. Mayor pro tem. >> Cole: So are you telling us that the rating agencies prefer that our fuel and purchase power costs actually be passed on directly to the customer? >> Well, that's -- that is the common and best practices in our industry today, is that we have a power supply adjustment charge that is -- so we have rates that we set for customers, and we are not changing any of those rates. What we are having is those pass throughs, particularly regulatory charges, different states and different parts of the country have come up with different kinds of programs and other issues to pass that through as well to make sure it's a line item. So, yes, it is -- it is standard and it is expected by the financial communities to have us operate that way. >> Cole: And I thought I recalled you giving us an actual number that we saved with the financial community by following our policies so we actually got a rebate, a reduction? >> We get a lower interest rate. >> Cole: Lower interest rate. >> Fundamentally that's what we do, get the lowest interest rate possible when we have the strong financial

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interest. >> Martinez: Mayor. >> Mayor Leffingwell: Council member martinez. >> Martinez: It makes sense why rate agencies would want you to have as many pass through charges as you can. It helps you carry the debt load and make sure you pay off your debt in a timely manner. But there is no requirement that we charge our customers for fuel charges through -- >> by having separate line items, there is no requirement for that, no. >> Martinez: So when you come back to us with your new proposal f proposal to meet the affordability goals, it's going to be coming partially through a pass through charge and partially from our reserves? >> It will be -- it will be coming -- our -- all of that is based on the forecast of revenues, so our power supply adjustment itself, we are not proposing to change any of that. What we will change is how we are handling the regulatory charge. We will go into it more next week because we've had a big jump in the regulatory charge in the state. We think we can smooth it out. And since we implemented our rates we overcollected by the time we put the rates in effect and put the programs in place to spend it and so we will bring that next week and be able to explain it where we have been able to be somewhat creative and get down to that. That's based on the revenue forecast. >> Martinez: On your last line on days on cash on hand. You state rating criteria minimum is 150 days cash at hand. Of course we are at 54. The criteria comes from the bond rating agencies, or is it criteria that they are held to? >> It comes from the agencies themselves -- we are happy to distribute it. Here is one from moody's, I will cite for a second. They give you a score card based on 35% for system characteristics, 35% for financial strength, 20% for management, 10% for legal provisions, so that's 100%, so they give you kind of a

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framework, that if you go out and meet their metrics and you do it in a very good way, that they are going to give you higher ratings. The one thing that is policy -- that the policy makes up to decide is what are the maximums. What makes sense? What are the maximums and how it's used? And that varies amongst the family and the peers we have across the country. That's who they look at. They look at the peers across the country, from jacksonville to nashville, to la, wherever they go. That's what they do. >> Martinez: So I was heading with this. When we look at this data set you provided us, who are we compared to and how do they look in the current environment as it relates to their reserves? >> We have that data. We can provide that for you. We will go into a deeper live on it and we actually did some of that when we set these during the budget, if you remember. We brought some of that forward, quite a bit of data showing where the other utillies are. Some utilities have a significant amount to hold, even our policy. And I think the rule we want to talk about at this point is the strategic reserve, rate stabilization fund. That's up and down. We are having a very cool summer. We will have an impact from that. I don't know exactly what it is. But every time you have a swing in weather or a swing in other things it is nice to have that. >> Morrison: Mayor. >> Mayor Leffingwell: Council member morrison. >> Morrison: Thanks. One thing I want to talk about is when we passed the rate ordinance on the 7th of june of 2012, something we amended on the dais was to add the statement that talks about that this is based on test year data, it says to mitigate the magnitude of rate increase required to achieve this requirement, the council adopts these retail rate schedules to achieve the

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annual revenues of -- it is intent of the city council to move toward full recovery in full revenue requirements through, number one, examination of reserve policies, and other things and then it goes -- it references -- it's doing it by october 2014. And so really that went back to the fact that we had a lot of questions -- policy questions about reserves still on the table at that time and we were kicking that decision on down the road, and so it looks like -- I think it was meant to align with revised retail rate schedules by october of 2014. We are not doing that. It's going to be a little bit later. But what I would like to suggest is that we need to do this sort of deep dive into the policy reserve questions we had left on the table. I know you gave a presentation in april, and it was more of a, this is what we are doing, and the -- the issue of all of the frameworks that the different rating agencies have for all of them and comparison with different utilities around the country, those two things, as long as we can work on retrieving what those questions were that is still on the table, I think it's really important that this council have this discussion in the next month or two, so it was intended to go back to it. I think council member tovo was mentioning that, and I guess that's what I would like to see, is that we do it -- that we do that with that policy discussion and as we move on, I think we've got this discussion already and I remember seeing the different rating agencies and there is not always apples and oranges -- it is always

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apples and oranges to compare but if we look at that together and look at the questions have left pending, I think we might be able to deal with this and I think it's important that this council revisit that question so I guess that's what I would draw out there, it was envisioned that we would do that and I would like to see us do that. And the last question, what did you say about moody's [sound crackling] august 28. We aren't sure where the last meeting will be? >> The 12th? [Sound issues]. >> They are the ones that called and they have some questions. It is on the telephone. We are not making -- >> just a monitoring call. [Crackling sounds]. >> Tovo: So if we were to postpone this discussion then we can -- [sound crackling] >> the banking agencies and underwriters, these aren't monumental and these are constituting -- >> Morrison: They have you on speed dial? >> Yes, and the financial advisors to the city -- we will be prepared whenever the city is [crackling sound]. >> Morrison: So maybe we can have a discussion to do that on the timing of that at our

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next committee meeting? >> Tovo: Mayor. >> Mayor Leffingwell: Council member tovo. >> Tovo: I am sorry, [indiscernible]. >> Mayor Leffingwell: No. >> Tovo: Right now it looks like 200 million between cash and reserves, is there any -- is there any -- any law that would keep us from moving some of that money into the rain stabilization -- and I am not sure about the -- is there any reason why we couldn't use some of that revenue to help pay the regulatory charge increase? It sounds to me that may be what you are about to present to us next week, that we will be using some of our money in the cash to help -- >> we are not presenting that we will use any of our cash reserves or anything like that. It's all about future revenue more. It's more of a discussion of future revenue than it is earnings you have to date. So you take your earnings to date and you put it in your bank account and then what you do is you look at

your forecast forward, which what we are working on in the budget. And where the revenue comes from and what we will do with is the discussion we are having. >> Tovo: I see so that's [crackling sounds] so the forecast changed and you made a forecast to reduce amount you are making towards regulatory charges. >> Yes, and forecast of who is bringing the revenue in and from what source? >> Tovo: Is there any prohibition -- again, I am not talking about a [indiscernible] policy. I am talking about any other kinds of regulations that will keep us from using some of our reserves to help mitigate a rate increase for regulatory charges? >> I don't know the answer but we always have to be careful of the tuc and the state. >> Tovo: I mean, you need to keep track where the money comes from and where it goes. Is there any -- >> we have to follow our tariffs and also we have to set rates that recover costs.

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In order to do that, you can defer part of that -- if we changed the estimate and the estimate is wrong, it is still going to roll that rate into future years, so even -- you can't really move reserves in to cover those under our current tariffs because it's a true up. You have to look at your revenue and compare that to your cost and then you roll that into the rate. So if you defer some this year, it's just going to roll in to the subsequent year, unless your estimates are wrong. >> Tovo: Okay. >> So it doesn't really help to stay you are going to use cash to do that because you still look at the revenue that comes from that rate because that's the source of revenue and compare that to the costs. That's what you are always looking at and that's what creates overrecovery. >> Tovo: Thanks. I am hopeful that's the approach we are going to take which is the one that council member morrison was talking about, to do what this requires and not make this decision now, and I know there is a decision made this year to transfer 30 million into the reserves. Is that right? Did we have an agenda item on our agenda -- did we have that item on our agenda? >> We did not transfer reserves. >> Tovo: My memory it was on the agenda but either it had been withdrawn or -- >> no, I had mentioned it at several ccae meetings that we would bring this forward to you when we talked about the reserves and when we talked about the results under the new rates, so I think it has been mentioned to you that we would be bringing this forward but this is the first time we brought it forward. [Sound crackling]. >> Tovo: Anyway, I think we can address that next week and [sound crackling] me and my colleagues feel like we need to move forward.

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>> Mayor Leffingwell: Anything else? >> [Indiscernible] >> Tovo: I was trying to interpret the [sound crackling]. >> Mayor Leffingwell: Selected item number 29 by council member spelman. >> Spelman: I notice a lot of conversation in the [indiscernible] magazine the use of drones or they refer to as unmanned -- or we say unstaffed in the fire world -- unmanned in the fire world and unstaffed ariel vehicles and then there is also, with discussions on that and the fire chief that there is discussion that this is likely to be heard controversial once we actually put some of these things up in the air. It's also my impression that there are no cities or at least no big cities that actually have unstaffed ariel vehicles up in the air for operation. Perhaps there is testing right now but there is nobody operating and working with these things on a regular basis. I want to -- given that this is new, this is not something which the public has talked about, not something that the council has talked about, if you can give us a sense for, if

we pass this very early item which, as I understand, is just for discussion with texas a&m about what would -- how could this actually be of value to us, if we pass this item, what will happen? [Sound crackling] >> [Indiscernible] with the austin fire department. Basically we are in the infancy stages of trying to develop a program that will assist us in better [sound crackling] emergency response situations. This was prompted by me to my attendance at the national fire academy. There was also a study I did with the wildfire cameras

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with wild watch america. This is the second study I am doing with the uabs, and from the research I found, this technology has promise [sound crackling]. Right next to me is dr. Robert murphy, she is the doctor with texas a&m in computer and engineering. She leads a team called prazar, center phorobot ticks and search and rescue team, -- center phorobot ticks and research and rescue teams and she has a study where they use uabs and she has a small video she would like to share with us if that's okay with the panel. >> Spelman: I would like to see it now. >> I think it will give us perspective with where we are trying to go with regards to this technology, and I think the video will help to see and open up the minds as a viable tool in terms of search and rescue. Center for robotics. >> While they are booting the video up, perhaps you can answer a couple of questions while we are waiting. There is no fiscal note or no cost maximum. What if you get what is operationally and what is? >> I am glad you asked that. There is no fiscal impact. That's why it is attached to the request. Our intent on the first year of this program is to develop and study positive procedures associated with the technology. [Indiscernible] people get on

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the front end to dictate and drive technology for us in the fire service and public safety in general, it can actually be utilized for us in certain situations where the mitigation, emergency response, et cetera, and I think that it's beneficial that the technology itself understands our needs and hopefully develop the technology towards us as opposed to it being reverted. And then what system is available for nurse? What type of system is available for us? What type of robotics do we utilize? When people think of robotics they think about flying and there is maritime, going into flood waters there, so there is a slew of things this can be utilized, it has to broaden our partnership with regard to this. Is to sit down and do brainstorming with regard to this and then [on sound crackling] second year, what type of technology we need to utilize, what type of software, hardware needs to accompany this technology. That will basically help us -- that helps us understand the fiscal impact third year and fourth year we are looking at basically continued testing upgrades, et cetera, so basically this should be a four-year project that we are looking at. >> Year four knows what we are looking at and it's all right in the market and you can buy them up in the year and operational? >> Exactly. Keep in mind, since I did this research in 2013, the technology already has changed so it's moving really fast. >> Tovo: I was surprised to find how much cheaper the technology is than it used to be. You can buy these things for

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5-\$600 now. >> Less than that now. >> Spelman: I am a little blind myself. [Laughter] if we are talking about a four-year project, it seems to me that one way to ease the council on the public end of this is to cut that agreement into pieces. Saying we will start with policy, procedures and get a sense of what we are talking about, the first year stuff and then go back and describe to the public what you found out and then particularly is controversial issue, if you have a bird up there with cameras on it, who is it going to be looking at? Who is it going to be reporting information on? How can I be sure nobody is taking pictures of me naked in my swimming pool? [Laughter] I don't have a swimming pool, by the way, but I know people who do who are really worried about that sort of thing. [Laughter] never mind, never mind. How do we dissuade people's concerns that this will be for surveillance purposes that will be improper? >> Basically my intent -- the fire department's priorities are life safety, instant stabilization, priority conservation. If we have to paint these uavs bright yellow, bright red with likes on them, things of that nature, we will. I think a lot of things that we already have in our arsenal. We have the ariel ladders we can raise up 30-40 feet in the air and get a bird's eye view of what's going on and looking at your swimming pool, you naked in the swimming pool, kind of what you alluded to earlier. >> Spelman: Wishful thinking on my part. Nobody has any interest in seeing my naked. I understand that. >> But it boils down to trust and reliability. The question is, do you trust your fire department to do the right thing. >> Spelman: I think some people trust the fire department to do the right

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thing, people have a sense of what the fire department would do if they have that information. But it is concern that it's not just the fire department we are going to be using this if we are talking about using it for land use or natural resource purposes, maybe other agencies will get on this and maybe not only restrict todd the city of austin, maybe some other -- restricted to the city of austin and maybe some other federal agency wants to get in on pictures we are taking and this can get into the policies and procedures in the beginning of this stuff. I am suggesting as you are developing this stuff, you come back to council, come back to the public and say, here is what it is we are doing. Here are the restrictions we are putting on how these are going to be collected and how we are going to use them to be used for what they are supposed to and nothing else. >> I couldn't agree with you. >> Spelman: I would like to see the video if it's ready. >> Mayor Leffingwell: I want to confirm, item number 29 does not have any financial impact, nor does it have commitment for financial impact in the future? >> That's correct, sir. >> I am dr. Robert murphy with the center for robotics search and rescue. It is based out of texas a&m. We have been at, oh, I think they count us like 18 at the last 34 disasters where robots have been used at. 13 of them have had uavs involved and we have been at 6 of those and we had the first use of uavs, so we are only two groups in the world that looks exclusively about how robotic technologies would assist fire departments, fema, these types of agencies. The other group is in japan. Here is some footage at our flights at the oso mudslide. This is going to show you what a small uav, the class we are looking at, the fire departments can put in the back of suv, easily pop up and look around. You see the view. We are flying for the

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responders to see the status of the river, how it's flooding and reflooding and potentially going to slide again and cause -- cause -- this is the robot's bird's eye view -- that will cause a mudslide to the working people down range. We were able to cover 30-acres. You are seeing the 3d reconstructions with the terrain and with the video -- with the images on it to show color and stuff. So that was of extreme value to the operations people, so they could see where to put their people and whether they were at risk for further flooding. The hydrologist and geologist were using that -- it was much faster, took 15 minutes for 2d tiling to get a picture of all of the 30-acres and 30 hours on a laptop, literally while driving back to headquarters to get into the 3d reconstruction. That's opposed to 2-4 days from the usgs, who is sitting there going, this is great. We can't get this fast or from these certain angles, so we believe this technology will have a great deal of value and we applaud you for thinking how you will get ahead of the technology and the issues -- perceived issues with them. So anything we can do to help, that is literally our mission, to help you. >> If I can get information about the reporting timeline, are you thinking about maybe the end of each fiscal year, or what is your mindset? >> Spelman: Seems like you have a fairly clear schedule on what will happen year 1, 2 and so on. It seems to me if you get to end of year one, or year one, this is the year we come up with policies and procedures. Here is the policies and procedures we came up with and here is what they accomplished for us and here is what we are going to do and the end of the second year, you tell us what will happen. The annual reporting would seem to me to make good sense and if there was a substantial change in the timeline, for example, these

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things became so cheap or valuable but for some other reason had to put them up in the air because of a particular emergency, I think we need to know about that. >> All right. Around keep in mind that when we do operate, that it will be under dr. Murphy's seem and their coa, not ours. We are looking at right now how to do this, the coa and faa but all of the operations will be under her license and her team. >> I think it would be a good idea to know in advance or in realtime that we are putting uavs up. >> I agree. Most definitely, like next year when we do more prescribed burns and we hopefully fly one -- her and her team would fly one of these uavs and we would definitely notify city staff as far as what is taking place in the future. >> Spelman: Sounds like perfectly respectful use of that. Thanks. >> Thank you, sir. >> Morrison: Mayor. >> Mayor Leffingwell: Council member morrison. >> Morrison: Thanks. This looks like a really exciting project and a great use of technology and I applaud you in the work and that's wonderful that we happen to be a few miles from one of the preeminent centers for working on this. I guess I want to ask you, professor murphy, the -- in the previous use and in your experience, have people brought up the issue of privacy and figuring out how you do actually limit or give confidence to the community that those kinds of issues have been addressed? >> Privacy has been addressed and argued with quite a bit. We are seeing it come up. Can police departments point out that all of the chain of custody rules and all of the existing privacy and protection of going through that are in play, that it's really no different than a man to helicopter system, but there is, of course, the perception. >> Morrison: Right. >> And so that is a problem. We did run into that in one case. At the mudslides, we were there two weeks earlier and there was a perception that this somehow was going to

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involve -- violate privacy at looking at bodies. It's like a misunderstanding, again, with that emergency management, the operations people were very clear on how it's being used -- chain of custody was used in geology around hydrology to protect the responders but unlike what you are doing and what chief davis is doing is getting ahead in the curve and how this is -- and keeping everybody informed so you don't get those misunderstandings as a result. So, again, we are very excited about the possibility of working with such a major city that is known to be technology friendly, but at the same time, liberal. That has such a mix of urban and rural areas and anything we can do and you will be setting the stage and hitting the curve with other cities in what you do. >> Morrison: This remind me when we got into the whole process of bringing the aric on because it was about bringing forth technology with the effusion center with the law enforcement center but on the other hand policy was the other issue. And we got privacy policies in place that basically set the bar for the rest of the nation. And I am wondering if that could be a very specific task that you all work on and I know our public safety commission has an interest in that, to actually investigate what the privacy -- if we can adopt a privacy policy so that at least we have on paper what our standards are for how this data would be managed. >> Of course we have the texas privacy act that's in play right now. And with that act, there are a couple of exemptions that are attachd to the act are publish safety. Like the public pipeline, et cetera, where uavs would be allowed to be utilized in those instances. >> Morrison: Okay. I am -- I guess at least having it as a discussion and

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putting it down on paper of how the privacy with respect to this robotics will be addressed. I see chief mcdonald nodding his head he gets it, because I think that will get us ahead of the curve on that way. Otherwise we will be playing fast and furious to play catch up a year or two from now. Thank you. >> Mayor Leffingwell: Item 57. Council member spelman. >> Spelman: Very briefly, mayor this appears to be a case where there is a broad array of different kinds of responses to an r.F.P. Which we sent out which is not exactly r.F.P. Since it's proprietary information so we didn't use our usual procedures. It came back with a matrix on it that has a wide variety of responses, including some which, out of 25 points, some got 25 points of total evaluated cost. I presume that was the cheapest. The winning proposal came up, got four out of 25 points. I assume they were much, much, much more expensive and it seems in order to make intelligent decision among all of these, we had to know the actual numbers for costs rather than the points allocated. Is that something you can provide nurse. >> Good morning, I am allane, the president of power production with austin energy, elaine, and I understand the question and it really comes down to responsiveness of the proposal, looking at the individual responses. The hourly rates which were provided by each of the offers were all relatively close to what you would expect for professional services of this nature. However, the distinguishing factor for the recommended offer came down to thoroughness and completeness of response which translated into total hours that were submitted in the proposal and

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that's essentially why you see the price spread but certainly in professional services of this nature, we are looking at total best value, which includes responsiveness completeness of the offer. >> Spelman: I can imagine the following scenario. We have a list of things we want to accomplish. We write up the list. We send it out. Somebody comes back and says, it will cost you \$1.4 million to accomplish that list and we scratch our heads and we say, well, gosh it will cost us \$1.4 million, maybe we can get the most important things done on the list for half the price and that would be a better value. Reassure me that's not what is going on here. >> The responses that were provided -- and you can see it in the other categories which included corporate and professional experience, project concept and operations viability which created quite a bit of spread, as well as local business presence, those other factors were markedly different in this proposal compared to the competitive field and so I am not sure -- I will seek guidance from purchasing what little granularity we can provide at this point but I am sure we can look in detail at each proposal and evaluated not only the requested must haves, the nice to haves and ensured that the proposal that we are putting forward to you represents the must haves for the project. >> Spelman: Okay. And these were the only guys that hit the must haves. The rest of them did not have the must haves? >> That's correct. And that's why you see in the interview process, the only ones we brought in for an interview. >> Spelman: It is clear that even if these guys got 0 and the other guys got 25, they would have lost, even those in the interview? There was no point doing the prior? >> Yes, sir. >> Spelman: If you can give me total evaluated cost, it will reassure me what you are saying is accurate. >> For each of the providers.

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>> Spelman: If possible, yes. >> Can we do that? Yes, we can certainly do that. Any other questions? Thank you. >> Mayor Leffingwell: Takes us to item number 94, by council member spelman. >> Spelman: Mayor, my apologies for bringing up so many items, this is a balancing act that I didn't bring a lot of items to council. I will just review everything else and let council do it. [Laughter]. On 94, this is almost a stylistic point but it is a request I have of the makers of this item. The resolution of the end is extremely open ended. It's asking for amendment of legislative agenda to reduce support for regulatory barriers and the hence and whereases as to -- it minutes at what regulatory barriers ought to be reduced but it doesn't specify which warm f examples and I wonder if this is prepared to give us examples to barriers we could reduce without doing harm to the public. >> Mayor. >> Mayor Leffingwell: Council member riley. >> Riley: We talked about that. Mr. Flesher is here to talk about that. Part of that is there are a number of things that having going on and in continued efforts. The work is continued to some extent. We of course will see the legislative agenda another time before the session comes up so we will have an opportunity to visit then. But I wonder if you can speak to this issue and what you would see as -- how would you interpret the direction about just amending the legislative agenda? >> Right. First of all, we realized -- darrell slecher, assistant for public water. Some of them isn't

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particularly public safety like the back flow requirements so I don't see pdr recommending to move on that but there are things like the surge tank that is required, we might be able to change that, and some

of it does have to do with public safety like back flow and council member's riley, we will go through and see if there are changes that doesn't compromise public safety and water uses and we will put that in the plan and council member riley, as he said, they will come to the council and y'all can decide then whether you want to move those forward or not. >> Spelman: So we would get to the point of not exactly drafting a bill but drafting at least very specifically what changes we would like to see? >> That's correct. That would have been vented through the water utility and planning and development review and possibly the health department as well. >> Spelman: What timetable do you have for that? >> We will try to do that by the end of september. I think -- is that what you are adding to the -- I think that will be added to the rest of -- well, actually, that was a previous incarnation, we can do that by september, by the time we will have it in the legislative program by the time you review it. >> Spelman: Okay. We usually review the legislative program early in the next fiscal year. Probably would be october? >> That's what we anticipate. >> Spelman: Okay. Council member riley, would you be willing to add a couple of -- make some amendments? >> Riley: Sure, if I could, we have a couple of examples in whereas phrase, but we mention storage tanks and pressure tanks with the rain water that are not connected to the system but we can work with darrell to flesh that out if it will make you more comfortable. >> Spelman: Two things would make me comfortable. One is admission, of recognition of public safety and public health, putting some of these barriers are

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appropriate and we will take that into account when we talk about which ones we want to reduce. Second, this will all become more specific and get back to our boards and commissions before the end of september so that we can have a more specific ask in the legislature in the legislative agenda. >> Now, I didn't say that we would take it all to the boards and commissions. >> Spelman: I misunderstood you. Sorry. >> We have the auxiliary water study that was done. That is going to start going to the boards and commissions on august 13th. We are going to five different ones so y'all will probably get that during october sometime. But what we can do is determine what we would recommend to go into the legislative program regarding state law and as we go to the boards and commissions, we can add that as part of our presentation. You can get feedback from them in that way. >> Spelman: Absolutely. I would suggest the boards and commissions actually come up with this stuff. That's actually staff work and I prefer that you come up with the ask. >> Okay. But we will present them to them in that format that I've talked about. >> Spelman: Okay. >> Riley: Yes, and, mayor, we have been adding some language related to the health issues that you've raised and we will get that circulated. >> Mayor Leffingwell: Okay. >> Spelman: I am a happy guy, thank you. >> Mayor Leffingwell: I actually made that suggestion myself, that we make sure whatever we ask for in the way of relief under state law is consistent with public health and you said it might be a good idea to go to the health department to vet these items. I think it would be sort of mandatory. >> I probably shouldn't have said "might." I realized that when it came out of my mouth. >> Mayor Leffingwell: All right. Council member tovo. >> Tovo: There are several water related issues on this week's agenda and so this item is really dealing with the legislative changes, and then there are two items that are dealing with the work you referred to, the auxiliary -- the auxiliary waters report and the work that staff is already doing. Just to be very clear, the resolution that I am bringing

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forward with council member morrison, number 90, and mayor pro tem cole, acknowledges that this work is already the work that the staff are doing to look at whether the city regulations can be reduced is already ongoing and you scheduled that with boards and commissions for august 13th. >> That's correct. >> Tovo: So that's in progress and coming to us. The task force had said I think the staff should go forward -- the language suggested that the staff should go forward and do this. The staff is already well in progress of doing that. In fact, it will be coming to us. It is already slated to come to us? >> I have been waiting on that, yes. >> Tovo: Okay. Because that also relates to one of council member riley's resolutionses well, -- as well, which is number 5 about reducing regulatory barriers? >> That's correct. >> Tovo: Okay. So we should be well covered in terms of reducing regulatory barriers because you have already begun that work and we are asking you to bring it forward in a timely fashion? >> Both on the local and the state level and with public -- we -- I directed our staff to never compromise public safety but to be reasonable and flexible in trying to find ways to -- to build and use auxiliary water more, especially with the situation with the drought and the on -- with the water demand. >> Tovo: In fact, that was an addition that was in 90, we've asked -- or we've asked the city manager to work with the staff to make sure watershed protection's perspective is also taken into account because it is my understanding they would also like to have input in the reclaimed water use in the critical water zone in the 100 year floodplain? >> Yes, we are working closely with them on that. >> Tovo: Good. Thank you. >> Mayor Leffingwell: Item 101.

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Council member morrison. >> Morrison: Thank you, mayor. This is ifc from council member riley and mayor pro tem cole about tiny houses, and looking at regulatory barriers to tiny houses and so I have a couple of questions. I am not sure we have staff here, for both the sponsors and staff. The first thing I wanted to do was to point out -- in the second where as, the second one it says the city council has approved resolution in support of reducing regulatory burdens on the development of microunits and accessory dwelling units and we actually did not approve resolutions in support of those things. What we did was the council did approve resolutions initiating code amendments, and the difference there, the fact is part of this should be, should we initiate code amendments, should this be a part of discussion of code next. The answer was we are initiating code amendments, we aren't actually adopting these things and want discussion. I would suggest the language for that "whereas" should be corrected to say council recently approved resolutions initiating code amendments. And so ... >> So the language can be initially approved amendments initiating code amendments aimed at reducing regulatory amendments. >> Morrison: Yes. >> Riley: I will make that change. >> Morrison: And I was going to ask about -- maybes this open point. One of the whereases on the

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bottom of first page mentions code next, code revision process and says helping the barriers with tiny

houses can help the code revision process. I appreciate that. To me, if this is one more type of housing, you know, I am open to us making sure that we are comprehensive in discussing all sorts of things in the code next process. Process, which I thought would be the be it resolved was going to say, but, in fact, when you get to the be it resolved, it is asking staff to come back with recommended solutions to make them legal and viable, so I would -- so I guess my question is, is the intent to integrate this discussion in to code next, or is the intent to actually try to figure out some action to takeout side of code next? I guess the question is: Why doesn't it say -- why doesn't it, for instance, direct the city manager to identify those obstacles and integrate the possibility of tiny houses into the discussion of code next? >> If I may, mayor pro tem. >> Cole: Council member riley. And I agree. Go ahead. >> Riley: If the recommendation -- if the recommendation comes back saying we should address this in code next, then we can certainly consider that then. On the other hand, if there are quick and easy things that we can do now without waiting until the completion of code next, then that would be something to consider as well. I think we just -- there is really no reason we need to make that decision at this time. We certainly will have the opportunity to consider whatever recommendation staff comes back with. >> Morrison: I guess my concern is that if there is a small tweak that opens the -- all of the neighborhoods up to tiny houses on wheels being -- that's a major shift in the way we do residential and I think that's the kind of conversation that really should be part of code next,

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and so my preference would be to see us direct the city manager to do the work to get it integrated in code next so we can see it in the broader scheme of things without making -- even considering a major change like that, like right away. >> Cole: Council member riley. >> Riley: This -- nothing we do with this would make -- would enact any major change at all. This would simply be saying, bring us back whatever recommendation staff deems appropriate and we will consider them then. And if it's the case that there are changes on the table that could have very significant implications for neighborhoods and really ought to be dealt with in code next, we can certainly consider that and act accordingly before taking any action. Operate f there are minor adjustments -- if there are minor adjustments to simply clarify the code, one way or orthe another, that it is conceivable that there could be changes that don't require waiting several years, but that -- and I don't know what those would be. [One moment, please, for change in captioners]

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>> Morrison: I'll hold off on that. That way we could judge even if there's a small change to make them viable if there's a big impact to making them legal, I would prefer to have them discussed in code next. Whereas if we have a discussion that says there would be no impact on neighborhoods and it's a small change, then that's a different story. But that would require asking staff to come back with an assessment to make them legal and viable. >> Riley: I would be glad to add language emphasizing we would want staff to consider potential impacts on neighborhoods and consider whether any changes might be -- any significant changes might be more considered in the code next project. I just was giving staff some -- doubt on that that I assume they would take that into account but I would be happy to

make that clear. >> Morrison: I would appreciate that because that way it would be clear to me and other readers. >> Riley: I would be glad to add language. >> Morrison: This is for you, mr. Guernsey, I see the report back date is september 15, which sounds extremely aggressive. That gives you what, five weeks to do the work? And I guess my question is how do you feel about that date but also what's not

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57600 electricity. If they are free-standing units that would be used on lots for permanent basis, then you are actually looking at two dwelling units. So then the question of zoning comes in as well. There are some building code items for permanent hookups for utilities and there's zoning items if this candidate has a second unit, but if they actually stay on a trailer, there probably would be less regulation except for maybe where they are located and how they would temporarily hook up. >> Tovo: Okay. Thank you. >> Mayor Leffingwell: Okay. 103, back to councilmember spelman. >> Spelman: Thank you, mayor. 103? >> Mayor Leffingwell:103. >> Spelman: One of the issues was similar to the issue I just raised on 101 by councilmember morrison. The resolved on this item looks to be the very complicated. You are asking for the staff to review plans and identify strategies that might benefit the urban forest outside of just the public urban forest but also the private urban forest. Collect data on the urban forest, develop recommendations for a score card, identify educational opportunities and review rules and regulations. Seems to me that's what the study needs to do. And if this is a preliminary study to see what it's going to take in order to do the real study, that seems to me this is stuff which ought to be part of the study but we would benefit from more preliminary review give us a sense how can the schedule is going to be to do among other things all of this stuff. How long it's going to take, how much it's going to cost. But I assume michael is right here. Explain to me exactly how much this is going to -- how long is this going to take and how long it's going to

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cost to do it. Does this seem to be something reasonably done in with the staff you've got in the next 20 days. >> Good morning. I think it's a valid point in the fact there should be some clarity in the wording on the item that you mentioned. Meaning that the -- the report to council within 120 days needs to assess the framework of the proposed urban forest comprehensive plan, the budgetary requirements that are needed to do that. The items that are bulleted are those items that we should be considering when we developing the framework. We won't be providing that information within 120 days. >> Spelman: Oh, okay. >> I think possibly for clarity purposes, by just inserting the word "consider" at the end of the -- or just before the semi colon can help clarify the understanding of what's to be expected in 120 days. >> Spelman: So in 120 days, you'll have a scope of work set up for us with a schedule with a fiscal note with a work plan and it's going to be a work plan towards developing a report that has a review, data collection, recommendations and so on. >> That's accurate. >> Spelman: Okay. I don't -- I understand what you are trying to accomplish and I don't believe that's exactly reflected in the words here, but I'm all in favor of that. It seems to me 120 days to come up with that kind of schedule and work plan to develop all this stuff is perfectly reasonable. Mayor pro tem, I believe this is -- you are the primary sponsor of this item. >> Cole: I am. >> Spelman: Would you be willing to -- I'm not sure whether

we can talk about this between now and thursday or not so may have to talk about it now. It was not clear to me that staff was going to be tasked with developing a scheduled

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work plan and so on for a report that would include these elements. It was my impression they were expected to do all this stuff in the next 120 days. >> Cole: No, we intended to give staff more time and this actually came from some of the parks and rec, but I -- >> Spelman: We can visit about that and get the words right so we're all on the same page what it is mike will and staff are going to be tasked with doing. >> Cole: Yes. >> Spelman: Okay. >> Mayor Leffingwell: Councilmember riley. >> Riley: I believe my office has visited with your office about joining the item. I'm not sure, but some conversations may have taken place. >> Cole: Okay. Thank you for reminding me of that. I thought it was only councilmember tovo. Councilman spelman, within the first clause in preparing a report for the city manager, what other language are you concerned about? >> Spelman: I'm not prepared right now to come up with language changes. I can do that in the next couple of days if that would help. >> Cole: Okay. >> Spelman: Mostly what I would like to do is to make -- make it clear that our urban forestry staff is supposed to come up with a work plan and budgetary requirements for a report which will include the following elements. >> Cole: For a subsequent report. >> Spelman: For a subsequent report. >> Cole: We can work with staff. >> Mayor Leffingwell: Councilmember, you have on thursday offering alternative language. >> Spelman: I was hoping to avoid that, mayor. >> Cole: I think we can do

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it. >> Spelman: It sounds like we have a meeting of the minds. >> Mayor Leffingwell: It's just a possibility. >> Spelman: Actually, that would work fine. >> Mayor Leffingwell: Why we have a couple dozen items related to the urban forest management in the last couple years. Probably lots of material to draw on. >> Indeed we do. >> Mayor Leffingwell: Okay. Item 111, councilmember spelman. >> Spelman: The be it resolved on this one has an exception. It's incorporating the recommendations of distracted driving study group which I've read except for the inclusion of pedestrians which I didn't see in the recommendations. I wonder if somebody could explain what's going to be accepted from the recommendations. >> Mayor Leffingwell: Councilmember morrison. >> Morrison: I know that councilmember martinez is the main sponsor and I'm a co-sponsor. I think -- I think there was a recommendation that came in that would ban walking while texting. >> Good morning, mayor, council. There were discussions during this work group's progress through the months that we looked at this issue. However, we realize that we were put together to look at the issue of distracted driving. And so the recommendations that were put forth for your consideration are not applicable to pedestrians. Permanent special they would, however, be applicable to bicyclists; is that correct? >> Yes, we are recommending they be applicable to bicyclists but not pedestrians. >> Spelman: That's my understanding. One other issue, I understand that there is a split among people who have been considering this as to whether or not texting while stopped at a stoplight should be permissible arrest not. I wonder if you could shed light on that. >> That generated a significant amount of discussion both within the

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work group and the public safety commission. At our meeting in June, the commission put forth a request to the work group that the proposal only address vehicles in motion. I brought that back to the work group. Through discussions the consensus of the work group was that it should apply to any time a motor vehicle is considered in operation whether it be in motion or stopped at a traffic control device, stopped in traffic. So the recommendations put forth for your consideration reflect the consensus of the work group; however, the public safety commission, we met again last night and they readdressed that issue because we had a commissioner that was not present at the June meeting, and they reversed their position from the June meeting and they are now in support of the ordinance updates as you see reflected. >> Spelman: The public safety commission was concerned about stoplights. They are no longer concerned about stoplights. They think it should be illegal to text even while stopped at a stoplight. >> Correct. >> Spelman: I had not heard about last night's correction. >> Just occurred last night, yes, sir. >> Mayor Leffingwell: Was that unanimous? >> No, it was not. The chair of the commission still believes it should only apply to the vehicles in motion. >> Mayor Leffingwell: From your perspective, as you are involved in public safety, what's wrong, what's the problem with giving an exemption when somebody is stopped at a stoplight? >> The only issues that would come up would be if an individual was texting, not paying attention, they were the lead vehicle at a stoplight. When the light turns green, obviously they sit for a few seconds, the car behind them beeps to get them to move. If they were to actually engage the vehicle and start moving before they have reassessed the driving front in front of them and there was still a pedestrian or bicyclist crossing the roadway, could be a problem. We discussed that weighing

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that against the times motorists are stuck in highways due to crashes and the need to potentially text a family member to pick somebody else up or notify folks they are going to be late. That was a lot of what the discussion surrounded was the level of danger that texting while stopped would present compared to some of the needs that you might actually have based on the circumstance you find yourself in. >> Mayor Leffingwell: In the current draft, you would have to pull off the road, put your vehicle in park? >> Correct. >> Mayor Leffingwell: I'm a little bit concerned about that part of it because it's going to be a significant cultural shock to the city and probably any other city, and if there's any way to mitigate that cultural shock such as allowing people in a vehicle not in motion to be able to quickly glance at their phone or whatever you have to do, I think we should consider that. That's just my personal opinion. >> And Mr. Mayor, there are ordinances that address this issue in that fashion. They only apply to a vehicle when it is in motion. And so there are ordinances in other cities that actually include that. >> Mayor Leffingwell: Bans on use of personal devices while the vehicle is not in motion? >> There are cities that address it in both manners, some have a complete ban, but there are some that address it in the manner you just suggested, that it only apply to a vehicle when it is in motion. >> Mayor Leffingwell: What is the preponderance? >> I don't know if I could give you a preponderance on all the different laws because there are state laws so it's right sizing this for Austin and the technology -- the technological

savvyvness of our residents. >> Mayor Leffingwell: Councilmember morrison. >> Morrison: Thank you. You know, I think this is an interesting conversation to be had and I wanted to mention that this asks that

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we actually -- that the staff actually draft the ordinance. And so I think that either way we're going to have another three weeks to be able to talk about that issue and discuss it and I think it's a valid question to -- valid question to be asking. I agree it will be a cultural shift. This cultural person will have to change because I do text at stoplights. But I see the point and it's not just the lead car. The lead car would have a special situation in terms of the safety risk, but a lot of times you will see cars stacked up behind the fifth car that's just merrily looking at their phone. >> Correct. >> Morrison: But I do think it's - I agree we need to have that discussion. >> Mayor Leffingwell: And you know, it does get us into the irrelevant extra of distracted driving. I've seen people reading a novel driving down the road and I would suggest that might be just as distracting as being on the phone. Although I'm very sensitive to the fact that every day all of us when we drive on the streets of austin we see somebody doing something a little bit weird and they are looking at their phone while they are doing it. So I can understand the safety imperative for it, but I think we need to be careful and have a more indepth discussion and hopefully we'll have that over the next few months. Councilmember spelman. >> Spelman: Thank you. We are used to thinking of wireless communications devices as being cell phones, but I think gps could be construed as a wireless communications device. It's wireless and it communicates. Is that our intention that gps would be included? >> Yes, we are proposing a definition of a hand-held wireless device in this proposal and I would imagine our legal staff will further the nonlegal reference that we gave, but it includes

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devices beyond smart phones. Mp-3 players. In the area of the gps devices, there would be a restriction on any gps device hand held such as a smart phone. If you have a device affix to do the vehicle or your smart phone mounted to the vehicle or several commercially available products by companies, I won't name them, but several companies gps if they are mounted to the vehicle you would be allowed to use those. >> Spelman: But only for gps purposes. If it also did something else, I couldn't do it for anything else. >> Correct. >> Spelman: I think I understand where you are. One of the things that I saw this just yesterday, somebody was stopped at a stoplight right next to me on cesar chavez working with a gps while they stopped, no doubt trying to figure out where they were going to go. The light turned green, they drove forward. I could come up with a scenario where it would be more dangerous for traffic if this person were not able to use their gps or trying to look for a parking space than simply be able to do the two or three seconds of stuff necessary while stopped at a stoplight. I could call this one either way, but I look forward to seeing the ordinance however it comes out. >> Great. >> Mayor Leffingwell: Fixed to the vehicle for gps does that mean a permanent part of the vehicle, integrated into the vehicle or perhaps one of these stick-on -- >> all of the above, the stick-on device as long as it's a permanent fixture, personally attached, yes. >> Mayor Leffingwell: Councilmember morrison. >> Morrison: In terms

of the definition, I know the attorneys have been working on legal language and that's why they seem to be comfortable with this quick turn-around to bring the ordinance. Do you know the definition? Is it going to be a wireless communication device or an electronic device or because -- you know it's being suggested because those are significantly

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different. >> What the recommendation said is that the new ordinance should make it illegal to use a portable electronic device. And then it defines the portable electronic device, I can go through the ones that we came up with. >> Morrison: That's fine. So it takes out the issue of whether it's wireless or not and whether it's used for communications or not. >> Correct. You are watching a video, that would be even more dangerous than if you are dialing a phone number or reading a e-book or something of those sort. >> Morrison: Were there any exemptions for medical devices or used? >> We exempted emergency communications. Our proposal is exempt emergency communications, individuals calling 911 to report an emergency, a crime in progress, traffic crash, things along that sort. We are proposing that first responders that are making emergency phone calls in the line of their duty would be exempted. We did not specifically identify an emergency medical device and I believe we could work with legal to craft it because that would fall in line with our belief that if it's an emergency use, then it would be exempted. >> Morrison: Okay. I'm just wondering about an insulin pump. If,. >> Sure. And it would not be the intent, but I feel I can speak for them to do anything that would impact someone's medical condition. >> Morrison: Maybe we'll talk to bianca about that. Thank you. >> Thank you. >> Mayor Leffingwell: Last item on the list, item 111. Councilmember spelman. >> Spelman: Briefly, mayor, there are two ways we have studied the economic impact of vision in the past. The most -- industries in the past. The most frequent is hire someone to do a relatively complicated study of the industry and its impact on our economy.

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The alternative is to have this be done in-house with our existing staff. Seems to me this is a really good argument, this is a good case for something ought done in-house by existing staff rather than something that needs to be done out house. I had that stuck in my head, now I've said it, by some economist hired for this purpose. Is this something -- I wanted to have a conversation with somebody from economic development if possible whether or not we have the staff who is able to do this sort of study. >> Good morning. Assistant director with economic development. We have been working with constituents from the fashion industry and we do have some in-house staff that could work on this, but we would also reserve the right to defer to an economist such as john hockenyos if needed. >> Spelman: The way it would work, you would pursue this for a while and if you ran into a barrier or found things you needed help with we would bring in hockenyos to help complete the study. >> Exactly. We have some best practices we've been exploring since this has come up so we would request to reserve the right to defer to hockenyos if we get to a point that we can't finish it. >> Spelman: This would start off as your study and probably would not require as much time and effort on hockenyos' part on texas perspective's part as it would if we started off with it being theirs. >> Exactly. >> Spelman: Do you have a sense how much

this is going to cost and how long it's going to take? >> Four to six months because you want us to

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us to undertake the study. I'm a little puzzled about stipulating the ways and means about how we go about actually carrying it out. I'm puzzled by that. >> Spelman: My concern is that I have two -- I have a variety of concerns. Two of them. One of them is cost. It seems to be this is the sort of thing which could be done expeditiously by our own people, much more cheaply by people we already have on staff than by farming it out to someone else. And I'm concerned about the costs, particularly since there are so many items from council that we are putting before you. There's so many demands we are making of our staff in this particular meeting. As there generally are on any given thursday. I know it's one of your favorite phrase, we can require a whole lot of stuff. This is an opportunity to put the limits on requirement but still getting a vast majority what we need. The second issue is that every time we farm something out, there's an opportunity for us to learn about how to do that sort of thing that we have missed. And this is a good opportunity for us to learn how to do studies like this in a place where we actually would know as much as john hockenyos or any other economist, doesn't seem to be an easy study but our staff would experience from this, talk to the participants in the industry. We would learn a lot more that the industry would be useful if we chose to use that industry as a key part of our program downstream. >> Yeah, I'm certainly concerned about many of the things that you indicated. Certainly the cost in the larger context about costs ASSOCIATED WITH IFCs IN General given the number we have. However, there is a larger concern that I have in general about, you know, in receiving policy directions that supplemented by stipulating the ways and weans by which we go about doing it. And so I'm not quite sure

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how to respond to that. I guess I don't want that to be any kind of a practice that we're giving policy direction and then stipulated to the extent of being told what resources to use to get it done. >> Spelman: I would be comfortable with permissive rather than restrictive language so it was clear this could be done all or partly in house but not requiring that it have to be that way. So long as there's a understanding this is your best guess it ought to be done in-house at least until you run into a barrier. >> I think that's better. I think that's why she was trying to reserve her right to use whatever resources necessary. I could work with that. Again, to emphasize the larger point with the rest of the councilmembers just for future reference in REGARD TO Cs. >> Mayor Leffingwell: Councilmember morrison. >> Morrison: Maybe one way to deal with this would be to add a whereas that says something to the effect of a study like this could be initiated in house and doing it in house could have the benefit of costing less, promoting, you know, involving the expertise of our own staff or something like that. Would you lookic to -- would you like to draw something like that and post it on the bulletin board? >> Spelman: I will be happy to do that. >> Morrison: I will calm with councilmember martinez before wednesday so we might be able to post it as revised backup. >> Spelman: You are delegating it back to me is what you are telling me. >> Morrison: I am. >> Spelman: In this case I can put up with that specifically because I don't have anything else I'm pulling. I got out of this almost scott free. >>

Morrison: Well, I'm glad not scott free. >> Mayor Leffingwell: Okay. Those are all the pre-selected items. We'll go to our briefing on the presentation on the impact of providing a

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homestead exemption. >> Good morning, mayor, mayor pro tem and members of the council. Ed, dependently cfo for the city and this will be a abriefing in response to council resolution passed on june 26 asking for staff to do analysis on the impacts of the potential of the city implementing a homestead exemption. We provided a memorandum to council on july 30 in advance of our first budget work session and this presentation largely reiterates the information that was contained in that memorandum. First of all, just some parameters in regard to state law says that any taxing unit can establish a general homestead exemption of up to 20% of the property's appraised value but it does establish a floor of \$5,000. This \$5,000 thing only comes into effect a very small percentage exemption. So for example if you are to look at austin community college, for homes less than -- a \$100,000 home would normandy get a \$5,000 chemistry, but this says at least 5,000. That's where the floor comes into play. To be eligible, the resident must have ownership interest in the property and must be an individual. So corporations and business entities need not apply and the home must be the individual's principal residence as of july 1st of the tax year. Really critical for the conversation we're going to be having today is that the taxing unit must decide before july 1st if they are going to offer a homestead exemption, therefore given that we're past to life first any action co took would not go into effect until 2015. The wrong one up. He's got the wrong presentation but I'm going to keep going.

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The presentation that you have before you, the next slide shows what the other taxing entities offer. We looked at our pierce city, city of dallas, city of fort worth, city of houston, they offer 20% homestead exemption. City of san antonio does not have one and locally travis county and central health both have a 20% homestead exemption. Acc has a 1% exemption that I mentioned earlier and the school district has a state mandated \$15,000 flat exemption. That's not -- that particular exemption is not something that's offered other than to a school district. And so taking a look at the impacts of a homestead exemption, we are using certified data, the most certified tax information we have is from fiscal year 14. Don't have one yet for '15. And we are running the numbers at the tax rate that's been proposed for fiscal year 15. I just caveat these numbers would differ when this exemption went into place if it were to go into place. The numbers would differ when it actually went into place for f.Y.16 depending upon what the number of properties that were homesteads and the value of those properties and the tax rate that the council approves would affect all these numbers. But this will give you a ballpark sense of the magnitude we're talking about, that at 20% exemption we would be projecting a \$35.6 million drop in revenues. And an annual savings of \$189 to the owner of a median valued home. I think that brackets that, the high end of what the exemption could be, then on the low end if council were to offer a very, very small percentage triggering the \$5,000 for for all intents and purposes, we would be looking at a \$3.1 million drop this revenue and annualization of \$24.05 to the owner of a median valued home. Those are the three slides. It reiterates the

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information we provided to council via memorandum last week. Coal cole thank you, ed. I appreciate your comments. I had a quick question and if you can tell me, when you do this presentation, I know that your calculations are based on the median household income. But can you tell us what impact either one of these exemptions would have on a renter? >> The exemption does not apply to rental properties. It only applies to a home that you own and that is your principal residence. If you are renting a home, you don't benefit from the exemption and the landlord of that property also doesn't receive the exemption so they would receive -- >> Cole: Landlord is considered a commercial property owner so he can't pass that on -- >> there is nothing to pass on. >> Cole: He's not within the category of a resident. >> He would receive no savings so there would be nothing to pass on. >> Cole: I think councilmember tovo is next. One second. Councilmember morrison. >> Morrison: Okay. Thank you for this. So you've talked about revenue decrease that we would have and, of course, there's two ways to make that up. One is to cut your budget and services and the other is to raise the tax rate. So that I wonder if we could talk about if we wanted to make up a 20% exemption by raising taxes, what that would look like in terms of what we would have to raise and if there would be a difference in impact to the homesteaded property and the non. >> And there's, you know, a huge number of scenarios we could run here, but we did anticipate that question and so we did run those numbers. So, you know, we talked about in the slight that at 20% legal of exemption it would be \$36.5 million revenue loss and roughly \$189 saving to that typical homeowner. If the council wanted to get all of that revenue back so

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there was no impact to service delivery, we would need an increase this the tax rate of 4.03 cents. So basically a four penny increase in the tax rate would get you the roughly \$36 million back. One important point there though is that would be about three pennies beyond the state defined rollback but you would open your elf up to the risk of a rollback election and the electorate choose to go roll that back to the rollback level. If that was the path we went down, it trusts savings to that typical homeowner. They get a 20% exemption but at a higher tax rate what's the net effect? 125.64 would be the annual savings to that typical homeowner under that scenario. Instead of 189, 125. And it shifts the tax burden over the commercial properties. The median valued home is \$196,500 so we ran the numbers in regards to for every \$196,500 of commercial value, how much more do they have to pay to basically off set that revenue loss. That's \$79.19. That then all circles back to councilmember cole's question how does that affect renters and, you know, I think the likelihood is over some period of time that increased tax burden to the landords of those properties would get passed on to renters. How long that takes is -- would be some economic analysis would need to be involved to try to guesstimate that. But I think it's probably safe to say those increased costs to a landlord would be passed on to renters. >> Morrison: I guess a really difficult thing to nail down or get a grip on in the scenarios you are talking about, you mentioned for a commercial property that costs \$196,000, but I guess my question is what's the distribution of appraised value at

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commercial properties and what's the average, what's the median. They must be all over the maps. We have commercial properties valued over a billion dollars in the case of Samsung and some that are valued less than 100,000. [Captioning temporarily suspended]

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I would think sometime early to mid September we should be able to report back to council. >>

Morrison: That would be great if just based on this request you could go ahead and do that because I think that would be interesting information for some of us to grapple it and if we would want to pursue that as part of our legislative agenda. It could allow to balance the different forces we're trying to deal with here. >> Cole: I agree. Another item that I want us to try to form some type of analysis is we had a considerable discussions about preparing a challenge petition to the appraisals. And I think a lot of times we might assume that the property tax rate is what is driving up the property taxes, when in truth it really is the appraisals. And I'd like to be able to look at that over, I don't know, the past three-year period that in three to five-year period the increase in appraised values and what that actually did to the property taxes on an average home versus what the tax rate that we assessed did. And then we could be able to also look at that in terms of what an exemption would have done. Because -- I'm wondering your opinion on this, Ed, because I'm thinking that the driving force for affordability and property cumulative is the appraised rate and not the exemption. >> Everybody pays the same tax rate. That applies to everybody. But the appraisal process is specific properties so some properties might go up 2%, some 10, 20. Some 20. From an individual taxpayer's perspective it is the appraisals that probably

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have the most significant impact on their individual tax bills. We could certainly look into that and try to provide information back to you as well in regards to how the tax rate is impacting people's pocketbooks versus the appraisal process. >> Cole: Thank you. Councilmember Tovo. >> Tovo: Thanks very much for providing this information. I think it's useful so thanks for pulling together this information. I have a few questions. I apologize if it's in some of our other information. When the other entities adopted their homestead exemption, for county, how long is their 20%? >> We can get you the dates. It's been some time. >> Tovo: Did they go from zero to 20 in a year gradually, what that transition was like. And I think I heard you cite a number of homes it was it 130,000? >> Yes, roughly 130,000. >> Tovo: And I think I heard you say that you get that as aggregated value. What I was interested in knowing is what that distribution looks like. >> Right. >> Tovo: Is that the information you don't have at this point? >> We don't have that right now. We just have the 130,000 total homes and the total value of a 20% exemption would be this many billions of dollars and then from there drive out the revenue loss that would incur. We're going to be requesting more aggregate data so we could do simple statistics and report back. >> Tovo: That would be helpful. This gets to the information that Mayor Pro Tem Cole was asking, but, you know, one consideration is that while we know the figure for, well, sort of, I mean we know what the figure would

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be were there one in plays with this year's data would be 35.6 million using this year's information. But what that would look like five years from now is really a guessing game. So if there were a council that adopted a 20% exemption, you would have no way of knowing what that would look like over the next half decade, decade without some guessing about what those valuations -- >> and the tax rate. >> Tovo: Right. And the tax rate. And so were there -- is the exemption something that has to be decided on every year? Let me ask it this way. If -- if a council adopted a 20% exemption, could they decide three years later to remove it? Is it an annual -- is it something they have the ability to do on an annual basis? >> They do. >> Tovo: Not that I'm suggesting that as a policy direction, mind you, I just want to know. Because you can't predict property valuation increases and that -- the maximum -- >> before July 1st they would have to elect to change. >> Tovo: Okay. Thank you. So just think about that number of 35 million as councilmember Morrison said, there would be two ways to absorb that revenue loss. One would be by increasing the tax rate. The other would be by cutting services. And am I right in thinking that our library budget is about 21 million? Municipal court about 15 to 17 million? >> That's right. >> Tovo: So 35 million would be a substantial amount of revenue to make up, lost revenue to make up within our budget as it stands now. >> Very much so. >> Tovo: Okay. There was a line in the -- in your memo that I wanted you to address, if you would. Actually we've covered it. Okay. Thanks, Ed. >> Cole: Any further questions? Councilmember Morrison. >> Morrison: I just wanted to remind everybody that we did last year work on the

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senior and people with disabilities exemption and that had language that the same rate for a long time and we discovered we really need to be thinking about that way ahead of time. And so we have -- we asked you all to not only did we raise it from 51 to 70, but we asked you to help us by figuring out a way we can pay attention to it every year. Can you remind us of the time line and how you are planning to do that? >> Really probably the drop dead date for having that DISCUSSION IS MARCH 31st. Really not for having a discussion, for getting the information to TCAD would be March 31st so any increase or change in that exemption could be reflected on the appraisal notices that get sent out in April. We're going to be having that discussion with council, you know, middle of February to middle of March we would want to get agenda'd with council to talk about increases in home value and what change in exemption would need to occur to keep those homeowners held harmless relative to increasing property values. We would be running those numbers every year and report back to council in February and then see if there's a desire from council to increase the exemptions. >> Morrison: Great. Because it requires looking at estimates and projections. You don't have real numbers at that point, but that's the name of the game, we want to be able to do it in a timely fashion so people would know when they get their notices. >> That's right. >> Morrison: Even though we have until July 1. >> We could really delay increasing the over the 65 could be delayed past July 1, it's just a matter of the later you get so then it wouldn't be reflected on the appraisal notices and if you wait too far, you could potentially, you know, we might have to change the billings that are done by the county. So there's not a specific deadline maybe other

than --

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well, I'd have to get back to you. IT'S NOT JULY 1st. We could put that decision PAST JULY 1st. >>

Morrison: I was surprised to see as part of our budget adoption in the past, we've been adopting the \$51,000 to sort of by rote. I think it's great we've got it built into the system to always be paying attention to that so we don't listening wish for another 30 years. Thanks for your work on that, ed. >>

You're welcome. >> Cole: Thank you, ed. The city council will now go into closed session to take up two items pursuant to section 551.071 of the government code, the city council will consult with legal counsel regarding item 134, legal issues related to THE JULY 26, 23rd OFFER Involved shooting, item 38, approve settlement of a claim from alexandria glad knee related to the july 26, 2014 officer-involved shooting. Without objection, we will now go into closed session.